Scrutiny Committee

Wednesday 7 February 2018

9.30 am, Cavell and Colman Rooms
South Norfolk House, Cygnet Court,
Long Stratton, Norwich, NR15 2XE

If you have any special requirements in order to attend this meeting, please let us know in advance

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Contact: Sue Elliott on 01508 533869 or democracy@s-norfolk.gov.uk

South Norfolk COUNCIL

Members of the Scrutiny Committee:

Cllr G Minshull (Chairman)

Cllr T Lewis (Vice-Chairman)

Cllr B Bernard

Cllr B Duffin

Cllr C Gould

Cllr L Neal

Cllr T Palmer

Cllr R Savage

Cllr J Wilby

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Agenda

1. **To report apologies for absence and identify substitute voting members (if any);**

2. **To deal with any items of business the Chairman decides should be considered as matters of urgency pursuant to Section 100B (4) (b) of the Local Government Act, 1972.** Urgent business may only be taken if, "by reason of special circumstances" (which will be recorded in the minutes), the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency;

3. **To receive Declarations of Interest from Members;** (Please see guidance attached page 7)

4. **2018/19 Budget;**

   a) **Revenue Budget, Capital Programme and Council Tax 2018/19;** (Cabinet report attached at page 8)

   b) **Treasury Management and Capital Strategy 1 April 2018 to 31 March 2021;**

(Cabinet report attached at page 98)

5. Broadland and South Norfolk Collaborative Working Opportunities – Update from Scrutiny Committee Chairman;

(verbal update)

6. Scrutiny Work Programme, Tracker and Cabinet Core Agenda; (attached - page 147)

Working style of the Scrutiny Committee and a protocol for those attending

Independence
Members of the Scrutiny Committee will not be subject to whipping arrangements by party groups.

Member leadership
Members of the Committee will take the lead in selecting topics for and in questioning witnesses. The Committee will expect members of Cabinet, rather than officers, to take the main responsibility for answering the Committee's questions about topics, which relate mainly to the Council's activities.

A constructive atmosphere
Meetings of the Committee will be constructive, and not judgmental, accepting that effective overview and scrutiny is best achieved through challenging and constructive enquiry. People giving evidence at the Committee should not feel under attack.

Respect and trust
Meetings will be conducted in a spirit of mutual respect and trust.

Openness and transparency
The Committee's business will be open and transparent, except where there are sound reasons for protecting confidentiality. In particular, the minutes of the Committee's meetings will explain the discussion and debate, so that it could be understood by those who were not present.

Consensus
Members of the Committee will work together and, while recognising political allegiances, will attempt to achieve consensus and agreed recommendations.

Impartial and independent officer advice
Officers who advise and support the Committee will give impartial and independent advice, recognising the importance of the Scrutiny Committee in the Council's arrangements for governance, as set out in the Constitution.

Regular review
There will be regular reviews of how the overview and scrutiny process is working, and a willingness to change if it is not working well.

Programming and planning
The Scrutiny Committee will have a programme of work. Members will agree the topics to be included in the work programme, the extent of the investigation to be undertaken in relation to resources, and the witnesses to be invited to give evidence.

Managing time
The Committee will attempt to conclude the business of each meeting in reasonable time. The order of business will be arranged as far as possible to minimise the demands on the time of witnesses.

Agenda Item: 3

DECLARATIONS OF INTEREST AT MEETINGS

Members are asked to declare any interests they have in the meeting. Members are required to identify the nature of the interest and the agenda item to which it relates.

- In the case of **other** interests, the member may speak and vote on the matter.
- If it is a **pecuniary** interest, the member must withdraw from the meeting when it is discussed.
- If it **affects or relates to a pecuniary interest** the member has, they have the right to make representations to the meeting as a member of the public but must then withdraw from the meeting.
- Members are also requested when appropriate to make any declarations under the Code of Practice on Planning and Judicial matters.
- In any case, members have the right to remove themselves from the meeting or the voting if they consider, in the circumstances, it is appropriate to do so.

Should Members have any concerns relating to interests they have, they are encouraged to contact the Monitoring Officer (or Deputy) or another member of the Democratic Services Team in advance of the meeting.

Cabinet
5 February 2018

Agenda Item No. 8

Revenue Budget, Capital Programme and Council Tax 2018/19

Report of the Section 151 Officer
Cabinet Member: Barry Stone – Finance and Resources

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South Norfolk COUNCIL

1. Introduction and Background

1.1 This report is set out in three sections, covering the revenue budget, the capital budget and the Medium Term Financial Strategy. These are presented in a single report to give Members a comprehensive overview of the Council's financial plans to inform their decisions on the level of Council Tax for 2018/19.

1.2 The Revenue Budget is prepared to enable Full Council to set the level of Council Tax for the forthcoming year. The Capital Programme for the financial years 2018/19 to 2022/23 sets out the Council's capital investments in line with the Capital Strategy approved by Cabinet on 24 October 2016. For the eighth year in a row, revenue and capital budgeting and business planning have been done together to ensure that planning, activity and budgets are integrated. As in previous years, staff and elected members have had the opportunity to comment and shape the Business Plan which is fully resourced, reflecting savings and additional income. The Medium Term Financial Strategy (MTFS) has been revised and updated, with projected figures through to 2022/23, showing significant levels of savings and additional income required which means that the Council must continue to work proactively to deliver balanced budgets.

1.3 In calculating the level of funding it will distribute to local government, the Ministry of Housing, Communities and Local Government (MHCLG, formerly the Department for Communities and Local Government, DCLG) has assumed that District Councils, such as South Norfolk Council, will increase their Council Tax by £5.00 in 2018/19. For District Councils like South Norfolk, the maximum increase which can be applied to Council Tax is £5.00 for a Band D property. Local Authorities that are responsible for Adult Social Care, such as Norfolk County Council, can raise a further 3% to fund this service in addition to a general increase of 3%. For Police and Crime Commissioners, the maximum rise is limited to £12.00 for a Band D property. Any increases higher than these limits would trigger a referendum. Last year the Council increased its level of Council Tax by £5 to £140 for a Band D property, having frozen Council Tax at £130.68 for seven years out of the previous nine. This year, in the light of further significant government funding reductions, an increase of £5 is proposed for 2018/19 to assist in meeting the financial challenge over the five-year period.

1.4 This revenue budget proposes a contribution of £638k to the general fund reserve in order to put aside savings already planned, so that they are available to deal with financial pressures over the MTFS period. A thorough review of the revenue reserves has been undertaken and the total level of revenue reserves is still sufficient to:

- finance an element of the capital programme as outlined in this report;

- give the Council time to move to a lower cost base if the pace of savings and income growth in future years is not sufficient to match reductions in funding;
- to manage its budget in year should the level of income from the localisation of business rates not be achieved;
- to absorb any large increase in the level of Council Tax Support provided to residents;
- to support the commercialisation of specific services;
- to support the Norwich Research Park Enterprise Zone;
- to keep the car parks in the District in good condition and up to date;
- to support development of infrastructure in the District.

1.5 The Council created an Infrastructure Reserve to finance preparatory work on infrastructure projects. Some of this has been earmarked to fund the development of broadband infrastructure as outlined in the capital programme. It is proposed to use some of this reserve to support capital costs of infrastructure and economic development investment in the District.

1.6 There is an ongoing programme to resurface the Council's car parks and to keep them up to date. Cabinet agreed in February 2017 to create a Car Parks Upgrades Reserve that is being used to manage the timing issues associated with this type of capital expenditure. It is proposed that revenue income from the car parks continues to be used to top up this reserve.

1.7 Business rate income from new and expanding businesses within the Norwich Research Park Enterprise Zone (EZ) will be used to repay the initial borrowing that was agreed by Cabinet in May 2016 to bring forward this development. Borrowing has not yet been drawn down. In addition, there is revenue expenditure on, for example, site management and marketing that will also be funded from business rate income. Cabinet agreed in February 2017 to establish an Enterprise Zone Reserve to manage the flows of income and expenditure and their variable timings to manage the funding which is agreed with all parties to be reinvested into the EZ and to finance the loan to enable the infrastructure to be brought forward. This reserve will be increased from business rates EZ relief grant income from central government.

1.8 In February 2017 Cabinet agreed to establish a 3G Pitch Renewal Reserve to build up a fund to refurbish the pitch at Long Stratton in approximately nine years' time. It is proposed that revenue income from the pitch continues to be set aside to build up the funds to finance this capital expenditure.

1.9 In February 2017, Cabinet agreed to create a Non-Commercial Assets Replacement Reserve, specifically to replace fixed assets that do not directly generate income for the Council. It is proposed to add £450k to this reserve to finance the revenue costs of decommissioning street lighting and to use this reserve to finance the capital budget of £531k for the replacement of street lighting during 2017/18 and 2018/19, which was agreed by Cabinet at its meeting on 8th January 2018.

1.10 Owing to the size of the capital programme in 17/18 and 18/19, there is an overall decrease in revenue reserves of £3.592 million compared to 1st April 2017, leaving a total of £14.771 million in revenue reserves projected at 31st March 2019.

1.11 The provisional financial settlement for local government in December included no new changes to the New Homes Bonus scheme, but previously announced changes will be implemented. New Homes Bonus will be received for a period of 4 years from 2018/19 and a baseline of 0.4% of housing stock is deducted from the calculation of the number of new homes, further reducing the bonus paid, by £551k compared to 2017/18. The Council had already planned for this level of reduction. The final financial settlement will be announced during February and officers will provide a verbal update if this is prior to the Cabinet meeting; it is proposed that any changes from the provisional settlement are managed through reserves, so as not to impact on Council Tax setting.

1.12 The 10% challenge set in 2017/18 was met and the ongoing impact of this is reflected in budget setting for 2018/19. A detailed review of the establishment was carried out as part of business planning for 2018/19 and vacant posts removed where appropriate. Further opportunities to make savings have been taken, for example reducing the number of Directors, and higher income is expected from Wymondham Leisure Centre and waste services. This means that the Council can absorb the impact of government funding reductions and set a balanced budget for 2018/19 without the use of reserves. A programme of "deep dive" reviews of services will be carried out to identify areas that can generate further savings or additional income for future years.

1.13 The Capital Programme is underpinned by the Treasury Management Strategy which appears elsewhere on this agenda. The Prudential Code permits Councils to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability. Members' involvement through the process is essential in order that the Council can demonstrate that capital expenditure plans are affordable and that financing plans are prudent and sustainable.

1.14 The Capital Programme is in line with the Capital Strategy approved by Cabinet on 24 October 2016. Changes to the Prudential Code that are to be implemented during 2018/19 mean that the Capital Strategy has been updated and this is included in the Treasury Management Strategy elsewhere on this agenda. The Council will continue its previous strategy to invest in its existing fixed assets and make new property investments to generate income above the returns being earned on cash investments. This will help to support the revenue budget in future years as government funding reduces further.

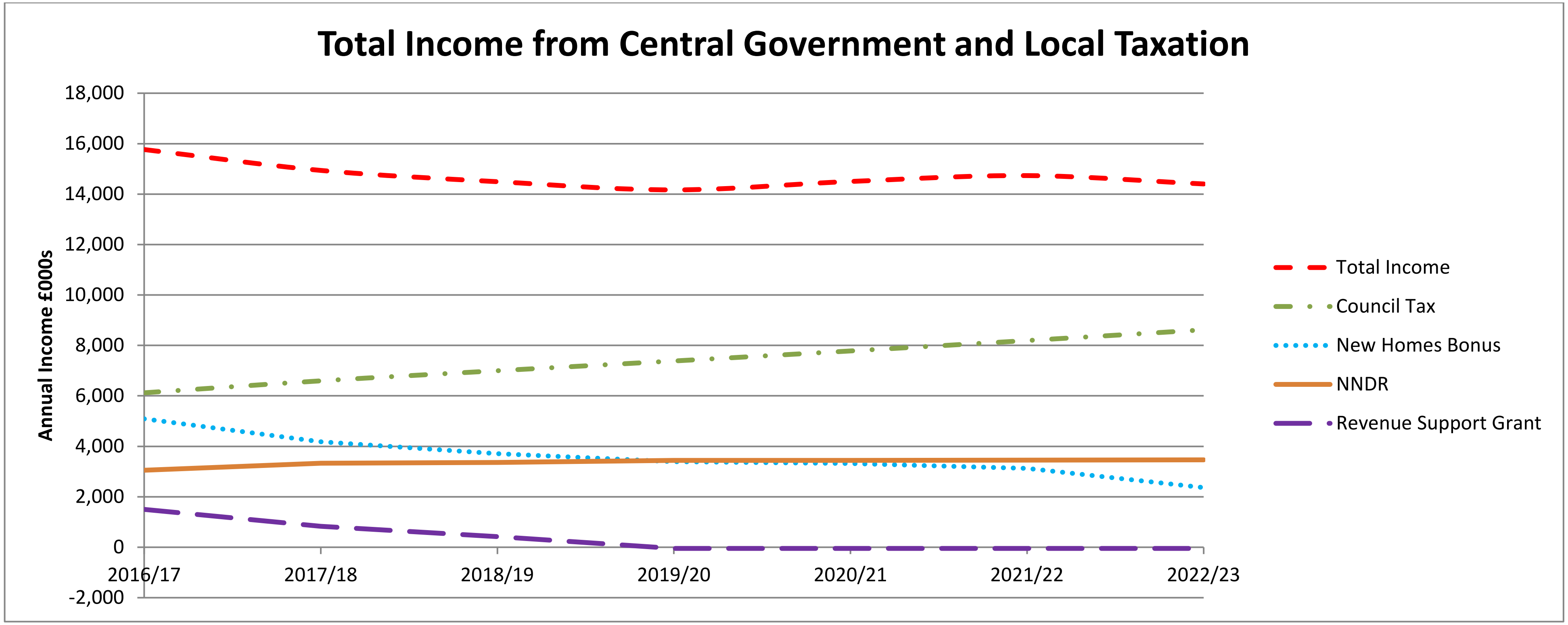
1.15 The Capital Programme for the period April 2018 to March 2023 is set out in Appendix D with expenditure of £61.7 million over the five-year period. This excludes possible slippage of £9.9 million from the current year's programme.

1.16 It is proposed to utilise revenue reserves as well as capital reserves to fund the capital programme. This is possible because the Council has carefully managed its revenue reserves in the past, enabling it to build up funds. These funds can now be invested in the capital programme which has been formulated to either reduce ongoing revenue expenditure or to generate on-going revenue income.

1.17 External borrowing will be required to fund elements of the capital programme, specifically the Norwich Research Park Enterprise Zone and property related investments. The exact amount and timing of this borrowing will be determined by progress on the capital programme and the cash flows for South Norfolk Council and its companies, as well as the interest rate environment. Cabinet in May 2016 approved borrowing of £12.54 million towards the Norwich Research Park Enterprise Zone and in July 2017 Cabinet agreed to provide funding to Big Sky Developments in relation to strategic housing and employment development opportunities. Although indicative figures for further borrowing to fund other property related schemes are set out in this report, specific authority for external borrowing on these schemes will be sought when business cases are presented to Cabinet.

1.18 Looking further ahead, in December 2016, the Government confirmed the funding levels for future years up to 2019/20 for Councils that have submitted an Efficiency Plan. South Norfolk Council has produced an Efficiency Plan and therefore benefits from the relative certainty of this multi-year funding settlement. This includes ongoing reductions in Revenue Support Grant and the introduction of a "negative subsidy" where the Council will have to pay central government £47,000 in 2019/20. This "negative subsidy" is currently being reviewed by MHCLG in response to criticism from local government. The government has announced that business rates retention will increase from 50% to 75% from 2020/21, which will offset the ending of Revenue Support Grant and Rural Services Delivery Grant, at the same time as a new funding formula is introduced. The impact of these changes is difficult to predict as the government is still consulting on how the formula might work. In 2019/20 a balanced budget can be achieved as a result of the 10% challenge, combination of efficiency and process reviews, income from existing commercialisation projects and no longer contributing annually to the renewals reserve. This would need to be supported by annual increases of £5 per year in Council Tax; even with this level of Council Tax increase over the five year period, for the last three years of the Medium Term Financial Strategy, there is a funding shortfall forecast, resulting in deficits which are projected to be £0.2 million in 2020/21, worsening to £0.6 million in 2021/22 and £1.4 million in 2022/23. A programme of “deep dive” reviews of services will be carried out to identify areas that could contribute to addressing this deficit. Any savings or income that could be generated by the joint work with Broadland have not been factored in at present while the feasibility work is underway.

1.19 As the graph below demonstrates, even with a Council Tax increase of £5 each year, South Norfolk Council is still projected to be receiving less in funding from central government and local taxation in 2022/23 than it did in 2016/17 in cash terms. In real terms, after taking account of inflation, the reduction is even greater.



1.20 These income projections can be improved in part if the Council can exceed its already high performance in encouraging housing and economic growth within the District to benefit more from 75% business rates retention from 2020/21, boost New Homes Bonus and to aid general economic prosperity.

1.21 There are usually a number of unknown variables at the time of setting the budget. Where this is the case, officers have made prudent estimates based on the most up to date information available. Key assumptions are outlined in Appendix A.

1.22 The proposed revenue and capital budgets and the Business Plan seek to advance the Council's three priority areas as set out in the Corporate Plan:

- Economic Growth, Productivity and Prosperity
- Health, Well-being and Early Help
- Place, Communities and Environment

It also makes investments in the assets and systems which underpin the Council's strategy of continuous service delivery improvements.

REVENUE BUDGET

2. Current Position

2.1 The Quarter 3 Performance, Risk and Finance report elsewhere on the Cabinet agenda reports an anticipated year end favourable variance against the current year budget of £1.9 million. The reasons for this variance are provided in the Quarter 3 report, however in preparing the proposed budget for 2018/19 any recurring savings or additional income have been taken into account along with anticipated slippage requests estimated at around £270,000.

2.2 The Council has been able to deliver a balanced budget in the current and previous financial years as a result of its twin track approach of increasing income and reducing expenditure.

2.3 Through increasing demand in discretionary services the Council has helped to bridge the gap left by the funding reductions. Income has particularly increased in Garden Waste and Commercial Waste and the investment in Leisure has resulted in higher membership numbers and income. The loans to the Council's companies have also increased the level of investment income at a time when income from cash investments is at an all-time low due to interest rates.

2.4 The Council has been operating an ongoing programme of service reviews which lead to service improvements while reducing costs through streamlining processes. This is combined with investing in Digital Transformation, such as the new website and mobile working with associated cultural change, to help achieve efficiencies.

2.5 In balancing the 2018/19 budget, recurring savings from the current year have been taken into account and income targets adjusted in line with detailed income projections for 2017/18 outturn. The ongoing impact of the 10% challenge measures identified for 2017/18 has been incorporated into the 2018/19 budget. The establishment was reviewed in detail by the Strategic Leadership Team and vacancies removed where appropriate. Other opportunities to make savings, e.g. by reducing the number of Directors, have also been taken. The Council continues to review its use of assets and looks to share services such as procurement to achieve further efficiencies. The investments in the Council's assets and IT systems proposed in the capital programme will assist in delivering further savings and increasing income to help close the funding gap in future years. A series of "deep dive" reviews of services is planned in order to identify more savings or income opportunities.

2.6 The local government provisional settlement was announced on 19 December 2017. The indicative figures originally provided in February 2016 for Revenue Support Grant, the NNDR baseline were confirmed while Rural Services Delivery Grant was increased so that it remains at the 2017/18 level of £229k for South Norfolk. Though no new changes to the New Homes Bonus were made, previously announced reforms were confirmed. These are reducing the period over which these payments are made, from 6 years in 2016/17 to 5 years in 2017/18 and then to 4 years in 2018/19. The level of the deadweight factor, introduced from 2017/18, was not changed, meaning that any increases of up to 0.4% in the housing stock do not attract New Homes Bonus. For South Norfolk Council, this means that, for 2018/19, the first 220 new homes do not trigger any New Homes Bonus payments. This dampened the positive effect of the total number of new homes being the highest that it has been since the introduction of the New Homes Bonus, at a total of 1,136 Band D equivalent properties. Nevertheless, the impact of this record performance is that South Norfolk Council will receive £523,000 more in New Homes Bonus for 2018/19 than anticipated in the February 2017 Medium Term Financial Strategy. Finalised figures are anticipated during February. Any changes from the provisional settlement will be managed through reserves so as not to impact on Council Tax.

3. Business Plan, Member Engagement and Consultation

3.1 The Business Plan which includes the proposed budget is contained elsewhere on the Cabinet agenda. As in previous years both the Business Plan and budgets have been integrated to provide the “golden thread” linking resources with outcomes. As last year, in December all Members were invited to a scrutiny workshop, where they were able to talk to budget managers and discuss and offer suggestions on individual team plans. Plans were amended following this workshop and a revised Business Plan was reviewed by Scrutiny Committee on 24 January 2018, resulting in further changes. On approval from Cabinet the Business Plan will inform the performance review process for each member of staff and will link to their objectives for 2018/19.

3.2 As part of the budget setting process the Council has undertaken consultation with both members of the public and businesses. The results of these consultations are reported elsewhere on this agenda.

4. Assumptions in preparing the budget

4.1 During the budget process, there are a number of occasions when assumptions are made:

- In updating the medium term financial strategy in February 2017.
- In preparing the proposed budget for 2018/19 (see section 7).
- In preparing the revised medium term financial strategy (see section 15).

4.2 The table contained in Appendix A lists the assumptions made on each of those occasions.

4.3 The proposed budget includes funding for performance related pay of £107,000, reflecting changes to the scheme for 2017/18. A budget of £361,000 has been set aside centrally to cover an expected 2% pay award with higher increases for staff on the lowest payscales, reflecting the national offer from local government employers to the unions for 2018/19 and 2019/20.

5. External Funding

5.1 Revenue Support Grant (RSG) – Over the years, a number of grants that used to be separately identified (Council Tax Support Grant, Council Tax Freeze Grant) have been incorporated within RSG and are no longer shown separately. The only one that continues to be specifically identified within total South Norfolk Council's RSG is part of the Homelessness Grant. The total RSG has reduced from £1.5 million in 2016/17 to £830,000 for 2017/18 and now to £417,000 for 2018/19.

5.2 Rural Services Delivery Funding - This is a separate grant to those rural authorities that face increased costs for delivering services owing to the sparsity of their populations. The grant was £229,000 for 2017/18. It is now expected to be maintained at £229,000 in 2018/19 and in 2019/20. The Rural Services Network is arguing for the retention of this grant following 75% localisation of business rates expected in 2020/21, but it is probably more likely that sparsity will be included within the new funding formula planned for 2020/21.

5.3 Localisation of business rates – Over the years, a number of grants that used to be separately identified (Council Tax Support Grant, Council Tax Freeze Grant) have been incorporated within the business rates baseline funding amount and are no longer shown separately. In setting the Council's funding baseline the figure includes the remaining proportion of the Homelessness Grant not included within the RSG. The impact of 75% retention of business rates from 2020/21 is not yet clear, but this approach is being piloted in other parts of the country and the Council will monitor how it is working in practice.

5.4 Norfolk Councils made a bid to be a pilot for 100% retention of business rates for 2018/19, however this was unsuccessful. It is possible that a new bid could be submitted for 2019/20. Officers have looked at the impact of continuing to be a member of the proposed Norfolk pool for NNDR for 2018/19. After taking everything into account, the Chief Executive, Leader of the Council and the Assistant Director (Resources) concluded that it was still in the best interests of the residents of Norfolk and South Norfolk Council to remain in the pool and have therefore confirmed South Norfolk Council's participation for 2018/19. The Council has received a claim for mandatory business rates relief from a local NHS Trust on the basis of charitable status. No decision to grant relief to the Trust has yet been made and it is subject to ongoing investigation. Other similar claims across England are being challenged nationally through the LGA and South Norfolk Council has agreed to participate in this national approach. It is expected that court action will follow, though the timing is still unclear. The view of the Council is that the claim is unfounded.

5.5 New Homes Bonus – This is now the eighth year the council has received this source of funding and as last year the Council has once again achieved growth well above the national average. The Council has invested this funding to promote growth in the District. As explained in Section 2.6, the increased number of new homes means that the funding now expected is £523,000 more than anticipated in the MTFS in February 2017. For 2018/19 within the provisional funding allocations, the Council will receive a total of £3,837,956, of which £125,160 relates to the Affordable Housing Premium, which is still £551,000 less than the 2017/18. This is made up as follows:

2018/19 New Homes Bonus

£47,600	Affordable Housing Premium growth 2013/14 (170 properties)
£24,080	Affordable Housing Premium growth 2014/15 (86 properties)
£12,600	Affordable Housing Premium growth 2015/16 (45 properties)
£40,880	Affordable Housing Premium growth 2016/17 (146 properties)
£125,160	*Total Affordable Housing Premium*
£1,020,409	Year 4 payment for the growth in 2014/15
£775,814	Year 3 payment for the growth in 2015/16
£750,747	Year 2 payment for the growth in 2016/17
£1,165,826	Year 1 payment for the growth in 2017/18
£3,712,796	*Total excluding Affordable Housing Premium*
£3,837,956	*Total New Homes Bonus including Affordable Housing Premium for 2018/19*

5.6 A proportion of the New Homes Bonus is to be passed over to the Broads Authority for new homes built within its area, reflecting their role as the planning authority.

5.7 Other Grants –The one-off Transitional Grant (which was £16k in 2017/18), designed to compensate Councils that had lost significant amounts of Revenue Support Grant, has been removed in 2018/19.

5.8 Housing Benefit Administration Grant – The Council continues to receive a grant for the administration on Housing Benefit, however this is reducing over time as the benefit moves over to Universal Credit.

5.9 Community Infrastructure Levy (CIL) – CIL has not been included within the Council's revenue budget as it relates to funding for infrastructure and is accounted for separately to the Council's revenue budget, with the exception of the agreed 5% proportion retained for administration of the scheme by SNC.

6. Fees and Charges

6.1 The Council has increased its income in some areas such as Garden Waste, Leisure and Commercial Waste as a result of its commercialisation approach and growth in demand. The Council adopted a new Charging Policy in October 2016 and has been reviewing fees and charges in line with this policy. Last year, where charges did not cover the costs of providing the service, these were increased to recover a greater proportion of the costs. Most other charges were increased by 2.5% in line with inflation. For 2018/19, in line with the policy, charges will be raised to reflect the Retail Price Index for inflation as at December 2017, which was a 4.1% increase. Fees and charges will continue to be reviewed throughout the year on a service by service basis. Leisure prices are reviewed in a separate report elsewhere on this agenda.

Garden Waste

6.2 Members are asked to consider revised fees for Garden Waste, in line with the RPI increase. The garden waste service continues to grow as the number of customers increases, which incurs increased costs in fuel and vehicle wear and tear. The majority of customers pay by Direct Debit. These prices are currently £46 per year for Direct Debit payment and £51 for other forms of payment. To reflect inflation, the growth in the service and cost increases, it is proposed to increase these to £47.50 per year for payment by Direct Debit and £53 per year for Non Direct Debit payments. It is still anticipated that demand for this service will rise as the number of households in South Norfolk increases.

Tenant Finder Service

6.3 As part of the FIRST initiative to help to prevent homelessness, a new tenant finder service is being piloted that will help private landlords to find tenants and then provide support to ensure that tenants can manage their tenancy effectively. There needs to be a charge to private landlords to recoup the costs for this service. This charge is set at £150 plus VAT for the basic tenant finding service, and at £250 plus VAT for the enhanced service (to include drawing up tenancy agreements, lodging deposits and attending viewings). In line with the charging policy, Cabinet is asked to agree this level of charge which would then be subject to annual increases in line with inflation under delegated authority to the Director.

7. General Fund Revenue Budget 2018/19

7.1 The changes to the 2018/19 base budget are as follows:

	£'000
Base budget 2017/18	8,654
New Homes Bonus Reduced Funding	551
Net Cost of Borrowing and Repayments	506
Pay award and non-pay inflation	493
Removal of one-off LS Bypass planning income	106
Increase in employer's pension contribution	74
Reduction in Income from Second Homes Council Tax	33
Net Savings and Cost Pressures in Directorates	-40
Increase in income from garden waste fee increase	-64
New charges introduced in 1718 (Street naming/Bin provision)	-72
Increase in income earned from investment properties	-97
Increase in income from leisure centre enhancements	-101
Net Reductions in Central Budgets	-152
Net Loan interest and fees from companies	-159
Efficiencies and Process Reviews incorporated into budgets	-208
Base Budget 2018/19	**9,524**

Adjustments for 2018/19 only:	
Contribution to General Revenue Reserve	638
Increase in Non-Commercial Asset Replacement Reserve	450
Increase in Renewals Reserve	410
Contribution to Enterprise Zone Reserve	260
Parish Support for Council Tax Support Scheme	54
Use of Neighbourhood Reserve	-22
Grants for homelessness reduction	-84
Loan Interest, Dividends and Fees from Property Companies	-225
Rural Services Delivery Grant	-229
Total Net Expenditure to be financed in 2018/19	**10,776**
Revenue Support Grant	-417
Business Rates (Baseline plus Retained Growth)	-3,361
Amount to be financed from Council Tax	**6,998**

8. Council Tax Base and Collection Fund

8.1 The projected tax base for 2018/19 is 48,259 (Band D equivalent households). Officers are confident that the actual tax base will match this. The projected tax base has increased by 2.42% compared to the budgeted tax base in 2017/18, due to record housing growth in the District and officers working to identify new properties as soon as they are taxable.

8.2 The revised Medium Term Financial Strategy in Appendix B assumes the tax base increases by 2.0% per year over the duration of the plan. This growth assists in funding the budgets in future years.

9. Council Tax

9.1 Government funding predictions under the Comprehensive Spending Review are predicated on Council Tax increases of £5.00 per year up to 2019/20. The government is allowing District Councils such as South Norfolk to increase their Council Tax by up to £5.00 without triggering a referendum.

9.2 When it sets its budget for the current financial year (2017/18), having previously frozen Council Tax for seven out of the last nine years and faced with a significant reduction to government funding, in particular New Homes Bonus, South Norfolk Council increased its Council Tax for a Band D property from £135.00 to £140.00 for 2017/18, with an anticipation that future increases would be £5 year on year. Owing to the previously announced reforms, New Homes Bonus has reduced by a further £551,000 for 2018/19, despite record increases in new homes. It is therefore proposed that South Norfolk Council increases its Council Tax for a Band D property from £140.00 to £145.00 for 2018/19, based on the Council Tax Requirement of £6.998 million shown in para. 7.1 divided by the Council Tax base of 48,259. South Norfolk Council's increase would therefore be £5.00 (3.57%) for a Band D property, which is within the referendum limit.

9.3 The County Council is being recommended to increase its Council Tax by 2.99% and also to levy a social care precept of 3%. The level of the County Council's Council Tax is subject to approval at its Full Council meeting on 12th February.

9.4 The Police and Crime Panel will meet on 6th February to consider the budget proposed by the Police and Crime Commissioner for 2018/19. Options under discussion by the Police and Crime Commissioner range from 0% to 5.5%.

9.5 We will use the information provided by the preceptors in producing the Council Tax resolution for the Full Council meeting on 19th February. Should the level of Council Tax proposed by Norfolk County Council or the Police and Crime Commissioner be different from that assumed in the resolution, then an amended resolution will be circulated at our Full Council meeting.

9.6 Under the Localism Act, local communities have the power to decide if a Council Tax rise is excessive. Any authority that wishes to increase its Council Tax beyond a threshold determined by the Secretary of State and approved by the House of Commons will be required to hold a referendum to seek the approval of the electorate. Local people would therefore have the final say on excessive increases; a majority no-vote would mean authorities having to refund their Council Taxpayers. The cost of a referendum is borne by the local authority. The process of holding a referendum would have implications on cash flows and investment interest.

9.7 For Council Tax setting for 2018/19, the threshold for District Councils such as South Norfolk is £5.00. The referendum principles for 2018/19 clearly exclude all parishes and towns and the Secretary of State for Communities and Local Government has conditionally decided to not impose referendum limits on any towns or parishes for the next three years.

9.8 For information, the General Fund Summary is produced at Appendix C. The Summary excludes recharges and capital charges. Final figures will be made available after the Council Tax resolution by Full Council to enable the online Council Tax leaflet and budget book to be produced.

10. Special Expenses

10.1 In line with the Localism Act, the Council is engaging with Parish and Town Councils around the services it delivers and assets managed, and whether they should continue to be delivered in the same way. It is intended that this will involve the transfer of services or assets from the Council to individual Parishes/Town Councils. Where the Parish/Town Council currently requires this Council to run the service then the cost is presently recouped through the special expenses mechanism. Cabinet approved a report on street lighting in January 2018 which would ultimately mean the transfer or decommissioning of all street lighting and the ending of the current special expenses scheme.

10.2 The government’s referendum principles include Special Expenses when calculating whether a referendum is required.

10.3 It is proposed to maintain the level of Special Expenses at a district average of £1.63 on a Band D property. When applied only to those nine parishes covered by the special expenses scheme, this would be an amount of £5.01 for a Band D property. The Special Expenses scheme was reviewed during 2017/18 to identify the ongoing costs of street lighting, but any significant increases have been delayed until 2019/20, in line with the report approved by Cabinet on 8th January 2018.

11. Parish Precepts

11.1 In setting their Parish and Town Council Precepts for 2018/19, Parishes have again been awarded a grant to offset the effect of Council Tax Support on their tax base. However, the total funding passed to parishes has been reduced in line with the reduced funding awarded to South Norfolk Council and is planned to be reduced to zero in 2019/20 in the Medium Term Financial Strategy.

11.2 At the time of writing, parish precepts for the Financial Year 2018/19 were still being set. A full list of precepts will accompany the Council Tax report to Full Council. South Norfolk Council has no influence over the level of these precepts.

11.3 For 2018/19, the Government has decided not to apply any thresholds for Council Tax increases set by Parish and Town Councils, which if exceeded would trigger a referendum and not to apply any limits for the next 3 years. According to the Secretary of State, “This is subject to the sector taking all available steps to mitigate the need for Council Tax increases…and the government seeing clear evidence of restraint in the increases set by the sector as a whole.”

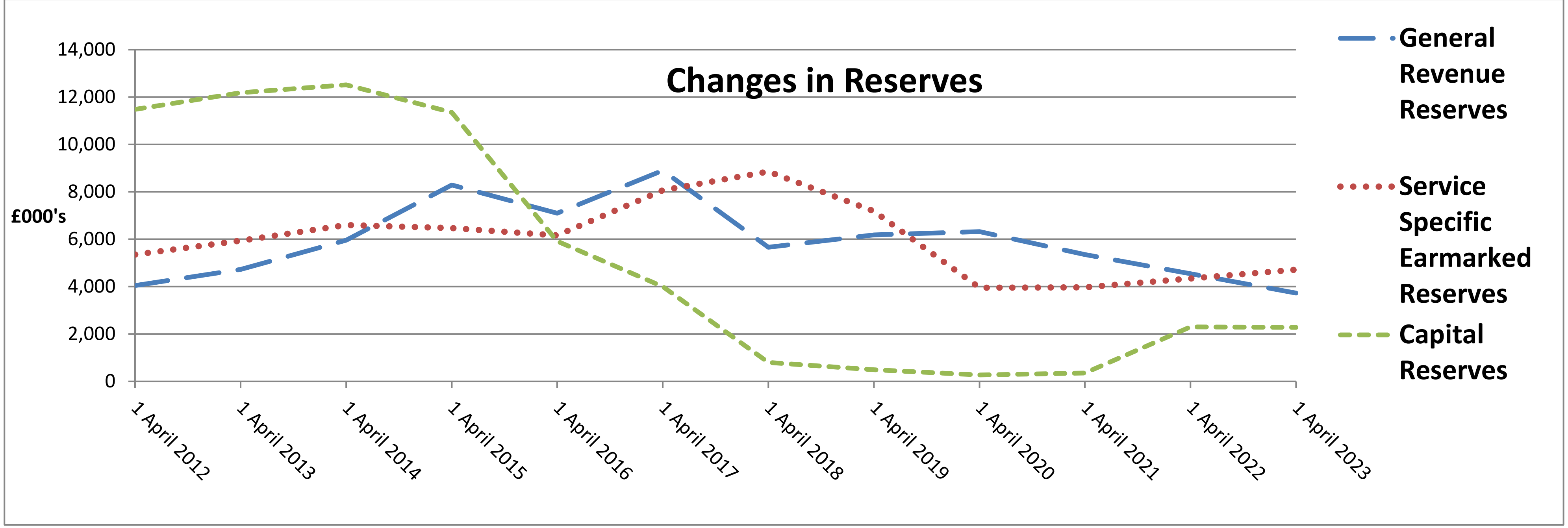
11.4 The Council will need to review the grant it provides to Parishes and Town Councils for the Council Tax Support Scheme on an annual basis. No specific amount was shown in the settlement for South Norfolk Council to help to compensate parishes for the effect of Council Tax Support. Members will need to consider the level of grants they wish to be passed onto Parishes in future years. For the purposes of the Medium Term Financial Strategy, the grant is shown to fall in line with government funding reductions for the RSG until it ceases in 2019/20.

CAPITAL BUDGET

12. Proposed Capital Programme

12.1 The Capital Strategy contained in the Treasury Management Strategy elsewhere on this agenda sets out South Norfolk Council's approach to the use of its capital assets and resources. It is the framework for determining the capital programme and the effective use of the Council's resources.

12.2 The graph below shows how the main sources of funding that have been used to fund the capital programme in the recent past have reduced and are planned to change in 2018/19. The reduction in capital reserves and the need to be prudent in the use of revenue reserves for capital purposes means that it is necessary to borrow to fund the capital programme over the next 5 years.

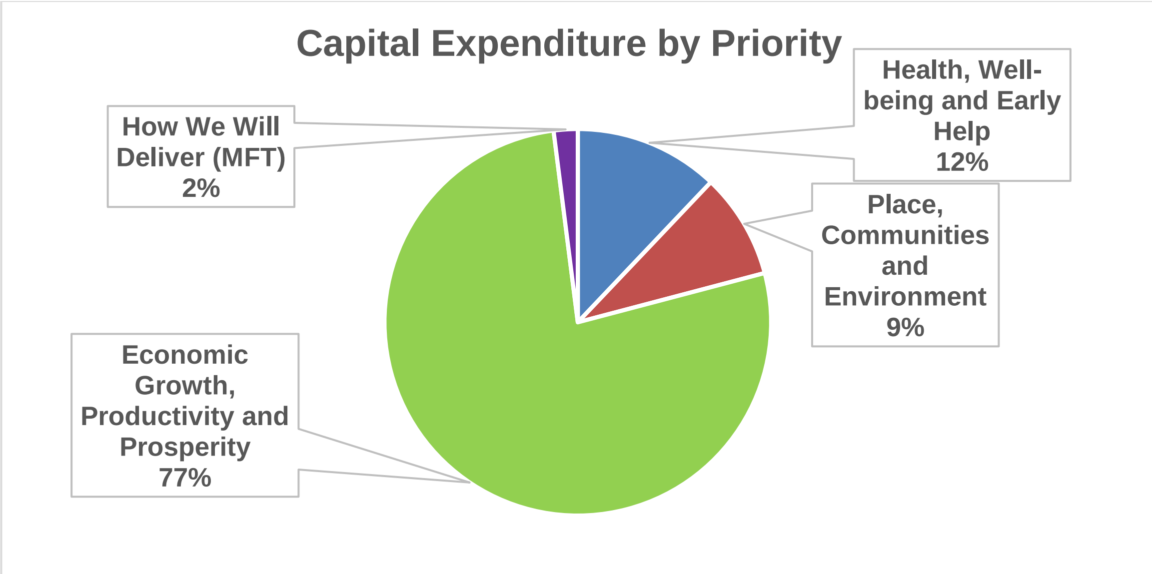


12.3 The Council's three priority areas are:

- Economic Growth, Productivity and Prosperity.
- Place, Communities and Environment.
- Health, Well-being and Early Help.

The capital programme focuses investment to deliver these priorities while also contributing to the financial sustainability of the Council by supporting opportunities to develop more efficient service delivery and to generate additional income.

12.4 The detailed five-year capital programme is shown in Appendix D and comes to £61.7 million in expenditure. The graph below shows how the schemes contribute to the Council's priority areas and the underpinning efficiency work over the next five years.



Health, Well-being and Early Help

12.5 Leisure Provision

Following planning permission being given in January, work on enhancements to Long Stratton Leisure Centre are due to start in February 2018. Work will be in 2 phases, the first phase to include changing room upgrades to support a larger health and fitness offer and the second phase to cover the upgrading of the main sports hall, with the project anticipated to be completed early in 2019. There will also be a soft play area for children and a café.

The project to create a 3G pitch and sports hub at Ketts Park in Wymondham is progressing, with planning permission for the artificial pitch granted in October 2017. This is partly funded from CIL as part of the Greater Norwich Joint Infrastructure Plan and has also attracted funding from the Football Foundation and the Lawn Tennis Association, which is also providing funds to refurbish the tennis courts in Long Stratton.

The programme includes £300,000 to reflect the offer to manage the gym facilities at Framingham Earl High School from 2019/20 which is the subject of ongoing negotiation.

12.6 Disabled Facilities Grant

The Council receives ring-fenced Disabled Facilities Grant funding from the government via Norfolk County Council. This funding has increased significantly from £410k in 2015/16 to £781k in 2017/18 and is projected to remain at this higher level. It is important that this funding is fully committed in each year to avoid it having to be returned to government. These grants are valuable in keeping people in their own homes.

Place, Communities and Environment

12.7 Low Cost Housing

The Council has been exploring alternative ways to finance providing affordable homes, including starter homes, for example through S106 monies as agreed by Cabinet in December 2017. Under the reforms to the New Homes Bonus Scheme, the Council receives additional funding for 4 years for each additional affordable property in 2017/18 (reduced from 6 years in 2016/17 and 5 years in 2017/18). In 2018/19, the Council will receive £125,160 made up as follows:

2018/19 New Homes Bonus

£47,600	Affordable Housing Premium growth 2013/14 (170 properties)
£24,080	Affordable Housing Premium growth 2014/15 (86 properties)
£12,600	Affordable Housing Premium growth 2015/16 (45 properties)
£40,880	Affordable Housing Premium growth 2016/17 (146 properties)
£125,160	*Total Affordable Housing Premium*

In the past, this income was placed in the Low Cost Housing (New Homes Bonus) reserve to be used to fund further low cost housing. Given the reductions in New Homes Bonus and pressures on the general fund, it is proposed that this funding be used instead for revenue purposes in future. The existing reserve will be used to fund the capital programme.

12.8 Wheeled Bin Purchases

The total annual budget of £185,000 is split between the purchase of bins for domestic rubbish and recyclables, those for garden waste and bins for commercial waste. Commercial waste is included under the Economic Growth, Productivity and Prosperity priority area. Continued growth in the district, increased customers for garden waste and the ongoing expansion of the commercial waste service means that there is continual demand for new bins. Cabinet agreed in June 2017 to charge a one-off fee for the supply of domestic and recycling waste collection bins to new residential properties, which will offset some of these costs. This income will be used to add to the Vehicle and Equipment Procurement and Replacement Reserve as a funding source for this expenditure.

12.9 Vehicle and Workshop and Grounds Maintenance Equipment Procurement and Replacement

The renewals reserve was established to finance the purchase of new and replacement vehicles and equipment through direct purchases rather than lease financing. Although the Council could lease vehicles this would impact on the revenue budget which is already under pressure, therefore the Council will continue to fund the programme from its reserves in the medium term, where the revenue impact is the loss of investment interest. This reserve is topped up from revenue budgets each year and this practice will continue in 2018/19, but will need to cease in 2019/20 due to other pressures on revenue budgets. Income from the new charge for wheeled bins will be added to this reserve from 2018/19 onwards.

12.10 Play Areas

This budget is for the use of ringfenced S106 receipts to refurbish specific sites in the District from commuted sums. For 2018/19, the sites are Lakeland Way in Hethersett, Stuston Road in Diss, Hudson Close in Trowse, and Nelson Close in Harleston.

12.11 Street Lighting

In line with the report agreed by Cabinet in January 2018, sufficient budget has been included in the programme over 2017/18 and 2018/19 to cover replacement of 312 lights at an estimated total cost of £531,000. The exact cost will depend on the procurement of these works that is currently in progress.

Economic Growth, Productivity and Prosperity

12.12 Investment Property

The Council already manages an investment portfolio of £7.2 million with an expected return of around 6% (Gross) for the current financial year which exceeds the return on investments made with bank accounts although the potential risk is greater. Included within the investment portfolio are industrial units, business centres, and shops and Crafton House.

Phase 1 of the commercial development at Poringland was completed in 2017/18 with the fit-out of Crafton House. Assessment of the commercial operation of Crafton House has resulted in the conclusion that a smaller scheme for Phase 2 would provide better value for money and this programme sets aside the necessary funding. In addition to rental income, these commercial units will bring benefits to the Council in the form of building control fees and NNDR income and provide a stimulus to the local economy. The Council will retain ownership of all the commercial units.

Residential properties for market rental are being rented out via Big Sky Property Management Ltd. The rental portfolio is fully let and producing average yields in line with expectations (3.7% gross yield in the 2016/17 accounts). Expansion of the portfolio will allow the company to spread its fixed costs further in the future, increasing profitability. The cost of this programme is based on the acquisition of 20 additional homes per year, on a combination of existing and new sites.

Further strategic investment in a mixture of asset classes over the coming years will yield returns that can support the Council's budget and its Medium Term Financial Strategy. This could be a combination of property development for a variety of uses and the purchase of existing property that meets the Council's investment criteria. These investments would need to provide a suitable return on capital and could, as a secondary goal, contribute to the economic growth and prosperity of the district. The rental income would support the revenue budget and in the future would help to offset borrowing costs. Investing in both residential and commercial property is not entirely risk free as property investments may fall in value with reductions in rents. There is also the possibility that the Council might have to sell a property investment to obtain cash at a lower than market rate. Finally any proceeds from the sale of investment property will be classed as a capital receipt and cannot be used to support the revenue budget. In July 2017 Cabinet agreed to provide funding to Big Sky Developments in relation to strategic housing and employment development opportunities and the capital programme includes the associated budgets for these developments over the coming years, although the timing of expenditure is dependent upon the speed with which these opportunities are realised and is therefore not entirely within the Council's control.

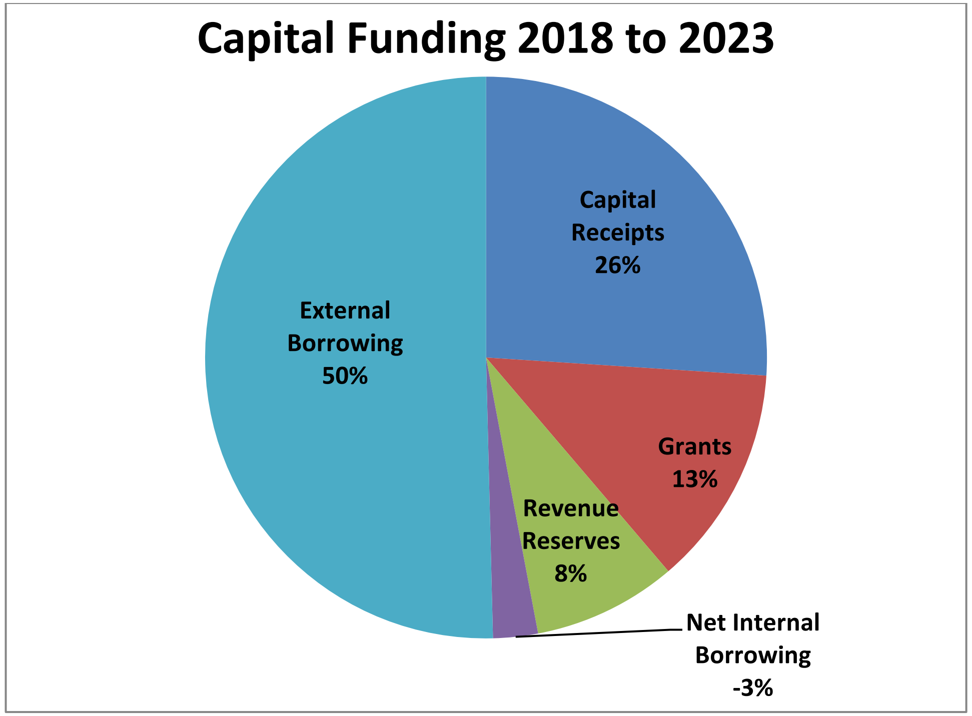
Improving services through being business-like, efficient and entrepreneurial

12.13 ICT Investment

The capital programme sets aside the capital funding required to deliver the IT strategy as detailed in Appendix G. It also provides the funding to implement the Digital Strategy (Appendix H). There are ongoing costs for PC and server replacements and for the purchase of Tablet computers in 2018/19. There is a one-off cost for purchasing data cleansing software which will enable the Council to be fully compliant with the new, more stringent requirements of the General Data Protection Regulations that come into force in May 2018.

13. Financing the Capital Programme

13.1 Including agreed external borrowing, the 2017/18 capital programme was originally 86% funded when the budget was agreed by Cabinet in February 2017, and 61% funding excluding borrowing. Owing to slippage and increases in funding available, this year's programme is now forecast to be 62% funded prior to borrowing, which means that borrowing is anticipated in the final quarter of 2017/18, though less than originally budgeted, for the Enterprise Zone and for Property related developments. The new five-year capital programme will be financed from a mixture of revenue and capital reserves, capital receipts, grants and revenue income. Internal borrowing from cash balances is expected to be repaid in full over the period. The projected sources of funding are shown in the graph below and Appendix E provides further details.



13.2 Revenue – During the five-year programme (including projects which will potentially slip from the current year) £6.4 million of revenue reserves will be used to fund the programme as shown below:

	£000
General Revenue Reserve	87
Car Park Upgrades Reserve	185
Low Cost Housing (New Homes Bonus) Reserve	875
Non-Commercial Assets Replacement Reserve	435
Vehicle Procurement and Replacement Reserve (Renewals Reserve)	4,832
Total Use of Revenue Reserves	**6,414**

13.3 Capital Receipts from Land Sales - The programme includes repayment of loans back from Big Sky Developments Limited funded by property sales from the developments at Poringland and Maple Park and future developments in the District. These are subject to the prevailing housing market conditions at the time of sale. They could therefore fluctuate which is a risk to the funding of the programme which needs to be managed. It is not currently proposed that the Council's companies buy back the shares that are owned by the Council. If they did so, then this would also constitute a capital receipt. For the time being, this equity capital remains available to the companies for future development.

13.4 Right to Buy Receipts – as part of the LSVT agreement the Council will continue to receive income from the sale of right to buy properties. The amount per property is reduced on a sliding scale over the next 30 years and an administration fee from Saffron Housing Trust. The amount is paid over in a lump sum in the April following the financial year they relate to, which is subject to a levy on pooling of housing receipts. Right to buy receipts have increased from the low levels of recent years, but are prudently projected to be less than current amounts as the number of properties available for sale decreases over time.

13.5 LSVT Receipt – The Council received £31,659,527 from the transfer. Once payments have been made in respect of IT Projects and Aids and Adaptations, it is estimated that there will be a balance at 31 March 2018 of around £800,000. In the five year capital programme (including slippage), £528,000 of IT expenditure is expected to be funded from the LSVT monies. The LSVT balance is anticipated to be reduced to £272,000 by the end of the five-year programme, of which £100,000 will be retained to cover any future costs associated with LSVT properties under the terms of the stock transfer.

13.6 Grants – as well as government grants the Council has taken advantage of lottery and any other grants in the past. For 2018/19 the Council is anticipating grant funding of £5 million from the New Anglia Local Enterprise Partnership towards the cost of a joint property development at the Enterprise Zone. It is expecting £116,000 from the EU Leader Programme to fund the creation of the Wymondham tourism app, as part of the Digital Trail, which is drawn down on completion of the project. Grant funding totalling £857,000 is anticipated to fund the 3G Pitch and sports hub at Ketts Park, Wymondham, and the refurbishment of the tennis courts in Long Stratton. The Council encourages and supports partner organisations in making applications for external funding.

13.7 CIL – This is a form of levy on every property built in the district. After an administration deduction of 5%, a further percentage is required to be set aside for local communities to use for their infrastructure requirements. 25% to the local community if they have adopted a local neighbourhood plan reducing to 15% for those communities who have no plan in place. The remainder which will be collected will be spent on infrastructure requirements through the Greater Norwich Growth Board (GNGB) and passed over to Norfolk County Council who administer the pooled CIL on behalf of the GNGB. There is a contribution from CIL of £250,000 towards the Ketts Park 3G Pitch.

13.8 New Homes Bonus – The reforms to the New Homes Bonus mean that from 2018/19 the Government match funds the additional council tax raised on the net growth of new homes and homes brought back into use for a period of four years. An additional sum of £350 per annum is given for each new affordable house, for a period of four years. The District retains 80% (£280) with 20% going to the County Council. This scheme began in 2011/12. The funding can be used for either revenue or capital purchases. The affordable homes element was historically being added to the Low Cost Housing Reserve which was used to fund the Low Cost Housing grants to Registered Providers. Once expected expenditure of £12,000 is deducted, the reserve will stand at £875,000 at the end of 2017/18. It is anticipated that this reserve will be sufficient to cover at least the next 5 years of expenditure on whichever affordable housing projects the Council chooses to support. It is proposed to cease adding to this reserve from 2018/19 onwards and to use the affordable homes funding to support the general fund revenue budgets.

13.9 Borrowing **-** As resources reduce, the Council will have a need to borrow to fund capital projects. Cabinet has already approved borrowing of £12.54 million towards the Norwich Research Park Enterprise Zone. In July 2017 Cabinet agreed to provide funding of up to £12 million to Big Sky Developments in relation to strategic housing and employment development opportunities. In order to fund continued investment in property to generate revenue income, further external borrowing is anticipated to be required from 2018/19. It is likely that there will be slippage over the life of the programme which could delay the need to borrow. In the first instance, the Council will be able to borrow internally from its own cash balances. The cost of this would be the interest foregone from investing the cash with external counterparties. It is anticipated that all currently outstanding loans to Big Sky Developments will be fully repaid by 2021/22.

13.10 Eventually, as cash balances reduce to the minimum needed for working capital purposes, then the Council will need to borrow externally. To provide an estimate on the impact to the revenue budget, the following is an example of a PWLB loan at current rates of interest (including the 0.2% Certainty Rate reduction provided to Local Authorities that submit their capital plans to MHCLG):

Principal: £1,000,000, Years: 15

EIP (Equal Instalments of Principal) where the principal is paid back over the period equally plus interest would cost £156,928 interest over the 15 years at 1.88%

Annuity (where an equal amount is paid back over the period) £158,667 interest over 15 years at 1.9%

Maturity (interest only paid until maturity) interest would be £364,500 over the 15 years at 2.43%

For the purposes of the MTFS, an average interest rate of 2.1% has been prudently assumed. Bearing in mind commercial investment property generates a gross return likely of around 6.0% per annum, the borrowing costs are far exceeded by this over the lifetime of the loan and there would be a net positive effect on the revenue budget, which would help to offset the reductions in government funding which will be ongoing for the foreseeable future. While interest rates remain low there is a case for borrowing on a fixed interest rate basis if the income generated from an investment clearly exceeds the cost of financing.

13.11 Although this programme contains indicative figures for further borrowing of £20 million beyond that already authorised for the Enterprise Zone and Housing/Economic Development, specific authority to borrow externally for particular investments will be sought at the time that business cases are presented to Cabinet.

13.12 The total amount of debt that the Council can take on needs to be affordable. Based on the revised Medium Term Financial Strategy, the estimated net cost of financing loans of £44 million (interest payments and the Minimum Revenue Provision) would be £1,165,000 annually by 2022/3, which equates to 6.97% of the Council's net revenue expenditure by 2022/23 and £19.94 per dwelling. This compares to a median average of 3% and £9 per dwelling for District Councils in 2014/15, per the National Audit Office and a mean average of 5.5% and £16.68 per dwelling in 2016/17 based on MHCLG statistics. According to the NAO, in 2014/15, Councils in the top 25% of shire districts for debt servicing costs spend 7.1% of revenue expenditure and £23 per dwelling on debt servicing. On this indicator, the Council would be considered to have a larger risk appetite than the average Council, but not so large as to create sustainability issues for financing its plans. Another indicator used by lenders is that a Council can take on debt of twice its gross total revenue less its long term debts including the pension liability. Based on the 2015/16 statement of accounts, this would equate to total debt of £32 million, but owing to the revaluation of the pension liability, this has reduced for the 2016/17 accounts and would be £22 million, including the pension liability, though it would be £54 million excluding the pension liability. On this measure, the Council would, if it borrowed the full amount as planned, be above what could be considered prudent, by 2020. However, it is likely that there would be slippage in the capital programme that would delay the need to borrow so much. By using borrowing to invest in property through its companies, the Council is aiming to increase its gross revenues and strengthen its group balance sheet as property values increase, which makes debt more sustainable in the longer term.

14. Procurement, Performance Measurement and Monitoring

14.1 The Council's Procurement Strategy together with the Rules for Financial Governance, which includes Contract Standing Orders, governs the procurement of capital projects. It encourages full evaluation of options and new ideas covering partnerships and developing the market to provide the appropriate services. The Council always evaluates options taking into account the full costs over the life cycle of the project.

14.2 Progress on capital projects will be monitored monthly by Finance and the relevant budget managers. Budget managers are encouraged to report changes to profiling of projects as early as possible to enable the possibility of bringing other projects from future years forward and to request that the project slipping is included/completed in the following year’s programme. This action requires the agreement of Cabinet and progress will be reported to Cabinet.

14.3 Capital funding is reviewed quarterly to ensure sufficient resources are available to fund the capital programme or to enable the programme to be reduced should there be a significant drop in funding available.

MEDIUM TERM FINANCIAL STRATEGY

15. Reserves Position

15.1 The impact of the proposed revenue budget and the capital programme on the General Revenue Reserve is shown below:

General Revenue Reserve	**£'000**
Balances as at 1 April 2017	**8,901**
Projected contribution to reserve due to positive variance against budget (as per Q3 Risk, Performance, and Finance Report elsewhere on this agenda)	1,900
Infrastructure Reserve funding from New Homes Bonus	1,386
Affordable Housing Premium from New Homes Bonus	205
Funding of Build Insight Balance Sheet as part of Joint Venture	-183
Transfer of Affordable Housing Premium to earmarked Reserve	-205
Slippage requests from 2016/17	-786
Transfer to Infrastructure Reserve	-1,386
Projected Funding of capital programme	-4,168
Projected balances as at 31 March 2018	**5,664**
Contribution from Revenue Budget	638
Transfers from Earmarked Reserves	152
Projected slippage requests from 2017/18	-270
Budgeted use for revenue purposes	0
Projected balances as at 31 March 2019	**6,184**
Contribution from Revenue Budget	400
Projected Funding of capital programme	-87
Transfer to Vehicle Replacement and Renewals Reserve	-177
Projected balances as at 31 March 2020	**6,320**

15.2 The General Fund Balance is £1.4 million and is slightly above the recommended 10% of net revenue expenditure; however it is advised that the £1.4 million is maintained. It is planned to add £637,540 to the General Revenue Reserve from the revenue budget to enable the council to deal with future funding reductions and cost pressures.

15.3 To take forward local infrastructure schemes such as the bypass in Long Stratton, there are capital costs, but also some costs, such as professional fees, that cannot be funded from capital funding streams, e.g. CIL. An earmarked Infrastructure Reserve was created in 2015/16 to be used to support the Council's commitment to developing infrastructure and fostering economic development in the District. There will be revenue costs associated with delivering the Long Stratton bypass and this reserve can be used for this purpose.

15.4 Members are asked to recommend to Full Council the reserves as detailed in Appendix F.

15.5 The revenue budget includes movements on earmarked reserves in 2018/19 as follows:

- Election Reserve –An increase in reserve of £40,000 as an annual contribution in readiness for the next district election.
- Vehicle and Equipment Procurement and Replacement Reserve (“Renewals Reserve”) – Increase in reserve of £1,021,000 (including £55,000 of funding from charging for wheeled bins), offset by withdrawal of £1,009,000 from reserve to fund the capital replacement programme, a net increase of £12,000.
- Infrastructure Reserve – Withdrawal of £1,000,000 for work related to securing the Long Stratton bypass.
- Non-Commercial Asset Replacement Reserve – Addition of a revenue contribution of £450,000, offset by £777,000 to fund the decommissioning of street lighting and the toilet refurbishment and divestment programme, a net decrease of £327,000.
- Car Park Upgrades Reserve – An addition to this reserve to be funded from a revenue contribution from car park income of £70,000, offset by £45,000 to fund resurfacing work on car parks in Loddon and Diss.
- Enterprise Zone Reserve – Additional funding from business rate income of £260,000 in 2018/19, fully offset by use of the reserve for onsite management and marketing of the Enterprise Zone to new businesses and by interest payments on the borrowing for this development. The reserve will build up the funds necessary to repay all loans in full when they are due.

- 3G Pitch Renewal Reserve – Addition to this reserve to be funded from a revenue contribution of £15,000 from income from the Long Stratton 3G Pitch.
- Neighbourhood Grants Reserve – Withdrawal of £22,000 from this reserve to part finance the Community Action Fund grants paid in 2018/19. This reserve will then be exhausted and will be closed.
- Local Development Reserve – Withdrawal of £260,000 from this reserve to fund work on developing the Local Plan.
- Land Charges Reserve – Following completion of legal cases, transfer of the balance on this unused reserve (£152,000) to the General Revenue Reserve.

16. Risk and Sensitivity Analysis and Advice of the Section 151 Officer

16.1 The Local Government Act 2003 places two specific requirements on an authority's Section 151 (S151) Officer in determining the Council's budget and Council Tax. Under section 25, the S151 Officer must advise firstly on the robustness of the estimates included in the budget and secondly on the adequacy of the financial reserves.

16.2 The advice given to the Council on the budget is that the estimates have been produced on a prudent basis, with an emphasis on identifying the existing cost pressures the Council faces and a realistic level of savings and efficiencies. The budget has been constructed so that all known costs are budgeted for, and income budgets reflect the impact from the economy. The budget is therefore constructed on a prudent basis.

16.3 There are a number of potential risks in the robustness of the estimates. Firstly, as part of the budget setting process, there is an assumption that we are able to collect the level of Council Tax planned. The Council has consistently performed well in this area, as proven by the collection fund surplus.

16.4 Secondly, the Council depends on a number of contractors, suppliers and partners to deliver services. The use of partners is important as a delivery model for certain services, and there is a risk that some of these either contract their activities, or cease to exist altogether. There could be cost implications that arise should this occur. Where it appears likely that this may happen with particular organisations, then the Council will take appropriate contingency measures to mitigate the impact.

16.5 Thirdly, there is a risk that the present growth in the economy stalls and growth is not as assumed in the Medium Term Financial Strategy. If this were to occur it would impact on the level of income received by the Council through its fees and charges as well as income from business rates retention. There would also be an impact on the demand on the services provided by the Council such as increasing homelessness and benefit claimants. This in turn would lead to an increase in the savings required in future years and a possible drawing of reserves in the short term. The low UK base rate level and low interest rates internationally continues to manifest itself in the level of return the Council can obtain on its cash investments and this is discussed further in the Treasury Management Strategy elsewhere on this agenda.

16.6 Fourthly, the expected changes to the formula for council funding and the move to 75% business rates retention from 2020/21 is a source of major uncertainty at the present time, as the details have still to be consulted on, let alone agreed. While best estimates have been made, the impact of these changes on the council's funding remain unclear.

16.7 The Council has received a claim for mandatory business rates relief from a local NHS Trust on the basis of charitable status. No decision to grant relief to the Trust has yet been made and it is subject to ongoing investigation. The view of the Council, shared by the Local Government Association, is that the claim is completely unfounded and therefore no allowance has been made in the Council's budgets for this claim.

16.8 Budget estimates have been prepared on a cautious basis, limiting costs and growth where possible and ensuring income expected to be received, both through fees and charges and grant streams are at a level officers are confident can be delivered. There is a risk that this will be overly sensitive.

16.9 The Section 151 Officer is also required to report on the adequacy of reserves. There are a number of issues to consider in advising on the adequacy of reserves, which are directly linked - the level of reserves, the dependency on them and future liabilities. At 1st April 2018, the level of reserves are predicted to remain at the level required to finance the medium term financial strategy, although the level of general revenue reserves is forecast by 2023 to approach levels last experienced in 2012. The plans in the Capital Programme include using revenue reserves to fund an element of the capital programme over the next five years.

16.10 Excluding the General Fund Balance, the projected level of revenue reserves held by the Council at 31st March 2018 represents 152% of the proposed net revenue base budget, a decrease from 196% at 1st April 2017, due to a reduction in both capital and revenue reserves and an increase in the base budget. This level of reserves provides sufficient flexibility should any of the assumptions made in this budget prove too optimistic.

16.11 Assuming Cabinet and Council agree the revenue and capital budgets as set out in this report, then the S151 Officer advises that the level of reserves is adequate for known and potential risks at this time.

16.12 Section 26 of the Local Government Act 2003 gives the Secretary of State power to fix a minimum level of reserves for which an authority must provide in setting its budget. The Secretary of State has the view that section 26 would only be used "...in which an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty."

17. 2019/20 and beyond

17.1 A revised Medium Term Financial Strategy is contained in Appendix B, which projects forward until 2022/23 showing that further savings/income of nearly £2.5 million will need to be made over the plan period, if reserves are not to be utilised. The figures in the plan are based on the multi-year settlement figures up to 2019/20 that were confirmed in the Local Government Finance Provisional Settlement on 19 December 2017 and a projection for the following 3 years.

17.2 Revenue Support Grant continues to be reduced and it is anticipated that the Council will not receive any RSG in 2019/20 and instead make a payment to the Treasury of £47,000, although this is subject to a review by MHCLG. Changes announced in December to the New Homes Bonus will significantly reduce the amount of income received from this source. Combined with uncertainty and volatility around funding from business rates income and local government funding beyond 2019/20, this means there is great pressure on the Council's budget over the medium term and potentially longer. The Medium Term Financial Strategy therefore includes future Council Tax increases of £5.00 a year which is the maximum increase permitted for District Councils like South Norfolk without a referendum being triggered.

17.3 From 2020/21, the government plans to devolve 75% of business rates to local government. As with the present system there will be mechanisms to redistribute this income between local authorities and a new funding formula will be introduced at the same time.

The government is piloting this approach in other regions. The Council responded on the consultation on the business rates proposals and will be responding to the current consultation on the design of the new funding formula. At present there are no specific details available on how the new formula would affect individual local authorities.

17.4 The challenge to officers to deliver the 10% challenge on their budgets has produced increased income, planned efficiencies and savings from staff reductions plus changes to processes and is being delivered in 2017/18. Further efficiencies will be sought from “deep dive” reviews of services, which are essential to ensure the projected funding gap in the MTFS is addressed.

17.5 Current initiatives to expand the Council’s income from investment property, pre-application advice, leisure centres and commercial waste are an important source of additional revenue to underpin the plan over the next five years.

17.6 The transition to Universal Credit will affect the Housing Benefit service currently provided. The Department of Works and Pensions is managing this and plans to take on existing Housing Benefit claimants in a phased manner. Details on how the Housing Benefit administration grant, the Council currently receives, will be reduced have not been provided. Following the announcement of delays in the full introduction of Universal Credit, it is now assumed that there will be significant impact from 2020/21. There is the possibility that the reduction in the grant may not mirror the reduction in claimants causing an additional cost pressure and this is reflected in the MTFS.

17.7 A review of how the localisation of business rates is operating has led the Council to pool with other Norfolk Councils including the County Council as this is advantageous to Norfolk as a whole. The money thereby retained will be used for investing in economic growth in the county. However, there is always the possibility that a successful appeal could have a negative impact on the Council’s funding.

17.8 The level of New Homes Bonus which can be delivered will greatly influence the Medium Term Financial Strategy due to the significant size of this funding. Therefore, the reforms to this funding stream have a large impact on the Council’s future financial strategy. The record number of new homes in the last year, combined with higher projections for house building in the Greater Norwich area, means that reductions in future years are not expected to be quite as severe as previously anticipated.

17.9 Future years’ capital programmes will be funded partly through borrowing, this will initially be internal borrowing from the Council’s own cash balances; any external borrowing must be affordable within the context of the revenue budget. Nevertheless, while interest rates remain low there is a case for borrowing on a fixed interest rate basis if the income generated from an investment clearly exceeds the cost of financing. The exact timing of borrowing depends upon the progress and phasing of the Capital Programme and the level of revenue reserves.

18. Other Options

18.1 Cabinet can propose an alternative revenue budget, capital programme and Council Tax to Council, subject to the advice of the Section 151 Officer on its prudence and robustness of budgets.

19. Equalities

19.1 When making decisions, the Council must give due regard to the three aims of the Equality Duty:-

- **eliminate unlawful discrimination**, harassment, victimisation and any other conduct prohibited by the Act;
- **advance equality of opportunity** between people who share a protected characteristic and people who do not share it; and
- **foster good relations** between people who share a protected characteristic and people who do not share it.

The budget presented for Members contains reductions in spending that have been realised as a result of challenging officers to streamline internal processes and realise efficiency savings and additional income, without impacting on the level of service that our residents presently receive. There are also increases in fees and charges, with discounts available for some services to residents on low incomes. The Council is implementing its digital engagement strategy and is enhancing online services and information to provide residents with increased access. Officers therefore believe that this budget presents no negative impact on those who share protected characteristics as defined in the Equality Act 2010.

20. Conclusion

20.1 The Business Plan includes the integration of the budget against the activities and outcomes planned for the year ahead. The balanced revenue budget has no calls on general revenue reserves and includes a contribution to general revenue reserves to prepare for future cost pressures and funding reductions. As a consequence of significant and sustained reductions in government funding, the Council Tax is proposed to increase from £140.00 for a band D property to £145.00 for 2018/19. Further increases of £5.00 each year are assumed in future years for the purposes of the Medium Term Financial Strategy.

20.2 Fees and charges have been increased for service areas and commercial activities and will be reviewed again in 2018/19 in line with the Charging Policy.

20.3 The proposed budget includes funding for performance related pay of £107,000 (0.69% of payroll), reflecting the amended scheme to apply in future years, and a cost of living rise of £361,000 has been set aside in line with the national pay offer of 2% for 2018/19, including the impact of the National Living Wage.

20.4 The level of Government funding will continue to decrease in future years and Revenue Support Grant will cease to be received by 2019/20 with South Norfolk Council having instead to make a payment of £47,000 to the Treasury. The combined level of additional income that is already expected to be generated to offset this decrease in funding from 2018/19 to 2022/23 is over £1.6 million. Over the five-year period, the Council will have to find further additional income and savings on an annual basis by 2022/23 to prevent an annual deficit in 2020/21 of £0.2 million rising to £0.6 million in 2021/22 and £1.4 million in 2022/23, which is £2.2 million in total.

20.5 There is increased financial risk while future changes to the funding formula and further localisation of business rates are still under discussion. The amount of the New Homes Bonus beyond 2017/18 is subject to the successful delivery of sufficient new homes and remains a major risk.

20.6 The Capital Programme for 2018/19 to 2022/23 is £61.7 million, excluding any slippage from 2017/18. It is funded from a combination of capital receipts and reserves and revenue reserves. From 2017/18, it is anticipated that external borrowing will be required dependent on the delivery of the programme, the realisation of capital receipts during the period and the level of revenue reserves. The total level of external borrowing required from 2017/18 to 2022/23 would be just over £44 million which is towards the higher end of what can be considered sustainable for a single District Council of South Norfolk’s size.

21. Recommendations

21.1 It is recommended that Cabinet recommends to Council:

21.1.1 the approval of the base budget; as shown in para 7.1, subject to confirmation of the finalised Local Government finance settlement figures which may, if significant, necessitate an adjustment through the General Revenue Reserve to maintain a balanced budget.

21.1.2 the use of the revenue reserves as set out in section 15.

21.1.3 that the Council's demand on the Collection Fund for 2018/19 for General Expenditure shall be £6,997,555 and for Special Expenditure be £78,445;

21.1.4 that the Band D level of Council Tax be £145.00 for General Expenditure and £1.63 for Special Expenditure.

21.1.5 that the assumptions on which the funding of the capital programme is based are prudent.

21.1.6 the approval of the capital programme for 2018/19 to 2022/23.

21.2 It is recommended that Cabinet agrees

21.2.1 the charges for garden waste as set out in para 6.2

21.2.2 the introduction of a charge for the Tenant Finder Service as set out in para 6.3

21.3 It is recommended that Cabinet notes:

21.3.1 that pricing changes will be made in accordance with the Charging Policy in section 6

21.3.2 the advice of the Section 151 Officer with regard to section 25 of the Local Government Act 2003;

21.3.3 the future budget pressures contained in the Medium Term Financial Strategy as set out in Appendix B.

APPENDIX A

	Assumptions in the Medium Term Financial Strategy February 2017	Assumptions in the Proposed Budget 2018/19 and Revised Medium Term Financial Strategy February 2018
Pay		
Pay award and National Insurance	A 1% pay award has been assumed in 2018/19 in line with the national agreement, and in future years. The performance related pay award budget was increased to £278k for 2017/18 reflecting the increased cost in 2016/17. The performance related pay scheme will be reviewed for future years to ensure it continues to drive performance and assist the organisation to deliver its objectives. The MTFS includes an estimate of the apprenticeship levy, due to be implemented from April 2017, estimated at £50k in 2017/18, based on it being 0.5% of payroll less an allowance of £15,000.	A 2% pay award has been assumed in 2017/18 in line with the national employers' offer, and in future years. The performance related pay award budget has been reduced to £107k for 2018/19 reflecting the agreed amendments to the performance related pay scheme. The MTFS includes an estimate of the apprenticeship levy, estimated at £50k in 2018/19, based on it being 0.5% of payroll less an allowance of £15,000.
Pension	The MTFS includes final figures for the annual lump sum payments, which are £184k lower than the estimated figures over the next 3 years. The Norfolk Pension Fund has advised that, based on current projections, a substantial increase will be required in 2020/21 and an initial estimate of £300k has been included in that year. The actual figure required will be determined through the next triennial valuation due in March 2019.	As per Medium Term Financial Strategy (MTFS) February 2017.

	Assumptions in the Medium Term Financial Strategy February 2017	Assumptions in the Proposed Budget 2017/18 and Revised Medium Term Financial Strategy February 2018
Non-Pay		
Inflation	An assumption of inflation running at 3% per annum for rates, 2% per annum for utilities and for contracts 2%, year on year. The rates budget has been amended for 2017/18 to reflect the impact of the rates revaluation.	Each utility budget has been reviewed and inflation applied as applicable. Inflation on contracts has only been included where appropriate. For 2019/20 and future years, an assumption of inflation running at 2.5% per annum for utilities, 3% for rates and for contracts an inflation budget of £60k based on present increases.
Cost Pressures	A sum was included for potential cost pressures	There have been general cost pressures across all Directorates. These have been more than offset by savings in non-pay and staffing budgets across all Directorates and increases in income from greater activity. A sum has been included in each future year for potential unknown cost pressures. For 2018/19 there were particular cost pressures in the areas of: • domestic waste collection costs following the implementation of the new MRF contract • garden waste costs as the service continues to expand • investment income due to reduced reserves as capital funding is spent.

	Assumptions in the Medium Term Financial Strategy February 2017	Assumptions in the Proposed Budget 2017/18 and Revised Medium Term Financial Strategy February 2018
Neighbourhood Working	Funding is to be reduced by £500k to £146k which is sufficient to fund the Market Towns Coordinator, a combined Community Action Fund and Member Ward Budgets.	As per Medium Term Financial Strategy (MTFS) February 2017.
Income		
Increase in income	In October 2016, Cabinet agreed a new Charging Policy that is now being applied. This means that since the Retail Price Index measure of inflation rose by 2.5% in December, this increase will be applied from 1st April 2016 to all fees that are not approved by Cabinet or subject to an ongoing review or set by national government. The national timescale for implementation of the change to land charges administration means that the reduction in land charges income is now expected to impact in 2018/19. For 2018/19 and future years, it is assumed that income from Fees and charges will increase by 3%, in the following areas; Licensing, Grounds Maintenance and other Environmental Services. This does not have to be achieved solely through an increase in fees but could be due to increases in activity as a result of marketing campaigns.	Since the Retail Price Index measure of inflation rose by 4.1% in December, this increase will be applied from 1st April to all fees that are not approved by Cabinet or subject to an ongoing review or set by national government. The planning service has reduced its income budgets to reflect the reversal of the one-off impact of the Long Stratton bypass planning application for 2017/18. The longer national timescale for implementation of the change to land charges administration means that the reduction in land charges income is now expected to impact in 2019/20. It is assumed that income from fees and charges will increase by 3.3% for 2019/20 and by 3% in future years in the following areas; Licensing, Garden Waste Collection, Grounds Maintenance and other Environmental Services. This does not have to be achieved solely through an increase in fees but could be due to increases in activity as a result of marketing campaigns.

	Assumptions in the Medium Term Financial Strategy February 2017	Assumptions in the Proposed Budget 2017/18 and Revised Medium Term Financial Strategy February 2018
Housing Benefit Administration Subsidy	A decrease of £100k in Housing Benefit overpayments recovery income has been included in the MTFS for 2021/22 to reflect an expected decrease in recovery income as claimants move onto Universal Credit.	As per Medium Term Financial Strategy (MTFS) February 2017.
Leisure Centre Income	Income is expected to increase by £80k in 2017/18, reflecting the full year impact of the enhancement scheme at Wymondham Leisure Centre, Kids Camp and the 3G pitch which opened ahead of schedule. Options for the refurbishment of Long Stratton have been developed and will impact on the net income achievable in future years. A Business case for approval will be brought to Cabinet in due course.	Income is expected to increase by £101k in 2018/19, reflecting the continuing positive impact of the enhancement scheme at Wymondham Leisure Centre, Kids Camp and the 3G pitch and the impact of the revised pricing strategy. Additional net income from the enhancement of Long Stratton Leisure centre is anticipated from 2019/20 onwards.
Investment Interest and Income from Property Investment	Reduced income from lower base rates is expected to reduce interest earned by a further £50k in 2018/19 as longer term investments mature and are reinvested at lower rates. It is estimated that the Council will benefit by a total of £2,191k over the next 5 years up to 2021/22 from its developments at Poringland and Long Stratton, through a combination of rental income from commercial units and recharges and interest on loans to its wholly owned companies. It is assumed that profits made by these companies will be retained for future investments.	Reduced income from lower reserves is expected to reduce interest earned by a further £25k in 2018/19. It is estimated that the Council will benefit by a total of £2,050k over the next 5 years up to 2022/23 from its developments at Poringland and Long Stratton, through a combination of rental income from commercial units and recharges and interest on loans to its wholly owned companies. Interest will reduce as the loan to Big Sky Developments is repaid. It is assumed that profits made by these companies will be retained for future investments.

	Assumptions in the Medium Term Financial Strategy February 2017	Assumptions in the Proposed Budget 2017/18 and Revised Medium Term Financial Strategy February 2018
New Homes Bonus	Following the government's announcement of its response to last winter's consultation on reform of the New Homes Bonus, funding is expected to reduce significantly in both 2017/18 and 2018/19. This is due to the introduction of a deadweight figure of 0.4% of the housing stock which means that the first 216 of any new homes built do not attract New Homes Bonus. It also reflects a move from 6 years of New Homes Bonus per property in 2016/17 to 5 years in 2017/18 and 4 years in 2018/19. Further reductions are anticipated in future years, but will depend on the pace of housing developments with the District.	The introduction of a deadweight figure of 0.4% of the housing stock which means that the first 220 of any new homes built do not attract New Homes Bonus. Payment of New Homes Bonus per property has reduced to 4 years in 2018/19. The affordable homes element has been included in revenue budgets from 2018/19 onwards. Further reductions are likely in future years, but these are projected to be less than anticipated due to the record number of new homes built in 2017/18 and upwardly revised projections of housing growth within the GNGB area.
Savings		
Savings	Additional savings were identified through the 10% challenge process including removal of non-pay budgets which were no longer required and reductions in posts where changes to processes meant efficiencies could be made. This means that funding can be redirected to other areas to reflect the Council's priorities. The savings also helped to offset the steep reductions in government funding from New Homes Bonus and Revenue Support Grant. The medium term plan is based on the provisional Government settlement figures provided in December 2016. The significant savings and income identified	The medium term plan is based on the provisional Government settlement figures provided in December 2017. The significant savings and income identified for 2017/18 are being delivered and will assist the Council to balance its budget in 2018/19 and 2019/20. Further savings and income generation of £2.5 million will need to be identified in order to balance the budget in 2020/21 and 2021/22 and 2022/23.

	for 2017/18 will need to be delivered, but will assist the Council to balance its budget in 2018/19 and 2019/20. Further savings and income generation of nearly £2 million will need to be identified in order to balance the budget in 2020/21 and 2021/22.	
	Assumptions in the Medium Term Financial Strategy October 2016	**Assumptions in the Proposed Budget 2017/18 and Revised Medium Term Financial Strategy February 2017**
Items not in base		
Development of Local Plan	Work on developing the next Local Plan has begun and it is anticipated that this will be funded from the Local Development Reserve.	As per Medium Term Financial Strategy (MTFS) February 2017.
Use of Earmarked Reserves	The Neighbourhood Grants Reserve will be available for use to fund the Community Action Fund up to 2018/19 based on current demand.	Specific earmarked reserves will be used to fund elements of the capital programme.
One-off grants	The Council will continue to use one-off grants for one-off items of expenditure and will not build them into the base budget.	As per MTFS February 2017.
Funding		
RSG/NNDR	The MTFS included an estimate for funding from the Revenue Support Grant and the Localisation of NNDR Scheme.	The December provisional settlement figures for 2018/19 confirmed the figures that had been assumed in February 2017 with the exception that Rural Services Delivery Grant was maintained at the 2017/18 figure rather than being reduced.

	Assumptions in the Medium Term Financial Strategy October 2016	Assumptions in the Proposed Budget 2017/18 and Revised Medium Term Financial Strategy February 2017
Council Tax	The proposed budget includes an increase in Council Tax for 2017/18 from £135.00 to £140.00 and the MTFS assumes a further increase of £5.00 every year thereafter. This is not, in itself, enough to offset fully the reductions in central government funding.	The proposed budget includes an increase in Council Tax for 2018/19 from £140.00 to £145.00 and the MTFS assumes a further increase of £5.00 every year thereafter. This is not, in itself, enough to offset fully the reductions in central government funding.
Tax base	The projected tax base for 2017/18 is 3.90% higher than the 2016/17 budgeted tax base due to higher housing completions and an increase in the assumed collection rate based on a higher performance than anticipated since the introduction of the Council Tax Support scheme. An increase in the tax base of 1.9% per annum is assumed for 2018/19 and future years. This is prudent based on previous years' growth and planned housing growth shown in the JCS.	The projected tax base for 2018/19 is 2.42% higher than the 2017/18 budgeted tax base due to record housing completions. An increase in the tax base of 2% per annum is assumed for 2019/20 and future years. This is prudent based on previous years' growth and planned housing growth shown in the JCS.

	Approved Budget 2017/18 £000	Projected 2018/19 £000	Projected 2019/2020 £000	Projected 2020/2021 £000	Projected 2021/2022 £000	Projected 2022/2023 £000
Base Budget	9,483	8,654	9,524	10,017	11,083	11,960
Inflation & Net Cost Pressures	246	501	1,164	1,100	845	898
Net Income from Commercial Activities and Fees						
Big Sky/BI	-22	-159	-393	-160	-160	
Leisure Activities	-80	-101	-121	-48		
Trade Waste	-2	-123				
Investment properties	-148	-97	-54	-95		
Movement in New Homes Bonus	700	551	359	88	187	279
Net Cost of Borrowing and Repayments	0	506	357	289	5	8
Efficiency Plan to meet Funding Gap:						
Remove Contribution to Renewals Reserve			-611			
Efficiencies and Process Reviews	-846	-208	-208	-108		
Digital Transformation	-74					
Reduction in SLA's to External Bodies	-85					
Realigning Community Action Funds	-118					
Remove Market Towns Initiative	-400					
BASE BUDGET	**8,654**	**9,524**	**10,017**	**11,083**	**11,960**	**13,145**
Not in base adjustments						
One off adjustments	107	-30				
Reserve Movements	251	388	400			
Big Sky	-264	-225				
Rural Delivery Grant and Transitional Grant	-245	-229	-229			
Increase in Infrastructure Reserve	1,386					
Increase in Asset Replacement Reserve	593	450				
Contribution to Enterprise Zone Reserve	272	260	269	279	289	299
Contribution to General Revenue Reserve		638				
NET EXPENDITURE	**10,754**	**10,776**	**10,457**	**11,362**	**12,249**	**13,444**
FUNDED BY:						
Government Support - RSG	-830	-417	47	47	47	47
Governement Support - NNDR Baseline	-2,910	-3,003	-3,069	-3,069	-3,069	-3,069
Government Support - RSG/NNDR Total	-3,740	-3,420	-3,022	-3,022	-3,022	-3,022
NNDR Growth Retained after Levy	-417	-358	-371	-379	-387	-396
Council Tax	-6,597	-6,998	-7,384	-7,782	-8,194	-8,619
FUNDING FROM RSG/BUSINESS RATES/COUNCIL	**-10,754**	**-10,776**	**-10,777**	**-11,183**	**-11,603**	**-12,037**
Band D Council Tax - £5.00 annual increase	£140.00	£145.00	£150.00	£155.00	£160.00	£165.00
Taxbase	47,120	48,259	49,224	50,209	51,213	52,237
Budget Deficit/ (Surplus)	**£ -**	**£ -**	**-£320**	**£179**	**£646**	**£1,408**

Appendix C

Revenue Budget 2018/19

Business Plan Theme	**Expenditure**	**Income**	**Net Expenditure**
Economic Growth, Productivity and Prosperity	£5,232,960	-£4,246,100	£986,860
Health, Well-being and Early Help	£34,150,890	-£31,876,010	£2,274,880
Place, Communities and Environment	£11,659,730	-£5,148,150	£6,511,580
How we deliver (MFT)	£770,450	£0	£770,450
Service Costs Funded Centrally	£1,921,014	£0	£1,921,014
Parish Support	£54,365	£0	£54,365
Total General Expenditure	**£53,789,409**	**-£41,270,260**	**£12,519,149**
Street Lighting	£78,662	£0	£78,662
Parish Precepts	£3,556,989	£0	£3,556,989
Total Special Expenditure	**£3,635,651**	**£0**	**£3,635,651**
Capital financing and other transfers	£510,030	-£618,100	-£108,070
Movement on Reserves:			
Contribution to General Reserves	£637,504	£0	£637,504
Use of Neighbourhood Reserve	£0	-£22,000	-£22,000
Enterprise Zone Reserve	£260,000	£0	£260,000
3G Pitch Renewals Reserve	£15,000	£0	£15,000
Car Park Upgrades Reserve	£70,000	£0	£70,000
Contribution to Asset Replacement Reserve	£450,000	£0	£450,000
Contribution to Renewals Reserve	£1,021,000	£0	£1,021,000
Total Reserve Movements and Transfers	**£2,963,534**	**-£640,100**	**£2,323,434**
Total Net Expenditure	**£60,388,594**	**-£41,910,360**	**£18,478,234**

Financed By:	
Revenue Support Grant	-£417,134
Business Rates	-£3,361,071
Efficiency Support for Sparse Areas	-£228,867
New Homes Bonus	-£3,837,956
District Council Demand on Council Tax Collection Fund	-£6,997,555
Special Expenses Demand on Council Tax Collection Fund	-£78,662
Parish Precepts	-£3,556,989
Total Financing	**-£18,478,234**
Balanced Budget 2018/19	**£0**

	2017/18	2018/19
General tax base for Council Tax Band D Average	47,120	48,259
District Expenditure Council Tax	£140.00	£145.00
Street Lighting Council Tax	£1.63	£1.63
Parish Precepts	£69.04	£73.71
% Increase in District Council Tax	3.70%	3.57%
% Increase in District Council Tax plus Special Expenses	3.66%	3.53%

Budget figures shown are before central departmental and capital financing recharges are input. These have no overall effect on the Council Tax requirement. Parish Precepts have yet to be finalised but net off to zero in the budget.

Capital Project	Budget 2017/18 with slippage from 2016/17	Estimate for 2018/19 (Excluding slippage from 2017/18)	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Total Capital Programme (2018/19 to 2022/23)
	£	£	£	£	£	£	£
Long Stratton Leisure Centre Improvements	471,150	1,500,000	-	-	-	-	1,500,000
Further Works at Wymondham Leisure Centre	50,350	116,100	63,465	42,000	-	20,000	241,565
Further Works at Diss Leisure Centre	73,852	-	23,500	-	-	-	23,500
Harleston Leisure Centre	300,000	-	-	-	-	-	-
Framingham Earl High School	-	-	300,000	-	-	-	300,000
Ketts Park 3G Pitch	-	1,267,000	-	-	-	-	1,267,000
Refurbishments of Tennis Courts behind Long Stratton LC	-	230,000	-	-	-	-	230,000
Aids/Adaptations	172,450	-	-	-	-	-	-
Disabled Facilities Grants	781,000	780,000	780,000	780,000	780,000	780,000	3,900,000
Decent Home Loans	67,750	-	-	-	-	-	-
Diss Heritage Triangle	260,000	-	-	-		-	-
Total Priority: Health, Well-being and Early Help	**2,176,552**	**3,893,100**	**1,166,965**	**822,000**	**780,000**	**800,000**	**7,462,065**
Green Deal Grants	4,998	-	-	-	-	-	-
Wheeled Bin Purchase - Domestic Rubbish and Recycling	92,004	90,000	90,000	90,000	90,000	90,000	450,000
Wheeled Bin Purchase - Garden Waste	44,005	40,000	40,000	40,000	40,000	40,000	200,000
Vehicle Procurement and Replacement	780,080	778,000	785,945	892,000	740,000	740,000	3,935,945
Grounds Maintenance Equipment	35,500	46,000	75,000	15,000	-	-	136,000
Workshop Equipment	32,000	-	-	-	-	-	-
Ketteringham Depot - Expanding facilities	280,000	-	-	-	-	-	-
Play Area Refurbishments - Sites **with** Commuted Sums	25,933	57,356	149,855	72,385	-	-	279,596
Toilet Refurbishments	639,574	-	-	-	-	-	-
Street Lighting	95,700	435,300	-	-	-	-	435,300
Total Priority: Place, Communities and Environment	**2,029,794**	**1,446,656**	**1,140,800**	**1,109,385**	**870,000**	**870,000**	**5,436,841**
Norwich Research Park Enterprise Zone Infrastructure	6,647,100	5,892,900	-	-	-	-	5,892,900
Norwich Research Park Enterprise Zone Office	-	5,000,000	-	-	-	-	5,000,000
Maple Drive (Cygnet House) Commercial	1,700,000	-	-	-	-	-	-
Poringland Phase 1 Commercial	500,000	-	-	-	-	-	-
Poringland Phase 2 Commercial	-	750,000	750,000	-	-	-	1,500,000
BSPM Rental Homes on Rosebery Park and Maple Park	3,795,000	-	-	-	-	-	-
BSPM Rental Homes on new sites	-	4,000,000	4,000,000	4,000,000	4,000,000	-	16,000,000
Commercial Waste Service - Bin Purchase	93,135	55,000	55,000	55,000	55,000	55,000	275,000
Better Broadband		-	570,000	-	-	-	570,000
Car Park Improvements	106,500	45,000	35,000	35,000	35,000	35,000	185,000
Wymondham Tourism App	-	116,550	-	-	-	-	116,550
Strategic Housing Development	12,000,000	-	-	-	-	-	-
Strategic Economic Development		4,468,000	2,734,000	-	-	-	7,202,000
Other Property Development		5,000,000	5,000,000	-	-	-	10,000,000
Park Rd, Diss		-	850,000	-	-	-	850,000
Total Priority: Economic Growth, Productivity and Prosperity	**24,841,735**	**25,327,450**	**13,994,000**	**4,090,000**	**4,090,000**	**90,000**	**47,591,450**
New IT Projects	201,750	125,000	125,000	125,000	125,000	125,000	625,000
Data Cleanse Software	-	77,000	-	-	-	-	77,000
Digital	72,226	25,000	100,000	100,000	100,000	100,000	425,000
Telephony	65,000	20,000	-	-	-	-	20,000
South Norfolk House - Replacement of Boilers	-	-				50,000	50,000
South Norfolk House -Uninterruptable Power Supply	-	-			20,000		20,000
South Norfolk House -Replacement of the Felt on the Roof	-	-				20,000	20,000
Total: Improving services through being business-like, efficient and entrepreneurial	**338,976**	**247,000**	**225,000**	**225,000**	**245,000**	**295,000**	**1,237,000**
Total Capital Programme	**29,387,057**	**30,914,206**	**16,526,765**	**6,246,385**	**5,985,000**	**2,055,000**	**61,727,356**

APPENDIX E

Resources to Fund Capital Programme 2016/17 to 2022/23

		2016/17 Outturn £000	2017/18 Forecast £000	2018/19 Budget £000	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Capital Funding Brought Forward		**4,268**	**2,925**	**0**	**0**	**0**	**77**	**1,928**
Capital Funding Received During the Year:								
Capital Receipts	Right to Buys (Net of Levy)	706	300	300	300	300	350	350
Capital Receipts	VAT Shelter	100	0	0	0	0	0	0
Capital Receipts	Repayment of Big Sky Development Company Loans	0	0	5380	0	6000	6000	0
Capital Receipts	Sale of Hostels to Big Sky Property Management Ltd	325	0	0	0	0	0	0
Capital Receipts	Sale of land to Big Sky Development Company Sales Proceeds	940	0	0	0	0	0	0
Capital Receipts	Non Housing Land Sales	75	200	0	0	0	0	0
Capital Receipts	Repayment of Home Improvement Loans	27	52	0	0	0	0	0
Capital Receipts	Vehicle Sales	0	0	0	0	0	0	0
Capital Grants	Disabled Facilities Grant	716	781	780	780	780	780	780
Capital Grants	Enterprise Zone	0	0	5000	0	0	0	0
Capital Grants	EU Leader Grant for Wymondham Tourism App	0	0	117	0	0	0	0
Capital Grants	FA/Education/Tennis funding for 3G pitch/Tennis Courts	231	0	857	0	0	0	0
Capital Grants	Green Deal Grant	76	5	0	0	0	0	0
CIL	CIL funding for Ketts Park 3G Pitch	0	0	250	0	0	0	0
Section 106	Section 106 Agreements for Leisure and Play Provision	181	63	204	150	72	0	0
LSVT receipts	Aids & Adaptations from LSVT receipt (as spent)	237	0	0	0	0	0	0
LSVT receipts	Replacement Programme (to fund IT)	267	282	304	225	0	0	0
Total Capital Funding Available from Capital Sources		8,149	4,608	13,192	1,455	7,152	7,207	3,058
Capital Funded from Revenue & Revenue Reserves								
Earmarked Reserves	Low Cost Housing (New Homes Bonus) Reserve	87	12	0	875	0	0	0
Earmarked Reserves	Invest to Grow the Business Reserve	0	1,000	0	0	0	0	0
Earmarked Reserves	Vehicle Procurement and Replacement Reserve	665	968	1,009	1,046	1,037	870	870
Earmarked Reserves	Communities & Localism Reserve	0	50	0	0	0	0	0
Revenue Slippage	Market Towns Initiative	40	210	0	0	0	0	0
Earmarked Reserves	Car Park Upgrades Reserve	0	70	45	35	35	35	35
Earmarked Reserves	Non-Commercial Assets Replacement Reserve	0	96	435	0	0	0	0
General Reserve	General Revenue Reserve	41	4,168	0	87	0	0	0
Total Revenue Funding for Capital from Revenue Sources		833	6,574	1,489	2,043	1,072	905	905
Total Available Funding from both Capital and Revenue Sources		**8,982**	**11,182**	**14,681**	**3,498**	**8,224**	**8,112**	**3,963**
Total Available Funding before Borrowing		**8,982**	**11,182**	**14,681**	**3,498**	**8,224**	**8,112**	**3,963**
Existing Capital Programme		(6,056)	(18,113)	(30,914)	(16,527)	(6,246)	(5,985)	(2,055)
Slippage 2017/18 into 2018/19		0	0	(9,916)	0	0	0	0
Levy and Pooling Return		(1)	(1)	(1)	(1)	(1)	(1)	(1)
Total Capital Expenditure		**(6,057)**	**(18,114)**	**(40,831)**	**(16,528)**	**(6,247)**	**(5,986)**	**(2,056)**
Expenditure to be Financed from New Sources or Borrowing		**2,925**	**(6,932)**	**(26,150)**	**(13,030)**	**1,977**	**2,126**	**1,907**
Internal Borrowing from Cash Balances (Negative indicates repayment of borrowing)		0	1,999	99	0	(1,900)	(198)	0
External Borrowing for Enterprise Zone		0	3,000	9,540	0	0	0	0
External Borrowing for Property Investment (Negative indicates repayment of borrowing)		0	1,933	16,511	13,030	0	0	0
Capital Funding Carried Forward		**2,925**	**0**	**0**	**0**	**77**	**1,928**	**1,907**
% Funded and Financed from all sources before external borrowing		148%	62%	36%	21%	132%	136%	193%

Reserves

Appendix F

Name of Reserve	Actual Balance 31 March 2017 £'000	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2018 £'000	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2019 £'000
Corporate Reserves							
New Homes Bonus contained within General Revenue Reserve	0	1,386	(1,386)	0	**0**	**0**	**0**
Balance of General Revenue Reserve excluding New Homes Bonus	8,901	2,105	(5,342)	5,664	**790**	**(270)**	**6,184**
Total General Revenue Reserve	8,901	3,491	(6,728)	5,664	**790**	**(270)**	**6,184**
General Fund Balance	1,400	0	0	1,400	**0**	**0**	**1,400**
Total Corporate Reserves	**10,301**	**3,491**	**(6,728)**	**7,064**	**790**	**(270)**	**7,584**
Service Specific Reserves							
Invest to Grow the Business Reserve	1,000	0	(1,000)	0	**0**	**0**	**0**
Infrastructure Reserve	2,139	1,386	(118)	3,407	**0**	**(1,000)**	**2,407**
Non-Commercial Assets Replacement Reserve	0	593	(96)	497	**450**	**(777)**	**170**
Localisation of Business Rates Reserve	1,500		0	1,500	**0**	**0**	**1,500**
Localisation of Council Tax Benefit	500	0	0	500	**0**	**0**	**500**
Neighbourhood Grants	47	0	(25)	22	**0**	**(22)**	**0**
District and Parish Elections	102	40	0	142	**40**	**0**	**182**
Land Charges	152	0	0	152	**0**	**(152)**	**0**
Local Development Reserve	934	0	(80)	854	**0**	**(260)**	**594**
Contingent Liabilities	0	0	0	0	**0**	**0**	**0**
Emergencies	0	0	0	0	**0**	**0**	**0**
Community Development	0	0	0	0	**0**	**0**	**0**
Vehicle and Equipment Procurement and Replacement Reserve	653	967	(968)	652	**1,021**	**(1,009)**	**664**
Low Cost Housing (New Homes Bonus)	682	205	(12)	875	**0**	**0**	**875**
Car Park Upgrades Reserve	0	70	(70)	0	**70**	**(45)**	**25**
Enterprise Zone Reserve	122	162	(225)	59	**260**	**(260)**	**59**
3G Pitch Renewal Reserve	0	15	0	15	**15**	**0**	**30**
Communities and Localism Reserve	231	0	(50)	181	**0**	**0**	**181**
Total Service Specific Reserves	**8,062**	**3,438**	**(2,644)**	**8,856**	**1,856**	**(3,525)**	**7,187**
Total Revenue Reserves	**18,363**	**6,929**	**(9,372)**	**15,920**	**2,646**	**(3,795)**	**14,771**
General Reserves	**16,963**	**6,929**	**(9,372)**	**14,520**	**2,646**	**(3,795)**	**13,371**

Reserves

Appendix F

Name of Reserve	Actual Balance 31 March 2017 £'000	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2018 £'000	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2019 £'000
Capital Reserves							
Usable Capital Receipts							
General Receipts	2,926	552	(3,478)	0	5,680	(5,680)	0
IT Replacement LSVT	810		(282)	528		(304)	224
LSVT Capital Receipt	0		0	0		0	0
Aids & Adaptations	172		0	172		0	172
Insurance	100			100			100
Capital Grants Unapplied Account	0			0			0
Total Capital Reserves	4,008	552	(3,760)	800	5,680	(5,984)	496
Total Usable Reserves	22,371			16,720			15,267

Reserves

Appendix F

Name of Reserve	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2020 £'000	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2021 £'000
Corporate Reserves						
New Homes Bonus contained within General Revenue Reserve	0	0	0	0	0	0
Balance of General Revenue Reserve excluding New Homes Bonus	400	(264)	6,320	0	(962)	5,358
Total General Revenue Reserve	400	(264)	6,320	0	(962)	5,358
General Fund Balance	0	0	1,400	0	0	1,400
Total Corporate Reserves	400	(264)	7,720	0	(962)	6,758
Service Specific Reserves						
Invest to Grow the Business Reserve	0	0	0	0	0	0
Infrastructure Reserve	0	(1,570)	837	0	(337)	500
Non-Commercial Assets Replacement Reserve	0	(150)	20	0	(20)	0
Localisation of Business Rates Reserve	0	0	1,500	0	0	1,500
Localisation of Council Tax Benefit	0	0	500	0	0	500
Neighbourhood Grants	0	0	0	0	0	0
District and Parish Elections	40	(160)	62	40	0	102
Land Charges	0	0	0	0	0	0
Local Development Reserve	0	0	594	0	0	594
Contingent Liabilities	0	0	0	0	0	0
Emergencies	0	0	0	0	0	0
Community Development	0	0	0	0	0	0
Vehicle and Equipment Procurement and Replacement Reserve	382	(1,046)	0	1,037	(1,037)	0
Low Cost Housing (New Homes Bonus)	0	(875)	0	0	0	0
Car Park Upgrades Reserve	70	(35)	60	70	(35)	95
Enterprise Zone Reserve	428	(333)	154	533	(250)	437
3G Pitch Renewal Reserve	15	0	45	15	0	60
Communities and Localism Reserve	0	0	181	0	0	181
Total Service Specific Reserves	935	(4,169)	3,953	1,695	(1,679)	3,969
Total Revenue Reserves	1,335	(4,433)	11,673	1,695	(2,641)	10,727
General Reserves	1,335	(4,433)	10,273	1,695	(2,641)	9,327

Reserves

Appendix F

Name of Reserve	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2020 £'000	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2021 £'000
Capital Reserves						
Usable Capital Receipts						
General Receipts	300	(300)	0	6,300	(6,222)	78
IT Replacement LSVT		(224)	0		0	0
LSVT Capital Receipt		0	0		0	0
Aids & Adaptations		0	172		0	172
Insurance			100			100
Capital Grants Unapplied Account			0			0
Total Capital Reserves	300	(524)	272	6,300	(6,222)	350
Total Usable Reserves			11,945			11,077

Reserves

Appendix F

Name of Reserve	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2022 £'000	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2023 £'000
Corporate Reserves						
New Homes Bonus contained within General Revenue Reserve	0	0	0	0	0	0
Balance of General Revenue Reserve excluding New Homes Bonus	0	(815)	4,543	0	(815)	3,728
Total General Revenue Reserve	0	(815)	4,543	0	(815)	3,728
General Fund Balance	0	0	1,400	0	0	1,400
Total Corporate Reserves	0	(815)	5,943	0	(815)	5,128
Service Specific Reserves						
Invest to Grow the Business Reserve	0	0	0	0	0	0
Infrastructure Reserve	0	0	500	0	0	500
Non-Commercial Assets Replacement Reserve	0	0	0	0	0	0
Localisation of Business Rates Reserve	0	0	1,500	0	0	1,500
Localisation of Council Tax Benefit	0	0	500	0	0	500
Neighbourhood Grants	0	0	0	0	0	0
District and Parish Elections	40	0	142	40	0	182
Land Charges	0	0	0	0	0	0
Local Development Reserve	0	0	594	0	0	594
Contingent Liabilities	0	0	0	0	0	0
Emergencies	0	0	0	0	0	0
Community Development	0	0	0	0	0	0
Vehicle and Equipment Procurement and Replacement Reserve	870	(870)	0	870	(870)	0
Low Cost Housing (New Homes Bonus)	0	0	0	0	0	0
Car Park Upgrades Reserve	70	(35)	130	70	(35)	165
Enterprise Zone Reserve	533	(250)	720	533	(250)	1,003
3G Pitch Renewal Reserve	15	0	75	15	0	90
Communities and Localism Reserve	0	0	181	0	0	181
Total Service Specific Reserves	1,528	(1,155)	4,342	1,528	(1,155)	4,715
Total Revenue Reserves	1,528	(1,970)	10,285	1,528	(1,970)	9,843
General Reserves	1,528	(1,970)	8,885	1,528	(1,970)	8,443

Reserves

Name of Reserve	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2022 £'000	Transfers in £'000	Transfers Out £'000	Projected Balance 31 March 2023 £'000
Capital Reserves						
Usable Capital Receipts						
General Receipts	6,350	(4,401)	2,027	350	(371)	2,006
IT Replacement LSVT		0	0		0	0
LSVT Capital Receipt		0	0		0	0
Aids & Adaptations		0	172		0	172
Insurance			100			100
Capital Grants Unapplied Account			0			0
Total Capital Reserves	6,350	(4,401)	2,299	350	(371)	2,278
Total Usable Reserves			12,584			12,121

ICT Strategy

Author: Chris W. Balmer, IT Manager
Date: January 2018
Version: v0.5

Version History	Date	Reason for change
V0.1 First Draft	28/11/17	Initial version
V0.2 Second Draft	04/12/17	Revised draft
V0.3 Third Draft	06/12/17	Revised draft with Peter Catchpole
V0.4 Fourth Draft	15/01/18	Revised draft
V0.5 Fifth Draft	25/01/18	Revised by CWB/PBC after SLT feedback

CONTENTS

1. FOREWORD

The ICT strategy aims to build on existing technologies and investments, support Council-wide transformation programmes and initiatives, accelerating self-service digital delivery for the public, and to increase opportunities for a more agile, flexible and mobile workforce.

The ICT Strategy reflects the role of IT as more than just a support service, but as an enabler of transformational change working alongside the Digital and Marketing teams.

The following themes will be incorporated to guide the delivery of the ICT strategy to reflect requirements to fulfil the Council's Business Plan and statutory obligations: -

- Strengthening Governance
- Customer Focus/Digital First
- Staff/Member engagement
- Flexible/Mobile Working
- Secure and Resilient
- Business Intelligence
- Collaboration

2. INTRODUCTION

ICT is critical for the effective operation of government and the delivery of the services it provides to citizens and businesses. ICT can release savings by increasing public sector productivity and efficiency. It offers key benefits by:

- allowing services to be delivered in new and more cost-efficient ways
- enabling access to online transactional services, which make life simpler and more convenient for citizens and businesses;
- freeing staff to work in new and more flexible ways

The size of the Council may change, but the need to provide elevated levels of service to our citizens will remain. Public expectations of Council services may increase set against a backdrop of reducing budgets.

The Council will need to ensure that its systems are not only robust and resilient enough to provide existing services, but can be used to transform the design and delivery of improved services. ICT will underpin the delivery of the transformational Council Business Plan.

3. PURPOSE OF THIS STRATEGY

This ICT Strategy will build on the foundation of the previous strategy. It reflects the significant change in the role of the Council in moving to a new model of IT service delivery.

The Technical IT delivery element will be provided by the internal IT function based on the Council's business requirements. It will also be influenced by central Government initiatives (i.e. PSN security requirement changes). Departmental service initiatives and service plans will feed into detailed requirements and future IT business strategy.

The ICT Strategy will be reviewed and revised annually to reflect the pace of change, progress, suitability, and to comply with the agreed Business Plan.

4. SCOPE OF STRATEGY

This Strategy highlights the business ICT requirements identified to drive the organisation to achieve its goals. It has been developed from projects already in transit, projects commissioned, and from discussions with senior management as to future direction. It will be revised annually after each corporate service planning exercise.

5. VISION

The following strategy sets out how ICT can shape itself to best support the organisation as it goes forward into an era where service budgets have, and are continuing to be reduced, and where new and innovative service delivery models are being derived. The need for a flexible but robust IT environment has never been greater, nor has the need to ensure that robust IT Governance is in place to ensure that investment, in terms of resources and money, is targeted at the key core strategic systems that support the business of the authority, offer value for money and enable the achievement of the Council's Business Plan.

6. ICT STRATEGY THEMES

- Strengthening Governance
- Customer Focus/Digital First
- Staff/Member engagement
- Flexible/Mobile Working
- Secure and Resilient
- Business Intelligence
- Collaboration

6.1. Strengthening Governance

Aim: Strong governance will be essential to ensure the successful delivery of the Council's Strategy to ensure that projects are delivered on time and that there is reduced risk of project waste/failure. Close interaction with the SNC compliance areas will also ensure that upcoming GDPR regulations are also met in full.

Outcome: Applying measures to ensure appropriate control exists to reduce wastage and maximise efficiency. Providing compliance with GDPR regulations.

Success Measures:
1. Reduction in project failures. More projects delivered on time and within budget
2. Increase transparency of all IT projects
3. Partnership working to deliver successful IT Services
4. Robust Information Governance Policies
5. Risks Minimised
6. Enforced and demonstrable policies on GDPR compliance
7. Continued PSN compliance

6.2. Customer Focus/Digital First

Aim : Changes in employee and customer expectations about the role and use of IT, and the increase in technology aware users, will drive channel shift providing new opportunities for provision of services.

The Council strives to be recognised as a leading digital transformation organisation. In order to achieve this, we will use technology to redefine the way customers contact the Council, and streamline customer journeys to deliver savings. Innovations in online commercial services have set high standards for an increasingly mobile population. The expectations of many citizens have shifted from traditional face-to-face, telephone, or paper channels to more responsive 24/7 digital services, including delivery through mobile devices.

It should be recognised that there is a very clear cost imperative behind encouraging digital access and self-service as well. Figures supplied by SOCITM suggest that the average cost of a face to face transaction is £8.62, whereas the average cost of a telephone transaction is £2.83 and a web transaction on average costs 15p. Maximising the efficiencies of our offerings in terms of value for money is critical and a key driver for SNC. It is important to note that this ethos is applied across all aspects of the IT and Digital strategies.

To make the lives of citizens simpler and easier, and to deliver services more sustainably, we need to establish a principle of Digital First for all information and services. However, recognising the diversity or our population, we need to ensure that choice remains for those that are less confident or able in the use of IT.

Outcome: Utilising technology to deliver more and improved online services to customers focussed on customer preferences.

Success Measures:
1. Provision of an extensive range of online services.
2. Reducing the number of face to face and telephone enquiries to Customer Services.
3. Increasing the number of customer queries resolved first time with the Customer Services.
4. Greater efficiencies and user satisfaction.
5. Closer cooperation with the SNC Digital team, and joint working to implement the IT/Digital strategies.

6.3. *Staff/Member engagement*

Aim : Staff and Member engagement is essential in order to maximise efficiency from current and emerging technologies, and to deliver organisational success. It is vital that the IT systems are fit for purpose and can be easily used to deliver high quality services. In order to achieve these efficiencies, it is key that the appropriate training, development, and support is provided, and shared across the organisation. Engagement is best achieved by the use of an action plan that comprises the elements including the Council's culture and values that drive the motivation and productivity of the staff and Members.

The introduction of new ways of working and closer engagement with IT will significantly assist and empower the staff and Members to collaborate both internally and externally.

Outcome: Organisational success will be delivered by staff and Members who are confident and skilled in the IT systems provided to carry out their duties.

Success Measures:
1. Provision of appropriate and relevant training to the different areas of the Council
2. Establishment of a Performance culture for IT including service levels, KPI's etc.
3. Provision of a transparent communication platform
4. Unified ways of working and collaboration

6.4. Flexible / Mobile Working

Aim: Flexible technology and an adaptable workforce will support rapid business change. The Council will invest in technology to enable staff to work smartly wherever they are located. Staff will have access to the devices and software they need to deliver a high level of service. Members will be equally enabled to work in a mobile and efficient way. The Council successfully introduced iPads for Member use in 2017 and this scheme will continue to be expanded.

Outcome: Providing technology to support multiple work styles.

Success Measures:
1. Greater flexibility in workforce with technology appropriate to their work style
2. Increased flexible working.
3. Reduce the number of devices currently being supported.
4. Access to legacy back-office data in a mobile environment
5. Reduction/reuse existing office space

6.5. Secure and Resilient

Aim: To continue to improve information management and internal and external security to provide protection of personal data.

Outcome: Providing the environment and framework for appropriate protection and availability of Council data

Success Measures:
1. Establishment of robust security policies.
2. Continued PSN Compliance
3. Tested disaster recovery facilities

6.6. Business Intelligence

Aim : To investigate the maximisation of existing council data to improve planning and inform decision making.

Outcome: Providing technology to support business intelligence use of data to improve services by pre-empting demand and identifying needs.

Success Measures
1. Increased usage of business intelligence data in planning future services
2. Compliance with the transparency agenda
3. Using internal data to identify needs earlier and pre-empt demand
4. More Council services joining up to take advantage of GIS technology.

6.7. Collaboration

Aim: The emergence of joint working initiatives will enable new models of service delivery through increased collaborative working with Health, the Police, other local authorities and public/private sector agencies, as well as internal business units. Increased and improved collaboration within SNC will play a key part in the development and improvement of services provided.

Outcome: Providing technology and data sharing environments for collaborative working internally and with partners.

Success Measures:

1. Increased input from staff, Members, and IT when planning shared services.
2. Increased capability to work and share data appropriately in a secure manner with a range of partners.
3. A more secure method of exchanging emails with non-GCSX account holders.

7. IMPLEMENTATION & MONITORING

The Strategy will be monitored via an Action Plan. Each strand of activity will be run as a project and activities assigned to those responsible for delivery. Each project will have its own governance structure appropriate to the size and complexity of the project.

All projects will report monthly to the ICT Manager (who will assume overall responsibility for the implementation), and the designated SNC Programme Manager

8. APPENDICES

8.1. Appendix 1: The Action Plan

8.2. Appendix 2: Communications Plan

APPENDIX 1 – The Action Plan

OBJECTIVE	**DELIVERABLE**	**WHO WILL CONTRIBUTE**
Telephone system replacement	A cloud based IP telephony solution that will allow SNC to work in a more flexible manner utilising unified communications where applicable.	Staff/Members Customer Services (Public facing) 3rd parties who interact with SNC using telephony systems
Staff/Member engagement	Provision of appropriate and relevant training to the different areas of the Council. Establishment of a Performance culture for IT including service levels and KPI's Improved communications (see Appendix 2)	Staff/ Members
SNC Remote Working	To define and push forward with a standard approach to Remote Working and Access. This will allow for consistent working methods to be implemented for any SNC staff who need to work away from the office.	Members SLT Staff
BCP/DR	Develop and test the SNC BCP/DR plans. The intention is to be able to relocate a set number of staff and provide the tools for them to work in an alternate location.	SNC Staff
PSN	Review the SNC Walled Garden and prepare for PSN 2018 submission	SNC Staff
MS SQL Upgrades	Delivery of a new hardware platform running SQL Server 2016, followed by migration of all SQL Server databases to the new platform. This will allow for improved resiliency, redundancy, and flexibility with many of the internal SNC database systems.	SNC Staff
Upgrade to Windows 10	Rolling upgrade of desktop/laptop environment to Windows10. This will allow for more flexible management, remote working, security, and an improved user experience.	SNC Staff

APPENDIX 2 - Communications Plan - How we will demonstrate progress.

Background
From December 2017 onwards, SNC will be undertaking significant steps to move forward with it's action plan(s).

The programme of work will include:
- Telephone system replacement
- Review of the SNC staff remote working platforms
- Review of SNC Members remote working platforms
- Development and testing of the SNC BCP/DR plan
- Review of the PSN Walled Garden and 2018 PSN submission
- Upgrade of MS SQL server infrastructure supporting SNC database platforms
- Upgrade to Windows 10 on relevant devices

Many of these projects will be delivered on a pilot and then roll out basis – this will allow for the testing/development of rollouts and constant improvement for staggered deployments.

Aim
To ensure staff are aware of the upgrades, how they will be affected and, in the case of front line staff, citizens of the district.

Target audiences
- Staff
- Specifically affected staff at each roll out stage
- Members
- Citizens (when appropriate)

Communication Mediums
- All user emails
- Targeted emails
- Intranet
- Management cascade
- Drop in sessions
- Training sessions

Key messages
- SNC is investing in its staff to ensure they are skilled in their roles and can deliver high quality services
- SNC is investing in the latest technology to drive the digital agenda of the business plan
- SNC is investing in these upgrades to provide a better, faster and more mobile working environment for staff
- Support will be available throughout the process
- Everyone who works for the council will benefit from this work.
- Can't do it all at once – good things come to those who wait.

Appendix H

South Norfolk Council

Digital Strategy

Our Digital Vision

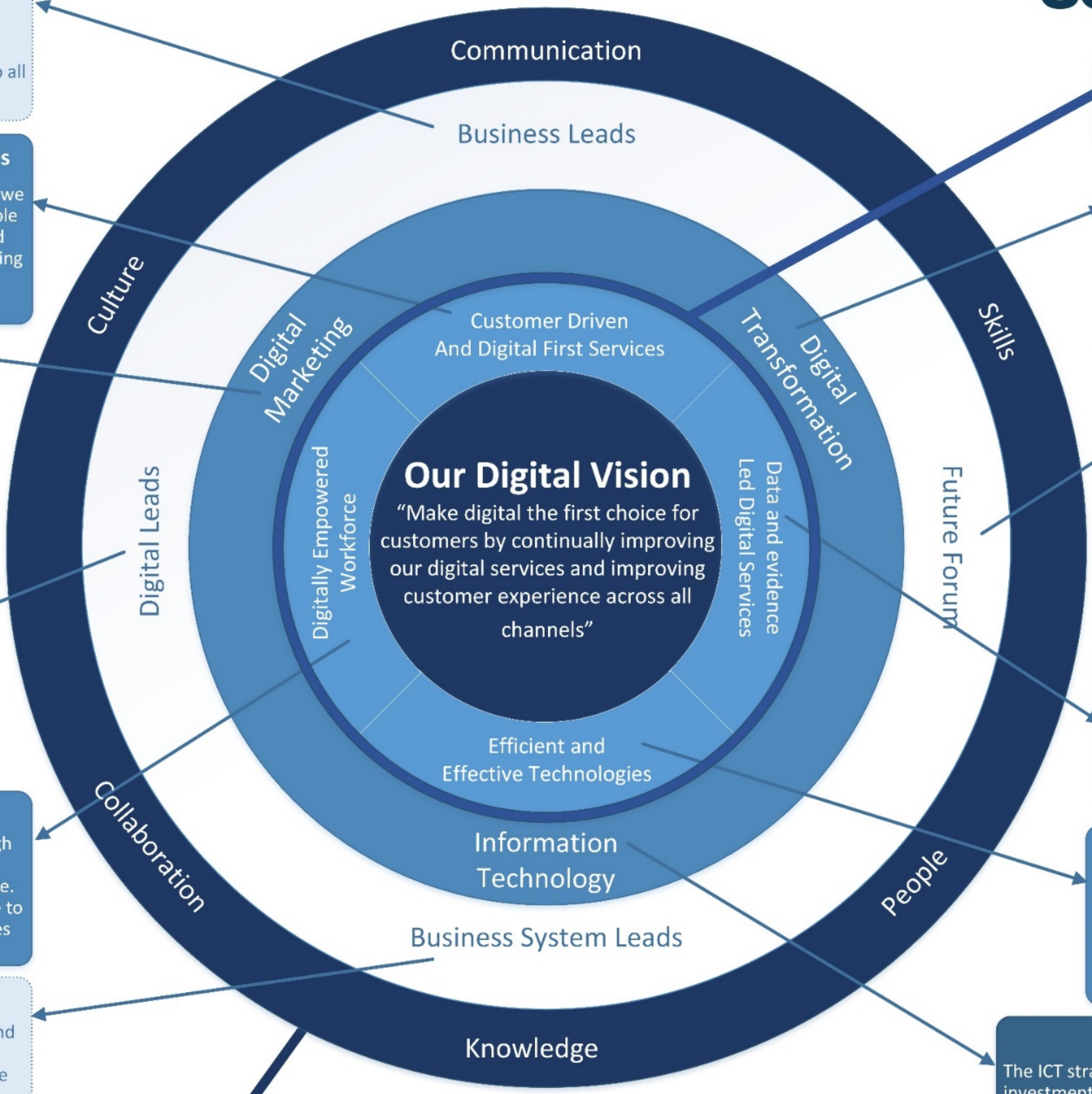
"Make digital the first choice for customers by continually improving our digital services and improving customer experience across all channels"

Working with you, working for you

Digital Strategy

South Norfolk COUNCIL

Our Digital Priorities



Business Leads

Working closely with business leads to ensure that the business plan priorities and objectives are reflecting our corporate digital transformation approach. Carry out collaborative planning around resourcing across all teams involved and provide regular updates on progress and transformation to all service managers.

Customer Driven and Digital First Services

We will put the customer at the centre of the way we design services. Promoting services through multiple digital channels which are responsive, relevant and continuously up to date and by continually improving services based on customer feedback and activity analytics.

Digital Marketing

Our ambition is to use digital channels to build effective and relevant communications to grow our digital brand presence and online community. Consistently engaging with customers and promoting channel shift. Utilising research on customer channel behaviour to develop relevant personalised messaging that promotes our services and generates income.

Digital Leads

We will provide our existing and new digital leads with the right skills and knowledge so they are confident when promoting and championing digital innovation and ideas for service delivery within their service area.

Digitally Empowered Workforce

We will build a digital culture amongst staff through training and engagement to empower them to innovate and drive change from within their service. Focusing on the customer and digital first principle to automate and increase productivity and efficiencies in service delivery.

Business System Leads

Identify and involve business leads in the design and innovation of systems and technical solutions with regards to transformation ensuring the systems are delivering on the customer needs and supporting change and transformation of customer experience.

Digital Transformation

The digital team, in partnership with IT and Marketing, will lead on the transformation programme of work to support the business plans in driving forward change. By defining and providing corporate wide solutions such as customer portal, web services and EDW integrated with Digital Marketing.

Future Forum

Support projects and through workshop sessions we will take and incubate ideas and innovation to deliver the best possible digital service to our residents improving and evolving our relationship with them to be closer and more supportive for all customer journeys.

Data and evidence led Digital Services

Using business intelligence and analytics to gain insight will empower us to make informed decisions around service delivery. Analytic services will support customer feedback and engagement so we understand the needs of our residents and are able to promote our services in a targeted way.

Efficient and Effective Technologies

Digital systems and information architecture are vital to making better use of our data and to join up services using technologies such Portals, Integrated digital marketing, identity assurance and the continued targeting of repetitive manual processes for digital automation.

Information Technology

The ICT strategy aims to build on existing technologies and investments, support Council-wide transformation programmes and initiatives, accelerating self-service digital delivery for the public, and to increase opportunities for a more agile, flexible and mobile workforce. The ICT Strategy reflects the role of IT as more than just a support service, but as an enabler of transformational change working alongside the Digital and Marketing teams.

Moving Forward Together

We will encourage a culture of digital first thinking and continuous improvement of services. Deliver a culture where staff are confident to explore digital solutions and innovative ideas. We will do this by engaging with staff, increasing knowledge and sharing innovation and developments across services.

Simon Smith
Digital Transformation Manager

The Case for Digital Transformation

Our digital vision is to:

"Make digital the first choice for customers by continually improving our digital services and improving customer experience across all channels"

This strategy outlines how as an organisation, we will align our business and customer needs to best practice and enable us to stay ahead of the game when it comes to the continuing changing needs of our residents and utilise what digital has to offer to improve our services.

The digital landscape is continually changing. Over the past 2 decades we have seen the internet develop, enabling increased connectivity and visibility of digital services on mobile and many other connected devices. In the last few years, we have seen new ways of communicating emerge, for example through social media, which is now a normal channel for consumer engagement. The pace of these changes, together with consistent growth in information architecture and technology means that every digital aspect is effected by continuous change and innovation. The digital evolution will continue to accelerate and change the way we interact with services and technology. As an organisation with over 80 different services, we have multiple specialist systems which in the past has made it difficult to understand our customer needs. With the evolution of digital services, we want to be able to utilise the systems we already have, utilising additional systems where appropriate, inspiring customer confidence in our services and efficiently use system data to inform our customer centric approach. For SNC, moving towards digital technology has the potential to transform the services we provide to our residents, while generating long-term savings and promoting income generation.

Central government has recognised the importance of digital and has provided tools and guidance around transformation. We will adopt best practice and recommendations from central government where applicable.

In 2016, we developed an initial Digital Engagement Strategy which proposed significant investment into the digital services. Though investment is still required, this strategy proposes utilising our existing in-house skills, systems and technology where possible to deliver on the priorities set out in this strategy. Where a gap in technology or capability is identified, we will look to invest in third party solutions or technologies where appropriate. So far, good progress has been made on the digital transformation journey:

- New corporate website
- Creation of the Single Customer View (SCV)
- Customer channel shift through the telephony system

Going forward, we need to ensure that we have the right infrastructure to support online services and digital first thinking.

This strategy, as part of an overarching strategic approach incorporating IT and Digital Marketing, now looks at how we can continue to build on this and progress towards a more sustainable and efficient digital service that enhances our customers experiences.

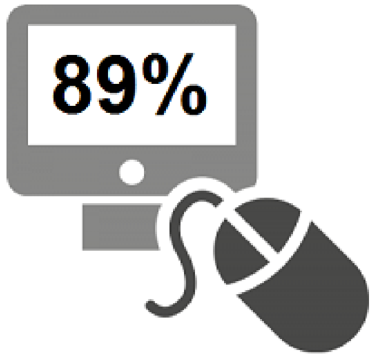
The National Picture on Digital

85% Adults who own a smartphone in the UK.

91% Adults who used their smartphone in the last 24hrs.

£0.17	£5.00	£6.62	£14.00

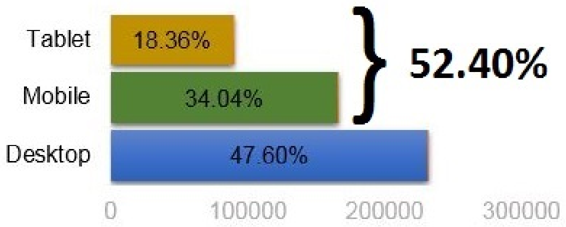
Average customer transaction costs



89%

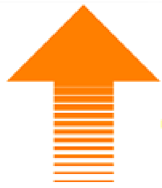
Households that have a high propensity to 'self-serve'

The Bigger Picture – What we know about South Norfolk



Website visits by device type - 2017

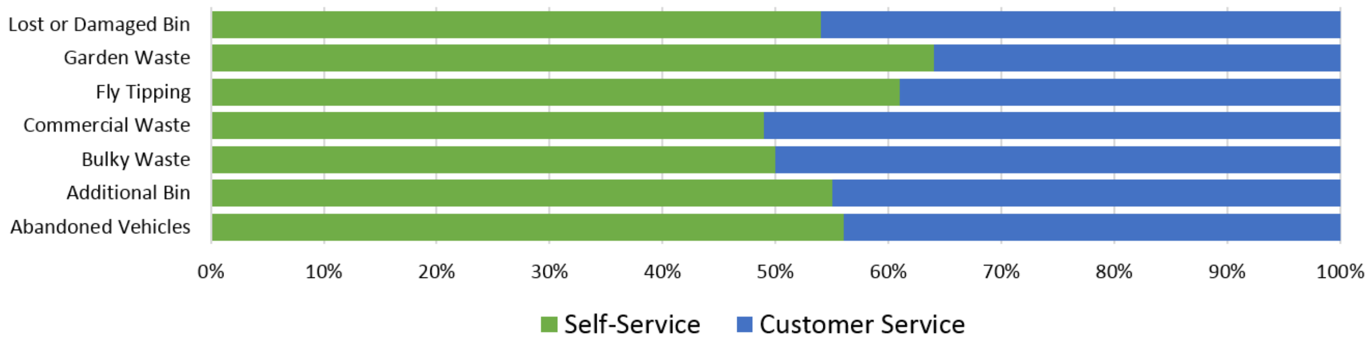
The population in South Norfolk is set to grow 20% by 2037 which will increase demand on our existing services requiring us to improve efficiencies in delivery.



94%

South Norfolk households with moderate to high internet usage

Web Forms: Self-Service Completed Vs Customer Service Completed via Phone



By increasing channel shift in digital forms from our current average of 55% self-service we can make substantial savings on delivery costs.

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Our Digital Priorities

To achieve our vision, we need to focus our attention on priority outcomes. Each priority is interlinked and reliant on each other. For example, to deliver truly customer driven and digital services, we first need to have the right infrastructure in place and an empowered workforce with the right capabilities to deliver this. Each priority has specific outcomes and success factors which are included on the next few pages.

Our digital priorities are:

Customer Driven and Digital First Services

We will put the customer at the centre of the way we design services. Promoting services through multiple digital channels which are responsive, relevant and continuously up to date and by continually improving services based on customer feedback and activity analytics.

Efficient and Effective Technologies

Digital systems and information architecture are vital to making better use of our data and to join up services using technologies such as Enterprise Data Warehouse (EDW), identity assurance and the continued reduction of repetitive manual processes for digital automation.

Data and evidence led Digital Services

Using business intelligence and analytics to gain insight will empower us to make informed decisions around service delivery. Analytic services will support customer feedback and engagement so we understand the needs of our residents and are able to promote our services in a targeted way.

Digitally Empowered Workforce

We will build a digital culture amongst staff through training and engagement to empower them to innovate and drive change from within their service. Focusing on the customer and digital first principle to automate and increase productivity and efficiencies in service delivery.

Our Approach

We need to have an organisational wide approach to how we will deliver on our priorities for digital transformation. To do this we will apply four areas of transformation to everything we do, these are as follows:

Strategy and Vision

For all elements of digital transformation, we will apply the digital strategic approach in delivering sustainable and cost-effective solutions that are continuously evolved to meet service and customer demand. The digital vision will be applied to all transformation work in designing our services to make digital the first choice and ensuring that we improve the customer experience across all channels.

Technology and Capabilities

We will use existing technology and capabilities to meet the needs of transformation where possible. Bringing back in house any services where we have the capability, where it will improve service delivery and reduce costs. Where there is a requirement for innovative technology we will look for the best fit and most cost-effective solution to meet the requirements.

Process and Governance

We will apply industry standard process and governance around transformation to enable integration and simplification of services. The governance applied will make us compliant and ensure we meet our legal responsibilities with our customers including GDPR.

People and Culture

We will engage with employees and customers to ensure that the transformation of digital services is collaborative and empowers individual and teams to drive change by utilising MFT as a cultural change driver. We will continue to invest in people and ensure they are digitally skilled to deliver the transformations. How we approach people and culture will be split across all levels and roles within the organisation focusing on 3 main groups as follows:

- **Core Digital Team**
- **Digital Champions**
- **All Staff**

We will work with services to help align their business plans to the digital strategy, support the integration of digital design and adopt the digital vision for the service.

Customer Driven and Digital First Services

We will put the customer at the centre of the way we work and design services around their changing needs. With technological changes and advancements, we want to provide simple and easily accessible services through multiple digital channels which are responsive, relevant and up to date.

What we will do to achieve our outcomes:

- **Website updates** – provide regular updates to our website, keeping all pages current and fresh and focusing on the automation of content retention and management. Automated deployment processes will be implemented and managed by the digital team to enable quick and efficient changes to the website. Web page content will be owned by the service areas and they will be supported by the core digital team. Ensuring content is updated on a regular basis ensures customers have access to the right information online, rather than shifting towards more costly contact such as telephones.

- **Customer portal** - Deliver a customer centric portal, providing one place where a customer can easily access services in a simple and efficient manner, allowing them to update and manage their personal information and to simplify self-serve. This includes making forms quicker and easier for customers with an account to complete, preventing phone calls and encouraging online contact.

- **Customer account** - Delivery of a customer account function on the website which will give customers the ability to manage their profiles and marketing preferences. This includes the delivery of a Single Sign On (SSO) for residents to enable them to sign into their account and verify their identify through their existing social media accounts such as Facebook or LinkedIn. This will enable customers to easily access our services in a secure way and improve the services we deliver to them, for example, personalisation of content and targeted marketing will allow us to cross-sell and promote our services.

- **Speed of services** - Optimisation of page loading times on our website to ensure customers can self-serve on all devices. This includes adding new forms online to allow self-completion and Improving existing online forms to remove the need to ask for information we already hold on a logged in customer, such as address or name, making it simpler for them to request our services. We want customers to use online as the first port of call when requesting services, and for customers to know where they can access key information and services.

- **Strategy and Embracement of Mobile Technologies** - Ensure that we remain up to date with technological advances and continually Invest in our digital skills through apprenticeships and training in areas such as: AI, Customer Experience Management and Digital Analytics.

- **Process mapping** – Applying customer journey mapping and value stream mapping to evaluate and focus structuring processes around customer needs and identify opportunities to improve efficiencies and customer satisfaction.

- **Introduction of webchat** – To support our customers in accessing information via the website rather than contacting us via phone, it is proposed that we introduce a webchat function on our website to be supported by our customer services teams to help tackle customer queries as quickly and effectively as possible. A second phase will also look to how we can introduce automatic responses through AI to regular queries.

What success looks like:

- Responsive services and website which are easily accessible on digital devices; including quick loading webpages.

- Achievement of at least 3 stars in all areas on our website by SOCITM standards., allowing us to benchmark our service against other authorities.

- Services which are continuously improved, with the right insights, skills, technology and data available to review, rework and release changes on a regular basis.

- Increase in channel shift to self-serve and online transactional services, reduction in phone calls, emails and face to face customer meetings, saving costs further down the line and making our services more efficient.

- Increase in online accounts and improved conversion rates for campaigns due to targeted marketing and content across all digital channels.

Efficient and Effective Technologies

Digital systems and information architecture are vital to making better use of our data and to gaining insight into how we can be more efficient. By joining up common functions across all services and removing repetition and duplication of effort across systems we can improve productivity through effective use of new and existing technologies.

What we will do to achieve our outcomes:

- **Effective technologies** – Provide solutions to enable the organisation to utilise technologies to provide more effective services such as:

    - **Digital Marketing Solution.**
      To help us manage our relationship with our customers and see in context all interactions with them enabling us to analyse customer interaction for every contact via all channels including digital. Provide all customer facing services with a unified branding and message improving the quality and experience for our customers. It is highly likely that new technology will be required to support this additional functionality and a scope will be developed by the digital and marketing teams to outline the functionality needs.
    - **Identity Management services to enable Single Sign On (SSO).**
      This will provide the customer with a single identity that can be used to simplify access to all services delivered, such as the Leisure Portal, without having to login again and manage multiple accounts to access any online services.

- **Collaborative System Improvement** – Proactively encourage teams across the council (e.g. Digital, Marketing and IT) to work together on specific tasks or projects, to deliver a shared Digital Vision. Sharing resources and platforms to keep operational cost to a minimum and removing duplication of effort especially regarding data processing. Joining up common approaches in to a single unified corporate solution such as changing address and name changes to centralised marketing and consent preferences.

- **Efficient technologies** – Using existing systems and solutions better to meet the business needs for transformation, minimising additional effort and repetition of actions. Use existing data to auto populate content for customers reducing the need to capture information we already know. Extend the capabilities of the existing web site to incorporate a customer portal and look at new technologies to provide us with an integrated digital marketing solution that can use this technology to target groups of customers based on information we hold on them or on their activities online.

- **Introducing a new search function for our website (SOLR).**
  Our current google search functionality will no longer be supported beyond April 2018. In order to ensure our customers can continue to use our website effectively

we therefore need to develop a new search function on our website. We proposed developing a 'SOLR' search. This will enable us to introduce a 'federated search' which means our system will index multiple data sources including our website and any other data source that will help our customers find the information/or complete the transaction they are looking for.

What success looks like:

- Integrated customer portal accounts with our online forms, all data collected is processed electronically and delivered into the required back office system. All back-office systems where applicable, provide a customer data set into the data warehouse to power the SCV providing customers with all the information we hold on them to be available meeting requirements under GDPR.

- As an organisation, we can match and manage customer data ourselves. Through IT data warehouse development, we can match and add new customers, making savings and enhancing the data set and information delivered to customers.

- We have a single customer view which enables us to service customers at the first point of contact more effectively reducing demand to more costly channels.

- We can assure the identity of a citizen to enable secure personal data access and validate customer data changes such as change of address, phone number or email address. This will enable us to automate data updates to all connected back office systems removing manual update repetition.

Data and evidence led digital services

Using information to its full advantage through business intelligence and analytics to gain customer and business insight will empower us to make informed business decisions around service delivery through digital channels. By using digital analytics services to support customer feedback and engagement we can better understand the needs of our residents and how we are performing as a council.

What we will do to achieve our outcomes:

- **Business Intelligence** – develop a centralised data repository ‘data warehouse’ to store all SNC data and enable a council-wide approach to customer insight and intelligence with continuous and up to date data visualised and readily available to support business decisions and service monitoring.

- **Data Centric Services** – implement data centric services to support the business in delivering joined up customer services and support the legal requirements of GDPR by enabling the customer to see all the data we hold on them and exercise their right to be forgotten. Enable explicit personalisation for all online content by exploiting the SCV and customer profile account data.

- **Performance Dashboards** – introduce digital dashboards at an organisational level, which highlights performance data with the ability to drill down and view lower level data analysis.

- **Customer feedback –** we will use online feedback mechanisms, alongside analytics to provide us with insights around customer interactions and behaviours which will provide evidence to the shaping of our digital services.

- **Single Customer View (SCV)** – Enable a single customer view for required staff of all personal and transactional data we hold on a customer to provide deeper insight in to our customers.

What success looks like:

- The organisation can respond to change quickly and adapt to changing customer needs through key performance data.

- The council will be able to target marketing based on data and evidence which is stored centrally. We will be able to upsell and cross market our services, as well as provide a personalised experience for customers tailored to their specific needs through personalisation both implicit and explicit.

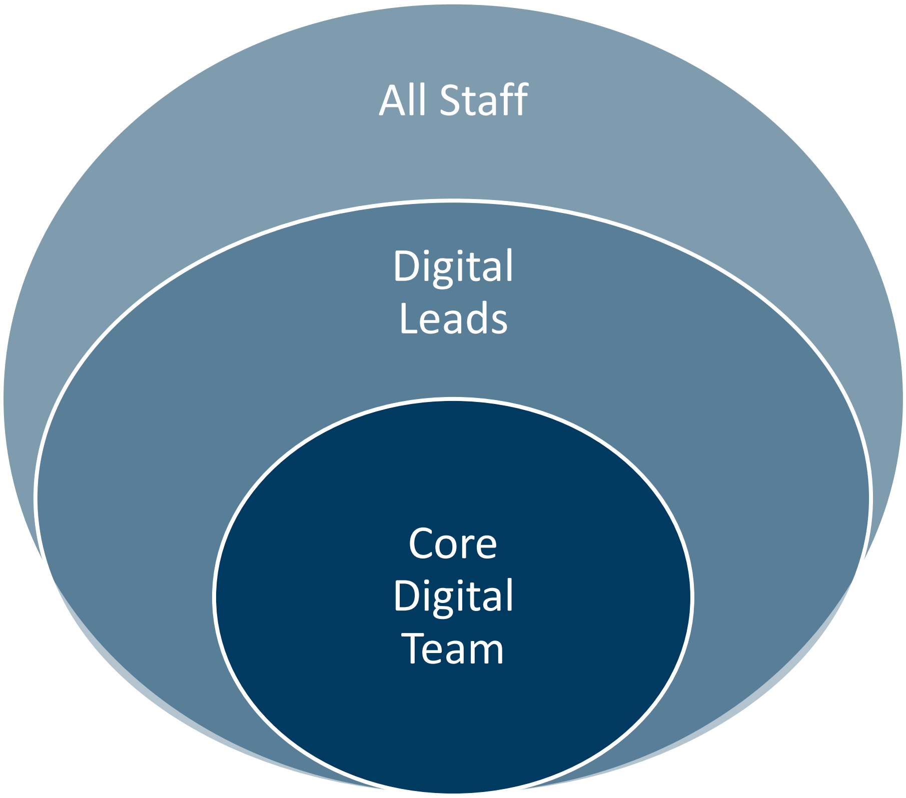
- Dashboards available for all service analytics and KPI’s that are focused on improvement targets as opposed to volume metrics which will drive and show continuous improvement. This will enable services to focus on change impact and visualise service data in new ways providing deeper insight and improving our ways of working.

- We will understand our cost per transaction and channel shift volumes to further drive savings and report on progress and benefits realisation.

Digitally Empowered Workforce

Transforming how we deliver services through digital means is not just about our external customers. It is also about our workforce and their ability to maximise their capabilities. Moving forward, it will be important that we have staff who have the right capabilities, skills and experience to effectively utilise the technology that is on offer. We want to embed digital skills across the organisation, provide them with the right technology and ensure we're able to attract and retain staff with the right skill sets and experience.

How we engage staff across the organisation will be different depending on their level and role. Below outlines what we will do for each specific staff area:



What we will do to achieve our outcomes:

Core Digital Team – Digital Transformation Manager with DevOps, IT and Marketing.

- **Upskilling** – when new technology is introduced, we will provide training to upskill the core digital team to support the implementation of new solutions and lead the way when it comes to digital transformation. Developing in house skills in the key software we use means we can do more simple and regular activities and only pay for more complex/technical work as and when required.

- **Capacity –** ensure there is capacity within the digital team to adequately explore innovative technologies and support the delivery of digital based solutions. Using forward resource planning and the apprenticeship scheme, train and develop new digital team members with the skills to support and innovate our digital future.

- **Work Prioritisation –** Using a digital approach, provide an online digital work stack that is available to all to view and see, what is being done and when. Enable the business to manage the prioritisation of the digital work stack through a formal process with an exception route for SLT to ensure the focus remains corporate.

- **Collaboration** – Work closely with IT and Digital Marketing to provide joined up customer centric and focused, efficient digital solutions.

Digital Champions – Selected volunteers from business service areas

- **Knowledge** – we already have a number of champions located across the organisation. We will provide our existing and new digital champions with the right skills and knowledge so they are confident when promoting digital within their service area.

- **Collaboration** – we will meet regularly and collaborate on innovative projects and solutions, sharing learning and best practice. We will tie in with the business planning process and cross-organisational digital workplan to ensure teams are thinking about how they can innovate with their services, reduce cost and promote a channel shift.

All staff

- **Engagement** - proactively engaging with staff collaboratively to look at service design and development and digital solutions and processes.

- **Communication** – regularly update staff on digital developments and engage staff in feedback on digital services**.**

- **Skills** – where appropriate, we will ensure staff have the right skills to utilise new digital systems or solutions.

- **Culture –** encourage a culture of digital first thinking and continuous improvement of services. Deliver a culture where staff are confident to explore digital solutions and innovative ideas. We will do this by engaging with staff, increasing knowledge and sharing innovation and developments across services.

What success looks like:

- Service delivery is customer focused around their needs and expectations ensuring that customer experience is measured and improved.

- Digital is the first solution sought by staff for service improvement requirements.

- The digital opportunity is embedded into the culture of the organisation and staff become advocates for digital design.

- Staff have strong capabilities, skills and knowledge to make better use of digital systems and use of data and insight to better deliver their services to residents.

- Digital KPI's covering channel shift, digital uptake and customer satisfaction showing continuous improvement and cause to celebrate success.

How we will measure success

We will use analytical tools to measure success against our key priorities. Understanding how we are performing Technology will be used to enable the business to automatically measure the success of Digital Transformation on the following categories:

Channel Shift (Digital Forms)

We will measure the shift from online forms completed by customer service agents over the phone to online forms completed by customers digitally through self-serve.

Completion Rates (Digital Forms)

We will measure the abandonment rates and completion rates for all forms individually and collectively to fix any problems and identify issues with online service provision to enable us to improve the customer experience.

User Satisfaction (Website and Forms)

We will use online tools to provide customer feedback and satisfaction ratings across all devices. This will also be used for targeted campaigns and new services to enable specific feedback when required.

Digital Take up (Website and Forms)

We will measure the change in volumes using digital in comparison to previous periods to enable us to measure success of digital marketing campaigns and communications.

Digitally Empowered Workforce (Organisational)

We will measure the reduction in volumes of post and paper usage across the organisation as an ongoing process showing trends and cost reductions over time as savings are made by new ways of working in a digital organisation.

Analytics (Business Intelligence)

Performance monitoring software such as “site improve” can inform us of any impacts of changes made to the public facing services. Automating the data collection and presentation for service performance in a central dashboard for the whole business will provide us with a continuous view of service improvement. Able to measure all aspects of collected data including upselling of services and digital marketing campaigns.

Digital Transformation – Delivery of the Strategy

South Norfolk Councils Digital Strategy is a live document that will be reviewed on a regular basis and updated to show our continuing vision and priorities and to reflect our technological advancements. To support the delivery of our vision and key priorities, we will carry out numerous activities in the coming months.

Across the organisation, there are many digital related projects currently underway. The below table outlines key activities, target for completion, the lead for the project and the teams which will be involved in the delivery of the activity.

Key: High Priority | Medium Priority | Low Priority

Digital Priority	Business Plan Links	Activity	Department & Actions	Next Steps	Target
Data and evidence led digital services	E4, H13, H15, P16, M5, M6	Web Service Analytics	**Digital** • Implement analytics suite for monitoring all aspects of online digital customer engagement (Websites and forms), performance monitoring, service availability, optimisation and content quality. • Introduction of feedback mechanisms and social integration tools for the customer which will enable us to gain insight and satisfaction data.	• Provide business case to support extra funding to implement analytics and other digital services from Site Improve to meet these needs.	Dec 17
			Marketing • Utilise web analytics to review customer journeys and target customers with personalised messaging • Measuring marketing campaign effectiveness	• Team training to ensure effective use of analytics for creating marketing messaging and campaigns • Identification of digital champions who will be trained on analytics to ensure website pages are online brand, effective and relevant	Dec 17

			IT • Ensure appropriate security levels are in place to allow any new required infrastructure to be used	• Work with Digital Team to secure appropriate funding for any required software/hardware	Dec 17
Mobile & Agile working	E4, E12, P16, P17, M4, M5, M6, R4, R5	Mobile & Remote Working	**IT** • Develop and enable true mobile working on laptops, tablets, and mobile devices.	• Establish devices in use. • Consider Windows10 • Develop app suite	Feb 18
			Digital • Ensure all developed apps are responsive in design to work on mobile devices.		
			Marketing • Ensuring we can respond to customers on our digital channels anytime anywhere • Agile campaign management for immediate response to market demands		
Customer driven and digital first services	H13, H15, P16, P17, M2, M5, M6, R4	Customer Portal	**Digital** • Provide a customer centric digital access point for all online services with a single customer account and customer profile. Giving our customers the ability to manage their data for marketing and consent.	**Phase 1** • Agree business requirements and procure external services to develop initial solution.	April 18

			Marketing • Customer acquisition campaign to promote sign up for customer account • Marketing preferences to be used for targeted campaigns • Ensure customer receive regular and relevant communications in line with service area business objectives	• Support customer portal launch with sign up campaign.	April 18
			IT • Provide suitable security and routes to internal SNC data enabling the Digital access. • Work with Marketing to deliver a suitable email platform	• Work with Digital Team to secure appropriate funding for any required software/hardware	April 18
Customer driven and digital first services	E1, E16, E21, M2, M5, M6, R4	Customer Portal Development Programme	**Digital** • Adding services to the customer portal, introducing personalisation both implicit and explicit, targeted driven content and integrated authentication services for complete single sign on. • Business customer portal design and development to enable business self-service.	**Phase 2** • Extend portal to incorporate business and member portal services and develop back office integration and service provision.	Ongoing
			Marketing • Developing targeted campaigns for business objectives through personalisation of customer portal	• Ensure regular communications with customer who have registered.	April 18

Data and evidence led digital services	E2, E4, P6, P10, M2, M5, M6, R5	Enterprise Data Warehouse (EDW)	**Digital** • Provide an information hub of corporate data from all SNC systems and all customer data to support business intelligence and the single customer view. • Enable cascading of updates to back office systems direct from the customer where appropriate.	• Liaise with IT on architecture and resources to deliver a data warehouse solution, create a plan and scope out the work required to provide this as a priority.	Apr 18
			IT • Review SNC back office platforms for required functionality	• Work with Digital Team to secure appropriate funding for any required software/hardware • Work with 3rd party suppliers on reconfiguration of systems if required. • Produce ECF and JD for Data Developer Role required to deliver this work.	
Efficient and effective technologies	M2, M5	Website Search Replacement	**Digital** • Replace the Google search service on the current website with SOLR as the current service is being withdrawn by Google in April 18	• Conference call with Microserve to get SOLR implemented as per previous agreement, train in house staff to develop and extend SOLR capabilities.	April 18

			IT • Support Digital team	• Support Digital team	
Customer driven and digital first services	P17, M5	GDPR compliant cookie usage	**Digital** • Enable all customers visiting our website to manage their cookie preferences, removing implied consent and applying explicit consent to adhere to GDPR requirements.	• Submit design for evaluation of a GDPR compliant solution for in house developers to implement.	May 18
			IT • Support Digital team	• Support Digital team	May 18
Efficient and effective technologies	M2, M5	Development of web-chat (AI)	**Digital** • Enable customer services to support digital customer whilst still in the digital channel by implementing a web chat support system that can be extended to use AI in the future.	• Work with NCC in understanding how they have implemented Web Chat for us to produce and execute a plan based on learned lessons.	June 18
			IT • Support Digital team	• Support Digital team	

Efficient and effective technologies	E4, E5, E12, E17, E21, H1, H5, P1, P6, M2, M4, M5, M6, R3, R4	Customer Management and Digital Marketing Solution	**Digital** • Look at implementing a customer management and digital marketing solution to support both customer services in having a full customer view when dealing with requests and to empower marketing to utilise customer data to provide more directed services to where it is most needed.	• Investigate using SCV data and Digital Marketing integrated solutions to provide a cost-efficient model for customer management and engagement.	June 18
			Marketing • Research integrated digital marketing platform that will enable team to effective plan, manage and monitor marketing campaigns across all digital channels • Develop analytics to enable better insights into customer behaviour to effectively target customers.	• Scope out marketing requirements for new platform	April 18
			IT • Review integration with SNC systems	• Review infrastructure needs and interoperability with other SNC systems	April 18
Customer driven and digital first services	H13, H15, P10, M2, M5, M6, R3	Single Customer View Development (Online Transactions)	**Digital** • Once the data warehouse is operational we can integrate digitally instigated back office transactional processes into the SCV for viewing online by the customer.	• Look to develop opportunities to integrate customer data updates into back office systems.	Sept 18
			Marketing • Identify marketing requirements and best practice for using SCV	• Scope out marketing requirements for use of SCV	June 18

South Norfolk COUNCIL

			IT • Support Digital team	• Support Digital team	Sept 18
Efficient and effective technologies	M2, M5, R5	Identity Assurance Solution	**Digital** • Enable validation of customer identity using data in the single customer view (SCV) and updating customer online accounts with increased security such as a “2 factor” authentication model.	• Once SCV available design mechanism to validate customer identity and develop in house.	Sept 18
			IT • Review 2FA requirements	• Research best 2FA options • Undertake testing and rollout	Sept 18
Core IT Services	TBC	Connectivity	• Improve current connectivity solutions. Implement a unified communication solution.	• Review systems. • Upgrade and consolidate where suitable. • Improve resilience.	April 18
Core IT Services	TBC	IT Infrastructure	• Review and implement where suitable, cloud based suitability for appropriate systems	• Review systems in place. • Consider cloud based versions. • Improve resilience.	April 18
Core IT Services	TBC	Security	• Review & monitor security. • Consider managed solutions for increased reliability and resilience.	• Review systems. • Upgrade and consolidate where suitable.	April 18

Digital Transformation – Approximate Capital Costs

Activity (Output)	Target	Capital
Implement Web Service Analytics Software and now completing the training so that we can Data and evidence led digital services - we want to provide simple and easily accessible services through multiple digital channels which are responsive, relevant and up to date.	Dec 17	N/A
We are reviewing our mobile & remote Working - to allow officers to be able to support our customers from the most appropriate efficient way	Feb 18	New IT Projects £30,000 (approx.)
Customer Portal – Delivery of a customer centric portal, providing one place where a customer can easily access services in a simple and efficient manner, allowing them to update and manage their personal information and to simplify self-serve (This is split into phases)	April 18	Digital £10,000 (approx.)
Enterprise Data Warehouse (EDW) - Digital systems and information architecture are vital to making better use of our data and to join up services	Apr 18	Digital £10,000 (approx.)
Website Search Replacement which will enable us to introduce a 'federated search' which means our system will index multiple data sources including our website and any other data source that will help our customers find the information/or complete the transaction they are looking for.	April 18	Costs within 17/18 budget
GDPR compliant and cookie usage - Enable all customers visiting our website to manage their cookie preferences, removing implied consent and applying explicit consent to adhere to GDPR requirements. We will apply industry standard process and to make us compliant and ensure we meet our legal responsibilities with our customers	May 18	Data Cleanse Software £70,000 (approx.)
Development of web-chat (AI) to support our customers in accessing information via the website rather than contacting us via phone. A second phase will also look to how we can introduce automatic responses through AI to regular queries.	June 18	N/A

Customer Management and Digital Marketing Solution to help us manage our relationship with our customers and see in context all interactions with them enabling us to analyse customer interaction for every contact via all channels including digital	June 18	Digital/Marketing Digital Marketing and Customer Management £30,000 (approx.)
Single Customer View Development (Online Transactions) to enable a single customer view for required staff of all personal and transactional data we hold on a customer to provide deeper insight in to our customers	Sept 18	Digital £10,000 (approx. dependant on solution)
Identity Assurance Solution to assure the identity of a citizen to enable secure personal data access and validate customer data changes such as change of address, phone number or email address. This will enable us to automate data updates to all connected back office systems removing manual update repetition	Sept 18	Digital £5,000 (approx. dependant on solution)

Cabinet 5 February 2018
Council 19 February 2018

Agenda Item No. 9

Treasury Management and Capital Strategy 1st April 2018 to 31st March 2021

Report of the Accountancy Manager
Cabinet Member: Barry Stone – Finance and Resources

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South Norfolk COUNCIL

1. Introduction

1.1 This report outlines the proposed Treasury Management Strategy, the Prudential Indicators, Minimum Revenue Provision and the Treasury Management Policy Statement for 2018/19 to 2020/21. It reflects the revised Prudential Code for capital Finance in Local Authorities and the revised Treasury Management Code of Practice issued by CIPFA at the end of December 2017. As such, it also now incorporates the Council's Capital Strategy, which has a significant influence on the constraints under which the Treasury Management Strategy operates.

1.2 Given the requirement to fund the Council's capital programme, cash investments will be of a short or medium term nature for up to 2 years. Security of investments is paramount and of primary importance with liquidity being secondary and return having the lowest importance.

1.3 The general economic environment contains ongoing uncertainty, owing to the UK decision to leave the European Union and the downgrading of projections for UK growth at the time of November's budget, although there is growth simultaneously across Europe, North America and Asia for the first time since the 2008 financial crisis and stock markets are buoyant. Economic uncertainty has tended to result in central banks holding interest rates at low levels and therefore this strategy has been based on the Bank of England base rate remaining at the current rate 0.5% over the coming year, having been increased from its record low of 0.25% in November 2017.

1.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

> *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.5 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code for Capital Finance require local authorities to determine the Treasury Management Strategy Statement (TMSS), the Capital Strategy and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the government's (Ministry of Housing, Communities and Local Government (MHCLG)) Investment Guidance. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance.

1.6 The purpose of this TMSS is, therefore, to approve the:

- Treasury Management Strategy for 2018/19 through to 2020/21 – whole report.
- Capital Strategy – section 3 and Appendix A
- Annual Investment Strategy for 2017/18 – section 6.
- Minimum Revenue Provision (MRP) Statement – section 7.3
- Prudential Indicators for April 2018 to March 2022 Appendix B
- Treasury Management Policy Statement Appendix E

1.7 The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy. The Authority is fully responsible for its treasury decisions and activity. All treasury activity will comply with relevant statute, guidance and accounting standards.

1.8 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.9 The treasury management service is also a key component in the funding of the Council's capital plans. These capital plans provide a guide to the borrowing needs of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

2. Economic Background and Interest Rates

2.1 A detailed economic and interest rate forecast provided by the Authority's treasury management advisor is attached at Appendix C. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

2.2 Cabinet is advised that the budget for 2018/19 for external investment interest earned is £104,000, which represents a reduction of £24,000 to reflect the use of cash balances for capital expenditure. The budget reflects the current risk appetite and low interest rates available for cash investments. The budget for interest on loans to the Council's wholly owned companies is £510,000 for 2018/19, reflecting the higher interest rates applied in accordance with state aid regulations and the level of risk accepted.

3. Capital Strategy

3.1 The Council's Capital Strategy is a significant influence over the constraints within which the Council sets its Treasury Management Strategy. In the light of this, the Prudential Code now requires that the Capital Strategy should be included within the Treasury Management Strategy. The strategy was last updated in October 2016 and has been refreshed but not substantially changed as the Council's approach remains the same. The full strategy is contained as Appendix A and summarised below.

3.2 The Capital Strategy clarifies the funding constraints within which the capital programme can be set. The proposed total resources available to finance the current capital programme going forward from 2018/19 will be in the region of £73.6 million as set out below. This will be sufficient to fund the five-year capital programme of £61.7 million and also the forecast slippage of £9.9 million from 2017/18 and allow repayment of internal borrowing from the Council's cash investments.

Resources	**£million**
Capital Receipts	20.2
Grants	9.9
Revenue Reserves	6.4
Subtotal before Borrowing	*36.5*
Net Internal Borrowing	(2.0)
External Borrowing	39.1
Total	**73.6**

3.3 The aims of the Capital Strategy are to use capital resources to deliver the Council's priorities as set out in the Corporate Plan and to make either on-going revenue savings or additional revenue income to contribute to the sustainability of the Council. By delivering benefits to local residents and businesses, the Capital Strategy is in line with government requirements for external borrowing.

3.4 The strategy underpins the proposed capital programme to cover 2018/19 to 2022/23 which is included elsewhere on the Cabinet agenda.

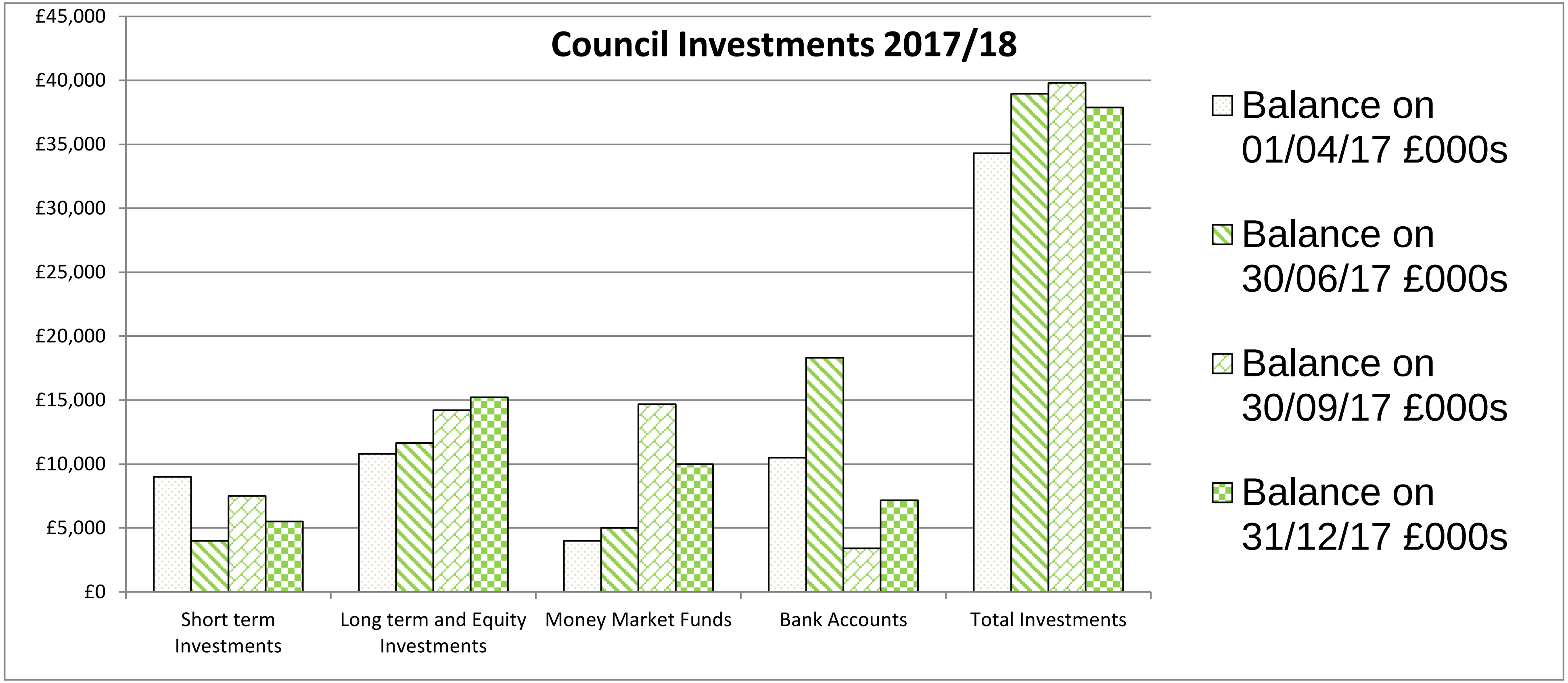
3.5 The Section 151 Officer is specifically required to report on the deliverability, affordability and risks associated with the capital strategy. Deliverability is underpinned through the embedding of capital expenditure within the business planning process and use of specialist advice where required, for example, in assessing the plans to deliver commercial property investments. Affordability is assessed in Section 5 of this report. The risks are as follows:

- **Economic** – Changes in the economy could mean that investments undertaken in line with the strategy do not deliver the anticipated returns. Prudent assumptions have been made on the level of returns that can be expected.
- **Timing** – Delays incurred during the implementation phase of particular projects could impact on the returns in the short term. Effective project management and monitoring is undertaken to mitigate this risk.
- **Interest Rates** – It has been assumed that interest rates will stay at their current low levels. The exact timing of borrowing will determine the exact interest rates on external debt. The interest rate outlook is kept under review so that the strategy can be changed should rises in interest rates become probable.
- **Government Policy** – The strategy is aimed to improve the sustainability of the Council. Should government policy change in a way that prevents parts of the strategy being implemented, increases its cost or reduces the expected benefits, then the strategy would need to be revised.

4. Balance Sheet and Treasury Position

4.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with Usable Reserves, are the core drivers of the Authority's Treasury Management activities.

4.2 The Authority is debt free at the time of writing, although its capital expenditure plans mean that external borrowing is expected to be required to deliver the capital programme. Its level of investments is set out below:



4.3 In addition to the investments detailed above the Council also has commercial property investments amounting to £7.2 million on the Balance Sheet as at 31 December 2017. The majority of these properties are rented out with a revenue return exceeding the rates the Council is able to achieve with its cash investments. The Council has taken a proactive stance in investing in property and property development to achieve a number of aims including diversification of assets, potential capital appreciation and higher returns than can be achieved through cash investments. There are also a number of secondary benefits such as council tax, CIL or S106 monies and economic growth within the district.

4.4 The Authority is able to borrow funds up to the projected level of its CFR. Borrowing more than the CFR except for short term cash flow reasons would be an indication that the Council was borrowing for a revenue purpose, which is not allowed under the Prudential Code.

4.5 The forecast movement in the CFR in coming years is one of the required Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

4.6 Table 1 below shows that the capital expenditure plans of the Authority result in an underlying requirement to borrow. Where there is a short term cash flow need to borrow to finance the capital programme then the cheapest option is for the Council to borrow internally from its substantial cash balances as shown in the graph at 4.2. It is planning to borrow externally to fund the Enterprise Zone and in order to expand its property investments, generating revenue income to support the Medium Term Financial Strategy. The exact timing of external borrowing will be influenced by the pace of capital expenditure, the overall cash flows of the Council and the interest rate environment. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years, to show that it is not borrowing for ongoing revenue purposes. Table 1 shows that the Authority expects to continue to comply with this recommendation.

Table 1: Balance Sheet Summary Analysis

	31/03/2017 Actual £000s	31/03/2018 Estimate £000s	31/03/2019 Estimate £000s	31/03/2020 Estimate £000s	31/03/2021 Estimate £000s	31/03/2022 Estimate £000s	31/03/2023 Estimate £000s
General Fund CFR	0	6,932	33,035	45,761	43,259	42,444	41,810
Less: Existing Profile of Borrowing and Other Long Term Liabilities	0	(4,933)	(30,984)	(44,014)	(44,014)	(44,014)	(44,014)
Cumulative Maximum External Borrowing Requirement	**0**	**1,999**	**2,051**	**1,747**	**(755)**	**(1,570)**	**(2,204)**
Usable Reserves	(22,371)	(16,720)	(15,267)	(11,945)	(11,077)	(12,584)	(12,121)
Cumulative Net Borrowing Requirement/(Investments)	**(22,371)**	**(14,721)**	**(13,216)**	**(10,198)**	**(11,832)**	**(14,154)**	**(14,325)**

4.7 The Capital Programme for April 2018 to March 2023 can be found elsewhere on this agenda. Apart from specific SNC projects part funded from this source, it does not include any expenditure or receipts relating to the Community Infrastructure Levy (CIL). The accounting treatment for CIL requires this income to be recognised through the comprehensive income and expenditure account before it is used to fund capital projects. This money is kept isolated from other Council funds to ensure funding is made available once the delivery method of the infrastructure projects is determined; it is expected that this will usually be the Greater Norwich Growth Board. The administration, expenditure and income are kept separate to the day to day treasury activity of the Council.

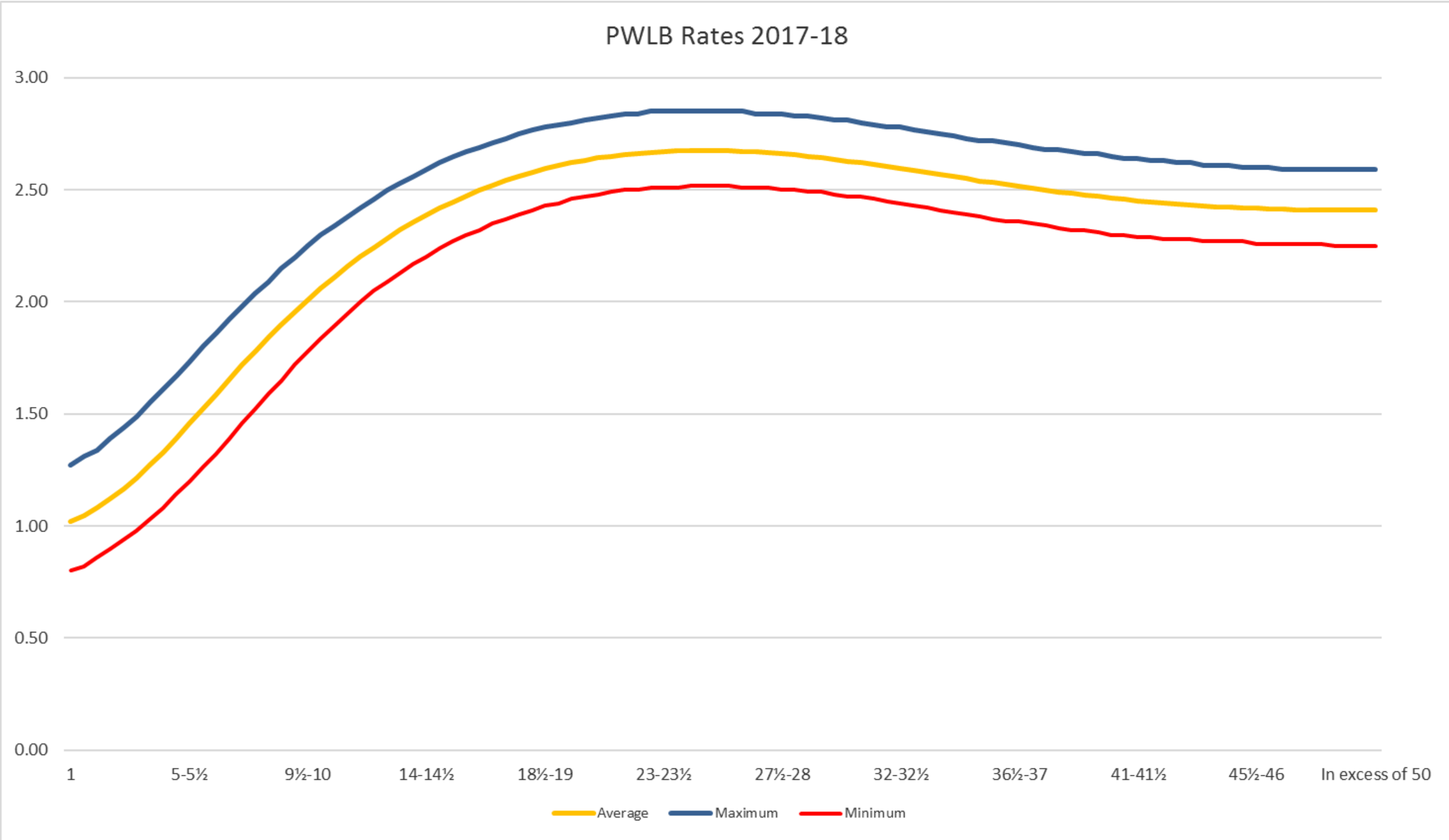
5. Borrowing Strategy

5.1 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. This difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment. The cost of carry is not likely to be an issue until 2019/20 or beyond, because investments will be used to fund capital expenditure over that period. As borrowing is often for longer dated periods (anything up to 50 years) the cost of carry needs to be considered against a backdrop of uncertainty and affordability constraints in the Authority's wider financial position.

5.2 As stated above the Authority is currently debt free but its capital expenditure plans necessitate a borrowing requirement. Initially, the borrowing required can be internal from the Council's cash balances, the cost of which will be the interest foregone on cash investments with counterparties. In May 2016 Cabinet approved borrowing of up to £12.54 million for the Norwich Research Park Enterprise Zone and, in July 2017, a further £12 million to fund strategic housing and economic development investments. Further external borrowing is now being recommended to finance the property investment plans of the Authority as set out in the budget report also on this agenda.

5.3 The funding of the capital programme from 2017/18 to 2022/23 requires £12.54m in external borrowing for the EZ, around £11.6m in external borrowing for strategic housing and economic development, the repayment of £17.38 million in loans from Big Sky Developments Ltd (which would retain share capital of £3.58 million), and £19.9m in further external borrowing along with internal borrowing from our cash balances of £2.1m which would result in SNC cash balances reducing to around £11 million by the end of 2022/23.

5.4 The interest rate curve shown below for PWLB interest rates this year reflects the historic pattern since the financial crisis where short-term interest rates are lower than long term rates. There are therefore revenue advantages in borrowing a proportion of funds short term and rolling loans forward. To mitigate the risk of future interest rate rises it is not recommended that all borrowing be short term and longer term funding of up to 40 years will also be utilised.


PWLB Rates 2017-18
3.00
2.50
2.00
1.50
1.00
0.50
0.00
1
5-5½
9½-10
14-14½
18½-19
23-23½
27½-28
32-32½
36½-37
41-41½
45½-46
In excess of 50
Average
Maximum
Minimum

5.5 The repayment and interest costs for total external borrowing of £44 million (£4.9m for 2017/18 and £39.1m for the next 5 years) to fund this capital programme are built into the revenue budget and the MTFS that are also on this agenda.

5.6 The total amount of debt that the Council can take on needs to be affordable. Based on the revised Medium Term Financial Strategy, the estimated net cost of financing loans of £44 million (interest payments and the Minimum Revenue Provision) would be £1,165,000 annually by 2022/3, which equates to 6.97% of the Council's net revenue expenditure by 2022/23 and £19.94 per dwelling. This compares to a median average of 3% and £9 per dwelling for District Councils in 2014/15, per the National Audit Office and a mean average of 5.5% and £16.68 per dwelling in 2016/17 based on MHCLG statistics. According to the NAO, in 2014/15, Councils in the top 25% of shire districts for debt servicing costs spend 7.1% of revenue expenditure and £23 per dwelling on debt servicing. On this indicator, the Council would be considered to have a larger risk appetite than the average Council, but not so large as to create sustainability issues for financing its plans. Another indicator used by lenders is that a Council can take on debt of twice its gross total revenue less its long term debts including the pension liability. Based on the 2015/16 statement of accounts, this would equate to total debt of £32 million, but owing to the revaluation of the pension liability, this has reduced for the 2016/17 accounts and would be £22 million, including the pension liability, though it would be £54 million excluding the pension liability. On this measure, the Council would, if it borrowed the full amount as planned, be above what could be considered prudent, by 2020. However, it is likely that there would be slippage in the capital programme that would delay the need to borrow so much. By using borrowing to invest in property through its companies, the Council is aiming to increase its gross revenues and strengthen its group balance sheet as property values increase, which makes debt more sustainable in the longer term.

5.7 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Long term interest rates on borrowing are currently expected to rise, which strengthens the case for borrowing in advance, as it could reduce the overall amount of interest payable over the lifetime of the loan.

5.8 The Municipal Bond Agency is expected to issue its first bond on behalf of a group of local authorities in the near future. It is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). On 21st March 2016, Cabinet authorised the Council's entry into the Framework Agreement allowing it to become a borrower from the agency. This Authority will review the impact of the first bond issue and then consider participating in future issues as and when appropriate.

6. Annual Investment Strategy

6.1 In accordance with Investment Guidance issued by the MHCLG and best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments is secondary, followed by the yield earned on investments which is a tertiary consideration.

6.2 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the MHCLG. Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.

6.3 The types of investments that would be considered to be used by the Authority and whether they are specified or non-specified are as follows:

Table 2: Specified and Non-Specified Investments

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Investments with Registered Providers (RP)	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	×

Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	×
Commercial Paper	✓	×
Corporate Bonds	✓	✓
AAA rated Money Market Funds	✓	×
AAA rated Enhanced Money Market Funds	✓	×
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	×

6.4 There are no major changes proposed to the investment strategy for 2018/19. The Council's strategy remains to invest in a range of UK counterparties with the option of investing in non-UK counterparties that meet its investment criteria. The Council will only invest in sterling, in non-UK counterparties for a maximum of 2 years where it is advised by its Treasury Management Advisors that it is prudent to do so.

6.5 The Council will only use approved counterparties from non-UK countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent ratings agencies). No more than £3 million will be placed with any non-UK country at any time. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

6.6 The Authority and its Treasury Management advisors select countries and financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions
- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)

- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

Any institution can be suspended or removed should any of the factors identified above give rise to concern.

The countries and institutions that meet the criteria for term deposits, Certificates of Deposit (CDs) and call accounts are included in Appendix D. This list has changed since last year as updated ratings for individual institutions allow them to meet the criteria or, conversely, mean that they are no longer eligible for inclusion on the list.

6.7 The credit element of our Treasury Management Advisors' (Link Asset Services) credit assessment process now focuses solely on the Short and Long Term ratings of an institution. There are other key elements to Link's process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay.

6.8 The evolving regulatory environment also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AAA for countries other than the UK. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

6.9 For specified investments the minimum long term rating for counterparties is A- (or equivalent) with a minimum sovereign credit rating of AAA for those domiciled outside the UK. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of AAA.

6.10 The Council will also take account of Short term ratings. These are defined as ratings which are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 12 months for corporate, sovereign, and structured obligations.

6.11 The rating criteria are summarised below for each of the three ratings agencies:

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

Part nationalised UK banks (Royal Bank of Scotland, National Westminster Bank) – these banks can be included if they continue to be part nationalised or meet the ratings in the table above.

6.12 Any institution will be suspended or removed should any of the factors identified above give rise to concern. Specifically credit ratings are monitored by the Authority. The Authority receives advice from its Treasury Management Advisors on ratings changes and appropriate action to be taken.

6.13 There is an informal Investment Committee consisting of the Leader of the Council, the portfolio holder for Finance and Resources, the Chair of Finance, Resources, Audit and Governance Committee and the Section 151 Officer. The Committee works with the Treasury Management team and where necessary provides advice on large deals that fall outside the scope of day to day transactions; they review counterparty listings, ratings and new investment instruments as and when required. Any decisions are required to be recommended retrospectively to Cabinet to be ratified at Council.

6.14 **Authority's Banker.** The Council's provider of banking services is Barclays Bank PLC. Barclays Bank meets the minimum ratings for investments for 2 out of 3 of the main rating agencies, it has passed the latest round of bank stress tests and is considered to be a suitable counterparty for up to 6 months duration. Funds in the day to day Barclays account can be transferred to investment accounts as appropriate to obtain a return on balances. The investment counterparty limit for Barclays excludes balances on non-interest bearing day to day accounts.

6.15 Security of capital remains the Council's main investment objective. As economic uncertainty has decreased, the Council has begun to place investments on a longer term basis with those institutions whose credit rating is at least the same or above the Council's minimum risk rating criteria. The maximum length of an investment is 2 years, though there are few deals beyond 1 year currently available from suitable counterparties and the Council has not wanted to tie up cash that can be used to finance its capital programme. The Council's strategy itself is not risk free, as further comparatively high-yielding investments will mature in 2018/19 and will need to be reinvested, and will therefore be subject to the market conditions, credit ratings and rates prevailing at that moment. It is important that the Council keeps a balanced portfolio in terms of risk, rates and liquidity.

7. Consideration of Investment Options

7.1 With short term interest rates low for some time, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk and higher interest rates.

7.2 In order to diversify a portfolio largely invested in cash, investments will be placed with approved counterparties to maintain a balanced portfolio over a range of maturity periods. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.

7.3 For certain investments, e.g. Money Market Funds, the Council must demonstrate compliance with the EU Markets in Financial Instruments Directive (MiFID 2) which came into force on 3rd January 2018. The Council has successfully demonstrated compliance to all relevant counterparties and therefore remains able to invest as a professional investor, rather than a retail investor. It has shown how it has the knowledge and skills to make professional investments, as those staff with the authority to make investments are all fully qualified accountants with several years of experience in treasury management within the public sector.

7.4 Money market funds (MMFs)

Money Market Funds (MMFs) are pooled funds that invest in short-term debt instruments. They provide the benefits of pooled investment, as investors can participate in a more diverse and high-quality portfolio than they otherwise could individually.

Each investor who invests in a money market fund is considered a shareholder of the investment pool, a part owner of the fund. The assets in the fund belong to the shareholders in the fund, not to the fund management company. Therefore say in a fund managed by Royal Bank of Scotland or by Goldman Sachs, or by Standard Life, the assets in the funds are separate and ring-fenced from the assets held by Royal Bank of Scotland plc / Goldman Sachs Inc / Standard Life plc respectively.
Each fund has a custodian which is an arms-length organisation from the fund management company of the MMF. The custodian is effectively the safe-keeper of the assets within the fund. The custodian separately identifies that the assets are indeed held within the fund.

Good treasury management practice prevails and whilst MMFs provide good diversification the Authority will also seek to mitigate operational risk by utilising at least two MMFs and placing no more than £6 million in a single fund. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.75% of the net asset value of the MMF. In the case of Government MMFs, the Council will ensure exposure to each Fund does not exceed 2.5% of the net asset value of the Fund.

There is a high probability that the MMFs will also invest elements of their portfolio in the same institutions in which the Council has directly placed investments. There is therefore the risk that should a banking institution fail, the Council will not only lose any directly invested funds but theoretically an element of funds invested in the MMFs. In practice any loss on the MMFs is expected to be covered by the custodian. To date, no MMF has ever defaulted on its obligations.

7.5 The Authority also has the option of using enhanced Money Market Funds with existing MMF counterparties. These provide an increasing return the longer funds are invested for, and would be suitable for investment for terms of 6 months or longer where the Council can commit to not withdrawing the funds early. Investment in an enhanced MMF is subject to the same criteria as for standard MMFs and would count towards the £6 million maximum limit for a single MMF counterparty.

7.6 Collective Investment Schemes (Pooled Funds):
The Authority has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Authority to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns.
Investments in pooled funds will be undertaken following advice from the Authority's Treasury Management advisors. The Authority currently has no investments in Pooled Funds however if the Council does set up a pooled fund the performance and continued suitability in meeting the Authority's investment objectives will regularly monitored.

7.7 Council-owned Companies

The Council has made commercial loans to its wholly owned companies (Big Sky Developments Ltd, Big Sky Property Management Ltd). The Council has also purchased shares in those companies and in its joint venture with Norse through holding companies (Big Sky Ventures Ltd and Build Insight Ventures Ltd). Any share capital that the Council acquires is treated as capital expenditure and receipts from repayment of these shares would have to be classed as capital receipts and could not be used for revenue purposes. The loans too are classed as capital expenditure and repayments of these will be classed as capital receipts. Dividends and interest on loans count as revenue income.

7.8 Property Funds

A number of Councils are now investing in property funds where the funds are invested in property across the country and returns are generated based on the rentals on these properties. The use of these instruments can be deemed capital expenditure, and as such would be an application (spending) of capital resources. These are designed to be long term investments which would tie up the Council's capital for at least five years. The Council's Capital Strategy is both to invest directly in property within the district as this has additional benefits in terms of business rate or council tax income and economic growth, and also to invest in property via its own companies, giving it direct control on how and where it invests. The Council will therefore not be investing in national property funds but will keep the position under review.

7.9 Local Authorities:

Other Local Authorities need to borrow for short term cash flow purposes or for longer term investment. Although most do not have a formal credit rating, no local authority has ever defaulted on its loans, therefore these are a suitable counterparty. The Council will explore the use of platforms for intra-authority lending which are currently being created, e.g. by Arlingclose.

7.10 Other Organisations:

The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment, on the specific advice of the Authority's treasury management adviser and on the provision of appropriate security, e.g. through a charge on assets.

7.11 Risk Assessment and Credit Ratings:

7.12 The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. Credit ratings are obtained and monitored by the

Authority’s treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

7.13 Where a credit rating agency announces that a rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

7.14 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

7.15 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings immediately, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

8. The Use of Financial Instruments for the Management of Risks

8.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

8.2 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

8.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

8.4 The local authority does not currently use derivatives and will only use derivatives after seeking expert advice, a legal opinion and ensuring officers have the appropriate training for their use.

9. 2018/19 Minimum Revenue Provision Policy Statement

9.1 Local Authorities are required to calculate an amount of Minimum Revenue Provision (MRP) which it considers prudent to set aside to fund their outstanding debt. The aim of a prudent provision is to ensure the Council sets aside enough revenue budget each year to ensure that the borrowing can be paid in full before the asset has to be replaced, but will not set aside any additional revenue budget to repay earlier than this. This means that revenue budget is not diverted from other priorities in order to repay borrowing early. Borrowing could still be repaid earlier than the life of the asset, but the funding from repayment would have to come from either capital receipts or grants, or income generated from the investment in the asset.

9.2 The Minimum Revenue Provision Policy is the same as last year and is outlined below.

9.3 For the purposes of determining its MRP, the following definition has been adopted "*a method that enables the Council to minimise the revenue budget effect of borrowing, subject to the Council repaying its borrowings in full over the expected lifetime of the asset created as a result of those borrowings"*

9.4 The only widely used method that meets the Council's definition of prudence is the Asset Life Method – under this method the MRP is determined by reference to the life of the asset. This is either done on an equal instalment method or by annuity method (MRP is the principal element for the year of the annuity required to repay over the asset life the capital expenditure financed by borrowing or credit arrangements). This method would allow full repayment by the end of the asset life, under either the annuity or the equal instalment approach. They could both potentially be prudent under the Council's definition.

9.5 The Asset Life Method is considered prudent for the Council's purposes and this method has therefore been adopted to calculate the Council's Minimum Revenue Provision.

9.6 The Authority has established a number of wholly owned companies ((Big Sky Developments Ltd, Big Sky Property Management Ltd) and has provided loans from the Authority to the companies on a commercial basis. The cash advances will be used by the companies to fund capital expenditure and should therefore be treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of loans advanced. Once funds are repaid to the Authority, the returned funds are classed as a capital receipt, off-set against the CFR, which will reduce accordingly. As the Council is expecting to borrow externally in future to fund these investments, MRP will be prudently set aside for repayment of this debt in accordance with the general policy outlined above. It is expected that the funds will be returned in full, allowing the externally borrowing to be completely repaid at this point.

10. Monitoring and Reporting on the Treasury Outturn and Prudential Indicators and Member Training

10.1 Treasury Management Practice: Reporting Requirements and Management Information arrangements recommends that local authorities should, as a minimum, report annually to full council on their treasury management strategy and plan, before the start of the year; report the position mid-year; and prepare an annual report on the performance, effects of decisions taken and circumstances of non-compliance with their policies, after the year end. It is now possible for the Full Council to delegate further aspects of Treasury Management to Cabinet or a committee should it so decide, but this would require a change in the Council's Constitution and is not proposed at the present time.

10.2 The Section 151 Officer recommends that a report will go to Cabinet on treasury management activity / performance and Performance Indicators as follows:

- Half yearly against the strategy approved for the year. The Authority will produce an outturn report on its treasury activity no later than 31st July after the financial year end.
- Scrutiny Committee will be responsible for the scrutiny of treasury management activity and practices.

10.3 Under the Council's Constitution, the Full Council approves the Treasury Management Strategy and therefore any deviation or breach in the prudential indicators must be reported to Full Council. In practice, all breaches are also reported to Cabinet already prior to Full Council.

10.4 CIPFA's Code of Practice requires the Section 151 Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

10.5 Training was last given to Members by the Council's Treasury Management Advisors in November 2015. Should any new Members join the Council during 2018/19 then training will be offered to them.

11. Treasury Management Advisors

11.1 The MHCLG's Guidance on local government investments recommend that the Investment Strategy should state:

- Whether and, if so, how the authority uses external contractors offering information, advice or assistance relating to investment and

- How the quality of any such service is controlled.

11.2 The Council undertook a joint tender exercise with two other Councils for treasury consultancy during 2013/14 and appointed Capita Asset Services under a contract that began on 1st April 2014. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;
- Workshop and Training Events

11.3 The quality of the service provided to the council is monitored on the timeliness of information sent to us, the content of this information, and the follow up calls on significant emails sent.

11.4 Following a competitive tendering exercise for this service, working jointly with Breckland and Broadland Councils, the contract was extended for one year as Capita were looking to sell this part of its business and officers wanted to assess the new owner. It was bought by Link Asset Services in November 2017. Following this change of ownership, officers have concluded that the contract should be extended for a further year.

11.5 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council.

12. Other Options

12.1 The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted with Members, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain

13. Conclusion

13.1 The Council's objective in this financial year is the security of its cash above the liquidity of the investment which is secondary though important to avoid unnecessary borrowing, with the rate of return being the tertiary consideration.

13.2 Following the rate rise in November 2017, it is forecast that the Bank of England will raise its bank rate in December 2018 at the earliest. Growth projections were revised down in the November budget and the Council needs to use cash to fund its capital programme. It is therefore recommended to keep the majority of investments short and within the agreed counterparties in Appendix D. Money Market Funds and Enhanced Money Market Funds are also to be utilised as well as custody accounts for the ability to invest in Treasury Bills and Certificates of Deposits. Borrowing will be for housing and economic development purposes, with benefits for local residents and businesses. Borrowing will be a mixture of short and longer term borrowing, balancing revenue cost against the need to mitigate interest rate risk.

13.3 The Investment Strategy remains a prudent one that reflects the Council's risk appetite and legal obligations.

14. Recommendations

14.1 Cabinet is recommended to approve the following and recommend these to Council:

a) The Treasury Management Strategy Statement for April 2018 to March 2021.

b) The Capital Strategy outlined in section 3 and Appendix A of the report.

c) The Prudential Indicators and Limits for the next 3 years contained within Appendix B of the report, including the Authorised Limit Prudential Indicator.

d) The Minimum Revenue Provision (MRP) Statement (section 9) that sets out the Council's policy on MRP.

e) The Annual Investment Strategy 2018/19 (section 6) contained in the Treasury Management Strategy, including the delegation of certain tasks to the Section 151 Officer

f) The Treasury Management Policy Statement (Appendix E).

Appendix A Capital Strategy 2018/19 to 2022/23

1. Introduction

1.1 The Capital Strategy sets out South Norfolk Council's approach to the use of its capital assets and resources. The strategy provides the framework for determining the capital programme, the effective use of the Council's resources and its approach to treasury management and will be reviewed and updated annually as part of the Treasury Management Strategy. The Prudential Code for Capital Finance permits Councils to determine the appropriate level of capital investment to deliver quality public services, subject to affordability.

1.2 The draft Financial Settlement for local government in December 2017 confirmed the Government's intention to continue to reduce central government funding to local authorities. In this context, the Capital Strategy needs to help the Council to achieve financial sustainability in line with the Medium Term Financial Strategy.

1.3 The Council's three priority areas are:

- Economic Growth, Productivity and Prosperity.
- Place, Communities and Environment.
- Health, Well-being and Early Help.

1.4 This Capital Strategy focuses investment to deliver these priorities while also contributing to the financial sustainability of the Council by supporting opportunities to develop more efficient service delivery and to generate additional income.

1.5 With low interest rates continuing for the foreseeable future there remains the opportunity to invest monies in property as an alternative to bank deposits if the rate of return exceeds the rate of interest which would be achieved through cash investments. However, members need to be aware that this form of investment is deemed to be capital and under the current guidance therefore if an investment property is sold the sale proceeds will be accounted for as capital receipts and cannot be used for revenue purposes in the future.

1.6 Members' involvement is essential in order that the Council can demonstrate that capital expenditure plans are affordable, financing plans are prudent and sustainable, and that treasury decisions are taken in accordance with good practice.

2. Capital Funding

2.1 Under the Prudential Code, Councils determine how much they will borrow as long as any borrowing is affordable and prudent, thus clearly linking the financing of capital with the Treasury Management Strategy and the revenue budgets. The Council can finance its future capital programme from various sources as outlined below:

- Revenue – The Council can utilise its revenue income in year however, the General Fund Revenue Balance Reserve is not used.
- Revenue Reserves – from time to time existing reserves are used to fund specific projects. However, a number of reserves are earmarked for specific use which does not include capital projects.
- Capital Receipts from asset disposals – When the Council disposes of any assets it holds, the income it receives can only be used to fund new capital projects. Loans repaid by the Council's companies are also treated as capital receipts if they result in expenditure that would have been classed as capital expenditure of the Council had incurred the expenditure directly. Repayment of short term loans for cashflow and working capital purposes would not be capital receipts.
- Right to Buy Receipts – as part of the LSVT agreement the Council will continue to receive income from the sale of right to buy properties. The amount per property is reduced on a sliding scale over the next 30 years and an administration fee from Saffron Housing Trust. The amount is paid over in a lump sum in the April following the financial year they relate to, which is subject to the Pooling Levy. Right to Buy receipts are anticipated to increase from the low levels of recent years, although changes in the Right to Buy for social landlords may affect this.
- LSVT Receipt – The Council received £31,659,527 from the transfer. This funding has been used to finance Sewage Treatment Works, Aids and Adaptations, financing replacement vehicles, property developments and the ICT Strategy. At 31st March 2017, there was a balance of just under £1.1 million. This balance is earmarked to funding the ICT Strategy and Digital Transformation and expenditure on these will utilise the majority of these funds by the end of 2019/20, leaving a balance of £272,000 remaining to fund Aids and Adaptations as necessary and as an ongoing contingency in the event of any insurance claims relating to the LSVT properties.

- Grants – as well as government grants the Council has taken advantage of lottery and any other grants in the past. The Council encourages and supports partner organisations in making applications for external funding, assisting where possible by ‘pump priming’.
- Enterprise Zone Grant – As part of the Norwich Research Park Enterprise Zone (EZ) funding, the Council is expecting to receive a grant of £5 million from the Local Enterprise Partnership.
- Tax Increment Financing (TIF) – This allows local authorities to borrow against predicted growth in their locally raised business rates. The borrowing is used to fund key infrastructure and other capital projects, which will support locally driven economic development and growth. This is the approach being used to drive the development of the EZ.
- Private Finance Initiative/Public Private Partnership – these can be used as a means of finance but so far there has not been a project which makes this a viable proposition and is not expected to be used.
- CIL – This is a form of levy on every property built in the district. A percentage is required to be set aside for local communities to use for their infrastructure requirements. 25% to the local community if they have adopted a local neighbourhood plan reducing to 15% for those communities who have no plan in place. The remainder will be spent on the infrastructure requirements outlined in the LIPP.
- New Homes Bonus – The Government match funds the additional council tax raised on the net growth of new homes and homes brought back into use for a period of four years. An additional sum of £350 per annum is given for each new affordable house, again for a period of four years. The match funding is based on the national average council tax for each band and the District retains 80% with 20% going to the County Council. This scheme began in 2011/12. The funding can be used for either revenue or capital purchases. However, after 2012/13, a large proportion was recycled Revenue Support Grant and therefore not additional money for the Council. The Affordable Homes Premium has been used to finance Affordable Housing in the District and the reserve built up has been earmarked for that use. In future, any further Affordable Homes Premium is anticipated to be used to support the revenue budget, from 2018/19 onwards.
- Bonds – The Council is a shareholder in the Municipal Bonds Agency (MBA) which has been set up to issue bonds on behalf of groups of Local Authorities that Capital Market investors would be interested in. The first Bond Issue has been subject to considerable delay and the exact timing is unclear at the present moment.
- Internal borrowing – The Council can use its cash to finance capital expenditure. This reduces the amount available to invest, but avoids the need to borrow externally, and with lower interest rates on cash investments than on external borrowing, it is the most cost-effective form of borrowing.

2.2 At the start of the current financial year the Council had over £24 million invested as listed below:

Cash and Investments as at 31st March 2017	**£000**	
Long Term Investments	25	Equity in the Municipal Bonds Agency (Excludes investments in Council owned companies of £4.7 million)
Cash	15,101	
Short Term Investments	9,071	
Total	**24,197**	
Representing:		**Used to fund the Capital Programme**
Capital Receipts	4,008	Yes
Working Capital	1,826	No
Usable Reserves (includes earmarked reserves)	16,963	Yes but prudently
General Fund Balance	1,400	No
Total	**24,197**	

Over the next few years the total amount of investments and cash will fall as cash is spent on the capital programme and reserves are used to support the revenue budget.

2.3 As part of the budget setting process a review of all usable reserves is undertaken each year. It is important that the authority retains a level of reserves to enable it to cope with the uncertainty around future funding in relation to business rates and New Homes Bonus. There will be a requirement to ensure sufficient levels of reserves are available to respond to this. It is important therefore to retain earmarked reserves for particular risks e.g. volatility of business rates. This means that any volatility in year can be managed through reserves rather than affecting services during that year. This protects service delivery by ensuring that there is no knee jerk reaction whilst allowing time to plan for the future.

Currently of the £17 million of usable reserves above, £8.1 million is earmarked for specific use including the renewals reserve, the infrastructure reserve and the “invest to grow the business” reserve. The remaining £8.9 million relates to the revenue reserve, which has been earmarked to fund part of the capital programme in 2017/18 but will also be needed to support the reduction in funding of the revenue budget in future years.

2.4 As shown above in 2.3 it would be prudent not to use all of the £24 million to finance the capital programme. Of the Useable Reserves, the Renewals Reserve, the Non-Commercial Assets Replacement Reserve, the Car Park Upgrades Reserve, the 3G Pitch Renewal Reserve, the Enterprise Zone Reserve and the Low Cost Housing Reserve relate wholly or partly to capital expenditure. The proposed total resources available to finance the current capital programme going forward from 2018/19 and slippage from 2017/18 will be in the region of £73.6 million as set out below:

Resources	**£million**
Capital Receipts	20.2
Grants	9.9
Revenue Reserves	6.4
Subtotal before Borrowing	*36.5*
Net Internal Borrowing	(2.0)
External Borrowing	39.1
Total	**73.6**

The consequence of funding the capital programme with these resources is a reduction in the amount of cash available to invest and therefore a reduction in income from investments which supports the revenue budget. However, this is mitigated by the Council investing in commercial property to achieve revenue income, the cost of which is classed as capital expenditure.

There is internal borrowing of cash from the Council’s cash balances which is repaid over the planning period. The use of reserves means that the Council’s cash is projected to reduce to £11 million by March 2023. This reduction means that further capital expenditure in this period would need to be funded from generating additional resources or external borrowing.

3. Approach to Borrowing

3.1 The consequence of the funding position outlined in Section 2 is that the Council will be in a position where it will be required to borrow to finance any additional capital expenditure in the coming period. However, any borrowing must be affordable in line with the requirements of the prudential code.

3.2 The need to borrow is not based on our levels of investment balances/reserves but on the Council's capital financing requirement (CFR). A certain level of cash will still be required for working capital; this can be held in money market funds, call accounts and short term investments. However, the Council will not be permitted to make long term investments.

3.3 The total amount of debt that the Council can take on needs to be affordable. Affordability will be kept under review as part of the Treasury Management Strategy and when setting revenue and capital budgets. There is no single measure of affordability, but it will include the revenue costs of borrowing as a proportion of total expenditure and total debt relative to total income. It will reflect the need for prudence along with risk appetite of the Council, which is higher than for a typical District Council.

3.4 The current interest rate environment means that interest rates are lower for shorter borrowing periods and higher for longer loans. Therefore, the Council could borrow short term even for long life assets, re-borrowing as loans mature. The risk with this approach is if short term rates rise relative to long term rates. It would therefore be prudent to have some longer term loans to guard against this risk.

3.5 There are many sources of borrowing available to the Council and it is likely that the Council will utilise a mix of these to spread the risk around loan maturities and future interest rates. Sources include:

- Public Works Loan Board (PWLB)
- Borrowing from other local authorities
- Borrowing via the Municipal Bonds Agency (MBA)
- Borrowing from institutions such as the European Investment Bank and directly from commercial banks
- Borrowing from the money markets

- Local Authority stock issues and bills
- Commercial paper
- Structured finance

4. Priorities for the Capital Programme

4.1 Within the funding constraints outlined above, it is necessary to set clear priorities for capital expenditure. All expenditure proposals require a clear business case to justify the expenditure. The policy on capitalisation is included in the Council's annual accounts. Capital expenditure is authorised by Cabinet and Full Council through the budget setting process and monitored on a quarterly basis through reports to Cabinet.

4.2 Capital expenditure is categorised into one of three categories. This categorisation clarifies whether the funding for the capital expenditure will ultimately be repaid from income generated by this expenditure or from general revenue.

1. Commercial: Where the return on investment will exceed the costs of borrowing and pay back over time.
2. Operational: Where the investment is required to ensure continued service delivery.
3. Health and Safety: Where the investment is required to ensure the Council meets its health and safety obligations.

4.3 Potential proposals should be assessed in line with the Corporate Plan agreed in December 2015. The table below highlights capital expenditure that is already planned or could be undertaken to meet the Council's priorities:

Economic Growth, Productivity and Prosperity	**Health, Well-being and Early Help**	**Place, Communities and Environment**	**Improving services through being business-like, efficient and entrepreneurial**
Norwich Research Park Enterprise Zone	Leisure Enhancement at Long Stratton	Development/Purchase of Low Cost/Affordable Housing	Delivering the ICT Strategy and Digital Transformation
Property Development at Poringland and Maple Park	Disabled Facilities Grants	Waste Vehicle Replacement	
Better Broadband	New/enhanced Leisure facilities in partnership with other bodies	Expansion of Ketteringham Depot	
Commercial Waste Bins	Further enhancement of SNC Leisure Facilities	Toilet Refurbishments	
Further Commercial/Residential Property Development		Waste/Recycling Bin Purchases	

Appendix B: Prudential Indicators

1 Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Debt and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Accountancy Manager reports that the authority will have no difficulty meeting this requirement in 2017/18 or for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Estimates of Capital Expenditure:

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure	***2017/18 Approved £000s***	**2017/18 Estimate £000s**	**2018/19 Estimate £000s**	**2019/20 Estimate £000s**	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Total Expenditure	*13,363*	18,114	40,831	16,528	6,247	5,986	2,056

3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	***2017/18 Approved £000s***	**2017/18 Estimate £000s**	**2018/19 Estimate £000s**	**2019/20 Estimate £000s**	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Capital Receipts & funding brought forward	*2,089*	2,925	0	0	0	77	1,928
LSVT Receipts	*478*	282	304	225	0	0	0
Capital Receipts in year	*5,880*	552	5,680	300	6,300	6,350	350
Government and Other Grants	*3,216*	849	7,208	930	852	780	780
Revenue Contributions	*5,327*	6,574	1,489	2,043	1,072	905	905
Total Financing	***16,990***	**11,182**	**14,681**	**3,498**	**8,224**	**8,112**	**3,963**
Internal borrowing	*4,007*	1,999	99	0	(1,900)	(198)	0
Unsupported borrowing	*6,647*	4,933	26,051	13,030	0	0	0
Total Funding	***10,654***	**6,932**	**26,150**	**13,030**	**(1,900)**	**(198)**	**0**
Total Financing and Funding	***27,644***	**18,114**	**40,831**	**16,528**	**6,324**	**7,914**	**3,963**

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The ratio is negative for councils in a net investment position. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	***2017/18 Approved %***	**2017/18 Estimate %**	**2018/19 Estimate %**	**2019/20 Estimate %**	**2020/21 Estimate %**	**2021/22 Estimate %**	**2022/23 Estimate %**
General Fund	*(0.50)*	(0.86)	2.78	5.47	7.39	7.31	7.29

4.3 The Council's capital plans, as estimated in forthcoming financial years, have an impact on revenue expenditure due to the loss of interest from the capital receipts that will be spent in the capital programme and the costs of borrowing. This loss will be partly offset by the increase in investment properties and greater use of Council Assets (e.g. Leisure Centres) which will give a revenue return.

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

Capital Financing Requirement	***2017/18 Approved £000s***	**2017/18 Estimate £000s**	**2018/19 Estimate £000s**	**2019/20 Estimate £000s**	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Total CFR	*13,306*	6,932	33,035	45,761	43,259	42,444	41,810

Actual External Debt as at 31/03/2017	**£000s**
Borrowing	0
Other Long-term Liabilities	0
Total	**0**

6. Authorised Limit and Operational Boundary for External Debt:

6.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

6.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

6.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	***2017/18 Approved £000s***	**2017/18 Revised £000s**	**2018/19 Estimate £000s**	**2019/20 Estimate £000s**	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Borrowing	*13,000*	13,000	39,035	51,761	51,761	51,761	51,761
Other Long-term Liabilities	*200*	200	400	400	400	400	400
Total	***13,200***	**13,200**	**39,435**	**52,161**	**52,161**	**52,161**	**52,161**

6.4 The Operational Boundary has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

6.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt	***2017/18 Approved £000s***	**2017/18 Revised £000s**	**2018/19 Estimate £000s**	**2019/20 Estimate £000s**	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
Borrowing	*6,647*	6,932	33,035	45,761	43,259	42,444	41,810
Other Long-term Liabilities	*100*	100	200	200	200	200	200
Total	***6,747***	**7,032**	**33,235**	**45,961**	**43,459**	**42,644**	**42,010**

6.6 The Section 151 Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of Cabinet.

7. Interest Rate Exposure

7.1 The Council will manage the extent to which it is exposed to changes in interest rates.

7.2 It will manage its variable rate debt exposure to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. This approach allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

7.3 Decisions will be made for drawing down new loans on a fixed or variable rate basis; and will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

8. Credit Risk:

8.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

8.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

8.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum long term rating of A- or equivalent) and, only for those outside the UK, its sovereign (minimum AAA or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);

- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

8.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

9. Maturity Structure of Borrowing:

9.1 The authority sets upper and lower limits for the proportion of borrowing at both fixed and variable rates that is repayable within defined timescales (maturity is defined as the earliest date at which the loan could be required to be repaid).

Maturity structure of borrowing	**2018/19 Estimate %**	**2018/19 Estimate %**
	Lower Limit (Cumulative)	**Upper Limit (Cumulative)**
Under 12 months	0%	20%
12 months to 2 years	0%	40%
2 years to 5 years	0%	60%
5 years to 10 years	0%	80%
10 years and above	0%	100%

10. Upper Limit for total principal sums invested over 364 days:

10.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 365 days	***2017/18 Approved £000s***	**2017/18 Revised £000s**	**2018/19 Estimate £000s**	**2019/20 Estimate £000s**	**2020/21 Estimate £000s**	**2021/22 Estimate £000s**	**2022/23 Estimate £000s**
	15,000	15,000	15,000	15,000	15,000	15,000	15,000

Appendix C: Economic and Interest Rate Forecasts from Link Asset Services (as at 4.1.18)

UK. After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure.

However, growth picked up in quarter 3 to 0.4% and in quarter 4 there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, the manufacturing sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole. Growth in quarter 4 is expected to be around 0.4% again which would see annual growth in 2017 coming in at around 1.7 – 1.8%, almost as strong as the recently upwardly revised figure for 2016 of 1.8%, (which meant that the UK was equal to Germany as having the strongest GDP growth figure for the G7 countries in 2016).

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in its words warning that Bank Rate will need to rise. Recent Bank of England Inflation Reports have flagged up that they expected CPI inflation to peak at just over 3% in late 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 3.1% in November. The reason why the MPC became so aggressive with its wording in September and November around increasing Bank Rate was due to an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It was therefore no surprise that the MPC increased Bank Rate by 0.25% to 0.5% in November. However, their forward guidance of two more increases of 0.25% by 2020 was viewed as being more dovish than markets had expected. However, some forecasters are flagging up that they expect growth to improve significantly in 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weaker services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on more than one increase in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

EU. Economic growth in the EU, (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and 0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was only 1.2%. It is therefore unlikely to start on an upswing in rates until possibly towards the end of 2019.

USA. Growth in the American economy has been volatile in 2015 and 2016. 2017 followed that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%, the first time since 2014 that two successive quarters have been over 3%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1% in November, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on an upswing in rates with four increases since December 2016 to lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. In October, the Fed became the first major western central bank to make a start on unwinding quantitative easing by phasing in a start to a gradual reduction of reinvesting maturing debt.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation anywhere near to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

Link Asset Services undertook its last review of interest rate forecasts on 7 November after the quarterly Bank of England Inflation Report and MPC meeting. As expected, the MPC policy raised Bank Rate by 0.25% to 0.50%. The MPC also gave forward guidance that they expected to raise Bank Rate by 0.25% only twice more in the next two years to reach 1.0% by 2020. This was very much in line with previous guidance that Bank Rate would only go up very gradually and to a limited extent.

The overall balance of risks to economic recovery in the UK is probably currently to the downside due to the uncertainties around Brexit; however, given those uncertainties, there is a wide diversity of possible outcomes for the strength of economic growth and inflation, and the corresponding speed with which Bank Rate could go up.

Appendix D: Recommended Sovereign and Counterparty List

Credit Rating: AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

Maximum to be invested in any one overseas country £3 million,

Credit Rating: AA+

- U.K.

For Instruments limited to Term Deposits / CDs / Call Accounts

Country/ Domicile	Counterparty	Maximum Counterparty Limit £m	Maximum Term for New Investments
UK	Bank of Scotland (Lloyds Banking Group)	£10 million	12 months
UK	Lloyds TSB (Lloyds Banking Group)	£10 million	12 months
UK	Lloyds Bank Plc (Lloyds Banking Group)	£10 million	12 months
UK	Barclays Bank Plc	£12.5 million	6 months
UK	HSBC Bank Plc	£12.5 million	2 years
UK	Nationwide Building Society	£7.5 million	12 months
UK	NatWest (RBS Group)	£10 million	2 years
UK	Royal Bank of Scotland (RBS Group)	£10 million	2 years
UK	Standard Chartered Bank	£7.5 million	12 months
UK	Citibank International	£7.5 million	12 months
UK	Goldman Sachs International	£7.5 million	12 months
UK	Merrill Lynch International	£7.5 million	12 months
UK	Sumitomo Mitsui Banking Corporation Europe	£5 million	12 months
UK	UBS Ltd	£7.5 million	12 months
UK	Close Brothers Limited	£5 million	12 months
UK	Local Authorities	£5 million	5 years
UK	Building Societies credit rated in investment grade category	£5 million	12 months
Australia	Australia and New Zealand Bank Group	£3 million	2 years
Australia	Commonwealth Bank of Australia	£3 million	2 years
Australia	National Australia Bank	£3 million	2 years
Australia	Westpac Banking Corporation	£3 million	2 years
Canada	Bank of Montreal	£3 million	2 years
Canada	Bank of Nova Scotia	£3 million	2 years
Canada	Canadian Imperial Bank of Commerce	£3 million	2 years
Canada	National Bank of Canada	£3 million	2 years

Canada	Royal Bank of Canada	£3 million	2 years
Canada	Toronto-Dominion Bank	£3 million	2 years
Denmark	Danske Bank	£3 million	2 years
Germany	DZ Bank	£3 million	2 years
Germany	Heleba	£3 million	1 year
Germany	KfW	£3 million	2 years
Germany	Landwirtschaftliche Rentenbank	£3 million	2 years
Netherlands	Bank Nederlandse Bank	£3 million	2 years
Netherlands	ING	£3 million	1 year
Netherlands	Rabobank	£3 million	1 year
Singapore	DBS Bank Ltd	£3 million	2 years
Singapore	Oversea-Chinese Banking Corp	£3 million	2 years
Singapore	United Overseas Bank	£3 million	2 years
Sweden	Nordea Bank AB	£3 million	1 year
Sweden	Skandnaviska Enskilda Banken	£3 million	1 year
Sweden	Svenska Handelsbanken	£3 million	2 years
Sweden	Swedbank	£3 million	1 year

***Please note this list could change if, for example, a counterparty is regraded, and meets other creditworthiness tools.*

Group Limits - For institutions within a banking group, the total amount invested cannot exceed the highest individual limit of a single bank within that group, i.e. there is no aggregation of limits.

Term limits are based on advice from our Treasury Management advisors and the judgement of the Council's Section 151 officer. They are reviewed regularly during the year as market conditions change, and will be revised accordingly during the year.
The limits above are the maximum that the Council could go to and operationally a more cautious approach will be adopted if deemed necessary.

Appendix E: Treasury Management Policy Statement

1. INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities, including policies where the Council has commercial investments held for financial return.

- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, half yearly reviews and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management."

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yield earned on investments remain important but are secondary and tertiary considerations respectively.

2.6 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.6 Where the Council has made commercial investments in property, in wholly owned companies or in joint ventures, the performance of these investments will be monitored and reported in line with the overall Treasury Management policy.

3. THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The Section 151 Officer has responsibility for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;

- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Scrutiny Committee – Work Programme

In setting future Scrutiny **TOPICS**, the Committee is asked to consider the following: **T** imely – **O** bjective – **P** erformance – **I** nterest – **C** orporate Priority

T Is this the right **time** to review this issue and is there sufficient **Officer time** and resource to conduct the review? What is the **timescale**?
O What is the reason for review; do officers have a clear **objective**?
P Can **performance** in this area be improved by input from Scrutiny?
I Is there sufficient **interest** (particularly from the public)? The concerns of local people should influence the issues chosen for scrutiny.
C Will the review assist the Council to achieve its **Corporate Priorities**?

STANDING ITEM: Chairman's briefing regarding collaborative working with Broadland District Council.

Date of meeting	Topic	Organisation / Officer / Responsible member	Objectives
21 Feb 2018	*To be held in the event of a call-in only*		
4 April 2018	*No items scheduled*		
16 May 2018	Review of Member Ward Grant spending	Head of Early Help & Cllr M Edney	For members to review the grants awarded from Member Ward budget. The Committee to make appropriate recommendations in relation to the operation of and Member Ward Budget
27 June 2018	Review of the Leisure Centre Refurbishments / Enhancements	Head of Health and Leisure Services & Cllr Y Bendle	For members to receive details of usage, income and membership figures since the refurbishments and improvements of the Council's Leisure Centres. The Committee to evaluate the impact of the enhancements and whether the outcomes have met targets set and delivered an increase in membership numbers and usage in comparison to previous figures. Members to make recommendations as appropriate. Members to also receive details of Council expenditure in relation to the Leisure Centres.
27 June 2018	Review of interim arrangements of collaborative working (planning)	Head of Business Transformation & Cllr K Mason Billig	For members to consider a review the impact of the interim arrangements with regarding to the Planning Department and make recommendations as appropriate.
8 Aug 2018	*To be held in the event of a call-in only*		
26 Sept 2018	*No items scheduled*		

Date of meeting	Topic	Organisation / Officer / Responsible member	Objectives
21 Nov 2018	*No items scheduled*		
19 Dec 2018	*No items scheduled*		

Scrutiny Recommendation Tracker 2016/17

Date	Topic	Responsible Officer	Resolution and Recommendations	Progress	Outcome
25 May 2017	REVIEW OF THE COUNCIL'S COMPLIANCE AND ENFORCEMENT POLICY	Development Manager	**The Committee RESOLVED:** 1. to endorse the proposals set out in paragraph 4 of the report and note that a training session, as detailed in paragraph 4, had been arranged for all members and would take place on 29 November 2017; 2. to recommend that officers email town and parish council clerks to bring the Enforcement Policy to their attention, in order to highlight the process and powers available to South Norfolk Council. This email would include references to permitted development; 3. to recommend that officers review the Scheme of Delegation with regard to enforcement action and recommend changes to Council, as appropriate.	No action required Email sent to town and Parish Clerks Officers have reviewed the Scheme of Delegation and made recommendations to Council, which were accepted. The Scheme of Delegation has been updated.	Members gained a better understanding of the enforcement process. In doing so, members made a number of recommendations, which have been fully accepted. The changes to the scheme of delegation has provided a more streamlined process that can more effectively deal with issues as they arise, whilst involving local members in the resolution.
28 June 2017	UPDATE FROM THE COUNCIL'S REPRESENTATIVE ON NORFOLK HEALTH AND OVERVIEW SCRUTINY COMMITTEE	Cllr N Legg	The Committee thanked Cllr Legg for his update	No action required	The Committee learned of the topic being discussed by the Norfolk Health and Overview Scrutiny Committee and were able to consider whether input from South Norfolk Council might benefit the progress or outcome of any of the issues raised.

Date	Topic	Responsible Officer	Resolution and Recommendations	Progress	Outcome
28 June 2017	WASTE AND RECYCLING COLLECTION SERVICE	Bob Wade	To note the contents of the report	No action required	The Committee was pleased to learn that the remodelling of the Council's recycling and collection service has realised its objectives and achieved the financial savings anticipated. Therefore, members did not consider that any recommendations were required.
15 Nov 2017	REVIEW OF THE COMMUNITY ACTION FUND AND MEMBER WARD GRANT SPENDING	Mike Pursehouse	**RESOLVED**: to recommend to Cabinet that: 1. Internal auditors examine the grants process to assess the scheme to ensure compliance and that objectives are being achieved; 2. Members are reminded that to comply paragraph 4.6 of the Ground Rules in relation to a transparent audit trail of decisions, members should ensure that details in the Member Ward Grant decision notice adequately outlines what the money is being spent on and the outcomes to be achieved; 3. Members are reminded that to comply with paragraph 7.6 of the Ground Rules in relation to the delivery of funded projects and activities, members must make sure that money is being spent appropriately and ensure that delivery is as agreed. In doing so, it is also recommended that the table outlining spend of the Member Ward Grants, which is published on the council's website, includes an additional column to indicate when the local member has undertaken	Cabinet agreed to all recommendations	The Head of Early Help will ensure that the recommendations are acted upon and that the amendments subsequently agreed by Cabinet are adopted.

Date	Topic	Responsible Officer	Resolution and Recommendations	Progress	Outcome
			this; 4. The Ground Rules be amended at paragraph 7.4 in respect of unspent monies so that from 2018/19, any unspent monies in the Member Ward Grant budget as at 1 January is allocated to the Community Action Fund (CAF). If those monies total £10,000 or above, then a CAF Panel should be arranged before the end of the financial year. If the monies total £9,999 or below, the money will be rolled over to the next financial year.		
2 Jan 2018	BROADLAND AND SOUTH NORFOLK – COLLABORATIVE WORKING OPPORTUNITIES	Hannah Ralph	**RESOLVED** to: 1. Endorse Recommendation 1 in the report; 2. Endorse Recommendation 2 in the report; 3. Endorse Recommendation 3 in the report and that South Norfolk Council's Scrutiny Committee consider the review in 6 months-time at its meeting scheduled for 27 June 2018; 4. Endorse Recommendation 4 in the report and recommend to Cabinet that the additional wording: "regarding shared posts where vacancies arise and other contract opportunities" be added after the wording: "to pursue other early opportunities…" 5. Add a standing item to the Scrutiny Committee work programme to allow the Chairman to update the Committee on work undertaken at the Joint Scrutiny Group	Cabinet agreed to all recommendations Standing Item added to the Work Programme for future agenda items	Members found the pre-scrutiny of this item insightful and made valuable recommendations to Cabinet in light of discussions at the Committee. Members also benefitted from information put before the Committee.

Date	Topic	Responsible Officer	Resolution and Recommendations	Progress	Outcome
			meetings; 6. Recommend that the Head of Business Transformation seek the views of the Broadland District Council's Scrutiny Committee and communicate this, as required; and 7. Recommend that Officers expand on the rationale contained within the report prior to its consideration by Cabinet on 8 January 2018.		
24 Jan 2018	REVIEW OF THE 2018/19 BUSINESS PLAN	Emma Pepper	**TO RECOMMEND THAT CABINET:** 1. Approves the 2018/19 Business Plan, subject to: a) An explanation in the Plan, as to why some activities are repeated across different themes, and how spend is apportioned; b) That officers check the £145k capital spend against activity M4 MFT/OD. 2. That in future years: a) The Plan details sources of funding that have been secured in relation to identified capital spend, i.e grant, income or loan; b) Where capital costs exceed £250k, a brief explanation is provided regarding what the spend is for.	a) Business Plan update to reflect b) Information checked and Plan updated accordingly Recommendations to be presented to Cabinet	

CABINET CORE AGENDA 2018

	Decisions: Key, Policy, Operational	Key Decision/Item	Lead Officer	Cabinet Member	Exempt Y/N
5 Feb	O	Performance Risks and Finance Budget PositionQ3	E Goddard / A Mewes /M Fernandez-Graham	B Stone	N
	O	Proposed 2018-19 Business Plan	A Mewes	B Stone	N
	O	Budget Consultation 2018/19	M Fernandez-Graham	B Stone	N
	K	Revenue Budget, Capital Programme and Council Tax 2017/18	M Fernandez-Graham	B Stone	N
	O	Treasury Management Strategy April 2018 to March 2021	M Fernandez-Graham	B Stone	N
	K	Adoption of Norfolk Strategic Planning Framework	S Marjoram	J Fuller	N
	K	Greater Norwich Joint Five Year Infrastructure Investment Plan 18/19 – 22/23	S Marjoram	J Fuller	N
	O	Leisure Pricing 2018/19	S Goddard	Y Bendle	N
Council 19 February					
19 Mar					
	O	Guidelines for Recreation Provision in New Residential Development s – Revised Consultation Draft	S Marjoram	J Fuller	N
	K	Economic Growth Strategy	N Cunningham	J Fuller	N
30 April	O	Statement of Co-operation with Waveney District Council	S Marjoram	J Fuller	N

Council AGM 14 May					
11 June	K	Legal Services	E Hodds	K Mason Billig	N
	O	Performance, Risk and Capital Budget Position Report for the Financial Year 2017/18	A Mewes/M Fernadez-Graham/E Goddard	B Stone	
Council 9 July					
23 July	O	Performance, Risk and Capital Budget Position Report for Q1 2018/19	A Mewes/M Fernadez-Graham/E Goddard	B Stone	
10 Sept					
Council 17 September					
5 Nov	O	Performance, Risk and Capital Budget Position for Q2 2018/19	A Mewes/M Fernadez-Graham/E Goddard	B Stone	
3 Dec					
Council 10 December					

Key decisions are those which result in income, expenditure or savings with a gross full year effect of £100,000 or 10% of the Council's net portfolio budget whichever is the greater which has not been included in the relevant portfolio budget, or are significant (e.g. in environmental, physical, social or economic) in terms of its effect on the communities living or working in an area comprising two or more electoral divisions in the area of the local authority.