Norfolk County Council

# Policy and Resources Committee

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| Date: | **Monday, 28 January 2019** |
| Time: | **10 am** |
| Venue: | **Edwards Room, County Hall, Norwich** |

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

**Membership**

Mr A Proctor (Chairman)

| | |
|---|---|
| Mr B Borrett | Mr R Oliver |
| Ms E Corlett | Mr G Plant |
| Mr S Dark | Mr D Roper |
| Mrs M Dewsbury | Mr E Seward |
| Mr T FitzPatrick | Mr B Stone |
| Mr S Morphew | Mr M Wilby |

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

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# A g e n d a

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

**2. Minutes** **(Page 7 )**
To agree the minutes from the meeting held on 26 November 2018

**3. Members to Declare any Interests**

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

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

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

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

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

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

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

**5. Public Question Time**

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

Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk or 01603 223055) by **5pm on Wednesday 23 January 2019.** For guidance on submitting public question please view the Constitution at Appendix 10.

6. **Local Member Issues**

Fifteen minutes for local members to raise issues of concern of which due notice has been given.

Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk or 01603 223230) by **5pm on Wednesday 23 January 2019.** For guidance on submitting public question please view the Constitution at Appendix 10.

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

7 **Finance Monitoring Report Period 8 November 2018** (Pag 17 )
Report by Executive Director of Finance and Commercial Services

8 **Delivering Financial Savings 2018-19** (Page 46 )
Report by Executive Director of Finance and Commercial Services

9 **Strategic and Financial Planning 2019-20 to 2021-22 and Revenue Budget 2019-20** (Page 63 )
Report by the Executive Director of Finance and Commercial Services

Please note that due to the size of the document the equality and rural impact assessment report on the budget proposals for 2019-20 (Appendix H (ii) to the report) can be found electronically on the Committee pages website. An electronic link to the website can be found below and within the budget report.

http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1423/Committee/21/SelectedTab/Documents/Default.aspx

10 **Capital Strategy and Programme 2019-20** (Page 86 )
Report by Executive Director of Finance and Commercial Services

11 **County Council Budget 2019-20 to 2021-22: Statement on the Adequacy of Provisions and Reserves 2019-22** (Page 227 )
Report by Executive Director of Finance and Commercial Services

12 **County Council Budget 2019-20 to 2021-22: Robustness of Estimates** (Page 256 )
Report by Executive Director of Finance and Commercial Services

13 **Annual Investment and Treasury Strategy 2019-20** (Page 270 )
Report by Executive Director of Finance and Commercial Services

14 **Developing a whole-Council business plan** (Page 311 )
Report by Executive Director of Strategy and Governance

15 **Brexit Implications for the County Council** (Page 315 )
Report by Executive Director of Community and Environmental Services

16 **Liquidlogic Project Update** (Page 328 )
Report by Executive Director of Adult Social Services

17 **NORSE Business Plan** (Page 335 )
Report by the Executive Director of Finance and Commercial Services

18 **Limited Company Consents** (Page 382 )
Report by the Executive Director of Finance and Commercial Services

19 **Health, Safety and Well-being mid-year report 2018/19** (Page 388 )
Report by Executive Director of Strategy and Governance

20 **Determination of Admission Arrangements 2020/21** (Page 408 )
Report by Executive Director of Children's Services

21 **Notifications of Exemptions Under Contract Standing Orders** (Page 413 )
Report by Executive Director, Finance and Commercial Services

***Section B – Item for Report***

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

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

1. LGA General Assembly
2. County Council Network
3. East of England Local Government Association.

**Group Meetings**

| | | |
|---|---|---|
| Conservative | 9 am | Conservative Group Room |
| Labour | 9 am | Labour Group Room |
| Liberal Democrats | 9 am | Liberal Democrats Group Room |

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

Date Agenda Published: 18 January 2019

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Norfolk County Council

# Policy and Resources Committee

**Minutes of the Meeting Held on 26 November 2018**
**2:00pm Edwards Room, County Hall, Norwich**

**Present:**

Mr A Proctor (Chairman)

Mr B Borrett
Ms E Corlett
Mr S Dark
Mrs M Dewsbury
Mr T FitzPatrick
Mr S Morphew
Mr G Plant
Mr D Roper
Mr E Seward
Mr M Wilby

**Substitute Member present:**

Mr C Smith for Mr B Stone
Mr I Mackie for Mr R Oliver

**Also present:**

Mr M Castle
Ms A Kemp
Mr B Spratt

**1 Apologies for Absence**

1.1 Apologies for absence were received from Mr R Oliver and Mr B Stone.

2 **Minutes**

2.1 The minutes of the previous meeting held on 29 October 2018 were confirmed by the Committee and signed by the Chairman.

3 **Declarations of Interest**

3.1 There were no declarations of interest.

4 **Items of Urgent Business**

4.1 There were no items of urgent business.

5 **Public Question Time**

5.1 There were no public questions.

6 **Local Member Issues**

6.1 There was one local Member question from Ms A Kemp which can be found together with a supplementary question and the answer given in the meeting at Appendix A to these minutes.

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

7 **Brexit Implications for the County Council**

7.1 **This item was withdrawn from the agenda until the following meeting when the national position became clearer.**

8 **Transition from a Committee to an Executive Leader and Cabinet system of governance**

8.1 The annexed report (8) by the Acting Chief Legal Officer was received.

8.2 The Committee received a report by the Acting Chief Legal Officer that included draft Articles and Appendices of the new Constitution from the Cabinet System Member Working Group (CWG) in readiness for Full Council to decide whether to transition to an Executive Leader and Cabinet system of governance from the AGM of Full Council in May 2019.

8.3 The Committee were informed that Article 13 of the Constitution provided for changes to the Constitution to be made by Full Council following consideration by the CWG who made recommendations to this Committee. The CWG had made the recommendations that were set out in the report and would be meeting again over the coming three months to determine the remaining appendices.

8.4 A minority of Members on the Committee said that the changes proposed by CWG were overtaken by events and by the Administration's announcement that they wanted the County Council to move to an Executive Leader and Cabinet model of governance. They said that how this model of governance would work in practice should be more carefully considered by CWG before the County Council was asked to reach a decision on the matter. In reply, the Acting Chief Legal Officer said that legislation permitted three forms of governance (mayoral, leader and cabinet and committee system) and the adoption by local authorities of variations on these models was not prohibited.

8.5 It was suggested that in view of the Norfolk Police and Crime Commissioner's announcement that he had opted to keep fire governance under review, CWG should consider what (if any) reference they wanted to make in the constitution to the potential role of the Police and Crime Commissioner in relation to the County Council's Fire Authority functions. The Acting Chief Legal Officer said that this was a matter for Full Council to decide on.

8.6 In reply to further questions, the Acting Chief Legal Officer said that he would re-write the draft constitution document in non-gender specific language.

8.7 A majority of Members on the Committee spoke about how the proposed model of governance befitted a large, modern day County Council and would provide for strong leadership at all levels of decision making. They said the proposed model took account of the unique characteristics of the county and the difficult financial circumstances in which the County Council had to operate and was therefore the right one for Norfolk.

8.8 In reply to questions about the role, size and workload of the small number of Select Committees, the Leader said that they were not a replacement for the current system of Committees and would not discharge any executive functions. Their terms of reference would be clearly set out in the draft of the new constitution.

8.9 In reply to further questions, the Leader confirmed that the principal decisions that would be taken by Full Council would be to appoint the Leader, to approve the Council's budget and to adopt development plan documents.

8.10 The Committee noted that the appendices to the constitution would include a financial scheme of delegation which determined decision making powers by virtue of the value of the decision taken.

8.11 **The Committee RESOLVED to RECOMMEND TO COUNCIL (by 9 votes to 4 votes):**

A) **to change from the current Committee system of governance to an Executive Leader and Cabinet system of governance from the Annual General Meeting of Full Council in May 2019;**
B) **further work to produce the remaining draft Appendices is delegated to the Policy and Resources Committee working through the Cabinet System Member Working Group.**

8.11 **The Committee RESOLVED to note (by 9 votes to 4 votes):**

C) **that the final draft of the new Constitution will be returned to its meeting on 25 March 2019 to enable the Committee to recommend the final draft of the new Constitution to Full Council on 15 April 2019.**

9 **Implications of the Autumn Budget 2018**

9.1 The annexed report (9) by the by the Executive Director of Finance and Commercial Services was received.

9.2 The Committee received a report by the Executive Director of Finance and Commercial Services that provided an overview of the Chancellor's Autumn Budget 2018 and summarised the findings of the recent Hudson review: Local Government Finance: Review of Governance and Processes, which would have implications for local government and had resulted in announcements about the timing of the Local Government Finance Settlement.

9.3 The Committee's attention was drawn to the additional social care funding for 2018-19 to fund winter pressures and support winter resilience, specifically for those activities which reduced the need for people to receive formal social care and support and provided for their safe discharge from hospital. The Executive Director of Adult Social Services said that whilst the County Council had only received from the Government the specific funding conditions for winter pressures monies earlier today, this matter had been considered at Adult Social Care Committee and it was known that this funding could be used to bolster short term capacity in the homecare and care home markets and to manage potential market failures, such as that which had occurred with Allied Healthcare. The Adult Social Care Committee would be kept informed about how this funding could be used to manage potential market failures.

9.4 It was pointed out that while the Government recognised that some early years providers were struggling financially they had not signalled that local government bodies would be able to apply for specific funding to support this market.

9.5 The Committee welcomed the funding that the County Council would receive to tackle potholes, repair damaged roads and invest in keeping bridges open and safe and noted that details were awaited from the Government regarding the amount of funding that Norfolk would receive from the Housing Infrastructure Fund and the Future High Streets Fund. Funding from both these sources was needed to support local areas of the county to develop and to fund plans to make high streets and town centres more fit for the future.

9.6 **RESOLVED**

**That Policy and Resources Committee:**

1. **Note the implications of the Autumn Budget 2018 as set out in the report.**
2. **Note the date for the Local Government Finance Settlement.**
3. **Confirm that Service Committees will not be required to identify additional savings but note that any change to planned savings or removal of proposals will require alternative savings to be identified by the relevant Committee.**
4. **Commission officers to incorporate any changes arising from the Autumn Budget and Provisional Local Government Finance Settlement into budget planning in order to report this to Committees as part of budget setting in January 2019.**

10 **Finance Monitoring Report**

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

10.2 The Committee received a report by the Executive Director of Finance and

Commercial Services that summarised the Period 6 (30 September 2018) forecast financial outturn position for 2018-19, to assist Members to maintain an overview of the overall financial position of the Council.

10.3 The Executive Director of Finance and Commercial Services drew Members' attention to the table at paragraph 2.2 of the report. In reply to questions about the budget for Children's Services he said that the forecast overspend was mainly in relation to costs associated with looked after children and children who had a high level of needs, and that the Council's spending in this area of budgetary activity was not expected to get any better in the immediate future. This issue remained of concern to all County Treasurers across the country.

10.4 The Deputy Leader reported on the action that the County Council continued to take on funding issues through the work of the LGA who had produced a report about the costs associated with looked after children and children who had a high level of needs. He said that in a rural county like Norfolk there were additional transport costs associated with meeting the high costs in this area of budgetary activity and the Government had been made fully aware of this.

10.5 In reply to questions about the capital programme, the Executive Director of Finance and Commercial Services said that movements in the capital programme were reported directly to service committees who were able to report directly to the County Council on capital programme planning for 2019-22.

10.6 **RESOLVED**

**That Policy and Resources Committee:**

1. **Note the period 6 forecast general fund revenue overspend of £4.496m (p5 £5.696) noting also that Chief Officers will take measures throughout the year to reduce or eliminate potential over-spends;**
2. **Note the forecast General Balances at 31 March 2018 of £19.536m, before taking into account any over/under spends;**
3. **Note the revised expenditure and funding of the current and future 2018-22 capital programme as set out in Appendix 2 of the report;**
4. **Support the development of the 2017-20 capital programme, including the capital strategy, prioritisation scoring method, and potential new schemes, as set out in Appendix 3 Capital Annex 2 of the report.**

11 **Delivering Financial Savings 2018-19**

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

11.2 The Committee received a report by the Executive Director of Finance and Commercial Services that provided details of the forecast outturn position in delivering the savings of £29.999m for the year that were agreed by the County

Council as part of the 2018-19 budget setting process. The report commented on the exceptions to successful delivery which were rated RED or AMBER.

11.3 **RESOLVED**

**That Policy and Resources Committee:**

1. **Note the total projected shortfall of £5.695m in 2018-19, which amounts to 19% of total savings;**
2. **Note the budgeted value of 2018-19 savings projects rated as RED of £3.542m, of which £1.057m are forecast to be delivered;**
3. **Note the budgeted value of 2018-19 savings projects rated as AMBER of £12.145m, of which £8.715m are forecast to be delivered;**
4. **Note the budgeted value of GREEN and BLUE rated projects of £14.312m, where we are forecasting to deliver £14.532m.**
5. **Note the forecast changes to assumptions and rescheduling of savings totalling £4.200m in 2019-20, £3.000m in 2020-21 and £2.500m in 2021-22, which have been reflected in budget planning.**

12 **Mid-Year Treasury Management Monitoring Report 2018-19**

12.1 The annexed report (12) by the Executive Director of Finance and Commercial Services was received.

12.2 The Committee received a report by the Executive Director of Finance and Commercial Services that provided information on the treasury management activities of the County Council for the period 1 April 2018 to 30 September 2018.

12.3 **RESOLVED**

**That Policy and Resources Committee RECOMMEND:**

**That County Council approve the Mid-Year Treasury Management Monitoring Report 2018-19.**

13 **Norfolk Business Rates Pool Annual Report 2017-18 and 2019-20 Business Rates Pilot Bid**

13.1 The annexed report (13) by the Executive Director of Finance and Commercial Services and the Strategy Director was received.

13.2 The Committee received a report by the Executive Director of Finance and Commercial Services that provided a summary of the financial benefits of the Business Rates Pool, and the decisions taken to date in respect of allocating the pool's resources to economic development projects in Norfolk. The report also provided details of the work which was undertaken with Norfolk Leaders in submitting a bid to the Ministry of Housing, Communities and Local Government (MHCLG) for a 75% Norfolk Business Rates Pilot in 2019-20.

13.3 The Executive Director of Finance and Commercial Services confirmed that the Policy and Resources Committee was the body asked to endorse the Norfolk Leaders decisions. He said that the Leaders' meeting which took place on 22 November 2018 had agreed that the projects listed in Appendix A to the report, as amended by the minor changes proposed by Chief Executives that were set out in minute 13.4 below, should be approved by Policy and Resources Committee.

13.4 Given the comments made by the Executive Director of Finance and Commercial Services, the Committee agreed that the following minor changes should be made to the projects listed at Appendix A to the report:

- To increase the amount allocated to the East Norwich project from £0.200m to £0.300m, subject to the approval of LEP funding;
- To fund £0.070m of the Great Yarmouth Marketplace project in the current year with the remaining balance of £1.083m to be funded 50% from the 2018-19 Pool and 50% from the 2019-20 Pool;
- To hold a further 2017-18 Pool bidding round to distribute the balance of funding; and
- To ask Norfolk Leaders to confirm if they wished to receive a report on the potential to match the LEP's £0.500m Innovation Growth Fund with BRP in future years.

13.5 **RESOLVED**

**That Policy and Resources Committee:**

1. **Notes the performance of the Norfolk Business Rates Pool and endorses the decisions taken by Norfolk Leaders in respect of:**
   a) **allocation of the 2017-18 Pool resources; and**
   b) **requesting that MHCLG allow the Norfolk Business Rates Pool to continue into 2019-20, in the event that Norfolk is unsuccessful in applying to become a pilot for 75% Business Rates retention.**

2. **Notes the update on the bid for 2019-20 Business Rates Pilot status.**

14 **People and Workforce Plan and Service Delivery Report**

14.1 The annexed report (14) by the Strategy Director was received.

14.2 The Committee received a report by the Strategy Director that summarised the County Council's key priorities to ensure that the Council had a skilled and engaged workforce to meet the needs of Norfolk residents and communities now and in the future.

14.3 It was noted that an update report would be reported to the Committee twice a year. At Members' request when the People and Workforce Plan and Service Delivery document was next presented to the Committee it should include the Council's core values and also the achievements since the previous report.

14.4 **RESOLVED**

**That Policy and Resources Committee commend the contents of the report.**

15 **Review of Whistleblowing Policy**

15.1 The annexed report (15) by the Acting Chief Legal Officer was received.

15.2 The Committee received a report by the Acting Chief Legal Officer that provided a summary of the proposed changes to the Council's Whistleblowing Policy following a review against the latest legislation, guidance and best practice. The policy met national standards.

15.3 Members said that the Council's whistleblowing policy should be subject to annual review.

15.4 **RESOLVED**

**That Policy and Resources Committee:**

1. **Agree that the policy will be promoted, and progress, outcomes and lessons learned reported to the County Leadership Team and to this Committee for annual review.**

2. **Agree that the terms of reference for the Audit Committee will be updated to include responsibility for receiving assurance on the effectiveness of the policy.**

3. **Approve the revised Whistleblowing Policy 2018, which fully meets national standards.**

16 **Limited Company Consents**

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

16.2 **The Committee RESOLVED to RECOMMEND:**

**That Full Council agree to the appointment of directors to companies as detailed in the report.**

17 **Notifications of Exemptions Under Contract Standing Orders**

17.1 The annexed report (17) by the Executive Director of Finance and Commercial Services was received.

17.2 **RESOLVED**

**That as required by paragraph 9.12 of the Council's Contract Standing Orders, Policy and Resources Committee note the exemptions that have been granted under paragraph 9.11 of Contract Standing Orders by the Head of Procurement and Head of Law in consultation with the Chairman of Policy and Resources Committee that are over £250,000.**

18 **Appointments to Outside Organisations – Urgent Decision**

18.1 The Committee noted that following consultation with Group Leaders, the Managing Director agreed that Cllr Carpenter replaced Cllr Thirtle as the Council's representative on the Council of Governors of James Paget University Hospitals NHS Foundation Trust.

## Section B – Items for Report

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

19.1 The Chairman briefly updated the Committee on issues which had been considered at meetings of outside bodies.

**Appendix A**

Question from Alexandra Kemp:

" Today the Policy and Resources Committee will consider the change of this Council's Constitution from the Committee System to the Cabinet System - how does the Committee propose to ensure a climate of trust and openness, where whistle-blowers in the organisation, raising concerns about the provision of this Council's Services, including to vulnerable children and adults in this Division, are protected in accordance with the law; where all genuine concerns are followed up with due care and diligence; and where the important function, carried out by the representatives of recognised trade unions, to speak up for employees, in defence of professional standards and in the public interest, is fully understood and respected ?"

Answer:

Cllr Kemp's attention is drawn to item 15 of the agenda. This item presents the revised Whistleblowing Policy which has been specifically updated to bring the arrangements in Norfolk in line with the latest legislative and best practice requirements. Additionally, agenda item 8 contains the draft of the main elements of the new Constitution. However, as the Report for item 8 makes clear, the remainder Appendices of the Constitution need to be produced and will be over the next four months. Amongst the Appendices will be an updated version of the Access to Information Rules which will set out the Council's approach and obligations for disclosure of information.

Supplementary question:

Would the Committee ensure the draft Constitution does not overload the ‘People and Communities Select Committee’ with the remit of three present committees, Children’s, Adult’s and Communities, including Public Health and Adult Education: this workload would be far too heavy for a single Committee to develop and review policy, make reports and recommendations to Cabinet and Council, and give key services the scrutiny and attention they deserve; and could the Committee include Local Member Questions?

Answer:

The Executive Leader and Cabinet form of governance involves the discharge of executive functions by the Council’s Leader and Cabinet. Consequently, the functions currently being discharged by Committees will be discharged by the Leader and the Cabinet.The new Committee Procedure Rules and provision for local Member engagement will be produced in due course for consideration by the Cabinet System Member Working Group.

**The meeting concluded at 11.40 am**

**Chairman**

# Policy and Resources Committee

**Item No 7**

| | |
|---|---|
| **Report title:** | **Finance monitoring report P8: November 2018** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services** |

**Strategic impact**

The Annexes to this report summarise the Period 8 (30 November 2018) forecast financial outturn position for 2018-19, to assist members to maintain an overview of the overall financial position of the Council.

## Executive summary

This report gives a summary of the forecast position for the 2018-19 Revenue and Capital Budgets, General Balances, and related financial information.

**Members are asked to:**

- **note the period 8 forecast general fund revenue underspend of £0.035m** (p6 overspend £4.496m) **noting also that Chief Officers will take measures throughout the year to reduce or eliminate potential over-spends;**

- **note the forecast General Balances at 31 March 2019 of £19.536m, before taking into account any over/under spends;**

- **note the revised expenditure and funding of the current and future 2018-22 capital programme as set out in Appendix 2;**

- **approve additional current year capital funding for 1) Norfolk Community Learning Services ICT Transformation Project (£0.420m) and 2) Schools ICT refresh programme 2018-22 £0.360m, in advance of schools contributions, as set out in capital Appendix 2 section 3;**

- **recommend to County Council the flexible use of £2m capital receipts to fund the Children's Services Demand Management & Prevention Strategy in 2018-19, as set out in Appendix 2 section 4.**

## 1. Introduction

1.1 On 12 February 2018, the County Council agreed a net revenue budget of £388.799m. At the end of each month, officers prepare financial forecasts for each service including forecast expenditure and the planned impact on earmarked reserves.

## 2. Evidence

2.1 Three appendices are attached to this report:

Appendix 1 summarises the forecast revenue outturn position, including:
- Forecast over and under spends
- Changes to the approved budget
- Payments and debt performance

Annex 2 to Appendix 1 summarises forecasts relating to services covered by this Committee

Appendix 2 summarises the forecast capital outturn position, and includes
- Changes to the capital programme
- Future years capital programmes
- Capital programme funding
- Income from property sales

## 3. Financial Implications

3.1 As stated above, the forecast revenue outturn for 2018-19 is an **underspend of £0.035m** (p6 overspend £4.496m). There remain significant budget pressures in Children's Services, due to forecasts in relation to costs associated with looked after children, children with a high level of need, and SEN high needs block cost pressures. Forecast overspends in these areas are offset by underspends in other areas - mainly Finance General.

3.2 The forecast assumes savings as reported separately to this Committee.

3.2 The Council's capital programme contains schemes approved by County Council on 12 February 2018, other capital funding secured and schemes re-profiled since budget setting.

## 4. Issues, risks and innovation

Risk implications - monitoring

4.1 The Council's Corporate Risk Register provides a full description of corporate risks, including corporate level financial risks, mitigating actions and the progress made in managing the level of risk.

4.2 Risk management reports which include the corporate risk register are presented regularly to this Committee. A majority of risks, if not managed, could have significant financial consequences. The risks addressed include finance specific risks, for example of failing to generate income or to realise savings.

4.3 Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. Chief Officers will take measures throughout the year to reduce or eliminate potential over-spends.

**5. Background**

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

5.2 The monthly forecasts in this report are based on detailed cost centre level data supplied by responsible budget officers after the end of each financial period. Moderation by chief officers is completed approximately 18-20 days after each month end.

## Officer Contact

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

| Name | Telephone Number | Email address |
|---|---|---|
| Simon George | 01603 222400 | simon.george@norfolk.gov.uk |
| Harvey Bullen | 01603 223330 | harvey.bullen@norfolk.gov.uk |

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Norfolk County Council

# Appendix 1: 2018-19 Revenue Finance Monitoring Report Month 8

Report by the Executive Director of Finance and Commercial Services

## 1 Introduction

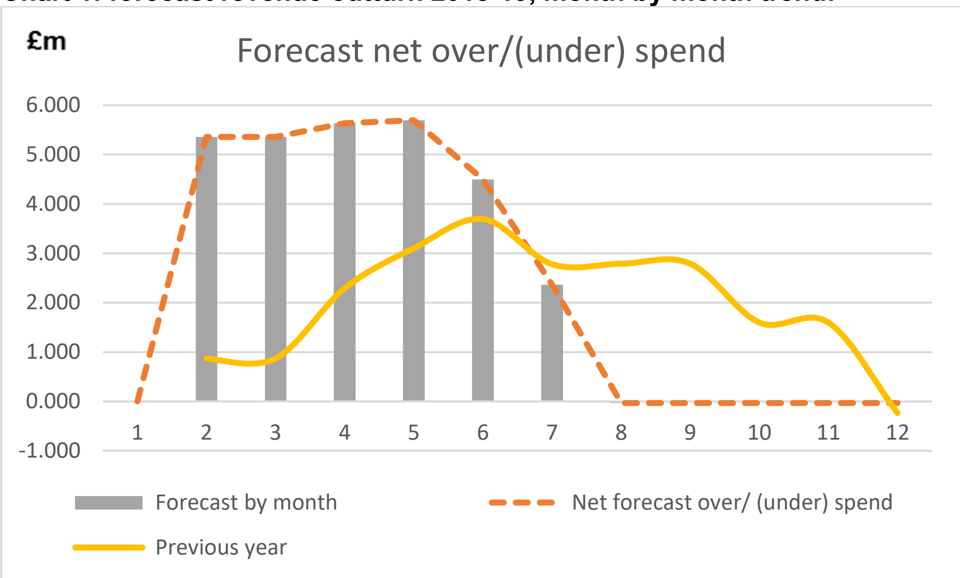
1.1 This report gives details of:

- the latest monitoring position for the 2018-19 Revenue Budget
- forecast General Balances and Reserves at 31 March 2019 and
- other key information relating to the overall financial position of the Council.

## 2 Revenue outturn – forecast over/underspends

2.1 At the end of November 2018 (month 8) an **underspend of £0.035m** (p6 overspend £4.496m) is forecast on a net budget of £388.799m.

**Chart 1: forecast revenue outturn 2018-19, month by month trend:**




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

2.3 Details of all projected under and over spends for each service are shown in detail in Revenue Annex 1 to this report, and are summarised by service in the following table:

**Table 1: 2018-19 projected forecast (under)/over spends by service**

| Service | Revised Budget | Projected net (under)/ over spend | % | RAG |
|---|---|---|---|---|
| | **£m** | **£m** | | |
| Adult Social Services | 252.746 | 0 | 0.0% | G |
| Children's Services | 185.948 | 11.340 | 6.1% | R |
| Community and Environmental Services | 155.208 | -0.335 | -0.2% | G |
| Strategy and Governance | 8.484 | -0.039 | -0.5% | G |
| Finance and Commercial Services | 24.127 | -0.089 | -0.4% | G |
| Finance General | -237.714 | -10.912 | 4.6% | G |
| **Totals** | **388.799** | **-0.035** | 0.0% | G |

Notes:
1) the RAG ratings are subjective and take into account both the relative (%) and absolute (£m) impact of forecast overspends.

2.4 **Children's Services**: Norfolk is continuing to experience high and increasing levels of need across the service and, in particular, in relation to children with special educational needs and children at risk of harm.

2.5 The Directorate continues to be focused on an ambitious plan to implement transformational change; including aiming for more children to be able to return home where it is appropriate for them to do so and supporting more children in foster care placements rather than in residential placements.

2.6 The County is continuing to see a substantial increase in the demand for specialist SEND support and placements, in line with national trends, and with the market saturated, children and young people are needing to travel further and for longer to receive appropriate support and education.

2.7 Significant areas of financial pressure continue to remain within Social Work. These are primarily driven by spend on placements (Children Looked After, Staying Put and Leaving Care) and staffing costs. Within Education Services the pressures are primarily transport and assessment of special educational needs.

2.8 The in-year DSG High needs block deficit net deficit is £5.514m. In previous finance monitoring reports, an assumption has been made that these will be covered by a loan from LMS balances to the extent that these are available, or a call on the general fund. It is now assumed that the negative balance will be carried forward. Together with the £8.087m deficit brought forward (previously notionally set against LMS balances) the total forecast deficit at 31 March 2019 is £13.601m.

2.9 Further details can be found in Revenue Annex 1 to this report, and in the finance monitoring report to the 22 January 2019 Children's Services Committee.

2.10 **Adult Social Services**: The forecast position as at Period 8 is a balanced budget. This takes into account additional Winter funding which will be used to manage demand this financial year. As in previous months, pressures arise from Purchase of Care costs, in particular residential care for older people and people with physical disabilities, mitigated to a large extent by increased Purchase of Care income linked to the continued growth in Long Term Residential placements. There is also a budget gap due to Independence Matters savings planned that will not be delivered in 2018-19. Further details can be found in Revenue Annex 1 to this report, and in the finance monitoring report to the 14 January 2019 Adult Social Care Committee.

2.11 **CES**: Based on anticipated waste tonnages an additional £0.5m forecast underspend was added to the CES underspend in P6. There has been a reduction in the overall CES forecast underspend in periods 7 and 8 due to an adjustment of £0.057m to the forecast Fire position.

2.12 **Finance General:** The finance general underspend includes the flexible use of £2m capital receipts to support transformation costs. This is subject to the successful completion of the sale of land and property to Hethel Innovation Ltd within the current financial year. Additional underspends have been identified in periods 7 and 8 including Section 31 Business grant reconciling payments following close of 2017-18 accounts resulting in additional income of £1.216m, lower than anticipated costs of redundancy totalling £0.250m, and forecast maximum use of the Business Risk Reserve (additional £2.457m underspend).

2.13 **Savings targets**: The key savings targets required for the delivery of a balanced 2018-19 budget are covered in a separate report to this Policy and Resources Committee.

## 3 Agreed budget, changes and variations

3.1 The 2018-19 budget was agreed by Council on 12 February 2018 and is summarised by service in the Council's Budget Book 2018-22 (page 20) as follows:

**Table 2: 2018-19 original and revised net budget by service**

| Service | Approved net base budget | Revised budget P6 | Revised budget P7 | Revised budget P8 |
|---|---|---|---|---|
| | £m | | | |
| Adult Social Services | 252.466 | 252.747 | 252.746 | 252.746 |
| Children's Services | 185.948 | 185.948 | 185.948 | 185.948 |
| Community and Environmental Services | 155.267 | 155.207 | 155.208 | 155.208 |
| Strategy and Governance | 8.449 | 8.484 | 8.484 | 8.484 |
| Finance and Commercial Services | 24.383 | 24.127 | 24.127 | 24.127 |
| Finance General | -237.714 | -237.714 | -237.714 | -237.714 |
| **Total** | **388.799** | **388.799** | **388.799** | **388.799** |

Note: this table may contain rounding differences.

3.2 During periods 7 and 8 there were no significant reallocations of budgets between departments. Overall, the Council's net budget for 2018-19 remains unchanged.

## 4 General balances and reserves

### General balances

4.1 On 12 February 2018 Council agreed the recommendation from the Executive Director of Finance and Commercial Services for a minimum level of General Balances of £19.301m through 2018-19. The balance at 1 April 2018 was £19.536m. The forecast for 31 March 2019 is unchanged at £19.536m, before any over or underspends.

### Reserves 2018-19 – opening balances

4.2 The use of reserves anticipated at the time of budget setting was based on reserves balances anticipated in January 2018. Actual balances at the end of March 2018 were higher than planned, mainly as a result of grants being carried forward, and reserves use being deferred.

4.3 The 2018-19 budget was approved on the basis of a forecast reduction in earmarked reserves (including schools) from £73.3m to £63.8m during 2018-19, a net use of £9.4m. The following table sets out the latest forecast balances for each service.

**Table 3: Reserves budgets and forecast reserves and provisions**

| Reserves and provisions by service | Budget book forecast balances 1 April 2018 | Actual balances 1 April 2018 | Increase in opening balances after budget setting | Budget book forecast March 2019 | Latest P8 forecast March 2019 |
|---|---|---|---|---|---|
| | £m | £m | £m | | £m |
| **Adult Social Services** | 17.316 | 33.675 | 16.359 | 10.906 | **27.462** |
| **Children's Services (excl LMS)** | 5.133 | 7.955 | 2.822 | 4.241 | **6.561** |
| **Community and Environmental Services** | 31.943 | 36.504 | 4.561 | 29.566 | **33.744** |
| **Strategy and Governance** | 2.021 | 2.517 | 0.496 | 1.993 | **1.643** |
| **Finance & Commercial Services** | 2.266 | 3.353 | 1.087 | 1.841 | **1.916** |
| **Finance General** | 14.592 | 16.532 | 1.940 | 15.288 | **14.247** |
| **Reserves and provisions** | **73.271** | **100.536** | **27.265** | **63.835** | **85.573** |

4.4 Forecast reserves at 31 March 2019 are over £20m in excess of budget book assumptions. The forecast in Finance General reserves assumes full use of the general business risk reserve to support Children's Services budget pressures.

4.5 **Provisions included in the table above**

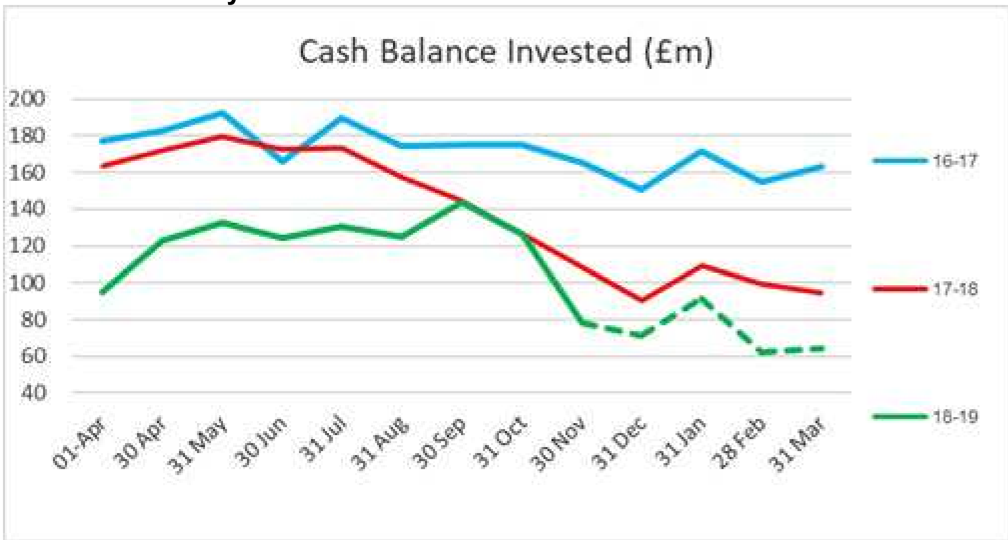
The table above include provisions of £30m comprising £11.0m insurance provision, £12.3m landfill provision (not cash backed), £6.5m provision for bad debts, and a small number of payroll related provisions.

## 5 Treasury management summary

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

5.2 The graph below shows the level of cash balances over the last three years, and includes a forecast dashed green line to March 2019 based on projected cash receipts and expenditure at 30 November 2018.

**Chart 2: Treasury Cash Balances**




5.3 The balances shown above include £40m PWLB (Public Works Loan Board) debt taken at the end of March 2017 (blue line) and £20 towards the end of 2017-18 (red line). Borrowing of £50m was undertaken in the first 8 months of 2018-19 which is reflected in the graph. The projections reflect the annual pattern of known income streams.

5.4 The impact of the Pension Fund pre-payment approved at the September 2018 meeting of this Committee is reflected in the reduced November balance.

5.5 An additional tranche of PWLB borrowing has been taken in December 2018: £10m at 2.47% repayable June 2065.

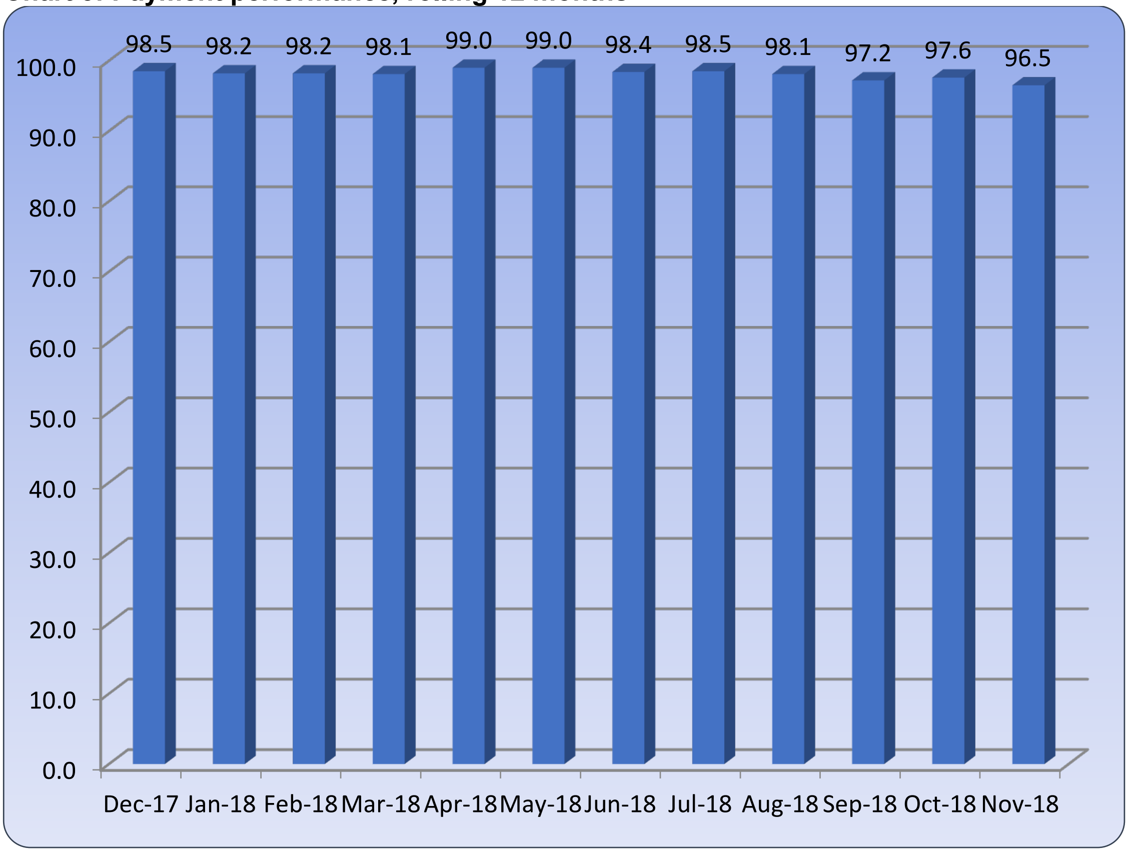
5.6 Given the reducing levels of projected cash balances and the current historically low interest rates, the Executive Director of Finance and Commercial Services is actively considered borrowing options. As a result, two further tranches of £20m are assumed in the forecast.

5.7 New borrowing will be applied to the funding of previous capital expenditure, effectively replacing cash balances which have been used on a temporary basis to avoid the cost of 'carrying' debt in the short term. The Council continues to use cash balances for this purpose and will continue to balance the long-term advantages of locking into favourable interest rates against the costs of additional debt.

## 6 Payment performance

6.1 This chart shows the percentage of invoices that were paid by the authority within 30 days of such invoices being received. Some 420,000 invoices are paid annually. Over 96% were paid on time in October and November 2018. The percentage has not dropped below 96.5% in the last 12 months.

**Chart 3: Payment performance, rolling 12 months**




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

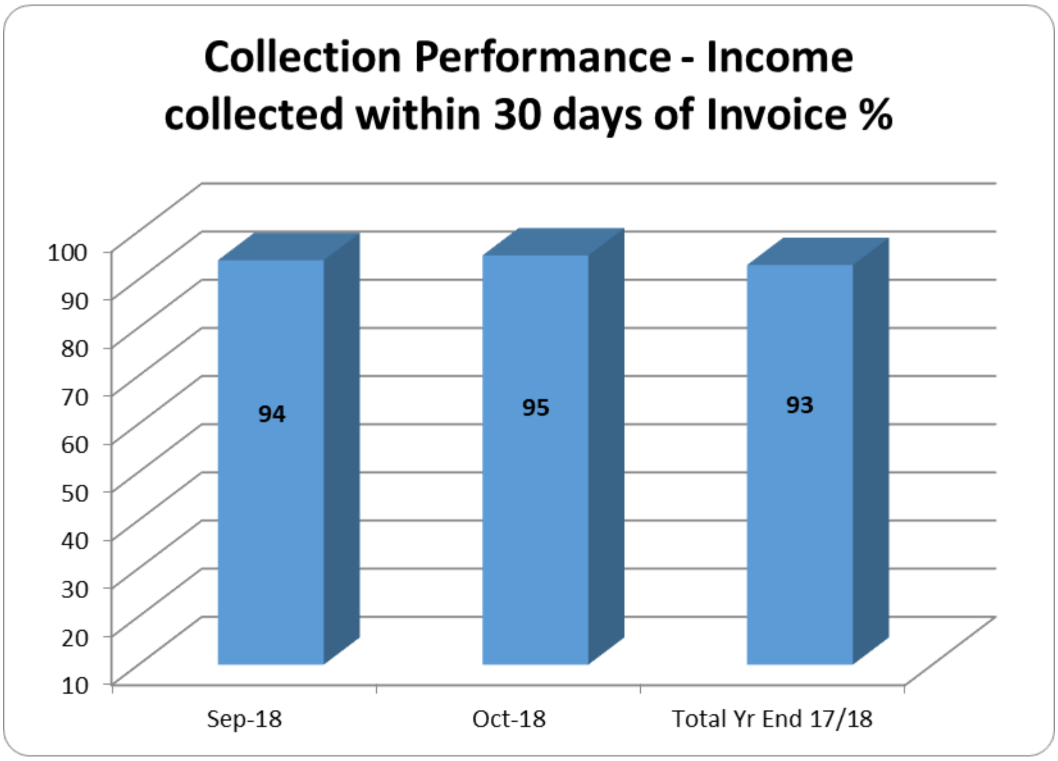
## 7 Debt recovery

7.1 **Introduction**: Each year the County Council raises over 150,000 invoices for statutory and non-statutory services totalling over £960m. In 2017-18 93% of all invoiced income was collected within 30 days of issuing an invoice, and 97% was collected within 180 days.

**Debt collection performance measures**

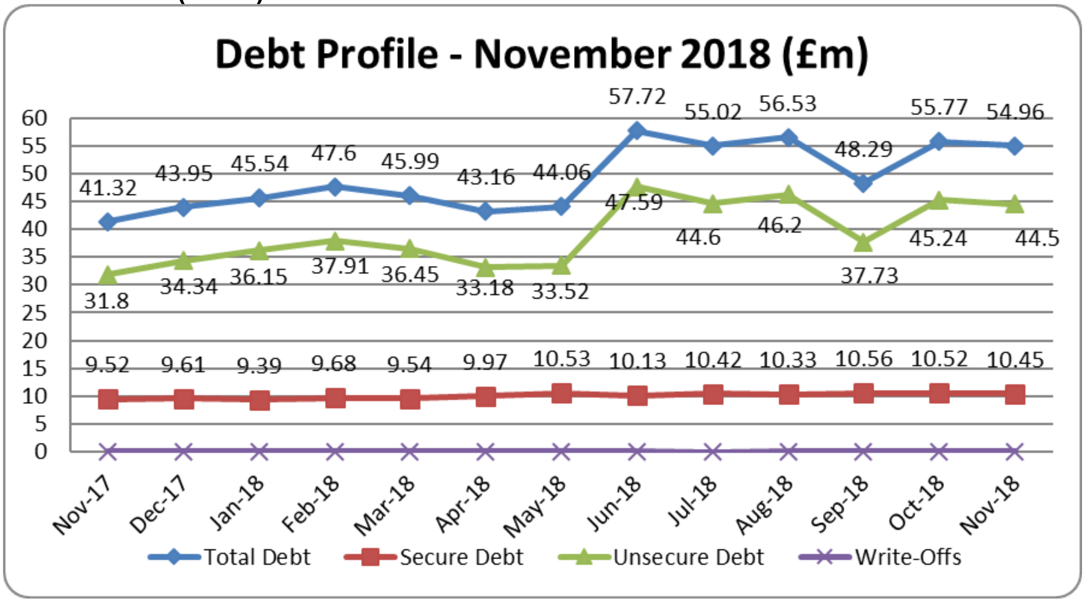
7.2 The proportion of invoiced income collected within 30 days for invoices raised in the previous month – measured by value – was 95% in November 2018.

**Latest Collection Performance**




7.3 The value of outstanding debt is continuously monitored, and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council. The level of debt is shown in the following graph:

**Debt Profile (Total)**




The largest area of unsecure debt relates to charges for social care. Of the £44.5m unsecure debt at the end of November, £10.4m is under 30 days and £18.4m is debt with the CCG's, the majority of which is for shared care, Better Care Pooled Fund, continuing care and free nursing care.

Secured debts amount to £10.5m at the end of November 2018. Within this total £3.2m relates to estate finalisation where the client has died, and the estate is in the hands of the executors.

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

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

7.6 Service departments are responsible for funding their debt write offs. Once the debt is written off the amount of the write off is reflected a) in the service department's budget through the reversal of the income or b) where a service has set up a bad debt provision, use of that provision.

7.7 For the period 1 April 2018 to 30 November 2018, 267 debts less than £10,000 were approved to be written off following approval from the Executive Director of Finance. These debts totalled £184,422.44. Since the 2017-18 outturn report, no debts over £10,000 have been written off.

**Revenue Annex 1**

# Forecast revenue outturn

## Projected revenue outturn by service

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

| Service | Revised Budget | Net total over / (under) spend | % | Forecast net spend |
|---|---|---|---|---|
| | £m | £m | | |
| Adult Social Services | 252.746 | 0 | 0.0% | 252.746 |
| Children's Services | 185.948 | 11.340 | 6.1% | 197.288 |
| Community and Environmental Services | 155.208 | -0.335 | -0.2% | 154.873 |
| Strategy and Governance | 8.484 | -0.039 | -0.5% | 8.445 |
| Finance and Commercial Services | 24.128 | -0.089 | -0.4% | 24.039 |
| Finance General | -237.714 | -10.912 | 4.6% | -248.626 |
| **Forecast outturn this period** | **388.799** | **-0.035** | **0.0%** | **388.765** |
| Totals previous report | 388.799 | 4.496 | 1.2% | 393.296 |

## Reconciliation between current and previously reported underspend

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

| | £m |
|---|---|
| **Forecast overspend brought forward** | **4.496** |
| **Movements October & November 2018** | |
| Adult Social Services | 0 |
| Children's Services | 1.771 |
| Community and Environmental Services | 0.054 |
| Strategy and Governance | -0.024 |
| Finance and Commercial Services | -0.339 |
| Finance General | -5.993 |
| **Forecast over/(under) spend P8** | **-0.035** |

## Corporate resources spend as a proportion of "front line" net expenditure

**Table A1c: Corporate resources spend as a proportion of front line spend**

| Service | Budget | Forecast |
|---|---|---|
| | £m | £m |
| Total "front line" services | 593.662 | 604.91 |
| Total corporate resources | 32.852 | 32.484 |
| Corporate resources as %age | 5.5% | 5.4% |
| Corporate resources as ratio | 1/18 | 1/19 |

**Revenue Annex 1 continued**

The net underspend is a result of a range of underlying forecast over and underspends which are listed below.

**Revenue budget outturn by service – detail**

| | Projected over spend | Projected under spend | Changes this period |
|---|---|---|---|
| | £m | £m | £m |
| **Adult Social Services** | | | |
| Business Development | | -0.289 | -0.055 |
| Commissioned Services | 0.950 | | -0.252 |
| Early Help & Prevention | 0.383 | | 0.199 |
| Services to Users (net) | 1.555 | | 0.87 |
| Management, Finance & HR | | -2.599 | -1.869 |
| Use of Winter Pressure Funding | | | 1.107 |
| Forecast over / (under) spend | **2.888** | **-2.888** | **0** |
| | **0** | | |

| **Children's Services** | Projected over spend | Projected under spend | Changes this period |
|---|---|---|---|
| | £m | £m | £m |
| Social Work | 9.421 | | 1.063 |
| Early Help & Prevention | | -0.170 | 0.283 |
| Performance & Challenge | 0.337 | | 0.413 |
| Education | 4.140 | | 2.176 |
| Resources (including capital charges) | 0.056 | | 0.056 |
| Use of reserves and balances | | -0.444 | 0.000 |
| Schools capital funded by borrowing | | -2.000 | 0.000 |
| ***Dedicated schools grant*** | | | |
| High Needs Block | 8.783 | | -0.962 |
| Schools Block | | -0.602 | -0.135 |
| Early Years Block | | -2.667 | 0.193 |
| Net deficit to be carried forward | | -5.514 | -1.316 |
| **Forecast over / (under) spend** | **22.737** | **-11.397** | **1.771** |
| | **11.340** | | |

| **Community and Environmental Services** | Projected over spend | Projected under spend | Changes this period |
|---|---|---|---|
| | £m | £m | £m |
| **Communities Committee** | | | |
| Culture and Heritage | 0.067 | | |
| Director of Public Health | | -0.046 | |
| Fire Service | 0.596 | | 0.057 |
| **EDT Committee** | | | |

| | | | |
|---|---|---|---|
| Business Support and development | | -0.130 | |
| Residual Waste | | -0.400 | |
| Recycling and Closed landfill sites | | -0.320 | |
| **Business and Property Committee** | | | |
| Client Property Management | 0.006 | | 0.006 |
| Economic Development | | -0.108 | -0.009 |
| **Forecast over / (under) spend** | **0.669** | **-1.004** | **0.054** |
| | | **-0.335** | |

| **Strategy, Finance and Finance General** | Projected over spend | Projected under spend | Changes this period |
|---|---|---|---|
| | £m | £m | £m |
| **Strategy and Governance** | | | |
| Intelligence & Analytics | | -0.014 | 0.038 |
| Communications | 0.077 | | |
| Human Resources | | -0.001 | 0.019 |
| Democratic Services | | | 0.020 |
| MDs office | | -0.101 | -0.101 |
| **Forecast over / (under) spend** | **0.077** | **-0.116** | **-0.024** |
| | | **-0.039** | |
| **Finance and Commercial Services** | | | |
| Property | 0.006 | | -0.241 |
| Procurement | | -0.059 | -0.059 |
| IMT | | -0.056 | -0.056 |
| Print & Phone Recharges | 0.020 | | 0.020 |
| **Forecast over / (under) spend** | **0.026** | **-0.115** | **-0.336** |
| | | **-0.089** | |
| **Finance General (see Revenue Annex 2 for further details)** | | | |
| Section 31 Business rates cap compensation | | -0.433 | |
| Section 31 Business grant reconciling payments following close of 2017-18 accounts | | -1.216 | -1.216 |
| Additional Local Services Support Grant - free travel | | -0.162 | |
| Satellite offices cost of lease surrender | 0.536 | | |
| Member's allowances | | -0.031 | -0.008 |
| Audit fees | | -0.041 | |
| Land drainage levy | | -0.016 | |
| Interest on balances | | -0.192 | -0.062 |
| Capitalisation of costs currently in revenue budgets | | -1.500 | |
| Use of capital receipts to support transformation costs | | -2.000 | -2.000 |
| Savings relating to pension fund pre-payment | | -0.400 | |
| Lower than anticipated costs of redundancy / use of organisational review reserves | | -1.000 | -0.250 |
| Use of Business Risk Reserve | | -4.457 | -2.457 |
| **Forecast over / (under) spend** | **0.536** | **-11.448** | **-5.993** |
| | | **-10.912** | |

# Revenue Annex 2: Policy and Resources budget summary

## 1 Introduction

The Policy and Resources Committee is responsible for the oversight of the budgets listed in the table below, which also summarises the latest forecast outturn position.

| 2018 / 19 | Current Budget | Forecast | Over / (Under) spend |
|---|---|---|---|
| | £m | £m | £m |
| **Strategy and Governance** | | | |
| Intelligence & Analytics | 0.819 | 0.805 | -0.014 |
| Communications | 0.786 | 0.863 | 0.077 |
| Strategy & Delivery Unit | 0.596 | 0.596 | |
| Norfolk Futures | *0.500* | *0.500* | |
| Human Resources | 3.314 | 3.313 | -0.001 |
| Democratic Services | 2.775 | 2.775 | |
| Elections | *0.338* | *0.338* | |
| Nplaw | -0.656 | -0.654 | |
| MD's Office | 0.336 | 0.235 | -0.101 |
| Shared Services Contribution | -0.356 | -0.356 | |
| Print Service Recharges | 0.032 | 0.032 | |
| | 8.484 | **8.447** | **-0.039** |
| **Finance and Commercial Services (note 1)** | | | |
| Finance | 6.133 | 6.133 | - |
| Procurement | 1.143 | 1.084 | -0.059 |
| Print and phone recharges | 0.020 | 0.040 | 0.020 |
| | **7.296** | **7.257** | **-0.039** |
| **Finance General** | | | |
| Section 31 Business rates cap compensation | | | -0.433 |
| Section 31 Business grant reconciling payments following close of 2017-18 accounts | | | -1.216 |
| Additional Local Services Support Grant | | | -0.162 |
| Satellite offices cost of lease surrender | | | 0.536 |
| Member's allowances | | | -0.031 |
| Audit fees | | | -0.041 |
| Land drainage levy | | | -0.016 |
| Interest on balances | | | -0.192 |
| Capitalisation of costs currently in revenue budgets | | | -1.500 |
| Use of capital receipts to support transformation costs | | | -2.000 |
| Savings relating to pension fund pre-payment | | | -0.400 |
| Lower than anticipated costs of redundancy/use of organisational review reserves | | | -1.000 |
| Use of Business Risk Reserve | | | -4.457 |
| | | | **-10.912** |
| **Total P&R Committee** | | | -10.990 |

Note 1: this table excludes Corporate Property budgets (Business and Property Committee) and IMT budgets (Digital Innovation and Efficiency committee) Note 2: this table may contain rounding differences.

## 2 Finance General over and underspends

Explanations for the Finance General forecasts are as follows:

**Section 31 Business rates cap compensation (forecast underspend £0.433m)**
This forecast underspend relates to additional 2018-19 business rates compensation grant income associated with measures announced at Autumn and Budget Statements.

**Section 31 Business grant reconciling payments following close of 2017-18 accounts (forecast underspend £1.216m)**
This forecast underspend relates to a reconciling payment for 2017-18 business rates compensation grant income. The amount has been confirmed following the audit of NNDR3 business rates returns submitted in 2018-19.

**Additional Local Services Support Grant - free travel (forecast underspend £0.162m)**
This forecast underspend relates to additional unringfenced Local Services Support Grant relating to extended rights to free home to school transport.

**Satellite offices costs of lease surrender (forecast overspend £0.536m)**
A property strategy with the aim of reducing the number of Council offices and therefore running costs will result in staff being moved into County Hall.

**Member's allowances (forecast underspend £0.031m)**
Early estimate of underspend in member's allowances budget based on expenditure to date.

**Audit fees (forecast underspend £0.041m)**
Confirmation of reduction in external audit fees following Public Sector Audit Appointments Ltd (PSAA) appointment of Ernst Young as Norfolk County Council's external auditor.

**Land drainage levy (forecast underspend £0.016m)**
Environment Agency precept greater than expected.

**Interest on balances (forecast underspend £0.192m)**
The 2018-19 interest payable/receivable budget was prepared on the basis of a number of assumptions including cash flows, interest rates and the extent of actual borrowing. The cost and timing of borrowing has resulted in a forecast underspend.

**Capitalisation of costs currently in revenue budgets (forecast underspend £1.500m)**
During work being done in preparation for the 2019-20 capital programme, an opportunity to capitalise an additional £1.5m of work related to highways previously funded from revenue budgets.

**Use of capital receipts to support transformation costs (forecast underspend £2.000)**
On 25 September 2017 Policy and Resources Committee considered a report entitled Demand Management & Prevention Strategy: Children's Services. This resulted in the allocation of a one-off investment of £12-£15m into children's services over the four years 2018-22. It is proposed that subject to the achievement of property sales in 2018-19, £2m of capital receipts will be allocated to fund transformation through the "flexible use of capital receipts" in accordance with the policy approved by County Council on 12 February 2018.

**Savings relating to pension fund pre-payment (forecast underspend £0.400m)**
At the September meeting of this Committee, members agreed that the Council could make a pre-payment of contributions to the Norfolk Pension Fund, which is forecast to generate savings of approximately £1.2m over 18 months.

**Lower than anticipated costs of redundancy (forecast underspend £1.000m)**
Based on the latest projections, officer forecasts for 2018-19 suggest that spend on redundancy costs will be £1.0m lower than anticipated at the time of budget setting.

**Forecast use of Business Risk Reserve (forecast underspend £4.457m)**
A general business risk reserve was created in 2017-18 to provide flexibility with managing service budget risks and to mitigate the level of savings to be found in future years. The reserve stands at £4.457m. Due to the pressures on Children's Services budgets full use of this reserve it is anticipated in 2018-19.

# Norfolk County Council

## Appendix 2: 2018-19 Capital Finance Monitoring Report

Report by the Executive Director of Finance and Commercial Services

### 1 Capital Programme 2018-19

1.1 On 20 February 2018, the County Council agreed a 2018-19 capital programme of £238.098m with a further £190.812m allocated to future years', giving a total of £428.910m.

1.2 Additional re-profiling from 2017-18 resulted in an overall capital programme at 1 April 2018 of £309m plus £164m of new grant funded highways schemes. Further in-year adjustments have resulted in the latest capital programme shown below:

**Table 1: Capital Programme budget**

| | 2018-19 budget | Future years |
|---|---|---|
| | £m | £m |
| New schemes approved February 2018, funded from borrowing | 114.976 | 122.411 |
| Previously approved schemes brought forward | 123.122 | 68.401 |
| **Totals in 2018-22 Budget Book (total £428.910m)** | **238.098** | **190.812** |
| Deduct new externally funded highways schemes (see 1.2 above) | -79.118 | -85.329 |
| Schemes re-profiled after budget setting | 31.884 | 4.086 |
| Other Adjustments, including additional grants | 8.360 | |
| **Capital Programme Outturn excl new highways (£308.794m)** | **199.224** | **109.569** |
| Statutory accounting adjustment | -1.496 | |
| Highways grant funded schemes, assumed to be added to programme as grant funding confirmed £164.447m | 79.118 | 85.329 |
| **Revised opening capital programme (total £471.744)** | **276.846** | **194.898** |
| Re-profiling since start of year | -81.782 | 81.782 |
| Other movements – including addition of highways schemes | 30.010 | 17.426 |
| **Capital programme budgets latest (total £519.180m)** | **225.074** | **294.106** |

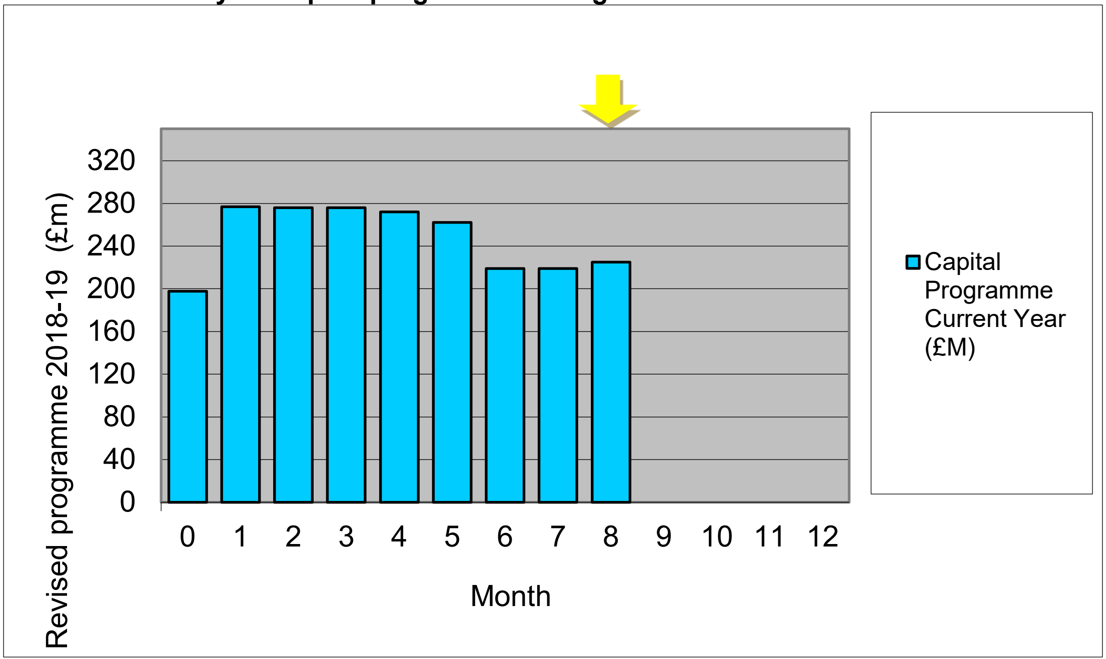
*Note: this table and the tables below contain rounding differences*

The "future years" column above does not include new schemes yet to be approved as part of the 2019-22 capital strategy and programme.

## Changes to the Capital Programme

1.3 The following chart shows changes to the 2018-19 capital programme through the year.

**Chart 1: Current year capital programme through 2018-19**




1.4 Month "0" shows the 2017-18 outturn future capital programme excluding new grant funded highways schemes, which are added in month 1. The arrow shows the latest position showing the net effect of re-profiling of spend between years, and additional current year funding.

1.5 The current year's capital budget for each service is set out in the table below:

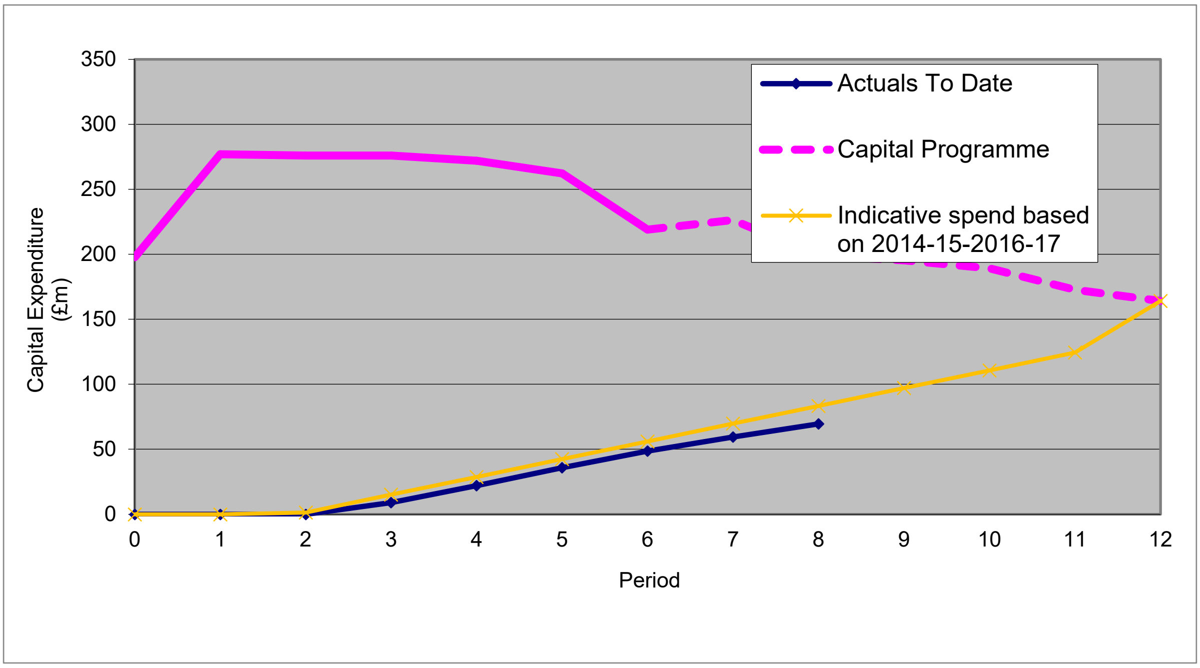
**Table 2: Service capital budgets and movements 2018-19**

| Service | Revised opening programme | Previously reported programme | Reprofiling since last report | Other Changes since last report | 2018-19 Current Capital Budget |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Children's Services | 87.764 | 55.118 | -10.194 | 6.922 | 51.846 |
| Adult Social Care | 13.196 | 15.480 | -2.454 | 3.000 | 16.026 |
| Community & Environmental Services | 120.175 | 102.831 | -2.158 | 10.554 | 111.227 |
| Strategy and Governance | | | | | |
| Finance & Comm Servs | 55.710 | 45.096 | -0.101 | 0.980 | 45.974 |
| **Total** | 276.845 | **218.525** | **-14.907** | **21.456** | **225.074** |
| | | | | **6.549** | |

*Note 1: this table may contain rounding differences*

1.6 The trends within the current year's capital programme can be shown as follows.

**Chart 1: capital programme indicative trends and progress**




1.7 The chart shows actual expenditure (blue line) exceeded year end accruals at the start of period 2, with spend averaging approximately £12m per month since then. The pink and yellow lines show the projected budget movements and spend respectively. The current year's budget is expected to decrease as projects are re-profiled into future years when timing becomes certain towards the financial year end.

1.8 The revised programme for future years (2019-20 to 2021-22) is as follows:

**Table 3: Capital programme 2019-22**

| **Service** | **Outturn future capital programme** | **Previously reported future programme** | **Reprofiling since last report** | **Other Changes since last report** | **2018+ Future Capital Budget** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | |
| Children's Services | 45.424 | 91.327 | 10.194 | 0.000 | 101.521 |
| Adult Social Care | 7.284 | 14.457 | 2.454 | -1.902 | 15.008 |
| Community & Environmental Services | 37.213 | 135.380 | 2.158 | 7.828 | 145.366 |
| Strategy and Governance | | 0 | 0.000 | | 0 |
| Finance & Comm Servs | 19.648 | 32.109 | 0.101 | | 32.210 |
| **Total** | **109.569** | **273.273** | **14.907** | **5.926** | 294.106 |
| | | | | **20.833** | |

*Note: this table may contain rounding differences*

## Financing the capital programme

1.9 Funding for the capital programme comes primarily from grants and contributions provided by central government. These are augmented by capital receipts, developer contributions, prudential borrowing, and contributions from revenue budgets and reserves.

1.10 The table below identifies the funding of the capital programme:

**Table 4: Financing of the capital programme**

| **Funding stream** | **2018-19 Programme** | **Future Years Forecast** |
|---|---|---|
| | **£m** | **£m** |
| Prudential Borrowing | 103.789 | 101.947 |
| Use of Capital Receipts | | |
| Revenue & Reserves | 1.992 | |
| *Grants and Contributions:* | | |
| DfE | 28.683 | 76.044 |
| DfT | 42.965 | 87.029 |
| DoH | 8.217 | 4.081 |
| DCLG | 0.259 | 0.100 |
| DCMS | 0.699 | 3.580 |
| Developer Contributions | 17.946 | 15.378 |
| Other Local Authorities | 3.430 | 3.580 |
| Local Enterprise Partnership | 12.949 | |
| Community Infrastructure Levy | 0.603 | 1.921 |
| National Lottery | 1.075 | |
| Other | 2.468 | 0.444 |
| **Total capital programme funding £519.178m** | **225.074** | **294.104** |

*Note: this table may contain rounding differences*

1.11 Significant funding from capital receipts is anticipated over the life of the programme, which as and when realised will be used either to re-pay debt as it falls due, or to reduce the call on future prudential borrowing. For the purposes of the table above, it is assumed that all capital receipts will be applied directly to the re-payment of debt. Only capital receipts in excess of this will then be used to reduce the Council's future borrowing requirement.

1.12 The most significant sources of funding continue to be the major government capital grants for transport and schools, and the authority's prudential borrowing.

1.13 Developer contributions are funding held in relation to planning applications. Section 106 (Town and Country Planning Act 1990) contributions are held in relation to specific projects: primarily schools, with smaller amounts for libraries and highways. The majority of highways developer contributions are a result of section 278 agreements (Highways Act 1980).

## 2 Specific Schemes – funding secured / projects approved during October and November 2018

### 2.1 Great Yarmouth Third River Crossing

On 15 October 2018 the County Council confirmed its commitment to the delivery of the Great Yarmouth Third River Crossing and approved additional funding to the capital programme in line with the following table:

| Funding source | Total £,000 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|---|---|---|---|
| **DfT funding requested** | **98,088** | | 3,941 | 4,668 | 31,362 | 41,837 | 16,280 |
| **NCC contribution** | **20,565** | 189 | 3,278 | 10,250 | 6,848 | 0 | 0 |
| **LEP contribution** | **2,000** | 1,682 | 318 | | | | |
| **Total** | **120,653** | **1,871** | **7,537** | **14,918** | **38,210** | **41,837** | **16,280** |

### 2.2 Living Well – Homes for Norfolk

On 29 October 2018, at the last meeting of this Committee, capital investment of up to £29m was approved to accelerate the development of extra care housing in Norfolk, with the aim of reducing unnecessary residential care admissions. Each scheme will be subject to a rigorous feasibility and financial assessment. Over the 10-year period it is estimated that the total programme could require between £17m and £29m depending on progress and grant subsidy levels. This will be added to the future year's capital programme.

### 2.3 Transforming the System for Special Educational Needs and Disability (SEND) in Norfolk Phase 1 and 2

On 29 October 2018, Policy and Resources Committee approved a scheme for the creation of new specialist SEND provision. Phase 1 is for £100m expenditure, with £4.8m forecast to be spent in 2018-19 which will be added to the current year's programme. A further estimated £20million funding for associated residential / outreach and early intervention services was also approved for a potential phase 2. The future year's proposed capital programme has been updated accordingly.

## 3 Additions to the capital programme – to be approved

### 3.1 Norfolk Community Learning Services ICT Transformation Project £0.420m current year, as part of £0.800m programme.

The Community Learning Service has developed this scheme to replace outdated ICT equipment / infrastructure with new equipment. This will enable students and tutors to be able to use reliable, up to date and relevant equipment to enhance their learning experience.

The scheme will also enable NCLS to provide modern courses and encourage additional learners to enrol**.** The profile of spend is as follows:

| | **£m** |
|---|---:|
| 2018-19 | 0.420 |
| 2019-20 | 0.313 |
| 2020-21 | 0.033 |
| 2021-22 | 0.034 |
| | **0.800** |

The scheme will result in the provision of modern ICT suites, and laptops for use in community settings across Norfolk. By using capital funding to finance NCLS' ICT transformation programme, NCLS/IMT can purchase in bulk and ensure standardisation of all new ICT equipment.

The amounts in the table above for 2019-20 and beyond are included in the future year's programme to be approved as part of the capital strategy.

### 3.2 Schools ICT refresh programme 2018-22 £0.360m, in advance of school's contributions

Schools contribute to an IMT managed ICT refresh programme, which requires an element of capital funding in advance. The pattern of spend means that certain capital costs are incurred in advance of contributions being received from the participating schools.

This capital funding will be fully repaid by scheme contributions from schools by March 2022.

## 4 Capital Receipts

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

4.2 The capital programme, approved in February 2018, demonstrated how asset sales can 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. It included a table of potential property sales

**Table 6a: Capital programme property disposal schedule estimates £m**

| **Property sales potential** | **2018-19** | **2019-20** | **2020-21** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| General | 3.517 | 0.017 | 0.740 |
| Farms | 0.946 | 1.885 | 1.460 |
| Major development sites | 3.650 | 3.600 | |
| | **8.113** | **5.502** | **2.200** |

Following recent re-valuations after the original estimates were prepared, the forecast receipt from the major development sites has increased. However the first sales are not expected to be realised until 2019-20 and are no longer included in the forecast current year receipts.

4.3 The revised schedule for current year disposals is broken down by chance/stage of sale within the year, as follows:

**Table 6b: Disposals expected within year £m**

| | **Potential receipt £m** |
|---|---|
| Receipts secured | 0.962 |
| Sold subject to contract | 1.295 |
| High chance of sale | 0.839 |
| **Anticipated receipts 2018-19** | **3.096** |

In addition to the anticipated receipts from the disposal of property above, a further £2.4m capital receipt is anticipated from the sale of part of the Hethel Engineering Centre site to Hethel Innovation Limited.

## 4.4 Flexible use of capital receipts

**Proposed strategy for the flexible use of capital receipts**

On 12 February 2018 the County Council approved a capital programme including the Flexible Use of Capital Receipts Strategy for 2018-19 to 2022-23. At the time of approval, the Strategy did not contain details of the specific project that could best make use of the capital receipts flexibility (as required by the relevant guidance), partly due to uncertainty as to the level of capital receipts which would be available.

On 25 September 2017 Policy and Resources Committee considered a report entitled Demand Management & Prevention Strategy: Children's Services. This resulted in the allocation of £12-£15m into children's services over the four years 2018-22

The investment will fund a programme of transformational change, including investment in specialist, well supported alternatives to residential care, better 16+ provision, workforce training and development and better targeted interventions.

The aim is to create a financially sustainable social care model. Critical to this is ensuring a reduction in looked after children's numbers, with the considerable savings that this will generate. A successful business model developed by East Sussex County Council, "Transformation and Thrive", made a significant difference to their financial forecast through cost avoidance and savings, as well as the outcomes for vulnerable families concluding that for each £1m of one-off investment during the programme, they had a return of £1.5m pa.

Due to the level of capital receipts expected in 2018-19, in particular relating to the sale of part of the Hethel Engineering Centre to Hethel Innovation Limited, it is proposed that £2m of capital receipts is allocated to the Children's Services Demand Management & Prevention Strategy.

# Capital Annex 1 - changes to capital programme since last P&R Committee

| Changes to capital programme since last P&R report | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | 18-19 | 18-19 | 19-20+ | 19-20+ | |
| Service | Project | Funding Type | Change (£m) | REPROFILE | Change (£m) | REPROFILE | Reason |
| Adult Social Care | ICES - Equipment | External | | | -1.902 | | Budget removed as used in 17/18 |
| | Norse Care Loan | Borrowing | 3.000 | | | | Increase for refurbishment to care home for adults with dementia - as per P&R Sept 18 |
| | Social Care Information Systems | Borrowing | | -1.600 | | 1.600 | Reprofiled according to current level of expenditure expected |
| | Strong & Well | | | 0.032 | | -0.032 | Reprofiled according to current level of expenditure expected |
| | Supported Living | | | -0.015 | | 0.015 | Reprofiled according to current level of expenditure expected |
| | Social care implementation act | | | - 0.871 | | 0.871 | Reprofiled according to current level of expenditure expected |
| **Total Adult Social Care** | | | **3.000** | **-2.454** | **-1.902** | **2.454** | |
| **Children's Services** | | | | | | | |
| | SEND | Borrowing | 4.800 | | | | New project as agreed at P& R |
| | ECAPEQ | Borrowing | 2.000 | | | | Capitalisation of revenue budgets as agreed at P&R |
| | EC5400 - Refresh14-18 | External | - 0.279 | | | | Refund Refresh as end of programme |
| | EC5600/EC5700 Refresh 18-22 | External | 0.165 | | | | Contribution to ICT refresh programme |
| | EC5600/EC5700 Refresh 18-22 | Revenue and Reserves | 0.115 | | | | Contribution to ICT refresh programme |
| | School devolved budgets | Misc | 0.121 | | | | Contributions direct to/from schools |
| | A1 - Major Growth | External | | - 0.717 | | 0.717 | Gayton Land reprofiled by £0.071m as planning not obtained yet, Land purchase pot reprofiled by £0.675m as still in negotiations with city Council/Funds moved back to 18/19 for Sillfield £0.050m and Attleborough Junior £0.200m to cover in year expenditure/Thetford new primary £0.030m reprofiled as not on site yet/ Angel Road Site Developement reprofiled £0.040m & Bradwell by £0.025m as still ongoing site discussions/ poringland increase of £0.125m from previous scheme. |
| | A2 - Master Planning | External | | - 0.451 | | 0.451 | Sprowston Academy reprofiled £0.03m as project not started yet /Hethersett reprofiled by £0.421m as planning not until xmas. |
| | A3 - Area Growth & Reorganisation | External | | - 0.747 | | 0.747 | Gayton reprofiled by £0.6m as planning not obtained yet/ Attleborough High reprofiled by £0.05m as planning not yet obtained/ Bowthorpe reorg reprofiled by £0.047m as land negotiations stalled/ Little Plumstead reprofiled by £0.05m as project on hold |
| | A4 - Growth Minor increases | External | | - 0.060 | | 0.060 | Blofiled reprofiled by £0.03m due to land discussions stalled & Brundall reprofiled by £0.03m as project not started yet. |
| | B3 - Early Years | External | | - 0.256 | | 0.256 | EY Capacity pot reprofiled to 19/20 |
| | Dev Contributions holding pots | External | | - 7.390 | | 7.390 | Reprofiled for allocation in 19/20 |
| | C2 - Major Capital Maintenance | External | | - 0.573 | | 0.573 | Swaffham Sports hall reprofiled by £0.648m as only just out to tender and condition pot £0.075m back to 18/19 to cover in year expenditure |
| | | | | | | | |
| **Total Children's services** | | | **6.922** | **-10.194** | **-** | **10.194** | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Libraries | CIL Funding | External | 0.120 | | | | Additional funding received from CIL |
| | S106 | External | 0.007 | | | | Additional S106 funding for Kenninghall, Priory Cresent and Kimms Belt. |
| | Various | External - Developer Cont | | - 0.027 | | 0.027 | Reprofiled to current expected spend |
| | Library Building improvement | External - Developer Cont | | 0.207 | | - 0.207 | Reprofiled to cover in year expenditure |
| | Libraries Transformation | External | | -0.008 | | 0.008 | Reprofiled to current expected spend |
| Museums | Castle Keep Developments | External | 1.000 | | 8.200 | | New project funded from Lottery |
| | GFW Voices | External | -0.120 | | | | Funding reduced according to predicted spend |
| | Time & Tide H&S work | Borrowing | 0.002 | | | | New budget for Time and Tide |
| | Seahenge | Borrowing | | -0.007 | | 0.007 | Reprofile as per expected spend in 18/19 |
| Ec Development | Great Yarmouth Energy Park | Borrowing | 2.750 | | | | New project funded from borrowing |
| Highways | Misc | Borrowing | 0.189 | | -0.372 | | New project funded from borrowing |
| | Misc | External | 7.169 | | | | 3.941 Dft for 3rd river crossing, 0.348 Gt Yarmouth projects,0.300 from Business pool fund for long stratton and southgate roundabout, 0.958 increase of s106 funding Royal nfk golf club, 0.372 inc for local highway improvements & 0.232 inc for Norwich Access Strategy |
| | Misc | Revenue/Reserves | -0.573 | | | | Net various funding adjustments: Increase of £1.1m for Countrywide LED replacement, decreased budgets for Colney Hospital, A1066 Victoria Rd, & Wayfinding & Signage and other adjustments |
| ETD Other | | Borrowing | 0.011 | | | | Funding swap |
| Fire | Fire Alarms | Borrowing | | -0.073 | | 0.073 | Reprofiling budgets to current estimates |
| | Station Refurb | DCLG - External | | -0.100 | | 0.100 | Reprofiling budgets to current estimates |
| | Fire Control ICT | Borrowing | | -0.100 | | 0.100 | Reprofiling budgets to current estimates |
| | Fire Hydrants | Borrowing | | -0.100 | | 0.100 | Reprofiling budgets to current estimates |
| | Fire - Vehicles | Borrowing | | -1.950 | | 1.950 | Reprofiling budgets to current estimates |
| | | | | | | | |
| **Total CES** | | | **10.554** | **-2.158** | **7.828** | **2.158** | |
| County Farms | Land Drainage | Borrowing | | - 0.101 | | 0.101 | Land drainage reprofiled for use 19/20 |
| | | Borrowing | 0.450 | | | | Additional funding agreed |
| Finance | HR & finance System replacement | Borrowing | 0.530 | | | | Budget increase from borrowing |
| **Total Finance** | | | **0.980** | **-0.101** | **-** | **0.101** | |
| | | | | | | | |
| **Total** | | | **21.456** | **-14.907** | **5.926** | **14.907** | |

# Policy and Resources Committee

**Item No 8**

| | |
|---|---|
| **Report title:** | **Delivering Financial Savings 2018-19** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Simon George – Executive Director of Finance and Commercial Services** |

**Strategic impact**

This report provides details of the forecast year-end position in respect of the delivery of the 2018-19 savings agreed by the County Council at its budget meeting 12 February 2018.

## Executive summary

County Council agreed savings of £29.999m for the year as part of the 2018-19 budget setting process. This report provides Members with details of the forecast outturn position in delivering these savings.

The report particularly comments on the exceptions to successful delivery which have been rated RED or AMBER.

**Members are recommended to consider:**

a) **requesting officers take action to ensure that savings are delivered and that shortfalls in savings are met through alternative savings or underspends.**
b) **the total projected shortfall of £5.459m in 2018-19, which amounts to 18% of total savings;**
c) **the budgeted value of 2018-19 savings projects rated as RED of £3.142m, of which £0.893m are forecast to be delivered;**
d) **the budgeted value of 2018-19 savings projects rated as AMBER of £12.145m, of which £8.715m are forecast to be delivered;**
e) **the budgeted value of GREEN and BLUE rated projects of £14.712m, where we are forecasting to deliver £14.932m.**
f) **the forecast changes to assumptions and rescheduling of savings totalling £5.900m in 2019-20, £1.550m in 2020-21 and £2.500m in 2021-22, which have been reflected in budget planning.**

## 1. Savings overview

1.1. The County Council, as part of setting its budget for 2018-19, agreed net savings of £29.999m. A summary of the total savings, including the savings identified for subsequent years of the Medium Term Financial Strategy agreed as part of the 2018-19 budget process, is provided in this report. Full details of savings can be found in the 2018-19 Budget Book.[1]

## 2. RAG ratings

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

**Table 1: RAG ratings**

| Level | Descriptor |
|---|---|
| **Red** | **Significant concern** that the saving may not be delivered, or there may be a large variance in the saving (50% and above). |
| **Amber** | **Some concern** that the saving may not be delivered or there may be a variance in the saving (up to 50%). |
| **Green** | **Confident** that the saving will be delivered (100% forecast). |
| **Blue** | Saving already **delivered** and reversal of previous year savings. |

2.2. The information in this report is informed by monitoring reports to Service Committees. The decision to rate a project as RED is based on the criteria shown above, which ensures that a common standard across all Service Committees is maintained in the monitoring for Policy and Resources.

2.3. As at Period 8 monitoring, the RAG status and forecast savings delivery is anticipated as shown in the table. This is a slight improvement of £0.236m from the Period 6 position in the previous report to this Committee, reflecting a property saving (P&R027) previously rated as RED which is now forecast to be fully achieved (GREEN).

[1] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/budget-book-2018-22.pdf?la=en

**Table 2: 2018-19 savings by RAG status**

| RAG Status | Budgeted value of savings 2018-19 | Percentage of total savings value | Previous forecast savings 2018-19 (Period 6) | Savings Outturn Forecast 2018-19 (Period 8) | Change in savings position | Savings shortfall 2018-19 |
|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (c)-(d) | (a)-(d) |
| | £m | % | £m | £m | £m | £m |
| Red | -3.142 | 10% | -1.057 | -0.893 | -0.164 | -2.249 |
| Amber | -12.145 | 40% | -8.715 | -8.715 | 0.000 | -3.430 |
| Green / Blue | -14.712 | 49% | -14.532 | -14.932 | 0.400 | 0.220 |
| **Total** | **-29.999** | **100%** | **-24.304** | **-24.540** | **0.236** | **-5.459** |

2.4. Three savings projects have been rated as RED, representing a budgeted total savings value of £3.142m. £0.893m of these savings are forecast to be delivered as set out in Table 2. This represents a shortfall of £2.249m (7.5% of total budgeted savings), which relates to RED rated projects.

2.5. Three savings projects have been rated as AMBER, representing a budgeted total savings value of £12.145m. £8.715m of these savings are forecast to be delivered. This represents a shortfall of £3.430m (11.4% of total budgeted savings), which relates to AMBER rated projects.

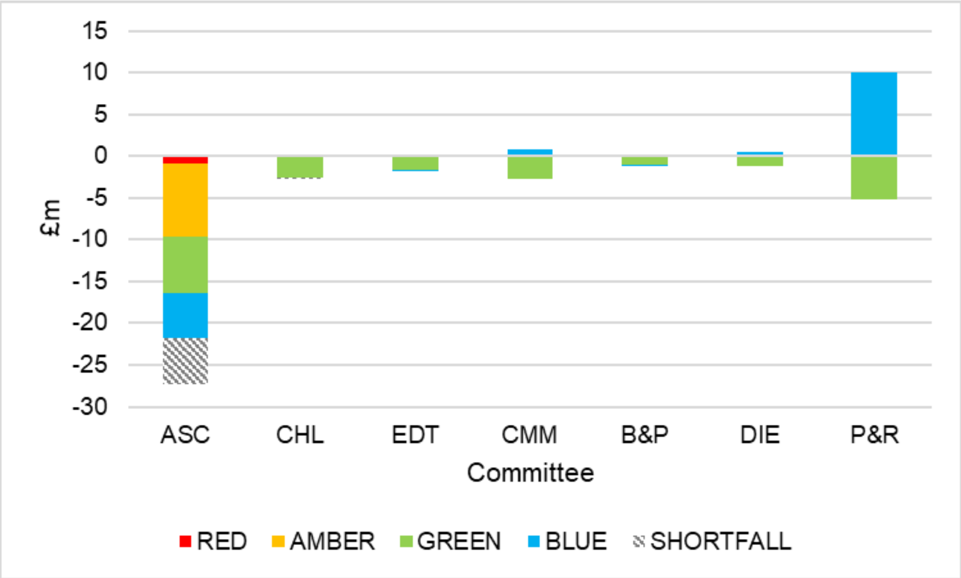
2.6. One saving rated as GREEN is forecast to be overachieved by £0.220m in 2018-19.

2.7. This results in a **total shortfall of £5.459m** forecast at year end.

**Table 3: Committee analysis of 2018-19 savings forecast and RAG status**

| RAG status | Adults | Children's Services | EDT | Communities | Business and Property | Digital Innovation and Efficiency | Policy and Resources | Total |
|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Red | -0.893 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **-0.893** |
| Amber | -8.715 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **-8.715** |
| Green / Blue | -12.145 | -2.499 | -1.660 | -1.803 | -1.051 | -0.726 | 4.952 | **-14.932** |
| **Total** | **-21.753** | **-2.499** | **-1.660** | **-1.803** | **-1.051** | **-0.726** | **4.952** | **-24.540** |
| | | | | | | | | |
| Savings (shortfall) / over delivery | -5.537 | -0.142 | 0.220 | 0.000 | 0.000 | 0.000 | 0.000 | **-5.459** |
| **Total** | **-27.290** | **-2.641** | **-1.440** | **-1.803** | **-1.051** | **-0.726** | **4.952** | **-29.999** |

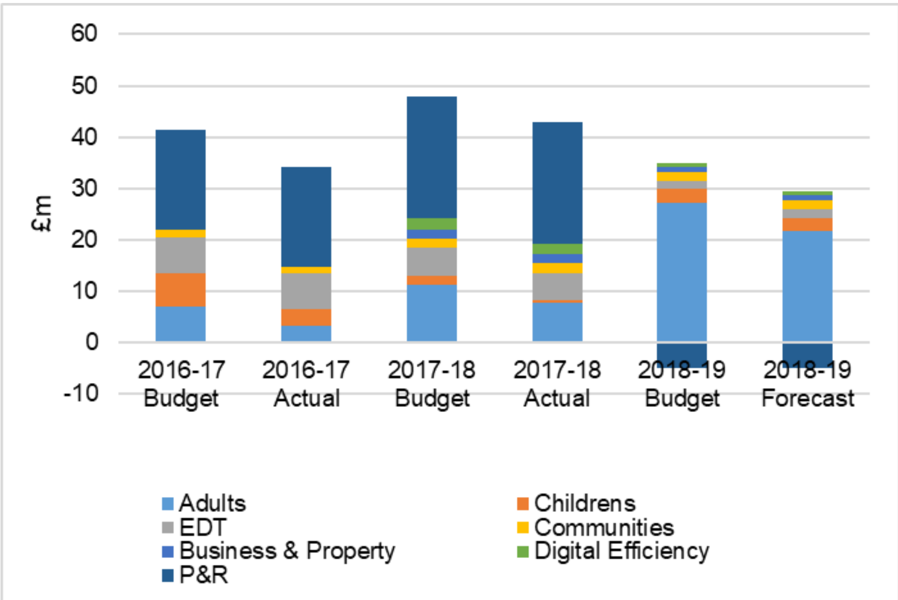
**Figure 1: Committee analysis of 2018-19 savings forecast and RAG status**




## 3. Delivery of savings

3.1. The graph below shows the delivery of savings against budget by Committee, with comparative data for 2016-17 and 2017-18.

**Figure 2: Savings targets and actual / forecast delivery by Committee**




3.2. The 2018-19 budget monitoring report elsewhere on this agenda sets out details of the forecast overall outturn position for the year. Actions may be required during the year within Service budgets to find offsetting savings to mitigate any delay to the achievement of savings in this report. The non-delivery of savings in previous years, and a detailed review of the deliverability of planned savings, was taken into account during the preparation of the 2018-19 Budget, with the result that a number of savings were removed or delayed at budget-setting as shown in the 2018-19 Budget report to County Council. There remains a need for both Service Committees and Executive Directors to maintain the focus on the effective delivery of both the previous years' agreed savings and future planned savings in order to minimise risks to the Council's overall financial position and support the delivery of the 2018-19 Budget.

3.3. Wider actions that are being taken within each Committee to deliver savings will be reported to Policy and Resources Committee through the year.

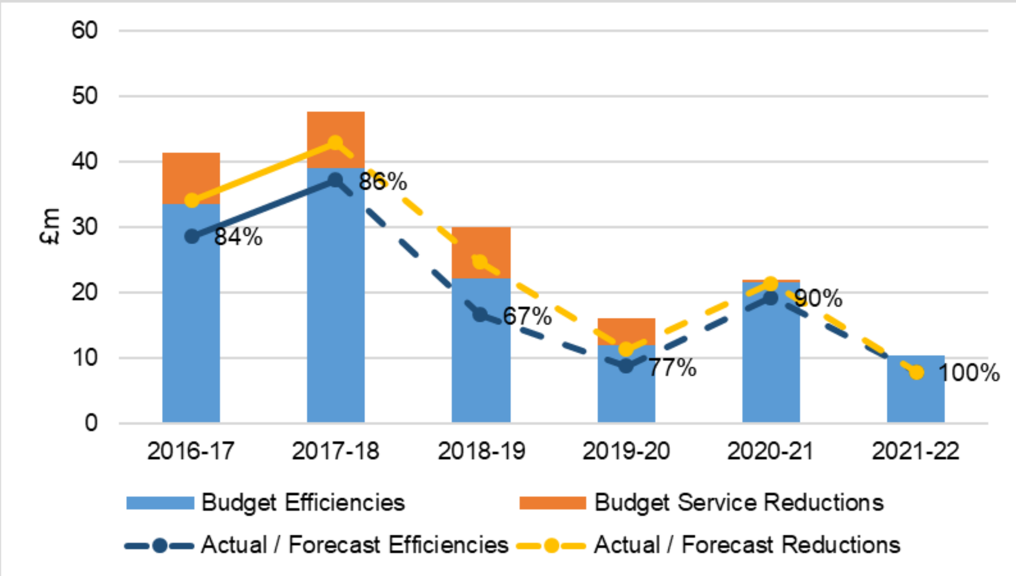
3.4. Planned savings for 2018-19 have been analysed to provide the split between back office savings and those with an impact on front line services as shown in the table below.

**Table 4: Forecast delivery of savings by type**

| | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2018-22 Total** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Efficiency savings and increasing income | -6.495 | 0.028 | -9.223 | -7.900 | **-23.590** |
| Efficiency savings – providing statutory services differently | -10.059 | -8.700 | -10.000 | 0.000 | **-28.759** |
| Reducing service standards and ceasing services | -7.986 | -2.535 | -2.200 | 0.000 | **-12.721** |
| **Forecast savings delivery** | **-24.540** | **-11.207** | **-21.423** | **-7.900** | **-65.070** |
| | | | | | |
| (Shortfall) / over delivery | -5.459 | -4.950 | -0.550 | -2.500 | **-13.459** |
| **Total planned savings** | **-29.999** | **-16.157** | **-21.973** | **-10.400** | **-78.529** |

3.5. The graph shows the share of savings delivered from support services compared to the front line, with comparative information since 2015-16. In 2018-19, 74% of savings are budgeted to be achieved through efficiencies.

**Figure 3: Savings – support services compared to front line**




## 4. Commentary on savings rated RED

4.1. Three savings have been rated as RED in respect of 2018-19, representing a savings shortfall of £2.249m within RED rated projects. Commentary on the RED rated savings is provided below.

**Adults**

- Saving ASC008 Promoting Independence – Housing with Care – shortfall **£0.450m**: The department has developed a business case and revenue model as part of the work of its newly formed Older People Housing Board. This paper was presented at the Adult Social Care October Committee meeting. Through work between internal officers, consultants and external partners, such as the district and borough councils, we will develop new units within Norfolk. This will provide older people in Norfolk a more independent alternative to residential care. The variance in savings delivery is the direct result of the time it takes to develop and build these new units.

- Saving ASC013 Radical review of daycare services – shortfall **£1.657m**: As part of the LD strategy, the department will have a revised Day Services offer for people with a Learning Disability. The focus will be on community participation, targeted support (with a skills and employment focus) and locality hubs for those with complex needs. Five providers are running twelve month pilots to help reshape the offer. The variance in savings delivery is the direct result of the time it takes to evolve these services and support and enable existing people accessing the services.

**Children's**

- Saving CHL042 Reduction in legal expenses – shortfall **£0.142m**: There is a shortfall on this saving due to a significant increase in the number of proceedings that have commenced in this financial year compared to 2017-18 and due to the complexity of the case work. However, the service can report that the aims of this saving have been achieved: the management focus on ensuring that legal resource is not used for elements of case preparation that could have been carried out more efficiently by other teams has been effective, and has resulted in costs being avoided and prevented a further increase in the saving shortfall if this action had not been taken.

## 5. Commentary on savings rated AMBER

5.1. Three savings have been rated as AMBER in respect of 2018-19, representing a savings shortfall of £3.430m within AMBER rated projects. Commentary on the AMBER rated savings is provided below.

**Adults**

- Saving ASC006/ASC011/ASC015 Promoting Independence for Younger Adults – shortfall **£2.727m**: The department has a structured programme of work to focus on our service offer for people with a Learning Disability (LD), which is held to account by an LD Steering Group and LD Partnership Board. This underpins the work required to implement the LD Strategy. The variance in savings delivery is the direct result of the time it takes to support and promote a person's independence when they have previously been receiving a different type or level of care services. Many of the people who access our services, may well have been in receipt of these services for a significant period. With people who are currently not receiving adult services, but may be supported by Children's or Education services, we are working with our colleagues in Children's services to develop a new Preparing for Adult Life service.

- Saving ASC006/ASC011/ASC015 Promoting Independence for Older Adults – shortfall **£0.566m**: The department is reformulating its social work offer, starting with its Community Care teams, by implementing a roll-out of the Living Well: 3 Conversations model of social work. The initial Community Innovation sites have seen promising results in terms of outcomes for people and delaying the need for formal care. The variance in savings delivery is the direct result of the time it takes to fully imbed this model and begin to realise the full benefits of the new ways of working.

- Saving ASC034 Prevent carer breakdown by better targeted respite – shortfall **£0.137m**: Whilst we continue to review and enhance our support towards Carers, including the development of a Carers charter, we have presently been unable to recruit to a new key operational carers post that will be the lead in the development of our social care practice. The arrangements for driving forward this area of change are being considered as a result of the recruitment slippage, including a review of the grading for this post by HR Reward. The commissioned support provided by Carers Matters for unpaid carers are working in a preventative model with carers that promotes independence and ensures early support and advice for carers. Workshops with unpaid carers have been held in three sessions across the county as part of the work underway to shape the respite offer for unpaid carers going forward.

## 6. Commentary on overachieved savings

6.1. One saving is currently forecast to overachieve by £0.220m in 2018-19.

Saving EDT055 Change the construction and demolition waste concession at all recycling centres – overachievement of **£0.220m**: As part of setting the 2018-19 budget for the Recycling Centre service we expected to be able to deliver a £0.280m saving by changing the charges for DIY construction and demolition waste (and potentially more, once in operation and we could fully assess the impact). Based on the current information available, we expect the reduction to be in the region of £0.500m. This overachieved saving is anticipated to be required to mitigate spending pressures in other areas of CES budgets in 2018-19. Further details about the wider financial position for waste budgets are set out in the Financial Monitoring report elsewhere on the agenda.

## 7. 2019-20 to 2021-22 savings

7.1. Budget setting in 2018-19 saw the approval of £16.157m savings for 2019-20, £21.973m for 2020-21 and £10.400m savings for 2021-22. The assumptions relating to these and earlier savings have been reviewed as part of the 2019-20 budget process with the result that budget planning work has identified net adjustments totalling **£5.900m for 2019-20**, **£1.550m for 2020-21** and **£2.500m for 2021-22**.

The following savings are therefore subject to changed assumptions and rescheduling, which is reflected in budget planning and included in the budget reports elsewhere on the agenda.

- Property savings (£1.500m 2019-20, £1.000m 2020-21, £0.500m 2021-22) – **shortfall** in future year Property savings and income targets. A detailed assessment is being undertaken of the obligations and opportunities within current budget plans.

- CHL041 (£1.700m 2019-20) – **delay** to part of the £3.000m saving from remodelling the Children's Centre offer to 2020-21.

- CHL044 (£1.000m 2019-20, £2.000m 2020-21, £2.000m 2021-22) – **consolidation** of Looked After Children savings. Children's Services LAC savings have been reviewed in budget planning for 2019-20, with these LAC savings now to be fully delivered through the Norfolk Futures Safer Children and Resilient Families Programme.

- P&R098 (£0.750m 2019-20) – **delay** of the Norse dividend saving to 2020-21 to reflect the likely timing of dividend income.

7.2. A number of historic Policy and Resources Committee savings which have previously been delivered through one-off measures (totalling £0.950 in 2019-20 and £1.000m in 2020-21) have been reversed as part of the 2019-20 budget process to ensure that future budgets are robust and deliverable.

## 8. Summary

8.1. The forecast outturn savings position for planned savings shows shortfalls of £5.537m in Adult Social Care and £0.142m in Children's Services. This is partially offset by the over delivery of £0.220m in Environment, Development and Transport. Service Committees continuing to maintain a strong focus on the delivery of savings will be critical to supporting the achievement of the Council's budget plans for future years.

## Background Papers

Budget Book 2018-19 https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/budget-book-2018-22.pdf?la=en

Norfolk County Council Revenue and Capital Budget 2018-22 (Item 4, County Council 12 February 2018)
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/592/Committee/2/SelectedTab/Documents/Default.aspx

## Officer Contact

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

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**Planned savings 2018-22 and 2018-19 forecast**

| Ref | Description | 2018-19 £m | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2018-19 Forecast £m |
|---|---|---|---|---|---|---|
| COM040/ ASC003 | Transport savings including reducing provision and reducing any subsidy paid by the Council | -0.700 | -1.000 | | | -0.700 |
| ASC006 /ASC011 /ASC015 | Promoting Independence for Younger Adults - Customer Pathway | -5.630 | -5.307 | -5.000 | | -3.370 |
| ASC006 /ASC011 /ASC015 | Promoting Independence for Older Adults - Customer Pathway | -1.632 | -3.393 | -5.000 | | -1.434 |
| ASC006 /ASC011 /ASC015 | Promoting Independence for Younger Adults - Customer Pathway - savings required from reversal of one-off funding in 2017-18 | -1.164 | | | | -0.697 |
| ASC006 /ASC011 /ASC015 | Promoting Independence for Older Adults - Customer Pathway - savings required from reversal of one-off funding in 2017-18 | -3.033 | | | | -2.665 |
| ASC007 | Promoting Independence - Reablement | -0.500 | | | | -0.500 |
| ASC008 | Promoting Independence - Housing with Care | -0.500 | -0.500 | | | -0.050 |
| ASC009 | Promoting Independence - Integrated Community Equipment Service | -0.250 | | | | -0.250 |
| ASC013 | Radical review of daycare services | -2.500 | | | | -0.843 |
| ASC016-019 | Building resilient lives: reshaping our work with people of all ages requiring housing related support to keep them independent | -3.400 | | | | -3.400 |
| ASC020 | Remodel contracts for support to mental health recovery | -0.275 | | | | -0.275 |
| ASC029 | Align charging policy to more closely reflect actual disability related expenditure incurred by service users | -0.230 | | | | -0.230 |
| ASC032 | Review charging policy to align to actual disability related expenses | -0.400 | | | | -0.400 |

| Ref | Description | 2018-19 £m | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2018-19 Forecast £m |
|---|---|---|---|---|---|---|
| ASC033 | Accommodation based reablement | -0.550 | | | | -0.550 |
| ASC034 | Prevent carer breakdown by better targeted respite | -0.686 | | | | -0.549 |
| ASC035 | Investment and development of Assistive Technology approaches | | -0.300 | -0.500 | -0.700 | 0.000 |
| ASC036 | Maximising potential through digital solutions | -0.049 | -0.951 | -2.000 | -3.000 | -0.049 |
| ASC037 | Strengthened contract management function | -0.300 | -0.300 | -0.200 | -0.200 | -0.300 |
| ASC038 | Procurement of current capacity through NorseCare at market value | | -0.600 | -1.000 | | 0.000 |
| ASC039 | Capitalisation of equipment spend | -2.300 | | | | -2.300 |
| ASC040 | Reduction in funding for invest to save | -0.191 | | | | -0.191 |
| ASC041 | One-off underspends in 2017-18 to be used to part fund 2018-19 growth pressures on a one-off basis | -3.000 | 3.000 | | | -3.000 |
| **Adults Total** | | **-27.290** | **-9.351** | **-13.700** | **-3.900** | **-21.753** |
| CHL013 | Update our budget for retirement costs for teachers | -0.100 | | | | -0.100 |
| CHL026 | Keep all children's centres open and focus their work on supporting the families that need them most | -0.309 | | | | -0.309 |
| CHL041 | Remodel the children's centre service offer | -2.000 | -3.000 | | | -2.000 |
| CHL042 | Reduction in legal expenses | -0.142 | -0.142 | | | 0.000 |
| CHL043 | Reduce the reliance on agency social workers through the improved permanent recruitment and retention | | -0.200 | | | 0.000 |
| CHL044 | Reduced Looked After Children's costs through implementation of the Demand Management and Prevention Strategy transformation programme | | -1.000 | -2.000 | -2.000 | 0.000 |
| CHL045 | Increased income received for Early Years training | -0.090 | | | | -0.090 |

| Ref | Description | 2018-19<br>£m | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m | 2018-19 Forecast<br>£m |
|---|---|---|---|---|---|---|
| **Children's Total** | | **-2.641** | **-4.342** | **-2.000** | **-2.000** | **-2.499** |
| EDT027 | Environment service - Redesign the environment service so that it operates at 75% of current budget and increases use of volunteers and interns | -0.200 | | | | -0.200 |
| EDT028 | Intelligent transport systems | -0.085 | | | | -0.085 |
| EDT032 | Waste Strategy - focussed on waste reduction and minimisation | | | | -1.850 | 0.000 |
| EDT040 | Waste – efficiency savings through robust management of costs through open-book accounting | 0.030 | | | | 0.030 |
| EDT045 | One off saving - Further capitalisation of highways maintenance activities in 2016-17 | 1.500 | | | | 1.500 |
| EDT049 | Succession of milder winters justifies a reduction in the winter maintenance budget | -0.400 | | | | -0.400 |
| EDT050 | Improved management of on-street car parking | | -0.150 | -0.350 | | 0.000 |
| EDT051 | Re-profiling the public transport budget | -0.250 | | | | -0.250 |
| EDT054 | Reducing spend on non-safety critical highway maintenance | -0.200 | | | | -0.200 |
| EDT055 | Change the construction and demolition waste concession at all recycling centres | -0.280 | | | | -0.500 |
| EDT056 | Reduce waste reduction activity | -0.150 | | | | -0.150 |
| EDT057 | Further roll-out of street lighting LEDs | -0.160 | -0.160 | | | -0.160 |
| EDT059 | Changing back office processes and efficiency | -0.085 | | | | -0.085 |
| EDT060 | Capitalisation of activities to release a revenue saving | -1.065 | | | | -1.065 |
| CMM049 | Vacancy management and streamlined management arrangements – museums and historic environment | -0.095 | | | | -0.095 |
| **Environment, Development and Transport Total** | | **-1.440** | **-0.310** | **-0.350** | **-1.850** | **-1.660** |

| Ref | Description | 2018-19<br>£m | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m | 2018-19 Forecast<br>£m |
|---|---|---|---|---|---|---|
| CMM022 | Libraries and Information Service - re-model of service and income generation | -0.387 | -0.235 | | | -0.387 |
| CMM023 | Fire and Rescue Service - sharing headquarters and control room at Police HQ and capitalisation of activities to release a revenue saving | -0.490 | | | | -0.490 |
| CMM036 | Registration Service income generation - develop business opportunities within the service to generate additional income. | -0.080 | | | | -0.080 |
| CMM039 | One-off saving through re-setting budgets for leased equipment | 0.090 | | | | 0.090 |
| CMM040 | Capitalisation of library books 16-17 | 1.000 | | | | 1.000 |
| CMM042 | Providing a joined up Library and Children's Centre Services | | | -0.500 | | 0.000 |
| CMM043 | Income generation – Norfolk Museums Service | -0.070 | | -0.400 | | -0.070 |
| CMM044 | Income generation – Norfolk Records Office | -0.030 | | | | -0.030 |
| CMM045 | Income generation – Norfolk Community Learning Services | | | -0.125 | | 0.000 |
| CMM046 | Income generation – Library and Information Service | | -0.020 | -0.111 | | 0.000 |
| CMM047 | Registrars Service – external income | -0.120 | -0.100 | -0.150 | | -0.120 |
| CMM048 | Changing back office processes and efficiency | -0.043 | | | | -0.043 |
| CMM049 | Vacancy management and streamlined management arrangements – museums and historic environment | -0.025 | | | | -0.025 |
| CMM050 | Vacancy management – customer services | -0.120 | -0.030 | | | -0.120 |
| CMM051 | Norfolk Community Learning Services – remodelling the staff structure, including staffing reduction | -0.150 | -0.050 | | | -0.150 |
| CMM052 | Capitalisation of activities to release a revenue saving | -0.030 | | | | -0.030 |

| Ref | Description | 2018-19 £m | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2018-19 Forecast £m |
|---|---|---|---|---|---|---|
| CMM053 | Reduction in Healthwatch grant | -0.189 | | | | -0.189 |
| EDT058 | Vacancy management and streamlined management arrangements | -0.159 | | | | -0.159 |
| CMM054 | Using Public Health Grant funding to support the delivery of Public Health activity throughout the Authority | -1.000 | | -1.500 | -1.500 | -1.000 |
| **Communities Total** | | **-1.803** | **-0.435** | **-2.786** | **-1.500** | **-1.803** |
| EDT020 | Economic development match funding - Cease providing match funding to Hethel Innovation for European funding bids and seek alternative match funding opportunities. | -0.051 | | | | -0.051 |
| P&R027 /P&R058 /P&R060 | Property savings 2017-20 Budget | -0.400 | -1.000 | -0.650 | -0.650 | -0.400 |
| B&P001 | Property – return from property development company – Repton Property Developments Ltd | | -0.500 | -1.000 | -0.500 | 0.000 |
| B&P002 | Property – further centralisation of existing property budgets | -0.400 | -0.400 | -0.400 | | -0.400 |
| B&P003 | Property – seeking opportunities to reduce fees paid to NPS | -0.100 | -0.100 | | | -0.100 |
| B&P004 | Property – reducing facilities management costs | -0.075 | -0.075 | | | -0.075 |
| B&P005 | Economic Development - Closer/joint working with New Anglia Local Enterprise Partnership | -0.025 | | | | -0.025 |
| **Business and Property Total** | | **-1.051** | **-2.075** | **-2.050** | **-1.150** | **-1.051** |
| EDT048 | Use of Better Broadband Reserves | 0.500 | | | | 0.500 |
| P&R050/ P&R062/ P&R063/ P&R064 | 2017-20 budget round savings relating to IMT (Finance and Commercial Services) | -1.226 | | | | -1.226 |
| P&R082 | Release ICT lease budget no longer required | | -0.059 | | | 0.000 |

| Ref | Description | 2018-19 £m | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2018-19 Forecast £m |
|---|---|---|---|---|---|---|
| DIE001 | IMT – various savings within IMT including:<br>· Exit from the HPE contract<br>· Restructuring and headcount reduction (management and technical support costs)<br>· Income generation, particularly services for schools | | -0.941 | -0.700 | | 0.000 |
| **Digital Innovation and Efficiency Total** | | **-0.726** | **-1.000** | **-0.700** | **0.000** | **-0.726** |
| P&R050 /P&R062 /P&R063 /P&R064 | 2017-20 budget round savings relating to Procurement (FCS) | -0.063 | | | | -0.063 |
| P&R051 | Raising revenue by an increased ESPO dividend | -0.100 | | | | -0.100 |
| P&R052 | Cutting costs through efficiencies: work across Teams to deliver reductions in cost and headcount over two years | -0.500 | | | | -0.500 |
| P&R066 | Second Homes income | -0.722 | | | | -0.722 |
| P&R076 | Insurance Fund contribution | 1.350 | | | | 1.350 |
| P&R077 | Implementation of Minimum Revenue Provision policy | 0.136 | 0.290 | | | 0.136 |
| P&R078 | Remove use of capital receipts in 17-18 to fund MRP | 4.000 | | | | 4.000 |
| P&R081 | Remove one-off use of reserves to be identified in June 2017 | 5.813 | | | | 5.813 |
| P&R083 | Nplaw services - external income | -0.100 | -0.100 | -0.150 | | -0.100 |
| P&R084 | Internal Audit - income generation | -0.010 | | | | -0.010 |
| P&R085 | Finance service - income generation | -0.050 | | | | -0.050 |
| P&R086 | Coroners relocation to County Hall | | -0.042 | -0.050 | | 0.000 |
| P&R087 | Reduce the budget for the Equality and Diversity Team which is spent on supporting community events | -0.025 | | | | -0.025 |
| P&R088 | Coroners mortuary facilities | -0.025 | -0.025 | | | -0.025 |
| P&R090 | Finance Exchequer Services savings | -0.300 | -0.060 | | | -0.300 |

| Ref | Description | 2018-19 £m | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2018-19 Forecast £m |
|---|---|---|---|---|---|---|
| P&R091 | Procurement - capitalisation | -0.050 | | | | -0.050 |
| P&R092 | Finance service - vacancy review | -0.100 | | | | -0.100 |
| P&R093 | Use of general capital receipts in 18-19 to fund MRP | -2.000 | 2.000 | | | -2.000 |
| P&R094 | Use of airport deferred capital receipts in 18-19 to fund MRP | -0.840 | 0.840 | | | -0.840 |
| P&R095 | Second homes council tax | | -0.722 | | | 0.000 |
| P&R096 | Increased ESPO dividend | -0.200 | | | | -0.200 |
| P&R098 | Increased NORSE dividend | -0.250 | -0.750 | | | -0.250 |
| P&R099 | Managing Director's Department savings to be identified including use of one-off reserves in 2018-19 | -0.574 | -0.075 | -0.187 | | -0.574 |
| P&R100 | Second Homes NIF | -0.438 | | | | -0.438 |
| **Policy and Resources Total** | | **4.952** | **1.356** | **-0.387** | **0.000** | **4.952** |
| **Norfolk County Council Total** | | **-29.999** | **-16.157** | **-21.973** | **-10.400** | **-24.540** |

# Policy and Resources Committee

**Item No 9**

| | |
|---|---|
| **Report title:** | **Strategic and Financial Planning 2019-20 to 2021-22 and Revenue Budget 2019-20** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services – Simon George** |

## Strategic impact

This report sets out the overall direction of travel for strategic and financial planning for 2019-20 to 2021-22 and provides the detailed financial information to support the Policy and Resources Committee's Revenue Budget and council tax recommendations to the County Council. It explains the background to planning for the 2019-20 Revenue Budget, includes initial growth and savings proposals for budget planning for 2020-21 to 2021-22, and proposes the level of council tax in 2019-20.

## Executive summary

Norfolk County Council is due to agree its budget for 2019-20, and Medium Term Financial Strategy to 2021-22, on 11 February 2019. The Policy and Resources Committee works with Service Committees to coordinate the budget setting process and to develop a robust and deliverable whole-council budget. Service Committees review and advise on budget plans for their service areas, taking into account the overall planning context as set out by Policy and Resources.

This report forms a key part of the strategic and financial planning framework for the council. It builds on reports received by this Committee in July, September, October and November to set out the detailed revenue budget proposals for 2019-20.

In developing the 2019-20 Budget, the council has:

- reviewed the performance in the delivery of savings during 2018-19;
- considered the overspend pressures within the current year, 2018-19;
- considered the resources available to support the delivery of services in 2019-20 and the remainder of the medium term financial strategy period;
- developed new savings proposals for 2019-20 and beyond;
- considered the need for further investment to support service delivery; and
- re-assessed the deliverability and timing of planned savings for 2019-20 onwards.

Following this work, the council's budget proposals for 2019-20 as set out in this report see the council's total resources of £1.4bn focussed on meeting the needs of residents and businesses. Continuing the approach adopted in previous years, the 2019-20 Budget provides for the council to make further significant investment to protect social care services, including:

- £4.179m of "Winter Pressures" funding within the Adult Social Care budget, £6.000m for demographic pressures, and pressures relating to continuing support for the care market, and continued enhanced levels of social work capacity.

- £14.500m for Children's Services local authority budget pressures including Looked After Children and a separate £3.000m contingency budget contribution from Council resources to support the High Needs Block of Dedicated Schools Grant.

This report sets out the latest information on the Provisional Local Government Finance Settlement and the financial and planning context for the County Council for 2019-20. It summarises the saving proposals for 2019-20, the proposed cash limited revenue budget based on all current proposals and identified pressures, and the proposed capital programme.

It also details the feedback received to consultation on specific savings proposals and summarises the findings and mitigating actions of rural and equality impact assessments.

The information in this report is intended to enable the Policy and Resources Committee to consider how these proposals contribute to delivering an overall balanced budget for the whole council, and take a considered view of all relevant factors in order to agree budget proposals for 2019-20 and the financial strategy to 2021-22, in order to recommend these to County Council when it meets on 11 February 2019 to agree the final budget and Medium Term Financial Strategy for 2019-22. The committee is also responsible for approving proposals in relation to the budgets for which it is directly responsible.

Taking into account the council's overall budgetary position, consultation responses, feedback from Service Committees, and the recommendation of the Executive Director of Finance and Commercial Services, this report has been prepared on the basis of **an increase in general council tax of 2.99%.** This reflects an additional 1% on general council tax that can be raised in 2019-20 before a local referendum is required, which was first announced in the provisional settlement 2018-19. This allowed general council tax to be raised by 3% in both 2018-19 and 2019-20. The council has previously taken the opportunity to raise the Adult Social Care precept by 3% in 2017-18 and 2018-19 and as a result there will be no scope to increase the Adult Social Care precept in 2019-20 (and so it will be maintained at the same level as in 2018-19).

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

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

2) **Note the statements regarding the robustness of budget estimates, assumptions and risks relating to the 2019-20 budget, set out in section 6, and the separate report on the Robustness of Estimates elsewhere on the agenda.**

3) **Note the feedback from Service Committees, the findings of public consultation, and the further changes required to deliver a balanced budget as set out in this report (in particular paragraph 5.7 and Table 7).**

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

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

- **Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.**

5) **Note that the Council has responded to the consultation on the Provisional Settlement, and delegate authority to the Leader of the Council to approve responses on behalf of the Council to the two further consultations in respect of the Review of Relative Needs and Resources, and the Business Rate Retention Scheme, as referred to in paragraph 4.4.**

6) **Note the pressures on the High Needs Block of the Dedicated Schools Grant and that these will give rise to a requirement for significant savings in future years if the issues are not adequately addressed by Government as set out in section 13.**

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

   a) **An overall County Council Net Revenue Budget of £409.073m for 2019-20, including budget increases of £116.081m and budget decreases of -£95.807m as set out in Table 8 of this report, and the actions required to deliver the proposed savings.**

   b) **The budget proposals set out for 2020-21 to 2021-22, including authorising Chief Officers to take the action required to deliver budget savings for 2020-21 to 2021-22 as appropriate.**

   c) **With regard to the future years, that further plans to meet the remaining budget shortfalls in the period 2020-21 to 2021-22 are developed and brought back to Members during 2019-20.**

   d) **To note the advice of the Section 151 Officer, at paragraph 10.11, on the financial impact of an increase in council tax, as set out in section 6 and section 10, and confirm, or otherwise, the assumptions that:**

      i) **the Council's 2019-20 budget will include a general council tax increase of 2.99% with no (0.00%) increase in the Adult Social Care precept, an overall increase of 2.99% (shown at Appendix D) based on the current discretions offered by Government and as recommended by the Executive Director of Finance and Commercial Services.**
      ii) **the Council's budget planning in future years will include council tax increases 1.99%, as set out in the Medium Term Financial Strategy (MTFS Table 5). These council tax assumptions have regard to the level of referendum threshold expected to be set for the year, and take into account the Government's assumptions in the Local Government Finance Settlement that Local Authorities will raise the maximum council tax available to them. The final level of council tax for future years is subject to Member decisions annually.**
      iii) **No future increases in the Adult Social Care precept in 2020-21 onwards are assumed based on current Government policy but that these will be subject to Member decisions annually within and informed by any parameters defined by the Government.**
      iv) **that if the referendum threshold were increased in 2020-21 and/or 2021-22 to above 1.99%, or any further discretion were offered to increase the Adult Social Care precept (or similar), then it is likely that the Section 151 Officer would recommend the Council take advantage of this flexibility in view of the Council's overall financial position.**

**e) That the Executive Director of Finance and Commercial Services be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2019-20 Budget, to make payments, to raise and repay loans, and to invest funds.**

**f) To agree the Medium Term Financial Strategy 2019-22 as set out in Appendix I, including the two policy objectives to be achieved:**

**i) Revenue: To identify further funding or savings for 2020-21 and 2021-22 to produce a balanced budget in all years 2019-22 in accordance with the timetable set out in the Revenue Budget report (Appendix E).**
**ii) Capital: To provide a framework for identifying and prioritising capital requirements and proposals to ensure that all capital investment is targeted at meeting the Council's priorities.**

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

## 1. Introduction

1.1. The Council's approach to medium term service and financial planning is based on the preparation of a rolling Medium Term Financial Strategy, with an annual budget agreed each year. The County Council agreed the 2018-19 Budget and Medium Term Financial Strategy (MTFS) to 2022 at its meeting 12 February 2018, at the same time as it agreed a new Strategy for the County Council, Norfolk Futures.

1.2. The Council has a robust and well-established framework for strategic and financial planning which updates the MTFS position through the year to provide Members with the latest available financial forecasts to inform wider budget setting work across the organisation. The planning cycle for 2019-20 to 2021-22 began in July 2018 when Policy and Resources Committee considered a report "*Strategic and Financial Planning 2019-20 to 2021-22*" on 16 July 2018, which identified a forecast gap of £94.696m for the period to 2021-22. This paper now sets out the latest information on the financial and planning context for the County Council for 2019-20 to 2021-22. It also summarises the Committee's own pressures, changes and savings proposals for 2019-20, the proposed cash limit revenue budget based on all current proposals and identified pressures, and the proposed capital programme.

1.3. Norfolk County Council is due to agree its new Budget and Medium Term Financial Strategy for 2019-20 to 2021-22 on 11 February 2019. This report brings together the outcome of committee discussions and public consultation and provides the latest information on the provisional Local Government Finance Settlement. It is intended to enable the Policy and Resources Committee to consider how these proposals contribute to delivering an overall balanced budget for the whole council, and take a considered view of all relevant factors to agree budget proposals for 2019-20 and the financial strategy to 2021-22, in order to recommend these to Full Council when it meets to agree the final budget and strategy for 2019-22.

## 2. Council Strategy and Norfolk Futures

2.1. The Council's Budget is informed in particular by its vision and strategy. Caring for our County, the vision for Norfolk, was approved by members in February 2018 and outlines the Council's commitment to:

- Building communities we can be proud of;
- Installing infrastructure first;
- Building new homes to help young people get on the housing ladder;
- Developing the skills of our people through training and apprenticeships;
- Nurturing our growing digital economy; and
- Making the most of our heritage, culture and environment.

2.2. The Council's Strategy for 2018-2021 – Norfolk Futures – was approved at the same time. It focuses our transformation plan on priority areas of Council work, delivering in a context where demand for our services is driven both by demographics and social trends, and when increasingly complex and more expensive forms of provision are becoming prevalent.

2.3. Norfolk Futures is guided by four core principles that will frame the transformation we will lead across all our work:

- Offering our help early to prevent and reduce demand for specialist services;
- Joining up work so that similar activities are easily accessible, done once and done well;
- Being business like and making the best use of digital technology to ensure value for money; and
- Using evidence and data to target our work where it can make the most difference.

2.4. These four principles continue to underpin, inform and test everything that we do as an organisation.

2.5. The integrated transformation programme is also well underway and starting to deliver change across our critical priorities.

2.6. Each of the Service Committees has produced a three year forward plan setting out what will be delivered over the next three years within the resources available. These in turn are operationalised through annual Plans on a Page setting out aims and measurable objectives for each service area.

2.7. The alignment of our vision to our strategy and to our service planning is shown in the graphic below.

**Figure 1: Service Planning and Delivery Framework from the Council's Strategy 2018-2021**


2.8. In July 2018, Norfolk County Council began a piece of research to look at what the future of Norfolk might be, to enable its senior leaders to make strategic, long term decisions, with confidence. The research looks at Norfolk from now through to 2040 and has identified several key drivers of change that will have a fundamental impact on Norfolk, its people and the council. This work will help the council to review and stress-test its existing strategy, plans and transformation programme to better prepare for change.

2.9. On 10 December 2018, Full Council approved proposals to move to a Cabinet system of governance from May 2019. The post of Managing Director has been deleted from the structure of the council and the Leader of the Council will become an Executive Leader.

2.10. The changes in governance and the work on strategic drivers of change present an opportunity to review the Council's current approach to business planning, creating more clarity about what actions need to be taken, how the success of those actions will be measured and how progress will be reported.

2.11. It is therefore proposed that the council move towards a new whole council business plan that will bring together the vision, strategy and values. The plan will provide a whole-council view of significant activity that the council needs to deliver alone or with our partners, for the next six years, which support delivery of the MTFS and the strategic themes and goals, and which is likely to have significant complexity or risk, including reputational. For example:

- Significant service change or redesign
- Infrastructure, assets and technology, including capital programmes and projects
- Strategy or policy development

2.12. The plan will take a thematic approach to business planning. It is proposed that our initial focus is on improving social mobility which in turn increases economic growth and better outcomes for the people of Norfolk.

## 3. Strategic financial context

3.1. Norfolk County Council continues to operate in an uncertain financial climate for local government and 2019-20 represents the final year of the four-year funding allocations for 2016-17 to 2019-20. These allocations have provided the council with a degree of certainty about core elements of funding over the period, and only minimal changes to the funding in scope of the certainty offer have been made. Nonetheless, allocations still have to be confirmed annually in the Local Government Finance Settlement. The end of the four-year settlement combined with uncertainty about the outcomes of the Comprehensive Spending Review (CSR), Fair Funding Review (FFR), and 75% Business Rates Retention Scheme (BRRS) means that the council faces a very significant level of uncertainty about funding levels after 2019-20.

3.2. Coupled with the substantial ongoing reductions in core government grant that have taken place since 2010, this level of uncertainty means that the financial environment for local government remains extremely challenging, as most sharply demonstrated by Northamptonshire County Council. Local authorities continue to face a growing gap between funding and service pressures, driven in part by demographic changes, unfunded burdens such as the National Living Wage, and the needs of vulnerable social care users becoming increasingly complex. In 2018-19 the increasing pressures on high needs block (HNB) funding within the Dedicated Schools Grant (DSG) have emerged as a very significant pressure with the potential to impact on the financial viability of councils in the medium term. The restriction of funding for local authorities is placing increasing pressure on discretionary and preventative services, with a widespread retrenchment towards statutory service provision an emerging pattern across local government.

3.3. Over the period from 2010-11 to 2018-19, Norfolk County Council's share of cuts has seen the authority lose **£204.147m** in Government funding while the actual cost pressures on many of the council's services have continued to go up. For example, last year alone, extra demands on children's services and adult's social care services arising from circumstances outside of the Council's control – such as inflation, and changes in Norfolk's population profile – cost another £31.113m. Absorbing ongoing spending reductions of this scale requires the Council to keep its business and operations under constant review, and to continually seek to deliver services in the most effective way possible, for the lowest cost.

3.4. The latest estimate of the council's overall budget position for 2019-20 as a result of the above, and any other emerging issues, is set out in the remainder of this paper. The position will be updated if necessary between Policy and Resources Committee and the County Council meeting in February.

## 4. The Autumn Budget 2018 and Provisional Local Government Finance Settlement 2019-20

4.1. The Chancellor of the Exchequer, Philip Hammond, announced the **Autumn Budget 2018** on Monday 29 October 2018. The Chancellor stated that the Budget was based on planning for all eventualities in relation to the UK leaving the EU, but that in the event of material changes to economic or fiscal forecasts, there remained the possibility of upgrading the Spring Statement to a full Budget if required. In contrast to recent Budgets, there were a number of announcements with implications for Local Government. Significantly for the 2019-20 Budget planning, this included additional funding for social care in 2019-20 worth £11.317m in total for Norfolk County Council broken down as follows:

- £4.179m Winter Pressures Grant (to be pooled into the Better Care Fund via the iBCF and reported on accordingly in 2019-20).
- £7.139m Social Care Support Grant (which "where necessary" should be used "to ensure that adult social care pressures do not create additional demand on the NHS" and to improve the social care offer for older people, people with disabilities and children. However, it is not ring-fenced, and there is no requirement for a specific adult or children's share).

4.2. Further details of the Autumn Budget can be found in the November 2018 report to Policy and Resources Committee.

4.3. The **Provisional Local Government Finance Settlement 2019-20** was announced by the Secretary of State for Housing, Communities and Local Government, James Brokenshire, on 13 December 2018. The full details of the announcement can be found here[1] and the Secretary of State's statement to parliament here[2]. Funding allocations arising from the Autumn Budget were confirmed. The following announcements were made as part of the Provisional Settlement:

- Norfolk's application to become a 75% Business Rates Retention Pilot in 2019-20 was successful. This is forecast to deliver a benefit of almost £8m to Norfolk as a whole and £3.9m for Norfolk County Council individually. The financial benefits of a pilot are likely to arise in 2020-21. Further details are set out in the section on the 75% Business Rates Retention Pilot later in this report.
- Norfolk County Council's Settlement Funding Assessment has been announced as £191.343m for 2019-20 (compared with £207.151m 2018-19). Funding allocations are broadly in line with the four-year certainty offer previously announced, however this funding will now be delivered via the Business Rates Pilot.
- In overall terms, the Provisional Settlement indicates a cash change in the County Council's core spending power (which includes council tax) of 2.6% between 2018-19 and 2019-20. This reflects Government assumptions about local decisions to raise council tax and is slightly below the national cash increase of 2.8%.
- Additional Rural Services Delivery Grant is to be provided in 2019-20 to maintain the allocation at the same level as 2018-19. This means an additional £0.786m for the County Council, which will also be delivered through the Pilot.
- The provisional thresholds for a council tax referendum have been announced as 3.0% for the general element of council tax with discretion for 2% to be raised for the adult social care precept (subject to a maximum adult social care precept increase of 8% in the period 2016-17 to 2019-20). Norfolk has already applied the 8% increase over the period 2016-17 to 2018-19.
- £20m is being provided nationally to maintain the New Homes Bonus baseline at 0.4%. This will mean a lower reduction in New Homes Bonus allocations than previously assumed, providing £0.183m.
- The Secretary of State announced plans to distribute increased growth in business rates income which has generated a surplus in the business rates levy account in 2018-19. For Norfolk this amounts to £2.340m. 2018-19 is the first year this account has been in surplus and as a result £180m is being distributed to councils. This is not technically "new money" but funding as a

[1] https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020
[2] https://www.gov.uk/government/speeches/provisional-local-government-finance-settlement-2019-to-2020-statement

result of growth nationally in business rates. It has not previously been included in budget planning as councils do not know the overall position until Government announces it. Funding is due to be paid by Section 31 grant in 2018-19, but is anticipated to be available to support the 2019-20 Budget.
- The Government also confirmed the intention to fund the issue of "negative RSG" through forgone business rates. Norfolk County Council is not in a negative RSG position and so does not benefit from this decision.

4.4. Alongside the usual consultation on the Provisional Settlement, the Secretary of State announced two further consultations; one on reforms to the business rates retention system, and one on the new approach to distributing funding through the Review of Relative Needs and Resources. The council will respond to these in due course. The Government also confirmed that the long-awaited social care green paper will be published "soon".

4.5. On 16 December, the Government also announced[3] additional funding to support children with special educational needs. The allocation of this to individual councils has now been announced and Norfolk should receive £3.605m of the £250m being provided nationally to support children and young people with complex SEND. This will be received as £1.803m in both 2018-19 and 2019-20. Government has also confirmed funding of £100m nationally for investment to create more specialist places in mainstream schools, colleges and special schools in 2019-20. The allocation of this has not yet been confirmed, but Norfolk could potentially expect approximately £1.268m if this were to be distributed on the usual basis. The additional SEND funding is expected to flow through Dedicated Schools Grant, however it is not anticipated to be sufficient to address the High Needs Block overspend position which is described in further detail later in this report.

## 5. The council's planning process for the 2019-20 Budget

5.1. The council's budget planning for 2019-20 has been undertaken in line with the following overarching timetable. The proposed outline timetable for next year's budget setting is set out in Appendix E.

[3] https://www.gov.uk/government/news/new-funding-to-support-children-with-special-educational-needs

**Table 1: Budget and Service Planning Timetable 2019-20**

| Activity/Milestone | Time frame |
|---|---|
| County Council agree recommendations for 2018-22 including that further plans to meet the shortfall for 2019-20 to 2021-22 are brought back to Members during 2018-19 | 12 February 2018 |
| Spring Statement 2018 announced | 13 March 2018 |
| Consider implications of service and financial guidance and context, and review / develop service planning options for 2019-22 | February – June 2018 |
| Member review of the latest financial position on the financial planning for 2019-22 | July 2018 |
| Development of savings proposals 2019-22 | June – September 2018 |
| Member review of service and budget planning position including savings proposals | Committees in October 2018 |
| Chancellor's Autumn Budget 2018 | 29 October 2018 |
| Consultation on new planning proposals and council tax 2019-22 | 5 November to 23 December 2018 |
| Provisional Local Government Finance Settlement | 13 December 2018 |
| Service reporting to Members of service and financial planning and consultation feedback | January 2019 |
| Committees agree revenue budget and capital programme recommendations to Policy and Resources Committee | Mid-January 2019 |
| Final Local Government Finance Settlement | TBC January / February 2019 |
| Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council | 28 January 2019 |
| Confirmation of District Council tax base and Business Rate forecasts | 31 January 2019 |
| County Council agree Medium Term Financial Strategy 2019-20 to 2021-22, revenue budget, capital programme and level of council tax for 2019-20 | 11 February 2019 |

**2018-19 Medium Term Financial Strategy**

5.2. The current year's Budget and Medium Term Financial Strategy (MTFS) for the period 2018-19 to 2021-22 was agreed in February 2018 including £78.529m of savings and with a remaining gap of £94.696m. The MTFS provided the starting point for the council's 2019-20 Budget planning activity. Full details of cost pressures assumed in the council's MTFS are set out in the 2018-19 Budget Book.[4]

**2018-19 budget position**

5.3. The latest information about the Committee's 2018-19 budget position is set out in the budget monitoring report elsewhere on the agenda. The Council's overarching budget planning for 2019-20 is based on the assumption that a

[4] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/budget-book-2018-22.pdf?la=en

balanced 2018-19 Budget is delivered (i.e. that all savings are achieved as planned and there are no overall overspends). Further pressures in the forecast 2019-20 Budget have been provided for as detailed later in this report.

**The budget planning process for 2019-20**

5.4. In July 2018, Policy and Resources Committee considered how the 2019-20 budget planning process would be aligned with the council's Strategy, Norfolk Futures. Policy and Resources agreed budget assumptions, budget planning principles and guidance for 2019-20 which were then communicated to Service Committees. In September, Service Committees therefore began their detailed budget planning by discussing both their approach to savings development and any key risks for the council's budget process.

5.5. Following further input from Policy and Resources Committee, in early October, Service Committees then considered and agreed their detailed saving proposals for 2019-20, which were recommended to Policy and Resources Committee for consultation where appropriate. Policy and Resources duly considered the latest budget planning position for 2019-20 at its meeting on 29 October. This included the summary of all proposed savings from Service Committees, and **a revised forecast of the remaining budget gap for 2019-20, which at that point stood at £6.369m. Over the three year planning period, a gap of £45.980m remained to be closed**. In November, Policy and Resources was advised that following the announcements of additional funding at the Autumn Budget, it was anticipated these would assist in closing the gap identified for 2019-20, and as a result Services were not asked to seek additional savings. However, **Policy and Resources agreed that any change to planned savings or removal of proposals would require alternative savings to be identified by the relevant Service Committee**.

5.6. The budget position and associated assumptions are kept under continuous review. The latest financial planning position and details of all Service Committee savings proposals, are set out for Policy and Resources Committee in this report prior to budget-setting by County Council in February.

**2019-20 Budget position**

5.7. Since the previous report to this Committee, a number of additional pressures have been incorporated into the council's budget planning, including:

- Pressures arising in Schools' High Needs Block budgets with a potential impact on the Council's General Fund;
- Significant additional pressures in Children's Services budgets;
- The addition of "Winter Pressures" funding within the Adult Social Care budget, and pressures relating to continuing support for the care market, and continued enhanced levels of social work capacity. The Adult Social Care budget makes use of some one-off funding and use of reserves.
- Recognition of a part funded pressure in 2019-20 relating to an increase in the employer contribution rates for Fire Service pensions;
- Final changes to inflation forecasts for 2019-20 and estimates for future years; and
- Updated council tax forecasts from Districts for tax base and collection fund which will be finalised in January.

5.8. These additional pressures have been offset by proposed changes following a thorough review of all other pressures and savings included in budget planning, and by additional funding announced in the Autumn Budget and the provisional Local Government Finance Settlement, which as a result enables the proposal of a balanced budget position for 2019-20.

## 6. 2019-20 Budget assumptions

6.1. In setting the annual budget, Section 25 of the Local Government Finance Act 2003 requires the Executive Director of Finance (Section 151 Officer) to report to members on the robustness of budget estimates and the adequacy of proposed financial reserves. This informs the development of a robust and deliverable budget for 2019-20.

6.2. The Executive Director of Finance and Commercial Services' judgement on the robustness of the 2019-20 Budget is substantially based upon the following assumptions:

- A 2.99% increase in council tax in 2019-20 and 1.99% in both subsequent years 2020-21 and 2021-22 based on the current amounts allowed by Government before a local referendum is required. The assumed council tax increases are subject to Full Council's decisions on the levels of council tax, which will be made before the start of each financial year. In future years there will be an opportunity to consider the required level of council tax in light of any future Government announcements relating to the Fair Funding Review and Comprehensive Spending Review.
- In addition to an annual increase in the level of council tax, the budget assumes annual tax base increases in line with recent trends.
- Revised assumptions about the future funding changes to be delivered through the Comprehensive Spending Review and Fair Funding Review based on recent announcements including those made at the Autumn Budget. Until now, the Council's assumptions about funding reductions have been based on the Government's stated intention to end Revenue Support Grant, with an expectation that all Revenue Support Grant would therefore cease after 2019-20. This would result in a "cliff edge" in 2020-21 and a budget pressure of almost £39m. Such a significant funding reduction would be out of line with recent experience and does not reflect the fact that Government has sought to provide additional levels of one-off funding for key areas such as social care. Taking all these funding sources in the round, the Council's current budget planning is therefore now based on an assumption that effectively one third of the impact of the loss of Revenue Support Grant would occur in 2020-21 and one third in both 2021-22 and 2022-23, although Revenue Support Grant itself may disappear. In other words, it is assumed that Government will provide alternative (potentially transitional) funding to mitigate the effect of a Revenue Support Grant cliff edge. This profile of funding reductions reflects the Council's resolution in December 2018 to lobby the Government for a phasing of the removal of RSG. It also recognises that the assumption that additional Provisional Settlement and Autumn Budget funding might be fully reversed in 2020-21 represents a cautious and conservative approach in light of previous one-off funding allocations that have been announced.
- No increase in the Adult Social Care precept from the 2018-19 level.
- 2018-19 Budget and savings will be delivered in line with current forecasts and plans (no overall overspend).

- Use of additional Adult Social Care funding for 2018-19 and 2019-20 as agreed with partners and in line with conditions, and that market pressures can be absorbed within existing budgets.
- Growth pressures forecast in Children's Services relating to Looked After Children, and the overspend on High Needs Block (as discussed in more detail in section 13), can be contained within the additional funding allocations.
- Pressures forecast within waste and highways budgets can be accommodated within the additional funding allocations.
- Revised assumptions to use an additional £5m capital receipts in 2020-21 rather than £10m (with £10m being required in 2021-22 and the balance of £5m in 2022-23, resulting in the use of an additional £20m capital receipts in total to support the revenue budget over the period 2020-21 to 2022-23).
- The assumed use of one-off funding including:
    - £1m from the Insurance Fund surplus in 2019-20; and
    - £6m from the Adult Social Care business risk reserve over the budget planning period (2019-20 to 2021-22).
- That all the savings proposed and included for 2019-20 can be successfully achieved.

## 7. Investing in Norfolk's priorities

7.1. Although the council faces significant and ongoing financial pressures, it has continued to invest in infrastructure through significant capital projects such as progressing the Great Yarmouth third river crossing and investment in transforming the special educational needs and disabilities (SEND) provision in Norfolk; invested to support and maintain a strong care market through funding for pressures such as the living wage; and provided sustained funding for children's services as they continue to address high levels of demand for services.

7.2. Specific points to note within the 2019-20 Budget include:

**Children's Services**

7.3. The budget plans for Children's Services include cost pressures facing the service in 2019-20 and future years, with £21.256m recurring pressures identified for 2019-20 compared to the 2018-19 approved budget, split as follows:

- Staff pay –2% and the impact of the national living wage of £1.550m
- Price inflation of £2.061m – primarily assumed at 2%
- Budget pressures of £14.500m
- £3.000m contribution to High Needs Block pressures including £1.000m for transformation (council tax funded)
- Preventing Radicalisation of £0.120m – Children's services are taking the lead for the Council to ensure that that the authority is meeting its additional statutory duties (no new burdens funding)
- Teachers' Pension increased employers' contribution of £0.024m

7.4. £14.500m has been allocated for Children's Services pressures in the 2019-20 cash-limited budget, which takes into account the current level of forecast overspend in 2018-19, including which elements have the potential to be recurring and which are one-off, and the recognised priority of these services to the council as a whole. The funding will be allocated to a variety of areas including demographic growth, leaving care support, and the impact on staffing, placements and support costs of increasing demand (numbers and increased complexity). Numbers of children and families requiring social care support are expected to continue to rise nationally over the 2019-22 period, along with the complexity of need as changes in society continue to have an impact on children and families and improvements in medical care result in children living longer with more complex needs. Whilst this level of funding recognises the significant challenges and pressures facing the department, it will still require Children's Services to avoid costs through demand management, ensuring the right investment is happening at the right time, and through ensuring the cost effectiveness of provision available in the market place.

**Adult Social Care**

7.5. The budget plans set out for Adult Social Care include cost pressures facing the service in 2019-20 and future years. The budget plans support new cost pressures for the service, totalling £29m. The net pressures for 2019-20 total £20m. These include:

- Staff pay – 2% and national living wage - £1.263m
- Price inflation and market pressures (including national living wage) - £11.188m
- Demographic growth (incl. transitions from children to adult services) - £6m
- Cost of care increases - £2.903m
- Pressures to manage capacity and improve delayed transfers of care (predominately invest to save across the health and social care system) - £6.714m

7.6. The budget includes the one-off winter funding provided in 2018-19 of £4.179m that has been repeated in 2019-20. It is proposed that this is utilised to support the continuation of the plan during the next financial year. In practice this will mean that actions that span the two years can be funded and recurrent costs arising through increased winter demand in 2018-19 can be funded in 2019-20. Depending upon the length of care packages, this will create additional pressure in 2020-21 if funding ceases.

**Environment, Development and Transport**

7.7. The Committee's budget plans allow for inflationary pressures in 2019-20 (£0.638m for pay and £2.156m for prices) and also reflect specific waste (£0.300m) and highways pressures (£0.268m). There are in particular a number of pressures and risks relating to the waste service, which are significant in 2020-21 and 2021-22. Whilst recycling and waste minimisation activities continue, housing and population increases, weather patterns, consumer confidence and economic growth also affect the overall trend of waste volumes. There is also continued uncertainty in the recycling commodities market, in part due to the impacts of restrictions from China accepting recycled materials.

**Communities**

7.8. The Committee's budget plans allow for inflationary pressures in 2019-20 (£1.108m for pay and £0.242m for prices). It also reflects the impact for the Fire and Rescue Service of provisional results of the valuations of public services pension schemes which indicate that employer pension contribution rates have to increase from April 2019. At the Autumn Budget, the Government announced that it would allocate funding to pay part of the costs of this increase. The estimated additional cost of the increased employer contribution rate of £1.675m and the funding of £1.396m are therefore reflected.

7.9. The Public Health service is funded by a ring-fenced grant, which has seen significant reductions in recent years and which are included in budget planning. Population growth in the context of a reducing grant means there are pressures in relation to activity based contracts with GPs and Pharmacists e.g. Health Checks.

**Other Committees**

7.10. Budgets include inflationary pressures in 2019-20 for the Digital Innovation and Efficiency Committee (£0.190m for pay and £0.084m for prices), and for the Business and Property Committee (£0.047m for pay and £0.088m for prices) as well as property cost pressures of £1.000m identified for 2019-20.

7.11. As in previous years, budget planning across the council has also included work to review in detail the deliverability of planned savings and to understand service pressures. Following this activity, the 2019-20 Budget sees further investment in council budgets through both the removal of previously planned savings and recognition of budget overspend pressures. The changes to previously agreed savings proposed in this report reflect a considerable effort to ensure that the 2019-20 Budget will be both robust and deliverable. It represents the removal or delay of £9.950m of savings planned for 2019-20 in previous budget rounds, as set out in the *Delivering Financial Savings 2018-19* report elsewhere on the agenda.

## 8. 75% Business Rates Pilot 2019-20

8.1. The council submitted an application to become a 75% Business Rates Pilot in 2019-20 in conjunction with the District Councils in Norfolk, as reported to Policy and Resources Committee in the *Strategic and Financial Planning* report for September 2018. As discussed above, it was confirmed at the Provisional Settlement that Norfolk's application had been successful. The pilot is forecast to deliver a benefit of almost £8m to Norfolk as a whole and £3.9m for Norfolk County Council individually, with the financial benefits expected to materialise in 2020-21.

8.2. In practical terms, the pilot means that Norfolk as a whole will benefit from retaining an additional 25% of any business rates growth experienced in 2019-20 over and above the level that would have been retained under the previous 50% Business Rates Pool. The actual level of this additional growth will be confirmed after 2019-20 and will be shared between county and districts as set out in the application to Government submitted in September 2018. The pilot also means that Norfolk councils' main funding for 2019-20 will be delivered through the pilot via amended baseline funding levels incorporating Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and the original 2019-20 Baseline Funding level. Norfolk's revised Baseline Funding Level is set out in the table below:

**Table 2: Government funding through 75% BRRS Pilot in 2019-20**

| | **2019-20 £m** |
|---|---|
| Revenue Support Grant | 38.810 |
| Rural Services Delivery Grant | 3.982 |
| Baseline Funding Level under 50% BRRS | 152.533 |
| **Total = Baseline Funding Level under 75% BRRS Pilot** | **195.325** |
| | |
| *Of which:* | |
| Notional Business Rates Baseline | 86.732 |
| Top-up | 108.593 |

8.3. It should be noted that elsewhere in this report, the separate (notional) amounts of RSG, RSDG and business rates baseline continue to be quoted to enable comparisons with the funding figures for previous years.

8.4. Discussions with District Councils are now underway to finalise the arrangements for accounting and monitoring, and to agree the principles for any transactions that may be required during the year to deliver the pilot in line with the governance agreement previously agreed by Norfolk Leaders and submitted to the Ministry of Housing, Communities and Local Government (MHCLG).

## 9. Budget planning

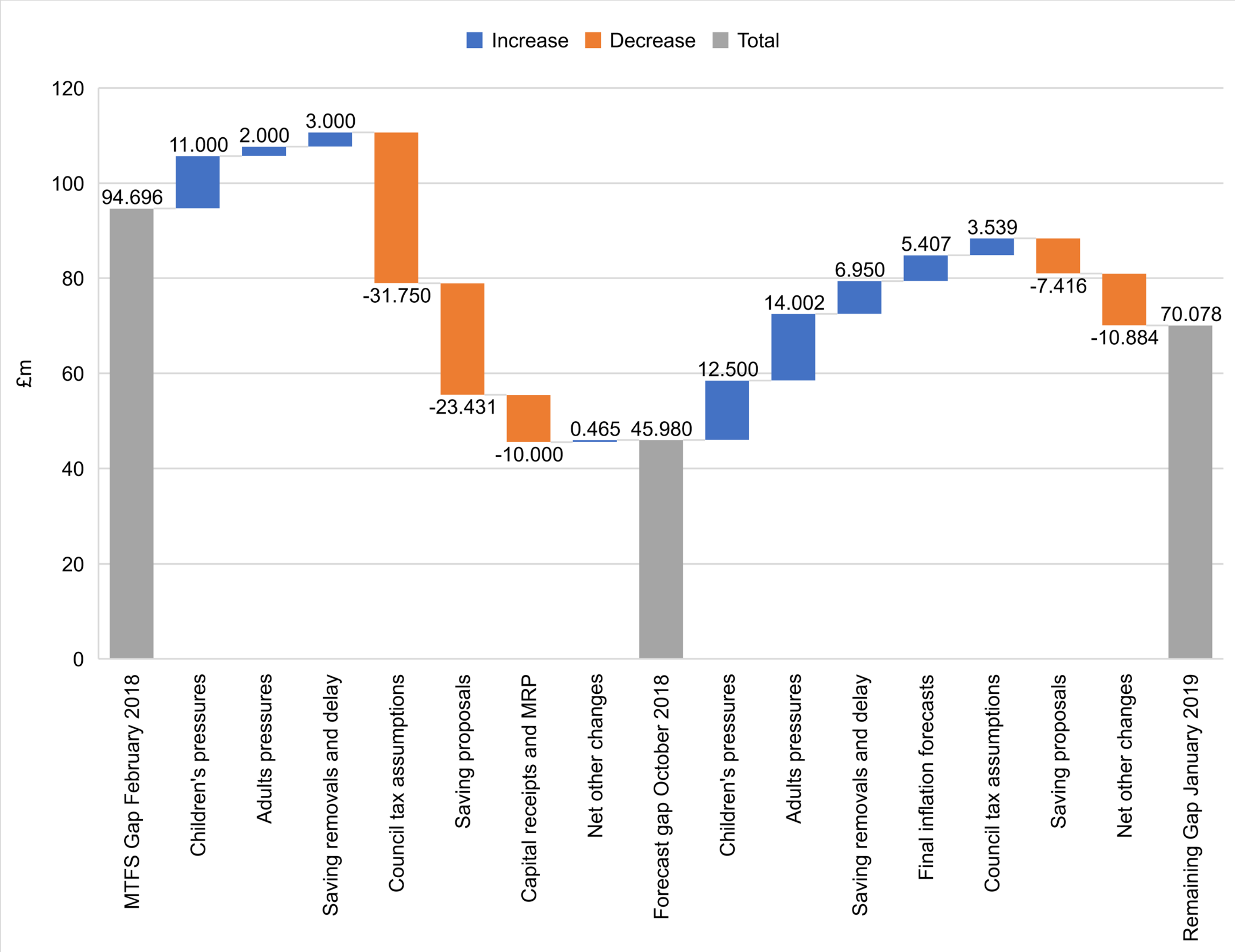
9.1. The table below provides a high level summary of the changes in budget planning from the February 2018 MTFS to the current position across the three years of the MTFS. Full details of all changes in budget planning are set out in Table 7.

**Table 3: Summary 2019-20 to 2021-22 Budget planning position**

| | 2019-20 | 2020-21 | 2021-22 | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **12 February 2018 MTFS gap** | **22.089** | **48.454** | **24.153** | **94.696** |
| | | | | |
| Children's pressures | 17.500 | 3.000 | 3.000 | **23.500** |
| Adults pressures | 2.729 | 9.273 | 4.000 | **16.002** |
| Saving removals and delay | 5.900 | 1.550 | 2.500 | **9.950** |
| Final inflation forecasts | 1.414 | 1.805 | 2.188 | **5.407** |
| Council tax assumption changes | -12.503 | -1.763 | -13.945 | **-28.211** |
| Saving proposals | -21.348 | -5.659 | -3.840 | **-30.847** |
| Capital receipts | 0.000 | -5.000 | -5.000 | **-10.000** |
| MRP assumptions | 0.000 | -5.000 | 5.000 | **0.000** |
| Social Care funding 2019-20 | -11.317 | 11.317 | 0.000 | **0.000** |
| Revised Government funding assumptions (including provisional settlement) | -2.716 | -22.564 | 12.937 | **-12.343** |
| Business rates pilot | 0.000 | -3.879 | 3.879 | **0.000** |
| Net other changes | -1.748 | 3.777 | -0.105 | **1.924** |
| **Total change since February 2018** | **-22.089** | **-13.143** | **10.614** | **-24.618** |
| | | | | |
| **January 2019 MTFS forecast gap** | **0.000** | **35.311** | **34.767** | **70.078** |

9.2. Since the position reported in October 2018, the gap has increased by £24.098m. The overall gap position is highly sensitive to assumptions made about the levels of Government funding from 2020-21 onwards. The chart below illustrates the changes in budget planning since the MTFS produced in February 2018.

**Chart 1: Summary budget gap changes in 2019-22 planning**




9.3. In essence, the gap reduced between February and October based on the addition of the proposed 2019-22 new savings and the revised assumptions around council tax, offset by £16m of increased pressures including social care. Between October and January, it has increased based on further substantial pressures being recognised in social care budgets, additional inflation pressures and a limited unwinding of the council tax gains to reflect the latest District estimates. This has been mitigated by changed assumptions about the timing of government funding reductions, as set out in bullets at paragraph 6.2.

9.4. The additional inflation pressures reflect the final inflation rates assumed for 2019-20 which include significant rates for utilities (gas increasing overall by 20% and electricity 12%), 6% inflation on highways costs and 3% on waste contracts (respectively 4% and 1% more than the standard 2% originally assumed), and reductions to the original assumptions for income inflation where these are not considered achievable. These changes have an impact on future year inflation assumptions and in addition future year forecasts have been revised overall for the latest OBR inflation estimates which are 0.1% higher than previously assumed (2.1% CPI for 2020-21 and 2021-22). 2020-21 and 2021-22 inflation pressures are indicative only and will continue to move as 2019-20 budgets are finalised. Inflation is fully reviewed in the relevant budget year.

9.5. It should also be noted that the savings removals and delay total of £6.950m since October includes £5m relating to a previously planned saving from reducing looked after children costs (CHL044). To reflect the latest plans for how this will actually be delivered, an equivalent amount has been consolidated into the new saving from the Safer Children and Resilient Families Programme (CHL049) and is therefore included within the £7.416m of new savings proposals.

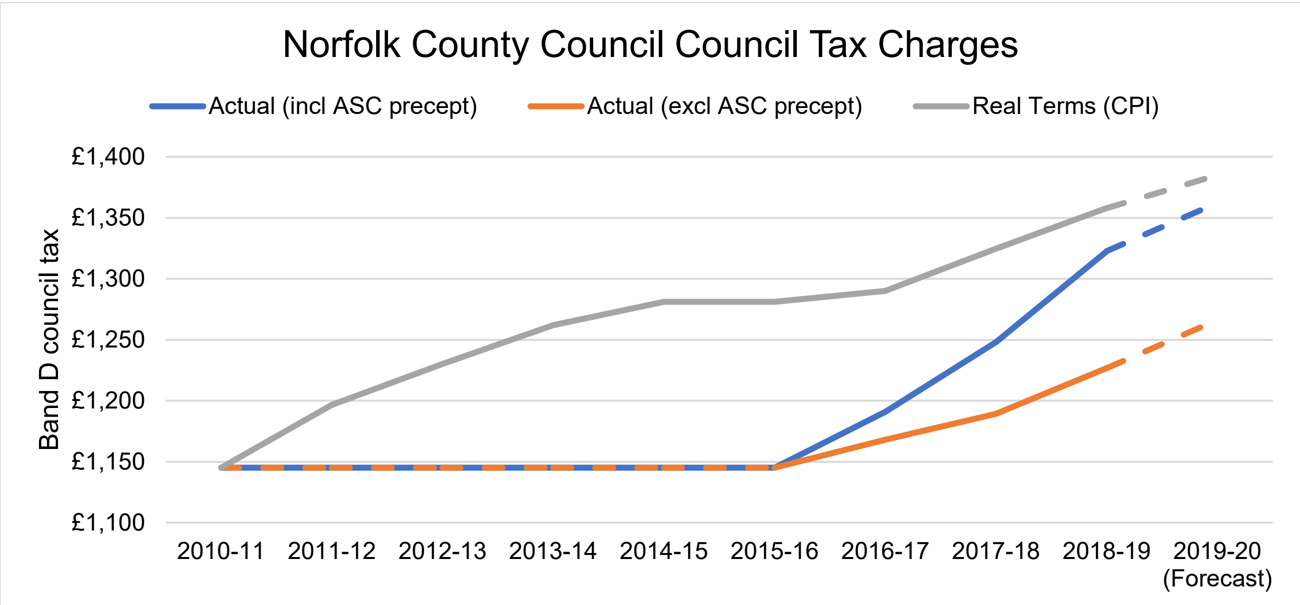
## 10. Council Tax

10.1. The council tax / precept is set in the context of restrictions and requirements imposed by Government. In particular, the Localism Act includes the requirement that any council tax increase in excess of a limit determined by the Secretary of State for Housing, Communities and Local Government and approved by the House of Commons, will be decided by local voters, who, through a local referendum, will be able to approve or veto the proposed increase. The threshold for 2019-20 has been provisionally announced as 3%. This is usually finalised alongside the publication of the Final Local Government Finance Settlement.

10.2. The County Council's planning therefore assumes an increase of 2.99% in general council tax, which is forecast to raise approximately £11.670m based on the latest tax base forecasts. This contributes to closing the 2019-20 budget gap and mitigating the gap in future years. A council tax increase of 2.99% therefore enables a substantially more robust budget for 2019-20 and reduces risks for the council over the Medium Term Financial Strategy period.

10.3. The increased referendum threshold level of 3% was announced in 2018-19 for two years and was in part intended to reflect the high rate of CPI and the fact that council tax had fallen behind inflation following several years of council tax being frozen. The chart below illustrates that with a 2.99% increase in 2019-20, Norfolk County Council's council tax remains below the level it would have been if CPI increases had been applied since 2010-11.

**Chart 2: Actual council tax levels compared to CPI increases**




10.4. 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 regulations to declare their level of council tax / precept by the end of February.

10.5. 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.

10.6. 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.

10.7. As has been previously reported to Members, the Government introduced a flexibility in 2016-17 for those authorities with Adult Social Care responsibilities to increase their council tax by up to 2% more than the core referendum principle, provided that the additional precept raised is allocated to Adult Social Care. In December 2016, the Secretary of State for Housing, Communities and Local Government confirmed that this flexibility would be increased to 3% in both 2017-18 and 2018-19, but at the expense of losing the discretion to increase the precept in the final year of the settlement 2019-20. This meant that the precept increase, however it was applied within these criteria, is limited to a maximum of 6% over the three year period 2017-18 to 2019-20 (8% in total for 2016-17 to 2019-20). The council has previously taken decisions to raise the full adult social care precept across the period 2016-17 to 2018-19 and as such there can be no increase in the adult social care precept in 2019-20 and it will therefore continue at the same level as in 2018-19 (£96.05 for a Band D property).

10.8. Under the Local Government Finance Act 1992, the Section 151 Officer is required to provide confirmation to Government that the adult social care precept is used to fund Adult Social Care. This must be done within seven days of the Council setting its budget and council tax for 2019-20.

10.9. In 2016-17, the Government changed the methodology for distributing reductions in funding to local authorities, and that has been maintained for 2019-20. The method of apportionment assumes that councils will increase council tax at the referendum limit, make use of the flexibility to raise a social care precept where available, and will benefit from ongoing levels of council tax base growth. Failure to raise council tax in line with the Government's assumptions will result in underfunding through the Spending Review period and would lead to the Council experiencing a greater reduction in spending power than the Government forecasts. In particular an increase in core council tax of less than 3% would further exacerbate the gap between the actual council tax level and the rate it would have been had real-terms increases been applied since 2010-11 as illustrated in the chart above.

10.10. Service Committees' views on the proposed levels of council tax increase will be reported to Policy and Resources Committee alongside the draft unconfirmed minutes of all Service Committee meetings to inform decisions about budget recommendations to County Council (see Appendix G). Details of the findings of public consultation on the level of council tax are set out in section 17 and Appendix J.

**Implications of council tax proposals**

10.11. Taking into account the findings of consultation set out elsewhere in this report, Policy and Resources Committee is asked to consider and confirm, or otherwise, the assumption that the council's **2019-20 budget will include a general council tax increase of 2.99% as recommended by the Executive Director of Finance and Commercial Services (Section 151 Officer)**. This will need to be considered at the County Council meeting on 11 February 2019.

10.12. If the referendum threshold were increased in 2020-21 and/or 2021-22 to above 1.99%, or any further discretion were offered to increase the Adult Social Care precept (or similar), then it is likely that the Section 151 Officer would recommend the council take advantage of this flexibility in view of the council's overall financial position.

10.13. Set out in Appendix D is the calculation of **total payments of £409.073m** due to be collected from District Councils in 2019-20 based on a council tax increase of 2.99%, together with the instalment dates and the council tax level for each valuation band A to H.

10.14. The council is also required to authorise the Executive Director of Finance and Commercial Services to transfer from the County Fund to the Salaries and General Accounts, all sums necessary in respect of revenue and capital expenditure provided in the 2019-20 budget in order that he can make payments, raise and repay loans, and invest funds.

**Second homes council tax**

10.15. 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. At the time, the County Council agreed to contribute a portion of its share back to District Councils. This was in addition to the Districts' own share of second homes money, which they also retained.

10.16. In setting the 2018-19 Budget, the County Council confirmed that 12.5% of the County's share of second homes monies would be distributed to Districts in 2018-19 and that the County would then retain its share of second homes money in full from 2019-20. This was communicated to Districts during the 2017-18 financial year. The council's 2019-20 budget papers reflect this proposal and include the retention of the final 12.5% of second home council tax.

**Care leavers' council tax**

10.17. At its meeting 15 October 2018, the County Council resolved to adopt a scheme to deliver a full council tax discount for all Norfolk care leavers living either in or out of Norfolk who are under the age of 25 and are solely responsible for payment of the bill, or who occupy a property with other Norfolk care leavers aged up to 25, and commissioned officers to undertake further work with the seven Norfolk District Councils and the Norfolk Police and Crime Commissioner to seek to agree that all authorities bear their share of the full discount and that a uniform scheme can be implemented across Norfolk. The 2019-20 Budget makes provision for an estimate of the costs of providing this discount.

## 11. Revenue Budget 2019-20

11.1. The table below sets out a summary of the savings proposals for 2019-20 to 2021-22. Including the proposed use of capital receipts (£5m in 2020-21 and £10m in 2021-22), the Council has identified £40.847m of **new** savings proposals in this budget round to help enable the Council to set a balanced budget for 2019-20.

**Table 4: Summary of recurring net budget savings by Committee**

| Committee | 2019-20 Saving £m | 2020-21 Saving £m | 2021-22 Saving £m | Total Saving £m |
|---|---|---|---|---|
| Adult Social Care | -17.894 | -17.257 | -5.700 | -40.851 |
| Children's Services | -6.822 | -3.484 | -2.000 | -12.306 |
| Environment, Development and Transport | -2.883 | -0.855 | -1.890 | -5.628 |
| Communities | -0.903 | -3.002 | -1.500 | -5.405 |
| Business and Property | -0.775 | -1.050 | -0.650 | -2.475 |
| Digital Innovation and Efficiency | -1.060 | -0.700 | 0.000 | -1.760 |
| Policy and Resources | -1.268 | -4.734 | -5.000 | -11.002 |
| **Grand Total** | **-31.605** | **-31.082** | **-16.740** | **-79.427** |

11.2. The net saving position above reflects the removal or delay of £9.950m of saving proposals brought forward from previous budget rounds.

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

**Income**

11.4. The Council has four main funding streams:

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

11.5. The main issues to consider are:

a) **Business Rates Retention Scheme** – the provisional Local Government Funding Settlement included information on the Settlement Funding Assessment, which includes the authority's Revenue Support Grant (RSG) and business rates baseline funding level uprated annually in line with CPI (previously RPI up to 2017-18). In order to ensure that local government spending is within the national departmental expenditure limits, after taking into account the business rates baseline funding, the Revenue Support Grant is a balancing figure and subsequently is reducing year on year in line with the Government's deficit reduction plan. Planned reductions in RSG gave rise to a "negative RSG adjustment" for some local authorities in 2019-20 (Norfolk was not affected), which the Government has now decided to address via forgone business rate receipts.

In 2016-17 the Government changed the methodology for distributing reductions in funding to reflect an authority's "core spending power" which in 2019-20 includes: Settlement Funding Assessment (RSG and Baseline Funding), Section 31 compensation grant for changes in business rates, council tax (the product of the maximum council tax precept that the local authority can raise with the maximum Adult Social Care precept taking account of past decisions), Improved Better Care Fund, New Homes Bonus (including returned funding), social care support grants, and Rural Services Delivery Grant. The assessment of core spending power was used in 2016-17 as a mechanism to distribute reductions in Revenue Support Grant to ensure that within each tier of Local Government (upper-tier, lower-tier, fire and rescue, and GLA other services), authorities of the same type receive the same percentage change in settlement core funding. The inclusion of council tax in this calculation represented a significant change in Government policy. In 2016-17 the Government set out indicative four year allocations of funding, as detailed elsewhere in this report, which the Council accepted via the submission of an Efficiency Plan in October 2016.

The tables below show the breakdown of the provisional 2019-20 Settlement Funding Assessment compared to the 2018-19 allocations, and the component elements of the Settlement Funding Assessment. As set out previously, the Council will receive this funding as part of the 75% Business Rates Pilot in 2019-20. In overall terms the provisional Settlement shows a reduction of £15.808m or -8% to core government funding compared to the 2018-19 actual amounts.

**Table 5: Notional Settlement Funding Assessment changes**

| | **2018-19 Actual** | **2019-20 Indicative** | **2019-20 Provisional** | **% Change (2018-19 actual to 2019-20 provisional)** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **%** |
| Upper-tier funding within Baseline Funding Level | 141.532 | 144.671 | 144.775 | 2% |
| Fire and Rescue within Baseline Funding Level | 7.584 | 7.752 | 7.758 | 2% |
| **Total Baseline Funding Level** | **149.116** | **152.423** | **152.533** | **2%** |
| | | | | |
| Upper-tier funding within RSG | 53.536 | 34.791 | 34.791 | -35% |
| Fire and Rescue within RSG | 4.499 | 4.019 | 4.019 | -11% |
| **Total Revenue Support Grant** | **58.035** | **38.810** | **38.810** | **-33%** |
| | | | | |
| **Total Settlement Funding Assessment** | **207.151** | **191.233** | **191.343** | **-8%** |

**Table 6: Notional breakdown of Settlement Funding Assessment**

| | 2018-19 Actual | 2019-20 Indicative | 2019-20 Provisional | Change (2018-19 actual to 2019-20 provisional) | Change (2019-20 indicative to 2019-20 provisional) |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Settlement Funding Assessment** | **207.151** | **191.233** | **191.343** | **-15.808** | **0.110** |
| *Notional breakdown:* | | | | | |
| Revenue Support Grant | 58.035 | 38.810 | 38.810 | -19.225 | 0.000 |
| Business Rates Baseline | 149.116 | 152.423 | 152.533 | 3.417 | 0.110 |
| *Via: Top-up* | *123.115* | *125.756* | *125.847* | *2.732* | *0.091* |
| *Retained Rates* | *26.001* | *26.667* | *26.686* | *0.685* | *0.019* |

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

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

These **budget papers have been prepared on the basis of a 2.99% increase in general (basic) council tax.** The council has previously opted to raise the full 8% adult social care precept over the period 2016-17 to 2018-19 and as a result this cannot be increased in 2019-20. The Government's assumptions within the settlement about local authorities' abilities to raise council tax mean that any decision to raise council tax by less than the Government's inflation assumptions, will result in underfunding of the council compared to Government expectations.

c) **Other Income** – a table on total Government grant funding is included in this report at Appendix A. Agreement with health partners has previously been reached on the use of **Improved Better Care Fund** monies for 2017-18 to 2019-20 and these plans are reflected in the Budget. Further details are provided in the Medium Term Financial Strategy (Appendix I).

**Expenditure – underlying trends**

11.6. The aim of the budget planning process is to deliver a robust budget that supports the council's priority areas but is affordable within the available levels of funding. The major areas of cost affecting Norfolk County Council that have been incorporated into the 2019-22 budget plans are:

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

b) **Demographics** – demand for services continues to rise, both through the age profile of the county and through changes to need. Preventative strategies are in place, but are not always sufficient to stem the growth in levels of demand. In areas such as supporting looked after children, numbers are continuing to increase and the number entering care generally exceeds those leaving care.

c) **Pay award and the National Living Wage** – the costs of the National Living Wage increase in 2019-20 for both the council's directly employed staff and contracted services, along with the impact of the 2% pay award for 2019-20, with additional increases and associated pay scale changes for those on lower pay points.

d) **Increased costs of borrowing** are anticipated from 2019-20 in line with expectations around interest rate growth, inflation and the potential need to borrow for cash flow or capital purposes.

11.7. In addition, the Capital Programme will be funded from external capital grants, prudential borrowing, revenue budgets and/or reserves. The majority of new schemes are funded from capital grants received from central government departments. The largest capital grants are from the Department for Transport and the Department for Education, and this is reflected in the balance of the programme. Capital receipts can only be used to fund capital expenditure (which in turn reduces the future revenue impact of borrowing), to repay debt, or (as a result of additional flexibilities from the 2015 Spending Review) to support the revenue costs of reform projects (invest to save and transformation). As set out in the Capital Programme report elsewhere on the agenda, the council may consider using capital receipts to support transformation activity where there are sufficient unallocated capital receipts available to make use of the new freedoms provided by the 2015 Spending Review. The Revenue Budget in particular proposes that £5.000m of capital receipts in 2020-21 and £10.000m in 2021-22 be provided for transformation activity or debt repayments in order to support the overall MTFS.

11.8. Subject to the timing of borrowing and the application of the MRP policy, the future annual revenue cost of prudential borrowing can be significant (as much as 10% of the amount borrowed). The amount and timing of these costs is reflected in the revenue budgets where appropriate and in particular assumes additional borrowing of £100m during 2019-20 and £80m in 2020-21. Separate reports to Policy and Resources Committee, elsewhere on this agenda, set out the detail of the Treasury Management Strategy and the Capital Strategy including the 2019-22 programme and funding plans.

11.9. Financial planning assumptions for future years take account of the latest monitoring position for 2018-19, as reported to Policy and Resources Committee elsewhere on this agenda. Further details of the financial planning context are set out in the Medium Term Financial Strategy 2019-22.

11.10. The report on the Robustness of Estimates 2019-22 sets out the Executive Director of Finance and Commercial Services' (Section 151 Officer) report on the robustness of the estimates made for the purposes of the calculation of the precept and therefore in agreeing the County Council's budget. The factors and budget assumptions used in developing the 2019-22 budget estimates are set out in that report. The level of reserves has been analysed in terms of risk and is reported separately to Policy and Resources Committee elsewhere on this agenda. The recommended level of general balances is £19.536m for 2019-20 and the Medium Term Financial Strategy 2019-22 assumes that general balances will remain at or above this level.

**Expenditure and savings – proposals**

11.11. The tables in Appendix C set out in detail the proposed cash limited budget for all Committees for 2019-20, and the medium term financial plans for 2020-21 to 2021-22. These are based on the identified pressures and proposed budget savings reported to this Committee in October, which have been updated in this report to reflect changes to budget plans as shown in the table below. Cost neutral adjustments are also reflected within the Appendices and, as usual, these have been added and updated following the Service Committee meetings.

**Budget changes since January 2019 Service Committee Meetings**

11.12. Since budget proposals were presented to Service Committees, there have been no substantive changes.

11.13. Significant uncertainty remains around the following areas:

- District council tax and business rate forecasts are not finalised, these remain subject to change until final forecasts are received at the end of January.
- The final Local Government Finance Settlement has not yet been published and is expected in February 2019.

11.14. Any changes arising following Policy and Resources Committee decisions, or as a result of these uncertainties, will be reported to Full Council for decisions as appropriate.

**Table 7: Budget planning position 2019-20 to 2021-22**

| | 2019-20 | 2020-21 | 2021-22 | 2019-22 Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Medium Term Financial Strategy budget gap / (surplus) as at 12 February 2018** | **22.089** | **48.454** | **24.153** | **94.696** |
| | | | | |
| **Reported to 16 July, 24 September and 29 October Policy and Resources Committee** | | | | |
| Total pressures | 10.765 | -4.300 | 7.000 | **13.465** |
| Total changes to previously agreed savings | 3.200 | -0.700 | 0.500 | **3.000** |
| Council tax: Collection Fund | -4.688 | 0.000 | 0.000 | **-4.688** |
| Council tax: increase % | 0.000 | 0.000 | -8.498 | **-8.498** |
| Council tax: tax base increase | -5.918 | -6.305 | -6.341 | **-18.564** |
| New savings proposals | -19.079 | -12.552 | -1.800 | **-33.431** |
| **Total changes** | **-15.720** | **-23.857** | **-9.139** | **-48.716** |
| | | | | |
| **Revised Gap reported to 29 October 2018 Policy and Resources Committee** | **6.369** | **24.597** | **15.014** | **45.980** |
| | | | | |

| | 2019-20 | 2020-21 | 2021-22 | 2019-22 Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| ***Cost pressure changes*** | | | | |
| Reduce pension pressures from 2018-19 estimate | -1.000 | 0.000 | 0.000 | **-1.000** |
| Additional Property pressures including removal of business rates transitional relief | 0.431 | 0.750 | 0.000 | **1.181** |
| Reduce National Living Wage and pay structure change corporate pressure from 2018-19 estimate | -1.139 | -0.271 | 0.000 | **-1.410** |
| Remove IR35 pressure not required | -0.138 | 0.000 | 0.000 | **-0.138** |
| Teachers' pension employer rate pressure (centrally employed staff) | 0.024 | 0.017 | 0.000 | **0.041** |
| Fire Service pension employer rate pressure | 1.675 | 0.000 | 0.000 | **1.675** |
| Reduce waste pressures from 2018-19 estimate | -1.400 | 0.000 | 0.000 | **-1.400** |
| Additional Highways pressures | 0.130 | 0.075 | 0.000 | **0.205** |
| Funding for partnership work to maximise council tax income | 0.355 | 0.010 | -0.105 | **0.260** |
| NPLaw monitoring officer costs | 0.141 | 0.000 | 0.000 | **0.141** |
| Your Norfolk publication costs | 0.070 | 0.000 | 0.000 | **0.070** |
| Liquid Logic system cost pressure | 0.095 | 0.000 | 0.000 | **0.095** |
| Reduction in contribution from Public Health in line with reducing budget | 0.112 | 0.000 | 0.000 | **0.112** |
| Additional Adult pressures | 2.179 | 11.823 | 0.000 | **14.002** |
| Use of Adult Social Care Business Risk Reserve | -2.000 | -2.000 | 4.000 | **0.000** |
| Children's Services budget pressures including LAC (providing total growth of £3m in 2020-21 and 2021-22) | 7.500 | 1.000 | 1.000 | **9.500** |
| Final 2019-20 inflation pressures and estimate 2020-21 to 2021-22 | 1.414 | 1.805 | 2.188 | **5.407** |
| High Needs Block pressure (council tax funded) | 3.000 | 0.000 | 0.000 | **3.000** |
| Delay Treasury Management pressure to 2020-21 and recognise increased borrowing costs for future years | -0.750 | 2.550 | 0.000 | **1.800** |
| | | | | |
| ***Savings changes*** | | | | |
| Delay Norse dividend saving P&R098 | 0.750 | -0.750 | 0.000 | **0.000** |
| Reverse Finance and Commercial Services saving previously delivered through one-off measures | 0.750 | 0.000 | 0.000 | **0.750** |
| Reverse Strategy and Governance saving previously delivered through one-off measures | 0.200 | 1.000 | 0.000 | **1.200** |
| Saving from ending Norwich Airport PPP agreement | -0.160 | -0.017 | 0.000 | **-0.177** |
| Senior Management Structure Review - savings from establishment of Corporate Board | -0.239 | 0.000 | 0.000 | **-0.239** |
| Revised capital receipt saving requirement | 0.000 | 5.000 | -5.000 | **0.000** |
| Increase forecast for Adults Minimum Income Guarantee saving ASC046 | 0.000 | -2.000 | 0.000 | **-2.000** |

| | 2019-20 | 2020-21 | 2021-22 | 2019-22 Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Delay forecast Highways commercialisation saving EDT067 and Remodelling back office EDT068 | 0.130 | -0.090 | -0.040 | **0.000** |
| One off saving from use of Insurance Fund surplus | -1.000 | 1.000 | 0.000 | **0.000** |
| | | | | |
| ***Funding changes*** | | | | |
| Collection Fund forecast | -2.023 | 3.711 | 0.000 | **1.688** |
| Tax base forecast including reduction to 1.8% 20-21 and 1.8% 21-22 | 0.126 | 0.831 | 0.894 | **1.851** |
| Provisional settlement and Autumn Budget funding: Social Care Grant and winter pressures | -11.317 | 11.317 | 0.000 | **0.000** |
| Provisional settlement and Autumn Budget funding: New Homes Bonus threshold maintained at 0.4% | -0.183 | 0.183 | 0.000 | **0.000** |
| Provisional settlement and Autumn Budget funding: Business Rates - levy account surplus, Section 31 Grant and Baselines | -1.920 | 2.340 | 0.000 | **0.420** |
| Provisional settlement and Autumn Budget funding: Rural Services Delivery Grant | -0.786 | 0.786 | 0.000 | **0.000** |
| Provisional settlement and Autumn Budget funding: Partial funding for Fire pension employer rate pressure | -1.396 | 1.396 | 0.000 | **0.000** |
| Provisional settlement and Autumn Budget funding: Business Rates Pilot | 0.000 | -3.879 | 3.879 | **0.000** |
| Revised assumptions about future funding changes in CSR and FFR | 0.000 | -25.873 | 12.937 | **-12.937** |
| | | | | |
| **Projected gap / (surplus) as at Policy and Resources Committee 28 January 2019** | **0.000** | **35.311** | **34.767** | **70.078** |

11.15. The Revenue Budget proposals set out in Appendix C form a suite of proposals which will enable the County Council to set a balanced Budget for 2019-20. As such, recommendations to add growth items, amend or remove proposed savings, or otherwise change the budget proposals, will require the Committee to identify offsetting saving proposals or equivalent reductions in planned expenditure.

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

11.17. The overall net budget proposed for 2019-20 is £409.073m. This takes into account the Provisional Local Government Finance Settlement for 2019-20. Table 8 below summarises the overall proposed final budget for 2019-20. The table below also shows the cash limited budgets by service, and a detailed table of the proposed changes for each service is shown at Appendix C. The structure of the budget is based on the current organisational framework.

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

11.19. At the time of preparing this report in January 2019, estimates of business rates collection, and the impact of Districts' council tax decisions are not fully known and therefore may change prior to reporting to County Council. At the time of drafting this report, the final Local Government Finance Settlement is also not known and the proposed 2019-20 Budget may need to be altered to reflect any changes to government funding amounts for 2019-20 following the final Settlement publication, due to be announced in early February 2019. Likewise final changes to the District Councils' collection funds and the final Business Rates position will not be confirmed until the end of January and may alter the proposed 2019-20 Budget.

11.20. In relation to council tax, if the County Council agrees to increase council tax by 2.99%, this would generate £11.670m additional funding in 2019-20. The council has raised the Adult Social Care precept by 8% over the period 2016-17 to 2018-19, meaning that it cannot be increased further in 2019-20. It will therefore remain at £96.05 for a Band D property, raising approximately £28.370m in 2019-20. Further details about council tax are included within Appendix D.

11.21. Service and budget planning for 2020-21 will be based on an expected reduction in core government funding of £12.937m (Settlement Funding Assessment incorporating Business Rates and Revenue Support Grant).

11.22. The Policy and Resources Committee report setting out the policy and position of reserves and balances recommends that the minimum level of General Balances be maintained at £19.536m, reflecting budget risks and uncertainty around future government funding. The forecast position for General Balances at 31 March 2019 is £19.536m. There is currently a forecast underspend on the 2018-19 budget of £0.035m (Period 8 as reported at January 2019), and it is anticipated that a balanced overall outturn position will be achieved at year-end. The non-delivery of savings in 2018-19 has been addressed as part of the 2019-20 budget process via the reversal of a significant number of savings as set out in this report.

11.23. The Policy and Resources Committee is asked to recommend to County Council the 2019-20 budget proposals, as reported to Service Committees in January 2019, taking into account the comments and changes from Service Committees. The proposed overall budget is shown in the table below and detailed in Appendices B and C.

11.24. The unconfirmed draft minutes of the discussion of budget proposals for all Service Committees will be published to follow this report as Appendix G. At the time of preparing this paper, Adult Social Care, Communities, and Business and Property Committees had met. At the time of writing, all committees had agreed budget proposals (as set out in paragraph 11.12) and supported the recommended council tax increase of 2.99% for 2019-20. Children's Services, Environment, Development and Transport, and Digital Innovation and Efficiency

Committees have not yet met, and the outcomes of their discussions will be reported to the Policy and Resources meeting.

**Table 8: Net 2019-20 Revenue Budget**

| | 2018-19 Base Budget | Budget increase including costs and funding decreases | Budget decrease including savings and funding increases | 2019-20 Recommended Budget |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Adult Social Care | 252.466 | 37.387 | -42.247 | 247.606 |
| Children's Services | 185.948 | 42.030 | -16.311 | 211.667 |
| Environment Development and Transport | 103.902 | 9.104 | -2.899 | 110.108 |
| Communities | 46.867 | 3.439 | -4.622 | 45.685 |
| Business and Property | 8.041 | 1.606 | -0.775 | 8.872 |
| Digital Innovation and Efficiency | 13.198 | 1.313 | -1.386 | 13.124 |
| Policy and Resources | -221.624 | 21.203 | -27.568 | -227.988 |
| **Total** | **388.799** | **116.081** | **-95.807** | **409.073** |

11.25. Note:

- The total budget decreases of £95.807m include £31.605m savings, £31.164m funding increases (see Table 9 below) and £33.038m of cost neutral changes (see Appendices B and C).
- Of the budget savings, £2.543m relate to one-off savings in 2019-20, which will result in a pressure in 2020-21. These are detailed in Table 10 below. The budget also includes one-off use of reserves as detailed in the Reserves and Balances report elsewhere on the agenda.
- The change in the net revenue budget between 2018-19 and 2019-20 is £20.274m. The breakdown of this is set out in Table 11 below.

**Table 9: Funding increases included in budget decreases**

| | 2019-20 £m |
|---|---|
| Improved Better Care Fund (iBCF) | -12.544 |
| Reversal of one-off ASC funding from March 2017 Budget | -5.903 |
| ASC Winter Pressures Grant 2019-20 | -4.179 |
| Additional 2019-20 Social Care funding | -7.137 |
| Lead Local Flood Authority Grant | -0.005 |
| Funding for Fire pension employer rate pressure | -1.396 |
| **Total funding increases** | **-31.164** |
| | |
| Savings | -31.605 |
| Cost Neutrals | -33.038 |
| **Total budget decreases** | **-95.807** |

**Table 10: One-off savings**

| | | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|
| **Committee** | **Saving** | **£m** | **£m** | **£m** |
| Adult Social Care | Adjustment to payment timescale for direct payment to improve cashflow in line with audit recommendations | -1.000 | | |
| Adult Social Care | One off use of repairs and renewals reserves no longer required | -0.043 | | |
| Policy and Resources | Capital receipts | | -5.000 | -10.000 |
| Policy and Resources | Saving resulting from a review of Norfolk Futures budgets, risks, and assumptions to achieve a saving without a direct impact on delivery of the transformation programme. | -0.500 | | |
| Policy and Resources | Insurance fund surplus contribution | -1.000 | | |
| | **Total** | **-2.543** | **-5.000** | **-10.000** |

11.26. Note:

- These figures exclude funding increases (base adjustments), such as from the improved Better Care Fund and social care funding, and cost neutral changes.
- A summary is provided within Appendix B and details provided within Appendix C.
- The 2019-20 Budget and Medium Term Financial Strategy (MTFS) also includes further one-off use of resources such as the use of the Adults Business Risk reserve which will result in future budget pressures. The implications of one-off funding are also discussed in further detail in paragraph 5.22 of the MTFS and in the Adult Social Care Committee Strategic and Financial Planning report.

**Table 11: Change in Net Revenue Budget 2018-19 to 2019-20**

| | **£m** |
|---|---|
| Budgeted council tax 2018-19 | 388.799 |
| *Increase due to:* | |
| Tax base change (increase 5,678 Band D equivalent) | 7.551 |
| General council tax increase (2.99%) | 11.670 |
| Forecast increase in Collection Fund | 1.053 |
| **Budgeted council tax 2019-20** | **409.073** |

## 12. Schools Funding

12.1. 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 Council will receive its Dedicated Schools Grant allocation for 2019-20 based on the new national funding formula. Pupil premium will continue as a separate ring-fenced grant.

12.2. The DSG is split into four funding blocks: The Schools Block, the High Needs Block, the Early Years Block and the Central Services School Block. Movements up to 0.5% from the Schools Block to the other blocks have to be agreed by Norfolk Schools Forum. Any request above the 0.5% has to be agreed by the Secretary of State.

12.3. For 2019-20 the new national funding formula for schools generates £8.969m of additional funding for the Schools Block, including pupil growth, and £0.086m for the Central Services School Block. Local Authorities will receive their Dedicated Schools Grant allocations for 2019-20 and 2020-21 based on the unit values of the new national funding formula. Under a soft formula, local authorities determine individual school budgets according to local formulae, following local consultation. The Department for Education (DfE) have given no firm date for the full implementation of the national funding formula, however they are clear that this is the direction of travel.

12.4. The total DSG allocation received for 2019-20 was confirmed in December 2018 and totals £610.792 million before academy recoupment. This compares to a DSG allocation of £600.391 million in 2018-19. The Schools Block totals £482.012 million, representing £4,126.92 per primary pupil and £5,063.76 per secondary pupil with additional sums of £6.462m for premises and mobility factors and £3.403m for pupil growth funding.

12.5. The Early Years Block total for early education of 3 and 4 year olds is £37.154 million representing £4,248.57 per pupil. The total for 2 year old early education funding is £5.581m representing £5,137.81 per pupil, if parents meet the eligibility criteria.

12.6. The High Needs Block totals £81.822 million. As the high needs funding is based on a place plus basis, (a set amount of money is allocated for each placement and the additional amount is based on a mix of pupil led factors), it is not possible to give a per pupil amount.

12.7. The overall difference in the DSG allocation from the prior year is set out in the table below:

**Table 12: Breakdown of Schools Funding**

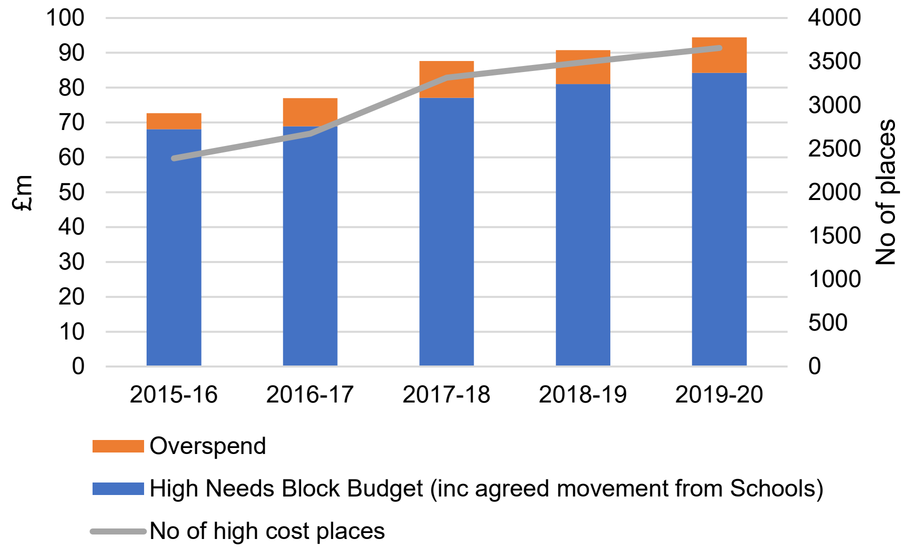
| Funding element | 2018-19 (£m) | 2019-20 (£m) | Change (£m) | Explanation for change |
|---|---|---|---|---|
| **Early Years Block** | | | | |
| Early Years 3 and 4 year old funding | 29.785 | 29.785 | 0.000 | No change, will be adjusted in July 2019 based on the January 2019 census. |
| Early Years 3 and 4 year olds – increase to 30 hours | 7.368 | 7.368 | 0.000 | No change, will be adjusted in July 2019 based on the January 2019 census. |
| Early Years 2 year old funding | 5.581 | 5.581 | 0.000 | No change, will be adjusted in July 2019 based on the January 2019 census. |
| Early Years Pupil Premium | 0.438 | 0.438 | 0.000 | No change, will be adjusted in July 2019 based on the January 2019 census |
| Nursery Schools Grant | 0.270 | 0.274 | 0.004 | Protection calculated by DfE based on the rate paid to the 3 |

| | | | | |
|---|---|---|---|---|
| | | | | and 4 year old EYNFF (Early Years New National Funding Formula) funding rate vs the hourly Nursery School funding rate. |
| Early Years Disability Access Fund | 0.170 | 0.153 | (0.017) | Reduced headcount of pupils claiming Disability Living Allowance |
| **Schools Block** | 473.043 | 482.012 | 8.969 | Increase of 676 pupils (£3.453m), new in-year growth allocation (£0.806m) and ongoing increase from the national funding formula (£4.71m) |
| **Central Services School Block** | 3.272 | 3.358 | 0.086 | Funding per pupil increased from £29.03 per pupil to £29.66 per pupil and additional 676 pupils |
| **High Needs Block** | 80.462 | 81.822 | 1.360 | Additional £0.461m of funding as a result of the National Funding Formula, and £0.898m due to basic entitlement increase from special school and alternative provision (AP) headcount |
| **Total** | **600.391** | **610.792** | **10.401** | |

## 13. High Needs Block

13.1. The High Needs Block (HNB) in Norfolk has been under considerable financial pressure since 2015-16. Norfolk spends 89% of the HNB on high needs places in state special schools, independent schools, and Alternative Provision. From 2015-16 to 2018-19 there has been a 10% movement of pupils with an EHCP/statement from mainstream schools into high needs places. The provision of high needs places from 2015-16 to date has increased by 1,102, at a cost of £22.277m. In the same period, the HNB has only increased by £12.039m. This results in a shortfall in funding of £10.238m, which has to date been covered in part by offsetting it against underspends on the Early Years block and the Schools block. To mitigate this position, the Council has reviewed the remaining 11% of the HNB, reviewed the SEN top-up funding paid to mainstream schools, and reviewed all of the services provided as a local authority direct to schools. The overall position of the HNB, including a forecast for 2018-19 and 2019-20, is shown in the chart below.

**Chart 3: Summary of High Needs Block budget**




13.2. Norfolk County Council has submitted a disapplication request to transfer funding between the Schools block and the HNB in 2019-20. The council's financial model to balance the HNB is a five year recovery plan, due to the scale of the demand for specialist educational provision and support. The recovery is therefore reliant on the movement of £4.580m from the Schools block to the HNB for the next five years. If the application to move funding from the Schools block to the HNB is not successful, it will have a very significant impact on wider Children's Services budgets.

13.3. On 16 December, the Government announced[5] additional funding to support children with special educational needs. The allocation of this funding to individual councils has now been announced. Norfolk should receive £3.605m of the £250m support for children and young people with complex SEND (£125m 2018-19 and £125m 2019-20), equating to £1.803m per year for Norfolk.

13.4. The allocation of the £100m for investment to create more specialist places in mainstream schools, colleges and special schools in 2019-20 has not been confirmed, but Norfolk could expect approximately £1.268m on the usual allocation basis. Following announcements of additional funding, Government has invited councils to reconsider their disapplication requests.

13.5. The additional SEND funding is expected to flow through Dedicated Schools Grant. Following the announcement of additional funding for 2018-19 and 2019-20, the Council has reviewed the overall 2019-20 budget position and considers that it is insufficient to cover the significant demand in Norfolk for high needs places which means that it would not be prudent to reduce or withdraw the disapplication request. Norfolk is already carrying an outstanding DSG deficit of £8.087m from previous financial years, with a forecast £5.514m deficit for 2018-19 (after taking into account the additional £1.803m funding announced for the current year), meaning that the position at the start of 2019-20 will be a £13.601m deficit position. Even if the request to transfer £4.580m is successful, there remains a forecast deficit of £5.669m for 2019-20. Left unmitigated, this would mean a total deficit position forecast at the end of 2019-20 of around £19.270m.

[5] https://www.gov.uk/government/news/new-funding-to-support-children-with-special-educational-needs

13.6. As Section 151 Officer, the Executive Director of Finance and Commercial Services is required by section 114 of the Local Government Finance Act 1988 to report to Members if it appears that the expenditure the authority proposes to incur in a financial year is likely to exceed the resources available to it to meet that expenditure. It is the view of the Executive Director of Finance and Commercial Services that, if left unresolved, the pressures and level of forecast overspend are such that the HNB position could represent a very real medium-term threat to the overall financial viability of the whole Council. The level of deficit, even if the disapplication request were approved in full, will still be rising, and the position is likely to be a factor considered by the Council's external auditors. The DfE's decision on the Council's disapplication request will therefore have a very significant bearing on the Executive Director of Finance and Commercial Services' judgement about the Council's financial resilience and the robustness of its Budget.

13.7. Recognising the scale of this challenge, Norfolk County Council has identified £3.000m of local authority resources within its budget planning for next year to contribute towards supporting the HNB position, which includes £1m of funding in 2019-20 to enable the delivery of service transformation alongside the investment in new state special school places and additional SEN units. However, the Council's general fund budget is itself under very substantial pressure in 2019-20 and this represents the maximum amount the Council can provide to support HNB requirements. It is not a viable or sustainable approach for locally raised funding to be used to meet shortfalls in DSG and this is particularly challenging in the context of the very acute pressures on all local authority budgets as a result of wider funding reductions from Government.

13.8. Robust monitoring of the delivery of the Council's five year recovery plan will therefore be essential. In the event that adequate funding is not provided by Central Government, recovery actions do not achieve the desired outcome, or that demand continues to grow, the Council may still face a shortfall within the HNB position which would ultimately require significant savings to be identified in future years.

## 14. Medium Term Financial Strategy – budget implications for 2019-20 to 2021-22

14.1. 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 2019-20 budget. A three-year revenue projection has been prepared and this has been considered as part of forward service and financial planning. Accordingly, Service Committees have considered their budgets for the next three years, within the council's normal budget planning framework. This consideration is informed by, and in turn itself informs, the council's Medium Term Financial Strategy, which is set out at Appendix I.

14.2. Reports to Service Committees in January 2019 included projected additional costs and savings proposals for 2019-20 to 2021-22 in accordance with the planning assumptions agreed. This is to ensure that decisions taken in respect of the 2019-22 budget are sustainable and deliverable in the medium term from both a service and financial perspective and that they are considered to be affordable to the taxpayer. In addition, many of the savings needed for future years require actions to be taken in previous financial years and therefore County

Council approval is sought on future year's savings to enable Executive Directors to put in place the necessary programmes of work required to deliver these.

14.3. As set out elsewhere in this report, the latest budget planning position has now been developed and revised following Government funding announcements, and further review and challenge of cost pressures. Together with identified savings and taking into consideration the proposed 2019-20 Revenue Budget, it is now estimated that the **County Council faces a remaining gap of £70.078m, which breaks down as £35.311m in 2020-21 and £34.767m in 2021-22**. This level of gap is based on the assumptions set out in this paper and will clearly represent a substantial challenge to close in 2020-21 (the equivalent year two gap in the 2018-19 MTFS being £22.089m).

14.4. The projected additional costs, including inflation, and forecast reduction in Government grant funding for the following three years, 2019-20 to 2021-22, are set out in the table below.

**Table 13: Provisional medium term financial forecast**

| | **2020-21** | **2021-22** |
|---|---|---|
| | **£m** | **£m** |
| Additional cost pressures and forecast reduction in Government grant funding | 81.948 | 67.485 |
| Forecast increase in council tax base | -11.676 | -15.977 |
| Identified saving proposals and funding increases | -34.961 | -16.740 |
| **Budget shortfall / (surplus)** | **35.311** | **34.767** |

14.5. It is the view of the Section 151 officer, that whilst the Council can balance the 2019-20 budget, the shortfall for future years continues to represent a significant risk. The council faces very significant levels of uncertainty about the following issues, which all have the potential to have a material impact on planning assumptions:

- Comprehensive Spending Review
- Fair Funding Review
- 75% Business Rates Retention
- Social Care Green Paper
- Council tax referendum thresholds and extension of the Adult Social Care precept

14.6. It is in itself unclear when further information about most of these will be available to inform budget planning during the year. In the absence of such certainty, it is prudent for the council to continue to plan on the basis of ongoing reductions in funding and a need to find significant further savings. Budget planning in 2019-20 has already made assumptions about raising the current maximum available additional council tax income and places reliance on achieving a significant level of capital receipts to support the revenue budget in future years (approximately £7m overall in 2020-21 and £12m in 2021-22). **<u>The ability to further mitigate the forecast gap through corporate actions is therefore more limited than has been the case in previous years</u>**. The level of savings required are such that they will only be achieved through fundamental changes in the level and types of services delivered, which are likely to need a significant lead in time to achieve. The delivery of planned savings and the identification of further savings to close the remaining budget gaps are therefore essential to ensure that robust budgets can be delivered over the life of the Medium Term Financial Strategy. The recommendation of the Section 151 Officer is therefore that early budget planning for 2020-21 will be critical, and that given the likely nature of the savings to be found in future years, an indicative savings target of £40m will need to be sought for 2020-21 to both reduce the risks to savings delivery and provide Members with options to close the budget gap.

14.7. Reports setting out the changing planning context for both service delivery and the council's finances will be presented to future committee meetings, along with additional savings plans, and will form part of the detailed planning approach for reviewing and recommending final budgets for 2020-21 to 2022-23, and the level of council tax.

14.8. As part of ongoing financial planning, services will keep under review all aspects of future cost pressures and inflation. The Executive Director of Finance and Commercial Services also keeps under ongoing review all aspects of financial planning, and the financial standing of the Council, including levels of reserves and provisions, and reports regularly to Policy and Resources Committee on financial management performance.

14.9. A broad outline timetable for 2020-21 budget setting is proposed in Appendix E.

## 15. Capital Budget

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

## 16. Public consultation

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

16.2. Where individual savings for 2019-20 required consultation:

- Consultation took place between 5 November and 23 December with consultation feedback on both individual budget proposals and council tax available for Committees in January;
- Proposals were published and consulted on via the Council's consultation hub, Citizen Space https://norfolk.citizenspace.com/consultation/budget2018/;
- Consultation documents were made available in large print and easy read as standard, and other formats on request;
- The Council made extra effort to find out the views of people who may be affected by the proposals and carry out impact assessments;

- Opportunities for people to have their say on budget proposals and council tax were promoted through the Your Norfolk residents' magazine, news releases, online publications, and social media.
- Every response has been read in detail and analysed to identify the range of people's opinions, any repeated or consistently expressed views, and the anticipated impact of proposals on people's lives.

## 17. Consultation findings for Policy and Resources Committee

17.1. The council sought views on the proposal to increase council tax in 2019-20 by 2.99%.

**Your views on our proposal to increase council tax by 2.99% in 2019-20 – consultation feedback**

17.2. We received 157 responses to this consultation. The majority (103 or 65.6%) replied as individuals. Three respondents told us they were responding on behalf of a group, organisation or business.

17.3. The majority of those responding (96) either strongly disagreed (77) or disagreed (19) with our proposal to increase Norfolk County Council's share of the council tax by 2.99% in 2019-20.

17.4. Many of those against an increase said that that earnings were not keeping up with increases in council tax and that they felt that council tax was already expensive. People commented that they felt they were paying more council tax for fewer services, with some saying they felt that they got little back in return for the amount they paid. Several said that council tax keeps increasing, that the proposed increase was above inflation and was unaffordable.

17.5. People suggested that the council was inefficient, wasteful and that instead of increasing council tax the council should cut staff or staff pay / members expenses. There were also concerns that families were being squeezed and that the proposed increase would affect low earners.

17.6. Of those that were supportive (51), 28 strongly agreed and 23 agreed with the proposal. The main reason people gave for their agreement was the need to protect services, especially frontline services and adult social care. People noted the reduction in government funding and increased demands made on the council. Some of those agreeing felt that the increase was small and would have little impact on taxpayers. Some stated that it was appropriate for the wider community to contribute where they can.

17.7. We also asked whether the council should consider any future government freedoms to increase the council tax by more than 3% without the need for a referendum. The majority of those responding (115) either strongly disagreed (95) or disagreed (20) that the council should consider this.

17.8. Many of the reasons people gave were the same as the reasons they gave for disagreeing with our proposal for increasing council tax outlined above. In addition, people stated they felt that residents needed to have a say on any larger increase. There was concern that the council could exploit council tax payers in order to generate additional income, with some suggesting that there needed to be a cap. Some said they felt that this would signal even bigger increases and that any further increase would be a burden on squeezed families and low earners.

17.9. Of those who agreed the council should explore future options (29), 15 strongly agreed and 14 agreed. The main reasons given were similar for the reasons people gave for agreeing to our proposal to increase our share of the council tax in 2019-20.

17.10. The following points were also made:

- The council was asked for their support in promoting the District Council's Network's call for a 3% prevention precept for district councils in order to recognise the role that district councils play in prevention.
- The council was asked to ensure that any savings and cuts do not impact negatively or cause any pressures on services provided by the wider public-sector system.
- That the council should lobby the government for money for local authorities and for the government to maintain the Revenue Support Grant.
- One organisation called for an increase in line with inflation, disagreeing strongly with the proposed 2.99% increase on the basis that local issues, in particular highways matters, were not being addressed.

17.11. A full summary of the consultation feedback on the proposal can be found in Appendix J.

17.12. In responding to the consultation, a number of respondents took the opportunity to make comments about the budget in general that were not directly related to council tax.

17.13. Two parish councils took the opportunity of the budget consultation to comment on the council's budget and services as a whole. Sennowe Estate expressed their view that Norfolk's roads were some of the worst in the country. They expressed concern about the cost of the Broadland Northway and its use of roundabouts. They also questioned the value of traffic lights at Barton Mills. Blakeney Parish Council were supportive of the principles of the budget consultation, stating that they would like to see the council be more business-like and make better use of resources. They also stated their support for revisiting the idea of a Unitary Authority.

## 18. Consultation findings for service proposals

18.1. Saving proposals to bridge the shortfall for 2019-20 were put forward by committees, the majority of which did not require consultation because they could be achieved without affecting service users. The council consulted on two service proposals in 2019-20:

- A proposal to change our Adult Social Care charging policy. (Adult Social Care Committee).
- Proposals that would see service changes and a reduction in searchroom hours at Norfolk Record Office. (Communities Committee).

18.2. The following provides a summary of the consultation responses in respect of these two proposals, full details can be found in the relevant Service Committee paper.

**Your views on our proposal to change our Adult Social Care charging policy – consultation feedback**

18.3. In addition to the steps the council has taken to promote the consultation listed above we have also written to all 2,776 people who are potentially affected by this proposal including a consultation feedback form and freepost address. We provided consultation materials in several formats, including Easy Read, video, large print, online, paper copies and additional language versions. We provided a consultation helpline that people could call if they had any questions. This received 246 calls from service users and agencies during the consultation period.

18.4. We received 454 responses to this consultation. Of these the overwhelming majority (401 or 88.3%) were from people responding as individuals or as family members. Of the respondents who described their relationship to the service, most were people who used Adult Social Care services (266).

18.5. We asked questions about the different elements of our proposal and how people felt that they would be affected by these.

18.6. Most people responding, (247), disagreed or strongly disagreed with our proposal to use different rates of Minimum Income Guarantee (MIG). (17 strongly agree / 56 agree / 52 neither agree nor disagree / 54 disagree / 193 strongly disagree / 47 don’t know).

18.7. When it came to our proposal to take the enhanced rate of the daily living component of the Personal Independent Payment (PIP) into account, the majority of those responding (267) disagreed or strongly disagreed. (12 Strongly agree / 47 agree / 50 neither agree not disagree / 69 disagree / 198 strongly disagree / 43 don’t know).

18.8. The key issues and concerns identified were similar for each element of this proposal.

18.9. Those that generally agreed with the proposals felt that it was fair that people contributed the amount that they could afford or that the thinking behind the proposals was acceptable.

18.10. The main reasons given by people who disagreed or strongly disagreed were that they felt:

- That the proposed changes would create additional financial hardship for people who already have a low standard of living / limited ability to boost their income from other sources.
- That age should not be the main factor in determining the amount people need to pay.
- That the proposal was based on flawed thinking.
- That the proposed changes would have a negative impact on people’s wellbeing.
- That the proposed changes affect the most vulnerable.
- That those affected have had previous reductions to their income and are experiencing the cumulative effect of cuts to income and services.

- They felt that disabled people already experienced multiple disadvantages and should not be expected to bear the burden of cost savings as well.
- Local government is having to resolve central Government financial issues.
- Carers and family members will be negatively affected.

18.11. Of those responding, 391 said they felt that the proposed change would have a negative impact on them. The main impacts cited were financial hardship, decreased wellbeing and the possibility of having to reduce care. Thirty people said they thought they would not be affected.

18.12. We also asked what extra help and support people would need if our proposal went ahead and presented people with four options.

18.13. Of those responding, 41 said ‘Help to find work’, 169 said ‘Help with claiming benefits’, 122 said ‘Help with managing money’ and 117 put forward other suggestions or comments. Of these other comments, the majority were general comments about the proposals rather than suggestions about any support needed.

18.14. Some respondents made other comments pertinent to the consultation.

18.15. We received 105 comments from people suggesting that the proposed changes were potentially discriminatory and would affect some people with protected characteristics more than others or may be unfair to people with different levels of need within a protected group.

18.16. We also received 128 comments about the consultation process itself, with people saying that although we had provided easy read materials they found the subject matter complex and hard to understand. More generally, some people told us they lacked faith in the process and felt that a decision had already been made.

18.17. The following points were also raised:

- That the proposed changes would impact negatively on care providers and organisations that support disabled people.
- That the additional help on offer is already provided by national or voluntary bodies and NCC should not be ‘subsidising’ these organisations.
- Parents caring for disabled children face multiple financial disadvantages over their lifetime.
- That more guidance and support around claiming Disability Related Expenses (DRE) would be needed.
- That the council should look more closely at other councils’ rationale.
- That the reality of opportunities in the employment market needed to be acknowledged.
- The more people paid for the care the more vital it is for the council to ensure the quality of that care.
- Some people may suffer serious financial consequences as a result of not being able to manage their finances.
- The proposed changes may affect people’s capacity to become independent.
- The proposed changes may lead to some people reducing their support hours and put them at risk of harm.

18.18. Some respondents suggested ways of saving money, ways in which the proposed changes might be rolled out, or ways in which the council could operate more efficiently. These included:

- Creating an automated online timesheet for care.
- Preventing duplication of benefit assessments.
- Using all available evidence at assessment.
- Using peer support.
- Working closely with district council partners.
- Means testing winter fuel payments.
- Reducing Members pay / expenses.
- Stopping pay rises for staff.
- Revising contracts with care providers.
- Phasing the proposed changes in over time.

18.19. Lastly, we received 34 responses outside of the consultation period. This additional feedback is consistent with the consultation findings outlined above. Further details are set out in Appendix J.

**Your views on proposals that would see service changes and a reduction in searchroom hours at Norfolk Record Office – consultation feedback**

18.20. We received 98 responses to this consultation. Of these the overwhelming majority (86) were from people responding as individuals. Of the respondents who described their relationship to the service, most were people who used the Norfolk Record Office (70).

18.21. Overall, slightly more of those responding to the consultation agreed with the proposal (43) than disagreed (38) (9 strongly agree / 34 agree / 12 neither agree nor disagree, 22 disagree, 16 strongly disagree).

18.22. Key issues and concerns were:

- Those who generally agreed with the proposal said they felt it was reasonable and that they understood the need for it. However, some said this with some regret.
- Several stated that they were supportive of the proposal if it enabled the Norfolk Record Office to carry on with what they perceived to be its key role of preserving Norfolk's heritage.
- Several of those responding said that although they were generally in support of the proposed changes to opening hours they did not support other elements of the proposal, in particular any reduction to acquisition, conservation or outreach.
- A number of those agreeing with the proposal said that they felt that they would not be affected by it. One of the main reasons for this was people stating they were retired and therefore could adapt to the proposed new hours.
- An equal number felt that they would be directly affected. People stated that the proposed times would restrict the hours that they could visit or that they might have to take time off work.
- Several people suggested that the thinking behind the proposal was flawed, that it would not achieve the outcome that we desired or that the evidence we put forward did not support our proposal. In particular there was concern that the impact of the proposal greatly outweighed any saving that would be achieved if the proposal went ahead.

- The most frequently expressed concern was that the proposed hours would prevent working people from being able to access the searchroom.
- Where stated, the preferred option for revised hours for the service was Tuesday to Friday (closed Monday). Reasons offered for this included that it was better for people travelling to use the searchroom, it was best not to have a mid-week gap, that Monday closing is in line with other heritage centres and that it suited individuals personally.
- People offered alternative options. Of these, the most frequent comments were calls to either maintain the current hours or increase them. There were also calls to keep the late-night opening. A few suggested that the Record Office should open each working day but to start later. There was also some interest in Saturday opening.
- People fed back practical issues to take into consideration when deciding the opening days and hours. This included the availability of car-parking, the fact that people often travelled long distances to use the searchroom and the need to widely promote the service and any new opening hours.

18.23. The following points were also made:

- One organisation offered to work with the Norfolk Record Office to help produce new databases that enabled more records to be accessed online, by harnessing the power of their volunteers. They also offered potential help with preserving /conserving any family history documents.
- That current online resources are not adequate, and that many of the records, such as medieval and early modern manuscripts are not available online at all.
- That scholars coming to Norwich from other parts of the UK and from abroad would be disadvantaged by the proposals.
- That photography permits are too expensive for many students who need to consult original materials.
- That organisations have deposited material at the NRO with the expectation that these would be available for viewing at convenient times.
- Suggestions received as alternatives to reduced hours included analysis of users from the signing-in register, approaching universities for contributions in order that their students could continue to use the facilities and asking organisations to make contribution for the safe keeping of their records in perpetuity.
- That the proposal would reduce community cohesion as it would reduce community understanding of our shared heritage.
- One organisation asked that the Norfolk Record Office continue to generate income from the sale of micro films and fiche.

18.24. A full summary of the consultation feedback received to the proposal(s) can be found in the relevant Service Committee paper.

18.25. Although the council did not consult on any specific budget proposals relating to the library service, Bacton and Edingthorpe Parish Council took the opportunity, as part of the overall budget consultation, to write in general support of the mobile library service. They expressed concern that that residents in rural areas, especially those unable to use public transport or without a car, would struggle to access a local library. The parish council called for the mobile library to be retained in its entirety.

## 19. Equality and rural impact assessment – findings and suggested mitigation

19.1. When making decisions the Council must give due regard to the need to promote equality for people with protected characteristics and eliminate unlawful discrimination.

19.2. Equality and rural impact assessments have been carried out on 49 of the Council's budget proposals for 2019-20. This includes the proposal to increase council tax.

19.3. Eight of the proposals will have a positive impact on people with protected characteristics, particularly disabled and older people, families and children. They will enhance services, by exploiting technology to keep people independent for longer; making services simpler to access and increasing the number of employment and volunteering opportunities available for people with learning difficulties.

19.4. Only one of the proposals is deemed likely to have a potential detrimental impact:

- Making changes to our Adult Social Care charging policy to come in line with national guidance.

19.5. The proposal to increase Council Tax will impact directly on most residents. The nature of this impact will depend on individual circumstances.

19.6. The full assessment findings for each of the 49 proposals are attached for consideration at Appendix H(ii).

19.7. The task for Policy and Resources Committee is to consider the impacts set out in this document and balance them alongside the many other factors to be taken into account, to achieve a balanced budget that focuses the Council's resources of £1.4bn where it is most needed.

19.8. Appendix H(ii) has been made available electronically due to the size of the document. It is available here[6].

19.9. 13 mitigating actions are proposed to address the detrimental impacts. These are set out at Appendix H(i).

## 20. Representatives of non-domestic ratepayers

20.1. The Council has a statutory duty under Section 65 of the Local Government Finance Act 1992 to consult with representatives of non-domestic ratepayers. A meeting with representatives of the business sector is scheduled for 30 January 2019. Representatives will be provided with a summary of the financial challenges facing the Council in 2019-22, and proposals for budgets. Any feedback from the event will be reported to Full Council in order to inform final budget-setting decisions.

[6] http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1423/Committee/21/SelectedTab/Documents/Default.aspx

## 21. Evidence

21.1. The proposals in this report are informed by the council's constitution, local government legislation, best practice recommendations for financial and strategic planning, and feedback from residents and stakeholders via the targeted consultation on specific new savings proposals for 2019-20 as detailed within this report.

## 22. Financial Implications

22.1. Potentially significant financial implications for the County Council's Budget, including those arising from the Autumn Budget 2018 and the Provisional Local Government Finance Settlement, are discussed throughout this report. The implications of the changes expected to be implemented in 2020-21 remain the subject of considerable uncertainty and although they have been reflected as far as possible in the council's 2019-20 budget planning, these impacts will need to be refined as further information is made available by Government.

22.2. Service Committees in January have considered the full budget proposals for their individual service areas, prior to Policy and Resources Committee considering the consolidated budget position at this meeting to recommend to Full Council in February. Changes following Service Committees consideration of budget proposals are set out in paragraph 11.12, and the unconfirmed draft minutes of Service Committee discussions will be available to Policy and Resources Committee (see Appendix G).

## 23. Issues, risks and innovation

23.1. Significant risks, assumptions, or implications have been set out throughout the report.

23.2. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2019. 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.

23.3. **Risks** – Specific financial risks in this area are also identified in the Corporate Risk Register, including the risk of failing to manage significant reductions in local and national income streams (RM002) and the potential risk of failure to deliver our services within the resources available over the next three years commencing 2018-19 to the end of 2020-21 (RM006).

23.4. Risks relating to budget setting are detailed in the Council's budget papers. There is a risk in relation to the Comprehensive Spending Review and the Fair Funding Review that a failure by the Government to provide adequate resources to fund local authorities could lead to a requirement for further service reductions, particularly where the Fair Funding Review results in a redistribution between authority types or geographical areas.

23.5. Decisions about significant savings proposals with an impact on levels of service delivery have required public consultation. As in previous years, new 2019-22 saving proposals, and the Council's Budget as a whole, have been subject to equality and rural impact assessments as described elsewhere in this report.

23.6. The risks associated with budget proposals were reported to Service Committees in January 2019 and to this Committee in the separate report on the Robustness of Estimates. Reports on the Robustness of Estimates and the Statement on the Adequacy of Provisions and Reserves also set out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

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

## 24. Summary

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

- Additional costs and savings options
- Level of General Balances
- Level of Reserves and Provisions
- Robustness of Estimates
- Overall level of the 2019-20 Revenue Budget and proposals for 2020-21 to 2021-22
- Overall level of the 2019-20 to 2021-22 Capital Programme
- Prudential Code Indicators for 2019-20
- Level of the council tax / precept for 2019-20 and for the period 2020-21 to 2021-22
- Implications of the Revenue Budget for 2020-21 to 2021-22
- Responses to savings proposals from the Budget Consultation
- Outcome of equality and rural impact assessment

## 25. Background Papers

Norfolk County Council Vision and Strategy
https://www.norfolk.gov.uk/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/corporate/council-vision-and-strategy

Norfolk County Council Revenue and Capital Budget 2018-22 (Item 4, County Council 12 February 2018)
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/592/Committee/2/SelectedTab/Documents/Default.aspx

Norfolk County Council Budget Book 2018-22
https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/budget-book-2018-22.pdf?la=en

Strategic and Financial Planning 2019-20 to 2021-22 (Item 10, Policy and Resources Committee, 16 July 2018)
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1419/Committee/21/SelectedTab/Documents/Default.aspx

Strategic and Financial Planning 2019-20 to 2021-22 (Item 9, Policy and Resources Committee, 24 September 2018)
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1420/Committee/21/SelectedTab/Documents/Default.aspx

Strategic and Financial Planning 2019-20 to 2021-22 (Item 12, Policy and Resources Committee, 29 October 2018)
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1421/Committee/21/SelectedTab/Documents/Default.aspx

Implications of the Autumn Budget 2018 (Item 9, Policy and Resources Committee, 26 November 2018)
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1422/Committee/21/SelectedTab/Documents/Default.aspx

Service Committee Strategic and Financial Planning Reports (September 2018, October 2018, and January 2019): http://norfolkcc.cmis.uk.com/norfolkcc/Meetings.aspx

Dedicated Schools Grant (DSG) (Item 11, Children's Services Committee, 22 January 2019):
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1473/Committee/8/SelectedTab/Documents/Default.aspx

## Officer Contact

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IN TRAN communication for all

If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 18001 0344 800 8020 (textphone) and we will do our best to help.

**List of key grants and funding**

| Grant | 2018-19 Actual £m | 2019-20 Estimated £m | 2020-21 Estimated £m | 2021-22 Estimated £m |
|---|---|---|---|---|
| **Un-ring-fenced** | | | | |
| Funding through Business Rates Retention System (Pilot in 2019-20) | 149.116 | 195.325 | 179.799 | 156.515 |
| Revenue Support Grant (Received through pilot in 2019-20) | 58.035 | | 0.000 | 0.000 |
| Rural Services Delivery Grant (Received through pilot in 2019-20) | 3.195 | | 0.000 | 0.000 |
| Levy Surplus | 0.000 | 2.340 | 0.000 | 0.000 |
| Section 31 Grant (compensation for Government business rate initiatives) | 3.107 | 4.971 | 4.971 | 4.971 |
| New Homes Bonus | 3.030 | 2.926 | 0.000 | 0.000 |
| School Improvement Monitoring and Brokering Grant | 0.635 | 0.635 | 0.635 | 0.635 |
| Fire Revenue | 1.041 | 1.041 | 1.041 | 1.041 |
| Inshore Fisheries | 0.152 | 0.152 | 0.152 | 0.152 |
| Local reform and community voices | 0.588 | 0.588 | 0.588 | 0.588 |
| Extended rights to free travel (Local Services Support Grant) | 0.647 | 0.596 | 0.546 | 0.496 |
| PFI Revenue Grant (street lights; salt barns and schools) | 8.046 | 8.046 | 8.046 | 8.046 |
| Social Care in Prisons | 0.349 | 0.349 | 0.349 | 0.349 |
| Social Care and Winter Pressures Funding | 0.000 | 11.317 | 0.000 | 0.000 |
| Independent Living Fund Grant | 1.518 | 1.379 | 1.379 | 1.379 |
| Lead Local Flood Authority Grant | 0.082 | 0.087 | 0.087 | 0.087 |
| Improved Better Care Fund | 27.730 | 34.275 | 28.372 | 28.372 |
| War Pensions Scheme Disregard | 0.265 | 0.265 | 0.265 | 0.265 |
| | | | | |
| **Ring-fenced** | | | | |
| Public Health | 39.062 | 38.031 | 38.031 | 38.031 |
| Dedicated Schools Grant (before academy recoupment) | 600.391 | 610.792 | 610.792 | 610.792 |
| Pupil Premium Grant | 32.441 | 32.441 | 32.441 | 32.441 |
| | | | | |
| **Locally collected tax (forecasts)** | | | | |
| Council tax (assuming general increase 2.99% 2019-20, 1.99% 2020-21 and 1.99% 2021-22) | 388.799 | 409.073 | 420.749 | 436.726 |
| | | | | |
| **Pooled funding** | | | | |
| NHS Funding (incl. Better Care Fund) | 59.336 | 59.336 | 59.336 | 59.336 |

*Note – shaded cells are provisional figures to be confirmed*

## Summary of proposed revenue budget 2019-20

| | Adult Social Care | Children's Services | Environment Development and Transport | Communities | Business and Property | Digital Innovation and Efficiency | Policy and Resources | Total |
|---|---|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Base Budget 2018-19 | 252.466 | 185.948 | 103.902 | 46.867 | 8.041 | 13.198 | -221.624 | 388.799 |
| Growth | | | | | | | | |
| Economic / Inflationary | 6.711 | 3.612 | 2.794 | 1.350 | 0.135 | 0.273 | 0.932 | 15.806 |
| Legislative Requirements | 12.823 | 0.144 | 0.022 | 0.644 | 0.000 | 0.000 | 1.434 | 15.067 |
| Demand / Demographic | 6.550 | 17.500 | 0.568 | 0.000 | 0.000 | 0.000 | 0.080 | 24.698 |
| NCC Policy | -6.096 | 0.000 | 0.005 | 0.000 | 1.018 | 0.000 | 2.704 | -2.368 |
| Funding Reductions | 14.513 | 0.000 | 0.000 | 1.031 | 0.000 | 0.000 | 14.297 | 29.841 |
| Cost Neutral Transfers | 2.886 | 20.774 | 5.716 | 0.414 | 0.452 | 1.040 | 1.756 | 33.038 |
| **Total budget increase** | **37.387** | **42.030** | **9.104** | **3.439** | **1.606** | **1.313** | **21.203** | **116.081** |
| Savings | | | | | | | | |
| Savings brought forward from previous budget round | -9.351 | -4.342 | -0.310 | -0.435 | -2.075 | -1.000 | 1.356 | -16.157 |
| Changes to previous savings | 0.000 | 2.700 | 0.000 | 0.000 | 1.500 | 0.000 | 1.700 | 5.900 |
| New savings | -8.543 | -5.180 | -2.573 | -0.468 | -0.200 | -0.060 | -4.324 | -21.348 |
| *Total savings* | *-17.894* | *-6.822* | *-2.883* | *-0.903* | *-0.775* | *-1.060* | *-1.268* | *-31.605* |
| Funding Increases | -22.626 | -7.137 | -0.005 | -1.396 | 0.000 | 0.000 | 0.000 | -31.164 |
| Cost Neutral Transfers | -1.727 | -2.352 | -0.011 | -2.323 | 0.000 | -0.326 | -26.299 | -33.038 |
| **Total budget decrease** | **-42.247** | **-16.311** | **-2.899** | **-4.622** | **-0.775** | **-1.386** | **-27.568** | **-95.807** |
| **Base Budget 2019-20** | **247.606** | **211.667** | **110.108** | **45.685** | **8.872** | **13.124** | **-227.988** | **409.073** |

| | |
|---|---|
| **Funded by:** Council Tax | -402.361 |
| Collection Fund Surplus | -6.712 |
| | **-409.073** |
| 2019-20 Budget Gap | 0.000 |

## Summary of proposed revenue budget 2020-21

| | Adult Social Care | Children's Services | Environment Development and Transport | Communities | Business and Property | Digital Innovation and Efficiency | Policy and Resources | Total |
|---|---|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Base Budget 2019-20 | 247.606 | 211.667 | 110.108 | 45.685 | 8.872 | 13.124 | -227.988 | 409.073 |
| Growth | | | | | | | | |
| Economic / Inflationary | 6.698 | 3.435 | 2.865 | 1.173 | 0.143 | 0.230 | 0.855 | 15.400 |
| Legislative Requirements | 5.935 | 0.017 | 0.000 | 0.000 | 0.000 | 0.000 | 2.061 | 8.013 |
| Demand / Demographic | 5.550 | 3.000 | 1.775 | 0.000 | 0.000 | 0.000 | 0.080 | 10.405 |
| NCC Policy | 3.221 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 4.061 | 7.282 |
| Funding Reductions | 10.082 | 7.137 | 0.000 | 1.396 | 0.000 | 0.000 | 22.233 | 40.848 |
| Cost Neutral Transfers | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total budget increase** | **31.486** | **13.589** | **4.640** | **2.569** | **0.143** | **0.230** | **29.290** | **81.948** |
| Savings | | | | | | | | |
| Savings brought forward from previous budget round | -13.700 | -2.000 | -0.350 | -2.786 | -2.050 | -0.700 | -0.387 | -21.973 |
| Changes to previous savings | 0.000 | 0.300 | 0.000 | 0.000 | 1.000 | 0.000 | 0.250 | 1.550 |
| New savings | -3.557 | -1.784 | -0.505 | -0.216 | 0.000 | 0.000 | -4.597 | -10.659 |
| *Total savings* | *-17.257* | *-3.484* | *-0.855* | *-3.002* | *-1.050* | *-0.700* | *-4.734* | *-31.082* |
| Funding Increases | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | -3.879 | -3.879 |
| Cost Neutral Transfers | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total budget decrease** | **-17.257** | **-3.484** | **-0.855** | **-3.002** | **-1.050** | **-0.700** | **-8.613** | **-34.961** |
| **Base Budget 2020-21** | **261.835** | **221.772** | **113.894** | **45.252** | **7.965** | **12.654** | **-207.311** | **456.060** |

| | |
|---|---|
| **Funded by:** Council Tax | -417.749 |
| Collection Fund Surplus | -3.000 |
| | **-420.749** |
| 2020-21 Budget Gap | 35.311 |

## Summary of proposed revenue budget 2021-22

| | Adult Social Care | Children's Services | Environment Development and Transport | Communities | Business and Property | Digital Innovation and Efficiency | Policy and Resources | Total |
|---|---|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Base Budget 2020-21 | 261.835 | 221.772 | 113.894 | 45.252 | 7.965 | 12.654 | -207.311 | 456.060 |
| Growth | | | | | | | | |
| Economic / Inflationary | 6.764 | 3.482 | 3.027 | 1.206 | 0.153 | 0.235 | 0.917 | 15.783 |
| Legislative Requirements | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.061 | 2.061 |
| Demand / Demographic | 6.100 | 3.000 | 1.700 | 0.000 | 0.000 | 0.000 | 0.080 | 10.880 |
| NCC Policy | 4.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 17.895 | 21.895 |
| Funding Reductions | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 16.866 | 16.866 |
| Cost Neutral Transfers | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total budget increase** | **16.864** | **6.482** | **4.727** | **1.206** | **0.153** | **0.235** | **37.819** | **67.485** |
| Savings | | | | | | | | |
| Savings brought forward from previous budget round | -3.900 | -2.000 | -1.850 | -1.500 | -1.150 | 0.000 | 0.000 | -10.400 |
| Changes to previous savings | 0.000 | 2.000 | 0.000 | 0.000 | 0.500 | 0.000 | 0.000 | 2.500 |
| New savings | -1.800 | -2.000 | -0.040 | 0.000 | 0.000 | 0.000 | -5.000 | -8.840 |
| *Total savings* | *-5.700* | *-2.000* | *-1.890* | *-1.500* | *-0.650* | *0.000* | *-5.000* | *-16.740* |
| Funding Increases | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Cost Neutral Transfers | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Total budget decrease** | **-5.700** | **-2.000** | **-1.890** | **-1.500** | **-0.650** | **0.000** | **-5.000** | **-16.740** |
| **Base Budget 2021-22** | **272.999** | **226.254** | **116.730** | **44.958** | **7.468** | **12.889** | **-174.492** | **506.805** |

| | |
|---|---|
| **Funded by:** Council Tax | -433.726 |
| Collection Fund Surplus | -3.000 |
| | **-436.726** |
| 2020-22 Budget Gap | 70.078 |

# Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Adult Social Care | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **252.466** | **247.606** | **261.835** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Inflationary** | | | |
| | Basic Inflation - Pay (2% for 19-22) | 1.263 | 0.927 | 0.907 |
| | Basic Inflation - Prices | 5.447 | 5.772 | 5.857 |
| | | | | |
| | **Demand / Demographic** | | | |
| | Demographic growth | 6.000 | 6.100 | 6.100 |
| | Leap year pressure in Adult Social Care | 0.550 | -0.550 | |
| | **Legislative Requirements** | | | |
| | Pay and Price Market Pressures | 5.741 | 6.900 | |
| | Additional adult market pressures - Cost of Care (ASC reserve funded) | 0.776 | 1.035 | |
| | Additional adult market pressures - Cost of Care (iBCF funded) | 2.127 | | |
| | Winter Plan actions | 4.179 | -2.000 | |
| | **NCC Policy** | | | |
| | Vulnerable Persons Resettlement Scheme | -0.043 | | |
| | ASC Support Grant announced in Final Settlement to reserve | -2.612 | | |
| | Investment in social work capacity | 1.973 | | |
| | Use of reserves | -0.776 | 0.776 | |
| | Two posts for Social Care Systems Support | 0.095 | | |
| | Use of ASC Business Risk Reserve in 2019-20 | -2.000 | 2.000 | |
| | Use of ASC Business Risk Reserve in 2020-21 | | -4.000 | 4.000 |
| | Pressures previously funded by one-off measures | | 5.111 | |
| | iBCF - 2019-22 Other spend adjustment | 0.562 | -8.541 | -1.760 |
| | iBCF - 2019-22 Grant carry forward adjustment | -1.719 | -1.760 | |
| | iBCF - 2019-22 Reserve usage adjustment | -1.576 | 9.635 | 1.760 |
| | Living Well Homes for Norfolk Invest to save | 0.187 | -0.047 | -0.140 |
| | Living Well 3 Conversations Invest to save | 0.242 | | -0.242 |
| | Use of ASC Business Risk Reserve - towards invest to save | -0.429 | 0.047 | 0.382 |
| | | **19.988** | **21.404** | **16.864** |
| | | | | |
| | **SAVINGS** | | | |
| ASC003 | Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council | -0.800 | | |
| ASC006 /ASC011 /ASC015 | Promoting Independence for Younger Adults - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting | -5.307 | -5.000 | |
| ASC006 /ASC011 /ASC015 | Promoting Independence for Older Adults - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting | -3.393 | -5.000 | |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Adult Social Care | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| ASC008 | Promoting Independence - Housing with Care - develop non-residential community-based care solutions | -0.500 | | |
| COM040 /ASC003 | Delay and reversal of transport savings | -0.200 | | |
| ASC035 | Investment and development of Assistive Technology approaches | -0.300 | -0.500 | -0.700 |
| ASC036 | Maximising potential through digital solutions | -0.951 | -2.000 | -3.000 |
| ASC037 | Strengthened contract management function | -0.300 | -0.200 | -0.200 |
| ASC038 | Procurement of current capacity through NorseCare at market value | -0.600 | -1.000 | |
| ASC041 | One-off underspends in 2017-18 to be used to part fund 2018-19 growth pressures on a one-off basis | 3.000 | | |
| ASC042 | Extending accommodation based reablement offer | -1.000 | | |
| ASC043 | Extension of home based reablement offer | -2.000 | | |
| ASC044 | Extra care housing programme | | | -0.200 |
| ASC045 | Full year effect of invest to save increasing support for people to claim welfare benefits and reduce the number of people that do not make a contribution towards their care | -1.400 | | |
| ASC046 | Revise the NCC charging policy for working age adults to apply the government's minimum income guarantee amounts | -1.000 | -3.000 | |
| ASC047 | Budget review – reprofile commitments and inflation | -1.000 | | |
| ASC048 | Reducing staff travel costs | -0.100 | | |
| ASC049 | Shift to community and preventative work within health and social care system – demand and risk stratification | -1.000 | -1.000 | -1.000 |
| ASC050 | Reduction in demand due to social prescribing | | -0.600 | -0.600 |
| ASC051 | Adjustment to payment timescale for direct payment to improve cashflow in line with audit recommendations | -1.000 | 1.000 | |
| ASC052 | One off use of repairs and renewals reserves no longer required | -0.043 | 0.043 | |
| | | **-17.894** | **-17.257** | **-5.700** |
| | | | | |
| | **BASE ADJUSTMENTS** | | | |
| | Improved Better Care Fund | -12.544 | | |
| | Additional ASC funding announced in March 2017 Budget | -5.903 | | |
| | Reversal of one-off ASC funding | 11.901 | 5.903 | |
| | ASC Support Grant announced in Final Settlement | 2.612 | | |
| | ASC Winter Pressures Grant 2019-20 | -4.179 | 4.179 | |
| | | **-8.113** | **10.082** | **0.000** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Social Care System | -0.879 | | |
| | Carefirst budget transfer from IMT | 0.281 | | |
| | Depreciation transfer | 0.344 | | |
| | Debt management transfer | 0.001 | | |
| | Stationery budgets to Customer Services | -0.002 | | |
| | FES Direct Payments team to Finance | -0.243 | | |
| | FES staff from Adults | -0.213 | | |
| | Client affairs team to Finance | -0.048 | | |

# Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Adult Social Care | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | Mental Health Recharge to IMT | -0.036 | | |
| | Social Care Centre of Expertise from Customer Services | 2.260 | | |
| | Social work Academy post funding from HR | -0.033 | | |
| | Client Services Financial Assessment team to Finance | -0.273 | | |
| | | **1.159** | **0.000** | **0.000** |
| | | | | |
| | **NET BUDGET** | **247.606** | **261.835** | **272.999** |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Children's Services | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **185.948** | **211.667** | **221.772** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Inflationary** | | | |
| | Basic Inflation - Pay (2% for 19-22) | 1.550 | 1.307 | 1.335 |
| | Basic Inflation - Prices | 2.061 | 2.128 | 2.147 |
| | **Demand / Demographic** | | | |
| | Children's Services budget pressures including demographic growth, leaving care support and increasing complexity | 14.500 | 3.000 | 3.000 |
| | Contribution to High Needs Block pressures including £1.000m for transformation (council tax funded) | 3.000 | | |
| | **Legislative Requirements** | | | |
| | Preventing Radicalisation pressure | 0.120 | | |
| | Teachers' Pension increased employers contribution | 0.024 | 0.017 | |
| | | **21.256** | **6.452** | **6.482** |
| | | | | |
| | **SAVINGS** | | | |
| CHL041 | Redesign of Early Childhood and Family Services | -1.300 | -1.700 | |
| CHL042 | Reduction in legal expenses | -0.142 | | |
| CHL043 | Reduce the reliance on agency social workers through the improved permanent recruitment and retention | -0.200 | | |
| CHL046 | More effective and efficient commissioning of Mental Health assessments | -0.750 | | |
| CHL047 | Cost efficiencies delivered by strategic partnership and joint commissioning with Mental Health services | -0.300 | -0.200 | |
| CHL048 | Move to best practice model of parenting assessments | -0.500 | | |
| CHL049 | Norfolk Futures Safer Children and Resilient Families Programme: Better outcomes for children and young people and reducing demand for services | -3.630 | -1.584 | -2.000 |
| | | **-6.822** | **-3.484** | **-2.000** |
| | | | | |
| | **BASE ADJUSTMENTS** | | | |
| | Additional 2019-20 Social Care funding | -7.137 | 7.137 | |
| | | **-7.137** | **7.137** | **0.000** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Depreciation transfer | -2.349 | | |
| | Debt management transfer | -0.003 | | |
| | REFCUS transfer | 20.774 | | |
| | Stationery budgets to Customer Services | 0.000 | | |
| | | **18.422** | **0.000** | **0.000** |
| | | | | |
| | **NET BUDGET** | **211.667** | **221.772** | **226.254** |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Environment, Development and Transport | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **103.902** | **110.108** | **113.894** |
| | **ADDITIONAL COSTS** | | | |
| | **Inflationary** | | | |
| | Basic Inflation - Pay (2% for 19-22) | 0.638 | 0.512 | 0.522 |
| | Basic Inflation - Prices | 2.156 | 2.354 | 2.505 |
| | **NCC Policy** | | | |
| | Additional Flood funding | 0.005 | | |
| | **Demand / Demographic** | | | |
| | Waste pressure | 0.300 | 1.700 | 1.700 |
| | Highways Maintenance pressures | 0.186 | 0.075 | |
| | Highways new developments | 0.027 | | |
| | Additional street lights on new housing developments | 0.005 | | |
| | Highways maintenance of historic surfaces | 0.050 | | |
| | **Legislative Requirements** | | | |
| | Ash Die Back | 0.022 | | |
| | | **3.389** | **4.640** | **4.727** |
| | **SAVINGS** | | | |
| EDT032 | Waste strategy - implementing a new waste strategy focussed on waste reduction and minimisation with a target to reduce the residual waste each household produces by at least one kilogram per week | | | -1.850 |
| EDT050 | Improved management of on-street car parking | -0.150 | -0.350 | |
| EDT057 | Further roll-out of street lighting LEDs | -0.160 | | |
| EDT061 | Capitalisation of activities to release a revenue saving | -1.559 | | |
| EDT062 | Changing back office processes and efficiency | -0.103 | | |
| EDT063 | Vacancy management | -0.294 | -0.025 | |
| EDT064 | Further roll-out of street lighting LEDs | -0.050 | | |
| EDT065 | Household Waste Recycling Centres – reuse shops | -0.054 | -0.050 | |
| EDT066 | Review and management of contracts in Highways and Waste | -0.158 | -0.079 | |
| EDT067 | Highways commercialisation | -0.040 | -0.161 | -0.040 |
| EDT068 | Re-model back office support structure | -0.090 | -0.090 | |
| EDT069 | Highways Services | | -0.100 | |
| EDT070 | Income Generation | -0.225 | | |
| | | **-2.883** | **-0.855** | **-1.890** |
| | **BASE ADJUSTMENTS** | | | |
| | Lead Local Flood Authority Grant | -0.005 | | |
| | | **-0.005** | **0.000** | **0.000** |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Leases | 0.037 | | |
| | Depreciation transfer | 5.666 | | |
| | Debt management transfer | 0.013 | | |
| | Global Payments Merchant Account charges to Customer Services | -0.011 | | |
| | | **5.705** | **0.000** | **0.000** |
| | | | | |
| | **NET BUDGET** | **110.108** | **113.894** | **116.730** |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Communities | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **46.867** | **45.685** | **45.252** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Inflationary** | | | |
| | Basic Inflation - Pay (2% for 19-22) | 1.108 | 0.919 | 0.938 |
| | Basic Inflation - Prices | 0.242 | 0.254 | 0.268 |
| | **Legislative Requirements** | | | |
| | Revised Public Health expenditure | -1.031 | | |
| | Fire pension employer rate pressure | 1.675 | | |
| | | **1.994** | **1.173** | **1.206** |
| | | | | |
| | **SAVINGS** | | | |
| CMM022 | Libraries and Information Service - re-model of service and income generation | -0.235 | | |
| CMM042 | Providing a joined-up Library and Children's Centre Services | | -0.500 | |
| CMM043 | Income generation – Norfolk Museums Service | | -0.400 | |
| CMM045 | Income generation – Norfolk Community Learning Services | | -0.125 | |
| CMM046 | Income generation – Library and Information Service | -0.020 | -0.111 | |
| CMM047 | Registrars Service – external income | -0.100 | -0.150 | |
| CMM050 | Vacancy management – customer services | -0.030 | | |
| CMM051 | Norfolk Community Learning Services – remodelling the staff structure, including staffing reduction | -0.050 | | |
| CMM054 | Using Public Health Grant funding to support the delivery of Public Health activity throughout the authority | | -1.500 | -1.500 |
| CMM055 | Norfolk Record Office – reduction in search room opening hours | -0.075 | | |
| CMM056 | Reduction in Strategic Arts Development Fund | -0.015 | -0.010 | |
| CMM057 | Vacancy management – removal of vacant posts | -0.050 | | |
| CMM058 | Restructure of teams – Millennium Library | -0.060 | | |
| CMM059 | Library service back office efficiencies | -0.110 | -0.010 | |
| CMM060 | Increased income – Trading Standards and library service | -0.050 | -0.070 | |
| CMM061 | Review of contract inflation assumptions | -0.006 | -0.006 | |
| CMM062 | Restructure of teams – various changes to team structures (reduction in overall numbers of posts) | -0.102 | -0.120 | |
| | | **-0.903** | **-3.002** | **-1.500** |
| | | | | |
| | **BASE ADJUSTMENTS** | | | |
| | Revised Public Health grant | 1.031 | | |
| | Funding for Fire pension employer rate pressure | -1.396 | 1.396 | |
| | | **-0.365** | **1.396** | **0.000** |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Communities | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Leases | 0.197 | | |
| | Attleborough Centre budget to Corporate Property Team | -0.041 | | |
| | Maintenance budget for County Hall Loading Bay from Communities | 0.000 | | |
| | Customer Services complaints budget to Democratic Services | -0.019 | | |
| | Mobile phone budget to P&R | -0.002 | | |
| | Depreciation transfer | 0.204 | | |
| | Debt management transfer | 0.001 | | |
| | Global Payments Merchant Account charges to Customer Services | 0.011 | | |
| | Stationery budgets to Customer Services | 0.002 | | |
| | Social Care Centre of Expertise to Adults | -2.260 | | |
| | | **-1.909** | **0.000** | **0.000** |
| | | | | |
| | **NET BUDGET** | **45.685** | **45.252** | **44.958** |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Business and Property | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **8.041** | **8.872** | **7.965** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Inflationary** | | | |
| | Basic Inflation - Pay (2% for 19-22) | 0.047 | 0.042 | 0.043 |
| | Basic Inflation - Prices | 0.088 | 0.100 | 0.110 |
| | **NCC Policy** | | | |
| | Property cost pressures | 1.000 | | |
| | Reduction in Public Health corporate recharge | 0.018 | | |
| | | **1.154** | **0.143** | **0.153** |
| | | | | |
| | **SAVINGS** | | | |
| P&R027 /P&R058 /P&R060 | Delay of Property savings | | -0.650 | -0.650 |
| B&P002 | Property – centralisation of budgets – further centralisation of existing property budgets in Services will allow maximisation of savings opportunities – savings estimated at 5% of current budget each year | -0.400 | -0.400 | |
| B&P003 | Property – reducing fees – seeking opportunities to reduce fees paid to NPS | -0.100 | | |
| B&P004 | Property – reducing facilities management costs | -0.075 | | |
| B&P006 | Economic Development – additional contribution from Scottow Enterprise Park | -0.200 | | |
| | | **-0.775** | **-1.050** | **-0.650** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Attleborough Centre budget from Communities | 0.041 | | |
| | Maintenance budget for County Hall Loading Bay from Communities | 0.000 | | |
| | Depreciation transfer | 0.410 | | |
| | Debt management transfer | 0.000 | | |
| | | **0.452** | **0.000** | **0.000** |
| | | | | |
| | **NET BUDGET** | **8.872** | **7.965** | **7.468** |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Digital Innovation and Efficiency | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **13.198** | **13.124** | **12.654** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Inflationary** | | | |
| | Basic Inflation - Pay (2% for 19-22) | 0.190 | 0.161 | 0.164 |
| | Basic Inflation - Prices | 0.084 | 0.069 | 0.071 |
| | | **0.273** | **0.230** | **0.235** |
| | | | | |
| | **SAVINGS** | | | |
| P&R082 | Release ICT lease budget no longer required | -0.059 | | |
| DIE001 | IMT – various savings within IMT including:<br>· Exit from the HPE contract<br>· Restructuring and headcount reduction (management and technical support costs)<br>· Income generation, particularly services for schools | -0.941 | -0.700 | |
| DIE002 | Reduce IMT admin and licence budgets | -0.060 | | |
| | | **-1.060** | **-0.700** | **0.000** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | End of lease CFL068 | 0.059 | | |
| | Carefirst budget transfer to Adult Social Care | -0.281 | | |
| | Depreciation transfer | 0.145 | | |
| | Debt management transfer | 0.000 | | |
| | REFCUS transfer | 0.800 | | |
| | Mental Health Recharge from ASC | 0.036 | | |
| | Responsibility for Bottomline maintenance | -0.045 | | |
| | | **0.714** | **0.000** | **0.000** |
| | | | | |
| | **NET BUDGET** | **13.124** | **12.654** | **12.889** |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Policy and Resources | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **-221.624** | **-227.988** | **-207.311** |
| | **ADDITIONAL COSTS** | | | |
| | **Inflationary** | | | |
| | Basic Inflation - Pay (2% for 19-22) | 1.056 | 0.986 | 1.054 |
| | Basic Inflation - Prices | -0.124 | -0.131 | -0.137 |
| | **Legislative Requirements** | | | |
| | Pension revaluation | 2.250 | | |
| | NCC Pensions valuation 31 March 2019 for 2020-21 to 2022-23 | | 1.067 | 1.152 |
| | Other Pensions valuation 31 March 2019 for 2020-21 to 2022-23 | | 0.933 | 0.848 |
| | Environment Agency Levy increase | 0.050 | 0.050 | 0.050 |
| | Increased IFCA Precept | 0.091 | 0.011 | 0.011 |
| | Reduce pension pressure | -1.000 | | |
| | IR35 personal service companies additional Employers NI liability | -0.138 | | |
| | Business Rates transitional relief pressure | 0.181 | | |
| | **NCC Policy** | | | |
| | Reduced cost of borrowing - defer borrowing to 2019-20 | 2.329 | | |
| | Minimum Revenue Provision | | 2.500 | 18.000 |
| | Increased Treasury Management costs | 0.751 | 0.000 | |
| | Norfolk Futures transformation budget | 0.500 | -1.000 | |
| | Revised RSDG in Final Settlement | -0.786 | | |
| | Revised Treasury Management costs | -0.750 | 0.750 | |
| | Implementation of council tax activities | 0.355 | 0.010 | -0.105 |
| | NPLaw Trading non-fee earning Monitoring Officer | 0.141 | | |
| | Comms pressure | 0.070 | | |
| | Reduction in Public Health corporate recharge | 0.094 | | |
| | **Demand / Demographic** | | | |
| | Coroners - additional cost for storing bodies | 0.080 | 0.080 | 0.080 |
| | | **5.150** | **7.057** | **20.953** |
| | **SAVINGS** | | | |
| P&R077 | Implementation of Minimum Revenue Provision policy | 0.290 | | |
| P&R083 | Nplaw services - external income | -0.100 | -0.150 | |
| P&R086 | Coroners relocation to County Hall | -0.042 | -0.050 | |
| P&R098 | Increased NORSE dividend | | -0.750 | |
| P&R088 | Coroners mortuary facilities | -0.025 | | |
| P&R090 | Finance Exchequer Services savings | -0.060 | | |
| P&R093 | Use of general capital receipts in 18-19 to fund MRP | 2.000 | | |
| P&R094 | Use of airport deferred capital receipts in 18-19 to fund MRP | 0.840 | | |
| P&R095 | Second homes council tax | -0.722 | | |
| P&R099 | Managing Director's Department savings to be identified including use of one-off reserves in 2018-19 | -0.075 | -0.187 | |
| P&R052 | Remove Finance and Commercial Services savings delivered through one-off measures | 0.750 | | |
| P&R099 | Remove MDD savings delivered through one-off measures | 0.200 | 1.000 | |
| P&R101 | Capital receipts | | -5.000 | -5.000 |
| P&R102 | Increase income from Equality and Diversity team by charging other public-sector bodies for work undertaken on their behalf. | -0.005 | | |

## Detailed Budget by Committee

| Reference | Budget change forecasts for 2019-22<br>Policy and Resources | 2019-20<br>£m | 2020-21<br>£m | 2021-22<br>£m |
|---|---|---|---|---|
| P&R103 | Saving resulting from a review of Norfolk Futures budgets, risks, and assumptions to achieve a saving without a direct impact on delivery of the transformation programme. | -0.500 | 0.500 | |
| P&R104 | Democratic Services | -0.050 | | |
| P&R105 | Deliver a saving by paying part of the Council's employer pension contributions to the Norfolk Pension Fund in advance so that it can generate increased investment returns. | -1.000 | -1.000 | |
| P&R106 | Review of investment assumptions and borrowing requirements to achieve a saving. | -1.000 | | |
| P&R107 | Increased income from ESPO dividend | -0.120 | -0.080 | |
| P&R108 | Local Assistance Scheme saving - efficiencies from improved purchasing | -0.250 | | |
| P&R109 | Senior management review | -0.239 | | |
| P&R110 | Airport pensions | -0.160 | -0.017 | |
| P&R111 | Insurance fund surplus contribution | -1.000 | 1.000 | |
| | | **-1.268** | **-4.734** | **-5.000** |
| | **BASE ADJUSTMENTS** | | | |
| | Core funding and business rates retention | 16.482 | 12.937 | 12.937 |
| | Levy account surplus | -2.340 | 2.340 | |
| | New Homes Bonus | 0.105 | 2.925 | |
| | Rural Services Grant | | 3.981 | |
| | Extended Rights to Free Travel Grant | 0.050 | 0.050 | 0.050 |
| | Business Rates Pilot | | -3.879 | 3.879 |
| | | **14.297** | **18.354** | **16.866** |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Leases | -0.293 | | |
| | Social Care System to Adults | 0.879 | | |
| | Customer Services complaints budget to Democratic Services | 0.019 | | |
| | Mobile phone budget from Communities | 0.002 | | |
| | Depreciation transfer | -4.420 | | |
| | Debt management transfer | -0.012 | | |
| | REFCUS transfer | -21.574 | | |
| | FES Direct Payments team from Adults | 0.243 | | |
| | FES staff from Adults | 0.213 | | |
| | Client affairs team from Adults | 0.048 | | |
| | Social work Academy post funding from HR to Adults | 0.033 | | |
| | Responsibility for Bottomline maintenance | 0.045 | | |
| | Client Services Financial Assessment team from Adults | 0.273 | | |
| | | **-24.544** | **0.000** | **0.000** |
| | | | | |
| | **NET BUDGET** | **-227.988** | **-207.311** | **-174.492** |

**Council Tax Precept 2019-20 (Council Tax increase 2.99%)**

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

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

| | **£m** |
|---|---|
| 2019-20 Council Tax Requirement | 409.073 |
| Less: | |
| Estimated Surplus on District Council Collection Funds etc. | 6.712 |
| **Precept Charge on District Councils** | **402.361** |
| | |
| Council Tax for an average Band "D" Property in 2019-20 | £1,362.24 |
| Council Tax for an average Band "B" Property in 2019-20 | £1,059.52 |

**Total payments to be collected from District Councils in 2019-20**

| **District Council** | **Tax Base** | **Collection Fund Surplus / (Deficit)** | **Precept** | **Total Payments Due** |
|---|---|---|---|---|
| | **(a)** | **(b)** | **(c)** | **(d)** |
| | | **£** | **£** | **£** |
| Breckland | 43,480 | 307,944 | 59,230,195 | 59,538,139 |
| Broadland | 46,065 | 20,399 | 62,751,586 | 62,771,985 |
| Great Yarmouth | 28,560 | 619,419 | 38,905,574 | 39,524,993 |
| King's Lynn and West Norfolk | 51,179 | 2,290,150 | 69,717,400 | 72,007,550 |
| North Norfolk | 40,621 | 1,310,194 | 55,335,551 | 56,645,745 |
| Norwich | 36,325 | 2,004,264 | 49,483,368 | 51,487,632 |
| South Norfolk | 49,138 | 159,482 | 66,937,749 | 67,097,231 |
| **Total** | **295,368** | **6,711,852** | **402,361,423** | **409,073,275** |

**Council Tax Precept 2019-20 (Council Tax increase 2.99%)**

## Council Tax Collection

The precept (column (c) above) for 2019-20 will be collected in 12 instalments from the District Council Collection Funds, as follows:

| Payment | Date | % |
|---|---|---|
| 1 | 30 April 2019 | 8% |
| 2 | 20 May 2019 | 9% |
| 3 | 19 June 2019 | 9% |
| 4 | 22 July 2019 | 9% |
| 5 | 19 August 2019 | 9% |
| 6 | 19 September 2019 | 9% |
| 7 | 21 October 2019 | 9% |
| 8 | 19 November 2019 | 9% |
| 9 | 19 December 2019 | 9% |
| 10 | 20 January 2020 | 9% |
| 11 | 19 February 2020 | 3% |
| 12 | 19 March 2020 | 8% |
| | | **100%** |

Where a surplus on collection of 2018-19 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 2019 to February 2020 precept payments.

Where a deficit on collection of 2018-19 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 2019 to February 2020 precept payments.

## 2019-20 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 | 908.16 |
| B | 1,059.52 |
| C | 1,210.88 |
| D | 1,362.24 |
| E | 1,664.96 |
| F | 1,967.68 |
| G | 2,270.40 |
| H | 2,724.48 |

## DRAFT Budget planning timetable 2020-21

| Activity/Milestone | Time frame |
|---|---|
| Final Local Government Settlement 2019-20 | Early February 2019 |
| County Council agrees recommendations for 2019-22 including that further plans to meet the shortfall for 2020-21 to 2021-22 are brought back to Members during 2019-20 | 11 February 2019 |
| Consultation closes on:<br>• Review of local authorities' relative needs and resources (Fair Funding Review)<br>• Future system design of Business Rates Retention | 21 February 2019 |
| Social Care Green Paper | TBC Early 2019? |
| Spring Statement 2019 announced – note the Chancellor has reserved the option to upgrade the Spring Statement to a full budget if required | TBC March 2019 |
| Early details about Comprehensive Spending Review may be released? | TBC Spring 2019 |
| Consider implications of service planning and financial context, and review / develop service planning options for 2020-23 | March – April 2019 |
| Review of budget pressures and development of savings proposals 2020-23 | April – May 2019 |
| Cabinet initial review of the financial planning position for 2021-23 | May 2019 |
| Cabinet review of full service and budget planning position including savings proposals | TBC June/July 2019 |
| Further indicative details of Fair Funding Review and Business Rates Retention may be released? | TBC Autumn 2019 |
| Chancellor's Autumn Budget 2019 | TBC October / November 2019 |
| Consultation on new planning proposals and council tax 2020-23 | TBC October to December 2019 (potentially earlier subject to saving proposals being agreed) |
| Provisional Local Government Finance Settlement announced including outcomes of Fair Funding Review and provisional council tax and precept arrangements | TBC 5 December 2019 |
| Budget scrutiny activity | January 2020 |
| Reporting to Cabinet of service and financial planning, EQIA and consultation feedback | January 2020 |
| Final Local Government Finance Settlement | TBC January / February 2020 |
| Cabinet agree revenue budget and capital programme recommendations to County Council | TBC late January 2020 |
| Confirmation of District Council tax base and Business Rate forecasts | 31 January 2020 |
| County Council agree Medium Term Financial Strategy 2020-21 to 2022-23, revenue budget, capital programme and level of council tax for 2020-21 | TBC early February 2020 |

## Budget proposals for Policy and Resources Committee Budgets 2019-20

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

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

| Committee | 2019-20 Saving £m | 2020-21 Saving £m | 2021-22 Saving £m | Total Saving £m |
|---|---|---|---|---|
| Community and Environmental Services | -0.005 | 0.000 | 0.000 | **-0.005** |
| Strategy and Governance | -0.831 | 1.113 | 0.000 | **0.282** |
| Finance and Commercial Services | 0.690 | 0.000 | 0.000 | **0.690** |
| Finance General | -1.122 | -5.847 | -5.000 | **-11.969** |
| **Total Savings** | **-1.268** | **-4.734** | **-5.000** | **-11.002** |

The analysis of savings between Community and Environmental Services, Strategy and Governance, Finance and Commercial Services, and Finance General is for indicative purposes only. The split of these savings may be subject to minor adjustment as part of the preparation of the 2019-22 Budget Book. There are also savings to be delivered by these Directorates which relate to services reporting to other Committees, in particular Business and Property and Digital Innovation and Efficiency Committees.

The detail of individual savings proposed for Policy and Resources Committee are set out in Appendix C.

The net savings position for Finance and Commercial Services reflects the reversal of a number of one-off savings from 2018-19 and prior years.

### 2. Implications and risks for budget planning 2019-20

2.1 There are no specific implications of the provisional Local Government Finance Settlement that are relevant to the budgets reporting to the Policy and Resources Committee beyond those set out in the Revenue Budget report.

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

## Draft Service Committee Minutes

**Service Committee comments on 2019-20 Budget proposals**

Due to the timing of Committee meetings, and the publication date for these papers, unconfirmed draft Service Committee minutes will be provided to follow at the following site:

http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1423/Committee/21/SelectedTab/Documents/Default.aspx

**Summary Equality Impact Assessment Mitigating Actions**

# Equality and rural impact assessments - mitigating actions

## Policy & Resources Committee

| | Action/s | Lead | Date |
|---|---|---|---|
| 1. | Note the potential impact of the proposal to increase council tax, as set out in the assessment. | Policy & Resources Committee | 28 January 2019 |

## Adult Social Care Committee

| | Action/s | Lead | Date |
|---|---|---|---|
| 1. | Consider phasing in the amount that the Council asks people to pay so that the changes are not made all at once and come in gradually. | Executive Director of Adult Social Care | From 1 April 2019 |
| 2. | Continue to review whether individual service users (for example people with learning difficulties) face barriers to managing their spending. If so, develop actions for addressing any barriers. | Executive Director of Adult Social Care | From 1 April 2019 |
| 3. | If a service user expresses concern about financial austerity, offer appropriate budget planning or other relevant support to make sure people are spending as effectively as possible, and ensure transition plans are established. | Executive Director of Adult Social Care | From 1 April 2019 |
| 4. | If the proposal goes ahead, contact all service users affected, to offer guidance and advice on any steps they need to take – taking into account the particular needs of different groups of service users, such as people with learning difficulties. This will include how to complete forms and the evidence that is required, to enable their needs to be taken into account. It will also include how to ask for help and who to talk to if they are worried about how they will manage the financial impact. | Executive Director of Adult Social Care | From 1 April 2019 |
| 5. | Work with relevant stakeholders to ensure that the guidance provided is simple, clear and accessible, particularly for people with learning difficulties and people with mental health issues. | Executive Director of Adult Social Care | From 1 April 2019 |
| 6. | Ensure any new build homes meet M4(2) accessible and adaptable dwellings and/or M4(3) wheelchair user dwellings. This will ensure build is compliant with current accessible build standards. | Executive Director of Adult Social Care | From 1 April 2019 |
| 7. | Ensure reasonable adjustments are put in place for disabled staff to enable them to use new technology or travel solutions. | Executive Director of Adult Social Care | From 1 April 2019 |

## Summary Equality Impact Assessment Mitigating Actions

### Children's Services Committee

| | Action/s | Lead | Date |
|---|---|---|---|
| 1. | If the proposals go ahead, monitor implementation, and, in the unlikely event that during implementation any equality impacts emerge, report these to Children's Services Committee for consideration. | Executive Director for Children's Services | From 1 April 2019 |
| 2. | HR Shared Service to continue to routinely monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action. | Senior HR Consultant (Workforce Insight) | From 1 April 2019 |

### Communities Committee

| | Action/s | Lead | Date |
|---|---|---|---|
| 1. | To ensure a smooth transition for the 90+ people currently supported by the MATCH service, commissioning staff, operational staff, Norfolk Community Learning Services, and Day Opportunity Providers to write and implement a transition plan for individuals. This to ensure a comprehensive transition phase, and adequate support, from the existing service to the new service. Communication with service users and their families and carers to be managed robustly by Social Workers or relevant operational staff. Communication with DOPs to be increased to ensure that the hand over to the successful new providers of Skills and Employment Pathways can be carried out successfully. | Assistant Director, Community, Information and Learning | By 30 September 2019 |
| 2. | HR Shared Service to continue to routinely monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action. | Senior HR Consultant (Workforce Insight) | From 1 April 2019 |

### Environment, Development and Transport Committee

| | Action/s | Lead | Date |
|---|---|---|---|
| 1. | HR Shared Service to continue to routinely monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action. | Senior HR Consultant (Workforce Insight)) | From 1 April 2019 |

**Equality Impact Assessment**

## Full Findings of Equality Impact Assessment

The full assessment findings of all budget proposals are set out in Appendix H(ii) which is available electronically on the following site:

http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/1423/Committee/21/SelectedTab/Documents/Default.aspx

Clear reasons are provided for each proposal to show why, or why not, adverse impact has been identified, and the nature of this impact.

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

**Appendix H(i) and Appendix H(ii) produced by Equality and Diversity Team**

# Norfolk County Council: Medium Term Financial Strategy 2019-22

## 1. Introduction

1.1. The Medium Term Financial Strategy (MTFS) 2019-22 replaces the Medium Term Financial Strategy 2018-22.

1.2. The four-year funding allocations announced following the Spending Review and Autumn Statement 2015 established a clear picture of the challenging financial future for local government. In November 2016 the Government confirmed that Norfolk County Council's Efficiency Plan[7] had been accepted, providing the Council with access to the funding allocations published as part of the 2016-17 settlement for the period up to 2019-20. These allocations meant greater certainty in budget planning, but nonetheless the County Council still faces a significant reduction in Government funding in the final year of the offer 2019-20.

1.3. In preparing the 2019-22 MTFS the Council faces almost unprecedented levels of uncertainty about both funding allocations and the final details of the funding system for the future. The financial implications for the second two years of the MTFS (2020-22) are largely unknown, and therefore remain subject to considerable change and uncertainty. This will contribute to making budget planning activity for 2020-21 particularly challenging.

1.4. In the context of this uncertainty, the MTFS sets out the latest available information about national and local factors which are likely to impact upon budget planning decisions. It details funding reductions and shows how the Council intends to manage these reductions, to make transformative changes, and plan new initiatives, while continuing to meet its statutory responsibilities.

1.5. As detailed more fully in the Revenue Budget report, the funding of social care remains a major issue for the County Council. Pressures are being experienced in key areas such as Adult Social Care (particularly from the cessation of previous one-off funding allocations) and Children's Services (including both Looked After Children and the High Needs Block of Dedicated Schools Grant). Alongside the ongoing impact from changes such as the National Living Wage, these have given rise to significant additional costs for the organisation and contributed to a budget deficit forecast in the later years of this financial strategy. As a result, the Council will need to develop robust responses, including significant further savings plans, during future budget planning rounds. In view of the scale of the challenge to be addressed in 2020-21, the Council will need to undertake early and wide-ranging budget planning to identify a sufficient level of deliverable savings.

## 2. National Factors

2.1. The Chancellor of the Exchequer, Philip Hammond, announced the Autumn Budget 2018[8] on Monday 29 October 2018. The Chancellor stated that the Budget

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[7] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/efficiency-plan.pdf?la=en
[8] https://www.gov.uk/government/collections/budget-2018

was based on planning for all eventualities in relation to the UK leaving the EU, but that in the event of material changes to economic or fiscal forecasts, there remained the possibility of upgrading the Spring Statement to a full Budget if required. In delivering the Budget, the Chancellor commented that "austerity is coming to an end – but discipline will remain"[9]. The precise implications of this for local authorities are unclear.

2.2. Alongside the Budget, the Office for Budget Responsibility (OBR) published an updated Economic and Fiscal Outlook[10] which shows an "improvement in the underlying pace of deficit reduction" and a revised borrowing position showing an £11.9bn improvement creating a more favourable starting point. The OBR characterise this as reflecting "stronger tax revenues and lower spending on welfare and debt interest than expected." The view of the OBR is that the Chancellor's announcements amount to the "largest discretionary fiscal loosening at any fiscal event since the creation of the OBR" and the overall picture at the Budget is "a relatively stable but unspectacular trajectory for economic growth […] plus a gradual further decline in the budget deficit and in net debt as a share of GDP."

2.3. Public finances have performed better than the OBR previously expected. The combination of a better position now, and slightly improved forecasts, have led to revisions of the OBR's estimates over the next five years which have allowed for increased investment whilst maintaining the "headroom" forecast to be available to the Government in 2020-21 when compared to the previous (March 2018) position. However, the uncertainty around the process for the UK to leave the European Union means that unless there is a significant upturn in the performance of the economy, existing spending commitments mean that there is very little scope for extra funding for local government in the medium term.

**European programmes that Norfolk County Council is involved in**

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

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

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

[9] https://www.gov.uk/government/speeches/budget-2018-philip-hammonds-speech
[10] http://obr.uk/efo/economic-fiscal-outlook-october-2018/

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

2.7. In October 2016, the Chancellor announced that all EU funded projects contracted before we leave the EU will be honoured in full. This guarantee includes honouring funding for projects which are due to complete in the years following the UK departure from the EU. The guarantee is subject to projects meeting two criteria: 1) value for money and 2) fit with national priorities; both of which are tested when projects are assessed. This guarantee has now been extended to cover the transition period, so all projects contracted before 31 December 2020 are covered. This is a welcome extension, since it gives us additional time to commit the funding allocated so that businesses and organisations can continue to benefit from European funded schemes available in our local area until funding contracts expire.

2.8. The Economic Programmes team have been promoting the EU funding opportunities to potential applicants to maximise drawdown and benefit in Norfolk before we leave the EU (‘use it or lose it’) and in fact the LEADER programme will be fully committed by end March 2019. This presents us with a different issue in that there will be no funding remaining to be allocated through LEADER during the transition period: we are applying for additional funding and lobbying for transition funding to cover this gap.

2.9. The Government has pledged to replace EU funding with the Shared Prosperity Fund. However, the content of this fund has not yet been published. A consultation document is expected imminently. We will respond to this, as we have with other funding consultations, to ensure that the Norfolk voice continues to be heard and influence the shape of future funds.

2.10. We continue to monitor the special position of the INTERREG France (Channel) England programme which we manage. Whilst UK partner funds are guaranteed by HM Treasury, the position of French partners is less clear. We are working closely with MHCLG, BEIS and the French authorities to resolve this.

2.11. A more detailed update on the wider implications of Brexit is provided in a separate report to the January 2019 meeting of the Business and Property Committee.

**Government policy and economy forecasts**

2.12. The UK’s future relationship with Europe, alongside other policies and decisions by the Government, have a significant impact on the Council’s planning, for example through reductions to local government funding.

2.13. Alongside the provisional settlement, in December 2018, the Ministry for Housing, Communities and Local Government (MHCLG) published an update to its preferred measure of illustrative core spending power[11], which suggests that Norfolk’s spending power will increase by 2.6% in cash terms in 2019-20, largely relating to

[11] Core Spending Power 2019-20, December 2018, MHCLG https://www.gov.uk/government/publications/core-spending-power-provisional-local-government-finance-settlement-2019-to-2020

the Government's forecast of increased revenues associated with the maximum 2.99% increase to local council tax and increases in social care funding including iBCF. However, this represents a real terms increase of only 0.1% when the OBR's latest (October 2018) inflation forecasts are taken into account.

2.14. The Bank of England's Monetary Policy Committee (MPC), increased Bank Base Rate from 0.50% to 0.75% on 2 August 2018[12]. The minutes from the MPC's meetings indicate that future increases will be "gradual" and "limited". Both investment earnings rates and new borrowing rates remain low by historical standards.

2.15. The Council's treasury management objectives remain safeguarding the timely repayment of principle and interest, whilst ensuring liquidity for cash flow and the generation of investment yield. The Council works closely with its external treasury advisors to determine the criteria for high quality institutions, including high quality banks and financial institutions, and local authorities. The Council applies a minimum acceptable credit rating criteria in order to generate a pool of highly creditworthy UK and non-UK counterparties which provides diversification and avoids concentration risk. These are detailed further in the Annual Investment and Treasury Strategy 2019-20.

2.16. The Council makes non-treasury investments for policy purposes, for example capital loans to subsidiaries and other companies. These are addressed further in the Annual Investment and Treasury Strategy 2019-20.

2.17. The level of commissioning undertaken by the Council sees a wide range of services being delivered by partners and through private sector contracts. Contractual obligations are often linked with the Consumer Price Index (CPI), meaning these rates will impact on the Council's budget setting activity and medium term planning. CPI[13] is currently running at 2.1% (December 2018 data, published 16 January 2019). It reached its highest in August (2.7%) and is currently at its lowest level. Details regarding how inflationary increases within identified cost pressures have been calculated are included within the Robustness of Estimates report.

2.18. The 2018 Autumn Budget outlined that following consideration of PFI/PF2, the Government will honour existing commitments in contracts but will no longer use PF2 for future projects.

2.19. The Government continues to prioritise the integration of the National Health Service and social care in order to improve services for patients and deliver efficiencies. Plans for integration are set out in local Sustainability and Transformation Programme (STP), which detail the challenges facing health and social care services over the next five years. By 2021 the Norfolk and Waveney STP[14] is intended to drive high quality care through integrated delivery, making significant progress towards financial sustainability. Further details about the STP are provided in the "Organisational Factors" section below.

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[12] Bank Base Rate increase, 2 August 2018, Monetary Policy Committee http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp
[13] Historic CPI indices, 16 January 2019, Office for National Statistics https://www.ons.gov.uk/economy/inflationandpriceindices
[14] Norfolk and Waveney STP http://www.healthwatchnorfolk.co.uk/ingoodhealth/

2.20. After the County Council had agreed its Budget for 2017-18, the Chancellor's Spring Budget in March 2017 announced £2bn of additional non-recurrent funding for social care, of which Norfolk was allocated £18m in 2017-18, £11m in 2018-19 and £6m in 2019-20. The funding is being paid as a direct grant to councils by the Ministry for Housing, Communities and Local Government (MHCLG) and is reflected in budget planning. As a condition of the grant, councils have been required to pool the funding into their Better Care Fund (BCF). This fund is governed by the Health and Wellbeing Board and signed off by NHS England and MHCLG through national and local assurance.

2.21. The Government is also providing funding to Local Government via an "Improved Better Care Fund" which includes both recurrent funding and the use of the one-off additional social care grant announced within the Spring Budget 2017 (see above). The three-year plan covering the period 2017-2020 setting out the use of this funding was agreed by the County Council and health partners in July 2017. The budget proposals for 2019-20 incorporate the agreed use of this funding and where plans were not implemented in full in 2018-19, plans include the use of one-off funding carried forward from previous years. The improved better care fund in 2019-20 will be used to support the protection of social care, to help sustain the care system through increasing prices, to manage additional costs from national living wage legislation and purchase of care, and to enable continued investment in social work capacity and interventions to reduce delayed transfers of care from hospital.

## 3. The Government's deficit reduction programme

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

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

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

3.2. In November 2015, the Government announced the outcomes of the Spending Review 2015. This set out plans for departmental budgets for the following four years, up to 2019-20.

3.3. The Autumn Budget 2018 signalled the beginnings of a move away from austerity but had limited impact on local government funding allocations for 2019-20. The Government's apparent relaxation of austerity means that the current period of fiscal consolidation may end earlier than expected, but the uncertainty about leaving the EU and the potential associated economic impact, along with other Government spending commitments, makes it unclear whether this will mean the end of the financial challenges facing local government in the medium term. The Government has however previously signalled that Departmental Expenditure Limits will increase in line with inflation from 2020-21.

3.4. The Provisional Local Government Finance Settlement 2016-17 set out an offer of a four-year funding settlement. As a pre-requisite to access these allocations, the council submitted an Efficiency Plan to Government, which has been accepted.

This means that the council is formally on the multi-year settlement and can expect to receive the allocations published as part of the 2016-17 settlement for the period to 2019-20 (subject to future events such as transfers of functions and barring exceptional circumstances). From 2015-16 to 2018-19 these allocations saw the council lose **£80.356m** from the Settlement Funding Assessment (SFA). In 2019-20 they reflect further planned reductions in SFA totalling **£15.808m**.

3.5. This will mean that over the ten-year period 2010-11 to 2019-20, the council will have received reductions in core funding from Government of some **£219.954m**.

3.6. Government spending plans beyond 2019-20 are the subject of the Comprehensive Spending Review expected to be completed during 2019. At this stage it is not clear what the implications of this for local government will be and the Government has at this staged indicated the funding allocations for individual departments. Further details are expected to emerge during the Summer and these will need to inform the Council's budget planning.

## 4. Local factors

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

4.2. The Council remains focussed on meeting the twin challenges of increasing demand and reducing central government funding, whilst minimising the impact on the front line delivery of services.

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

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

### Demographics

4.5. Norfolk's population is an estimated 898,400 in mid-2017[15] – an increase of around 6,700 on the previous year[16].

4.6. Over the last five years since 2012, Norfolk's population has increased by 3.9% (or around 33,500 people), compared with an increase of 4.4% in the East of England region and 4.0% in England.

4.7. Over the five-year period from 2012, in terms of broad age groups, numbers of children and young people (aged 0-15) in the county increased by around 6,100 (increase of 4.2% compared with an increase of 5.0% nationally); numbers of

[15] ONS mid-2017 population estimates (June 2018)
[16] ONS Revised population estimates for England and Wales: mid-2012 to mid-2016 (March 2018)

working age adults (aged 16-64) increased by around 5,700 (increase of 1.1% compared with an increase of 1.9% nationally); and numbers of older people (aged 65 and over) increased by around 21,600 (increase of 11.1% compared with an increase of 10.8% nationally).

4.8. The estimates for mid-2017 confirm that Norfolk's population has a much older age profile than England as a whole, with 24.1% of Norfolk's population aged 65 and over, compared with 18.0% in England.

4.9. The ONS 2016-based population projections are trend-based[17], and on this basis, Norfolk's overall population is projected to increase from 2016 to 2026 by around 52,400 people– this is an increase of 5.9% which is below the East of England projected increase of 7.3% and the same as the national projected increase of 5.9%. Norfolk's oldest age groups are projected to grow the quickest over the ten years to 2026, with numbers of 75 to 84-year-olds projected to increase by around 41% and numbers of those aged 85 and over projected to increase by around 24%. This age group is the most likely to require social care, so increases in the size of this older group are likely to have a high impact on the demand for social care services. Numbers of those aged 15 to 29 are projected to fall by around two per cent, with all other age groups projected to increase over the ten years to 2026. Of course, the age structure of the population varies across Norfolk's local authority areas, but in the main, looking forward to 2026, Norfolk continues to have an ageing population.

4.10. Looking further ahead, there is projected growth from 2016 to 2041 of around 110,600 people in Norfolk – this is an increase of 12.4% which is below the East of England projected increase of 15.3% and above the national projected increase of 12.1%.

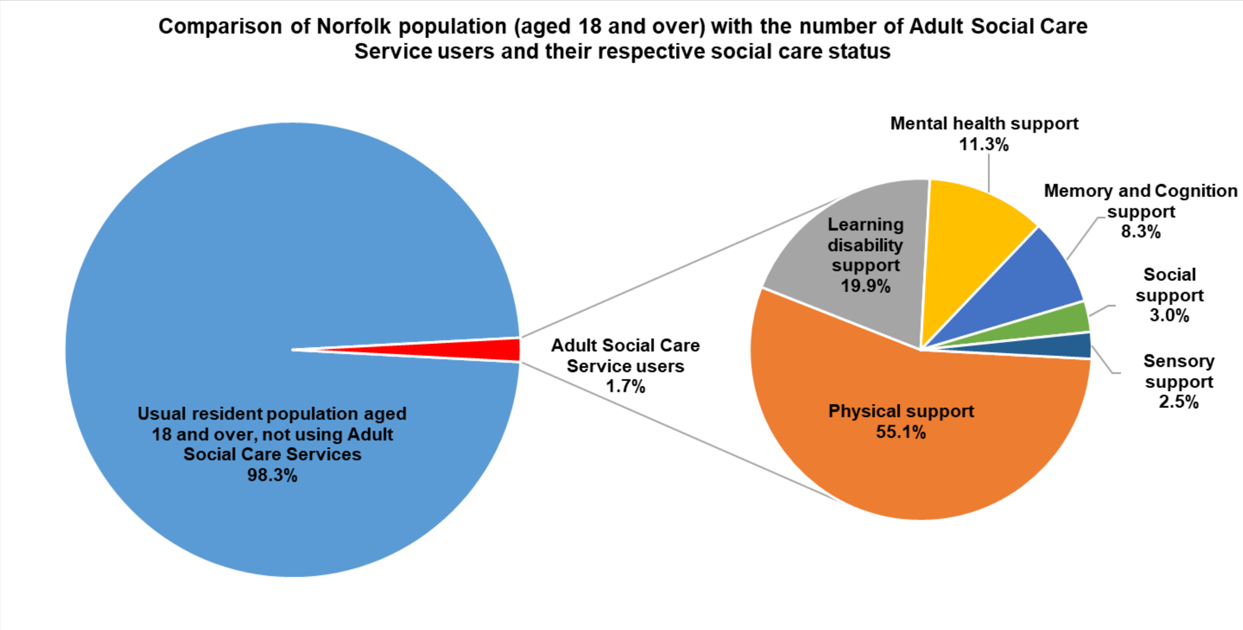
4.11. For both timescales, the largest increase in numbers is projected to be in South Norfolk, and the smallest increase in numbers is projected to be in Great Yarmouth. Norfolk's population is projected to exceed one million by 2041.

4.12. Further demographic information is provided below, relating to the proportions of adults (aged 18 and over) and children (aged under 18) in Norfolk's population, compared with the proportions who are social care service users, along with their respective social care status.

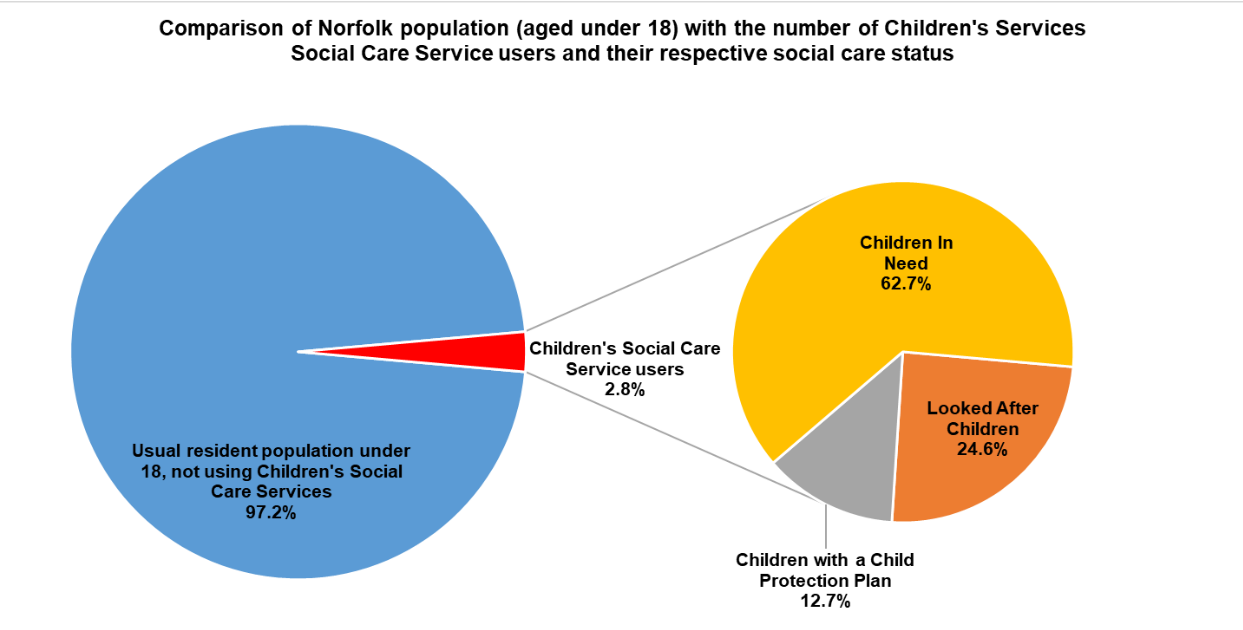
[17] ONS 2016-based subnational population projections (May2018) are based on the Revised population estimates for England and Wales: mid-2012 to mid-2016 (March 2018)

## Norfolk County Council – Medium Term Financial Strategy 2019-20 to 2021-22

### Adults Demographic Information




### Children's Demographic Information




Population data from mid-2017 ONS estimates; service data all 31/03/2018.

### Social Mobility

4.13. Social mobility is a complex, systemic issue affecting many areas and people in Norfolk. To address social mobility, we want to prevent causes of social and economic exclusion and to foster sustainable, prosperous communities. To do this, we need to work across all our services and at all levels of government, private and third sectors. Fair funding for rural areas is also fundamental to us being able to achieve our ambitions for the people of Norfolk.

4.14. Improving social mobility across all generations will provide more sustainable benefits for growth for Norfolk, as high levels of employment are generally protective against inequalities and cycles of decline in geographic communities.

4.15. Although often perceived as an urban issue, the recent social mobility commission report[18] highlights problems in our rural and coastal areas. In the commission's ranking of social mobility, the Districts of Breckland, Great Yarmouth, King's Lynn and West Norfolk, North Norfolk and Norwich are amongst the worst 10% in England.

4.16. Social mobility is also linked to inter-related factors such as health and well-being, affordable housing and deprivation. Deprivation trend data shows us that Norfolk has experienced an increase in relative deprivation over time.

4.17. The key issues for Norfolk are:

- More than 120,000 people in Norfolk live in areas categorised as being in the most deprived 20% in England. Whilst these are mainly in the urban areas of Norwich, Great Yarmouth, Thetford and King's Lynn, there are many pockets of deprivation in rural areas.
- Norfolk has an economy somewhat reliant on tourism and agriculture that means that employment opportunities for residents can be both seasonal and low wage, with limited scope for progression. This particularly impacts rural areas and the coast with over 50% of people on low wages living in rural or coastal areas.
- Average earnings in Norfolk are significantly below national and regional levels
- Typically, access to services is focused on urban areas as the economic case to deliver to smaller numbers in rural areas is challenging. However, in combination with decreasing access to public transport, it is difficult for residents to access support
- Currently, Norfolk doesn't have a well-established culture of training at all stages of employment, which impacts on progression within the workplace
- Access to affordable childcare for low income families is a major barrier to social mobility and removes parents, particularly mothers, from the work place for long periods of time

4.18. A whole council approach, working in partnership with others across the whole public sector system, is needed to address the many inter-related issues that affect social mobility and our local economy.

**Local Economy**

4.19. The County Council is a key partner in the delivery of the Norfolk and Suffolk Economic Strategy (NSES)[19], the production of which, in 2017, was led by the **New Anglia Local Enterprise Partnership (LEP)**. It builds on our key economic strengths, focusses on our major sectors and embraces inclusive growth. It takes into account national drivers such as the emerging Industrial Strategy. Delivering

[18] The Social Mobility Commission's "State of the Nation 2017: Social Mobility in Great Britain" report (and accompanying Social mobility index)
[19] New Anglia Strategic Economic Plan http://www.newanglia.co.uk/wp-content/uploads/2014/03/New-Anglia-Strategic-Economic-Plan-V2.pdf

the priorities for Norfolk set out in the new strategy will be the primary Economic Development priority for the council.

4.20. Promoting the development and expansion of the local economy will become ever more significant as the Government implements plans for localisation of business rates. Already, the Council's priorities place the people of Norfolk at the forefront of our plans and investments. Through the Economic Development and Strategy team, the Council aims to promote, secure and manage funding to support Norfolk's economic growth. The County Council supports the implementation of a wide range of initiatives intended to deliver growth, including working closely with the Local Enterprise Partnership (New Anglia LEP) on a number of projects such as the development of Enterprise Zone sites across the County. The Council is part of the Greater Norwich Growth Board which oversees the delivery of the Greater Norwich City Deal and supports infrastructure improvements which will drive growth. An update on the wide range of activity we have undertaken recently, and which we are proposing is provided in a separate report to the January 2019 meeting of the Business and Property Committee.

4.21. In spite of these interventions it is however important to recognise the potential impact of decisions outside the Council's control. For example, the decision to leave the European Union has already had an impact on the investment and operational decisions by many businesses, both locally and nationally and the continued uncertainty is likely to carry on having an impact on growth in the local economy. It remains to be seen what the impact of the eventual outcome will be, but this Council, along with other partners has sought to assess the impact of certain scenarios, to engage with businesses to hear their views and to encourage businesses to make contingency plans through the Business Brexit Sounding Board which we have established following our successful Brexit information event held earlier this year. Notably, the Government has also recently started to advise businesses to make plans in the event of a No Deal scenario.

4.22. The County Council, with other partners, has consistently maximised the availability of EU funding to address a wide range of issues and to enable co-investment in a number of infrastructure projects. Local communities and businesses have all benefitted – and will continue to do so until at least 2021, regardless of the outcome in March 2019. With our own resources under continued severe pressure, it is important that we identify and maximise alternative external funds going forward, and we will continue this work through the Corporate Bid Team.

4.23. It is also important to note that since the introduction of the Business Rates Retention Scheme in 2013-14, Norfolk has not seen any significant growth or decline in the amount of business rates collected. This is a significant concern for Norfolk for future years, when considering the increasing levels of demand, the move towards Business Rates localisation and the reductions to Revenue Support Grant.

**Ecology: Waste**

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

4.25. The amount of residual waste in 2017-18 is currently projected to be less than 213,000 tonnes and lower than the previous year, a reduction in line with changes observed outside Norfolk.

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

4.27. To help mitigate these effects, the aim of the waste service is to reduce the amount of waste in total, to increase recycling and to reduce the cost of providing services to deal with left over rubbish.

4.28. These objectives requires additional measures to be put in place by all local authorities in Norfolk to reduce the amount of waste and improve recycling performance, and they are actively working on this together as the Norfolk Waste Partnership. This includes looking at alternative funding models to incentivize and facilitate service changes by the District Councils that reduce total system costs.

**Ecology: Flooding**

4.29. Norfolk is identified in the Norfolk Local Flood Risk Management Strategy[20] as the area 10$^{th}$ most at risk of local flooding. The county has approximately 34,000 properties at flood risk from local sources during a rainfall event with a 1 in 100 annual chance of occurring. These local sources include flooding from surface runoff, groundwater and from the 7,500 km of watercourses within Norfolk. The County Council's two core aims as Lead Local Flood Authority are to reduce the existing local flood risk for communities and to prevent new development from increasing flood risk. Whilst not directly the authority's responsibility, the county also has nearly 100 miles of coastline and is vulnerable to tidal inundation and surges.

4.30. In the event of a major flooding incident, it is likely that the council would have recourse to the Bellwin scheme of emergency financial assistance to Local Authorities[21]. This would enable the council to be reimbursed for 100% of eligible expenditure above a threshold set by the government. The threshold for Norfolk was £1.164m in 2017-18 (i.e. this is the maximum liability for the County Council in the event of a major incident eligible for support under the Bellwin rules).

[20] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/flood-and-water-management/norfolk-local-flood-risk-management-strategy.pdf?la=en&hash=493B91B7251504B386FCF9E1F6FC4E51FDF84D0F

[21] Bellwin Scheme thresholds published October 2017
https://www.gov.uk/government/publications/bellwin-scheme-guidance-notes-for-claims

# 5. Organisational factors

### Organisational structure and governance changes

5.1. The County Council has resolved to move to an Executive Leader and Cabinet governance structure from May 2019. Aligned to this change in governance, a number of changes to the senior management structure are being implemented. This structure is based on five Executive Directors, and includes the following departments: Children's Services; Adult's Services; Community and Environmental Services; Finance and Commercial Services; and Strategy and Governance. The latter encompasses Legal and Democratic Services, and Strategic Services. This structure is intended to secure improvements in both strategic and transactional services required to meet the changing needs of different customer groups across the council. Under these new arrangements, the previous Managing Director post has been removed from the structure. The statutory Head of Paid Service role will be fulfilled by one of the existing Chief Officers subject to an appointment process to be approved by Full Council. The role is currently held by the Executive Director, Community and Environmental Services on an interim basis.

5.2. The result of the full County Council elections in May 2017 saw the Authority moving from an authority where no party had overall control to a Conservative controlled authority.

5.3. A two-year local government pay award has been agreed covering 2018-19 and 2019-20 of 2% in each year, with higher increases (from 3.734% to 9.191%) for those earning less that £19,430 to take into account the National Living Wage (NLW), which will be £8.21 per hour from April 2019. The new bottom rate within the offer was £8.50 per hour, rising to £9.00 per hour in 2019-20.

5.4. Alongside, a new pay spine was proposed within the offer for implementation in April 2019, with fewer spinal points at lower grades, which will have implications for local authorities' pay structures. Norfolk is in the process of implementing these changes to the pay structure, which are subject to consultation with unions. The forecast costs associated with the new pay structure for Norfolk have been incorporated into the 2019-20 budget planning.

### The Sustainability and Transformation Programme (STP)

5.5. The Sustainability and Transformation Programme (STP) covers the Norfolk and Waveney area and involves all health and social care organisations. It is a programme to collectively address the demands facing the NHS and social care system, setting out collective change to services to address the challenges from tighter financial constraints, people living longer and with more complex health and care needs, changes to the type of care people want, as well as new opportunities for treatment and workforce challenges. The Green Paper for the future of Social Care is still awaited, but the ten-year NHS plan has now been published with a focus on primary and community health, including prevention and mental health services.

5.6. The wider system has a total budget of £1.6bn to spend on health and social care each year. However, spend is more than this and there is currently a significant in-year financial deficit.

5.7. In 2018-19 the STP was given aspirant Integrated Care System (ICS) status, with an aim to create a new environment of collaboration between health and social care organisations to improve services for the local population. An integrated care system will help address system challenges and prevent approaches to avoid gaps or duplication and improve efficiencies. Key aims include:

- Improving people's health through a more intelligent, data focused approach to population health management, including sharing information; and tackling root causes of health inequalities
- Better quality of care through bringing care as close to home as possible focussing on primary and community care; targeting funding in services that people use most frequently; and aligning care pathways to improve care quality.
- Delivering a more financially sustainable system through integration and targeting prevention of illness.

5.8. The Council's 2019-22 budget plans for adult and children's social care and public health reflect the relevant aspects of the STP programme of work. Joint funding plans, including the Better Care Fund are agreed with health partners in line with Department of Health and Social Care guidance.

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

**Children's Services financial strategy**

5.10. Norfolk County Council and its Children's Services are responding in a bold, positive and ambitious way to the strategic context in which it operates. That began with the business case for a major investment in transformational change agreed at Policy and Resources Committee in September 2017, the Launch of the Norfolk Futures Transformation programme and the subsequent development of a comprehensive programme of transformation. This strategy for Children's services has embedded the core principles set out within Norfolk Futures and firmly works towards the agreed vision for Norfolk.

5.11. The Safer Children and Resilient Families transformation programme is integral to the financial strategy for achieving savings. This agenda is a 3-5 year programme. It was always anticipated that the pressures on the system would persist in the short term and that the impacts on demand and cost would begin to be delivered from 2019-20 and, in particular, from 2020-21 onwards.

5.12. The current financial year, 2018-19, has allowed for the foundations of this work to be built and, although the impact is largely still to come, Children's Services have already made significant progress in several areas and are building a track-record of successful transformational change. A further full update on transformation will be provided to the March Children's Services Committee meeting, but some key highlights to date that are integral to the financial strategy over the medium term planning period include:

- We have successfully implemented the **new Children's Advice and Duty Service** at the 'front door' to Children's Services and we are already seeing the anticipated benefits in terms of reducing the rate of referral into social work teams now being realised. This will give teams more time to focus on the direct work with families which will make the difference
- We are starting to see a positive impact from the **focussed work on Foster carer recruitment** with numbers of enquiries on the up and now a projection for a net increase in the number of carers this year - reversing the previous trend
- We have successfully **implemented the Valuing Care programme** – which gives us a consistent way to understand and articulate the needs of children in care and so ensure we provide exactly the right placement and support. We've already embedded this new tool in our practice model and are using the analysis to inform our strategic commissioning priorities
- We have completed the refurbishment and **preparation work for the new semi-independent accommodation provision** and the first new places will be available for young people at the end of January
- We have completed the design of the **new Norfolk Family Networks approach** and are moving into implementation. A new team due to start work from February delivering family group conferences and coaching team around working with extended families to prevent children from needing to be taken into care
- The **new therapeutic support service for families at the edge of care** is also going to begin to be available within the next few weeks, offering intensive support for families with complex needs, helping them to address their challenges and stay together as a family.
- Further significant development has been undertaken in relation to the SEND workstream of the transformation programme. This workstream will focus on SEND assessment and support to schools and providers to **increase the numbers and complexity of children that can be appropriately supported to be educated in the mainstream sector**, which will run alongside the £120m capital investment in new provision programme previously approved by Policy and Resources Committee.

5.13. The changes made to date as part of the Safer Children and Resilient Families transformation programme for services and interventions for children at risk of harm have resulted in the numbers of children in care appearing to stabilise during as the 2018-19 financial year has progressed, despite the rising national trends as reported in national media. This stabilisation evidences the change being seen by the department in the throughput of work to social work and family focus teams; i.e. the demand is continuing to increase, but the department is managing it differently.

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

5.14. The Council undertakes **public consultation** on budget proposals which have the potential to impact on service users. In 2019-20 councillors agreed to formally consult on two budget savings proposals relating to service areas:

- Changes to our Adult Social Care charging policy
- Service changes and a reduction in searchroom hours at Norfolk Record Office

5.15. In addition we sought views on proposals to increase council tax in 2019-20 by 2.99%. Details of the consultation process, and the responses to the consultation, are set out in the Revenue Budget report.

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

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

5.17. The plans and assumptions in the Council's budget and Medium Term Financial Strategy have been reviewed as part of the preparation of the 2019-20 budget to ensure that they are robust and deliverable. The Executive Director of Finance and Commercial Services' recommendation of a 2.99% council tax increase is made on the basis that this will enable a substantially more robust budget for 2019-20 and for future years.

5.18. Experience of the implementation of savings plans demonstrates that in some cases the cost, complexity and time required to deliver transformational change is likely to be greater than that originally allowed. As a result, the removal or delay of a significant number of previously agreed savings has been proposed over the life of the MTFS.

5.19. As set out elsewhere, the Provisional Local Government Finance Settlement (LGFS) has provided a greater degree of certainty about future funding levels for local authorities through the offer of four-year settlement allocations covering the period 2016-17 to 2019-20. However, there is now very considerable uncertainty around the final two years of the Medium Term Financial Strategy (2020-21 and 2021-22).

5.20. The reductions in the Council's Settlement Funding Assessment set out in the four year settlement remain extremely challenging, with the most significant reductions having occurred in the first two years (2016-17 and 2017-18), as shown in Table 1 below. The table reflects figures published in the 2018-19 provisional LGFS and includes changes to the Business Rates baseline which are outside the certainty funding allocations. Therefore while the four-year settlement offered a degree of additional certainty for Council budget planning, the significant pressures across all budgets will mean that further savings and efficiencies need to be identified to produce a balanced budget for future years.

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

| | 2015-16 Adjusted | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|
| Settlement Funding Assessment | 287.507 | 250.382 | 222.693 | 207.151 | 191.343 |
| Percentage reduction on previous year | | -12.91% | -11.06% | -6.98% | -7.63% |

5.21. Savings are being delivered through a range of approaches. The table provides a summary of the savings within current budget planning which were subject to consultation as part of the development of the 2019-20 budget. Efficiency related savings continue to be targeted as a priority.

**MTFS Table 2: Categorisation of savings**

| | 2019-20 | 2020-21 | 2021-22 | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Savings in current budget planning subject to consultation in 2019-20 | -1.075 | -3.000 | 0.000 | **-4.075** |
| Other savings | -30.530 | -28.082 | -16.740 | **-75.352** |
| **Total savings** | **-31.605** | **-31.082** | **-16.740** | **-79.427** |

**Implications of one-off funding allocations**

5.22. Council funding (in particular relating to adult social care services) in recent years has predominately been provided on a one-off basis. Whilst the council has aimed to align one-off funding to one off expenditure, such as invest to save proposals, this is not always possible. In particular, use of winter funding is targeted at managing demand arising from timely discharge from hospital which predominately reflects recurrent costs. These short-term funding approaches have increased the pressures arising in 2020-21 and illustrates sharply the case that continues to be made by the council for a sustainable financial solution for adult social care.

**General and Earmarked Reserves and provisions**

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

5.24. Earmarked Reserves support the Council’s planning for future spending commitments. In the current climate of limited resources, the planned use of Earmarked Reserves allows the Council to smooth the impact of funding reductions and provides time for the implementation of savings plans. As part of the year-end closure of accounts, a detailed review of the reserves and provisions held by the Council will be undertaken. The Medium Term Financial Strategy assumes an overall reduction in the level of Earmarked Reserves. Further details of the anticipated use of Earmarked Reserves are included in the Statement on the Adequacy of Provisions and Reserves 2019-22.

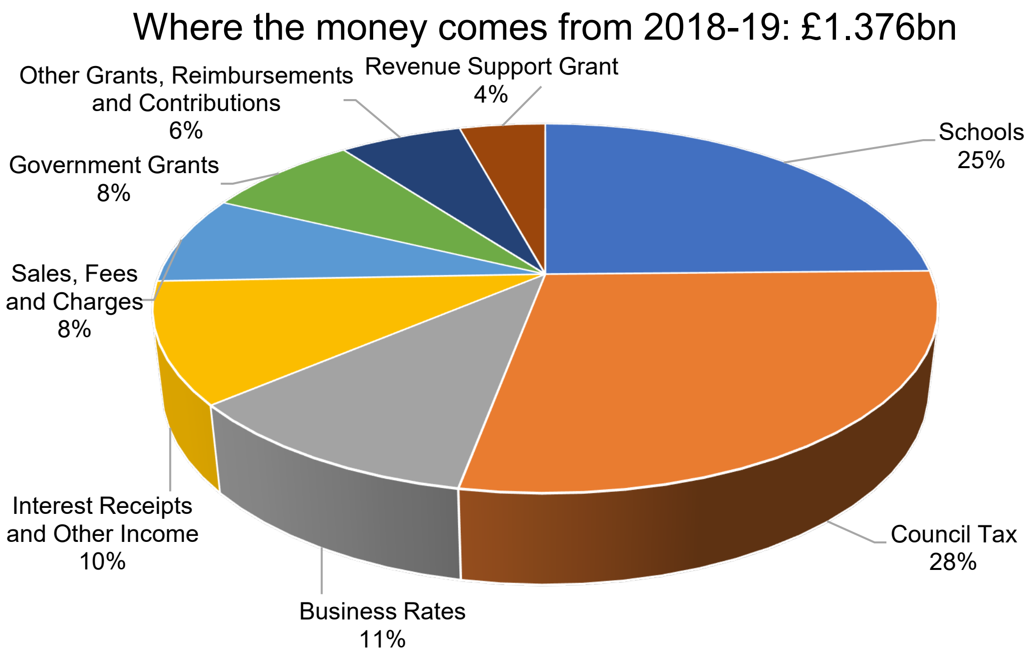
5.25. When taking decisions on utilising reserves, it is important to acknowledge that reserves are a one-off source of funding. Once spent, reserves can only be replenished from other sources of funding or reductions in spending. Therefore reserves do not represent a long term solution to the continued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

## 6. Local Government Funding

6.1. Local Government funding has three major components:

- money received through council tax;
- money received through partial retention of locally generated Business Rates; and
- money redistributed by Government in the form of Revenue Support Grant (RSG) and specific grants. It should be noted that in 2019-20, a number of funding streams, including Revenue Support Grant, will be delivered via the Norfolk 75% Business Rates Pilot.

6.2. Councils also generate income through sales, fees and charges. The breakdown of this funding in 2018-19 is shown in the pie chart below.




**Business Rates (11%)**

6.3. Since April 2013, Councils have no longer received Formula Grant, but instead received funding from a mix of locally retained business rates and government grants that are allocated from centrally retained business rates.

6.4. The introduction of the business rates retention scheme has resulted in a direct link between local business rates growth and the amount of money councils have to spend on local people and local services. The scheme provides incentives for local authorities to increase economic growth, through retention of a share of the revenue generated from locally collected business rates. The new scheme does not alter the way that business rates are set, and they continue to be set nationally by central government.

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

6.6. Baselines are fixed in-between reset periods and only adjusted for inflationary increases to allow local authorities to retain generated growth for a period of time. The next reset is expected following a review of relative needs and resources, intended to deliver an updated and responsive distribution methodology to be implemented in 2020-21, MHCLG are consulting further on this during 2019. Until then, upper tier authorities are restricted in gains but also protected from reductions somewhat, as a large proportion of income is received through index linked top-ups.

6.7. All local authorities in Norfolk have been successful in jointly bidding to become a Norfolk 75% Business Rates Pilot in 2019-20. The Pilot allows Norfolk to retain additional business rates funding in the county which otherwise would have been paid over to central government.

6.8. Within the Pilot, Norfolk authorities have agreed to continue to allocate funding equivalent to the retained levy held under previous Pool arrangement to provide a Joint Investment Fund shared by the Parties for allocation to support Norfolk's economic growth strategy on the basis of the following principles:

i) The purpose of the Norfolk business rates pool is to make strategic investments designed to support Norfolk priorities within the Local Enterprise Partnership's Strategic Economic Plan to support Norfolk's economic growth strategy; and

ii) Priority will be given to schemes which:-

- Lever funding from LEP growth and European funds.
- Support projects which will lead to:
    - Job creation
    - Further business rates growth
    - Housing growth
    - Improved skills and qualifications
    - New business creation/expansion
- Ready to start on site and have all relevant permissions, licences, land ownership arrangements in place.

6.9. If a member of the Pilot decided it no longer wished to be designated as part of the Pool for 2019-20 it was required to notify MHCLG by 10 January 2019. If any council in the Pool requested a revocation of the designation before this date, the Pilot and Pool cannot continue. The Secretary of State would then revoke the designation and all local authorities identified as part of the Pool would have reverted to their individual settlement figures. All members of the pilot have confirmed their intention to continue.

6.10. The primary challenge within the current Business Rates scheme is the level of financial risk that councils face due to appeals and business rate avoidance, with little scope for these risks to be managed under the current arrangements. Some councils are of the view that the risks outweigh the rewards available to councils through incentives to grow the local economy. The Government has implemented a new three-stage approach to business rates appeals: "Check, Challenge, Appeal," aimed at providing a system which is easier to navigate, with an emphasis on early engagement to reach a swift resolution of cases. The new system came into force on 1 April 2017, to coincide with the national revaluation of rateable values.

6.11. In respect of the 2019-20 budget, updated District Council forecasts are being collated and the level of income the council will receive is not yet confirmed. Potential business rate appeals and requests for relief such as those submitted by NHS Trusts continue to add uncertainty to future rates income.

6.12. The Chancellor announced a limited number of measures relating to business rates in the Autumn Budget 2018, including:

- Cutting bills by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019.
- A new mandatory relief for public lavatories.
- The existing relief for local newspapers to be extended to 2019-20.

6.13. It was confirmed that the cost of these measures would be fully funded for local authorities.

**Changes to the Business Rates Retention Scheme**

6.14. The 2019-20 Settlement represents the final year of the four year certainty offer which began in 2016-17, and was described by the Government as providing a path to a new system which will build on the current 50% retention scheme and will see councils retain an increased proportion of locally collected business rates.

6.15. Following the General Election in 2017 and the absence of the **Local Government Finance Bill** 2017[22] in the Queen's speech, the Ministry for Housing, Communities and Local Government has confirmed that it plans to implement the latest phase of the Business Rates Retention Scheme (BRRS) in 2020-21, which will see 75% of business rates retained by local government. At present it is not known how this will be split within two-tier areas.

6.16. It is anticipated that 75% retention is to be achieved by rolling in existing grants including Public Health Grant and Revenue Support Grant although the details have not yet been published. The incentive to grow business rates locally will be strengthened as it is anticipated that the system will allow for 75% growth to be

[22] Local Government Finance Bill 2017, http://services.parliament.uk/bills/2016-17/localgovernmentfinance/documents.html

retained locally from the 2020-21 reset onwards. The Government intends to make these changes as part of a move towards financial self-sufficiency for local government.

6.17. It is expected that the new system will continue to incorporate an element of redistribution of rates nationally to ensure that all authorities are funded to deliver their statutory duties and to mitigate the impact of variation in the level of business rates income across the country.

6.18. The Council has been successful in its joint bid with Norfolk districts to become a 75% Business Rates Pilot in 2019-20 as set out in further detail elsewhere in the budget papers. The one-off financial benefit of the pilot is expected to flow in 2020-21 and will help to mitigate the forecast budget gap in that year.

6.19. MHCLG published two consultations in December 2018 as part of the move towards the new system of funding being implemented in 2020-21, which the Council will respond to in due course. These covered a review of local authorities' relative needs and resources, and Business Rates Retention Reform. There remains considerable uncertainty at this point about the detailed plans for implementation of the proposals for 2020-21. A key issue for the County Council will be to ensure that the review of funding needs accurately captures the pressures faced by Norfolk, particularly in respect of social care, demographic issues, and the specific local pressures arising from sparsity, rurality and social mobility.

**Revenue Support Grant (RSG) (4%)**

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

6.21. The amount of funding the Council receives is published as the Settlement Funding Assessment. As shown in the table below, the Council remains heavily reliant on RSG and therefore cuts to this funding stream have a significant impact on the budget. Our budget planning assumes that all the remaining Revenue Support Grant (£38.810m) will be removed in year two of the Medium Term Financial Strategy (2020-21), but that this will be mitigated by transitional arrangements which will effectively spread the impact over the three years 2020-21 to 2022-23, however there is considerable uncertainty about this, including whether any element of RSG would be offset within the 75% Business Rates Retention.

6.22. The table below shows Norfolk's Settlement Funding Assessment, which reflects the four-year funding allocations as set out in the Provisional Settlement 2016-17 and updated for information included within the 2018-19 provisional settlement. It shows the reducing proportion of funding provided by Revenue Support Grant (RSG). It should be noted that although RSG allocations continue to be separately identifiable, for Norfolk in 2019-20 RSG will in practice be delivered through the 75% Business Rates Pilot.

## Norfolk County Council – Medium Term Financial Strategy 2019-20 to 2021-22

### MTFS Table 3: Settlement Funding Assessment

| | 2016-17 | | 2017-18 | | 2018-19 | | 2019-20 | |
|---|---|---|---|---|---|---|---|---|
| | £m | % | £m | % | £m | % | £m | % |
| Settlement Funding Assessment | 250.382 | 100.0% | 222.693 | 100.0% | 207.151 | 100.0% | 195.325[23] | 100.0 % |
| *Received through:* | | | | | | | | |
| Revenue Support Grant | 108.511 | 43.3% | 77.926 | 35.0% | 58.035 | 28.0% | 0.000 | 0.0% |
| Baseline Funding Level | 141.870 | 56.7% | 144.767 | 65.0% | 149.116 | 72.0% | 195.325 | 100.0 % |
| *Via Top-Up* | *115.685* | | *119.351* | | *123.027* | | *108.593* | |
| *Retained Rates* | *26.185* | | *25.416* | | *26.089* | | *86.732* | |

### Specific grants (8%) and schools funding (25%)

6.23. The table below summarises the amount of specific grants expected to be received in 2018-19, along with provisional figures for 2019-20. In most cases the allocations for the years beyond 2018-19 have not yet been confirmed by the Government and there is limited information available about amounts beyond next year. Ring-fenced funding below includes funding to schools.

### MTFS Table 4: Grants and Council Tax

| | 2018-19 Actual £m | 2019-20 Provisional £m |
|---|---|---|
| Un-ring-fenced | 231.446 | 177.559 |
| Ring-fenced | 671.894 | 681.264 |
| Council tax (council tax increase of 2.99% 2019-20) | 388.799 | 409.073 |
| Local Business Rates | 26.089 | 86.732 |

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

Ring-fenced grants

6.25. **Public Health** – Public Health grant continues to be ring-fenced grant in 2019-20 for public health services. The Government has indicated that Public Health funding may be included within the Business Rates Retention Scheme from 2020-21, although it is not part of the 75% Pilot. Public Health covers a wide range of services that may be provided directly to communities or to other organisations that deliver services supporting the health and wellbeing of our population.

6.26. Public Health grant allocations for 2019-20 have been announced with Norfolk due to receive £38.031m. This is a reduction of over £1m in 2019-20 from the £39.062m

[23] SFA in the above table includes Rural Services Delivery Grant of £3.981 which has been rolled in to SFA as part of the 75% Business Rates Pilot.

received in 2018-19. Ring fencing is expected to remain in place until 31 March 2020.

6.27. **Dedicated Schools Grant (DSG)** – Schools funding is provided through the Dedicated Schools Grant (DSG) and other grants. The DSG is allocated to local authorities who then delegate the funding to schools in accordance with the agreed formula allocation. Grants are allocated by local authorities to schools as per the Department of Education (DfE) conditions of grants, which vary depending upon the purpose and aims of the funding. The Local Authority will receive its Dedicated Schools Grant allocation for 2019-20 based on the new national funding formula. Pupil premium will continue as a separate, ring-fenced grant.

6.28. It is the local authority's decision how the Schools Block is distributed as, at present, there is no requirement upon local authorities to allocate the block as per the national funding formula unit values. However, central government policy indicates a move towards a 'hard' formula in future and, therefore, the implications of this need to be considered by local authorities when determining their local formula. The options for the local formula for Norfolk were co-produced with Norfolk Schools Forum and all schools were consulted on the options available.

6.29. The Government has announced DSG for 2019-20 totalling £610.792m, this compares to a total DSG allocation of £600.391m in 2019-19. The DSG is before academy recoupment.

6.30. **Pupil Premium Grant (PPG)[24]** – 2019-20 allocations have not yet been announced. In 2018-19, disadvantaged pupils: primary were allocated £1,320, which is aimed to help primary schools raise attainment and ensure that every child is ready for the move to secondary school. £935 was allocated for disadvantaged pupils: secondary, these amounts remained unchanged from 2017-18. Disadvantaged pupils are those who have been registered for free school meals at any point in the last six years.

6.31. The pupil premium plus (for looked after children) increased to £2,300 per pupil in 2018-19 (£1,900 2017-18). The eligibility for this includes those who have been looked after for one day or more, and (from 2015-16) children who have been adopted from care or have left care under a special guardianship or child arrangement order. Schools receive £2,300 for each eligible pupil adopted from care who has been registered on the school census and the additional funding will enable schools to offer pastoral care as well as raising pupil attainment.

6.32. Children with parents in the armed forces continued to be supported through the service child premium. In 2018-19, the service child premium was set at £300 per pupil.

Un-ring-fenced grants

6.33. **NHS funding (Better Care Fund)** – The Better Care Fund is developed alongside CCGs (and district councils in relation to the effective deployment of disabled facility grant, which is passported in full to district councils). The service continues

[24] Pupil Premium Grant allocations 2018-19 https://www.gov.uk/government/publications/pupil-premium-conditions-of-grant-2018-to-2019/pupil-premium-2018-to-2019-conditions-of-grant

to work closely with health partners within the sustainable transformation programme and particularly as the wider system works towards Integrated Care System status; the budget plans reflect priorities within the programme, including social prescribing, use of reablement, winter planning and high impact change model to improve delayed transfers of care from hospital.

6.34. Detailed information for future years for the Better Care Fund, including any uplifts, is still awaited. Planning assumptions are based on a continuation of the use and level of funding.

6.35. Disabled Facilities Grant (DFG) allocations are transferred to District Councils through the BCF. This enables Housing Authorities to meet their statutory duty to provide adaptations to the homes of people with disabilities to help them live independently for longer. From 2016-17 the DFG allocations have included amounts to offset the discontinuation of the Social Care Capital Grant. The Autumn Budget 2018 outlined an increase in the DFG nationally of £55m in 2018-19, but allocations for 2019-20 have not yet been announced.

6.36. **Improved Better Care Fund** – From 2017-18 the County Council has been receiving additional funding for Adult Social Care via Improved Better Care Fund allocations funded from changes to the New Homes Bonus grant. The three year plan covering the period 2017-2020 setting out the use of this funding was agreed by the County Council and health partners in July 2017. The improved better care fund will continue to support delivery of services in line with the agreed plans. The funding represents a mix of recurrent and one-off funding and the council has created a reserve to ensure that the agreed plans are delivered over multiple years. The adult social care budget reflects these movements and use of reserves.

6.37. **Supplementary funding to the improved better care fund** – The Spring 2017 Budget included an additional £2bn of one-off funding to councils in England over three years to spend on adult social care services. £1 billion of this funding was provided in 2017-18, and is intended to ensure that “councils can take immediate action to fund care packages for more people, support social care providers, and relieve pressure on the NHS locally.” Norfolk is receiving £18m in 2017-18, followed by £11m in 2018-19 and £6m in 2019-20. The use of this funding has been agreed locally with health partners.

6.38. **Local Reform and Community Voices grant** – allocations for this grant, which consists of three funding streams (Deprivation of Liberty Safeguards in Hospitals; local Healthwatch funding; and funding for the transfer of Independent NHS Complaints Advocacy Service to local authorities) have not been announced. It may be that the grant has been reduced or removed, but in the past allocations have not been published until after the start of the financial year and it is therefore assumed that this funding continues in 2019-20.

6.39. **Independent Living Fund (ILF)** – the ILF provides support for disabled people with high support needs, to enable them to live in the community rather than in residential care settings. From 1 July 2015 responsibility for supporting ILF users in England passed to local authorities, with associated grant funding being provided. Provisional allocations have been published through to 2019-20, and no changes are currently expected.

6.40. **Social Care in Prisons grant** – the Social Care Act establishes that local authorities are responsible for assessing and meeting the care and support needs of offenders residing in any prison, approved premises or bail accommodation within its area. This grant is to provide additional funding to undertake this new burden. Allocations have not yet been announced for 2019-20 but it is assumed that the funding continues.

6.41. **New Homes Bonus Funding** – New Homes Bonus (NHB) is a grant paid by central government to local councils for increasing the number of homes and their use. The New Homes Bonus is paid for each new home, linked to the national average of the council tax band, originally for a period of six years. As part of the Provisional Settlement, the Government has confirmed that the national baseline for housing growth will continue to be 0.4%, effectively reducing the number of eligible properties in the calculation of the grant. Since 2018-19 NHB payments have been made for four, rather than five years. No changes were announced within the 2019-20 Provisional Local Government Finance Settlement.

6.42. **Rural Services Delivery Grant** – The Government announced a late increase in Rural Services Delivery Grant (RSDG) in 2018-19, bringing the national allocation to £81m, and in 2019-20 allocations had been expected to fall back to £65m, however it was announced at the Provisional Settlement that this reduction has been cancelled and allocations remain at £81m. This means an additional (one-off) £0.786m funding for the County Council in 2019-20. RSDG is being delivered through the 75% Pilot in 2019-20 and is expected to disappear in 2020-21 when it will be addressed as part of the Fair Funding Review.

**Council Tax (28%)**

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

6.44. As announced in 2018-19, the core council tax referendum limit of 2% has been increased by 1% to allow a maximum increase of 3% before a local referendum is required (in line with inflation – CPI) in both 2018-19 and 2019-20. It is assumed to revert to 2% in 2020-21 and beyond.

6.45. In 2016-17 the Government introduced a new discretion for local authorities providing adult social care to raise additional council tax as an Adult Social Care precept. This gave authorities the option to raise an additional precept of 2%, on top of their existing discretion to raise council tax within the referendum limit (at the time also 2%). In 2017-18, the Government further extended the flexibility around the Adult Social Care precept, allowing councils to raise it by 3% in 2017-18 and 2018-19, but in this event having no rise permitted in 2019-20. The Council took advantage of this flexibility to raise the maximum 8% Adult Social Care precept by 2018-19 meaning no increase can be applied in 2019-20 and it will continue to be collected at the 2018-19 rate. The Medium Term Financial Strategy is based on the following council tax assumptions (in view of the current discretions available and subject to Member decisions in each year).

**MTFS Table 5: Council Tax assumptions**

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|
| Assumed increase in general council tax (based on CPI) | 1.80% | 2.99% | 2.99% | 1.99% | 1.99% |
| Assumed increase in Adult Social Care precept | 3.00% | 3.00% | 0.00% | 0.00% | 0.00% |
| **Total assumed council tax increase** | **4.80%** | **5.99%** | **2.99%** | **1.99%** | **1.99%** |

6.46. It should be noted that in the event of an increase in the referendum limit or given the scope to further increase the Adult Social Care precept, it is likely that the Section 151 Officer would recommend the maximum available council tax be raised in future years, in view of the Council's wider financial position. Further background information about council tax is provided below.

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

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

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

6.48. In 2016-17 the Government introduced a measure of "core spending power", which was amended in 2018-19[25] to consist of:

- Settlement Funding Assessment (Business Rates Baseline Funding and RSG);
- Compensation for under-indexing the business rates multiplier
- New Homes Bonus;
- The local government element of the Improved Better Care Fund;
- Rural Services Delivery Grant; and
- Council Tax Requirement

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

6.50. The assessment of core spending power was used in 2016-17 as a mechanism to distribute reductions in Revenue Support Grant for the period up to 2019-20 to ensure that within each tier of Local Government (upper-tier, lower-tier, fire and

[25] Core Spending Power 2018-19 https://www.gov.uk/government/publications/core-spending-power-provisional-local-government-finance-settlement-2018-to-2019

rescue, and GLA other services), authorities of the same type received the same percentage change in settlement core funding. The inclusion of council tax in this calculation represents a significant change in Government policy. The Spending Review document stated that this was intended to "*rebalance support including to those authorities with social care responsibilities by taking into account the main resources available to councils, including council tax and business rates.*"[26]

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

- Councils will raise council tax at least in line with the Office for Budget Responsibility's (OBR) November 2015 forecast for CPI inflation, an annual average of 1.75% over the period, however it subsequently peaked at 3.1% in November 2017. The Government recognised this by increasing the core council tax referendum limit by 1% to allow a maximum of 3% before a local referendum is required in both 2018-19 and 2019-20.
- Relevant councils will raise the Adult Social Care precept in each year.
- Average annual growth rates in the council tax base between 2013-14 and 2015-16 will recur for the period to 2019-20.

6.52. As a result, any decision to raise council tax by less than the Government's inflation assumptions, or a decision not to exercise the full discretion to raise a social care precept, will lead to an underfunding of councils through the Spending Review period, when compared to the Government's expectations.

## 7. Revenue strategy and budget

7.1. The primary objective of the Medium Term Financial Strategy 2018-22 is to show a balanced three year budget. At present further savings or additional revenue funding need to be identified to meet the shortfall shown in 2020-21 and 2021-22 below:

**MTFS Table 6: Provisional medium term financial forecast budget shortfall**

| | 2019-20 £m | 2020-21 £m | 2021-22 £m |
|---|---|---|---|
| Additional cost pressures and forecast reduction in Government grant funding | 83.044 | 81.948 | 67.485 |
| Forecast council tax increase | -20.274 | -11.676 | -15.977 |
| Identified saving proposals and funding increases | -62.769 | -34.961 | -16.740 |
| **Budget shortfall** | **0.000** | **35.311** | **34.767** |

7.2. The Council's revenue budget plans deliver a balanced budget for 2019-20, but a shortfall remains of £35.311m in 2020-21 and £34.767m in 2021-22 (an **overall deficit in the Medium Term Financial Strategy of £70.078m**). The Medium Term Financial Strategy (MTFS) is intended to aid forward planning and help mitigate

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

financial risk. The detailed timetable for the identification of the required savings and future year budget setting is set out in the Revenue Budget report.

7.3. Uncertainty remains around a number of key areas which could impact on the MTFS in future years:

- uncertainty regarding previous one-off funding beyond 2019-20 and in particular the increased use of one-off funding to deliver recurrent services.
- pressure on services from needs led services, in particular relating to adults and children's social care, where the number of service users and the complexity of need continues to increase.
- the level of Dedicated Schools Grant funding provided to deliver High Needs Block SEND provision, and the progress in recovering the deficit position on these budgets;
- the impact of the decision to leave the EU on local government funding and the wider local economy;
- whether the financial demands of ongoing austerity will necessitate changes in the way local services are delivered and organisations are configured as demonstrated by the wider debates about reorganisation taking place across local government;
- the implementation of 75% Retention of Business Rates and the fair funding review by 2020-21, whether there will be any additional responsibilities transferred to Local Government as part of this process, and the level of further funding reductions; and
- further integration of health and social care, including Transforming Care Plans, which aims to move people with learning disabilities, who are currently inpatients within the health service, to community settings.

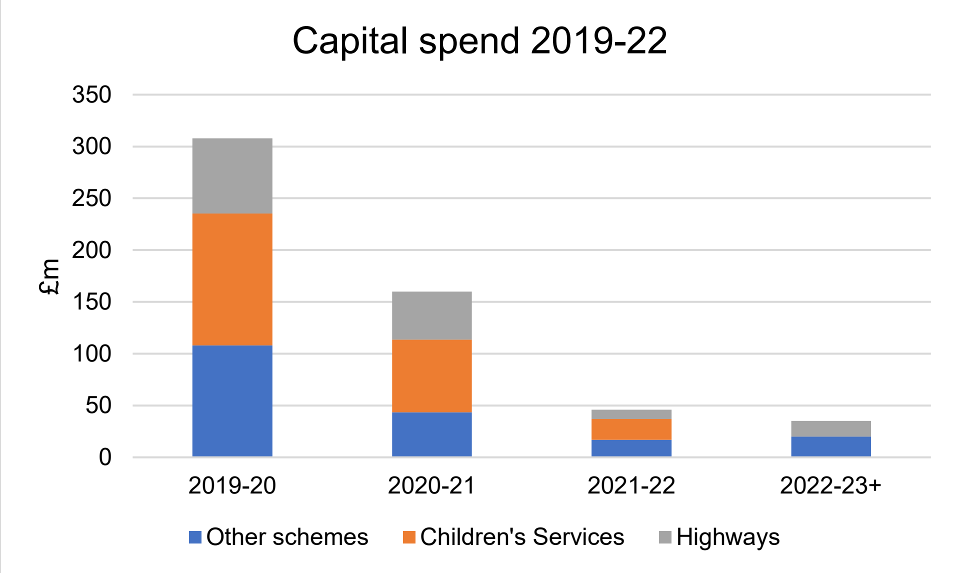
## 8. Capital strategy and budget

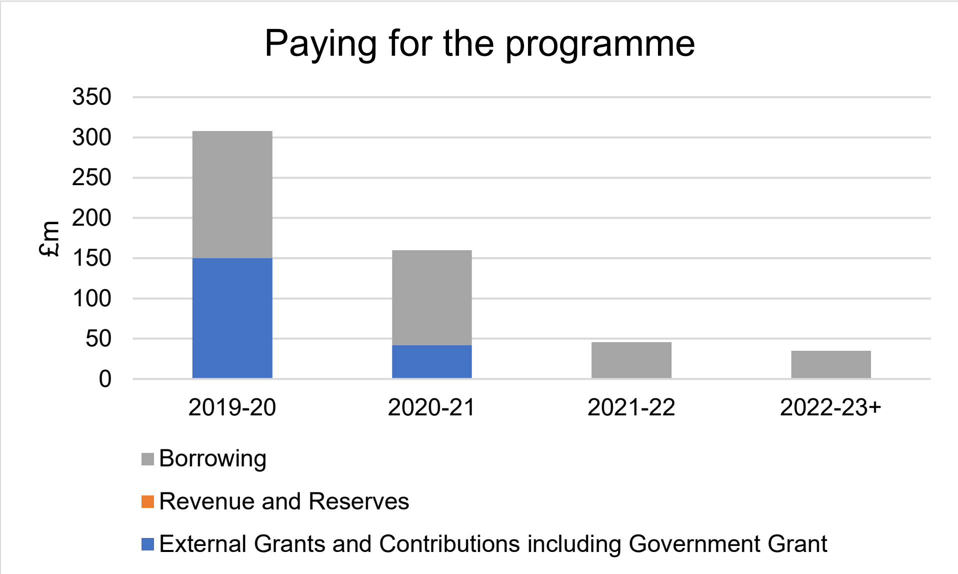
8.1. The Capital Strategy provides a framework for the allocation of resources to support the Council's objectives. The capital strategy is intended to:

- give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability;
- demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

8.2. A proposed capital programme for 2019-22 of £548.592m is included elsewhere on the agenda.

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




8.4. The main use of capital receipts over the next three years will be to apply them directly to the re-payment of debt as it falls due, and to support costs incurred expanding and maintaining the farms estate. Any surplus will either be retained to support future demands and reduce borrowing or to fund transformation projects as permitted under the flexible use of capital receipts strategy. The amount and timing of capital receipts is subject to a great deal of uncertainty, particularly in respect of development land. The programme of potential sales is regularly updated and the latest forecasts suggest that capital receipts of over £23m are anticipated over the next three years, of which £6.0m is forecast to be directly applied to debt repayments.

**County Farms**

8.5. The County Farms Estate is managed in accordance with the policy approved by the Council in October 2017. Following two recent acquisitions, the size of the estate has been maintained in excess of the minimum 16,000 acres as required under the constitution and now extends to 16,888. The Farms Estate generates circa £2.330m annual rent income for the Council and this is projected to rise to £2.345m. After deducting direct landlord's expenditure in maintaining and improving the Estate, and the cost of management, a net contribution of £0.106m is made to the Council's revenue budgets.

8.6. There is a significant backlog of repairs and maintenance across the Estate which is now being addressed. This has a consequent effect on the Estate's ability to make a more substantial revenue contribution. For example, £96,242 has been spent on statutory fixed wire testing and remedial works this financial year. It is anticipated that the majority of the backlog will be cleared in the 2019/20 financial year leading to an enhanced revenue yield.

8.7. A programme of planned improvements is continuing to be implemented, funded both from the Capital Programme for larger schemes and from the trading account for revenue improvement schemes. In 2018-19 the estimated expenditure of capital and revenue improvements amounts to just over £0.709m.

## 9. Summary

9.1. The Medium Term Financial Strategy sets out details of the high level national and local factors which are likely to impact upon the Council's budget planning over the next three years. It provides information about how the Council intends to respond to these challenges and needs to be considered when the County Council makes decisions about the Budget. The Medium Term Financial Strategy in particular provides an overview of the likely implications of 2019-20 budget decisions for the future years 2020-21 to 2021-22, and outlines the potential longer term issues facing the Council, such as (for example) the localisation of business rates.

9.2. The overarching purpose of the Medium Term Financial Strategy is to support the Council in developing balanced budget plans over the three year period, and to support this objective a proposed planning timetable for setting a balanced budget for 2020-21 is included within the 2019-20 Revenue Budget report.

**Findings of public consultation: Council Tax**

# Your views on our proposal to increase council tax by 2.99% in 2019/20

## Respondent information

### Respondent Numbers

There were 157 responses received for this proposal. Of these, 103 people or 65.6% replied as individuals.

| Responding as: | | | |
|---|---|---|---|
| An individual / member of the public | 103 | 65.6% | |
| A family | 44 | 28.0% | |
| On behalf of a voluntary or community group | 1 | 0.6% | |
| On behalf of a statutory organisation | 2 | 1.3% | |
| On behalf of a business | 0 | 0% | |
| A Norfolk County Councillor | 0 | 0% | |
| A district or borough councillor | 0 | 0% | |
| A town or parish councillor | 2 | 1.3% | |
| A Norfolk County Council employee | 3 | 1.9% | |
| Not Answered | 2 | 1.3% | |
| **Total** | **157** | **100%** | |

Of the 157 responses received, the majority (154 or 98.1%) were online submissions to the consultation.

| How we received the responses | | |
|---|---|---|
| Online submission | 154 | 98.1% |
| Email | 3 | 1.9% |
| **Total** | **157** | **100.0%** |

### Responses by groups, organisations and businesses

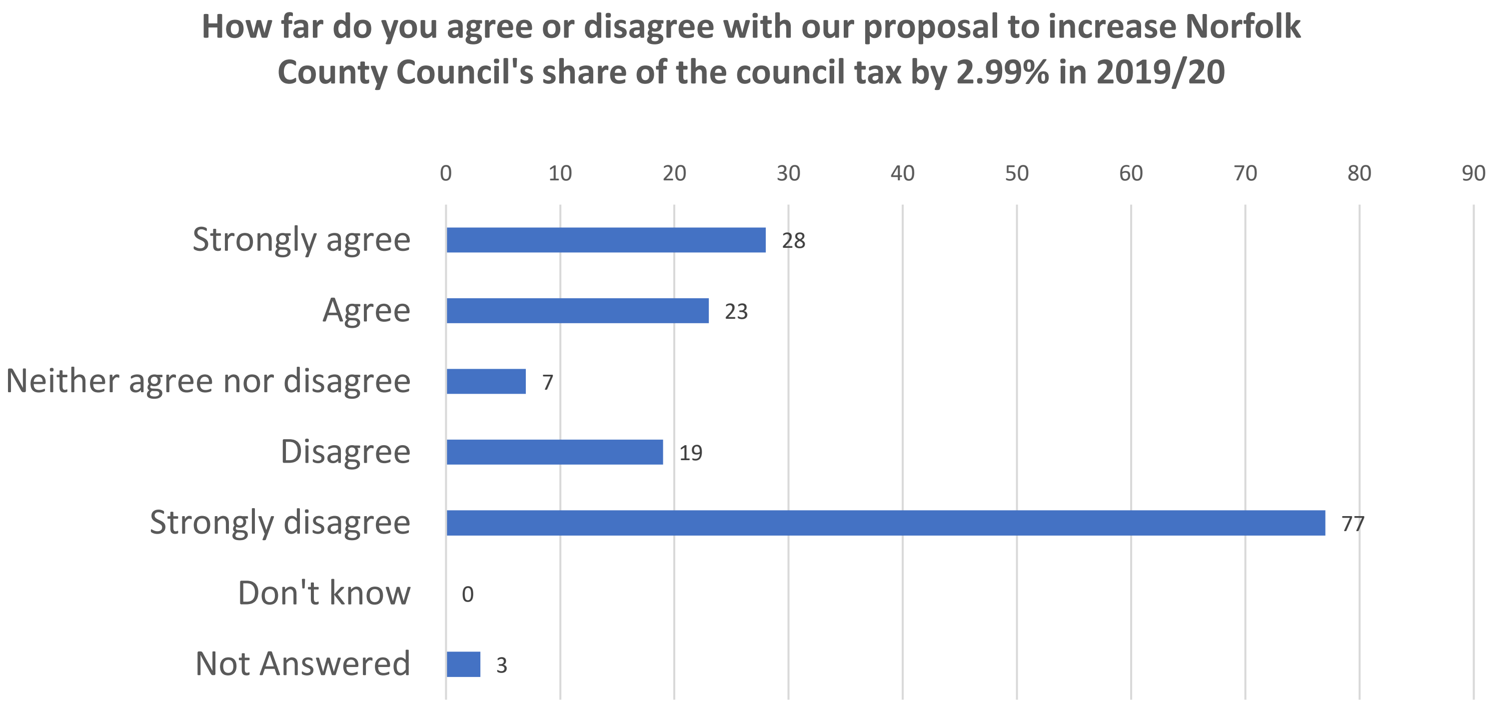
**Three** respondents told us they were responding on *behalf* of a group, organisation or business. The organisations cited were:
- Chedgrave Parish Council
- Norwich Older People’s Forum
- South Norfolk Council

**Findings of public consultation: Council Tax**

## Summary of findings

| Q1: How far do you agree or disagree with our proposal to increase Norfolk County Council's share of the council tax by 2.99% in 2019/20? |
|---|
| We asked how far people agreed or disagreed with our proposal and 154 people responded to this question. Of these:<br>• 28 (18.2%) said they strongly agreed<br>• 23 (14.9%) said they agreed<br>• 7 (4.5%) said they neither agreed nor disagreed<br>• 19 (12.3%) said that they disagreed and<br>• 77 (50%) said that they strongly disagreed |

**Findings of public consultation: Council Tax**




We included an open text box so that people could tell us the reason behind their answer and how, if at all, the proposal would affect them.

Of those strongly agreeing (28) or agreeing (23) with the proposal, people said that they felt that services needed to be protected, especially frontline services and adult social care. People also cited the reduction in government funding and increase demands made on the council. Some of those agreeing felt that the increase was small and would have little impact on taxpayers. Some stated support for local taxes and that it was appropriate for the wider community to contribute where they can.

Of those disagreeing (19) or strongly disagreeing (77) with the proposal, people stated that earnings were not keeping up with increases in council tax and that they felt council tax was already expensive. People commented that they felt they were paying more council tax for fewer services, with some saying they felt they got little back in return for the amount they paid. Several said that council tax keeps increasing, that the proposed increase was above inflation and was unaffordable.

Comments by people who said they **neither agree nor disagree** raised some similar themes. One felt that there was not enough information about what the council tax was going to be spent on in order to come to a decision.

“How is it possible to make a judgement on an increase, whether it is fair, reasonable, justified or not without any detail about what the money will be spent on?”

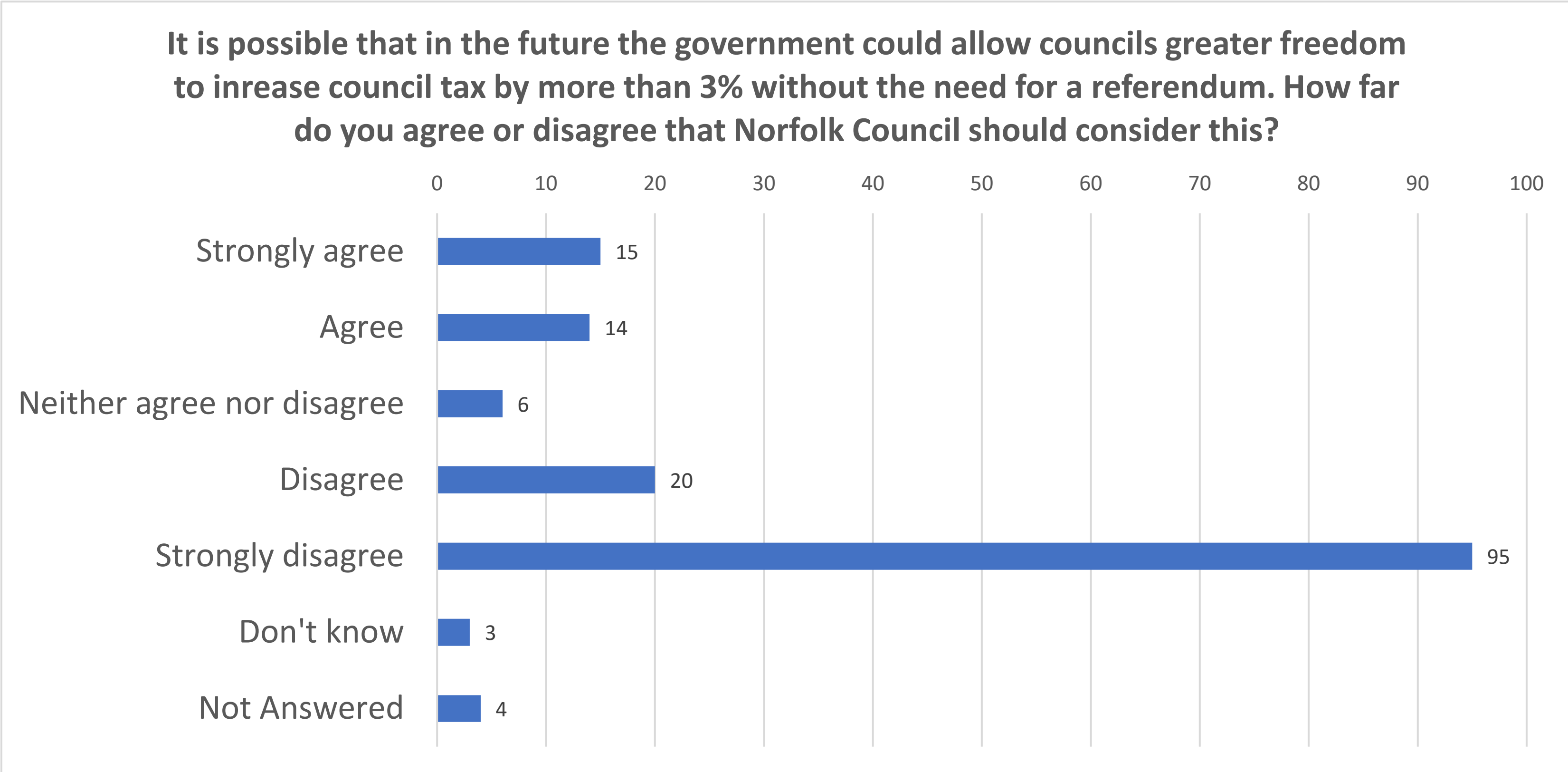
Comments from those who didn’t tick one of the six options and so are shown in the chart above as ‘not answered’ did not reveal any new themes.

## Q2: It is possible that in the future the government could allow councils greater freedom to increase council tax by more than 3% without the need for a referendum. How far do you agree or disagree that Norfolk County Council should consider this?

We asked how far people agreed or disagreed with our proposal and 153 people responded to this question. Of these:

- 15 (9.8%) said they strongly agreed
- 14 (9.2%) said they agreed
- 6 (3.9%) said they neither agreed nor disagreed
- 20 (13.1%) said that they disagreed and
- 95 (62.1%) said that they strongly disagreed
- 3 (2.0%) said they did not know

**Findings of public consultation: Council Tax**




We included an open text box so that people could tell us the reason behind their answer.

Of those strongly agreeing (15) or agreeing (14) that the council should consider any future freedoms to increase council tax, the main reasons given were similar for the reasons people gave to agreeing with our proposal to increase our share of council tax in 2019/20. This included the need to protect services.

**Findings of public consultation: Council Tax**

Of those disagreeing (20) or strongly disagreeing (95) people stated that they felt residents needed to have a say on any larger increases. There was also a concern that the council could exploit council tax payers in order to generate additional income, with some suggesting that there needed to be a cap. Some said they felt that this would signal even bigger increases and that any further increase would be a burden on squeezed families and low earners.

Comments by people who said they **neither agree nor disagree**, **don't know**, or didn't tick one of the six options and so are shown in the chart above as '**not answered',** did not reveal any new themes.

# Findings of public consultation: Council Tax

## Summary of main themes

- Table 1 Analysis of main comments by people who agree/strongly agree with the proposal to increase Norfolk County Council's share of the council tax by 2.99% in 2019/20
- Table 2 Analysis of main comments by people who disagree/strongly disagree with the proposal to increase Norfolk County Council's share of the council tax by 2.99% in 2019/20
- Table 3 Analysis of main comments by people who agree/strongly agree that Norfolk County Council should consider any future government freedoms to increase the council tax by more than 3% without the need for a referendum
- Table 4 Analysis of main comments by people who disagree/strongly disagree that Norfolk County Council should consider any future government freedoms to increase the council tax by more than 3% without the need for a referendum

**Table 1 Analysis of main comments by people who agree/strongly agree with the proposal to increase Norfolk County Council's share of the Council Tax by 2.99% in 2019/20**

| Overall theme | Issues raised | Number of times mentioned | Quotes |
|---|---|---|---|
| Protect services for Norfolk residents | Several agreed with our proposal to increase council tax in order to protect services. | 15 | "Having worked in local government I appreciate the need for more funds to protect frontline services"<br><br>"I think council taxes have to increase to maintain services even though both myself and my husband are on pensions so the increase will impact on us"<br><br>"The services we all use and appreciate need to be paid for" |

| | | | |
|---|---|---|---|
| | Some said it was particularly important to protect Adult Social Care services / other services. | 10 | “We need to robustly finance these services”<br><br>“Our social services and mental health services desperately need more funding. I would select 'strongly agree' if more money was being ringfenced for these services.”<br><br>“Caring for the elderly and other adults is part of what we should all be concerned with. Smaller homes mean that families can no longer care for their elderly in their homes when they become unable to manage their own homes. Provision has to be made across all sectors to provide adequate care. A more joined up system would be welcomed and part of the revenue should be to ensure that this happens”<br><br>“Services for vulnerable people need to be protected, adult social care and children's services in particular need to be able to expand to cover expanding numbers.” |
| Central government funding | Some respondents acknowledged the impact of government funding cuts. | 9 | “With less contributions from central government we need to increase the pot of money so that we do not need to cut back on essential service”<br><br>“I support the provision of strong public services paid for out of public revenue. The current government's philosophy of reducing taxation and limiting the revenue raising powers of councils runs counter to that. Cuts in revenue are causing real degradation to public services, which |

| | | | |
|---|---|---|---|
| | | | damages the fabric of our society, and so I support the raising of taxes to pay for public services."<br><br>"Because central government funding is decreasing and unless we want to see further cuts to services we have to fill the gap somehow" |
| Proposal would have little impact | Some respondents said that the increase was small, and /or they felt it would have little impact. | 8 | "The small yearly increase is worth paying to ensure all services are supported."<br><br>"The increase is small enough that, spread out over the year, it is worth it for the amount of extra money that ought to go towards adult social care."<br><br>"This won't affect me too much. I think that it is a reasonable amount for an important issue. I consider it societies responsibilty to care for more vulnerable individuals." |
| Contributing to local services | A few respondents commented on the wider community contributing to services. | 4 | "Following the governments continued cutting of local government funding raising funds for essential services is paramount, and this should be shared by the wider community who want to live in a great part of the world that Norfolk is."<br><br>"The Council is being asked to do ever more with ever little from central government and we need to fund the services for our community" |

**Findings of public consultation: Council Tax**

| Table 2 Analysis of main comments by people who disagree/strongly disagree with the proposal to increase Norfolk County Council's share of the Council Tax by 2.99% in 2019/20 | | | |
|---|---|---|---|
| **Overall theme** | **Issues raised** | **Number of times mentioned** | **Quotes** |
| Council tax in relation to incomes and inflation | Many people commented that wages were not keeping up with the increase in council tax. | 19 | "All my bills have increased yet my wages have not, I doubt I am in that alone, any further increase in bills just puts more stress on me"<br><br>"At a time when salaries are not keeping place with inflation, this will have an affect on those with lower incomes."<br><br>"these fiogures are ok if i am to get a pay rise at that rate which i will not.so please do NOT bleed us dry."<br><br>"Wages are not increasing as quickly as the council tax rises and this is getting difficult to find the extra money."<br><br>"Wages are not increasing enough to cover all the 'increases' elsewhere. We do not all have endless pockets of money. There are only so many hours a week you can work before you burn out!!!" |
| | Some people also mentioned the effect of any increase on those with a fixed income, such as a pension. | 7 | "I am on a fixed income and will not be seeing my monies increasing by 2.99%."<br><br>"My company pension will increase by 2.4% So should Council Tax which is already too high" |

**Findings of public consultation: Council Tax**

| | | | |
|---|---|---|---|
| | People also commented about inflation in general / cost rises elsewhere. | 12 | "cannot afford to pay my council tax on my pension."<br><br>"My salary hasn't increased in over 4 years, cost of living is increasing and additional Council Tax burden will hurt."<br><br>"Hard to keep on paying extra all the time when my pension does not increase sufficiently to cover this -also bearing in mind that food prices have risen significantly over the year - and utility gas and electric continue to rise as well."<br><br>"All my bills have increased yet my wages have not, I doubt I am in that alone, any further increase in bills just puts more stress on me."<br><br>"Due to increase in costs of bills and living." |
| Cost of council tax | Several people expressed their view that council tax was already expensive.<br><br>People also shared their concern about the amount of council tax continuing to increase. | 18<br><br>13 | "Council tax is far too high. Taxation levels in the UK are at their highest since the 1960s and last year Norfolk County Council presented taxpayers with an increase in excess of 11%."<br><br>"My Council Tax bill is currently the most expensive bill we have to pay in our household."<br><br>"Already pay a substantial amount."<br><br>"Because i pay enough already and would struggle to pay more."<br><br>"Council tax keeps going up but services aren't improving and more cuts are being done..." |

**Findings of public consultation: Council Tax**

| | | | |
|---|---|---|---|
| | | | "Last year my council tax was increased by 6% so its ok for you to keep increasing this Tax every year and us the general public just have to take it on the pocket"<br><br>"the council tax is going up by far to much every year"<br><br>"You have raised council tax by nearly 6 per cent for the last two years including a sizeable expenses increase for yourselves" |
| Affordability | People told us the felt that people could not afford to pay the council tax / proposed increase.<br><br>People also talked about family incomes being 'squeezed'. | 14<br><br>7 | "A 2.99% increase would mean my rent arrears would escalate, the likelihood of my family's eviction and homelessness increase significantly. I would visit food banks more often for food. I wouldn't be able to heat my home sufficiently and my children's health and welfare would suffer."<br><br>"This council tax rise will mean that I can't afford to live in my house and force me to move my family."<br><br>"We do not have spare funds in our household to fund this"<br><br>"with 8 yrs of austerity i see no reason to hit low wage families with more price hikes. they simply cannot afford it."<br><br>"Council tax increases are well above rises in earnings. The squeeze on the working population is becoming intollerable." |

**Findings of public consultation: Council Tax**

| | | | |
|---|---|---|---|
| | There was some concern about the impact the proposal would have on low earners. | 6 | “People have been hit hard enough by the government. It's one thing crippling our public services. Like education and are amazing healthcare service. Now they are hitting our pockets too”<br><br>“I think that the council tax is far too much money at the moment when you have young people like me working hard to earn the money to live, and we’re struggling. It’s great that you try to help vulnerable people, but hard working people are vulnerable too and I feel we do not get credit for essentially paying to help other people”<br><br>“Raising the council tax would place me in poverty. I work full time and barely earn enough to pay all of my bills as it is” |
| Value for money | Several people commented that whilst council tax was increasing they felt they were receiving fewer services. | 16 | “We pay enough council tax as it is and see nothing for our money! When weveant the police there are none available because of cutts, when walking home in the night we have no street lamps as they are turned off and also the bins reduced to every other week plus public toilets shut! yet people high up can get a payrise!”<br><br>“You already ask a lot and I never see any relevant improvements in the council<br>For many the council tax charge is the highest bill they have to fund and we are paying a lot more money for less and less services.” |

**Findings of public consultation: Council Tax**

| | | | |
|---|---|---|---|
| | | | "I feel we pay a large amount as it is with very little change or improvement in the services we expect the money to go to. If anything, in our area, it's becoming more common to see cuts in the services we want and need while money is spent on things we not only don't want, but it will not be beneficial in any way."<br><br>"We see more and more cuts to services yet then we are asked for more of are cash." |
| | In particular, people made reference to the costs of disposing of DIY waste at household waste recycling centres. | 8 | "Council tax continues to rise & services continue to be cut. Stop charging at recycling centres when we have always had this service provided in the past as part of our council tax. Just one example"<br><br>"As the payers, we do not see any more for our money that 10 yrs ago or even 20!<br>Infact you've taken things away, such as using the tip!"<br><br>"Introducing charging for recycling is just one example where the consequences were not considered and costs increased elsewhere due to "fly tipping"." |
| | Others referred to the lack of streetlights as an issue. | 5 | "We live in a small rural village and pay market rate council tax for our house. We have no facilities in our village, no play park or family facilities. We have no street lights. Apart from having our bins emptied* we fail to see what we get for our council tax" |

**Findings of public consultation: Council Tax**

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|---|---|---|---|
| | A few said that they did not use council services. | 3 | "The streets are dirty, crime is up, poverty and food bank use is up drastically, wages in real terms are going down, we have no street lights where we live, unsafe trees which Norfolk highways and victory housing have been told need removing 2 years ago are still there. fly tipping is up because of fees at the recycling centre, we clear bags of rubbish away every week, erratic general waste collection"<br><br>"For me personally I am being asked to pay for additional services which I will not benefit from and we already have a poor infrastructure in terms of connectivity and services." |
| Reduce staff, pay and conditions and councillor expenses | Some people felt that the council should cut the number of staff and reduce pay and conditions, particularly of senior officers.<br><br>People also referred to councillors expenses. | 11<br><br>6 | "It is not reasonable to continuously increase the council tax without actually reducing your staff. The number at of staff at county hall can be reduced further and greater efficiency savings found, this should be done first"<br><br>"pay cap on council staff, no more sub contractors, bring in house workers."<br><br>"You claim you need more money for services, are you sure it's not just so council executives can increase their already over inflated pay packets"<br><br>"if finances are 'tight' why did you vote yourselves an above inflation expenses increase"<br><br>"Councillors gave themselves large pay rises and claim the maximum amount of expenses they can. Why not cut some of this from your budget and |

**Findings of public consultation: Council Tax**

| | | | |
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| | | | allow households more income to invest in the local economy?” |
| Efficiency and waste | People called on the council to save money by being more efficient. | 7 | “Whilst you state that there have been efficiency savings there are still significant savings to me made in the back office areas. You need a long hard honest look at these and then you will realise that the rhetoric about service needs is just protecting jobs of council workers. You need to make these cuts before you even consider raising council taxes.”<br><br>“There are more significant changes that can be made within the council in terms of greater collaboration between public sectors, reduction in office buildings, reduction in staff by collaboration with other services and sharing of functions such as HR etc.”<br><br>“NCC are still overspending on services” |
| | Some people named areas where they thought that the council had been wasteful. | 7 | “Norfolk CC is wasting money unnecessarily by removing children from families for no reason. The resulting huge court and legal costs are bankrupting citizens. This wastage must stop first, before any increase is permitted”<br><br>“I also hate that the council seem to waste money given to them when they should focus more on things that actually need improving.”<br><br>“While I appreciate that you are not getting the money from Gov you used to get perhaps you should review the wasted money paid to |

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| | | | consultants and the very high salaries paid to your managers.” |
| Reduce services | Some called for the council to reduce services / cut spending rather than increase council tax. | 5 | “Cut back on services you arent not legally required to provide and then staffing costs etc!!”<br><br>“Please, I beg you to think again. Cut spending. My cupboards are empty. My family are penniless.” |
| Fairness | Some stated that they felt the proposed increase would be unfair. | 5 | “While I sympathise with the financial constraints placed on the Council these are the result of cuts from central Government. We have a Government that is shifting tax from progressive taxes to non-progressive taxes (i.e. Council tax) while claiming to be reducing the tax bill for all. Another example of spin that is making for a less fair society, reducing the tax burden on the wealthy and shifting it to those on lower incomes.”<br><br>“Adding more financial strain to families is unfair.” |

**Table 3 Analysis of main comments by people who agree/strongly agree that Norfolk County Council should consider any future government freedoms to increase the council tax by more than 3% without the need for a referendum**

| Overall theme | Issues raised | Number of times mentioned | Quotes |
|---|---|---|---|
| Protect services for Norfolk residents | Several agreed with that the council should consider any future freedoms to increae council tax in order to protect services. | 8 | “I do not want to see further cuts in services”<br><br>“I believe that local services are vital for the people living in the County. It is worth the increase in order to keep services available and feel that local services should be at least maintained at present |

| | | | |
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| | | | level if not bettered and that if this requires more funding using more Council Tax to do this” |
| Central government funding | Some respondents acknowledged the impact of government funding cuts. | 3 | “Central government has stripped funding, money has to come from somewhere”<br><br>“Increases beyond that are still unfortunately necessary when councils are faced with increased demands and reduced support from Central Government” |

| Table 4 Analysis of main comments by people who disagree/strongly disagree that Norfolk County Council should consider any future government freedoms to increase the council tax by more than 3% without the need for a referendum | | | |
|---|---|---|---|
| **Overall theme** | **Issues raised** | **Number of times mentioned** | **Quotes** |
| Engagement | Several said that residents needed to have a say on any larger increases. | 16 | “The public should get a say of how much of our hard earned money the council want with the little we see in return”<br><br>“If you expect residents to pay you have to ask”<br><br>“should give the paying public the right to say and see the reasons behind proposed changes”<br><br>“Families are struggling to make ends meet and freedom to continually increase the council charges without consulting the public that it impacts is unsafe and unfair. Openness and transparency is of utmost importance.” |

**Findings of public consultation: Council Tax**

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| Council tax in relation to incomes and inflation | Several people commented that wages were not keeping up with the increase in council tax. | 13 | "Because wages haven't gone up online with increased in council tax"<br><br>"We must have support from residents, therefore dictating significant rises to people on lowing incomes and not receiving cost of living pay rises sends wrong messages." |
| | People also commented about inflation in general / cost rises elsewhere. | 6 | "Wages don't inflate like this, it'll be less money in already struggling pockets of families"<br><br>"Difficult to keep up with ever rising cost of living"<br><br>"As above, the working population are being squeezed and squeezed, real incomes are decreasing. It's hardly worth working any more." |
| Using council tax to generate more income than necessary | Some expressed concern that the council could exploit council tax payers in order to generate additional income. | 11 | "Even when the Government imposed cap was in place the Police Precept went up and up yet if you are not at Bethel Street you would think they are hiding police officers as you never seem to see them. Therefore why should there be a trust in restraint by the Council. Look at salaries and vanity projects and be more commercial instead of treating Council Tax payers as a cash cow,"<br><br>"There would be no stopping NCC of raising tax, you wouldn't need to keep check on your savings"<br><br>"It's a terrible idea to even consider such a large increase. Yet again an excuse to take more money from people who don't have it to spare." |

**Findings of public consultation: Council Tax**

| | | | |
|---|---|---|---|
| Affordability | People talked about family incomes being 'squeezed'. | 11 | "We struggle to pay it as it is band b. This increase would add to my stress and anxiety and no doubt affect my ability to work and therefore my ability to pay"<br><br>"Services in this part of the county are poor and pensioners already stretched." |
| | People told us the felt that people could not afford to pay the council tax / any further increases. | 9 | "I'm all ready in debt with my council tax and if raised further, which bill do I not pay in order to pay the council tax, the electric, water rates, tv licence - you tell me?"<br><br>"We do not have the funds as a family to support this"<br><br>"The council tax will rise so much that we can't afford to pay it." |
| | There was some concern about the impact any increased council tax would have on low earners. | 6 | "There are a lot of people in this county that already struggle with poverty and those that are on the verge of it. Would the council be happy to push them into it with extortionate price hikes whist still cutting services and still taking wage increases?"<br><br>"Any increase in council tax hurts the poor more than the wealthy. Large increases in council tax, such as the proposed 2.99% increase, are self destructive. The less money the people have after paying their bills (including council tax) the more likely they will need financial support from the council in the long term (for example, no savings |

**Findings of public consultation: Council Tax**

| | | | |
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| | | | and subsidies from the council for social care costs in old age)." |
| Reduce staff, pay and conditions and councillor expenses | Some people felt that the council should cut the number of staff and reduce pay and conditions, particularly of senior officers. | 9 | "I don't mind paying council tax for important public services including looking after the old/disabled/vulnerable members of society but I begrudge paying taxes for non-jobs at the council and an ineffective police force."<br>"Because the county council will take from everyone and pay their workers very well until normal people are struggling to keep up their houses that they spend no time in as they are working so much!" |
| | People also referred to councillors expenses. | 5 | "Freeze councillors pay and use this money to keep council tax as low as possible." |
| Value for money | Several people commented that whilst council tax was increasing they felt they were receiving fewer services. | 9 | "Where are we suppose to get our rise in income. Services are getting worse even though you get this increase." |
| Efficiency and waste | People called on the council to save money by being more efficient. | 8 | "I would have concerns that the tendency would always be to raise taxes without such rigorous efficiency savings being attempted."<br><br>"… stop overpaying for everything, get business minded people running things instead of the idiots who make it rain with public money." |
| Limiting the amount of council tax increase | Some called for there to be a cap /upper limit to the amount of council tax increase. | 8 | "There should be a cap on the amount raised. We do not disagree with raising the amount but not without a limit." |

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| | | | "I think any more than 3% starts to have a greater impact, particularly for people on low incomes so you shouldn't be allowed to just up it by whatever you want"<br><br>"To allow councils the right to raise bills above 3% without a system in place to check the reasonableness of their request would only encourage thoughtless spending by each department as they would know that regardless of their inability to manage their budgets they could simply ask the public to pay more." |
| Cost of council tax | Some people expressed their view that council tax was already expensive. | 7 | "You have taken enough" |
| Large council tax increases | Some expressed concern that greater freedoms to increase council tax would result in much larger council tax increases. | 6 | "If councils have freedom to do this they could up it by 50% or 100% if they really wanted to."<br><br>"If this were to be allowed then council tax rises could be limitless and could lead to a return of council inefficiencies." |

## Other information

| **Other information relevant to the consultation** |
|---|
| Organisations responding expressed the following views not captured elsewhere in this summary:<br><br>- The council was asked for their support in promoting the District Council's Network's call for a 3% prevention precept for district councils in order to recognise the role that district councils play in prevention. |

**Findings of public consultation: Council Tax**

- The council was asked to ensure that any savings and cuts do not impact negatively or cause any pressures on services provided by the wider public-sector system.

- That the council should lobby the government for money for local authorities and for the government to maintain the Revenue Support Grant.

- One organisation called for an increase in line with inflation, disagreeing strongly with the proposed 2.99% increase on the basis that local issues, in particular highways matters, were not being addressed.

We received a few comments about the consultation materials and process and in general.

"You are gaming the system!
2.99 is so obviously manipulated to stay within the referendum limit it makes the whole budget consultation process a farce. There is zero credibility in this proposed increase which means you are not financially trustworthy."

"A rise is inevitable. Nothing I say will make any difference."

## Feedback received outside of the consultation period

**Feedback received outside of the consultation period on our proposal to change our Adult Social Care charging policy**

We received 34 responses outside of the consultation period. Of those who answered the question about our proposal to use different rates of minimum income guarantee 1 strongly agreed, 3 agreed, 2 neither agreed not disagreed, 5 disagreed, 16 strongly disagreed and 2 did not know.

When it came those responding to the question about our proposal to take Personal Independence Payments into account, 1 strongly agreed, 2 agreed, 1 neither agreed nor disagreed, 5 disagreed, 17 strongly disagreed and 3 did not know.

The key issues and concerns closely matched those responding during the formal consultation period, as did the impacts that people listed such as increased costs, decreased wellbeing and potential for people to reduce their care. The impact on carers also featured, with comments such as:

**Findings of public consultation: Council Tax**

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| "People are only getting a minimum amount of care as it is. Losing money will mean they will cut care payments to carers. Therefore more strain on relatives that will make them ill, therefore more actual care needed."<br><br>Of those responding to our question on what extra support people felt they would need, 3 said 'Help to find work', 11 said 'Help with claiming benefits' 6 said help with managing money and 3 selected 'other'.<br><br>People also commented on both the consultation materials and the consultation process:<br>" …targeting the vulnerable and not telling them what is going to happen to them or what the future holds in an appropriate timescale with visiting social workers on a one to one basis is wrong." |

**Appendix J produced by Stakeholder Team**
**ConsultationTeam@norfolk.gov.uk**

# Policy and Resources Committee

**Item No 10**

| | |
|---|---|
| **Report title:** | **Capital strategy and programme 2019-20** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services** |
| **Strategic impact**<br>This report presents the proposed capital strategy and programme and includes information on the funding available to support the programme. | |

## Executive summary

Summary

The attached report presents the proposed capital strategy and programme for 2019-22 and includes information on the funding available to support the programme.

**Members are recommended to:**

- **note capital grant settlements summarised in Section 4;**
- **note the estimated capital receipts to be generated, subject to market conditions, over the next three years to support schemes not funded from other sources, as set out in Table 5;**
- **agree the Capital Strategy at Appendix A as a framework for the prioritisation and continued development of the Council's capital programme;**
- **agree the proposed 2019-22+ capital programme of £548.592m**
- **refer the programme to the County Council for approval, including the new and extended capital schemes outlined in Appendix D;**
- **recommend to County Council the Council's Flexible Use of Capital Receipts Strategy for 2019-20 to 2021-22 as set out in Section 5.**

## 1. Introduction

1.1 The attached report introduces the proposed capital programme for 2019-22.

1.2 The proposed programme consists of two elements – schemes included in the current programme and new schemes funded through borrowing, capital receipts or grants and other anticipated contributions from third parties.

1.3 The programme is supported by a prioritisation model to guide the best use of resources.

1.4 The size of the capital programme reflects capital grant settlements, forecast capital receipts, other external and internal funding sources and proposed borrowing as set out in the attached Annex.

1.5 The Council’s ability to prudentially borrow to fund future schemes is limited by the budgetary pressures which the Council continues to face. Information regarding the revenue implications of prudential borrowing is provided in Section 6.

## 2. Evidence

The attached Annex summarises the development of the proposed capital programme, including proposed new schemes, and a summary of forecast capital receipts.

## 3. Financial Implications

3.1. The financial impacts of the proposed capital programme including expenditure, funding, financing and the impact on future revenue budgets are dealt with in detail in Sections 3 to 6 of the attached Annex.

## 4. Issues, risks and innovation

### Risk implications

4.1 There is a long-term risk to the Council’s ability to deliver services without sufficient investment in maintaining its assets. To mitigate this, the capital programme is aligned to the Council’s asset management plans and property client function ensuring that assets are well-maintained or disposed of if surplus to requirements.

4.2 The programme requires regular monitoring, management and budgetary control to deliver schemes on time and within budget. This is addressed through regular capital finance monitoring reports which are reported to Policy and Resources Committee.

4.3 The capital programme is set on the basis of best estimates of cost. Through good procurement practice, the Council will continue where possible to manage down the costs of capital schemes, and to minimise the need to borrow.

4.5 There is a risk that anticipated grants and other third-party contributions will not be received for reasons out of the authority’s control. In these circumstances, the programme will be amended to reflect the reduced funding.

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

## 5. Background

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

5.2 Most schemes are prioritised within the two major capital programme areas of transport and schools, with corporate property, Adult Social Care, IT and loans to subsidiary companies also important themes.

5.3 Schemes are considered by the appropriate team to ensure that the capital programme integrates with business and service planning, with revenue implications taken into account. Highways schemes are prioritised within CES and presented in detail to the EDT committee. Schools schemes are prioritised through the Children's Services Capital Priorities Group. Property schemes are co-ordinated through the Council's Corporate Property team are reported to the Business and Property Committee.

5.4 Schemes not covered by the major headings above are developed by the relevant chief officer, and where corporate funding is required are considered by the Executive Director of Finance and Commercial Services, who considers the overall affordability of the programme.

5.5 The Council's overall year capital programme is formed by bringing the various capital programmes together, and ensuing that sufficient funding is available before seeking Council approval.

5.6 This report sets out the proposed capital programme for 2019-22. It is supported by a strategy aimed at securing a structured, affordable and prioritised approach for the development of future years' capital programmes.

## Officer Contact

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


| Name | Telephone Number | Email address |
|---|---|---|
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**Annex**

# Norfolk County Council

## Capital strategy and programme 2019-22

Report by the Executive Director of Finance and Commercial Services

### 1. Background and introduction

#### 1.1. Introduction

1.1.1. This report introduces the proposed overall capital programme for 2019-22 for consideration by Policy and Resources Committee and, subject to resulting recommendations or amendments, for approval to the County Council.

1.1.2. The proposed programme consists of two elements – schemes included in the current programme and new schemes funded through borrowing, capital receipts when available, or grants and contributions from third parties.

1.1.3. The size of the capital programme reflects capital grant settlements that have been announced by central government, forecast capital receipts, other external and internal funding sources and proposed borrowing as set out in this report.

1.1.4. The Council pays from future revenue budgets the interest and repayment costs of the borrowing.

#### 1.2. Autumn Budget 2018

1.2.1. The Autumn Budget 2018 published 29 October 2018 contained little relating specifically to Norfolk, unlike last year when the Government announced that it will contribute £98m to support the Third River Crossing in Great Yarmouth.

1.2.2. The government announced that it is “delivering the largest ever strategic roads investment package including £420 million allocated to local authorities in 2018-19 “to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe”. Norfolk has since received £12m of this funding. Other proposals relating to housing, the planning process and developer contributions may likely to affect County Council’s directly or indirectly.

1.2.3. While overall capital expenditure is expected to increase, the MHCLG Local Government Capital Departmental Expenditure Limit (Capital DEL) shows no increase over the period to 2021-22. The equivalent figure for transport, including rail, is rising, but for Education is falling.

1.2.4. The provisional Local Government Settlement statement 13 December 2018 contained few references to capital. The Secretary of State did note his concerns about a few authorities though who are undertaking significant amount of borrowing for commercial purposes, exposing themselves and their local taxpayers to financial risks. Given the limited level of non-treasury investments in this programme, any restrictions put in place are not likely to affect Norfolk’s capital investments.

## 1.3. National Infrastructure Delivery Plan 2016 to 2021

1.3.1. A National Infrastructure Delivery Plan was published in March 2016. A key project included the Northern Distributor Road. Norfolk residents may also benefit from a new river crossing in Lowestoft, improvements being made to the A14 between Cambridge and Huntingdon, and improvements to road links between Cambridge and Oxford.

## 1.4. Local joint working

1.4.1. Norfolk County Council works with a number of other authorities and bodies in the development of capital and infrastructure projects and investments.

1.4.2. This has increased further with the development of the "One Public Estate" programme. The Norfolk One Public Estate partnership and its associated programme remain well established within the National programme, having successfully bid for feasibility revenue funding for projects in 2014, 2016 and 2017. The National programme is now in its 2018 revenue funding bidding round, with the outcome expected in February 2019. Norfolk County Council is an active partner within the Norfolk One Public Estate. Whilst it is not directly leading on any of the current OPE funded projects Norfolk County Council is an active partner. Whilst the OPE funding provides feasibility funding, where the projects are proved viable there is a need for the engaged partners to provide the Capital funding necessary for project delivery.

1.4.3. Examples of current joint working include:

The Council works closely with the **New Anglia LEP**, which has resulted in the LEPs direct financial support for projects including the NDR and the Norwich International Aviation Academy, and joint working which has resulted in the £98m government support available for the Great Yarmouth Third River Crossing.

The Council is working with Norwich City Council to explore ways of redeveloping the **Norwich Airport Industrial Estate**.

The **Norfolk Joint Museums Committee** consists of representatives from district councils and the County Council. The Norfolk Museums Service is run by Norfolk County Council with capital schemes managed and reported as part of the Council's financial monitoring. The Norwich Caste Keep project is a nationally significant £13m scheme which will see the Keep reimagined and reinterpreted by 2020.

Norfolk County Council, in partnership with Norwich, Broadland and South Norfolk is one of 12 Cities areas to be shortlisted to be eligible for a share of £1.2bn of **Transforming Cities** funding. The DfT has made available an initial allocation (Tranche 1) of £60m for the delivery of transport schemes in 2019/20 that all Cities can access through a competitive submission of business cases. The County Council will be submitting a number of bids for Tranche 1 that have been approved by EDT committee. The Council is expecting further guidance on how to access Tranche 2 funding, but it is anticipated that it will require local contributions.

## 2. The Proposed Capital Programme 2019-22+

### 2.1. Background

2.1.1. The capital programme for 2018-21 was agreed by the County Council in February 2018. This was prepared using information from the Government on known and forecast funding levels available at that time.

2.1.2. This capital programme has been updated through the year to include the latest estimates of funding available to the Council and schemes added to the programme during the year. Further information on external funding is included in Section 4.

2.1.3. The proposed capital programme is underpinned by a Capital Strategy (Appendix A to this report) and schemes are scored against priorities (Appendix B).

2.1.4. The 2019-22 programme reflects all amounts re-profiled up to and including month 8 (November) and significant changes made in month 9 (December). All re-profiling is reported to the Policy and Resources Committee.

2.1.5. The new capital programme reflects known government grant settlements for 2018-19 and beyond. The programme also sets out the necessary borrowing to be approved in order to provide sufficient funding for approved schemes.

2.1.6. A schedule of existing schemes included in the on-going capital programme is attached at Appendix C to this Annex, with new schemes listed in Appendix D.

2.1.7. Particular attention should be drawn to those schemes which are to be funded from borrowing and capital receipts. The budget proposals provide for the direct use of capital receipts for the repayment of debt. As a result, there will be very limited capital receipts available to support new capital expenditure. An analysis of receipts and their proposed use is included in Section 4.

## 2.2. The Existing Programme

The value of existing schemes brought forward into the new programme are shown in the table below. These figures are based on period 8 financial monitoring (December monitoring based on the position as at 30 November 2018) and will vary through to 1 April 2019 as schemes are accelerated or delayed.

**Table 1: Existing programme, excluding proposed new schemes**

| **Service** | 2019-20 £m | 2020-21 £m | 2021-22 £m | | **Total £m** |
|---|---|---|---|---|---|
| Adult Social Care | 10.105 | 4.904 | - | | 15.009 |
| Children's Services | 91.698 | 9.822 | - | | 101.520 |
| CES Highways | 57.220 | 36.715 | 1.317 | | 95.252 |
| CES Other | 33.870 | 11.244 | 5.000 | | 50.114 |
| Finance and Comm. Servs | 27.758 | 4.452 | - | | 32.210 |
| **Total** | **220.652** | **67.137** | **6.317** | | **294.105** |

## 2.3. New schemes

Schemes not included in previous capital programmes will result in the following additions to the capital programme subject to approval:

**Table 2: Proposed investment in new schemes**

| **Service** | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23+ £m | **Total** |
|---|---|---|---|---|---|
| Adult Social Care | 3.000 | 3.000 | 3.000 | 20.000 | **29.000** |
| Children's Services | 35.530 | 60.200 | 20.000 | - | **115.730** |
| CES Highways | 15.321 | 9.614 | 7.566 | 15.000 | **47.501** |
| CES Other | 7.848 | 7.698 | 6.304 | - | **21.850** |
| Finance and Comm. Servs | 25.508 | 12.232 | 2.666 | - | **40.406** |
| **Total** | **87.207** | **92.744** | **39.536** | **35.000** | **254.487** |

## 2.4. The Total Proposed Capital Programme (existing and new)

The full Capital Programme for 2019-22, combining existing and proposed schemes, is summarised in the following table.

**Table 3: Proposed Total Capital Programme**

| **Service** | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23+ £m | **Total £m** |
|---|---|---|---|---|---|
| Adult Social Care | 13.105 | 7.904 | 3.000 | 20.000 | **44.009** |
| Children's Services | 127.228 | 70.022 | 20.000 | - | **217.250** |
| CES Highways | 72.541 | 46.329 | 8.883 | 15.000 | **142.753** |
| CES Other | 41.718 | 18.942 | 11.304 | - | **71.964** |
| Finance and Comm. Servs | 53.266 | 16.684 | 2.666 | - | **72.616** |
| **Total** | **307.859** | **159.881** | **45.853** | **35.000** | **548.592** |

**Note: tables on this page may be subject to small rounding differences**

2.5. The existing programme includes on-going schemes, and new schemes approved in-year:

**Major programmes and schemes, for example**

- Schools basic need and capital maintenance
- Transport new schemes and capital maintenance
- Better Broadband for Norfolk

Where additional funding for existing capital programmes have been received during the current financial year, they have been added to the programme, with all changes reported to Policy and Resources Committee through the year.

**Schemes and virements approved during 2018-19 include**

- Purchase of farm land at Halvergate: £1.686m;
- Automation of manual HR processes: £0.150m;
- Capital loan to Norse Care Ltd, for the refurbishment of a care home for the elderly focussing on dementia care: £3m;
- Underwriting the acquisition of acquisition of leases on priority sites at the Great Yarmouth Energy Park: £2.75m;
- Farms capital projects: £0.450m;
- Borrowing to replace schools revenue contributions to capital schemes £2m;
- HR & Finance Systems Replacement discovery phase: £0.530m;
- Capitalisation of highways costs previously funded through revenue budgets: £1.5m.
- Living Well – Homes for Norfolk - capital investment of up to £29m was approved to accelerate the development of extra care housing in Norfolk: this is added to the "new schemes" in this report.
- Transforming the System for Special Educational Needs and Disability (SEND) in Norfolk Phase 1 and 2 –£4.8m allocated to 2018-19.

The full summary of schemes in the existing programme can be found in Appendix C.

2.6. The existing and future programme contains the following major new multi-year schemes approved during 2018-19

**Major multi-year schemes approved during 2018-19**

- **Living Well - Homes for Norfolk:** On 29 October Policy and Resources Committee approved capital investment of up to £29m over 10 years to accelerate the development of extra care housing in Norfolk
- **Transforming the System for Special Educational Needs and Disability (SEND) in Norfolk Phase 1:** On 29 October 2018, Policy and Resources Committee approved £100m for a scheme for the creation of new specialist SEND provision over 3 years.
- **Transforming the System for SEND in Norfolk Phase 2:** A further estimated £20million for associated residential / outreach and early intervention services, including Preparing for Adult Life was also approved by P&R Committee 29 October 2018**.**
- **Great Yarmouth 3rd River Crossing:** On 15 October 2018 County Council approved the addition of £120.653m to the capital programme for the construction of the Great Yarmouth 3rd River Crossing. Within this is £20.565m of costs underwritten by prudential borrowing.

2.7. New schemes proposed for addition to the capital programmes include:

**Capitalisation of works previously funded from revenue budgets:**

- Capitalisation of highways capital maintenance works, including footways, drainage and bridges
- Capitalisation of Norfolk Infrastructure development costs

**Examples of new projects requiring borrowing or unallocated capital receipts:**

- Development of the Norwich Western Link project and residual “part 1” claims relating to the NDR.
- Capital investment to enhance the network of household waste recycling centres
- Community, Information and Learning capital improvements to customer services and Wensum Lodge
- Various Fire schemes, including station enhancements and capital maintenance, and the red fleet replacement programme.
- Scottow Enterprise Park expansion including new office and workshop space
- Property maintenance and improvements, including refurbishment works to various buildings to allow rationalisation of NCC office accommodation, as well as a programme of capital maintenance and improvements at County Hall.

**Capital loan facilities to be approved in advance consistent with the Council’s proposed investment strategy:**

- Additional capital loan facilities for the Council’s wholly-owned companies, subject to business planning and due diligence.
- Potential capital loan to housing association to develop Extra Care housing on Council owned land, subject to due diligence.

**New schemes (grant funded) not requiring additional borrowing**

- Highways new DfT grants not already included in the programme

Details of all the new schemes above are given in Appendix D.

2.8. Last year funding relating to the Highways 3-year capital programme was added to the overall capital programme. As a result, major known funding sources (eg structural maintenance grants) are already in the programme for 2019-20 and 2020-21. Other external funding will be added to the programme as and when secured.

2.9. The prioritisation system used to rank schemes in accordance with good practice, and to provide a firm basis for including unfunded/unsupported schemes, is summarised in Appendix 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. For the purpose of the table below, it is assumed that future capital receipts will be applied to the direct re-payment of debt or the flexible use of capital receipts, rather than funding the capital programme.

3.3. Proposed new schemes will result in an additional £254.487m of new borrowing over the period of the programme, subject to alternative sources of funding becoming available, resulting in a total borrowing need of £356.434m to fund the proposals. This amounts to a considerable investment and is a reflection on the decreasing levels of central government capital grant, combined with increasing pressures on the revenue budget.

3.4. The funding of the proposed programme is set out in the table below:

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

| **Funding Source** | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23+ £m | **Total £m** |
|---|---|---|---|---|---|
| External Grants and Contributions including Government grants | 149.886 | 42.272 | - | - | **192.158** |
| Revenue and Reserves | - | - | - | - | **-** |
| Capital receipts | - | - | - | - | **-** |
| Borrowing | 157.973 | 117.609 | 45.853 | 35.000 | **356.434** |
| **Total** | **307.859** | **159.881** | **45.853** | **35.000** | **548.592** |

**Note: this table may be subject to small rounding differences**

3.5. Grants and contributions funding the 2019+ programme include grants received or announced in previous years, not yet spent. Non-government external funding is primarily from developer contributions relating to highways and schools schemes around new developments. Most external grants are received from the government Departments for Transport and Education.

3.6. The provisional 2019-20 local government finance settlement published in December 2018 makes no direct reference to capital funding.

3.7. The Department for Education has used the same method for calculating school condition funding (including Devolved Formula Capital and School Condition Allocations) from 2015-16 to 2018-19. The method is being reviewed for 2019-20.

3.8. Norfolk's Basic Need allocation for 2019-20 of £25.732m for Norfolk, was confirmed by the Education and Skills Funding Agency in 2017-18 and is already incorporated into the capital programme. The biennial nature of basic need funding over recent years means that the allocation for 2020-21 is nil. In addition 2019-20 is the second of three years in which SEN sufficiency capital funding of £0.908m will be received.

3.9. As shown in the Highways Capital Programme and Transport Asset Management Plan report to the 18 January 2019 Environment, Development and Transport Committee, funding from the Department for Transport (DfT) for both Structural Maintenance and Integrated Transport Block grants is still broadly based upon the 6-year profile announced after the last spending review (£23.043m (indicative) and £4.141m respectively).

3.10. The transport funding environment has becoming more complex and varied over the past few years: the national LTP maintenance allocation was “top-sliced” to allow councils to bid into one-off “challenge” and “incentive” pots and the Council is looking more towards alternative sources of funding such as Local Growth Funding, City Cycling Ambition and developer funding.

3.11. In the 2018 Autumn Budget the Government, announced a £98m grant for the 3rd River Crossing as part of its Large Local Major Schemes Programme. Preliminary work in advance of this scheme is underway.

3.12. A Disabled Facilities Grant (DFG) is received as part of the Better Care Fund. This grant is forwarded to district housing authorities to administer.

3.13. From 2016-17, the Local Government Financial Settlement has provided the majority of funding to Lead Local Flood Authorities to carry out their duties under the Flood and Water Management Act 2010, and for their role as statutory consultee on surface water for major development. The Norfolk allocation for 2019-20 is £0.086m.

## 4. Capital Receipts forecast

4.1. 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 (c) used to repay existing borrowing, or (d) used in accordance with MHCLG guidance for the "Flexible use of capital receipts" (see section 5 below). In accordance with the Council's constitution, some of the farms Capital Receipts are reinvested back into the Farms Estate. Apart from these sales, capital receipts are a corporate asset and therefore not ring-fenced to any specific service or function.

4.2. The Council continues to review its assets seeking to ensure that their ongoing use supports the Council's future priorities. Assets that do not meet this need have been identified and form the basis of a continually updated disposal schedule.

4.3. The figures included in the schedule are currently the best estimate of the value of properties available for disposal, pending formal valuations, market appetite, planning decisions, timing of sales and delivery options, particularly in relation to housing schemes. More detailed valuations and likely timings become available as the properties are prepared for market and are reported through the Business and Property Committee.

**Table 5: Draft property available for disposal schedule, estimates £m**

| **Property sales** | **2019-20** | **2020-21** | **2021-22** | |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | |
| Required to support revenue budget | 2.000 | 7.000 | 12.000 | |
| … cumulative | 2.000 | 9.000 | 21.000 | |
| **Best outcome:** | | | | |
| High likelihood | 2.354 | 0.085 | | |
| Medium likelihood | 2.960 | 4.595 | 0.130 | |
| Low likelihood (more likely to move to future years) | 3.415 | 1.000 | | |
| Major development sites | 9.100 | | | |
| **Total** | **17.829** | **5.680** | **0.130** | |
| **Analyse by farms/non-farms property** | | | | |
| Farms | 11.457 | 5.680 | 0.125 | |
| Non-farms | 6.372 | | 0.005 | |
| | **17.829** | **5.680** | **0.130** | |
| | | | | |
| Cumulative | **17.829** | **23.509** | **23.639** | |
| | | | | |

4.4. In addition to the likely outcome shown above, the actual receipt will be highly dependent on the timing of sales of development land in Hopton, Acle and Attleborough.

4.5. Due to the uncertainties involved as to the values and timing, the figures and timing above are a guide and outcomes will be reported as properties are sold.

## 5. Flexible use of capital receipts

### Introduction

5.1. MHCLG Statutory Guidance on the Flexible Use of Capital Receipts (updated), dated March 2016, has offered local authorities flexibility in the use of capital receipts. Originally this covered receipts generated between April 2016 and March 2019. However, the Local Government Finance Settlement 2018-19 has extended this for an additional three years.

5.2. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

5.3. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered. Local Authorities may not use their existing stock of capital receipts or loan repayments to finance the revenue costs of reform.

### Background

5.4. Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under section 11 of the Local Government Act 2003, specify the purposes for which capital receipts may be used. The main permitted purpose is to meet capital expenditure together with other specified types of payment. Permitted purposes do not include use to support revenue expenditure.

5.5. Under section16(2)(b) of the 2003 Act the Secretary of State is empowered to issue directions providing that expenditure of local authorities shall be treated as capital expenditure for the purpose of Part 1 of the 2003 Act. Where such a direction is made the expenditure specified in the Direction is from that point on capital expenditure which can be met from capital receipts under the Regulations.

### Process

5.6. For each financial year, a local authority should ensure it prepares and publishes at least one Flexible use of Capital Receipts Strategy prior to exercising the flexibilities allowed. The strategy must be presented to full Council, and this can be part of the annual budget setting documents.

5.7. Ideally, the strategy will be prepared before the start of any financial year. Where the need or opportunity has not been anticipated, the strategy can be presented to full Council at the earliest opportunity.

5.8. Examples of projects which generate qualifying expenditure include:

- Sharing back office services
- Service reform pilot schemes
- Service reconfiguration, restructuring or rationalisation
- Driving a digital approach to the delivery

- Aggregating procurement
- Setting up commercial or alternative delivery models
- Integrating public facing services across two or more public sector bodies

**Strategy content**

5.9. As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided.

5.10. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years.

5.11. Each future year's Strategy should contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.

**Strategy for the flexible use of capital receipts**

5.12. As stated in section 4 above, the value and timing of capital receipts is hard to predict and is not known at this stage. In order to support the revenue budget, the first £2m of capital receipts in 2019-20 and £2m pa thereafter will be applied directly to the repayment of debt, subject to a proportion of capital receipts from the sale of farm land being ring-fenced.

5.13. Additional capital receipts will be made available to fund transformation projects, including service restructuring and demand management:

- which are in accordance with Statutory Guidance on the Flexible Use of Capital Receipts (updated) issued by the DCLG, dated March 2016 and

- subject to scrutiny of proposals by the Executive Director of Finance and Commercial Services.

5.14. Any changes to this strategy will be reported through the Policy and Resources Committee.

**Specific proposal for the flexible use of capital receipts**

5.15. On 25 September 2017 Policy and Resources Committee considered a report entitled Demand Management & Prevention Strategy: Children's Services. This resulted in the allocation of £12-£15m into children's services over the four years 2018-22

5.16. The investment will fund a programme of transformational change, including investment in specialist, well supported alternatives to residential care, better 16+ provision, workforce training and development and better targeted interventions.

5.17. Subject to approval and availability of, £2m capital receipts will be applied to this project.

**Impact on Prudential Indicators**

5.18. By using capital receipts to fund this proposal, there is an opportunity cost of not being able to use the capital receipt for other purposes which could be the direct repayment of debt, or to fund capital expenditure (avoiding the need to borrow).

5.19. Assuming £2m of capital receipts are used to fund transformation projects:

| **Prudential indicator – impact of using £2m flexibly:** | **-compared with using capital receipts for the direct re-payment of debt** | **-compared with using capital to fund capital expenditure** |
|---|---|---|
| Capital expenditure payment forecast | Expense classed as capital expenditure increases by £2m. | No impact |
| Ratio of Capital Financing Costs to Net Revenue Stream | No impact | Interest payable + MRP increases approx. £0.15m pa.<br>Ratio increase 0.02%. |
| Capital Financing Requirement | No impact | CFR increases by £2m |
| Authorised Limit for External Debt | No impact | Authorised Limit increases by £2.1m |
| Operational Boundary Limit for External Debt | No impact | Operational Boundary increases by £2.0m |

5.20. From 2016-17 the Council's has applied available capital receipts directly to the repayment of debt.  Receipts not needed for this purposes are now carried forward to repay future debt instalments.  As a result, in the medium term, the flexible use will not have a limited impact on the majority of prudential indicators

5.21. Reducing the capital receipts available for the future repayment of debt will have a direct impact on future revenue budgets if the MTFS long term aim of generating £2m pa of available capital receipts cannot be met.

## 6. Revenue Impact of the Proposed Capital Programme

6.1. Where the Council uses borrowing to support the capital programme, it must set aside revenue funds on an annual basis to repay the capital borrowed. This is required by statute and is known as Minimum Revenue Provision (MRP). The revenue impact of MRP depends on the expected life of the underlying asset.

6.2. In addition to MRP, the Council will need to fund any additional interest costs through future revenue budgets. The Council has the capacity to borrow from the Public Works Loan Board with interest rates currently 2.5-3%.

6.3. The table below is an estimate of the maximum incremental revenue impact of proposed new schemes before savings expected to be generated from transformation and other spend to save schemes.

| **Estimated incremental revenue costs of new capital schemes** | | | |
|---|---|---|---|
| | **2019-20** | **2020-21** | **2021-22** |
| Assumed interest rate | 2.6% | 2.8% | 3.0% |
| | £m | £m | £m |
| **Schemes to be approved** | | | |
| Cumulative interest cost | 1.134 | 3.740 | 5.992 |
| MRP | - | 2.621 | 5.313 |
| | **1.134** | **6.361** | **11.305** |
| **Allowing for assumed slippage and MRP deferral on schemes which will span financial years.** | | | |
| Cumulative interest cost | 0.428 | 1.756 | 3.817 |
| MRP | - | 1.125 | 2.367 |
| | **0.428** | **2.881** | **6.184** |
| | | | |

*Note: interest costs assume mid-year spend*

6.4. MRP and interest forecasts assume schemes delivered as set out in the programme. It is likely that a significant proportion of spend will be slipped into future years as schemes are developed and timing of expenditure becomes more certain.

6.5. The table above shows the incremental costs associated with new schemes, all other things being equal. It does not take into account the use of previously overpaid MRP which is reducing the charge to revenue in 2019-20 and 2020-21.

6.6. The actual budgeted financing costs and percentage of the net revenue stream this represents by the revenue costs of borrowing is set out in the Treasury Management Strategy report to this committee.

**Officer Contact**

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## Appendices

**Appendix A: Capital strategy 2019-20**

**Appendix B: Capital bids prioritisation**

**Appendix C: Capital programme 2019-22 – existing schemes**

**Appendix D: New and extended capital schemes**

## Appendix A: Capital strategy 2019-20

### 1 Capital Strategy Introduction

1.1 As local authorities become increasingly complex and diverse it is vital that those charged with governance understand the long-term context in which investment decisions are made and all the financial risks to which the authority is exposed. With local authorities having increasingly wide powers around commercialisation, more being subject to group arrangements and the increase in combined authority arrangements it is no longer sufficient to consider only the individual local authority but also the residual risks and liabilities to which it is subject.

1.2 The capital strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

### 2 Purpose and aims of the Capital Strategy

2.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (2017) states that authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

2.2 The capital strategy is intended to:

- give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability;
- demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

2.3 The development of a capital strategy allows flexibility to engage with full council to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members

2.4 In considering how stewardship, value for money, prudence, sustainability and affordability can be demonstrated local authorities should have regard to the following key areas:

- Capital expenditure
- Debt, borrowing and treasury management
- Commercial activity
- Other long-term liabilities
- Knowledge and skills.

The Director of Finance and Commercial Services has considered the affordability and risk associated with the capital strategy and where appropriate has taken specialised advice.

## 3 Capital expenditure

### 3.1 Governance process for approval and monitoring of capital expenditure

The Council's capital programme is approved as part of the budget setting process. Prior to the start of each financial year, usually in February, the County Council agrees a future three or four-year capital programme including a list of projects with profiled costs and funding sources.

At the year-end unspent capital funding on incomplete projects is carried forward to the following year as part of the closedown process and approved at the Council's Policy and Resources (P&R) Committee. New schemes added during the year which require prudential borrowing are also approved by this Committee. Where additional external funding is received by on-going capital projects, this is added to the programme and noted by P&R Committee.

An outturn report each year gives details of actual expenditure and funding.

### 3.2 Policies on capitalisation

#### 3.2.1 Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The de-minimis level for property, plant and equipment is £40,000.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

#### 3.2.2 Heritage Assets

Heritage Assets are assets which increase the knowledge, understanding and appreciation of the local area and its history. The recognition of Heritage Assets is consistent with the Council's Property, Plant and Equipment policy, including the £40,000 de-minimis.

Apart from Heritage Assets previously accounted for as Community Assets, Heritage Assets acquired before 1 April 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost-effective basis.

#### 3.2.3 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

**3.3 Long-term view of capital expenditure plans**

3.3.1 The Council's Service areas consider their capital expenditure plans in the context of long term service delivery priorities and "Norfolk Futures: The Council's Strategy for 2018-2021. Historically, larger government capital grants development and capital maintenance of highways and schools have formed the basis of an affordable capital programme. This supplemented by other funding sources, specific grants, and prudential borrowing. Long term capital planning includes the following schemes:

3.3.2 **Adult Social Services - Living Well – Homes for Norfolk**: capital investment of up to £29m over 10 years has been approved to accelerate the development of extra care housing in Norfolk, with the aim of reducing unnecessary residential care admissions. Each individual scheme will be subject to a rigorous feasibility and financial assessment. Over the 10-year period it is estimated that the total programme could require between £17m and £29m depending on progress and grant subsidy levels.

3.3.3 **Transport** – Officers are developing strategic schemes (with partners where applicable) which may attract funding. Examples of schemes being considered are:

- A47 improvements including dualling and junction improvements
- A11 Thetford junction and other improvements
- A140 Long Stratton bypass
- Rail enhancements: passenger and freight
- Rail halt at Broadland Business Park
- Great Yarmouth Flood Defence Infrastructure
- Great Yarmouth Port development

The Council has confirmed its commitment to the delivery of the Great Yarmouth Third River Crossing and, in partnership with Norwich, Broadland and South Norfolk is one of 12 Cities areas to be shortlisted to be eligible for a share of £1.2bn of Transforming Cities funding.

3.3.4 **Children's Services**:

**SEND provision**: As part of the transformation the System for Special Educational Needs and Disability (SEND) in Norfolk. On 29 October 2018, Policy and Resources Committee approved a capital scheme for the creation of new specialist SEND provision. Phase 1 is for £100m expenditure over 3 years. A further estimated £20million for associated residential / outreach and early intervention services, including Preparing for Adult Life is forecast for years 3-5.

**Schools**: The Council has a duty to secure sufficient pupil places to meet the demands of the school-age population. Government capital grants, along with funding from other sources such as developer contributions are used to support the Council's strategic plans for the provision of additional places when and where required, and for improving the quality of existing Council-maintained school buildings.

### 3.3.5 Trading through companies / capital loans

The Council has set up a number of wholly owned companies and has made loans for capital purposes to a number of these (companies within the Norse Group, and Hethel Innovation Ltd) as well as to a small number of local housing developers.

These loans are approved as part of the capital programme and are for capital purposes. In future, loans will be subject to due diligence, and will relate to the Council's powers to trade, or to assist third parties who are helping to further the Council's priorities, including housing and economic development.

Loan facilities in the capital programme will be used to allow Repton Property Developments Limited and potentially others to develop housing on Council-owned land, and to assist Hethel Innovation Limited to improve the local economy.

A list of current capital non-treasury loans is included as Appendix 10 to the Annual Investment and Treasury Strategy 2019-2022 presented to this Committee. The Treasury Strategy also demonstrates that current and planned capital loans are not disproportionate in terms of both the overall capital programme, and the Council's net and gross expenditure.

### 3.3.6 Capital project prioritisation

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

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

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

3.3.6.2 Capital bids that require support must be supported by a Business Case that demonstrates

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

3.3.6.3 The corporate capital prioritisation model was first used for the 2015-16 capital programme and operates at a programme level, with most schemes prioritised at a more detailed level within the two major capital programme areas of transport and schools. Prioritisation criteria are reviewed annually to ensure they continue to reflect the changing needs and priorities of the Council.

3.3.6.4 Schemes are considered by the appropriate team to ensure that the capital programme integrates with business and service planning, with revenue implications taken into account. Highways schemes are prioritised within ETD and presented in detail to the EDT committee. Schools schemes are prioritised through the Children's Services Capital Priorities Group. Non-school property schemes are presented through the Council's Corporate Property team. Other schemes not covered by the major headings above are developed by the relevant chief officer, and where corporate funding is required are considered by the Executive Director of Finance and Commercial Services, who considers the overall affordability of the programme.

3.3.6.5 The Council's three-year capital programme is formed by bringing the various capital programmes together, and ensuing that sufficient funding is available before seeking Council approval.

3.3.6.6 For schemes with no funding source, a benchmark of 35 has been applied, being the score for a dummy project of simply re-paying debt. For funded schemes, this also provides a useful benchmark against which to ask the question as to whether the Council should be undertaking projects which do not, for example, fulfil the Council's objectives.

3.3.6.7 Although the prioritisation model has been broadly applied, it is primarily applicable to new projects and projects requiring the use of borrowing and/or capital receipts to provide funding.

## 3.4 Overview of asset management planning

### 3.4.1 Asset management planning

The majority of asset management planning falls under three major areas of capital spend: highways, schools, and corporate property.

#### 3.4.1.1 Highways

Norfolk's Transport asset management plan 2017-18 – 2021-22 was approved by Norfolk County Council 10 April 2017, and can be found at

https://www.norfolk.gov.uk/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/roads-and-travel-policies/transport-asset-management-plan

As the highways authority for Norfolk, the Council has a responsibility to maintain, operate and improve its highway assets (eg roads and bridges). The landscape is one of increasing financial pressure, significant backlogs of maintenance, accountability to funding providers and increasing public expectations.

The Council's Transport Asset Management Plan identifies the optimal allocation of resources for the management, operation, preservation and enhancement of the highway infrastructure. This plan is developed in the context of longer term local transport plans eg "Connecting Norfolk: Norfolk's Transport Plan for 2026".

#### 3.4.1.2 Schools

Each year the Council rolls forward its approved schools' capital building programme, making revisions to the existing programme and adding new schemes to reflect pressures and priorities. An annual Committee reporting cycle is as follows:

- November – identification of emerging capital pressures and priorities
- January - Growth and Investment Plan (incl. pupil place pressures)
- May – funding allocations and proposed revisions to capital programme.

The member lead Children's Services Capital Priorities Group monitors the progress of the capital programme and considers in detail projects of concern, based on a regular risk assessment.

#### 3.4.1.3 Corporate Property

The Council's Business and Property Committee has responsibility for developing and monitoring property and asset management, in addition to the oversight and development of County Farms. It is supported by the Council's Corporate Property Team.

The Council's Asset Management Plan (AMP) sets out a framework for property management. The latest Corporate Asset Management Plan 2016-2019 "One Public Service – One Public Estate" identifies the key strategic policy and resource influences affecting Norfolk and the Council and in response sets a direction for asset management over the medium term, enabling its property portfolio to be optimised to meet identified needs. The plan can be found at:

https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/finance-and-budget/corporate-asset-management-plan-2016-to-2019.pdf.

### 3.4.2 Capital Funding Sources

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

#### 3.4.2.1 Borrowing

The Prudential Capital Finance system allows local authorities to borrow for capital expenditure without Government consent, provided it is affordable taking into account prudent treasury management practice.

As a guide, borrowing incurs a revenue cost of approximately 7% of the loan each year for an asset with a life of 25 years, comprising interest charges and the repayment of the debt (known as the Minimum Revenue Provision or MRP). The Council needs to be satisfied that it can afford this annual future revenue cost.

Local Authorities have to earmark sufficient revenue budget each year as provision for repaying debts incurred on capital projects, in accordance with the relevant MRP policy.

#### 3.4.2.2 Grants

The challenging financial environment means that national government grants are reducing or changing in nature. A large proportion of this funding is currently un-ringfenced which means it is not tied to particular projects. However, capital grants are allocated by Government departments which clearly intend that the grants should be certain area such as education or highways. Sometimes grant funding is not sufficient to meet legislative obligations and other sources of funding will be sought to fund the gap.

#### 3.4.2.3 Capital Receipts

Capital receipts are estimated and are based upon the likely sales of assets as identified under the developing Asset Management Plan. These include development sites, former school sites and other properties and land no longer needed for operational purposes. Receipts are critical to delivering our revenue budgets through the direct repayment of debt and potentially the flexible use of capital receipts. Receipts not used for that purpose can be used to reduce the level of borrowing required.

#### 3.4.2.4 Revenue / Other Contributions

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

### 3.4.3 Capital Programme overview

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

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

| Financial year | 2015-16 | 2016-17 | 2017-18 |
|---|---|---|---|
| | £m | £m | £m |
| Capital expenditure | 129.1 | 205.2 | 225.9 |
| | | | |

The Council's 2017-18 capital programme was split by funding type as follows:

| Funding type | £m | % |
|---|---|---|
| Capital grants and contributions | 150.2 | 66.5 |
| Revenue and reserves | 0.5 | 0.2 |
| Capital receipts (applied to the direct repayment of debt in 2017-18) | - | - |
| CIL supported borrowing (NDR) | 27.6 | 12.2 |
| Borrowing | 47.6 | 21.1 |
| **Total** | **225.9** | **100.0** |

### 3.4.4 Costs of past and current expenditure funded through borrowing

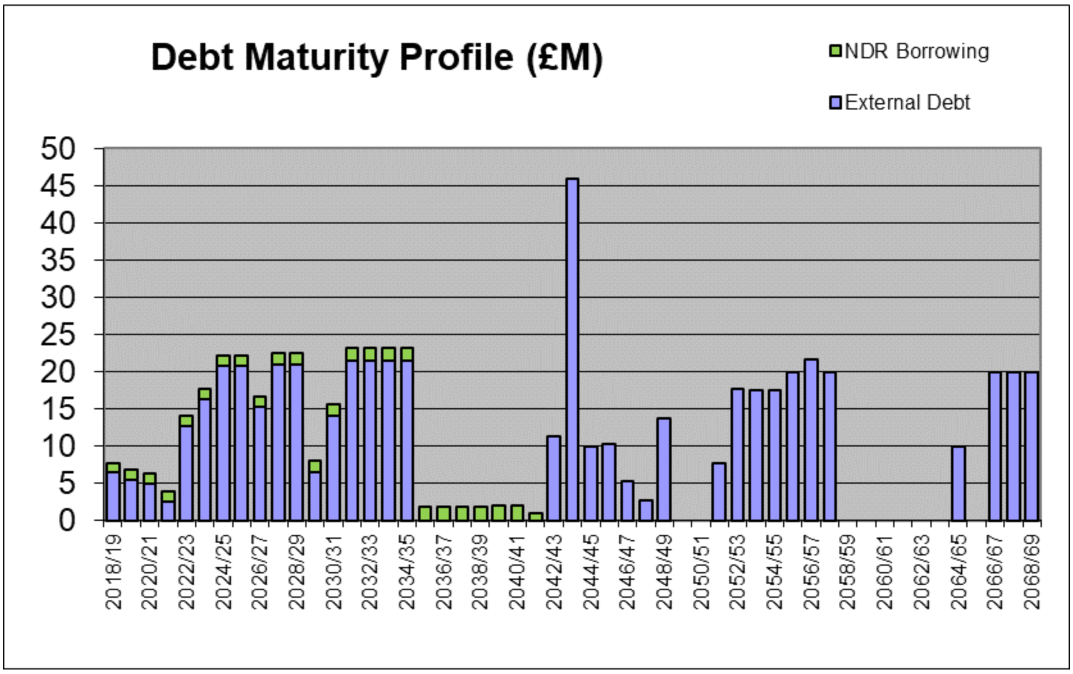
#### 3.4.4.1 Actual borrowing and borrowing requirement

| | £m |
|---|---|
| **Borrowing 31 March 2018** | 533 |
| New Borrowing April – December 2018 | 60 |
| Principal repayments 2018-19 | -7 |
| Forecast additional borrowing 2018-19 | 20 |
| **Forecast borrowing 31 March 2019** | **606** |
| Other long-term liabilities (PFI + leases) 31 March 2018 | 63 |
| **Forecast borrowing and long-term liabilities 31 March 2019** | **669** |
| | |
| **Capital financing requirement 1 April 2018** | **738** |
| Borrowing requirement 2018-19 assuming no further slippage | 104 |
| MRP | (2) |
| Assumed slippage | (55) |
| **Forecast capital financing requirement 31 March 2019** | **785** |
| | |
| **Forecast borrowing requirement 31 March 2019** | **165** |

(Note: figures as at December 2018)

### 3.4.4.2 Repayment profile of borrowing

The Council borrows in order to fund capital expenditure. This chart shows the repayment profile of borrowing undertaken as at 31 October 2018:




Due to the setting aside of an annual minimum revenue provision (see below), the charge to annual revenue budgets is based on notional borrowing and asset lives, rather than the actual maturities shown in the graph above.

The unusually high repayment due in 2043-44 includes £20m of commercial borrowing. The Council, with its treasury advisors, will consider re-financing options as and when they are offered which may smooth the repayment profile.

#### 3.4.4.3 Interest and MRP costs

This table shows the cost of interest on borrowing and MRP budgeted for 2018-19. MRP (minimum revenue provision) is the amount the Council sets aside each year from revenue in order to service the repayment of debt, and is based on the cost and estimated life of assets funded through supported borrowing to 2008 and prudential borrowing thereafter.

| **Borrowing revenue costs** | **£m** |
|---|---|
| Budget external loans 2018-19 | 27.8 |
| Calculated MRP 2018-19 | 22.5 |
| Theoretical revenue costs of borrowing | **50.3** |
| Use of capital receipts | -4.9 |
| Use of external contributions | -2.2 |
| Reduction due to previous overpayments of MRP (temporary adjustment) | -14.7 |
| **Annual revenue costs of borrowing 2018-19** | **28.5** |

Additional borrowing will increase the cost of interest, but the current low interest rates compared with the higher rates of borrowing on repaid debt is assisting with the funding of new borrowing costs.

The reduction due to previous overpayments of MRP will be available until 2020-21. Thereafter, full MRP is accounted for in the MFS, and additional debt-funded capital expenditure will increase annual MRP.

### 3.4.5 Maintenance requirements

Services include the revenue costs of maintenance in their revenue budgets, including the costs and savings relating to capital investment.

### 3.4.6 Planned disposals

The Council actively manages its property portfolio in accordance with the adopted Asset Management Plan. Property is acquired or disposed of as a reaction to changing service requirements, changing council policies or to improve the efficiency of the overall portfolio.

In the event of a property asset becoming surplus to an individual service, proposals for retention are only agreed if supported by identified budgets and a robust business case showing the benefits to the County Council.

Assessments are carried out by the Corporate Property Officer (the Head of Property) in consultation with the Corporate Property Strategy Group (CPSG). Once it is confirmed there is no further County Council requirement the Business and Property Committee is asked to formally declare property assets surplus or to re-designate for alternative purposes. The Corporate Property Officer reviews options for maximising income from surplus properties usually by open market sale. External advice, for example valuation and/or planning, is taken where appropriate.

## 3.5 Restrictions around borrowing or funding of ongoing capital finance

Apart from the general requirements on local authorities to ensure that their borrowing is prudent and sustainable, there are no specific external restrictions around the Council's borrowing or funding of ongoing capital finance.

# 4 Debt, borrowing and treasury management

## 4.1 Projection of external debt and use of internal borrowing

The Council uses external debt and internal borrowing (from working capital cash balances) to support capital expenditure. As shown above there will be a forecast borrowing requirement at 31 March 2019 of £164m.

Except in the case of specific externally financed projects (such as the NDR), new borrowing is applied to the funding of previous capital expenditure, effectively replacing cash balances which have been used on a temporary basis to avoid the cost of ‘carrying’ debt in the short term. The Council continues to use cash balances for this purpose and will continue to balance the long-term advantages of locking into favourable interest rates against the costs of additional debt.

Based on the capital programme, an allowance for slippage, forecast interest rates and cash balances, new borrowing of £100m in 2019-20 and £80m 2020-21 is anticipated.

Assuming outstanding borrowing of approximately £1bn with a maximum life of 50 years, and annual MRP exceeding £20m pa from 2021-22, an element of any borrowing decision will be to smooth out the repayment profile such that new borrowing does not cause debt maturing in any one year to exceed £25m, except 2042-43 which includes a large repayment of commercial and PWLB debt.

## 4.2 Provision for the repayment of debt over the life of the underlying debt

Provision for the repayment of debt over the life of the underlying debt is made through the setting aside of the minimum revenue provision each year. Based on an assumption of £30m capital expenditure funded by borrowing each year, with assets having an average estimated life of 25 years, forecast provision for the repayment of debt is as follows:

| Financial year | MRP | MRP over-payment reduction | Net MRP forecast (Note 1) |
|---|---|---|---|
| | £m | £m | £m |
| 2017-18 | 20.1 | 12.6 | 7.5 |
| 2018-19 | 22.5 | 14.7 | 7.8 |
| 2019-20 | 24.7 | 16.9 | 7.8 |
| 2020-21 | 26.0 | 15.6 | 10.4 |
| 2021-22 | 28.7 | 0.3 | 28.4 |

*Note 1: impact on revenue budget will be reduced by the use of capital receipts to repay debt, and external contributions to debt repayment.*

*Note 2: the estimate of £30m annual expenditure is lower than suggested by the capital programme, but accounts for slippage and is in line with historic spend.*

### 4.3 Authorised limit and operational boundary for the following year

The Council's authorised borrowing limit and operational boundary for 2019-20 will be based on the approved capital programme at the time of budget setting.

### 4.4 Approach to treasury management

The Council's approach to treasury management including processes, due diligence and defining the authority's risk appetite will be set out in the annual Treasury Management / Investment Strategy, approved annually by the County Council.

## 5 Commercial activity

One of the seven priorities contained within Norfolk Futures: The Council's Strategy for 2018-2021 is commercialisation. Within this priority, the 3 key focus areas are:

- Improving the return on existing assets and the return on investments;
- Making the Council's trading functions more profitable and charging fully (including overheads) where the charging framework is set out in statute;
- Implementing a more business-like approach to managing our services.

In addition, the "Towards a Housing Strategy" priority contains a specific commercialisation focus area:

- by undertaking direct housing development on council owned land, a council-owned development company will provide a new income stream (via the developer's profit) to NCC.

Elements of the capital programme are focussed on these aims, including capital improvements to property, and providing capital loan facilities to the council's wholly owned companies.

The Council's capital investments are policy driven. It has no capital or property investments which are held 1) purely to generate a return or 2) out of County.

Non-treasury investments, including loans to companies, and investment properties as defined for statutory accounting purposes are listed in detail in regular Treasury Management reports.

## 6 Other long-term liabilities

6.1 The Council's other long-term liabilities comprise PFI liabilities (six schools in the Norwich area, street lighting throughout Norfolk, and salt barns) and lease liabilities (for example vehicles and ICT equipment).

6.2 The PFI arrangements continue to be monitored to ensure performance is in accordance with contract requirements. All PFI arrangements are subject to member approval. No PFI arrangements are currently being pursued.

6.3 All leases are subject to general budgetary constraints, with service departments taking budget responsibility for the length of the lease. Finance leases are arranged through Link Asset Management, the Council's treasury management advisors.

6.4 As set out in the Council's annual Statement of Accounts the Council has historically given several financial guarantees for project funding. Since 2008 financial guarantees have to be accounted for as a financial instrument – there are no such guarantees material to the accounts. Any guarantees and contingent liabilities are costed and approved as part of the annual capital programme.

## 7 Knowledge and skills

7.1 The Council has number of specialist teams delivering the capital programme, including schools, transport and the Corporate Property Team.

7.2 These teams are supplemented by professional external advisors as necessary, including Norfolk Property Services, professional highways consultants, and external valuers.

7.3 The Capital Programme is kept under continual review during the year. Each scheme is allocated a project officer whose responsibility is to ensure the project is delivered on time, within budget and achieves the desired outcomes.

7.4 Capital finance monitoring reports are prepared monthly, and Service Committees receive financial reports relevant to their area. The Policy and Resources Committee takes an overview of the overall capital programme. Various Project Boards, specialist teams of officers, and member-lead Working Groups, such as the Children's Services Capital Priorities Group, oversee the co-ordination and management of significant elements of the Capital Programmes.

## Appendix B: Capital bids prioritisation model

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

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

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

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

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

2. Additional capital schemes approved during the year.

3. Prioritising new and on-going schemes on a Council-wide basis to ensure the best outcomes for residents.

4. If a limit has to be applied to the amount of funding available in any year, the model may have to be developed to categorise schemes, for example into those that are Essential, Priority (short term), Priority (longer term) and Desirable, and to limit spend on scaleable projects or programmes funded through prudential borrowing.

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

6. Where a scheme does not have a funding source, priority is given to schemes which can provide their own funding. Where revenue or reserves cannot be identified, then it may be possible to identify future revenue savings or income streams which can be used to re-pay borrowing costs;

7. If there are unallocated capital receipts, these will be used to provide funding for higher priority unfunded schemes, or short life schemes where this gives a favourable MRP position.

The capital project marking guide is based on the suggestions made in previous years. Although the prioritisation model has been broadly applied, it is primarily applicable to new projects and projects requiring the use of borrowing and/or capital receipts to provide funding.

## Capital programme 2019-23 – prioritisation scores

| | Stat or Regulatory duty | CC Priorities | Cross-service Working | Impact on Council borrowing | Leverage Value | Flexibility and Scalability | Avoidance of risk to service delivery | **Total Score** |
|---|---|---|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** | **6** | **7** | |
| **Weighting** | **10** | **20** | **10** | **25** | **15** | **10** | **10** | **100** |
| **Scheme type / category** | Score | Score | Score | Score | Score | Score | Score | |
| | | | | | | | | |
| Highways Capital Improvements | 3 | 5 | 2 | 5 | 5 | 2 | 5 | 84 |
| Highways Structural Maintenance | 4 | 4 | 2 | 5 | 2 | 2 | 5 | 73 |
| Highways other DfT grant funded works | 4 | 4 | 2 | 5 | 2 | 2 | 5 | 73 |
| City Deal Local infrastructure | 2 | 3 | 4 | 4 | 4 | 4 | 3 | 70 |
| Temporary Classrooms | 4 | 4 | 1 | 5 | 0 | 3 | 5 | 67 |
| Major highways schemes - majority grant funded | 3 | 5 | 3 | 2 | 4 | 1 | 5 | 66 |
| Schools Capital Maintenance | 3 | 4 | 1 | 5 | 0 | 3 | 5 | 65 |
| Living Well - Homes for Norfolk | 4 | 5 | 3 | 2 | 1 | 5 | 4 | 65 |
| Better Broadband for Norfolk | 0 | 5 | 3 | 4 | 4 | 0 | 3 | 64 |
| School Basic Need | 4 | 4 | 1 | 5 | 0 | 3 | 3 | 63 |
| Delivery of CS Sufficiency Strategy | 5 | 3 | 3 | 4 | 0 | 3 | 4 | 62 |
| Highway investment (mainly borrowing) | 3 | 5 | 2 | 3 | 1 | 2 | 5 | 62 |
| Norfolk One Public Estate programme | 3 | 2 | 4 | 1 | 5 | 5 | 2 | 56 |
| Server infrastructure | 2 | 2 | 3 | 3 | 2 | 3 | 5 | 55 |
| Customer Service Strategy | 2 | 4 | 4 | 2 | 0 | 3 | 5 | 54 |
| Technology and investment programme (transformation) | 2 | 2 | 3 | 3 | 2 | 4 | 3 | 53 |
| Fire appliances/equipment | 4 | 4 | 0 | 3 | 0 | 2 | 5 | 53 |
| Scottow Enterprise Park capital | 0 | 5 | 4 | 2 | 0 | 3 | 3 | 50 |
| Flood Mitigation measures | 3 | 4 | 1 | 1 | 3 | 3 | 3 | 50 |
| Norse and other NCC subsidiaries; loan facility | 0 | 1 | 1 | 4 | 3 | 5 | 2 | 49 |
| Norwich Castle Keep development (non-grant element) | 2 | 4 | 1 | 1 | 5 | 2 | 1 | 48 |
| Farm property capital maintenance | 2 | 1 | 0 | 5 | 0 | 3 | 4 | 47 |
| Community - Equipment and Assistive Technology | 3 | 3 | 0 | 3 | 0 | 2 | 5 | 47 |
| Street Lighting LED | 2 | 3 | 3 | 3 | 0 | 4 | 1 | 47 |
| Corporate offices capital maintenance | 2 | 2 | 5 | 1 | 0 | 5 | 4 | 45 |
| Licencing and generic ICT capital improvements | 2 | 2 | 1 | 3 | 2 | 4 | 1 | 45 |
| Museums access improvements | 4 | 4 | 2 | 2 | 1 | 1 | 1 | 45 |
| Fire Property Maintenance | 2 | 2 | 5 | 1 | 0 | 5 | 4 | 45 |
| Replacement HWRCs | 3 | 4 | 0 | 1 | 0 | 1 | 5 | 39 |
| Basement/Lower Ground | 0 | 2 | 3 | 3 | 0 | 3 | 2 | 39 |
| County Hall remodelling | 0 | 2 | 3 | 3 | 0 | 3 | 2 | 39 |
| Replacement non-critical ICT | 0 | 2 | 2 | 3 | 0 | 2 | 3 | 37 |
| Capitalisation of staff costs where applicable | 2 | 2 | 1 | 3 | 0 | 3 | 1 | 37 |
| GRT – site Improvements | 4 | 2 | 3 | 0 | 1 | 2 | 4 | 37 |
| Managing Asbestos Exposure | 5 | 1 | 1 | 0 | 0 | 5 | 5 | 36 |
| **Repay Debt (Dummy reference bid)** | **0** | **0** | **0** | **5** | **0** | **5** | **0** | **35** |

The prioritisation scores above are based on scores given to scheme in previous years. All schemes in Appendix D below relate to one or more of the schemes above and exceed the minimum (dummy) reference bid.

## Appendix C: Capital programme 2019-22 – existing schemes

| | 2019/20 | | | | 2020/21 | | | | 2021/22 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Borrowing | Revenue and Reserves | Grants and Contributions | TOTAL | Borrowing | Revenue and Reserves | Grants and Contributions | TOTAL | Borrowing | Revenue and Reserves | Grants and Contributions | TOTAL | TOTAL PROGRAMME |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **Department/Project** | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| **Children's Services** | **7.784** | **0.000** | **83.914** | **91.698** | **0.000** | **0.000** | **9.822** | **9.822** | **0.000** | **0.000** | **0.000** | **0.000** | **101.520** |
| A1 - Major Growth | | | 29.727 | 29.727 | | | 3.500 | 3.500 | | | | | 33.227 |
| A2 - Master Planning | | | 6.875 | 6.875 | | | 3.000 | 3.000 | | | | | 9.875 |
| A3 - Area Growth & Reorganisation | 0.265 | | 25.506 | 25.771 | | | 2.797 | 2.797 | | | | | 28.568 |
| A4 - Growth - Minor Adjustments | | | 2.060 | 2.060 | | | | | | | | | 2.060 |
| B1 - Special Educational Needs (SEN) | 0.046 | | 3.516 | 3.562 | | | | | | | | | 3.562 |
| B2 - Additional Needs | 3.500 | | | 3.500 | | | | | | | | | 3.500 |
| B4 - Early years | | | 0.276 | 0.276 | | | | | | | | | 0.276 |
| C2 - Major Capital Maintenance | 3.973 | | 8.600 | 12.573 | | | 0.525 | 0.525 | | | | | 13.098 |
| D - Other schemes | | | 7.354 | 7.354 | | | | | | | | | 7.354 |
| **Adult Social Care** | **6.009** | **0.000** | **4.096** | **10.105** | **4.904** | **0.000** | **0.000** | **4.904** | **0.000** | **0.000** | **0.000** | **0.000** | **15.009** |
| Social Care Funding unallocated (inc DoH grant) | 3.931 | | 3.225 | 7.156 | | | | | | | | | 7.156 |
| Care Act Implementation | | | 0.871 | 0.871 | | | | | | | | | 0.871 |
| Social Care Information System | 1.600 | | | 1.600 | | | | | | | | | 1.600 |
| ICES Equipment | 0.478 | | | 0.478 | 4.904 | | | 4.904 | | | | | 5.382 |
| **CES - Highways** | **2.641** | **0.000** | **54.579** | **57.220** | **4.265** | **0.000** | **32.450** | **36.715** | **1.317** | **0.000** | **0.000** | **1.317** | **95.252** |
| County Wide Members fund | 0.504 | | | 0.504 | 0.504 | | | 0.504 | 0.504 | | | 0.504 | 1.512 |
| Walking Schemes | | | | | 0.221 | | | 0.221 | 0.208 | | | 0.208 | 0.429 |
| Local road schemes | | | | | 1.795 | | | 1.795 | | | | | 1.795 |
| Highways capitalisation | 1.065 | | | 1.065 | 1.065 | | | 1.065 | | | | | 2.130 |
| DfT Funded schemes | | | 52.879 | 52.879 | | | 32.450 | 32.450 | | | | | 85.329 |
| Other unallocated schemes | 1.072 | | | 1.072 | 0.680 | | | 0.680 | 0.605 | | | 0.605 | 2.357 |
| NDR/Broadland Northway | | | 1.700 | 1.700 | | | | | | | | | 1.700 |
| **CES - Other** | **26.575** | **0.000** | **7.295** | **33.870** | **11.244** | **0.000** | **0.000** | **11.244** | **5.000** | **0.000** | **0.000** | **5.000** | **50.114** |
| Better Broadband | 13.798 | | 7.160 | 20.958 | 4.894 | | | 4.894 | 5.000 | | | 5.000 | 30.852 |
| Replacement HWRC | 0.075 | | | 0.075 | | | | | | | | | 0.075 |
| Vehicle Replacement - Fire & Rescue | 3.200 | | | 3.200 | 2.000 | | | 2.000 | | | | | 5.200 |
| Critical Equipment - Fire & Rescue | 0.200 | | | 0.200 | 0.150 | | | 0.150 | | | | | 0.350 |
| Various Fire Improvements | 0.413 | | 0.100 | 0.513 | | | | | | | | | 0.513 |
| Libraries Buildings/Books/Kiosk | 2.325 | | 0.035 | 2.360 | | | | | | | | | 2.360 |
| ETD - Other | 0.329 | | | 0.329 | | | | | | | | | 0.329 |
| Scottow Enterprise Park | 1.477 | | | 1.477 | | | | | | | | | 1.477 |
| Castle Keep Development | 4.000 | | | 4.000 | 4.200 | | | 4.200 | | | | | 8.200 |
| Norwich Castle critical M&E | 0.750 | | | 0.750 | | | | | | | | | 0.750 |
| Museums Other | 0.007 | | | 0.007 | | | | | | | | | 0.007 |

| | 2019/20 | | | | 2020/21 | | | | 2021/22 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Borrowing | Revenue and Reserves | Grants and Contributions | TOTAL | Borrowing | Revenue and Reserves | Grants and Contributions | TOTAL | Borrowing | Revenue and Reserves | Grants and Contributions | TOTAL | TOTAL PROGRAMME |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| **Department/Project** | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| **Finance & Commercial Services** | **27.756** | **0.000** | **0.002** | **27.758** | **4.452** | **0.000** | **0.000** | **4.452** | **0.000** | **0.000** | **0.000** | **0.000** | **32.210** |
| Budget Manager Licences | 0.023 | | | 0.023 | 0.024 | | | 0.024 | | | | | 0.047 |
| Capital Programme Management | 0.300 | | | 0.300 | | | | | | | | | 0.300 |
| Farms Various Schemes | 0.673 | | 0.001 | 0.674 | | | | | | | | | 0.674 |
| ICT Transformation Project | 0.555 | | | 0.555 | 0.555 | | | 0.555 | | | | | 1.110 |
| Technology Improvement project | 5.630 | | | 5.630 | 3.130 | | | 3.130 | | | | | 8.760 |
| Minor Works | 0.255 | | | 0.255 | | | | | | | | | 0.255 |
| County Hall Site Continuing Redevelopment | 8.292 | | | 8.292 | | | | | | | | | 8.292 |
| Norfolk One Public Estate | 0.250 | | | 0.250 | 0.250 | | | 0.250 | | | | | 0.500 |
| DDA/Equality Act | 0.254 | | 0.001 | 0.255 | | | | | | | | | 0.255 |
| Corporate Buildings Capital Maintenance | 5.083 | | | 5.083 | 0.493 | | | 0.493 | | | | | 5.576 |
| Room Booking System | 0.050 | | | 0.050 | | | | | | | | | 0.050 |
| County Hall Heating/Cooling | 0.068 | | | 0.068 | | | | | | | | | 0.068 |
| County Hall Refurbishment | 6.323 | | | 6.323 | | | | | | | | | 6.323 |
| **TOTAL** | **70.766** | **0.000** | **149.886** | **220.652** | **24.865** | **0.000** | **42.272** | **67.137** | **6.317** | **0.000** | **0.000** | **6.317** | **294.105** |

## Appendix D: New and extended capital schemes

Proposed new schemes added to the capital programme are listed below:

| Service Area | Title | 2019-20 | 2020-21 | 2021-22 | 2022-23+ | Additional information |
|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | |
| | | | | | | |
| **ASC** | Living Well - Homes for Norfolk | 3.000 | 3.000 | 3.000 | 20.000 | On 29 October Policy and Resources Committee approved capital investment of up to £29m to accelerate the development of extra care housing in Norfolk with the aim of reducing unnecessary residential care admissions. Each scheme will be subject to a rigorous feasibility and financial assessment**.** Over the 10-year period it is estimated that the total programme could require between £17m and £29m depending on progress and grant subsidy levels. |
| | **Total ASC** | **3.000** | **3.000** | **3.000** | **20.000** | |
| | | | | | | |
| **Children's Services** | | | | | | |
| | Transforming the System for Special Educational Needs and Disability (SEND) in Norfolk Phase 1 | 35.000 | 60.200 | | | On 29 October 2018, Policy and Resources Committee approved a scheme for the creation of new specialist SEND provision. Phase 1 is for £100m expenditure, with £4.8m forecast to be spent in 2018-19. |
| | Transforming the System for Special Educational Needs and Disability (SEND) in Norfolk Phase 2 | | | 20.000 | | A further estimated £20million for associated residential / outreach and early intervention services, including Preparing for Adult Life. Approved P&R Committee 29 October 2018. |
| | Capital grants – former children's centres | 0.530 | | | | Capital grant fund with aim of retaining Children's Centres predominantly for use by children and young people subject to agreement of eligibility and bidding criteria. £0.030m allowance for project management. |
| | | | | | | |
| | **Total Children's Services** | **35.530** | **60.200** | **20.000** | | |
| | | | | | | |
| **CES** | **Highways** | | | | | |
| | Great Yarmouth 3rd River Crossing – element underwritten by prudential borrowing. | 10.250 | 6.848 | | | On 15 October 2018 County Council approved the addition of £120.653m to the capital programme for the construction of the Great Yarmouth 3rd River Crossing. Within this is £20.565m of costs underwritten by prudential borrowing, of |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | which £3.467m has been allocated in 2018-19. |
| | Highways major schemes contingency | | | 5.000 | 15.000 | Contingency provision held in relation to the Major Highways schemes in development (2021/22 and beyond) |
| | Highways – Capitalisation of Highways activities | | 1.559 | 1.559 | | Capital maintenance including footways, drainage and bridges. |
| | Norwich Western Link | 0.974 | | | | Match Funding for the Pooled Business rates bid for the development of the scheme in 2019/20. |
| | Highways – Additional LED roll out | 0.100 | 0.100 | 0.100 | | |
| | NDR Part 1 claims | 2.438 | 1.107 | 0.907 | | NDR (Broadland Northway) "Part 1" costs: compensation for residents and owners whose property has been reduced in value following the completion of the NDR. |
| | **CES Highways total** | **15.321** | **9.614** | **7.566** | **15.000** | |
| | | | | | | |
| | **Community, Information & Learning** | | | | | |
| | Community, Information and Learning (CIL) – Customer Services | 0.230 | | | | Customer Services Project management for Digital improvements – indicative estimate. |
| | CIL - Wensum Lodge redevelopment | 1.400 | | | | A sympathetic redevelopment of the Wensum Lodge site as a creative hub was discussed at Communities Committee 16 January 2019. Of the amount budgeted, £0.4m is allocated to surveys and design to RIBA stage 1, and £1m to further development with the aim of exploiting external funding opportunities. |
| | Norfolk community learning services | 0.313 | 0.033 | 0.034 | | ICT development 2nd part of £0.8m project |
| | | | | | | |
| | **Household Waste Recycling centres** | | | | | |
| | HWRC – North A11/ South Norwich | 0.175 | 1.750 | | | Capital investment to enhance the network of household waste recycling centres and make them more efficient and suitable for planned growth. Delivery planned for 2019-20 and 2020-21. Further details can be found in a Recycling Centre Sites and Service Provision report to 9 November 2018 EDT Committee. |
| | HWRC – Mid All Corridor | | 0.200 | 2.000 | | |
| | HWRC – Sheringham Improvements | 0.150 | 1.500 | | | |
| | HWRC – Morningthorpe Improvements | | 0.150 | 1.500 | | |
| | Caister Transfer station | 0.240 | 2.400 | | | |
| | | | | | | |
| | **Fire** | | | | | |
| | Critical Equipment 2021-22 | | | 0.150 | | Extended funding for NFRS requirement to replace, update and develop the services critical equipment programme. |
| | Gorleston Fire Station capital maintenance | 0.024 | | | | Preventative capital maintenance including replacement doors. |
| | Great Yarmouth Fire Station | 0.152 | | | | Improving facilities including lecture facilities and showers, |

| | | | | | | |
|---|---|---|---|---|---|---|
| | refurbishment | | | | | and replacement doors. |
| | Great Yarmouth Fire Station capital maintenance. | 0.017 | | | | Installation of working at height training facility. |
| | NFRS Compressor Room capital maintenance | 0.150 | | | | Upgrade work to 5 air compressor rooms |
| | Red fleet capital maintenance 2021-22 | | | 1.000 | | Extended funding for NFRS red fleet replacement programme |
| | Sprowston Fire Station capital maintenance | 0.023 | | | | Refurbishment of ground floor toilets and showers |
| | Thetford Fire Station capital maintenance | 0.385 | | | | New vehicle storage building and upgraded training facilities |
| | West Walton Fire Station capital maintenance | 0.067 | | | | New separate female & accessible toilet & shower facilities |
| | Acle Fire Station capital maintenance | 0.035 | | | | New gas boiler and supply to replace current oil fired system |
| | Attleborough Fire Station capital maintenance | 0.102 | | | | Reconstruction of drill yard |
| | | | | | | |
| | | | | | | |
| | **CES - other** | | | | | |
| | Contribution to Great Yarmouth Tidal Defences | 0.950 | | | | Contribution to EA £40m Tidal defences scheme in Great Yarmouth. |
| | Gypsy, Roma and Traveller sites | 0.228 | | | | Improvements at two Gypsy, Roma Travellers sites relocation of Water meters and site improvements. |
| | Culture and Heritage – Gressenhall Development | 0.400 | | | | Redevelopment of the “play area” at Gressenhall Museum to improve the visitor offer. |
| | Development of Norfolk Infrastructure – Development team | 0.350 | 0.350 | | | Project development costs to support the development and delivery of Key Infrastructure |
| | Experience Targeted Tourism Project | 0.150 | 0.150 | 0.150 | | Match funding for part funded European funded project. |
| | Norfolk Record Office Metadata Migration Project | 0.042 | 0.033 | | | Project will deliver the new metadata management system, and attract an additional £0.015m external funding in 2019-20. |
| | Norwich Castle: Gateway to Medieval England | 0.165 | 0.082 | | | Funding for temporary specialist construction project management expertise and clerk of works for project, costs not included in original bid. |
| | Ash Die Back – capital repair and replacement | 0.050 | 0.050 | 0.070 | | Capital costs of making safe and replacing unsafe Ash trees, on NCC assets, that have suffered from Ash Dieback. |
| | Investment in Recycling Norfolk’s Disused Railways | 0.350 | | | | Expansion of trails network to support the visitor economy and health and wellbeing strategy through the Norfolk Cycling and Walking Strategy. More details given in report to 9 November 2018 EDT Committee. |
| | Local Service Strategy | 0.500 | | | | Capital investment that will be required to deliver the multi user hubs. |
| | Scottow Enterprise Park – new build workshops | 1.200 | 1.000 | 1.400 | | Expansion of SEP with new office and workshop space. 50% to be funded by NALEP |
| | **Total CES (non-highways)** | **7.848** | **7.698** | **6.304** | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Finance and Comm Servs** | **IMT** | | | | | |
| | Schools ICT refresh programme 2019-23 | 0.667 | 0.667 | 0.666 | | Schools contribute to an IMT managed ICT refresh programme, which requires an element of capital funding in advance. This capital funding will be fully repaid by scheme contributions from schools by March 2023. |
| | PDC Training Rooms ICT Refresh | 0.066 | | | | Equipment upgrade for training rooms at the Children's Services professional development centre. |
| | **Property** | | | | | |
| | County Hall capital maintenance continuance | | 1.000 | 1.000 | | Continuation of regular capital maintenance of County Hall. In 2015 a capital bid was approved for an allowance of £1m pa over 3 years for capital maintenance expenditure, to replace plant, or other equipment / infrastructure that has reached its life end. |
| | County Hall Phase 2 Refurbishment | 9.500 | | | | Refurbishment of remaining areas of County Hall subject to structural deterioration, asbestos and major plant replacement to add to the lifespan of the building and enable the release of other building. |
| | Accommodation rationalisation programme | 3.000 | 2.000 | 1.000 | | Minor capital refurbishment works in various buildings, for example, Priory House, Attleborough and several others being planned as part of the rationalisation programme tot co-locating various teams, under the LSS or related strategies. This will result in buildings being closed where they are not needed and in turn generate capital receipts and/or revenue savings. |
| | Annex Car Park | 0.560 | | | | The existing annexe carpark is subject to flooding and needs to have a drainage solution installed which will then require a new surface. |
| | Car Park resurfacing | 0.215 | 0.065 | | | Resurfacing of car parks and access roads at County Hall. |
| | **Finance** | | | | | |
| | Herondale site redevelopment – potential loan to Housing Association | 11.000 | | | | Potential project to develop, with appropriate partners, the Council-owned Herondale site into an Extra Care scheme for the elderly. Potential maximum loan as part of revolving credit facility, the majority to be repaid within the first 3-5 years through grant and shared equity sales. |
| | Wholly owned companies – capital loan facility | | 8.500 | | | In future, investment strategies, approved in advance by County Council, will require non-treasury investments including capital loans to companies to be approved in advance. Specific loans will be subject to appropriate due diligence.<br>The proposed facility is designed to cover potential capital loan proposals from Repton Property Developments, Hethel |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | Innovation and/or the Norse Group. The capital programme currently includes £11.5m for this purpose and the proposed addition will increase this to £20m less any loans made in the final part of 2018-19. |
| | Capital grant: Nest project | 0.500 | | | | Capital grant funding towards supporting community sports in Norfolk. The Nest project will result in a new multi-purpose community hub in Horsford, on the former Anglia Windows Social Club site. |
| | **Total Finance and Commercial Services** | **25.508** | **12.232** | **2.666** | | |
| | | | | | | |
| **Summary** | **Total proposed new bids - borrowing** | **87.207** | **92.744** | **39.536** | **35.000** | |

## Children’s Services capital priorities for 2019-20

The Children’s Service Capital Priorities Group have identified the following projects as priorities for the use of Basic Need and Capital Maintenance grant funding (ref 13 November 2018 Children’s Services Committee, Schools Capital Programme report, Annex B).

| Project | Description | Project Delivery * | Funding |
|---|---|---|---|
| Blofield Primary School | Relocation and expansion of existing school onto a new site | 2018-2021 | **Basic Need and CIL** |
| Brundall Primary School | Improvement to existing school to secure accommodation for 1.5FE | 2019-20 | **Basic Need** |
| Swaffham Infant School | Reorganisation to 1FE primary school in response to growth and organisational changes | 2019-20 | **Basic Need** |
| Swaffham Junior School | Reorganisation to 2FE primary school in response to growth and organisational changes | 2019-20 | **Basic Need and S106 contributions** |
| Admission pressures 2019-20 | Works to address pressures identified via the Admissions round | 2018-2021 | **Basic Need** |
| Temporary Classrooms 2019-20 | Placement of modular temporary accommodation at school sites experiencing either a bulge year of entry or the first year/continuing years of sustained pupil number growth.<br>Pupil numbers are not yet known. Dependent on closure of admissions round. | Target delivery by Sept 2019 | **Basic Need** |
| Land costs for new schools | Part funding required for land available through housing developments. Funding for new school provision to ensure sufficient school places for Bowthorpe | All years | **Basic Need** |
| (i) Capital Maintenance and<br>(ii) Academy transfer funds | (i) Projects of approximately £500,000 not covered by schools’ devolved formula capital based on assessment by NPS surveyors.<br>(ii) Liabilities for NCC properties on conversion to academies, case by case, each subject to CPG approval | 2019 | **Capital maintenance grant** |

# Policy and Resources Committee

**Item No 11**

| | |
|---|---|
| **Report title:** | **County Council Budget 2019-20 to 2021-22: Statement on the Adequacy of Provisions and Reserves 2019-22** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services – Simon George** |

## Strategic impact

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


## Executive summary

This report details the County Council's reserves and provisions, including an assessment of their purpose and expected usage during 2019-22. It includes an assessment of the Council's financial risks that should be taken into consideration in agreeing the minimum level of General Balances held by the Council.

This paper is one of a suite of reports that support the County Council's 2019-20 budget decisions.


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

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

   a) **Note the planned reduction in non-schools earmarked and general reserves of 42.4% over three years, from £85.180m (March 2018) to £49.044m (March 2022) (paragraph 5.2);**

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

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

      i. **for 2019-20, a minimum level of General Balances of £19.536m, and**
      ii. **a forecast minimum level for planning purposes of**

- **2020-21, £25.927m; and**
- **2021-22, £26.550m.**

**as part of the consideration of the budget plans for 2019-22, reflecting the transfer of risk from Central to Local Government, and supporting recommendations;**

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

## 1. Introduction

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

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

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

1.4. Taking into account the overall position, it is considered that the current level of General Balances is adequate and the minimum level is therefore proposed at £19.536m.

## 2. Purpose of holding provisions and reserves

2.1. The Council holds both provisions and reserves.

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

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

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

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

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

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

## 3. Current Context

3.1. In respect of General Balances, their minimum level is presently recommended at £19.536m for 2019-20. The projected actual level at 31 March 2019 is £19.536m, prior to allowing for the revenue budget year end position, which is currently forecasting an underspend of £0.035m (as per the monitoring report to Policy and Resources Committee 28 January 2019). Executive Directors are continuing to take action to secure achievement of this balanced outturn position. The budget proposals reported on this agenda do not include any use of General Balances. The level of minimum balance is informed by an assessment of the financial risk to which the Council is exposed, whilst also taking account of the level of financial controls within the Council. Financial management and reporting arrangements are considered to be effective and this has been commented on by the external auditors.

3.2. Norfolk County Council's provisions and reserves are reported to Policy and Resources Committee on a monthly basis and are subject to continual review. They are also reported to the relevant Service Committee. In comparison with other County Councils, the Council holds a lower than average percentage of general balances. Latest Revenue Account Budget information from the Ministry of Housing, Communities and Local Government indicates that as a proportion of the 2018-19 net budget the Council's general reserves are presently 5.0%, while the average for shire counties is 7.2%.

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

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

## 4. Assessment of the level of General Balances

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

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

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

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

- Cost of disasters. The Bellwin Scheme of Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. In a disaster situation, the Council can claim assistance from the Government using the Bellwin rules. Thresholds were set for 2017-18 and mean the Council would have to fund emergency costs below £1.164m. Central Government would then provide 100% grant funding for any eligible expenditure incurred above this amount. Examples of natural disasters eligible for the scheme would include severe flooding and hurricane damage.

- Uncertainty arising from the introduction of new legislation or funding arrangements such as the moves towards retention of Business Rates and for Norfolk in 2019-20, the impact of the Business Rates Pilot.
- Risk of changes to the levels of grant funding and factors affecting key income streams such as Council Tax and Business Rates.
- Unplanned volume increases in major demand led budgets, particularly in the context of high and accelerating growth.
- The risk of major litigation, both currently and in the future.
- The need to retain a general contingency to provide for any unforeseen circumstances which may arise.
- The need to retain reserves for general day to day cash flow needs.

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

**Table 1: Recommended and forecast level of General Balances 2018-22**

| **2018-19 (31/03/2019 Forecast)** | | **2019-20** | **2020-21** | **2021-22** |
|---|---|---|---|---|
| **£m** | | **£m** | **£m** | **£m** |
| 19.536 | Assessment of the level of General Balances | 19.536 | 25.927 | 26.550 |

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

4.4. The latest budget monitoring position reported to Policy and Resources Committee forecasts general balances at 31 March 2019 of £19.536m, prior to allowing for the revenue budget end of year position, which is currently forecasting an underspend of £0.035m. Work is being undertaken by Executive Directors to deliver the balanced outturn position forecast as at period 8. It is expected that these actions will enable a balanced outturn position to be achieved for 2018-19.

4.5. The increase in the minimum level of risk-based balances needed in the following two years of the Medium Term Financial Strategy reflects the increased level of risk around budget assumptions, such as pay awards, where the longer forecasting horizon increases the level of uncertainty, and in particular the increased levels of risk relating to council tax base assumptions and generating capital receipts, which respectively add £4.268m and £1.725m to the assessed balance required by 2021-22.

## 5. Review of Earmarked Reserves and Provisions

5.1. As part of the 2019-20 budget planning process, a detailed review has been undertaken in respect of each of the reserves and provisions held by the Council. In general, the earmarked reserves and provisions are considered by the Executive Director of Finance and Commercial Services to be adequate and appropriate to reflect the risks they are intended to cover. However, it is considered that changes could be made to some reserves, due to changing circumstances. Table 2 summarises the earmarked reserves for each Committee. The detailed balances for individual reserves are shown at Appendix E.

**Table 2: Summary of Earmarked Reserves and Provisions 2018-22**

| Committee | Balance at 31/03/18 £m | Forecast at 31/03/19 £m | Forecast at 31/03/20 £m | Forecast at 31/03/21 £m | Forecast at 31/03/22 £m |
|---|---|---|---|---|---|
| Adult Social Care | 31.063 | 27.463 | 13.619 | 7.286 | 7.286 |
| Children's Services | 3.302 | 2.706 | 0.070 | 0.070 | 0.070 |
| Communities | 7.417 | 6.640 | 4.155 | 4.879 | 4.602 |
| Environment Development and Transport | 27.425 | 25.880 | 24.647 | 24.009 | 23.467 |
| Business and Property | 3.017 | 1.655 | 1.155 | 0.756 | 0.479 |
| Digital Innovation and Efficiency | 0.800 | 0.856 | 0.856 | 0.856 | 0.856 |
| Policy and Resources | 22.860 | 16.801 | 15.270 | 15.016 | 13.929 |
| **Total (excluding schools)** | **95.883** | **82.002** | **59.771** | **52.872** | **50.689** |
| Reserves for capital use | 0.504 | 0.020 | 0.500 | 1.000 | 1.000 |
| Schools | 4.500 | 3.815 | 1.498 | 1.990 | 1.452 |
| School - LMS | 14.966 | 10.178 | 9.117 | 6.948 | 5.500 |
| DSG Reserve | -8.087 | -13.601 | -19.270 | -17.270 | -14.270 |

5.2. The planned change in total non-school's reserves is **a reduction of 42.4%** over four years as shown in the following table. It should be noted that the increase in the forecast reduction compared to the previous MTFS is largely due to the higher starting balances position in March 2018; the forecast closing position in March 2022 is broadly unchanged from last year.

**Table 3: Change in Reserves 2018-22**

| | March 31, 2018 | March 31, 2022 | Reduction % |
|---|---|---|---|
| | £m | £m | |
| General Balances | 19.536 | 26.550 | |
| Earmarked Reserves | 65.644 | 22.494 | |
| **Total** | **85.180** | **49.044** | **42.4%** |
| | | | |
| *The comparative figures for last year were:* | | | |
| | | | |
| | **March 31, 2017** | **March 31, 2022** | **Reduction %** |
| General Balances | 19.301 | 23.791 | |
| Earmarked Reserves | 54.868 | 23.321 | |
| **Total** | **74.169** | **47.112** | **36.5%** |

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

5.4. It should be noted that the Department for Education (DfE) consulted in November 2018[1] on proposals to require local authorities to report DSG reserves or deficits as a separate ring-fenced reserve in annual returns. What this means for local authorities is that DSG deficits will not need to be covered by an equivalent amount in local authorities' general reserves. Consequently, new lines will be added to the 2018-19 RO returns and local authorities will be expected to state what their cumulative DSG deficit is every year. In the 2018-19 Medium Term Financial Strategy, the Council's DSG deficit balance was offset against other schools' balances.

5.5. The DSG deficit arises from the historic underfunding of the High Needs Block (HNB) which supports high needs places in state special schools, independent schools, and Alternative Provision. Norfolk is currently carrying an outstanding DSG deficit of £8.087m from previous financial years, with a forecast £5.514m deficit for 2018-19 (after taking into account additional funding of £1.803m announced for the current year), meaning that the position at the start of 2019-20 will be a forecast £13.601m deficit position. This deficit DSG reserve position **is therefore not reflected** in the reserve balances presented within this report but is included for completeness within Appendix E. DSG is a ring-fenced specific grant, provided outside the local government finance settlement and there is no requirement for local authorities to top-up the grant from general funding or from non-ring-fenced revenue reserves. In spite of this, and as part

[1] *Consultation on the implementation of new arrangements for reporting deficits of the dedicated schools grant*, Department for Education, 12 November 2018

of a five year plan to recover the HNB deficit position, the 2019-20 Budget provides for an ongoing £3m from the Council's own resources to support the HNB position.

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

## 6. Equality Impact Assessment

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

## 7. Issues, risks and innovation

7.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2019. Legal requirements in relation to setting the budget and level of Council Tax have been set out within this and other reports on the agenda and are considered to be met.

7.2. **Risks** – The risks associated with the budget proposals were reported to Service Committees in January 2019 and to Council in the separate report on the Robustness of Estimates. Reports on the Robustness of Estimates and the Statement on the Adequacy of Provisions and Reserves also set out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

## 8. Summary

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

8.2. The proposed level of reserves and balances set out in this report is considered to provide a prudent and robust basis for the Revenue Budget 2019-20 and will ensure the Council has adequate financial reserves to manage the delivery of services and the proposed savings in the financial years covered by the associated Medium Term Financial Strategy.

## Background Papers

Provisional Local Government Finance Settlement 2019-20:
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020

## Officer Contact

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

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

<table>
<tr><th>Area of risk</th><th>Explanation of risk</th></tr>
<tr><td>1) Legislative changes</td><td>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 in particular greater risk in future years, where estimates cannot be based on firm government announcements. Key elements include:<br><br>- Government grant – 2019-20 represents the final year of the four-year funding allocations for 2016-17 to 2019-20. The end of the four-year settlement combined with uncertainty about the outcomes of the Comprehensive Spending Review (CSR), Fair Funding Review (FFR), and 75% Business Rates Retention Scheme (BRRS) means that the council faces a very significant level of uncertainty about funding levels after 2019-20.<br>- Business Rates. Councils’ funding is affected by the level of business rates collected. The Council is affected by the combined rates across all Norfolk councils, which helps smooth out any specific peaks and troughs, however significant appeals and applications for relief such as NHS Foundation Trusts could result in significant volatility.<br>- Council tax base and collection fund. The council funding is affected if there is a reduction in the tax base or in the amount collected by the billing authorities. The budget is based on a forecast 1.8% increase in tax base for both 2020-21 and 2021-22, which is broadly in line with historic trends but represents a financial risk to budgeted income if trends do not continue.<br>- NHS/Social Care Funding – The improved better care fund funding represents a mix of recurrent and one-off funding. Detailed information for future years for the Better Care Fund, including any uplifts, is still awaited. Planning assumptions are based on a continuation of the use and level of funding. The Provisional Finance Settlement confirmed that one-off winter funding of £4.179m and social care funding of £7.139m will be available in 2019-20. The outcomes of the CSR and FFR are awaited to determine whether any of this funding will be ongoing.<br>- The National Living Wage was introduced from 2016-17, starting at £7.20 and the Government target is for it to rise to £9 by 2020.</td></tr>
<tr><td>2) Inflation</td><td>Pay inflation has been assumed at 2% for 2019-20 to 2021-22. Allowances have been made for differential increases for those staff affected by the implementation of the National Living Wage. However the County Council is currently part of the national agreement and therefore pay awards will be impacted by any agreements reached. There is a risk that pay awards could vary from this assumption over the planning period.</td></tr>
</table>

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

| Area of risk | Explanation of risk |
|---|---|
| | Price inflation has been included based on contractual need. There is a risk that inflation will be required during the planning period, even where there is no current contractual element. In addition, many contracts are negotiated post budget agreement and therefore forecast inflation levels may be different in practice.<br><br>Inflation on fees and charges is set by NCC – a 2.0% increase has been assumed for 2019-20 and 2.1% in the following years. However, there is a risk that market forces may require this to be varied during the planning period. |
| 3) Interest rates on borrowing and investment | Budgeted interest earnings on investments are based on guaranteed fixed deposit returns, available instant liquidity rates and market forecasts provided by our Treasury Advisors. Current rates are at historically low levels and are not forecast to increase at any significant pace over the next couple of years.<br><br>The revenue cost of borrowing is based on the rates of interest payable on the Council's existing debt and assumptions in respect of capital expenditure to be funded from borrowing which has yet to be borrowed. |
| 4) Government funding | In 2016-17, the Government provided indicative four year funding allocations up to 2019-20. 2019-20 represents the final year of the four-year funding allocations. These allocations have provided the council with a degree of certainty about core elements of funding over the period, and only minimal changes to the funding in scope of the certainty offer have been made. Nonetheless, allocations still have to be confirmed annually in the Local Government Finance Settlement. The end of the four-year settlement combined with uncertainty about the outcomes of the Comprehensive Spending Review (CSR), Fair Funding Review (FFR), and 75% Business Rates Retention Scheme (BRRS) means that the council faces a very significant level of uncertainty about funding levels after 2019-20. A number of issues may also impact on future funding levels:<br><br>• The outcome of the process for the UK to leave the European Union and any consequential impact on the national economy, which may have a significant impact on the levels of funding for the public sector at national level.<br>• Similarly, the drive to deliver deficit reduction targets means that the Government may place further reductions on government departments that may affect local government, particularly if there are changes in the wider economy.<br>• The operation of a 75% Business Rates Pilot in 2019-20 results in the Council having a potentially higher degree of |

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

| Area of risk | Explanation of risk |
| --- | --- |
| | exposure to changes in business rates income during 2019-20, however the pilot includes a funding safety net level set at 95% of baseline funding levels which serves to mitigate the level of risk.<br>• On occasion general issues arise on funding which place the Council at risk of clawback.<br>• Key funding for integrated health and social care is via the Department of Health and is dependent on the agreement of plans and further information regarding payment by results. |
| 5) Employee related risks | 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. |
| 6) Volume and demand changes | Many of our largest budgets are demand led and these present long standing areas of risk. Forecasts for social care are based on current outturn predictions and applied to population forecasts. Costs could vary if the population varies or if the proportion of people either requiring or eligible for care is different to the forecast.<br><br>Budgets for Looked After Children take into account the County Council's strategy for minimising the number of children in care. Financial risks include delivery of the strategy and external factors that can lead to an increase in the number of Looked After Children.<br><br>Waste forecasts are based on the latest available information. If tonnage levels increase, this will lead to an increased pressure. |
| 7) Budget savings | The Medium Term Financial Strategy includes £79.427m budget savings to be delivered across three years. A full assessment of all proposals has tested the robustness of each saving to minimise the financial risk, however a risk remains that the programme is delivered at a slower rate, or that some savings are not achievable at the planned level.<br><br>In addition, further savings need to be identified to close the £70.078m funding shortfall between 2020-21 and 2021-22. |
| 8) Insurance and emergency planning provision | Unforeseen events and natural disasters can increase the level of insurance claims faced by the Council.<br><br>The council's insurance arrangements, including actuarial review of the fund, additional provisions for unforeseen and unreported claims, service risk management and emergency planning procedures minimise this risk. |

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

| Area of risk | Explanation of risk |
| --- | --- |
| 9) Energy, security and resilience | Were a disaster to occur, we must have a reserve in place to pick up costs that will fall to the Council.<br><br>Norfolk includes flood risk areas and emergency procedures are in place to manage this.<br><br>Resilience of IMT can create a risk that might have financial implications for the Council. |
| 10) Financial guarantees /legal exposure | The contracts containing obligations that, if not fulfilled, would attract a penalty.<br>The Council has PFI Schemes for street lighting, salt barns and schools. However, there is no risk to the financing of these schemes at present. |

**APPENDIX B**

## Balances Calculation

| Area of Risk | 2018-19 | | | 2019-20 | | | 2020-21 | | | 2021-22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Risk Level | Value | Budget | Risk Level | Value | Budget | Risk Level | Value | Budget | Risk Level | Value |
| | £m | % | £m | £m | % | £m | £m | % | £m | £m | % | £m |
| **Legislative Changes** | | | | | | | | | | | | |
| Government Grant / Localised Business Rates | 181.150 | 0.0% | 0.000 | 130.146 | 0.0% | 0.000 | 105.376 | 0.5% | 0.527 | 82.092 | 0.5% | 0.410 |
| Business Rates | 26.083 | 0.0% | 0.000 | 86.732 | 0.0% | 0.000 | 86.732 | 0.5% | 0.434 | 86.732 | 0.5% | 0.434 |
| Council Tax Variation to Base/Collection | 388.799 | 0.0% | 0.000 | 409.031 | 0.0% | 0.000 | 419.475 | 0.5% | 2.097 | 434.129 | 0.5% | 2.171 |
| NHS/Social Care Funding | 87.066 | 1.0% | 0.871 | 93.611 | 1.0% | 0.936 | 87.708 | 1.0% | 0.877 | 87.708 | 2.0% | 1.754 |
| Apprenticeship Levy | 0.856 | 1.0% | 0.009 | 0.892 | 1.0% | 0.009 | 0.910 | 1.0% | 0.009 | 0.928 | 1.0% | 0.009 |
| Landfill Tax - waste recycling (price) | 24.280 | 1.0% | 0.243 | 25.308 | 1.0% | 0.253 | 27.768 | 1.0% | 0.278 | 28.451 | 1.0% | 0.285 |
| | **708.234** | | **1.122** | **745.720** | | **1.198** | **727.969** | | **4.222** | **720.040** | | **5.063** |
| **Inflation** | | | | | | | | | | | | |
| Employees | 252.663 | 0.0% | 0.000 | 259.849 | 0.0% | 0.000 | 265.033 | 0.5% | 1.325 | 272.088 | 0.5% | 1.360 |
| Premises | 23.421 | 0.5% | 0.117 | 49.981 | 0.5% | 0.250 | 50.325 | 0.5% | 0.252 | 50.808 | 0.5% | 0.254 |
| Transport | 58.290 | 0.5% | 0.291 | 62.264 | 0.5% | 0.311 | 63.321 | 0.5% | 0.317 | 64.407 | 0.5% | 0.322 |
| Supplies and Services | 117.867 | 0.5% | 0.589 | 98.817 | 0.5% | 0.494 | 89.412 | 0.5% | 0.447 | 87.960 | 0.5% | 0.440 |
| Agency and Contracted | 421.543 | 0.5% | 2.108 | 449.840 | 0.5% | 2.249 | 456.439 | 0.5% | 2.282 | 466.912 | 0.5% | 2.335 |
| Income (Fees and Charges) | 106.533 | 0.5% | 0.533 | 113.339 | 0.5% | 0.567 | 119.572 | 0.5% | 0.598 | 121.664 | 0.5% | 0.608 |
| | **980.317** | | **3.638** | **1,034.089** | | **3.871** | **1,044.102** | | **5.221** | **1,063.838** | | **5.319** |
| **Interest Rates** | | | | | | | | | | | | |
| Borrowing | 26.402 | 0.25% | 0.066 | 28.463 | 0.25% | 0.071 | 31.013 | 0.25% | 0.078 | 31.013 | 0.25% | 0.078 |
| Investment | 0.400 | 0.25% | 0.001 | 0.336 | 0.25% | 0.001 | 0.336 | 0.25% | 0.001 | 0.336 | 0.25% | 0.001 |
| | **26.802** | | **0.067** | **28.799** | | **0.072** | **31.349** | | **0.078** | **31.349** | | **0.078** |
| **Grants** | | | | | | | | | | | | |
| Public Health Grant funding | 39.062 | 0.0% | 0.000 | 38.031 | 0.0% | 0.000 | 38.031 | 1.0% | 0.380 | 38.031 | 1.0% | 0.380 |
| Other General Fund Grants | 22.850 | 0.25% | 0.057 | 13.472 | 0.25% | 0.034 | 13.422 | 0.25% | 0.034 | 13.372 | 0.25% | 0.033 |
| | **61.912** | | **0.057** | **51.503** | | **0.034** | **51.453** | | **0.414** | **51.403** | | **0.414** |
| **Employee Related Risks** | | | | | | | | | | | | |
| Pensions actuarial evaluation | 14.184 | 0.0% | 0.000 | 13.069 | 0.0% | 0.000 | 12.344 | 5.0% | 0.617 | 12.603 | 5.0% | 0.630 |
| | **14.184** | | **0.000** | **13.069** | | **0.000** | **12.344** | | **0.617** | **12.603** | | **0.630** |

**APPENDIX B**

## Balances Calculation

| Area of Risk | 2018-19 | | | 2019-20 | | | 2020-21 | | | 2021-22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Risk Level | Value | Budget | Risk Level | Value | Budget | Risk Level | Value | Budget | Risk Level | Value |
| | £m | % | £m | £m | % | £m | £m | % | £m | £m | % | £m |
| **Volume / Demand Changes** | | | | | | | | | | | | |
| Capital Receipts | 4.840 | 7.5% | 0.363 | 2.000 | 3.0% | 0.060 | 7.000 | 7.5% | 0.525 | 12.000 | 10.0% | 1.200 |
| Customer and Client Receipts | 106.533 | 0.75% | 0.799 | 113.339 | 0.75% | 0.856 | 119.572 | 0.75% | 0.897 | 121.664 | 0.75% | 0.912 |
| Demand Led Budgets (Adult Social Care third party and transfer payments) | 320.044 | 1% | 3.200 | 341.097 | 1% | 3.240 | 345.441 | 1% | 3.454 | 352.947 | 1% | 3.529 |
| Demand Led Budgets (Looked after Children) | 87.675 | 1% | 0.877 | 80.502 | 1% | 0.805 | 104.010 | 1% | 1.040 | 108.927 | 1% | 1.089 |
| Winter Pressures | 2.647 | 10% | 0.265 | 3.170 | 10% | 0.317 | 3.209 | 10% | 0.324 | 3.250 | 10% | 0.328 |
| Landfill Tax - waste recycling (volume) | 24.280 | 1% | 0.243 | 25.308 | 1% | 0.253 | 27.768 | 1% | 0.278 | 28.451 | 1% | 0.285 |
| Public Health third party spend | 34.836 | 1% | 0.348 | 33.595 | 1% | 0.336 | 32.095 | 1% | 0.321 | 30.595 | 1% | 0.306 |
| Better Care Fund Spend | 87.066 | 1% | 0.871 | 93.611 | 1% | 0.936 | 87.708 | 1% | 0.877 | 87.708 | 1% | 0.877 |
| | **667.921** | | **6.966** | **692.622** | | **6.803** | **726.803** | | **7.716** | **745.542** | | **8.527** |
| **Budget Savings** | | | | | | | | | | | | |
| Budget Reductions | 29.999 | 8% | 2.273 | 31.695 | 8% | 2.377 | 30.992 | 8% | 2.479 | 16.740 | 8% | 1.339 |
| | **29.999** | | **2.273** | **31.695** | | **2.377** | **30.992** | | **2.479** | **16.740** | | **1.339** |
| **Insurance/Public Liability Third Party Claims** | | | | | | | | | | | | |
| Uninsured Liabilities | | | 4.000 | | | 4.000 | | | 4.000 | | | 4.000 |
| Bellwin rules | 1,163.554 | 0.1% | 1.164 | 1,163.554 | 0.1% | 1.164 | 1,163.554 | 0.1% | 1.164 | 1,163.554 | 0.1% | 1.164 |
| | **1,163.554** | | **5.164** | **1,163.554** | | **5.164** | **1,163.554** | | **5.164** | **1,163.554** | | **5.164** |
| **Energy Security and Resilience** | | | | | | | | | | | | |
| Carbon Tax Legislation | 0.286 | 5% | 0.014 | 0.331 | 5% | 0.017 | 0.331 | 5% | 0.017 | 0.331 | 5% | 0.017 |
| | **0.286** | | **0.014** | **0.331** | | **0.017** | **0.331** | | **0.017** | **0.331** | | **0.017** |
| **TOTAL** | | | **19.301** | | | **19.536** | | | **25.927** | | | **26.550** |

## Norfolk County Council policy on Provisions and Reserves

**<u>Objective</u>**

The objective of holding provisions, reserves, and general balances is to ensure the Council can meet unforeseen or uncertain expenditure, and to meet specific future commitments as they fall due.

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.

**<u>Provisions</u>**

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

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

**<u>Reserves</u>**

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
- Dedicated Schools Grant (DSG) reserve
- General Balances (Reserves that are not earmarked for a specific purpose)

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

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

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

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

**DSG reserve**
The DSG reserve represents the cumulative position of the ringfenced DSG funding provided by the DfE. From the 2018-19 outturn, DSG reserves or deficits will be reported as a separate ring-fenced reserve. A DSG deficit does not need to be covered by an equivalent amount in local authorities' general reserves.

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

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

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

*Provision for Unforeseen Expenditure*

Unforeseen expenditure can be divided into two categories:

- Disasters
- Departmental Overspends

In a disaster situation, the Council can have recourse to the Government using the Bellwin rules under which the Council would have to fund the first £1.164m of costs (2017-18 threshold). Central government would provide grant funding of 100% for eligible expenditure incurred above this amount. Examples of natural disasters are severe flooding and hurricane damage.

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

*Uninsured risks*

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

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

*Comparisons with similar organisations*

As part of assessing the minimum level of General Balances to be held, comparisons are made with other County Councils. Based on the latest Policy and Resources Committee monitoring report, the forecast level of General Balances at 31 March 2019 is £19.536m, prior to allowing for the revenue budget year end position. The County Council holds balances of 5.0% as a percentage of its net 2018-19 budget (Council Tax Requirement). This percentage can only be used as a guide as each Council's circumstances are different. However, the percentage of General Balances compared to the net revenue expenditure is below average in comparison to other County Councils, which is 7.2%.

*Level of financial control within the Council*

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

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

In evaluating the level of General Balances, as part of producing the 2019-20 Budget, the Executive Director of Finance and Commercial Services has used a framework based on considering all risk areas and then quantifying the risk using the related budget and applying a percentage factor, which will vary according to the assessed level of risk. The total value against each risk provides an estimate of the level of balances required to cover the identified risk and overall provides an assessment of the level of general balances for the County Council.

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

*Minimum Level of General Balances*

Taking all of the above factors into account the Executive Director of Finance and Commercial Services currently advises that the Council holds the following minimum level of General Balances for 2019-20 and indicative minimum levels for planning purposes for 2020-21 and 2021-22.

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

| | **2019-20 £m** | **2020-21 £m** | **2021-22 £m** |
|---|---|---|---|
| Assessment of the level of General Balances | 19.536 | 25.927 | 26.550 |

Chief Officers are expected to comply with financial regulations and deliver their services within the budget approved by the County Council and therefore departments are not expected to draw upon the £19.536m above.

If the level of General Balances is reduced to below the minimum balance, currently £19.536m, the shortfall will be replenished as soon as possible or as part of the following year's budget.

APPENDIX D

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

| Purpose | Future use |
|---|---|
| **EARMARKED RESERVES** | |
| **Adult Education Income Reserve** | |
| The County Council is required to approve a budget for the Adult Education service five to six months in advance of the funding announcement by the Skills Funding Agency. In addition, the Skills Funding Agency can also impose penalties on the service in the event that targets are not met and these are dependent on results assessed at year end. This reserve enables the Council to manage risks associated with potential changes in Skills Funding Agency working. | Some use of this reserve is planned over the budget planning period. |
| **Archive Centre Sinking Fund** | |
| This reserve is to maintain the Archive Centre in accordance with a lease agreement between the County Council and the University of East Anglia. | Reserve expected to be used in full by the end of 2018-19. |
| **Building Maintenance** | |
| This reserve is to ensure that the capital value of the Council's building stock is maintained and facilitates the rolling programme of building maintenance. It also allows NPS Property Consultants Ltd to respond to emergencies by carrying out repairs from day to day and as the need arises. | A rolling programme of work and annual budget contribution. The underlying reserve is to meet the risk of unidentified and emergency repairs. This is forecast to be used in full in 2018-19. |
| **Business Risk Reserves** | |
| These reserves were established to manage key risks. | Most of the Adult Social Care reserve is forecast to be used over the budget planning period. The corporately held reserve will be used in full to support delivery of the 2018-19 budget. |
| **Demand Responsive Transport** | |
| 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 no current planned use of this reserve. |
| **Economic Development and Tourism** | |
| This is primarily the Apprenticeship Scheme balance and committed EU project funding. | Funding for apprenticeships and EU Projects are mainly committed. |

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

| Purpose | Future use |
|---|---|
| **Election Reserve** | |
| This is to cover the cost of holding County Council elections. | Regular ongoing contributions to the reserve are planned each year. The reserve will be used in 2021-22 for the next election and will then be built up again. |
| **Fire Operational/PPE Clothing** | |
| This reserve is to meet variable demands for new operational equipment and personal protective equipment. | The reserve is for items such as hazmat suits and training in dealing with chemicals. |
| **Fire Retained Turnout Payments** | |
| This reserve is to meet variable demands from larger incidents and higher than expected turnouts. | There is no current planned use of this reserve. |
| **Fire Pensions Reserve** | |
| This reserve is to smooth higher than anticipated costs due in respect of ill health retirements, injury retirements and retained fire fighters who qualify for the Whole Time Uniformed scheme. | Incidence of ill health and injury retirements are not planned and when they occur can carry a high financial cost. This reserve is to allow for those possible financial variances. |
| **Highways Maintenance** | |
| This reserve enables a wide range of maintenance schemes to be undertaken. An annual amount is transferred to the works budget. The reserve is also used to carry forward balances on the Highways Maintenance Fund. | The balance mainly relates to commuted sums to meet future liabilities. These sums are paid by Developers to cover the additional maintenance work arising from their developments. The profile of use of the reserves reflects the future liabilities and planned general Highways expenditure. |
| **Historic Buildings** | |
| This is used to buy and restore historic buildings at risk of being demolished and to make grants towards the restoration of buildings. | This reserve is used as and when required. There is currently no planned use after 2018-19. |
| **Information Technology** | |
| The reserve is used by multiple services to set aside money for specific IT projects. | New funding towards the reserve is not planned. |
| **Insurance** | |
| This reserve reflects monies set aside for future potential insurance liabilities that are in excess of those provided for in the Insurance Provision. | Some of the insurance reserve / provision will be used to support the delivery of the 2019-20 budget following assessment of the required level of balances. |

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

| Purpose | Future use |
|---|---|
| **Nplaw Operational Reserve** | |
| This reserve has been created to support the development and increased activities of the business and smooth variations in trading. | The reserve has been built up from Nplaw Trading and as such belongs to the Partners of the scheme. |
| **Organisational Change and Redundancy Reserve** | |
| This reserve was created to provide one-off funding to support and invest in transformational change e.g. change initiatives such as Workstyle and to fund redundancy costs. | The timing of when the reserve is used is dependent upon future events and it is expected it will be mainly used to fund redundancy costs. |
| **EDT Bus De-registration** | |
| This is funding to meet costs associated with the commercial deregistration of bus services. | There is no planned usage of the reserve, but will be drawn upon as required over the period. |
| **EDT Park & Ride** | |
| The reserve is for future site works. | There is currently no planned usage of the fund, but it is retained to meet potential necessary site works. |
| **EDT Road Safety Reserve** | |
| This reserve reflects the surplus resulting from Speed Awareness Courses run by the council on behalf of the Police, to be reinvested within Road Safety. | There is currently no planned use of this reserve. |
| **Ofsted Improvement Fund** | |
| Funds held for the sustainable trading activities with schools to support schools improvement. | Reserve expected to be used in full by the end of 2018-19. |
| **Prevention Fund** | |
| This includes the Living Well in the Community Fund, Prevention Fund and Strong and Well revenue funding as agreed by Members to support prevention work, mitigate the risks in delivering prevention savings and to help build capacity in the independent sector. | Expected to be fully utilised by the end of 2019-20. |

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

| Purpose | Future use |
|---|---|
| **Public Transport Commuted Sums** | |
| This includes a commuted sum from Developers to cover new bus routes and lump sums received from the Government for improvements to bus services. | This is held for a specified use, although there is currently no planned draw on the funding. |
| **Repairs and Renewals** | |
| This fund is to meet the cost of purchasing and repairing specific equipment. | The need for the reserve has changed over time as more equipment is procured via leases. Use of the reserve over the next four years is expected. |
| **Residual Insurance and Lottery Bids** | |
| When a cash settlement was agreed with our insurers in respect of the library fire the proceeds were paid into an earmarked reserve. Subsequent costs have been funded from this source, and outstanding costs for buildings and books have been transferred to earmarked reserves. A few issues remain outstanding (e.g. Records conservation). | The reserve incorporates externally funded grants earmarked towards projects. Included within this are sums required to complete the conservation of damaged documents. The timings for use of this reserve are not yet known. |
| **Social Services Residential Review** | |
| This reserve contains funds set aside to support delivery of Mental Health services within Adult Social Care. | Expected to be fully utilised by the end of 2019-20. |
| **Strategic Ambitions Reserve** | |
| This reserve supports the Council in achieving its aspirations and strategic ambitions for Norfolk. | Some of this reserve is expected to be used during 2018-19 and the reserve is to be used in full in 2020-21. |
| **Street Lighting PFI Sinking Fund** | |
| This reserve has been created as a result of the Street Lighting PFI scheme and reflects receipt of government PFI grant and contributions which will be needed in future financial years to meet contract payments. | Reductions in the level of this reserve are expected over the next three years. |
| **Unspent Grants and Contributions** | |
| This reserve contains the balances on the Council's unconditional grants and contributions. | Mostly grants and contributions which will be used to fund spend over the budget planning period. |

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

| Purpose | Future use |
|---|---|
| **Usable Capital Receipts** | |
| This reserve is for capital receipts to help support the capital programme and reduce borrowing requirement. | The reserve includes general capital receipts and receipts in relation to the County Farms estate – the use of an element of which is ring-fenced for county farm purposes. The balance of the reserve will be used to minimise borrowing for unfunded capital schemes. |
| **Waste Management Fund** | |
| This reserve is for waste management initiatives. | Expected to be fully utilised by the end of 2020-21. |
| **SCHOOLS' RESERVES** | |
| **Building Maintenance** | |
| This is money put aside to spend on building maintenance of schools | Expected to be fully utilised by the end of 2019-20. |
| **Children's Services Equalisation** | |
| To fund the variance in the number of Home to School/College Transport and School Catering days in a financial year as a result of the varying dates of Easter holidays. | Expected to be required and used in 2019-20 and 2021-22. |
| **LMS Balances** | |
| This reserve represents estimated surpluses and deficits against delegated budgets for locally managed schools. These funds are retained for schools in accordance with the LMS arrangements approved by the DfE and are not available to the Council for general use. | The future usage will be part of individual school's financial plans. |
| **Norwich Schools PFI Sinking Fund** | |
| This reserve has been created as a result of the Norwich Schools PFI scheme and reflects receipt of government PFI grant and schools contributions which will be needed in future financial years to meet contract payments. | Use of this reserve had been agreed to reduce the level of the Children's Services forecast 2017/18 revenue overspend. The reserve is being replenished in 2019-20. |

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

| Purpose | Future use |
|---|---|
| **Schools Non-Teaching Activities** | |
| This reserve is held on behalf of schools, including school-based Children Centre balances. | The future usage will be part of individual school's financial plans. |
| **School playing surface sinking fund** | |
| 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. |
| **School Non-Partnership maintenance fund** | |
| This reserve is held on behalf of schools for building maintenance activities. | The future usage will be part of individual school's financial plans. |
| **DSG Reserve** | |
| DSG is a ring-fenced grant, provided outside the local government finance settlement. The reserve represents the cumulative position of the ringfenced funding provided by the Department for Education. | The DSG deficit arises from the historic underfunding of the High Needs Block which supports high needs places in state special schools, independent schools and Alternative Provision. The level of the deficit reflects our current forecasts, which are based on a five year plan to recover the current deficit position. |
| **PROVISIONS** | |
| **Children's Services Doubtful Debts** | |
| A provision to cover bad debts. | This provision will change as bad debts are reviewed during the year, although the timing of this use cannot be predicted. |
| **Adult Social Services Doubtful Debts** | |
| A provision to cover bad debts. | This provision will change as bad debts are reviewed during the year, although the timing of this use cannot be predicted. A significant proportion is for specific debts with an element for general service-user related debts. |
| **EDT Doubtful Debts** | |
| A provision to cover bad debts. | No current specific requirement, the provision will be used in the event of bad debts being written off. The timing of this use cannot be predicted. |

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

| Purpose | Future use |
|---|---|
| **Insurance** | |
| Provision for insurance claims. | Contractual commitment based on reported claims and provision for incurred but unreported claims. Some of the insurance reserve / provision will be used to support the delivery of the 2019-20 budget. |
| **Redundancy** | |
| A provision to meet redundancy and pension strain costs. | This provision is forecast to be used in full in 2018-19. |
| **Fire Service Level Salaries** | |
| This provision is held to meet variations on Fire Service staffing costs. | There is no current planned use of this reserve. |
| **Closed landfill long term impairment provision** | |
| Provision created to fund long term impairment costs arising from Closed Landfill sites, as per Government legislation and External Audit recommendation. | This is required to cover the legal requirements, but there is currently no specific call on the provision identified. A fixed amount from revenue is released each year to cover impairment costs. |
| **SCHOOLS' PROVISIONS** | |
| **Frozen Holiday Pay** | |
| This provision is used to fund retained holiday pay, payable on retirement, for former school catering staff now employed by NORSE. | This provision is forecast to be used in full in 2018-19. |

## APPENDIX E

# Reserves and Provisions
# Year End Projections

| | Opening Balances 31/03/2018 | Forecast Balances 31/03/2019 | Forecast Balances 31/03/2020 | Forecast Balances 31/03/2021 | Forecast Balances 31/03/2022 |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| ***Earmarked Reserves*** | | | | | |
| **All Services** | | | | | |
| Building Maintenance | 0.814 | 0.000 | 0.000 | 0.000 | 0.000 |
| Information Technology | 3.112 | 2.857 | 1.998 | 1.428 | 1.338 |
| Repairs and Renewals | 3.038 | 2.452 | 1.591 | 1.516 | 1.489 |
| Unspent Grants and Contributions | 26.674 | 20.988 | 6.429 | 5.862 | 5.570 |
| | **33.638** | **26.298** | **10.018** | **8.805** | **8.396** |
| **Children's Services** | | | | | |
| Ofsted Improvement Fund | 0.004 | 0.000 | 0.000 | 0.000 | 0.000 |
| | **0.004** | **0.000** | **0.000** | **0.000** | **0.000** |
| **Adult Social Care** | | | | | |
| Business Risk Reserve | 4.500 | 6.976 | 4.547 | 0.000 | 0.000 |
| Prevention Fund | 0.711 | 0.185 | 0.000 | 0.000 | 0.000 |
| Social Services Residential Review | 0.809 | 0.661 | 0.000 | 0.000 | 0.000 |
| | **6.020** | **7.822** | **4.546** | **0.000** | **0.000** |
| **Communities** | | | | | |
| Adult Education Income | 0.357 | 0.364 | 0.241 | 0.201 | 0.201 |
| Residual Insurance and Lottery Bids | 0.183 | 0.176 | 0.176 | 0.176 | 0.176 |
| Fire Pensions | 0.155 | 0.095 | 0.095 | 0.095 | 0.095 |
| Fire Retained Turnout Payments | 0.031 | 0.031 | 0.031 | 0.031 | 0.031 |
| Fire Operational/PPE/Clothing | 0.378 | 0.331 | 0.331 | 0.331 | 0.331 |
| | **1.104** | **0.997** | **0.874** | **0.834** | **0.834** |
| | | | | | |
| **Environment Development and Transport** | | | | | |
| Demand Responsive Transport | 0.004 | 0.004 | 0.004 | 0.004 | 0.004 |
| Public Transport Commuted Sums | 0.389 | 0.389 | 0.389 | 0.389 | 0.389 |
| Road Safety | 0.150 | 0.150 | 0.150 | 0.150 | 0.150 |
| Highways Maintenance | 5.796 | 5.550 | 5.258 | 5.025 | 4.781 |
| Historic Buildings | 0.079 | 0.043 | 0.043 | 0.043 | 0.043 |
| Waste Management Partnership Fund | 0.869 | 0.669 | 0.088 | 0.000 | 0.000 |
| P&T Park and Ride | 0.012 | 0.012 | 0.012 | 0.012 | 0.012 |
| P&T Bus De-registration | 0.031 | 0.031 | 0.031 | 0.031 | 0.031 |

## Reserves and Provisions
## Year End Projections

| | Opening Balances 31/03/2018 | Forecast Balances 31/03/2019 | Forecast Balances 31/03/2020 | Forecast Balances 31/03/2021 | Forecast Balances 31/03/2022 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Street Lighting PFI Sinking Fund | 5.051 | 4.177 | 3.992 | 3.807 | 3.622 |
| | **12.381** | **11.025** | **9.967** | **9.461** | **9.032** |
| | | | | | |
| **Business and Property** | | | | | |
| Archive Centre Sinking Fund | 0.288 | 0.000 | 0.000 | 0.000 | 0.000 |
| Economic Development and Tourism | 1.992 | 1.719 | 1.190 | 0.791 | 0.514 |
| | **2.280** | **1.719** | **1.190** | **0.791** | **0.514** |
| | | | | | |
| **Policy and Resources / Corporate** | | | | | |
| NPLaw | 0.176 | 0.018 | 0.018 | 0.018 | 0.018 |
| Insurance Reserve | 0.787 | 0.787 | 0.787 | 0.787 | 0.787 |
| Business Risk Reserve | 3.671 | 0.000 | 0.000 | 0.000 | 0.000 |
| Organisational Change and Redundancy Reserve | 4.994 | 3.280 | 3.114 | 2.935 | 2.913 |
| Election Reserve | 0.000 | 0.325 | 0.650 | 0.975 | 0.000 |
| Strategic Ambitions Reserve | 0.588 | 0.273 | 0.273 | 0.000 | 0.000 |
| | **10.217** | **4.683** | **4.842** | **4.715** | **3.718** |
| | | | | | |
| **Non – Schools Total** | **65.644** | **52.544** | **31.437** | **24.606** | **22.494** |
| | | | | | |
| **Reserves for Capital Use** | | | | | |
| Usable Capital Receipts | 0.504 | 0.020 | 0.500 | 1.000 | 1.000 |
| | | | | | |
| **Schools Reserves** | | | | | |
| LMS Balances | 14.966 | 10.178 | 9.117 | 6.948 | 5.500 |
| Children's Services Education Equalisation | 0.494 | 0.413 | 0.000 | 0.515 | 0.000 |
| Norwich Schools PFI Sinking Fund | 0.000 | 0.000 | 0.196 | 0.173 | 0.150 |
| Building Maintenance | 2.581 | 2.100 | 0.000 | 0.000 | 0.000 |
| Schools Non-Teaching Activities | 0.575 | 0.575 | 0.575 | 0.575 | 0.575 |
| School playing surface sinking fund | 0.054 | 0.054 | 0.054 | 0.054 | 0.054 |
| School Non-Partnership maintenance fund | 0.780 | 0.673 | 0.673 | 0.673 | 0.673 |
| **Schools Total** | **19.450** | **13.993** | **10.615** | **8.938** | **6.952** |
| | | | | | |

**APPENDIX E**

## Reserves and Provisions
## Year End Projections

| | Opening Balances 31/03/2018 | Forecast Balances 31/03/2019 | Forecast Balances 31/03/2020 | Forecast Balances 31/03/2021 | Forecast Balances 31/03/2022 |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| **DSG Reserve** | **-8.087** | **-13.601** | **-19.270** | **-17.270** | **-14.270** |
| | | | | | |
| ***Provisions*** | | | | | |
| **Children's Services** | | | | | |
| Provision for doubtful debts | 0.059 | 0.059 | 0.000 | 0.000 | 0.000 |
| **Adult Social Care** | | | | | |
| Provision for doubtful debts | 6.454 | 6.042 | 6.042 | 6.042 | 6.042 |
| **Communities** | | | | | |
| Fire Service | 0.048 | 0.048 | 0.048 | 0.048 | 0.048 |
| **Environment Development and Transport** | | | | | |
| Provision for doubtful debts | 0.037 | 0.037 | 0.037 | 0.037 | 0.037 |
| Closed landfill long term impairment provision | 12.357 | 12.278 | 12.213 | 12.145 | 12.074 |
| **Policy and Resources / Corporate** | | | | | |
| Insurance | 10.995 | 10.995 | 9.995 | 9.995 | 9.995 |
| Redundancy | 0.289 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Schools Provisions** | | | | | |
| Children’s Services Provision for Frozen Holiday Pay | 0.015 | 0.000 | 0.000 | 0.000 | 0.000 |

# Policy and Resources Committee

**Item No 12**

| | |
|---|---|
| **Report title:** | **County Council Budget 2019-20 to 2021-22: Robustness of Estimates** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services – Simon George** |

**Strategic impact**

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

**Executive summary**

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

This report includes the Section 151 Officer's formal statement and provides more detailed information on risk, robustness of revenue estimates, and capital estimates.

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

1) **Agree to recommend to County Council the level of risk and budget assumptions set out in this report, which underpin the revenue and capital budget decisions and planning for 2019-22.**

## 1. Introduction

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

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

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

2.2. The requirement to report on the robustness of estimates has been met through key budget planning processes during 2018-19, including:

- Departmental reviews of budgets including consideration of the deliverability of planned savings to inform decision making, which has led to the **removal or delay of a number of savings** to ensure that the proposed budget is robust;
- Review by finance staff of all cost pressures and regular reports to Executive Directors to provide challenge and inform approach;
- Issue of guidance to all services on budget preparation;
- Routine monitoring of current year budgets to inform future year planning, with the result that **further investment into social care budgets** is planned for 2019-20 to meet 2018-19 overspend and other pressures;
- An organisational approach to planning with Policy and Resources Committee providing guidance early on and throughout the process;
- Executive Director review and scrutiny of developing proposals through officer budget sessions which considered all services in June and September 2018.
- **Member review and challenge** via Policy and Resources Committee in the July, September, October, November and January meetings, and via detailed consideration by Service Committees in October 2018 and January 2019;
- Public review and challenge through **budget consultation for specific proposals** where required via the Council's consultation hub Citizen Space, including impact assessment of proposals;
- Assurance from fellow Executive Directors that final budget proposals to be considered by County Council are robust and are as certain as possible of being delivered;
- Member and Executive Director peer review of all service growth and savings throughout the budget planning process.

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

## 3. CIPFA Financial Resilience Index

3.1. As previously reported to Members, in July 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a consultation on a proposed “Financial Resilience Index”. This was intended to provide an authoritative measure of local authority financial resilience based on publicly available information in order to assess the relative financial health of councils of the same type.

3.2. The consultation received a substantial and largely critical response from across the local government sector which led to CIPFA postponing plans to publish the draft Index and making a number of changes. These included:

- the removal of the composite index that combined a number of factors into a single weighted measure;
- providing the report initially to local authorities via the Section 151 officer rather than publishing openly;
- adaptations to some of the indicators – which will remain under review and are subject to feedback from users in the coming months.

3.3. The draft Index was subsequently issued to local authority Section 151 Officers in December 2018 but is restricted from publication at this time. However, it remains CIPFA’s aspiration to publish the Index in due course at which point it will sit alongside a new Financial Management Code (due to be consulted on in 2019-20). These will then both inform 2020-21 budget setting activity. In the meantime, CIPFA’s recommended good practice is to refer to the range of indicators in robustness of estimate statements for 2019-20 before this becomes a requirement when the Financial Management Code is adopted. The Executive Director of Finance has accordingly considered the draft Index in reaching his judgement on the robustness of estimates for the 2019-20 Budget.

## 4. Risk Assessment of Estimates

4.1. The organisation manages risk registers corporately, for each service and for key projects. These incorporate all types of risk, including financial. In addition, a formal risk assessment has been undertaken of the revenue budget estimates in order to support the recommendation of the level of General Balances. This risk assessment is detailed in the Statement on the Adequacy of Provisions and Reserves 2019-22 report elsewhere on this agenda.

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

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

- **Income:** Continuing reductions to key government grant funding are occurring and there is significant uncertainty about Government plans for 75% Business Rates Retention from 2020-21. A list of revenue grants is included within the Revenue Budget 2019-20 report found elsewhere on the agenda;
- **General pay and prices:** Inflationary pressures affecting the Council's contracted spend and uncertainty about the level of future pay awards;
- **Adult Social Care:** Managing increased demand for services and complexity of need, and facilitating adequate investment to deliver financially sustainable service provision;
- **Looked after Children:** Meeting the challenge of delivering improvements within Children's Services to deliver improvement to both outcomes and financial sustainability within the service, whilst also dealing with increased numbers of looked after children;
- **High Needs Block (HNB):** Managing increased demand for high needs places in state special schools, independent schools, and Alternative Provision which currently represent a shortfall in funding within Dedicated Schools Grant (DSG). Although the Council has identified on ongoing £3.000m of local authority resources within its budget planning for 2019-20 to contribute towards supporting the HNB position, it is not a viable or sustainable approach for locally raised funding to be used to meet shortfalls in DSG. If the Council is unsuccessful in resolving the HNB deficit position over the next five years, the pressures and level of forecast overspend are such that it could represent a very real medium-term threat to the overall financial viability of the whole Council. The position of the HNB budget in future years will therefore have a very significant bearing on the Executive Director of Finance and Commercial Services' judgement about the Council's financial resilience and the robustness of its Budget.
- **Great Yarmouth Third River Crossing:** Significant capital project required to be met within planned capital funding; and
- **Organisational Change:** Managing significant transformation and staffing changes.

4.4. The budget estimates span a three year period, 2019-22, and whilst forecast using the best available information, the planning assumptions and forecasts for future years will necessarily be based on less robust data and known factors. This is particularly exaggerated in 2020-21 for the reasons set out in more detail in the Revenue Budget report and Medium Term Financial Strategy. As part of the ongoing budget planning and monitoring cycle, these assumptions and emerging state of affairs are reviewed allowing the development of more detailed planning for the next financial years and revised medium term financial plans.

## 5. Robustness of Revenue Estimates

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

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

- Managing rising demographic pressures through embedding strategies for Adults service delivery to promote independence. In particular invest to save in early intervention and targeted prevention to keep people independent for longer, developing integrated arrangements with Health (Better Care Fund and the Sustainability and transformation plan (STP)) including actions to improve delayed transfers of care. Supporting a stable care market though funding price inflation and market pressures (including national living wage and cost of care increases).
- The majority of Children's Services spend is demand led, and across all areas of the children's agenda we continue to see high and rising levels need and demand. This includes a significant increase in the number of children with complex Special Educational Needs and Disabilities who require high levels of support and intervention whilst living in the community as well as within residential settings, as well as significant pressures in placements and support budgets both for children looked after and care leavers. Implementing the Safer Children and Resilient Families transformation plan to ensure that the right interventions are in place for the right children and families at the right time so that needs are effectively met rather than escalating, and to continue to work towards being rated 'good' (with outstanding features) as defined by Ofsted. A comprehensive strategy is in place to mitigate the increasing levels of demand, but the national pressures and trends result in risk remaining.

5.3. As part of the budget process, Policy and Resources Committee, Service Committees, and Executive Directors have considered all the budget reductions and growth pressures and these are reflected in the proposed budget. In addition, some of the key risks identified, including risks relating to the achievability of savings, have been taken into consideration in the Policy and Resources Committee's budget recommendations, which will enable some budget risks to be managed down and this is reflected in the risk assessment of the recommended level of general balances.

5.4. Budget planning for 2019-20 has included extensive work to review the deliverability of savings and understand service pressures. As a result, the 2019-20 Budget sees a significant investment in Service Committee budgets through both the removal of previously planned savings and recognition of budget overspend pressures, to provide assurance about the robustness of the revenue budget and the deliverability of savings. This represents the net removal or delay of £5.900m previous budget round savings from next year's budget.

5.5. The Council's budget planning assumes that any undeliverable savings have been removed in the exercise detailed above and therefore that all the remaining savings included for 2019-20 are deliverable.

5.6. The table below shows the current budget position and the following three years based on the Policy and Resources Committee recommendations set out in the Revenue Budget report elsewhere on this agenda and the current budget forecast for 2018-19. The Medium Term Financial Strategy does not set out plans to fully meet the funding shortfall in 2020-21 and 2021-22. As part of delivering the Council's Norfolk Futures programme, and in developing the budget process for future years, work will continue to identify further proposals for service provision in order to identify additional opportunities to address these deficits in future years.

**Table 1: Forecast Budget Deficit 2018-19 to 2020-22**

| | 2018-19 (Period 8 forecast) | 2019-20 Budget | 2020-21 Budget | 2021-22 Budget |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Forecast outturn budget deficit / (surplus) | -0.035 | 0.000 | 35.311 | 34.767 |

5.7. Work is being undertaken by Executive Directors to deliver the underspend position reported in period 8 which forecasts that the outturn position will be an underspend of £0.035m at year-end. It is therefore currently expected that a balanced outturn position will be achieved for 2018-19. The non-delivery of unachievable future year savings from the 2018-22 budget round has been addressed as part of the 2019-20 budget process, however 2018-19 savings which have not been achieved in-year due to timing delays are assumed to be delivered in 2019-20.

5.8. The factors and budget assumptions used in developing the 2019-22 budget estimates are detailed over sixteen headings, including drivers of growth, savings and other planning assumptions and set out at Appendix A.

## 6. Robustness of capital estimates

6.1. As with the revenue budget, the capital programme is designed to address the authority's key priorities, including schemes which will help transform the way in which services are provided. To this end, the programme is prepared on the basis of a number of factors, including previously agreed projects, spend to save proposals, and infrastructure and property requirements.

6.2. Projects are costed using professional advice relative to the size and nature of the scheme. Where appropriate, a contingency allowance is included in cost estimates to cover unavoidable and unforeseeable costs. The programme is guided by a simple prioritisation model: schemes that score less than that achieved by the repayment of debt represent bad value for money. In this way, the Council will achieve the most economic use of its scarce capital resources.

6.3. The largest on-going capital programmes relate to transport infrastructure and schools. In both cases there is significant member involvement through Service Committees. For other large projects, appropriate oversight is put in place.

6.4. An estimate of potential capital receipts is made each year. The actual level of receipt in any one financial year can never be forecast in advance with any degree of certainty due to market conditions and interest from purchasers and reduced receipts may result in fewer capital projects going ahead or additional future revenue costs.

6.5. The risks associated with having to fund large unforeseen programme variations are addressed mainly as a result of the Council being able to amend the timing of projects between years. The ability to re-profile projects between years does not result in a significant funding risk because the vast majority of funding is not time-bound, although there are inflationary risks which have to be considered.

## 7. Equality Impact Assessment

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

7.2. Equality impact assessment of all relevant budget proposals has been set out in both the public consultation documentation and reports to service committees and Policy and Resources Committee. There is no further impact on equality arising from the statements within this report.

## 8. Issues and risks

8.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2019. Legal requirements in relation to setting the budget and level of council tax have been set out within this and other reports and are considered to be met.

8.2. **Risks** – The risks associated with the budget proposals are reported to Service Committees in January 2019. The Statement on the Adequacy of Provisions and Reserves also sets out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

8.3. In setting the budget the Council can accept different level of risks, for example, minimising risk through investment in services, reducing higher risk savings, or putting in place additional reserves for specific risks. The robustness of the budget estimates is evaluated, setting out budget assumptions and areas of risk, to enable Members to consider the assumptions and risks that will underpin further decisions for agreeing the budget and level of general balances. The assumptions set out in the report directly impact on the risk assessment of the level of general balances.

## 9. Summary

9.1. The paper sets out details of the assessment of the robustness of the estimates used in preparing the proposed revenue and capital budget. There are no direct resource implications arising from this report, but it provides information and details of the assumptions used to support the Statement of the Executive Director of Finance and Commercial Services on the Robustness of the Estimates and provides assurances to Members prior to recommending and agreeing the revenue and capital budgets and plans for 2019-22.

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

- Additional Costs and Savings Options
- Level of General Balances
- Level of Reserves and Provisions
- Robustness of Estimates
- Overall level of the 2019-20 Revenue Budget and proposals for 2020-21 and 2021-22
- Overall level of the 2019-20 to 2021-22 Capital Programme
- Prudential Code Indicators for 2019-20
- Level of the Council Tax / Precept for 2019-20 and for 2020-21 and 2021-22
- Implications of the Revenue Budget for 2020-21 and 2021-22
- Responses to savings proposals from the Budget Consultation
- Outcome of equality and rural impact assessment

9.3. Members could choose to agree different assumptions and therefore increase or reduce the level of financial risk in setting the revenue and capital budgets. This would potentially change the risk assessment for the budget and the recommended level of general balances held.

## Background Papers

Provisional Local Government Finance Settlement 2019-20: https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020

## Officer Contact

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## Analysis of Robustness of Revenue Estimates

| Budget Assumption | Explanation of financial forecast and approach |
|---|---|
| **Growth Pressures** | |
| 1) Inflation | Pay inflation has been assumed at 2% for 2019-20, 2020-21 and 2021-22, with higher increases (up to 7.3%) for those earning less that £25,463, in line with the 2019-20 pay award. Allowances have been made for differential increases for those staff affected by the implementation of the National Living Wage. The County Council is currently part of the national agreement and therefore pay awards for 2020-21 onwards will be influenced by any agreements reached. There is a risk that pay awards could vary from this assumption over the planning period.<br><br>Pensions – The 2016 Actuarial Evaluation has set the employer contribution rates from 1 April 2017 at 15.5% for each of the three years 2017-20.<br><br>Price Inflation is provided where a contractual increase is required. This is at the contractual rate where appropriate or at the forecast rate for CPI, 2.0% for 2019-20, and 2.1% in each of the following years based on the Office for Budget Responsibility's Economic and Fiscal Outlook forecasts.<br><br>Inflation on income where appropriate has been included. |
| 2) Demand and Demographics | There are three key areas where demand and demographic pressures have a significant impact on the council's budget planning:<br><br>• Demographic pressures in Adult Social Care totalling £6.000m reflecting rising demand for services as people live longer and transition of service users from Children's Services to adult social care.<br>• Demand pressures of £14.500m in Children's Services reflecting additional costs including growth in the number of Looked after Children.<br>• There has been a significant increase in the number of children with Special Education Needs and Disabilities. |
| 3) Legislative changes | The budget estimates include the following assumptions with regard to current and future legislative changes<br><br>• The Government implemented a National Living Wage from 2016-17, starting at £7.20. In April 2019 it will go up to £8.21 and the Government target is for it to rise to £9 by 2020. The exact level at which the National Living Wage will be set in future years has not been confirmed. The costs of the National Living |

**Analysis of Robustness of Revenue Estimates**

| Budget Assumption | Explanation of financial forecast and approach |
|---|---|
| | Wage have been included in budgets in respect of the Council's directly employed staff.<br>• Cost pressures assuming an increase above the core price inflation for pay and price market pressures have been included.<br>• Cost pressures have been included associated with the increased income received for the Improved Better Care Fund.<br>• The Finance Settlement confirmed that the one-off winter funding provided in 2018-19 of £4.179m would be repeated in 2019-20. It is proposed that this is utilised to support the continuation of the Winter Action Plan during the next financial year. |
| 4) Policy decisions | The 2019-20 budget includes the financial impact of previous year's budget decisions, including use of one-off funding within the 2018-19 budget, and the removal of a number of savings which have been re-profiled to later years. Also included is £2.000m to support Members' approved investment of £12.000m in Children's Services demand management and prevention strategy over the next few years, and £0.500m to support investment in Norfolk Futures. |
| 5) Interest Rates | Budgeted interest earnings on investments are based on guaranteed fixed deposit returns, available instant liquidity rates and market forecasts provided by the Council's Treasury Advisors. |
| **Savings** | |
| 6) Income | Inflationary increases to fees and charges have been included within the budget proposals. Changes to income either through expected reductions in income or initiatives to increase income generation are reported as individual budget proposals. |
| 7) Savings | Savings have been identified across all services and range from productivity efficiency savings to reductions in service provision. All managers are responsible for ensuring that proposed savings are robust and delivered in accordance with plans. Measures throughout the planning process have reviewed and challenged the deliverability of savings and where appropriate a number of savings have been removed and some have been re-profiled to later years.<br><br>Changes or delays in delivering savings will result in variance to the budget and as such savings will be closely tracked throughout the year as part of the budget monitoring process and reported to Policy and Resources Committee, with management actions identified as necessary. |

**Analysis of Robustness of Revenue Estimates**

| Budget Assumption | Explanation of financial forecast and approach |
|---|---|
| **Other Planning assumptions** | |
| 8) Funding changes | The budget reflects funding up to 2019-20 as announced within the Provisional Local Government Finance Settlement. 2019-20 represents the final year of the four-year funding allocations for 2016-17 to 2019-20. These allocations have provided the council with a degree of certainty about core elements of funding over the period, and only minimal changes to the funding in scope of the certainty offer have been made. Nonetheless, allocations still have to be confirmed annually in the Local Government Finance Settlement. The end of the four-year settlement combined with uncertainty about the outcomes of the Comprehensive Spending Review (CSR), Fair Funding Review (FFR), and 75% Business Rates Retention Scheme (BRRS) means that the council faces a very significant level of uncertainty about funding levels after 2019-20.<br><br>The Council has been successful in bidding, in partnership with Norfolk districts, to become a Business Rates Pilot in 2019-20. This results in a potentially higher degree of exposure to changes in business rates income during 2019-20, however the Budget assumes that growth will be achieved in line with districts' estimates. The pilot includes a funding safety net level set at 95% of baseline funding levels which serves to mitigate the level of risk.<br><br>The Revenue Budget report sets out the detail of key grants and highlights where any key areas of funding are yet to be announced.<br><br>In relation to schools, funding is provided through the Dedicated Schools Grant (DSG) and Pupil Premium, which is paid to the County Council and passed on to schools in accordance with the agreed formula allocation. It is assumed that all school pay and prices inflationary pressures will be absorbed within the DSG allocation.<br><br>The Council faces severe pressures on High Needs Block (HNB) funding within DSG and has submitted a disapplication request to transfer funding from the Schools block in 2019-20 and subsequent years. In addition the 2019-20 Budget proposes £3m of local authority resources to support the HNB position. The Council has a five year plan to recover the HNB deficit position, however if this cannot be achieved there will be significant implications for wider Council budgets. |

**Analysis of Robustness of Revenue Estimates**

| Budget Assumption | Explanation of financial forecast and approach |
|---|---|
| | |
| 9) Financial risks inherent in any significant new funding partnerships; major contracts or major capital developments | Financial risks are included within the assessment of the level of general balances. The financial risks arising from major capital schemes such as the Great Yarmouth Third River Crossing continue to be closely monitored and reflected within the County Council's capital budget proposals. |
| 10) Availability of funds to deal with major contingencies | All provisions and earmarked reserves have been reviewed to test their adequacy and continued need. A risk assessment of the level of general balances has been undertaken and the budget reflects the assessed level of balances required. |
| 11) Overall financial standing of the authority | The Council's treasury management activity manages both short term cash to provide security, liquidity and yield, and the Council's longer term borrowing needs to fund capital expenditure through either long term borrowing or the utilisation of temporary cash resources pending long term borrowing. In accordance with the approved strategy, the Council currently continues to borrow for capital purposes, while using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term.<br><br>At 31 December 2018, the Council's outstanding debt totalled £588m. The Council continues to maintain its total gross borrowing level within its Authorised Limit of £870.355m (prudential indicators) for 2018-19. The Authorised Limit being the affordable borrowing limit required by section 3 of the Local Government Act 2003.<br><br>There are a number of treasury related indicators to restrict treasury activity within certain limits and manage risk. These include maturity profile of debt; and investments greater than 365 days. Monitoring is reported regularly to Policy and Resources Committee on an exception basis.<br><br>The Council's treasury management activities are regularly benchmarked against those of other local authorities. The County Council has upper quartile investment performance; is cost effective; pays comparable rates of interest on its debt; and is effective at managing risk.<br><br>At the end of December 2018 (2018-19 Period 9), the Council's cash balances stood at £67.843m. |

**Analysis of Robustness of Revenue Estimates**

| Budget Assumption | Explanation of financial forecast and approach |
|---|---|
| 12) The authority's track record in budget and financial management | As at the end of November 2018 (Period 8) the 2018-19 revenue budget is forecast to underspend by £0.035m on a net budget of £388.799m (gross £1.376bn). Executive Directors are working to deliver this balanced outturn position at year-end.<br><br>Ernst and Young, the Council's external auditor, has issued an unqualified opinion on the 2017-18 accounts and concluded that the Council has made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources. |
| 13) The authority's capacity to manage in-year budget pressures | The level of general balances are assessed as part of the budget setting process, reviewed monthly and reported to Policy and Resources Committee as part of the regular monitoring process. Review and challenge improves the accuracy of budget estimates, which aims to support management and the early identification of budget issues. The regular reporting of risk and monitoring of mitigating actions supports in-year budget management. |
| 14) The strength of the financial information and reporting arrangements | Information on budget and actual spend is reported publicly and monitoring reports are published regularly throughout the year. The reports are on a risk basis, so that attention is concentrated on what is most important. |
| 15) The end of year procedures in relation to budget under/overspends at authority and departmental level | Guidance on end of year procedures is reported annually and arrangements are monitored. Detailed year-end financial information is reported alongside services' performance monitoring. The proposed year end arrangements will be reported to Policy and Resources Committee for approval. |
| 16) The authority's insurance arrangements to cover major unforeseen risks | The County Council has a mix of self-insurance and tendered insurance arrangements. Premiums are set on an annual basis and reflected within the budget planning. Premiums are subject to annual variance due to external factors and internal performance, risk and claims management.<br><br>General balances include assessment of financial risk from uninsured liabilities. |

# Policy and Resources Committee

**Item No 13**

| | |
|---|---|
| **Report title:** | **Annual Investment and Treasury Strategy 2019-20** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services** |

**Strategic impact**

It is a regulatory requirement for local authorities to produce an Investment and Treasury Strategy for the year ahead. The Strategy forms an important part of the overall management of the Council's financial affairs and details the criteria for choosing investment counterparties and managing the authority's underlying need to borrow for capital purposes.

## Executive summary

In accordance with regulatory requirements, this report presents the Council's borrowing and investment strategies for 2019-20.

Borrowing and investment rates are likely to remain historically low in the foreseeable future, and a flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short-term but which will recognise the Council's need to borrow in the medium and long term.

The proposed investment strategy retains a diversified pool of high quality counterparties with a maximum deposit duration of three years. Short term short term working capital facilities for two additional wholly owned companies have been added to the list.

The Council's external debt is forecast to be approximately £606m at 31 March 2019, with cash balances and investments forecast to be approximately £65m.

**Recommendation:**

**It is recommended that the Policy and Resources Committee endorse and recommend to County Council the Annual Investment and Treasury Strategy for 2019-20 at Annex 1, including:**

- **the capital prudential indicators included in the body of the report;**
- **the Minimum Revenue Provision Statement 2019-20 at Appendix 1;**
- **the list of approved counterparties at Appendix 4, including working capital facilities for Hethel Innovation Limited (maximum £0.5m) and Repton Property Developments Limited (maximum £1m) to be made available from the date of approval by County Council**;
- **the treasury management prudential indicators detailed in Appendix 5.**

## 1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) requires local authorities to produce a treasury management strategy for the year ahead. The County Council is required to comply with the Code through regulations issued under the Local Government Act 2003 and has adopted specific clauses and policy statements from the Code as part of its Financial Regulations.

1.2 Complementary to the CIPFA Code is the Ministry for Housing, Communities and Local Government's (MHCLG's) Investment Guidance, which requires local authorities to produce an Annual Investment Strategy and an annual Capital Strategy.

1.3 This report combines the reporting requirements of both the CIPFA Code and MHCLG's Investment Guidance.

## 2. Evidence

2.1 The primary objectives of the Council's Investment and Treasury Strategy are to safeguard the timely repayment of principal and interest, whilst ensuring adequate liquidity for cash flow and the generation of investment yield. A flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short term. This strategy is prudent while investment returns are low and the investment environment remains challenging.

The Investment and Treasury Strategy summarises:

- the Council's capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (including parameters on how investments are to be managed).

## 3. Financial Implications

Financial implications relating to this Strategy (budget forecasts for interest receivable from investment deposits and interest payable on borrowing) have been incorporated in the 2019-20 Revenue Budget and will be monitored and reported to Policy and Resources Committee throughout the year as part of the regular monitoring process.

## 4. Issues, risks and innovation

**Risk implications**

4.1 The County Council's treasury management activities provide for "the effective management of risk while pursuing optimum performance consistent with those risks." The Annual Investment & Treasury Strategy describes the parameters for risk management. Operationally, a risk register is maintained to monitor risks and control measures.

## 5. Background

5.1 The investment and borrowing strategy presented in this report for approval forms an important part of the overall financial management of the Council's affairs. The strategy has been produced in accordance with best practice and guidance and in consultation with the Council's external treasury advisors.

5.2 CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code on 21 December 2017. There is an increasing focus from both CIPFA and the MHCLG on the impact of non-treasury and commercial investments, including the purchase of property with a view to generating income. Information on non-treasury investments is included in this report.

### Officer Contact

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

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|---|---|---|
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If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 18001 0344 800 8020 (textphone) and we will do our best to help.

Annex 1

Norfolk County Council

# Treasury Management Strategy

including

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2019-20

# INDEX

# 1 Introduction

## 1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

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

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

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

Revised reporting is required for the 2019-20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately and includes elements of the Council's investment strategy insofar as they relate to capital expenditure.

## 1.2 Reporting requirements

### 1.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

The aim of the capital strategy is to ensure that all elected members understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The authority may borrow money for any purpose relevant to its function or for the purposes of the prudent management of its financial affairs. More specifically, the Council has the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or right) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. (Ref Local Government Acts 2003 s 1 and 1972 s 111(1)).

The capital strategy is reported separately from this Treasury Management Strategy Statement. Non-treasury investments including loans to companies are reported through the capital strategy and finance monitoring report, with summary information included in Treasury Management reports. This is to ensure separation of the core treasury function under security, liquidity and yield principles, and other investments, including loans to subsidiary and other companies which are usually driven by expenditure on asset for service delivery and related purposes.

Depending on the nature of any particular project, the capital strategy will cover:

- corporate governance arrangements;
- service objectives;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- For non-loan type investments, the cost against the current market value;
- The risks associated with activities and/or the ways in which risks have been mitigated.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

MHCLG statutory guidance, supported by CIPFA codes, states that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Where the Council has borrowed to fund any commercial investment, it should explain why borrowing was required and why the MHCLG Investment Guidance and the CIPFA Prudential Code have not been adhered to. Norfolk County Council does not hold any non-treasury and/or non-financial investments which are designed purely to generate a financial return: all non-treasury investments, for, example loans to subsidiaries and companies for Norfolk based projects and/or to support subsidiary companies fund their capital investment plans, and all have been approved as part of the capital strategy and programme.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown in this report.

### 1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
    - the capital plans (including prudential indicators);
    - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
    - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
    - an investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

**Scrutiny**
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Council's Treasury Management Panel and the Policy and Resources Committee.

**Scheme of Delegation**
A summary of the Treasury Management Scheme of Delegation is at Appendix 8, with the Treasury Management role of the Section 151 Officer at Appendix 9.

## 1.3 Treasury Management Strategy for 2019-20

The strategy for 2019-20 covers two main areas:

**Capital issues**

- capital expenditure plans and the associated prudential indicators;
- minimum revenue provision (MRP) policy (paragraph 2.4 and Appendix 1).

**Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

## 1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training has been provided to members at the January Treasury Management Panel, and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed as part of the annual performance review process.

## 1.5 Treasury management consultants

The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation and that undue reliance should not be placed upon the services of our external service providers, using other information where available and relevant.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subject to regular review.

## 2 The Capital Prudential Indicators 2019-20 – 2021-22

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

| Capital expenditure £m | 2017/18 Actual | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|---|
| Services | 220.878 | 197.953 | 299.359 | 159.881 | 45.853 |
| Capital loans to group companies | 3.500 | 11.500 | 8.500 | | |
| Infrastructure loans to third parties | 2.880 | 15.620 | | | |
| **Total** | **227.258** | **225.073** | **307.859** | **159.881** | **45.853** |

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding/borrowing need.

| Financing of capital expenditure £m | 2017/18 Actual | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|---|
| Capital grants | 177.806 | 119.292 | 149.886 | 42.272 | - |
| Revenue and reserves | 0.500 | 1.992 | | | |
| Capital receipts | 6.751 | | | | |
| Prudential borrowing | 42.201 | 103.789 | 157.973 | 117.609 | 45.853 |
| Estimated slippage | | (55.000) | (5.000) | | 5.000 |
| Borrowing after slippage | | 48.789 | 152.973 | 117.609 | 50.853 |
| **Net financing need for the year** | **227.258** | **170.073** | **302.859** | **159.881** | **50.853** |

Slippage has been incorporated into the calculations in line with historic patterns of capital spend. Although members approve capital programmes based on annual expenditure, it is not uncommon for projects to be delayed due to, for example, planning issues. In addition, where grants become available, these will be used ahead of borrowing to fund projects.

To better reflect actual likely expenditure, and to help avoid the risk of borrowing in advance of need, an adjustment has been made to the calculations shown in this strategy. Slippage is shown as a one-off effect, based on an assumption that the amount of slippage is constant and gets spent one year later than the capital programme suggests.

## 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure shown in paragraph 2.1 above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £65m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

| £m | 2017/18 Actual | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|---|
| **Capital Financing Requirement** | | | | | |
| **Opening CFR** | **697.717** | **738.008** | **785.137** | **933.610** | **1,044.219** |
| **Movement in CFR represented by** | | | | | |
| Net financing need for the year (above) | 42.201 | 48.789 | 152.973 | 117.609 | 50.853 |
| Less MRP and other financing movements | (1.910) | (1.660) | (4.500) | (7.000) | (25.000) |
| **Movement in CFR** | **40.291** | **47.129** | **148.473** | **110.609** | **25.853** |
| **Closing CFR** | **738.008** | **785.137** | **933.610** | **1,044.219** | **1,070.071** |

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position.

The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

## 2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

| Year End Resources £m | 2017/18 Actual | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|---|
| **Opening investments** | **157.201** | **87.629** | **65.840** | **40.867** | **3.258** |
| Net (use) of reserves, capital grants, working capital etc | (47.371) | (53.000) | 28.000 | 0.000 | 0.000 |
| Capital expenditure funded through prudential borrowing | (42.201) | (48.789) | (152.973) | (117.609) | (50.853) |
| New Borrowing | 20.000 | 80.000 | 100.000 | 80.000 | 60.000 |
| **Closing investments** | **87.629** | **65.840** | **40.867** | **3.258** | **12.406** |

*Note: the net use of working capital above includes the effect of a pension fund pre-payment made in November 2018.*

## 2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the MRP Statement at Appendix 1.

## 3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

### 3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2018 and for the latest position is shown below for both borrowing and investments.

| | **31 March 2018** | **31 December 2018** |
|---|---|---|
| | £m | £m |
| **Treasury Investments** | | |
| Banks | 93 | 63 |
| Local authority companies | 1 | 5 |
| Money Market funds | | |
| | **94** | **68** |
| **Treasury external borrowing** | | |
| PWLB | 491 | 545 |
| Commercial (including LOBOs) | 42 | 42 |
| | **533** | **587** |
| | | |
| **Net-treasury borrowing** | **439** | **519** |

Note: the 31 March column above can be reconciled to the Council's Statement of Accounts by adjusting for uncleared BACS payments.

At 31 December 2018, the treasury investments were made up of deposits with Barclays, Close Brothers and Goldman Sachs International Bank.

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

| £m | 2017/18 Actual | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|---|
| **External Debt** | | | | | |
| Debt at 1 April | 529.878 | 541.983 | 614.087 | 707.216 | 780.845 |
| Expected change in Debt - repayments | (7.895) | (7.896) | (6.871) | (6.371) | (5.000) |
| Expected change in Debt – new borrowing | 20.000 | 80.000 | 100.000 | 80.000 | 60.000 |
| **Debt at 31 March** | **541.983** | **614.087** | **707.216** | **780.845** | **835.845** |
| Other long-term liabilities (OLTL) 1 April | 68.428 | 66.645 | 64.752 | 63.599 | 62.090 |
| Expected change in OLTL | (1.783) | (1.893) | (1.153) | (1.509) | (0.700) |
| OLTL forecast | **66.645** | **64.752** | **63.599** | **62.090** | **61.390** |
| **Gross debt at 31 March** | **608.628** | **678.839** | **770.815** | **842.935** | **897.235** |
| The Capital Financing Requirement | 738.008 | 785.137 | 933.610 | 1,044.219 | 1,070.071 |
| **Under / (over) borrowing** | **129.380** | **106.298** | **162.795** | **201.284** | **172.836** |

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019-20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Executive Director of Finance and Commercial Services reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

| Operational boundary £m | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|
| Debt | 720.385 | 870.011 | 982.129 | 1,008.681 |
| Other long-term liabilities | 64.752 | 63.599 | 62.090 | 61.390 |
| Total | **785.137** | **933.610** | **1,044.219** | **1,070.071** |

**The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which reflects the total approved capital expenditure, plus an allowance for schemes which may be approved in-year.

1. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

| Authorised limit £m | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|
| Debt | 811.404 | 968.511 | 1,086.235 | 1,114.115 |
| Other long-term liabilities | 71.227 | 69.959 | 68.299 | 67.529 |
| Total | **882.631** | **1,038.470** | **1,154.534** | **1,181.644** |

### 3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

| Link Asset Services Interest Rate View | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bank Rate View | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% | 1.75% | 2.00% |
| 3 Month LIBID | 0.80% | 0.90% | 1.00% | 1.10% | 1.20% | 1.30% | 1.40% | 1.50% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% |
| 6 Month LIBID | 0.90% | 1.00% | 1.20% | 1.30% | 1.40% | 1.50% | 1.60% | 1.70% | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% |
| 12 Month LIBID | 1.10% | 1.20% | 1.30% | 1.40% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% |
| 5yr PWLB Rate | 2.00% | 2.10% | 2.20% | 2.20% | 2.30% | 2.30% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.80% |
| 10yr PWLB Rate | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% |
| 25yr PWLB Rate | 2.90% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| 50yr PWLB Rate | 2.70% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets.

In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.
From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK and Brexit uncertainty. The above forecasts will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

**Investment and borrowing rates**

- Investment returns are likely to remain low during 2019-20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, with lower cash balances and historically low interest rates, the authority is borrowing to support capital expenditure and to avoid the risk of higher borrowing costs in the future.
- Interest rates on some currently maturing debt repayments are over 9%. This has meant that savings from approximately £13m debt repaid have been enough to fund the interest on approximately £30 of new borrowing.
- There will remain a revenue cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances.

### 3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. 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 cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Interest rate exposure on borrowing is currently managed by borrowing in tranches which roughly match the increase in the Council's CFR over time. This takes advantage of historically low interest rates currently available, but takes into account the revenue cost of carry of unnecessary borrowing.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019-20 treasury operations. The Executive Director of Finance and Commercial Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn in regular tranches whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to Policy and Resources Committee at the next available opportunity.

### 3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### 3.6 Debt rescheduling

As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short-term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Policy and Resources Committee / Cabinet, at the earliest meeting following its action.

### 3.7 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate but only if rates are lower than those available via PWLB.

# 4 Annual investment strategy

**4.1 Investment policy – management of risk**
The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This section deals solely with financial investments as managed by the treasury management team. Non-financial investments, including loans made for capital purposes, are covered in the Capital Strategy.

The Council's investment policy has regard to the following: -
- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield.

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings. A comparative analysis of ratings from different agencies is shown as Appendix 2, and an indicative list of approved counterparties as Appendix 3.

2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use including'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex

instruments which require greater consideration by members and officers before being authorised for use.

5. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 4.

6. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

7. The Council will only use non-UK banks from countries with a minimum sovereign rating of AA+ (Appendix 7). The sovereign rating of AA+ must be assigned by one of the three credit rating agencies. No more than £30m will be placed with any individual non-UK country at any time.

8. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

9. All cash invested by the County Council will be either Sterling or Euro deposits (including Sterling certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List. The inclusion of Euro deposits enables the County Council to effectively manage (subject to European Central Bank deposit rates) Euro cash balances held for schemes such as the France-Channel-England Project.

10. As a result of the change in accounting standards for 2018-19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

11. In November 2018, the Ministry of Housing, Communities and Local Government ("MHCLG"), concluded a consultation for a temporary IFRS9 override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18. At the time of writing the Council has no pooled investments. Limits for these investments are shown in 4.2

This authority will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

### 4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Executive Director of Finance and Commercial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing.

The criteria for providing a pool of high quality investment counterparties, (both specified and non-specified investments) is:

- **Banks:**

**(i)** **UK Banks** requires both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moody's) to remain at or above the minimum credit rating criteria.

| **UK Banks** | **Fitch** | **Standard & Poors** | **Moody's** |
|---|---:|---:|---:|
| Short Term Ratings | F1 | A-1 | P-1 |
| Long Term Ratings | A- | A- | A3 |

**(ii)** Non-UK Banks requires both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moody's) to remain at or above the minimum credit rating criteria and a sovereign rating of AA+ assigned by one of the three credit rating agencies.

| **Non-UK Banks** | **Fitch** | **Standard & Poors** | **Moody's** |
|---|---|---|---|
| Short Term Ratings | F1+ | A-1+ | P-1 |
| Long Term Ratings | AA- | AA- | Aa3 |

- **Part Nationalised UK Bank:** Royal Bank of Scotland Group. This bank is included while it continues to be part nationalised or it meets the ratings for UK Banks above.

- **The County Council's Corporate Banker:** if the rating for the Council's corporate banker (currently Barclays) falls below the above criteria, sufficient balances will be retained to fulfil transactional requirements. Other than this, balances will be minimised in both monetary size and time invested.

- **Building Societies:** The County Council will use Building Societies which meet the ratings for UK Banks outlined above.

- **Money Market Funds (MMFs)**: which are rated AAA by at least two of the three major rating agencies. MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposits. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks. Following money market reforms, MMFs will be allocated to sub-categories (CNAV, LNAV and VNAV) to meet more stringent liquidity regulations. However, the Council will continue to apply the same minimum rating criteria.

- **UK Government:** including the Debt Management Account Deposit Facility & Sterling Treasury Bills. Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by Government to meet short term revenue obligations. They have the security of being issued by the UK Government.

- **Local Authorities, Parish Councils etc.:** Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

- **The Norse Group, Hethel Innovation Limited and Repton Property Developments Limited:** short-term loan arrangements made in accordance with approved service level agreements and the monetary and duration limits detailed below in Appendix 4.

- **Property funds (where not classed as capital expenditure)**: these are long term, and relatively illiquid funds, expected to yield both rental income and capital gains. The use of certain property funds can be deemed capital expenditure, and as such would be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

- **Ultra-Short Dated Bond Funds** will use funds that are AAA rated and only after due diligence has been undertaken.

- **Corporate Bonds:** These are bonds issued by companies to raise long term funding other than via issuing equity. Investing in corporate bonds offers a fixed stream of income, paid at half yearly intervals. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

- **Corporate bond funds:** Pooled funds investing in a diversified portfolio of corporate bonds, so provide an alternative to investing directly in individual corporate bonds. Minimum long-term rating of A- to be used consistent with criteria for UK banks. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

- **UK Government Gilt funds:** A gilt is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock Exchange. They can be either "conventional" or index linked. Using a fund can mitigate some of the risk of potential large movements in value.

**Use of additional information other than credit ratings.** Additional requirements under the Code require the Council 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 officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

**Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council's counterparty list are set out in Appendix 4.
The proposed criteria for specified and non-specified investments are shown in Appendix 6.

**UK banks – ring fencing**
The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

### 4.3 Other limits
Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified investment limit.** The Council has limit for non-specified investments in accordance with the criteria set ou tin Appendix 6. For example, they are bound by the limits for investments set out in Appendix 4 and the upper limit for principal sums invested for longer than 365 days shown in paragraph 4.4. This ensures that non-specified investments are only made within appropriate quality and monetary limits.
b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of *AA-.*
c) **Other limits.** In addition:
   - no more than £30m will be placed with any non-UK country at any time;
   - limits in place above will apply to a group of companies;

## 4.4 Investment strategy

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

**Investment returns expectations.**
Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018-19 0.75%
- 2019-20 1.25%
- 2020-21 1.50%
- 2021-22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

| | **Now** |
|---|---|
| 2018/19 | 0.75% |
| 2019-20 | 1.00% |
| 2020/21 | 1.50% |
| 2021-22 | 1.75% |
| 2022/23 | 1.75% |
| 2023/24 | 2.00% |
| Later years | 2.50% |

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

**Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

| **Upper limit for principal sums invested for longer than 365 days** | | | |
|---|---|---|---|
| **£m** | **2019-20** | **2020/21** | **2021-22** |
| Principal sums invested for longer than 365 days | £100m | £100m | £100m |
| Current investments >365 days as at 30 November 2018 | £10m | - | - |

For its cash flow generated balances, the Council uses notice accounts, money market funds and short-dated deposits, (overnight to 100 days) in order to benefit from the compounding of interest whilst maintaining adequate liquidity.

### 4.5 Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, 3, 6 and 12 month London Interbank Bid Rate (LIBID).

The most appropriate comparator at any point will depend on levels of cash balances and immediate liquidity requirements during the year.

### 4.6 Non-treasury investments

Although this section of the report does not specifically cover non-treasury investments, a summary of non-treasury loans is included at Appendix 10. This appendix shows that the impact of these loans on the Council's revenue budget is not material in comparison to its turnover.

### 4.7 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

# 5 Appendices

Appendix 1 - Minimum Revenue Provision Statement 2019-20

Appendix 2 - Ratings comparative analysis

Appendix 3 - Indicative List of Approved Counterparties for Lending

Appendix 4: Time and monetary limits applying to investments

Appendix 5: The Capital and Treasury Prudential Indicators

Appendix 6: Credit and counterparty risk management

Appendix 7: Approved Countries for Investments

Appendix 8:  Treasury Management Scheme of Delegation

Appendix 9:  The Treasury Management Role of the Section 151 Officer

Appendix 10: Non-treasury investments

**Appendix 1 - Minimum Revenue Provision Statement 2019-20**

A1 Regulations issued by the Department of Communities and Local Government in 2008 require the Council to approve a Minimum Revenue Provision (MRP) statement in advance of each year.

A2 Members are asked to approve the MRP statement annually to confirm that the means by which the Council plans to provide for repayment of debt are satisfactory. Any revisions to the original statement must also be issued. Proposals to vary the terms of the original statement during the year should also be approved.

A3 MRP is the provision made in the Council's revenue budget for the repayment of borrowing used to fund capital expenditure - the Council has a statutory duty to determine an amount of MRP which it considers to be prudent, having regard to guidance issued by the Secretary of State.

A4 In 2019-20:

- For capital expenditure incurred before 1 April 2007 which is supported by Formula Grant (supported borrowing), the MRP policy will be to provide the amount to set aside calculated in equal instalments over 50 years.
- For all capital expenditure since that date which is supported by Formula Grant (supported borrowing), the MRP policy will be to provide the amount to set aside calculated in equal instalments over 50 years from the year set aside is first due.
- In calculating the amounts on which set aside is to be made pre 1 April 2007 Adjustment A will be applied.
- The over-provision identified by the change will be released in a phased manner until 2021-22, to the extent that it has not been fully used.
- For expenditure since 1 April 2008, the MRP policy for schemes funded through borrowing will be to base the minimum provision on the estimated life of the assets in accordance with the guidance issued by the Secretary of State.
- Having identified the total amount to be set aside for previously unfunded capital expenditure the Council will then decide how much of that to fund from capital resources with the residual amount being the MRP for that year.

A5 Where loans are made to third parties for capital purposes, the capital receipt received as a result of each repayment of principal, under the terms of the loan, will be set aside in order to re-pay NCC borrowing and to reduce the Capital Financing Requirement accordingly. MRP will only be accounted for if an accounting provision has been made for non-repayment of the loan or if there is a high degree of uncertainty regarding the repayment. This arrangement will also be applied where a third party has committed to underwrite the debt costs of a specific project through amounts reserved for capital purposes.

A6 The Council will continue to make provision at least equal to the amount required to ensure that each debt maturity is met.

## Appendix 2 - Ratings comparative analysis

| Moody's | | S&P | | Fitch | | |
|---|---|---|---|---|---|---|
| Long-term | Short-term | Long-term | Short-term | Long-term | Short-term | |
| Aaa | P-1 | AAA | A-1+ | AAA | F1+ | Prime |
| Aa1 | | AA+ | | AA+ | | High grade |
| Aa2 | | AA | | AA | | |
| Aa3 | | AA- | | AA- | | |
| A1 | | A+ | A-1 | A+ | F1 | Upper medium grade |
| A2 | | A | | A | | |
| A3 | P-2 | A- | A-2 | A- | F2 | |
| Baa1 | | BBB+ | | BBB+ | | Lower medium grade |
| Baa2 | P-3 | BBB | A-3 | BBB | F3 | |
| Baa3 | | BBB- | | BBB- | | |
| Ba1 | Not prime | BB+ | B | BB+ | B | Non-investment grade speculative |
| Ba2 | | BB | | BB | | |
| Ba3 | | BB- | | BB- | | |
| B1 | | B+ | | B+ | | Highly speculative |
| B2 | | B | | B | | |
| B3 | | B- | | B- | | |
| Caa1 | | CCC+ | C | CCC | C | Substantial risks |
| Caa2 | | CCC | | | | Extremely speculative |
| Caa3 | | CCC- | | | | In default with little prospect for recovery |
| Ca | | CC | | | | |
| | | C | | | | |
| C | | D | / | DDD | / | In default |
| / | | | | DD | | |
| / | | | | D | | |

## Appendix 3 - Indicative List of Approved Counterparties for Lending

**UK Banks**

Barclays Bank
Bank of Scotland Plc (*)
Close Brothers
Goldman Sachs
Santander UK
Lloyds TSB Bank (*)
HSBC Bank Group

**Non-UK Banks**

Australia:
- Australia & New Zealand Banking Group
- Commonwealth Bank of Australia
- National Australia Bank Limited

Canada:
- Toronto-Dominion Bank

Germany:
- DZ Bank AG
- Landesbank Baden-Wuerttemberg
- Landesbank Hessen-Thueringen Girozentrale

Netherlands:
- Rabobank

Singapore:
- DBS Bank Ltd
- Oversea-Chinese Banking Corp
- United Overseas Bank Limited

Sweden:
- Svenska Handelsbanken

**Part Nationalised UK Banks**

Royal Bank of Scotland(#)
National Westminster(#)

**UK Building Societies**

Coventry BS
Leeds BS
Nationwide BS
Yorkshire BS

**Money Market Funds**

Aberdeen Standard Investments
Federated Investors

**UK Government**

Debt Management Account Deposit Facility
Sterling Treasury Bills
Local Authorities, Parish Councils

**Other – Group companies (non-capital)**

The Norse Group
Hethel Innovation Limited
Repton Property Developments

**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.

**Appendix 4: Time and monetary limits applying to investments**

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

| **COUNTERPARTY** | NCC LENDING LIMIT (£m) | OTHER BODIES LENDING LIMIT (£m) | **TIME LIMIT** |
|---|---|---|---|
| **UK Banks** | £60m | £30m | **Up to 3 Years** (see notes below) |
| **Non-UK Banks** | £30m | £20m | **1 Year** |
| **Royal Bank of Scotland / Nat. West. Group** | £60m | £30m | **2 Years** |
| **Building Societies** | £30m | £20m | **1 Year** |
| **MMFs - CNAV** | £60m (per Fund) | £30m (per Fund) | **Instant Access** |
| **MMFs - LNVAV** | | | **Instant Access** |
| **MMFs - VNAV** | | | **Instant Access** |
| **Debt Management Account Deposit Facility** | Unlimited | Unlimited | **6 Months (being max period available)** |
| **Sterling Treasury Bills** | Unlimited | Unlimited | **6 Months (being max period available)** |
| **Local Authorities** | Unlimited (individual authority limit of £20m) | Unlimited (individual authority limit of £10m) | **3 Years** |
| **The Norse Group (short-term deposit)** | £15m | Nil | **1 Year** |
| **Hethel Innovation Limited (short term working capital loans)** | £0.5m | Nil | **1 Year** |
| **Repton Property Developments Limited (short term working capital loans)** | £1.0m | Nil | **1 Year** |
| **Property Funds** | £10m in total | Nil | **Not fixed** |
| **Ultra short dated bond funds** | £5m in total | Nil | **3 years** |
| **Corporate bonds** | £5m in total | Nil | **3 years** |
| **Corporate bond funds** | £5m in total | Nil | **3 years** |
| **UK Government Gilts / Gilt Funds** | £5m in total | Nil | **3 years** |

**Notes:**

- In addition to individual institutional lending limits, 'Group Limits' are used whereby the collective investment exposure of individual banks within the same banking group is restricted to a group total lending limit. For example, in the case of Lloyds TSB and Bank of Scotland, the group lending limit for the Lloyds Banking Group is £60M.

- The maximum deposit period for UK Banks is based on the following tiered credit rating structure:

| Long Term Credit Rating (Fitch or equivalent) assigned by at least one of the three credit rating agencies | Maximum Duration |
|---|---|
| AA- | Up to 3 years |
| A | Up to 2 years |
| A- | Up to 1 year |

  Deposits may be placed with the Royal Bank of Scotland as a UK Part Nationalised Bank and Local Authorities may be made for periods of 2 and 3 years respectively.

- The Council will only use non-UK banks from countries with a minimum sovereign rating of AA+ The sovereign rating of AA+ must be assigned by one of the three credit rating agencies. No more than £30m will be placed with any individual non-UK country at any time. Approved countries for investments are shown at Appendix 7.

- For monies invested on behalf of the Norse Group, Independence Matters and Norfolk Pension Fund there is a maximum monetary limit of £10m per counterparty. Operationally funds are diversified further as agreed with the individual bodies.

- Long-term loans to the Norse Group and other subsidiary companies loans are approved as part of the Council's capital programme.

- The use of property funds, bonds and bond funds, gilts and gilt funds will be subject to appropriate due diligence.

- Property funds may be classed as a capital investment. If this is the case then they will be approved via the capital programme. If the fund is classed as revenue, then the IFRS 9 provisions coming in 2018-19 will be fully considered: unless the DCLG specifies otherwise, any surpluses or losses will be chargeable to the Council's general fund on an annual basis.

## Appendix 5: The Capital and Treasury Prudential Indicators

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

| Capital expenditure £m | 2017/18 Actual | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|---|
| | | | | | |
| Adult Social Care | 12.459 | 16.026 | 13.105 | 7.904 | 3.000 |
| Children's Services | 50.194 | 51.846 | 127.228 | 70.022 | 20.000 |
| CES Highways | 139.400 | 111.227 | 72.541 | 46.329 | 8.883 |
| CES Other | 7.419 | | 41.718 | 18.942 | 11.304 |
| Finance and Comm. Servs | 17.786 | 45.974 | 53.266 | 16.684 | 2.666 |
| **Total** | **227.258** | **225.073** | **307.859** | **159.881** | **45.853** |
| | | | | | |
| Loans to companies included in Finance and Comm Servs above | 3.500 | 11.500 | 8.500 | **-** | **-** |
| GNGB supported borrowing to developers | 2.880 | 15.620 | - | **-** | **-** |
| *Loans as a percentage* | *4%* | *12%* | *3%* | - | - |

*Note: "CES Other" actuals includes an accounting adjustment in respect of the landfill provision.*

**Non-treasury investments – proportionality**

The table above demonstrates that loans to companies and developers, as a percentage of all capital expenditure, are a relatively low proportion and therefore do not present undue risk in the context of the programme overall.

**Affordability prudential indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

**Ratio of financing costs to net revenue stream**

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

| % | 2017/18 Actual | 2018/19 Estimate | 2019-20 Estimate | 2020/21 Estimate | 2021-22 Estimate |
|---|---|---|---|---|---|
| Financing costs (net) | 24.806 | 28.462 | 32.627 | 37.667 | 55.677 |
| Net revenue costs | 635.315 | 646.334 | 673.364 | 646.978 | 639.621 |
| **Total** | 3.90% | 4.40% | 4.85% | 5.82% | 8.70% |

The estimates of financing costs include current commitments and budget proposals. The % increase between 2020-21 and 2021-22 represents MRP previously overpaid being fully used in 2020-21.

The Prudential Code 2013 acknowledged that the "Financing Costs to Net Revenue Stream" indicator may be more problematic for some authorities regarding the level of government support for capital spends. In these instances, it is suggested that a narrative explaining the indicator may be helpful. At this stage, it is considered that the table above does provide useful information.

**Maturity structure of borrowing**

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

| **Maturity structure of fixed interest rate borrowing 2019-20** | | |
|---|---|---|
| | **Lower** | **Upper** |
| Under 12 months | 0% | 10% |
| 12 months to 2 years | 0% | 10% |
| 2 years to 5 years | 0% | 10% |
| 5 years to 10 years | 0% | 20% |
| 10 years to 20 years | 10% | 30% |
| 20 years to 30 years | 10% | 30% |
| 30 years to 40 years | 10% | 30% |
| 40 years to 50 years | 10% | 40% |
| **Maturity structure of variable interest rate borrowing 2019-20** | | |
| | Lower | Upper |
| Under 12 months | 0% | 10% |
| 12 months to 2 years | 0% | 10% |
| 2 years to 5 years | 0% | 10% |
| 5 years to 10 years | 0% | 10% |
| 10 years to 20 years | 0% | 10% |
| 20 years to 30 years | 0% | 10% |
| 30 years to 40 years | 0% | 10% |
| 40 years to 50 years | 0% | 10% |

*The percentages shown in the table above are proportions of total borrowing.*

**Control of interest rate exposure:** The above table, combined with an explanation in paragraph 3.2 and the limits described in Appendices 3 and 4 indicate how the authority manages its interest rate exposure.

## Appendix 6: Credit and counterparty risk management

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Executive Director of Finance and Commercial Services has produced its treasury management practices (TMPs). This part, covering investment counterparty policy requires approval each year.

**Annual investment strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

**Specified investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are shown in detail in Appendix 4.

**Non-specified investments** –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

| | Non Specified Investment Category | Limit (£ or %) |
|---|---|---|

| | | |
|---|---|---|
| a. | **Supranational bonds greater than 1 year to maturity**<br>**(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.).<br>**(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail, the Guaranteed Export Finance Company {GEFCO})<br>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. | Not currently included as approved investment |
| b. | **Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity. | Ref Appendix 4 |
| c. | **The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. | Ref Appendix 4 |
| d. | **Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. | Not currently included as approved investment |
| e. | Any **bank or building society** that meets minimum long-term credit ratings, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). | Ref Appendix 4 |
| f. | **Share capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. This Authority would seek further advice on the appropriateness and associated risks with investments in these categories. | Not currently included as approved investment |
| g. | **Loan capital** in a body corporate. The use of these loans to subsidiaries and other companies will normally be deemed to be capital expenditure. However, working capital loans are dealt with under Treasury Management arrangements. This Authority would seek further advice on the appropriateness and associated risks with investments in these categories. | Ref Appendix 4 |
| h. | **Bond funds.** These are specialist products, and the Authority will seek guidance on the status of any fund it may consider using. | Ref Appendix 4 |
| i. | **Property funds** – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using. | Ref Appendix 4 |

**The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance and Commercial Services, and if required new counterparties which meet the criteria will be added to the list.

**Use of external fund managers** – at the time of writing the Council does not use external fund managers.

**Appendix 7: Approved Countries for Investments**

AAA
- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-
- Belgium
- Qatar

## Appendix 8: Treasury Management Scheme of Delegation

### (i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual investment and treasury management strategy.

### (ii) Policy and Resources Committee

- development of policies within its remit, seeking approval from the Council to those policies in the Policy Framework

  (Source: P&R Terms of Reference).

  Note: the Policy Framework includes “Annual investment and treasury management strategy”, and specifies P&R as the relevant Committee.

  (Source: Functions and Powers of the Full Council)

### (iii) Audit Committee

- Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice. (Source: Audit Committee Terms of Reference)

### (iv) Treasury Management Panel

The Panel’s terms of reference are to:

- consider and comment on the draft Annual Investment and Treasury Strategy prior to its submission to P&R Committee and full Council
- receive detailed reports on the Council’s treasury management activity, including reports on any proposed changes to the criteria for “high” credit rated institutions in which investments are made and the lending limits assigned to different counterparties
- receive presentations and reports from the Council’s Treasury Management advisers, Link Asset Services
- consider the draft Treasury Management Annual Report prior to its submission to P&R Committee and full Council.

### (v) Executive Director of Finance and Commercial Services

- “ responsible for the proper administration of the financial affairs of the Council including … investments, bonds, loans, guarantees, leasing, borrowing (including methods of borrowing),

  (Source: Scheme of delegated powers to officers)

  See Appendix 9 for detailed responsibilities.

## Appendix 9: The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer is the Executive Director of Finance and Commercial Services. Responsibilities include:

***Specific***

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

***Implicit***

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed.

## Appendix 10: Non-treasury investments

### Existing non- treasury investments (loans) at 31 March 2018

| | £m |
|---|---:|
| NEWS | 0.636 |
| NORSE Energy (capital investment) | 10.000 |
| Norse Group (Aviation Academy) | 6.250 |
| Norse Group (capital investment) | 3.500 |
| Hethel Innovation Ltd (Hethel Engineering Centre) | 3.111 |
| Norwich Airport Radar (relocation due to NDR) | 2.194 |
| Other | 0.007 |
| LIF loans to developers in Norfolk | 4.796 |
| **Total loans to companies** | **30.494** |
| | |
| NDR Loan – underwritten by CIL receipts | 38.460 |
| | |
| **Total long-term debtors in balance sheet** | **68.954** |

A more detailed schedule of the above loans, showing objectives and explanations of each investment are detailed in Appendix 3 to the Mid-Year Treasury Management Monitoring Report 2018-19 presented to P&R Committee 26 November 2018.

### Potential future non-treasury capital investments

Non-treasury investments: The following schemes if approved will result in loans to wholly owned companies or third parties. These loans will be for capital purposes, are Norfolk based, and are designed to further the Council's objectives. None of the loans listed are purely for the purpose of income generation.

| **Scheme** | **Background** | **Approximate value** |
|---|---|---:|
| Loan to Housing Association to develop housing with care scheme on Council owned land. | Potential project to develop, with appropriate partners, the Council-owned Herondale site into an Extra Care scheme for the elderly. | £11m max reducing to £6m after grants and shared equity sales |
| Capital loans to wholly owned companies | **Repton Property Developments**<br>Business and Property Committee declared the land north of Norwich Road Acle surplus to County Council requirements and instructed the Head of Property to dispose of the land to Repton Property Developments Ltd.<br>**Other projects**<br>From time to time the Council's wholly owned companies further the Council's objectives through capital investments. This facility is included in the capital programme. | £20m included in capital programme |

**Proportionality of non-treasury investments:**
If all the potential loans are made, the total value of loans (including CIL supported debt) will remain below £100m. At an indicative interest rate of 3.5% (giving a margin of approximately 1% over the equivalent PWLB borrowing rate) would mean interest of £3.5m pa. This is approximately 20% of the Council's general reserves, 0.90% of the Council's net expenditure and 0.25% of departmental gross expenditure.

# Policy and Resources Committee

**Item No14**

| | |
|---|---|
| **Report title:** | **Developing a whole-Council business plan** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Fiona McDiarmid, Executive Director Strategy & Governance** |

## Executive summary


This report provides Policy and Resources Committee with a proposal on the development of a whole-Council business plan for Norfolk County Council, for the period 2019-2025.

The plan will set out the Council's ambition, approach and plans to grow the economy and improve social mobility in Norfolk, ensuring that people across the whole County thrive and reach their full potential regardless of socio-economic background. It will guide the work that the Council does internally and externally, building on the existing vision for Norfolk "Caring for our County" and Norfolk Futures priorities and principles.

**Recommendations:**

1. **Agree to the development of a 6-year Norfolk County Council business plan, in line with the attached principles and proposals.**
2. **Agree the proposed timetable for completing the Norfolk County Council business plan.**


## 1. Introduction

1.1. On 10 December 2018, Full Council approved proposals to move to a Cabinet system of governance from May 2019.

1.2. The changes in governance and the work on strategic drivers of change for Norfolk, undertaken by the Strategy and Governance department in July 2018, present an opportunity to review the Council's current approach to business planning, creating more clarity on the actions that need to be taken, how the success of those actions will be measured and how progress will be reported.

1.3. The purpose of this report is to recommend the creation of a whole-Council business plan for the period 2019-2025, to be developed between January and April 2019.

1.4. The Council is already implementing a number of strategic initiatives focused on demand management, prevention and early help, and a locality focus to service provision as part of the Norfolk Futures transformation programme. The new whole-Council business plan will bring together the "Caring for our County -

Vision for Norfolk" and the Council Values and Principles, and provide a clear view of significant activity that the Council needs to deliver alone or with partners, for the next six years.

## 2. Scope of the business plan

2.1. The NCC Business plan will focus on driving economic growth and improving social mobility, leading to stronger communities, more prosperity, better quality of life and improved outcomes for the people of Norfolk.

2.2. Norfolk is one of the largest county economies in the country (with over 37,000 businesses[1] and 348,000 jobs[2]) now worth £18 billion to the UK economy[3]. It has a buoyant job market with high levels of employment, and with plans for building over 80,000 homes over the next 20 years, Norfolk's city, towns and villages will grow, needing better roads, new infrastructure and more amenities. The planned investment on roads and improvements in communications will enable businesses to expand into new markets, bringing in additional investment and high value jobs to the county.

2.3. Social mobility is an issue affecting many areas and people in Norfolk. Although often perceived as an urban issue, the recent social mobility commission report[4] highlights problems in Norfolk's rural and coastal areas. More than 120,000 people in Norfolk live in areas categorised as being in the most deprived 20% in England, located mainly in the urban areas of Norwich, Great Yarmouth, Thetford and King's Lynn, together with some identified pockets of deprivation in rural areas, coastal villages and market towns. Despite the availability of employment however, many wages remain low, with over 50% of people on low wages living in rural areas. And although many children start off well in early years provision, qualifications within the County are below the national average.

2.4. As stated in Caring for our County – A vision for Norfolk in 2021, "Norfolk's economic growth must benefit everyone, promoting social mobility by helping people who are not in work get the skills required for 21st century employment[5]". The Council's overarching ambition is to tackle some of the more deep rooted inequalities present in Norfolk, moving those communities where this is an issue from a cycle of deprivation to one of prosperity.

2.5. A whole Council approach (working in partnership with others across the whole public, private and third sector system), is needed to address the many inter-related issues that affect our local economy and social mobility. Both these themes are already known and well-supported across the whole local government system in Norfolk. This plan will enable Norfolk County Council to play a leading role in creating the appropriate conditions and encourage social mobility and growth.

[1] Nomis (ONS interdepartmental Business Register 2015)
[2] Nomis (ONS Bres 2015)
[3] ONS (2016) Regional Gross Value Added (Balanced) by Local Authority in the UK
[4] The Social Mobility Commission's "State of the Nation 2017: Social Mobility in Great Britain" report (and accompanying Social mobility index)
[5] "Caring for our County: A vision for Norfolk in 2021", page 5

## 3. Proposal for developing the business plan

3.1. In developing the business plan, it is proposed that:

3.1.1. The plan will provide a whole-Council view of "significant" activity that we, as a Council, need to deliver alone or with our partners. It will focus on identifying the "big ticket" activity for the next 6 years, which support social mobility and economic growth, and which is likely to have significant complexity or risk, including reputational. For example:

- Significant service change or redesign
- Infrastructure, assets and technology, including capital programmes or projects
- Strategy or policy development

3.1.2. The business plan will include activities which will deliver 2020/21 and 2021/22 savings, and will support and be aligned to our Medium Term Financial Strategy to ensure continued awareness and visibility of "slow burning" more strategic initiatives (for example, £120m capital investment in complex needs schools).

3.1.3. The plan will not contain day-to-day essential service delivery, which will continue to be captured in departmental and team plans, as well as the Budget Book. Departmental and team plans will be owned by Directorates who will be responsible for their development and delivery, together with the respective Cabinet Member / portfolio holder.

3.1.4. The plan will form part of the County Council's Policy Framework.

3.1.5. It will be underpinned by a number of corporately significant vital signs (or key performance indicators) to be agreed as part of the development of the business plan.

## 4. Timetable for development

A proposed timetable for developing this plan is outlined below:

| Activity | When |
|---|---|
| Business Plan proposal to Policy & Resources Committee. | 28 January 2019 |
| Departmental strategy and business planning workshops<br>(facilitated by Strategy & Governance) | January – February 2019 |
| Engagement of Committee Chairs in business planning process | February 2019 |
| Engagement of key partners, district councils and other stakeholders in development of business plan | January and February 2019 |

| Activity | When |
| --- | --- |
| Aggregated view of business planning activity and content for discussion at Corporate Board | Late February / Early March 2019 |
| Develop the whole-Council business plan | March and April 2019 |
| Launch of Council Business Plan at AGM | 7 May 2019 |

## 5. Financial Implications

5.1. As at October, the Council's overall budget planning position indicates a forecast gap for the period 2020-22 of £70.078m. The Strategic and Financial Planning 2019-22 report by Executive Director of Finance and Commercial Services sets out the detail around the budget planning timetable and implications for spending on services.

## 6. Issues and risks

6.1. The new County Council Plan will impact the whole council and will have implications for how employees, services and property are organised to deliver best value for citizens. These will need to be further defined as programmes are developed to deliver the pledges.

6.2. It is critical that the Council Plan is developed on a solid evidence base which enables decision to be made on need and demand.

## Officer Contact

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

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**Email address**: markella.papageorgiou@norfolk.gov.uk

# Policy and Resources

| | |
|---|---|
| **Report title:** | **Brexit implications for Norfolk County Council** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Tom McCabe - Executive Director, Community and Environmental Services** |

**Strategic impact**

Brexit will have implications for the County Council and Norfolk's communities, including businesses. This report seeks to provide as much clarity as possible, given the information available, on these issues and steps that could be taken to mitigate the risks.

## Executive summary

This paper highlights the Brexit preparations being made relating to: County Council services, our workforce and that of our supply chain; funding and support for business.

In terms of our staff, our priority is to ensure that we understand risk in all areas and that employees are supported and understand the steps to take personally. We need to identify workforce data, as legislation historically has not required records to be maintained.

Senior Managers have reviewed numbers of EU nationals working within teams (**Appendix A).** Our assessment within NCC (non-schools) indicates low numbers and low material risk. We will work to understand further the impact in NCC schools with significant EU communities.

Broader risk applies in the wider workforce and supply chain, specifically within health and social care. Further risk assessment and mitigation work is underway in these areas.

In terms of Council services, there are issues relating to the disposal of and income from the export of waste, as well as the ability of the Hethel Lab to test products, to be sold in this county. These issues are being progressed with the relevant industry bodies.

We continue to make the case to Government for fair post-Brexit funding for Norfolk, particularly the Shared Prosperity Fund (SPF). We continue to lobby for a single pot (including DEFRA, DWP and Growth Deal) and are preparing the 'wiring' for the SPF.

We commissioned a report on the impact of Brexit on Norfolk's economy and established a Business Brexit Sounding Board to build links with interested businesses. The Council works closely with NALEP, the Chamber of Commerce and the Federation of Small Businesses to promote the advice and support available, however, significant support will be needed on Brexit scenario planning. There is an opportunity for established local services to expand and provide this signposting and advice. It is proposed to approach Government, in conjunction with NALEP for funding towards this.

The Council's Brexit risk register includes risks such as the managing the smooth transition to the post-Brexit framework of the France (Channel) England Programme, for which the County Council is the Managing Authority.

**Recommendations:**

Members are requested to consider and comment on:

- **The work in hand to understand Brexit's impact on the Council's workforce and that of its supply chain, as well as schools with significant EU communities**
- **The Council's efforts to shape future funding to benefit Norfolk**
- **Plans to make the case to Government for more funding for local business advice related to Brexit**

## 1. Proposal

1.1. To undertake further investigative work on the impact of Brexit on Council staff, as well as EU nationals in the Council's Health and Care supply chain.

1.2. To continue to make the case for a single pot of post-Brexit funding for economic growth and put in place the mechanisms, with New Anglia LEP, to administer delegated grant schemes.

1.3 To engage with the LEP, Chamber and FSB, to ensure there is effective support to businesses, including investigating the availability of funding in support of this increased business support role.

1.4 To establish a Brexit Preparedness Group within the Council, to address and mitigate the risks on the corporate Brexit risk register.

## 2. Evidence

2.1. This report focuses on the main implications of Brexit, both in general and in the event of a 'no deal' scenario. It covers impacts on:

a) The County Council workforce and that of its supply chain

b) Funding and future funding programmes

c) Business, including in the event of a no deal.

2.2. In terms of preparation, in addition to the Brexit-related committee reports referenced in section 5 (Background), the County Council has been engaging with Government on issues linked to our departure from the EU, to ensure that our concerns are heard at the highest level.

2.3. **a) Implications for the County Council specifically**

2.3.1. The following were identified by the Local Government Association (LGA) as impacts of Brexit on Councils:

**Public procurement**. UK Public Contracts legislation stems from EU law; also subject to World Trade Organisation (WTO) agreements; also, Government Procurement Agreement

**Regulatory services / trading standards / licensing.** Significant areas covered by EU law incorporated into UK law via the Withdrawal Bill

**Environment**. Environmental legislation mostly stems from EU law, covering issues such as waste, air quality, etc.

**Employment**. EU legislation provides for minimum rights and free movement and labour supply

**Planning**. EU directives establish minimum requirements for environmental impact assessments; protecting bio-diversity and wildlife; council charges for environmental information governed by EU

**Data and data protection**. General Data Protection Regulation 2016 forms part of the EU Withdrawal Bill

**Finance and funding**. EU VAT rules frame council VAT treatment by HMRC; EU rules on investments for financial products used by councils; access to economic development funding, such as ERDF, ESF, INTERREG etc

**Councillors**. Ability of EU citizens able to continue as elected members

2.3.2. The Council has produced, and recently expanded, a risk register on Brexit, which is covered in 4.1.

2.3.3. In addition, several County Council services are liaising directly with their national industry bodies and government officials, to prepare for and mitigate the risks to their services. For example:

**Waste**

There is a lack of UK and East of England waste treatment capacity. Currently, around three quarters of the residual waste we have responsibility for is exported for fuel. This option may no longer by viable, or as competitive, in the event of Brexit – eg from the introduction of bans or fiscal barriers, as well as increased controls for moving waste.

However, there is a need for waste in some member states (again, for fuel), so there may be interest in preserving the viability of fuel exports from the UK.

We are lobbying via trade bodies and directly with policy makers in DEFRA on this issue.

**Trading Standards**

If the UK leaves the EU in March UK businesses won't be able to get products approved for use in the UK but will have to go to a 'Notified Body' in the EU instead. This will have an impact on NCC and Norfolk businesses, as our lab at Hethel (which undertakes calibration, verification and testing services) is currently one of the 189 Notified Bodies in the UK that businesses can go to, to get their products approved. Currently, it appears, from UK government correspondence, that mutual recognition agreements will not be put in place – but this could be subject to change. The Council is monitoring developments with national industry bodies and keeping the business community informed.

**Welfare**

As entitlement to welfare benefits and other statutory provisions change, local authorities may face an increase in demand from the migrant population. Similarly, British nationals who live overseas may find themselves in circumstances where they are no longer entitled to support and assistance from their country of residence and may have no choice but to return to the UK. If they don't have an established "place of ordinary residence" they can choose where to go, becoming the responsibility of the local authority in that area.

If these individuals have no means to support themselves independently in the UK, they will be ineligible for welfare benefits (failing the Habitual Residence Test) and may turn to local authorities to support them (under the Care Act 2014, the Children Act 1989 or the Localism Act 2011). This would have significant staffing and financial implications for local authorities, to meet urgent needs.

For EEA (European Economic Area) nationals who are destitute, councils have the power to provide them with travel assistance to return to their country of origin. This not only requires expenditure by councils, but staff time to deal with the requests and make the necessary arrangements.

2.3.4. **County Council Workforce Including NCC schools**

This section sets out the potential risks for the workforce around Brexit and summarises the available government guidance as to the post-Brexit world. Our priority is to ensure we understand risk in all areas, and that employees are supported and understand the steps to take personally.

A key task is to identify our workforce data, as legislation historically has not required records to be maintained. Our assessment within NCC (non-schools) indicates low numbers and less material risk. We wish to understand further impact in NCC schools with significant EU communities.

**Wider Workforce**

Impact on social care will primarily be through the potential loss of members of the EEA contributing to the care workforce, including clinical staff. The precise dimensions for Adult Social Care are noted in our market position statement.

The majority of adult social care is provided within the market and is dependent on availability and capacity within the workforce. People from the EEA make a valuable contribution to the overall workforce - current analysis indicates that approximately 7% of the c27,000 workforce are people from the EEA, however this rises to over 20% when looking at nursing employment within the care sector. More broadly, as nationally communicated, the NHS relies heavily on EU clinical staff, particularly nursing. A broad workforce strategy seeks to support the care workforce, which tends to be characterised as a low pay environment.

**Current government guidance regarding EU worker rights**

EU citizens and their families can apply to continue to live, work and study in the UK after Brexit under the EU settlement scheme. The scheme seeks proof of identity and residency in the UK and includes a criminality check. NCC employees and managers can access guidance on the Brexit page on PeopleNet.

Applications under the scheme are £65 per adult. It will be free for those who already have valid indefinite leave to remain or a valid permanent residence document. UNISON have published guidance for branches to encourage employers to pay the application cost for EU workers and some NHS trusts have committed to paying, including all NHS trusts in Norfolk. The County Council is additionally committed to funding NCC employee applications.

Pilots covering higher education, health and social care sectors have been undertaken to test the scheme ready for when it fully opens by 30 March 2019.

In line with the draft Withdrawal Agreement, individuals and their family members will have until 30 June 2021 to apply and their rights will remain unchanged until then, provided they are resident in the UK by 31 December 2020.

In the event of a no deal situation the government have sought to provide reassurance in their policy paper *Citizens' Rights - EU citizens in the UK and UK nationals in the EU.* However, EU citizens would need to be resident in the UK by 29 March 2019 and applications for settled status would need to be made by 31 December 2020 (rather than 30 June 2021).

A new skills-based immigration system is also being consulted on. It is likely that highly skilled and skilled workers will be prioritised and the cap on the numbers of skilled workers and the resident labour market test will be removed.

**Conclusion:**

The broader risk applies in the wider workforce, specifically within health and social care. The risk within the NCC workforce (non-schools) is considered low.

2.4. **b) Funding and Future Funding Programmes**

2.4.1. The East of England Brussels Office, managed by the East of England LGA estimates the Norfolk and Suffolk have drawn down c.£1.9bn of local economic growth investment from the European Union since 2007, including at least £365m in grant funded schemes.

Government has made some assurances about the funding regime to the end of 2020. The current guarantee, on the Gov.uk website, covers:

- EU projects agreed before we leave the EU
- The full 2014-20 allocation for structural and investment funds
- The current level of agricultural funding under CAP Pillar 1 until 2020.

For awards where UK organisations successfully bid directly to the European Commission on a competitive basis, Government will work with the Commission to ensure that UK organisations will be able to continue to participate.

This guarantee ensures that UK organisations, such as charities, businesses and universities, will continue to receive funding over a project's lifetime if they successfully bid into EU-funded programmes before the end of 2020.

2.4.2. Since July 2016, government departments (led by MHCLG) have consulted on the successor scheme to EU funding – the 'Shared Prosperity Fund' (SPF) - which is intended to reduce inequalities between communities across the UK. our four nations. The money that is spent should help deliver sustainable, inclusive growth based on the Local Industrial Strategy.

2.4.3. Given the importance of EU funding to Norfolk, we have made the case to Government on future priorities and distribution mechanisms for the SPF on several occasions and will continue to do so, as opportunities arise. A summary of our key requirements of the SPF was submitted to the All Party Parliamentary Group on Post-Brexit Funding for Nations, Regions and Local Areas in September 2018 and can be found in **Appendix B**.

2.4.4. A key point to note is that not all current Government funding will feed into the SPF single pot – eg DEFRA and DWP funds may remain separate.

If DWP funds are not in the SPF, there is a need to ensure that employability doesn't get lost or side-lined. We will need to think creatively about building employment and skills opportunities into the types of projects which would historically have been funded through ERDF, especially any capital projects.

If Growth Deal is to be rolled into the SPF, assuming funding starts in 2021, we need certainty very soon about our funding allocation and what it is for - otherwise we will not be able to deliver schemes from the start of the new funding period.

We will continue to lobby for a single pot and are preparing the 'wiring' for the SPF.

2.5. **c) Business**

2.5.1. The **EU is the largest export market for Norfolk**, accounting for **53% of trade** (£2.1bn) and worth more than all the rest of world exports combined. This is only slightly higher than the UK average of **50%** of exports going to the EU.

In terms of **imports, the EU is also the largest import source for Norfolk**, accounting for **63% of trade** (£6.5bn) – a considerably higher percentage than the **national average** of **55%** (£224bn) from Europe for the UK. EU trade relations are therefore vital to Norfolk's GVA**.**

Norfolk is also more reliant on EU national workers than some other areas. Nationally, **1.6%** of the working population are from abroad, **78%** from the EU. In Norfolk, while the percentage of the workforce from abroad is slightly lower, at **1.3%**, the proportion from the EU is higher, at **85%**.

In order to understand the challenges for the county, the Council commissioned a report – Getting Norfolk Ready for Brexit – on the impact of the policy on the county's economy and the steps we could take to mitigate any risks, including:

- Ensuring businesses have adequate support to address new admin costs.
- Strengthening innovation and supporting businesses to trade in new markets.
- Developing local skills to mitigate against labour shortages in key sectors.
- Collaborating with other regions to build sectoral strengths, eg where there is a common interest in accessing new markets or designing new products.
- Stressing to Government the need to put in place a SPF which supports enhanced productivity, encourages greater export activity and provides sufficient local revenue funding to Growth Hubs and other support services.
- Implementing temporary work visa arrangements for sectors that benefit from migrant labour (health and care, construction, agriculture and hospitality).

The report was launched at a business engagement event in June 2018, also involving NALEP and Norfolk Chamber of Commerce – who promoted the Chambers of Commerce checklist that seeks to prepare businesses for Brexit.

Following the event, several companies signed up to the Council's Business & Brexit Sounding Board, which will keep them informed of implications for Norfolk.

2.5.2. We are also working closely with the East of England LGA Europe Panel and Brussels Office on Brexit implications. In terms of the recent 'preparedness notices' and 'no deal guidance' produced by the European Commission and UK Government, the most relevant for the County Council include:

- Access to EU funding programmes
- Employment / Workplace Rights
- Environment and Waste
- Health & Food Safety
- State Aid & Procurement

We will publicise the existence of the notices through the Corporate Bid Team and the Business & Brexit Sounding Board. We expect that professional societies and networks will also raise awareness of the notices and guidance and will ensure that there are links on the NALEP web pages.

A Brexit page is now live on the New Anglia website, providing signposting to key resources from government and business intermediaries, to assist businesses in their preparations for a 'no deal' Brexit.

2.5.3. The Government's **"Partnership pack; Preparing for changes at the UK border after a 'no deal' EU Exit"** makes a strong case for intervention on a local level to ensure businesses can handle the transition and that services can be made available to ensure continuity of services.

Approximately a third of Norfolk businesses will be impacted in the event of a 'no deal' Brexit – both those that trade with the EU and those that trade with non-EU companies under existing EU agreements. The severity of that impact will depend on the specifics of goods, partner country and relationship with the UK.

There is an opportunity for established local services to expand and fill that gap:

- Trading Standards - international compliance services
- Chamber of Commerce - export documents, services and information.
- NALEP Growth Hub - advice and signposting opportunities/resources
- Distribution of advice letters to EU-trading businesses from the UK - templates have been provided as part of the toolkit, that could be issued or

shared with the local business community.

In conjunction with NALEP, we plan to approach Government to allocate funding to provide enhanced business support services in the action areas outlined in the toolkit, and direct grant schemes to incentivise business to continue international trade without reliance on EU frameworks and to invest in the infrastructure and systems required by both businesses and freight handlers. A more detailed analysis of the pack can be found in **Appendix C**.

In addition, New Anglia is planning an event – "Our Region, Post Brexit" - in conjunction with the Chamber of Commerce, in Great Yarmouth on 31 January, to discuss with businesses the impact, challenges and opportunities of Brexit.

## 3. Financial Implications

3.1. Brexit poses financial implications to the County Council whether there is deal or not, like the possibility of increased costs for disposing of waste, mentioned above. However, it is not yet possible to quantify these costs.

## 4. Issues, risks and innovation

4.1. The risk register on Brexit is being expanded, including the following risks:

- Trade and tariffs
- Agriculture and fisheries
- Customs, ports and infrastructure
- Workforce
- Future funding
- Community cohesion

Of particular importance to the County Council is the smooth transition to post-Brexit arrangements of the France (Channel) England INTERREG Programme, for which the County Council is currently the Managing Authority.

## 5. Background

5.1. Policy & Resources Committee, 18 July 2016 – pages 22 to 30 – outcome of the EU Referendum

Economic Development Subcommittee, 19 January 2017 – pages 65 to 72 - future funding priorities

## Officer Contact

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

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IN TRAN communication for all

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

| Directorate | Team affected | Service | Workforce | Locality | Risk | Mitigation | RAG |
|---|---|---|---|---|---|---|---|
| Adults | Integrated Care (Northern & Southern Locality) (NCHC), Community Services | Care sector | Wider commissioned | Locality wide | European National Worker | Mitigation difficult to define due to numbers unknown by operational managers. More likely to affect care market – residential and domiciliary providers which will have a detrimental impact on the Norfolk Adult Social Care and NHS system to purchase care to safely meet service users' needs including delaying hospital discharge. | |
| Adults | Other | | NCC Employed | Locality wide | European National Worker | No risks identified | |
| CES | France (Channel) England Programme | | NCC Employed | Locality wide | European National Worker | NCC are aware of the risks and recruitment/retention plans in place | |
| CES | Economic Development excluding France (Channel) England | | NCC Employed | Locality wide | European National Worker | NCC are aware of the risks and recruitment/retention plans in place | |
| CES | Economic Development excluding France (Channel) England | | Wider commissioned | Locality wide | EU Funding Programme | NCC is working with the wider business community through the Business Brexit Sounding Board to identify key risks. No risks to commissioned services are currently identified | |
| CES | Other | | NCC Employed | NA | None | | |
| CES | Public Health | | Wider commissioned | Locality wide | European National Worker | Provider services commissioned by PH have been requested to provide assurance and evidence their corporate business continuity plans. We are assured that all eventualities are being prepared for in terms of continuity of service provision in the areas of legal, contractual, commercial, procurement, employment legislation and regulation together with supply chain management outside of the UK. Many of our providers are NHS and as such have been required to provide national returns to Dept for Health, as requested by the Secretary of State. | |
| Children | Other | | NCC Employed | Locality wide | European National Worker | Minimal risk within childrens services - few EU nationals employed. | |
| Children | Schools | | NCC Employed | Locality wide | European National Worker | We believe that some maintained schools and academies may have a higher percentage of EU nationals in parts of the county where the school age population is diverse. We will work closely with schools to better understand this and offer any support we can to raise awareness of steps to take. | |
| Children | | | Wider commissioned | | European National Worker | There were no risks indentified | |
| Fin & Comm Services | Corporate Property | Cleaning Staff | Wider commissioned | Thetford, Kings Lynn, Great Yarmouth | European National Worker | Challenges with recruitment and retention of cleaners by Norse. Continuing programme of recruitment | |
| Fin & Comm Services | | IMT | NCC Employed | NA | None | | |
| Fin & Comm Services | Other | | NCC Employed | NA | None | | |
| Strategy & Gov | Other | | | | | | |
| Strategy & Gov | Democratic Services | | NCC Employed | NA | None | | |
| Strategy & Gov | NPLaw | | NCC Employed | Norwich | European National Worker | 1 worker - minimal risk | |

**Appendix B**

**Points submitted to the All Party Parliamentary Group on Post-Brexit Funding for Nations, Regions and Local Areas in September 2018**

a) The creation of the SPF is an appropriate opportunity to review how funds are allocated within England, to fulfil Government's objective of inclusive growth, outside the capital. Formulae to determine allocations to local areas should reflect socio-demographics, including rurality and sparsity, which impact on productivity, business growth potential and service delivery costs.

b) We would wish to see rural indicators of deprivation, such as lack of social housing, car dependency, poor public transport and lack of access to health and social services to be included within the formulae, rather than just a focus on income-related deprivation, which can be historically under-represented in rural areas.

c) In addition, rural issues are much less visible than more concentrated urban needs, so the objectives and measures of the Fund need to take both settings into account.

d) We believe that the annual budget for the SPF should be, as a minimum, equal to the funding currently available through the European Structural Investment Funds (ESIF), INTERREG and other major EU funding streams.

e) While there is a logic to rolling a number of funds into the SPF (eg Growth Deal) to streamline processes, our previous experience is that visibility of funding streams is lost, and overall funding has subsequently been reduced. If other budget lines are to be rolled in, it should be done in a transparent way and any Government Department expectations of specific outcomes to be funded from the SPF made clear.

f) Local authorities want to be involved in planning for future of DWP activity post-ESF. If DWP funds are not included in the SPF, there is a need to ensure that employability doesn't get lost or side-lined. We will need to think creatively about building employment and skills opportunities into the types of projects which would historically have been funded through ERDF, especially any capital projects.

g) If Growth Deal is to be rolled into the SPF, assuming funding starts in 2021, we need certainty very soon about how much funding we have and what it is for - otherwise we will not be able to deliver schemes from the start of the new funding period.

h) Government's ambition is for the Fund to tackle inequality and rebalance the economy outside the capital. There therefore needs to be a mechanism to rein in the ability of affluent areas to heavily influence and attract investment from elsewhere in the UK. A version of Assisted Area Status would be a good tool.

i) We would like to see skills and economic growth potential linked strongly in programmes, so local areas can combine the development, training and employment needs of employers in linked interventions. In funding smaller-scale local programmes, the ability to support sustainable community services with wider deliverables than just jobs growth would be welcomed.

j) We would also like opportunities to develop grant programmes across all areas of activity, including cross-border, LEP-wide or other regional geography. There is also a need for smaller-scale, locally-determined grant programmes, on a narrower geography, tackling economic growth and/or skills challenges, such as those evidenced by our successful LEADER programmes.

k) Business support or advice is a need across the economy, with regional schemes, such as Growth Hubs, required alongside sector-specific or more geographically focused initiatives. Consideration needs to be given to the desirability of match-funding these entirely with grant schemes and whether a higher intervention rate for this type of activity would enable advice schemes to be created that can be neutral in relation to the grants landscape. Many current projects have to ‘chase grants’ rather than focus on the greatest need for support.

l) We value the stability of multi-year programmes, to provide certainty for planning, and time for projects to deliver. As a minimum, the SPF programme period should be the duration of a parliament, to allow transition from one parliament to the next. Even better would be a seven-year programme period, as for current EU funds.

m) We also believe that upper tier local authorities, with many years of experience of managing EU funds and the financial ability to act as accountable bodies, are well placed – and have the capacity - to manage the new funding stream.

n) Local authorities also have the local knowledge to generate economic growth in their areas and need flexibility in the use of the Fund for it to be most effective, including the ability to prioritise funding locally and decision-making delegated to local areas. A further request is that the Fund offer a mix of capital and revenue, to maximise delivery.

o) Not having a detailed framework for what funding can be spent on would keep any additional costs and bureaucracy down to a minimum.

**Appendix C**

**Preparing for a 'No Deal' Brexit – Analysis of Government Partnership Pack**

The LGA have requested Councils to consider the Implications and potential actions following the release of the HM Government partnership pack: preparing for changes at the UK border after a 'no deal' EU exit. This appendix looks at our local context, advice provided by the toolkit and suggested actions.

**Conclusions & recommendations**

- Most of the businesses in Norfolk that undertake international trade will face substantial regulatory considerations that will fundamentally change the nature of their international supply chain relationships or export markets.
- Business will require substantial advice, signposting and support to overcome the challenges this will bring. There is opportunity for established local services to expand and fill that gap.
- A recommendation would be for HM Government to allocate funding to provide enhanced business support services in the action areas outlined in the toolkit and direct grant schemes to incentivise business to continue international trade without reliance on EU frameworks and to invest in the infrastructure/systems required by both businesses and freight handlers.

**1. Norfolk in the Context of a 'No Deal'**

There are 35,000 active business with a primary trading address or registered office in Norfolk, of which:

- 5,600 business import. 60% of which is trade with the EU. Of total value this is estimated at 52% of all Norfolk imports (HM Revenue and Customs 2016)
- 4,100 business export. 56% of which is sold to the EU. Of total value this is estimated at 54% of all Norfolk exports (HM Revenue and Customs 2016)

81% of the 6200 foreign workers registering within Norfolk to work in 2017 were of EU origin. (Department of Work and Pensions 2018)

Our own experience with business suggest that the majority of those that rely on EU imports/Exports will be much more rooted in 'Just in Time' supply chains, or perishables (food especially). Excluding the additional administrative burden and financial costs associated with customs, many businesses will need to adopt stockpiling practices to mitigate against delays.

This could see a significant productivity loss and may put significant financial pressures on businesses. Business models will need to adapt significantly, and some will no longer be viable.

**2. Exporting Considerations for the local economy**

A large percentage of Norfolk business will not have the experience or the required systems for exporting in a no deal scenario. The toolkit provided by HM

Government document highlights the following areas that they may require support in:

- Company registrations; EORI number, licences, National Export Systems
- Customs compliance; commodities coding, restricted goods, duties, goods valuations, customs procedures
- Securing services of legally empowered custom transport providers
- Developing & maintaining records systems for 6 years retention for all activities, evidencing that their goods did leave the UK.

The result of these new considerations for business may also mean:

- Goods holdup at borders
- Additional 3rd party service management for transport operations
- Additional administrative costs, staff time, fees, professional advice, record systems
- Loss of EU customers due to increased costs or delays in product delivery
- Renegotiation of commercial terms for customers to reflect changes and tariffs
- VAT payments changes, lack of access to EU VAT systems, VAT refunds (if applicable)

**3. Importing Considerations for the local economy**

A large percentage of Norfolk business will not have the experience or the required systems for importing in a no deal scenario. The toolkit provided by HM Government document highlights the following areas that they may require support in:

- Company registrations; EORI number, licences
- Customs compliance; declarations, commodities coding, restricted goods, origins and tariff preferences, goods valuations, customs procedure, safety and security declarations
- Exploring customs facilitations for special procedures and if requirements are met
- Duty payments/deferments and HMRC goods release schedules,
- Developing & maintaining record systems for 6 years retention for all activities

The result of these new considerations for business may mean:

- Goods holdup at borders
- Additional fees and costs for import, delay in VAT reclaim
- Additional administrative costs, staff time, fees, professional advice, record systems
- Loss of EU suppliers due to increased costs or unable to meet product delivery schedules
- Renegotiation of commercial terms for suppliers to reflect changes and tariffs

**4. Overarching considerations**

Loss of access to EU agreements, deals and procedures with other countries, including: Australia, New Zealand, Canada, Chile, Israel, Japan, Mexico, South Korea, Turkey, United States, Brazil, Russia, India, China & South Africa.

The exact impact of this will depend on the nature of the established agreements or the deal with the respective country, however terms would not automatically transfer to the UK in a 'no deal' scenario.

The UK is already a WTO member under the EU, but its membership terms will need to be re-established. This means further UK and EU negotiations to split up quotas and to obtain agreement from the rest of the WTO membership to trade under this scheme.

EU freight in airports and ports will require new systems if the existing facilities only handled EU freight. Infrastructure investment in processing facilities and electronic systems for third county freight will be required. HM government recommendation is to ensure investors and board approval is lined up to enact change in a 'no deal' scenario.

## 5. Recommendations for the LGA

The "Partnership pack; preparing for changes at the UK border after a 'no deal' EU exit" sets out a strong case for intervention on a local level to ensure businesses can handle the transition and that services can be made available to ensure continuity of services.

Approximately a 3rd of Norfolk businesses will be impacted in the event of a 'no deal' Brexit, for those that trade with the EU or for those that trade with non-EU companies under existing EU agreements. The severity of that impact will depend on the specifics of the goods, partner country and relationship with the UK.

There is an opportunity for established local services to expand and fill that gap:

- International compliance services through Trading Standards
- The Chamber of Commerce Export Documentation, Export Services and export resource information.
- The New Anglia LEP Growth Hub providing advice to business and signposting opportunities and resources.
- Distribution of advice letters to EU trading business from the UK, templates have been provided as part of the toolkit that could be issued or shared with the local business community.

A recommendation would be for HM Government to allocate funding to provide enhanced business support services in the action areas outlined in the toolkit and direct grant schemes to incentivise business to continue international trade without reliance on EU frameworks and to invest in the infrastructure/systems required by both businesses and freight handlers.

# Policy and Resources Committee

Item No 16

| | |
|---|---|
| **Report title:** | **Liquidlogic Project Update** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **James Bullion, Executive Director of Adult Social Services** |

## Strategic impact

CareFirst was NCC's social care system from November 2007. It was a key core system for NCC and its availability and functionality were business-critical. The system was used by Adult Social Services, Children's Services, and by Finance Exchequer Services for paying providers and charging for adult social care and Procurement for contract administration.

The objective of the Social Care System Replacement programme was to procure and implement a social care information system for Norfolk County Council that meets current and future business requirements, including integration with partners, which enables us to support vulnerable people most effectively. This is the platform on which savings, integration and service improvements can be developed and delivered.

## Executive summary


The purpose of this report is to update the Policy and Resources Committee of the progress of the Social Care System Replacement (SCSR) programme, following the report to this Committee on 16 July 2018.

Following a rigorous procurement process NCC awarded the contract for the new system to Liquidlogic in August 2016.

Phase One has been delivered: the Adults and Finance Go Live took place on schedule and after live testing, was released to staff on 22 November 2017; Children's and Finance Go Live went live on 3 May 2018, with the completion of the first pay run for Direct Payments on 11 May 2018.

The departments want to fully exploit the potential benefits of the new Liquidlogic and ContrOCC systems and Phase Two of the Programme is underway delivering Mobile Apps, Portals and eBrokerage in Adults and Children's, as well as finance related projects in Children's to extend the use of ContrOCC to other contract areas and to implement the Children's Finance Provider Portal.

The programme is forecast to be on budget.


**Recommendation:**

**The Policy and Resources Committee are asked to note the progress on delivering the new Social Care System for Adult Social Services, Children's and Finance and to consider whether they would like any further reports at future meetings of this Committee.**

# 1 Introduction and Background

1.1 CareFirst was NCC's social care system since November 2007. It was a key core system for NCC and its availability and functionality were business-critical. The system was used by Adult Social Services, Children's Services, and by Finance Exchequer Services for paying providers of social care and charging for adult social care and Procurement for contract administration.

1.2 There were a number of reasons for replacing CareFirst. The key benefits are:

a) A resilient and adaptable system to underpin our planning and delivery of social care through to 2025
b) Efficiencies, integration and service improvement through an intuitive, flexible system
c) Compliance with the legal and procurement imperatives.

Further information on the benefits are in section two.

1.3 Following a rigorous procurement process NCC awarded the contract to the new system provider, Liquidlogic, on 31 August 2016.

# 2 Benefits

2.1 The strategic principles for the Social Care System Replacement are:

a) **A joined-up social care system for Adults, Children's, Finance and Procurement**
b) **Integration with Health and other partners**
c) **Supporting vulnerable people**
d) **Simplicity, with straightforward recording, automated workflows and readily accessible information**
e) **Information and our use of it drives the system**
f) **Transformation** –a system and supplier that are flexible and offer innovative solutions
g) **The strategic IMT architecture** requires integration of the social care system- with Identity Management, the Information Hub, Records Management, Customer Relationship Management, portals, and the means to control staff and other user's access

2.2 The benefits include:

a) Time savings delivered through reduced administrative and data input time required by front line social care staff in Adult Social Services and Children's Services
b) Improved management information to reduce managers/supervisors' administration time and improve case management
c) Reduction in annual application support costs
d) Improved outcomes and efficiencies through mobile working
e) Improved service through integrated working and data sharing with NHS and other public sector partners
f) Improved care package commissioning process through improved information
g) More robust data quality for reports and mandatory returns
h) The ability to generate accurate client-based milestone-driven information to enable NCC to plan and target services, manage demand and improve performance

## 3 Phase One

3.1 The project scope and timescales were ambitious and challenging. The project implemented the new system (LAS – Liquidlogic Adults System) for Adult Social Care and associated Finance functions (ContrOCC) on 22 November 2017.

3.2 Following this the programme successfully went live on 3 May 2018 with the new integrated system covering social care LCS (Liquidlogic Children's System), Early Help Module (EHM) and ContrOCC for financial payment. This also includes Adoption and, Fostering pathways and four unique workspaces for specialist areas e.g. Legal work.

3.3 A key issue for NCC has been producing the necessary performance reports with the required level of accuracy. Significant effort has gone into identifying the issues and working through correcting impacted reports on a prioritised basis. Work continues, including with Liquidlogic, and progress is being made. One example of a benefit is that routinely with CareFirst, due to its ability to allow a user to open and abandon any form in any process, the average error count for Children's statutory returns was around 8,000 individual errors that required manual rectification. Whereas because the Liquidlogic system enforces compliance, the statutory return for 2018-19 has a current error count of approximately 1,400.

3.4 The new Social Care Systems Support team went live in early September 2018, to deadline and maintained ongoing levels of support to users without disruption during this time. The team brought together people from Adult Social Services, Children's Services and Information Management and Technology who supported the CareFirst system.

3.5 The remit of the new team is to provide a customer-focused and comprehensive support service across three areas:

a) Change Management – developing policy, business process and system design/functionality
b) Technical Development - providing technical development and system configuration across the Liquidlogic/ContrOCC product suite
c) User Support – providing communications, training, guidance and helpdesk support to users

The team works collaboratively with the SCSR Phase Two project team.

## 4 Phase Two

4.1 The departments want to fully exploit the potential benefits of the new Liquidlogic and ContrOCC systems. Early work was carried out to shape up a programme of work for Phase Two Adult Social Services and Finance so that the momentum carried on after November 2017. Savings are built in to the Adult Social Services three-year budget plan for 2019-22 from Mobile working as part of maximising technological solutions, and as the other projects progress the potential for savings will be evaluated. In 2019, while the programme is continuing in Adults, the new year brings a suite of similar changes to Children's Services.

4.2. **Adults Mobile App and Device**

The project delivered a 100-user pilot of two types of touchscreen devices to six teams to determine which works best in a front line working environment, and whether the Mobile app with offline working capability provides a better balance of cost / benefit, usability and service user experience than LAS accessed on the move via data SIM.

4.2.1 Following the pilot, the project has now moved to full roll out mode. Preparations are being made for roll out from April 2019, this will take 12 months.

4.3 **Adults Client and Online Financial Assessment Portals**

This project enables online interaction with citizens and service users, giving people another option of how to work with NCC. Primarily it enables online referrals, needs assessment and financial assessment. It also enables secure sharing of documentation and update of personal details. Other portals are under development in the Finance area to provide online access to invoices and statements, ability to make online payment and secure communication. The project team have worked with Customer Services to design the customer journey and placement of the portal in relation to the corporate website and the new Norfolk Community Directory. The team have engaged with user reference groups including the Making It Real Board and NOPSPB (Norfolk Older People Strategic Partnership Board). The Adults Portals project will have resolved issues around use of the Corporate IdP (Identity Provider- the ability for Norfolk citizens to hold a single registered online account for all NCC services).

4.3.2 In response to the Making It Real Board's concerns about the inability to attach sign language clips to each form screen or to use third partly screen reader software (for data security reasons / hack risk) in the new portals, the project team has worked with the supplier jointly with Surrey County Council to devise a way of embedding sign language clips within portal forms and describe to citizens how to turn on their browser 'read aloud' setting to securely use built in screen readers. Members of the Board have been involved in testing and have not raised any further concerns or requests.

4.3.3 It was not possible to sign off the Adults Client portal in UAT (User Acceptance Testing) Two in November 2018. UAT Two was delayed by six weeks to enable changes to be made to improve security and usability, as some blocker issues persisted. A third UAT slot has been scheduled for 10-18 January. The delays to Portal sign off has caused testing to run into upgrade work to LAS version 9.2, which is required to better enable Adults statutory returns. As a result, Portals cannot go live until V9.2 goes live at the earliest, which is currently early March. The project will communicate a go live date to staff once UAT is completed. Go live will be set at least six weeks after the UAT sign off, providing time to book staff onto training, to conduct it and a communications campaign.

4.4 **Adults MarketPlace e-Brokerage module**

This will improve the efficiency of the Council's processes with the care and support market, provide information about capacity and increase the Council's ability to create new markets to meet care and support needs. The department will be able to electronically advertise care/support packages to providers capable of delivering them, the offers will be evaluated against the criteria set by Adult Social Services, enabling the department to decide who should deliver the package.

4.4.1 By linking this with the new Norfolk Community Directory it will also help NCC to improve its offer to people who fund their own care, voluntary organisations supporting people, unpaid carers and others. This is in accordance with duties outlined in the Care Act around Information, Advice and Support, as people will be able to see what care there is, the quality etc.

4.4.2 The project is progressing: system configuration decisions are being made; the data set that will need to be populated on the system is being developed. The main challenge is around provider engagement. Phase One will deliver to over 460 care homes and we need to secure their agreement to change their way of working with NCC. The project is recruiting people on a fixed term basis to work with providers to sell the benefits of the change to them. Once these people are in post the go live date will be set.

4.5 **Childrens Portals**

The initial portal implementation is primarily concerned with Adoption and Fostering. The Liquidlogic kick off meeting has been held and the configuration workshop, where system set up is agreed with Liquidlogic, is set for the end of January. This project is dependent on the LCS / EHM upgrade to Version 14 and cannot go live until the upgrade has happened, which will be in the summer. Liquidlogic have confirmed that Norfolk is the first local authority to use the Childrens Portal in this way and this comes with associated risks.

4.6 **Childrens Mobile**

The LCS and EHM Mobile Apps are in the process of being made available to the project to test. A plan has been provided by Liquidlogic that starts User Testing in February and ends in early March. Go live is also linked in with the LCS and EHM Upgrades that are currently scheduled for the summer.

4.7 **Childrens eBrokerage**

Representatives from Children's have visited Ealing Council to see how the West London Alliance and other London Boroughs are using the eBrokerage module of MarketPlace. The product is used for securing provision for Adoption, Fostering and Special Education Needs.

4.8 **Children's Finance Related Projects**

In addition, finance related projects have been initiated to extend the use of ContrOCC in Children's to other contract areas and to implement the Children's Finance Provider Portal.

## 5 LAS v9.1/ContrOCC v11.4 upgrade

5.1 The first significant Liquidlogic and ContrOCC upgrade to LAS v9.1 and ContrOCC v11.4 took place in the week commencing 12 November 2018.

## 6 Performance Issues

6.1 Up to October 2018 Liquidlogic system performance across the applications had been largely stable with only minor supplier delivery issues impacting users that were quickly followed up. There were infrequent performance issues in early to mid-October with the applications that could be attributed to NCC network disruption at the time, and the SCSS (Social Care Systems Support) team worked with IMT to improve communication about these episodes.

6.2 Since then the number of incidents of slow or disrupted system performance on Liquidlogic systems rose, which was a cause for concern due to the impact on the operational staff. The situation became acute over the week to 22 November on LAS and ContrOCC (Adults) after system upgrades resulted in prolonged live downtime and significant performance issues affecting LAS and ContrOCC users.

6.3 In addition to the above incidents, there were also ongoing failures with Liquidlogic data warehouse loads overnight, meaning that reporting data was out-of-date for days at a time, especially in the weeks commencing 22 October and 29 October 2018.

6.4 Liquidlogic Service Desk were responsive when contacted by the SCSS team to report performance issues and steps were taken by both the Social Care Systems Support and Liquidlogic, working together, to address system performance issues.

## 7 Financial Implications

7.1 The programme overall remains forecast to be on budget.

7.2 Policy and Resources Committee in February 2016 agreed: capital funding of £7.926m; and revenue funding of £2.421m – a total budget of £10.347m.

7.3 As at the end of 2017-18 the programme had spent £4.862m. The current forecast spend for 2018-19 is £2.609m, for 2019-20 £1.801m and for 2020-21 £1.074m.

7.4 Based on the information and estimates available, the project budget will be spent by the end of Phase Two, including the funding of some additional items not in the original programme scope, eg Adults and Children's eBrokerage.

7.5 A key reason for successfully delivering the programme within budget is that there has been less use of contractors on day rates than originally anticipated. Most people on the Programme have been on NCC contracts, either recruited from outside NCC or seconded from posts within the organisation. Another factor is that the team have worked hard to adhere to originally planned timescales.

## 8 Issues, risks and innovation.

8.1 At the time of Policy and Resources Committee on 8 February 2016 the major risks identified were:

a) Being unable to resource the project to meet the April 2018 deadline
b) Setting a scope that is either too ambitious or not challenging enough
c) The market may not provide an affordable solution
d) It may be difficult to establish costs and fund the project
e) National and local agendas may cause our requirements to change radically between procuring and implementing the system
f) Corporate governance may be challenging to establish standard requirements for a complex project involving users from four council departments and three committees

These risks have been and are being successfully managed.

## 9 Conclusion

9.1 The SCSR programme has progressed well with an ambitious scope and timeline since the Policy and Resources Committee agreed on 8 February 2016 to the procurement of a replacement social care recording system.

9.2 The Adults and Finance Go Live took place on schedule and after live testing, was successfully released to staff on 22 November 2017. Children's and Finance Go Live went live on 3 May, with the completion of the first pay run for Direct Payments on 11 May.

9.3 The departments want to fully exploit the potential benefits of the new Liquidlogic and ContrOCC systems and Phase Two of the Programme is underway delivering Mobile Apps, Portals and eBrokerage in Adults and Children's, as well as finance related projects in Children's to extend the use of ContrOCC to other contract areas and to implement the Children's Finance Provider Portal.

9.4 The programme is forecast to be on budget.

## 10 Recommendation

10.1 **The Policy and Resources Committee are asked to note the progress on delivering the new Social Care System for Adult Social Services, Children's and Finance and to consider whether they would like any further reports at future meetings of this Committee.**


**Officer Contact**

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

| **Officer Name:** | **Tel No:** | **Email address**: |
| --- | --- | --- |
| Janice Dane | 01603 223438 | Janice.Dane@norfolk.gov.uk |


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# Policy and Resources Committee

**Item No 17**

| | |
|---|---|
| **Report title:** | **Norse Business Plan** |
| **Date of meeting:** | **28th January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance & Commercial Services – Simon George** |

**Strategic impact**

In order to aid good governance P&R is tasked with reviewing and approving the business plan of the Norse Group on an annual basis.


**Executive summary**

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

1. **Review and approve the Norse Group Business plan for 2018/19 to ensure that it reflects the aspirations of the shareholders.**


## 1. Introduction

1.1 At its meeting on 21st March 2016, the Policy and Resources Committee agreed a series of recommendations regarding the governance of the Norse Group.

1.2 In line with these recommendations the Norse Group Business plan for the period 2019-2020 is presented to the committee for final approval and sign off.

1.3 The Business plan has already been approved by the Norse Group Board at its meeting on 9th January 2019.

## 2. Background

2.1 The Norse Group brings together facilities management specialists Norse Commercial Services, property consultancy NPS Group and care provider NorseCare. Together they have a combined turnover in excess of £300 million and provide employment for over 10,000 people.

2.2 In 1988, Norfolk County Council established Norfolk County Services (NCS) as a direct service organisation (DLO), initially supplying services such as cleaning, catering and grounds maintenance. Five years later, Norfolk Property Services (NPS) was similarly formed as a business unit of the County Council. The focus of NPS was property related and its activities included surveying, property design and asset management. Both NCS and NPS were incorporated as companies in 2002.In 2006, NCS and NPS were formally brought together as sister companies within the Norse Group Limited. NCS subsequently changed its name to Norse Commercial Services Ltd. In 2011, Norse Care Limited commenced trading when the Norse Group took over responsibility for 26 residential care homes and 13 Housing with care schemes across Norfolk from the County Council.

2.3 The Norse Group currently provides a diverse range of services across the functions of facilities management, waste management, property related services and care provision. The Group controls 60 companies, 36 of which are joint ventures with 30 Local authorities.

## 3. Financial Implications

3.1 The 2016 5yr Business Plan had set a number of key financial metrics to allow the shareholder to monitor the performance of the Norse Group, as well as outlining the challenges and opportunities facing the Group. These were:

- 10% growth in annual turnover and profit
- Return on Capital Employed in excess of 8%
- Positive Balance Sheet in excess of £100m, excluding the pension deficit
- At least one new joint venture partnership per year
- Talent management to increase the resilience of the Group and enable sustainable growth.

3.2 The effective management and oversight of the Norse group will further enhance the financial return to the Council. In order to ensure transparency the business plan is renewed on an annual basis opposed to a five year plan, which commenced in 2018/19.

3.3 Financial returns to the shareholder for 2019-20 are forecast as:

- Dividend £850,000
- Rebates £1.36m
- Budget Reduction Savings are not yet confirmed, previous years have yielded a benefit of circa £1.3m
- Other financial savings £416,000 (fuel rebates/audit, Interest payments, Treasury management, catering support)
- Indirect savings of circa £2.6m

3.4 Financial returns to partners via rebates (volume discounts), £3.861m.

3.5 The Norse Group is projected to make a retained profit of £1.883m in 2019/20. The year ending 31st March 2018 resulted in a loss of £2m, and a projected return to profit in 2018/19 of £5.5m (note: £4m estimated to come from one off P&L gain through the restructure of the NPS North West operations).

The Business plan is not meant to be a constraint on the Group's activities as the trading environment remains very dynamic and volatile and the Norse Group will need to retain the ability to respond to opportunities, even if they are outside the plan. However, the response to the opportunities should be in accordance with both the objectives and the financial metrics set out in the plan.

## 4. Resource Implications

4.1 There are no direct resource implications for Norfolk County Council as all staff, property and IT are provided directly by the Norse Group Ltd.

## 5. Other Implications

5.1 All the implications of which Members should be aware have been considered. Apart from those listed in this report, there are no other implications to take into account.

## 6 Equality Impact Assessment

6.1 The 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.

## 7. Section 17 – crime and Disorder Act

7.0 There are no direct implications of this report for crime and disorder reduction.

## 8. Issues, risks and innovation

8.1 The effective performance of the Norse group will have both financial and operational impacts on the county council.

8.2 The Board of the Norse Group Ltd receives regular reports which identify the significant business risks and the mitigation measures which have been put in place.

8.3 All new major contracts or partnerships are subject to a full business plan and risk assessment. These are reviewed, challenged and approved by the relevant advisory groups before submission to the Norse Board for approval (or not). New companies are subject to Norfolk county council approval.

8.4 The diverse range of services and companies across the Norse Group enables it to manage the risks within acceptable levels.

## Officer Contact

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

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

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

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# Norse Group

# Business Plan FY2019.20

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# Executive summary

As we move into our 31st year of trading, the Norse Group continues to be the largest Local Authority Trading Company in the UK. We are one of the UK's fastest growing service providers with an impressive portfolio including facilities management, multidisciplinary property and design services and specialist care facilities.

Providing commercial solutions that address current and future built environment challenges, we have 36 joint ventures partnerships in England and Wales.

We will be looking to extend our geographic presence further in England and have recently established a trading base in Scotland.

# Contents

# 1.0 The future

Our ambitious growth strategy is expected to rise to £0.5 billion in the next three to five years, increasing returns to our shareholder, Norfolk County Council, in the process.

1.1

# Our mission

To strengthen local communities by providing a range of vital facilities management, property consultancy and care services which can help improve the lives of millions of people.

## 1.2

# Our vision

Our people are our biggest asset. How we develop them, work with them and recognise their achievements aids us in ensuring we have the best people in the industry.

# 1.3 Our strategic objectives

| BUSINESS AREA | STRATEGIC OBJECTIVE | OUTCOME |
|---|---|---|
| Financial | Improve our profitability and returns to Shareholder | Increase profitability |
| Customers | To grow our UK market share and penetrate new markets | Services tailored to customer needs |
| Internal processes | Enhance our operational efficiencies | Increased productivity |
| People | Develop our workforce | Right people Right job and trading ethically |

1.4

# Our growth strategy to 2021

## 1.4 Growth strategy to 2021

Our strategy for growth to 2021 will touch all areas of the Group and encompasses the Group's financial performance, customer base, operational efficiencies and our people.

In order to meet the Group's strategic objectives and growth strategy to 2021, we will be deploying the following tactics and activities:

### 1.4.1 Financial performance

- Increase profitability.
- Increase returns to shareholder by 25%.
- Improve financial ratios and strengthen the Group balance sheet.
- Counter impact on direct costs including the living wage, employer national insurance contributions, employment contributions for Local Government Pension Scheme and demand for skilled labour which in turn brings inflation in salary costs.

### 1.4.2 Our customers

- Increase the lifetime value for our customers.
- Management of the Group's customer relationships and aftercare.
- Win new business, target new territories and penetrate new markets.
- Package products and services to attract high net worth customers.

### 1.4.3 Internal processes

- Continue to align processes, procedures and protocols to generate efficiencies across the Group.
- Maximise the Group's purchasing power through effective and strengthened procurement protocols.

### 1.4.4 People

- Continue to capitalise on the Group's critical mass and drive up productivity and outputs.
- Use the Group's strengths and develop resources in order to minimise outsourcing of services and retain costs within the Group purse.

**£0.5 billion**

**turnover in the next 3 to 5 years**

## 2.0

# The business

The Norse Group is a dynamic holding company and is the largest Local Authority Trading Company [LATC] in the UK. We are one of the UK's fastest growing service providers with an impressive portfolio of services.

## 2.1 Background

In 1988, Norfolk County Council established Norfolk County Services as a Direct Service Organisation (DSO). Its purpose was to supply the Council with a wide range of front-line services which initially included cleaning, catering, and grounds maintenance.

Five years later, Norfolk Property Services was similarly formed as a business unit of the County Council. Its focus was property related and its activities included surveying, property design and asset management.

Initially, both of these organisations focused their activities entirely on Norfolk County Council. However, from the mid-1990s, both started to supply services to other public sector bodies within Norfolk and other organisations elsewhere in the UK.

By 2002, the volume of work outside Norfolk was such that a decision was made to operate both organisations as independent private companies. At this time, Norfolk Property Services changed its name to NPS Property Consultants Ltd.

In 2006, Norfolk County Services Ltd and NPS Property Consultants Ltd were formally brought together as sister companies within the Norse Group, which is wholly owned by Norfolk County Council.

Norfolk County Services Ltd subsequently changed its name to Norse Commercial Services Ltd.

In 2010, Norse Care Ltd was created when the Norse Group took over the transfer and responsibility for 26 residential care homes and 13 day care centres across Norfolk from the County Council.

In 2018, NPS and NCS Business Infrastructure divisions merged.

In 2019, NPS Parent company will be renamed as Norse Consulting.

## 2.2 Present day

An independent report in October 2018 by accountants Grant Thornton named the Norse Group as the largest Local Authority Trading Company [LATC] in the country.

We are continuing to expand our business and have circa £32m work for 2019.

Recent transformation projects such as the merger of our support services teams have resulted in significant cost reductions.

The Group provides an annual return to the public purse of around £5.5m each year. This does not include direct savings and other value elements.

Our optimism for the future is borne out by the positive trading results achieved during 2018. With a number of new income streams coming to fruition shortly, we are looking forward to the future with confidence.

Across our commercial divisions and in our long-term local authority partnerships we are continuing to perform well, providing stability for our workforce, suppliers, clients and partners alike.

We have 36 joint ventures around the country and are in advanced discussions with two authorities for two more which have the potential to generate turnover well in excess of £50m over ten years. We are confident the Group will continue to go from strength-to-strength, not only in its work with local authorities, but we also envisage significant growth with our commercial contracts. These are truly exciting times for the Group.

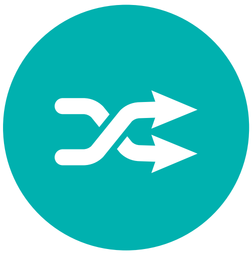
## 2.3 Our Group values

Our values lie at the heart of what we do. They ensure the success and prosperity of our business and continue to differentiate the Group from our competitors.

### Quality

**We strive to deliver outstanding quality and make business excellence the standard by which we measure ourselves.**

### Innovation



**We embrace new ideas and have the courage to be creative so our services are delivered in the most effective and safe way possible.**

### Respect

**We value everyone as an individual. We respect their rights, life choices and the personal contribution they make to our business success.**

### Trust

**We want to be a trusted provider, partner and employer, recognising that to do so, our word must be our bond. If we say we will do something, we do it.**

## 2.4 Ownership and governance

### 2.4.1 The role of the Board

The Board is responsible for:

- creating and delivering sustainable Shareholder value through the management of the Group's businesses
- determining the strategic objectives and policies of the Group to deliver such long-term value, providing overall strategic direction within a framework of risk appetite and controls
- ensuring that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives
- demonstrating ethical leadership and promoting the Company's values, culture and behaviours and for acting in a way that promotes the success of the Company for the benefit of the Shareholder
- ensuring that management maintains systems of internal control that provide assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations
- ensuring that management maintains an effective risk management and oversight process at the highest level across the Group
- regarding what is appropriate for the Group's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls
- deciding other matters of importance which would be of significance to the Group as a whole because of their strategic, financial or reputational implications or consequences.

Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group's strategy, approval of risk appetite, capital and liquidity matters, major acquisitions, mergers or disposals, Board membership, financial results and governance issues, including the corporate governance framework.

### 2.4.2 Board members

**Fiona McDiarmid**

**Chair Non-Executive Director appointed by Norfolk County Council**

**Andrew Jamieson**

**Non-Executive Director appointed by Norfolk County Council**

**Dean Wetteland**

**Group Managing Director [Executive Director] Norse Group Ltd**

**Karen Knight**

**Managing Director [Executive Director] NorseCare Ltd**

### 2.4.3 The voting rights of Directors

- Non-executive Directors - three votes each
- Executive Directors - one vote each

The Chairperson of the Board has a casting vote in the event that an equal number of votes are cast.

During 2019 we will be looking to appoint Non-executive Directors on to the Board.

### 2.4.4 Board Advisory Groups

Particular Board responsibilities are referred to two standing Board Advisory Groups, including:

- Investment Advisory Group
- Audit, Risk and Insurance Advisory Group

This structure allows particularly detailed or complex matters to be given special scrutiny and oversight.

Except where decisions are specifically delegated, each Group reports and submits recommendations back to the Board for its review and, where necessary, decision.

Each Group operates within clearly defined terms of reference, which are reviewed annually by the respective Groups and, if necessary, approved by the Board to ensure they remain appropriate and reflect any changes in good practice and governance.

All the shares in the Norse Group are owned by Norfolk County Council and the Board is committed to a continuing dialogue with its Shareholder.

### 2.4.5 Shareholders committee

As part of its governance of the Norse Group, Norfolk County Council appoints a member to represent its interest as Shareholder. This Shareholder Representative is invited to all company board meetings and the company's Annual General Meeting.

In addition, the Group is monitored by a County Council Shareholder Committee, which supports the development of the Group and provides feedback to the Council on decisions made by the Board.

The Shareholder Committee considers all the matters reserved for Shareholder approval and the Shareholder Representative then takes the Committee's recommendations to the Policy and Resources Committee for final agreement.

The Shareholder Committee meets quarterly and regularly receives updates on financial performance and business development opportunities.

### 2.4.6 Key personnel

In order to direct and support the day to day activities of the Group, the Senior Team is responsible for executing the Group's objectives, strategies, tactics and activities along with upholding the Group's values and strong culture and ethos.

# 3.0 Operational strategies

Our operational strategies for FY 2019.20 encompass human resources, technology, health and safety, environmental and our corporate social responsibility.

# 3.0 Operational strategies

### 3.1 Staff training

Our 9,650 staff continue to be our most important asset.

We continue to maintain a well-trained workforce and have allocated circa £1m within our budgets for both compliance, management development and career progression supported by our dedicated in house Skills Hub Team.

In March 2017 the Group joined the nationally recognised Register of Approved Training Providers to support the government Apprenticeship Levy arrangements. With our dedicated apprenticeship team in the Skills Hub, the organisation will continue to increase the numbers of employees attending our apprenticeship programmes, offering these across the whole workforce from new recruits to existing employees. This development will continue to be a combination of in-house delivery and other local providers, where appropriate.

We will continue to develop and support our graduates through a robust programme of development opportunities and placements across our diverse business.

### 3.2 Industrial relations

We will continue to support the post of a full time Trade Union official. We will work within the national recognition agreements set up with GMB, Unison, and Unite.

### 3.3 Information technology

The company has made a significant investment in IT over the years and the process of implementation and integration of business systems will continue in 2019/20 and through future years.

### 3.4 Health & Safety

We will continue to develop our Health & Safety culture to ensure that we comply with all legislation and that all staff maintain responsibility for their own and their colleagues safety at work. Management will continually review procedures to ensure that everything possible is done to allow our staff to be safe at work and live healthy lives.

Work will carry on to improve our Health & Safety performance this year and our long-term aim is to achieve BS OHSAS 18001 throughout the business and build on our Gold ROSPA Accreditation.

The next year will see further emphasis on our risk and resilience strategy as well as the roll out of further compliance across the company.

### 3.5 Environmental

We want to work with suppliers to ensure that we minimise any adverse environmental impact as a result of our activities. In addition we are reviewing our vehicle arrangements with a view to finding new ways to minimise our impact upon the environment and intend to maintain our ISO 14001 accreditation across the Group.

We have set a target of reducing our energy use by 5% over four years (after adjustment for business growth) with a stretch target of 10% for those areas that have been identified as suitable for investment to reduce consumption. This sits alongside our mandatory obligation under the Energy Savings Opportunity Scheme (ESOS) to carry out assessments every four years that audit energy used by buildings, industrial processes and transport to identify energy-saving measures.

**Our**
**9,650**
**staff continue to be our most important asset**

## 3.6 Corporate Social Responsibility

Our contribution to the community continues to grow  with our work on the employability agenda and removing barriers to work for those with dependency issues, ex-offenders, those with mental health issues, young carers, NEETS and more recently young people with learning difficulties (18-24 years) gathering pace.

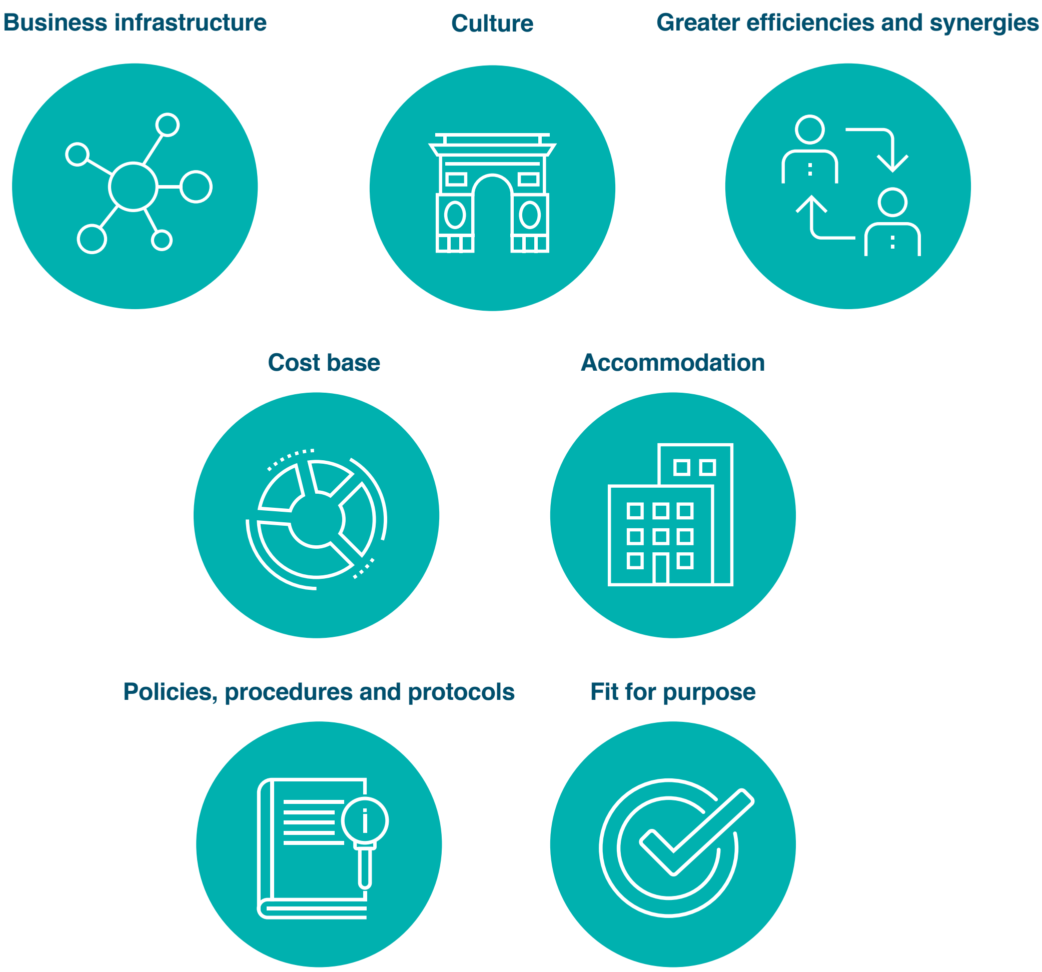
We will continue to build a reputation for innovation and excellence in this area and continue to support the Project Search programme, which has entered its 9th year. There is significant central government interest in what we have achieved, and we aim to maintain our global award for getting 70% of these students into employment.

We will work collaboratively with the Group to further embed The Norse Way and encourage our staff to contribute to its success.

The other strand of our strategy is the use of our Community Fund, which allows staff to apply for sponsorship for clubs and causes close to them or their families and engage in community activities. £50k has been set aside to support application to the fund.

## 3.7 Additional factors

The business will also be incorporating the following factors into the overall operation objectives and strategies:



# 4.0 Current situation

The economic and political landscape in FY2019.20 is a potentially turbulent mixture of global, European and national instability. However, we are confident that the group can capitalise on the challenges ahead of us and positively build upon the successes of the past 31 years.

# 4.0 Current situation

### 4.1 UK politics and local government

This is a time of significant political flux for the UK. Despite our heavily centralised system, English local government has been developing innovative approaches and new strategic alliances. It is clear that local government is changing fast and has a leadership role to play both locally and nationally.

The economic and financial situation remains extremely challenging, although the historic North/South divide arising from the pattern of finding reductions and economic growth is reducing.

It is clear that the fundamental change faced by the public sector will require its mindset to flex constantly to keep up. We can expect the population in 2021 to be more digitised and more mobile, the extent to which ‘place’ and ‘community’ will be an important factor in people’s lives is in question.

Funding levels across local government vary widely. The metropolitan districts are faring the worst, in particular Yorkshire and Humberside, whilst the best funded districts are in the East Midlands, East of England, South East and South West.

### 4.2 Economic

#### 4.2.1 Recent developments

The annual inflation rate in the UK fell to 2.3% in November 2018, from 2.4% the previous month.

Brexit-related uncertainty continues to dampened business investment growth.

## ‘This is a time of significant political flux for the UK.’

#### 4.2.2 Future prospects

Brexit-related uncertainty may continue to hold back business investment, but this should be partly offset by planned increases in public investment and some easing of austerity over the next two years as announced in the November 2017 budget.

There are still considerable downside risks relating to possible pitfalls on the road to Brexit, but there are also upside possibilities if these problems can be contained and global growth continues to pick up. Experts expect the UK to continue with moderate but steady growth in 2019-20 with businesses needing to monitor and make contingency plans for potential alternative scenarios related to Brexit and other factors.

# 5.0 Sales and marketing


Have you signed up yet?
DAVENTRY
norse

# 5.0 Sales and marketing

### 5.1 Introduction

Our sales and marketing approach aims to boost the Group's brand awareness in industry and the opportunities to position the Group as a market leader in the delivery of commercial solutions to meet today's built environment challenges in the next decade.

It provides the strategies and tactics to achieve the sales and marketing objectives of the Group at a macro level, which are linked to the Group strategic objectives.

We are operating in an ever-changing landscape, driven by sustained economic challenges, evolving demographics, emerging technology and geopolitical uncertainty. However, we see this as an opportunity to advantageously position the Group in a way that is responsive, creative and forward thinking.

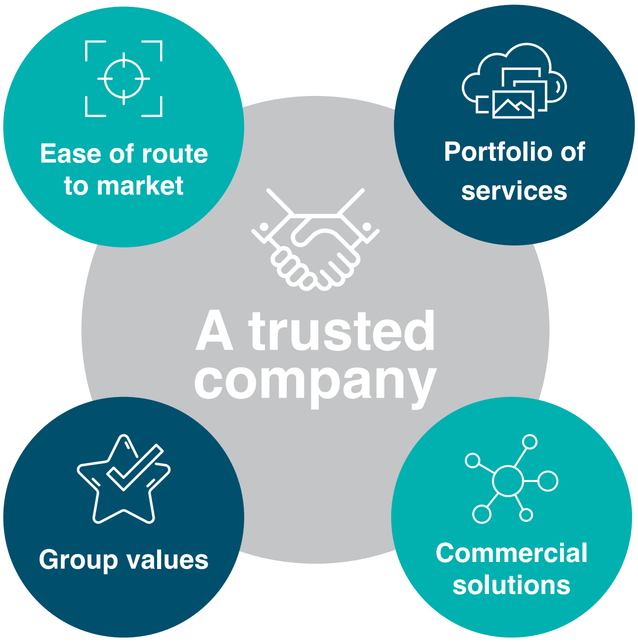
### 5.2 Our road map

We know no boundaries in seeking to create a culture of ambitious growth leading up to and beyond this decade.

We will continue to develop the Group's unique business model along with the development of bespoke 'commercial solutions' to align ourselves with and address the challenges faced by existing and new customers.

We want to leverage our provenance to maximize our competitive position in the market place such that we build our reputation in industry.

## 5.3 Our competitive advantage




## 5.4 Our services

**Property Services**

- Archaeological services
- Architectural services
- Building and premises management
- Building surveying and consultancy services
- Energy management
- Estates services
- Facilities management
- Graphic design (TEN Creative)
- Procurement services
- Structural and civil engineering
- Specialist academies programme services
- Specialist services

**Facilities Management Services**

- Building cleaning
- Building maintenance
- Catering
- Print and design operation (Interprint)
- Environmental services
- Facilities management
- Grounds maintenance
- N-able Assisted Living
- Security
- Transport
- Waste management

**Care**

- Specialist dementia care
- Extra Care Housing
- Reablement
- Hospital discharge and step down services
- End of life care
- Learning difficulty services

## 5.5 About the market

According to sector analysts, the FM market is expected to grow by 3.2% over the next few years to a value of £13.9bn in 2021. Private sector demand is expected to be the primary driver of growth, while the public sector is likely to remain a challenging but valuable market. We have a strong presence in both these sectors, with a particular emphasis on public sector relationships due to our trading history and unique partnership model.

The FM industry found itself in the media spotlight in 2018 (due to Carillion entering liquidation). This has begun an open debate about the outsourcing of public services, and value for money/risk to the public purse. It is likely that those customers utilising the FM sector will question their arrangements over the coming year. This may lead to volatility within the sector, although many high value contractual agreements may simply be too complex to end prematurely.

Whilst the sector has historically been comprised of numerous providers, there is a clear trend of conglomeration. Serco, and G4S are two of the largest providers. Whilst these companies focus predominantly on high turnover contracts (typically let by central government), they are increasingly active within the local authority contract arena. These companies are a risk to the Norse Group when bidding for contracts via formal tender. Other contractors are responding by seeking to conglomerate. This trend looks set to continue, generating supply side downward cost pressures.

Cost pressure from customers increasingly shapes the view that the supply of services can be easily substituted by alternative sector providers. Such substitutes are supported, and catalysed, by formal tender processes. Whilst this generates a “cost of switching”, many local authorities accept the cost of tender processes as an unavoidable cost of seeking best value.

Winning contracts on anything other than price is difficult. With such contract pressures, service providers have to manage overhead costs carefully to maintain low pricing. Low margins remain under downward pressure due to increasing total pay cost pressures including pension auto-enrolment, National Living Wage and the Apprenticeship Levy. The FM sector is dominated by National Living Wage pay rates. Accordingly service providers have to drive value for money efficiencies in order to mitigate cost pressures.

The UK care home sector is facing an unprecedented crisis amidst rising demand from the ageing demographic and limited care providers. Ageing property stock and rising costs, including the impact of the National Living Wage can be significant reasons for home closures. This sector therefore provides great opportunities for NorseCare which has just achieved 100% good rating for all their homes and schemes, in 34 locations, from the Care Quality Commission.

### 5.6 Geography

Not surprisingly, regional wealth in terms of UK output puts London on top. The South East follows closely behind, with the North West, West Midlands, East of England and Scotland producing similar outputs.

### 5.7 Top competitors directly affecting the Group

The Group has a number of national and international competitors, however, we are not aware of a single competitor who offers the complete range of services Norse Group can offer its customers.

Holistically, the Group is able to offer a broader selection of services and by coordinating multiple products and capabilities, often disparate or disconnected, we're able to service customers more fully, which is our unique selling point.

| Key competitors directly affecting the Group | | |
|---|---|---|
| **NPS Property Consultants** | **Norse Commercial Services** | **Norse Care** |
| Atkins | G4S PLC | Four Seasons Health Care |
| Aecom | Interserve PLC | Greensleeves |
| Mott MacDonald | Serco PLC | HC-One Ltd |
| Arcadis | Skanska | Barchester Healthcare |
| WSP I Parsons Brinckerhoff | Sodexo | Care UK |
| Arup | Churchill Services | Black Swan |
| Turner and Townsend | Vertas | Belong |
| Mace | Cormac | Runwood Homes |

## 5.8 SWOT analysis

| Strengths | Weaknesses | Opportunities | Threats |
|---|---|---|---|
| • Capacity, expertise and reach<br>• Our business infrastructure<br>• P2P relationships<br>• P2P joint venture model<br>• TECKAL exemption<br>• Portfolio of services<br>• Provenance<br>• Strong public sector client base<br>• Group governance | • Shareholder dividends<br>• Group margin<br>• Geographic gaps in the UK<br>• Availability of capital<br>• Commercial value of our corporate brand<br>• Workforce costs<br>• Stability in the short term | • Sell more to our existing clients<br>• Maximise our unique relationship<br>• Strength of Group<br>• Expand geographic presence<br>• Capitalise on merger of companies<br>• External influences<br>• Government policy<br>• New markets existing services | • Global and UK economies<br>• BREXIT<br>• Commodities markets<br>• Government policy<br>• Workforce policy effecting workforce costs |

## 5.9 Objectives, strategies and tactics

The strategic framework builds upon the Group's vision and business objectives and focuses efforts on the core sales and marketing objectives:

- growth
- leverage and alignment
- excellence.

Outputs will be reviewed against the core objectives, strategies and tactics on a quarterly and annual basis and, where necessary, adjusted according to the external environment.

| Growth | We know no boundaries in order to create a culture of ambitious growth leading up to 2020 and beyond. |
|---|---|
| **Strategy**<br><br>Increased lifetime value of existing customer base. | **Tactics**<br><br>• Investigate and develop a Group Customer CRM platform.<br>• Collate existing customer information to establish a benchmark for current customer retention.<br>• Sell more services/products to the existing customer base.<br>• Continue to win work through competitive tendering and driving value through exisiting framework contracts. |
| **Strategy**<br><br>Expand the Group's geographic presence. | **Tactics**<br><br>• Further develop opportunities in the Midlands and Scotland such that sustainable office locations are established.<br>• Explore joint venture opportunities with public bodies that wish to embrace a true partnership working arrangement.<br>• Work collaboratively with local offices to develop national products and services using the strengths of the local offices. |

## Leverage and alignment

We will continue to develop the Group's unique business model along with the development of bespoke commercial solutions to align ourselves with and address the challenges faced by our existing and new customers.

| Strategy | Tactics |
|---|---|
| Ensure the Group is responsive, flexible and agile. | • Conduct regular research and analysis of the external environment.<br>• Continue to develop services and products to meet the needs of our customers.<br>• Explore the acquisition of additional companies to provide resilience in both capacity and opportunities in new markets. |

| Strategy | Tactics |
|---|---|
| Redress the balance of the Group's customer base. | • Growth of commercial markets in order to redress the balance of public, private and third sector clients.<br>• Deploy targeted communication channels to raise customer awareness.<br>• Investigate and plan the road map for launch into additional markets.<br>• Continue to grow the Group's customer base through brand awareness, relationship marketing and product/service development.<br>• Collaborate and build long lasting partnerships with commercial partners. |

## Excellence

We want to leverage our provenance to maximize our competitive position in the market place such that we build our reputation in industry as a 'customer focused' business.

### Strategy

Develop and enhance the commercial value and understanding of the Group's brand

### Tactics

- Review and update the branding for the Group and key divisions; create new brand guidelines
- Develop key messages to enhance the brand for internal and external audiences
- Create high level marketing collateral to introduce the Group

### Strategy

Increase our reputation in industry and customer perception

### Tactics

- Build engagement, trust and advocacy through stakeholder communications
- Update and maintain trade press media contacts list
- Develop a comms strategy including our approach to social media
- Develop a strategy for content driven/PR media opportunities

### Strategy

Continue to enhance the digital experience for our customers

### Tactics

- Develop our websites to provide a better customer user journey to locate details about our services and lessen the need for hard copy marketing collateral
- Continue to develop the ways in which new customer details are captured
- Plan for market research and analysis to inform specific Group enews/emarketing campaigns

### Strategy

Capture valuable rich content for the benefit of the Groups

### Tactics

- Develop a stronger communications ethos to identity positive news/project updates for both marketing and communication needs
- Create an internal communications plan to better share key news and updates generally across the Group
- Undertake audits regarding existing comms platforms

# 6.0 Risk management

# 6.0 Risk management

## 6.1 Introduction

The Group's risk register details the significant business risks of the Norse Group. Each Norse Group business has a separate business risk register, based on the overall Group register, which is reviewed regularly by the local management teams.

A Risk Forum has been established to monitor and evaluate risks.

Major risks are escalated to the Norse Group risk register and each of the Group risks have a mitigation strategy and the Directors review developments on a regular basis.

## 6.2 Top 10 global risks

The current top 10 global risks with a high likelihood include:

- Brexit uncertainties
- Cyber attacks
- Extreme weather events
- Data fraud or theft
- Failure of climate change mitigation and adoption
- Large scale involuntary migration
- Man made environmental disasters
- Terrorist attacks
- Illicit trade
- Asset bubble in a major economy

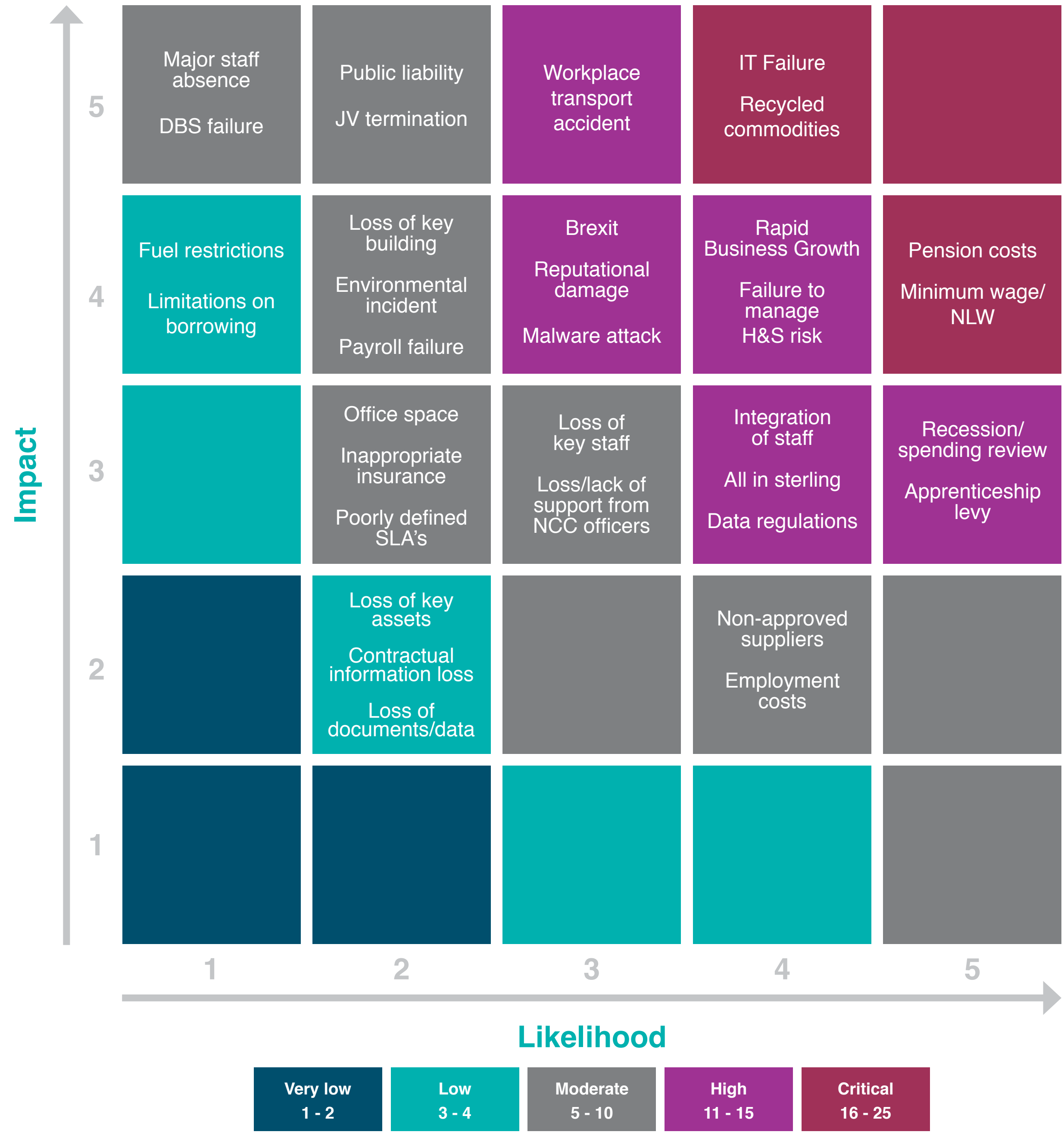
Of the top 10 global risks highlighted above, the uncertain impacts of Britain's exit from the European Union, extreme weather events, cyber-attacks, data fraud, involuntary migration and a major economy downturn present significant potential risks to the Group.

## 6.3 High level risks to the Group

There are currently four critical risks held on the Group corporate risk register. These are risks which may have both a high impact and a high likelihood of occurring within the Norse Group. These critical risks are:

- Financial management: rising costs of pension contributions and N.I
- Failure of IT systems: loss of critical operational, financial or contractual information
- Rising costs such as National Living Wage which may impact upon contracts/ cost of highly competent staff
- Volatility in markets for recycling commodities

## 6.4 Norse Group Corporate Risks




Risks are scored as a product of their likelihood multiplied by the potentially negative impact which they may present. In order to manage such events, the risk appetite is agreed by the Senior Executive Team to avoid, tolerate or manage the hazard. The management of risks is focused upon ensuring that sufficiently robust mitigating actions are in place in order to reduce the likelihood and/or impact to its residual level. Some risks will however, always remain inherently high despite the fact that everything which may be reasonably implemented is in place. Therefore, risks are also allocated a priority score based on our ability to reduce them further.

Likelihood scores are based upon probability using historical evidence whenever possible.

| Likelihood | Ratio (per ¼ ) | Percentage (per ¼ ) | Descriptor |
|---|---|---|---|
| 5 | >1:2 | >50% | **Very Likely:** Two or more occurrences per year; more likely than not. |
| 4 | 1:4 | 25% | **Likely:** Up to one occurrence per year |
| 3 | 1:8 | 12.5% | **Neutral:** Up to one occurrence every two years |
| 2 | 1:16 | 6.25% | **Unlikely:** Up to one occurrence every four years |
| 1 | <1:32 | 3.125% | **Very Unlikely:** Up to one occurrence every eight years |

Impact scores are based upon predefined descriptors across eight categories namely Strategic, Operational, Stakeholder, Legal, People, Information, Financial and Reputational damage.

# 7.0 The finances

# 7.0 The finances

### 7.1 Consolidated Norse Group P & L for FY2019/20

| | NPS £000 | NCS £000 | NC £000 | Norse Group £000 |
|---|---|---|---|---|
| Gross Income | 64,479 | 222,386 | 38,270 | 325,135 |
| NCC Rebate | (450) | (910) | - | (1,360) |
| JV Rebates | (1,186) | (2,675.5) | - | (3,861.5) |
| Net Income | 62,843 | 218,800.5 | 38,270 | 319,913.5 |
| Expenditure | (61,710) | (217,009) | (37,820) | (316,539) |
| Profit | 1,133 | 1,791.5 | 450 | 3,374.5 |
| Tax estimate | (215.3) | (340.4) | (85.5) | 641 |
| Retained profit | 917.7 | 1,451.1 | 364.5 | 2,733.3 |
| **NCC Dividend** | | | | **(850)** |
| **Group retained profit** | | | | **1,883.3** |

Note: excludes inter-company and intergroup trading eliminations

# 8.0 Shareholder returns

# 8.0 Shareholder returns

One of the Group's key objectives is to increase the return to our principal Shareholder and Joint Venture partners.

The return will be delivered in a number of ways, and includes:

- annual rebates and volume discounts
- dividends
- increase in shareholder value.

The annual rebates and volume discounts are set at the start of the year and reflect a return based on an agreed volume of work. This is determined by the annual business plan and is fixed for the year.

Only the principal shareholder, Norfolk County Council, is entitled to a dividend and the current dividend policy is for between 10-15% (or as requested and agreed), of post-tax profits.

The Norse Group will produce an annual 'value statement' summarising the benefits accruing to Norfolk County Council through ownership of the Group, including target rebate, dividend and return on loans. Our JV Operation Directors will be organising the same for their local authority partners.

The increase in shareholder value has to be balanced against the immediate need for higher profits and dividends. The company will continue to invest in assets which generate a healthy return on capital and strengthen the balance sheet.

The objectives of the Group help deliver our principal Shareholders key priorities and include:

- securing more high value jobs – 60% of the company's workforce is based in Norfolk
- more people with learning disabilities secure employment. Project Search is recognised as one of the leading national programmes to secure employment for people with learning difficulties
- sustainable business growth
- a highly skilled workforce encourages investment - the Norse Group we has invested over £30m in capital projects in Norfolk alone
- households produce less waste and we have lower costs for dealing with it, the new plant at Costessey Recycling Centre has increased capacity and capability to sort and recycle more of Norfolk's waste so reducing the amount going to landfill
- vulnerable adults are safe from harm - transport services continue to develop to offer safe transportation for vulnerable adults and catering services are provided by NCS to those in care.
- continuing to be recognised nationally as providing a good standard of care in our residential homes and housing with care schemes.

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# Policy and Resources Committee

**Item No 18**

| | |
|---|---|
| **Report title:** | **Limited Company Consents** |
| **Date of meeting:** | **28th January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance & Commercial Services – Simon George** |

**Strategic impact**

Limited companies owned by the County Council require the consent of the County Council before they can make certain decisions including the appointment of directors. Creation of new ltd companies also require the consent of the County Council.


**Executive summary**

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

1. **The change of directors to companies as detailed in appendix A**
2. **The formation of a new subsidiary company of NPS Property Consultants Limited to be called Medway Growth Limited as detailed in appendix B**


## 1. Background

**Appointment of Directors**

1.1 Limited companies owned by the County Council require the consent of the County Council to appoint directors to its companies.

1.2 The Executive Director of Finance & Commercial Services has reviewed the attached list of appointees (In appendix A) and advises that they are suitable

And subsequently recommends that the Policy and Resources Committee approve the appointment of the attached list of directors to Full Council.

**Creation of New Companies – Medway Growth Limited**

1.3 consent of the County Council is required to create new ltd companies.

1.4 The Executive Director of Finance & Commercial Services has reviewed the attached list of appointees (In appendix B) and advises that they are suitable

And subsequently recommends that the Policy and Resources Committee approve the creation of Medway Growth ltd to Full Council.

## 2. Financial Implications

2.1. The effective management and oversight of the Limited companies owned by the County Council will further enhance the financial return to the Council.

2.1. Income generated by Medway Growth Limited will further enhance the financial return to the Council from the Norse Group

## 3. Issues, risks and innovation

3.1. There are no significant risks or implications beyond those set out in the financial implications section of the report.

## 4. Background Papers

### Officer Contact

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

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

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

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communication for all

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**Appendix A**

| Company | Resign | Appoint |
|---|---|---|
| | | |
| | | |
| Repton Property Developments Ltd | Fiona McDiarmid | |
| Repton Property Developments Ltd | David Dukes | |
| Norwich Norse Environmental | Hannah Leys (Maternity) | Andrew Merricks |

**Appendix B**

# BUSINESS CASE

# MEDWAY GROWTH LIMITED

## Contents



### *Abbreviations*

*The following abbreviations have been used throughout this report.*

| | |
|---|---|
| *BGL* | *Broadland Growth Limited* |
| *GDV* | *Gross Development Value* |
| *JVC* | *Joint Venture Company* |
| *MC* | *Medway Council* |
| *MGL* | *Medway Growth Limited* |
| *PCR15* | *Public Contracts Regulations 2015* |

## 1. Proposal Overview

Establish a JVC with MC for the purpose of developing, initially, parcels of land held by MC for residential dwellings through a design, build, finance and transfer model. While the JVC will predominately focus, initially, on sites brought forward by MC there will be the ability for Norse to promote sites and for the JVC to consider sites outside of MC boundaries. It is not the intention that the JVC will retain ownership of any completed units.

The JVC will not directly undertake construction works (ie will not act as a Contractor). Construction works will be procured and awarded under standard form building contracts (eg JCT).

The JVC will be used as a vehicle to develop multiple sites on a project-by-project basis. Each project will be subject to separate viability assessment, JVC Board (and shareholder) approval and Project Agreement. It is not intended, during the early stages of the venture, to discharge the construction phase of projects in parallel.

MC, with or without input from Norse, will identify MC land parcels that can potentially be released from their existing use for the purpose of development. Each site will be reviewed by the JVC for viability. While viability will be measured against usual tests the fundamental requirement will be to ensure that the development (subject to accepted risks) delivers a satisfactory financial return.

The JVC seeks to deliver against the following primary drivers for MC;

- New revenue stream.
- Contributing to bringing forward quality housing to the market.
- Moving at pace (not land banking).
- Facilitating and contributing to local regeneration.

The JVC will not represent an exclusive model for housing development for MC.

The model for the JVC has been based on the Broadland Growth Limited JVC and cultivated following a period of discussions with MC and in particular utilising a MC promoted site (Rainham High Street) to illustrate concept and viability. The proposal was presented to, and approved by, the Norse Board on 15 February 2018 and the MC cabinet on 10 April 2018.

## 2. Company Governance

The JVC will be incorporated as a company limited by shares formed on the following basis.

- Compliant with Regulation 12 of the PCR15.
- 50:50 share issue.
- Paid up share capital at £10.00 divided into 10 shares of £1 each. Five shares to be held by Norse and five shares held by MC.
- Five directors, three appointed by Medway Council and two appointed by Norse.
- Intended Norse directors to be Simon Hersey and Richard Gawthorpe.
- Chairperson to be MC Director.
- No casting vote (deadlock provisions).
- Chairperson to have right of veto over any board decisions considered to be contrary to the public policies or values of the Council.
- Key decisions reserved for the shareholders.
- Quarterly (or as required) Board meetings.
- Registered office to be MC offices.
- Company Secretary to be Norse legal team.
- Financial year from 01 April to 31 March.
- The JVC will be named “Medway Growth Limited”.

Draft Articles of Association and Shareholders Agreement have been prepared for approval by both Norse and MC and have been prepared and reviewed by Norse legal team.

Each project will have an individual Project Agreement that will set out the commercial arrangements between the parties for that particular project – specifically relating to funding and services. Each project will be subject to defined process gateways (decision points).

The above reflects a similar governance adopted for BGL.

## 3. Finance

<u>Returns</u>

The proposal seeks to provide a financial return to Norse through one or more of the following streams;

- **Distributed profits** arising from individual projects; arising from the sale of completed units. Profit from each scheme will be distributed in accordance with the Project Agreement. The default position being profit distribution being in proportion to equity/debt funding provided by the parties. Only distributed profit will be recognised within the Norse statutory accounts.
- **Professional consultancy fees** paid by MGL to the Norse Group. The intention of the parties is that professional consultancy for projects will, in the first instance (as capacity and capability permits), be provided by Norse, through an arms-length contract between the JVC and Norse. Such commissions will need to demonstrate market tested fees, the default payment terms being consistent with normal market conditions. The scope of services to be provided by the parties will be identified within each Project Agreement. Where Norse does not provide project funding this will be the primary or sole source of return for Norse.
- **Interest income** from any Loan Agreements provided by Norse. The intention of the parties is that any funding provided by the parties will attract an agreed interest rate determined on a project by project basis and stated within each Project Agreement.

The return to MC will be through distributed profits, interest income and land value.

Funding

It is intended that the activities of the JVC will be self-financed by the shareholders, primarily through Loan Agreements for individual projects and equity (predominately by means of recognised land value). The default position, and commitment, being that the parties will fund in equal proportion. That said for the initial project (Rainham High Street) MC intend to fully fund the project through debt in addition to providing the land. Loan Agreements from Norse, above an agreed quantum, will be secured by debt against the project site.

# Policy and Resources Committee

**Item No** 19

| | |
|---|---|
| **Report title:** | **Health, Safety and Well-being mid-year report 2018/19** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Fiona McDiarmid, Executive Director, Strategy and Governance** |
| **Lead Officer:** | **Derryth Wright** |

As an employer Norfolk County Council (NCC) is required to have in place a robust management system to ensure the health and safety of our employees and others affected by our business undertaking; including anyone we provide services to (either directly or through a 3rd party) such as school pupils, commissioned services clients, contractors and members.

Health and safety legislation is governed by criminal law that may impose criminal sanctions on the organisation or individuals within the organisation when the law is not adhered to. In addition, civil law requirements mean NCC also owes a 'duty of care' to those affected by our business.

The law allows us to consider risk versus cost when making judgements on what measures are 'reasonably practicable'. The Health, Safety and Well-Being (HSW) Service provides the authority with expert support and advice on the law and its limits, managing and maintaining a framework to support NCCs approach to health and safety. This enables everyone in the authority to carry out their legal responsibilities, making proportionate decisions that support us to meet our key organisational and service priorities without exposing the authority, our employees or others to unnecessary risks.

As part of the NCC health and safety management system the Health, Safety and Well-Being Manager (HSWM) is required to report to the senior managers and the Policy and Resources Committee (P&R) twice a year on the health, safety and well-being performance of NCC and progress on key priorities. The main purpose of this report is to provide an in-year update on performance measures and an update on progress with the 2017-2020 plan agreed at July P&R ensuring that members have the information necessary to satisfy themselves of the effectiveness of the NCC health and safety management system.

A number of measures are used to develop opinion on performance, some of the measures used are nationally recognised as being appropriate leading and lagging indicators of performance whereas others are specific to local priorities and issues.

The performance data provides a mixed picture overall and there has been little improvement in the measures since the last report in July 2018; with the outcomes relating to health, safety and well-being culture and management of health, safety and well-being reported as amber, the same position as at the end of 2017/18.

Following discussions with senior managers departments have developed action plans and an improved picture is beginning to emerge.

Executive Directors have recently committed to securing improvement in the measures by the end of the reporting year (March 2019). They have prioritised:

- Ensuring that the measures relating to key outcome one of the attached report with a target date of 17/18 or 18/19 are reporting green.
- Improving the management and monitoring of health and safety compliance within commissioned and contracted services.
- Investigation, review and sign off of incident reports by managers.
- Ensuring that Executive Directors and managers attend the mental health first aid champion training.

This report does not cover or include the work of the Health and Well-Being Board or the Public Health responsibilities of NCC.

**Recommendations and decisions:**
**Members are asked to:**

- **Consider and comment on the overall performance position at the mid-year point**
- **Endorse the commitments made by Executive Directors to improve the position by the end of March 2019**
- **Consider and comment on any further priorities over and above those identified in the report**

## 1. Financial Implications

There are no specific financial implications to bring to the attention of members, although reference should be made to section 2, Issues, risks and innovation.

## 2. Issues, risks and innovation

**Section 17 – Crime and Disorder Act**
Some violent incidents reported to NCC are also classified as crime and disorder incidents and as such anonymised statistical information is provided to Norfolk Police in relation to these incidents.

**Risk Implications/Assessment**
If the Authority does not have a robust and proactive health and safety management system there are legal, reputational and financial risk implications, for example, there is a risk that the Authority will be exposed to enforcement action and ultimately prosecution. There is also a risk of an increase in successful civil claims made against the authority. It should be noted that as the legal employer in NCC schools this risk also applies to schools, unless their status means we are not the employer e.g. academies.

**Background Papers**
Health, Safety and Well-being Annual Report 2017-18

**Officer Contact**
If you have any questions about matters contained please get in touch with:

| | |
|---|---|
| **Officer Name:** | Derryth Wright, Health, Safety and Well-being Manager |
| **Tel No:** | 01603 222912 |
| **Email address**: | Derryth.wright@norfolk.gov.uk |

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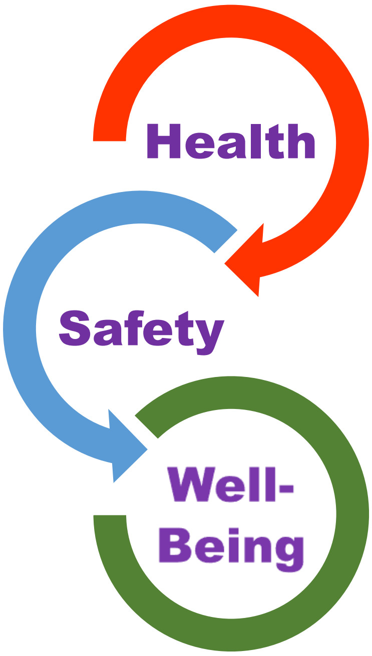
Norfolk County Council




# Mid-year report 2018/19

*Tel: 01603 223989*

*Healthandsafety@norfolk.gov.uk*

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# Table of Contents

# 1.0 Executive summary

This report primarily provides an in-year performance position for Health, Safety and Well-being (HSW) for Norfolk County Council (NCC) as an employer and an update on progress with the 2017-20 plan approved at the July 2017 committee.

All numerical data is compared to the same position last year unless otherwise stated, this provides an indication of whether we are on track to improve performance by the end of year position. The RAG rating provides an interpretation of this position as well as an indication of position against target. Red indicates a slippage from last year's performance at this point and/or a position significantly below target, amber indicates a similar position to last year's performance and/or a position close to target and green indicates an improvement on last year's performance and/or the target being met or exceeded. Following presentation at departmental management teams and CLT a number of actions have been taken to improve the position. By request of CLT an updated position is also provided for some data to indicate the direction of travel.

The report also provides a final position on the 2017/18 'reportable' incidents against the national figures for the year that are published by the Health and Safety Executive (HSE) in October (see Key Outcome 2).

The mid-year performance summary in 3.0 and 4.0 is a mixed picture at the point of measurement and overall has not significantly improved since the annual report of 2017/18. Indicators relating to the health, safety and well-being culture of the organisation and how well health, safety and well-being is managed remain at amber, although as indicated above there are now positive signs of shift. At the point of measurement there were a number of indicators that remained static or where performance had dipped:

- Only 1 directorate has a risk profile in place
- Progress with improving our approach to the management of commissioned services is slow
- There has been an increase in some reportable incidents
- A significant number of incidents remain open on the system and have not reviewed by managers
- Non-completions of mandatory e-learning remains above target although the figure is reducing.
- The number of referrals to the musculoskeletal scheme is reducing and is currently below what is considered as good utilisation (currently at 4%, good utilisation is 8%)
- Utilisation of well-being officer support remains low considering the level of mental health absence
- Utilisation of relevant support (Well-being Officer and MIRS) while employees are absent from work is low

There are some positive indicators:

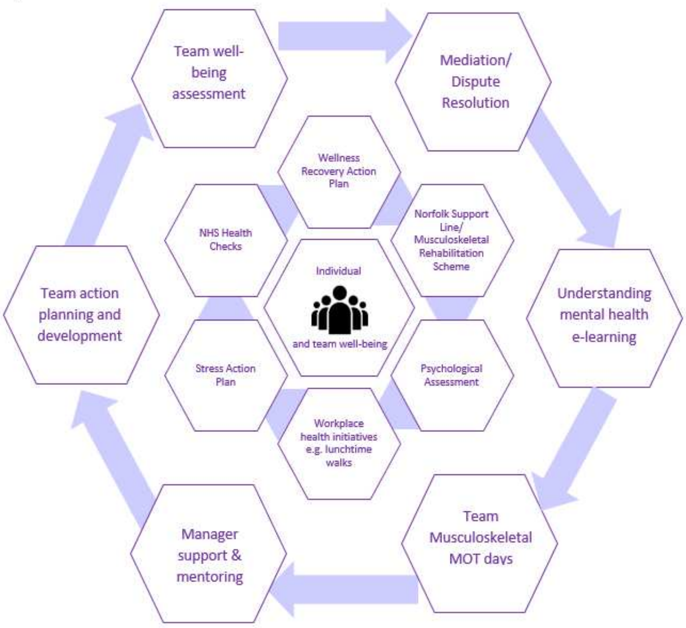
- The number of reportable incidents to non-employees has reduced slightly
- Number of non-reportable incidents per 1000 f.t.e. have reduced slightly (37.52 per 1000 f.t.e. compared to 40.09 for 17/18).
- The annual reportable incident rate remains below the national benchmark recently published for 2017/18 (1.53 against a benchmark of 2.63)
- The premises/team risk rating scores has improved and is within target.

## 2.0 Overview of the Health, Safety and Well-being Service (HSW)

The HSW service provides the strategic framework for NCC to deliver its statutory HSW responsibilities. We provide professional advice and support to services, teams and individuals across NCC to ensure effective and proportionate management of risks and organisational resilience.

The services provided by the team to deliver this are represented in the diagrams below:

Well-being Service




Occupational Safety and Health Service


The core occupational safety and health services are provided to service departments and schools where NCC maintain employer liabilities. The team has also developed a traded service offer providing cost effective service options through delivery of similar products as outlined above for other local authorities, public sector organisations and non-local authority schools (the well-being service is also provided on a traded basis to local authority schools). This approach has successfully enabled the service to NCC to remain resilient whilst reducing the overall cost to the authority.

# 3.0 NCC mid-year performance summary

## 3.1 Occupational safety and health performance

**0 fatal injuries to employees**

✓ Remains the same as previous 5 years

**3 specified injuries to employees**

✗ Increase on 2 in 2017-18

**5 over 7-day injuries to employees**

✓ Reduction from 6 in 2017-18

**0 incidents of occupational diseases to employees**

✓ Remains the same as in 2017-18

**1 reportable dangerous occurrences**

✗ Remains the same as 2017-18

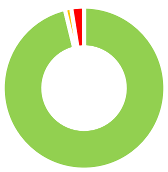
**2 reportable incidents of non-employees taken to hospital**

✓ Reduction from 5 in 2017-18

**0.76 reportable accidents per 1000 f.t.e. employees**

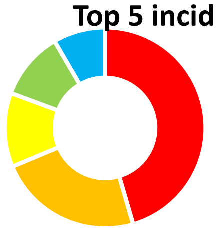
≈ Small increase from 0.67 in 2017-18 although on target for remaining below national benchmark

**Non reportable incidents**



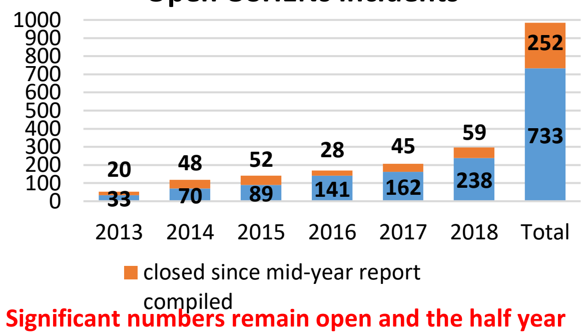

✓ Reduction of non-reportable incidents per 1000 FTE to 37.52 from 40.09 in 2017-18.

**Top 5 incident types per 1000 f.t.e**



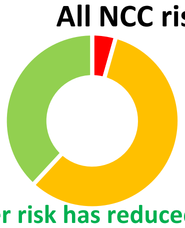

≈ Violent incidents have reduced from 14.95 and work-related illness have reduced from 4.76 per 1000 f.t.e., but slip, trip, or fall incidents are slightly increased from 3.51, not reviewed and signed off from 5.85 and anti-social behaviour from 1.67.

**Open OSHENs incidents**




✗ Significant numbers remain open and the half year position for 2018 is particularly high although we are now seeing a positive shift.

**All NCC risk rating**




✓ Higher risk has reduced and lower risk has increased.

**Non-completion of mandatory e-learning**

20.88% - reduced to 18.37% as of January 19 - non-completion of intro to health and safety e-learning.

18.08% - reduced to 15.71% as of January 19 - non-completion of fire prevention e-learning.

✗ Non-compliance has fallen from 28.38% for intro and 25.94% for fire (17/18 end of year) but remains above target of 15%.

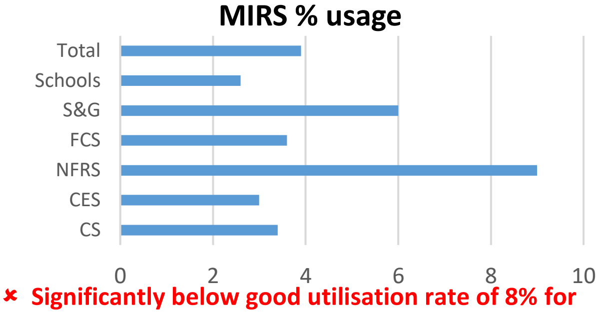
The overall performance at the mid-year point can be described as amber; whilst there are some positive trends there are still a number of areas where improvement is needed including the timely management of incidents and completion of mandatory e-learning. Indicators are that these are slowly improving.

* All comparisons are to the midpoint of 17/18 unless otherwise stated

## 3.2 Well-being performance

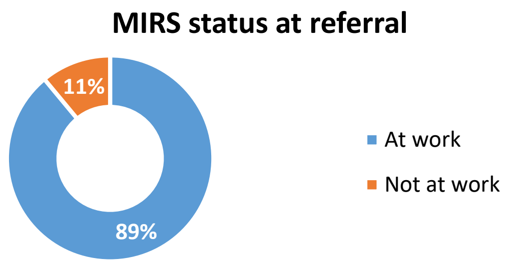
**NSL 5% usage**

≈ The same as 17/18 figure but below good utilisation rate of 7%. 3.6% of eligible staff are using the social worker helpline this is a reduction on 17/18

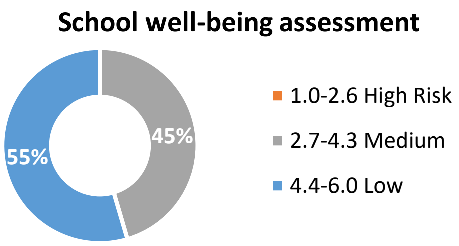



✘ Significantly below good utilisation rate of 8% for most services and a reduction on last year. MSD is 22.24% of all non-schools sickness absence and 11.09% of schools sickness absence.

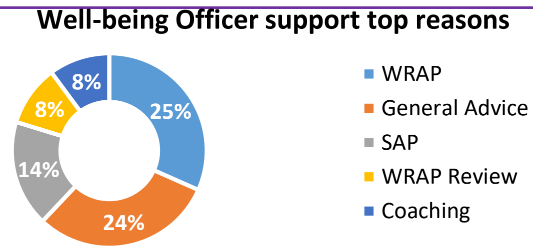

✓ No work-related issue in top 5 compared to 1 in 2017-18 at this point



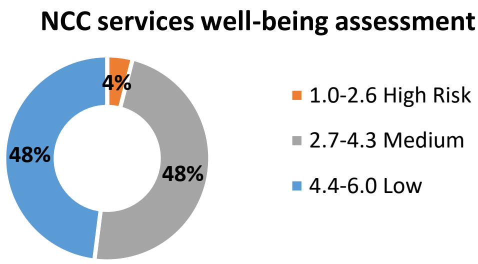

≈ Slight decrease compared to 17/18 and slightly below target



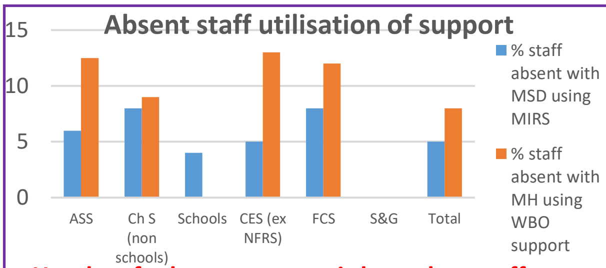

✓ % of teams that are medium risk has increased from 40% but is still meeting target




≈ Just over 1% of the workforce utilise this support an increase from 0.5% at this point in 2017-18. Support relating to work issues has decreased. MH is 32.02% of non-schools sickness absence. No schools individual support, MH was 16.69% schools sickness.




≈ % of teams that are high risk has increased and is not meeting target. Target is met in all other regards




✘ Uptake of relevant support is low when staff are absent

**4 NCC services and 1 school mediations undertaken**

≈ Increased from 3 in 2017-18

**The overall performance at the mid-year point can be described as red. A number of the indicators suggest well-being support is underutilised and is therefore not impacting on absence levels and staff well-being as much as it may otherwise do.**

## 4.0 Priorities and plan progress 2017-2020

The below priorities have been developed in order to deliver the health, safety and well-being strategic framework and to support improvements in the organisations health, safety and well-being performance. These span across 3 years to enable longer term activities to have the desired impact. The below tables give an indication of the current position against target.

| **Key Outcome 1: Develop a sustainable positive Health, Safety and Well-being culture (awareness/buy-in) in NCC** | | |
|---|---|---|
| **What good would look like** | **Measures and targets** | **Status at half year 18/19** |
| • The HSW implications of plans and activities are discussed at the 'top table' (CLT, CLG, SMT's, Member meetings) in a timely way<br>• The top table review and manage HSW performance | • Count of top table items where HSW had to raise concerns retrospectively. Target <5 (low is good)<br>• Count of times HSW escalated issues to SMTs not including the above. Target <5 (low is good) | **0 Green**<br><br>**0 Green** |
| • NCC Services have an up to date risk profile | • % of services with an up to date risk profile (high is good). Target 100% by end of 2018/19<br>• Risk range on service risk profiles reduces over time (low is good) | **1 (but all others in progress) Amber**<br>**N/A Currently** |
| • The HSW team are invited to proactively advise on and influence organisational developments and plans | • Count of projects/cases where HSW had to request involvement post initiation. Target <5 (low is good) | **3↑ Amber** |
| • NCC have a collaborative relationship with unions to improve HSW management | • Count of Union issues requiring HSW intervention. Target <16 by end 2018/19 (low is good) | **5↓ Green** |

| | | |
|---|---|---|
| • NCC employees are involved in improving services HSW performance<br><br>• Employee health, safety and well-being is supported through positive management behaviour and actions | • Count of joint union/HSW activity (high is good) Target 5 by end 2019/20<br><br>• Count of well-being facilitators across NCC services (high is good). Target 250 by 2019/20<br><br>• Count of managers that have received mental health first aid training. Target 300 by end 2018/19<br><br>• % of confidence in management score on NCC services monitoring visits that are 3 or lower (high is good) Target 99% by 2019/20<br><br>• Annual reportable incident rate remains below national average (2.63 for 2017/18)<br><br>• Count reportable and non-reportable incidents per 1000 f.t.e (low is good) Reportable target ≤1, non-reportable target ≤95 by 2018/19<br><br>• Count of incidents not reported/retrospectively discovered by HSW (low is good) Target <5<br><br>• Count of enforcement agency interventions Target 0<br><br>• HSW Norfolk Audit Service audit reports as adequate or better | **5↑ Green**<br><br>**196 Red**<br><br>**89 Amber**<br><br>**NCC non-schools: 96%≈**<br>**Schools: 96%≈ Amber**<br><br>**1.53 for 2017/18 Green**<br><br>**Year to date:**<br>**Reportable: 0.76↑ Amber**<br>**Non-reportable: 37.52↓ Green**<br><br>**0↓ Green**<br><br>**0≈ Green**<br><br>**No in-year data** |
| **OVERALL STATUS** | | **Amber** |

| SUMMARY OF HSW ACTIVITY IN 2018/19 TO SUPPORT THE OUTCOME AND DETAIL RELATING TO STATUS ANALYSIS: |
|---|
| • Departments have been provided with information regarding MIRS trained referrers, outstanding OSHENs incidents and e-learning non-compliance. The later 2 will continue to be provided on a quarterly basis to support targeted action.<br>• The HSW manager now provides a schools specific report to the Assistant Director for Education and attends the Schools Improvement Support Group to feed health, safety and well-being related information directly into the improvement support process.<br>• All new employees now receive direct contact from well-being within the first 3 months of starting to highlight the well-being support available to them.<br>• All SMTs have been offered support to develop their risk profile, this is in progress for 4/5 directorates. One directorate has a profile in place.<br>• A programme of contacting schools where they have not been represented at core health and safety training continued this year. This has seen a significant increase in attendance.<br>• The HSW Manager has reviewed the forward work programmes of departments to identify the areas where HSW support is needed. In some cases, this has identified areas where HSW timely involvement has not occurred. However, mechanisms have been agreed in all cases that should support improvement in this area.<br>• Mental health first aid champion training for managers commenced this year. The feedback from this training has been hugely positive. To reach the target of 300 managers completing the training by the end of the year senior managers are asked to promote the training at all opportunities.<br>**Outstanding Activity:**<br>• Deliver HSW leadership refresher training to CLG<br>• Reinvigorate the well-being facilitator programme to strengthen well-being work at a team level across NCC<br>• Develop a means of risk scoring well-being management in teams that do not participate in the well-being programme |
| **ISSUES, DEPENDENCIES AND ACTIONS:** |
| • Incident figures and absence figures include NFRS which are managed separately to other NCC services<br>• Incident figures and absence figures include NCC schools which have more devolved management<br>• Improved methods of recording data in the HSW team may have an impact on the numbers reported across a number of measures<br>• The confidence in management score may be impacted by turnover of managers and headteachers<br>• Following reclarification by the HSE of incidents they require reporting under RIDDOR there is a risk that reporting will increase this year |

| Key Outcome 2: Improve the standard of HSW management (results) in NCC so that employees are at work, well and productive | | |
|---|---|---|
| **What good would look like** | **Measures and targets** | **Status at half year 18/19** |
| • Risk profile of NCC has gone down | • Premise/team risk score profile decreases (low is good) Target ≤5% A, ≤58% B, ≥37% C by end 2018/19 | **All NCC: 4%A↓, 58%B↓, 38%C↑ Green Non-schools: 4%A↓, 41% B↓, 55% C↑ Green Schools: 5% A↓, 65% B↓, 30%C↑ Amber** |
| • HSW interventions improve standards 1st time | • Number of inspection revisits needed decreases (low is good) Target ≤10% by 2019/20 | **7.7% Green – of which non-schools: 12.5 Amber schools: 3.23% Green** |
| • Lone working equipment is available to the staff that need it and it is used | • Count of lone working compliance issues identified during NCC services monitoring visits (low is good) Target ≤10% by 2019/20 | **46% Red Of which non-schools: 13% amber schools: 55% Red** |
| • Health and well-being support is used proactively | • Count of contact for 121 support prior to absence (high is good). Target 60% by end 2018/19 | **49% Red** |
| | • Departmental well-being scores are improving (low is good) Target 0% high risk score, ≤55% medium risk score, ≥45% low risk score by 2018/19 | **NCC services: High 4%↑, medium 48%↓, low ≈48% Amber Schools: High 0%, medium 45%↑, low 55%↓ Green** |
| | • Musculoskeletal and Mental Health absence per 1000 f.t.e reducing (low is good) MSD target ≤1200, MH target ≤1500, by 2019/20 | **MSD 620.98↑ MH: 904.22↑ Red** |
| | • Use of MIRS and NSL increasing (high is good) MIRS good utilisation is 8%; NSL is 7% by end 2019/20 | **MIRS: 4%↓ Red; NSL: 5%≈ Amber** |
| | • % of work related NSL calls reducing (low is good) Target ≤25% by end 2019/20 | **22%↑ Green** |

| | | |
|---|---|---|
| | • % of staff referred to MIRS whilst still at work (high is good). Target 90% by end 2018/19 | 89%↓ Amber |
| | • Ratio of OH appointments to number of individuals referred (low is good) Target 1.35 by end 2018/19 | **No in year data available** |
| | • 90% of mediation agreements remain in place after 6 months | **No in year data available** |
| | • Count of formal grievances concerning working relationship issues (low is good) Target <4 by end 2018/19 | **8 Red** |
| • Managers and employees are competent in their role | • Mandatory e-learning non-completion rate is reducing (low is good) Target < 15% by end 2019/20 (updated position as of Jan 19 avaliable in 3.1) | **Intro ↓ 20.88%**<br>**Fire ↓ 18.08% Red** |
| | • Count of training compliance issues identified during monitoring visits (low is good) Target ≤10% by 2019/20 | **59% Red Of which NCC non-schools: 38% Red Schools: 65% Red** |
| • HSW activity focuses on the right things (complex, high risk activities) | • Count of low level queries (guidance readily available) received by HSW (low is good) Target 50 by end 2018/19 | 22↓ Green |
| • We utilise partnerships to improve HSW to the full | • Count of public health campaigns in the workplace (high is good) Target 3 by 2018/19 | **4 Green** |
| **OVERALL STATUS** | | **Amber** |

**SUMMARY OF HSW ACTIVITY TO SUPPORT THE OUTCOME AND DETAIL RELATING TO STATUS ANALYSIS:**

- A review of the management of commissioned and contracted services has been undertaken. There is good management of these areas in CES and there has been good progress in developing a system in Children's Services. The breadth of commissioned and contracted services in Adult Social Services and the capacity to implement a system has impeded progress but some progress has been made. The service will continue to focus on this throughout 2018/19
- Children's Services has undertaken a survey regarding lone working practices. The survey received 110 responses. An action plan is being developed with support from HSW

| |
|---|
| • Dedicated personal safety training for social work staff has commenced in Children's Services<br>• A project to review the standard of pool maintenance in schools has commenced and is due to be completed by the end of the year<br>• The team continue to deliver NHS Health Checks in support of this Public Health priority. We also worked with Public Health on promoting World Mental Health Day, Know Your Numbers, Stoptober and flu vaccinations providing information to the well-being facilitators, promoting information and support through Norfolk Manager, The Friday Takeaway and departmental magazines as well as delivering promotional events at County Hall.<br>**Outstanding activity**<br>• HSW proactive monitoring activity for 2017-20 to focus on:<br>  o Construction<br>• Team based visits are incomplete, high priority teams have been identified but not all visits have been completed |
| **ISSUES, DEPENDENCIES AND ACTIONS:** |
| • Incident figures and absence figures include NFRS which are managed separately to other NCC services<br>• Incident figures and absence figures include NCC schools which have more devolved management<br>• Referrals for mediations and impact on grievance cases depends on good partnership working with other areas of the HR service<br>• The confidence in management score may be impacted by turnover of managers and headteachers<br>• Improved methods of recording data in the HSW team may have an impact on the numbers reported across a number of measures<br>• Following reclarification by the HSE of incidents they require reporting under RIDDOR there is a risk that reporting will increase this year |

| Key Outcome 3: HSW have a successful strategic approach to trading and cost recovery | | Status at half year 18/19 |
|---|---|---|
| **What good would look like** | **Measures and targets** | |
| • HSW are academies preferred providers<br>• We are clear of our true costs and our income potential<br>• Pricing model truly reflects cost recovery<br>• Income targets for all traded services are achieved<br>• The traded offer increases the number of schools purchasing and the average value of the purchases<br>• Partnerships with NCC services are fully utilised to support the trading model e.g. EdSol, Legal, Finance<br>• The HSW team have the skills and aptitudes to be successful<br>• The resilience of the HSW service to NCC is supported by the traded model | • % of our market share supports income potential<br><br>• % decrease in HSW allocated budget Target 19% decrease from 2015/16 budget by 2019/20<br><br>• Average value of service per school increases<br><br>• Team L&D plan developed and delivered by 2018/19<br><br>• NCC culture and management delivery targets are achieved<br><br>• New business is appropriately resourced | **End of year measurement**<br><br>**Green**<br><br>**End of year measurement**<br><br>**Green**<br><br>**Amber**<br><br>**Green** |
| **OVERALL STATUS** | | **Amber** |

**SUMMARY OF HSW ACTIVITY IN 2017/18 TO SUPPORT THE OUTCOME AND DETAIL RELATING TO STATUS ANALYSIS:**

- A Business Development Officer post has been created to support streamlining processes, ensuring good customer service is provided and customer feedback mechanisms are developed. The impact of the role is already evident.
- Progress has been made on a marketing approach to maximise sales and improve sales at a trust level.
- Additional contracts have been appropriately resourced with fixed term contract staff this ensures NCC service is not compromised
- Current purchases to date amount to an income of £315,000 for 18/19, an increase of £40,000 on the end of year position for 17/18

**Outstanding Activity:**

- Develop relationships with other NCC services that are trading to maximise our impact
- Develop a mechanism for regular customer feedback to ensure satisfaction is maintained and provide testimonials

| ISSUES, DEPENDENCIES AND ACTIONS: |
|---|
| Threats:<br>• Academy chains become too large to buy in (employee in-house resource)<br>• Academy chains that already have in house resource increase their market share<br>• Change in government policy reduces the number of academies<br>• Results are partially dependent on the success of Educator Solutions |

## 6.0 Glossary and definitions (grouped by related areas)

**Reportable incidents** (RIDDORs)

Employers are required to report certain serious workplace accidents, occupational diseases and dangerous occurrences to the Health and Safety Executive. These are defined in law and it is an offence not to report them within the specified time period. These include:

**Fatalities**

Accidents that result in the death of an employee or non-employee that arise from a work-related accident

**Specified injuries to employees**

Examples of specified injuries that are reportable include: injuries requiring hospital admission for more than 24 hours, fractures, amputations, serious burns, loss of sight, significant head injuries

**Over 7-day injuries to employees**

Work related accidents that result in an employee being unable to undertake their normal duties for more than 7 consecutive days (including weekends)

**Occupational Diseases to employees**

Examples of occupational diseases that are reportable where diagnosed by a medical practitioner are: carpal tunnel syndrome, occupational dermatitis, severe cramp of the hand or forearm, occupational cancer, tendonitis of the hand or forearm

**Dangerous Occurrences**

These are serious incidents that may not have caused any injury but had the potential to do so. Examples include: the accidental release of a substance that could cause harm to health such as asbestos, fire caused by electrical short circuit that results in the stoppage of the plant involved for more than 24 hours, equipment coming into contact with overhead power lines

**Injuries to non-employees**

Where a non-employee e.g. a member of the public, a pupil or a service user has an accident on our premises and are taken to hospital from the scene for treatment

**Rate per 1000 f.t.e.**

= total number of the item being measured/number of full time equivalent employees x 1000

This is a useful figure for comparison against national figures or previous years as it takes into account size of organisation

**Work-related Absence**

Absence declared by the employee as relating to work. This may be caused or exacerbated by work.

**National Comparator**

Rate of reportable accidents to employees per 1000 employees. This figure is released every October

**ARI: Not yet reviewed**

Incidents reported on our online system need to be assigned an injury category by the manager during their review. This is used to categorise ‘accident resulting in injury’ (ARI) incidents in our reports. Until they do this the category is assigned as ‘ARI: Not yet reviewed’

### Risk Profile

In order to help prioritise the work of the HSW team and to provide an objective measurement of compliance all teams/premises are risk rated following a monitoring inspection. The risk rating score considers the types of activities, equipment and people on site; the systems that are in place to manage these and how well any risks are being controlled. Consideration is also given to the experience and competence of people with a key role in managing health and safety. The total score is converted into a risk category which determines the frequency of visit required and can be used to provide a risk profile for NCC.

### Musculoskeletal Injury Rehabilitation Scheme (MIRS)

MIRS is a fast track physiotherapy treatment service that helps staff with a musculoskeletal injury (back pain, muscle strain, overuse injuries, frozen shoulder, whiplash, ligament damage, tendonitis, sciatica, etc.) in managing or reducing the impact of their injury on work. People who are referred to the service consistently report the treatment either helped them return to work earlier or prevented them taking sickness absence.

The service includes:

- An initial telephone assessment with a physiotherapist within 24 hours of being referred to establish the best course of treatment, and where required an initial treatment session is usually offered within 3 working days.
- An assessment report for the line manager outlining the problem and recommended treatment.
- A discharge report for the manager reiterating the information in the assessment report and providing an assessment of the outcome of any treatment given.
- FCEs for staff who are reporting that their health conditions are limiting their capacity to undertake their duties.
- Workstation, workplace and vehicle assessments for staff who are reporting these are having an impact on their health condition.

### Non-reportable (RIDDOR) Incidents

Incidents that result in injury that are not classed as reportable. These do not include any incident that did not result in an injury e.g. near miss incidents, damage to property or dangerous occurrences.

### Monitoring Inspection

These are visits undertaken by professional health and safety staff to determine the level of compliance with standards and policies to manage risks. Managers receive a report following the visit that identifies areas of good practice, matters requiring attention and best practice recommendations. The team/premise are risk rated as a result of these visits.

### Musculoskeletal Health

The musculoskeletal system is the system of muscles, tendons and ligament, bones and joints, and associated tissues that move the body and help us to maintain our structure and form. The health of the musculoskeletal system can be impacted by many factors both work-related and non-work-related. Examples of work activities that can impact on this include tasks involving repetitive movement or physically demanding tasks.

Musculoskeletal Disorders (MSD) is the generic term given to a number of conditions that relate to the musculoskeletal system.

### Functional Capacity Evaluations (FCEs)

An FCE tests an individual's ability to perform a series of tasks, which simulate the activities they usually undertake within their job role. This will determine the extent to which an individual is able to perform these tasks on a regular basis. The goal of an FCE is to enable the employee and manager to make decisions regarding work and musculoskeletal health based on objective information.

**Wellness Recovery Action Plan (WRAP)**

A way for employees to understand and manage a chronic health condition, particularly in relation to its impact on work. Although it is usually used for psychological health conditions (Stress, anxiety depression) it is also effective for physical conditions (e.g. diabetes, arthritis).

**Norfolk Support Line (NSL)**

A well-established independent, confidential and professional advice and counselling service for employees; available 24 hours per day, 7 days a week, 365 days a year, on matters such as:

- money management
- substance misuse
- legal queries
- phobias
- consumer advice information
- trauma
- stress
- bereavement
- domestic matters
- emotional problems
- anxiety/depression

**Stress Action Plan (SAP)**

A way to enable employees and managers to understand why stress is perceived as work related. The employee will identify the behaviours in the workplace that they believe are causing them stress and cite specific examples of when the behaviours occurred. The employee will also identify measures they believe will reduce the stress. This enable the manager to understand an employee's perceptions, and work cooperatively to address or explain the behaviours.

**NHS Health Checks**

The health checks provide employees with a picture of their general health though an assessment of:

- blood pressure
- weight
- BMI
- pulse rhythm
- physical activity levels
- alcohol usage
- blood cholesterol levels
- blood sugar levels (if appropriate)
- risk related to family history

The results and implications will be conveyed to the employee in a practical way to help them make changes to reduce their risk of cardiovascular disease (CVD) and diabetes.

# Policy and Resources Committee

Item No 20

| | |
|---|---|
| **Report title:** | **Determination of Admission Arrangements – 2020/21** |
| **Date of meeting:** | **28 January 2019** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services** |

**Strategic impact**

Norfolk County Council (NCC) has a statutory duty to determine a co-ordinated scheme and timetable for administering around 29,000 applications for mainstream school places each year.

NCC as admissions authority for all Community and Voluntary Controlled (VC) schools must also determine the admission policy detailing how applications for these schools will be prioritised (currently 195 schools).

The admission authority for each Academy, Foundation and Voluntary Aided School (the trust for Academies and the governing body for all other own admission authority schools) must determine the policy for their school.

All admission authorities must determine their arrangements for the academic year 2020/21 by 28 February 2019

**Executive summary**

The attached paper provides a summary of the changes consulted upon and was considered by Children's Services Committee on 22 January 2019. A verbal update will provide for the Policy and Resources Committee

**Background**

Full details of existing admission arrangements and policies for all Norfolk schools: - www.norfolk.gov.uk/admissions -

Norfolk's proposed 2020/21admission arrangements:
https://www.norfolk.gov.uk/education-and-learning/schools/school-admissions/norfolk-admission-arrangements-consultation-2019-20

**Officer Contact**

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

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# Children's Services Committee

| Report title: | Determination of Admission Arrangements – 2020/21 |
|---|---|
| Date of meeting: | 22 January 2019 |
| Responsible Chief Officer: | Executive Director of Children's Services |

**Strategic impact**

Norfolk County Council has a statutory duty to determine a co-ordinated scheme and timetable for administering around 29,000 admission applications for mainstream school places each year.

As the admissions authority for all Community and Voluntary Controlled (VC) schools, Norfolk County Council must also determine the admission policy detailing how applications for these schools will be prioritised *(currently 195 schools).*

The admission authority for each Academy, Foundation and Voluntary Aided School (the trust for Academies and the governing body for all other own admission authority schools) must determine the policy for their school(s).

All admission authorities must determine their arrangements for the academic year 2020/21 by 28 February 2019.

## Executive summary

This report summarises the statutory consultation outcomes and changes to Norfolk's admissions co-ordination scheme and timetable for the academic year 2020/21.

The co-ordination scheme details the process and timetable for administering the formal admission rounds (Reception, Transfer to Junior schools and Transfer to Secondary schools) for all mainstream schools in Norfolk including Academies and Free Schools. Whilst no longer a statutory duty, the Council also continues to co-ordinate in-year admissions and the scheme details how in-year applications are administered.

The consultation process included a proposed change to the Looked After Children priority within over-subscription rules to include "adopted children from abroad" for Community and VC schools for 2020/21 and the introduction of a revised, consolidated Fair Access Protocol.

A separate statutory process deals with the placement of pupils with Education, Health and Care Plans.

**Recommendations:**

- **To approve the co-ordination schemes and timetables including in-year co-ordination for 2020/21**

- **To agree the admission arrangements for Community and VC schools**
  **To agree to the revised priority for Looked After Children, to include children adopted from abroad within the over-subscription rules for Community and VC schools**
- **To approve the introduction of the Fair Access Protocol**

## 1. Proposals

Each year the County Council is required to determine the admissions co-ordination scheme for all schools and to determine the admissions policy for all Community and VC schools as the admission authority for these schools.

The co-ordination scheme has been developed following annual consultations over a number of years. The proposed schemes and timetable meet the requirements imposed by the School Admissions Code and associated legislation to ensure a fair and consistent process for parents.

As required by legislation, admissions consultation must run for at least six weeks. The consultation opened on 1 November and closed on 13 December 2018. The consultation was highlighted on the Council's website under "current consultations" and in the school admissions section of the website.

As schools and governing bodies are key consultees, a school management information sheet was sent to all Headteachers and Chairs of governing bodies on 1 November 2018 inviting them to respond with an online survey. Schools were also encouraged to promote the consultation with parents via their own newsletters and websites.

The statutory timescale for consulting on and determining arrangements and the limited scope for introducing changes may discourage parents and school leaders from engaging in the consultation. Discussions with colleagues from both the Eastern Region and the Department for Education (DfE) Admissions team confirm this remains a common feature of this statutory process. The DfE does receive a significant response when consulting on proposals to change the statutory school admissions code particularly when high profile proposals are consulted on.

Any statutory changes to the code could impact on the proposed 2020/21 arrangements but any guidance to admission authorities seeking changes to admission policies would not apply before the academic year 2021/22.

The response, typical of previous consultations, was low with only 31 completed responses received. All, but 1, respondents supported the proposed arrangements for the admissions rounds, in year co-ordination and the timetable.

The Minister of State for School Standards has asked Local Authorities to give priority within over-subscription criteria to children previously in state care outside of England, and have ceased to be in state care as a result of being adopted. The School Admissions Code will be amended in due course. 23 respondents to the consultation (74%) agreed with the extension of the priority given to Looked after Children to include children adopted from abroad. The 8 respondents who did not, gave no reason for their decision.

The consultation also included a revised Fair Access Protocol, which included a consolidation of current Fair Access processes, documentation and to establish Fair Access Panels across Norfolk. 27 respondents (87%) supported the introduction of the revised protocol.

## 2. Evidence

From the very limited consultation response there is support for the existing co-ordination arrangements and the admissions policy for Community and VC schools.

Parents who are refused admission are entitled to appeal to independent admission appeals panels. Since 2010 appeal panels have been required to consider the legality of admission arrangements as part of this process. Our arrangements have not been referred by appeal panels to the Office of the Schools Adjudicator (OSA) as part of this regular review.

Additionally parents can refer our determined arrangements to the OSA. This has not occurred since 2014 when our arrangements were confirmed as compliant.

Parents dissatisfied with the outcome of their appeal can refer concerns to the Local Government Ombudsman but again no concerns have been expressed regarding the co-ordination scheme or admissions policies.

The vast majority of parents gain a place at a preferred school.

| **Admission Round 2018/19** | Norfolk – 1st preferences met | Norfolk 1st-3rd preferences met |
|---|---|---|
| **Reception** | 8463 (94.7%) | 8802 (98.5%) |
| **Transfer to Junior** | 3178 (94.5%) | 3239 (96.3%) |
| **Secondary transfer** | 8018 (92.3%) | 8466 (97.4%) |

## 3. Financial Implications

The admissions function is funded from the Dedicated Schools Grant and all costs associated with the function are covered by this grant. The proposed admission arrangements do not add to the current costs.

## 4. Issues, risks and innovation

The School Admissions Code sets out statutory requirements to ensure a fair and equitable process for all families seeking a mainstream school place. The co-ordination scheme follows the model scheme set out in the School Admissions Code and admission policies for Community and Voluntary Controlled Schools have been developed to fully comply with the School Admissions Code.

Norfolk County Council is under a statutory duty to determine admission arrangements by 28 February each year. If these cannot be determined, the Secretary of State has the power to impose a co-ordination scheme.

## 5. Background

Full details of existing admission arrangements and policies for all Norfolk schools: - www.norfolk.gov.uk/admissions -

Norfolk's proposed 2020/21 arrangements: https://www.norfolk.gov.uk/education-and-learning/schools/school-admissions/norfolk-admission-arrangements-2020-21

## Officer Contact

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

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# Policy and Resources Committee

**Item No 21**

| | |
|---|---|
| **Report title:** | **Notifications of Exemptions Under Contract Standing Orders** |
| **Date of meeting:** | 28 January 2019 |
| **Responsible Chief Officer:** | **Simon George, Executive Director of Finance** |

## Brief outline of the paper:

Under the Council's Contract Standing Orders, paragraph 9.11, the Head of Procurement and the Head of Law have the authority to approve the letting of a contract without competition or the negotiation of a contract with one or more suppliers without prior advertisement, subject to the relevant law. Exemptions resulting in the letting of contracts valued at more than £100,000 must be made in consultation with the Chairman of Policy and Resources Committee.

Under paragraph 9.12 an exemption under 9.11 outlined above, relating to the award of a contract valued in excess of £250,000 is to be notified to the Policy and Resources Committee.

The report sets out the exemptions that have been made up to 3rd January 2019 under paragraph 9.11 of Contract Standing Orders and that are over £250,000 and therefore need to be notified to the Policy and Resources Committee.

**Key decisions/recommendations that Committee need to make:**

**Recommendations:**

As required by paragraph 9.12 of the Council's Contract Standing Orders, Policy and Resources Committee is asked to note the exemptions that have been granted under paragraph 9.11 of Contract Standing Orders by the Head of Procurement and Head of Law in consultation with the Chairman of Policy and Resources Committee that are over £250,000.

| Supplier | Value, term and ref | Short description of Contract and Reason for Exemption | Date seen by the Chairman of Policy and Resources Committee |
|---|---|---|---|
| PSS (UK) | £3,200,000– 01/11/2019 to 31/10/2021. EX52990 | The Shared Lives Service (sometimes referred to as Adult Fostering) offers placements to vulnerable adults, predominantly with a learning disability, who receive care and support in the home of an accredited Shared Lives' carer or in a kinship arrangement. The provision is | 13 December 2018 |

| | | | |
|---|---|---|---|
| | | suitable for individuals with both low and high care and support needs. The service provides a cost-effective alternative to Supported Living and helps promote independence.<br><br>NCC currently commissions approximately 55 long-term placements and has plans to grow the use of the service to meet the needs of transition cases coming through from foster care.<br><br>The market was tested in 2017 when the incumbent provider at the time served notice due to the service not being financially viable. PSS Ltd was the only provider in the market willing to take the contract on and they have invested time and resources in improving the service and making it viable. A decision was therefore made to continue with PSS Ltd rather than run a tender exercise at present, which was likely to destabilise the service. | |

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

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


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