

## **COUNCIL PLAN AND 2011-14 BUDGET**

### **Report by Director of Resources and the Head of Finance**

#### **Summary**

This report sets out the key information supporting the Leader's recommendations for the Revenue Budget, Capital Programme for 2011-14 and level of the Council Tax/Precept for 2011-12. The Leader's recommendations are contained in a separate report to Cabinet under this agenda item.

In supporting budget decisions, the report includes the funding position following the Provisional Local Government Finance Settlement for 2011-12 and 2012-13; information and summary of responses to consultation on the budget proposals; outcome of equality impact assessments; detailed budget proposals covering 2011-14; capital funding and proposed capital programme for 2011-14 and policies setting out the recommended approach for reserves and provisions, and borrowing.

#### **Recommendations**

Cabinet is asked to agree to recommend to County Council twelve recommendations, which are detailed at Section 21 of this report, including:

- a) an overall County Council Revenue Budget of £603.250m for 2011-12, including additional costs of £57.908m and budget savings of £59.838m as set out in the report and the actions required to deliver the proposed savings.
- b) The proposals for budget savings, following the Big Conversation and set out in Section 4 and the mitigating action to be undertaken in relation to those proposals.
- c) That Chief Officers be authorised to take action required to deliver budget savings for 2012-13 and 2013-14 as appropriate.
- d) A freeze in Band "D" Council Tax for 2011-12.
- e) An initial Capital Programme for 2011-12 of £75.572m

## **1. Introduction and Purpose of Report**

- 1.1. Cabinet has previously received reports on 13 September 2010 and 4 January 2011 on preparation of the County Council Plan and budget for 2011-14. Those reports set out the planning requirements and parameters that all services should follow to steer service and financial planning. It also indicated the planning process and timetable leading up to the County Council budget meeting on 14 February 2011.

- 1.2. Cabinet also received a report on 8 November 2010 on the Government's Spending Review, which sets the overall financial context for our service planning. The focus of the Spending Review is the Government's commitment to eliminate the public sector deficit over the next four years. One consequence of this is significant planned spending reductions across all parts of the public sector, including local government.
- 1.3. The purpose of this report is to provide Cabinet with the financial detail supporting the Leader's Budget and Council Tax recommendations for 2011-12 and to place those recommendations in the context of a forward financial strategy to 2013-14.

## 2. **Financial Planning Assumptions 2011-12 to 2013-14**

- 2.1. Our financial planning assumptions for future years take account of the latest monitoring position for 2010-11, as reported to Cabinet elsewhere on this agenda.
- 2.2. Service and financial planning for 2011-12 to 2013-14 has been undertaken during 2010 within forecast financial parameters agreed by Cabinet in September 2010. These were confirmed following the Government Spending Review 2010 in October and the two year Provisional Grant Settlement for local government announced in December 2010. The Government has not provided any detailed announcements on financial settlements for 2013-14, pending a review of local government funding due to take place in 2011.
- 2.3. In the report to Cabinet in September 2010 we forecast for the three year period 2011-2014, an unprecedented £155m shortfall between current financial need and expected funding. This was based on our forecast of cost pressures, our forecast of Government grant funding in future years and the Administration's commitment to freeze council tax for two of the next three years. Our planning for 2011-14 has been targeted at continuing to drive out efficiencies, but also at engaging with people across Norfolk to reshape the Council's services in order to significantly reduce costs, deliver a balanced budget for 2011-12, and put plans in place to continue to manage the medium term financial position.
- 2.4. All the budget proposals for consultation with Overview and Scrutiny Panels, the public and other stakeholders have used a set of common assumptions. In September, Cabinet received and agreed a report setting out a high level assumption of a £155m funding shortfall over three years. It also set out financial planning assumptions for the preparation of budget proposals. These included:
  - **Reducing budget:** Services were asked to develop three-year scenarios for delivery of services with only 75% of the current resources.

- **Absorbing inflationary pressures:** Services were asked to absorb 2% for general prices and 4% for home to school and social care passenger transport.
- **Staff costs:** Plans are based on a pay freeze for 2011-13, with £250 assumed for those staff earning below £21,000 per annum. A 1% pay award is provided for planning purposes in 2013-14.

2.5. Following the Government Spending Review 2010 in October, the County Council launched the Big Conversation – a comprehensive consultation on service proposals and ideas for reshaping the Council and its services in order to be able to live within the projected funding available to the Council in future years.

2.6. Responses to the Big Conversation service and budget planning proposals were considered at January Overview and Scrutiny Panels. The reported additional costs pressures facing services in 2011-12 were reported as £52.711m. This includes the impact of changes to Government grants and transferring responsibilities. Savings proposals amounted to £72.669m and were considered in detail by Overview and Scrutiny Panels in early January 2011.

### 3. **Provisional 2011-12 Local Government Finance Settlement**

3.1 The Provisional Government Grant settlement was announced on 13 December 2010, covering the two year period 2011-12 to 2012-13. The announcement was followed by a period of consultation which ended on 17 January 2011. The final Settlement is awaited and is expected to be announced towards the end of January/early February. Any changes compared with the Provisional Settlement will be reported to Full Council in February.

3.2 Following the Comprehensive Spending Review in October 2010, the Secretary of State for Communities and Local Government announced some significant changes to the way that government funding for local authorities is to be allocated in future. The provisional funding settlement announced on 13 December 2010 sets out the implications for the County Council of these changes.

3.3 The biggest overall change is that the number of grants has been reduced. From 2011-12, funding that was previously received via over 90 grants (including Area Based Grants and specific grants), will be allocated by formula grant plus nine other core grants (of which six will be received by the County Council in 2011-12 and 2012-13). Formula Grant for Norfolk is £256.906m in 2011-12 and £239.717 in 2012-13. Based on the adjusted formula grant for 2010-11 of £286.355m (adjusted for transferring grants), this equates to a decrease of £29.449m (-10.3%) in 2011-12 with a further decrease of £17.189m (-6.7%) in 2012-13. Notwithstanding this real reduction in grant on a comparable basis, there is a cash increase in Formula Grant in 2011-12 compared with 2010-11 of £18.654m. This reflects in part, a number of former grants that have been rolled into Formula Grant. The total revenue grants announced for Norfolk are:

<b>Table 1: Government Grant Announcement</b>	<b>Provisional 2011-12 £m</b>	<b>Provisional 2012-13 £m</b>
Formula Grant	256.906	239.717
Early Intervention grant	29.351	31.164
Learning Difficulty and Health Reform	39.299	40.231
Lead Local Flood Authority	0.199	0.509
	325.755	311.621

- 3.4 One element of the formula that has played a significant part in the amount of funding that Norfolk has received in recent years is the damping mechanism. This has been a feature of the formula since 2006-07 when a new grant formula was introduced. Arrangements were put in place at that time to 'dampen' the financial impact of the new formula on 'losing' authorities. As the damping adjustment is self funding, gaining Councils such as Norfolk have their grant abated to support the 'losing' Councils. This year, the formula has been amended to protect those local authorities that are most dependent on Formula Grant and the damping mechanism continues to feature prominently against Norfolk. Norfolk's grant will be abated by £21.6m in 2011-12 and £22.3m in 2012-13. The Formula grant figures shown in Table 1 are after damping.
- 3.5 The Early Intervention Grant is a new core grant created by merging twenty separate Area Based and Specific Grants. This grant is to support early intervention and preventative services. The Government has calculated that Norfolk currently receives £32.061 million for these grants, ie the baseline, in 2010-11. Based on the new allocation formula, Norfolk is assessed as entitled to £32.603 million in 2011-12. However following overall reductions in grant and the application of damping we will actually receive £29.351m in 2011-12, requiring full review of priorities on spending on early intervention.
- 3.6 The Learning Difficulty and Health Reform Grant is also a new core grant, which reflects a previously announced transfer of funding from Primary Care Trusts (PCTs) to upper tier councils. The transfer is in line with our previous assumptions.
- 3.7 The Lead Local Flood Authority grant reflects a new responsibility and new funding for the County Council. Delivery of this responsibility is picked up within the Environment, Transport and Development Directorate.

- 3.8 In addition, unringfenced grant is expected via the New Homes Bonus grant. The mechanism for allocating grant is presently subject to consultation and the amount has not yet been confirmed.
- 3.9 A cash freeze in the amount of Dedicated Schools Grant per pupil has been provisionally announced by the Department for Education.
- 3.10 The settlement has seen the cessation or transfer into formula or core grants of all Area Based Grants and most specific grants. All non frontline schools related grants have ceased. With the exception of funding transferring into devolved Dedicated Schools Grant, all funding is now unringfenced. This reflects the Government's commitment to increasing freedom and flexibility for local government.
- 3.11 The Government has confirmed its commitment to provide funding to those Councils who choose to not increase Council Tax in 2011-12. A Council Tax Freeze Grant of £8.532m will be payable to Norfolk from 2011-12, for the period of the Spending Review. This is to support a freeze in Council Tax in 2011-12.
- 3.12 We have been allocated £11.357m in 2011-12 to be transferred from the PCTs in Norfolk to support joint working on social care between the County Council and Health. Although outside of the Local Government Finance Settlement, the Department for Communities and Local Government has stated that the Department of Health is providing funding in both 2011-12 and 2012-13 through the NHS budget, to support integrated working between health and social care services. For Norfolk, £11.357m will be allocated in total via NHS Norfolk (£10.061m) and NHS Great Yarmouth and Waveney (£1.296m). The Government expects that spending decisions around these monies will be made jointly between Councils and PCTs. Further information on how it is proposed to spend this funding is set out in paragraph 5.15.
- 3.13 The Local Government Finance Settlement also included announcements on capital funding for the next two years. The Government confirmed its intentions within the Spending Review 2010, to include no new supported borrowing allocations in the spending review period to 2014-15. Instead, all capital funding will be given in the form of capital grant – the majority of which is not ringfenced. Capital grant allocations have been received for Highways Maintenance, Integrated Transport, Education, and Social Care. Some Government Departments, including Defra and CLG, are still reviewing their capital allocations and will make announcements shortly. Further capital grant will be distributed by the Department for Transport on the basis of bids. The Government will also continue to assist capital spending through funding to support Private Finance Initiative (PFI) projects. Details of capital grant announcements received are set out in Table 5 in paragraph 7.4.
- 3.14 From 2011-12, schools will receive a new Pupil Premium grant, which will provide £430 per pupil known to be eligible for free school meals. From 2012-13 the premium will be extended to those pupils who have previously received free school meals. The funding will be devolved directly to schools and will not be ring-fenced. For Norfolk, the Pupil Premium Grant is estimated to be £6.5m in 2011-12.

## 4. Consultation

4.1. The Big Conversation was launched on 26<sup>th</sup> October 2010 and took place on a number of fronts:

- **Mailshot** to all households in Norfolk through Your Norfolk. A freepost address was given for people to feedback their views.
- **Online activity** - All our consultation information was online with a variety of electronic feedback mechanisms, including discussion forums, 'have-your-say' e-mails, electronic feedback forms.
- **Other response mechanisms** - people were able to post their comments, call the Customer Service Centre, use the minicom/textphone number.
- **Stakeholder meetings and events** - In the region of 20 consultation events with specific stakeholders were organised, and Cabinet Members, senior Members and Chief Officers also attended around 20 meetings organised by others on request.

Six events for disabled people and two events for deaf / hearing impaired people were organised. These were facilitated by an external facilitator and the views collected by a palamtypist. The consultation materials were made available in the following formats:

- Braille
- EasyRead (for people with Learning Difficulties)
- Audio tape
- Large Print
- British Sign Language Flyer on You Tube
- **Discussion pack** – we wrote to all stakeholders in advance, including all Parish Councils, letting them know about the consultation and its timetable, and inviting them to use a discussion pack for groups or organisation to use to gather their views of their own members.
- **Specific consultation with users** – in addition, services engaged with specific user groups where appropriate, for example, Adult Social Services wrote to 31,000 users; the Environment, Development and Transport Department wrote to all Parish Council to gauge interest in taking on services locally.
- **Media** – every opportunity, through media briefings and releases, was taken to publicise the consultation and explain how people could engage.

- 4.2. A summary of responses received was made available for each Overview and Scrutiny Panel, so that Members had the opportunity to consider the budget proposals with the benefit of the views of those who had responded.
- 4.3. This summary has subsequently been updated and consolidated and is attached here at Appendix J. Any responses received after the closing date of 10 January 2010 are not reflected in this summary, but have been put in the Members Room, along with all the responses received.
- 4.4. The Council has a statutory duty under Section 134 of the Local Government Act to consult with representatives of non-domestic ratepayers. A stakeholder meeting following release of the Big Conversation proposals was held with representatives of the business community on 22<sup>nd</sup> November 2010. Comments arising from that meeting are included in the summary of responses.

### **Key themes from responses**

- 4.5. The Big Conversation generated the most responses and engagement of any consultation activity undertaken by the County Council. Over 9,000 individuals and organisations responded. Many of the responses were detailed, thoughtful and constructive. We estimate that in all these 9,000 responses generated over 25,000 individual comments – all of which have been read, and summarised in Appendix J The key themes are set out here:

Most responses were received in respect of proposals from adults and children's services.

- For adult social services, many individuals and organisations voiced concerns about raising the eligibility criteria, about scaling back sensory support, and about what was perceived as short-sighted proposals to reduce spend on preventative services. As well as comments on individual proposals, some representative organisations, and residents, were concerned about the impact on vulnerable people of the totality of the changes.
- For children's services, the largest response was received opposing the proposal to end funding for the youth service. Respondents included many individual young people setting out the support they had received from the youth service, supporters of the Duke of Edinburgh Award Scheme, and residents who did not have a particular connection with the youth service, but felt it was important to provide such services for young people.
- Many responses were received opposing the removal of subsidy for post-16 transport. Colleges, schools and youth groups submitted many letters and petitions. In addition, many educational leaders and staff expressed their concerns, and have come up with some practical suggestions as alternatives and engaged in constructive discussion.
- For the environment, the highest number of responses was received voicing concerns about proposals to scale back footpath maintenance, and

end support for historic buildings. Some parish and town councils have expressed interest in taking on greater responsibilities – albeit with clear legal and financial arrangements.

- The proposal to close the travel centre at Norwich Bus Station generated concerns from users; some Norwich businesses commented on the detrimental impact of closing park and ride sites on their staff, and some respondents – including parish and town councils – emphasised the importance of maintaining transport in rural areas.
- Responses on cultural services proposals confirmed the value people place on libraries and museums. Most concern was expressed at reducing funding for arts organisations.
- Many individuals took time to comment on the overall direction for the County Council going forward. There was a wide spectrum of views and comments – some were sceptical about the Council's ability to function as efficiently as they would like; some questioned the commitment to freeze council tax at a time of such financial pressure on services, and there were diverse views about services that the council should and could stop or scale back – but no overwhelming consensus.
- Some people did question the process of consultation and commented that it was difficult to get to the detail behind some of the proposals. However, this was balanced by a number of people who attended meetings, who acknowledged the Council's efforts in engaging with residents and groups.

### **Changes to budget proposals**

- 4.6. Following consultation, some budget proposals are being withdrawn or changed, and these are set out in the Leader's report.
- 4.7. There are also proposals which it is recommended should proceed, despite a high level of concern among people who responded. Comments on those are set out below. Further detail of the actions we intend to take to address the equality impact of these proposals are contained within the individual Equality Impact Assessments. See Section 13 and Appendix K below.
- 4.8. A3 – Reduce the scale and capacity of the quality assurance service - This proposal received over 40 responses, none of which were supportive. In particular, staff teams, the independent sector and a carer's group expressed concern. We recognise that it is important that we retain sufficient quality assurance capacity, but also we need to continue to ensure overhead activities are delivered as efficiently as possible. The County Council's commissioning and procurement activities are currently going through considerable development, both within the County Council and in joint working with the NHS. No savings are proposed for 2011-12, and therefore whilst leaving the saving at present, we will keep this under review as our practices develop, taking into account the responses received.

- 4.9. A10 – Remove council subsidy for community meals. There were over 2,200 responses to this proposal, and there was a slight majority in support of the proposal. A significant amount of the concern was around alternative services being available. In responding to this it is now proposed to phase the changes over two years, ensuring more time for the development of alternative provision where it is not currently available.
- 4.10. A11 - Redesign of day service provision – this proposal received over 2,200 responses with over 70% supporting it. People supported the idea that there should be a range of choice in day service provision and that a variety of activities should be available to people. The majority believed that the proposal would meet this aim. Those concerned with the proposal felt that other providers will not be readily available or of the same quality. The use of personal budgets was seen as a flexible way of accessing a diverse and varied range of day opportunities. No savings are proposed for this in 2011/12 and in order to respond to concerns we will continue to review progress.
- 4.11. A15 - Reduce the scale and capacity of the sensory support team – this proposal received over 3,000 responses., the majority of which opposed the proposal including health professionals and organisations. In response to the concerns it is proposed to reduce the level of savings proposed. Instead of the proposed saving of £1.064m, it is intended to reduce this amount to £464,000. This means we will continue to invest £600,000 per annum in a reshaped and re-focussed service.
- 4.12. A17 – End the Council’s HIV and AIDS service. The majority of responses expressed support for this proposal. There were concerns expressed, particularly from the Grove Genitourinary Medicine Clinic. Despite these concerns, given other pressing priorities, it is proposed that this saving be confirmed. The proposed reduction related to a specialist social work service for people with AIDS and HIV. The council already funds the voluntary sector to provide advice and support to people with AIDS/HIV. This funding will continue to be available. In addition, people who meet the eligibility criteria for social care services will, of course, continue to receive a social care service.
- 4.13. A18 - Reduce the scale and capacity of mental health services – over 2,000 people responded to this proposal, the majority did not support it. In response to concerns about the potential impact of a reduction in mental health services of £1.6m in 2011-12 it is proposed to make these changes over two years. Reducing the saving to £0.5m in 2011-12, with the remainder in 2012-13, enables preparations e.g. identifying alternatives to be put into place.
- 4.14. A22 – Reduction in spending on prevention services – over 3,500 people commented on this proposal with the majority opposing it. To minimise the impact on service users and help mitigate the risk to longer term care budgets it is intended to reduce the proposed £6m saving on prevention 2011-12 to £1m. We will continue to reshape services, working with the NHS and the Voluntary Sector in order to establish a prevention fund to support future investment in prevention.

- 4.15. B3 – End the subsidy for school and college transport for those aged 16 and over - A high volume of responses were received with the large majority against this proposal. In response to concerns raised we have revised the proposal and the County Council will continue to support post 16 transport.
- 4.16. B4 – End subsidy for denominational transport - In relation to denominational transport, a significant number of responses were received with a number of respondents disagreeing with this proposal, although some felt that denominational choice should be paid for by families or the church. In exercising any of their functions relating to school travel arrangements, the County Council must have regard to a parents' wishes for their child to be provided with education or training at a particular school, where that wish is based on the parent's religion or belief (or, the pupil's wish if the pupil is of sixth form age (*section 84, Education and Inspections Act 2006*)). Part 5 of the Home to School Transport Guidance covers this subject and suggests, at paragraph 134, that the effect of this provision is that such wishes must be respected "in so far as this is compatible with the provision of efficient instruction and training, and the avoidance of unreasonable public expenditure". The guidance also advises Local Authorities to ensure that they do not discriminate contrary to Article 14 of the European Convention of Human Rights. It should be noted that eligible children who are registered at a qualifying school between two and 15 miles from their home, and whose parents have a wish for that particular school based upon their religious belief and where no other suitable school is available, are entitled to free school transport if they are also entitled to free school meals or their parents are in receipt of the maximum amount of working tax credit (*paragraph 12 of Schedule 35B to the Education Act 1996*).
- 4.17. Whilst recognising ending the subsidy will cause difficulty for some families, in the current financial climate, it is considered that the £470,000 spent on this would be an unreasonable public expenditure and on balance, given the need to make some savings on school transport, it was felt more equitable to change the post 16 proposal, rather than this one which is a matter of parental choice. The County Council will then be treating transport to denominational schools in the same way as transport to other schools.
- 4.18. B4 - End the funding of transport in exceptional circumstances. This particular funding stream will end, but children will still receive funding for transport under Section 17 if they have an assessed need.
- 4.19. B6 - Re-design and re-shape the special education needs service, so that fewer statements of special education need are required. A number of responses were received, the majority against the proposal. It is still considered that a re-design of the service is the sensible way to proceed, although an adjustment to the saving has been proposed. Rather than start the saving in 2011/12, in response to concerns raised, it is proposed to make no saving next year. This will allow the Council to spend time in 2011/12 redesigning the new service in partnership with schools, key stakeholders and staff with a view to introducing the change in 2011/12.

As suggested by some respondents, it will also allow us to take full account of the Government's Green Paper on SEN due to be published in February 2011.

- 4.20. B11 – Cease funding for youth services - A high number of responses were received, many evidencing the value these services provide to young people. The large majority of respondents were against the proposal. It is intended to review whether there is any grant funding available in order to mitigate the effect of this proposal.
- 4.21. B18 – Reduce the scale and capacity of family support services - A relatively small number of responses were received with responses fairly evenly split between agreeing and disagreeing with the proposal. However, it is recognised that some organisations are seriously concerned with the proposals. If the funding were available we would not wish to reduce these services. However, we will be carefully re-designing operational services that work with parents and vulnerable children to ensure we can provide effective support and protection where it is most needed
- 4.22. C12 – Reduce Arts Grants. This proposal probably produced the most concern for Cultural Services with 48 responses of which 47 expressed concern. Many excellent points were made about the value of the arts from both an economic development and a well-being perspective. However, given the savings we are having to make elsewhere, particularly in children's and adult's social care services, we still believe this area should receive a proportionate reduction, and therefore the saving should be retained.
- 4.23. E11 – Re-focused, more targeted Public Rights of Way service. 78 responses were received to this proposal, the majority not supportive. However, although there were many concerns we continue to consider we can deliver our statutory duties and that if communities are to become more involved in delivering services, this is an area where the concepts in the "Big Society" should be capable of being implemented. It is proposed therefore to retain this saving, and look forward to working with parishes and special interest groups on how they can become more involved in this service.
- 4.24. E18 – Review historic building work and end some grant funding. 50 responses were received, generally not supportive. We fully recognise that County Council support and funding is appreciated. However, the grants are a small amount of money compared with the totality spent on preserving historic buildings in Norfolk each year. We also believe there are opportunities for more joint working with District Councils in this area. Given the pressures on budgets across the authority it is considered these reductions should be implemented.
- 4.25. H13 – Reduce subsidy for Park and Ride in Norwich. 116 responses were received with the proposal generally not supported. We have listened to the concerns raised. It is now proposed to retain all 6 sites in 2011-12. This will be achieved by a combination of raising fares by just over 10% and some operational cost savings. We recognise this does not meet all

concerns e.g. closure of toilet facilities, but nevertheless on balance it is proposed that the saving should be made.

- 4.26. H15 – Close the travel information desk at Norwich Bus Station and reduce opening hours of the travel centre. 183 responses were received to this proposal, together with 1006 responses on comment cards available at the Bus Station. The great majority of responses were against this proposal. In response to these comments, we have begun discussions with a private transport operator to see if other arrangements might be introduced to reduce the impact of the cost savings. These discussions are still at an early stage, but we are hopeful that alternative arrangements can be reached in some areas. However, if this is not possible it is intended to go ahead with the proposal to close the travel centre, given the difficult choices the Council has to make on reducing public transport expenditure.

## **5. Draft Budget 2011-12**

- 5.1. The overall net budget proposed for 2011-12 is £603.250m. This takes into account the Provisional Local Government Finance Settlement and current information received from the District Councils on their respective Council Tax Base and Collection Funds. Although the proposed 2011-12 net budget shows a year on year cash increase, this is mainly due to changes in how previous specific grants will in future be paid to the Council (rolled into Formula Grant) and the way they need to be accounted for in the council tax calculation. As highlighted in paragraph 3.3, the Council has suffered a real Formula Grant reduction of £29.449m. At the time of drafting this report, the final Local Government Finance Settlement is not known and the proposed 2011-12 net budget may need to be altered to reflect any changes to the government grant amount for 2011-12.
- 5.2. Reports to Overview and Scrutiny Panels in January 2011 detailed additional costs of £52.711m and savings of £72.669m. These figures have changed following the Leader of the Council's recommendations, which are set out in paragraph 5.6. The proposed budget is shown in Table 4 and detailed in Appendix A.
- 5.3. Since the announcement of the finance settlement, work has continued to analyse the impact and the treatment of some new grants. In addition, services have continued to review budgets and identify opportunities for additional savings. Significantly, the recommended budget includes the monies to be transferred to the Council from the NHS in relation to the social care funding.
- 5.4. Following ongoing service review within Children's Services, some changes were reflected in the report to Children's Services Overview and Scrutiny Panel on 13 January 2010 and therefore an updated position to that shown in the Big Conversation was shown for some proposals. This reflected revisions following service reviews and more accurate profiling of projects and management reviews over the three year period.

- 5.5. Ongoing review work, together with a detailed and very careful review of all responses received from the Big Conversation means that some changes to the proposals considered by Overview and Scrutiny panels in early January can be made.
- 5.6. The Leader of the Council proposes in his recommendations to accept the 2011-12 budget proposals as reported to Overview and Scrutiny Panels in January 2011 with the exception of the changes outlined in Table 2 below.

<b>Table 2: 2011-12 Changes to Overview and Scrutiny Proposals</b> (Big Conversation reference numbers are shown in brackets)	<b>£m</b>
Protect school crossing patrols (B5)	0.058
Reduce saving from the sensory support service (A15)	0.600
Reduce saving from reshaped public transport network to help continue to support rural bus subsidy (H11)	0.580
Protect current eligibility criteria levels for social care (A14)	1.400
Reduce savings to prevention for Adult Social Care in 2011-12 (A22)	5.000
Phase savings to mental health over two years (A18)	1.100
Phase ceasing subsidy for community meals over two years (A10)	0.600
Reduce saving from the equipment service (A21)	0.287
Support Duke of Edinburgh award scheme (within B11)	0.021
Bring forward roll out of 'council@your' arrangements (D4)	-0.100
Cease subscription to local government information unit	-0.021
County Farms saving adjustment	0.075
Removal of revenue budget provision for Icelandic investments (see paragraph 5.19 below)	-1.000
Removal of additional budget for Insurance provision to cover claims incurred but not reported. This was required in 2010-11 to meet statutory accounting requirements as the previous level of provision was insufficient.	-2.000
Reduction in Adult Social Care inflation required (A6)	-1.700
Reduction in Strategic Ambitions budget to reflect projects now complete	-0.300
Removal of budget requirement for Modern Reward Strategy following completion of the project	-0.500
Revenue contribution for redundancy and transformation to the Organisational change and redundancy reserve	5.197
<b>Total</b>	<b>9.297</b>

Note 1: Savings reported to Overview and Scrutiny Panels also included savings from new grant received for flood water management (£0.199m) and council tax freeze (£8.532m). These are now shown as base adjustments within Appendix A.

Note 2: Lines with a positive number represent savings proposals, which are now recommended to be removed or in the case of the redundancy and transformation provision an additional cost pressure. Lines with a negative number represent additional savings or additional available funding sources.

Note 3: Although not part of the 2011-12 budget, the Leader's recommendations include a reduction in the level of savings required for Post 16 Home to School transport of £1.5m in 2012-13. This is reflected in Appendix A.

### **Redundancy and transformation provision**

- 5.7 It is estimated that the council will need to manage a reduction of over 750 full time equivalent staff in the next financial year, with further reductions in 2012-13 and 2013-14, in order to reshape services and deliver the necessary budget reductions. Whilst every opportunity for natural turnover and redeployment of staff will be taken, it is forecast that the cost of redundancy and transformation over the next two years will be at least £10m in 2011-12 and a further £10m in 2012-13.
- 5.8 The proposals contained within the Big Conversation accelerate the transformation programmes already underway across all services. The breadth and depth of the change plans are significant and will deliver a smaller and quite different organisation over the next three years.
- 5.9 Experience elsewhere, in both the private and public sector, emphasises the importance of ensuring sufficient organisational capacity is in place to deliver change of this scale. The risks of not doing so are that organisational performance will drop considerably and that the change will not be achieved. In the long run higher costs could be incurred.
- 5.10 The County Council now has some good experience of change activity that has delivered results, e.g. the Assessment and Care Management Review in Community Services, the Modern Reward Strategy, the introduction of self-service in libraries, and the implementation of Shared Services.
- 5.11 Building on that experience, existing capacity and resources is being re-focused to support the accelerated change now planned. However the scale and pace of the change means that it would be prudent to make additional provision to ensure the change is adequately supported. Recent experience indicates that this will be needed to meet specialist resource requirements and additional resource capacity to address timing issues.
- 5.12 In light of the current level of the Council's earmarked reserves, and identified risk from delivery of the savings programme, Icelandic banks and redundancy costs as set out in the Policy on Provision and Reserves at Appendix C, it is considered imprudent to fund the full cost of redundancies and the cost of change from reserves alone. This could possibly be delivered in 2011-12, but, with a further £10m of redundancy costs to be funded in 2012-13 that could only be found from additional service savings in that year.

- 5.13 The Leader's recommendations currently include £5.197m from revenue to meet this need in 2011-12. Estimates of redundancy and transformation requirements continue to be assessed and the final contribution from the revenue budget towards these one-off costs will be reviewed in light of the final grant settlement and any further revisions to district councils' council tax collection funds.
- 5.14 The remaining balance, needed to ensure a redundancy and transformation provision of at least £10m for 2011-12, will be identified by reviewing the level of general balances, all other earmarked reserves and any available underspend identified in 2010-11. This review will be undertaken as part of the closure of the 2010-11 accounts and reported to Cabinet in June.

### **NHS Social Care Funding**

- 5.15 As described in paragraph 3.12, the Government has provided the NHS with funding to support joint working on social care. £11.357m has been allocated in total to Norfolk PCTs. The Government has been clear that this money must be transferred to county councils to support joint social care objectives. The recommended budget proposals include proposals and forecast costs in line with the additional funding available. It is proposed to use the £11.357m as set out in Table 3 below. Some of the proposed use also relates to specific budget proposals and these are also reflected in Table 2 above.

<b>Table 3: Proposed use of additional funding from NHS</b> (Big Conversation reference numbers are shown in brackets where applicable)	<b>£m</b>
Reduce saving from the sensory support service (A15)	0.600
Protect current eligibility criteria levels for social care (A14)	1.400
Reduce savings to prevention for Adult Social Care in 2011-12 (A22)	5.000
Phase savings to mental health over two years (A18)	1.100
Support increased costs for vulnerable children (see Appendix A)	0.600
Reduce saving from the equipment service (A21)	0.287
Assist in managing part of the Adult Social Care demographic cost pressure (see Appendix A)	2.370
<b>Total</b>	<b>11.357</b>

### **Icelandic Banks**

- 5.16 The County Council is currently estimating recovery of £31.529m through the administration process as reported in the financial monitoring report elsewhere on the agenda. This is based on the latest information from the three Icelandic banks administrators and current accounting guidance.

- 5.17 The recovery amount is based on the Council being granted preferred creditor status for Landsbanki and Glitnir. The granting of preferred creditor status is currently being tested in the Icelandic courts, with initial hearings due to take place in February and March. The legal process may take some time to resolve and the Council faces a significant financial risk should the Icelandic courts decide not to grant the Council preferred creditor status.
- 5.18 The administration process for Kaupthing Singer and Friendlander remains on track and the Council has so far received £5.514m as set out in the financial monitoring report elsewhere on the agenda.
- 5.19 In the 2010-11 Revenue Budget, £1m was included on the basis that this would fund borrowing costs if the Government granted the capitalisation direction for its potential Icelandic banks impairment. The Council applied for a capitalisation direction and the Government refused this. The £1m has been transferred to the Icelandic banks reserve in 2010-11 but the recurring budget provision can be released and used for other purposes in the 2011-12 budget.
- 5.20 The balance on the Icelandic banks reserve is forecast to be £5.618m at 31 March 2011. This is being held in case the Council is not granted preferred creditor status. If the Icelandic courts decide that the Council has preferential creditor status, then the monies will no longer be required and can be used for other purposes.
- 5.21 If the Council is not granted preferential creditor status, then the impairment on the Icelandic banks is approximately £15m of the Council's claim. Funding for the impairment would need to be identified either in 2010-11 or 2011-12 depending upon the timing of the completion of the legal cases.
- 5.22 If the outcome of the legal cases is unfavourable to the Council, then the first source of funding would be the Icelandic banks reserve and the options open to the Council to fund the remaining balance are the use of its other reserves and/or to apply to the Government for a capitalisation direction.
- 5.23 In preparing the 2011-12 revenue budget, the approach adopted has been to assume that the Council will be granted preferential creditor status. The cost pressures and savings set out in Appendix A have not been impacted by the issues outlined above. However, as set out in paragraphs 5.21 and 5.22, consideration has been given to the impact should the legal cases go against the Council.

#### **Pension Fund Valuation**

- 5.24 The triennial valuation of the Pension Fund at 31 March 2010 has been undertaken by the Fund Actuary (Hymans Robertson). The results were reported to the Pensions Committee on 7 December 2010 and will be used by the Actuary to certify the employer contributions rates payable from 1 April 2011 to 31 March 2014. The final rates and adjustments certificate will be issued by 31 March 2011 in accordance with the relevant legislation.

- 5.25 The budget proposals reflect the adoption of an employer contribution rate stabilisation mechanism, which was agreed by the Pensions Committee in September. The stabilisation mechanism is a risk considered funding approach that puts a ceiling on employer contribution increases and a floor on contribution reductions in a given period to reduce the volatility that is associated with the cost of pension funding. Based on the 2009-10 pensionable payroll this limits the increase payable by the County Council to 0.5% of pensionable pay per annum for each of the next three years.
- 5.26 Secondly, following advice from the Actuary, the Fund will express the employer contribution split between the cost of future service (current benefit accrual), which will continue as a percentage rate applied to pensionable payroll and an amount calculated to recover any deficit in relation to historic service, which will be expressed as an annual cash sum payable to the Fund. Previously, deficit funding had also been expressed as a percentage of pensionable payroll. The headline employer pension contribution rate expressed as a percentage of pensionable pay will reduce, but this will be offset by the cash payable in relation to the recovery of the historic deficit. Pension deficit recovery will be budgeted for within Finance General. Taking these two elements together, the overall employers pension contribution is forecast to increase by 0.5% of pensionable pay in each year 2011-12 to 2013-14.

#### **Concessionary Fares Scheme**

- 5.27 The Government has made changes to the funding and administration of the concessionary fare scheme. From April 2011, responsibility for the scheme transfers from district councils to county councils. Funding for this scheme will be received via the formula grant. The cost pressures within Environment, Transport and Development include £9.875m to meet the assessed cost of the statutory scheme. Details of the scheme are presented to Cabinet elsewhere on this agenda. This has placed significant additional pressure on the Council's budget as due to the way formula grant has been allocated, the level of funding transferred to meet this new responsibility is no more than £7.3m (compared with some £11m received by the district councils previously). This represents a £2.5m shortfall in funding. Representations have been made to the Department for Communities and Local Government and the Department for Transport. We will not know the outcome of these representations until the Final Settlement is announced.

#### **Park and Ride services**

- 5.28 In order to achieve the reduced level of subsidy for the Park and Ride service set out in the budget proposals shown in Appendix A, fares will need to be increased, along with a number of other actions to deliver these savings. It is proposed that the final decision about the level of increase be delegated to the Director of Environment, Transport and Development in conjunction with the Cabinet Member for Travel and Transport.

### **Organisational Review**

- 5.29 The Council has undertaken a comprehensive review of the structure of the organisation. Phase 1, which looked at the most senior structures, has delivered efficiency savings of £1.5m in 2010-11 and will deliver a further £0.375m in 2011-12. Furthermore, almost £2m of efficiency savings attributable to Phase 2 of the review, which is implementing changes to the next tier of management, will be realised in 2011-12. However, management structures across the organisation will continue to change over the next three years, reflecting the planned transformation to the way that services are delivered and the changing role of the County Council. Therefore the savings proposals detailed in Appendix A include further management review savings, which are in addition to those identified within the organisational review.
- 5.30 In addition, another organisational wide project - the Shared Services Review, has progressed with staff who were previously part of service departments and working within the areas of ICT, finance, HR, planning and performance, communications and postrooms forming specialised shared services. The base budgets shown in Appendix A and Table 4 below reflect the position prior to Organisational Review and the forming of shared services. The recommended budgets for 2011-12 reflect the organisational change, the movement of staff and related budgets between services and the inclusion of additional organisational review savings.

### **Overall Budget Proposals 2011-12**

- 5.31 Table 4 below summarises the overall proposed final budget for 2011-12. The total net budget requirement is £603.250m. The table shows the cash limited budgets by service. As mentioned in paragraph 5.1 although the proposed 2011-12 net budget shows a year on year increase, this is mainly due to changes in how previous specific grants will in future be paid to the Council and the way they need to be accounted for in the council tax calculation.
- 5.32 Similarly, the year on year change in cash limited budget between services do not in themselves always fully reflect the impact incurred by services. For example, Community Services (Adult) shows a further reduced net budget due to additional NHS grant, which has increased the income received by the service; Environment, Transport and Development show an increased budget which is adjusted for new responsibilities for concessionary fares and Resources services has an increased net budget due to the transfer of services as part of the council's shared services efficiency project. A detailed table of the proposed changes for each service is shown at Appendix A.
- 5.33 At the time of drafting this report, the final Local Government Finance Settlement is not known and the proposed 2011-12 net budget may need to be altered to reflect any changes to the government grant amount for 2011-12.

<b>Table 4 – 2011-12 Revenue Budget</b>	2011-12 Base Budget * Note 1 £m	Additional Costs £m	Savings £m	Base Adjustments £m	Cost Neutral Changes* Note 2 £m	2011-12 Recommended Budget £m
Children's Services	172.599	16.464	-24.447		-10.621	153.995
Community Services - Adult	235.045	13.794	-14.292	-11.086	-2.592	220.869
Community Services – Cultural	20.439	0.367	-1.231		-0.670	18.905
Environment Transport and Development	113.830	14.083	-8.790	-0.199	-0.011	118.913
Fire Service	31.548	0.340	-1.082		-1.102	29.704
Resources	39.374	0.690	-5.276		13.566	48.354
Finance General	-33.595	12.170	-4.720	37.225	1.430	12.510
<b>TOTAL</b>	<b>£579.240m</b>	<b>£57.908m</b>	<b>-£59.838m</b>	<b>£25.940m</b>	<b>£0.000m</b>	<b>£603.250m</b>

Note 1: The base budget reflects the original budget prior to changes to the structure of services following Organisational review and the establishment of shared services. The transfer of budgets to reflect Organisational Review is included in cost neutral changes.

Note 2: Cost Neutral changes comprise capital accounting adjustments (which do not impact on Council Tax), inter departmental budget transfers and grant adjustments.

5.34 The above table excludes budget information in respect of schools. Schools funding is provided through the Dedicated Schools Grant (DSG), which is paid to the County Council and passed on to schools in accordance with the agreed formula allocation. The DSG for 2011-12 was announced in December and the Government has announced that Norfolk will be funded at £4,785.73 per pupil in 2011-12. In 2010-11 Norfolk received a basic funding allocation of £4,110.85 per pupil. It also received £674.88 per pupil through other specific grant streams which have now been consolidated into the Dedicated Schools Grant. The DSG provisionally amounts to £512.8m, based on an estimated 107,146 pupils. This compares to £514.7 million in 2010-11. Adjusted for changes in pupil numbers this represents a freeze in funding. The final grant allocation is subject to revision in the light of the January 2011 pupil numbers. It is assumed that all school pay and prices inflationary pressures will be absorbed within the DSG allocation.

5.35 In respect of the savings of £59.838m set out in the table above, £31m (51%) of these represent efficiency savings that are supporting delivery of the Council's service plans next year. Norfolk has a good record of delivering efficiency savings. We have delivered efficiency savings of £85m in the last six years and are on course to deliver a further £19m in the current year. Whilst Government targets for efficiencies are no longer set, we continue to target as a priority, the delivery of efficiency savings wherever possible. 29% of our proposed savings for 2012-13 and 2013-14 are presently forecast to be delivered through efficiencies.

## 6 Balances

- 6.1 As part of budget reporting to Cabinet and the County Council, the Head of Finance is required under the Local Government Act 2003 to comment on the adequacy of the proposed financial reserves.
- 6.2 In respect of General Balances, their minimum level is now £14m (their projected actual level at 31 March 2011 is £15.651m). The level of minimum balance is informed by an assessment of the financial risk to which the Council is exposed, whilst also taking account of the level of financial controls within the Council. Financial management and reporting arrangements are considered to be effective.
- 6.3 The overall level of General Balances needs to be seen also in the context of the earmarked amounts set aside and the Council's risk profile. Whilst it is recognised that all County Councils carry different financial risk profiles, the position in Norfolk is that the level of its General Balances is below that of most other Counties. As a percentage of our net 2010-11 budget it is presently 2.6%. The average for shire counties is some 3.7%.
- 6.4 In considering the level of financial risk, one of the most significant risks surrounds the level of transformation that will take place across the council to deliver the budget. Risk has been identified as part of our assessment of the budget proposals. These risks will be monitored within and across services as part of the risk management process and mitigating actions will be identified and monitored. In addition, financial monitoring controls are in place and additional monitoring of the savings programme is being implemented. Taking into account the overall position, it is considered that the current level of General Balances is adequate and no change to the minimum level is proposed.
- 6.5 A full risk assessment has been undertaken in respect of each of the reserves (including General Balances) and provisions held by the Council. All earmarked reserves and General Balances are considered by the Head of Finance to be adequate and appropriate to reflect the risks they are intended to cover.
- 6.6 However, issues such as provision for redundancies and transformation, unequal pay claims and Icelandic banks could require changes to our overall level of balances. A further review of all reserves will be undertaken as part of the closure of the 2010-11 accounts and reported to a future Cabinet meeting. Once this review is complete it is anticipated that the General Balances will be at the minimum level of £14m.
- 6.7 Attached at Appendix C is the updated policy on reserves and provisions used to provide guidance in assessing their level. Attached at Appendix D is a full list of the reserves and provisions held by the Council. This is reported to each meeting of the Cabinet.

## 7 Capital Programme

- 7.1 A three year capital programme for 2010-13 was agreed by the County Council on 15 February 2010. This was prepared using information from the Government on known and forecast funding levels. This funding information has been updated and is reflected in tables 5 and 6 below. As mentioned in paragraph 3.13, the Government has confirmed that it will not provide any new supported borrowing allocations for the current Spending Review period.
- 7.2 Attached at Appendix E is the 2011 Capital Strategy and at Appendix F is the Capital Programme for 2011-14. A capital programme for 2011-12 of £75.572m is proposed to be funded as set out in Table 6. The draft revenue budget for 2011-12 includes capital financing charges, which will fund that element of the Capital Programme which is met from external borrowing.
- 7.3 Currently, capital receipts of £0.900m are estimated to be available to support the capital programme. This excludes capital receipts from county farms. If additional receipts become available, these can either be used to fund additional capital projects or to reduce future levels of projected borrowing. If the level of capital receipts were below the forecast, then additional borrowing will need to be undertaken on a temporary basis.
- 7.4 All Capital Grant announcements made to date by the Government and any other sources of funding have been fully taken into account in the preparation of the Capital Programme. Table 5 shows summary details of the three-year capital settlement details.

Table 5	2011-12 Settlement £m	2012-13 Settlement £m	2013-14 Indicative £m
<b>Capital Grant</b>			
Children's Services	32.690		
Transport	27.448	26.726	25.853
Adult Social Services	2.170	2.229	
Fire			
Waste			
<b>TOTAL ANNOUNCEMENT</b>	<b>62.308</b>	<b>28.955</b>	<b>25.853</b>

- 7.5 The grant figures for Children's Services do not include funding for voluntary aided schools, including the Locally Coordinated Voluntary Assisted Provision allocation, as the Diocese determines the use of this grant. Neither does it provide figures for 2012-13 and 2013-14. A Government review (the James Review) of schools capital funding is underway and announcements on future levels of funding will be made following that review.

- 7.6 Appendix G shows all schemes considered corporately by the Corporate Capital and Asset Management Group and to be funded from capital receipts, prudential borrowing and other internal sources.
- 7.7 Following the approach set out within the Capital Strategy, capital bids are prioritised using a capital project prioritisation model. The prioritisation model scores schemes based on their ability to deliver the County Council's objectives and other benefits, project costs and opportunities for savings. The Corporate Capital and Asset Management Group has considered corporate projects in accordance with the prioritisation model. Schemes shown in Appendix G include departmental schemes not funded from external sources, new corporate schemes with high prioritisation model scores and on-going schemes where there are significant risks associated with delaying or withdrawing funding.
- 7.8 The 2011-12 Capital Programme will total £75.572m. A summary of the total recommended programme and funding sources is shown in Table 6 below. In overall terms, the proposed programme represents a significant cash reduction compared with 2010-11. At this time last year, a programme of some £205m was proposed for 2010-11. The reduction in the programme is due to a combination of significantly reduced Government support and, in response to the financial challenge we are facing, reduced levels of borrowing by the Council.

Table 6	2011-12	2012-13	2013-14
	£m	£m	£m
<b>Total Capital Programme</b>	<b>75.572</b>	<b>60.537</b>	<b>32.565</b>
Financed By:			
Non Ringfenced Capital Grant funding	57.908	33.355	25.853
Capital Receipts and Borrowing	9.560	6.182	6.712
External grants and contributions	7.666	21.000	
County Farms Capital Receipts	0.438		
<b>Total Funding</b>	<b>75.572</b>	<b>60.537</b>	<b>32.565</b>

## 8 Robustness of Estimates

- 8.1 The Local Government Act 2003 requires the Head of Finance to report on the robustness of the estimates made for the purposes of the calculation of the precept.

- 8.2 The draft budget set out in this report, which supports the Leader's budget recommendations, has been subject to considerable examination by the Council's officers. All estimates and the assumptions underlying them have been scrutinised by relevant staff in each department and have been fully endorsed by the relevant Chief Officer. Staff within Finance and Finance Business Partners have also applied challenge and scrutiny to the budget proposals on a risk assessed basis.
- 8.3 The additional costs and savings have been subject to regular review and scrutiny by the Chief Officers Group at various stages in the budget cycle, from the initial budget guidance through to the recommended proposals. They have also been subject to detailed scrutiny at Overview and Scrutiny Panels in January 2011.
- 8.4 In overall terms and taking account of the degree of scrutiny and challenge applied to all aspects of the budget proposals, including their sustainability, the Head of Finance is able to provide the reassurance required under the Local Government Act 2003.

## **9 Treasury Strategy, Minimum Revenue Provision Statement and Prudential Indicators**

- 9.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Sector was adopted by the County Council in November 2002. The Code requires local authorities to produce a Treasury Strategy for the forthcoming year. The Treasury Strategy for 2011-12 is set out in a separate report on this agenda.
- 9.2 Government regulations require the County Council to approve a Minimum Revenue Provision Statement in advance of the financial year. A statement has been prepared and is detailed in Appendix E, paragraph 3.4.15.
- 9.3 The Prudential Code for local government investment came into force on 1 April 2004 and requires the Council to set and monitor performance on a number of prescribed indicators relating to capital expenditure, debt and treasury management. The Prudential indicators for 2011-12 are set out in Appendix H and will be reported to Cabinet throughout the year.

## **10 Council Tax Discount on Second Homes**

- 10.1 The Local Government Act 2003 required that additional monies from reducing the Council Tax discount on second homes should be shared by the District Councils with the precepting Councils i.e. the County Council and the Police Authority. There has been no change to the previously agreed approach for the use of second homes monies.
- 10.2 Cabinet reviewed the use of this funding on the 4 January 2010. It is recommended that this approach to the sharing of second homes income is followed for 2011-12. The approach is that:

- 50% of the additional monies from second homes to go to Local Strategic Partnerships (pro rata to district collection) as now, to be spent on LSP priorities, including affordable housing where appropriate.
- 50% to be retained at County level, of which:
  - half ring-fenced to be spent on infrastructure projects across the county. This will be managed by the County Council and allocated based on its Growth Point and other infrastructure priorities; and,
  - half committed to strategic initiatives identified by the County Strategic Partnership. It is not proposed that there will be a bidding process.

## **11 Council Tax/Precept Implications**

- 11.1 In determining the level of the Council Tax/Precept, consideration needs to be given to whether there are any restrictions or requirements imposed by the Government, since the Local Government Act 1999 provides reserve capping powers to the Government.
- 11.2 If an authority's Council Tax is considered to be excessive, the Government could cap the level of increase. Alternatively, the Council could be told that the level of its budget in the following year will be determined by the Secretary of State and advised when the following year's Settlement is announced.
- 11.3 The Government will examine Council Tax/Precept increases and budget increases when final decisions have been made throughout the country. County Councils are required by Government Regulation to declare their level of Council Tax/Precept by the end of February.
- 11.4 The Council is required to state its Council Tax/Precept as an amount for an average Band D property, together with information on the other valuation bands i.e. Bands A to H. Band "D" properties had a value in April 1991 of over £68,000 and up to £88,000.
- 11.5 To calculate the level of the County Council's Council Tax/Precept, District Councils supply information on the number of properties in each of their areas. This information also includes estimated losses in Council Tax/Precept collection and any deficits or surpluses on District Council collection funds.

- 11.6 In respect of levels of Council Tax increase for 2011-12, the Secretary of State for Communities and Local Government announced at the time of the Provisional Local Government Finance Settlement that the Government will provide councils that freeze council tax in 2011-12 with the equivalent of a 2.5% increase in funding via a council tax freeze grant. He also stated that the Government aims to introduce powers for residents to veto excessive council tax increases through a local referendum, but, in the meantime, will take capping action against councils that propose excessive rises.
- 11.7 In line with the Administration's previous intentions, the Leader is recommending a council tax freeze for 2011-12. This will need to be considered at the County Council meeting on 14 February 2011.
- 11.8 Set out in Appendix I is the calculation of total payments of £346.345m due to be collected from District Councils in 2011-12 together with the instalment dates and the council tax level for each valuation band A to H.
- 11.9 The Council is also required to authorise the Head of Finance to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2011-12 budget in order that he can make payments, raise and repay loans, and invest funds.

## **12 Budget Implications for 2012-13 and 2013-14**

- 12.1 Government Regulations require the Council to publish the implications for revenue spending in future years arising from decisions taken in respect of the 2011-12 budget. A three year revenue projection is specifically required and this has been a consideration throughout the process of our forward service and financial planning. This year, the budget planning process has been developed for three years at all stages, including undertaking full public and stakeholder consultation on three year proposals, within the Big Conversation.
- 12.2 Reports to Overview and Scrutiny Panels in January 2011 included projected additional costs for both 2012-13 and 2013-14 and also identified three year savings proposals in accordance with the planning assumptions agreed. This is to ensure that decisions taken in respect of the 2011-12 budget are sustainable and deliverable in the longer term from both a service and financial perspective and that they are considered to be affordable to the taxpayer.
- 12.3 The forecasts for 2012-13 and 2013-14 are subject to change and we do know that there will be a requirement for significant savings in each of these years in order to achieve a balanced budget. The recommendations being made to County Council include an overall recommended budget for 2011-12, but also include recommending actions needed to deliver the proposed savings to be realised within 2012-13 and 2013-14, which have been subject to review and full consultation. This will enable the organisation to better manage and co-ordinate the significant level of transformation required and will better support delivery of savings within the timescales needed.

- 12.4 In doing this, the County Council will not formally approve budgets for 2012-13 and 2013-14, which will be subject to a number of factors including level of Council Tax, and changes to funding, inflation and demographic forecasts, legislative changes and ongoing reviews and consultation processes. However, the Council will be endorsing a three year plan of action for services.
- 12.5 The projected additional costs, including inflation and proposed savings, for the following 2 years, 2012-13 and 2013-14 are set out in the table below and shown in detail in Appendix A.

Table 7 <b>Provisional Forecast of Expenditure Implications for 2012-13 and 2013-14</b>		
	2012-13	2013-14
	£m	£m
Additional cost pressures	28.390	31.350
Other cost pressures	5.000	5.000
Identified savings proposals	-49.644	-31.350

Note 1: Based on previous year's experience an amount for other cost pressures has been included within the forecast of future years costs for unforeseen additional costs.

- 12.6 As shown in Table 7 above, the savings proposals for next year are greater than the expected cost pressures, this reflects our planning approach which has taken account of further reductions in funding. As detailed in Section 3, the provisional grant funding settlement for 2012-13 will mean a further reduction in formula grant funding of £17.2m.
- 12.7 As part of our ongoing financial planning, services will keep under review all aspects of future cost pressures and inflation. The Head of Finance keeps under ongoing review, all aspects of financial planning and the financial standing of the Council, including levels of reserves and provisions, and reports monthly to Cabinet on financial management performance.
- 12.8 Reports setting out the changing planning context for both service delivery and financial considerations will be reported to future Cabinet meetings and will form part of the detailed planning approach for reviewing and recommending final budgets for 2012-13 and 2013-14 and level of Council Tax.

## **13 Equality Impact Assessment**

- 13.1 In making recommendations to Full Council about the budget, the Cabinet must give due regard in relation to disability, gender and race to the need to eliminate unlawful discrimination and the need to promote equality of opportunity.
- 13.2 Full details setting out the Council's duties – including the need for Equality Impact Assessments (EqIAs) are set out at appendix K.
- 13.3 Appendix K also includes the overall EqIA summarising the findings of the EqIAs, which potentially have an impact on these groups.
- 13.4 Where individual EqIAs identify potential adverse impacts, they also propose potential mitigating actions. Cabinet must consider these actions in making its recommendations to Full Council on 14 February 2011 and confirm whether the potential mitigating action should be undertaken in relation to the particular proposal. Copies of individual EqIAs have been given to Cabinet Members. They are also published on the County Council's website.

## **14 Summary**

- 14.1 The information included in this report needs to be considered alongside the Budget and Council Tax recommendations by the Leader of the Council set out in a separate report. Issues that need to be considered where decisions are required are;
- Additional Costs and Savings Options
  - Level of General Balances
  - Level of Reserves
  - Overall level of the 2011-12 Revenue Budget
  - Overall level of the 2011-12 to 2013-14 Capital Programme
  - Prudential Code Indicators for 2011-12
  - Minimum Revenue Provision Statement
  - Discount on Second Homes
  - Level of the Council Tax/Precept for 2011-12
  - Implications of the Revenue Budget for 2012-13 and 2013-14
  - Responses to savings proposals from the Big Conversation
  - Outcome of equality impact assessment

## **15 Resource Implications**

- 15.1 The recommendations within this report have implications to the Council's resources including finances, staff, property and ICT and these are reported either within this report or within more detailed reports to Overview and Scrutiny Panels in January 2010.

## **16 Other Implications**

- 16.1 **Legal implications** Statutory requirements relating to individual proposals have been reported to Overview and Scrutiny Panels in January 2010. Legal requirements in relation to setting the budget and level of council tax have been set out within this report and are considered to be met.
- 16.2 **Equality Impact** The implications in relation to equality impact are set out in Section 13 of this report and within Appendix K.
- 16.3 **Any other implications** Issues for consideration where decisions are required are set out in Section 14.

## **17 Section 17 Crime and Disorder Act**

- 17.1 Potential implications for crime and disorder arising from proposals have been reported to and considered by Overview and Scrutiny Panels. Comments received on specific proposals from individuals and groups, including Norfolk Police, as part of the Big Conversation are summarised in Appendix J.

## **18 Risk Implications**

- 18.1 The risks associated with the budget proposals were reported to Overview and Scrutiny Panels in January. This report sets out financial risks that have been identified as part of the risk assessment of reserves and provisions in order to evaluate the minimum level of General Balances. This is detailed in Section 6 and within the Policy on Provisions and Reserves at Appendix C.

## **19 Alternative Options**

- 19.1 This report provides the detailed financial information to support the Leader's Revenue Budget, Capital Programme and Council Tax recommendations elsewhere on the agenda. As such, there are no alternative options to be considered in this report.

## **20 Conclusion**

- 20.1 This report sets out the background to consideration of the 2011-12 Revenue Budget, the Capital Programme 2011-12 to 2013-14 and the level of Council Tax 2011-12.

## **21 Recommendations**

### **21.1 Cabinet is asked to agree to recommend to County Council:**

- a) An overall County Council Revenue Budget of £603.250m for 2011-12, including additional costs of £57.908m and budget savings of £59.838m as set out in Table 4 above and the actions required to deliver the proposed savings.**
- b) The proposals for budget savings, following the Big Conversation and set out in Section 4 and the mitigating action to be undertaken in relation to those proposals.**
- c) That Chief Officers be authorised to take action required to deliver budget savings for 2012-13 and 2013-14 as consulted and set out in Appendix A.**
- d) To approve the proposed use of the NHS Social Care Funding as set out in Table 3.**
- e) A freeze in Band “D” Council Tax for 2011-12.**
- f) An initial Capital Programme for 2011-12 of £75.572m, subject to subsequent adjustment if additional external funds for capital purposes become available.**
- g) To endorse and recommend to County Council, the recommendation of the Head of Finance, of a minimum level of General Balances of £14m be held in 2011-12.**
- h) That the Head of Finance reviews the Reserves and Provisions as part of closing the 2010-11 accounts and recommends to June Cabinet meeting an approach to fund the remaining estimated redundancy and transformation costs in 2011-12, not included in the revenue budget proposals.**
- i) To endorse and recommend to County Council the approach outlined in paragraph 10.2 on Council Tax Discount on Second Homes.**
- j) To endorse and recommend to County Council the Capital Strategy in Appendix E and the Minimum Revenue Provision Statement in Appendix E, paragraph 3.4.15.**
- k) To endorse and recommend to County Council the Prudential Indicators in Appendix H.**
- l) The Council Tax calculations in Appendix I and the precept to be collected from the District Councils.**

- m) That the Head of Finance be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2011-12 Budget, to make payments, to raise and repay loans and to invest funds.

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[Click here to view Appendices A to I](#)  
[Click here to view Appendix J](#)  
[Click here to view Appendix K](#)

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