

# Council

Date: **Monday 21<sup>st</sup> July 2014**

Time: **10:00am**

Venue: **Council Chamber, County Hall, Norwich**

## Supplementary Agenda

### 5. Reports of Service Committees

**Adult Social Care** (Page A3)  
Meeting held on 7 July 2014

**Children's Services** (Page A5)  
Meeting held on 15 July 2014

**Communities** (Page A8)  
Meeting held on 9 July 2014

**Environment, Development and Transport** (Page A10)  
Meeting held on 8 July 2014

**Policy and Resources** (Page A14)  
Meeting held on 14 July 2014

**For further details and general enquiries about this Agenda  
please contact:**

Greg Insull on 01603 223100  
or email [greg.insull@norfolk.gov.uk](mailto:greg.insull@norfolk.gov.uk)

**Chris Walton**  
**Head of Democratic Services**

County Hall  
Martineau Lane  
Norwich  
NR1 2DH

Date Agenda Published: 17<sup>th</sup> July 2014



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**Report of the Adult Social Care Committee Meeting  
held on 7 July 2014**

**1. Update from Members of the Committee regarding any internal and external bodies that they sit on**

The Vice Chair reported that she had attended a meeting of the Norfolk Older People's Strategic Board.

The Chair reported that she had attended a Care Act round-table discussion organised by Age UK Norfolk. She also attended the Dementia Friendly Community launch in Diss, and a meeting of the Mental Health Trust Board of Directors.

**2. Adult Social Care Finance Monitoring Report Outturn 2013-14 and Period 2 (May) 2014-15**

The Committee received a report from the Director of Community Services which provided the Committee with information on the year-end financial position for the service for 2013-14 and the first financial monitoring information for the new financial year. The Committee agreed that the budget line shown for Community Safety would be moved to the Communities Committee.

The Committee **NOTED**:

1. The 2013-14 revenue outturn position of a £1.5M overspend.
2. The forecast revenue outturn position for 2014-15 as at Period 2 of a balanced budget and forecast use of £3.656M from the Adult Social Care Legal Liabilities Reserve.
3. The forecast capital outturn position for the 2014-15 capital programme.
4. The current forecast for use of reserves.

A motion that any additional money coming to Adult Social Care from any source should be allocated to prevention services was deferred to the next meeting.

**3. Performance Monitoring Report**

The Committee received a report from the Director of Community Services. The report provided performance monitoring and management information to enable the Committee to undertake their key responsibilities, informing Committee Plans and providing contextual information to many of the decisions that were taken.

Members requested that future reports contained the following information:

- Risks and emerging risks, with unscheduled reports where these were causing concern.
- The number of people surveyed for satisfaction, to provide context to the figures.
- A fuller explanation of the figures and indicators.
- An indicator around reablement services.
- An indicator around Personal Budgets for carers.

The Committee **RESOLVED**:

1. To receive the requested information set out above.
2. To agree the specific priorities and areas of performance to be presented at future Committee meetings.
3. To agree the principles for performance management and monitoring arrangements.
4. To agree a quarterly schedule for receiving performance reports, except where risks and emerging risks were a cause for concern.
5. To agree to receive any updated data at the beginning of each regular performance discussion.

**4. Budget Planning 2015-18**

The Committee received a report from the Head of Finance. The report set out the proposed framework and timetable for the work to February 2015 to deliver the County Council's revenue and capital budgets. The Chair noted that there was a potential gap in funding if the Better Care Fund was not delivered in the anticipated timescales.

The Committee **RESOLVED**:

1. To note the report.

Sue Whitaker  
Chair of Adult Social Care Committee

**Report of the Children's Services Committee Meeting  
held on 15 July**

**1 Children's Services Integrated performance and Finance Monitoring Draft report for 2013-14.**

1.1 The Committee received the report by the Interim Director of Children's Services providing an update on performance and finance monitoring information for the 2013-14 financial year. The report set out evidence of improvements and trends for a range of measures and indicators within children's social care services and support for school improvement.

1.2 The Committee **RESOLVED** to:-

- Agree the format for the dashboard of indicators that would demonstrate Children's Social Care performance trends over time.
- Agree that there would be 'deep dive activity' on indicators of concern linked closely to scrutiny activity.

**Note:**

- The predicted improvement in outcomes in early years (predicted to exceed the target).
- The predicted improvement in outcomes at KS2 (predicted to exceed the target).
- The predicted improvement at KS4 which indicates we are on track to achieve the 2014 target (within tolerances).
- Ofsted ratings showing 70% of Norfolk schools overall are good or better.
- Significant improvement especially for children eligible for free schools meals and girls performance.
- Progress made in delivery of the Early Help Improvement Plan.
- The financial pressures from the delay in delivery of the proposed looked after children savings.
- The financial pressures on the special educational needs transport budget and the historic trend within the dedicated schools grant related to special educational needs.

**2 Budget 2015-18 – developing our approach**

2.1 The Committee received the report by the Interim Head of Finance setting out the

proposed framework and timetable for the work between now and February to deliver the County Council's Revenue and Capital budgets.

2.2 The Committee **RESOLVED** to agree:

- The timetable for budget production.
- The scope of consultation required with residents in respect of 15/16 proposals.
- The detail of what further work they wished to undertake to inform their thinking for the 2016/18 Forward Plan.

### **3 Update on Pathway Planning for Care Leavers**

3.1 The Committee received the report by the Interim Director of Children's Services highlighting the progress to date against the action plan approved at the April Children's services Overview and Scrutiny Panel.

3.2 The Committee **RESOLVED** to note the progress to date.

### **4 Norfolk's Sustainable School Travel Strategy**

4.1 The Committee received the report by the Interim Director of Children's Services setting out the strategy and approach to school transport and how we would encourage more children to travel sustainable to and from school. The report was for information only as EDT Committee were the determining committee.

4.2 The Committee **RESOLVED** to endorse Sustainable School Travel Strategy.

### **5 Process for proposing and deciding significant changes to School Organisation**

5.1 The Committee received the report by the Interim Director of Children's Services suggesting a process for consulting on, proposing and determining decisions regarding major changes in school organisation. The process would include delegation to the Director of Children's Services responsibility for proposing and determining changes with the necessary varying degrees of support from the Committee Chairman, the Vice-Chairman and Members. In any proposal regarding closure, committee discussion would form part of the consultation programme unless specifically waived by Committee Group Spokespersons.

5.2 The Committee **RESOLVED** to agree the process for fulfilling the Local Authority role as Proposer and Decision-maker on School Organisation Changes.

### **6 Children's Services Committee Plan**

6.1 The Committee received the report by the Interim Director of Children's Services presenting the Children's Services Committee Plan. The Plan drew together the core information that Members required to inform decision-making on children's services in Norfolk, such as the Committee's focus, overview of services, current

departmental priorities, details of key plans and strategies driving the Committee's work, risks challenges, anticipated business and overview of performance.

6.2 The Committee **RESOLVED** to:-

- Feed comments through the Director of Children's Services and the Chairman as to the information they would like to be included in the Committee Plan.
- Note that at the end of each financial year, the Chair, on behalf of the Committee, would provide an overview of the Committee's progress in achieving key priorities for children's services in Norfolk. This information will assist the Policy and Resources Committee to monitor overall progress against the Council's key priorities and targets for children's services in Norfolk.

**7 Task & Finish Groups**

The Committee agreed to discuss the following three priority topics at the next Group Spokespersons meeting with a view to setting up Task and Finish Groups.

- 1 Budget
- 2 Educational outcomes, especially around the variations in the districts.
- 3 Children's Centres

**James Joyce**  
**CHAIRMAN**

**Report of the Communities Committee Meeting  
held on 9 July 2014**

**1. Items of Urgent Business**

- 1.1 The Chairman agreed to accept an item of urgent business regarding the planned eight day industrial action by the Fire Brigade Union. Ms Corlett proposed a motion that the Committee should write to Brandon Lewis MP to ask to resume discussions with the Fire Brigade Unions. The motion was seconded by Mr Collis and a recorded vote took place with a result of 10-6 for with one abstention. The motion was carried.

**2. Performance Monitoring Report**

- 2.1 The Committee received the report by Head of Business Intelligence and Performance Service and Corporate Planning and Partnerships Service (item 6) which reviewed the end of year performance results and some more recent results for those services covered by the Communities Committee. It proposed an approach for regular performance monitoring at the Committee in the future.

**2.2 RESOLVED;**

- To review the performance information
- To agree specific priorities or areas of performance that should be included in the Committee dashboard, to be presented at the next meeting or thereafter.
- To agree a quarterly schedule for receiving performance reports.
- To agree to receive any updated relevant and valid data at the beginning of each regular performance discussion.

**3. Communities Committee Finance Monitoring Report Outturn 2013-14 and Period 2 2014-15.**

- 3.1 The Committee received the report which provided information on the outturn financial position of the service for 2013-14 and the first financial monitoring information for the new financial year. It provided information on variances from the original budget, emerging issues and the position on the expected use of reserves for Communities purposes.

**3.2 RESOLVED**

- To note the 2013-14 revenue outturn position of a £0.599m under spend.
- To note the forecast revenue outturn position for 2014-15 as at Period 2 of a balanced budget.
- To note the forecast capital outturn position for 2014/15 capital programme.
- To note the current forecast for use of reserves.



#### **4. Budget Planning 2015-18**

- 4.1 The Committee received the report from the Interim Head of Finance which set out the proposed framework and timetable for the work between now and February 2015 to deliver the County Council's Revenue and Capital budgets, as set out in the report.

4.2 **RESOLVED**

- To note the approaches for assembling the budget for 2015/16
- To agree the timetable for budget production
- To consider the scope of consultation required with residents in respect of 15/16 proposals
- To consider further work they wished to undertake to inform their thinking for the 2016/18 Forward Plan.

#### **5. Customer Service Progress Report**

- 5.1 The Committee received the report from the Head of Communications and Customer Service. The report highlighted the efficiency agenda, evolving customer needs and new opportunities through DNA which has highlighted the need to review and refocus the current Customer Service Strategy. The report showed the progress and plans for developing the next iteration (2015-2020) strategy.

5.2 **RESOLVED**

- To note the progress reported and agreed that the mechanisms for member involvement in the development of the 2014-2020 Customer Service strategy would be through party Spokespersons meetings.

#### **6. Report on the Storm Surge of December 2013 and Flood and Water Management Arrangements**

- 6.1 The Committee received the report from the Interim Director of Environment, Development and Transport which reported on the storm surge of December 2013 and the flood and water arrangements that had been put in place.

6.2 **RESOLVED**

- To endorse the report of the December 2013 Tidal Surge
- To note the approach to integrated risk management of flood and water management.
- To note the proposed principles, rules and timescales for administering the Coastal Fund.
- To ask the Interim Director of Environment, Development and Transport to identify which Committee should lead on the Coastal Erosion Fund as the EDT Committee would be administering the fund. However the fund was flooding resilience which was the responsibility of the Communities Committee.

Paul Smyth  
Chairman of Communities Committee

## Report of the Environment, Development and Transport Committee Meeting held on 8 July 2014

### 1. Items of Urgent Business

- 1.1 The Committee **RESOLVED** that Mr Richmond would join the Fracking Group as a voting Member.

### 2. Integrated Waste Policy Development

- 2.1 The Committee received the report by the Interim Director of ETD (item 6) which proposed a Member led process between the County Council and the Norfolk Waste Partnership to develop an integrated waste policy.

- 2.2 The Committee **RESOLVED** that:-

- A cross party Waste Advisory Group be established, which would be chaired by the Chair of the EDT Committee and would include an elected representative of the Norfolk Waste Partnership (Cllr Long) and officer support including a Chief Executive nominated by the Norfolk Chief Executives Group and the Managing Director of Norse. The Waste Advisory Group would comprise of councillors White, Clancy, East, Bremner, Boswell, Kemp, and the Chair and vice-Chair of the Committee.
- The Waste Advisory Group would make recommendations to Committee and Full Council as required. The Waste Advisory Group would invite a range of experts to contribute and provide information to the Group.

### 3. Finance Monitoring Report

- 3.1 The Committee received the report by the Interim Director of Environment, Development and Transport (item 7), which provided information on the outturn financial position of the service for 2013-14 and the first financial information for the new financial year.

- 3.2 The Committee **RESOLVED** to note the budget.

### 4. Performance Monitoring Report

- 4.1 The Committee received the report by the Head of Business Intelligence and Performance Service and Corporate Planning and Partnership Service. The report provided performance monitoring and management information in order to help the Committee undertake their key responsibilities.

- 4.2 The Committee **RESOLVED** that:-

- The performance information be noted
- Future performance reporting arrangements for the Committee should include the following areas of priority:

- Where insurance claims had been made against the County Council for accidents caused by road condition, exact figures would be provided to the Committee.
- The Norfolk Road Casualty Reduction Group would be invited to partake in a future meeting to discuss the number of Killed and Seriously Injured (KSI) people on Norfolk roads.. Alternatively detailed information would be incorporated into the next performance monitoring report on the number of KSI.

## **5. Budget Planning 2015-18**

5.1 The Committee received the report (item 9) by the Interim Director of Environment, Transport and Development, which set out the proposed framework and timetable for the work needed until February 2015 to deliver the County Council's revenue and capital budget 2015-16.

5.2 The Committee **RESOLVED** that:-

- The budget for 2-15/16 be noted.
- The timetable for budget production be noted.
- The scope of consultation required with residents in respect of 2015/16 proposals be agreed.
- The following be added to the 2016/18 forward plan:
  - De-cluttering old road signs from the highways.

## **6 Improving Broadband in Norfolk**

6.1 The Committee received the report (item 10) by the Interim Director of Environment, Transport and Development, which described the procurement process that the County Council would take in order to deliver the Superfast Expansion Programme.

6.2 The Committee **RESOLVED** that:-

- The procurement approach be agreed.
- Delegated authority be given to the Director of Environment, Transport and Development in consultation with the Head of Legal Services and the Chairman of the EDT Committee to enter into a further call off contract from the BDUK Broadband Framework Contract.

## **7 Report on the Storm Surge of December 2013 and Flood and Water Management Arrangements**

7.1 The Committee received the report (item 11) by the Interim Director of Environment, Transport and Development, which reviewed the December 2013 flood event in order to improve flood and water management procedures.

7.2 The Committee **RESOLVED** that:-

- The approach to integrated risk management of flood and water management be agreed and that flood sirens would not be considered as part of this.

- The proposed principles, rules and timescales for administering the Coastal Fund be approved, and that the fund be administered by councillors Castle, Childs, Strong, Bird, Long and Iles.
- The report of the December 2013 tidal surge event be noted.

## **8 Norwich Northern Distributor Road: Statement of Common Ground**

- 8.1 The Committee received the report (item 12) by the Interim Director of Environment, Transport and Development, which considered the framework of the Statement of Common Ground.
- 8.2 The Committee **RESOLVED** that:-
- The framework for the Statement of Common Ground be agreed.
  - Delegated authority be given to the Assistant Director – Environment and Public Protection, in consultation with the Chairman of the EDT Service Committee, to prepare, finalise and submit the Statement of Common Ground to the Examining Authority by the required deadline and to submit any other information requested by the Examining Authority.

## **9 Norfolk's Sustainable School Travel Strategy**

- 9.1 The Committee received the report (item 13) by the Interim Director of Environment, Transport and Development. This Sustainable School Travel Strategy sat below the Local Transport Plan and focused on enabling more children to walk, cycle or use public transportation to get to school in order to fulfil duties under the Education and Inspections Act 2006.
- 9.2 The Committee **RESOLVED** to endorse the sustainable school travel strategy.

## **10 Highways Asset Performance**

- 10.1 The Committee received the report (item 14) by the Interim Director of Environment, Transport and Development, which highlighted current service level priorities based on previous Member decisions for allocations in the 2015/16 budget round.
- 10.2 The Committee **RESOLVED** that:-
- Integrated transport funding be used to support structural maintenance in 2015-16.
  - The maintenance priorities for 2015-16 be confirmed.
  - The highway asset management policy and strategy be adopted and incorporated into the Transport Asset Management Plan for 2015-16.
  - A review of the provision of signalised crossings be carried out when existing ones needed replacing.

## **11 Forward Plan**

- 11.1 The Committee received the report (item 15) by the Interim Director of

Environment, Transport and Development, which set out the items and decisions programed to be brought to the Committee in relation to environment, transport and development issues in Norfolk.

- 11.2 The Committee **RESOLVED** that the following items be added to the forward plan:-
- Waste Strategy, to be considered in November 2014
  - Norfolk Energy Futures
  - Continuing updates on Broadband
  - Cycling vision for Norfolk

**Chairman**



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**Report of the Policy and Resources Committee Meeting  
held on 14 July 2014**

**1 2013-14 Revenue Out-turn Report**

- 1.1 The Committee received the report by the Interim Head of Finance detailing the out-turn position for the 2013-14 Revenue Budget, General Balances and the Council's Reserves at 31 March 2014.
- 1.2 The Committee **RESOLVED** to note
- the underspend for 2013-14 of £0.477m
  - the resulting increase in General Balances at 31 March 2014 to £17.288m.

**2 2013-14 Capital Out-turn Report**

- 2.1 The Committee received the report by the Interim Head of Finance presenting the outturn position on the Norfolk County Council capital programme 2013-14.
- 2.2 The Committee **RESOLVED** to
- note the final agreed capital programme and the outturn for the 2013-14 financial year, including the associated slippage and underspends;
  - note the major areas of expenditure in 2013-14 as set out in section 2 of the report;
  - note the final position on the capital receipts reserve and the use of capital receipts and the 2013-14 revenue contributions to reduce the Council's borrowing requirement in the year
  - approve the carrying forward into 2014-15 of slippage amounts and underspends on specific schemes as set out in Appendix 3.

**3 Annual Treasury Management Report 2013-14**

- 3.1 The Committee received the Annual Treasury Management Report by the Interim Head of Finance. The report provided details of the 2013-14 outturn position for treasury activities and highlighted compliance with policy and strategy previously approved by Members in relation to treasury management.
- 3.2 The Committee **RESOLVED** to endorse the Annual Treasury Management Report 2013-14 (attached at Annex A of this report) and recommended it to County Council.

## **4 2014-15 Revenue Monitoring Report Month 2**

- 4.1 The Committee received the report by the Interim Head of Finance giving details of the forecast outturn position for the 2014-15 Revenue Budget, General Balances and the Council's Reserves at 31 March 2015, together with related financial information.
- 4.2 The Committee **RESOLVED** to note:
- Revenue expenditure is forecast to overspend by £1.793m on a net budget of £308.397m.
  - General balances are forecast to be £19.000m at 31 March 2015, before taking into account the forecast overspend by £1.793m.
  - The Council has earmarked revenue reserves forecast to be £69.536m at 31 March 2015. The Residual Waste Treatment Contract Reserve, currently £33.7m is forecast to be fully exhausted as a result of contract termination. The Council separately holds Reserves in respect of schools estimated to be £36.469m at 31 March 2015.

## **5 Capital Monitoring Month 2**

- 5.1 The Committee received the report by the Interim Head of Finance providing a monthly update on the progress towards the achievement of the capital programme set by Council in January 2014 to ensure Members are aware of any developments in the delivery of the programme.
- 5.2 The Committee **RESOLVED** to note:
- the revised opening position and funding of the 2014-17 capital programme and the changes which have occurred following the approval of the programme in January, as set out in Sections 1 and 2 of Annex A of the report.
  - the progress towards the achievement of the 2014-15 programme as set out in Section 3 of Annex A of the report.
  - the proposed changes to the disposals schedule and the impact on the capital receipts reserve, detailed in Section 5 of Annex A of the report.
  - the impact of using borrowing to finance the programme on future revenue budgets as identified in Appendix 1 of the report.
  - the urgent decision taken by officers in respect of the sale of a former highways depot in Watton.

## **6 Performance Monitoring Report**

- 6.1 The Committee received the report by the Head of Business Intelligence and Performance Service and Corporate Planning and Partnerships Service setting out a framework to enable Policy and Resources to undertake its responsibilities for providing a 'whole council view' of performance. The report proposed continuing with a balanced approach which aims to give a rounded view of performance using four themes: Managing change;

managing resources; service performance and outcomes for individuals and communities. The paper also provided a brief summary of the overall end of year position for the Council.

- 6.2 The committee **RESOLVED** to
- agree the performance information in the report.
  - agree future performance reporting arrangements for the Committee, specifically:
    - a quarterly schedule for receiving performance reports and any relevant amendments to the Committee's Forward Plan.
    - specific priorities or areas of performance to cover in the future.
    - to receive any updated data at the beginning of each regular Performance discussion.

## **7 Budget 2015-18 – developing our approach**

- 7.1 The Committee received the report by the Interim Head of Finance setting out a proposed process to enable the Committee to fulfil its role in developing recommendations for the County Council on 2-15/16 budget and the 2016/17 way forward.

- 7.2 The Committee **RESOLVED** to
- adopt the approach proposed at paragraph 1.10 of the report to enable the Committee to fulfil its role in developing recommendations for the County Council on the 2015/16 budget and the 2016/18 forward plan.

## **8 Developing the County Council Plan 2015-16**

- 8.1 The Committee received the report by the Head of Business Intelligence and Performance Service and Corporate Planning and Partnerships Service setting out the initial first steps of an approach to develop a new County Council Plan which best fit the Council's committee governance structure and contributes to the robustness of governance arrangements.

- 8.2 The Committee **RESOLVED** that:
- the County Council Plan 2015/16 be revised to develop the areas set out in the report;
  - Development of the plan be integrated with the annual budget setting process.

## **9 Health, Safety and Wellbeing Annual Report**

- 9.1 The Committee received the report by the Head of HR and OD providing an overview of the health, safety and wellbeing activities and issues from the last year, an indication of the plan for next year and the information necessary to satisfy themselves of the effectiveness of the NCC health and safety management system.

- 9.2 The Committee **RESOLVED** note:



- The Health, Safety and Well-being Annual Report for 2013/14.
- The actions outlined throughout the report and specifically the improvement strand detailed in section 5.0.

## **10 Digital Norfolk Ambition Update**

- 10.1 The Committee received the report by the Interim Director of Environment, Transport and Development providing an update on the Digital Norfolk Ambition Programme.
- 10.2 The Committee **RESOLVED** to:
- Note the report.
  - Agree to receive reports on a regular basis.

George Nobbs  
Chairman of Policy and Resources Committee

## **Annual Treasury Management Report 2013-14**

### **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 an annual report on Treasury Management activities. The County Council is required to comply with the Code through Regulations issued under the Local Government Act 2003.
- 1.2 Treasury management activities are defined as "the management of the Council's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."
- 1.3 Treasury management in local authorities is extremely well regulated. Specific policy and operational guidance is contained in a variety of professional codes, statutes and government guidance.
- 1.4 The regulatory environment place responsibility on Members for the review and scrutiny of treasury management policy and activities. This report provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 1.5 During 2013-14 the minimum reporting requirements were that the County Council should receive the following reports:
  - an annual treasury strategy in advance of the year (County Council 18<sup>th</sup> February 2013)
  - a mid year treasury update report (County Council 20<sup>th</sup> January 2014)
  - an annual report following the year-end describing activity (this report).

In addition throughout 2013-14, the Treasury Management Panel and Cabinet received regular treasury management performance monitoring reports. In September 2013 the Audit Committee reviewed the governance arrangements of Treasury Management.

### **2. Economic Review 2013-14 (by Capita, TM Advisors)**

- 2.1 The financial year 2013-14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk subsided somewhat. Economic growth (GDP) in the UK surged strongly during the year. Consequently there was no additional quantitative (monetary) easing during 2013-14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. CPI inflation fell below its target of 2% in January 2014 (1.9%), ending the year at 1.6% in March 2014.

- 2.2 The Funding for Lending Scheme, announced in 2012, resulted in a flood of cheap credit being made available to banks which resulted in a significant reduction in money market investment rates. This Scheme, which supported the provision of credit for mortgages, continued until the first quarter of 2014, when it was terminated amid concerns over resurging house prices. Gilt yields (the rate at which UK Government and local authorities can borrow) while on a rising trend during 2013, were still subject to volatility as investors took ‘flight to quality’ when financial, political or economic news disappointed.
- 2.3 The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved in the knowledge that the ECB would do “whatever it takes” to support struggling Eurozone countries; this led to a return of confidence in its banking system and a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

### 3. Treasury Operations in 2013-14

#### 3.1 Investment Interest Rates in 2013-14

- 3.1.1 The Bank Base Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. The Funding for Lending Scheme (see para 2.2) resulted in deposit rates remaining depressed during the whole year. Market expectations as to the start of monetary policy tightening (increases in Bank Base rates), suggests early 2015. The table below shows that there has been little movement in money market deposit rates during the course of 2013-14.

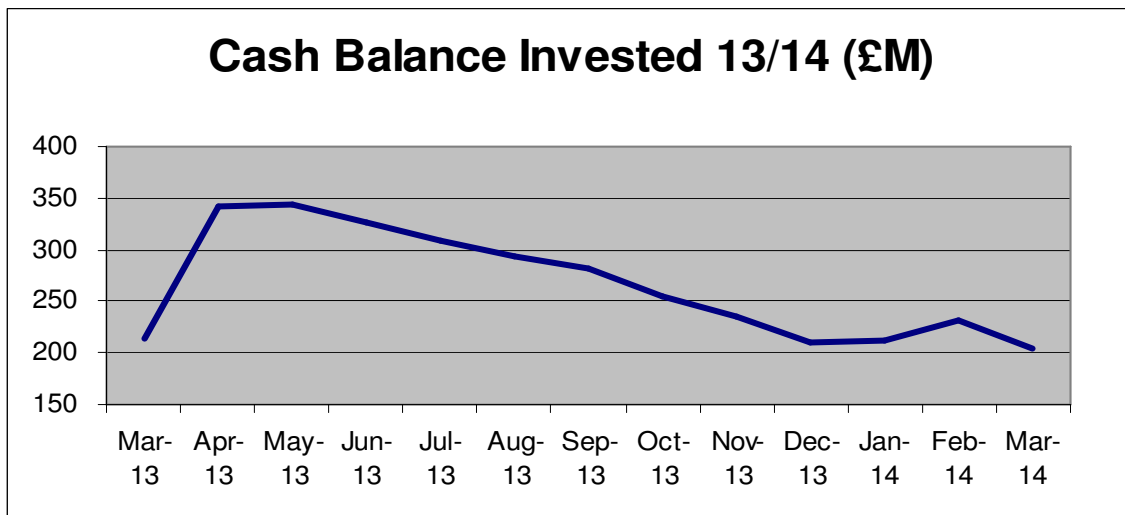
Money Market Investment Rates for 2013-14						
	Overnight	7 day	1 month	3 month	6 month	1 year
<b>1<sup>st</sup> April 13</b>	0.361	0.365	0.371	0.382	0.478	0.784
<b>31<sup>st</sup> Mar 14</b>	0.321	0.342	0.363	0.397	0.497	0.786
<b>High</b>	0.361	0.368	0.371	0.403	0.498	0.790
<b>Low</b>	0.258	0.338	0.357	0.379	0.457	0.732
<b>Average</b>	<b>0.347</b>	<b>0.354</b>	<b>0.364</b>	<b>0.391</b>	<b>0.475</b>	<b>0.762</b>

#### 3.2 Investment Activity

- 3.2.1 The Council’s investment policy is governed by the Department for Communities and Local Government’s Guidance, which was incorporated within the annual investment strategy approved by the County Council on 18<sup>th</sup> February 2013. Investment activity during the year was in accordance with the approved strategy.

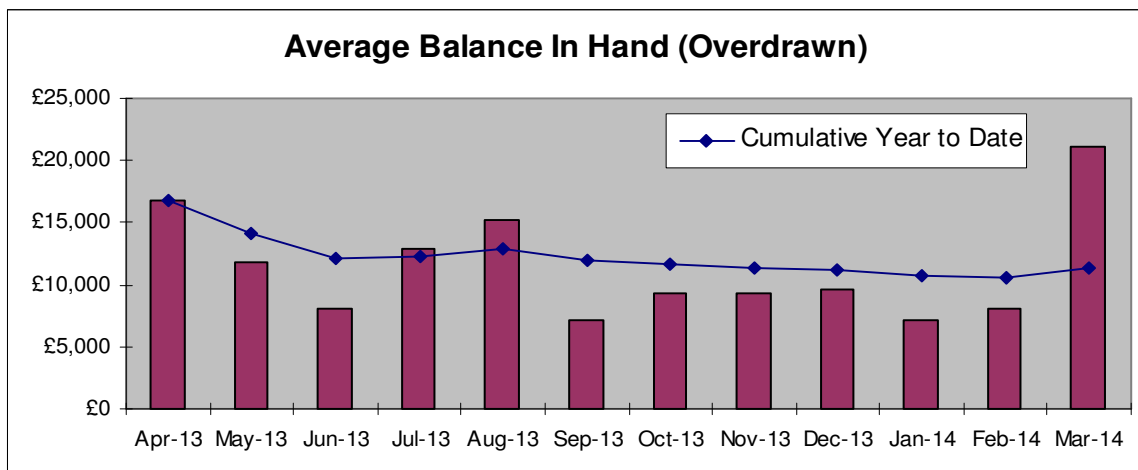
3.2.2 The Council's cash balances comprise of revenue and capital resources, such as general balances, provisions and earmarked reserves and the timing differences between the receipt and payment of monies required to meet the cost of County Council services and its capital programme.

3.2.3 Income received in 2013-14 amounted to £1,543M (£1,580M in 2012-13), while payments (including debt repayment) totalled £1,553M (£1,571M in 2012-13), resulting in an overall decrease in cash balances of £10M. Cash balances available for investment have therefore decreased from £213M at 1<sup>st</sup> April 2013 to £203M at the 31<sup>st</sup> March 2014. The average level of cash balances in 2013-14 was £271M (£251M in 2012-13).



3.2.4 Of the 560 bank accounts administered by the County Council, only 3 are principal accounts (one for income collection, general expenditure and salary payments). The remaining bank accounts are service specific, for example schools locally managing their devolved budgets. The corporate treasury management function ensures the efficient management of cash balances across all 560 accounts by aggregating and investing surplus cash balances on a daily basis.

3.2.5 A key objective of cash flow management is to minimise balances held in the Council's 560 bank accounts to within a cumulative average of plus/minus £0.025M across all accounts, thereby maximising cash balances for investment. For the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 the average daily cash balance after adjustments was £0.011M in-hand (including schools).



- 3.2.6 All cash balances are managed internally and invested in accordance with the Council's approved investment strategy. The Council works closely with its external Treasury Advisors to determine the credit rating criteria for 'high' credit rated institutions supplemented by other financial market information and intelligence.
- 3.2.7 Investment decisions are largely driven by the timing of projected cash in-flows and out-flows, the availability of high quality counterparties and the relative value of interest rates compared to the performance benchmark.
- 3.2.8 An investment profile as at the 31<sup>st</sup> March 2014 is attached at Appendix A. The oldest deposit dates back to April 2013 and the longest dated maturity was October 2014. Interest rates range from 0.65% (Barclays Bank Call Account) to 1.10% (Lloyds TSB). The profile includes only UK counterparties. Short term deposits with NPS reflect commercial overdraft arrangements for working capital.
- 3.2.9 The average interest rate earned in 2013-14 was 0.95% (1.62% in 2012-13), compared with the average 7 day London Interbank Bid (LIBID) rate of 0.35% (0.39% in 2012-13). The table below provides a month by month and a cumulative comparison against the 7 day LIBID benchmark. A comparison against other deposit benchmarks can be made using the table at para. 3.1.1 above.

2013/14	Interest for Month (%)	LIBID for Month (%)	Interest Year to Date (%)	LIBID Year to Date (%)
Apr 13	1.37	0.37	1.37	0.37
May 13	1.10	0.36	1.22	0.36
Jun 13	1.08	0.36	1.17	0.36
Jul 13	0.97	0.36	1.12	0.36
Aug 13	0.91	0.36	1.08	0.36
Sep 13	0.82	0.36	1.04	0.36
Oct 13	0.80	0.35	1.01	0.36
Nov 13	0.81	0.35	0.99	0.36
Dec 13	0.84	0.35	0.98	0.36
Jan 14	0.85	0.34	0.97	0.36
Feb 14	0.81	0.34	0.96	0.36
Mar 14	0.83	0.34	0.95	0.35

- 3.2.10 Gross interest earned for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 is £2.568M (£4.076M in 2012-13). Net interest earned, after adjusting for internal interest bearing accounts, is £2.117M (£3.734M in 2012-13).
- 3.2.11 A year on year comparison of investment activity is summarised below. Gross Interest Earned has decreased by £1.508M year on year, largely the result of a reduction in money market deposit rates. However, the interest rate achieved in 2013-14 of 0.95% still exceeds the average LIBID 12 month deposit rate of 0.76% and this has been achieved while still maintaining daily cashflow liquidity.

	2012-13	2013-14
Average Cash Balances	£251M	£271M
Interest Rate (including prior year fixed deposits)	1.62%	0.95%
Gross Interest Earned	£4.076M	£2.568M

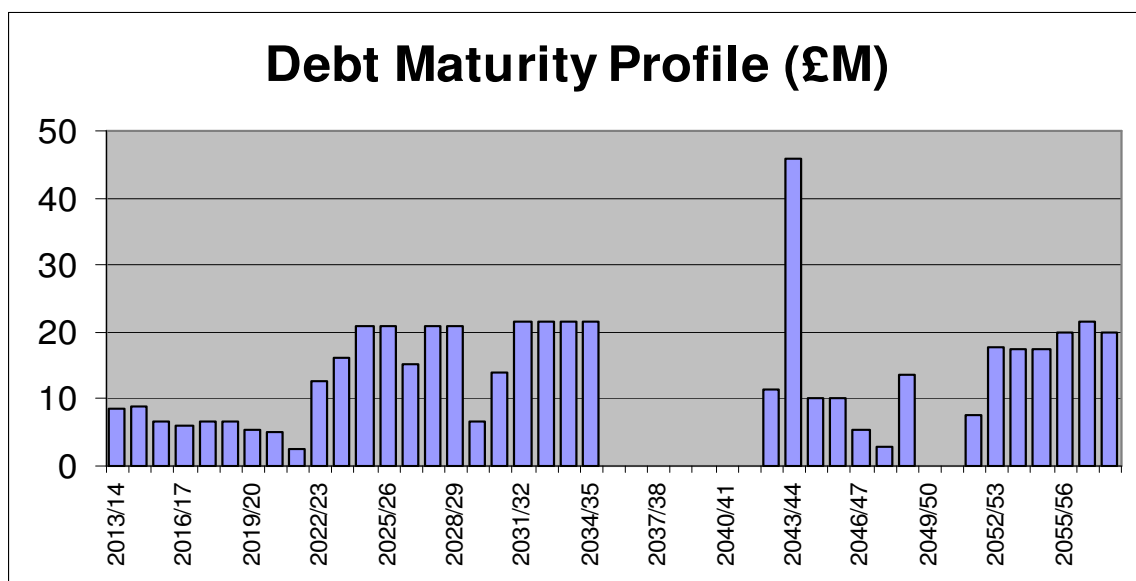
### 3.3 Borrowing Interest Rates

- 3.3.1 The table below presents Public Works Loans Board (PWLB) borrowing rates from 2013-14 across a selection of maturity periods. PWLB rates have risen from historically very low levels during the year.

PWLB borrowing rates for 2013-14					
	1 Year	5 Year	10 Year	25 Year	50 Year
<b>1<sup>st</sup> April 13</b>	1.120%	1.750%	2.840%	4.080%	4.230%
<b>31<sup>st</sup> Mar 14</b>	1.300%	2.500%	3.660%	4.450%	4.480%
<b>High</b>	1.450%	2.970%	4.100%	4.670%	4.700%
<b>Low</b>	1.110%	1.610%	2.580%	3.780%	4.070%
<b>Average</b>	<b>1.305%</b>	<b>2.469%</b>	<b>3.584%</b>	<b>4.427%</b>	<b>4.467%</b>

### 3.4 Long Term Borrowing & Debt Management Activity

- 3.4.1 The County Council undertakes capital expenditure on long-term assets. This activity gives rise to the need to borrow. Part of the Council's treasury management activity is to address this borrowing need, either through long term borrowing from external bodies (PWLB or commercial banks) or utilising cash resources on a temporary basis within the County Council.
- 3.4.2 In accordance with the approved 2013-14 Investment and Treasury Strategy, the County Council has postponed any new borrowing for capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term. "Cost of carry" is the difference between interest paid and interest earned on borrowed monies while temporarily held as cash balances until used to fund capital expenditure. Delaying borrowing and running down the level of investment balances also reduces the County Council's exposure to investment counterparty risk. By avoiding the "cost of carrying" debt the County Council is currently saving over £4M pa (assuming a net interest rate differential of 3.5%).
- 3.4.3 At the 31<sup>st</sup> March 2014, the Council's external borrowing (debt outstanding) totalled £503M (£511M at 31<sup>st</sup> March 2013). The average life of the Council's debt is 34 years.



3.4.4 Interest paid on external borrowings in 2013-14 was £26.6M (£27.6M in 2012-13). The average rate of interest was 5.25%.

3.4.5 The debt position at the 31<sup>st</sup> March 2014 compared to the previous year is shown below:

Actual Borrowing Position	31 <sup>st</sup> March 2013		31 <sup>st</sup> March 2014	
	Principal £M	Rate%	Principle £M	Rate%
Fixed Interest Debt	£469M	5.30%	£461M	5.30%
Variable Interest Debt	£42M	4.75%	£42M	4.75%
<b>Total Debt</b>	<b>£511M</b>	<b>5.24%</b>	<b>£503M</b>	<b>5.25%</b>

3.4.6 The County Council maintained its total gross borrowing level within its Authorised Limit of £755M during 2013-14. The Authorised Limit being the 'affordable borrowing limit' required by section 3 of the Local Government Act 2003.

3.4.7 The PWLB provides a facility to restructure debt, including early repayment of loans. This can result in net savings in overall interest charges. No early repayments were made in 2013-14 as the current low level of PWLB rates would result in 'premiums' being payable. Prevailing PWLB interest rates will be monitored in order to identify future repayment opportunities.

#### **4. Treasury Management Benchmarking**

4.1 The Council's treasury management performance is benchmarked against other local authorities annually as part of the Council's membership of CIPFA's benchmarking clubs. The provisional results for 2013-14 have just been published and show that Norfolk's treasury performance remains above club average (NCC investment return of 0.95% compared with club average of 0.84%) with costs (£k per £m Managed) below average (NCC costs £0.19 compared with club costs £0.53).

#### **5. Leasing Activity**

5.1 In 2013-14 leasing facilities totalling £5.3M were arranged by Capita Asset Services Ltd. Leased assets included Highways and ETD vehicles, Community Services Mobile Libraries and a variety of vehicles for Norse Commercial Services under a subleasing arrangement.

#### **6. Corporate Banking Services**

6.1 The Co-op Bank, which provides transactional bank clearing services to the County Council, has announced its intention to withdraw from the local authority market. It will not be seeking to renew its existing contract when it expires in 2016.

- 6.2 The County Council is leading a joint procurement exercise on behalf of the Districts, Police and Crime Commissioner for Norfolk and other bodies such as the Norfolk Pension Fund and Independence Matters. The East of England Local Government Association has provided sponsorship of the project. In return, the project will be used as a case study for joint working.
- 6.3 Having drafted a service specification for banking services, an Invitation to Tender was published at the end of May. Tenders were received from 3 Banks at the end of June. Following evaluation in July, contract award will be made on 1st August.
- 6.4 A report will be brought to the September meeting of Policy and Resources Committee providing details of the appointment.



Outstanding Deposit Profile @ 31st March 2014				Appendix 1
Counterparty Name	Deal Date	Maturity Date	Interest Rate %	Principal £M
<b>Barclays Bank Group</b>				
Barclays Bank Call Account	Instant Liquidity		0.65*	53.743
				<b>53.743</b>
<b>Lloyds Banking Group</b>				
Lloyds TSB	05-Apr-13	04-Apr-14	1.10	5
Lloyds TSB	11-Apr-13	10-Apr-14	1.10	5
Lloyds TSB	12-Apr-13	11-Apr-14	1.05	50
Lloyds TSB	08-May-13	07-May-14	1.05	5
Lloyds TSB	05-Jun-13	04-Jun-14	1.05	5
Lloyds TSB	05-Jul-13	04-Jul-14	1.01	10
				<b>80</b>
<b>Royal Bank of Scotland Group</b>				
National Westminster Bank	11-Apr-13	10-Apr-14	0.73	10
National Westminster Bank	10-Jul-13	09-Jul-14	0.70	25
National Westminster Bank	21-Aug-13	20-Aug-14	0.69	20
National Westminster Bank	04-Oct-13	03-Oct-14	0.69	10
				<b>65</b>
<b>The Norse Group</b>				
NPS Property Consultants	25-Feb-14	07-Apr-14	2.50	1
NPS Property Consultants	19-Mar-14	10-Apr-14	2.50	1
NPS Property Consultants	21-Mar-14	16-Apr-14	2.50	1
NPS Property Consultants	28-Mar-14	24-Apr-14	2.50	1
NPS Property Consultants	31-Mar-14	28-Apr-14	2.50	1
				<b>5</b>
<b>Total Deposits</b>				<b>203.743</b>
* Latest rates as at 31 <sup>st</sup> March 2014				

In addition deposits of £38.523m were held on behalf of other bodies:

Office of the Police and Crime Commissioner for Norfolk, Norfolk Pension Fund, Norse Commercial Services Ltd, Norse Care Ltd, NPS Property Consultants Ltd, Norfolk & Suffolk Probation Trust and Independence Matters.