

Norfolk County Council

Date: **Monday 25 July 2016**

Time: **10.00 a.m**

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

Supplementary Agenda

6. Recommendations from Service Committees

- Policy & Resources Committee – 31 May 2016
Paragraph 2 - The Annual Treasury Management Report 2015-16

Amended version of Appendix 1 -Treasury Management Report 2015/16 – (replaces pages 42-52 of main agenda) (Page A3)

7. Reports from Committees

- Policy and Resources Committee – 18 July 2016 (Page A11)
 - Includes a recommendation in paragraph 4.2
- Economic Development Sub-Committee – 14 July 2016 (Page A 21)

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

Date Supplementary Agenda Published: 20 July 2016

For further details and general enquiries about this Agenda please contact the Assistant Head of Democratic Services:

Greg Insull on 01603 223100 or email greg.insull@norfolk.gov.uk

Norfolk County Council

Appendix 1: Annual Treasury Management Report

2015-16 Report by the Executive Director of Finance

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 places 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 2015-16 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 16th February 2015)
 - a mid year treasury update report (County Council 14th December 2015)
 - an annual report following the year-end describing activity (this report).

In addition throughout 2015-16, the Treasury Management Panel and the Policy and Resources Committee received regular treasury management performance monitoring reports.

2. Economic Review 2015-16 (by Capita, TM Advisors)

- 2.1 Market expectations for the first increase in Bank Rate moved considerably during 2015-16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.
- 2.2 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth

(GDP) in 2015-16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.

- 2.3 The overall trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back.
- 2.4 The ECB commenced a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March 2015 at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.
- 2.5 As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.

3. Treasury Operations in 2015-16

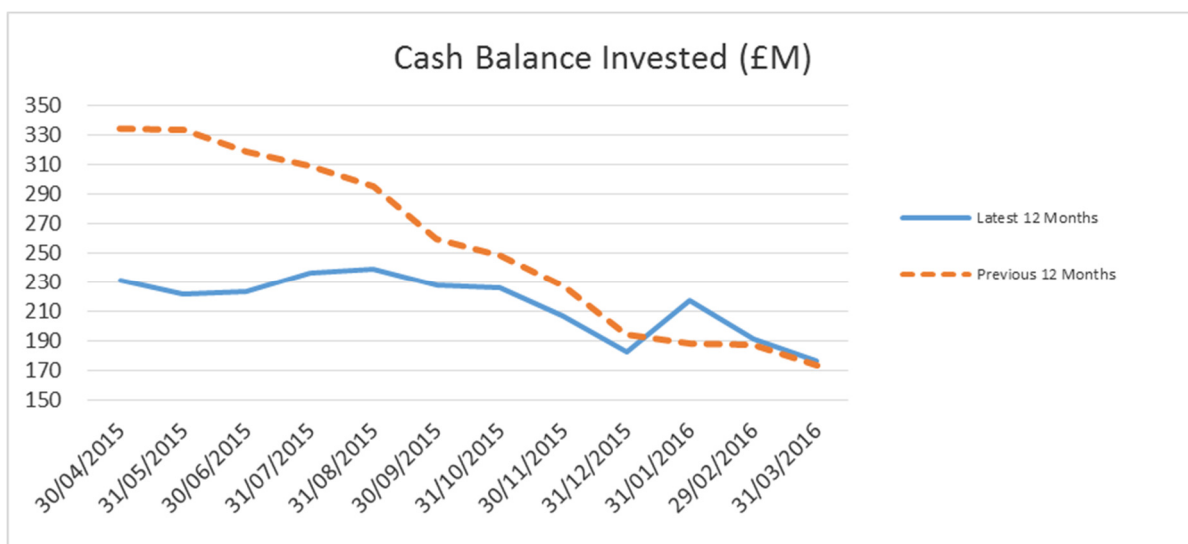
3.1 Investment Interest Rates in 2015-16

- 3.1.1 The Bank Base Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for seven years. Market expectations as to the start of monetary policy tightening (increases in Bank Base Rates), suggests quarter 2 of 2018. The table below shows that due to 'cheap credit' being made available to banks, there has been little movement in money market deposit rates during the course of 2015-16.

Money Market Investment Rates for 2015-16					
	7 day (%)	1 month (%)	3 month (%)	6 month (%)	1 year (%)
1st April 15	0.361	0.381	0.445	0.559	0.843
31st Mar 16	0.361	0.386	0.463	0.615	0.878
High	0.372	0.389	0.468	0.635	0.959
Low	0.349	0.377	0.441	0.557	0.842
Average	0.361	0.383	0.456	0.609	0.902

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 16th February 2015. 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 2015-16 amounted to £1,518M (£1,553M in 2014-15), while payments, including debt repayment, totalled £1,515M (£1,582M in 2014-15), resulting in an overall increase in cash balances of £3M. Cash balances available for investment have therefore increased from £174M at 1st April 2015 to £177M at the 31st March 2016. The average level of cash balances in 2015-16 was £211M (£255M in 2014-15).



- 3.2.4 Of the 450 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 450 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 450 bank accounts to within a cumulative average of plus/minus £0.025M across all accounts, thereby maximising cash balances for investment. For the period 1st April 2015 to 31st March 2016 the average daily cash balance after adjustments was £0.020M 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 31st March 2016 is attached at TM Annex A.
- 3.2.9 The average interest rate earned in 2015-16 was 0.77% (0.74% in 2014-15), compared with the average 7 day London Interbank Bid (LIBID) rate of 0.361%. 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.

2015/16	Interest for Month (%)	LIBID for Month (%)	Interest Year to Date (%)	LIBID Year to Date (%)
Apr 15	0.74	0.36	0.74	0.36
May 15	0.72	0.36	0.73	0.36
Jun 15	0.74	0.36	0.73	0.36
Jul 15	0.72	0.36	0.73	0.36
Aug 15	0.74	0.36	0.73	0.36
Sep 15	0.74	0.36	0.73	0.36
Oct 15	0.75	0.36	0.74	0.36
Nov 15	0.76	0.36	0.74	0.36
Dec 15	0.82	0.36	0.75	0.36
Jan 16	0.84	0.36	0.76	0.36
Feb 16	0.80	0.36	0.76	0.36
Mar 16	0.86	0.36	0.77	0.36

3.2.10 Gross interest earned for the period 1st April 2015 to 31st March 2016 is £1.622M (£1.892M in 2014-15). Net interest earned, after adjusting for internal interest bearing accounts, is £1.274M (£1.492M in 2014-15).

3.2.11 A year on year comparison of investment activity is summarised below. Gross Interest Earned has decreased by £0.270M, largely the result of the reduction in the level of cash balances (average cash balances having reduced from £255M in 2014-15 to £211M in 2015-16). The interest rate achieved in 2015-16 of 0.77% exceeds the average LIBID 6 month deposit rate of 0.609% (see table 3.1.1 above) and this has been achieved while still maintaining daily cashflow liquidity.

	2014-15	2015-16
Average Cash Balances	£255M	£211M
Interest Rate (including prior year fixed deposits)	0.74%	0.77%
Gross Interest Earned	£1.892M	£1.274M

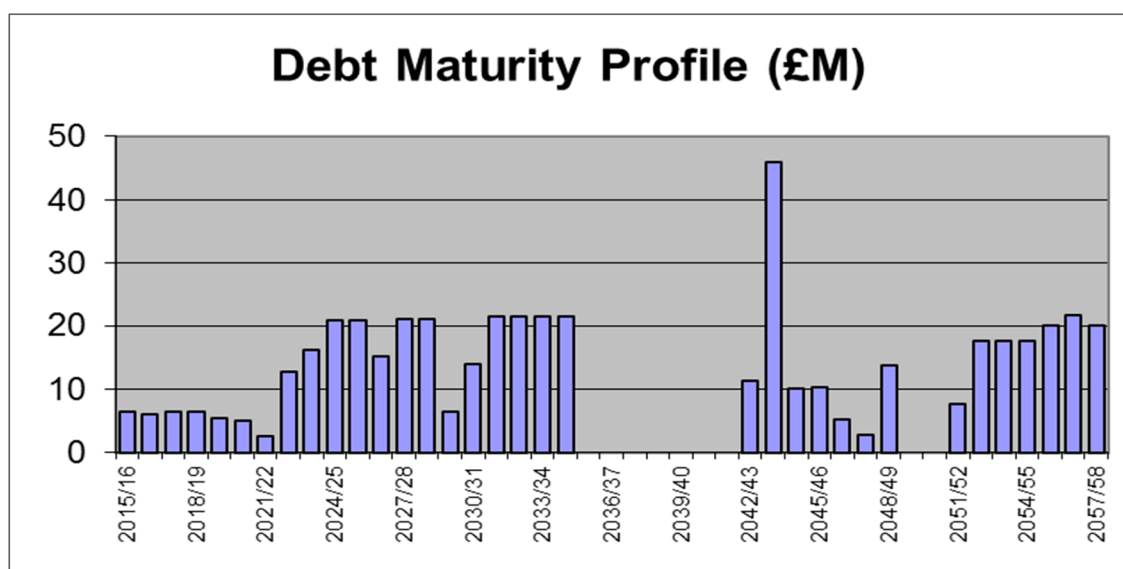
3.3 Borrowing Interest Rates

3.3.1 The table below presents Public Works Loans Board (PWLB) borrowing rates from 2015-16 across a selection of maturity periods.

PWLB borrowing rates for 2015-16					
	1 Year (%)	5 Year (%)	10 Year (%)	25 Year (%)	50 Year (%)
1st April 15	1.13	1.90	2.49	3.15	3.11
31st Mar 16	1.13	1.61	2.28	3.11	2.92
High	1.35	2.35	3.06	3.66	3.58
Low	1.01	1.47	2.10	2.98	2.81
Average	1.21	2.00	2.65	3.35	3.22

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 2015-16 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 2.5%).
- 3.4.3 At the 31st March 2016, the Council's external borrowing (debt outstanding) totalled £488M (£494M at 31st March 2015). The average life of the Council's debt is 34 years.



- 3.4.4 Interest paid on external borrowings in 2015-16 was £26M. The average rate of interest was 5.25%.
- 3.4.5 The debt position at the 31st March 2016 compared to the previous year is shown below:

Actual Borrowing Position	31 st March 2015		31 st March 2016	
	Principal £M	Rate%	Principle £M	Rate%
Fixed Interest Debt	£452M	5.29%	£445M	5.28%
Variable Interest Debt	£42M	4.75%	£43M	4.75%
Total Debt	£494M	5.25%	£488M	5.25%

- 3.4.6 TM Annex B shows debt maturities during the last 3 years, including the amount of debt repaid, the rate of interest and interest savings.
- 3.4.7 The County Council maintained its total gross borrowing level within its Authorised Limit of £732M during 2015-16. The Authorised Limit being the 'affordable borrowing limit' required by section 3 of the Local Government Act 2003.

3.4.8 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 2015-16 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. Leasing

4.1 In 2015-16 leasing facilities totalling £3.2M were arranged by Capita Asset Services Ltd. Leased assets included Fire and Highways vehicles and a variety of vehicles for Norse Commercial Services under a subleasing arrangement.

Outstanding Deposit Profile @ 31st March 2016

Counterparty Name	Deal Date	Maturity Date	Interest Rate %	Principal £M
-------------------	-----------	---------------	-----------------	--------------

HSBC Bank Group			
HSBC Call Account	Instant Liquidity	0.50*	51.919
			51.919

Lloyds Banking Group				
Lloyds TSB	07-Apr-15	05-Apr-16	1.00	5
Lloyds TSB	13-Apr-15	11-Apr-16	1.00	5
Lloyds TSB	14-Apr-15	12-Apr-16	1.00	25
Lloyds TSB	08-May-15	06-May-16	1.00	5
Lloyds TSB	15-May-15	13-May-16	1.00	25
Lloyds TSB	05-Jun-15	03-Jun-16	1.00	5
Lloyds TSB	07-Jul-15	05-Jul-16	1.00	10
				80

Santander UK				
Santander UK 95 Day Notice		22-Apr-16	0.90	10
Santander UK 180 Day Notice	Not yet called		1.15	10
Santander UK 365 Day Notice	Not yet called		1.30	25
				45

Total Deposits	176.919			
-----------------------	----------------	--	--	--

* Latest rates as at 31st March 2016

In addition deposits of £25.219m 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 and Independence Matters.

Debt Maturities 2013/14 to 2015/16			
Maturity Date	Amount Repaid	Rate	Full Year Interest Saving
11/04/2013	£2,000,000	4.625%	£92,500
15/06/2013	£1,000,000	4.750%	£47,500
30/09/2013	£1,000,000	4.750%	£47,500
11/10/2013	£2,000,000	4.625%	£92,500
15/12/2013	£1,025,000	6.500%	£66,625
31/03/2014	£1,500,000	4.750%	£71,250
2013/14	£8,525,000		£417,875
11/04/2014	£2,000,000	4.625%	£92,500
15/06/2014	£500,000	9.375%	£46,875
15/06/2014	£1,500,000	4.750%	£71,250
30/09/2014	£1,000,000	5.000%	£50,000
11/10/2014	£1,500,000	4.625%	£69,375
15/12/2014	£500,000	9.500%	£47,500
15/12/2014	£1,500,000	4.750%	£71,250
31/03/2015	£500,000	9.375%	£46,875
2014/15	£9,000,000		£495,625
11/04/2015	£1,000,000	4.625%	£46,250
15/06/2015	£500,000	9.375%	£46,875
30/09/2015	£1,500,000	5.000%	£75,000
11/10/2015	£500,000	9.625%	£48,125
11/10/2015	£500,000	4.625%	£23,125
15/12/2015	£500,000	9.500%	£47,500
31/03/2016	£500,000	9.375%	£46,875
31/03/2016	£1,500,000	5.000%	£75,000
2015/16	£6,500,000		£408,750
Apr 13 to Mar 16	£24,025,000		£1,322,250

Report of the Policy and Resources Committee meeting held on 18 July 2016

1 Implications of EU Referendum Outcome

- 1.1 The Committee received a report by the Managing Director that set out some of the issues that had implications for local government and for the nation as a whole that arose as a result of the EU referendum on June 23rd 2016 and would need to be considered and closely monitored over the coming months. It was considered too early to analysis in any depth what the consequences would be for many aspects of the Council's role and functions and for Norfolk as a whole.

1.2 The Committee **RESOLVED:**

To note the report and agree that as more information became available further reports should be brought before relevant Committees and staff should be kept informed of developments, particularly where there were implications for employment rights.

2 Finance Monitoring report P2 May 2016

- 2.1 The Committee received a report by the Executive Director of Finance that gave details of the forecast position for the 2016-17 Revenue and Capital Budgets, General Balances, and the forecast Council's Reserves at 31 March 2017, together with related financial information. The report also provided a brief commentary on Resources and Finance budgets which were the responsibility of this Committee.

2.2 The Committee **RESOLVED:**

1. To note the period 2 forecast Revenue overspend of £9.503m.
2. To note the forecast General Balances at 31 March 2017 of £19.252m, before taking into account any over/under spends;
3. To agree to the use of the Corporate Business Risk Reserve specifically to fund:
 - i. £5.155m, to manage the identified additional budget pressures from the cost of care review and national living wage, and assumed in the forecasts contained within this report; and
 - ii. £5m to protect social care due to a reduction in funding allocated within the Better Care Fund.
 - iii. as proposed in the Adult Social Care Finance Monitoring Report Period 2 (May) 2016-17 and agreed at 4 July 2016 Adult Social Care Committee.

4. To note the forecast financial information in respect of Resources and Finance budgets which are the responsibility of this Committee, as set out in Appendix 2 of the report;
5. To note the revised expenditure and funding of the 2016-20 capital programme as set out in Appendix 3 of the report.

3 **Delivering Financial Savings 2016-17**

3.1 The Committee received a report by the Executive Director of Finance that provided details of the forecast outturn position in respect of the delivery of the 2016-17 savings agreed by the County Council at its meeting 22 February 2016.

3.2 The Committee **RESOLVED** to note:

1. the forecast total shortfall of £5.889m in 2016-17, which amounted to 14% of total savings, and for which alternative savings needed to be identified;
2. the budgeted value of 2016-17 savings projects rated as RED of £7.050m, of which £1.496m were now forecast to be delivered; and
3. the forecast savings shortfall on AMBER rated projects of £0.335.

4 **Budget 2017-18 Planning and Efficiency Plan**

4.1. The Committee received a report by the Executive Director of Finance that provided an update on various elements of the Council's budget process for 2017-18. In particular, the report set out details of the draft Efficiency Plan which would be required to enable the Council to access the guaranteed minimum funding allocations up to 2019-20 as set out in the Local Government Finance Settlement 2016-17.

4.2 The Committee **RESOLVED to recommend:**

1. That the County Council accepts the Government's offer of a four year funding allocation by submitting an Efficiency Plan to the Department for Communities and Local Government before 14 October 2016;
2. The draft Efficiency Plan 2016-17 to 2019-20 (attached at Appendix 1) to County Council for approval, noting that the Plan will be updated to reflect Full Council's decisions about the County Council Plan and then communicated to the Department for Communities and Local Government;

4.3 The Committee **RESOLVED** to note:

1. Note the latest position in respect of the allocation of Transitional Funding held in the 2016-17 Budget;
2. Note the progress in developing further savings proposals for 2017-18 and the proposed next steps in the budget setting process.

5 **Resources and Finance vital signs performance management Report**

5.1 The Committee received a report by the Executive Directors of Resources and Finance that presented current performance against this Committee's performance indicators (for Resources and Finance services).

5.2 The Committee **RESOLVED:**

To note the performance data, information and analysis presented in the vital sign report cards and agree that the recommended actions identified were appropriate.

6 **Corporate vital signs performance management report**

6.1 The Committee received a report by the Head of Business Intelligence and Performance Service that explained the Council's vital signs remained under review in the light of significant ongoing changes and challenges, and that committees would continue to be involved in discussions and decisions about ensuring that the Council's indicators and performance management arrangements addressed Norfolk's most important issues and outcomes, and supported improved accountability.

6.2 The Committee **RESOLVED:**

To note the performance data, information and analysis presented in the vital sign report cards.

7 **Risk Management Report**

7.1 The Committee received a report by the Executive Director of Finance that provided the Committee with the corporate risk register as it stood at the end of June 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during June 2016.

7.2 The Committee **RESOLVED:**

1. To note progress with Risk Management since the last presentation of the Risk Management report to the Policy and Resources Committee meeting.
2. The changes to the corporate risk register (Appendices A and B of the report), and the progress with mitigating the risks; and
3. The Council's corporate risk appetite and tolerances, as described in the report and the corporate risk register are acceptable and sound, and

4. That, while the Council's 'Risk Management Framework' has been fit for purpose, it is due to be refreshed and will be presented to a future committee meeting.

8 **Health, Safety and Wellbeing Annual report 2015/16 and Improvement Plan 2016/17**

- 8.1 The Committee received a report by the Executive Director of Resources that provided the Committee with an overview of the health, safety and well-being activities and issues from the last year, an indication of the plan for next year and information about the effectiveness of the NCC health and safety management system.

- 8.2 The Committee **RESOLVED:**

To note the Employee, Health, Safety and Well-being Annual Report for 2015/16 and Improvement Plan for 2016/17 together with the actions outlined throughout the report and specifically the delivery strand detailed in section 8 of the report.

9 **Disposal and Acquisition of Properties**

- 9.1 The Committee received a report by the Executive Director of Resources that
Included proposals aimed at supporting County Council priorities by exploiting properties surplus to operational requirements, pro-actively releasing assets with latent value where the operational needs could be met from elsewhere and strategically acquiring property.

- 9.2 The Committee **RESOLVED:**

1. That the grant by Norfolk County Council of a standard 125 year lease based on the DfE template for a peppercorn rent in respect of the following schools be confirmed :

(i) East Rudham CE VC Primary School:

Lease in respect of the playing fields at the School with effect from 1st June 2016 to the Diocese of Norwich Multi Academy Trust.

(ii) Valley Primary School:

Lease in respect of the school site with effect from 1st June 2016 to the Heart Education Trust.

2. To delegate to the Executive Director of Finance the granting of standard leases based on the DfE template in respect of academy conversions in accordance with the Academies Act 2010.

3. To grant an annual licence to the British Red Cross Fire and Emergency Support Service for part of Sprowston Fire Station at £0pa.

4. To grant a lease to South Norfolk District Council of part of the Long Stratton High School Playing Field for 25 years at £1.00pa.

5. To grant a lease to Eastern Power networks for a parcel of land in the car park at Alderman Peel High School for 99 years at £1.00pa.

6. To approve disposal of Horsford Playing Fields and Former Manor House on terms to be agreed by Head of Property in consultation with the Executive Director of Finance, Managing Director and Chair of P&R Committee.

7. To approve the purchase of 59-61 St Peter's Road, Great Yarmouth NR30 3BQ on terms agreed by the Head of Property in consultation with the Executive Director of Finance, Managing Director and Chair of this committee.

10 Norse Consent – Appointment of Auditors

10.1 The Committee received a report by the Executive Director of Finance to enable Norse to complete the procurement of external audit services in line with the company's governance arrangements.

10.2 The Committee **RESOLVED:**

That delegated authority be given to the Executive Director of Finance to approve the appointment of NORSE Auditors in consultation with the Council's Shareholder representative for an initial period of 5 years with an option to extend for a further 5years subject Policy and Resources Committee undertaking a review after the initial 5 years period.

11 Notifications of Exemptions Under Contract Standing Orders

11.1 The Committee **RESOLVED** to note the exemptions that had been granted under paragraph 9.11 of Contract Standing Orders by the Head of Procurement and Head of Law in consultation with the Chairman of Policy and Resources Committee that were over £250,000.

Cliff Jordan
Chairman, Policy and Resources Committee

Appendix 1

Norfolk County Council – Efficiency Plan 2016-17 to 2019-20

1. Introduction

- 1.1. The Final Local Government Finance Settlement for 2016-17 set out an offer from Government to Local Authorities to enable them to access four year allocations of funding. Norfolk County Council recognises and welcomes this opportunity to gain a greater degree of certainty about future funding levels. The certainty allocations relate to the following funding streams, which amount to £299.347m for the Council over the four years of the offer:

Table 1: Certainty funding allocations for Norfolk County Council

	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m
Revenue Support Grant	108.511	77.926	58.035	38.810
Transitional Grant	1.602	1.657	-	-
Rural Services Delivery Grant	3.957	3.195	2.458	3.195
Total	114.070	82.779	60.493	42.005

- 1.2. The Department for Communities and Local Government (DCLG) has confirmed¹ that submission of an Efficiency Plan is a prerequisite for access to the certainty funding offer. This Efficiency Plan for Norfolk County Council therefore responds to the Government's offer and sets out details of the following, which all contribute to the Council's strategic and financial planning activity:

- Planning Context, including the County Council Plan
- Medium Term Financial Strategy
- Capital Strategy
- Budget strategy
- Partnership working opportunities

¹ Letter from the Secretary of State to Council Leaders, 10 March 2016

2. The Council's planning context

- 2.1. Norfolk County Council is operating in a period of significant and fundamental change in both the scope and scale of public services, and associated sustained reductions in the levels of funding to local government. This pressure on resources has come at a time of increasing levels of demand for the services we provide.
- 2.2. Within this context, the Council's ambition is for everyone in Norfolk to succeed and fulfil their potential. By putting people first we can achieve a better, safer future, based on education, economic success and listening to local communities.
- 2.3. The Council's four priorities are core commitments to our local community which go beyond our statutory responsibilities and avoid retreating to minimum levels of service. We aim for:
- A well-**educated** and skilled population
 - With '**real**' **jobs** which pay well and have prospects
 - **Improved infrastructure** - air, sea, road, rail, broadband and mobile network coverage
 - Vulnerable people **supported** – more living independently and safely in their communities
- 2.4. The County Council Plan 2016-19 includes a set of whole-council improvements which will be critical to the overall strategic direction of the Council and delivery of the four priorities. The Plan is due to be considered by Full Council on 25 July 2016 and can be found [here](#)².
- 2.5. The Council is focussed on meeting these twin challenges of increasing demand and reducing central government funding, whilst minimising the impact on the front line delivery of services. Further details about the Council's budget planning approach are set out elsewhere in this plan document.

3. Medium Term Financial Strategy

- 3.1. The Council has an established and sound approach to medium term service and financial planning. This includes a rolling Medium Term Financial Strategy (MTFS), with an annually agreed budget.
- 3.2. The Council's current MTFS was adopted in February 2016, and can be found on the Council's website at the following [link](#)³. The MTFS sets out details of the national and local context and framework for budget planning and brings together all of the elements that are considered as part of the

²<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/441/Committee/2/SelectedTab/Documents/Default.aspx> County Council 25 July 2016, Item **TBC**.

³<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/438/Committee/2/SelectedTab/Documents/Default.aspx> County Council 22 February 2016, Item 4b, Annexe 9.

robust planning process for a sustainable and prudent future for the services that Norfolk County Council provides or commissions. The MTFS also shows how the Council intends to manage anticipated funding reductions, to make transformative changes, and plan new initiatives, while meeting its statutory responsibilities.

- 3.3. The MTFS agreed in February identifies that further savings or additional revenue funding need to be found to meet shortfalls in 2017-18 and 2019-20. A key aim of the MTFS is to ensure a balanced budget over the medium term to support forward planning activity and help mitigate financial risk. The Government's announcement of four year funding allocations provides a welcome degree of additional certainty for the Council's medium term financial planning. Nevertheless, significant uncertainty remains around those areas of funding not included in the offer, and the impact of the localisation of business rates by the end of this parliament. In addition, the settlement continues to anticipate significant reductions in local government funding up to 2019-20.

Table 2: MTFS Budget surplus / deficit to 2019-20

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Additional cost pressures and forecast reduction in Government grant funding	77.475	51.353	49.354	42.454
Council Tax base increase	-20.532	-10.300	-15.265	-16.266
Identified saving proposals and funding increases	-56.943	-32.226	-56.449	-14.473
Budget gap (Surplus) / Deficit	0.000	8.827	-22.360	11.715

- 3.4. The Council's MTFS is based on a balanced budget for 2016-17, but a deficit will remain of £8.827m in 2017-18, a surplus of £22.360m in 2018-19 and a deficit of £11.715m in 2019-20 (a small cumulative surplus of £1.818m). The Council is currently working to identify options to close this remaining budget gap and to refine estimates of future year budget pressures as part of the annual budget setting process for 2017-18.

4. Capital Strategy

- 4.1. The Council's Capital Strategy is an integral part of the Council's MTFS and provides a framework for the allocation of resources to support the Council's objectives. The key aims of the strategy are to identify and prioritise capital projects and programmes, and to maximise funding for capital expenditure whilst minimising the impact on future revenue budgets. The Council's current Capital Strategy and Programme was adopted in February 2016, and can be found on the Council's website at the following [link](http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/438/Committee/2/SelectedTab/Documents/Default.aspx)⁴.

⁴<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/438/Committee/2/SelectedTab/Documents/Default.aspx> County Council 22 February 2016, Item 4b, Annex 8.

5. Budget strategy

5.1. In developing the 2016-17 Budget and Medium Term Financial Strategy, Norfolk County Council's approach to meeting its budget challenge for future years involved identifying proposals under the following categories:

- Cutting costs through efficiencies
- Better value for money through procurement and commissioning
- Enabling communities and working locally
- Service Redesign: Early help and prevention
- Customer Services: Channel shift
- Raising Revenue: a business strategy
- Maximising property assets

5.2. This approach includes seeking new ways of generating income, expanding the scope and scale of trading activity, and raising our fees and charges where appropriate. A key focus has been on developing services which promote independence and introduce preventative approaches to minimise the demand for Council services.

5.3. The Council has identified a number of strategies for closing the remaining budget gap, which will include bringing forward future year savings from 2018-19, reinstating savings where appropriate, and working to identify new savings to be implemented in 2017-18.

6. Partnership working

6.1. The County Council works closely with a wide range of partners in the public sector and beyond. These joint working arrangements are central to the Council's future sustainability and include:

- Working with the **health sector** to develop a Sustainability and Transformation Plan which will help ensure that health and care services are planned by place rather than around individual institutions;
- Working with **District and neighbouring Councils** to collaborate and deliver services in the most effective way, including progressing the implementation of the East Anglia devolution agreement for Norfolk and Suffolk;
- Working with the **New Anglia LEP** and private sector **businesses** to deliver economic growth, maximising income from business rates; and
- Working with **voluntary organisations** to deliver services closer to communities more effectively and at lower cost.

7. Summary

7.1. The additional certainty of four year funding allocations provides the Council with the opportunity to plan service delivery and changes to services with a greater degree of confidence. Nonetheless, the anticipated overall reductions

in the Council's Settlement Funding Assessment set out in the four year settlement remain extremely challenging, with the most significant reductions occurring in the first two years (2016-17 and 2017-18), and considerable savings to be delivered in all years of the MTFS.

7.2. This Plan is due to be approved by Norfolk County Council at its meeting 25 July 2016 and will be signed by the Leader of the Council and Managing Director.

Cliff Jordan
CBE
Leader of Norfolk County Council

Dr Wendy Thomson
Managing Director

Report of the Economic Development Sub-Committee Meeting held on 14 July 2016

1 Items of Urgent Business

1.1 The Sub-Committee received a report submitted under Urgent Business:-

1a Project Proposal: Working with the Prince's Trust to Deliver Employment and Skills Support to Young People

1a.1 The Sub-Committee received the report from the Economic Development Manager which proposed to use £100k of the County Council funding allocated for "Supporting young people into work and enterprise working with the Prince's Trust", to work with other partners who would provide additional funding to create the £200k+ fund required to deliver the programme.

1a.2 The Sub-Committee **RESOLVED** to **AUTHORISE** the Executive Director of Community and Environmental Services, in consultation with the Chairman and Vice Chairman of this Sub-Committee to allocate the remaining funding towards other enterprise, learning and community development initiatives as appropriate.

2 Norwich Research Park / Agri-tech (presentation only)

2.1 The Sub-Committee heard and **NOTED** a detailed presentation by the Economic Development Manager about Norwich Research Park, future enterprises, and Agritech

3 Appointments to Internal and External Bodies

3.1 The Sub-Committee reviewed the appointments to external bodies, internal bodies and Champions positions shown in the report.

3.2.1 The Sub-Committee **RESOLVED** to:

3.2.2 **AGREE** the existing appointments to external bodies, internal bodies and Champions positions shown in the report subject to the following changes:

Outside Bodies:

- Norwich Airport Board (Non-Executive Director): George Nobbs replaced by Cliff Jordan. George Nobbs to replace Mike Sands as Substitute.
- Norfolk Rail Group: Colleen Walker replaced by Tony White.
- New Anglia Skills Board for Norfolk and Suffolk: Colleen Walker replaced by Brian Iles.
- Great Yarmouth Town Centre Partnership Company (Gt. Yarmouth) Ltd: Jonathan Childs replaced by Mick Castle.
- Hethel Innovation Ltd: John Timewell replaced by Colin Foulger.

- Local Transport Body (LEP sub Group): Colleen Walker replaced by Stuart Clancy.

Member Champions:

- Apprenticeships – Colleen Walker replaced by Stuart Clancy.

4 Housing and jobs growth – performance

- 4.1 The Sub-Committee received a report by the Executive Director of Community and Environmental Services detailing the origins of the key housing and jobs growth targets, and providing high-level annual performance data for the past three years.
- 4.2 The Sub-Committee **AGREED** to request a further report at the Economic Development Sub-Committee meeting in November including information on Infrastructure, infrastructure projects, mapping and data related to water, gas and electricity.

5 Scottow Enterprise Park – Member Working Group

- 5.1 The Sub-Committee received and **NOTED** the report suggesting for the Working Group to continue with a smaller, more focussed Membership, consisting of:
- 3 Norfolk County Council Members,
 - 1 North Norfolk District Council Member; and
 - 1 Broadland District Council Member
- 5.2 The Sub-Committee **AGREED** to appoint Councillors Tom Garrod, Tony White, and Stuart Clancy to the Scottow Enterprise Park Member Working Group.

6 Scottow Enterprise Park – Update

- 6.1 The Sub-Committee received the report, setting out the Scottow Enterprise Park (SEP) Business Plan, Development Vision and Operating Plan, and seeking Member endorsement on the next steps in the development of the business.
- 6.2 The Sub-Committee **RESOLVED** to:
1. **NOTE** the SEP Business Plan, Development Vision and Operating Plan and **REQUESTED** further information be brought to a future meeting to agree a timescale for a detailed proposal to take to Policy and Resources Committee (see recommendation 3).
 2. **NOTE** that a detailed Capital Investment Plan was in preparation.
 3. **AGREE** that the future operating model for SEP was a work in progress, and **REQUESTED** further information be brought to a future meeting to agree a timescale for a detailed proposal to take to Policy and Resources Committee.

7 Apprenticeships – update (verbal)

- 7.1 The Sub-Committee heard a verbal update on Apprenticeships Norfolk given by the Employment and Skills Manager and the Apprenticeships Strategy Manager, and saw data showing Norfolk's performance compared to national data.
- 7.2 The Sub-Committee **AGREED** to request publicity about Apprenticeships Norfolk in "Your Norfolk Magazine".

8 Performance management

- 8.1 The Sub-Committee **NOTED** the performance management report which was based upon the revised Performance Management System, implemented as of 1st April 2016, and the committee's 4 vital signs indicators

9 Forward Plan and delegated decisions

- 9.1 The Sub-Committee reviewed the Forward Plan.
- 9.2 The Sub-Committee **AGREED** to include in the Forward Plan for the meeting on 24 November 2016:
 - 1. An additional Housing and Jobs Growth report with further information housing infrastructure and growth, infrastructure projects, mapping and available data related to water, gas and electricity.
 - 2. A report giving information on Norfolk County Council procurement.
 - 3. A report into the ongoing relationship with Anglia Local Enterprise Partnership and District Councils.
 - 4. Report or Presentation giving information on the A11 technology corridor which links with Thetford Technology Park.
 - 5. Further information on the future operating model for Scottow Enterprise Park to agree a timescale for a detailed proposal to take to Policy and Resources Committee.

10 Finance Monitoring Report

- 10.1 The Sub-Committee received and **NOTED** the report providing the Sub-Committee with the financial position for the service as at the end of May, period 2 - 2016-17 financial year, covering the revenue budget, capital programme and balance of reserves.

Stuart Clancy
Chairman, Economic Development Sub-Committee