

# Environment, Transport and Development Committee

Item No.

<b>Report title:</b>	<b>Strategic and Financial Planning 2018-19 to 2021-22</b>
<b>Date of meeting:</b>	<b>15 September 2017</b>
<b>Responsible Chief Officer:</b>	<b>Tom McCabe – Executive Director, Community and Environmental Services</b>
<b>Strategic impact</b> This report provides an update on the Council's budget setting process, and summarises the Policy and Resources Committee's guidance to Service Committees on the actions required to enable the Council to set a balanced budget for 2018-19. It also provides the Committee with an update on the Council's overall forecast financial position and in particular sets out details of the forecast budget gap for 2018-19 to 2021-22, and the strategic and financial planning framework recommended by the Policy and Resources Committee.  It also confirms key themes to be taken into account in the development of the next iteration of the Council Plan and sets out an overview of the organisational response to financial pressures.	

## Executive summary

The report sets out Policy and Resources Committee's guidance to the Committee on the actions required to support preparation of a balanced budget for 2018-19. This includes an overview of the Council's budget planning process, the principles for this year's budget-setting activity, and the latest forecast gap for budget planning purposes for the period 2018-19 to 2021-22.

### Recommendations:

**The Committee is recommended to:**

- 1) Note the budget planning guidance for 2018-19 agreed by Policy and Resources Committee and in particular note:**
  - a. the budget assumptions set out in this report;**
  - b. the budget planning principles for 2018-19;**
  - c. the forecast budget gap of £100.000m reflected in the Council's latest financial planning;**
  - d. the allocation of saving targets for the MTFs period 2018-19 to 2021-22 to Departments and Committees, noting the existing savings for 2018-19 and beyond which were agreed as part of the 2017-18 budget round;**
- 2) Consider and agree the service-specific budgeting issues for 2018-19 as set out in section Error! Reference source not found.,**
- 3) Consider whether any planned 2018-19 savings could be implemented during 2017-18 to provide an in-year saving; and**
- 4) In order to help close the forecast 2018-19 budget gap (as defined in**

**recommendation** Error! Reference source not found., **commission officers to report to the October Committee cycle:**

- a. whether any savings identified for 2019-20 have the capacity to be brought forward to 2018-19;**
- b. to identify alternative new savings for 2018-19;**
- c. to identify further savings for the future years 2019-20 to 2021-22 to close the budget gap identified in those years.**

## **1. Introduction**

- 1.1. The County Council agreed the 2017-18 Budget and Medium Term Financial Strategy (MTFS) to 2019-20 at its meeting 20 February 2017. At this point, the MTFS identified a gap for budget planning purposes of £35.015m. 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. At its meeting 3 July 2017, Policy and Resources Committee therefore received a report “Strategic and Financial Planning 2018-19 to 2021-22” which updated Members on the Council’s financial position forecasting a gap of £100.000m for the period to 2021-22, and represented the beginning of Committees’ budget planning for 2018-19.
- 1.2. In 2018-19 the budget-setting process will also be closely aligned with development of the new Council Plan and associated corporate strategy work, to be completed in the autumn. Further details of this approach were set out in the report “Caring for your County” and also in the Strategic and Financial Planning report considered by Policy and Resources Committee in July.

### **2017-18 budget position**

- 1.3. The latest details of the 2017-18 budget position are set out in the budget monitoring report elsewhere on the agenda. The budget planning assumptions for 2018-19 set out later in this report include an assumption that the 2017-18 Budget is fully delivered (i.e. that all savings are achieved as planned and there are no significant overspends).

### **Use of reserves to support the budget in 2017-18**

- 1.4. The 2017-18 Budget included plans for available reserves totalling £5.813m to be identified during the process of closing the 2016-17 accounts. This work has now been completed with sufficient reserves to support the Budget having been successfully identified. As a result the potential mitigating actions anticipated at the time the Budget was set will not be required in this respect. Further details of the proposed reserves to be used were provided in the 2016-17 Finance Monitoring Report Outturn to Policy and Resources Committee.

## **2. 2018-19 Budget planning**

### **2017-20 Medium Term Financial Strategy**

- 2.1. The Medium Term Financial Strategy (MTFS) for 2017-20 agreed by Full Council in February set out a forecast gap for the years 2018-19 and 2019-20 of **£35.015m** and included planned net savings of **£72.737m**. The table below shows savings by Committee and the categorisation of these savings is shown in Appendix 1.

**Table 1: Agreed MTFS savings 2017-20 by Committee**

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult	-11.213	-18.716	-10.000	<b>-39.929</b>
Children's	-1.854	-0.859	-0.535	<b>-3.248</b>
Communities	-1.906	-0.102	0.000	<b>-2.008</b>
EDT	-6.020	-0.156	0.000	<b>-6.176</b>
Policy and Resources	-26.781	6.174	-0.769	<b>-21.376</b>
<b>Total</b>	<b>-47.774</b>	<b>-13.659</b>	<b>-11.304</b>	<b>-72.737</b>

- 2.2. The MTFS position represents the starting point for 2018-19 budget planning.

**Budget planning principles 2018-19**

- 2.3. Policy and Resources Committee have agreed the following key principles for budget planning in 2018-19:

- Budget planning will cover the four year period 2018-19 to 2021-22;
- Budget planning will have an emphasis equally on increasing income as much as reducing cost;
- Budget planning will seek the early identification, and Member agreement, of 2018-19 savings where possible (i.e. before February 2018), in order to facilitate implementation and delivery; and
- Savings targets will be profiled to require savings towards the beginning of the budget period in order to seek to ensure that no savings are necessary in the final year of the Medium Term Financial Strategy 2021-22.

- 2.4. The outline budget-setting timetable for 2018-19 is set out in Appendix 2 to this report.

**Latest forecast budget gap 2018-19**

- 2.5. As set out above, the budget gap identified in the MTFS at February 2017 was **£35.015m**. In spite of the four-year funding settlement from Government for the period 2016-17 to 2019-20, there is considerable uncertainty about future funding levels, in part as a result of the general election. Financial forecasts have now been extended to cover the four year budget period, although the levels of funding to be received in the final two years, 2020-21 and 2021-22, are unknown. There is currently particular uncertainty about the implementation of 100% rates localisation. **Based on previous indications from the government, this forecast assumes that Revenue Support Grant will substantially disappear in 2020-21. This equates to a pressure of around £36m, but significant uncertainty is attached to this and clearly the level of savings required in year three could be materially lower should this loss of**

## funding not take place.

- 2.6. With these caveats, the latest estimate of the budget gap for the four year planning period up to 2021-22 is **£100m**. The table below sets out the summary County Council forecast position. Further details of the budget planning changes as reported to Policy and Resources Committee are shown in Appendix 3.

**Table 2: Revised Norfolk County Council budget gap forecast**

	2018-19	2019-20	2020-21	2021-22	Total
	£m	£m	£m	£m	£m
<b>Gap as at MTFS February 2017</b>	<b>16.125</b>	<b>18.890</b>	<b>0.000</b>	<b>0.000</b>	<b>35.015</b>
New pressures	13.135	-6.897	20.773	21.366	<b>48.377</b>
Funding changes	-11.612	5.998	42.343	0.000	<b>36.729</b>
Savings changes	0.878	0.535	-10.000	0.000	<b>-8.587</b>
Council tax increase <i>(1.99% 2020-21, 0% 2021-22)</i>	0.000	0.000	-7.657	0.000	<b>-7.657</b>
Council tax base growth <i>(0.5%)</i>	0.000	0.000	-1.914	-1.962	<b>-3.877</b>
<b>Revised gap as at P&amp;R July 2017</b>	<b>18.526</b>	<b>18.526</b>	<b>43.544</b>	<b>19.404</b>	<b>100.000</b>
Reallocate year 4 saving to years 1-3 <i>(split 20/60/20)</i>	3.881	11.642	3.881	-19.404	<b>0.000</b>
<b>Total new savings to find <i>(in addition to savings in 2017-18 MTFS)</i></b>	<b>22.407</b>	<b>30.168</b>	<b>47.425</b>	<b>0.000</b>	<b>100.000</b>
<b>Note: Budget planning assumes:</b>					
<b>Forecast council tax</b>	<b>373.535</b>	<b>382.873</b>	<b>392.445</b>	<b>394.407</b>	<b>n/a</b>
Forecast increase in council tax in budget planning <i>(including ASC precept, council tax increase and council tax base growth)</i>	14.723	9.338	9.572	1.962	35.595
Council tax increase	1.9%	2.0%	2.0%	0.0%	
Adult Social Care precept increase	3.0%	-	-	-	

## **Budget assumptions 2018-19**

- 2.7. The 2018-22 MTFS **forecast position assumes:**

- 2017-18 Budget and savings delivered in line with current plans (no overspend);
- Use of additional Adult Social Care funding during 2017-18 and future years as agreed by Adult Social Care Committee 10 July 2017;
- Substantial loss of RSG will occur in 2020-21;
- Council tax increases are agreed (subject to annual decision by Full Council) as shown in the table above for 2018-19 to 2020-21 (including Adult Social Care precept in 2018-19) with no increase in council tax in 2021-22; and

- Moderate council tax base growth over the period of the MTFS.

2.8. Uncertainties remain about a number of items which **have not been reflected** in the budget planning assumptions, but which could potentially result in an increase in the overall gap. Risks include:

- Implications of work on the National Pay Spine resulting from the National Living Wage (potentially costing 6-7% over three years) this could result in an additional 1% pay pressure each year, as 1% is already included within the MTFS; and
- The potential for transfer of the Fire and Rescue Service to the Police and Crime Commissioner.

2.9. This budget position and the associated assumptions will be kept under continuous review, and 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. Reports on the latest financial planning position will be presented to Policy and Resources Committee up until budget-setting by County Council in February.

### **Allocation of savings required**

2.10. The following table sets out indicative savings by department (excluding Schools and Public Health) as approved by Policy and Resources Committee. Savings have been based on allocating the budget gap with reference to the planned departmental net budgets for 2018-19. Recognising that Adult Social Care is delivering a significant proportion of the savings planned in the 2017-20 MTFS (see Table 1), and further savings enabled by the additional funding reflected in the budget planning gap, the indicative savings do not include a further apportionment to Adult Social Care for 2018-19. Adults do however receive a share of the year 4 (2021-22) saving to be achieved.

**Table 3: Allocation of 2018-19 savings required by Department<sup>1</sup>**

Allocation of savings by Department excluding Schools and Public Health	Net previously agreed savings 2018-19	Share of new savings 2018-19	Share of year 4 savings 2021-22	Total new savings to find	New savings and proposed changes to agreed savings identified in budget planning	Total net savings to deliver 2018-19
	<b>a</b>	<b>b</b>	<b>c</b>	<b>(b+c)</b>	<b>d</b>	<b>(a+b+c+d)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Social Care	-18.716	0.000	-1.477	-1.477	0.250	<b>-19.943</b>
Children's Services (Non Schools)	-0.859	-6.314	-0.819	-7.134	0.450	<b>-7.543</b>
Community and Environmental Services	-0.178	-8.373	-1.087	-9.460	0.000	<b>-9.638</b>
Managing Director's Department	-1.016	-0.339	-0.044	-0.383	0.300	<b>-1.099</b>
Finance and Commercial Services	-3.489	-0.991	-0.129	-1.119	0.000	<b>-4.608</b>
Finance General <sup>2</sup>	10.599	-2.509	-0.326	-2.835	-0.122	<b>7.642</b>
<b>Total</b>	<b>-13.659</b>	<b>-18.526</b>	<b>-3.881</b>	<b>-22.407</b>	<b>0.878</b>	<b>-35.188</b>

**Table 4: Allocation of new MTFs 2018-22 savings required by Department**

Allocation of new 2018-22 MTFs savings by Department excluding Schools and Public Health	2018-19	2019-20	2020-21	2021-22	Total
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Social Care	-1.477	-11.480	-18.047	0.000	<b>-31.004</b>
Children's Services (Non Schools)	-7.134	-6.369	-10.013	0.000	<b>-23.516</b>
CES	-9.460	-8.447	-13.279	0.000	<b>-31.185</b>
Managing Director's Department	-0.383	-0.342	-0.537	0.000	<b>-1.261</b>
Finance and Commercial Services	-1.119	-0.999	-1.571	0.000	<b>-3.689</b>
Finance General	-2.835	-2.531	-3.979	0.000	<b>-9.345</b>
<b>Total</b>	<b>-22.407</b>	<b>-30.168</b>	<b>-47.425</b>	<b>0.000</b>	<b>-100.000</b>

2.11. The County Council has approved the establishment of two new Committees, the Business and Property Committee, and the Digital Innovation and Efficiency Committee. Taking account of the budgets relating to these Committees, the allocation of savings by Committee is shown below.

<sup>1</sup> Savings are currently shown allocated by Department. However, work will be undertaken over the summer in conjunction with Chief Officers to determine the apportionment of savings to Service Committees following confirmation of the Committee structure and agreement of budgets which are the responsibility of the Business and Property Committee.

<sup>2</sup> The net position of Finance General and CES savings reflects the reversal of a number of one-off savings from 2017-18. Further details can be seen in the 2017-18 Budget Book.

**Table 5 Allocation of new MTFs 2018-22 savings required by Committee**

<b>Allocation of new 2018-22 MTFs savings by Department excluding Schools and Public Health</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Social Care	-1.477	-11.480	-18.047	0.000	<b>-31.004</b>
Children's Services	-7.134	-6.369	-10.013	0.000	<b>-23.516</b>
Communities	-2.460	-2.196	-3.453	0.000	<b>-8.109</b>
Environment, Development and Transport	-6.637	-5.926	-9.316	0.000	<b>-21.879</b>
Policy and Resources	-3.553	-3.172	-4.987	0.000	<b>-11.712</b>
Business and Property	-0.389	-0.348	-0.545	0.000	<b>-1.282</b>
Digital Innovation and Efficiency	-0.757	-0.677	-1.064	0.000	<b>-2.498</b>
<b>Total</b>	<b>-22.407</b>	<b>-30.168</b>	<b>-47.425</b>	<b>0.000</b>	<b>-100.000</b>

### **3. Committee response**

- 3.1. The Council is responding to the financial challenges through a number of strategic initiatives focused on demand management, prevention and early help, and a locality focus to service provision.

Work in the Community and Environmental Services Department has focussed in two main strands. The first is driving savings through business as usual activity. This includes a continued focus on good management, taking forward the digital transformation agenda for NCC to drive efficiency savings, seeking opportunities to increase income, accessing funding from alternative sources and making other back-office changes.

- 3.2. The second strand of work focuses on implementing a new working model across CES services, and introducing new ways of working. CES have also sought to develop opportunities to commercialise services; this has included securing new management arrangements for the Scottow Enterprise Park which has facilitated an increased return on the Council's investment. The locality focus has increased, with more staff based in and working out and about in local communities. Future work-streams include further commercialisation of services, enabling greater focus to front-line service delivery in localities whilst also rationalising our property holdings, and building more effective relationships with partners and the voluntary sector.

#### **Service specific budgeting issues for 2018-19**

- 3.3. There are a number of service specific issues which budget savings proposals are being developed within the context of:-

- Weather/environment - a number of services have risks directly related to the weather/environment. For example, the amount of spend on winter maintenance depends on how hard the winter season is and for how long, waste volumes increase during long periods of good weather (green waste like grass cuttings), flooding events impact local communities and the condition of the highway.
- Waste volumes – there continues to be an increase in the volumes of residual waste to be disposed of.

- Concessionary fares - there continues to be a shortfall in the funding from Government. Another 3 year deal has been successfully negotiated with bus operators to mitigate this.

### **Potential to bring forward 2018/19 savings for early delivery**

- 3.4. The three year programme of savings agreed by Members in the last budget round is set out in Appendix 4. Officers have reviewed the current agreed savings and, from an operational perspective, no suitable savings have been identified for early delivery. However, it should be noted that:-
- Part of the strategy in the previous budget round was to deliver savings as early as possible, and the savings proposed were 'front loaded' for delivery in 2017/18 as far as possible (as can be seen in the profile at Appendix 4).
  - Members already previously agreed to bring forward £0.150m of a total £2.000m saving for waste (Ref EDT032) to be delivered early in 2017/18. In addition, a £1.500m one-off saving through capitalisation of highways maintenance activities has been delivered in 2017/18.

### **Initial thinking on new budget saving proposals**

- 3.5. Work is underway to develop a full set of budget proposals for Members to consider at the next meeting in October. This work includes consideration of:-
- Opportunities for new sources of income, maximising current income streams and commercialisation of services. (Note that a paper on commercialisation options for the highways service will be brought to the Committee for discussion in October.)
  - Making further back office efficiencies e.g. through better use of our ICT systems and changing some processes.
  - Changing the way that some activities funded, in particular considering whether elements can be capitalised to enable a revenue saving.
  - Reductions in staffing levels – there has been a recruitment restriction in place in the Department for some time and, with natural turnover, this helps to provide opportunities to change our approach e.g. by combining or reducing roles.
  - Opportunities for invest to save – this includes further roll-out of LED street lighting.
  - Given the size of the budget savings target, consideration is also being given to the level and standard of service delivery for all services, in the context of ensuring that we have the capacity needed to deliver our statutory responsibilities and Members key priorities. For example, we have a lead role in developing and securing funding for major infrastructure projects for the county, and we need to ensure that we can continue to access sufficient strategic capacity to do this.

## **4. Financial implications**

- 4.1. Financial implications for the Committee's Budget are set out throughout this report.

## **5. Issues, risks and innovation**

- 5.1. Significant risks or implications have been set out throughout the report. 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).

- 5.2. Decisions about significant savings proposals with an impact on levels of service delivery will require public consultation. As in previous years, 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.
- 5.3. Income generation - as we continue to maximise and increase reliance on generation of income, from various sources, and become more reliant on market factors, we increase our risk.
- 5.4. External funding – there are a number of projects and services being fully or partly funded by external funding, for example grants from other organisations and successful funding bids. Many of these include an element of match funding or similar expectations about the County Council's input. Reductions in revenue funding could impact on our ability to do this and we could risk losing funding or our ability to successfully bid for funding in the future.
- 5.5. Staffing - it will not be possible to deliver the level of savings required without some changes and reductions in staffing levels. The CES Department has already made a number of changes/reductions to staff in recent years, including reducing the number of managers in the department, but further reductions will be needed. Although we will take steps to minimise the impact of any changes as far as possible, including by introducing new ways of working, there is a risk that a reduced workforce will directly impact on the level of service we are able to deliver.

## **6. Background papers**

- 6.1. Background papers relevant to the preparation of this report are set out below.

Norfolk County Council Revenue and Capital Budget 2017-20, County Council, 20 February 2017, Item 4:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/444/Committee/2/SelectedTab/Documents/Default.aspx>

Norfolk County Council Budget Book 2017-20, May 2017:

<https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/the-2017-2020-budget-book.pdf?la=en>

Caring for your County, Policy and Resources Committee, 3 July 2017, Item 7:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1359/Committee/21/Default.aspx>

Strategic and Financial Planning 2018-19 to 2021-22, Policy and Resources Committee, 3 July 2017, Item 9:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1359/Committee/21/Default.aspx>

Finance Monitoring Report Outturn, Policy and Resources Committee, 3 July 2017, Item 11:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1359/Committee/21/Default.aspx>

Additional Social Care Funding, Adult Social Care Committee, 10 July 2017,  
Item TBC:

<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1377/Committee/10/SelectedTab/Documents/Default.aspx>

## **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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### Categorisation of previously agreed MTFs savings 2017-20

Categorisation of saving	2017-18	2018-19	2019-20	2017-20
	£m	£m	£m	£m
<b>A) Cutting costs through efficiencies</b>	<b>-32.813</b>	<b>8.967</b>	<b>-0.245</b>	<b>-24.091</b>
(i) Efficiency savings	-32.531	9.589	-0.245	-23.187
(ii) Reducing service standards	-0.282	-0.622	0.000	-0.904
<b>B) Better value for money through procurement and contract management</b>	<b>-1.161</b>	<b>-1.044</b>	<b>0.000</b>	<b>-2.205</b>
(i) Efficiency savings	-1.161	-1.044	0.000	-2.205
<b>C) Service Redesign: Early help and prevention, working locally</b>	<b>-8.978</b>	<b>-18.411</b>	<b>-10.000</b>	<b>-37.389</b>
(i) Efficiency savings	-0.458	-0.950	-0.500	-1.908
(ii) Reducing service standards	-1.170	-7.199	-0.800	-9.169
(iii) Ceasing a service	-0.350	0.000	0.000	-0.350
(iv) Providing statutory services differently	-7.000	-10.262	-8.700	-25.962
<b>D) Raising Revenue; commercial activities</b>	<b>-3.059</b>	<b>-1.561</b>	<b>0.000</b>	<b>-4.620</b>
(i) Efficiency savings	-3.049	-1.561	0.000	-4.610
(ii) Reducing service standards	-0.010	0.000	0.000	-0.010
<b>E) Maximising property and other assets</b>	<b>-1.763</b>	<b>-1.610</b>	<b>-1.059</b>	<b>-4.432</b>
(i) Efficiency savings	-1.763	-1.610	-1.059	-4.432
<b>Total</b>	<b>-47.774</b>	<b>-13.659</b>	<b>-11.304</b>	<b>-72.737</b>

Further details of savings by Department can be found in the 2017-18 Budget Book.

## 2018-19 Budget Timetable

Activity/Milestone	Time frame
County Council agree recommendations for 2017-20 including that further plans to meet the shortfall for 2018-19 to 2019-20 are brought back to Members during 2017-18	20 February 2017
Spring Budget 2017 announced	8 March 2017
Consider implications of service and financial guidance and context, and review / develop service planning options for 2018-20	March – June 2017
Executive Director of Finance and Commercial Services to commission review of 2016-17 outturn and 2017-18 Period 2 monitoring to identify funding from earmarked reserves to support Children's Services budget.	June 2017
Member review of the latest financial position on the financial planning for 2018-20 (Policy and Resources Committee)	July 2017
Member review of budget planning position including early savings proposals	September – October 2017
Consultation on new planning proposals and Council Tax 2018-21	October to December 2017 / January 2018
Service reporting to Members of service and budget planning – review of progress against three year plan and planning options	November 2017
Chancellor's Autumn Budget 2017	TBC November / December 2017
Provisional Local Government Finance Settlement	TBC December 2017
Service reporting to Members of service and financial planning and consultation feedback	January 2018
Committees agree revenue budget and capital programme recommendations to Policy and Resources Committee	Late January 2018
Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council	29 January 2018
Confirmation from Districts of council tax base and Business Rate forecasts	31 January 2018
Final Local Government Finance Settlement	TBC February 2018
County Council agree Medium Term Financial Strategy 2018-19 to 2020-21, revenue budget, capital programme and level of Council Tax for 2018-19	12 February 2018

## 2018-19 to 2021-22 Forecast Budget gap

	2018-19	2019-20	2020-21	2021-22	Total
	£m	£m	£m	£m	£m
<b>MTFS gap as at February 2017</b>	<b>16.125</b>	<b>18.890</b>	<b>0.000</b>	<b>0.000</b>	<b>35.015</b>
<b><u>New pressures</u></b>					
Additional expenditure funded from ASC allocations announced in Spring 2017 budget	15.841	-3.733	-0.665		11.443
Pressure from ending of Section 75 protection of social care funding agreement		5.100			5.100
ASC demand and demographic growth – future years			6.100	6.100	12.200
Other pressures within Adult Social Care	0.288				0.288
Remove unspecified iBCF pressures from 2017-20 Budget round	-13.943	-12.544			-26.487
Remove 2017-18 growth for ASC 2016-17 overspend lower than forecast	-1.000				-1.000
Children's: New funding School Improvement (Monitoring and Brokering) which may come with additional responsibilities	0.635				0.635
Add back 2017-18 growth in Children's Services as ongoing pressure	9.000				9.000
Assumed waste pressures (based on average annual increase)	1.700	1.700	1.700	1.700	6.800
Coroners – additional ongoing cost for storage of bodies. (Note: may be potential to offset in future through capitalisation – i.e. construction of an NCC facility)	0.080	0.080	0.080	0.080	0.320
CRC - increased price per tonne (£16.60 to £17.20)	0.045				0.045
National Living Wage pressure for NCC staff (based on £0.15 increments)	0.026	0.121	0.271		0.418
NCC Pensions valuation 31 March 2019 for 2020-21 to 2022-23 (estimate)			1.067	1.152	2.219
Other Pensions valuation 31 March 2019 for 2020-21 to 2022-23			0.933	0.848	1.781
Environment Agency Levy pressure for annual increases experienced	0.050	0.050	0.050	0.050	0.200
IR35 Personal Service Companies additional employer's national insurance liability (estimate)	0.138				0.138
Reduced cost of borrowing - defer borrowing to 2019-20	-0.630	2.329			1.699
Inflation – higher than forecast at 2017-20 MTFS and addition of future years	0.905	0.000	11.237	11.436	23.578
<b>Total new pressures</b>	<b>13.135</b>	<b>-6.897</b>	<b>20.773</b>	<b>21.366</b>	<b>48.377</b>
<b><u>Funding changes</u></b>					

	2018-19	2019-20	2020-21	2021-22	Total
	£m	£m	£m	£m	£m
War veterans (assumed recurring)	-0.287				-0.287
Additional ASC allocations announced in Spring 2017 budget	-11.901	-5.903			-17.804
Reversal of additional ASC allocations announced in Spring 2017 budget		11.901	5.903		17.804
Children's: Troubled Families Grant less than expected	0.576				0.576
Risk of loss of Revenue Support Grant following implementation of 100% BRRS - probably addressed through increased retention of business rates (though additional responsibilities may be also given). Significant uncertainty around implementation.			36.440		36.440
<b>Total new funding changes</b>	<b>-11.612</b>	<b>5.998</b>	<b>42.343</b>	<b>0.000</b>	<b>36.729</b>
<b>Revised gap / (surplus)</b>	<b>17.648</b>	<b>17.991</b>	<b>63.116</b>	<b>21.366</b>	<b>120.121</b>
<b><u>Potential changes to agreed savings</u></b>					
Removal of saving ASC021 (Information Advice and Guidance)	0.250				0.250
Removal of saving CHL017 (Reducing number of social workers)	0.450	0.535			0.985
Adjustment for duplicated savings not achievable	0.300				0.300
Additional saving from reduction in Second Homes repayment to Districts to 12.5% (saving value updated for latest forecasts)	-0.122				-0.122
<b>Total potential saving changes</b>	<b>0.878</b>	<b>0.535</b>	<b>0.000</b>	<b>0.000</b>	<b>1.413</b>
<b>Revised gap including changes to agreed savings</b>	<b>18.526</b>	<b>18.526</b>	<b>63.116</b>	<b>21.366</b>	<b>121.534</b>
<b><u>New savings identified</u></b>					
Add in ASC saving (ASC006) re-profiled from 2018-19 to 2020-21 in MTFs February 2017			-10.000		-10.000
<b>Revised gap including new savings identified</b>	<b>18.526</b>	<b>18.526</b>	<b>53.116</b>	<b>21.366</b>	<b>111.534</b>
Council tax increase (1.99% 2020-21, 0% 2021-22)			-7.657	0.000	-7.657
Council tax base increase (0.5%)			-1.914	-1.962	-3.877
<b>Final revised gap as at July 2017</b>	<b>18.526</b>	<b>18.526</b>	<b>43.544</b>	<b>19.404</b>	<b>100.000</b>
Reallocate year 4 saving to years 1-3	<b>3.881</b>	<b>11.642</b>	<b>3.881</b>	<b>-19.404</b>	<b>0.000</b>

	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Total savings to find (in addition to savings in 2017-18 MTFS)</b>	<b>22.407</b>	<b>30.168</b>	<b>47.425</b>	<b>0.000</b>	<b>100.000</b>

**Budget savings previously agreed by Members (2017-20 budget round)**

<b>Saving reference</b>	<b>Saving</b>	<b>2017-18 £m</b>	<b>2018-19 £m</b>	<b>2019-20 £m</b>
	<b>A - Cutting costs through efficiencies</b>			
EDT028	Intelligent transport systems - put new technology and models in place for delivery of the intelligent transport systems approaching the end of their economic life, including replacing rising bollard technologies at bus gates with camera enforcement and co-locating the control room with another public service provider	-0.383	-0.085	
EDT032	Waste strategy - implementing a new waste strategy focussed on waste reduction and minimisation with a target to reduce the residual waste each household produces by at least one kilogram per week	-0.150	-1.850	
EDT037	Vacancy management and deletion of vacant posts	-0.488		
EDT038	Further reductions in back office spend	-0.148		
EDT042	Rationalise our highway depot provision and change inspection frequency for main roads	-0.473		
EDT044	Further capitalisation of highways maintenance activities to release a revenue saving	-1.000		
EDT045	One off saving - Further capitalisation of highways maintenance activities in 2016-17, to release a revenue saving to carry forward to 2017-18	-1.500	1.500	
EDT043	Implement new national guidance for winter maintenance	-0.100		
EDT048	Use of Better Broadband Reserves	-0.500	0.500	
	<b>B - Better value for money through procurement and contract management</b>			
EDT040	Waste – efficiency savings through robust management of costs through open-book accounting	-0.080	0.030	
	<b>C - Service Redesign: Early help and prevention, working locally</b>			



EDT027	Environment service - redesign the environment service so that it operates at 75% of current budget and increases use of volunteers and interns		-0.200	
EDT036	Service re-design - introduce a locality based structure for the Community and Environmental Services directorate	-1.038		
	<b>D - Raising Revenue; commercial activities</b>			
EDT019	Economic development sector grants funding – Cease the direct funding to support economic development projects, and work with others to identify alternative ways to secure funding	-0.050		
EDT020	Economic development match funding – cease providing match funding to Hethel Innovation for European funding bids and seek alternative match funding opportunities		-0.051	
EDT039	Reduction in Economic Development project fund	-0.010		
EDT047	Additional income generation Scottow Enterprise Park	-0.100		
	<b>Environment, Development and Transport net total</b>	<b>-6.020</b>	<b>-0.156</b>	<b>0.000</b>