Cabinet

NORTH NORFOLK DISTRICT COUNCIL

Please Contact: Emma Denny

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25th January 2019

A meeting of the **Cabinet** of North Norfolk District Council will be held in the Council Chamber at the Council Offices, Holt Road, Cromer on **Monday 04 February 2019 at 10.00am**

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

Members of the public who wish to ask a question or speak on an agenda item are requested to arrive at least 15 minutes before the start of the meeting. It will not always be possible to accommodate requests after that time. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516010, Email: democraticservices@north-norfolk.gov.uk

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so should inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed.

Emma Denny
Democratic Services Manager

All other Members of the Council for information.
Members of the Management Team, appropriate Officers, Press and Public.

IN TRAN communication for all

If you have any special requirements in order to attend this meeting, please let us know in advance
If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. MINUTES (page 9)

To approve, as a correct record, the minutes of the meeting of the Cabinet held on 3rd December 2018.

3. PUBLIC QUESTIONS & STATEMENTS

To receive questions and statements from the public, if any.

4. ITEMS OF URGENT BUSINESS

To determine any other items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B(4)(b) of the Local Government Act 1972.

5. DECLARATIONS OF INTEREST

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The Code of Conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

6. MEMBERS QUESTIONS

To receive oral questions from Members, if any.

7. OVERVIEW & SCRUTINY MATTERS

To consider any reports and recommendations from the Overview & Scrutiny Committee.

8. RECOMMENDATIONS FROM CABINET WORKING PARTIES

To consider any recommendations from Cabinet Working Parties

9. 2019/20 BUDGET REPORT (page 17)

(Appendix A – p.42) (Appendix B – p.43) (Appendix C – p.68) (Appendix D – p.69) (Appendix E – p.72) (Appendix F – p.78)

Summary:	This report presents for approval the 2019/20 budget along with the latest financial projections for the following three years to 2022/23 and follows on from the draft budget update provided to the Overview and Scrutiny Committee on 16 January 2019.
Options considered:	The budget for the forthcoming financial year must be set annually. While there are options around the individual budgets presented for approval i.e. what is included in the budget for 2019/20, the overall position now presented for approval is the culmination of work carried out by officers and Members over a number of months, details of which are provided within the report.

Conclusions:	The Council's budget is set for approval each year; for the first time this year it has been present to the Overview and Scrutiny Committee for pre-scrutiny before going to Cabinet and ultimately Full Council. This report now presents a balanced budget for 2019/20 and also presents the latest financial projections for the following three financial years, 2020/21 to 2022/23. The budget has been produced based on a number of assumptions as detailed within the main body of the report and also reflects the provisional finance settlement announced on 13 December 2018. The report recommends that the surplus for the year is allocated to the Invest to Save reserve. The report also outlines the risks facing the Council in setting the budget and forecasting future spending plans and resources.

Recommendations:

It is recommended that Cabinet agree and where necessary recommend to Full Council:

1) **The 2019/20 revenue budget as outlined at Appendix A;**
2) **The surplus of £224,253 is allocated to the Invest to Save reserve as outlined in the report;**
3) **The demand on the Collection Fund for 2019/20, subject to any amendments as a result of final precepts still to be received be:**
   a. **£6,240,604 for District purposes**
   b. **£2,321,490 (subject to confirmation of the final precepts) for Parish/Town Precepts;**
4) **The statement of and movement on the reserves as detailed at Appendix E;**
5) **The updated Capital Programme and financing for 2019/20 to 2021/22 as detailed at Appendix F;**
6) **That £58k is allocated from the Communities reserve to extend the Sports Development team for a further year until the end of March 2020;**
7) **That Members note the current financial projections for the period 2019/20 to 2021/22;**

Reasons for Recommendations:	To recommend a balanced budget for 2019/20 for approval by Full Council.

Cabinet member	Cllr E Seward
Ward Member(s)	All
Contact Officer telephone and e-mail:	Lucy Hume 01263 516246 lucy.hume@north-norfolk.gov.uk

10. TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20 (page 79)

Summary:	This report sets out details of the Council's treasury management activities and presents a strategy for the prudent investment of the Council's surplus funds, as well as external borrowing.
Options Considered:	Alternative investment and debt options are continuously appraised by the Council's treasury advisors, Arlingclose and all appropriate options are included within this Strategy.
Conclusions:	The preparation of this Strategy Statement is necessary to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services.
Recommendations:	That the Council be asked to RESOLVE that The Treasury Management Strategy Statement is approved.
Reasons for Recommendation:	The Strategy provides the Council with a flexible treasury strategy enabling it to respond to changing market conditions and ensure the security of its funds, as well as secure borrowing at the best value.

Cabinet member	Cllr E Seward
Ward Member(s)	All
Contact Officer	Lucy Hume
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11. CAPITAL STRATEGY 2019/20 (page 92)

Summary:	This report sets out the Council's Capital Strategy for the year 2019-20. It sets out the Council's approach to the deployment of capital resources in meeting the Council's overall aims and objectives while providing the strategic framework for the effective management and monitoring of the capital programme.
Options Considered:	This report must be prepared to ensure the Council complies with the CIPFA Treasury Management and Prudential Codes.
Conclusions:	The Council is required to approve a Capital Strategy to demonstrate compliance with the Codes and establishes the strategic framework for the management of the capital programme.
Recommendation:	That Cabinet recommends to Full Council that; The Capital Strategy and Prudential Indicators for 2019-20 are approved.
Reasons for Recommendation:	Approval by Council demonstrates compliance with the Codes and provides a framework within which to consider capital investment decisions.

Cabinet member	Cllr E Seward
Ward Member(s)	All
Contact Officer	Lucy Hume
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12. INVESTMENT STRATEGY 2019/20 (page 102)

Summary:	This report sets out the Council's Investment Strategy for the year 2019-20. It sets out the Council's approach to investing its money along three broad themes; treasury management investments, service investments and commercial investments – focussing predominantly on the latter two categories.
Options Considered:	This report must be prepared to meet the requirements of statutory guidance issued by the government in January 2018.
Conclusions:	The Council is required to approve an Investment Strategy to demonstrate compliance with statutory guidance
Recommendation:	To approve the Investment Strategy 2019/20
Reasons for Recommendation:	Approval by Council demonstrates compliance with the Codes and provides a framework within which to consider capital investment decisions.

Cabinet member	Cllr E Seward
Ward Member(s)	All
Contact Officer	Lucy Hume
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13. RATE RELIEF POLICY (page 109)
(Appendix A – p.113) (Appendix B – p.129) (Appendix C – p.130) (Appendix D – p.135) (Appendix E – p.138)

Summary:

1. In the Budget on 29 October 2018 the Chancellor announced the Government would award a one third Retail Discount for retail property with a rateable value below £51,000 for two years 2019/20 and 2020/21.

2. The 2018 Autumn Statement confirmed the Government would extend the business rates local newspaper discount for another year until 31st March 2020. The scheme will be available to local newspapers that occupy office space. Under the scheme, eligible local newspaper businesses will continue to receive up to a £1,500 discount on their bill for the 2019/20 financial year.

3. In the Budget on 8 March 2017 the Chancellor announced the Government would make available a discretionary fund of £905,000 to North Norfolk DC over four years from 2017/2018 to

support those businesses facing the steepest increases in their business rates bills as a result of the 2017 revaluation. The Local Discretionary Revaluation Banded Relief Scheme fund for 2019/20 is £105,000 and will be allocated by band as in previous years as agreed by the Norfolk working party.

4. In the Budget on 8 March 2017 the Chancellor announced the Government would also make available a Supporting Small Business Relief for businesses that had a Rateable Value (RV) increase from 1 April 2017 caused by the revaluation and as a consequence lost Small Business Rates Relief or Rural Rate Relief. This relief to be awarded will limit any increase in the rates to £600 per year for 5 years and 2019/20 is the third year of this relief.

5. The 2016 Autumn Statement confirmed the doubling of rural rate relief available to eligible businesses from 50% to 100%. The Government subsequently set out their intention to amend the relevant primary legislation to require local authorities to grant 100% mandatory rural rate relief. Following the decision not to reintroduce the Local Government Finance Bill, for 2018/19 the Government expects local authorities to continue to use their discretionary relief powers to grant 100% rural rate relief to eligible ratepayers, as they have done so for 2017/18 and 2018/19.

The Government expects local authorities to use their discretionary relief powers to grant these reliefs. All of the above will be compensated in full for our loss of rates income as a result of these changes. This compensation will be paid by section 31 grant and calculated on the basis of the returns that councils make under the rates retention scheme.

The Council's Discretionary Rate Relief Policy has been revised to reflect these changes.

Conclusions:	The policy has been updated to reflect the extended schemes announced and includes guidelines as to how the schemes are to be implemented and the financial implications on the authority.
Recommendations:	**It is agreed that Cabinet note this report and recommend to Full Council that the Rate Relief Policy is revised as indicated in Appendix A and C.**
Reasons for Recommendations:	The new policy effective from April 2019 will enable the Retail Discount, the scheme for local newspaper discount, the local revaluation relief scheme, Supporting Small Business Relief and the Rural Rate Relief to be awarded discretionary reliefs in 2019-20 onwards.

Cabinet member	Cllr E Seward
Ward Member(s)	All
Contact Officer	Sean Knight
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14. ENFORCEMENT UPDATE (page 140)

Summary: This report provides an update for Members on the work of the Enforcement Board and Combined Enforcement Team over the past six months and also gives an assessment of progress made since the Board's inception over 5 years ago.

The Enforcement Board has dealt with a number of difficult and long-standing properties and, since the last report, significant progress is being made on many other properties that are subject to major renovation projects.

The Board has also overseen more data matching to quality assure the records held for long-term empty properties.

The Combined Enforcement Team plays a key role in targeting, monitoring and overseeing renovation works to bringing back properties to use and also in taking forward Planning Enforcement case work. The Combined Enforcement Team similarly has provided real progress especially in Planning and property level revenues enforcement

Conclusions: The Enforcement Board and Combined Enforcement Team continues to make significant progress towards its objectives of dealing with difficult and long-standing enforcement cases and bringing long term empty properties back into use, across all areas of the District, with both social and economic benefits to the community, and financial benefits to the Council.

Recommendations:

1. **That Cabinet notes the continued progress of the Enforcement Board.**
2. **That Cabinet note the data collection work supporting the reduction in long term empty properties.**
3. **That Cabinet notes the continued progress of the Combined Enforcement Team**

Reasons:

1. To ensure appropriate governance of the Board's activities
2. To highlight the data quality improvements required to sustain empty homes works.
3. To show the progress of Combined Enforcement Team cases and contribution to the work of the Enforcement Board

Cabinet members	Cllrs E Seward, K Ward & N Lloyd
Ward Member(s)	All
Contact Officer	Nick Baker
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15. EXCLUSION OF PRESS AND PUBLIC

To pass the following resolution:

"That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 of Part I of Schedule 12A (as amended) to the Act."

16. PRIVATE BUSINESS

CABINET

Minutes of the meeting of the Cabinet held on Monday 03 December 2018 at the Council Offices, Holt Road, Cromer at 10.00 am

Members Present:

Mrs S Bütikofer	Mr N Lloyd
Mrs H Cox	Mr E Seward
Mr N Dixon	Ms K Ward
Mrs A Fitch-Tillett	

Also attending:

Mrs S Arnold	Mr N Pearce
Mrs A Claussen-Reynolds	Mr R Price
Ms V Gay	Mr R Reynolds
Mrs P Grove-Jones	Mr R Shepherd
Mr B Hannah	Mr B Smith
Mr M Knowles	

Officers in Attendance: The Heads of Paid Service, the Monitoring Officer, the Head of Finance and Asset Management, the Policy & Performance Manager and the Democratic Services Manager

Press: Present

78. APOLOGIES FOR ABSENCE

None

79. MINUTES

The minutes of the meeting held on 29th October 2018 were approved as a correct record and signed by the Chairman.

80. PUBLIC QUESTIONS

None.

81. ITEMS OF URGENT BUSINESS

None

82. DECLARATIONS OF INTEREST

Cllr N Lloyd declared an interest in Agenda Item 13: North Walsham Artificial Grass Pitch. He said that he was a Governor at North Walsham High School.

83. MEMBERS QUESTIONS

No questions were submitted prior to the meeting but the Chairman confirmed that Members could ask questions as each item arose.

Cllr A Claussen-Reynolds said that she would like to ask Cllr Lloyd, Portfolio Holder for Environment, a question regarding the recent announcement that the Council's waste contractor, Kier, had announced a rescue rights issue. She asked for an update on Kier's capital position. The Monitoring Officer advised Members that they could only ask questions on items of business on the agenda – as outlined in the Standing Orders. She said that general questions and answers to Cabinet Members could be raised at meetings of Full Council. Given the importance of the issue raised, the Leader asked the Head of Paid Service (NB) to respond. He said that he was not aware of the issue raised by Cllr Claussen-Reynolds but that he would look into it and consider the impact for NNDC and the waste contract. A written response would be sent to all Members by the end of the week.

Cllr S Arnold queried the advice regarding members' questions. She said that it should be made clearer on the agenda that they should only relate to agenda items.

Cllr R Price referred to the Cabinet decision on the Egmere Business Zone. He asked why the review of the business case was being progressed and what the acceptable minimum return would be for the new administration. He asked for a written response on the cost of the review of the business case.

84. OVERVIEW & SCRUTINY COMMITTEE MATTERS

None

85. RECOMMENDATIONS FROM CABINET WORKING PARTIES

None

86. FEES AND CHARGES 2019/20

Cllr E Seward, Portfolio Holder for Finance, introduced this item. He explained that the fees and charges would be used to inform the income budgets for 2019/20.

It was proposed by Cllr Seward, seconded by Cllr H Cox and

RESOLVED

To agree and recommend to Full Council:
a) The fees and charges from 1 April 2019 as included in Appendix A.
b) That Delegated Authority be given to the Section 151 Officer, in consultation with the Portfolio Holder for Finance and relevant Heads of Service, to agree those fees and charges not included within Appendix A as required as outlined within the report

Reasons for the decision:

To approve the fees and charges as set out in the report that will be used to inform the 2019/20 budget process.

87. HALF YEARLY TREASURY UPDATE 2018/19

Cllr E Seward, Portfolio Holder for Finance, introduced this item. He explained that the report set out the treasury management activities undertaken during the first half of the 2018/19 financial year compared with the Treasury Management Strategy for the year.

It was proposed by Cllr Seward, seconded by Cllr K Ward and

RESOLVED to recommend to Council

That the Treasury Management Half Yearly Report 2018/19 is approved.

Reasons for the decision:

Approval by Council demonstrates compliance with the Codes.

88. DETERMINATION OF COUNCIL TAX DISCOUNTS

Cllr E Seward, Portfolio Holder for Finance, introduced this item. He outlined the proposed changes to the premium for long term empty properties which would be set at 100%. He also explained that it was proposed to award a local discount of 100% for eligible cases of care leavers under section 13A of the Local Government Finance Act 1992. Both changes were welcomed.

He then referred to the options under recommendation 2. He explained that Class A properties were those that were not an individual's sole or main residence and which had a seasonal planning prohibition preventing occupation for a continuous period of at least 28 days. Class B properties were second homes with no restrictions with regard to occupation. In 2017 the discount for Class A properties was reduced to 10%, generating several complaints from owners of properties which were built before 1948 which despite being deemed incapable of year-round occupation, were not entitled to a Council Tax exemption for this period. They were concerned about the fairness of paying a 90% charge for a property they were not able to occupy all year. Two options were being put forward – to retain the current discount for Class A properties (as agreed in 2017) or to reduce it to 35% for those properties built before 1948.

It was proposed by Cllr Seward, seconded by Cllr N Lloyd and

RESOLVED

Recommendation 1

(a) The discounts for the year 2019/20 and beyond are set at the levels indicated in the table at paragraph 2.1.

(b) The premium for long term empty properties (those that have been empty for a consecutive period longer than 24 months) is set at 100% of the Council Tax charge for that dwelling.

(c) To award a local discount of 100% for eligible cases of care leavers under section 13A of the Local Government Finance Act 1992 (as amended) as set out in paragraph 2.2.

Recommendation 2

(a) those dwellings that are specifically identified under regulation 6 of the Council Tax (Prescribed Classes of Dwellings)(England) Regulations 2003 will retain the 50% discount and;

(b) those dwellings described or geographically defined at Appendix A which in the reasonable opinion of the Head of Finance and Asset Management are judged not to be structurally capable of occupation all year round and were built before the restrictions of seasonal usage were introduced by the Town and Country Planning Act 1947, will be entitled to a 35% discount.

Reasons for recommendations:

In accordance with the relevant legislation these determinations shall be published in at least one newspaper circulating in North Norfolk before the end of the period of 21 days beginning with the date of the determinations.

To set appropriate council tax discounts which will apply in 2019/20 in accordance with the legal requirements and to raise additional council tax revenue.

89. MANAGING PERFORMANCE Q2 2018/19

Cllr E Seward, Deputy Leader, introduced this item. He explained that the purpose of the report was to give a second quarter progress report of the performance of the Council. More specifically it reported on the delivery of the Annual Action Plan 2018/19 and progress against targets. It gave an overview, identified any issues that may affect delivery of the plan and the action being taken to address these issues.

Cllr A Claussen-Reynolds referred to page 79, indicator J010 'number of employed and self-employed people (annual)' and asked how the Administration were aiming to slow the reduction in the downwards trend. It was agreed that a written response would be provided.

AGREED to

Note the report, welcome the progress being made and endorse the actions being taken by management where there were areas of concern.

90. NORTH WALSHAM ARTIFICAL GRASS PITCH

Cllr H Cox, Portfolio Holder for Leisure introduced this item. She explained that the report updated Members on the need for an artificial grass pitch (AGP) in North Walsham and identified the costs entailed, along with a potential funding and project management opportunity, in order to progress construction. The Football Foundation was willing to fund up to 60% of the project and there was also an opportunity to increase user fees and available hours to further improve the revenue position.

Cllr A Fitch-Tillett said she was pleased to see such an exciting project in North Walsham and welcomed and the promotion of the 'This Girl Can' campaign.

It was proposed by Mrs H Cox, seconded by Mrs A Fitch-Tillett and

RESOLVED to recommend to Council:

1) Approves a capital budget of £860,000 for this project, with the NNDC contribution of £374,000 to be funded by borrowing.

2) Provides delegation for the s151 Officer to be able to amend financing sources for this budget so long as these remain with the budget framework approved above.
3) Give authority for the inclusion of any ongoing revenue costs to be built in to the budget.
4) Provides delegated authority to the Joint Head of Paid Service (NB) to appoint the FA and its appointed consortium to provide the professional services required to design, and oversee the project on the Council's behalf.
5) Provides delegated authority to the Joint Head of Paid Service (NB) to appoint any other professional consultants as required to form the project team with officers and other stakeholders.
6) Provides delegated authority to the Joint Head of Paid Service (NB) to agree any lease or other property related arrangements (including the Dual Use agreement) to enable the scheme to progress.
7) Subject to the necessary business plan, funding package and approvals being forthcoming, delegates to the Joint Head of Paid Service (NB), and s151 Officer, approval of the construction contract from within the FA Framework.
8) Waives financial standing orders for the appointment of the FA in 4) and 7) above, on the basis that the FA have the necessary expertise and existing framework contracts, the use of which are a condition of their grant funding.

Reasons for the decision:

To provide the necessary budget for the project to proceed and for the necessary professional support and construction contract to be procured to complete the project.

91. LEISURE MANAGEMENT CONTRACT

Cllr H Cox, Portfolio Holder for Leisure introduced this item. She explained that the report advised members on the progress towards a new Leisure Management Contract to run the Council's three leisure centres at Cromer, North Walsham and Fakenham as well as three Dual Use Sports Centres at Stalham, North Walsham and Cromer. The report also recommended the budget provision for the initial fit out of the new Sheringham Leisure Centre which would be financially advantageous for the Council as opposed to the new contractor paying for the fit out directly. She concluded by saying that the contract had been subjected to a thorough and compliant procurement process, with Officer/Member Board involvement throughout and advice from the Council's external consultants, FMG.

It was proposed by Cllr H Cox, seconded by Cllr A Fitch-Tillett and

RESOLVED

1) That Cabinet confirms the Award of the Leisure Management Contract to Bidder X as per the Confidential Appendix; this to be finalised by officers after the necessary standstill period.

To recommend to Council:

2) That Cabinet recommends to Full Council to fund the up front, capital investment costs of £1.013m for the initial fit out of the new Sheringham Leisure Centre, as described in the confidential appendix.

Reason for the decision:

1) To complete the contract procurement process.

2) To provide the most financially advantageous option for this part of the build project, and management contract.

92. MARKET TOWNS INITIATIVE

The Leader, Cllr S Bütikofer, introduced this item. She explained that this was a cross-party initiative focussed on the district's inland market towns. A considerable number of bids had been received and those that had not been successful would receive an explanation outlining the reasons why. As all of the funding had not been allocated a further round of funding would be opened. Cllr Bütikofer said that the criteria set out in the prospectus had been applied when considering each application. She then outlined the successful bids for each town:

Fakenham:

Fakenham Town Council (A)

The application sought funding for a regenerative project that would provide a facelift for rundown shop fronts and signage in the town centre.

Agreed to recommend funding of £24,341.67.

Fakenham Town Council (B)

The application sought funding to design and print a heritage guide with a map and information about the town, to be used by residents and visitors.

Agreed to recommend funding of £2,525.

Active Fakenham

The application sought funding to coordinate, resource and market a large number of events in the town centre.

Agreed to recommend funding of £35,550.

Holt:

The Holt Society

The application sought funding to design and print a pamphlet and five notice boards to provide information on the Holt Owl Trail to residents and visitors.

Agreed to recommend funding of £7,210.

Love Holt

The application sought funding to implement a major marketing campaign for the town designed to increase visitors and trade.

Agreed to recommend funding of £26,000.

Holt Town Council

The application sought funding for four separate projects including an accessible 'Yellow Brick Route', a Holt park and ride scheme, creating a Shirehall Plain culture space and a Fish Hill/Star Plain amenity space.

Agreed to recommend funding of £17,514 in support of elements of the proposal that were considered to align most closely with the purposes of the fund but not those proposing to remove car parking from the town centre (due to the impacts of the scheme on parking and traffic management, or evidence of community support).

North Walsham

<u>Regenerate North Walsham and North Walsham Town Council</u>

The application sought funding to implement three major improvement projects split between improving St Nicholas Court, the town centre and attracting more visitors to the town.

Agreed to recommend funding of £99,575.

The Leader commended North Walsham on their excellent bid which had involved two groups working together on three regeneration projects that would benefit the town centre. Consequently they had been allocated the full amount of funding requested.

Stalham

<u>Stalham Town Council</u>

The application sought funding to improve the tourism offer of the town with an aim to attract more visitors by making improvements to the Staithe and its connection to the town centre via improvements to signage.

Agreed to recommend funding of £32,204.70, towards the elements of the proposed scheme that were considered to align most closely with the purposes of the fund.

<u>Stalham Area Business Forum</u>

The application sought funding to implement multiple regenerative projects in the town centre including new signage, aesthetic improvements, external power supplies and a guide to the town's shops.

Agreed to recommend funding of £22,171.25 towards the elements of the proposed scheme that were considered to align most closely with the purposes of the fund.

The Leader concluded by saying that the Market Towns Initiative Working Group had awarded a total of £266,869.72 across the four towns. The second round would be allocating the remaining funds to the three towns where there was still funding available.

1) Cllr V Gay said that she wished to express her gratitude to everyone involved in the North Walsham bid.
2) Cllr R Reynolds said that he welcomed the funding for Fakenham. He asked for clarification on the total amounts awarded to each town.
3) Cllr N Dixon, Portfolio Holder for Economic Development, thanked all the bidders for their time and effort. He said that feedback was available for the unsuccessful bidders. He said that the North Walsham bid deserved particular commendation for its high quality and concluded by saying that this had been a good opportunity

to include local people in the improvement of the economic wellbeing of their town.

The Leader thanked the Market Towns Initiative Woking Group for their hard work and support.

It was proposed by Cllr S Bütikofer, seconded by Cllr N Dixon and

RESOLVED

(1) That Cabinet approve the MTI Working Group's recommendations to award £266,869.72 of funding across all eligible/approved applications outlined in the report.
(2) That Cabinet request the MTI Working Group to continue to monitor the outcomes of any/all applications that receive approval.
(3) That a second round of applications be operated to award any remaining funds, in accordance with the MTI prospectus.
(4) Delegated authority be given to The Head of Economic and Community Development to draft suitable conditions in respect of the approved applications and to issue the grant decision letters accordingly.

93. EXCLUSION OF PRESS AND PUBLIC

That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 of Part I of Schedule 12A (as amended) to the Act.

94. PRIVATE BUSINESS

None

The meeting ended at 10.25 am.

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Chairman

2019/20 BUDGET REPORT

Summary:	This report presents for approval the 2019/20 budget along with the latest financial projections for the following three years to 2022/23 and follows on from the draft budget update provided to the Overview and Scrutiny Committee on 16 January 2019.
Options considered:	The budget for the forthcoming financial year must be set annually. While there are options around the individual budgets presented for approval i.e. what is included in the budget for 2019/20, the overall position now presented for approval is the culmination of work carried out by officers and Members over a number of months, details of which are provided within the report.
Conclusions:	The Council's budget is set for approval each year; for the first time this year it has been present to the Overview and Scrutiny Committee for pre-scrutiny before going to Cabinet and ultimately Full Council. This report now presents a balanced budget for 2019/20 and also presents the latest financial projections for the following three financial years, 2020/21 to 2022/23. The budget has been produced based on a number of assumptions as detailed within the main body of the report and also reflects the provisional finance settlement announced on 13 December 2018. The report recommends that the surplus for the year is allocated to the Invest to Save reserve. The report also outlines the risks facing the Council in setting the budget and forecasting future spending plans and resources.

Recommendations:

It is recommended that Cabinet agree and where necessary recommend to Full Council:

1) **The 2019/20 revenue budget as outlined at Appendix A;**
2) **The surplus of £224,253 is allocated to the Invest to Save reserve as outlined in the report;**
3) **The demand on the Collection Fund for 2019/20, subject to any amendments as a result of final precepts still to be received be:**
   a. **£6,240,604 for District purposes**
   b. **£2,321,490 (subject to confirmation of the final precepts) for Parish/Town Precepts;**
4) **The statement of and movement on the reserves as detailed at Appendix E;**
5) **The updated Capital Programme and financing for 2019/20 to 2021/22 as detailed at Appendix F;**
6) **That £58k is allocated from the Communities reserve to extend the Sports Development team for a further year until the end of March**

	2020;
	7) That Members note the current financial projections for the period 2019/20 to 2021/22;
Reasons for Recommendations:	To recommend a balanced budget for 2019/20 for approval by Full Council.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW
(Papers relied on the write the report and which do not contain exempt information)

Outturn Report 2017/18, Medium Term Financial Strategy 2019/20 – 2022/23, 2018/19 budget monitoring reports, O&S Draft Budget Review 2019/20.

Cabinet Member(s): Cllr Eric Seward	Ward(s) affected All
Contact Officer, telephone number and email: Duncan Ellis, 01263 516330, duncan.ellis@north-norfolk.gov.uk	

Executive summary

This report presents the detail of the 2019/20 revenue budget and the indicative projections for the following three financial years 2022/23. The Council's budget is set for approval each year in February; for the first time this year it has been presented to the Overview and Scrutiny Committee for pre-scrutiny before going to Cabinet and ultimately Full Council.

The budget has been produced based on a number of assumptions as detailed within the main body of the paper and now reflects the provisional Local Government Finance Settlement (LGFS) announced on 13 December 2018.

This paper has been informed by the 2018/19 Base Budget, the 2017/18 Outturn Report, the 2018/19 budget monitoring reports, the Medium Term Financial Strategy 2019/20 – 2022/23 and the 2019/20 draft budget review presented to Overview and Scrutiny. The table below shows the movements as reported as part of the updated Medium Term Financial Strategy (MTFS) and the updated budget forecasts.

	2018/19 Base Budget	2019/20 Projection	2020/21 Projection	2021/22 Projection
	£	£	£	£
(Surplus)/Deficit forecast Feb 2018	(843,441)	1,565,599	2,128,739	2,111,233
Revised Funding	-	(21,813)	340,306	714,188
Revised Budget Pressures	-	(500,000)	(500,000)	(500,000)
Revised Income and savings	-	(724,454)	(373,500)	(356,000)
Revised (Surplus)/Deficit Oct 2018	**(843,441)**	**319,332**	**1,595,545**	**1,969,421**
Revised (Surplus)/Deficit Feb 2019	**(843,441)**	**(224,253)**	**2,078,413**	**2,060,960**
Variance compared to MTFS	**-**	**(543,585)**	**482,868**	**91,539**

A summary of the General Fund is provided at Appendix A and Appendix B contains the detailed variance analysis of the budget movements between the 2018/19 base budget and the forecasts for 2019.

As can be seen from the table above there has been a significant improvement in the previous position of c£543k in the current forecast for 2019/20 with a projected surplus now of around **(£224k)**. In the main this is as a result of a better than anticipated Provisional Settlement announcement in respect of the New Homes Bonus (c£394k) and the Rural Services Delivery Grant (c£96k) which is discussed in more detail within the main report.

However while the 2019/20 position is now balanced there are still significant challenges in future years which deficits forecast of c£2m and this position has worsened due to anticipated changes to the NHB in future years. A further consultation on the Fair Funding Review was released in December. As a result of its contents, some of the modelling assumptions of spending power beyond April 2020 have been adjusted. This has resulted in a change to the forecast deficits for future years when compared to the recent O&S report.

It should be noted that there is still **considerable uncertainty around the future years funding forecasts** and this position will not improve until the outcome from the Fair Funding Review and Business Rates consultation is known. The Comprehensive Spending Review, which will set out the expenditure limits over the coming years is also due to commence this summer as far as we are aware although this may be delayed depending on what happens over Brexit.

1 Introduction

1.1 This report presents the detail of the 2019/20 revenue budget and the indicative projections for the following three financial years, 2020/21 to 2022/23.

1.2 An updated Capital Programme has also been included covering the periods 2018/19 to 2021/22 which takes account of slippage of schemes between financial years. Details of new proposed capital schemes are also included within the report for approval.

1.3 A draft 2019/20 budget review report was provided to the Overview and Scrutiny Committee for pre-scrutiny at their meeting of 16 January. Any recommendations following this review will be considered by Cabinet and recommended to Full Council as appropriate.

1.4 The budget now presented reflects the Local Government Finance Settlement (LGFS) announced on 13 December 2018, the final settlement is expected early February. The final budget presented for approval to Full Council will be updated to reflect the final figures as applicable.

1.5 The following sections of the report present the detail and context within which the budget has been produced. The summary of the budget and service budget details are included at Appendices A and B respectively.

2 Medium Term Financial Strategy (MTFS)

2.1 The Medium Term Financial Strategy (MTFS) covering the period 2019/20 to 2022/23 was presented to Members for pre-scrutiny in October 2018 and approved by Full Council in November. At that time the forecast budget gap for next year (2019/20) was around £320k rising to £2.1m by 2022/23.

2.2 This was in the context of national pressures, local pressures, inflation, funding changes, income streams and savings. A full copy of the final MTFS can be found within the Full Council agenda papers here.

3 Provisional Local Government Finance Settlement

3.1 On 13 December 2018 the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) James Brokenshire, provided an update in relation to the provisional Local Government Finance Settlement (LGFS) for the 2019/20. This reflects the projection for the final year of the four year settlement agreement.

3.2 The final settlement figures are due to be announced in early February and where applicable any changes resulting from the final settlement will be reflected in the budget report to Full Council in February.

3.3 Some of the key messages from the provisional settlement are as follows:

a) The original settlement covered the four year period from 2016/17 to 2019/20 and was taken up by 97% of Councils. The provisional settlement announcement during December 2018 covers the final year of this agreement. It is important to note that, while the four year settlement does aid financial planning, the figures announced are all provisional and potentially subject to change between years as evidenced two years ago with the changes to the New Homes Bonus (NHB) allocations.

b) There was excellent news in respect of the countywide proposal for a business rates pilot for 2019/20 which was approved as part of the settlement. Chief finance officers met in January to discuss the governance, accounting and monitoring arrangements for the pilot. This will be based on 75% local retention as opposed to previous pilots which enjoyed 100% but it is still good news. While business rates growth forecasts have been included within the budget projections it has been decided not to include any additional income specifically as a result of the pilot until 2020/21 when the actual figures for the year are known.

c) The settlement reflects a shift towards generating resources locally, from council tax and business rates, over the period of the settlement. The increasing of Council Tax is a factor that has been assumed in the original four year settlement, this is based on the assumption that local tax is increased in line with the council tax principles announced within the settlement, including the Social Care Precept and the £5 increase for District Councils in the lowest quartile for band D. The referendum principles for Council Tax remained unchanged at 3% for local authorities.

d) Police and Crime Commissioners will be able to increase their Band D council tax by £24 which is double the level available last year.

e) The adult social care precept arrangements will remain unchanged.

f) Although it had been muted that there were potentially further changes to come in respect of the New Homes Bonus allocation methodology nothing further was announced as part of the provisional settlement following the introduction of the baseline and reduction in the length of the scheme in 2017/18. As previous forecasts had assumed that the baseline would increase from 0.4% to 0.6% this meant an additional £394k could be put back in to the budget.

g) The Rural Services Delivery Grant was increased nationally for 2019/20 by £16 million which has seen a one-off increase of £96k for NNDC.

h) The second round of consultation in relation to the Fair Funding Review was also announced. This will review the mechanism by which Local Government's 'need to spend' will be calculated in the new funding formulas and could have a significant impact on the future funding available to the Council.

i) As part of the autumn budget announcements made on 29 October 2018 there was further business rate relief in the form of 'retail relief' for small businesses which sees the rateable value threshold increase from £15,000 to £51,000 for 2 years from April 2019. This enables the Council to award up to 33.33% after all other reliefs with any income lost being recovered from central government in the form of a Section 31 grant. There is a timing issue caused by this, in that the Council will have to give the relief up to a year in advance of receiving the entire compensating grant. The Pub Relief will end on 31 March 2019 however the Local Newspaper relief has been extended by another year. It was also announced that public lavatories will receive 100% relief although this is not due to be implemented until 2020 and again any lost income should be covered by Section 31 grants.

3.4 The Government has used a measure of “Core Spending Power (CSP)” which sets out potential income for Local Authorities from a number of sources over the 4 year settlement period. The sources of income are as follows:

- The “Modified Settlement Funding Assessment (MSFA)” – this includes the Revenue Support Grant (RSG) and Business Rates Baseline funding including where necessary tariff and top up adjustments.
- The council tax requirement (excluding parish precepts) – i.e. income generated locally from Council Tax.
- New Homes Bonus.
- Rural Services Delivery Grant.

3.5 The settlement makes a number of assumptions within the future years spending power for each of the income sources. These assumptions are outlined below:

a) MSFA – Annual reductions have been made to the RSG and increases to the business rates baseline.
b) Council Tax Base Growth – spending power assumes there will be annual growth in the Council Tax base throughout the period to 2019/20. The level of growth has been based on the average annual growth in the council tax base between 2013/14 and 2015/16.
c) Council Tax Increases – the spending power assumes that Local Authorities will increase their Band D council tax in line with the Office for Budget Responsibilities (OBR) forecast for CPI for each year (which is an annual average of 1.75%) throughout the period to 2019/20, rather than the 3% allowed before triggering a referendum (except for those in the lower quartile – please see below).
d) Social Care Precept – the settlement assumes that additional council tax will be generated from the setting of an adult social care precept for those authorities with this responsibility.
e) Additional council tax available from a £5 cash principle – it has been assumed that all districts within the lower quartile Band D council tax level will increase council tax by £5 where applicable. This has been estimated by assuming that the 51 shire district councils with the lowest Band D council tax in the previous year will increase their Band D council tax by whichever is the greater of £5 or 3%.
f) New Homes Bonus – for 2017/18 onwards the spending power assumes the introduction of the new ‘baseline’ based on 0.4% of national housing growth with no bonus paid for housing delivery below this baseline position.
g) Rural Services Delivery Grant - This provides £20 million of funding in 2016/17, rising to £81 million in 2019/20. This funding is distributed to the top-quartile of authorities ranked by super-sparsity, as per the distributional methodology for the Rural Services Delivery Grant indicator in 2015/16.

3.6 In 2013/14 total funding of £9.5 million for supporting sparsely populated areas was included in the settlement. NNDC’s allocation for 2018/19 was £483,771 reducing to £388,212 in 2019/20 and this grant is set to continue for the period of the settlement. The amount of this allocation for 2019/20 has however now been increased as part of the Provisional Settlement announcement and is discussed in more detail below.

3.7 New Homes Bonus – the provisional finance settlement includes announcements on the NHB for 2019/20 and takes account of the introduction of the new baseline and the top slicing of funding for reallocation for adult social care, further details on this are provided within section 3. Again there were positive announcements made as part of the Provisional Settlement announcement as discussed below.

3.8 Business Rates Retention – The scheme of Business Rates retention came into operation in April 2013. As part of last year's provisional settlement it was announced that there was an expectation that local authorities would be able to retain 75% of business rates from 2020 to 2021 through incorporating existing grants such as Revenue Support Grant. This is a change to the previous announcements in relation to 100% rates retention by 2020. The percentage shares currently are 50% central government; 40% NNDC and 10% Norfolk County Council. The Government has confirmed the continuance of Rural Rate Relief and the relief provided to public houses to be funded by a Section 31 grant.

3.9 As Members will be aware North Norfolk District Council applied to be a pilot authority as part of the Norfolk Business Rates Pool, as it is forecast that the pilot would bring significant financial benefit to the district. The decision regarding the success of this application was announced alongside the Provisional Settlement on 13 December and the excellent news is that the Norfolk wide pilot application was successful! The pilot is discussed in more detail below.

3.10 The amount of the Section 31 grant will not be confirmed until the NNDR returns for 2019/20 have been finalised. The annual National Non-Domestic Rates Return (NNDR1 form) provides an estimate of what the Council will collect in business rate income for the following financial year. The variation between the estimate and the actual is then dealt with through the surplus/deficit on the (business rates) collection fund in the following year, in a similar way to the operation of the Council tax collection fund. The actual position will be influenced by fluctuations in business rate income actually received in the year, for example as a result of appeals and changes in property rateable value and also new business rate growth.

3.11 For example a surplus or deficit on the 2018/19 business rates collection fund will be taken into account within the 2019/20 NNDR1 return and determining the respective values of the shares of the business rates income. This will also determine the payment of the levy due from the authority in relation to increases in business rate income compared to the baseline.

3.12 The deadline for the NNDR1 form for 2019/20 is 31 January and this will also include an estimate of the surplus/deficit position for the current financial year. The budget position as included within the report makes an assumption of the net amount of retained income for 2019/20 after allowing for the Section 31 grant and the payment of the levy. Where applicable this will be updated within the budget report to Full Council in February.

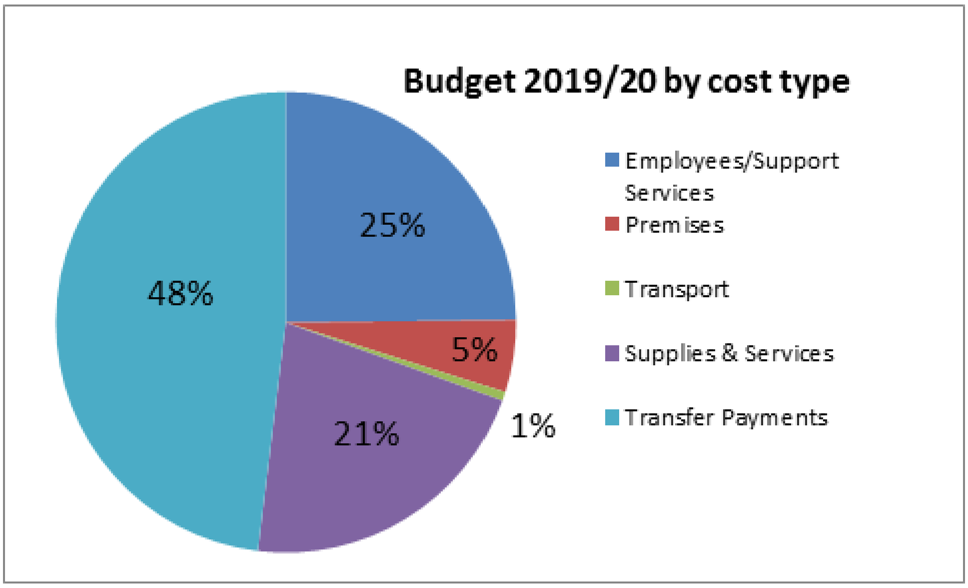
3.13 New rateable values for properties were introduced from 1 April 2017 following a revaluation exercise undertaken by the Valuation Office Agency (VOA). This updated the previous values from 2010.

3.14 In terms of appeals against the previous 2010 list and also the new 2017 list, unfortunately there are still outstanding appeals against the 2010 list and there will now be a new set of appeals against the new 2017 list. The VOA have introduced a new appeals system from 2017 and due to this and a back log of work the Council has very little information about the level of appeals against the new list which represents a significant financial risk to the Council although this is mitigated through the availability of the Business Rates reserve.

3.15 The budget and future years forecasts have taken account of these movements, where reliefs have been increased the Government has undertaken to compensate local authorities for the loss of income they suffer as a result of these changes. Compensation will be provided by means of a grant payment to authorities under section 31 of the Local Government Act 2003. As well as certain reliefs offered potential increases will also be impacted by things such as successful appeals etc which is why the Council holds the Business Rates to help mitigate any impacts of the local retention scheme.

4 Revenue Account Base Budget

4.1 The detail of the revenue budget now presented for approval is included within Appendices A and B. Appendix A shows the overall position in the form of the General Fund Summary. Further detail on the individual service budgets is included at Appendix B which shows the movement of the 2019/20 budget compared to the base budget for 2018/19 as set in February 2018 along with comments covering the more significant variances. The current forecast budget surplus for 2019/20 is (£224k). The chart below highlights how the budget costs contained within the Net Cost of Services are split over the main subjective budget headings.



Assumptions

4.2 The revenue budget for 2019/20 makes a number of assumptions, the more significant ones are as follows:

a) **Council Tax** – The draft budget currently assumes a **Council Tax increase** for the district element of Council Tax in 2019/20 and is based on the tax base of 40,621 (39,844 for 2018/19). This would mean that the district element of the council tax would increase by £4.95 from £143.82 to £148.77 (**£138.87** to **£143.82** for 2018/19). **This is however a decision for Full Council in February and will be decided at the time the budget is set.**

b) **Employee budgets** – The budget has now been updated to take account of the national pay review and annual increments. As a guide a 0.5% sensitivity to the pay award equates to approximately £53k per annum. An allowance has been made to reflect vacancy savings of 2% as in previous years and where annual increments are due these have continued to be factored into the budget.

c) **Fees and Charges** – The impact of the fees and charges approved by Full Council on 19 December has now been factored in to the budget forecasts.

d) **Contract inflation** – The largest of the Council's contracts is the waste contract. The new Kier prices have been included in the 2019/20 budget for all waste, cleansing and grounds maintenance services as per the price agreed for the one year contract extension. At the present time within the budget forecasts we are assuming that the new waste contract, due to be let from April 2020 in conjunction with Kings Lynn and West Norfolk Borough Council and Breckland District Council, will be at the same level as the current agreement for next year plus inflation. No savings have been assumed at this point which may arise as part of the joint procurement being undertaken, although it is hoped that significant economies of scales can be achieved through undertaking a joint procurement and that ultimately this will result in a lower contract cost. Until the final tender prices are received however the extent of any potential savings will not be known.

A report was presented to Cabinet on 3 December in relation to the new leisure contract which comes in to operation from 1 April 2019. The re-tendering of this contract has resulted in significant savings but these have already been allocated as part of the business case for the Splash rebuild to cover borrowing requirements.

f) **Investment income** – The net interest receivable is currently forecast to be £1.3m for 2019/20. This includes income derived from Treasury investments and loans to Housing Associations under the Local Investment Strategy. The Council ensures that priority is given to security and portfolio liquidity when investing treasury management funds in line with the CIPFA Treasury Management Code. The average investment rate anticipated in the forward year is 3.5% (based on forecast available balances of £38.4m) compared with the budgeted rate of 3.3% for the current estimates for 2018/19 (based on forecast available balances of £35.1m). As at period 9 (December) the average return was 2.4% although this was based on actual cash balances of £44.9m. This has had the effect of bringing the overall average level of return down as this additional cash has had to be invested overnight at low levels of return. If these short-term investments are removed the actual return is 3.1%. It is intended that further Investments will be made in pooled funds with a reduction in money market funds for day to day liquidity given the current ready availability of short term borrowing for this purpose in order to maximise the return on the Council's investment portfolio.

e) **Big Society Fund/Second Homes Funding** –The budget assumes the continuation of the Big Society Fund (now called the Communities Fund) and related costs and grant scheme funded by the second homes income which was previously returned to districts, although this arrangement stopped in 2018/19.This budget set aside for 2019/20 of £240k is funded from the Communities Fund reserve. The continuation of this funding from the reserve is however a decision for Full Council in February.

f) **Splash and the North Norfolk Community Sports Hub** – the revenue impacts and associated borrowing costs of these two new schemes have now been built into the future year's forecasts based on current capital spending assumptions.

g) **Growth -** No growth bids were invited for revenue expenditure in 2019/20. Capital bids were invited and the capital programme is discussed in detail at section 8 which includes both an update to the current capital programme along with new capital schemes and the financing of the programme.

Members are however being requested to consider a one year extension to the current funding for the Sports Development team. These posts have in the past been grant funding but this funding is no longer available. The Council has a good history of sports development work and has been showcased nationally as a model of good practice regarding innovative projects such as the Mobile Gym and Sports Clubs and Hubs, both previously funded by Sport England. Staff involved in delivering the service have been on fixed term contracts which the Council has extended until 31 May 2019. The Council has also recently awarded the new leisure contract and part of that work is to deliver sports and physical activity development across the district to those 'hard to reach' groups and individuals.

The Council will lead this area of work although it will in part be delivered by the new leisure operator. It is therefore recommended that the Council further extends these two sports development posts until 31 March 2020. This will provide enough time for the leisure contract to operate for a year and for the Council to measure their performance in this area. Within the contract it stipulates that a 50% share of any surplus profit is allocated for the Council's sports development delivery. This extension will therefore provide the Council with sufficient time to better plan to financially sustain this service. The anticipated cost of this extension, to include a £10k operational budget, is c£58k and it is recommended, if approved, that this is financed from the Communities reserve.

4.3 The General Fund Summary presented at Appendix A shows a balanced budget for 2019/20 and is summarised in the table below with the equivalent figures from the 2018/19 budget.

Table 1 – Variance of 2018/19 to 2019/20 Base Budget

	2018/19 Base Budget	2019/20 Base Budget	Variance
	£000	£000	£000
Net cost of services (incl. Parishes)	16,163	19,850	3,687
Non service expenditure/ income	(1,683)	(4,915)	(3,232)
Net budget requirement	14,480	14,935	454
Funded by:			
Local Taxpayers - Parishes	(2,211)	(2,321)	(111)
Local Taxpayers - District Council	(5,910)	(6,241)	(331)
Retained Business Rates	(4,191)	(4,815)	(1,195)
Revenue Support Grant*	(536)	(88)	448
Rural Services Delivery Grant*	(484)	(483)	1
New Homes Bonus	(1,150)	(1,211)	(62)
Total Income	(14,480)	(15,159)	(679)
(Surplus)/ Deficit	0	(224)	(224)

*The figures for the Revenue Support Grant and Rural Services Delivery Grant are included as one separate figure along with Business Rates within the General Fund Summary (App A) of £5.386m due to the accounting requirements of the business rates pilot but are split out here for clarity.

4.4 Non-Service Expenditure and Income includes the adjustments for notional items that are required to be charged within Net Cost of Services, for example, International Accounting Standard 19 (IAS19) pension costs and capital charges.

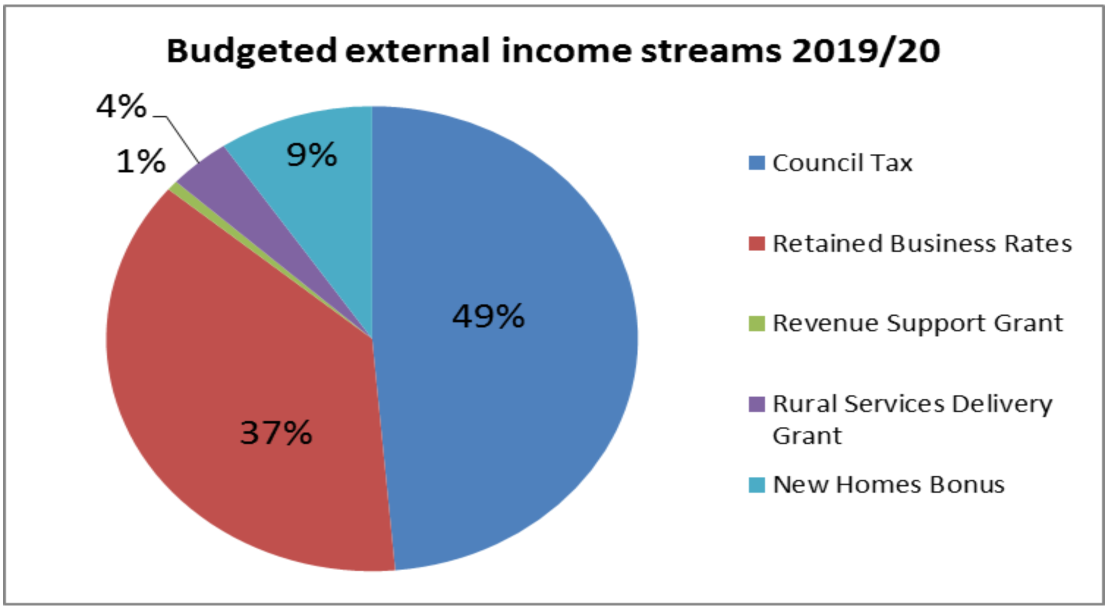
4.5 Appendix B shows the detail of the service movements for each of the service areas. The Table below provides a summary of the main movements in Net Cost of Services across the standard expenditure headings, with notional charges being shown separately.

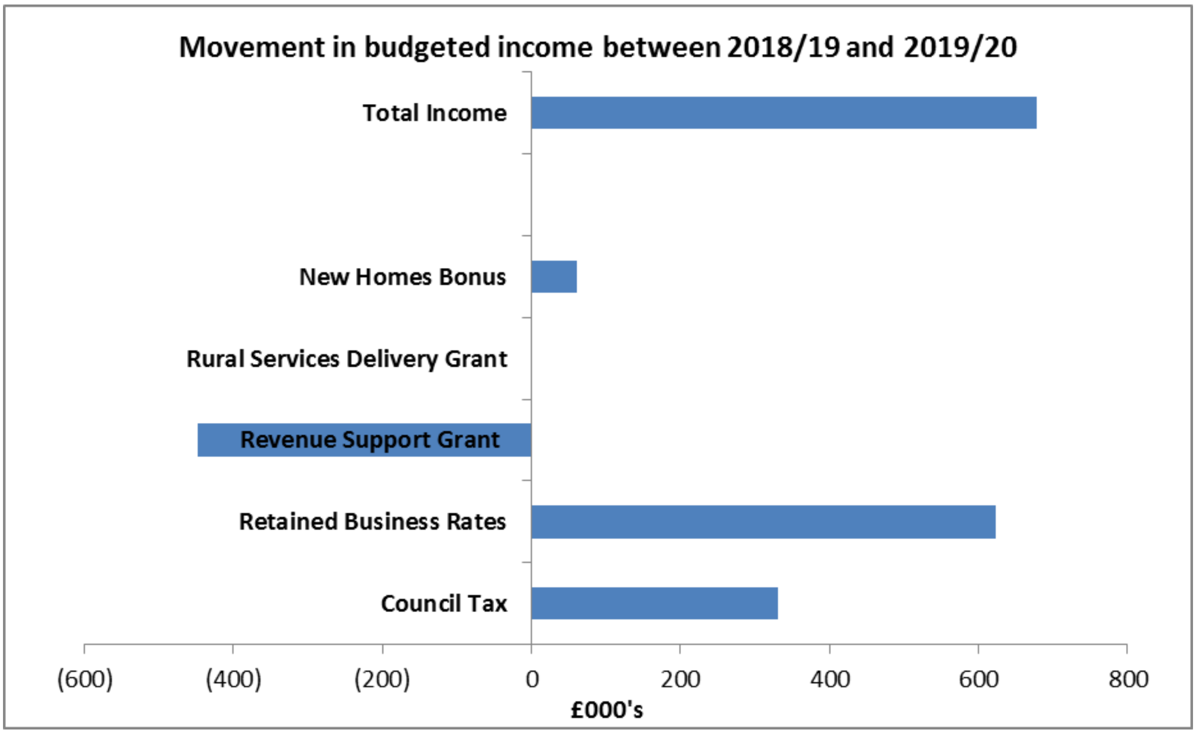
Table 2 - Variance 2018/19 to 2019/20 Base Budgets (excl. notional charges)				
	2018/19 Base Budget	**2019/20 Base Budget**	**Variance**	**Percentage Movement**
	£000	**£000**	**£000**	**%**
Employees/Support Services	11,534	12,140	606	5.25
Premises	2,534	2,482	(52)	(2.06)
Transport	299	305	6	2.00
Supplies & Services	9,249	10,475	1,226	13.25
Transfer Payments	25,896	23,514	(2,382)	(9.20)
Income (External)	(36,654)	(33,869)	2,785	(7.60)
Total Direct Costs and Income	**12,859**	**15,047**	**2,188**	**17.02**
Notional Charges:				
Capital Charges	1,344	1,308	(36)	(2.68)
IAS19 Notional Charges	(251)	(252)	(1)	0.38
REFCUS	0	1,425	1,425	142,500.00
Total Notional Charges	**1,093**	**2,481**	**1,388**	**126.99**
Total Net Costs	**13,952**	**17,528**	**3,576**	**25.63**

4.6 The significant movement in relation to supplies and services is the increase in the costs of the one year waste contract extension to re-align with the market price. The main change to the transfer payments and income reflect the benefit subsidy payments where income is claimed through the subsidy system. The change in the Revenue Expenditure Funded from Capital Under Statute (REFCUS) is due to the funding off of one off capital schemes during 2019/20 for which there were no comparative schemes in the previous year hence the large variance. The £1.45m represents £1m for the Council's contribution towards the Better Broadband for Norfolk scheme being progressed by the County and Fakenham Extra are Scheme.

5 Income Streams

5.1 The assumptions in relation to Council tax, business rates and the New Homes Bonus are considered in more detail below. The first chart below highlights the relative proportions of each of the various external income streams (excluding fees and charges which are contained with the services). The second chart highlights how these are forecast to change between the current financial year and next year.





5.2 The assumptions in relation to Council tax, business rates and the New Homes Bonus are considered in more detail below. The first chart below highlights the relative proportions of each of the various external income streams (excluding fees and charges which are contained with the services). The second chart highlights how these are forecast to change between the current financial year and next year.

Council tax

5.3 As highlighted above the draft budget currently assumes a **Council Tax increase** for the district element of Council Tax in 2019/20 and is based on the tax base of 40,621 (39,844 for 2018/19). This would mean that the district element of the council tax would increase by £4.95 from £143.82 to £148.77 (**£138.87** to **£143.82** for 2018/19). The Table below summarises how the budget will be financed and the

District's net call on the Collection Fund for 2019/20 and the council tax summary is included at Appendix C.

Table 3 – Council Tax Summary 2019/20	£
Total District amount to be met from Government Grant & Local Taxation	12,613
Less:	
Revenue Support Grant	(88)
Business Rates Retained & S31 Grant	(4,813)
New Homes Bonus	(1,211)
Rural Services Delivery Grant	(484)
District call on Collection Fund – excluding Parish Precepts	(6,241)
Surplus	**(224)**

5.4 At the time of writing the figure within the General Fund summary (Appendix A) for parish and town precepts is shown as £2,321,490. This will be updated for the final budget report which will go through to Full Council in February if required, but it should be noted that if there were to be any changes that these would have no impact on the overall budget position as the total amount paid from the General Fund in precepts is transferred from the Collection Fund.

Business Rates

5.5 Since the 2013/14 financial year, local government has been able to retain 50% of the growth in the local business rates income to support services. As part of a manifesto commitment, the Government had pledged to allow Councils more control locally over their finances, and as part of this began to plan for an eventual system of 100% local retention of business rates growth. In exchange for this, Councils would have to forgo certain grants received from Central Government.

5.6 Following the snap General Election in 2017 and a period of uncertainty around the new Business Rates Retention Scheme, MHCLG have now confirmed a local 75% share from April 2020. A small number of authorities will pilot this scheme in 2019-20. As Members will be aware North Norfolk District Council applied to be a pilot authority as part of the Norfolk Business Rates Pool, as it is forecast that the pilot would bring significant financial benefit to the district. The decision regarding the success of this application was announced alongside the Provisional settlement on 13 December and the excellent news is that the Norfolk wide pilot application was successful! This will mean the existing Business Rates Pool will be dissolved, and the Pilot will form in its place.

5.7 A countywide meeting of Section 151 officers has been arranged for the morning of the 10 January to discuss how and when the additional income from the pilot is to be recognised as it would seem sensible to have a consistent approach across the county although this may not be possible. As such no additional income is as yet included as a direct result of the pilot, this will be updated once the NNDR1 figures (formal government submission reflecting the anticipated business rates to be collected in 2019/20) are finalised later this month. A verbal update in relation to the current potion will be provided at the meeting.

5.8 The income from the current system is shared on the basis of 50% being returned to Central Government, 40% being retained by NNDC with 10% going to the County. However, while technically NNDC's share is projected to be around £12.7m, after the tariff payment is made the net income to NNDC reduces to around £4.8m for 2019/20. The Chart below shows the anticipated funding for the Council from the Business Rates Retention Scheme.

New Homes Bonus (NHB)

5.9 The New Homes Bonus was introduced in 2011/12 to incentivise and reward Councils and Communities that build new homes in their area. The bonus was originally paid as an un-ringfenced grant for six years and was paid based on the net additional[1] homes plus an additional supplement of £350 per affordable dwelling. The payment is then split between local authority tiers: 80% to the lower tier (NNDC) and 20% to the upper tier (NCC).

5.10 Since its initial introduction the payment mechanism has undergone two fundamental changes which have significantly impacted on the income received by NNDC.

5.11 The first was the transition from payments rolled up over a 6 year period up to 2016/17 (for which the Council received £2.1m) to 5 years in 2017/18 to the new 'floor' of 4 years from 2018/19 onwards. The second was in 2017/18 when a national baseline of 0.4% (based on property numbers within the district) was introduced.

5.12 The combined effect of these two changes is forecast to see income decrease from the highest point in 2016/17 of £2.1m to the current projection of £1.2m in 2019/20.

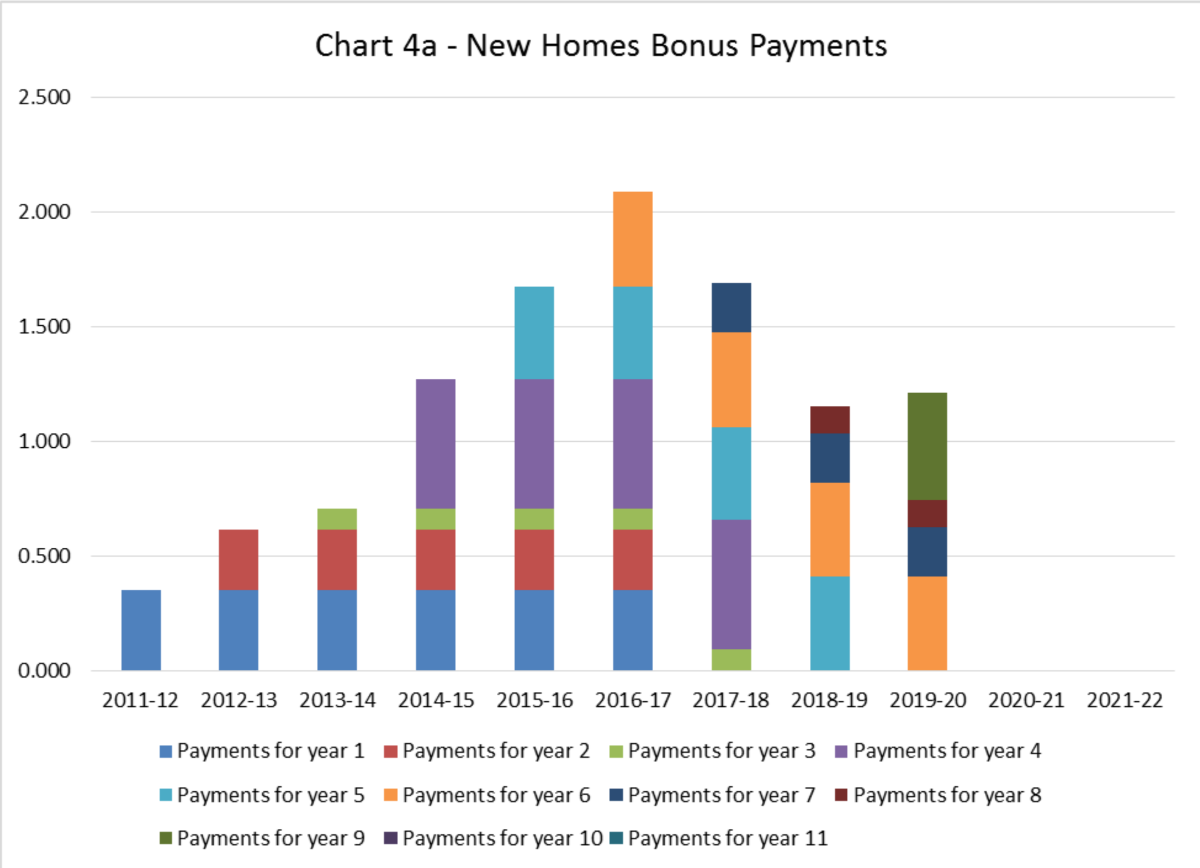
5.13 Although it had been anticipated that the 0.4% baseline might increase as part of the Provisional Settlement announcement (our earlier forecasts had assumed a 0.6% baseline) this turned out not to be the case and the baseline has been frozen again next year at the 0.4% level which is good news and has resulted in a £394k adjustment to the previous forecast. The current forecasts of growth in the District anticipate a 0.67% increase in dwellings and this income has now been factored in to the budget.

5.14 While the Provisional Settlement brought good news in terms of the freezing of the baseline the ongoing discussions around the Fair Funding Review and recent comments from the Treasury and MHCLG suggest that ministers do not feel that the NHB has achieved its original objective of increasing housing numbers and might be looking to replace the scheme with something else in the future. It is also clear that there is currently no funding allocated for the NHB as yet from 2020/21, **it has therefore been assumed in terms of the future year's forecasts that the NHB will reduce to zero after next year**. This has the effect of removing £801k in 2020/21, £587k in 2021/22 and £469k in 2022/23 and while it is anticipated that some new form of incentive scheme will probably be introduced it is impossible to predict at this stage what this might look like and to what extent (if at all) the Council would benefit from it in financial terms so no income is currently forecast in this respect.

5.15 The Government intends to consult further in the coming months on future changes to the distribution of NHB, to ensure additional housing growth is rewarded, rather than what could be seen as normal growth and there is a very strong possibility it will disappear altogether in the very near future.

[1] Net additional homes as recorded on the council tax base return (submitted October annually) takes into growth in property numbers, demolitions and movement in empty properties.

5.16 The chart below shows the forecast payments to the Council for NHB. The provisional allocation of NHB for 2019/20 for NNDC is £1.2m and is based on the council tax data return submitted in October 2018.

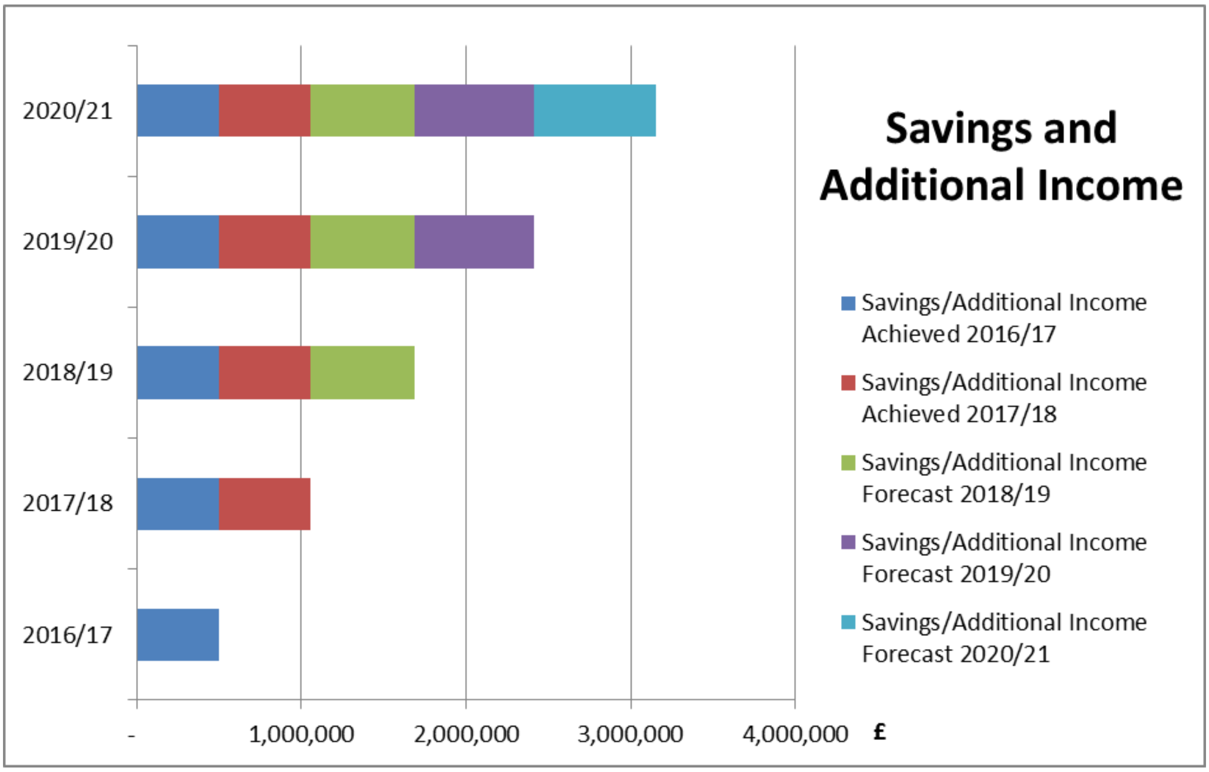


6 Savings and Additional Income 2019/20 onwards

6.1 The financial strategy provided an update in relation to a number of work streams and priorities to be delivered over the length of the medium term financial strategy as previously approved as part of the budget process. No separate savings exercise has been undertaken as part of the 2019/20 budget process, however budget managers were asked to review the assumptions incorporated in savings forecasts during the 2018/19 process.

6.2 Budget workshops have also been held with the three political groups to initially discuss ideas for next year and beyond and a similar workshop has been held with Management Team. The Extended Managers group will also be involved in a similar process over the coming months.

6.3 Total savings and additional income of £727,580 have been factored into the budget for 2019/20 (£628,881 2018/19), increasing to £744,248 in 2020/21 onwards. Where applicable the timing of the savings has been profiled over the next four years and some will be subject to more detailed work including project appraisals. The table below summaries the savings included in the budget and projections according to the work stream and the detail can be found within Appendix D.



6.4 The key savings workstreams are as follows;

Property Investment and Asset Commercialisation

Opportunities for investment in property, whether direct or indirect, are being considered to achieve either a direct income stream from the asset or improved returns on investment.

Digital Transformation

Building upon the Business Transformation project that commenced in 2014 savings from Phase 2 continue to be identified from changes to service delivery from the implementation of new technology and changes to business processes.

Commercialisation, shared Services, collaboration and selling services

Creating efficiencies through shared services continues to be a priority for central government. Identifying such opportunities must therefore continue at a local level, ensuring that realistic and deliverable benefits can be achieved. This could include joint procurement opportunities such as the new waste contract, shared service delivery where appropriate and selling services via arrangements such as East Law.

New opportunities

Given the current uncertainties around issues such as Brexit and changes to the Local Government funding mechanisms it will be essential to identify new opportunities to either increase income, increase efficiency through the redesign of services, explore new partnership models for service delivery etc and this will be one of the main challenges over the medium term. While the Council's reserves do provide some level of comfort over the short term and could be used to address budget deficits this is not a sustainable financial strategy for the medium to long term.

7 Reserves

7.1 The current position and forecast on the General and Earmarked Reserves is attached at Appendix E. The statement provides the latest proposals for use of reserves in the current financial year along with the budgeted movements in 2019/20, and proposed movements in the following three financial years. The current recommended minimum balance on the general reserve is £1.85 million.

7.2 The Council holds a number of ‘useable’ reserves both for revenue and capital purposes which fall within one of the following categories:

- General Reserve
- Earmarked Reserves
- Capital Receipts Reserve

The *General Reserve* is held for two main purposes:

- to provide a working balance to help cushion the impact of uneven cashflows and avoid temporary borrowing
- a contingency to help cushion the impact of unexpected events or emergencies

7.3 As part of setting the budget each year the adequacy of all reserves is assessed along with the optimum level of general reserve that an authority should hold. The optimum level of the general reserve takes into account a risk assessment of the budget and the context within which it has been prepared.

7.4 *Earmarked Reserves* provide a means of building up funds to meet known or predicted liabilities and are typically used to set aside sums for major schemes, such as capital developments or asset purchases, or to fund restructurings. A number of contingency reserves are also held by the Council to reduce the impact on Council Tax payers of future uncertain events such as business rate appeals or clawback of benefit subsidy.

7.5 All reserves, general and earmarked, will be reviewed over the coming months as part of setting the budget for 2019/20, with a view that where commitments have not been identified and funds or reserve balances are no longer required these are re-allocated to specific reserves to address other requirements as applicable.

7.6 Use of reserves to balance a budget provides only a short term solution as the funds can only be used once. They can however be used to smooth the impact of funding gaps over the short to medium term and to allow for planning and implementing projects and work streams that will deliver a longer term financial benefit through reduced costs and/or additional income.

7.7 Similarly, reserves can be used to fund one-off costs for projects that will deliver a longer-term benefit. For example the use of the Restructuring and Invest to Save reserve to fund one-off restructuring costs, where a restructuring will deliver a longer term saving for a service and for some of the implementation and project costs for the Business Transformation programme that will deliver future savings. The use of reserves in this way will be considered as part of the full business case for individual project proposals, taking into account the payback period of the project along with indirect financial implications, for example, reduced balances available for investment and the associated loss of investment income.

7.8 The *Capital receipts Reserve* consists of capital receipts from the disposal of assets and land and is used to fund the capital programme. Capital receipts can not ordinarily be used to fund revenue expenditure.

7.9 The current draft budget predicts a fall in the levels of Reserves held from £20.7m to £12.4m by April 2023.

7.10 As part of considering the budget for 2019/20 all reserves have been reviewed along with the current balances. Where balances are no longer required or an allocation can be maintained within the General Reserve for such purposes, balances have been reallocated to the General Reserve or another earmarked reserve as appropriate.

7.11 The report is recommending that the surplus in the year is allocated to the Invest to Save reserve. The balance on the general reserve as at 1 April 2019 is forecast to be just over £1.9 million.

7.12 It should be recognised that the use of reserves is not a long term financial strategy but does allow time for planning further efficiencies and consideration of budget options to inform future budget setting processes and to allow for the smoothing of funding reductions.

7.13 A comprehensive statement about the adequacy of the reserves and recommended balance will be included within the Chief Financial Officer's report, which forms part of the annual Council Tax and Budget report to Full Council in February.

8 Capital

8.1 The capital programme shows what the Council intends to spend on purchasing new assets and improving its existing ones over the next three years. As capital expenditure is incurred, a source of finance must be identified. This can be done through capital receipts, grants and other revenue resources or alternatively through borrowing.

8.2 Prudential Indicators for the Capital Programme for 19/20 onwards and the Council's MRP Statement as required by the CIPFA Prudential Code are included in the Capital Strategy which accompanies this agenda.

8.3 An updated capital programme for the current year was reported to Members as part of the Period 6 budget monitoring report on the 29th October 2018. The current capital programme as shown at Appendix F has been updated to take into consideration those changes identified within the budget monitoring report, together with further amendments required following the Cabinet meeting of the 3rd December and the meeting of Full Council on 19th December. At these meetings, four capital schemes received approval as follows;

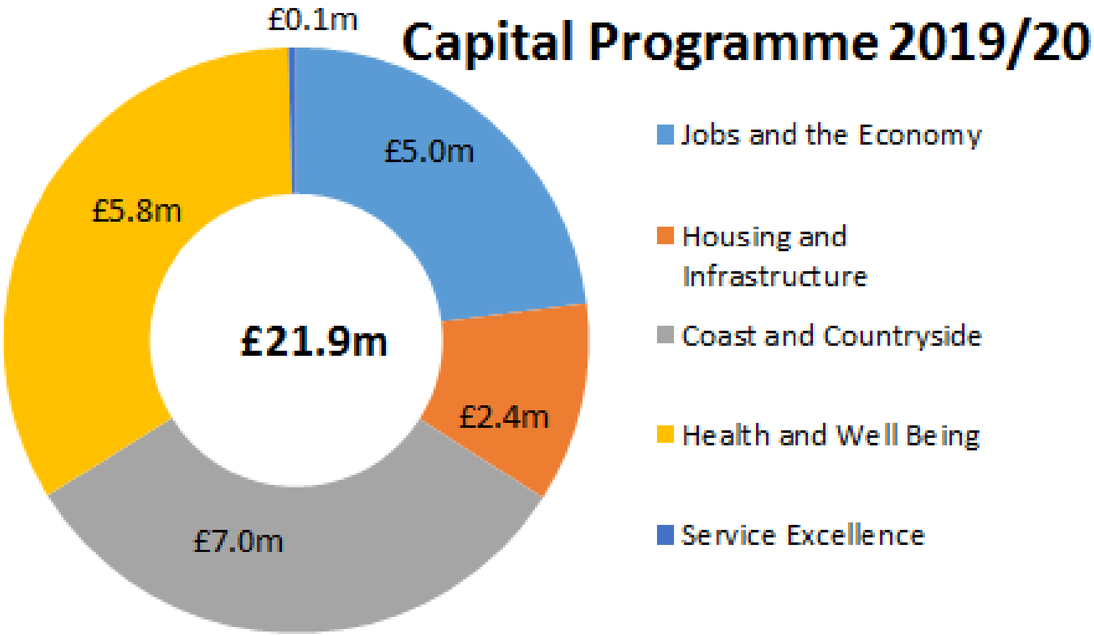
- *North Walsham Artificial Grass Pitch* – A capital budget of £0.86m was approved to undertake a project in North Walsham to create an artificial grass pitch. This is funded through a Football Foundation grant of £0.374m with the balance assumed to be funded from borrowing at the present time.

- *Gym Equipment* – An investment of £1.013m was agreed to fund the capital fit out requirements of the new Splash and associated leisure centres as part of the new leisure contract. This will give the Council further savings on the annual costs of the leisure management contract. This is funded from the Capital Projects Reserve.

- *Solar Panels* – A capital budget of £0.225m was requested to allow the installation of PV panels on the roof of the Cromer offices in order to generate an income stream for the Council. This is funded from the Capital Receipts.

The following project was agreed under delegation in January 2019;

- *Cromer Office Roof Works* – An extension of £0.092m was requested to the current budget following further investigatory works to the roof of the Cromer offices. This is funded from the Asset Management Reserve.



New Capital Schemes

8.1 In addition to the existing capital programme amendments, approval is also being sought for a number of new capital projects as outlined below totalling £650k. As part of the budget process, bids for new projects were submitted by officers which fell into the following categories;

- Health and safety issues;
- System upgrades / enhancements that will deliver efficiency savings;
- Invest to save projects and;
- Projects that are externally funded, for example, grants or other external contributions which may require match funding.

8.2 The following section outlines the bids that the report is recommending for approval for inclusion in the capital programme from 2019/20 onwards.

Finance and Assets Related Bids

8.2.1 *Cornish Way* – The Council owns 10 terraced industrial units at Cornish Way, North Walsham that are let and produce income to help fund other Council services. The units are generally in satisfactory condition, however they have asbestos roofs which contain roof lights which leak and we have received a number of tenant complaints. Some of the properties also fall short of the Minimum Energy Efficiency Standards now required, which means the Council will not be able to let these if they become vacant. The Minimum Energy Efficiency Standards will affect the ability to renew leases to existing tenants. The project would be to undertake a condition survey and specifically investigate repairing/replacement of the roof lights and replacement of the asbestos roofs (if required) in conjunction with seeking to improve the energy performance of the buildings to E or above so that they comply with the regulations and the Council can generate income from rents generated to support Council services. The Asset Management Plan and supporting documents seeks to generate income from certain assets so than the income can be used to help fund council services. Without addressing these issues the Council will be unable to let these units and generate income and therefore they will become a liability to the Council. The Council has a legal obligation with the lease as the Landlord to maintain the external parts. There is a statutory requirement to comply with the Minimum Energy Efficiency Standards and there are penalties for non-compliance. An alternative option is not to do the improvements, however this will result in tenant dissatisfaction and may result in tenants finding other alterative accommodation. There is a risk therefore of loss of income from lost rent due to this and also from not being able to legally let the units. As an alternative option the Council could sell the non-compliant buildings and remove the liability but that is not recommended. A budget of £170,000 to be funded from the Asset Management Reserve is requested.

8.2.2 *Fair Meadow Annexe* – This proposal identifies an opportunity to convert the annex building at Fair Meadow House into additional holiday letting accommodation (subject to planning/other consent(s)). The annex has the potential to convert into a 1-2 bedroomed self-contained cottage with parking and garden. This redevelopment would attract a different group of guests to Fair Meadow House (which sleeps up to 8) as its likely to be attractive to singles, couples, or small families. It would therefore complement Fair Meadow House, rather than be in competition, by providing separate accommodation for say grandparents, related families or let separately to different guests. The rental income generated would be used to support Council services. The Asset Management Plan and supporting documents, seeks to optimise income from land and property assets. This funding would assist in maximising income from the site, by utilising vacant buildings and creating opportunity to let the property more widely to different target groups. A budget of £55,000 to be funded from capital receipts is requested.

8.2.3 *Fakenham Connect* – The Council is responsible for a grade II listed boundary wall and other non-listed walls at Fakenham Connect, under its lease. The serpentine (crinkle crankle wall) wall was constructed around 1800 and requires significant maintenance as parts are badly deteriorated and there is a need to ensure the wall is in satisfactory condition and remains safe. Repairs were carried out in 1999 and in 2005 by the Head Lessor as part of the lease arrangements with the Council. Due to the wall construction type and as its listed status all bricks will need to be handmade to replicate existing sizes and textures. The Council has an obligation under its lease and in terms of health and safety to repair the wall. The wall is also a boundary for an adjoining residential property. Capital expenditure for major improvements cannot typically be recovered through a service charge. Where major improvements will be required Landlords typically create a sinking fund to recover the costs of such improvements. Unfortunately there is no sinking fund available to use for the repairs to the wall. Further advice will be sought to establish if any of the cost can be reclaimed through the service charge (cost of operating the building) to the tenants. The works will need to be undertaken during spring and summer as the lime mortar used in this work will require certain weather and temperature conditions. A budget of £100,000 to be funded from the Asset Management Reserve is requested.

Customer Services and ICT Related Bids

8.2.4 *Members IT* – A budget of £65,000 from capital receipts is requested to provide all new members plus Democratic Services staff IT to replace end of life equipment following the election in May 2019.

8.2.5 *Replacement Storage Hardware* - Data storage is essential to the running of the Council which relies heavily on IT to deliver Services. Periodically hardware becomes end of life and outdated. We also have a requirement to accommodate an increase in the use of IT and the growing need for more storage. A budget of £60,000 to be funded from capital receipts is requested.

Environmental Health Related Bids

8.2.6 *Wheeled Bins* – Collection of waste is a statutory function. Commercial and garden waste services have both undergone significant growth and in order to maintain this, investment in additional containers is required. Most domestic wheeled bins are now 14 years old and are seeing increasing rates of failure as they age and there is therefore a need to replace. Without wheeled bins, we would not be able to collect waste as per the current policy and service set-up. A budget of £200,000 to be funded from capital receipts is requested.

10 Future Projections 2019/20 to 2022/23

10.1 The provisional Local Government Finance Settlement announcement covered a four year period from 2016/17 through to 2019/20. While agreeing to a four year settlement does provide some element of certainty around future funding from Revenue Support Grant and other areas there is an overriding caveat that the figures are potentially subject to change as evidenced last year through the reduction of the New Homes Bonus.

10.2 The forecast financial projections included at Appendix A make assumptions around spending forecasts but have now been updated following receipt of the provisional settlement figures for the final year of the agreement (2019/20), which, along with the excellent news regarding the business rates pilot and freezing of the New Homes Bonus baseline, also saw an additional £96k allocated in respect of the Rural Services Delivery Grant. The assumptions around council tax funding reflect a year on year £4.95 increase in council tax in line with the current referendum principles although it should be noted that any decision regarding increases to council tax will be made annually in line with the budget setting process.

10.3 After allowing for these assumptions the overall position shows a small forecast surplus **based on this current draft budget** of **(£224k)** in 2019/20 with future deficits forecast in future years of around £2m.

10.4 A further consultation on the Fair Funding Review was released in December. As a result of its contents, some of the modelling assumptions of spending power beyond April 2020 have been adjusted. This has resulted in a change to the forecast deficits for future years.

10.5 The financial strategy report presented to Members in October 2018 highlighted a number of work streams and projects to be carried out over the period of the strategy that would help to deliver future savings and additional income. These work streams will be continuing and will be used to inform the updated financial strategy and financial projections that will be completed in 2019/20.

10.6 As detailed in section 3, the finance settlement announcement has assumed that local authorities will increase council tax annually by either 3% or the £5 where the local authority is in the lowest quartile. NNDC is currently in the lowest quartile and the funding assumptions made in the settlement assume that there is an annual increase in council tax of £5 for each year of the settlement. As discussed above, the proposals for the 2019/20 financial year are for a £4.95 increase in Council Tax and the future forecasts assume this strategy is continued. However, if council tax were not to be increased next year this would negatively impact on both the current forecast surplus for next year and the future years deficits and the impact of which can be seen within the table below.

Table 4 – Council tax projections – impact of not increasing Council Tax				
Allocation	**2019/20** **£**	**2020/21** **£**	**2021/22** **£**	**2022/23** **£**
Budget (surplus)/deficit	**(224,253)**	**2,078,413**	**2,060,960**	**1,944,967**
2019/20 - £4.95 increase	201,074	201,074	201,074	201,074
2020/21 - £4.95 increase		203,549	203,549	203,549
2021/22 - £4.95 increase			206,024	206,024
2022/23 - £4.95 increase				208,499
Total income from Council tax foregone	**201,074**	**404,623**	**610,647**	**819,146**
Adjusted (surplus)/deficit	**(23,179)**	**2,483,036**	**2,671,607**	**2,764,113**

10.7 The table above shows what impact **not increasing council tax** would have on the future year's deficit forecasts as the present assumptions within the MTFS and the budget are that council tax will be increased year on year. It should be noted that while the current referendum principle caps the maximum at £5.00 and proposed increase at this level would actually result in an increase of £4.95 as any increase has to be divisible by 9 due the way the calculations are undertaken and adjusted to represent Band D equivalent properties.

10.8 If these recommended council tax increases are not made over the period the current forecast deficit of £1.9m for 2022/23 **would increase to £2.8m** and the

Council would forgo council tax income of c£0.82m over the period based on the current forecasts.

10.9 In view of the Governments change in approach towards funding for Local Authorities with a greater emphasis on Council Tax rises, and the cumulative impact of grant reductions from RSG and New Homes Bonus, freezing council tax for 2019/20 is not an approach that can be recommended in the medium to long term.

10.10 Recent feedback from HMCLG also suggests that, as the central government funding assumption is that Council's will be using their local income raising powers wherever possible, that those choosing not to do so are in effect not taking the future funding deficits seriously. They also indicated that this might indicate a lack of financial resilience in terms of future years.

11 Financial Implications and Risks

11.1 The following outlines the main risks faced by the authority in the medium to long term and not only in relation to the 2019/20 budget.

11.2 **Future Funding** – There is a continued shift from central government support from Revenue Support Grant to local funding from retained business rate (Baseline Funding), and Council Tax. Revenue Support Grant will be completely removed from 2020/21. The outcome of the Fair Funding Review and Localisation of Business Rates are as yet still unknown and will undoubtedly have a significant impact on future funding, the full extent of which is not clear at the present time. Further consultation documents relating to both of these topics were issued alongside the Provisional Settlement on 13 December and officers will be preparing responses for the deadline on Thursday 21 February.

11.3 **Comprehensive Spending Review (CSR)** - The CSR is a process usually undertaken every two to five years by HM Treasury to set firm expenditure limits and to define the key service improvements the public can expect to see as a result of this funding. Spending reviews ensure that departmental plans fit within the total spending limits that Government can afford while also setting out the vision for the country and the policies which will support it. The review represents the choices available between the different priorities and helps to allocate scare resources in the most appropriate way. These spending and investment plans will need to cover at least the 2020/21 financial year for which there are currently no plans in place. The 2019 CSR is currently expected to commence this summer as far as we are aware although this may be delayed depending on what happens over Brexit. By its very nature this process will impact on the amount of funding available to the local government sector and it turn to the Council.

11.4 **New Homes Bonus (NHB)** – The Provisional Settlement announcement was welcomed in that the 0.4% baseline wasn't increased further as had previously been feared. However the Government intends to consult further in the coming months on future changes to the distribution of NHB, to ensure additional housing growth is rewarded, rather than what could be seen as normal growth and there is a very strong possibility it will disappear altogether in the very near future.

11.5 **Business Rates** – The risk of funding fluctuations from business rates continues to be a prevalent feature of the funding of local authorities. The impact of appeals only exacerbates this risk and therefore the Council has continued to maintain an earmarked reserve to cushion the impact of these fluctuations. Whilst the risk is shared between Districts, County and Central Government in the proportionate shares i.e. 40:10:50, the impact can be over a number of years where there is a deficit to be covered from the collection of business rate income.

Factors that will lead to the fluctuations include for example, economic downturn leading to business closures and reducing the income from business rates, reduced income from the outcome of successful rateable value appeals, including the impact of back dated appeals, reduced income as schools transfer to academy status etc.

There is still uncertainty around the localisation of business rates and further consultation has now been issued as mentioned above.

11.6 **Savings** – Details of the savings that have been factored into the 2019/20 budget and future projections are included within the detail of the report. Delivery of the savings at the levels budgeted is vital to delivery of the overall budget and future financial position. It is critical that the delivery of these savings is closely monitored by CLT and Cabinet as part of the on-going budget monitoring process.

11.7 **Income** – Income from a number of demand led services remains a financial risk that cannot be fully influenced by the Council. Whilst estimates have been based on previous actuals and knowledge of the service delivery, income levels need to be closely monitored, for example for planning and car park income. It is for reasons such as this that a factor in determining the recommended general reserve balance includes an amount for the more significant demand led income budgets. Car park income is currently also forming part of the consultation in relation to the Fair Funding review, the final inclusion of which would negatively impact the Council, although at present it is still under consultation.

11.8 **Investment Returns** – Interest rates continue to be low and the delivery of investment returns is problematic with the choice of counterparty and period of exposure needing to be weighed on a daily basis in line with the treasury management strategy. Changes in profiled capital expenditure, economic forecasts, money markets and the stock market, as well as the government's triple A rating can all impact on these returns.

11.9 **Second Homes** – While the 2018/19 assumed that Norfolk County Council returned 12.5% of their share of the second homes council tax to the districts this was the last year of that arrangement. This has been used to fund the Council's Big Society Fund (BSF) Grant scheme and related expenditure. This will need to be funded from the Communities Fund reserve if it is to continue from 2019/20 onwards although as there is no longer any income being received to finance the scheme using the reserve is not sustainable moving forward.

11.10 **Pay** – The budget assumes an inflationary increase of 2% for pay in future years, however this is subject to agreement externally and therefore any deviation from this presents a risk, although some of this will be mitigated through the allowance for staff turnover and if necessary by the one-off use of reserves.

11.11 **Waste contract** – A one year extension has now been agreed with Kier and these costs have been built into the 2019/20 draft budget. While savings are anticipated from the future joint waste procurement currently being undertaken no savings have been assumed in future years at the present time.

11.12 **Devolution/Unitary status** – As the devolution deal has been rejected locally no further work is ongoing in respect of this and no changes have been factored in to the budget or future year projections as a result. The Unitary issue will undoubtedly be discussed further again in the future now that devolution is no longer on the agenda and officers and Members will keep a watching brief in respect of this but again at present no budgetary impact is being assumed.

11.13 **Brexit/world politics** – It is impossible to predict what impact factors such as Brexit and wider world politics and decisions might have on the national and local economy in terms of things such as investment returns, inflation, work force costs etc. Officers will continue to monitor the position but the potential impact of any unexpected changes could potentially be covered through the use of reserves.

12 Sustainability

12.1 There are no sustainability issues as a direct consequence of this report.

13 Equality and Diversity

13.1 The Council is required to consider the equality duty in its decision-making and this includes the budget process. As part of any savings or investments the Council must consider how it can:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between different groups; and
- Foster good relations between different groups by tackling prejudice and promoting understanding.

13.2 Following the savings exercise undertaken in 2016/17 there have been no further submissions for 2019/20 and therefore no equality issues potentially affecting the proposals at present.

14 Section 17 Crime and Disorder considerations

14.1 There are no crime and disorder considerations as a direct consequence of the report.

General Fund Summary 2019/20 Base Budget

2017/18 Actuals £	Service Area	2018/19 Base Budget £	2018/19 Updated Base Budget £	2019/20 Base Budget £	2020/21 Projection £	2021/22 Projection £	2022/23 Projection £
360,658	Corporate Leadership Team/Corporate	316,213	325,223	440,608	276,168	280,134	284,146
2,986,912	Community & Economic Development	2,648,580	2,926,015	3,811,316	3,060,562	2,970,329	2,950,944
1,429,514	Customer Services & ICT	1,549,267	2,288,762	1,721,564	1,796,113	1,851,677	1,914,157
3,659,448	Environmental Health	3,761,582	3,756,682	4,536,023	4,567,606	4,661,500	4,744,821
3,677,960	Finance and Assets	3,023,686	2,600,669	4,305,907	3,087,636	3,104,689	3,152,209
672,638	Legal and Democratic Services	591,003	625,531	561,997	559,983	569,490	579,363
1,935,759	Planning	2,061,807	2,157,613	2,234,605	2,130,689	2,182,671	2,239,015
0	Service Savings to be Identified (DT)	0	0	(83,750)	(167,500)	(335,000)	(335,000)
14,722,889	**Net Cost of Services**	**13,952,138**	**14,680,495**	**17,528,270**	**15,311,257**	**15,285,490**	**15,529,655**
2,079,492	Parish Precepts (Estimate from 2020/21 onwards)	2,210,812	2,210,812	2,321,490	2,420,382	2,523,481	2,630,456
(2,438,206)	Capital Charges	(1,344,248)	(1,344,248)	(1,308,233)	(1,125,477)	(1,049,430)	(1,049,430)
(270,890)	Refcus	0	0	(1,425,000)	0	0	0
(931,664)	Interest Receivable	(1,147,384)	(1,147,384)	(1,330,685)	(1,271,437)	(1,242,159)	(1,262,811)
0	External Interest Paid	3,500	3,500	10,000	131,327	127,283	123,237
1,339,404	Revenue Financing for Capital:	1,491,407	1,812,568	4,643,249	1,698,000	240,000	0
0	Minimum Revenue Provision	0	0	0	0	144,000	144,000
(852,553)	IAS 19 Pension Adjustment	251,249	251,249	252,210	257,254	262,399	267,647
13,648,472	**Net Operating Expenditure**	**15,417,474**	**16,466,992**	**20,691,301**	**17,421,306**	**16,291,064**	**16,382,754**
	Contributions to/(from) Earmarked Reserves:						
1,135,804	Capital Projects Reserve	(747,964)	(1,231,031)	(1,426,249)	(373,000)	0	0
357,548	Asset Management	(3,443)	(208,150)	(92,000)	0	0	0
(134,267)	Benefits	(12,838)	(31,588)	(12,838)	(12,838)	(12,838)	(12,838)
0	Broadband	0	0	(1,000,000)	0	0	0
(11,997)	Building Control	0	0	0	0	0	0
(20,376)	Business Rates Reserve	(18,000)	(61,843)	(38,241)	(24,747)	(18,000)	(18,000)
0	Coast Protection	(20,000)	(20,000)	(42,302)	0	0	0
(48,450)	Common Training	0	0	0	0	0	0
396,956	Communities	168,234	90,533	(242,000)	(242,000)	(242,000)	(242,000)
(12,837)	Economic Development & Tourism	(10,000)	(20,000)	(10,000)	(10,000)	0	0
40,000	Elections	40,000	40,000	(120,000)	40,000	40,000	40,000
93,439	Enforcement Board	0	(23,492)	0	0	0	0
15,000	Environmental Health	0	(40,000)	(40,000)	0	0	0
95,436	Grants	(8,792)	(120,805)	(44,416)	(14,655)	(14,655)	(14,655)
21,029	Grassed Area Deposits						
(20,141)	Housing	(14,247)	(243,417)	(97,999)	(111,073)	(21,126)	0
40,781	Land Charges	0	0	0	0	0	0
(15,785)	Legal	0	(933)	0	0	0	0
171,977	New Homes Bonus Reserve	(1,680,944)	(1,299,319)	(596,558)	0	0	0
(4,281)	Organisational Development	(4,649)	(4,649)	(78,246)	(11,078)	0	0
(63,210)	Pathfinder	0	0	(40,076)	0	0	0
(112,310)	Planning Revenue	18,330	18,330	0	50,000	50,000	50,000
0	Property Investment Fund	2,000,000	2,000,000	(1,000,000)	(1,000,000)	0	0
(143,565)	Restructuring/Invest to save	(582,939)	(566,182)	(849,072)	(325,000)	(240,000)	0
(456)	Sports Facilities	0	0	0	0	0	0
(66,068)	Treasury (Property) Reserve	0	0	0	0	0	0
(135,287)	Contribution to/(from) the General Reserve	(60,000)	(264,224)	(26,690)	0	0	0
15,227,412	**Amount to be met from Government Grant and Local Taxpayers**	**14,480,222**	**14,480,222**	**14,934,614**	**15,386,915**	**15,832,445**	**16,185,261**
(2,079,492)	Collection Fund – Parishes	(2,210,812)	(2,210,812)	(2,321,490)	(2,420,382)	(2,523,481)	(2,630,456)
(5,543,247)	Collection Fund – District	(5,909,655)	(5,909,655)	(6,240,604)	(6,321,120)	(6,604,004)	(6,891,838)
(4,585,583)	Retained Business Rates	(4,190,773)	(4,190,773)	(5,385,617)	(4,567,000)	(4,644,000)	(4,718,000)
(936,035)	Revenue Support Grant	(535,619)	(535,619)	0	0	0	0
(1,694,843)	New Homes bonus	(1,149,592)	(1,149,592)	(1,211,156)	0	0	0
(388,212)	Rural Services Delivery Grant	(483,771)	(483,771)	0	0	0	0
(15,227,412)	**Income from Government Grant and Taxpayers**	**(14,480,222)**	**(14,480,222)**	**(15,158,867)**	**(13,308,502)**	**(13,771,485)**	**(14,240,294)**
(0)	**(Surplus)/Deficit**	**0**	**0**	**(224,253)**	**2,078,413**	**2,060,960**	**1,944,967**

Clt / Corporate Service Area

2017/18 Actual £	Service	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance Base to Base £
361,270	Human Resources & Payroll	308,620	357,552	48,932
221,496	Registration Services	180,263	345,698	165,435
459,863	Corporate Leadership Team	443,369	461,625	18,256
332,293	Communications	295,548	309,078	13,530
1,374,922	**Total Net Costs**	**1,227,800**	**1,473,953**	**246,153**
19,268	Capital Charges	0	0	0
389,789	Support Service Charges in	393,250	338,870	(54,380)
(1,423,321)	Support Service Recharges out	(1,304,837)	(1,372,215)	(67,378)
360,658	Total Net Cost of Services	**316,213**	**440,608**	**124,395**

CLT / Corporate

	Base Budget 2018/19	Base Budget 2019/20	Variance	Major Explanation for Movements
	£	£	£	
Human Resources & Payroll				
Gross Direct Costs	329,620	358,552	28,932	(£7,530) - Transfer of Member training to Member Costs. £16,864 - Pay award and changes in staff hours. £18,836 - Apprentice funded from reserve
Gross Direct Income	(21,000)	(1,000)	20,000	Saving bid to sell services not achieved
Support Service Charges	108,420	77,410	(31,010)	Reduced recharges of (£8,460) from Communications; (£3,160) from Corporate Leadership Team; (£8,580) from Internal Audit; (£5,760) from Legal Services.
Support Service Recharges	(417,040)	(434,962)	(17,922)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Registration Services				
Gross Direct Costs	219,383	389,818	170,435	Costs associated with the District Elections in May 2019
Gross Direct Income	(39,120)	(44,120)	(5,000)	Additional grant income for Individual Electoral Registration (IER)
Support Service Charges	135,950	94,910	(41,040)	Reduced recharges of (£14,460) from Postal & Scanning; (£14,230) from Customer Services; (£6,020) from Reprographics; (£7,440) from Corporate Leadership Team.
	316,213	**440,608**	**124,395**	
Corporate Leadership Team				
Gross Direct Costs	443,369	461,625	18,256	£15,284 - Pay award. £4,241 - Pension fund adjustments.
Support Service Charges	82,750	102,170	19,420	Higher Recharges of £7,730 from Business Growth Staffing, £11,250 from Legal Services.
Support Service Recharges	(526,119)	(563,795)	(37,676)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Communications				
Gross Direct Costs	295,548	309,078	13,530	(£6,450) - Transfer computer purchases to IT. £7,071 - Pay award. £2,467 - Pension fund adjustments. £11,123 one-off branding exercise
Support Service Charges	66,130	64,380	(1,750)	(£2,480) - Reduced recharge from Central Costs
Support Service Recharges	(361,678)	(373,458)	(11,780)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Total Clt / Corporate	**316,213**	**440,608**	**124,395**	

Community and Economic Development

2017/18 Actual £	Service	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance Base to Base £
(1,891,280)	Car Parking	(1,905,927)	(1,819,750)	86,177
(6,196)	Markets	(22,889)	(7,218)	15,671
314,291	Parks & Open Spaces	335,466	215,871	(119,595)
(2,669)	Foreshore	(13,439)	(71,153)	(57,714)
151,448	Sports Centres	161,247	124,012	(37,235)
357,092	Leisure Complexes	325,905	270,590	(55,315)
102,348	Other Sports	62,753	61,737	(1,016)
7,778	Recreation Grounds	7,669	17,466	9,797
79,042	Pier Pavilion	24,448	4,448	(20,000)
393,328	Foreshore (Community)	401,938	516,273	114,335
154,194	Woodlands Management	114,773	151,650	36,877
81,890	Cromer Pier	23,638	82,350	58,712
70,446	Economic Growth	82,398	82,530	132
21,114	Tourism	40,338	43,588	3,250
327,314	Coast Protection	321,275	321,275	0
245,168	Business Growth Staffing	242,944	226,802	(16,142)
113,296	Economic & Comm Dev Mgt	101,209	100,953	(256)
238,858	Leisure	205,448	197,022	(8,426)
167,088	Housing (Health & Wellbeing)	215,311	213,102	(2,209)
(187,238)	Housing Strategy	278,621	293,719	15,098
(280,012)	Community and Localism	(46,464)	333,989	380,453
194,330	Coastal Management	198,770	294,255	95,485
651,630	**Total Net Costs**	**1,155,432**	**1,653,511**	**498,079**
1,168,350	Capital Charges	640,036	635,040	(4,996)
1,544,479	Gross Direct Costs - Refcus	1,000,000	1,425,000	425,000
(1,293,769)	Gross Direct Income - Refcus	(1,000,000)	(1,000,000)	0
2,388,492	Support Service Charges in	2,357,909	2,771,439	413,530
(1,472,270)	Support Service Recharges out	(1,504,797)	(1,673,674)	(168,877)
2,986,912	**Total Net Cost of Services**	**2,648,580**	**3,811,316**	**1,162,736**

Community and Economic Development

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Car Parking				
Gross Direct Costs	740,044	815,196	75,152	Inflation items including: (£13,641) - Grounds maintenance; £6,826 - Rent of land; £22,277 - Business Rates; £36,220 - Cleansing contract; £6,775 - Management fee. £21,943 - Repair and Maintenance reactive budget.
Capital Charges	29,485	28,446	(1,039)	This reflects the updated Capital Programme.
Gross Direct Income	(2,645,971)	(2,634,946)	11,025	£11,025 -Non-recurring item builder hiring area until March 2019.
Support Service Charges	183,379	152,019	(31,360)	Lower recharges of (£25,880) from Customer Services; (£34,890) from Property Services. £17,380 - Increased recharge from Insurances. The balance consists of minor variances.
	(1,693,063)	**(1,639,285)**	**53,778**	
Markets				
Gross Direct Costs	38,911	56,436	17,525	£14,614 - Business rates.
Gross Direct Income	(61,800)	(63,654)	(1,854)	No Major Variances.
Support Service Charges	34,030	27,920	(6,110)	(£15,030) - Reduced recharge from Property Services. Higher recharges of £4,110 from Leisure Services; £3,130 from Internal Audit
	11,141	**20,702**	**9,561**	
Parks & Open Spaces				
Gross Direct Costs	350,056	230,461	(119,595)	(£151,910) - Grounds maintenance contract inflation. £31,318 - Cleansing contract inflation.
Capital Charges	48,222	36,897	(11,325)	This reflects the updated Capital Programme.
Gross Direct Income	(14,590)	(14,590)	0	No Major Variances
Support Service Charges	81,030	119,950	38,920	Higher recharges of £22,170 from Property Services; £12,110 from Insurances. £7,530 from Leisure Services.
	464,718	**372,718**	**(92,000)**	
Foreshore				
Gross Direct Costs	173,923	146,209	(27,714)	(£31,800) Transferred to Property Services to fund 2 new general operative posts; £5,984 Additional insurance costs.
Capital Charges	7,977	5,601	(2,376)	This reflects the updated Capital Programme.
Gross Direct Income	(187,362)	(217,362)	(30,000)	Additional income from chalet rentals.
Support Service Charges	187,250	198,500	11,250	Higher recharges of £12,210 from Finance; £25,310 from Leisure. (£10,810) Lower recharges from Insurance. The balance is made up of minor variances.
	181,788	**132,948**	**(48,840)**	

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Sports Centres				
Gross Direct Costs	304,067	124,012	(180,055)	(£14,040) - Pension fund adjustment. (£154,405) - Savings as a result of the new leisure management contract. (£11,610) - Transfer saving to Holt Country Park
Capital Charges	12,497	12,497	0	No Major Variances
Gross Direct Income	(142,820)	0	142,820	£142,820 - New contractor keeps the income generated.
Support Service Charges	120,240	168,770	48,530	£3,010 - Higher recharge from Personnel. £14,210 - Higher recharge from Computer Services; £10,470 from Communications; £6,300 from Leisure Services. The balance consists of minor variances.
	293,984	**305,279**	**11,295**	
Leisure Complexes				
Gross Direct Costs	325,905	270,590	(55,315)	£12,283 - Transfer of premises insurance from Property Services. (£66,337) - Savings resulting from the new leisure management contract.
Capital Charges	525,644	525,644	0	No Major Variances
Support Service Charges	39,570	51,590	12,020	Higher recharges of £6,230 from Communications; £3,220 from Leisure Services.
	891,119	**847,824**	**(43,295)**	
Other Sports				
Gross Direct Costs	102,283	71,737	(30,546)	(£25,000) - One off use of New Homes Bonus for the Outdoor Leisure Strategy. £19,000 - Sporting Centre of excellence from General Reserve. (£25,278) - Fixed term contracts ceasing.
Gross Direct Income	(39,530)	(10,000)	29,530	£27,358 - Grant for Hubs and Clubs project no longer received.
Support Service Charges	49,130	54,540	5,410	£7,510 - Increased recharge from Communications.
	111,883	**116,277**	**4,394**	
Recreation Grounds				
Gross Direct Costs	8,669	18,466	9,797	£5,735 - Grounds maintenance contract inflation. £4,062 - Cleansing contract inflation
Capital Charges	79	79	0	No Major Variances
Gross Direct Income	(1,000)	(1,000)	0	No Major Variances
Support Service Charges	4,530	4,490	(40)	No Major Variances
	12,278	**22,035**	**9,757**	

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Pier Pavilion				
Gross Direct Costs	44,448	24,448	(20,000)	(£20,000) - Saving in Pier Management fee.
Gross Direct Income	(20,000)	(20,000)	0	No Major Variances
Support Service Charges	17,790	32,830	15,040	Higher recharges of £7,240 from Property Services; £3,230 from Leisure Services; £3,310 from Legal Services.
	42,238	**37,278**	**(4,960)**	
Foreshore (Community)				
Gross Direct Costs	401,938	516,273	114,335	(£6,553) - Grounds maintenance contract inflation. £120,888 - Cleansing contract inflation
Support Service Charges	42,720	57,690	14,970	£13,190 - Increased recharges from Leisure Services.
	444,658	**573,963**	**129,305**	
Woodlands Management				
Gross Direct Costs	140,323	177,200	36,877	£6,516 - Pay award. £11,684 - Transfer of Sports Hall hire savings to fund tree safety work. £15,000 - Growth bid for tree safety work.
Capital Charges	1,346	1,346	0	No Major Variances
Gross Direct Income	(25,550)	(25,550)	0	No Major Variances
Support Service Charges	102,750	133,430	30,680	Higher recharges of £5,530 from IT; £7,830 from Communications; £13,780 from Leisure Services.
	218,869	**286,426**	**67,557**	
Cromer Pier				
Gross Direct Costs	44,347	103,059	58,712	£57,534 - Transfer of premises insurance from Property Services.
Capital Charges	8,741	6,249	(2,492)	Depreciation
Gross Direct Income	(20,709)	(20,709)	0	No Major Variances
Support Service Charges	15,010	66,330	51,320	Higher recharges of £6,230 from Communications; £44,600 from Property Services.
	47,389	**154,929**	**107,540**	
Economic Growth				
Gross Direct Costs	82,408	82,530	122	No Major Variances
Capital Charges	211	211	0	No Major Variances
Gross Direct Income	(10)	0	10	No Major Variances
Support Service Charges	186,740	310,260	123,520	Review of time allocation for Economic Growth staffing cost centre.
	269,349	**393,001**	**123,652**	
Tourism				
Gross Direct Costs	40,338	43,588	3,250	Transfer of Contribution budget re Orchestras Live.
Support Service Charges	53,940	18,610	(35,330)	Review of time allocation for Economic Growth staffing cost centre.
	94,278	**62,198**	**(32,080)**	

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Coast Protection				
Gross Direct Costs	321,275	321,275	0	No Major Variances.
Capital Charges	5,834	18,070	12,236	This reflects the updated Capital Programme.
Support Service Charges	275,360	370,240	94,880	Higher recharges of £78,200 from Coastal Management; £7,780 from Corporate Leadership Team; £6,230 from Communications.
	602,469	**709,585**	**107,116**	
Business Growth Staffing				
Gross Direct Costs	242,944	226,802	(16,142)	Fixed term post ending in 2019/20.
Support Service Charges	77,260	82,260	5,000	No Major Variances.
Support Service Recharges	(320,204)	(309,062)	11,142	Reduced recharges reflecting lower service costs.
	0	**0**	**0**	
Economic & Comm Dev Mgt				
Gross Direct Costs	101,209	100,953	(256)	No Major Variances
Support Service Charges	111,700	39,940	(71,760)	(£72,850) - Reduced recharge from Business Growth Staffing
Support Service Recharges	(87,974)	(96,158)	(8,184)	Increased recharges reflecting higher service costs within Community & Economic Development Management Unit.
	124,935	**44,735**	**(80,200)**	
Leisure				
Gross Direct Costs	206,148	197,722	(8,426)	(£3,180) - Transfer of computer purchases to IT. £5,695 - Pay award. (£6,632) - Staff no longer in pension scheme.
Gross Direct Income	(700)	(700)	0	No Major Variances
Support Service Charges	115,970	192,710	76,740	Higher recharges of £46,370 from Customer Services; £19,230 from Community and Economic Development Management; £4,760 from Digital Transformation; £4,610 from Legal Services.
Support Service Recharges	(321,418)	(387,984)	(66,566)	Increased recharges reflecting higher service costs.
	0	**1,748**	**1,748**	
Housing (Health & Wellbeing)				
Gross Direct Costs	215,311	299,802	84,491	Temporary staffing funded from NCC grant.
Gross Direct Costs - Refcus	1,000,000	1,000,000	0	No Major Variances.
Support Service Charges	295,180	351,390	56,210	Higher recharges of £21,510 from Housing (Health & Wellbeing); £5,220 Internal Audit; £12,230 from Housing Strategy & Communities; £5,530 from Computers. The balance consists of minor variances.
Support Service Recharges	(273,421)	(297,102)	(23,681)	Increased recharges reflecting higher service costs.
Gross Direct Income	0	(86,700)	(86,700)	Grant from Norfolk County Council (NCC) for Social Prescribing, this has been offset by additional staffing costs.
Gross Direct Income - Refcus	(1,000,000)	(1,000,000)	0	No Major Variances
	237,070	**267,390**	**30,320**	

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Housing Strategy				
Gross Direct Costs	309,289	326,109	16,820	Balance of temporary post funded from earmarked grant from Norfolk County Council (NCC).
Gross Direct Costs - Refcus	0	425,000	425,000	This reflects the updated Capital Programme for 2019/20.
Gross Direct Income	(30,668)	(32,390)	(1,722)	No Major Variances
Support Service Charges	278,080	288,530	10,450	Lower recharges of (£11,600) from Housing Strategy & Communities; (£5,050) from Internal Audit; (£10,610) from Legal Client Disbursements; Higher recharges of £20,640 to Legal Services; £8,060 to Communications; £4,800 to Computers.The balance consists of minor variances.
Support Service Recharges	(243,800)	(244,663)	(863)	Increased recharges reflecting higher service costs.
	312,901	**762,586**	**449,685**	
Community And Localism				
Gross Direct Costs	407,897	384,647	(23,250)	(£20,000) - One-off charge in 2018/2019, pilot for a Music Centre of Excellence at Gresham (Cabinet 23/1/18). (£3,250) Transfer of Orchestras Live grant to Tourism .
Gross Direct Income	(454,361)	(50,658)	403,703	Second homes grant no longer received.
Support Service Charges	27,040	10,630	(16,410)	(£18,000) - Reduced recharge from Business growth Staffing.
	(19,424)	**344,619**	**364,043**	
Coastal Management				
Gross Direct Costs	198,770	294,255	95,485	Additional staffing costs - the majority of which is to be funded from the Coastal Protection and Pathfinder Reserves.
Support Service Charges	59,210	38,810	(20,400)	Lower recharge of (£17,590) from Community & Economic Development management. The balance consists of minor variances.
Support Service Recharges	(257,980)	(338,705)	(80,725)	Increased recharges reflecting higher service costs.
	0	**(5,640)**	**(5,640)**	
Total Community & Economic Development	**2,648,580**	**3,811,316**	**1,162,736**	

Customer Services & ICT

2017/18 Actual £	Service	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance Base to Base £
167,720	Benefits Administration	424,208	533,345	109,137
1,124,952	It - Support Services	1,168,766	1,318,362	149,596
109,329	Tic'S	104,040	80,417	(23,623)
(113,401)	Homelessness	(131,050)	(61,197)	69,853
273,011	Customer Services Housing	310,782	334,790	24,008
281,420	Digital Transformation	183,442	243,370	59,928
73,841	Reprographics	86,489	80,843	(5,646)
608,467	Customer Services - Corporate	580,367	619,484	39,117
2,525,339	**Total Net Costs**	**2,727,044**	**3,149,414**	**422,370**
249,199	Capital Charges	147,386	135,382	(12,004)
2,376,563	Support Service Charges in	2,259,440	2,190,450	(68,990)
(3,721,587)	Support Service Recharges out	(3,584,603)	(3,753,682)	(169,079)
1,429,514	**Total Net Cost of Services**	**1,549,267**	**1,721,564**	**172,297**

Customer Services & ICT

	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance £	Explanation for Movement
Benefits Administration				
Gross Direct Costs	827,245	908,538	81,293	£27,009 System Admin post transferred from Revenues. £50,545 Employee Inflation. £8,388 Pension fund adjustment.
Capital Charges	11,500	11,500	0	No Major Variances.
Gross Direct Income	(403,037)	(375,193)	27,844	Reduction in Housing Benefit Administration grant received from the Department for Works and Pensions (DWP).
Support Service Charges	550,130	549,050	(1,080)	No Major Variances.
	985,838	**1,093,895**	**108,057**	
ICT - Support Services				
Gross Direct Costs	1,169,176	1,318,772	149,596	£42,140 - Transfer of computer purchases from other service areas. £17,724 - Pay award. £15,868 - Inflation on IT contracts. (£35,165) - Fixed term staff contracts ceasing. £72,000 - Permanent staffing agreed as part of the £119,000 bid made to Full Council re Digital Transformation. £18,394 - Various new licences. £12,000 - Integration software licences
Capital Charges	111,554	99,550	(12,004)	This reflects the Updated Capital Programme.
Gross Direct Income	(410)	(410)	0	No Major Variances.
Support Service Charges	148,200	147,670	(530)	No Major Variances.
Support Service Recharges	(1,425,320)	(1,565,582)	(140,262)	Increased recharges reflecting higher service costs.
	3,200	**0**	**(3,200)**	
Tic'S				
Gross Direct Costs	133,540	107,417	(26,123)	(£4,044) - Transfer of computer purchases to IT. (£18,589) - Savings resulting from the transfer of the management of Holt TIC.
Capital Charges	5,729	5,729	0	No Major Variances.
Gross Direct Income	(29,500)	(27,000)	2,500	£2,500 - No income resulting from the transfer of Holt TIC
Support Service Charges	106,820	98,390	(8,430)	(£3,260) - Reduced recharge from Central Costs. The balance consists of minor variances
	216,589	**184,536**	**(32,053)**	

	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance £	Explanation for Movement
Homelessness				
Gross Direct Costs	178,216	181,696	3,480	(£17,064) Non recurring expenditure previously funded from grant income (see below). £20,000 Additional temporary accommodation offset by income.
Gross Direct Income	(309,266)	(242,893)	66,373	£86,917 This reflects non recurring grant income relating to homelessness prevention. (£20,000) Additional recoverable income from Homelessness clients.
Support Service Charges	474,690	504,330	29,640	Lower recharges of (£5,490) from Creditors and (£5,050) from Internal Audit. Higher recharges of £35,880 to Customer Services Housing and £4,900 to Legal Services.
	343,640	**443,133**	**99,493**	
Customer Services Housing				
Gross Direct Costs	310,782	334,790	24,008	£16,564 Balance of a temporary post funded from a Homeless grant received from Norfolk County Council. The balance relates to employee inflation.
Support Service Charges	127,610	139,520	11,910	Higher recharges of £11,920 from Computers; £4,700 from Digital Transformation. Lower recharges of (£10,380) from Customer Services. The balance consists of minor variances.
Support Service Recharges	(438,392)	(474,310)	(35,918)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Digital Transformation				
Gross Direct Costs	183,442	243,370	59,928	Two Temporary posts funded from the Invest to Save Reserve.
Support Service Charges	466,660	415,800	(50,860)	Lower recharges of (£38,280) from Computers and (£15,800) from Customer Services. Higher recharge of £4,450 to Corporate Leadership Team.
Support Service Recharges	(650,102)	(659,170)	(9,068)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Reprographics				
Gross Direct Costs	93,989	88,343	(5,646)	(£5,380) - Reduced paper usage.
Capital Charges	18,603	18,603	0	No Major Variances
Gross Direct Income	(7,500)	(7,500)	0	No Major Variances
Support Service Charges	12,830	14,780	1,950	No Major Variances
Support Service Recharges	(117,922)	(114,226)	3,696	No Major Variances
	0	**0**	**0**	
Customer Services - Corporate				
Gross Direct Costs	603,237	642,354	39,117	£32,955 - Pay award. £4,516 - Pension fund adjustments.
Gross Direct Income	(22,870)	(22,870)	0	No Major Variances
Support Service Charges	372,500	320,910	(51,590)	Lower recharges of (£26,750) from Communications; (£5,290) from Admin Buildings; (£12,180) from Central Costs; (£7,470) from Corporate Leadership Team.
Support Service Recharges	(952,867)	(940,394)	12,473	Reduced recharges reflecting lower service costs.
	0	**0**	**0**	
Total Customer Services & ICT	**1,549,267**	**1,721,564**	**172,297**	

Environmental Health

2017/18 Actual £	Service	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance Base to Base £
378,734	Commercial Services	332,093	228,301	(103,792)
375,023	Internal Drainage Board Levies	386,274	397,862	11,588
5,716	Travellers	1,534	3,400	1,866
21,132	Public Protection	1,438	10,600	9,162
9,970	Street Signage	12,470	12,470	0
549,167	Environmental Protection	558,570	619,492	60,922
128,929	Env Health - Service Mgmt	132,273	127,735	(4,538)
164,128	Combined Enforcement Team	146,072	154,164	8,092
254,724	Environmental Contracts	255,735	270,155	14,420
384,620	Waste Collection And Disposal	727,212	1,210,698	483,486
595,218	Cleansing	551,355	774,026	222,671
14,265	Environmental Strategy	0	10,000	10,000
26,089	Community Safety	19,914	26,893	6,979
107,221	Civil Contingencies	99,670	96,340	(3,330)
3,014,936	**Total Net Costs**	**3,224,610**	**3,942,136**	**717,526**
275,275	Capital Charges	**170,912**	**162,551**	**(8,361)**
37,840	Gross Direct Costs - Refcus	**104,583**	**40,000**	**(64,583)**
(37,840)	Gross Direct Income - Refcus	**(104,583)**	**(40,000)**	**64,583**
1,150,398	Support Service Charges in	**1,106,050**	**1,191,520**	**85,470**
(781,161)	Support Service Recharges out	**(739,990)**	**(760,184)**	**(20,194)**
3,659,448	**Total Net Cost of Services**	**3,761,582**	**4,536,023**	**774,441**

Environmental Health

	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance £	Explanation for Movement
Commercial Services				
Gross Direct Costs	355,778	283,486	(72,292)	(£40,894) Transfer of staff to the Environmental Protection team,(£49,610) savings identified to be delivered as part of the Digital Transformation Programme, £4,205 Inflation on staffing costs and (£6,768) Pension Fund Adjustment. Additional costs of £20,000 relating to Private Water Sampling (offset by additional income).
Gross Direct Income	(23,685)	(55,185)	(31,500)	Additional fee income - Food Hygiene revisits and Private Water Sampling.
Support Service Charges	121,450	115,880	(5,570)	No Major Variances.
	453,543	344,181	(109,362)	
Internal Drainage Board Levies				
Gross Direct Costs	386,274	397,862	11,588	Inflation on Internal Drainage Board (IDB) Rates and Levies.
Support Service Charges	200	710	510	No Major Variances.
	386,474	398,572	12,098	
Travellers				
Gross Direct Costs	5,534	7,400	1,866	No Major Variances.
Gross Direct Costs - Refcus	104,583	40,000	(64,583)	This reflects the capital programme in the year.
Capital Charges	97,800	97,800	0	
Gross Direct Income	(4,000)	(4,000)	0	
Gross Direct Income - Refcus	(104,583)	(40,000)	64,583	This reflects the capital programme in the year.
Support Service Charges	1,520	1,930	410	No Major Variances.
	100,854	103,130	2,276	
Public Protection				
Gross Direct Costs	191,423	207,585	16,162	£9,162 Staff inflation; £7,000 relates to additional expenditure for animal inspections/vet costs, DBS checks and advertising costs - there is a requirement to publish all licensing changes e.g. fare changes.
Gross Direct Income	(189,985)	(196,985)	(7,000)	Additional fee income to reflect the higher costs (as above).
Support Service Charges	120,860	104,470	(16,390)	Lower recharges of (£6,750) from Environmental Health, (£9,590) from Legal Services.
	122,298	**115,070**	**(7,228)**	

	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance £	Explanation for Movement
Street Signage				
Gross Direct Costs	12,470	12,470	0	No Major Variances.
Capital Charges	7,565	7,564	(1)	No Major Variances.
Support Service Charges	17,350	18,950	1,600	No Major Variances.
	37,385	**38,984**	**1,599**	
Environmental Protection				
Gross Direct Costs	573,370	636,792	63,422	£36,115 Transfer of staff from the Commercial Team, £20,442 Inflation on staffing costs and £6,865 Pension Fund Adjustment.
Capital Charges	7,112	4,501	(2,611)	Depreciation.
Gross Direct Income	(14,800)	(17,300)	(2,500)	Additional income from Local Authority Pollution, Prevention & Control (LAPPC) and Houses in Multiple Occupation.
Support Service Charges	177,380	176,210	(1,170)	No Major Variances.
	743,062	**800,203**	**57,141**	
Env Health - Service Mgmt				
Gross Direct Costs	132,273	127,735	(4,538)	Transfer of Computer budgets to IT.
Support Service Charges	50,070	44,670	(5,400)	(£10,090) Lower recharge from Communications; £6,480 Higher recharge from Legal Services.
Support Service Recharges	(182,343)	(172,405)	9,938	Lower recharges reflecting lower service costs.
	0	**0**	**0**	
Combined Enforcement Team				
Gross Direct Costs	146,072	154,164	8,092	Staff inflation.
Support Service Charges	75,600	71,000	(4,600)	(£12,210) Lower recharges from Head of Planning; £6,880 Higher recharge from Communications and the Corporate Leadership Team.
Support Service Recharges	(221,672)	(225,164)	(3,492)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Environmental Contracts				
Gross Direct Costs	255,735	270,155	14,420	Staff inflation.
Support Service Charges	80,240	92,460	12,220	Higher recharges of £4,890 from Communications and £4,450 from the Corporate Leadership Team.
Support Service Recharges	(335,975)	(362,615)	(26,640)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	

	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance £	Explanation for Movement
Waste Collection And Disposal				
Gross Direct Costs	3,822,661	4,366,995	544,334	£204,829 Kier contract inflation, £213,200 additional costs for the processing of garden waste (this was not included within the extended price) (£15,000) Cost of bin deliveries taken out of contract cost; £12,630 Commercial waste disposal; £128,675 NEWS - increase in gate fee and smoothing payment.
Capital Charges	58,435	52,686	(5,749)	Depreciation.
Gross Direct Income	(3,095,449)	(3,156,297)	(60,848)	(£33,930) Additional garden bin fee income; (£26,918) Additional recycling credit income.
Support Service Charges	358,280	452,720	94,440	Higher recharges of £17,780 from Environmental Contracts; £11,470 from Communications; £54,240 from Creditors, £7,120 from Internal Audit and £29,100 from Customer Services; offset by lower recharges of (£16,410) from the Corporate Leadership Team; (£9,420) from Property Services.
	1,143,927	**1,716,104**	**572,177**	
Cleansing				
Gross Direct Costs	602,618	828,183	225,565	Inflation on the Kier contract
Gross Direct Income	(51,263)	(54,157)	(2,894)	Additional income from dog and litter bin recharges.
Support Service Charges	44,560	55,020	10,460	Higher recharges of £2,800 from Environmental Health and £6,590 from the Corporate Leadership Team.
	595,915	**829,046**	**233,131**	
Environmental Strategy				
Gross Direct Costs	15,000	25,000	10,000	Costs associated with the Green Build event.
Gross Direct Income	(15,000)	(15,000)	0	
Support Service Charges	13,610	20,190	6,580	Higher recharges of £4,820 from Environmental Health, £6,230 from Communications, £2,420 from the Corporate Leadership Team and lower recharge of (£7,660) from Insurance.
	13,610	**30,190**	**16,580**	
Community Safety				
Gross Direct Costs	19,914	26,893	6,979	Staff inflation.
Support Service Charges	11,180	11,750	570	No Major Variances.
	31,094	**38,643**	**7,549**	
Civil Contingencies				
Gross Direct Costs	99,670	96,340	(3,330)	Staff savings.
Support Service Charges	33,750	25,560	(8,190)	No Major Variances.
	133,420	**121,900**	**(11,520)**	
Total Environmental Health	**3,761,582**	**4,536,023**	**774,441**	

Finance & Assets

2017/18 Actual £	Service	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance Base to Base £
(107,787)	Industrial Estates	(115,769)	(116,039)	(270)
(50)	Surveyors Allotments	(50)	(50)	0
(5,318)	Handy Man	(14,053)	(13,093)	960
(31,281)	Parklands	(32,696)	(30,346)	2,350
151,242	Revenue Services	153,274	194,667	41,393
(49,171)	Benefits Subsidy	0	0	0
70,798	Discretionary Payments	65,846	61,237	(4,609)
252,853	Non Distributed Costs	251,249	251,210	(39)
328,287	Administration Buildings Svs	286,852	302,560	15,708
615,474	Property Services	532,063	567,044	34,981
108,355	Head Of Finance & Assets	100,514	101,419	905
430,140	Corporate Finance	424,337	426,639	2,302
180,314	Insurance & Risk Management	179,856	198,836	18,980
72,022	Internal Audit	75,000	75,000	0
35,561	Playgrounds	29,875	42,428	12,553
508	Community Centres	5,948	9,753	3,805
512,091	Public Conveniences	452,008	569,209	117,201
32,857	Investment Properties	(78,313)	(147,894)	(69,581)
93,550	Central Costs	81,491	86,384	4,893
426,274	Corporate & Democratic Core	423,486	464,213	40,727
3,116,719	**Total Net Costs**	**2,820,918**	**3,043,177**	**222,259**
(252,853)	IAS 19 Adjustment	(251,249)	(251,210)	**39**
20,180	Gross Direct Costs - Refcus	0	1,000,000	**1,000,000**
710,704	Capital Charges	344,283	338,154	**(6,129)**
2,782,329	Support Service Charges in	2,648,027	2,662,437	**14,410**
(2,699,119)	Support Service Recharges out	(2,538,293)	(2,486,651)	**51,642**
3,677,960	**Total Net Cost of Service**	**3,023,686**	**4,305,907**	**1,282,221**

Finance & Assets

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Industrial Estates				
Gross Direct Costs	16,646	12,610	(4,036)	£4,214 Insurance premiums; (£4,425) Lower costs for the Kier Grounds Maintenance contract to reflect the works undertaken; (£3,496) NNDR Business Rates.
Capital Charges	46,238	46,238	0	
Gross Direct Income	(132,415)	(128,649)	3,766	Lower rental income.
Support Service Charges	96,850	46,580	(50,270)	Reduced recharge from Property Services.
	27,319	**(23,221)**	**(50,540)**	
Surveyors Allotments				
Gross Direct Income	(50)	(50)	0	No Variances.
Support Service Charges	7,200	5,240	(1,960)	Reduced recharge from Property Services.
	7,150	**5,190**	**(1,960)**	
Handy Man				
Gross Direct Costs	41,858	41,637	(221)	No Major Variances.
Capital Charges	2,739	1	(2,738)	Depreciation.
Gross Direct Income	(55,911)	(54,730)	1,181	No Major Variances.
Support Service Charges	34,000	65,970	31,970	Higher recharge from Property Services.
	22,686	**52,878**	**30,192**	
Parklands				
Gross Direct Costs	23,630	37,282	13,652	Additional costs for R&M, electricity and Grounds Maintenance.
Capital Charges	585	585	0	No Major Variances.
Gross Direct Income	(56,326)	(67,628)	(11,302)	Rental income and recharges for electricity.
Support Service Charges	51,030	33,490	(17,540)	Reduced recharge from Property Services.
	18,919	**3,729**	**(15,190)**	
Revenue Services				
Gross Direct Costs	580,905	637,578	56,673	£5,725 Employees joining the superannuation scheme. £34,791 temporary posts funded from earmarked reserves. £27,277 Employee inflation. (£27,009) System admin post transferring to new cost centre. £5,682 Pension Fund Adjustment.
Gross Direct Income	(427,631)	(442,911)	(15,280)	(£10,886) NNDR Collection Allowance (£4,394) Court costs awarded.
Support Service Charges	440,770	441,270	500	No Major Variances.
	594,044	**635,937**	**41,893**	
Benefits Subsidy				
Gross Direct Costs	25,823,841	23,321,596	(2,502,245)	Reduced Housing Benefit expenditure and subsidy based on the 2018/19 Mid year estimate submitted to the department for Works and Pensions. (DWP)
Gross Direct Income	(25,823,841)	(23,321,596)	2,502,245	
	0	**0**	**0**	

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Discretionary Payments				
Gross Direct Costs	65,846	61,237	(4,609)	This reflects the grant funding profiled to be paid over to Parish Councils.
Support Service Charges	6,450	3,770	(2,680)	Reduced recharge from Creditors.
	72,296	**65,007**	**(7,289)**	
Non Distributed Costs				
Gross Direct Costs	251,249	251,210	(39)	No Major Variances.
IAS 19 Adjustment	(251,249)	(251,210)	39	No Major Variances.
	0	**0**	**0**	
Administration Buildings Svs				
Gross Direct Costs	457,633	587,805	130,172	£9,722 Insurance premiums; £11,000 Inflation and growth for utilities and Kier contracting services. £105,873 Internal service charges.
Capital Charges	76,862	76,860	(2)	No Major Variances.
Gross Direct Income	(170,781)	(285,245)	(114,464)	(£12,167) Rechargeable service charges; (£102,531) Internal service charges at the Cromer office.
Support Service Charges	162,700	120,520	(42,180)	Reduced recharges of (£31,840) from Property Services and (£8,570) from Finance.
Support Service Recharges	(436,637)	(412,163)	24,474	Reduced recharges reflecting lower service costs.
	89,777	**87,777**	**(2,000)**	
Property Services				
Gross Direct Costs	532,063	567,044	34,981	£111,581 Staffing costs - of this £35,712 is for apprentices and will be funded from the Organisation & Development Reserve; (£76,979) Transfer of insurance premiums to various service areas.
Capital Charges	12,774	12,385	(389)	No Major Variances.
Support Service Charges	251,100	262,520	11,420	Higher recharges of £9,240 from Computers; £6,270 from Internal Audit; £5,240 from Legal Client Disbursements. Lower recharges of (£4,370) from Corporate Leadership Team and (£6,050) from Head of Assets & Finance.
Support Service Recharges	(795,937)	(841,949)	(46,012)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Head Of Finance & Assets				
Gross Direct Costs	100,514	101,419	905	No Major Variances.
Support Service Charges	9,620	10,120	500	No Major Variances.
Support Service Recharges	(110,134)	(111,539)	(1,405)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Corporate Finance				
Gross Direct Costs	424,337	426,639	2,302	Employee inflation
Capital Charges	4,491	4,491	0	No Major Variances
Support Service Charges	135,050	144,930	9,880	Higher recharges of £3,370 from Communications, £14,220 from Internal Audit, £2,380 from Legal Client Disbursements; offset by lower recharges of (£4,490) from Central Costs, (£5,960) from Customer Services.
Support Service Recharges	(563,878)	(576,060)	(12,182)	This reflects net increased costs recharged to the cost centres supported.
	0	**0**	**0**	
Insurance & Risk Management				
Gross Direct Costs	180,506	199,486	18,980	Increased insurance premiums, mainly £2,417 for Employers' Liability, £9,278 for Public Liability and £2.789 for All Risks Insurance.
Gross Direct Income	(650)	(650)	0	No Major Variances
Support Service Charges	14,610	11,560	(3,050)	(£3,030) - Reduced Internal Audit recharge.
Support Service Recharges	(194,466)	(210,396)	(15,930)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Internal Audit				
Gross Direct Costs	75,000	75,000	0	No Major Variances
Support Service Charges	9,240	8,060	(1,180)	(£1,250) - Reduced recharge from Head of Assets and Finance.
Support Service Recharges	(84,240)	(83,060)	1,180	Reduced recharges reflecting lower service
	0	**0**	**0**	
Playgrounds				
Gross Direct Costs	29,875	42,428	12,553	Kier Grounds Maintenance costs.
Support Service Charges	34,880	36,970	2,090	Higher recharge from Property Services.
	64,755	**79,398**	**14,643**	
Community Centres				
Gross Direct Costs	5,948	9,753	3,805	Insurance premiums.
Support Service Charges	13,670	7,470	(6,200)	Reduced recharges from Property Services and Head of Assets & Finance.
	19,618	**17,223**	**(2,395)**	

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Public Conveniences				
Gross Direct Costs	452,008	569,209	117,201	(£17,080) Budget transfer to Property Services for staffing; £3,340 Insurance premiums; £7,394 Additional NNDR costs; £109,612 Kier contract; £13,930 Internal service charge.
Capital Charges	134,495	131,495	(3,000)	Depreciation.
Support Service Charges	135,977	80,717	(55,260)	Lower recharges of (£46,160) from Property Services and (£12,400) from Finance.
	722,480	**781,421**	**58,941**	
Investment Properties				
Gross Direct Costs	87,799	73,906	(13,893)	(£19,555) NNDR at Grove Lane depot to be paid by the new tenant; £5,268 Kier Grounds Maintenance; £3,994 Additional costs at Fair Meadow House.
Capital Charges	66,099	66,099	0	No Variances.
Gross Direct Income	(166,112)	(221,800)	(55,688)	(£42,375) Additional rental and rechargeable income; (£13,930) Internal service charges;
Support Service Charges	77,520	165,510	87,990	Higher recharge from Property Services.
	65,306	**83,715**	**18,409**	
Central Costs				
Gross Direct Costs	81,491	86,384	4,893	£10,000 for general events; (£6,281) - Staff savings.
Support Service Charges	271,510	165,100	(106,410)	Lower recharges of (£23,880) from Customer Services; (£34,820) from Property Services; (£9,470) from Creditors; (£24,740) from Corporate Leadership Team; (£12,010) from Internal Audit.
Support Service Recharges	(353,001)	(251,484)	101,517	Reduced recharges reflecting lower service costs.
	0	**0**	**0**	
Corporate & Democratic Core				
Gross Direct Costs	423,486	464,213	40,727	£7,195 - Higher bank charges. £14,790 - Transfer of staff costs from another unit. £10,000 - Ongoing general grants. £8,000 per annum until 2024/2025 for Syrian refugees
Gross Direct Costs - Refcus	0	1,000,000	1,000,000	Support provision of Broadband in most rural areas.
Support Service Charges	895,850	1,052,640	156,790	Higher recharges of £88,960 from Property Services; £89,550 from Corporate Leadership Team.(£14,910) - Lower recharge from Head of Assets and Finance.
	1,319,336	**2,516,853**	**1,197,517**	
Total Finance & Assets	**3,023,686**	**4,305,907**	**1,282,221**	

Legal and Democratic Services

2017/18 Actual £	Service	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance Base to Base £
538,734	Members Services	524,953	503,747	(21,206)
351,637	Legal Services	310,871	359,248	48,377
890,371	**Total Net Costs**	**835,824**	**862,995**	**27,171**
2,500	Capital Charges	0	0	0
245,235	Support Service Charges in	179,700	215,390	35,690
(465,468)	Support Service Recharges out	(424,521)	(516,388)	(91,867)
672,638	**Total Net Cost of Services**	**591,003**	**561,997**	**(29,006)**

Legal and Democratic Services

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Members Services				
Gross Direct Costs	525,353	504,147	(21,206)	£22,877 - Pay award. £7,530 - Transfer of Member training from Human Resources. (£7,710) - Transfer of computer purchases to IT. £7,500 - Members induction training following May 2019 election. (£52,508) - Reduction in number of Members from 48 to 40 in May 2019.
Gross Direct Income	(400)	(400)	0	
Support Service Charges	66,050	58,250	(7,800)	Reduced recharges from Customer Services.
	591,003	**561,997**	**(29,006)**	
Legal Services				
Gross Direct Costs	640,817	689,194	48,377	(£4,750) - Transfer of computer purchases to IT. £17,478 - Pay award. £13,300 - Fixed term staff funded from legal reserve. £17,811 - Increased staff hours.
Gross Direct Income	(329,946)	(329,946)	0	
Support Service Charges	113,650	157,140	43,490	Higher recharges of £5,040 from Personnel; £23,580 from Computer Services; £5,530 from Digital Transformation. The balance consists of minor variances.
Support Service Recharges	(424,521)	(516,388)	(91,867)	Increased recharges reflecting higher service costs.
	0	**0**	**0**	
Total Legal & Democratic Svs	**591,003**	**561,997**	**(29,006)**	

Planning

2017/18 Actual £	Service	Base Budget 2018/19 £	Base Budget 2019/20 £	Variance Base to Base £
92,847	Development Management	54,164	154,917	100,753
339,011	Planning Policy	551,731	626,541	74,810
117,254	Conservation, Design & Landscape	103,542	101,081	(2,461)
243,598	Major Developments	229,098	236,255	7,157
20,263	Building Control	(16,378)	9,489	25,867
177,818	Head Of Planning	190,707	119,410	(71,297)
(57,671)	Property Information	(6,167)	(2,810)	3,357
933,120	**Total Net Costs**	**1,106,697**	**1,244,883**	**138,186**
13,038	Capital Charges	41,631	37,106	(4,525)
1,278,956	Support Service Charges in	1,147,786	1,105,576	(42,210)
(289,355)	Support Service Recharges out	(234,307)	(152,960)	81,347
1,935,759		**2,061,807**	**2,234,605**	**172,798**

Planning

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Development Management				
Gross Direct Costs	856,784	957,117	100,333	£57,038 Staff transferred from Planning Management and Support. £9,000 Direct costs budgets including qualification training transferred from other planning services. (£9,765) Net movement in staff recharges between planning areas. £25,291 Employee inflation. £10,382 IAS 19 Pension adjustment.
Capital Charges	41,631	37,106	(4,525)	This reflects the updated Capital Programme.
Gross Direct Income	(802,620)	(802,200)	420	No Major Variances.
Support Service Charges	660,630	647,710	(12,920)	Lower recharges of (£24,400) from Head of Planning and (£7,330) Central Costs; offset by higher recharges of £11,550 to Computers and £6,730 to Legal Client Disbursements.
	756,425	**839,733**	**83,308**	
Planning Policy				
Gross Direct Costs	551,731	626,541	74,810	£56,804 expenditure relating to the Local Plan Review, this is funded from earmarked reserves. £14,655 Additional staffing resource initially funded from earmarked reserves.
Support Service Charges	70,866	73,506	2,640	Lower recharges of (£10,170) from Head of Planning and (£12,780) Corporate Leadership Team; offset by higher recharges of £9,630 to Computers and £7,730 to Legal Services. The balance consists of minor variances.
	622,597	**700,047**	**77,450**	
Conservation, Design & Landscape				
Gross Direct Costs	103,542	101,081	(2,461)	(£4,000) Transfer of Qualification budget to Development Management.
Support Service Charges	70,220	70,070	(150)	Lower recharge of (£6,100) from Head of Planning offset by a higher recharge of £4,010 to Communications.
	173,762	**171,151**	**(2,611)**	
Major Developments				
Gross Direct Costs	229,098	236,255	7,157	£6,374 Employee inflation.
Support Service Charges	127,650	95,670	(31,980)	Lower recharges of (£12,210) from Head of Planning, (£5,490) to Computers, (£4,460) Central Costs, (£3,810) Digital Transformation, (£4,370) Legal Services, (£2,880) Admin Buildings. Offset by a higher recharge of £4,630 to Communications.
	356,748	**331,925**	**(24,823)**	

	Base Budget 2018/19	Base Budget 2019/20	Variance	Explanation for Movement
	£	£	£	
Building Control				
Gross Direct Costs	369,872	395,739	25,867	£25,233 Employee inflation including the introduction of retention and responsibility payments for key personnel.
Gross Direct Income	(386,250)	(386,250)	0	No Major Variances.
Support Service Charges	121,860	123,110	1,250	Lower recharges of (£4,880) from Head of Planning, (£3,250) Central Costs offset by higher recharges of £6,760 from Creditors and £2,960 from Computers.
	105,482	**132,599**	**27,117**	
Head Of Planning				
Gross Direct Costs	190,707	119,410	(71,297)	(£57,038) Post transferring to Development Management. (£4,032) IAS pension funding.
Support Service Charges	43,600	33,550	(10,050)	Lower recharge of (£9,260) from Communications.
Support Service Recharges	(234,307)	(152,960)	81,347	Reduced recharges reflecting lower service costs.
	0	**0**	**0**	
Property Information				
Gross Direct Costs	183,833	187,190	3,357	£2,936 Employee Inflation.
Gross Direct Income	(190,000)	(190,000)	0	No Major Variances.
Support Service Charges	52,960	61,960	9,000	Higher recharge of £4,790 from Computers. The balance consists of minor variances.
	46,793	**59,150**	**12,357**	
Total Planning	**2,061,807**	**2,234,605**	**172,798**	

North Norfolk District Council

Council Tax Summary 2019/20

	2018/19 Actual £	Actual 2019/20 3.4% Council Tax Increase	Variance £	Variance %
Demand on Collection Fund (excluding Parish/Town Precepts)	£ 5,909,655	£ 6,240,604	£330,949	5.6%
District Council Tax Level at Band D	£ 148.32	£ 153.63	£5.31	3.6%
Less Estimated Collection Fund Surplus at 31st March	(£4.50)	(£4.86)	-£0.36	8.0%
Net District Council Tax at Band D	**£ 143.82**	**£ 148.77**	£4.95	3.4%
Value of Precepts	£2,202,881	£2,321,490	£118,609	5.4%
Effect of Parish/Town Precepts	55.49	57.15	£1.66	3.0%
Billed District Council Tax at Band D	£ 199.31	£ 205.92	£6.61	3.3%

Tax Base	39,844	40,621
Tax Base Movement		777

Note: The Tax Base for 2019/20 is 40,621 (2018/19 39,844) so each £40,621 change in net expenditure has £1.00 effect on Council Tax at Band D.

Updated Projection Savings 2018/19 Onwards

Ref.	Service	Savings Title	Workstream (where applicable)	Brief Outline of Saving/Additional Income (where applicable)	Saving(S) /Income(I)	2018/19 Savings/ Income Updated	2019/20 Savings/ Income Updated	2020/21 Savings/ Income Updated	2021/22 Savings/ Income Updated	2022/23 Savings/ Income Updated
SAVINGS BIDS SUBMITTED BY HEADS OF SERVICE										
ASSETS & LEISURE										
AL2	Assets & Leisure	Car Parks - Fakenham Car Park - Community Centre	3. Property Investment & Asset Commercialisation	Car Park Order (CPO) for Community Centre Fakenham to enable the site to become pay and display.	I	(5,400)	(5,400)	(5,400)	(5,400)	(5,400)
AL5	Assets & Leisure	Public conveniences - closures, repro vision and redevelopment	3. Property Investment & Asset Commercialisation	Review, reprovision and redevelopment of a number of the Council's public conveniences.	I	0	0	0	0	0
AL6	Assets & Leisure	Beach Hut Fees and Charges	3. Property Investment & Asset Commercialisation	Revision of Beach Hut Fee Income	I	(87,197)	(97,197)	(97,197)	(97,197)	(97,197)
AL8	Assets & Leisure	Pier Contract Savings	3. Property Investment & Asset Commercialisation	Renegotiation of the Pier Contract Management Agreement, with the intention to reduce the subsidy given to nil and incorporate profit share fee income.	S	(68,399)	(88,399)	(105,067)	(105,067)	(105,067)
SUB TOTAL ASSETS & LEISURE						**(160,996)**	**(190,996)**	**(207,664)**	**(207,664)**	**(207,664)**
CLT / CORPORATE										
CLEG1	CLT / CORPORATE (LEGAL)	Local Government Lawyer	4. Shared Services/Selling Services	Eastlaw continue to deliver year on year savings to the Council through selling services to our partner organisations.	I	(26,800)	(26,800)	(26,800)	(26,800)	(26,800)
SUB TOTAL CLT /other Corporate Areas						**(26,800)**	**(26,800)**	**(26,800)**	**(26,800)**	**(26,800)**
ECONOMIC DEVELOPMENT										
ECD1	Economic Dev	Coastal Management Revenue Works	7. Other Efficiencies and Savings	Reduction in coastal defence revenue budget.	S	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
ECD2	Economic Dev	Tourism Development & Destination Marketing	7. Other Efficiencies and Savings	Restructuring within the Economic Growth Team as well as a review of contractual arrangements with external providers and partner organisations.	S	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
ECD4	Economic Dev	Economic Growth	7. Other Efficiencies and Savings	A review of the external needs of businesses in the District has been undertaken and the intention is to restructure the Learning 4 Life team to better focus on meeting these needs and achieving the priorities set out in the Corporate Plan.	S	(46,582)	(46,582)	(46,582)	(46,582)	(46,582)
ECD5	Economic Dev	Miscellaneous Contributions	7. Other Efficiencies and Savings	The Economic Growth service makes contributions to a range of external bodies, either through membership or as grants. These should be reviewed and/or renegotiated. In some cases it could be considered that in-kind contributions can substitute financial contributions.	S	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
SUB TOTAL ECONOMIC DEVELOPMENT						**(118,582)**	**(118,582)**	**(118,582)**	**(118,582)**	**(118,582)**

Updated Projection Savings 2018/19 Onwards

Ref.	Service	Savings Title	Workstream (where applicable)	Brief Outline of Saving/Additional Income (where applicable)	Saving(S) /Income(I)	2018/19 Savings/ Income Updated	2019/20 Savings/ Income Updated	2020/21 Savings/ Income Updated	2021/22 Savings/ Income Updated	2022/23 Savings/ Income Updated
SAVINGS BIDS SUBMITTED BY HEADS OF SERVICE										
CUSTOMER SERVICES & ICT										
CSIT2	CUSTOMER SERVICES & ICT	Closure of Holt TIC	7. Other Efficiencies and Savings	In line with similar changes to service provision in Wells & Sheringham seek to transfer TIC function to another service provider in Holt.	S	0	(18,589)	(18,589)	(18,589)	(18,589)
CSIT3	CUSTOMER SERVICES & ICT	Revision of Reprographics Services	2 Digital Transformation	Alter the service delivery approach of the Reprogrphics Service to reduce the requiremment for printing hardware and reduce costs of print & mail activity by accessing web based services.	S	(58,648)	(58,648)	(58,648)	(58,648)	(58,648)
SUB TOTAL CUSTOMER SERVICES & ICT						**(58,648)**	**(77,237)**	**(77,237)**	**(77,237)**	**(77,237)**
ENVIRONMENTAL HEALTH										
EH2	Environmental Health	Green Build	6. Maximising Income and Reducing Costs	Greenbuild event costs.	S	0	0	0	0	0
EH3	Environmental Health	Staffing Costs	2. Digital Transformation	Reduction in staffing costs re rationaliszation of staffing structures following Business Process Review.	S	0	(50,110)	(50,110)	(50,110)	(50,110)
EH4	Environmental Health	Waste & related Services Review	6. Maximising Income and Reducing Costs	Additional Income from Garden Waste Service subscription charge and trade waste lifts in addition to direct arrangement of the night soil collection service.	S	(66,720)	(66,720)	(66,720)	(66,720)	(66,720)
EH6	Environmental Health	Civil Contingencies budget savings	6. Maximising Income and Reducing Costs	Reducution in Civil Contengencies budget	S	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
SUB TOTAL ENVIRONMENTAL HEALTH						**(69,520)**	**(119,630)**	**(119,630)**	**(119,630)**	**(119,630)**
FINANCE										
F2	Finance	Vacant Post Review	7. Other Efficiencies and Savings	Review and rationalisation of vacant posts within the revenues and benefits services.	S	(106,435)	(106,435)	(106,435)	(106,435)	(106,435)
F3	Finance	Service Review	7. Other Efficiencies and Savings	Internal service reviews of processess and ways of working.	S	0	0	0	0	0
SUB TOTAL FINANCE						**(106,435)**	**(106,435)**	**(106,435)**	**(106,435)**	**(106,435)**

Updated Projection Savings 2018/19 Onwards

Ref.	Service	Savings Title	Workstream (where applicable)	Brief Outline of Saving/Additional Income (where applicable)	Saving(S) /Income(I)	2018/19 Savings/ Income Updated	2019/20 Savings/ Income Updated	2020/21 Savings/ Income Updated	2021/22 Savings/ Income Updated	2022/23 Savings/ Income Updated
SAVINGS BIDS SUBMITTED BY HEADS OF SERVICE										
ORGANISATIONAL DEVELOPMENT										
ORG1	Organisational Development	Reduction of posts	7. Other Efficiencies and Savings	The potential reduction of posts across the following teams:- Elections, Reprographics and Democratic Services. Figures are based on the removal of those posts rather than a reduction in hours.	S	(22,288)	(22,288)	(22,288)	(22,288)	(22,288)
				Additional legal income to offset Democratic Services saving not being delivered	I	(13,691)	(13,691)	(13,691)	(13,691)	(13,691)
ORG2	Organisational Development	Shared Service (HR and Payroll)	4. Shared Services/Selling Services	To sell professional HR and Payroll services to external customers.	I	0	0	0	0	0
SUB TOTAL ORGANISATIONAL DEVELOPMENT						**(35,979)**	**(35,979)**	**(35,979)**	**(35,979)**	**(35,979)**
PLANNING										
P1	Planning			Planning BPR review of Planning support staff structure	S	(51,921)	(51,921)	(51,921)	(51,921)	(51,921)
SUB TOTAL PLANNING						**(51,921)**	**(51,921)**	**(51,921)**	**(51,921)**	**(51,921)**
TOTAL - ALL SERVICES						**(628,881)**	**(727,580)**	**(744,248)**	**(744,248)**	**(744,248)**
SUB TOTAL BY WORKSTREAM										
		1. Growth - New Homes and Business Rates		Sub total		**0**	**0**	**0**	**0**	**0**
		2 Digital Transformation		Sub total		**(110,569)**	**(160,679)**	**(160,679)**	**(160,679)**	**(160,679)**
		3. Property Investment & Asset Commercialisation		Sub total		**(160,996)**	**(190,996)**	**(207,664)**	**(207,664)**	**(207,664)**
		4. Shared Services/Selling Services		Sub total		**(26,800)**	**(26,800)**	**(26,800)**	**(26,800)**	**(26,800)**
		5. Collaboration annd Localism		Sub total		**0**	**0**	**0**	**0**	**0**
		6. Maximising Income and Reducing Costs		Sub total		**(83,211)**	**(83,211)**	**(83,211)**	**(83,211)**	**(83,211)**
		7. Other Efficiencies and Savings		Sub total		**(247,305)**	**(265,894)**	**(265,894)**	**(265,894)**	**(265,894)**
						(628,881)	**(727,580)**	**(744,248)**	**(744,248)**	**(744,248)**

Reserves Statement 2019/20 Onwards

Reserve	Purpose and Use of Reserve	**Balance 01/04/18**	Current Updated Budgeted Movement 2018/19	**Balance 01/04/19**	*Budgeted Transfers in 2019/20*	*Budgeted Transfers (out) 2019/20*	**Budgeted Movement 2019/20**	**Balance 01/04/20**	Budgeted Movement 2020/21	**Balance 01/04/21**	Budgeted Movement 2021/22	**Balance 01/04/22**	Budgeted Movement 2022/23	**Balance 01/04/23**
		£	£	£	£	£	£	£	£	£	£	£	£	£
General Fund - General Reserve	A working balance and contingency, current recommended balance is £1.85 million.	**2,196,488**	(264,224)	**1,932,264**	*0*	*(26,690)*	**(26,690)**	1,905,574	0	1,905,574	0	1,905,574	0	1,905,574
Earmarked Reserves:														
Capital Projects	To provide funding for capital developments and purchase of major assets. This includes the VAT Shelter Receipt.	**3,449,782**	(1,231,031)	**2,218,751**	*0*	*(1,426,249)*	**(1,426,249)**	792,502	(373,000)	419,502	0	419,502	0	419,502
Asset Management	To support improvements to our existing assets as identified through the Asset Management Plan.	**858,440**	(208,150)	**650,290**	*0*	*(92,000)*	**(92,000)**	558,290	0	558,290	0	558,290	0	558,290
Benefits	To be used to mitigate any claw back by the Department of Works and Pensions following final subsidy determination. Timing of the use will depend on audited subsidy claims.	**1,295,357**	(31,588)	**1,263,769**	*0*	*(12,838)*	**(12,838)**	1,250,931	(12,838)	1,238,093	(12,838)	1,225,255	(12,838)	1,212,417
Broadband	Earmarks £1million for superfast broad band in North Norfolk. (600k was transferred from the BSF reserve and £400k from NHB reserve)	**1,000,000**	0	**1,000,000**	*0*	*(1,000,000)*	**(1,000,000)**	0	0	0	0	0	0	0
Building Control	Building Control surplus ring-fenced to cover any future deficits in the service.	**159,783**	0	**159,783**	*0*	*0*	**0**	159,783	0	159,783	0	159,783	0	159,783
Business Rates	To be used for the support of local businesses and to mitigate impact of final claims and appeals in relation to the business rates retention scheme.	**2,506,669**	(61,843)	**2,444,826**	*0*	*(38,241)*	**(38,241)**	2,406,585	(24,747)	2,381,838	(18,000)	2,363,838	(18,000)	2,345,838
Coast Protection	To support the ongoing coast protection maintenance programme ands carry forward funding between financial years.	**202,516**	(20,000)	**182,516**	*0*	*(42,302)*	**(42,302)**	140,214	0	140,214	0	140,214	0	140,214
Communities	To support projects that communities identify where they will make a difference to the economic and social wellbeing of the area. Funded by a proportion of NCC element of second homes council tax.	**1,594,135**	90,533	**1,684,668**	*0*	*(242,000)*	**(242,000)**	1,442,668	(242,000)	1,200,668	(242,000)	958,668	(242,000)	716,668
Economic Development and Regeneration	Earmarked from previous underspends within Economic Development and Regeneration Budgets along with funding earmarked for Learning for Everyone.	**120,621**	(20,000)	**100,621**	*0*	*(10,000)*	**(10,000)**	90,621	(10,000)	80,621	0	80,621	0	80,621
Election Reserve	Established to meet costs associated with district council elections, to smooth the impact between financial years.	**83,000**	40,000	**123,000**	*40,000*	*(160,000)*	**(120,000)**	3,000	40,000	43,000	40,000	83,000	40,000	123,000
Enforcement Works	Established to meet costs associated with district council enforcement works including buildings at risk .	**197,113**	(23,492)	**173,621**	*0*	*0*	**0**	173,621	0	173,621	0	173,621	0	173,621
Environmental Health	Earmarking of previous underspends and additional income to meet Environmental Health initiatives.	**294,389**	(40,000)	**254,389**	*0*	*(40,000)*	**(40,000)**	214,389	0	214,389	0	214,389	0	214,389

Reserves Statement 2019/20 Onwards

Reserve	Purpose and Use of Reserve	Balance 01/04/18	Current Updated Budgeted Movement 2018/19	Balance 01/04/19	*Budgeted Transfers in 2019/20*	*Budgeted Transfers (out) 2019/20*	Budgeted Movement 2019/20	Balance 01/04/20	Budgeted Movement 2020/21	Balance 01/04/21	Budgeted Movement 2021/22	Balance 01/04/22	Budgeted Movement 2022/23	Balance 01/04/23
		£	£	£	£	£	£	£	£	£	£	£	£	£
Grants	Revenue Grants received and due to timing issues not used in the year.	**534,788**	(120,805)	**413,983**	*0*	*(44,416)*	**(44,416)**	369,567	(14,655)	354,912	(14,655)	340,257	(14,655)	325,602
Housing	This reserve represents the balance of funding received in respect of Housing and Homeless Prevention initiatives. This includes the Community Housing Fund grant received in 2016/17 and other Homelessness Prevention grants.	**2,500,602**	(243,417)	**2,257,185**	*52,783*	*(150,782)*	**(97,999)**	2,159,186	(111,073)	2,048,113	(21,126)	2,026,987	0	2,026,987
Land Charges	To mitigate the impact of potential income reductions.	**273,950**	0	**273,950**	*0*	*0*	**0**	273,950	0	273,950	0	273,950	0	273,950
Legal	One off funding for Compulsory Purchase Order (CPO) work and East Law Surplus.	**128,389**	(933)	**127,456**	*0*	*0*	**0**	127,456	0	127,456	0	127,456	0	127,456
LSVT Reserve	To meet the cost of successful warranty claims not covered by bonds and insurance following the housing stock transfer.	**435,000**	0	**435,000**	*0*	*0*	**0**	435,000	0	435,000	0	435,000	0	435,000
New Homes Bonus (NHB)	Established for supporting communities with future growth and development and Local Plan review*	**2,006,417**	(1,299,319)	**707,098**	*0*	*(596,558)*	**(596,558)**	110,540	0	110,540	0	110,540	0	110,540
Organisational Development	To provide funding for organisation development to create capacity within the organisation, including the provision and support for apprenticeships and internships.	**340,847**	(4,649)	**336,198**	*0*	*(78,246)*	**(78,246)**	257,952	(11,078)	246,874	0	246,874	0	246,874
Pathfinder	To help Coastal Communities adapt to coastal changes.	**143,168**	0	**143,168**	*0*	*(40,076)*	**(40,076)**	103,092	0	103,092	0	103,092	0	103,092
Planning	Additional Planning income earmarked for Planning initiatives including Plan Review.	**56,354**	18,330	**74,684**	*50,000*	*(50,000)*	**0**	74,684	50,000	124,684	50,000	174,684	50,000	224,684
Property Investment Fund	To provide funding for the acquisition and development of new land and property assets	**0**	2,000,000	**2,000,000**	*0*	*(1,000,000)*	**(1,000,000)**	1,000,000	(1,000,000)	0	0	0	0	0
Restructuring & Invest to Save Proposals	To fund one-off redundancy and pension strain costs and invest to save initiatives. Transfers from this reserve will be allocated against business cases as they are approved. Timing of the use of this reserve will depend on when business cases are approved.	**2,290,514**	(566,182)	**1,724,332**	*0*	*(849,072)*	**(849,072)**	875,260	(325,000)	550,260	(240,000)	310,260	0	310,260
Sports Hall Equipment & Sports Facilities	To support renewals for sports hall equipment. Amount transferred in the year represents over or under achievement of income target.	**12,193**	0	**12,193**	*0*	*0*	**0**	12,193	0	12,193	0	12,193	0	12,193
Total Reserves		**22,680,514**	**(1,986,770)**	**20,693,744**	*142,783*	*(5,899,470)*	**(5,756,687)**	**14,937,057**	**(2,034,391)**	**12,902,666**	**(458,619)**	**12,444,047**	**(197,493)**	**12,246,554**

GENERAL FUND CAPITAL PROGRAMME - 2019/20 Appendix F

Scheme	Scheme Total Current Estimate £	Pre 31/3/18 Actual Expenditure £	Current Budget 2018/19 £	Actual Expenditure 2018/19 As at end P9	Updated Budget 2019/20 £	Updated Budget 2020/21 £	Updated Budget 2021/22 £
Jobs and the Economy							
Rocket House	**77,084**	37,334	0	0	39,750	0	0
Walsingham Public Convenience	**47,000**	1,627	45,373	37,261	0	0	0
Egmere Business Zone	**2,255,000**	160,828	250,000	650	1,844,172	0	0
Better Broadband for Norfolk	**1,000,000**	0	0	0	1,000,000	0	0
Holt Tourist Information Centre	**100,000**	0	0	0	100,000	0	0
Car Park Refurbishment	**197,827**	66,859	100,968	51,729	0	0	0
Local Property Investment Fund	**2,000,000**	0	0	0	1,000,000	1,000,000	0
Purchase of New Car Park Vehicles	**60,000**	0	0	0	60,000	0	0
Deep History Coast	**500,000**	1,863	100,000	214,631	398,137	0	0
Fair Meadow House Improvements	**25,000**	0	25,000	2,140	0	0	0
Collectors Cabin	**25,000**	0	0	0	25,000	0	0
Grove Lane Depot Refurb	**232,450**	0	116,225	2,500	116,225	0	0
Lifeguard Hut	**25,000**	0	25,000	0	0	0	0
Bacton Car Park	**30,000**	0	30,000	0	0	0	0
Public Convenience Improvements	**600,000**	0	150,000	0	450,000	0	0
	7,174,361	**268,511**	**842,566**	**308,911**	**5,033,284**	**1,000,000**	**0**

Housing and Infrastructure							
Disabled Facilities Grants	**Annual programme**	0	1,126,532	533,034	1,000,000	1,000,000	1,000,000
Parkland Improvements	**100,000**	12,996	1,011	1,011	85,993	0	0
Compulsory Purchase of Long Term Empty Properties	**630,000**	1,642	328,358	0	300,000	0	0
Shannocks Hotel	**490,000**	63,751	0	0	426,249	0	0
Laundry Loke - Victory Housing	**100,000**	0	80,000	0	0	20,000	0
Community Housing Fund	**2,198,262**	187,500	2,010,762	112,500	0	0	0
Provision of Temporary Accomodation	**610,000**	0	0	0	610,000	0	0
Fakenham Extra Care	**212,500**	0	212,500	0	0	0	0
	4,128,262	**265,889**	**3,759,163**	**646,545**	**2,422,242**	**1,020,000**	**1,000,000**
Coast and Countryside							
Gypsy and Traveller Short Stay Stopping Facilities	**1,417,533**	1,308,790	40,000	0	40,000	28,743	0
Cromer Pier Structural Works - Phase 2	**1,378,549**	1,322,330	56,219	38,585	0	0	0
Cromer Pier and West Prom Refurbishment Project	**1,465,000**	1,089,805	30,000	25,802	0	0	0
Refurbishment Works to the Seaside Shelters	**149,501**	141,299	8,202	3,407	0	0	0
Cromer Coast Protection Scheme 982 and SEA	**8,822,000**	5,305,389	0	0	3,516,611	0	0
Coastal Erosion Assistance	**90,000**	17,203	72,797	24,033	0	0	0
Coastal Adaptations	**410**	0	410	0	0	0	0

Mundesley - Refurbishment of Coastal Defences	**2,221,000**	44,528	1,258	1,258	3,175,214	0	0
Ostend Targeted Rock Placement and Coastal Adaptation	**55,000**	219	0	0	54,781	0	0
Cromer Pier - External and Roofing Improvements to Pavilion Theatre	**275,000**	3,260	271,740	11,747	0	0	0
Cromer Pier Steelworks	**400,000**	0	400,000	0	0	0	0
Beach Access	**201,514**	142,540	58,974	40,202	0	0	0
Bacton and Walcott Coastal Management Scheme	**500,000**	0	250,000	183,357	250,000	0	0
Countryside Tractors	**29,495**	0	29,495	0	0	0	0
Ranger Vehicles	**51,490**	25,320	26,170	0	0	0	0
	17,056,492	**9,400,683**	**1,245,265**	**328,392**	**7,036,606**	**28,743**	**0**
Health and Well Being							
Splash Roof Repairs	**63,120**	9,866	0	0	28,254	25,000	0
Steelwork Protection to Victory Pool and Fakenham Gym	**27,500**	33	27,467	0	0	0	0
Fakenham Gym	**62,500**	0	62,500	0	0	0	0
Splash Gym Equipment	**1,013,000**	0	0		640,000	373,000	0
North Walsham Artificial Grass Pitch	**860,000**	0	0	0	860,000	0	0
Splash Leisure Centre Reprovision	**10,667,000**	11,490	1,988,510	479,628	4,333,500	4,333,500	0
North Norfolk Sports Hub, Cromer	**3,181,000**	14,974	1,700,526	256,573	1,465,500	0	0
	15,874,120	**36,363**	**3,779,003**	**736,201**	**7,327,254**	**4,731,500**	**0**

Service Excellence							
e-Financials Financial Management System Software Upgrade	**47,505**	34,080	13,425	55,079	0	0	0
Cromer Office Roof	**692,000**	0	692,000	0	0	0	0
Administrative Buildings	**385,570**	239,309	146,261	215,747	0	0	0
Planning System (Scanning of Old Files) - Business Transformation Programme	**120,619**	120,619	0	53,117	0	0	0
Council Chamber and Committee Room Improvements	**89,000**	72,858	16,142	0	0	0	0
Environmental Health IT System Procurement	**150,000**	70,178	79,822	1,500	0	0	0
Document and Records Management System	**60,000**	29,507	30,493	5,700	0	0	0
Purchase of Bins	**326,216**	194,675	91,541	41,286	40,000	0	0
Customer Contact Centre	**60,000**	51,832	8,168	11,068	0	0	0
User IT Hardware Refresh	**135,000**	0	55,000	43,753	55,000	55,000	55,000
Aerial Photography	**15,000**	0	15,000	0	0	0	0
Server Replacement	**80,000**	0	80,000	0	0	0	0
Back Scanning of Files	**200,000**	53,029	146,971	47,686	0	0	0
Housing Options System	**20,000**	650	19,350	0	0	0	0
Solar Panels	**225,000**	0	225,000	0	0	0	0
Management Information Systems	**50,000**	26,675	23,325	34,944	0	0	0
	2,655,910	**893,412**	**1,642,498**	**509,880**	**95,000**	**55,000**	**55,000**

	46,889,145	10,864,858	11,268,495	2,529,929	21,914,386	6,835,243	1,055,000
Capital Programme Financing							
Grants			**1,299,561**		**10,376,325**	**1,028,743**	**1,000,000**
Other Contributions			**0**		**450,000**	**0**	**0**
Asset Management Reserve			**0**		**1,000,000**	**0**	**0**
Capital Project Reserve			**1,395,073**		**1,426,249**	**373,000**	**0**
Other Reserves			**2,184,087**		**1,450,000**	**1,000,000**	**0**
Capital Receipts			**6,389,774**		**6,837,812**	**100,000**	**55,000**
Internal / External Borrowing			**0**		**374,000**	**4,333,500**	**0**
TOTAL FINANCING			**11,268,495**		**21,914,386**	**6,835,243**	**1,055,000**

North Norfolk District Council Treasury Management Strategy Statement 2019/20

Summary:	This report sets out details of the Council's treasury management activities and presents a strategy for the prudent investment of the Council's surplus funds, as well as external borrowing.
Options Considered:	Alternative investment and debt options are continuously appraised by the Council's treasury advisors, Arlingclose and all appropriate options are included within this Strategy.
Conclusions:	The preparation of this Strategy Statement is necessary to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services.
Recommendations:	That the Council be asked to RESOLVE that The Treasury Management Strategy Statement is approved.
Reasons for Recommendation:	The Strategy provides the Council with a flexible treasury strategy enabling it to respond to changing market conditions and ensure the security of its funds, as well as secure borrowing at the best value.

Cabinet Member(s) Cllr E Seward	Ward(s) affected: All
Contact Officer, telephone number and email: Lucy Hume, 01263 516246	

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and or 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 financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

External Context

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

Credit outlook: The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest rate forecast: Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Local Context

On 31st December 2018, the Authority held no borrowing and £41.0m of investments. This is set out in further detail at ***Appendix A***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.18 Actual £m	**31.3.19 Estimate £m**	**31.3.20 Forecast £m**	**31.3.21 Forecast £m**	**31.3.22 Forecast £m**
General Fund CFR	3.743	3.474	3.205	7.269	6.856
Less: Other debt liabilities *	-0.355				
Loans CFR	**3.388**	**3.474**	**3.205**	**7.269**	**6.856**
Less: External borrowing **	0.000	0.000	0.000	-4.190	-4.046
Internal borrowing	**3.388**	**3.474**	**3.205**	**3.079**	**2.810**
Less: Usable reserves	-32.059	-26.648	-24.476	-22.654	-22.536
Less: Working capital	-7.158	-7.158	-7.158	-7.158	-7.158
Investments	**35.829**	**30.332**	**28.429**	**26.732**	**26.883**

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

The Authority is currently debt free, although capital expenditure plans do currently imply a need to borrow over the forecast period. Investments are forecast to fall as capital receipts are used to finance capital expenditure and reserves are used to finance the revenue budget.

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. Table 1 shows that the Authority expects to comply with this recommendation during 2019/20.

Borrowing Strategy

The Authority currently holds no of loans, in line with the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority does not expect to need to borrow in 2019/20. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £23.4 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to borrow short-term loans instead.

The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow further short-term loans to cover cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Norfolk Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative

- sale and leaseback

The Authority has previously raised long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £36.750 and £51.035 million, and similar levels are expected to be maintained in the forthcoming year.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2019/20. This is especially the case for the estimated £2m that is available for longer-term investment. A dwindling proportion of the Authority’s surplus cash remains invested in short-term unsecured bank deposits, and money market funds. This diversification will represent a a continuation of the current strategy.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority’s “business model” for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£4m 20 years	£4m 50 years	£2m 20 years	£2m 20 years
AA+	£2m 5 years	£4m 10 years	£4m 25 years	£2m 10 years	£2m 10 years
AA	£2m 4 years	£4m 5 years	£4m 15 years	£2m 5 years	£2m 10 years
AA-	£2m 3 years	£4m 4 years	£4m 10 years	£2m 4 years	£2m 10 years
A+	£2m 2 years	£4m 3 years	£4m 5 years	£2m 3 years	£2m 5 years
A	£2m 13 months	£4m 2 years	£4m 5 years	£2m 2 years	£2m 5 years
A-	£2m 6 months	£4m 13 months	£4m 5 years	£2m 13 months	£2m 5 years
None	£1m 6 months	n/a	£3m 25 years	£500,000 5 years	£3m 5 years
Pooled funds and real estate investment trusts		£10m per fund or trust			

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central and Local Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: 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.

Where a credit rating agency announces that a credit 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 quickly 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.

Other information on the security of investments: 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, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

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, 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 or invested in government treasury bills 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.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be £16 million on 31st March 2019. In order that only an acceptable level of reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Central and Local Government) will be £6 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment limits

	Cash limit
Any single organisation, except the UK Central and Local Government	£6m each
UK Central and Local Government	unlimited
Any group of organisations under the same ownership	£6m per group
Any group of pooled funds under the same management	£15m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£6m per country
Registered providers and registered social landlords	£10m in total
Unsecured investments with building societies	£5m in total
Loans to unrated corporates	£5m in total
Money market funds	£16m in total
Real estate investment trusts	£10m in total

Liquidity management: The Authority uses purpose-built cash flow forecasting spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	**Target**

Portfolio average credit score	6.0

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£3m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£600,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£600,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£42m	£42m	£42m

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial Derivatives: 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 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, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2019/20 is £1.344 million, based on an average investment portfolio of £38.4 million at an interest rate of 3.5%. The budget for debt interest paid in 2019/20 is £0.010 million, based on an average debt portfolio of £0.895 million at an average interest rate of 1.125%. This is to cover short term borrowing for cash flow purposes only. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer 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	Lower chance of losses from credit related defaults, but any such losses may be greater
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, but any such losses may be smaller
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 may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Existing Investment Portfolio Position

	Amount £m	Average Interest Rate %
Managed in-house		
Short-term Investments		
- Term Deposits (other Local Authorities)	5.000	0.59
Long-term Investments		
- Covered Bonds with Banks & Building Societies	2.250	1.04
Managed externally		
- Money Market Funds	1.765	0.59
- Pooled Funds	32.000	3.11
Total Investments	41.015	1.69

The position shown as per the budget report for Interest returns differs from this figures, as that also includes the loan to Broadland Housing Association. With this loan included, the rate rises to 2.36%.

Agenda Item No 11

Capital Strategy 2019-20

Summary:	This report sets out the Council's Capital Strategy for the year 2019-20. It sets out the Council's approach to the deployment of capital resources in meeting the Council's overall aims and objectives while providing the strategic framework for the effective management and monitoring of the capital programme.
Options Considered:	This report must be prepared to ensure the Council complies with the CIPFA Treasury Management and Prudential Codes.
Conclusions:	The Council is required to approve a Capital Strategy to demonstrate compliance with the Codes and establishes the strategic framework for the management of the capital programme.
Recommendations:	That Cabinet recommends to Full Council that; The Capital Strategy and Prudential Indicators for 2019-20 are approved.
Reasons for Recommendation:	Approval by Council demonstrates compliance with the Codes and provides a framework within which to consider capital investment decisions.

Cabinet Member(s) Cllr E Seward	Ward(s) affected: All
Contact Officer, telephone number and email: Lucy Hume, 01263 516246, lucy.hume@north-norfolk.gov.uk	

1 Introduction

1.1 The CIPFA *Prudential Code for Capital Finance in Local Authorities 2017* and *Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition* require Local Authorities to publish a Capital Strategy each year. Under the provisions of the Local Government Act 2003, Local Authorities are required to operate within the guidance of the

Prudential Code (the Code) with regard to capital investment decisions.

1.2 This Capital Strategy sets out the Council's approach and process to the deployment of capital resources in meeting the Council's overall aims and objectives. It also provides a strategic framework for the effective management and monitoring of the capital programme, within which the Council will work in formulating the strategies for individual services. It is a primary document for all capital decision making, together with the Corporate Plan and other strategies.

2 Capital Expenditure

2.1 The Corporate Plan sets out what the Council intends to do between 2015 and 2019. It focuses on five priorities which will influence how we move forward:

- Jobs and the local Economy - a district with a thriving economy offering better jobs and prospects for local people
- Housing and Infrastructure - to address housing and infrastructure for local people whilst meeting the market demand for housing
- Coast and Countryside - a district where the beautiful natural environment is managed and protected for future generations
- Health and Well-Being - a district with vibrant communities and where healthy lifestyles are accessible to all
- Delivering Service Excellence - to make the Council more efficient so that we can both deliver our priorities and offer value for money for local taxpayers

The Council's capital works can be used to help deliver these priorities.

2.2 All capital projects are considered and prioritised as part of the Council's overall budget process, with affordability in relation to the Medium Term Financial Strategy (MTFS) being a key issue. The revenue implications and funding of any approved bids are included within the Council's revenue budget forecasts to identify the resultant effects on future Council Tax levels.

2.3 The business case and options appraisal methodology is applied to all significant projects (those with a capital cost of over £50,000). The options appraisal should be undertaken by the relevant manager (project leader) initially.

2.4 The business case considers the full options appraisal as evidence to support the recommended option as required. The options analysis will cover elements such as risk, sensitivity and cost benefit analysis and will seek to identify the option that delivers maximum benefit at the lowest or most appropriate cost.

2.5 Projects that generate future income streams for the Council, for example industrial estates and other Asset Commercialisation projects are also viewed positively within the evaluation process. The Asset Management Plan framework helps to identify these assets in order to ensure the revenue implications are again fully accounted for in the decision-making process for the disposal of assets.

2.6 The Current approved Capital Programme (as at December 2018) can be found as part of the Council's draft Budget papers (Appendix E).

3 Medium and Long Term Funding Strategy

3.1 There are a number of sources of funding available to the Council for capital schemes (capital grants/contributions, capital receipts, borrowing etc). Revenue funding is also available via a Revenue Contribution to Capital Outlay (RCCO), however it should be noted that the scope for using revenue resources for capital purposes is limited.

3.2 Funding from capital receipts is forecast for the next three years to ensure a level of internal resources is maintained and can support future projects. It should however be noted that these are only forecasts at the present time and anticipated balances at the end of the period are based on the current approved capital budget.

3.3 The current Capital Programme is funded from grants and contributions, capital receipts from the disposal of assets and from the Council's own reserves, internal and external borrowing. Whilst capital funding is available to invest in new assets or in improving existing assets, the impact on the revenue account due to the loss of investment income is always a key consideration.

3.4 The Council has access to short or long term borrowing if required to finance capital expenditure. Although business cases for new capital projects are modelled on the assumption that borrowing will be required (to reflect a 'worst case scenario' in terms of cost), the decision to borrow externally is ultimately a treasury one, and is made closer to the time when expenditure is actually incurred, taking into account available cash balances, the opportunity cost of investments, and the exposure to interest rate and credit risks.

3.5 Currently, the Council is expecting to borrow in future years to part fund the re-provision of Splash Leisure and Fitness Centre in Sheringham. It is anticipated that there will be external borrowing for this project in the region of £5m, with £1.3m forecasted to be required in 2019/20 and £3.7m required in 2020/21. A smaller sum of borrowing has been assumed to part fund the construction of an artificial grass pitch in North Walsham, at a sum of £374,000.

3.6 It is a requirement of the new CIPFA code that the Council consider alternative means of financing if required. The Council is aware of the opportunities that may be realisable through a Private Finance Initiative (PFI). The Procurement

Strategy includes guidance on appraising Private Public Partnerships in the context of service delivery, and emphasises that obtaining ‘value for money’ means choosing the optimum combination of whole life costs and benefits to meet the customer’s requirements. This is not necessarily the lowest initial price option and requires an assessment of the ongoing revenue/resource implications as well as initial capital investment.

3.7 The Council recognises the importance of attracting ‘new money’ into the district and wherever possible supports match funding requests. When identifying and planning new schemes, the Council will try to maximise all external sources of finance without reducing the effectiveness of the scheme.

4 Asset Management and Commercial Activities

4.1 The Council has a diverse range of land and property held to meet its Corporate Objectives and values as outlined in the Council’s Corporate Plan. Land and property assets can play a key role in reducing Council budget deficits and generating both capital and revenue income. The Council can use its assets more effectively to meet tough financial targets both through reducing costs and generating income.

4.2 In the main the Council will adopt a “buy and hold” strategy for property investments. This is where the Council purchases an asset and lets it to generate revenue income, whilst retaining it for the long term. A long term investment is considered to be of 10 years and over. Whilst it cannot be guaranteed, in the long term a good overall rate of return is anticipated allowing for a cyclical property market.

4.3 In terms of development opportunities, the Council may seek to “buy and hold” assets for the medium term where it sees a strategic advantage of doing so, for example land assembly for town center regeneration or acquiring land to develop in a phased approach to minimise risk of oversupply and for cash flow purposes.

4.4 The Council may also seek to “buy and sell on” an asset in the short to medium term of between 1 – 5 years. For example, where there is opportunity to secure good terms or a low price enabling a surplus to be made from a sale or redevelopment.

4.5 Further information can be found in the Council’s Land and Property Acquisition Policy.

4.6 The Council seeks to achieve a spread of risk across a greater number of assets and by acquiring properties across the range of commercial property types, including: retail, leisure/tourism, office and industrial assets.

4.7 The Council has a small portfolio of commercial assets to rent within the district. These are identified within the Asset Management Plan as being held by the

Council primarily for the purpose of generating income to support the Councils, revenue and capital budgets. Whilst generating income, returns and financial independence to support the delivery of services, there are a number of benefits to the Council, the community, tourist and business sector from the Council commercial portfolio including promoting strategic regeneration, increasing business rate and council tax income and supporting tourism.

4.8 Where assets are identified as being surplus to requirements and not achieving required financial or service delivery performance targets, they can be considered for disposal to provide useable capital receipts, which can then be redirected to achieve the Council's objectives. Further information can be found in the Council's Disposal Policy.

4.9 The Council's Property Services Team has historically managed the Council property portfolio with support of the Finance team, Eastlaw and Economic Development. Different types of commercial property require different levels of resource to manage effectively. Business Centers with easy in and out terms, tend to be more management intensive due to the relatively high turnover of tenants, in comparison to the longer leases of industrial units, where typically tenants have responsibility for full maintenance/repairs and insuring.

4.10 Asset management undertaken includes:

- Rent collection and rent arrears management
- Service charge reviews and collection
- Building and grounds maintenance, testing of appliances and monitoring
- Tenant liaison
- Marketing and re-letting empty units
- Negotiating terms of rent reviews and new leases
- Expiry of leases, lease renewals and terminations
- Dilapidations

An increase to the portfolio will require additional resource to manage effectively which could be achieved by additional staff for internal management or appointing experienced commercial agents for external management. At the current time, it is considered unlikely that the Council would invest outside of the District or County; however, if this decision is taken in the future the it may be necessary to consider additional resources within the team to effectively manage this. In the coming months, the Council will be undertaking surveys across its asset portfolio in order to identify areas for investment in terms of repairs and ongoing maintenance. This will inform future year's Revenue budgets and ensure the ongoing viability of the asset portfolio.

4.11 Successful delivery of the Council's vision for Capital investment relies on the skills and culture of the organisation being appropriate. Members, Statutory Officers, and those with decision making powers keep their relevant knowledge up-to-date through CPD schemes, workshops with treasury advisers and other relevant bodies and networking with other authorities to share best practice. Information is disseminated between parties within the organisation when appropriate.

5 Debt Management and MRP Statement

5.1 Where a local authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP). There has been no statutory minimum amount to be applied since 2008, although the Local Government Act 2003 does require authorities to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision 2012, which is currently undergoing a revision, subject to consultation.

5.2 The Guidance requires that the Council approve an Annual MRP Statement in advance of each financial year, and identifies a number of options for calculation of a prudent provision for MRP. Whilst there are four alternative methods available for this calculation, only two apply to new borrowing under the Prudential system for which no Government support is being given, i.e. borrowing which is intended to be self-financed.

5.3 All Council decisions made in relation to capital expenditure will be reviewed on their own merits and the most equitable treatment will be introduced in respect of the financing of these schemes. For the purposes of existing schemes and those proposed for the coming financial years where borrowing has been assumed, the Council will be applying the Asset Life Basis (Option 3 under the MHCLG Guidance). This allows MRP to be charged to the revenue account across the estimated life of the assets that are being funded, in accordance with the regulations.

5.4 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

5 Prudential Indicators

5.1 Under the Prudential Code the Council is required to set and approve a range of performance indicators each year in line with the budget and Treasury Management Strategy, and to monitor them during the year. Under these arrangements local authorities are allowed to enter into borrowing to support capital spending as long as they are able to demonstrate that they can afford to do so.

5.2 *Authorised Limit for External Debt*

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. The Council is required to set for the coming year and he following two financial years an authorised limit for its total gross external debt, separately identifying borrowing from other long term liabilities. The Authorised Limit sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Council. It is measured against all external debt items (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). The 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. 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).

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Authorised limit for borrowing	23.400	23.400	23.400	23.400
Authorised limit for other long-term liabilities	0.000	0.000	0.000	0.000
Authorised limit for external debt	23.400	23.400	23.400	23.400

5.3 *Operational Boundary for External Debt*

The Council is required to set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. The Operational Boundary is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario, and without the additional headroom included within the Authorised Limit for unusual cash movements.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Operational boundary for borrowing	15.030	15.030	15.030	15.030
Operational boundary for other long-term liabilities	0.000	0.000	0.000	0.000
Operational boundary for external debt	15.030	15.030	15.030	15.030

5.4 *Capital Expenditure*

Local Authorities are required by the Prudential Code to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. The Council is required to make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming year and at least the following two financial years.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Estimated Capital Expenditure	10.668	21.914	6.835	1.055

5.5 *Capital Financing Requirement*

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 financing. The Council is required to make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years as shown in the table below. The total CFR indicated in the table relates in part to vehicles and equipment used on the Council's refuse and car park management contracts. These are recognized under IFRS accounting regulations which require equipment on an embedded finance lease to be recognized on the balance sheet. The CFR takes into consideration the Cabinet decision to provide loan advances to Registered Providers under the Local Investment Strategy. Although initially this will increase the CFR, the capital receipts generated by the annual repayments on the loans will be applied to reduce the CFR across subsequent years. This is a key indicator for prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt 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 capital financing requirement for the current and next two financial years.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
CFR	3.474	3.205	7.269	6.856
Less: Other Debt Liabilities	0.000	0.000	0.000	0.000
Estimated Capital Financing Requirement	3.474	3.205	7.269	6.856

5.6 *Proportion of Financing Costs to Net Revenue Stream*

The Council is required to estimate for the following financial year and the following two years the proportion of financing costs to net revenue stream. 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 definition of financing costs is set out in the Prudential Code and is based on the costs net of investment income.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Financing cost (net)	(1.131)	(1.331)	(1.271)	(1.242)
Net Revenue Stream	14.460	14.480	14.265	14.164
Ratio	-7.82%	-9.19%	-8.91%	-8.77%

6 Links to other Strategies and Plans

6.1 The Council has fully integrated its Capital Strategy as part of its strategic financial planning process and this policy influences both the production of the MTFS and the capital and revenue budget planning process. The Strategy is also linked to the other main asset related policies, namely the Asset Management Plan, the Land and Property Acquisition Policy, the Commercial Property Strategy, the Land and Property Disposals Policy.

6.2 The Treasury Management Strategy details the Council's treasury management arrangements to manage the Council's cash flow, including the anticipated use of reserves, so as to maximise income from investments and minimise interest payments on borrowing, whilst minimising the risk to the Council's assets. This strategy can influence the potential receipts available for funding capital and will also directly inform any borrowing decisions for capital purposes.

6.3 The Procurement Strategy seeks to ensure that Value for Money is achieved in all of the Council's procurement decision-making activities and systems. The guidance should be applied by all Officers in conjunction with the requirements incorporated within the Council's Contract Standing Orders and Financial Regulations and has great relevance to preparing capital bids.

6.4 The Capital Strategy is also aligned with the Risk Management Strategy, and managers are required to consider risk when completing the standard business case pro-forma.

7 Financial Implications and Risks - The financial implications and risks of any capital investment will be included as part of the budget process and business case preparation in relation to individual schemes and proposals coming forward.

8 Sustainability – None as a direct consequence of this report.

9 **Equality and Diversity -** None as a direct consequence of this report.

10 **Section 17 Crime and Disorder considerations -** None as a direct consequence of this report.

North Norfolk District Council Investment Strategy 2019/20

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £30.8m and £41.2m during the 2019/20 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority’s policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council may lend money to its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. The Council is currently lending to Broadland Housing Association at a commercial rate of interest to support the provision of affordable housing within North Norfolk. The income forms part of the Council’s interest budget for the year and supports the delivery of Council services. In the 2016/17 financial year, the Council received a grant from Central Government to support community housing. It is the intention that part of this fund will form a loans fund to allow community initiative around housing to be supported and the income to be recycled. The rates of interest are likely to be below commercial rates and so represent soft loans. To date, no loans of this nature have been made from the fund.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	**31.3.2018 actual (£m)**			**2019/20**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Housing associations	3.365	0.006	3.359	£10m
TOTAL	**3.365**	**0.006**	**3.359**	**£10m**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans by using advisors and quality financial press to assesses the market that the investment will be competing in, the nature and level of competition, along with expectations on how the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements. The quality of advice is moderated by frequently subjecting the contracts to tender. Risk assessments include reference to credit ratings, but are not the sole indicator of risk used. Credit ratings are actively monitored by advisors and changes are relayed to the Authority using an alert system. Other information, such as credit default swaps, are used to assess risk.

Service Investments: Shares

Contribution: The Council may invest in the shares of its suppliers, and local businesses to support local public services and stimulate local economic growth. At the present time, the Council does not hold these type of investments.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	**31.3.2018 actual**			**2019/20**
	Amounts invested	**Gains or losses**	**Value in accounts**	**Approved Limit**

Subsidiaries	Nil	Nil	Nil	£5m
Suppliers	Nil	Nil	Nil	£5m
Local businesses	Nil	Nil	Nil	£5m
TOTAL	**Nil**	**Nil**	**Nil**	**£15m**

Risk assessment: The approach is very similar to that of the service loans, the Authority assesses the risk of loss before entering into and whilst holding shares by using advisors and quality financial press to assesses the market that the investment will be competing in, the nature and level of competition, along with expectations on how the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements. The quality of advice is moderated by frequently subjecting the contracts to tender. Risk assessments include reference to credit ratings, but are not the sole indicator of risk used. Credit ratings are actively monitored by advisors and changes are relayed to the Authority using an alert system. Other information, such as credit default swaps, are used to assess risk.

Liquidity: The Council actively monitors the availability of cash, using established cash flow procedures to inform decisions around the maximum that may be committed over any given time horizon.

Non-specified Investments: Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

Contribution: The Council invests directly in local commercial property with the intention of making a profit that will be spent on local public services. The Council currently holds two main investment properties. The depot building at Grove Lane, which is rented out to a private sector developer and Fair Meadow House, a property used for short term holiday let accommodation. Fair Meadow House provides rental income for the Council, but also supports the tourist offer within North Norfolk.

Table 3: Property held for investment purposes in £ millions

Property	**Actual**	**31.3.2018 actual**		**31.3.2019 expected**	
	Purchase cost	**Gains or (losses)**	**Value in accounts (£)**	**Gains or (losses)**	**Value in accounts (£)**
Grove Lane Depot	-	-	325,000	-	325,000
Fair Meadow House	582,207	(32,207)	550,000	-	550,000
TOTAL	**582,207**	**(32,307)**	**875,000**	**-**	**875,000**

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2018/19 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments by using advisors and quality financial/property press to assesses the market that the investment will be competing in, the nature and level of competition, along with expectations on how the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements. We have qualified staff that will consider the local market and also have a number of external advisors and agents who we seek advice from where appropriate. This also extends to national advice although the Council's current strategy is to invest within the local area. Risk assessments include reference to credit ratings, but are not the sole indicator of risk used. Credit ratings are actively monitored by advisors and changes are relayed to the Authority using an alert system.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority maintains a balanced portfolio of investments, with short term investments allowing for faster liquidation should it be required.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

The Authority has not currently contractually committed to make any loans or guaranteed any loans and has no current plans to do this.

Proportionality

The Authority plans to become dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Authority will in the short term use available reserve balances to meet the shortfall, while a full review of service provision is undertaken.

Table 4: Proportionality of Investments

	2018/19 Forecast	2019/20 Budget	2020/21 Budget	2021/22 Budget
Gross service expenditure	61.813	62.052	59.132	59.330
Investment income	1.131	1.331	1.271	1.242
Proportion	1.83%	2.14%	2.15%	2.09%

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority has chosen to follow this guidance.

Capacity, Skills and Culture

Elected members and statutory officers: Members and Statutory officers attend regular training on Treasury Investment principles and have access to informed officers who are required to keep up with CPD requirements by their professional bodies. The individual business cases allow Members to assess individual assessments in the context of the strategic objectives and risk profile of the local authority; and enable them to understand how these decisions have changed the overall risk exposure of the local authority.

Commercial deals: The Council's Asset Management Plan is closely linked to the Corporate Plan and the Capital Strategy which contains the Prudential Indicators. We have qualified staff and support from external advisors to support with property transactions and negotiations. The Estates team are aware of the various strategy documents and the requirements contained therein, this also covers the prudential framework and the regulatory regime in which the Council operates and is supplemented by external training and Continuing Professional Development where appropriate.

Corporate governance: Budgets for investment purchases are agreed by Full Council in line with corporate objectives. A £2m property investment fund was agreed in February 2018, after being subject to scrutiny by Members. Business Cases will either come forward to Cabinet (if not time sensitive) or an Asset Management Working Party, which is a cross-party subsection of the Overview and Scrutiny Committee. Treasury Investments are subject to governance checks through the agreement of the Treasury Strategy for the year, as well as half-yearly updates.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	**31.03.2018 Actual (£m)**	**31.03.2019 Forecast (£m)**	**31.03.2020 Forecast (£m)**
Treasury management investments	40.768	45.381	38.400
Service investments: Loans	3.365	3.096	2.827
Commercial investments: Property	0.875	0.875	0.875
TOTAL INVESTMENTS	45.008	49.352	42.102
Commitments to lend	0.00	0.00	0.00
Guarantees issued on loans	0.00	0.00	0.00
TOTAL EXPOSURE	45.008	49.352	42.102

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	**31.03.2018 Actual**	**31.03.2019 Forecast**	**31.03.2020 Forecast**
Treasury management investments	Nil	Nil	Nil
Service investments: Loans	Nil	Nil	Nil
Commercial investments: Property	Nil	Nil	Nil
TOTAL FUNDED BY BORROWING	Nil	Nil	Nil

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	**2017/18 Actual**	**2018/19 Forecast**	**2019/20 Forecast**
Treasury management investments	2.29%	2.51%	3.35%
Service investments: Loans	3.8%	3.8%	3.8%

Commercial investments: Property	N/A	-1.79%	6.2%

Table 8: Other investment indicators

Indicator	**2017/18 Actual**	**2018/19 Forecast**	**2019/20 Forecast**
Debt to net service expenditure ratio	Nil	Nil	Nil
Net Commercial income to net service expenditure ratio	Nil	Nil	0.28%

Agenda Item No___13_________

Rate Relief Policy

Summary:	1. In the Budget on 29 October 2018 the Chancellor announced the Government would award a one third Retail Discount for retail property with a rateable value below £51,000 for two years 2019/20 and 2020/21.

2. The 2018 Autumn Statement confirmed the Government would extend the business rates local newspaper discount for another year until 31st March 2020. The scheme will be available to local newspapers that occupy office space. Under the scheme, eligible local newspaper businesses will continue to receive up to a £1,500 discount on their bill for the 2019/20 financial year.

3. In the Budget on 8 March 2017 the Chancellor announced the Government would make available a discretionary fund of £905,000 to North Norfolk DC over four years from 2017/2018 to support those businesses facing the steepest increases in their business rates bills as a result of the 2017 revaluation. The Local Discretionary Revaluation Banded Relief Scheme fund for 2019/20 is £105,000 and will be allocated by band as in previous years as agreed by the Norfolk working party.

4. In the Budget on 8 March 2017 the Chancellor announced the Government would also make available a Supporting Small Business Relief for businesses that had a Rateable Value (RV) increase from 1 April 2017 caused by the revaluation and as a consequence lost Small Business Rates Relief or Rural Rate Relief. This relief to be awarded will limit any increase in the rates to £600 per year for 5 years and 2019/20 is the third year of this relief.

5. The 2016 Autumn Statement confirmed the doubling of rural rate relief available to eligible businesses from 50% to 100%. The Government subsequently set out their intention to amend the relevant primary legislation to require local authorities to grant 100% mandatory rural rate relief. Following the decision not to reintroduce the Local Government Finance Bill, for 2018/19 the Government expects local authorities to continue to use their discretionary relief powers to grant 100% rural rate relief to eligible ratepayers, as they have done so for 2017/18 and 2018/19.

The Government expects local authorities to use their discretionary relief powers to grant these reliefs. All of the above will be compensated in full for our loss of rates

	income as a result of these changes. This compensation will be paid by section 31 grant and calculated on the basis of the returns that councils make under the rates retention scheme. The Council's Discretionary Rate Relief Policy has been revised to reflect these changes.
Conclusions:	The policy has been updated to reflect the extended schemes announced and includes guidelines as to how the schemes are to be implemented and the financial implications on the authority.
Recommendations:	**It is agreed that Cabinet note this report and recommend to Full Council that the Rate Relief Policy is revised as indicated in Appendix A and C.**
Reasons for Recommendations:	The new policy effective from April 2019 will enable the Retail Discount, the scheme for local newspaper discount, the local revaluation relief scheme, Supporting Small Business Relief and the Rural Rate Relief to be awarded discretionary reliefs in 2019-20 onwards.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW
(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

Cabinet Member(s) All	Ward(s) affected All
Contact Officer, telephone number and email: Sean Knight. Sean.Knight@north-norfolk.gov.uk 01263 516347	

1. Introduction

1.1 National Non Domestic Rates (NNDR) are paid by those occupying non domestic property and collected by the local authorities. Under the business rate retention scheme introduced from April 2013, 50% of the business rates paid is kept locally, 40% by North Norfolk District Council (NNDC) and 10% Norfolk County Council and the balance is paid back to government, an element of which is then paid back to local authorities through the Formula Grant System. As part is retained by local authorities they are incentivised to increase their NNDR yield as they now benefit directly from it.

1.2 There are currently a number of different reductions available to businesses. Empty properties – Business rates will not be payable in the first three months that a property is empty (six months for certain industrial properties). After this period empty rate is payable at the full charge. There are a number of exemptions such as listed buildings and land used as storage.

1.3 Small business rate relief (SBRR) – the relief supports small businesses who generally occupy only one property. SBRR was available at 100% for eligible properties up to £6,000 rateable value (RV), and was tapered for properties with a RV up to £12,000. The 100% relief was extended until 31 March 2017 and if a ratepayer receiving small business rate relief took on an additional property they continued to receive their existing relief for 12 months (previously if they had taken on a second property they would have been disqualified from the relief).

1.4 At Budget 2016, the Government confirmed that the doubling of the SBRR from 50% to 100% would be made permanent from 1 April 2017.

1.5 The relief has been increased from 2017/18 to 100% for eligible properties up to £12,000 rateable value (RV), and is tapered for properties with a RV up to £15,000 and if a ratepayer receiving SBRR takes on an additional property or properties within the threshold RV they will continue to receive their existing relief for 12 months.

1.6 Charity and discretionary reliefs –Charities are entitled to an 80% reduction in their bills. The Council has discretion to grant reliefs in other circumstances and the report covers these areas of discretion.

2. Discretionary Rate Relief

2.1 Under Section 47 of the Local Government Finance Act 1988 billing authorities have discretion to grant relief to certain ratepayers (certain types of charitable and non –profit organisations) from all or part of their non-domestic rates payable. The Localism Act 2011 amended section 47 of the Local Government Finance Act 1988 to enable local authorities to grant relief in a wider range of circumstances.

2.2 The cost of granting discretionary relief varies according to the circumstances. Full details of the circumstances are in the policy and guidelines within Appendix A.

2.3

Type of Relief	% funded by the Council	% funded by central government
Mandatory Relief for charities and community amateur sports clubs (CASCs) (80%)	40%	50%
Up to 20% discretionary relief to top up mandatory	40%	50%
Up to 100% discretionary relief for other eligible organisations	40%	50%

2.3 Should a local authority choose to award discretionary rate relief under the Localism Act powers to a business or profit organisation the Council will bear the full 100% cost.

3. New Schemes

3.1 In the budget statements since 2016 onwards the government announced new schemes of discretionary rate reliefs to assist and encourage the development and occupation of business premises.

3.2 The new schemes are all fully funded by central government.

4. Conclusion

4.1 The Rate Relief Policy and guidelines have been amended to reflect the changes introduced by central government in its autumn statement.

5. Implications and Risks

5.1 It is important that the Council's policy and guidelines are clear about the criteria under which it will make an award as all potential applicants need to be aware of the grounds for eligibility for discretionary relief, what their own responsibilities are and why their application has either been accepted or refused.

6. Financial Implications and Risks

6.1 The new schemes are fully funded by central government.

6.2 The other discretionary and mandatory relief schemes are funded as indicated in paragraph 2.2 through the business rate retention scheme.

7. Sustainability

7.1 The granting of reliefs assist organisations to be viable, particularly in rural areas, and this aids the development of sustainable communities and ensures that people have access to goods, services, leisure and other opportunities.

8. Equality and Diversity

8.1 On considering this policy against the categories looked at within the Equality Impact Assessment process – age, disability, gender, race, religion or belief, sex, sexual orientation, the policy has no adverse impact.

9. Section 17 Crime and Disorder considerations

9.1 There are no crime and disorder implications arising from the policy.

Appendix A

Discretionary Rate Relief Policy

1 Introduction

If an organisation occupies a property on which it pays National Non Domestic Rates (NNDR) it may be eligible for up to 100% Discretionary Rate Relief if it is operated within some or all of the following guidelines appropriate to the particular organisation.

The guidelines for determining relief are not intended to be a rigid set of rules; neither are all the guidelines applicable to every organisation. Each case will be judged on its merits taking into account the contribution which each organisation/business makes to the Districts amenities and its residents lifestyles and wellbeing.

2 Eligibility Criteria

Eligibility Criteria for Rate Relief	**Rate Relief**	**Amount of Relief**
Property wholly or mainly used for charitable purposes which is occupied by a registered charity, charity shop or registered Community Amateur Sports Club (CASC)	Mandatory (Charity) Discretionary	80% 20% (maximum)
Property, all or part of which is occupied for the purposes of a non-profit making: a) Institution or other organisation whose main objects are philanthropic or religious or concerned with social welfare, science, literature or the fine arts. b) Club ,society or other organisation and is used for the purposes of recreation	Discretionary	100%(maximum)
Property is a qualifying: Food Shop General Store Post Office Sole Public House Sole Petrol Filling Station	Mandatory (Rural Rate Relief) Discretionary (Rural Rate Relief)	50% 50%(maximum)

3 Scope

The policy will be adhered to by all staff and members involved with consideration of Discretionary Rate Relief applications.

4 Applications

Applications must be supported by the organisations constitution, main purposes and objectives e.g. written constitution, memorandum of association, membership rules etc.

A full set of audited accounts for the latest financial year at the application date.

Details of how organisations/ businesses meet the criteria within the guidelines.

Applications from excepted businesses/organisations can not be considered. These are properties which are occupied by a billing or precepting authority e.g. District Council. County Council.

5 Factors to be taken into account

North Norfolk District Council is keen to ensure that any relief awarded is justified and directed to those organisations making a valuable contribution to the well-being of local residents. The following factors will therefore be considered:

a. The organisation should provide facilities that indirectly relieve the authority of the need to do so, or enhance or supplement those that it does provide

b. The organisation should provide training or education for its members, with schemes for particular groups to develop skills

c. It should have facilities provided by self-help or grant aid. Use of self-help and / or grant aid is an indicator that the club is more deserving of relief

d. The organisation should be able to demonstrate a major local contribution.

e. The organisation should have a clear policies on equal opportunity, freedom of access and membership.

f. It should be clear as to which members of the community benefit from the work of the organisation.

g. Membership should be open to all sections of the community and the majority of members should be NNDC residents.

h. If there is a licensed bar as part of the premises, this must not be the principle activity undertaken and should be a minor function in relation to the services provided by the organisation.

i. The organisation must be properly run and be able to produce a copy of their constitution and fully audited accounts.

j. Those organisations applying for relief, whose work involves young children, young people or vulnerable adults must be able to demonstrate that appropriate checks have been carried out on staff and volunteers, and that sound child protection policies are in place.

k. The organisation must not have any unauthorised indebtness to NNDC.

Rates are due and payable until a claim for discretionary rate relief is agreed.

6 Period of Relief

Relief will be granted for one year at a time.

The granting of relief will be reviewed annually and those in receipt of relief will be asked to supply or confirm relevant information for the purposes of the review.

7 Approval

Initial recommendations are to be made by the Revenues Manager with final approval from the Section 151 Officer and the Cabinet Portfolio holder.

Authorities must determine applications within six months after the end of the financial year for which the application for relief is made. Determinations after this time are invalid.

8 No Right of Appeal

Once the application has been processed, the ratepayer will be notified in writing of the decision. As this is a discretionary power there is no formal right appeal process against the Council’s decision. However, we will reconsider the decision in the light of any additional points made.

If the application is successful and the organisation is awarded discretionary rate relief it will be applied to the account and an amended bill will be sent.

9 Notification of Change of Circumstances

Rate payers are required to notify any change of circumstances which may have an impact on the award of discretionary rate relief.

10 Withdrawal of relief

Should an applicant in receipt of discretionary rate relief be found to be guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

11 Costs to the Council

The Local Government Finance Act 2012 introduced the Business Rate Retention Scheme in England from 1 April 2013. The Business Rate Retention Scheme currently provides for 50% of rate revenue to be retained by local authorities (40% NNDC and 10% NCC) and 50% by central government. As a result of this most discretionary reliefs are paid for by the local authority and central government, in these proportions.

Enterprise Zone Discount

The District Council, alongside other Local Authorities, was invited by the Anglia Local Enterprise Partnership (LEP) in 2015 to submit applications for sites within the District area to be included in a New Anglia 'Space to Innovate' multi-site Enterprise Zone programme.

Two Sites have been agreed within North Norfolk District Council commencing 1 April 2016. Egmere Business Zone and Scottow Enterprise Park are geographically defined areas, hosted by Local Enterprise Partnerships in which commercial and industrial businesses can receive incentives.

If you're starting up or relocating to an enterprise zone you could qualify for business rates relief.
This relief is applied if the hereditament is within the Enterprise Zone.

Up to 100% business rate discount can be awarded worth up to £55,000 a year over 5 years period.

Eligibility criteria

The discount is for businesses occupied within the Enterprise Zone defined area from 1 April 2016.

Amount of Relief

The Enterprise Discount is awarded at 100% of the rates liability subject to state aid de minimis rules. The limit is 200,000 euros over 3 years which is approx. £55k per year (£165k in total) this is on a rolling basis so first three years 1, 2 & 3 and then year 2, 3 & 4 must not exceed this limit.

Time Limited Relief – Rural Rate Relief

In the Autumn 2016 Budget Statement, the chancellor announced the doubling of rural rate relief from 50% to 100% with effect from 1 April 2017.

Rate relief for businesses in rural areas

Rural Rate Relief of 50% is currently awarded as mandatory relief under legislation.

Certain types of properties in a rural settlement (see Appendix D) with a population below 3,000 may be entitled to this relief. The property must be the only general store, the only post office or a food shop and have a rateable value of less than £8,500, or the only public house or the only petrol station and have a rateable value of less than £12,500. The property has to be occupied. An eligible ratepayer is entitled to relief at 50% of the full charge whilst the local authority also has discretion to give further relief on the remaining bill.

Currently NNDC can award up to 50% discretionary top up relief.

The 2016 Autumn Statement confirmed the doubling of rural rate relief from 50% to 100% from 1st April 2017. The Government set out their intention to amend the relevant primary legislation to require local authorities to grant 100% mandatory rural rate relief. Local authorities were expected to use their discretionary rate relief powers to grant 100% rural rate relief to eligible ratepayers from 1st April 2017. Following the decision not to reintroduce the Local Government Finance Bill, for 2018/19 the Government announced it expects local authorities to continue to use their powers to grant 100% rural rate relief to eligible ratepayers, as they have done so for 2017/18 and 2018/19. The 50% top up discretionary rate relief will be fully funded by government through a Section 31 Grant.

Time Limited - Relief for Local Newspapers

In the March 2016 Budget Statement, the government announced a new scheme of discretionary rate reliefs to assist and encourage the development and occupation of business premises.

Relief for Local Newspapers

This relief is government funded to local authorities so that they can provide a rates discount for office space occupied by local newspapers worth up to £1,500 a year.

This was originally for 2 years only from 1st April 2017 however the Government extended this in the 2018 Autumn Budget to include 2019/20.

This is up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits. The relief will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act 1988). Eligibility criteria for this relief are set out below.

Eligibility criteria

The relief will provide £1,500 relief for office space occupied by local newspapers up to a maximum of one discount per local newspaper title and per hereditament.

Local Newspapers

The relief is to be specifically for local newspapers and by that we mean what would be considered to be a “traditional local newspaper.” The relief will not be available to magazines.

Office Space

The hereditament must be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters.

Amount of Relief

The amount of relief is limited to a maximum of one discount per newspaper title (e.g. per newspaper name) and per hereditament.
The case for a business rates relief for local newspapers, can be obtained at www.gov.uk/government/consultations/the-case-for-a-business-rates-relief-for-local-newspapers

No Right of Appeal

As this is a discretionary power there is no formal right of appeal process against the Council’s decision. However, we will reconsider the decision in the light of any additional points made.

If the application is successful and the organisation is awarded discretionary rate relief it will be applied to the account and an amended bill will be sent.

8 Notification of Change of Circumstances
Rate payers are required to notify any change of circumstances which may have an impact on the award of discretionary rate relief.

9 Withdrawal of relief

Should an applicant in receipt of discretionary rate relief be found to be guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

10 Costs to the Council

The above reliefs are government funded.

2017 Schemes

At the Budget on 8 March 2017 the Chancellor announced the Government would make available the following business rate reliefs at the Spring Budget 2017.

- **Supporting Small Businesses Relief**
- **Local Discretionary Relief Scheme**

The Supporting Small Businesses Relief

This relief is government funded to local authorities so that they can provide relief for businesses that had a Rateable Value (RV) increase from 1 April 2017 caused by the 2017 NDR revaluation and as a consequence lost Small Business Rates Relief or Rural Rate Relief. This relief will limit any increase to £600 per year for the next 5 years subject to state aid rules.

The relief will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act 1988). Eligibility criteria for this relief are set out below.

Eligibility criteria

This relief will limit any increase to £600 per year for the next 5 years subject to state aid rules from 1 April 2017.

Amount of Relief

The amount of relief will limit these rate increases to £600 per year, so there will be a maximum of £3,000 rates to pay in total over the next 5 years.

No Right of Appeal

As this is a discretionary power there is no formal right of appeal process against the Council's decision. However, we will reconsider the decision in the light of any additional points made.

If the application is successful and the organisation is awarded discretionary rate relief it will be applied to the account and an amended bill will be sent.

Notification of Change of Circumstances

Rate payers are required to notify any change of circumstances which may have an impact on the award of discretionary rate relief.

Withdrawal of relief

Should an applicant in receipt of discretionary rate relief be found to be guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

Costs to the Council

The above relief is government funded.

The Local Discretionary Revaluation Relief

This relief is based on a local NDR Scheme which has been government funded to local authorities so that they can provide relief for businesses that had an increase from 1 April 2017 caused by the 2017 NDR revaluation and as a consequence per year for the next 5 years subject to state aid rules.

The relief will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act 1988). Eligibility criteria for this relief are set out below.

Eligibility criteria

This relief will be based on a banded system awarding businesses that have seen an annual increase in their rates from 1 April 2017 by more than £250. This scheme has been worked out to maximise the number of businesses receiving relief in North Norfolk based on the government's funding. This funding will be phased out over the next 4 years. The amount of award will be based on the amount of the increase in rates per year for the next 4 years subject to state aid rules from 1 April 2017.

Amount of Relief

Government will fully fund the cost of the relief providing it is below the amount allocated for each year. We have been awarded the following amounts for our Local Discretionary Relief scheme:

Year	£
1 - 2017/2018	£527,000
2 - 2018/2019	£256,000
3 - 2019/2020	£105,000
4 - 2020/2021	£15,000
Total	**£903,000**

The following Year 1 Scheme for 2017/18:

Increase From:	Increase To:	Amount of Relief	Number of Ratepayers	Cost
£250	£499	£125	232	£29,000
£500	£999	£250	90	£22,500
£1,000	£1,999	£500	189	£94,500
£2,000	£2,999	£1,000	60	£60,000
£3,000	£3,999	£1,500	40	£60,000
£4,000	£4,999	£2,000	20	£40,000
£5,000	£5,999	£2,500	10	£25,000
£6,000	£6,999	£3,000	5	£15,000
£7,000	No Max	£3,500	50	£175,000
Total			**696**	**£521,000**

The Government made it clear that they will not carry over any unused funding to the following year. NNDC reviewed this scheme to award all the remaining funds approx. £70,000 to 43 businesses who had the biggest increase in rates in 2017/18 and will not receive any funding in 2018/19.

At the end of the 2017/18 financial year, we were able to increase the relief in the last band from £3,500 to £5,200 to award the remaining relief funded by Government under delegated authority.

The following Year 2 Scheme for 2018/19:

Increase From:	Increase To:	Amount of Relief	Number of Ratepayers	Cost
£250	£499	£125	166	£20,750.00
£500	£999	£250	147	£36,750.00
£1,000	£1,999	£500	153	£76,365.07
£2,000	£2,999	£1,000	43	£43,000.00
£3,000	£3,999	£1,000	26	£26,000.00
£4,000	£4,999	£1,000	21	£21,000.00
£5,000	£5,999	£1,000	8	£8,000.00
£6,000	£6,999	£1,000	5	£5,000.00
£7,000	No Max	£0	42	£0.00
Total			**611**	**£236,195.21**

As in the previous year, the Government will not carry over any unused funding to the following year. This scheme has been reviewed and there is approx. £56k funds (as at 31 December 2018) remaining that can be awarded in 2018/19.

At the end of the 2018/19 financial year, we will look to increase the relief in the some bands to award the remaining relief funded by Government under delegated authority.

No Right of Appeal

As this is a discretionary power there is no formal right of appeal process against the Council's decision. However, we will reconsider the decision in the light of any additional points made.

If the application is successful and the organisation is awarded discretionary rate relief it will be applied to the account and an amended bill will be sent.

Notification of Change of Circumstances

Rate payers are required to notify any change of circumstances which may have an impact on the award of discretionary rate relief.

Withdrawal of relief

Should an applicant in receipt of discretionary rate relief be found to be guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

Costs to the Council

The above relief is government funded.

New Retail Relief

This relief was announced in the budget on 29 October 2018 and is a two year government funded relief to local authorities. The relief provided will be for one third of the bill after all other reliefs. It will be awarded to occupied retail properties with a RV below £51,000 in 2019/20 subject to state aid rules.

The relief will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act 1988). Eligibility criteria for this relief are set out below.

Eligibility criteria

The relief will be awarded to retail properties that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments with a RV below £51,000 subject to state aid rules. This will be for a two years only 2019/20 and 2020/21.

See Appendix E for a breakdown of the types of property that will be awarded this relief and those that are not classed as retail.

The relief will be applied on a day to day basis and a new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

Amount of Relief

There is no maximum relief awarded however it will be one third of the rates bill after all other reliefs.

No Right of Appeal

As this is a discretionary power there is no formal right of appeal process against the Council’s decision. However, we will reconsider the decision in the light of any additional points made.

If the application is successful and the organisation is awarded discretionary rate relief it will be applied to the account and an amended bill will be sent.

Notification of Change of Circumstances

Rate payers are required to notify any change of circumstances which may have an impact on the award of discretionary rate relief.

Withdrawal of relief

Should an applicant in receipt of discretionary rate relief be found to be guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

Costs to the Council

The above relief is government funded.

Discretionary Rate Relief - Guidelines

There are two ways in which Discretionary rate relief is granted

a) To ‘top-up’ mandatory relief already awarded
b) To award up to 100% based on various criteria

Mandatory Relief is granted where:-

- the ratepayer of a property is a charity or the trustees of a charity and
- the property is wholly/mainly used for charitable purposes (including charity shops, where the goods sold are mainly donated and the proceeds are used for the purposes of the charity)
- the ratepayer of a property is registered with Her Majesty’s Revenues and Customs (HMRC) as a Community Amateur Sports Club (CASC)

or

in the case of Mandatory Rural Rate Relief, the property is a qualifying:-

- food shop
- general store
- post office
- public house
- petrol filling station

Registration under the Charities Act 1993 as amended is conclusive evidence of charitable status. Bodies which, under the 1993 Act, are excepted from registration or are exempt charities are also eligible for mandatory relief. Providing the above criteria are met 80% mandatory relief will be granted.

Discretionary Rate Relief

When deciding whether to award discretionary rate relief consideration should be given to the interests of the taxpayers of North Norfolk District Council. The factors outlined in the policy should be taken into account when considering any application for relief.

The guidelines for determining relief are not intended to be a rigid set of rules; neither are all the guidelines applicable to every organisation. Each case will be judged on its merits taking into account the contribution which each organisation/business makes to the Districts amenities and its residents lifestyles and wellbeing.

Discretionary Rate Relief Criteria ‘Top –Up’

The Council has the discretion to award up to a further 20% additional rate relief to reduce the liability still further and the policies detailed below are to be followed when dealing with an application.

Up to 20% Discretionary Rate Relief may be given.

Charity Shops

Mandatory relief will be granted where the ratepayer for a property is
- a charity or the trustees of a charity and
- donated goods relate to more than 50% of total sales and
- the proceeds of goods (after any deductions for expenses) are applied for the purpose of the charity

Providing the above criteria are met 80% mandatory relief will be granted.

Up to 20% Discretionary Rate Relief may be given in exceptional circumstances. Generally relief will be limited to the 80% mandatory entitlement.

1	Meets local needs in the district and benefits local people	• if the premises are used for the purposes of a national organisation or a semi-national (or county-wide) organisation the Council will not normally grant any discretionary relief • if the premises are used for a local organisation the extent to which the District and its residents benefit from the organisation will be taken into account.
2	As a guide does not have more than 12 months spending available as “free reserves” (not legally restricted)	• unless a Business Plan exists detailing how these reserves are to be used to the benefit of the local community

Non-Profit Organisations, Clubs and Societies

The Council has the discretion to award up to 100% Discretionary Rate Relief to organisations whose main objects are charitable or philanthropic, or concerned with education, social welfare, science, literature or fine arts or recreation. The determination of charitable status largely relies on case law which has established 4 main divisions of charity:-

- relief of poverty
- advancement of religion
- advancement of education and
- other trusts beneficial to the community and not falling under the other headings.

Criteria

Discretionary relief can only be awarded if the organisation is not excepted (a billing authority or precepting authority) and:-

1	The main objects of the organisation are concerned with	• relief of poverty • advancement of religion • advancement of education • social welfare • science • literature • fine arts or • recreation or • in other ways are beneficial to the community
2	Meets local needs in the district and benefits local people	• if the premises are used for the purposes of a national organisation or a semi-national (or county-wide) organisation the Council will not normally grant any discretionary relief • if the premises are used for a local organisation the extent to which the District and its residents benefit from the organisation will be taken into account.
3	Provides a valuable service to the community	• which is complimentary to those services provided by or supported by the Council or • which relieves the need for the Council to provide such services
4	Is open to all sections of the community	• or access is restricted by providing a service for a specific sector of the

		community for justifiable reasons such as addressing inequality
6	Is non-profit making	• as a guide, no more than 12 months expenditure in unrestricted reserves unless a Business Plan exists detailing how these reserves are to be used to the benefit of the local community

Sports Clubs

There are additional considerations in the case of sports clubs.
If a club effectively discriminates by only accepting members who have already reached a certain standard, rather than seeking to promote the attainment of excellence by enhancing access and the development of sporting aptitude, then it does not have an open membership policy. So, a club selecting members on the basis of existing attainment would not come within the requirements.

Although clubs should be open to all without discrimination, single sex clubs may be permitted where such restrictions are not discriminatory in intent but a genuine result of physical restraints (such as changing room facilities) or the requirements of the sport

(2) Organisations with Licensed Bar Facilities

Sports Clubs/Other Organisations

Any Discretionary Rate Relief award will be aimed at the sporting activity of the club.

- If the bar income aids the overall operation and development of the organisation this would be allowable as long as the sporting activity remains the overall objective of the organisation. This will be particularly relevant where the organisation is the only such one in the Parish.

(3) Membership and Entry Fees

If the organisation requires a membership or entry fee the Council will give regard as to whether:-

- The subscription or fees are set at a high level which excludes the general community
- Fee reductions are offered for certain groups such as under 18s or over 60s

- Membership is encouraged from particular groups such as young people, older age groups, persons with disabilities or ethnic minorities
- Facilities are available to people other than members, e.g. schools, public sessions

Where the Council gives relief practice has been to award up to 80% to Clubs and organisations and up to 50% where organisations operate bar facilities.

Community Amateur Sports Clubs (CASC)

If a sport's club is registered with HM Revenues and Customs (HMRC) as a CASC it will be entitled to 80% mandatory relief. The club may also be awarded 20% discretionary rate relief.
Normally sports clubs that can register with HM Revenues & Customs as a CASC and have not done so will not be awarded discretionary rate relief.
Details can be found on the HMRC website www.hmrc.gov.uk/casc/index.htm

Discretionary Rural Rate Relief

Rural Rate Relief applies to certain properties which are situated in a rural settlement (see Appendix D). A rural settlement is one which appears to have a population of not more than 3,000 on the 31st December preceding the financial year in question, which is wholly or partly within a designated area. The Rural Settlement list is published each year. If a business meets the criteria for mandatory relief (50%) under the Rural Rate Relief legislation then an application for discretionary rate relief can be considered.

Up to 50% Discretionary Rate Relief may be given. See Appendix A for details of mandatory relief –rural rate relief.

Sole - General Store/Post Office/Food Shops with a Rateable Value of £8,500 or less.

If the above business meets the criteria for mandatory relief (50%) under the Rural Rate Relief legislation then an application for discretionary rate relief can be considered.

Up to 50% Discretionary Rate Relief may be given.

Criteria

- as a guide, no more than 12 months expenditure in unrestricted reserves unless a Business Plan exists detailing how these reserves are to be used to the benefit of the local community
- The business must be considered to be of benefit to the local community in accordance with the criteria in the policy.

Sole - Public Houses/ Petrol Filling Stations Rateable Value of £12,500 or less

If the above business meets the criteria for mandatory relief (50%) under the Rural Rate Relief legislation then an application for discretionary rate relief can be considered.

Up to 50% Discretionary Rate Relief may be given.

Criteria

- as a guide, no more than 12 months expenditure in unrestricted reserves unless a Business Plan exists detailing how these reserves are to be used to the benefit of the local community
- The business must be considered to be of benefit to the local community in accordance with the criteria in the policy.

Any Other Business within a Rural Settlement

Up to 100% Discretionary Rural Rate Relief may be given.

Criteria

- Rateable Value above £8,500 and less than £14,000
- as a guide, no more than 12 months expenditure in unrestricted reserves unless a Business Plan exists detailing how these reserves are to be used to the benefit of the local community
- The business must be considered to be of benefit to the local community in accordance with the criteria in the policy.

Revised January 2019

APPENDIX B

Local Discretionary Revaluation Relief scheme rules

Must be the ratepayer on 31 March 2017 and 1 April 2017

Must have had an increase in the rates bill due to the 2017 Revaluation, either directly (RV increase) or indirectly (loss of a relief)

The relief applies to occupied properties

Increase is measured on the net rates payable after all other reliefs have been deducted, including transitional, mandatory and discretionary reliefs

The award for Year 1 will only be for the period 1 April 2017 to 31 March 2018, however:

- The award will be apportioned on a daily basis if the ratepayer vacates the property
- The award will be recalculated if the net rates payable, and therefore the amount of the increase, changes (either up or down)
- The award will reflect any changes backdated to 1 April 2017, but not any taking effect on or after 2 April 2017
- Any overpaid relief will be repayable and will be recovered through the rates bill

Awards of relief for a future year will only apply for that year and will be subject to the same rules as above.

The award is subject to State Aid rules and ratepayers are responsible for checking they do not breach these rules if they are awarded relief:

- If a ratepayer qualifies for the relief, and it appears to the Billing Authority that State Aid rules will not be breached, the relief will be awarded without the need for an application form. However the ratepayer is required to verify their position regarding State Aid.

- If a ratepayer qualifies for the relief, but the Billing Authority is unclear whether State Aid rules will be breached, the ratepayer is required to complete an application form.

The relief will not apply to Excepted Hereditaments – these are those where a precepting authority is the ratepayer. These include accounts for the North Norfolk District Council, Norfolk County Council and Norfolk Police Authority.

Applications for relief will be valid for the four years of the scheme (subject to the above rules).

Appendix C

At the Budget on 8 March 2017 the Chancellor announced the Government would make available the following business rate reliefs at the Spring Budget 2017.

- **Supporting Small Businesses Relief**
- **Local Discretionary Relief Scheme**

The Supporting Small Businesses Relief

This relief is government funded to local authorities so that they can provide relief for businesses that had a Rateable Value (RV) increase from 1 April 2017 caused by the 2017 NDR revaluation and as a consequence lost Small Business Rates Relief or Rural Rate Relief. This relief will limit any increase to £600 per year for the next 5 years subject to state aid rules.

The relief will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act 1988). Eligibility criteria for this relief are set out below.

Eligibility criteria

This relief will limit any increase to £600 per year for the next 5 years subject to state aid rules from 1 April 2017.

Amount of Relief

The amount of relief will limit these rate increases to £600 per year, so there will be a maximum of £3,000 rates to pay in total over the next 5 years.

No Right of Appeal

As this is a discretionary power there is no formal right of appeal process against the Council's decision. However, we will reconsider the decision in the light of any additional points made.

If the application is successful and the organisation is awarded discretionary rate relief it will be applied to the account and an amended bill will be sent.

Notification of Change of Circumstances
Rate payers are required to notify any change of circumstances which may have an impact on the award of discretionary rate relief.

Withdrawal of relief

Should an applicant in receipt of discretionary rate relief be found to be guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

Costs to the Council

The above relief is government funded.

The Local Discretionary Revaluation Relief

This relief is based on a local NDR Scheme which has been government funded to local authorities so that they can provide relief for businesses that had an increase from 1 April 2017 caused by the 2017 NDR revaluation and as a consequence per year for the next 5 years subject to state aid rules.

The relief will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act 1988). Eligibility criteria for this relief are set out below.

Eligibility criteria

This relief will be based on a banded system awarding businesses that have seen an annual increase in their rates from 1 April 2017 by more than £250. This scheme has been worked out to maximise the number of businesses in North Norfolk based on the government's funding. This funding will be phased out over the next 4 years. The amount of award will be based on the amount of the increase in rates per year for the next 4 years subject to state aid rules from 1 April 2017.

Amount of Relief

Government will fully fund the cost of the relief providing it is below the amount allocated for each year. We have been awarded the following amounts for our Local Discretionary Relief scheme:

Year	£
1 - 2017/2018	£527,000
2 - 2018/2019	£256,000
3 - 2019/2020	£105,000
4 - 2020/2021	£15,000
Total	**£903,000**

The following Year 1 Scheme for 2017/18:

Increase From:	Increase To:	Amount of Relief	Number of Ratepayers	Cost
£250	£499	£125	232	£29,000
£500	£999	£250	90	£22,500
£1,000	£1,999	£500	189	£94,500
£2,000	£2,999	£1,000	60	£60,000
£3,000	£3,999	£1,500	40	£60,000
£4,000	£4,999	£2,000	20	£40,000
£5,000	£5,999	£2,500	10	£25,000
£6,000	£6,999	£3,000	5	£15,000
£7,000	No Max	£3,500	50	£175,000
Total			**696**	**£521,000**

The Government made it clear that they will not carry over any unused funding to the following year. NNDC reviewed this scheme to award all the remaining funds approx. £70,000 to 43 businesses who had the biggest increase in rates in 2017/18 and will not receive any funding in 2018/19.

At the end of the 2017/18 financial year, we were able to increase the relief in the last band from £3,500 to £5,200 to award the remaining relief funded by Government under delegated authority.

The following Year 2 Scheme for 2018/19:

Increase From:	Increase To:	Amount of Relief	Number of Ratepayers	Cost
£250	£499	£125	166	£20,750.00
£500	£999	£250	147	£36,750.00
£1,000	£1,999	£500	153	£76,365.07
£2,000	£2,999	£1,000	43	£43,000.00
£3,000	£3,999	£1,000	26	£26,000.00
£4,000	£4,999	£1,000	21	£21,000.00
£5,000	£5,999	£1,000	8	£8,000.00
£6,000	£6,999	£1,000	5	£5,000.00
£7,000	No Max	£0	42	£0.00
Total			**611**	**£236,195.21**

As in the previous year, the Government will not carry over any unused funding to the following year. This scheme has been reviewed and there is approx. £56k funds (as at 31 December 2018) remaining that can be awarded in 2018/19.

At the end of the 2018/19 financial year, we will look to increase the relief in the some bands to award the remaining relief funded by Government under delegated authority.

No Right of Appeal

As this is a discretionary power there is no formal right of appeal process against the Council's decision. However, we will reconsider the decision in the light of any additional points made.

If the application is successful and the organisation is awarded discretionary rate relief it will be applied to the account and an amended bill will be sent.

Notification of Change of Circumstances

Rate payers are required to notify any change of circumstances which may have an impact on the award of discretionary rate relief.

Withdrawal of relief

Should an applicant in receipt of discretionary rate relief be found to be guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

Costs to the Council

The above relief is government funded.

New 2019/20 Retail Relief

This relief was announced in the budget on 29 October 2018 and is a two year government funded relief to local authorities. The relief provided will be for one third of the bill after all other reliefs. It will be awarded to occupied retail properties with a RV below £51,000 in 2019/20 subject to state aid rules.

The relief will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act 1988). Eligibility criteria for this relief are set out below.

Eligibility criteria

The relief will be awarded to retail properties that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments with a RV below £51,000 subject to state aid rules. This will be for a two years only 2019/20 and 2020/21.

See Appendix E for a breakdown of the types of property that will be awarded this relief and those that are not classed as retail.

The relief will be applied on a day to day basis and a new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

Amount of Relief

There is no maximum relief awarded however it will be one third of the rates bill after all other reliefs.

No Right of Appeal

As this is a discretionary power there is no formal right of appeal process against the Council's decision. However, we will reconsider the decision in the light of any additional points made.

If the application is successful and the organisation is awarded discretionary rate relief it will be applied to the account and an amended bill will be sent.

Notification of Change of Circumstances

Rate payers are required to notify any change of circumstances which may have an impact on the award of discretionary rate relief.

Withdrawal of relief

Should an applicant in receipt of discretionary rate relief be found to be guilty of unlawful activities for whatever reason, entitlement will be forfeited from the date of conviction.

Costs to the Council

The above relief is government funded.

Appendix D

Settlement List for Rural Rate Reliefs

Parishes and Non-Civil Parished Areas: North Norfolk
Alby with Thwaite
Aldborough and Thurgarton
Antingham
Ashmanhaugh
Aylmerton
Baconsthorpe
Bacton
Barsham
Barton Turf
Beeston Regis
Binham
Blakeney
Bodham
Briningham
Brinton
Briston
Brumstead
Catfield
Cley Next The Sea
Colby
Corpusty and Saxthorpe
Dilham
Dunton
East Beckham
East Ruston
Edgefield
Erpingham
Felbrigg
Felmingham
Field Dalling
Fulmodeston
Gimingham
Great Snoring
Gresham
Gunthorpe
Hanworth
Happisburgh

Helhoughton
Hempstead
Hempton
Hickling
High Kelling
Hindolveston
Hindringham
Holkham
Honing
Horning

Horsey
Hoveton
Ingham

Ingworth
Itteringham
Kelling
Kettlestone
Knapton
Langham
Lessingham
Letheringsett with Glandford
Little Barningham
Little Snoring
Ludham
Matlask
Melton Constable

Morston
Mundesley
Neatishead
Northrepps
Overstrand
Paston
Plumstead
Potter Heigham
Pudding Norton
Raynham
Roughton
Runton
Ryburgh
Salthouse
Scottow
Sculthorpe
Sea Palling

Sidestrand
Skeyton
Sloley
Smallburgh
Southrepps
Stibbard
Stiffkey
Stody
Suffield
Sustead
Sutton
Swafield
Swanton Abbott
Swanton Novers
Tattersett
Thornage
Thorpe Market

Thurning
Thursford
Trimingham
Trunch
Tunstead
Upper Sheringham
Walcott
Walsingham
Warham
Wells-next-the-Sea
West Beckham

Westwick
Weybourne
Wickmere
Wighton
Witton
Wiveton
Wood Norton
Worstead

Appendix E

This document provides a breakdown of the types of property that may be awarded this relief:

Which properties will benefit from relief?

Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

We consider shops, restaurants, cafes and drinking establishments to mean:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

− Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
− Charity shops
− Opticians
− Post offices
− Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
− Car/ caravan show rooms
− Second hand car lots
− Markets
− Petrol stations
− Garden centres
− Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

− Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)
− Shoe repairs/ key cutting
− Travel agents
− Ticket offices e.g. for theatre
− Dry cleaners
− Launderettes
− PC/ TV/ domestic appliance repair
− Funeral directors
− Photo processing
− Tool hire
− Car hire

iii. Hereditaments that are being used for the sale of food and/ or drink to visiting members of the public:

− Restaurants
− Takeaways
− Sandwich shops

− Coffee shops
− Pubs
− Bars

To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, it is intended to be a guide for North Norfolk District Council (NNDC) as to the types of uses that would be considered for this purpose to be retail. NNDC will determine for itself whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

The list below sets out the types of uses that the Government does not consider to be retail use for the purpose of this relief. Again, it is for NNDC to determine for itself whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the relief under this scheme.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public:

− Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)
− Other services (e.g. estate agents, letting agents, employment agencies)
− Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
− Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
− Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public

Generally speaking, the government also does not consider other assembly or leisure uses beyond those listed above to be retail uses for the purpose of the discount. For example, cinemas, theatres and museums are outside the scope of the scheme, as are nightclubs and music venues which are not similar in nature to the hereditaments described at paragraph (iii) above. Hereditaments used for sport or physical recreation (e.g. gyms) are also outside the scope of the discount. Where there is doubt, NNDC will exercise its discretion with reference to the above and knowledge of their local tax base.

Agenda Item No 14

ENFORCEMENT UPDATE

Summary:	This report provides an update for Members on the work of the Enforcement Board and Combined Enforcement Team over the past six months and also gives an assessment of progress made since the Board's inception over 5 years ago. The Enforcement Board has dealt with a number of difficult and long-standing properties and, since the last report, significant progress is being made on many other properties that are subject to major renovation projects. The Board has also overseen more data matching to quality assure the records held for long-term empty properties. The Combined Enforcement Team plays a key role in targeting, monitoring and overseeing renovation works to bringing back properties to use and also in taking forward Planning Enforcement case work. The Combined Enforcement Team similarly has provided real progress especially in Planning and property level revenues enforcement
Conclusions:	The Enforcement Board and Combined Enforcement Team continues to make significant progress towards its objectives of dealing with difficult and long-standing enforcement cases and bringing long term empty properties back into use, across all areas of the District, with both social and economic benefits to the community, and financial benefits to the Council.
Recommendations:	**1. That Cabinet notes the continued progress of the Enforcement Board.** **2. That Cabinet note the data collection work supporting the reduction in long term empty properties.** **3. That Cabinet notes the continued progress of the Combined Enforcement Team**
Reasons for Recommendations:	1. To ensure appropriate governance of the Board's activities 2. To highlight the data quality improvements required to sustain empty homes works. 3. To show the progress of Combined Enforcement Team cases and contribution to the work of the Enforcement Board

Cabinet Members	Ward(s) affected
Cllr Karen Ward (Planning) Cllr Nigel Lloyd (Enforcement) Cllr Eric Seward (Revenues and Benefits)	All Wards
Contact Officer, telephone number and email: Nick Baker, Corporate Director 01263 516221 nick.baker@north-norfolk.gov.uk	

ENFORCEMENT BOARD UPDATE

1. Introduction

1.1. Members will be aware that the Enforcement Board was set up to tackle difficult, often longstanding enforcement issues, with an additional focus on Long Term Empty (LTE) homes. From the lessons learned, it subsequently provided oversight for the formation of the Combined Enforcement Team (CET), which brought together property level revenues and LTE inspections and Planning enforcement.

1.2. The Board works best where the properties and sites are likely to benefit from cross service intelligence and the senior management level attendees ensure action plans are implemented quickly and effectively.

1.3. Dealing with difficult cases in this way has also encouraged more innovative approaches to the use of the Council's legislative powers. Whilst this may sometimes give rise to additional risk, much work has been done to ensure enhanced governance, with significant support from officers in both legal and finance teams.

1.4. Whilst Members do not routinely sit at meetings of the Enforcement Board, because of legal sensitivities around enforcement decisions; where decisions have a wider implication and or risk, CLT and or relevant members are involved in the decision making process. Other decisions are taken under officer delegated powers, with expenditure from the Enforcement Reserve authorised at Director/s151 officer level.

1.5. In addition to the six monthly update to Cabinet, relevant members and Group Leaders are kept informed of progress on the individual cases being dealt with by the Board, through a confidential case update report.

1.6. The Combined Enforcement Team plays a key role in the work of the Board both at the intelligence gathering stage and also by its officers applying pressure on owners to press forward with development or renovation plans. It also ensures that neglected properties are subject to enforcement powers to improve the appearance and condition of long-term problem properties.

The team was set up in 2016 and inherited a large backlog of long-standing Planning Enforcement cases, a significant reduction in which has been achieved with a much faster response to new cases.

1.7. In terms of empty homes, there remains a number of good reasons to act. As well as the obvious social advantage, of utilising as much of the District's housing stock as possible, thereby maximising housing provision, many LTEs attract New Homes Bonus to the Council when brought back into use.

1.8. The current challenge with empty homes is to ensure that information held within the Council Tax database is accurate. Owners do not always inform the Council as soon as they move into a previously LTE property. Whilst the property Council Tax remains the same whether occupied or empty (unless the property is on an over two year LTE levy charge), the Council may be missing out on New Homes Bonus income if the statistical numbers of LTE properties are not kept up to date.

2. Case Progress update

2.1. The Board continues to meet fortnightly to ensure good progress is achieved across the full range of cases under consideration. The current caseload of the Board is 37 ongoing cases across all areas of the district.

2.2. Since the last report, a number of long standing cases have been progressed or completed and key cases of note are highlighted below:

2.3. 28 Church Street Northrepps, which was formerly part of the Gurney Trust estate, has been impressively restored to family home by the new owner, together with another former Gurney Trust property at Larner's Hill, which was derelict, is continuing to undergo major renovation.

2.4. The new owner of Sutton Mill is continuing to make progress in restoring this once Listed mill and works are being closely monitored by officers to ensure that works are sympathetic to the original features and design.

2.5. Sites at Beeches Farm, Tunstead and three buildings within the Melton Constable Hall complex, which were all subject to Enforcement Notices issued by the Council, had appeals considered by the Planning Inspectorate.

Beeches Farm, a mixed use site, was subject to a public hearing of 5 days, split between September and November and the decision from the Planning Inspector went in the Council's favour with the appeal dismissed.

The Melton Constable Hall properties were each considered by the Planning Inspector in writing and all three appeals were dismissed by the Planning Inspector who upheld the Council's enforcement action.

2.6. Under the threat of prosecution from the Council, tyre removal from Tattersett Business Park has begun. The owner successfully applied to change his processing planning permission with the County Council and Permit with the Environment Agency. The previous approval for shredding c600,000 tyres has been replaced with permission to bale large bundles of tyres which are being shipped to the continent for recycling. Assurances have been given by the owner that more resource will be allocated to the processing of tyres now that the new process has been agreed.

2.7. The Council has now almost completed compulsory purchase of two properties in Sculthorpe and has exchanged contracts on a Listed property in Walsingham under a voluntary purchase in lieu of a CPO.

2.8. Of the remaining properties on the Board's agenda, all are progressing; many with major renovation works required to bring them back into habitable condition. More details on these properties are contained in the appendix accompanying this report

3. Long Term Empty Homes (LTEs) Update

3.1. The last report drew attention to a major effort by officers to confirm on site, the data held on all long term empty properties in the district. This resulted in a significant reduction in the number of reported long term empty properties but also highlighted anomalies reported by the electronic data.

3.2. As a result, of the anomalies picked-up by the manual property visits earlier in the year, the Council is in dialogue with the Council Tax software suppliers to find a way to reduce the manual checking of records to be able to better report accurate data.

3.3. In addition, a wider piece of work regarding data matching across the Council will be undertaken as part of the Digital Transformation programme.

3.4. In September 2018, officers carried out further targeted property visits to quality assure the information required for the October return to Central Government, to determine the amount of New Homes Bonus generated by reductions in numbers of long-term empty properties. The work resulted in an in-year reduction of 121 long-term empty properties from those reported to Government in October 2017.

3.5. The ongoing software changes, affecting data reporting, will be incorporated into the Business Process Review to be carried out in Revenues and Benefits over the next year.

4. Combined Enforcement Team Update

4.1. As noted above, the Combined Enforcement Team was set up to bring consistency of approach and efficiencies in the way the Council deals with Empty Homes, Council Tax Completions and Planning Enforcement, as these are mainly property level inspection based cases.

4.2. Empty Homes work is important to maximise New Homes Bonus but the introduction of new build properties and larger developments into Council Tax banding also maximises the Council Tax collection. The team carry out regular inspections of known developments to ensure properties are brought in to banding at the earliest opportunity.

4.3. The work of the Combined Enforcement Team underpins much of the work of the Enforcement Board, both in terms of finding new cases to be worked on but also in moving forward many of the current caseload.

4.4. The team’s caseload currently stands at 289 cases. In the last 6 months the team have opened 169 new cases and closed 172 old ones.

4.5. Whilst much of the progress made in these cases is via informal means, in the last 12 months the team have also served 8 new enforcement Notices, tackling both breaches in planning control and addressing neglected properties and land affecting the visual amenity.

5. Future Working

5.1. The intelligence provided by officers inspecting the list of LTE properties has also identified a number of properties that seemingly have no justifiable reason for remaining empty. Over the next few months, officers will attempt to engage with the owners to understand what is preventing them returning their properties to use. From this, a number of solutions will be explored and some of the properties have already been added to the existing caseload of the Enforcement Board.

5.2. The targeted inspection exercises, if repeated annually, will produce significant savings for Council budgets while providing the opportunity to maximise income from New Homes Bonus and Council Tax for LTEs returned to use or brought into banding.

5.3. Compulsory Purchase options will continue to be explored as a last resort, but it is likely that most properties will be best tackled with a combination of enforcement actions by the Council including the threat of compulsory purchase.

6. Performance Management

6.1. Members have continued to be kept informed of cases being taken forward in their wards and Group Leaders are also being kept informed of all cases. This continues to be well received.

6.2. Where appropriate, Town and Parish Councils are also kept informed of progress and where there is an obvious legal risk or implication, the relevant Portfolio holder is also informed, as well as the local member and CLT.

7. Financial Implications and Risks

7.1. The work of the Enforcement Board is partly driven by the need to maximise revenue from both Council Tax and, for Long Term Empty Properties, the New Homes Bonus scheme. Significant contributions have already been made by bringing properties back into use and/or back into Council Tax banding, in the four years the Board has been working

7.2. As has been stated above, a number of these properties give rise to local blight and therefore an expectation from local communities on the Council to resolve the issues, with accompanying reputational risk if we do not act.

7.3. It is however, also important that we act sensitively in some cases, and that we adhere to our own Enforcement Policies in terms of proportionality of approach.

7.4. There is also a reputational risk involved, if we lose legal action. Whilst this can be mitigated by good process, evidence gathering, etc, we are seeking to be innovative in our use of legal powers and we may not always win the case at hand.

7.5 The use of the Council's powers in different ways will almost certainly cause some complaint from those who have not previously seen direct action from the Council in respect of the issues concerned. It is therefore essential that we ensure both the technical and legal processes used are sound and that, in terms of our reputation, our rationale for action is clearly understood.

7.6 There is, in some cases, a risk of not being able to recover costs; for both officer and legal costs, and where works in default are undertaken. However, these risks are being mitigated, through good intelligence and evidence gathering and ensuring that the correct legal processes are followed during any action taken.

In addition, where necessary, valuation advice is taken to ensure that there is enough value in a site against which to provide proceeds of an enforced sale if necessary to recover costs.

It should be noted that all expenditure allocated to the Enforcement Board Reserve is approved by both the s151 Officer and a Head of Paid Service.

7.5. The Enforcement Board Reserve covers the costs of dealing with these cases and in general, most of the costs concerned are recovered. However, formal action takes place in a number of cases, where some costs are simply not recoverable.

7.6. There has been the need for significant additional legal input to the cases and although much of the cost is recovered, this has been underwritten by the Reserve.

8. Sustainability

The only sustainability implications directly resulting from this report are around better use of existing housing stock and other buildings, as opposed to new build and therefore the potential use of green field sites.

9. Equality and Diversity

There are no equality and diversity implications directly resulting from the recommendations or options considered in this report.

10. Section 17 Crime and Disorder considerations

Some of the work being undertaken by the Board has a direct link to criminal activity, around deliberate Council Tax avoidance. In addition, a number of empty properties have been associated with anti-social behaviour, which of course will be removed when properties are brought back into use.

11. Conclusions

The Enforcement Board continues to make significant progress towards its objectives of dealing with difficult and long-standing enforcement cases and bringing long term empty properties back into use across all areas of the District, with both social and economic benefits to the community, and financial benefits to the Council. The Combined Enforcement Team supports this work and has also seen great improvements in Planning Enforcement.

Appendix

Key Activity on Long Term Empty Properties (as at 10th Jan 2019)
Note: this is not an exhaustive list of cases, as some issues are legally or otherwise sensitive and are therefore not for publication.

Property	Issues	Action
56 and 56 Beeston Common, Sheringham	Dilapidated, overgrown garden Empty for over 10 years	Properties continue to undergo major works and are hoped to be back in use later this year
33 Oak Street, Fakenham	Empty since approximately April 2008 Property very dilapidated.	Significant renovation works have been undertaken with likely completion in early 2019 and the property was recently featured in the EDP as part of National Empty Homes Week.
Leighton House, 11-13 St Mary's Road, Cromer	Significant residential property in extremely dilapidated condition detracting from neighbourhood amenity Unfit for habitation Previous pest infestations	Environmental concerns still being addressed. The Council continues to work with owner to ensure ongoing improvements
2 and 2a Stirling Road, Sculthorpe	Unfinished 'new build' properties, middle and end terrace.	Issues with land registration by previous owners have now been resolved and the properties will be marketed for resale in the near future.
28 Church Street, Northrepps	Long Term Empty property	Ownership change forced. New owners now in occupation
40 Larners Hill, Northrepps	Long Term Empty property for approximately 3 years	Ownership change forced and major renovation and improvement ongoing.
East View, Helena Road, Walcott	Property empty since 2013	Property occupied and recently featured in EDP as part of Empty Homes Week.
25 Holt Road, Langham	Long Term Empty Property	Renovation works underway. Enforcement notice served but major structural work required first. This is being overseen by NNDC Building Control

Non- Residential Activity

Property	Issue	Action
Tyre Storage Tattersett Business Park	Long-term storage of around 6000 tonnes of tyres	Tyre removal now underway and will continue to be monitored by officers
Star Yard Fakenham	Dilapidated garage in dangerous condition	Works still progressing
Sutton Mill	Potentially dangerous structure of Listed Building	New owner carrying out works in liaison with Council Conservation officer
Former Shannocks Hotel Sheringham	Long-term empty property in poor condition in prime location	After pressure from Council, the owners successfully obtained planning approval for renovation scheme. Awaiting compliance with owner's build programme following Planning Approval for demolition otherwise CPO will be commenced.
Pineheath Nursing Home	Bungalows in curtilage of former Care home closed by Care Quality Commission.	Currently a new planning proposal is being considered under pre-contract advice.