

Business & Property Committee

Item No.....

Report title:	Strategic and Financial Planning 2019-20 to 2021-22
Date of meeting:	09th October 2018
Responsible Chief Officer:	Tom McCabe – Executive Director, Community and Environmental Services, Simon George – Executive Director, Finance and Commercial Services

Strategic impact

This report provides an update on the Service Committee's detailed planning to feed into the Council's budget process for 2019-20. The Council's budget setting activity is informed by a range of documents including the Medium Term Financial Strategy, and the Council's Vision and Strategy. Together these documents help to set the context for medium term service and financial planning, which support the development of a robust, balanced budget for 2019-20.

In particular, the report sets out Business & Property Committee's specific proposals for savings in the context of the approach to developing options that was agreed at the Committee's meeting in September. Savings are now presented for consideration and recommendation to Policy and Resources Committee, which will agree the savings to go into the consultation process for 2019-20 budget setting later in October.

The report also provides the latest information about the Council's overall budget planning position, including the forecast budget gap for 2019-20 to 2021-22.

Executive summary

This report forms part of the strategic and financial planning framework for Service Committees. It provides an update on the Council's budget setting process, and sets out details of the actions required by Service Committees to enable the Council to set a balanced budget for 2019-20. The report details the link between the Council Strategy, the Norfolk Futures transformation programme, and the development of transformation and savings plans relevant to this Committee.

Business & Property Committee is recommended to:

- 1) Consider the content of this report and the continuing progress of change and transformation of Business & Property services;**
- 2) Note the Council's latest budget assumptions and pressures, and the resulting revised forecast budget gap of £45.322m, which has been updated by Policy and Resources Committee to reflect the latest available information and following Service Committee input in September (paragraph 4.3 and table 1);**
- 3) Note the revised council tax planning assumptions set out in table 2;**

- 4) **Approve the proposed savings for the 2019-20 budget round for recommendation to Policy and Resources Committee in October (table 5), in particular confirming those savings that are recommended to require consultation as set out in paragraph 6.4.**
- 5) **Consider and identify any further key areas of risk in relation to 2019-22 budget planning for the Committee's budgets, including any additional pressures and the robustness of existing planned savings as set out in table 4, noting that any changes may impact on the overall budget gap and will require additional offsetting savings to be found;**
- 6) **Note the budget planning timetable (section 7).**

1. Introduction

- 1.1. 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. 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.
- 1.2. 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. The Committee agreed: budget assumptions and key areas of risk in relation to 2019-22 budget planning, the budget planning principles and guidance for 2019-20, and commissioned Service Committees to begin developing savings proposals.
- 1.3. In September, Business & Property Committee:
 - Agreed the proposed approach and key themes to focus on in developing savings proposals for 2019-20 to 2021-22, including how the principles of the Council's Strategy, Norfolk Futures, would inform and shape budget planning activity, having regard to the existing savings for 2019-20 and beyond which were agreed as part of the 2018-19 budget round; and
 - Commissioned officers to develop detailed savings proposals to be presented to the Committee for consideration at this meeting in order to help close the forecast 2019-20 to 2021-22 budget gap.
- 1.4. This report builds on the position reported to Service Committees in September and represents the next stage of the Council's budget planning process. In particular, the paper sets out details of the saving proposals identified for 2019-20 and subsequent years, for the Committee's consideration.

2. County Council Strategy and Norfolk Futures

- 2.1. The report to Policy and Resources Committee sets out how the Council's Vision and Strategy will inform the development of the 2019-20 Budget.

- 2.2. Caring for our County, the vision for Norfolk, approved by Members in February 2018, outlines the Council's commitment to playing a leading role in:
- 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.
- 2.3. The Council's Strategy for 2018-2021 – Norfolk Futures – will provide the mechanism to enable these ambitions for the County across all of its activities.
- 2.4. Norfolk Futures will deliver these transformational commitments in a context where demand for our services is driven both by demographic and social trends, and where increasingly complex and more expensive forms of provision are becoming prevalent.
- 2.5. 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 and services are easily accessible, **done once and done well**;
 - Being **business-like** and making 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.
- 2.6. Under the banner of Norfolk Futures we will deliver sustainable and affordable services for the people who need them most. The whole Council needs to change to keep up with increasing demands and ever better ways of working.
- 2.7. These principles frame the transformation that we must lead across all our services and activities. This is all underpinned by evidence and political support, to change how the Council works and how we work with the people of Norfolk.
- 2.8. By 2021 the strategy and underpinning Service Plans will have moved the Council towards a more sustainable future with affordable, effective services. This means that we will have radically changed the ways we do some things. We will know our citizens and manage their needs effectively using the best evidence to enable the most appropriate outcomes. We will be working jointly across the Council on our biggest challenges by default, and changing the way we work to reflect new technology and ways of working. This will enable us to work smarter, better and plan long term to be the Council the County needs.
- 2.9. These principles frame the transformation across all our services and activities and we currently have 7 priorities to help us to deliver the strategy:
- Safer Children and Resilient Families;
 - Promoting independence for Vulnerable Adults;
 - Smarter Information and Advice;

- Towards a Housing Strategy;
 - Digital Norfolk;
 - Local Service Strategy; and
 - Commercialisation.
- 2.10. Further information about the Norfolk Futures priorities relevant to this Committee, and how they will inform and support 2019-20 budget planning, are set out below.

3. Service Transformation

3.1. The **Corporate Property Team** is responsible for the delivery of the Housing Workstream within Norfolk Futures – specifically –

- The development of the Council's Housing Company (Repton Homes) to bring forward development, whilst retaining the development profit on sites owned by the County Council. As noted elsewhere in the report, the Business & Property Committee have been instrumental in the establishment of this company

The Corporate Property Team - is working across a number of the key areas of Norfolk Futures, to support colleagues in the delivery of –

- Supporting colleagues in Adult Social Care around the provision of Housing with Care (HwC) to live more independent lives
- Working with Childrens Services to develop specialist housing provision, for key client groups across the County
- A reduction in the amount of back office space occupied by the Council, with a view to looking to provide services where they are most needed

Economic Development as an enabling service – is supporting both directly and indirectly the delivery of all of the Norfolk Futures workstreams.

4. 2019-20 Budget Planning

4.1. The Medium Term Financial Strategy (MTFS) 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](#).¹ The September report to this committee set out:

- Budget planning principles 2019-20
- Budget assumptions 2019-20
- Council tax assumptions
- Budget risks identified
- Indicative savings requirements

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>

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2018-19 budget position

- 4.2. The latest information about the 2018-19 budget position is set out in the budget monitoring report elsewhere on the agenda. Budget planning for 2019-20 is based on the assumption that the 2018-19 Budget is fully delivered (i.e. that all savings are achieved as planned and there are no significant overspends). Further pressures in the forecast 2019-20 Budget have been provided for as detailed later in this report.

Latest forecast budget gap 2019-20 to 2021-22

- 4.3. In September, following feedback from Service Committees, Policy and Resources Committee then considered the latest planning information and an updated budget position. The current position, taking into account the changes agreed by Policy and Resources Committee, and assuming that new savings can be identified at the required level of £22.089m for 2019-20, is shown in the table below. Changes in the Council's funding assumptions have mitigated some of the identified pressures.
- 4.4. Assuming that collectively Service Committees are successful in identifying savings at the indicative level required for 2019-20 (as identified in the July Policy and Resources report), the latest gap position indicates **a reduced forecast gap of £45.322m for the period 2019-20 to 2021-22, with a small £0.609m gap remaining to be closed in 2019-20.**
- 4.5. Policy and Resources Committee will receive a further update on the overall gap position for the County Council in October. The budget position and the associated assumptions are kept under continuous review, and will be updated to reflect any changes arising from the Government's Autumn Budget, or further information about the Council's funding position as it becomes available up until budget-setting by County Council in February.

Table 1: Latest forecast budget gap 2019-20 to 2021-22²

	2019-20	2020-21	2021-22	Total
	£m	£m	£m	£m
Forecast gap as reported to September Service Committees (agreed at 16 July 2018 Policy and Resources)	22.089	48.454	24.153	94.696
Pressures				
Children's Services budget pressures including LAC	5.000	2.000	2.000	9.000
Children's Preventing Radicalisation pressure	0.120	0.000	0.000	0.120
Children's Centres saving delay	1.700	-1.700	0.000	0.000
Adult market pressures	2.000	0.000	0.000	2.000
Leap year pressure in Adult Social Care	0.550	-0.550	0.000	0.000
Property savings (including income targets) at risk	1.500	1.000	0.500	3.000
Pressure from 2019-20 national pay award and associated salary scale changes	0.345	0.000	0.000	0.345
Total new pressures	11.215	0.750	2.500	14.465
Proposed mitigations				
Collection Fund	-4.688	0.000	0.000	-4.688
Council tax tax base (additional 1.5%)	-5.918	-6.305	-6.341	-18.564
MRP pressure reprofiled	0.000	-5.000	5.000	0.000
Additional capital receipts	0.000	-10.000	0.000	-10.000
2% Council Tax increase 2021-22	0.000	0.000	-8.498	-8.498
Total mitigations	-10.606	-21.305	-9.839	-41.750
Delivery of 2019-20 savings target (as identified at 16 July 2018 Policy and Resources)	-22.089	0.000	0.000	-22.089
Latest forecast gap for planning purposes (24 September 2018 Policy and Resources)	0.609	27.899	16.814	45.322

4.6. In view of the budget gap and the difficulty in identifying future year savings, Policy and Resources Committee has been recommended to consider incorporating a planning assumption that council tax in 2021-22 be increased by 1.99% as shown in the table above. The level of council tax is ultimately subject to agreement by Full Council each year, and 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. The MTFs planning position set out in this paper is therefore based on the following council tax increase assumptions (and also assumes there is no scope to increase the Adult Social Care precept in 2019-20 under the current terms set out by Government):

² As presented to Policy and Resources Committee September 2018 (please note this does not reflect any amendments arising from Policy and Resources Committee decisions in September).
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Table 2: Council Tax assumptions (as per Policy and Resources Committee 24 September 2018)

	2019-20	2020-21	2021-22
Assumed increase in general council tax	2.99%	1.99%	1.99%
Assumed increase in Adult Social Care precept	0.00%	0.00%	0.00%
Total assumed council tax increase	2.99%	1.99%	1.99%

- 4.7. The planned 2.99% increase in council tax is based on the current understanding of updated assumptions and flexibility offered by the Government in the 2018-19 local government finance settlement. Any reduction in this increase will require additional savings to be found. 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.
- 4.8. Assumptions around increases in the council tax base have been increased to 2.0% (from the original assumption of 0.5% annual growth), based on recent trends.

Key budget risks 2019-20

- 4.9. Uncertainties remain about a number of items **which have not currently been reflected in the budget planning assumptions**, but which could potentially result in an increase in the overall gap. As a result, additional pressures, which have not currently been provided for, may arise in 2019-20 relating to:
- Further pressures arising within Service Committee budgets including:
 - SEN High Needs pressures (Children's)
 - Pressures relating to the Health system (Adults)
 - Increasing the level of the General Fund reserve; and
 - Changes in the forecast 2018-19 level of savings delivery to allow for any mitigation of undeliverable savings.
- 4.10. The risks and assumptions relating to the 2019-20 Budget will continue to be monitored and updated as budget planning activity proceeds.

5. Savings allocation

- 5.1. The following table sets out indicative savings required to close the identified gap by Committee which were agreed by Policy and Resources Committee and reported to Service Committees in September. As set out above, there may be an opportunity for the level of savings required in 2020-21 and 2021-22 to be reduced in future years based on the latest budget planning position.

Table 3: Indicative savings by Committee

	2019-20 £m	2020-21 £m	2021-22 £m	Total £m	Proposed share of new savings %
Adult Social Care	-9.626	-19.527	-9.745	-38.898	41%
Children's Services	-5.726	-12.064	-6.037	-23.827	25%
Environment, Development and Transport	-2.820	-5.988	-2.962	-11.770	12%
Communities	-1.647	-6.262	-3.115	-11.025	12%
Digital Innovation and Efficiency	-0.369	-0.736	-0.373	-1.477	2%
Business and Property	-0.154	-0.180	-0.045	-0.379	0%
Policy and Resources ³	-1.747	-3.697	-1.875	-7.319	8%
Total	-22.089	-48.454	-24.153	-94.696	

5.2. Existing savings in the Council's MTFs are shown by Committee in the table below. These are the savings agreed as part of the 2018-19 (and earlier) budget process, and will need to be delivered **in addition** to any new savings proposed to close the remaining budget gap.

Table 4: Planned net recurring savings 2018-19 to 2021-22

Committee	2018-19 Saving £m	2019-20 Saving £m	2020-21 Saving £m	2021-22 Saving £m	Total Saving £m
Adult Social Care	-27.290	-9.351	-13.700	-3.900	-54.241
Children's Services	-2.641	-4.342	-2.000	-2.000	-10.983
Environment, Development and Transport	-1.440	-0.310	-0.350	-1.850	-3.950
Communities	-1.803	-0.435	-2.786	-1.500	-6.524
Business and Property	-1.051	-2.075	-2.050	-1.150	-6.326
Digital Innovation and Efficiency	-0.726	-1.000	-0.700	0.000	-2.426
Policy and Resources ⁴	4.952	1.356	-0.387	0.000	5.921
Grand Total	-29.999	-16.157	-21.973	-10.400	-78.529

6. Committee response

6.1. Service Committees considered service-specific budgeting issues in September.

³ Including Finance General

⁴ The net savings position for Policy and Resources Committee reflects the reversal of a number of significant one-off savings from 2017-18, such as the use of the Insurance Fund and the use of Capital Receipts totalling £11.299m. The gross savings to be delivered by Policy and Resources Committee budgets in 2018-19 are £6.347m.

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As noted within the report, a substantial amount of property savings have been identified and built into the budget to date. Delivery of additional savings is unlikely without substantial reduction in the footprint of NCC, however, NCC regularly reviews its portfolio to identify opportunities, including with other public sector partners.

- **The Corporate Property Team** is working to achieve £10m of capital receipts in both 2020 / 21 and 2021 / 22 to underpin other corporate savings.

Over the past four years, the council has released capital receipts averaging £4.5m per annum. As a way of bridging the gap whilst government funding is reduced, it is proposed to increase this by £10m per annum in 2020-21 and 2021-22 as set out above. £10m represents approximately 1.5% of the Council's assets on its balance sheet (land and buildings and surplus assets as at 31 March 2018). Further details of which assets are to be proposed for disposal will be brought forward for members' consideration. **A variety of options will be considered prior to recommending a disposal including 'self-development' or commercialisation.** All asset disposals will be undertaken in line with the Council's Financial Regulations, which set out that:

- Land and buildings declared surplus by a service are considered by the Corporate Property Strategy Group and reported to the Business and Property Committee.
 - Disposals will have due regard to the provisions of the Local Government Act 1972 (section 123) concerning best consideration, subject to the discretion afforded by the General Disposal Consent (England) 2003.
 - **NCC operates an 'open market value' disposals policy whereby all assets sold or transferred to community groups (including Parish and Town Councils) are done so at the market value of the site.**
 - All disposals are to be made by the Corporate Property Officer (Head of Property).
 - All disposals over £0.500m require approval by the Business and Property Committee (disposals below this threshold but above £0.025m require consultation with the Chair of the Committee).
 - All decisions to dispose at less than best consideration are referred to the Business and Property Committee.
- **Economic Development** – there are a range of activities carried out, including working with district council colleagues and the Local Enterprise Partnership. Successful activities can deliver a number of positive economic benefits, including jobs and skills. In addition, it helps to secure income for the Council through business rates, which is increasingly important given the Government's intention to move from Revenue Support Grant funding to Business Rate Retention.
 - **Enterprise Parks** – the two Enterprise Parks – Scottow Enterprise Park and Hethel Engineering Centre – provide facilities and support for businesses to operate and grow. They are focussed on incubating start-ups and supporting STEM business development. As previously reported to Committee, both Parks operate at a profit. In addition, successfully supporting businesses has a number of positive economic benefits (as above).

2019-20 Budget proposals

Corporate Property Team - the content of paragraph 6.1 above should be noted in relation to new savings proposals.

Economic Development – a new saving proposal is proposed in Table 5 below.

Table 5: New 2019-20 Saving Proposals

Proposal Note: savings are shown as a negative figure	2019-20	2020-21	2021-22	2019-22 Total	Risk Assessment
	£m	£m	£m	£m	RAG
Economic Development – additional contribution from Scottow Enterprise Park	(0.200)	(0.000)	(0.000)	(0.200)	Green
Total new savings proposed	(0.200)	(0.000)	(0.000)	(0.200)	

- 6.2. As previously discussed at Committee, **Scottow Enterprise Park** remains part of the County Council, but is operated under business principles. Based on the current profit and loss account and forecasts, it is considered that the Park could deliver a £0.2m contribution to the County Council without any negative impact on operations at the Park. In particular, a contribution of this level would ensure that there continues to be sufficient budget/income available to fund site and building repairs and maintenance on what is a large and complex site, with some continuing legacy issues in terms of condition of buildings etc.
- 6.3. The Committee's discussions about proposed new savings will be reported to Policy and Resources Committee in October 2018 and used to inform development of the Council's 2019-20 Budget to enable an overall assessment of the budget position to be made.

2019-20 Budget proposals requiring consultation

- 6.4. It is considered that none of the savings proposals require consultation.

7. Budget Timetable

- 7.1. The Council's overarching budget setting-timetable for 2019-20 was agreed by County Council in February as part of the 2018-19 Budget. The timetable is updated as further information becomes available (for example about the timing of

Government announcements). The latest version of the timetable is set out in the table below.

Table 6: Budget setting timetable 2019-20 to 2021-22

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
Consultation on new planning proposals and council tax 2019-22	Late October to December 2018 / January 2019
Chancellor's Autumn Budget 2018	TBC November / December 2018
Provisional Local Government Finance Settlement	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
Confirmation of District Council tax base and Business Rate forecasts	31 January 2019
Final Local Government Finance Settlement	TBC February 2019
Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council	28 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

8. Financial implications

- 8.1. Potentially significant financial implications for the Committee's Budget are discussed throughout this report. Any implications of the Autumn Budget and the three changes expected to be implemented in 2020-21 will be reflected as far as possible in the Council's 2019-20 budget planning, and these impacts will need to be refined as further information is made available by Government.
- 8.2. 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 risk of failure to effectively plan how the Council will deliver services (RM006).

- 8.3. Risks relating to budget setting are also 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.

9. Issues, risks and innovation

- 9.1. Significant risks, assumptions, or implications have been set out throughout the report.
- 9.2. Equality issues were considered in the Equality Impact Assessment of 2018-19 budget proposals. Decisions about significant savings proposals with an impact on levels of service delivery will require public consultation. As in previous years, new 2019-22 saving proposals, and the Council's Budget as a whole, will be subject to equality and rural impact assessments later in the budget-setting process.

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 reports to Committees in September 2018

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings.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>

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