

Scrutiny Committee

Date: **Wednesday 21 July 2021**

Time: **10 am**

Venue: **Council Chamber, County Hall, Martineau Lane,
Norwich NR1 2DH**

Membership:

Cllr Steve Morpew (Chair)	
Cllr Lana Hemsall (V Chair)	
Cllr Carl Annison	Cllr Keith Kiddie
Cllr Lesley Bambridge	Cllr Ed Maxfield
Cllr Graham Carpenter	Cllr Jamie Osborn
Cllr Nick Daubney	Cllr Richard Price
Cllr Barry Duffin	Cllr Brian Watkins
Cllr Mark Kiddle-Morris	

Parent Governor Representatives

Mr Giles Hankinson
Vacancy

Church Representatives

Mrs Julie O'Connor
Mr Paul Dunning

Advice for members of the public:

This meeting will be held in public and in person.

It will be live streamed on YouTube and, in view of Covid-19 guidelines, we would encourage members of the public to watch remotely by clicking on the following link:

<https://youtu.be/PfUPOr5vWdY>

However, if you wish to attend in person it would be most helpful if, on this occasion, you could indicate in advance that it is your intention to do so. This can be done by emailing committees@norfolk.gov.uk where we will ask you to provide your name, address and

details of how we can contact you (in the event of a Covid-19 outbreak). Please note that public seating will be limited.

Councillors and Officers attending the meeting will be taking a lateral flow test in advance. They will also be required to wear face masks when they are moving around the room but may remove them once seated. We would like to request that anyone attending the meeting does the same to help make the event safe for all those attending. Information about symptom-free testing is available [here](#).

A g e n d a

1 To receive apologies and details of any substitute members attending

2. Minutes

(Page 5)

To confirm the minutes of the meeting held on 23 June 2021

3. Members to Declare any Interests

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

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

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

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
 - Exercising functions of a public nature.
 - Directed to charitable purposes; or
 - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management.

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

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

5 Public Question Time

Fifteen minutes for questions from members of the public of which due notice has been given. Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk) by **5pm on Friday 16 July 2021**. For guidance on submitting a public question, please visit <https://www.norfolk.gov.uk/what-we-do-and-how-we-work/councillors-meetings-decisions-and-elections/committees-agendas-and-recent-decisions/ask-a-question-to-a-committee>

6 Local Member Issues/Questions

Fifteen minutes for local member to raise issues of concern of which due notice has been given. Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk) by **5pm on Friday 16 July 2021**

- 7 The deadline for calling-in matters for consideration at this meeting of the Scrutiny Committee from the Cabinet meeting held on Monday 5 July 2021 was 4pm on Monday 12 July 2021**

- 8 Strategic and Financial Planning 2022-23/ Finance Monitoring 2021-22 – P2** (Page 13)

Report by the Executive Director of Finance and Commercial Services

- 9 Establishment of Adults and Children's Services Performance Review Panels** (Page 77)

Report by the Director of Governance

- 10 Scrutiny Committee Forward Work Plan** To FOLLOW
Report by the Director of Governance

Tom McCabe
Head of Paid Service
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 13 July 2021



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Scrutiny Committee

Minutes of the Meeting Held on 23 June 2021
at 10 am at the Norfolk Showground

Present:

Cllr Steve Morphew (Chair)
Cllr Lana Hemsall (Vice-Chair)

Cllr Carl Annison
Cllr Lesley Bambridge
Cllr Graham Carpenter
Cllr Nick Daubney
Cllr Barry Duffin
Cllr Mark Kiddle-Morris

Cllr Keith Kiddie
Cllr Ed Maxfield
Cllr Jamie Osborn
Cllr Richard Price
Cllr Brian Watkins

Also present (who took a part in the meeting):

Cllr Martin Wilby	Cabinet Member for Highways, Infrastructure and Transport
Cllr Andrew Proctor	Leader and Cabinet Member for Strategy & Governance
Cllr Andrew Jamieson	Cabinet Member for Finance
Cllr Emma Corlett	Call-in Cllr for Item 8
Cllr Ben Price	Call-in Cllr for Item 8
Cllr Terry Jermy	Call-in Cllr for Item 8
Tom McCabe	Head of Paid Service and Executive Director Community and Environmental Services
Simon George	Executive Director of Finance and Commercial Services
David Alfrey	Infrastructure and Delivery Manager
Kat Hulatt	Head of Legal Services
Caroline Clarke	Assistant Director of Governance-Democratic and Regulatory
Peter Randall	Democratic Support and Scrutiny Manager

1. Apologies for Absence

- 1.1 Apologies were received from Mrs Julie O' Connor (Church Representative), Mr Paul Dunning (Church Representative) and Mr Giles Hankinson (Parent Governor representative)

2 Minutes

- 2.1 The minutes of the meetings held on 17 February 2021 were confirmed as an accurate record and signed by the Chair.

3. Declarations of Interest

- 3.1 There were no declarations of interest.

4 Urgent Business

- 4.1 No urgent business was discussed.

5. Public Question Time

- 5.1 There were three public questions. The questions together with the answers given in the meeting can be found at Appendix A to these minutes.

6. Local Member Issues/Questions

- 6.1 There was one Member question which can also be found at Appendix A to these minutes.

7 Call In

- 7.1 The Committee noted that there was one call in item (at item 8).

8 Call-In Norwich Western Link

- 8.1 The annexed reports (8) was received.
- 8.2 This report related to the call-in of item 8 of the Cabinet papers of 7 June 2021 entitled "Norwich Western Link".
- 8.3 The Chair explained the way in which he would handle this item to best ensure a fair and balanced scrutiny process and to decide what (if any) issues the Committee referred to the Cabinet.
- 8.4 The Chair said that at the end of the process he would ask the Committee if they wished to make any proposals regarding the call in. However, only a limited number of proposals would be considered in order at this time. The options available to the Committee were as follows:
- A. The Committee referred the decision back to be reconsidered by the decision maker (in this case, Cabinet).
 - B. The Committee referred the decision to Full Council (the Committee should only use this power if the decision was deemed to be either i) contrary to NCC's policy framework; or ii) contrary to or not wholly in accordance with the budget).
 - C. The Committee took no further action.
- 8.5 Because one of the reasons behind the call-in was the legality of the Cabinet decision, the Chair asked the Head of Legal Services to explain the legal position.
- 8.6 The Head of Legal Services said that the Cabinet decision complied with the

legislative framework for the awarding of highway contracts and the County Council's constitutional requirements. The Constitution required only that the matter was "referred" to Full Council; the decision was and remained an executive decision; the Cabinet was the final decision maker.

8.7 Cllrs who had called in the item explained their detailed reasons (that were included within the call-in request form) for doing so and gave additional information in support of the action that they wished the Committee to take on this matter. They said that the Council had received insufficient detail about the business case to be able to reach an informed decision and that should the project proceed further then it would damage the Council's environmental credentials and reputation. They said that there were many detailed issues that needed to be addressed before this matter was taken further. These issues included:

- When the Council EGM considered the Norwich Western Link the financial and legal risks of the project were not fully explained to Cllrs.
- Legal advice on the risk of planning failure should be provided to all Cllrs particularly on the issues of barbastelle bat presence and the environmental impact of the scheme on the River Wensum.
- The evidence base behind the business case was not fully explained to Councillors and had yet to be made publicly available.
- The information concerning green bridges at para 1.2,4 of the Council report required a more robust approach around the evidence base for the scheme.
- Proper account should be taken of the independent ecologist bat survey.
- Research showed that green bridges and underpasses had no mitigating effect on barbastelle bat presence.
- The financial calculations around the carbon emission costs and particularly the carbon cost of the construction phase of the project and traffic modelling considerations were not sufficiently detailed in the business case.
- The traffic modelling for the project should work from the current situation with A47 dualling in place.
- There needed to be an Equalities Impact Assessment for the scheme.
- The business case did not comply with international, national and local policy requirements on climate change.
- Much environmental damage would occur during the first decade of the scheme.

8.8 The Cabinet Member for Highways, Infrastructure and Transport said that the project would:

- Bring large scale investment into Norfolk.
- Reduce travel times.
- Reduce accidents.
- Meet the requirements of local businesses and support the local economy
- Improve air quality in residential areas.
- Provide for a reduction in through traffic.

8.9 In answer to questions from Cllrs who had called in the item the following answers were given:

- The Cabinet Member for Highways, Infrastructure and Transport said that Cabinet was asked to approve the submission of an outline business case and not the planning application process.
- On the question of whether the Council had sought legal advice on the risks

of planning application failure, officers said that the project team had appointed legal advisers and further appropriate legal advice would be taken as the Council moved towards the planning application phase.

- The Cabinet Member for Highways, Infrastructure and Transport said that he was aware of barbastelle bat presence in the area and would put in place appropriate mitigation measures.
- In reply to questions the Leader said that the decision taken by Cabinet must be placed in context; it was not about starting to build the road but it was about submitting an outline business case and appointing the contractor who would provide the Council with the necessary expertise for further detailed work to be done. Answers to detailed questions raised in this meeting would be worked out as the project progressed.
- The Cabinet Member for Finance said that the Council was planning to underwrite some £30m of the total capital cost of the project. An additional £160m would come from the DFT. The total cost to the Council was not known at this stage because financial contributions would need to be sought from other sources including the New Anglia LEP and the Greater Norwich Infrastructure and Investment Fund.
- The loan that the Council took out to fund its share of the project would be based on a roughly equal repayment schedule over 40-50 years. Such a loan from the Public Works Board would be at a fixed repayment rate regardless of inflation.
- The delegation of powers to officers would allow for contract costs to be managed on a day to day basis in a similar way to what was put in place for the 3rd river crossing at Great Yarmouth.
- Council would be informed of any substantial changes in contract prices and risks that arose from the project.
- Research on mitigation measures was ongoing and surveys were being prepared this summer to support the planning application documents to be put together early in the new year.

8.10 In answer to questions from Members of the Committee:

- The Cabinet Member for Highways, Infrastructure and Transport said that on page 34 of the agenda there was a list of the organisations that supported the scheme. These organisations included all the Blue Light Services.
- The Cabinet Member gave examples of other bypasses that had been successfully built in Norfolk.
- Some Councillors said that research evidence showed that there was a direct correlation between the building of new roads and the volume of traffic on the roads.
- In reply to questions officers said that the Council was closely following the DFT model on planning considerations for the building of new roads. While the Council had to develop its business case for the DFT based on current DEFRA guidance, the Council was anticipating the possibility of a change in legislation that might arise from the Environment Bill currently before Parliament. The implications of this Bill were being closely monitored.
- Other Councillors said that the risk register for the project should not be based on the possibility of failure but should look at a range of potential issues that required mitigation.
- Officers said that further public consultation would be undertaken in the Autumn. The air quality in the area of the proposed new link road would continue to be monitored. Additional woodlands and wetlands were being

planned to increase biodiversity to the west of Norwich.

- The planning application process was expected to be long and detailed. While the Council was not at the planning stage it was acknowledged that there was every likelihood that this matter would go before a public enquiry at some future time.
- The business case would fully comply with Government criteria for the building of new roads, allow for improvements in public transport, cycling and walking initiatives and provide income taxpayers with good value for money.
- Officers said that the cost benefit calculations had been revisited since 2019 and were based on current DFT guidance.
- The outline business case would be published on the Council website when the bid was submitted to the DFT. This would provide further answers to detailed questions on the environmental impact of the link road.
- The traffic modelling was not intended to look at congestion issues beyond Norwich and outlying areas.
- The planning for the Western Link Road included a contingency figure of 28% for any cost overruns. This adequately reflected the risks of the project.
- The expertise within the Council at dealing with cost overruns had improved significantly since the building of the NDR and the work that had gone into the 3rd river crossing project in Great Yarmouth which was coming in underbudget.

8.11 The Chair said that while the Scrutiny Committee should expect to see further detailed reports on this large complicated project in which there was a considerable amount of public interest, the volume of work required to scrutinise the project required an appropriate mechanism to do this in cooperation with the Select Committees otherwise the project would have a negative effect on the consideration of other important Council business. The Scrutiny Committee would need to ensure that the quality and effectiveness of Council decision making were properly protected as this project progressed.

8.12 Cllr Osborne moved, seconded by Cllr Watkins

That the Cabinet be asked to review its decision on this matter because the information supplied to Cabinet and used for the referral to Full Council did not allow Councillors and other stakeholders to have an appropriate involvement in the pre-planning consultation. The project involved a significant risk of planning failure and was based on unpublished legal advice and research evidence on issues such as biodiversity, the impact of carbon emissions and on travel modelling which opened the Council to unacceptable financial and legal risks.

On being put to the vote there were 4 votes in favour and 8 votes against.

8.13 The Vice Chair moved seconded by Cllr Lesley Bambridge

That the Scrutiny Committee thank those Councillors who have called in this item and note the call-in request but decide no action is required on this issue.

On being put to the vote this was agreed with 8 votes in favour and 4 votes against.

It was then Resolved-accordingly.

- 9 **Update from the Chair of the Norfolk Countywide Community Safety Partnership (NCCSP) Scrutiny Sub Panel**
- 9.1 The Committee received a report from Cllr Mark Kiddle-Morris that updated on the work of the Panel and then discussed the detailed workings of the Panel and the reporting arrangements to this Committee.
- 9.2 Cllr Mark Kiddle-Morris, as Chair of the Panel, agreed to take up with the partnership a suggestion that spaces should be provided in the City for the safe use of drugs that allowed greater protection for city residents, particularly children. This idea had been discussed by the City Council.
- 9.3 **RESOLVED**
That the Committee note the progress being made by the Scrutiny Sub Panel.
- 10 **Appointment to the Norfolk Countywide Community Safety Partnership Scrutiny Sub Panel**
- 10.1 The Committee was asked to consider appointing three Members (politically balanced: 2 Conservative and 1 Labour) onto the Countywide Community Safety Partnership Scrutiny Sub Panel.
- 10,2 **RESOLVED**
The Committee appointed the following Councillors:
Cllr Emma Corlett
Cllr Graham Carpenter
Cllr Mark Kiddle-Morris (with Cllr Kirk as sub)
- 11 **Scrutiny Committee Forward Work Programme**
- 11.1 The Committee received a report that set out a draft forward work programme.
- 11.2 The Committee agreed that an informal meeting should be held to consider the future shape of the forward work programme which was brought back to the Scrutiny Committee at the earliest possible time.

The meeting concluded at 12. 10 pm

Chair

Appendix A

MEMBER/PUBLIC QUESTIONS TO CABINET SCRUTINY 23 June 2021

5. PUBLIC QUESTIONS

5.1	Question from Sandra Bogelein	Answer Provided by
	Members of the public, including myself, are extremely sceptical about the claim that the NWL will reduce carbon emissions. Related to call-in items 1.2.1 and 1.2.2, will the Chair of Scrutiny obtain and make the relevant traffic models, and all related assumptions, data and emissions calculations, available to the committee and public, and arrange for a second opinion or verification by independent consultants in the field for the scrutiny committee?	
	Response	
	The traffic model reports, including validation of the model used, will be included with the Outline Business Case (OBC) submission to the Department for Transport (DfT). The reports will be subject to detailed independent review along with the OBC by specialists at DfT. The forecast traffic flows from the model have been used to complete the Greenhouse Gases Workbook, which is a standard DfT tool to value the impact arising from the change in carbon emissions from vehicles as a result of the scheme.	NWL Team
5.2	Question from Martin Schmierer	
	Can the chair of scrutiny committee confirm that he has, and will make available to the committee for the meeting, sight of the legal advice produced to the Council on the planning issues relating to the construction and operation of the road through and over the Wensum SAC? If not, please can he confirm that he will make every reasonable effort to seek sight of the said advice for himself and the committee	
	Response	
	As a matter of standard practice, a project team promoting an infrastructure scheme on the scale of the NWL will necessarily seek legal advice. That legal advice is then used to inform the project team's approach to progressing the project, and as such will be reflected in the information presented by officers, to inform key decisions on the project. In terms of the decisions which Cabinet was asked to make on 7 June 2021, Cabinet members were provided with all of the information (by way of the Cabinet Report and accompanying background papers) relevant to the decisions Cabinet was being asked to take at that time.	NWL Team & NPLaw

	<p>The matters which were the subject of the Cabinet meeting on 7 June 2021 and which were referred to Full Council on that date, and which are now before the Scrutiny Committee, by virtue of their nature necessarily precede the work involved in preparing a planning application. Legal advice on planning issues relating to the construction and operation of the NWL through and over the Wensum SAC will be sought in due course, as part of the process involved in preparing a planning application for the NWL. The Council has appointed external legal advisors in relation to the NWL planning application, the preparation of which will involve consideration of issues arising in connection with the Wensum SAC. The Council does not routinely share its legal advice with the public or interested parties given that such advice is subject to legal advice privilege.</p>	
5.3	Question from Catherine Rowett	
	<p>Can the chair of scrutiny committee confirm that he has, and will make available to the committee at the meeting, sight of the Council's 'Plan B' proposal for relieving traffic congestion in the Norwich Western Quadrant (which it is known is the subject of ongoing discussions), to cover the event the NWL project does not go ahead? If not, please can he confirm that he will make every reasonable effort to seek details of the 'Plan B' proposal for himself and the committee?</p>	NWL Team
	Response	
	<p>The Council has undertaken a comprehensive options assessment which has concluded that the chosen route is the optimum solution.</p>	

6. LOCAL MEMBER QUESTIONS

6.1	Question from Cllr Paul Neale	
	<p>A letter was recently sent to the head of paid service by Andrew Boswell and David Pett about the potential unlawfulness of recommendation 1 of the agenda at the June 7th Extraordinary Council Meeting. Will the chair of Scrutiny ensure that the issues raised in the letter are discussed by the committee and resolved at call-in item 2 on the agenda?</p>	
	Response	
	<p>A response has been provided to Dr Boswell.</p>	

Decision making report title:	Strategic and Financial Planning 2022-23/ Finance Monitoring 2021-22 – P2
Date of meeting:	21 July 2021
Responsible Cabinet Member:	Cllr Andrew Jamieson, Cabinet Member for Finance
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Introduction <p>At Cabinet on the 5 July 2021, members received item 16, Finance Monitoring 2021-22 (P2) and item 17, Strategic and Financial Planning 2022-23. At the request of the Chairman and Vice-Chairman, these have both been brought to scrutiny to enable financial scrutiny planning.</p> Executive Summary <p>The Chair has invited the Cabinet Member for Finance, and the Executive Director of Finance and Commercial Services, to this meeting to provide Scrutiny Committee with a briefing on the Council's current and future financial position. This will ensure that the Committee better understands the Council's strategic financial planning process and can undertake a more effective role in its scrutiny.</p> Recommendations <ol style="list-style-type: none">1. Members are asked to consider the attached cabinet reports and provide feedback and recommendations to officers where appropriate.2. Members are further asked to consider the strategic and financial planning timeline presented by officers and consider the role of scrutiny moving forward.	

1. Background and Purpose

- 1.1.** The Chair of the Scrutiny Committee has proposed that the Committee should seek to understand the Council's current and future financial position, budget process, and has asked the Cabinet Member for Finance, and the Executive Director of Finance and Commercial Services, to the meeting to brief the Committee.

2. Proposals

- 2.1. Attached at **Appendix A** is item 16 from the Cabinet Meeting held on the 5 July, entitled 'Finance Monitoring 2021-22 (P2)'. This sets out the forecast financial position for the 2021-22 Revenue and Capital Budgets, General Balances, and the Council's Reserves at 31 March 2022.
- 2.2. Revenue and Capital budgets are set annually by Full Council at the start of the financial year. In order to ensure effective service delivery within the allocated resources set by council, progress is monitored on a quarterly basis with reports to Cabinet. The updates are primarily used to demonstrate where the council is anticipating financial pressures not forecast at the time of budget setting. For 2021-22, these include pressures associated with the Covid-19 pandemic, along with an update on central government grant funding.
- 2.3. In terms of the revenue outturn position, the papers outline:
- Forecast over and under spends
 - Covid-19 grant income
 - Changes to the approved budget
 - Reserves
 - Savings
 - Treasury management
 - Payment performance and debt recovery.
- For the capital outturn position:
- Current and future capital programmes
 - Capital programme funding
 - Income from property sales and other capital receipts.
- 2.4. Attached at **Appendix B** is item 17 from the Cabinet Meeting held on the 5 July, entitled 'Strategic and Financial Planning 2022-23'. This report represents the start of the Council's process for setting the 2022-23 Budget and developing the supporting Medium-Term Financial Strategy (MTFS). It also provides wider financial context and a proposed budget setting timeline.
- 2.5. The report and associated papers include information on:
- NCCs strategic framework
 - The Spring Budget, Queens Speech 2021, and local government funding
 - Budget context and current financial pressures
 - Medium Term Financial Strategy
 - High level principles for 2022/23 budget planning.
- 2.6. The papers also include a proposed budget setting timetable, leading up to Full Council approval on the 21 February 2022. For accessibility, this is also included below:

Activity/Milestone	Time frame
Cabinet review of the financial planning position for 2022-26 – including formal allocation of targets	5 July 2021
Select Committee input to 2022-23 Budget development	12, 14, 16 July 2021
Review of budget pressures and development of detailed savings proposals 2022-26 to incorporate: <ul style="list-style-type: none"> - Budget Challenge 1 (mid July) – outline proposals - Budget Challenge 2 (early September) – detailed proposals 	July – September 2021
Cabinet considers emerging proposals and service budget strategies	6 September 2021
Cabinet considers full savings proposals and agrees proposals for public consultation	4 October 2021
Public consultation on 2022-23 Budget and council tax and Adult Social Care precept options	TBC October to December 2021
Reporting to Cabinet as appropriate on Government funding announcements / changes to planning assumptions	November – December 2021
<i>Provisional Local Government Finance Settlement announced including provisional council tax and precept arrangements*</i>	<i>TBC around 5 December 2021</i>
Confirmation of District council tax base and business rate forecasts	31 January 2022
Cabinet considers outcomes of service and financial planning, EQIA and consultation feedback and agrees revenue budget and capital programme recommendations to County Council	31 January 2022
<i>Final Local Government Finance Settlement*</i>	<i>TBC January / February 2022</i>
Scrutiny Committee 2022-23 Budget scrutiny	16 February 2022
County Council agrees Medium Term Financial Strategy 2022-23 to 2025-26, revenue budget, capital programme and level of council tax for 2022-23	21 February 2022

**Assumed government activity*

- 2.7. Scrutiny Members have a duty to provide effective ‘critical friend’ challenge to the annual budget process, ensuring sound financial decision making by reviewing how NCC resources are allocated, and exploring the integration between financial and service planning. Members of the Scrutiny Committee are asked to consider the proposed timeline and determine if there is any additional scrutiny activity required.

3. Impact of the Proposal

3.1. Highlighted in background papers.

4. Evidence and Reasons for Decision

4.1. Highlighted in background papers.

5. Financial Implications

5.1. Highlighted in background papers.

6. Resource Implications

6.1. Staff:

There are no direct implications arising from this report although there is a potential that staffing implications may arise linked to specific saving proposals developed. These will be identified as they arise later in the budget planning process.

6.2. Property:

There are no direct property implications arising from this report although existing saving plans include activities linked to property budgets and assumptions around capital receipts to be achieved. In addition, activities planned within Business Transformation will include further work to deliver property related savings.

6.3. IT:

There are no direct IT implications arising from this report although existing saving plans include activities linked to IMT budgets. In addition, activities planned within Business Transformation will include further work to deliver savings through activity related to digital and IT initiatives.

7. Other Implications

7.1. Legal Implications

Highlighted in background papers.

7.2. Human Rights implications

Highlighted in background papers.

7.3. Equality Impact Assessment (EqIA) (this must be included)

N/A

7.4. Data Protection Impact Assessments (DPIA)

N/A

7.5. Health and Safety implications (where appropriate)

N/A

7.6. **Sustainability implications (where appropriate)**

N/A

7.7. **Any other implications**

N/A

8. Risk Implications/Assessment

8.1. Included in background papers

9. Select Committee comments

9.1. None

10. Recommendations

10.1. Members are asked to consider the attached cabinet reports and provide feedback and recommendations to officers where appropriate.

Members are further asked to consider the strategic and financial planning timeline presented by officers and consider the role of scrutiny moving forward.

11. Background Papers

11.1. **Appendix A – Finance Monitoring 2021/22 (P2)**

Appendix B – Strategic and Financial Planning 2022/23

Officer Contact

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

Officer name: Peter Randall

Tel No.: 01603 307570

Email address: peter.randall@norfolk.gov.uk



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Report presented to Cabinet

Item No. 8a

Report title	Finance Monitoring Report 2021-22 P2: May 2021
Date of meeting	5 July 2021
Responsible Cabinet Member	Cllr Andrew Jamieson (Cabinet Member for Finance)
Responsible Director	Simon George (Executive Director of Finance and Commercial Services)
Is this a key decision?	Yes

Introduction from Cabinet Member

This report gives a summary of the forecast financial position for the 2021-22 Revenue and Capital Budgets, General Balances, and the Council's Reserves at 31 March 2022, together with related financial information.

Executive Summary

Subject to mitigating actions, on a net budget of £439.094m the forecast revenue outturn for 2021-22 at the end of period 2 (May) is **a balanced position** after taking into account use of £19.255m Covid reserves brought forward from 2020-21 to meet Covid pressures in 2021-22.

General Balances are **£23.763m** following transfers of £4.056m from non-Covid related savings and Finance General underspends at the end of 2020-21. Service reserves and provisions are forecast to total **£114.4m**.

Covid-19 financial pressures are taken into account in the forecasts in this report. Details of these pressures and progress on achieving saving are addressed in detail in this report.

Recommendations

- To recommend to County Council the addition of **£6.787m** to the capital programme to address capital funding requirements as set out in detail in capital appendix 2, paragraph 4 as follows:
 - Older People Estate Transformation £5.000m (Appendix 2 paragraph 4.2)
 - Structural repairs to King's Lynn Museum £0.600 (Appendix 2 paragraph 4.3)
 - Better Broadband for Norfolk £0.050m (Appendix 2 paragraph 4.4)
 - Greenways to Greenspaces £0.350m (Appendix 2 paragraph 4.5)
 - Dereham Fire Station (Phase 2) £0.434m (Appendix 2 paragraph 4.6)
 - Emergency Response Vehicles £0.300m (Appendix 2 paragraph 4.7)
 - Card payments Programme £0.053m (Appendix 2 paragraph 4.8)
- Subject to County Council approval of recommendation 1 above, to delegate:

- 2.1) To the Director of Procurement authority to undertake the necessary procurement processes including the determination of the minimum standards and selection criteria (if any) and the award criteria; to shortlist bidders; to make provisional award decisions (in consultation with the Chief Officer responsible for each scheme); to award contracts; to negotiate where the procurement procedure so permits; and to terminate award procedures if necessary;
 - 2.2) To the Director of Property authority (notwithstanding the limits set out at 5.13.6 and 5.13.7 of Financial Regulations) to negotiate or tender for or otherwise acquire the required land to deliver the schemes (including temporary land required for delivery of the works) and to dispose of land so acquired that is no longer required upon completion of the scheme;
 - 2.3) To each responsible chief officer authority to:
 - (in the case of two-stage design and build contracts) agree the price for the works upon completion of the design stage and direct that the works proceed; or alternatively direct that the works be recompeted
 - approve purchase orders, employer's instructions, compensation events or other contractual instructions necessary to effect changes in contracts that are necessitated by discoveries, unexpected ground conditions, planning conditions, requirements arising from detailed design or minor changes in scope
 - subject always to the forecast cost including works, land, fees and disbursements remaining within the agreed scheme or programme budget.
 - That the officers exercising the delegated authorities set out above shall do so in accordance with the council's Policy Framework, with the approach to Social Value in Procurement endorsed by Cabinet at its meeting of 6 July 2020, and with the approach set out in the paper entitled "Sourcing strategy for council services" approved by Policy & Resources Committee at its meeting of 16 July 2018.
3. To delegate decisions relating to the use of the extended Covid Local Support Grant to the Director of Community Information and Learning, in consultation with the Leader, as described in Appendix 1 paragraphs 5.6 and 5.7.
 4. To note the period 2 general fund forecast revenue **balanced position**, noting also that Executive Directors will continue to take measures to reduce or eliminate potential over-spends where these occur within services;
 5. To note the COVID-19 grant funding available of **£53.767m**, including £19.274m brought forward from 2020-21;
 6. To note the period 2 forecast 100% savings delivery in 2021-22, noting also that Executive Directors will continue to take measures to mitigate potential savings shortfalls through alternative savings or underspends;
 7. To note the forecast General Balances at 31 March 2021 of **£23.763m**.
 8. To note the expenditure and funding of the revised current and future 2021-25 capital programmes.

1. Background and Purpose

- 1.1. This report and associated annexes summarise the forecast financial outturn position for 2021-22, to assist members to maintain an overview of the overall financial position of the Council.

2. Proposals

- 2.1. Having set revenue and capital budgets at the start of the financial year, the Council needs to ensure service delivery within allocated and available resources, which in turn underpins the financial stability of the Council. Consequently, progress is regularly monitored and corrective action taken when required.

3. Impact of the Proposal

- 3.1. The impact of this report is primarily to demonstrate where the Council is anticipating financial pressures not forecast at the time of budget setting, including the implications of the Covid-19 pandemic, together with a number of other key financial measures.

4. Evidence and Reasons for Decision

- 4.1. Two appendices are attached to this report giving details of the forecast revenue and capital financial outturn positions:

Appendix 1 summarises the revenue outturn position, including:

- Forecast over and under spends
- Covid-19 grant income
- Changes to the approved budget
- Reserves
- Savings
- Treasury management
- Payment performance and debt recovery.

Appendix 2 summarises the capital outturn position, and includes:

- Current and future capital programmes
- Capital programme funding
- Income from property sales and other capital receipts.

- 4.2. Additional capital funds will enable services to invest in assets and infrastructure as described in Appendix 2 section 4.
- 4.3. Delegation of decisions relating to the use of the extended Covid Local Support Grant to the Director of Community Information and Learning, in consultation with the Leader, will enable the grant to be rapidly applied to support vulnerable families as described in Appendix 1 paragraphs 5.6 and 5.7.

5. Alternative Options

- 5.1. In order to deliver a balanced budget, no viable alternative options have been identified to the recommendations in this report. In terms of financing the proposed capital expenditure, no grant or revenue funding has been identified to fund the expenditure.

6. Financial Implications

- 6.1. As stated above, the forecast revenue outturn for 2021-22 at the end of P2 was an **balanced position** linked to a forecast 100% savings delivery. Forecast service reserves and provisions are forecast to total **£114.4m**, and general balances of **£23.763m**. Grant funding of **£34.493m** has been received in the year to date to off-set additional expenditure occurred as a result of the Covid-19 pandemic. When added to £19.274m Covid reserves brought forward the total Covid grant funding available is **£53.767m**.

Overall, service net pressures have been off-set by underspends and a balanced position is anticipated. A narrative by service is given in Appendix 1.

The Council's capital programme is based on schemes approved by County Council on February 2021, including previously approved schemes brought forward and new schemes subsequently approved.

7. Resource Implications

- 7.1. None, apart from financial information set out in these papers.

8. Other Implications

8.1. Legal Implications

In order to fulfil obligations placed on chief finance officers by section 114 of the Local Government Finance Act 1988, the Executive Director of Finance and Commercial Services continually monitors financial forecasts and outcomes to ensure resources (including sums borrowed) are available to meet annual expenditure.

8.2. Human Rights implications

None identified.

8.3. Equality Impact Assessment

In setting the 2021-22 budget, the council has undertaken public consultation and produced equality and rural impact assessments in relation to the 2021-22 Budget. An overall summary Equality and rural impact assessment report is included on page 284 of the Monday 22 February 2021 Norfolk County Council agenda. [CMIS > Meetings](#)

The Council is maintaining a dynamic [COVID-19 equality impact assessment](#) to inform decision making during the pandemic.

The Council's net revenue budget is unchanged at this point in the financial year and there are no additional equality and diversity implications arising out of this report.

9. Risk Implications/Assessment

- 9.1. Corporate risks continue to be assessed and reported on a quarterly basis to both Cabinet and the Audit Committee. The Council's key financial based corporate risk (RM002 - The potential risk of failure to manage significant reductions in local and national income streams) has been reviewed and refreshed in February 2021 to incorporate the 2021/22 budget and medium term financial strategy 2021/22 - 2024/25 being set. Key risk mitigations include amongst others regular (monthly) financial reporting to Cabinet, working to the

Medium Term Financial Strategy and setting robust budgets within available resources.

Unlike many other parts of the public sector such as the NHS, local authorities are required by law to set a balanced budget. As part of their duties, the Executive Director of Finance and Commercial Services has a responsibility to report to members if it appears to him that the authority will not have sufficient resources to finance its expenditure for the financial year. While not underestimating the severity of the current crisis continues to have on Council's finances, the Executive Director of Finance and Commercial Services believes a balanced budget will be achieved in 2021-22.

10. Select Committee comments

10.1. None

11. Recommendation

11.1. Recommendations are set out in the introduction to this report.

12. Background Papers

12.1. Summary Equality and rural impact assessment [CMIS > Meetings](#) page 284

Officer Contact

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

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Appendix 1: 2021-22 Revenue Finance Monitoring Report Month 2

Report by the Executive Director of Finance and Commercial Services

1 Introduction

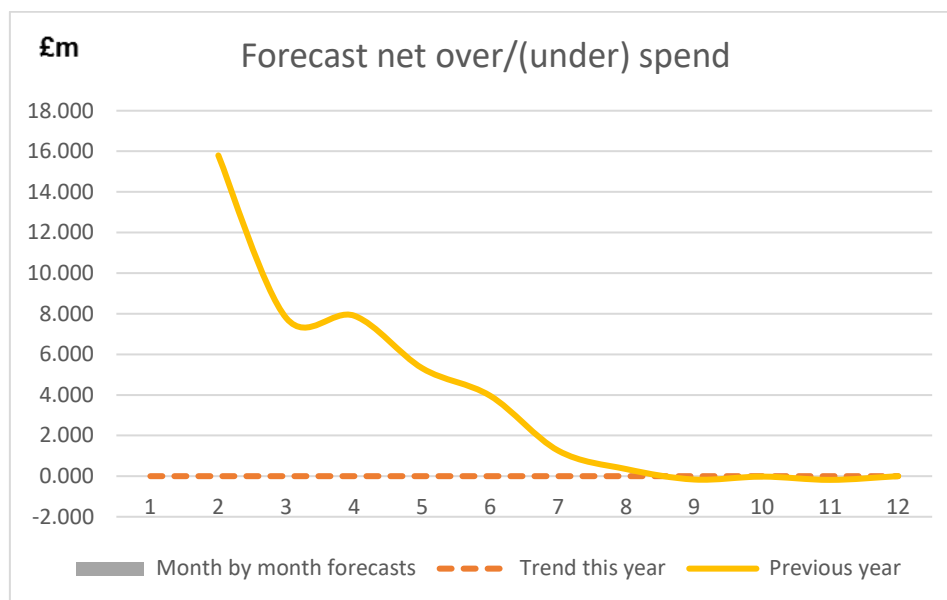
1.1 This report gives details of:

- the P2 monitoring position for the 2021-22 Revenue Budget
- additional financial information relating to the Covid-19 pandemic
- forecast General Balances and Reserves at 31 March 2022 and
- other key information relating to the overall financial position of the Council.

2 Revenue outturn – over/underspends

2.1 **At the end of May 2021** a balanced position is forecast on a net budget of £439.094m.

Chart 1: forecast /actual revenue outturn 2021-22, month by month trend:



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

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

Table 1: 2021-22 forecast (under)/over spends by service

Service	Revised Budget	Net (under)/over spend	%	RAG
	£m	£m		
Adult Social Care	252.550	0	0%	G
Children's Services	178.886	0	0%	G
Community and Environmental Services	158.307	0	0%	G
Strategy and Transformation	8.422	0	0%	G
Governance Department	1.904	0	0%	G
Finance and Commercial Services	32.235	0	0%	G
Finance General	-193.210	0	0%	G
Total	439.094	0	0%	G

Notes:

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

- 2.4 **Children's Services:** The forecast outturn as at Period 2 (end of May 2021) is a breakeven position. There is significant uncertainty at this point in any financial year, and this uncertainty is magnified due to the unknown ongoing impact of the pandemic. Within this forecast, there are significant areas that are at risk budgetary pressures; in particular, demand-led budgets including home to school transport (particularly for children and young people with high special educational needs and disabilities) and social care placements and support.
- 2.5 This initial forecast presumes use of reserves to cover committed expenditure that slipped from 2020-21 due to the pandemic, alongside potential mitigation of demand-led budgets where there are known risks of pressures at the start of the financial year. Management action is being taken within the department to reduce these risks wherever possible; the potential mitigating reserve funding required, and any impact upon future years' budgets, will be kept under close review.
- 2.6 Given the current national context, there continues to be significant influences beyond the Council's control that continue to make delivery of the transformation programme (and, therefore, savings) difficult in light of the ongoing recovery work, ongoing Covid-related restrictions, potential surge in demand and further waves. Again, this risk will continue to be kept under close review.
- 2.7 **Dedicated Schools Grant:** The initial outturn forecast, based upon the latest modelling of the Dedicated Schools Grant (DSG) Recovery Plan after the 2020/21 outturn, is a forecast in-year deficit of £10.1m overspend as at the end of March 2022. This forecast overspend is entirely due to the High Needs Block, with all other Blocks forecast to break-even at this early stage. This compares to a budgeted deficit of £8.635m. Significant assumptions included in the budget, and subsequently this initial forecast can be difficult to ascertain due to the demand-led nature of the spend.
- 2.8 The areas of most significant pressure are independent school placements, post-16 provision and maintained special school placements, with a combination of improved clarity regarding the number of places expected in 2021/22 based upon the outturn

position for 2020/21 and improved forecasting assumptions. These will continue to be kept under close review given the demand-led nature of these budgets.

- 2.9 A thorough review is now underway of the demand upon the 'invest-to-save' support for Early Intervention Special Educational Needs (SEN) Funding. This funding is specified to support individual children, to enable needs to be met and to prevent the escalation of needs (and subsequent potential move to more costly, specialist places). Since the pandemic restrictions have been easing, there has been a significant increase in applications for this support and this could result in increased spend in future months. This will be kept under close review, but it should be noted that additional spend on these budgets should mitigate pressures on maintained special school and independent school placements.
- 2.10 Despite the pandemic, significant work by the NCC, Norfolk Schools Forum and the wider system continues to take place as part of the Children's Services Transformation Programme both to ensure that the right specialist provision is in the right place to meet needs (i.e. the capital investment), whilst also progressing work to transform how the whole system supports additional needs within mainstream provision
- 2.11 This forecast position was shared with Norfolk Schools Forum at their May meeting. This was in line with DfE expectations and feedback from the Forum continues to be sought.
- 2.12 Sustainable funding for the HNB continues to be pursued and NCC recently responded to a DfE consultation regarding revising the historical basis for the national funding formula for HNB; this consultation suggests that Norfolk has been under-funded for a number of years and, even if the proposals are implemented, will continue to be under funded due to a capping system. We await the outcome to understand the implications for the DSG recovery plan in future years.
- 2.13 **Adult Social Services:** The forecast outturn as at Period 2 (end of May 2021) is a balanced position. The service budget, in particular the Older People Purchase of Care budget, continues to be under pressure due to Covid-19. As reported throughout 2020/21, Covid-19 had a detrimental ability to the pace and scale of the Adult Social Care (ASC) transformation programme. This therefore resulted in a shortfall in savings delivery which is still creating a legacy pressure against the department budget. At this time there is a risk that ASC will not be able to catch-up on the 2020/21 savings whilst also delivering against the new 2021/22 savings. Whilst the service will have non-care budgets that will underspend and partially offset the pressure, it is unlikely that a balance position will be achievable without one-off reserve utilisation. The ASC reserve forecast (table 3, section 4.3) therefore reflects this additional reserve utilisation.
- 2.14 **CES:** we are currently forecasting a balanced outturn position, historically CES budgets have been fairly stable throughout the year, however the impact of the pandemic has added a degree of uncertainty to the budgets, specifically around income generation.
- 2.15 There is a significant uncertainty in relation to the impacts on income and we will therefore be reviewing and revising these forecasts as the year progresses. Overall, the position is likely to be mitigated through the Local government income compensation scheme for lost sales, fees and charges: this is subject to on-going calculations and will be reflected at Service level in future reports. The department is also holding a number of specific reserves to mitigate these pressures.

- 2.16 The department is also reviewing the additional costs of reopening services to ensure that they are available to the public and operating within the government guidelines.
- 2.17 **Corporate services:** the Strategy and Transformation, Governance and Finance and Commercial Services directorates are forecasting a balanced position, making use of Covid reserves brought forward from 2021-22 where appropriate.
- 2.18 **Finance General:** A balanced budget is forecast in Finance General at this early stage of the year. Forecast overspend resulting from on-going Covid related PPE, staff and premises costs are balanced by forecast underspends in other areas. Forecast underspends are mainly due to interest payable costs being less than budgeted due to the timing of borrowing and sustained low interest rates on new borrowing. Other forecast underspends are due to reduced member travel and allowances, and the Council's pension AVC salary sacrifice scheme.
- 2.19 The forecast assumes use of Covid reserves brought forward from 2021-22 to mitigate Covid related expenditure where appropriate and necessary to maintain a balanced budget. We are assuming that Covid grants and reserves will be sufficient to cover additional cost pressures, but this early stage of the year and the extent of cost pressures may still change.
- 2.20 Further details are given in Revenue Annex 1.

3 Approved budget, changes and variations

- 3.1 The 2021-22 budget was agreed by Council on 22 February 2021 and is summarised by service in the Council's Budget Book 2021-22 (page 17) as follows:

Table 2: 2020-21 original and revised net budget by service

Service	Approved net base budget	Revised budget P2
	£m	£m
Adult Social Care	252.550	252.550
Children's Services	178.886	178.886
Community and Environmental Services	158.307	158.307
Strategy and Transformation	8.422	8.422
Governance Department	1.904	1.904
Finance and Commercial Services	32.235	32.235
Finance General	-193.210	-193.210
Total	439.094	439.094

Note: this table may contain rounding differences.

- 3.2 During periods 1 and 2, there have been no budget transfers between services, and the Council's net budget for 2021-22 remains unchanged.

4 General balances and reserves

General balances

- 4.1 At its meeting on 22 February 2021, the County Council agreed a minimum level of general balances of £19.706m in 2021-22. The balance at 1 April 2021 was **£23.763m** following transfers of £4.056m from non-Covid related savings and Finance General underspends at the end of 2020-21.

Reserves and provisions 2021-22

- 4.2 The use of reserves anticipated at the time of budget setting was based on reserves balances anticipated in January 2021. Actual balances at the end of March 2021 were higher than planned, mainly as a result of grants being carried forward, including Covid-19 support grants, and reserves use being deferred.
- 4.3 The 2021-22 budget was approved on the basis of a closing reserves and provisions (including schools reserves but excluding LMS and DSG reserves) of £104m at 31 March 2022. This, and the latest forecasts are as follows.

Table 3: Reserves budgets and forecast reserves and provisions (excluding LMS/DSG)

Reserves and provisions by service	Actual balances 1 April 2021(1)	Increase in March 2021 balances after budget setting	2021-22 Budget book forecast March 2022	Latest forecast balances 31 March 2022
	£m	£m	£m	£m
Adult Social Services	35.606	13.831	14.102	12.322
Children's Services (inc schools, excl LMS/DSG)	17.300	8.841	5.832	11.581
Community and Environmental Services	54.363	12.414	49.780	50.430
Strategy and Transformation	1.892	0.529	1.265	1.693
Governance	2.118	0.235	0.908	1.000
Finance & Commercial Services	4.628	1.340	1.872	2.917
Finance General	35.019	1.936	30.739	34.451
Reserves and provisions excluding LMS and DSG balances (see below)	150.926	39.126	104.498	114.394
Schools LMS balances	17.018	4.204	7.308	14.931
DSG Reserve (negative)	-31.797	-0.834	-34.355	- 41.897
Total	136.147	42.496	77.451	87.428

- 4.4 Covid grants and other grants and contributions brought forward at resulted in reserves and provisions being £39m higher than had been assumed at the time of budget setting. However, it is assumed that the majority of these reserves will be used for service provision during 2021-22. As a result, the latest forecast net total for reserves and provisions at 31 March 2022 (excluding schools LMS and DSG reserves) is approximately £10m higher than was assumed at the time of budget setting.

4.5 Provisions included in the table above

The table above includes forecast provisions of £27.5m comprising £10.0m insurance provision, £12.6m landfill provision (this provision is not cash backed), £4.9m provisions for bad debts, and a small number of payroll related provisions.

5 Covid-19 financial implications

5.1 Details of central government funding announcements, and forecast Covid-19 pressures are set out below.

5.2 Covid-19 funding secured to date is as follows:

Table 4a: Covid-19 funding

Funding	Actual/forecast 2021-22 £m
Covid reserves brought forward	
Home to School and College Transport Funding carried forward	0.598
Local Outbreak Control: test and trace service support grant carried forward	1.271
Contain Outbreak Management Fund carried forward	14.389
Community Testing Funding carried forward	0.050
Clinically Extremely Vulnerable Funding carried forward	2.420
Wellbeing for Education Recovery Grant carried forward	0.037
Holiday Activity Fund Grant carried forward	0.018
Norfolk Assistance Scheme Reserve	0.491
Use of funding brought forward from 2020-21	19.274
COVID-19 MHCLG Grant Tranche 5	18.892
Infection Control Fund	3.860
Home to School and College Transport Funding	0.245
Contain Outbreak Management Fund	4.859
Wellbeing for Education Recovery Grant	0.125
Covid Winter Grant Scheme	0.644
Adult Social Care Rapid Testing Fund	2.535
Holiday Activity Fund Grant	2.389
Covid-19 Bus Services Support Grant	0.785
Furlough Income (non-schools)	0.160
Funding received in 2021-22	34.493
Funding to date for 2021-22	53.767

New / confirmed funding

5.3 The majority of funding above is a continuation of funding streams first received in 2020-21. New funding sources include:

5.4 **Wellbeing for education recovery:** on 10 June the Department for Education (DfE) has published the 2021-22 grant determination on the wellbeing for education recovery grant. The wellbeing for education recovery project will provide additional support to state-funded schools and colleges to enable education staff to support the wellbeing and mental health of pupils and students during the COVID-19 recovery period. Norfolk's 2021-22 allocation is £0.125m.

5.5 An additional element of cost mitigation included in forecast over and underspends is the Government's **Coronavirus Job Retention Scheme**. While the scheme has not

been used to duplicate other sources of public funding, such as the Covid-19 support grants, the government has recognised that there are exceptional cases where, for example, Local Authorities have needed to close venues such as museums and registry offices. Claims for the period from April 2021 to the end of May 2021 totalled £0.174m, including £0.014m in respect of schools.

Other funding

- 5.6 **Covid local support grant:** On 21 June 2021 the Council received notification from the DWP that COVID grant support for vulnerable families is to continue until 30 September 2021. The grant is to provide support to upper tier local authorities in England to provide support to children and households who are experiencing, or at risk of experiencing, poverty, where they are impacted by the ongoing public health emergency and where alternative sources of assistance may be unavailable. Of the additional £160m made available nationally, Norfolk's allocation is £2.579m.
- 5.7 The Council's Hardship Board has been in place since December 2020 and has dealt with previous allocations of this grant. The Hardship Board includes officers from all service departments, it was set up to address the unexpected consequences of the pandemic. Due to the short notice around the latest grant announcement, and the limited timeframe covered by the grant, the Hardship Board will continue deal with this allocation and a recommendation is made in this report to delegate future decisions relating to the use of this grant to the Director of Community Information and Learning, in consultation with the Leader.
- 5.8 **Local government income compensation scheme for lost sales, fees and charges:** MHCLG have confirmed the extension to the Sales, Fees and Charges Scheme, into the first three months of 2021/22. The compensation will be subject to the same deductions as 2020-21 based on a 5% budget absorption and the 75 pence in every pound of loss thereafter) and will be based on profiled budgets to reflect seasonality of income. A forecast of the April to June 2021 claim will be included in period 3 monitoring.
- 5.9 Coronavirus job retention scheme (Furlough scheme) funding of £0.174m is due in respect of April – May 2021, including £0.014m in respect of schools.

Covid-19 related cost pressures

5.10 A summary of the forecast Covid-19 related cost pressures are as follows:

Table 4b: Covid-19 cost pressures

Table 4b: Covid-19 cost pressures	Adult Social Services	Children's Services	Community and Environmental Services	Strategy and Transformation	Governance	Finance and Commercial Services	Finance General	Total
	£m	£m	£m	£m	£m	£m	£m	£m
2021-22 Covid-19 cost pressures	16.185	6.612	27.893	0.000	0.966	0.464	3.042	55.161
Use of funding brought forward from 2020-21	0.000	-0.653	-18.130	0.000	0.000	0.000	-0.491	-19.274
2021-22 Grants	-6.395	-2.791	-5.696	0.000	-0.012	0.000	-19.599	-34.493
2021-22 Covid-19 Funding	-6.395	-3.444	-23.826	0.000	-0.012	0.000	-20.090	-53.767
Net pressure	9.790	3.168	4.067	0.000	0.954	0.464	-17.048	1.394

5.11 The net forecast Covid cost pressure in 2021-22, taking into account available grant funding, is £1.394m.

Other pressures

- 5.12 A particular risk relates to Business Rates and Council Tax income. This has been taken into account during 2021-22 budget setting. To assist future budgeting, the government has allowed Council's to spread their tax deficits over 3 years rather than the usual one year
- 5.13 The costs and income pressure relating to Covid-19 vary from the overall Council forecast balanced budget position shown in this report. This is due to non-Covid-19 related actions put in place by Chief Officers to mitigate the financial impacts of the pandemic.

6 Budget savings 2021-22 summary

- 6.1 In setting its 2021-22 Budget, the County Council agreed net savings of £41.179m. Details of all budgeted savings can be found in the 2021-22 Budget Book. A summary of the total savings forecast to be delivered is provided in this section.
- 6.2 The latest monitoring reflects total forecast full savings delivery of £41.179m at year end.
- 6.3 The forecast savings delivery is anticipated as shown in the table below:

Table 5: Analysis of 2021-22 savings forecast

	Adult Social Services	Children's Services	Community and Environmental Services	Strategy and Transformation	Governance	Finance and Commercial Services	Finance General	Total
	£m	£m	£m	£m		£m	£m	£m
Budget savings	17.858	11.300	8.288	0.553	0.353	1.927	0.900	41.179
Period 2 forecast savings	17.858	11.300	8.288	0.553	0.353	1.927	0.900	41.179
Savings shortfall (net)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Commentary on savings risk areas

- 6.4 All departments are currently forecasting no variance on the delivery of planned 2021-22 budget savings. Some saving programmes have highlighted risk areas which will need to be kept under review. Any updates to the forecast delivery of savings will be included in future monitoring to Cabinet.

Adult Social Services

ASC036 Maximising potential through digital solutions £2.000m: Elements which are uncertain are those relating to flexible and mobile working - in response to Covid-19 teams are now operating differently and benefits previously identified are not likely to be realised, and the Ebrokerage system - due to Covid-19 this hasn't been able to be progressed. These items may be mitigated by other digital savings including contract management which are currently being investigated.

ASS015 Revising the short term out of hospital offer £3.670m: Covid-19 impact and the demand for short term residential care has resulting in higher volumes. The length of stay in a short term beds has also increased. The uncertainty around the hospital discharge funding for the second half of the financial year is also a risk to saving delivery. Further work is to be undertaken to better understand the flow through each of the hospital discharge pathways of the Discharge to Assess process and the impact that will have on social care costs.

ASS024 Contract renegotiation - Ensuring the requirements of commissioners are reflected in the Norsecare contract £2.000m: Level of risk associated with this saving until the outcome of the transformation plans are known and upcoming risk conversations have been held.

Children's Services

At this early stage it is anticipated that all budgeted savings within Children's Services will be delivered in 2021-22. However, there continues to be significant influences beyond the Council's control that continue to make delivery of the transformation programme (and, therefore, savings) difficult in light of the ongoing recovery work, ongoing Covid-related restrictions, potential surge in demand and further waves. Therefore, expected delivery of savings will be kept under close review.

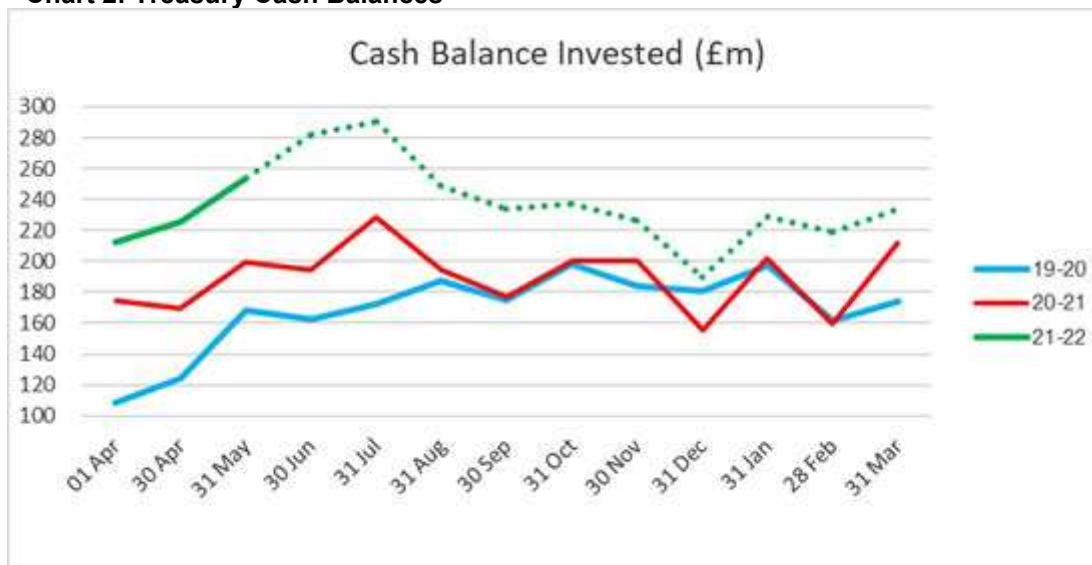
2022-23 to 2024-25 savings

- 6.5 Budget setting in 2021-22 saw the approval of £2.245m savings for 2022-23, £1.600m for 2023-24 and £2.500m savings for 2024-25. Any impact on the deliverability of these savings, including any 2021-22 savings that are permanently undeliverable, will be considered as part of the budget setting process for 2022-26.

7 Treasury management summary

- 7.1 The corporate treasury management function ensures the efficient management of all the authority's cash balances. The graph below shows the level of cash balances over the last two financial years to March 2021, and projections to March 2022.

Chart 2: Treasury Cash Balances



- 7.2 The Council borrowed £30m in June 2021 on a maturity basis to fund previous capital expenditure as follows

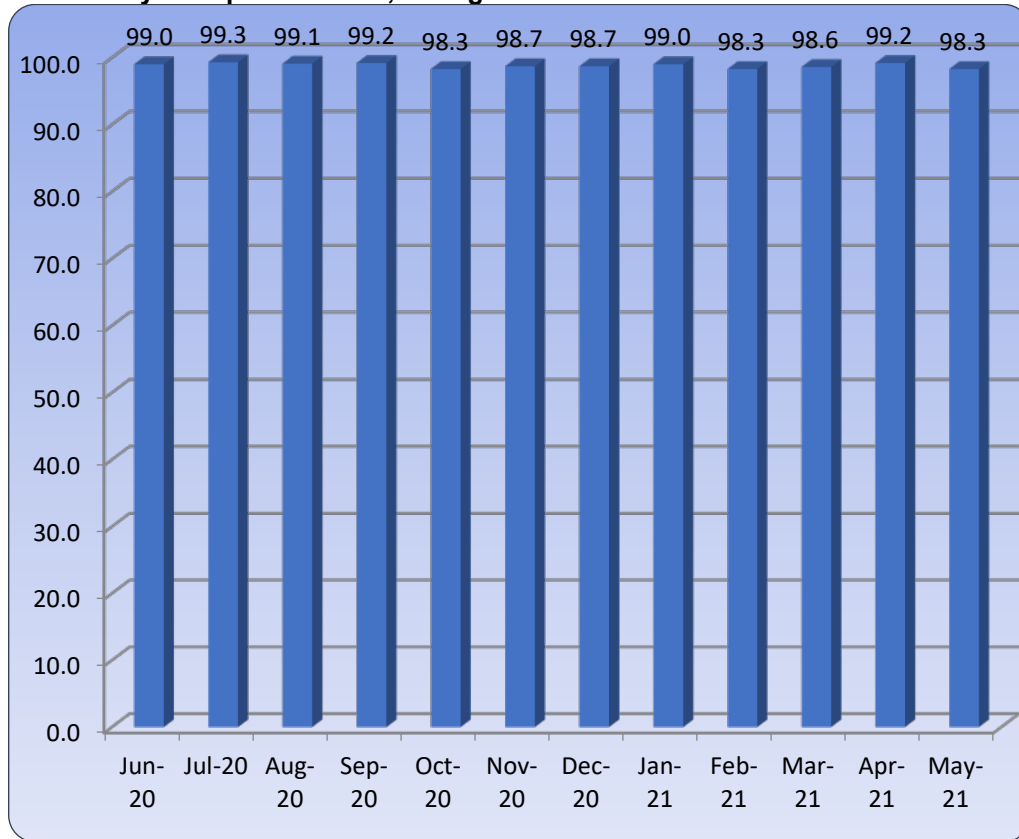
Amount borrowed	Date of transaction	Maturity date	Interest rate
£10m	2 June 2021	11 April 2071	1.96%
£10m	18 June 2021	11 April 2071	1.91%
£10m	23 June 2021	1 March 2061	1.91%

- 7.3 Although the Council has healthy cash balances for the immediate future, this borrowing has reduced the Council's exposure to potential future interest rate rises.
- 7.4 The Council's Treasury Strategy assumes as much as £80m may be borrowed in 2021-22, plus £30m deferred from 2020-21. The forecast cash flows above assume that this amount will be borrowed over the course of the year resulting in a closing cash balance of approximately £230m. If, in order to minimise the cost of carrying unnecessary borrowing, no further borrowing takes place before 31 March 2022, then the projected year-end cash balances will be approximately £150m.
- 7.5 PWLB and commercial borrowing for capital purposes was £749.3m at the end of May 2021. The additional £30m borrowed in June 2021 gives a total of £779.3m. Associated annual interest payable on existing borrowing is £29.8m.

8 Payment performance

- 8.1 This chart shows the percentage of invoices that were paid by the authority within 30 days of such invoices being received. Some 470,000 invoices are paid annually. 98.3% were paid on time in May against a target of 98%. The percentage has not dropped below the target of 98% in the last 12 months.

Chart 3: Payment performance, rolling 12 months



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

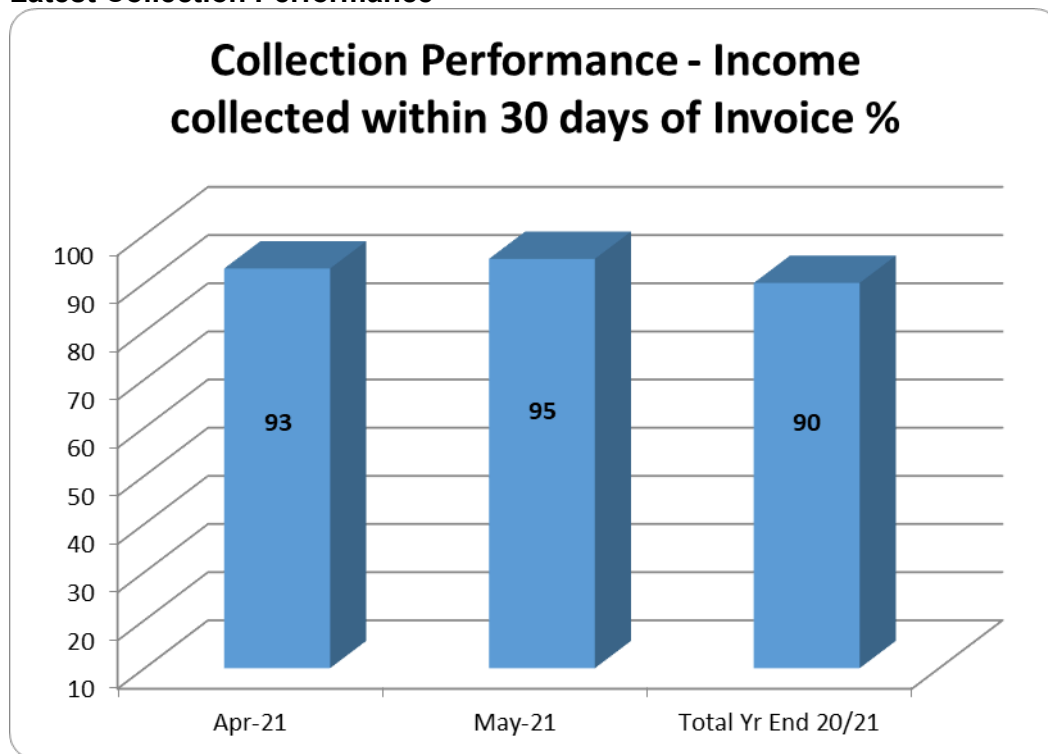
9 Debt recovery

- 9.1 **Introduction:** In 2020-21 the County Council raised over 135,000 invoices for statutory and non-statutory services. These invoices total an amount in excess of £17bn. Through 2020-21 90.1% of all invoiced income was collected within 30 days of issuing an invoice, with 97.5% collected within 180 days.

Debt collection performance measures – latest available data

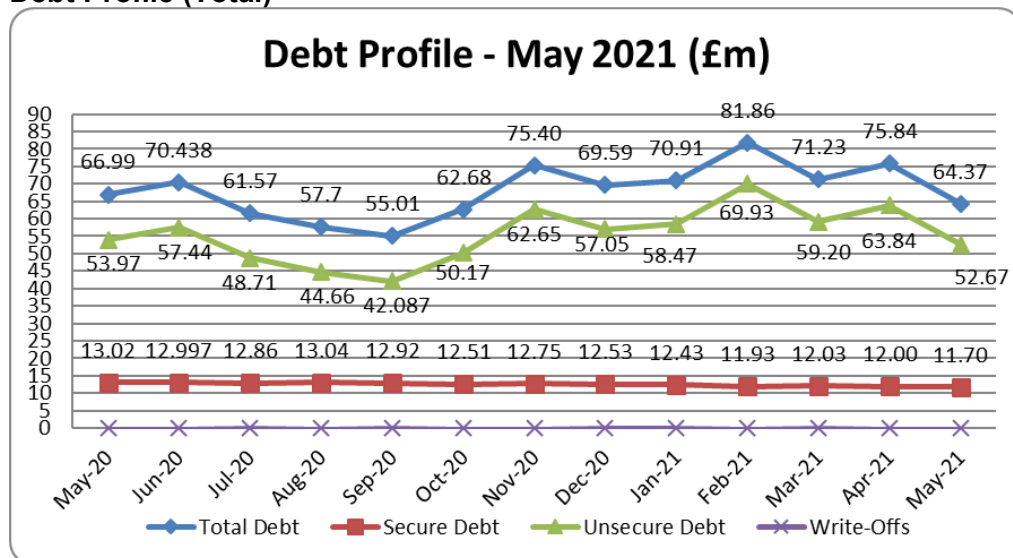
- 9.2 The proportion of invoiced income collected within 30 days for invoices raised in the previous month – measured by value – was 95% in May 2021.

Latest Collection Performance



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

Debt Profile (Total)



- 9.4 Of the £52.7m unsecure debt at the end of May, £11.3m is under 30 days. The largest area of unsecure debt relates to charges for social care, £44.1m, of which £20.1m is debt with the CCG's for shared care, Better Care Pooled Fund, continuing care and free nursing care.
- 9.5 Secured debts amount to £11.7m. Within this total £4.8m relates to estate finalisation where the client has died, and the estate is in the hands of the executors.
- 9.6 **Debt write-offs:** In accordance with Financial Regulations and Financial Procedures, Cabinet is required to approve the write-off of debts over £10,000. The Executive Director of Finance and Commercial Services approves the write-off of all debts up to £10,000.
- 9.7 Service departments are responsible for funding their debt write-offs. Before writing off any debt all appropriate credit control procedures are followed.
- 9.8 For the period 1 April 2021 to the end of May 2021, 18 debts less than £10,000 were approved to be written off following approval from the Executive Director of Finance and Commercial Services. These debts totalled £802.17.
- 9.9 No debts over £10,000 have been approved for write-off since the 2020-21 Finance Outturn Report for the financial year 2020-21.

Forecast revenue outturn

Revenue outturn by service

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

Service	Revised Budget	Net total over / (under) spend	Over / (under) spend as %	Forecast net spend
	£m	£m		£m
Adult Social Care	252.550	0	0%	252.550
Children's Services	178.886	0	0%	178.886
Community and Environmental Services	158.307	0	0%	158.307
Strategy and Transformation	8.422	0	0%	8.422
Governance	1.904	0	0%	1.904
Finance and Commercial Services	32.235	0	0%	32.235
Finance General	-193.210	0	0%	-193.210
Total	439.094	0	0%	439.094
Prior period forecast	n/a			

Reconciliation between current and previously reported underspend

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

	£m
Forecast overspend brought forward	-
Movements April/May 2021	
Adult Social Care	0
Children's Services	0
Community and Environmental Services	0
Strategy and Transformation	0
Governance	0
Finance and Commercial Services	0
Finance General	0
Outturn over/(under) spend	0

Revenue Annex 1 continued

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

Revenue budget outturn by service – detail

Adult Social Services	Over spend	Under spend	Changes
	£m	£m	£m
Purchase of Care	5.328		5.328
Commissioned Services	0.715		0.715
Community Social Work		-0.040	-0.040
Business Development	0.004		0.004
Early Help & Prevention	0.226		0.226
Community Health & Social Care	0.352		0.352
Management, Finance & HR		-6.585	-6.585
Forecast over / (under) spends	6.625	-6.625	0
Net total		0	
Children's Services	Over spend	Under spend	
	£m	£m	
<i>No forecast net service over / (under) spends</i>			
<i>Dedicated schools grant</i>			
High Needs Block	10.100		10.100
Increase in net deficit to be carried forward		-10.100	-10.100
Forecast over / (under) spend	10.100	-10.100	0
Net total		0	

	Over spend	Under spend	Changes
	£m	£m	£m
Community and Environmental Services			
Strategy and Transformation			
Governance			
Finance and Commercial Services			
<i>No forecast net service over / (under) spends</i>			
Finance General (see below for narrative)			
Covid-19 additional costs	1.314		1.314
Members travel and allowances		-0.133	-0.133
Environment Agency precept		-0.088	-0.088
Pension AVC Salary Sacrifice scheme		-0.097	-0.097
Interest on balances		-0.996	-0.996
Forecast over / (under) spend	1.314	-1.314	0
Net total		0	

Revenue Annex 1 continued

Finance General forecast over and underspends

Explanations for the Finance General forecast under and overspends are as follows:

Members travel (forecast underspend £0.133m)

The use of on-line meetings is expected to reduce the costs of member travel and expenses throughout 2021-22.

Environment Agency precept (forecast underspend 0.088m)

Environment Agency precept lower than budgeted

Pension AVC Salary Sacrifice scheme (forecast underspend £0.097m)

Employer national insurance savings resulting from the introduction of a salary sacrifice arrangement for employee pension additional voluntary contributions.

Interest on balances (forecast underspend £-0.996)

The interest payable/receivable budget was prepared on the basis of assumptions including cash flows, interest rates and the timing of borrowing. Revised assumptions on the timing of borrowing have resulted in a forecast underspend.

Revenue Annex 2

Impact of Covid-19 – forecast cost pressures

Forecast cost pressures summarised in paragraph 5 of the main report are as follows:

	2021-22 Forecast £m
<u>Identified / forecast costs</u>	
Adult Social Care	
Support for people experiencing domestic abuse	0.050
Equipment - spike in usage and increase in costs	0.485
Provider support payments to cover liquidity/sustainability issues and any additional costs where not specifically related to a person's changing care needs	0.042
Weekend or Overtime staff costs	0.404
Adult Social Care remote working costs	0.069
CCG reclaim total	8.700
Full use of Infection Control funding	3.860
Full use of Adult Social Care Rapid Testing Fund	2.535
Full use of Workforce Capacity Fund for Adult Social Care	0.040
Adult Social Care Total	16.185
Children's Services	
Loss of income - Children's Services	1.842
Loss of income - Maintaining Early Year's Provision	0.139
Safeguarding campaign	0.030
Additional placement costs for over-18s	0.125
Additional placement costs for under-18s	0.125
Additional costs of contracted delivery	0.300
Sustainability grants and support to the market	0.125
Additional frontline agency costs	0.500
Holiday Activity Fund	2.421
Full use of Home to School and College Transport Funding	0.843
Full use of Wellbeing for Education Return Grant	0.162
Children's Services Total	6.612
Community and Environmental Services	
Food boxes for older people (NCC provision)	0.115
Customer Services additional Covid expenditure	0.030
Additional Resilience costs	0.074
Waste – Contract costs reflecting increase in residual waste volumes	0.708
Waste – Recycling credits reflecting increase in recyclables / garden waste	0.132
Reopening Recycling Centres – (traffic management, security, volume increase)	0.253
Public Transport - Covid Bus Services Support Grant	0.785
Loss of income: CES including Museums / Libraries	0.885
Loss of income: CES including Adult Education / Records Office	0.294
Loss of income: CES including Planning and Development	0.015
Loss of income: CES including Recreation and Sport	0.008
Loss of income: CES - Public Transport	0.153
Loss of income: Parking Services	0.188

**2021-22
Forecast
£m**

Loss of income: CES including Recycling Centres and Blue Badges	0.122
Loss of income: CES including On-street Parking	0.762
Joint comms systems for the Norfolk Resilience Forum	0.033
Additional / redeployed Fire staff	0.041
Additional / redeployed Libraries staff	0.002
Additional / redeployed Museums staff	0.117
Additional / redeployed Records Office staff	0.005
CES remote working costs	0.012
CES property costs	0.008
Public Health expenditure	0.163
Full use of Local Outbreak Control: Test and Trace service support grant	1.271
Full use of Contain Outbreak Management Fund grant	19.248
Full use of Community Testing funding	0.050
Full use of Clinically Extremely Vulnerable funding	2.420
Community and Environmental Services Total	27.893

Governance

Additional cost of Elections	0.650
Loss of income: Registrars	0.285
Additional / redeployed Registrars staff	0.030
Governance Total	0.966

Finance and Commercial Services and Finance General

Homeworking equipment	0.092
Loss of income across Finance and Commercial Services including IMT	0.200
Services to Schools, Property and Car Park income	
Additional loss of income in Corporate Property Team	0.070
IMT - Infrastructure - Extra Data Bundles on mobile phone contract/Extra	0.102
Ccaas Telephony re staff WFH/Staff Overtime	
Finance and Commercial Services Total	0.464

Finance General

Covid response costs - redeployed staff, property costs	0.838
Temporary mortuary costs	0.150
Corporate procurement of PPE	0.187
Distribution hub - Site costs	0.527
Homeworking equipment	0.076
Extension of Norfolk Assistance Scheme (NAS)	0.491
Kit for digitally disadvantaged children	0.129
Use of COVID Winter Grant Scheme funding	0.644
Finance General Total	3.042

Covid-19 financial pressures Norfolk County Council total	55.161
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Appendix 2: 2021-22 Capital Finance Monitoring Report

Report by the Executive Director of Finance and Commercial Services

1 Capital Programme 2021-25

- 1.1 On 22 February 2021, the County Council agreed a 2021-22 capital programme of £281.594m with a further £256.066m allocated to future years', giving a total of £537.660m.
- 1.2 Additional re-profiling from 2020-21 resulted in an overall capital programme at 1 April 2021 of £661m. Further in-year adjustments have resulted in the capital programme shown below:

Table 1: Capital Programme budget

	2021-22 budget	Future years
	£m	£m
New schemes approved February 2021	33.687	68.781
Previously approved schemes brought forward	247.907	187.285
Totals in 2021-25+ Budget Book (total £537.660m)	281.594	256.066
Schemes re-profiled after budget setting	95.379	
New schemes approved after budget setting	1.249	
Other adjustments after budget setting including new grants	20.489	6.363
Revised opening capital programme (total £661.140m)	398.711	262.429
Re-profiling since start of year	-0.600	0.600
Other movements including new grants and approved schemes	10.414	17.000
Total capital programme budgets (total £688.554m)	408.525	280.029

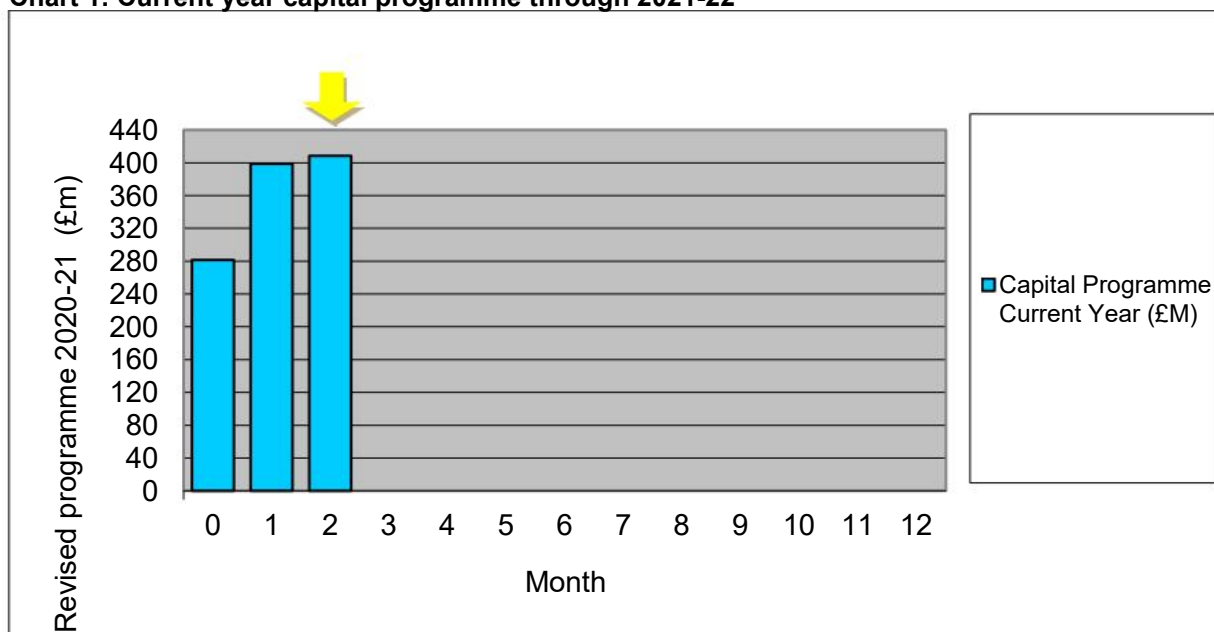
Note: this table and the tables below contain rounding differences

- 1.3 At its meeting on 18 April 2021 the Council agreed to approve a further £17m being added to the capital programme for the Great Yarmouth Operations and Maintenance Campus Project with £9m of this being funded by prudential borrowing.
- 1.4 At its meeting on 7 June 2021, the Council agreed to include £186.836m in the forward capital programme, funded from £167.605m of DfT Grant and £19.231m local contribution, underwritten by the County Council which would be funded through additional prudential borrowing. This will be included in the next (P3) monitoring report.

Changes to the Capital Programme

- 1.5 The following chart shows changes to the 2021-22 capital programme through the year.

Chart 1: Current year capital programme through 2021-22



- 1.6 Month “0” shows the 2021-22 capital programme at the time of budget approval, with schemes reprofiled after budget setting shown in month 1, followed by the most up to date programme. The current year programme will change as additional funding is secured, and when schemes are re-profiled to future years as timing becomes more certain.

- 1.7 The current year’s capital budget is as follows:

Table 2: Service capital budgets and movements 2021-22

Service	Opening program me	Previous report	Reprofil ng since previous report	Other Changes since previous report	2021-22 latest Capital Budget
	£m	£m	£m	£m	£m
Children's Services	133.879	n/a	0.000	0.000	133.879
Adult Social Care	14.888		0.000	9.158	24.045
Community & Environmental Services	162.948		-0.600	0.010	162.357
Finance & Comm Servs	86.914		0.000	1.247	88.160
Governance	0.082		0.000	0.000	0.082
Total	398.711		-0.600	10.414	408.525
				9.814	

Note: this table may contain rounding differences.

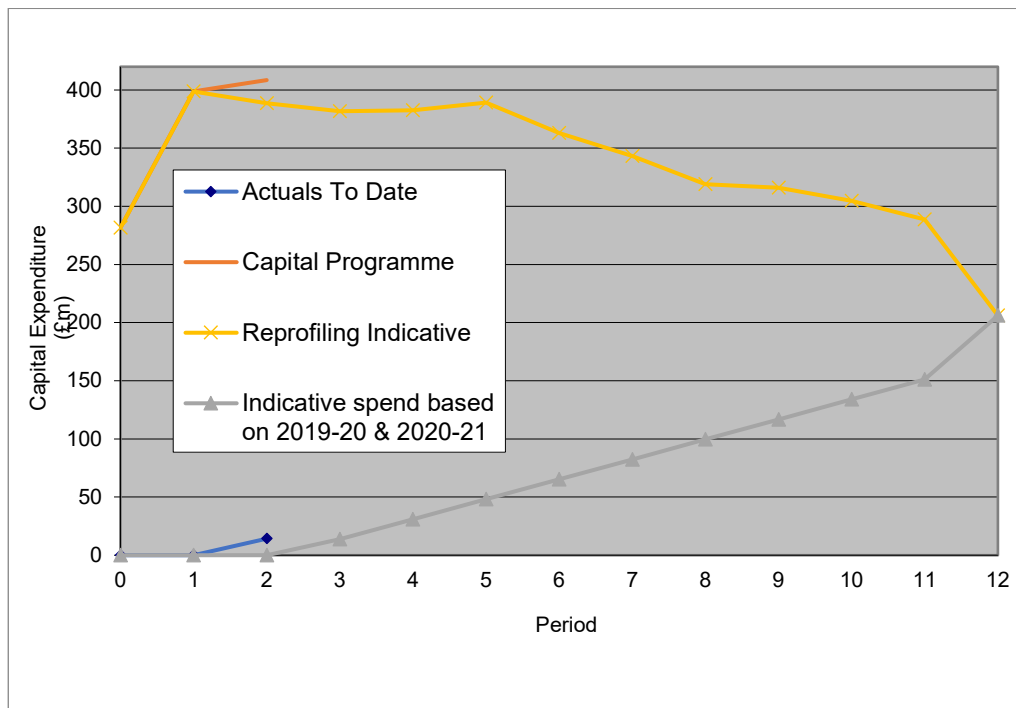
- 1.8 The revised programme for future years (2022-23 to 2024-25 and beyond) is as follows:

Table 3: Capital programme future years 2022+

Service	Previously reported future programme	Reprofilng since previous report	Other Changes since previous report	2022+ Future Capital Budget
	£m	£m	£m	£m
Children's Services	119.089	0.000	0.000	119.089
Adult Social Care	42.723	0.000	0.000	42.723
Community & Environmental Services	66.417	0.600	17.000	84.017
Finance & Comm Servs	33.851	0.000	0.000	33.851
Governance	0.350	0.000	0.000	0.350
Total	262.429	0.600	17.000	280.029
			17.600	

Note: this table contains rounding differences

- 1.9 The graph below shows the movement on the current year capital budget and year to date capital expenditure:



The graph shows that actual year to date capital spend is ahead of the opening forecast, which was based on the opening capital programme and an indicative calculation based on previous years' expenditure. It also shows that budgets are being re-profiled to future years as the progress on projects becomes clearer. As a result, capital expenditure of approximately £210m is expected to take place in 2021-22.

2 Financing the capital programme

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

Table 4: Financing of the capital programme

Funding stream	2021-22 Programme	Future Years Forecast
	£m	£m
Prudential Borrowing	277.191	224.952
Use of Capital Receipts		
Revenue & Reserves	0.154	
<i>Grants and Contributions:</i>		
DfE	43.672	22.090
DfT	41.874	16.280
DoH	9.438	0.086
MHCLG	0.139	6.000
DCMS	1.213	
DEFRA	2.000	
Developer Contributions	24.584	4.588
Other Local Authorities	0.036	2.000
Local Enterprise Partnership		
Community Infrastructure Levy	3.220	2.000
National Lottery	4.407	2.033
Commercial Contributions		
Business rates pool fund		
Other	0.597	
Total capital programme	408.525	280.029

Note: this table may contain rounding differences

- 2.2 For the purposes of the table above, it is assumed that all capital receipts will be applied directly to the re-payment of debt and transformation projects, rather than being applied to fund capital expenditure. In the event that capital receipts can be applied to fund in-year capital expenditure
- 2.3 Developer contributions are funding held in relation to planning applications. Section 106 (Town and Country Planning Act 1990) contributions are held in relation to specific projects: primarily schools, with smaller amounts for libraries and highways. The majority of highways developer contributions are a result of section 278 agreements (Highways Act 1980).

3 Capital Receipts

- 3.1 The Council's property portfolio is constantly reviewed to ensure assets are only held where necessary so that capital receipts or rental income can be generated. This in turn reduces revenue costs of the operational property portfolio.
- 3.2 The capital programme, approved in February 2021, gave the best estimate at that time of the value of properties available for disposal in the four years to 2024-25, totalling £20.4m.

Table 5a: Disposals capital programme forecast

Financial Year	Property sales forecast £m
2021-22	10.6
2022-23	5.7
2023-24	3.9
2024-25	0.2
	20.4

The timing of future year sales is the most optimistic case, and may slip into future years if sales completions are delayed.

- 3.3 The revised schedule for current year disposals is as follows:

Table 5b: Capital receipts and forecast use current financial year £m

Capital receipts 2021-22	£m
Capital receipts reserve brought forward	6.449
Loan repayments – subsidiaries forecast for year	0.787
Loan repayments – LIF loan repayments to date	0.358
Secured capital available to date	7.594
Potential land and property sales (high and medium likelihood of sale)	
Potential development property sales	5.180
Potential current year farms sales	3.573
Potential current year non-farms sales	2.823
	11.576
Potential capital receipts available	19.170
Forecast use of capital receipts	
Budget 2021-22 to repay debt	2.000
Maximum flexible use of capital receipts to support transformation costs	3.000
Total forecast use of capital receipts	5.000

As can be seen from this table, sufficient capital receipts have been secured to support the approved 2021-22 revenue budget. Further sales will contribute to the capital receipts reserve which can be used to fund debt repayments, flexible use of capital receipts or capital investment.

4 New capital budget proposals

4.1 The following additions to the capital programme are proposed, requiring additional borrowing:

4.2 Older People Estate Transformation £5.000m

A programme of transformation is being drawn up, as a joint endeavour with NorseCare and Adult Social Services in a way which supports the company to be fit for purpose for the needs of the people of Norfolk and future commissioning intentions, helps to ensure it is sustainable in the future, remains a leader in the sector and achieves value for money for Norfolk County Council and taxpayers. Significant capital funding will be required as part of this transformation programme to improve the estate and make the premises suitable, for example to carry out building works to make bedrooms bigger and ensuite, install lifts, enclose stairwells.

Norfolk County Council set up Norse Care in 2011 based on a 15-year transformation programme, building new specialist Dementia and Housing With Care settings and decommissioning older stock. At the time the Council accepted that the accommodation within Norfolk County Council's care homes was not adequate. Some Transformation has been delivered, including the Lydia Eva and Mayflower/Bowthorpe developments, however more change is needed to the remaining estate.

The Transformation programme will:

- Shift to enhanced care rather than standard residential care, reflecting the needs of the population.
- Reduce the number of voids in the residential homes and achieve better Value for Money.
- Help to ensure the rooms are fit for the future
- Improve outcomes for people and their environment
- Help to deliver the revised Adult Social Services short term out of hospital offer.
- Transform the Housing with Care offer.

The £5m will be funded from prudential borrowing in its entirety should a potential revenue contribution to capital not be available. If approved, the Capital Funding will be held in a ring fenced budget over the lifecycle of the change programme. Business Cases are being taken to the NorseCare Transformation Board, which includes Adult Social Services Commissioners (Chair), Norse Care plus representatives from Finance and Procurement. Any requests for use of the Capital Funding will be agreed by this Board.

The transformation programme will help to ensure the achievement of budgeted recurrent savings: £2m in 2021-22; and £1m in 2022-23.

4.3 Structural repairs to King's Lynn Museum £0.600m

King's Lynn Museum, a listed building, is suffering from structural movement. Regular measurements over the past 18 months have indicated that the movement is current. A ground investigation has been undertaken to assist in establishing the causes of the movement and the remedial works necessary to stabilise the building. The building may become unsafe and it is surrounded by public roads and footpaths. A design solution based on a full survey is required. At this stage this bid is based on initial estimates of the prudential borrowing required to complete the remedial works: £0.250m in 2021-22 and £0.350m in 2022-23.

4.4 Better Broadband for Norfolk £0.050m

This bid is for additional match funding required to support the management of the Better Broadband for Norfolk programme. This project is well established and has a successful track record of extending the Digital Connectivity Infrastructure across the County. This request is for additions to the capital programme to ensure sufficient capital funding is available to cover the capitalisation of direct staff time and specialist external support. This bid is for additional prudential borrowing of £0.050m in 2021-22.

4.5 Greenways to Greenspaces £0.350m

This bid is for additional match funding required to deliver the commitments of the Greenways to Green spaces projects to complete the projects on the Marriot's way in the current financial year. This bid is for additional prudential borrowing of £0.350m in 2021-22.

4.6 Dereham Fire Station (Phase 2) £0.434m

Dereham fire station is a well-used building with a number of operational teams operating from the building. A first phase project in 2020-21 has created better technical storage space and minor ground floor ablutions improvements. This second phase of works will bring the remaining welfare facilities (equalities and inclusion) and crew space to an appropriate standard and provide greater efficiency of use the building by separating operational functional areas. Additional prudential borrowing of £0.434m is required in 2021-22 to successfully complete the scheme.

4.7 Emergency Response Vehicles £0.300m

Norfolk Fire and Rescue Service currently funds its provision of emergency response vehicles via leasing arrangements. Through collaboration with Norfolk Constabulary, an opportunity has arisen to purchase the vehicles. This would allow the service to extend the replacement strategy from 3 to 4 years and deliver an estimated revenue saving of £0.200m through reduced lease costs. Additional prudential borrowing of £0.300m is required in 2021-22 to fund the purchase of the vehicles.

4.8 Card payments Programme £0.053m

In June 2019 Finance Exchequer Services purchased a Secure Card Portal (SCP). The SCP provides a Business to Business interface to manage the secure processing of card payments and a number 3rd party software systems across service areas have been developed to enable services to process card payments. As part of a feasibility study, further development has been recommended, ensuring ongoing PCI (Payment Card Industry Data Security Standards) compliance as well as capturing income and expenditure at source: a requirement of Making Tax Digital. To complete the project, additional prudential borrowing of £0.063m is being requested in 2021-22.

Capital Annex 1 - changes to capital programme since last Cabinet

Service	Project	Funding Type	2020-21 Change (£m)	2020-21 REPROFILE	21-22+ Change (£m)	21-22+ REPROFILE	Reason
Adult Social Care							
	Disabled Facilities Grant	DoH Grant	9.158				Income received
Total Adult Social Care			9.158	0.000	0.000	0.000	
Fire	CF0395	NCC Borrowing		-0.600		0.600	Reprofiled to 22/23
	CF0385	NCC Borrowing	0.003				Minor funding reallocation (see below)
Economic Development	reat Yarmouth O&M campus				17.000		New scheme approved April County Council
Libraries		S106	0.007				S106 income received
Total CES			0.010	-0.600	17.000	0.600	
Property Fire		NCC Borrowing	-0.003				Minor underspend reallocated
County Farms		NCC Borrowing	1.249				Additional budget approved P11 February cabinet
Total Finance			1.247	0.000	0.000	0.000	
Total			10.414	-0.600	17.000	0.600	

Presented to Cabinet

Item No:8b

Decision making report title:	Strategic and financial planning 2022-23
Date of meeting:	5 July 2021
Responsible Cabinet Member:	Cllr Andrew Jamieson (Cabinet Member for Finance)
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No
If this is a key decision, date added to the Forward Plan of Key Decisions.	N/a

Introduction from Cabinet Member

Since March 2020, the COVID-19 pandemic has underscored repeatedly the vital role played by the County Council in supporting vulnerable people and communities in Norfolk. This once again highlights the critical need to set a balanced and sustainable budget to enable the Council to continue to deliver the services which are so important for all Norfolk's people, businesses and visitors. This report therefore sets out the process by which the Council will build on the 2021-22 Budget in order to develop the detailed financial plans for future years, which will secure the Council's financial position and safeguard the provision of essential services into 2022-23 and beyond. In furtherance of this goal, the Council also continues to engage with Government, MPs and the Ministry for Housing, Communities and Local Government (MHCLG) both directly, and via representative groups such as the County Council Network (CCN), the Local Government Association (LGA), and the Society of County Treasurers (SCT), to emphasise the need for sustainable and long term funding for councils.

In February 2021, Full Council agreed a robust Budget for 2021-22 which included a significant provision for COVID-19 cost pressures via the deployment of COVID funding in the year, and through the level of COVID reserves carried forward from 2020-21. These resources are intended to enable the Council to respond to the additional costs and other financial impacts of the pandemic as they arise through the year. However, there remains a risk that these will prove insufficient if the course of the post pandemic recovery changes significantly. So while the full picture of the financial impact of COVID remains to be seen as it emerges over the months and years to come, what is already clear is that there have been, and will be further, material effects on the Council's budgets in terms of cost pressures, lost income and impacts on the delivery of savings programmes. All of these elements will need to be kept under review through the Council's 2022-23 budget setting.

As discussed further within this report, the level of the budget gap to be closed in future years is subject to substantial uncertainty and there remain a number of key issues which could have a material impact on the level of resources available to Norfolk County Council to deliver services in the future. In particular there remains uncertainty and further delay in relation to a range of very significant planned reforms for local government finance. More details of these may emerge during the course of 2022-23 budget setting, including proposals for the reform to the funding of Adult Social Care (due this year¹), the outcomes of the fundamental review of Business Rates (due in the Autumn², although indications are that this will have limited impact on local government funding), and the Fair Funding Review itself (for which the timescale is currently unknown). These represent major areas of risk and potential change for the Council in developing its Medium Term Financial Strategy.

In preparing the 2022-23 Budget, it is critical to recognise a number of other aspects which inform the context in which the Council is operating. These include the fact that in setting the 2021-22 Budget, the Council has already committed to a challenging programme of savings for the MTFS period, and it will be essential that these are delivered. The quantum of savings already assumed in the MTFS may have implications for the level and types of new saving proposals which can be brought forward for 2022-23. It is also important to recognise that the 2022-23 Budget is predicated on an assumed council tax increase of 2.99% (1.99% general council tax increase and 1% increase in the Adult Social Care precept deferred from 2021-22). Any decision to reduce the level of council tax increase will result in a requirement for further savings to mitigate the impact. Conversely, any additional discretion to increase council tax or the precept, which may in due course be offered by Government for 2022-23, will merit careful consideration as it would potentially offer the possibility of reducing the savings requirement and/or mitigating any further cost pressures.

Executive Summary

The Council has a well-established process for annual budget setting, and this report sets out proposals for how this will be maintained in relation to 2022-23 to deliver a prudent and transparent approach to budgeting, incorporating earlier engagement with Select Committees. At the time of 2021-22 budget setting, the Section 151 Officer recommended that early planning should be undertaken in respect of 2022-23 and that the scope to address pressures within the constraints of the overall budget should be reviewed in the round during 2021-22 when further specific details of the longer term funding allocations are known. It will be essential that the Council is able to produce a realistic plan for reducing the budget requirement in future years through the early identification of saving proposals for 2022-23, or the mitigation of currently identified pressures, and that all proposals are considered in the context of the significant budget gap identified for the year.

The Council's February 2021 MTFS therefore made it clear that the Council, in common with other upper tier local authorities, faces a significant budget shortfall to be addressed in 2022-23. Over and above this, there can be no doubt that the COVID pandemic and recovery will have a profound impact on the Council's finances in 2021-22 and on the budget setting process for 2022-23, including the organisation's ability to achieve planned budget savings and income for the current year, and its capacity to develop and deliver new budget proposals

¹ <https://commonslibrary.parliament.uk/research-briefings/cbp-8001/>

² <https://www.gov.uk/government/news/business-rates-review-update>

for the next. This report should therefore be read in conjunction with the 2020-21 outturn position reported to Cabinet in June 2021, and the financial monitoring for 2021-22 as reported elsewhere on this agenda.

The wider budget position remains the subject of extremely high levels of uncertainty. As such, this report sets out details of a proposed budget planning process for 2022-23, but recognises that as always there may be a need for some flexibility. In this context, the report provides a summary of key areas of wider risk and uncertainty for Cabinet to consider.

Recommendations

- 1. To consider the overall budget gap of £91.876m included in the Medium Term Financial Strategy (MTFS) set by Full Council in February 2021, and agree:**
 - a. the gap of £39.037m to be closed for 2022-23; and**
 - b. the extension of the MTFS by a further year (to 2025-26) and the resulting overall gap for planning purposes of £108.645m. (Section 5).**
- 2. To review the key budget risks and uncertainties as set out in this report, including the implications of announcements made at the Spring Budget 2021, and the significant uncertainties which remain. (Section 3, Section 5 and Section 13).**
- 3. To consider the principles of the proposed approach to budget setting for 2022-23, noting that there may be a need for flexibility within both the process itself and the assumptions applied, and agree:**
 - a. the process and indicative timetable set out in paragraph 6.1 and Table 8.**
 - b. the savings targets allocated to each Department to be found (Table 9), and that these will be kept under review through the budget process, and**
 - c. the proposed review of new borrowing within the 2022-23 Capital Programme to ensure affordability.**

1. Background and Purpose

1.1. As in previous years, this report represents the start of the Council's process for setting the 2022-23 Budget and developing the supporting Medium Term Financial Strategy (MTFS). The report sets out the context and a proposed approach to budget setting including:

- A summary of the Budget and MTFS approved by Full Council in February 2021, including the savings already planned for future years.
- Consideration of any implications of Government announcements made as part of the 2021 Spring Budget.
- An overview of the significant remaining uncertainties facing local government finances including the impact of delays to funding reforms and the potential longer term effects of COVID-19.

- The MTFS position for 2021-22 onwards as agreed in February 2021 and proposed savings targets by Department.

1.2. Ultimately this report is intended to support the Council in preparing the 2022-23 Budget and identifying savings which will assist in delivering a balanced budget for the year.

2. Strategic context

2.1. Over the past 15 months, the COVID-19 pandemic has affected virtually all aspects of life; while longer term effects will not be known for quite some time, it is expected that its impact will continue to be felt into the future. It is especially important that the Council is proactive in addressing these new challenges and demonstrating how committed we are in supporting our residents. It is expected that certain age groups such as younger people, vulnerable people, small and medium size businesses (SMEs), and ethnically diverse communities will be most significantly affected in terms of economic and health impacts.

2.2. Throughout this period, Norfolk has seen an increase of over 100% in the number of people claiming Universal Credit support as well as those seeking direct financial assistance from the Council. There have also been significant increases in levels of obesity and alcohol consumption, as well as referrals to and use of mental health services. These increases indicate an impending crisis in mental health and wellbeing services which could have an impact on Council services and commissioning. The pandemic has also starkly highlighted inequality in how people access services and learning, even with getting online in some parts of the County.

Particular focus should be considered for groups which are disproportionately impacted, such as the 18-24 and 50+ cohorts who may have experienced difficulty with employment and disruption of education or other skills training. Early research has suggested that over 50s experience unique difficulties in returning to employment and references that long-term unemployment has doubled in workers over 50 since 2010. The same over 50 cohort are twice as likely to be long-term unemployed than younger workers.

Services to older people have also been disrupted, with a pause in day services and home based reablement having a significant impact on social isolation, carer breakdown and health recovery. More people are now contacting the Council with higher levels of need than before, and hospital discharge arrangements mean we are now supporting more people who would normally fund their own care.

The pandemic has also had a particular impact on children, families and young people, with a significant disruption to learning and apprenticeships, a widening of the existing disadvantage gap, poor emotional wellbeing for children and families (with a rise in self-harm, eating disorders and all forms of anxieties), increased family hardship, strain and conflict as a result of additional pressures in a context where existing support mechanisms have been restricted.

2.3. With such increased demand, it is expected that the COVID-19 crisis will continue to have a significant impact on our services and available budget. Demand for people services continues to rise each year with an increase in aging population requiring social care and more children with special needs and disabilities requiring support. New pressures from the pandemic will continue to add strain on these services, and the economic and psychological distress of subsequent lockdowns on our residents is likely to increase demand on our social care and wellbeing support services.

2.4. ***What has Norfolk County Council done to help?***

The Council has worked hard to maintain the delivery of vital services across all of its operation and has worked in partnership across the whole system to protect vulnerable people, support businesses, while ensuring the safety of all staff delivering this vital work.

Norfolk County Council's Public Health team have led the response to the pandemic across the County and worked tirelessly to provide a wide range of critical functions from specialist public health advice on issues such as PPE, testing and mortuary management, to data modelling and analysis to support the NHS planning processes. Our Communications team, have worked in partnership with the whole local government system to provide clear messages and advice to the general public and members with the Director of Public Health providing regular radio interviews and press articles.

Adult Social Care and Children's Services have worked hard to ensure children and older people are safeguarded against harm, families supported when facing hardships and barriers to learning, and care providers have the means to protect their staff and those in their care. In addition to the work on critical services, the Council has tried to ease the pressures of people in "lockdown" by offering digital support through the library, adult learning and museum services, to help people's wellbeing and support home schooling.

Since launching the "Norfolk Delivery Plan", our contribution to the New Anglia Local Enterprise Partnership's "Norfolk and Suffolk Covid-19 Economic Recovery Plan", we have continued to work with our partners to understand the impact of Covid on our business community. Rebuilding the local economy, while attracting investment and putting infrastructure in place to support further growth remains a key priority. Tackling the climate crisis and protecting the natural environment and heritage of Norfolk also continues to be an urgent priority; the Council's Environmental policy clearly sets out our ambitions for the authority in this area. The Council is committed to investing in the built environment and creating places communities can be proud of.

We have seen the world change since the start of the Covid-19 pandemic in March 2019, especially in the way we work, shop and travel. We will use these changes as a springboard to both build back better and build back greener.

2.5. ***How will Norfolk County Council address these new challenges?***

The local elections on 6 May gave the administration a renewed mandate, and the new manifesto “Delivering a Better Future for Norfolk” will guide the Council’s plan and activities over the next four years.

The Council is committed to maintaining our valued services such as libraries, museums, and recycling centres and will continue to invest to transform services to meet the needs of local communities.

Recognising the growing pressure on the care sector, the Council has and will continue to make investment commitments to alternative models of support accommodation and refurbish existing residential care schemes. Our services will continue to lead on care quality standards to ensure our residents get the quality of care they deserve.

As mentioned above, it is more important than ever to support our communities through improving their resilience. We will ensure key services are delivered in close partnership with organisations such as the NHS, and will build stronger relationships with the voluntary sector.

The Council’s continued investment in infrastructure will help Norfolk lead the way in economic development. Completing the western link of the NDR and delivering a fully dualled A47 will better connect our communities and help stimulate economic growth. The pandemic has highlighted the need for better broadband and connectivity and the Council remains on track to deliver this for our residents and help reduce digital exclusion.

Noting the pressure the pandemic has placed especially on younger people, we welcome the support pledged for families and young people by investing in skills and jobs opportunities, as well as services for young people to help provide the necessary targeted support.

The Council is committed to achieving the target of becoming carbon neutral by 2030 and will ensure we align with central government’s ambitions for clean growth and the green economy. We will continue to focus on promoting forms of active travel and public transport as well as maintaining our natural environment and heritage.

The Council will focus on maximising opportunities offered by central Government, ensuring Norfolk is part of the conversation on “levelling up”, and will closely monitor and seek to influence the delivery of the Shared Prosperity Fund. We will be keen to work with Government to help unlock the potential of our areas and build on existing success, such as seen with the Towns Fund.

2.6. ***County Council Strategy and Transformation***

Our Corporate Plan “Together, for Norfolk” previously set out three overriding ambitions which drive the Council’s priorities: a growing economy, thriving people, and strong communities. Our Plan has also underpinned and contributed to the

delivery of the New Anglia Local Enterprise Partnership Norfolk and Suffolk Economic Strategy.

2.7. With the lifting of the lockdown restrictions on the horizon, the Council has started work to refresh our strategy, to address the critical issues brought to the forefront by the pandemic, as well the opportunities that are emerging. Our event, “Rising to the Challenge Together”, which took place on 2 July and included over 100 delegates from across the local public, private and voluntary sectors, will further inform our thinking into the priorities for the future. Looking forward, we believe we can create real change and opportunity, not just recover, and so build a better, vibrant, more prosperous Norfolk, where no one is left behind. We must seize the opportunities for long-term change now, so that we can build a stronger, more inclusive and more sustainable future for our County and its people.

2.8. The Council’s transformation programme continues to focus on the following strands, core to the Council’s objectives and ambitions.

1. **Safer children and resilient families**
2. **Transformation of specialist educational needs provision**
3. **Promoting independence for vulnerable adults**
4. **Smarter working and business transformation**

All of our programmes have continued to deliver benefit throughout the pandemic. As part of developing our refreshed strategy, we will also align and refocus our transformation activities, to ensure we address the challenges that the County and the Council face.

Having successfully accelerated the roll out of remote technology over the past year, we continue to actively seek out opportunities to be more efficient in how we provide services, externally and internally, moving towards digital access where this is convenient and appropriate.

We want to meet the current and future challenges head-on and continue to innovate in the way we deliver services and conduct our business, to achieve the best outcomes and the best value for money for our people of Norfolk.

The work to refresh our strategy and plans will take place throughout the summer and early autumn. We will also be strengthening our business planning processes and systems, with an even more robust approach to using evidence to drive decisions, and an increased focus on effective performance management.

3. Spring Budget and Queen’s Speech 2021, and local government funding

3.1. The Chancellor of the Exchequer, Rishi Sunak, delivered the Spring 2021 Budget³ on 3 March 2021. This was only the Chancellor’s second Budget, but as part of the Government’s response to COVID-19 there have been 13 major fiscal announcements since the previous Budget on 11 March 2020. This was also the

³ <https://www.gov.uk/government/topical-events/budget-2021>

first budget since the UK entered the various lockdowns imposed in response to COVID-19, and the UK's departure from the European Union. The build up to the Budget was inevitably dominated by the response to COVID-19. The Budget included details of the continuing package of measures and set out "*the next phase of the plan to tackle the virus and protect jobs*". The two main issues for the Budget to address were:

- How and when to begin paying down the debts arising from the pandemic.
- What continued support will be offered to households and businesses impacted by the pandemic.

3.2. In this context, the bulk of the Chancellor's speech addressed the response to the COVID pandemic and plans for the recovery. However it was noteworthy that there were very few announcements about the detail of public sector funding and in particular:

- No mention of the long-term funding of social care (although the Queen's Speech on 11 May 2021 reiterated that "*proposals on social care reform will be brought forward.*")⁴.
- No mention of various other reforms to local government finance including fair funding and business rates (although the Government's interim response to the fundamental review of business rates was published on 23 March 2021, with final report due in Autumn 2021⁵).
- Departmental funding allocations have only been published for 2021-22 which would suggest there may be little prospect of a long-term local government settlement for 2022-23 onwards.

3.3. The Chancellor confirmed that economic support will be maintained until the country has exited lockdown (broadly until September 2021). This includes extensions to furlough, support for the self-employed, support for businesses in the form of business rate relief and targeted grants, and education catch-up funding. The Chancellor stated that this Budget "*is not the time to set detailed fiscal rules*" but did detail the following principles:

- "*First, while it is right to help people and businesses through an acute crisis like this one, in normal times the state should not be borrowing to pay for everyday public spending.*
- "*Second, over the medium term, we cannot allow our debt to keep rising, and, given how high our debt now is, we need to pay close attention to its affordability.*
- "*And third, it is sensible to take advantage of lower interest rates to invest in capital projects that can drive our future growth.*"⁶

⁴ <https://www.gov.uk/government/speeches/queens-speech-2021>

⁵ <https://www.gov.uk/government/consultations/hm-treasury-fundamental-review-of-business-rates-call-for-evidence>

⁶ <https://www.gov.uk/government/speeches/budget-speech-2021>

- 3.4. The Chancellor also used the Budget to outline a number of other initiatives which will see funding flowing to local authorities. These included the [Levelling Up Fund](#), and the [UK Community Renewal Fund](#). Both funds will be subject to a bidding process.
- 3.5. The Office for Budget Responsibility (OBR) published updated March 2021 forecasts⁷ for the economy alongside the Budget, and commented that forecasts reflected “*an economy that is weaker in the near term but rebounding faster than we forecast in November*” and that this enabled the Chancellor to do three things: “*First, he has extended the virus-related rescue support to households, businesses and public services by a further £44.3 billion, taking its total cost to £344 billion. Second, he has boosted the recovery, most notably through a temporary tax break costing more than £12 billion a year that encourages businesses to bring forward investment spending from the future into this year and next. Third, as the economy normalises, he has taken a further step to repair the damage to the public finances in the final three years of the forecast by raising the headline corporation tax rate, freezing personal tax allowances and thresholds, and taking around £4 billion a year more off annual departmental spending plans, raising a total of £31.8 billion in 2025-26.*”⁸
- 3.6. The Budget provided detailed **Departmental Expenditure Limits** for 2021-22 only, although longer term commitments/settlements have been provided for schools, the NHS and defence.⁹ At a summary level, the OBR state that Government forecasts indicate a cut of “*more than £15 billion a year from departmental resource spending from 2022-23 onwards*”, which suggests a challenging Spending Review later this year, particularly for unprotected areas of spending. The Budget document itself states that the Government “*will conduct a Spending Review later this year to set future departmental RDEL and CDEL budgets as well as devolved administrations’ block grants. Details on the Spending Review, including the RDEL and CDEL envelopes, will be set out in due course.*” However for now, the general approach to strengthening the public finances appears to be centred on tax increases (including freezing the rates for personal tax allowances and higher rate threshold from April 2022, and increasing the rate of corporation tax from 2023). As such the precise implications for local government and other public sector funding are hard to determine.
- 3.7. In common with recent years, **the Council will not receive detailed information about funding allocations for 2022-23 until autumn 2021 at the earliest.** In the absence of a Comprehensive Spending Review, any long term funding allocation now appears to be only a remote possibility. There is very little time for Government to undertake a full multi-year spending review and in this context a one-year roll over of the local government settlement is increasingly likely for 2022-23. Beyond the immediate impact of COVID, the overall level of uncertainty means that the financial environment for local government is set to remain highly challenging. There continues to be a growing gap between funding and service

⁷ <https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/>

⁸ <https://obr.uk/overview-of-the-march-2021-economic-and-fiscal-outlook/>

⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/966161/Budget_2021_Web_accessible.pdf

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pressures. This is driven by demographic changes, unfunded burdens such as the National Living Wage, and the needs of vulnerable social care users becoming increasingly complex. Children's services, in both social care and education (particularly the High Needs Block), are also under very significant stress. Other Council services (for example transport, planning, environment, and trading standards) have been subject to significant financial restrictions. In turn these have a knock on effect by increasing the pressure placed on discretionary and preventative services.

4. Budget context

- 4.1. The Council approved the 2021-22 Budget and MTFS to 2024-25 on 22 February 2021. The MTFS agreed at that point includes a gap of £91.876m for the MTFS period. The current year's budget is based on the one year funding allocations as set out in the Final Local Government Finance Settlement for 2021-22 confirmed on 4 February 2021. The MTFS includes an assumption that funding is (largely) rolled forward at 2021-22 levels in future years.
- 4.2. A summary of the MTFS approved in February is shown in Table 5 of this report, along with the proposed addition of indicative pressures for 2025-26. The following table provides a high level summary of the cost pressures provided for in the February MTFS, with additional detail of the pressures assumed for 2022-23 in Table 2. Full details of all pressures currently assumed within the MTFS are provided in the [2021-25 Budget Book](#). A number of pressures within the Council's budget are driven by Central Government decisions, including pay and price market pressures linked to the National Living Wage, and pressures relating to assumed reduction in funding (for example the New Homes Bonus grant).
- 4.3. It should be noted that the level of savings included in the Budget for future years is substantial, while overall pressures are lower than have been provided for in 2021-22, and these may be areas at high risk of further cost pressures emerging through the 2022-23 budget process. However, in part this reflects the fact that cost pressures in 2021-22 are materially higher than in previous years due to the inclusion of pressures from reinstating Minimum Revenue Provision budgets and one-off provision for COVID-19 costs in 2021-22 which are being held corporately. Reversal of the one-off COVID-19 provision, and other one-off items within Children's and CES budgets, results in a negative pressure in the 2022-23 budget planning. Nevertheless, at this stage no provision has been made for price rises driven by COVID-19 in underlying budget planning for 2022-23.

Table 1: Budget pressures by Department in MTFS 2021-22 to 2024-25

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	Total £m
Adult Social Services	28.197	20.909	21.787	21.055	91.949
Children's Services	7.014	6.877	7.201	8.112	29.203
Community and Environmental Services	10.512	4.486	5.403	5.891	26.292
Strategy and Transformation	1.271	0.327	0.328	0.338	2.263
Governance	0.581	0.324	0.386	0.319	1.611
Finance and Commercial Services	1.688	0.326	0.836	0.914	3.763
Finance General	46.003	-10.811*	8.831	3.893	47.916
Grand Total	95.265	22.439	44.772	40.521	202.997

*Includes reversal of £18.829m COVID pressures

Table 2: Detail of 2022-23 pressures in MTFS

	2022-23 £m	Detail	
Economic and inflationary pressures	18.899	Pay assumed at 3% equates to £7.5-8m, price inflation includes £6.3m Adult Social Care, £2m Children’s Services.	
Legislative requirements	8.472	£6.5m relates to Adult Social Care pay and price market pressures (including National Living Wage). Balance relates to pension fund valuation assumptions and fire pension pressures.	
Demand and demographic pressures	11.380	£6.1m relates to older people demographic growth. £3.5m Children's Services demographic growth (including Home to School transport pressures). £1.7m relates to waste tonnages.	
Council policy decisions	2.516	Policy decisions reflect reversal of one-off 2021-22 decisions (e.g. removal in 2022-22 of one-off flood funding provision of £1.5m), offset by cost pressures within Finance General budgets relating to MRP (minimum revenue provision), treasury pressures, provision for minimum general fund balance.	
COVID-19 pressures	-18.829	This reflects the removal of the budget provision for cost pressures relating to COVID made in 2021-22 and equal to the Tranche 5 MHCLG grant. I.e. there is no provision in 2022-23 for additional COVID costs which results in a smaller gap forecast in 2022-23.	
Net total pressures	22.439		
Funding decreases	35.726	Reflects assumed loss / removal of the following:	
		New Homes Bonus Grant	1.463
		Local Council Tax Support Grant	7.512
		Extended Rights to Free Travel Grant	0.050
		Reverse one-off release of Covid funding Tranche 4 carried forward for 2021-22 pressures	5.608
		Reverse One-off Business Rates reserve use	2.265
		Reverse COVID-19 Grant 2021-22 (Tranche 5)	18.829
			35.726
Total pressures and funding decreases	58.164		

- 4.4. The following table provides a summary of the agreed savings included in the MTFS and detailed in the February budget papers. **Further savings will be required to close the identified budget gap in addition to these.**

Table 3: Planned savings by Department in MTFS 2021-22 to 2024-25

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	Total £m	% of total MTFS savings
Adult Social Services	-17.858	4.275	2.000	0.000	-11.583	24%
Children's Services	-11.300	-6.900	-3.500	-2.500	-24.200	51%
Community and Environmental Services	-8.288	-0.466	0.000	0.000	-8.754	18%
Strategy and Transformation	-0.553	-0.180	0.000	0.000	-0.733	2%
Governance	-0.353	0.000	0.000	0.000	-0.353	1%
Finance and Commercial Services	-1.927	0.026	-0.100	0.000	-2.001	4%
Finance General	-0.900	1.000	0.000	0.000	0.100	0%
Grand Total	-41.179	-2.245	-1.600	-2.500	-47.524	100%

- 4.5. The following table sets out the net revenue budget forecast for 2022-23 agreed at February 2021 budget setting and incorporating the current pressures and assumptions as detailed within this report.

Table 4: Forecast 2022-23 Net Revenue Budget (as at February 2021)

	Adult Social Services £m	Children's Services £m	Community and Environmental Services £m	Strategy and Transformation £m	Governance £m	Finance and Commercial Services £m	Finance General £m	Total £m
Base Budget 2021-22	252.550	178.886	158.307	8.422	1.904	32.235	-193.210	439.094
Growth								
Economic / Inflationary	8.314	4.747	3.656	0.327	0.193	0.864	0.798	18.899
Legislative Requirements	6.495	0.000	0.900	0.000	0.000	0.000	1.077	8.472
Demand / Demographic	6.100	3.500	1.700	0.000	0.080	0.000	0.000	11.380
NCC Policy	0.000	-1.370	-1.770	0.000	0.051	-0.538	-12.686	-16.313
Funding Reductions	0.000	0.000	0.000	0.000	0.000	0.000	35.726	35.726
Total Budget Increase	20.909	6.877	4.486	0.327	0.324	0.326	24.915	58.164
Reductions								
Total Savings	4.275	-6.900	-0.466	-0.180	0.000	0.026	1.000	-2.245
Funding Increases	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Budget Decrease	4.275	-6.900	-0.466	-0.180	0.000	0.026	1.000	-2.245
Base Budget 2022-23	277.734	178.863	162.328	8.569	2.228	32.586	-167.295	495.013

Funded by: Council Tax	-458.383
Collection Fund	2.407
	-455.976
2021-22 Budget Gap	0.000
2022-23 Budget Gap	39.037

5. Medium Term Financial Strategy

- 5.1. The County Council's 2021-22 Budget and accompanying Medium Term Financial Strategy (MTFS) were agreed in February 2021, during the third national lockdown imposed in response to the COVID-19 pandemic. Although some of the impacts of COVID-19 have become clearer during this time, there remain many significant "unknowns" in terms of the societal, organisational and financial implications. Over the course of the last 16 months, the Council has made fundamental changes in relation to both ways of working, and financial planning. However, at this point it appears that Government intends that funding support for COVID-19 pressures will be withdrawn during (or in some cases at the end) of the current financial year. The Council's planning largely assumes that COVID-19 pressures will abate in line with the withdrawal of Government support (in other words, £31.949m of COVID resources¹⁰ provided in 2021-22 will cease before the start of 2022-23. The MTFS also assumes that COVID-related cost pressures of £18.829m will not continue in 2022-23. Any ongoing COVID cost pressures would increase the gap to be addressed, conversely any further funding allocations for 2022-23 would reduce the gap). However, as the budget setting process progresses, if and when longer term cost pressures for 2022-23 become clearer, there may be a need to reflect further changes in budget assumptions.
- 5.2. The pandemic has undoubtedly caused long term changes to a number of Council services, particularly in respect of joint working, public expectations, levels of demand, and the underlying cost base. Services such as adult social care have seen a profound impact from the pandemic, affecting service delivery, demand, and ways of working across almost all areas of the business. In addition, many of the planned savings for 2020-21 have been impacted by the response to COVID-19, with a number of savings currently on hold, and others now needing to be restarted. **Delivering the planned savings for 2021-22, while simultaneously catching up for non-delivery of elements in 2020-21 and developing new savings options for 2022-23, will be a key issue and is likely to test organisational capacity.** Legislation, policies and practices have all seen changes in the previous months; consolidating these and responding to further changes in future will be crucial. In addition, it is highly likely that key income sources including council tax (through both the Collection Fund and tax base growth) and business rates will continue to be under significant pressure in 2022-23. The current MTFS position therefore incorporates prudent assumptions about these income streams, which will nevertheless need to be validated over the course of the year.
- 5.3. Aside from the implications of COVID-19, there remain other uncertainties within the budget, including the level of pay award for 2021-22, which is yet to be confirmed, following an employer offer of 1.5% having been made in May 2021¹¹. The MTFS to 2024-25 (and the resulting gap of £91.876m for the period 2022-23

¹⁰ Including COVID grant tranche 5, carried forward COVID tranche 4 grant allocations from 2020-21, and Local Council Tax Support Grant.

¹¹ <https://www.local.gov.uk/local-government-pay-2021>

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to 2024-25) is based on a number of significant assumptions including the following:

- 2021-22 funding levels will be broadly maintained (i.e. a further rollover settlement). However, the short-term nature of the last Spending Review announcement (for 2021-22 only) means that risks remain around the provision of this funding¹² in future years and therefore a material impact and potential “cliff-edge” may emerge in 2022-23 if these assumptions have to be subsequently reversed.
- Pay inflation will run at 3% from 2022-23 onwards.
- In relation to council tax, and in order to help address pressures across all front line services including social care:
 - A **1.99% increase in general council tax in 2022-23** and subsequent years based on the anticipated amounts which will be allowed by Government before a local referendum is required. The assumed council tax increases are subject to Full Council's decisions on the levels of council tax, which will be made before the start of each financial year. In this context it is important to note that (to date) Government's approach to funding local authorities in recent years has been predicated on an assumption that councils will increase council tax by the referendum limit, and that average levels of tax base growth will be experienced. A decision to increase council tax by less than the referendum threshold effectively results in the Council having lower levels of funding than Government expects.
 - An **increase of 1.00% in the Adult Social Care precept deferred into 2022-23** from the maximum of 3.00% allowed by Government for 2020-21, as agreed by Full Council in February 2021. No further increases in the Adult Social Care precept are assumed as the Government has not yet announced what its policy and expectations are for 2022-23 and therefore what flexibilities will be available to local authorities. Central Government has established the principle of the Adult Social Care precept and currently defines the parameters within which local authorities need to operate on an annual basis; it is currently unclear how any announcements around social care reform will impact on the precept in future.

The pressures within the current budget planning position are such that the Executive Director of Finance and Commercial Services considers that the Council will have very limited opportunity to vary these assumptions, and in the event that the Government offered the discretion for larger increases in council tax, or further increases in the Adult Social Care precept, this would be the recommendation of the Section 151 Officer in order to ensure that the council's financial position remains robust and sustainable.

- In addition to annual increases in the level of council tax, the MTFS assumes relatively modest annual tax base increases of 0.5% in 2022-23 and 0.75% for 2023-24 and 1.0% for subsequent years. If these do not occur, the budget gap would be increased, but equally, additional

¹² This assumption includes Settlement Funding (RSG, business rates), Rural Services Delivery Grant, Social Care Grant, Better Care Fund / improved Better Care Fund, Public Health Grant.
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growth would reduce the gap. This position reflects an allowance being made for an ongoing medium-term impact from COVID-19 on the overall tax base level. (0.4% growth was forecast for 2021-22).

- A Collection Fund **deficit** is assumed of £2.4m in 2022-23, £0.6m 2023-24, and £0 2024-25. This reflects in part the phasing of the COVID-19 related deficit position which arose in 2021-22.
- That all the savings proposed and included for 2021-22 can be successfully achieved, and that any “unmitigated” non delivery of savings from 2020-21 can be effectively made up during the current year.
- The High Needs Block overspend and brought forward DSG deficit position can continue to be treated in line with the accounting treatment set out by Government, and as such places no pressure on the “core” Council budget.

- 5.4. The table below sets out the high level MTFS position as agreed in February 2021 and reflecting the addition of a further financial year (2025-26) to the planning period. The inclusion of a further year in MTFS planning based on the same broad assumptions adds £16.768m to the gap, bringing it to £108.645m for the MTFS period. **The forecast budget gap for 2022-23 is £39.037m.**

Table 5: Updated Medium Term Financial Strategy 2022-23 to 2025-26

	2022-23	2023-24	2024-25	2025-26	Total
	£m	£m	£m	£m	£m
<u>Medium Term Financial Strategy 2021-25</u>					
<u>Cost pressures and funding decreases</u>					
Economic and inflationary pressures	18.899	19.029	19.500	0.000	57.429
Legislative requirements	8.472	8.699	7.010	0.000	24.181
Demand and demographic pressures	11.380	11.980	11.000	0.000	34.360
Council policy decisions	2.516	5.065	3.011	0.000	10.592
COVID-19 pressures	-18.829	0.000	0.000	0.000	-18.829
Funding decreases	35.726	0.856	0.000	0.000	36.582
Total cost pressures and funding decreases	58.164	45.629	40.522	0.000	144.315
<u>Council tax</u>					
Collection Fund	-1.360	-1.762	-0.645	0.000	-3.767
Council tax increase %	-8.857	-9.190	-9.467	0.000	-27.514
ASC precept increase %	-4.451	0.000	0.000	0.000	-4.451
Tax base increase	-2.214	-3.438	-4.710	0.000	-10.362
Total change in council tax income	-16.882	-14.390	-14.822	0.000	-46.094
<u>Savings and funding increases</u>					
Adult Social Services	4.275	2.000	0.000	0.000	6.275

	2022-23	2023-24	2024-25	2025-26	Total
	£m	£m	£m	£m	£m
Children's Services	-6.900	-3.500	-2.500	0.000	-12.900
Community and Environmental Services	-0.466	0.000	0.000	0.000	-0.466
Strategy and Transformation	-0.180	0.000	0.000	0.000	-0.180
Governance	0.000	0.000	0.000	0.000	0.000
Finance and Commercial Services	0.026	-0.100	0.000	0.000	-0.074
Finance General	1.000	0.000	0.000	0.000	1.000
Sub-total savings	-2.245	-1.600	-2.500	0.000	-6.345
Funding increases	0.000	0.000	0.000	0.000	0.000
Total savings and funding increases	-2.245	-1.600	-2.500	0.000	-6.345
Original gap at MTFS 2021-22 to 2024-25 (surplus)/deficit as agreed by Full Council in February 2021	39.037	29.639	23.200	0.000	91.876
<u>Extend MTFS assumptions for 2025-26</u>					
Economic and inflationary pressures	0.000	0.000	0.000	20.261	20.261
Legislative requirements	0.000	0.000	0.000	0.000	0.000
Demand and demographic pressures	0.000	0.000	0.000	11.000	11.000
NCC policy decisions	0.000	0.000	0.000	0.111	0.111
Council tax increase % (1.99%)	0.000	0.000	0.000	-9.752	-9.752
Tax base increase (1.0%)	0.000	0.000	0.000	-4.852	-4.852
Gap as at 5 July 2021 (surplus)/deficit	39.037	29.639	23.200	16.768	108.645

- 5.5. In light of the issues described elsewhere in this report (including the delay of the Fair Funding Review, other changes to core funding (Business Rates and Revenue Support Grant), and further service cost pressures), there is limited information available to provide certainty which would inform further changes to planning at this stage, however the sensitivity table below demonstrates some potential impacts on the scale of the Council's budget gap.

Table 6: Budget gap sensitivity analysis 2022-23

	Approximate impact on 2022-23 gap £m
Additional income from scope to raise Adult Social Care Precept by further 2%*	-8.9
Potential pressure from 2020-21 savings (delayed savings provided for in MTFS remain unachievable)	2.7
Potential pressure from 2021-22 savings (assuming 20% non-delivery)	8.2
Potential pressure from 2022-23 planned savings feasibility review (assuming 20% unachievable)	0.4
Potential pressure from change in tax base growth +/-1%	+/-4.4
Impact of varying pay award assumptions +/- 1%	+/-2.6

*A 1% increase in ASC precept is already assumed, deferred from 2021-22.

- 5.6. The MTFS set out in Table 5 assumes a council tax increase of 1.99% across all years as described in paragraph 5.3. This reflects Government assumptions / expectations for local authorities to raise the maximum council tax available to them. However, the discretion to set the level of council tax ultimately rests with Full Council. The table below sets out what the impact on the MTFS would be if a 0% council tax increase were applied for the period 2022-23 to 2025-26. The 1% ASC precept deferred to 2022-23 is assumed to be retained. Compared to the assumptions in the MTFS approved by Full Council in February and reflected in Table 5, this would result in:

- **Reduced council tax assumptions by £37.266m** for 2022-23 to 2025-26 (the compound loss of council tax income over the period would be £91.684m).
- A **revised budget gap of £145.911m** (increase from £108.645m) for 2022-23 to 2025-26, with a gap of £47.894m to be closed in 2022-23. This would equate to an **additional savings requirement of £8.857m which would need to be addressed in 2022-23** compared to the current MTFS baseline assumptions.

Table 7: 0% Council Tax impact on updated Medium Term Financial Strategy 2022-23 to 2025-26

	2022-23	2023-24	2024-25	2025-26	Total
	£m	£m	£m	£m	£m
Medium Term Financial Strategy 2021-25 gap (as per Table 5)	39.037	29.639	23.200	16.768	108.645
Remove assumed 1.99% council tax increase	8.857	9.190	9.467	9.752	37.266
Revised gap (surplus)/deficit	47.894	38.829	32.667	26.520	145.911
Compound loss of council tax income	8.857	18.047	27.514	37.266	91.684
Approximate additional saving requirement by Department for 0% council tax					
Adult Social Services	4.000	4.200	4.400	4.500	17.100
Children's Services	1.900	2.000	2.100	2.100	8.100
Community and Environmental Services	1.900	2.000	2.000	2.100	8.000
Finance and Commercial Services	0.400	0.500	0.500	0.500	1.900
Finance General	0.300	0.400	0.300	0.300	1.300
Governance	0.100	0.100	0.100	0.100	0.400
Strategy and Transformation	0.100	0.100	0.100	0.100	0.400
Total savings target increase	8.700	9.300	9.500	9.700	37.200

6. Proposals

6.1. The following **principles for 2022-23 budget planning** are proposed:

- MTFS Budget planning to cover the period **2022-23 to 2025-26**.
- **Budget Challenge** meetings for each directorate.
- Allocate the **February 2021 MTFS gap of £39.037m** for 2022-23 based on “controllable spend” approach.
- In order to inform any revision of 2022-23 MTFS and budget gap, Cabinet to **continue to keep MTFS assumptions under review** for remainder of budget setting, particularly relating to:
 - council tax and business rates planning assumptions (informed by latest District forecasts).
 - forecast delivery of planned 2021-22 savings programmes and viability of previously planned 2022-23 savings.
 - cost and income pressures, including ongoing pressures resulting from COVID-19.
 - any further Government funding announcements for 2021-22 and future years.
- Seek to **identify proposals to address future years**, reflecting need for longer term planning in line with the Financial Management Code.

- To closely scrutinise any requests for additions to the Capital Programme for 2022-23 requiring additional borrowing to consider the value for money of proposals and assess their impact on the affordability of the revenue budget and MTFs, **ensuring that borrowing levels are maintained within appropriate prudent limits and the revenue budget remains robust.**
- Select Committees to have a role as part of the budget-setting process, considering areas for savings in July 2021.
- Final **decisions about the 2021-22 Budget to be taken in February 2022** in line with the budget setting timetable as set out below.

6.2. It should be noted that **the above proposals may result in the saving targets currently allocated to Services being revised (and potentially materially increased) during budget setting** in the event that further pressures or income changes arise. Options to address any shortfall in savings to close the 2022-23 Budget gap will include:

- Government providing additional funding;
- Corporate / centrally identified savings opportunities;
- The removal or mitigation of currently identified budget pressures; and
- Service departments identifying further savings.

Table 8: Budget setting timetable 2022-23

Activity/Milestone	Time frame
Cabinet review of the financial planning position for 2022-26 – including formal allocation of targets	5 July 2021
Select Committee input to 2022-23 Budget development	12, 14, 16 July 2021
Review of budget pressures and development of detailed savings proposals 2022-26 to incorporate: <ul style="list-style-type: none"> - Budget Challenge 1 (mid July) – outline proposals - Budget Challenge 2 (early September) – detailed proposals 	July – September 2021
Cabinet considers emerging proposals and service budget strategies	6 September 2021
Cabinet considers full savings proposals and agrees proposals for public consultation	4 October 2021
Public consultation on 2022-23 Budget and council tax and Adult Social Care precept options	TBC October to December 2021
Reporting to Cabinet as appropriate on Government funding announcements / changes to planning assumptions	November – December 2021
<i>Provisional Local Government Finance Settlement announced including provisional council tax and precept arrangements*</i>	<i>TBC around 5 December 2021</i>

Activity/Milestone	Time frame
Confirmation of District council tax base and business rate forecasts	31 January 2022
Cabinet considers outcomes of service and financial planning, EQIA and consultation feedback and agrees revenue budget and capital programme recommendations to County Council	31 January 2022
<i>Final Local Government Finance Settlement*</i>	<i>TBC January / February 2022</i>
Scrutiny Committee 2022-23 Budget scrutiny	16 February 2022
County Council agrees Medium Term Financial Strategy 2022-23 to 2025-26, revenue budget, capital programme and level of council tax for 2022-23	21 February 2022

*Assumed Government activity

- 6.3. The Budget process will be informed through the year by Government announcements around the Comprehensive Spending Review and Local Government Settlement, as well as any progress on reforms including the Fair Funding Review and social care funding. The timing for these is currently unknown. The budget setting process and savings targets will also need to be kept under review as any other specific announcements are made, for example in respect of the National Living Wage (NLW).
- 6.4. In line with the approach set out above, the proposed allocation of savings targets to Departments in proportion to net budgets, adjusted for budgets which are not “controllable” (for example Public Health grant, Schools, capital charges), is shown in the table below. These are the **new savings to be found in addition to those currently planned** for in Table 3. As described above, there is a risk that the targets set out in the table below may need to be revised later in the budget process.

Table 9: Proposed allocation of saving targets 2022-23 to 2025-26

Department	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	Total £m	% of total savings
Adult Social Services	17.700	13.600	10.700	7.800	49.800	46%
Children's Services	8.700	6.500	5.000	3.600	23.800	22%
Community and Environmental Services	8.700	6.500	5.100	3.700	24.000	22%
Finance and Commercial Services	1.800	1.300	1.000	0.700	4.800	5%
Finance General	1.300	1.000	0.800	0.600	3.700	3%
Governance	0.400	0.300	0.300	0.200	1.200	1%
Strategy and Transformation	0.500	0.400	0.300	0.200	1.400	1%
Total savings target	39.100	29.600	23.200	16.800	108.700	100%

7. Impact of the Proposal

7.1. This paper sets out an outline timetable and approach to the Council's budget planning process for 2022-23, while recognising that significant risks and uncertainties remain. The proposals in this report will:

- provide flexibility to respond to any changes required due to COVID-19;
- set the context for service financial planning for the year to come;
- assist the Council in managing the continuing significant uncertainty around the Comprehensive Spending Review, Fair Funding Review and other changes in local government funding; and
- contribute to the Council setting a balanced budget for 2022-23.

8. Evidence and Reasons for Decision

8.1. Since early 2020 the County Council has been responding to an unprecedented financial and public health crisis with significant implications for budget setting, which have (as far as possible) been reflected in this report. In this context it remains essential to continue to engage with Government, MPs and other stakeholders to campaign for adequate and sustainable funding for Norfolk to enable the delivery of vital services to residents, businesses and visitors. As in previous years it is important that Government issues guidance on financial planning assumptions, including indicative funding allocations for 2022-23, as soon as possible. Otherwise there is a significant risk that the Council will be obliged to reduce service levels. The Council's planning within the MTFS forecast is based on the position agreed in February 2021 and it is important to note that this will be kept under review in the event that further evidence about funding or the ultimate longer-term impact of COVID-19 on the Council's finances becomes available. Nevertheless, it remains prudent to establish a process to begin planning for savings at the level required to close the underlying gap identified in February 2021.

8.2. The proposals in the report reflect a proportionate response to the challenges and uncertainties present in the 2022-23 planning process and will ultimately support the Council to develop a robust budget for the year.

9. Alternative Options

9.1. This report sets out a framework for developing detailed saving proposals for 2022-23 and at this stage no proposals have been agreed, meaning that a range of alternative options remain open.

9.2. In addition, there are a number of areas where Cabinet could choose to consider different parameters for the budget setting process, such as:

- Adopting an alternative allocation of targets between services, or retaining a higher or lower target corporately.
- Considering an alternative timetable within the time constraints required to develop proposals, undertake public consultation, and meet statutory deadlines for the setting of council tax.
- Changing assumptions within the MTFS (including the level of council tax) and therefore varying the level of savings sought.

9.3. The planning context for the Council will be updated if further information becomes available. Final decisions about the overall shape of the 2022-23 Budget, savings, and council tax will not be made until February 2022.

10. Financial Implications

10.1. Financial implications are discussed throughout the report. This paper sets out the proposed indicative savings targets which will need to be found by each department to contribute to closing the 2022-23 and future year budget gap, subject to formal approval by Full Council in February 2022. The proposals in the paper will require departments to identify further significant savings to be delivered against current budget levels. The scope to achieve savings at the level required may be limited by delivery of the response to COVID-19.

10.2. The Council is legally required to set a balanced Budget annually and should plan to achieve this using a prudent set of assumptions. However, Members could choose to vary the allocation of indicative targets between Directorates, or to establish an alternative approach to identifying savings. Work to deliver additional Government funding could also have an impact on the overall budget gap to be addressed. As a result the budget setting process and savings targets will be kept under review as budget planning progresses. In the event that additional budget pressures for 2022-23 emerge through budget planning, there may be a requirement to revisit the indicative saving targets.

10.3. However, the scale of the budget gap and savings required are such that if the Council is required to deliver savings at this level there is a risk that this could result in the Council failing to fulfil its statutory responsibilities. As such the Government's response and decisions about Council funding in 2022-23 will be hugely significant. The continuing pandemic recovery, Comprehensive Spending Review, Fair Funding Review and Social Care funding reform may all offer opportunities to deliver a paradigm shift in the recognition of the importance of social care, and to adequately fund local authorities to provide vital services and contribute towards the national recovery. Any changes in Government funding could have a material impact on both the level of savings to be identified, and the Council's wider budget process. Fundamentally there is a need for a larger quantum of funding to be provided to local government to provide a sustainable level of funding for future years.

11. Resource Implications

11.1. Staff:

There are no direct implications arising from this report although there is a potential that staffing implications may be linked to specific saving proposals developed. These will be identified as they arise later in the budget planning process.

11.2. Property:

There are no direct property implications arising from this report although existing saving plans include activities linked to property budgets and assumptions around capital receipts to be achieved. In addition, activities planned within Business Transformation will include further work to deliver property related savings.

11.3. IT:

There are no direct IT implications arising from this report although existing saving plans include activities linked to IMT budgets. In addition, activities planned within Business Transformation will include further work to deliver savings through activity related to digital and IT initiatives.

12. Other Implications

12.1. Legal Implications

This report sets out a process that will enable the Council to set a balanced budget for 2022-23 in line with statutory requirements, including those relating to setting council tax, and undertaking public consultation.

12.2. Human Rights implications

No specific human rights implications have been identified.

12.3. Equality Impact Assessment (EqIA)

Any saving proposals with an impact on service delivery will require public consultation, and an Equality and Rural Impact Assessment of all proposals will need to be completed as part of budget-setting in due course. The results of public consultation and the findings of all EqIAs will be presented to Cabinet in January 2022 in order to inform budget recommendations to County Council.

No specific EqIA has been undertaken in respect of this report, although the dynamic EqIA in respect of the Council's response to COVID-19 can be found [here](#). The EqIA in relation to the 2021-22 Budget can be found as part of the [budget papers](#) considered in February 2021.

12.4. Health and Safety implications

None.

12.5. **Sustainability implications**

There are no direct sustainability implications arising from this report although existing 2022-23 budget plans include funding for activities which may have an impact on the environmental sustainability of the County Council through the delivery of the Environmental Policy. These issues were considered in more detail within the February budget report to Full Council. The MTFS assumes that cost pressures and capital schemes to achieve 2030 carbon neutrality as set out in the Environmental Policy are sufficient. Sustainability issues in relation to any new 2022-23 proposals will need to be fully considered once such initiatives are finalised as part of budget setting in February 2022.

12.6. **Any other implications**

Significant issues, risks, assumptions and implications have been set out throughout the report.

13. **Risk Implications/Assessment**

13.1. A number of significant risks have been identified throughout this report. Risks in respect of the MTFS were also set out within the February 2021 report to Full Council. Uncertainties remain which could have an impact on the overall scale of the budget gap to be addressed in 2022-23. These include:

- The ultimate impact of COVID on the budget in 2022-23, including in particular:
 - any ongoing cost pressures within service delivery and contracted services which have not currently been provided for, including the financial impact of any future lockdowns and/or where services resume but need to be operated on reduced numbers (for example adult day care)
 - ongoing pressures on income particularly in relation to business rates and council tax
 - the implications of any measures implemented by Government to restore the national finances in the medium to longer term
- Ongoing uncertainty around local government (and wider public sector finances) including:
 - the outcome of any comprehensive spending review undertaken in 2021-22
 - Government decisions about the council tax referendum limit or further ASC precept flexibilities for 2022-23
 - the need for a long term financial settlement for local government
 - delivery of reforms to local government funding including the Fair Funding Review, Adult Social Care funding, reforms to the Business Rates system, changes to other funding streams including the New Homes Bonus
 - Further decisions about Local Government reorganisation.

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

made in managing the level of risk. A majority of risks, if not treated, could have significant financial consequences such as failing to generate income or to realise savings. These corporate risks include:

- RM002 – The potential risk of failure to manage significant reductions in local and national income streams.
- RM006 – The potential risk of failure to deliver our services within the resources available for the period 2021-22 to the end of 2023-24.
- RM022b – Implications of Brexit for a) external funding and b) Norfolk businesses
- RM031 – NCC Funded Children's Services Overspend

Further details of all corporate risks, including those outlined above, can be found in Appendix C of the July 2021 Risk Management report to Cabinet elsewhere on this agenda. There is close oversight of the Council's expenditure with monthly financial reports to Cabinet. Any emerging risks arising will continue to be identified and treated as necessary.

- 13.3. The Council is currently in the process of implementing a new HR and Finance System, following approval of the business case presented in May 2019¹³. The current budget makes provision for the revenue and capital costs associated with the system, which is expected to deliver savings from 2022-23, with full benefits achieved from 2023-24, subject to implementation during the 2021-22 financial year. As a result, the 2021-22 Budget incorporates some early savings realised within Finance and Commercial Services in 2021-22, with the majority of savings now assumed in the planning position from 2022-23, which assists in closing the MTFS gap position in future years. The assumed level of annual savings in the original business case was £3m. The effective delivery of this programme may therefore have implications for the 2022-23 Budget both in terms of (1) the level of savings assumed within the MTFS and (2) the underlying impact of a new system on the budget setting process. The latest details about the progress of this major project are provided in the Human Resources and Finance Programme Update report to Corporate Select Committee in January 2021¹⁴.

14. Select Committee comments

- 14.1. None. As set out in this report, Select Committees will consider the implications of 2022-23 budget setting for the service areas within their remit when they meet in July 2021.

15. Recommendations

- 15.1. Cabinet considers the recommendations as set out in the [Executive Summary](#).

¹³ [HR and Finance System Business Case](#) (agenda item 10, Cabinet, 20 May 2019)

¹⁴ [Human Resources and Finance Programme Update, Agenda Item 9, Corporate Select Committee 25 January 2021](#)

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16. Background Papers

16.1. [Norfolk County Council Revenue and Capital Budget 2021-22 to 2024-25, County Council 22/02/2021, agenda item 5](#)

[Finance Monitoring Report 2020-21 Outturn, Cabinet, 07/06/2021, agenda item 13](#)

Finance Monitoring Report 2021-22 P2, Cabinet, 05/07/2021 (on this agenda)

Risk Management report, Cabinet, 05/07/2021 (on this agenda)

[Budget Book 2021-25](#)

Officer Contact

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Decision making report title:	Establishment of Children's and Adult Social Services Performance Review Panels
Date of meeting:	21 June 2021
Responsible Cabinet Member:	N/A
Responsible Director:	Director of Governance
<p>Introduction</p> <p>This report outlines proposals for the establishment of two member-led performance review panels with responsibility for monitoring and providing challenge to Norfolk County Council's Children's Services/Adult Social Services functions, reviewing performance in readiness for independent external inspections.</p> <p>Executive Summary</p> <p>It is proposed that two Performance Review Panels be established to provide member-led challenge to both Children's and Adult Social Services. This paper asks the Scrutiny Committee to approve the disbandment of the Children's Services Scrutiny Sub-Panel and endorse the establishment of the two Performance Review Panels, making arrangements for further scrutiny where appropriate.</p> <p>Recommendations</p> <p>Members are asked to:</p> <ol style="list-style-type: none"> 1. Consider the draft Terms of Reference for the Performance Review Panels, providing feedback and recommendations. 2. Consider the establishment of the two panels, including operating principles and membership. 3. Agree to disband the Children's Services Sub-Panel, to be replaced by the Performance Review Panels. 4. Agree an ongoing reporting schedule between the panels and the Scrutiny Committee, including a six-month review of the panel's progress in the Scrutiny Committee forward work programme. 	

1. Background and Purpose

- 1.1. In January 2020 the Local Government Association (LGA) undertook a review of the County Council's newly developing governance arrangements. The LGA's report included four key recommendations, one of which related to

scrutiny and broader ownership of children's services matters. It highlighted the need to 'Ensure both the scrutiny and wider corporate ownership of children's services matters meets the highest possible standards, in order to achieve the best possible outcomes for Norfolk's young people and their families'.

- 1.2. With the intention of securing wider engagement, it has been proposed that two Performance Review Panels be established to provide a member-led review of performance in Children's Services/Adult Social Services in advance of independent external inspections.
- 1.3. The Performance Review Panels will replace the Children's Services Scrutiny Sub-Panel established by this committee on the 29 June 2020 and provide for an additional panel to explore issues associated with Adult Social Services.
- 1.4. The Performance Review Panels will be chaired by the relevant Deputy Cabinet Member, and will operate independently - not as sub-panels to the Scrutiny Committee.
- 1.5. The draft Terms of Reference for the two Performance Review Panels are attached at **Appendix A**. Members of the Scrutiny Committee are asked to consider proposed terms, providing feedback and recommendations. Members are particularly asked to endorse proposals in the terms of reference related to reporting arrangements to the Scrutiny Committee.
- 1.6. In addition to the reporting schedule set out in the proposed Terms of Reference, the Scrutiny Committee are also invited to review the panel's progress as part of a six-month review at either the February or March 2022 Scrutiny Committee meeting.

2. Proposals

- 2.1. It is proposed that two Performance Review Panels be established as set out in the Terms of Reference attached, replacing the Children's Services Scrutiny Sub-Panel.

3. Impact of the Proposal

- 3.1. The two panels will receive endorsement from the Scrutiny Committee, and an ongoing partnership between the panels and the Scrutiny Committee (as set out in the proposed Terms of Reference) will be agreed. The Children's Services Scrutiny Sub-Panel will be disbanded.

4. Evidence and Reasons for Decision

- 4.1. The evidence and reasons for the decision are set out in the Terms of Reference attached.

5. Financial Implications

- 5.1. None

6. Resource Implications

6.1. **Staff:** The Panels will be administrated by Democratic Services colleagues, support by the relevant service areas.

6.2. **Property:** None

6.3. **IT:** None

7. Other Implications

7.1. Legal Implications

None

7.2. Human Rights implications

None

7.3. Equality Impact Assessment (EqIA) (this must be included)

N/A

7.4. Data Protection Impact Assessments (DPIA)

N/A

7.5. Health and Safety implications (where appropriate)

None

7.6. Sustainability implications (where appropriate)

None

7.7. Any other implications

None

8. Risk Implications/Assessment

8.1. N/A

9. Select Committee comments

9.1. None

10. Recommendations

10.1. Members of the Scrutiny Committee are asked to:

- 1. Consider the draft Terms of Reference for the Performance Review Panels, providing feedback and recommendations.**

2. Endorse the establishment of the two panels, agreeing operating principles and membership.
3. Agree to disband the Children's Services Sub Committee, to be replaced by the Performance Review Panels.
4. Agree to include a six-month review of the panel's progress in the Scrutiny Committee forward work programme.

11. Background Papers

11.1. Appendix A – Performance Review Panels - Draft Terms of Reference

Officer Contact

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Norfolk County Council
Terms of Reference Performance Review Panels (One Panel each for Children's Services and Adult Social Services)
Members 5 (3 Conservative, 1 Labour, 1 Lib Dem) Members do not have to be taken from the Scrutiny Committee. Named substitute for each group. It is advisable that any Member and substitute Members appointed will need to have attended appropriate training on both scrutiny and children's services or adult social services issues. Quorum The quorum for the Panels will be 3 Members. Chair of the Working Group The Performance Review Panels will be chaired by the relevant Deputy Cabinet Member for either Children's Services or Adult Social Services.
Background With the intention of securing wider corporate ownership and enhanced member engagement, it was agreed that two panels be established to provide an effective member-led review of performance in Children's Services/Adult Social Services in advance of independent external inspections.
Purpose and Objectives The Performance Review Panels will be responsible for monitoring and providing challenge to Norfolk County Council's Children's Services/Adult Social Services functions, reviewing and challenging performance in readiness for independent external inspections.
Meetings and reporting arrangements The Panels: <ul style="list-style-type: none"> • Will meet as required, but with no fewer than 6 meetings throughout the course of the year.

- Will agree their own programme of work however, the Scrutiny Committee may suggest additional topics for the Panels to consider as part of their forward work programmes.
- Meetings will be held in private however, a report will be brought to the Scrutiny Committee outlining findings at least quarterly
- Will refer matters arising from the Panels to the Scrutiny Committee where appropriate and where further 'critical friend' challenge may be useful.
- The Panels may also refer issues to the People and Communities Select Committee where appropriate
- Will have the authority to commission reports and request data related to agreed lines of enquiry from officers.
- May require officers to attend before it and answer questions; and such officers will attend unless reasonably prevented from doing so.
- May make recommendations to the relevant Cabinet Member and senior officers, with appropriate mechanisms in place to follow up and monitor progress against recommendations.