

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT**REVENUE BUDGET PROPOSALS 2015/16****CAPITAL PROGRAMME PROPOSALS 2015/16 to 2018/19****MEDIUM TERM FINANCIAL STRATEGY 2015/16 to 2018/19****COUNCIL TAX PROPOSALS 2015/16****Purpose of the Report**

1. To consider the contents of the budget report that will be taken to Full County Council on 26 February 2015 with specific reference to:
 - the Annual Revenue Budget for 2015/16
 - the Capital Programme for 2015/16 to 2018/19
 - the Medium Term Financial Strategy for 2015/16 to 2018/19
 - the level of the Council Tax Precept for 2015/16

Background

2. Public consultation on £30m of savings proposals was approved by Policy Committee on 12 November 2014 after a budget shortfall of £77m was anticipated over the three years to 2017/18. The consultation concluded on 16 January 2015.
3. Since November, the Council has carried out a full review of the budget pressures and has received provisional information on the level of funding it can expect in 2015/16. This report outlines the recommendations that will be submitted for approval to the annual budget meeting on 26 February 2015.

Autumn Statement and Local Government Settlement

4. On 3 December 2014, the Chancellor of the Exchequer's Autumn Statement warned that substantial savings in public spending would still be needed. In addition, a fiscal and economic outlook report by the Office of Budget Responsibility (OBR) said that in terms of cuts to public services only 40% of the total spending cuts planned between 2009/10 and 2019/20 had taken place over this Parliament, with roughly 60% to come in the next.
5. The following announcements in the Autumn Statement and OBR report were key:
 - Forecasts for economic growth have been revised upwards in the short-term but downwards in later years, with forecasts for unemployment revised down in all years to 2018. Consumer Price Index inflation is expected to be below target in 2014 through to 2017 when it will stay on target from 2017 to 2019.

- Local government expenditure will be £1.4bn lower in 2015/16 than predicted at the time of the Budget in March 2014. The forecast has also been reduced for each subsequent year; by 2018/19 the OBR's overall local government expenditure forecast is £4.9bn lower than the projection made in March. The lower forecast is largely due to reduced grants to local authorities, including the Revenue Support Grant.
6. The Chancellor announced a cap on an increase in the Business Rate multiplier at 2% for a further year. As local government is dependent upon this income, £125m has been set aside to compensate local authorities through a Section 31 grant, as was the case for 2014/15. Small Business Rate Relief (SBRR) will be doubled for a further year to provide 100% relief from business rates for 2015/16, and a structural business rate review will be carried out in time for the 2016 Budget.
 7. On 18 December 2014, a one-year provisional Local Government Finance Settlement was announced, which included the following:
 - Nationally, the reduction to Settlement Funding Assessment is 12.7% which includes a reduction to the Revenue Support Grant of 25.6%
 - The Council Tax Referendum Threshold stays at increases of 2% and above
 - The County Council's reduction in Settlement Funding Assessment is 14% (reducing from £219m in 2014/15 to £188m in 2015/16) of which the reduction in Revenue Support Grant is 26.7% (from £122m in 2014/15 to £89m in 2015/16)
 8. Due to the uncertainty in local government funding and the expectation of a new Comprehensive Spending Review following the May 2015 General Election, the Council will set a one-year balanced budget, with a further 3 years' forecasts included in the Medium Term Financial Strategy.

Redefining Your Council

9. In response to the financial outlook, a new transformation framework, called ***Redefining Your Council***, was established to seek different ways of delivering services by looking first at innovative and creative solutions before any service reductions or cessations. A Council-wide review of services has resulted in a number of savings proposals.

Budget Consultation

10. As a result of the Council-wide review, 56 proposals were developed and, of these, the public were asked to comment on 26 specific proposals.
11. Each year, a budget consultation exercise is undertaken with residents and stakeholder groups to find out information to help inform the annual budget setting process. The findings from the consultation will be taken into consideration when making decisions on specific proposals.
12. This year the consultation was conducted in two stages which both had the theme of "Doing Things Differently - Your Money, Your Say":

- **Stage One** – the key aim was to inform residents about the budget challenge and seek views on four individual themes as well as seeking views on how the Council could do things differently to save money. It sought opinion on options for doing things differently - such as delivering services indirectly through not-for-profit organisations; helping people to stay independent and out of social care where possible; delivering more services online so that residents can self-serve where appropriate; or getting another organisation to deliver services on behalf of the County Council. Stage One consultation commenced on the 8 October 2014 and concluded on the 16 January 2015.
 - **Stage Two** – this aimed to seek opinion on a possible increase in council tax as well as twenty-six specific budget proposals. Stage Two commenced on the 12 November 2014 and concluded on the 16 January 2015.
13. Overall, there were more than **17,000 responses** to the consultation. This included 2,477 responses received through the consultation survey (1,265 for Stage One and 1,212 for Stage Two), plus petitions, letters, emails, and feedback from departmental meetings with service users and members of the public.
 14. The consultation used a variety of methods including: an on-line survey; social media (Facebook and Twitter); face-to-face meetings with staff and service users, and information provision in Council libraries and community resource centres.
 15. Community groups were consulted via a proactive approach by County Council Community Engagement Officers. A wide range of respondents from all age groups and backgrounds have been engaged either through completing questionnaires, comment cards, writing individual letters/emails or via meetings, often 'piggybacking' on other community events. Information and links to the consultation also appeared on electronic bulletins and email newsletters of organisations such as Networking Action for Voluntary Organisations (NAVO), and promotion took place via Community and Voluntary Service (CVS) partners. Methods for consulting have included:
 - An on-line questionnaire on the public website accompanied by further detail on each of the proposals and associated Equality Impact Assessments
 - Paper copies of the questionnaire made available in reception points at libraries, community resource centres etc. where members of the public could obtain assistance
 - Intranet links to proposals
 - Inclusion in the Frontline newsletter and the Chief Executive's monthly bulletin
 - Email alerts and/or letter sent to all town and parish councils in Nottinghamshire, and businesses registered with the Nottinghamshire Business Engagement Group (including the Nottinghamshire and Derbyshire Chambers of Commerce)
 - Letters to service users and stakeholder groups directly affected by the proposals
 - Face-to-face and group meetings regarding specific proposals
 - Publicising the Customer Service Centre telephone number for advice and assistance
 - A freepost address for residents to send in their own letters or comments
 16. Particular attention has been given to accessibility and engagement to ensure the budget consultation process is participatory and no one is precluded from taking part by:

- Regularly updating the information on the Council website resulting in more than 17,000 visits to the Budget Challenge pages
 - Enabling residents to join the campaign via Facebook and Twitter
 - Displaying lamp-post banners at various locations across the county
 - Reaching community-based organisations, groups considered hard to reach and other agencies through face-to-face meetings. For example the Council's community and voluntary sector team presented information at eighteen events that were attended by 725 people
 - Regular press information resulting in extensive media coverage (173 articles) in the local press, radio and regional TV
 - Supporting Councillors to run community events and or sessions in schools to discuss the budget
17. The Council also published an information booklet, explaining the funding shortfall, where the budget comes from and what it is spent on, as well as explaining how people could get involved.
 18. The overall budget position and overview of proposals have been discussed through the formal JCNP process, at Central Panel, and other meetings with the Trade Unions. A formal response was received from UNISON.
 19. The Council has a statutory duty to consult with the business community regarding its plans for expenditure in the financial year. This year, a consultation event was held with the Nottinghamshire Business Engagement Group (NBEG), which includes representatives of business clubs including the Chamber of Commerce and the Federation of Small Business. Members of NBEG were asked to take part in the consultation.
 20. In relation to Adult Social Care, Health and Public Protection services, presentations took place at the six Clinical Commissioning Group Governing Bodies and proposal summaries were provided to Healthwatch and to the Learning Disability Partnership Board.
 21. For the Extra Care Housing proposal, meetings were held with residents, families and staff at all six Care and Support Centres. Meetings were also held with interested organisations and stakeholders, including Ollerton Town Council, Bassetlaw District Council, HealthWatch, Bassetlaw Action Centre, CVS and Nottinghamshire Healthcare Trust and several independent sector care homes. These meetings covered several proposals with a potential impact on provision of residential and nursing care in the county.
 22. In relation to Children, Families and Cultural service proposals, letters were sent to a range of partners including the Nottinghamshire Schools Forum, all headteachers and chairs of governors, the Arts Council, members of the Early Years Consultation Group, Nottinghamshire's Children's Centre provider and the Youth Justice Board.
 23. A total of 600 consultation packs were also sent out around the proposal to create an Integrated Family Support Service. Four consultation events were attended by 287 social workers, early help staff, schools, health, police, district and borough councils, housing providers and the voluntary sector.
 24. In terms of the Children's Disability Service proposal, more than 50 parents and carers attended seven workshops and 129 survey questionnaires were completed. Several

themes emerged, including the need for more flexible, responsive and equitable delivery. In particular they wanted services to focus on meeting needs before families reach a crisis.

25. The headline results from the consultation survey are detailed in a Budget Consultation dashboard that are available as background papers.
26. Table 1 details the consultation responses:

Table 1 – Responses to the budget challenge consultation

Methodology	Responses / Taken part
On-line and paper questionnaires, comment cards, letters and emails	2,477
Social media comments (Facebook/Twitter)	100
Letters and email	42
Service specific consultations, including: <ul style="list-style-type: none"> • Direct payments • Integrated family support 	113 286
Additional responses and people numbers taking part in departmental: face to face meetings, focus groups, etc. <ul style="list-style-type: none"> • Community & Voluntary Sector team • ASCH&PP • Environment • Community Services 	726 1,946 600 337
Petitions: <ul style="list-style-type: none"> • Bishop's Court • On-line petition @ chsngr.org - Bishop's Court • All care homes • Woods Court • Leivers Court • St Saviours Care Home staff • James Hince Court 	7,276 598 1,680 162 752 32 12
Total	17,139

Movements in the Medium Term Financial Strategy (MTFS)

27. The Budget report to the February Council in 2014 forecast a budget gap of £77m for the three years to 2017/18. The November report to Policy Committee launched consultation on proposals totalling £30m. Since the November report, a rigorous review of the Council's MTFS has taken place, and the impact is set out in the paragraphs below.

Revised Pressures and Running Cost Inflation

28. When the 2014/15 budget was approved in February, specific pressures totalling £18.0m were identified in respect of children's social care and those with mental health conditions,

physical or learning disabilities to the period to 2017/18. A further expectation of £14.1m for general running costs inflation was also included.

29. Since then, the MTFS has been rolled forward a year to reflect the four-year term to 2018/19. Departments have been encouraged to manage any new pressures within existing resources. In addition, existing pressures have been re-evaluated.
30. In recent years, no uplift has been provided for inflation on non-pay items, except where a specific business need has been identified. It is proposed that this approach is continued for the duration of the MTFS.
31. Table 2 tracks the movement in pressures and inflation that has occurred since February with details of the revised figures in Appendix A.

Table 2 – Movement in Pressures and Inflation

Committee	Original Pressures 2015/16-2017/18 £m	Original non-pay inflation 2015/16-2017/18 £m	Net movement £m	Current Total Requirement 2015/16-2018/19 £m
Children & Young People	1.1	0.5	(0.4)	1.2
Adult Social Care & Health	16.8	5.3	(5.5)	16.6
Transport & Highways	0.1	5.6	(0.3)	5.4
Environment & Sustainability	-	2.7	0.9	3.6
Total	18.0	14.1	(5.3)	26.8

Pay Award Inflation

32. MTFS expectations had included a 1% increase in pay from 1 April 2014, followed by a further 1% increase from 1 April 2015. In December 2014, a pay award of 2.2% was agreed across local government effective from 1 January 2015 to March 2016. This agreement has broadly equated to the cumulative expectation in the MTFS. An assumed increase of 1% from 2016/17 onwards has remained unchanged.

Savings Proposals

33. The savings proposals that will go forward for inclusion in the Council Budget report on the 26 February are set out in Appendix B.
34. In light of the scale and detail of the responses received to the consultation, Members are still considering the outcome of the process. The financial implications of any subsequent decisions regarding the budget consultation will be incorporated into the final report to Full Council on the 26 February. At this stage therefore, for the purpose of recommending a balanced budget, the assumption is that all proposals will be implemented as set out in the original proposals.

MTFS Assumptions and Projections

35. In addition to the reductions in budget pressures and inflation, a detailed review has been undertaken of the assumptions that underpin the MTFS. A similar review was undertaken in previous years that resulted in a reduced level of corporate contingencies, along with a

range of other adjustments, to help deliver a balanced budget. This has diminished the level of flexibility previously available and led to the Council adopting a higher level of financial risk than previous years.

36. This approach has helped to avoid deeper reductions in services in 2015/16. By also drawing on General Fund Balances and other reserves, the Council is able to deliver a balanced budget for 2015/16. Nonetheless, whilst the Council can set a balanced budget for the next financial year, from 2016/17 onwards, the Council is currently projecting a budget gap of a further £25.5m across the duration of the MTFS. Further proposals as to how the budget will be balanced for the following three years, will need to be made over the coming months.

Interest & borrowing

37. The level of borrowing undertaken by the Council is heavily influenced by the capital programme and the associated expenditure profile of approved schemes. Slippage can result in reduced borrowing in the year, although this will still be incurred at a later date when schemes are completed. Interest payments are based on an estimated interest rate which can also fluctuate depending on the market rates at the time the borrowing is undertaken. The level of external borrowing undertaken will also increase as the Council's level of reserves declines, as this effectively reduces the Council's ability to borrow internally.
38. The Council's position is monitored regularly in relation to these two variables and the latest budget monitoring report forecasts an overspend of at least £0.5m for the current year. The 2015/16 budget for interest and debt repayments has therefore been increased by £0.5m to reflect the overall position. This will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

Contingency

39. An acceptable minimum level of contingency is needed for unforeseen events, redundancy payments and non-delivery of savings. This is even more critical in an increased risk environment due to a more optimistic view of budget pressures. Given the in-year budget adjustments, there is a need to replenish the contingency budget and this is reflected in the MTFS assumptions.

Tax base

40. As new houses are built the council tax base increases. Over the last 5 years the growth rate has fluctuated due, in part, to the challenging economic climate. Given the particular pressures being experienced in the housing market, and the unknown impact of Localised Council Tax Benefit (LCTB) schemes, an assumption for modest growth in the tax base was predicted at 0.65% for the duration of the MTFS.
41. The District and Borough Councils have provided tax base estimates for 2015/16 which equate to growth of 1.83%. In part this may be due to the recovery in the housing market and wider economy, initiatives such as the Local Authority Mortgage Scheme, as well as the concerns relating to Localised Council Tax Benefit not materialising in full. Future years growth assumptions have been revised upwards from the 0.65% to 0.77% for the remainder of the MTFS.

Table 3 – Forecast Council Tax base 2015/16

	Tax base 2014/15	Assumed growth of 0.65% 2015/16	Band D Precept £1,216.92	Confirmed % Change	Confirmed Tax base 2015/16	Band D Precept £1,216.92
Ashfield	30,256.20	30,452.87	£37,058,701	2.63%	31,052.20	£37,788,043
Bassetlaw	31,893.84	32,101.15	£39,064,531	2.04%	32,545.35	£39,605,087
Broxtowe	32,188.65	32,397.88	£39,425,624	0.66%	32,400.60	£39,428,938
Gedling	34,912.38	35,139.31	£42,761,730	2.00%	35,610.06	£43,334,594
Mansfield	26,943.82	27,118.95	£33,001,599	3.00%	27,751.40	£33,771,234
Newark	36,233.47	36,468.99	£44,379,840	1.48%	36,770.96	£44,747,317
Rushcliffe	39,373.00	39,628.92	£48,225,231	1.40%	39,923.10	£48,583,219
Total	231,801.36	233,308.07	£283,917,255	1.83%	236,053.67	£287,258,432
Additional funding in MTFS from confirmed figures						£3,341,177

Council Tax Surplus/Deficit

42. Each year an adjustment is made by the District and Borough Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against future year's tax receipts. A weighted average is factored into the MTFS of £971,000. However, figures confirmed from the District and Borough Councils equate to a surplus of £3,227,828 for 2015/16, resulting in an increase of £2,256,828m for 2015/16. This has been factored into the MTFS as a one-off additional resource.

Government Grants

43. Given that further reductions in Government funding had already been anticipated, the impact on the MTFS has been broadly neutral for 2015/16. Further reductions are expected in later years.
44. Local authorities will become responsible for commissioning Public Health services for 0-5 year olds from 1 October 2015. Proposed funding allocations have been published suggesting the Council will receive a ring fenced grant of £5.8m in 2015/16 with a full year's allocation of £11.6m for 2016/17. The MTFS assumes that the grant will match the new burdens associated with the transfer of service.

Costs of Redundancies arising from the Budget Proposals

45. The Council seeks to maximise the use of voluntary redundancies to minimise the impact of having to make compulsory redundancies, although it is inevitable that there will be some compulsory redundancies. Other Human Resource policies, such as retraining and redeployment, will also be used wherever possible to minimise the number of compulsory redundancies. The costs of either voluntary or compulsory redundancy are the same.
46. During the course of the 2014/15 financial year, a number of people have already left the authority and more will depart on or before 31 March 2015. The costs of lump-sum payments and the on-going pension costs are met from the Pension Fund and are not a cost to the Council budget. Redundancy payments and any Pension Strain costs are met

by the authority. The costs for the year to date are included in the monthly budget monitoring report to this Committee and currently stand at £5m.

47. A Section 188 notice was published on 4 November 2014. This notice reflected the budget proposals put forward for 2015/16 and 2016/17. An estimate based on average costs per redundant post is shown in Table 4 (the actual level of redundancies has yet to be confirmed and these figures are therefore likely to change).

Table 4 – Estimated Redundancy Costs and Headcount Reduction

Department	Redundancy £m	Pension Strain £m	Total £m	Potential Headcount Reduction (FTE)	Vacant posts (FTE)	Total proposed post reductions (FTE)
CFCS	0.34	0.29	0.63	31.50	6.30	37.80
ASCH & PP	2.60	2.21	4.81	238.33	35.16	273.49
E&R	0.45	0.38	0.83	41.32	30.18	71.50
PPCS	0.09	0.07	0.16	8.00	1.00	9.00
Business Support*	1.02	0.87	1.89	94.00	6.00	100.00
Total	4.50	3.82	8.32	413.15	78.64	491.79

*This represents the potential headcount reductions in posts across ASCH&PP and CFCS Business Support teams

48. Given that the timing difference between a decision and the actual redundancy payments is likely to cross financial years, a provision will be set aside in the current year. This is in keeping with previous practice and, as per accounting guidance, will cover the anticipated redundancy costs only, leaving the remaining pension strain to be paid in 2015/16 or 2016/17. Once final figures are known, any surplus 2014/15 contingency budget may be transferred to the redundancy reserve to fund the cost of redundancy in future years.

Funding Transformation

49. The Budget Report (Full Council 27/2/14) approved the establishment of a Strategic Development Fund to meet the cost of these additional resources. The initial phase of the programme can be funded from this resource although it is recognised that additional funds will be needed to fund further transformation.
50. The existing cost of funding transformation has been estimated at £15.7m. This will need to be built into the Council's MTFs over the coming years. As outlined in the report to November Policy Committee, the Council is considering how it can make best use of reserves and balances in order to allow time for more transformative approaches to be developed and implemented.
51. The scale of change to deliver the identified savings proposals and predicted transformation will require additional resources for internal services.

Council Tax 2015/16

52. As part of the budget consultation, residents were asked to indicate a preference on a range of options for increases between 1.99% and 5%, generating between £16.5m and £42.3m over three years respectively.
53. Any council choosing not to increase council tax is eligible for the Council Tax Freeze Grant. However, there is no certainty that this funding will be permanent beyond the 2015/16 financial year. The Revenue Support Grant, which incorporates the freeze grant, is expected to reduce over the next few years.
54. The freeze grant is equivalent to a 1% increase in council tax and takes into account Localised Council Tax Support. For Nottinghamshire this equates to £3.2m. This compares to £5.7m that would be generated by a 1.99% increase, which would be a permanent increase in the Council's base funding. This increase has been revised since the consultation in light of the tax base growth highlighted in paragraph 41.
55. Table 5 shows the tax rates for each of the property bands, based upon a 1.99% increase:

Table 5 – Proposed Council Tax Levels for 2015/16

Band	2014/15 Council Tax £	Proposed Council Tax £	Proposed annual increase £	Proposed weekly increase £
A	811.28	827.43	16.15	0.31
B	946.49	965.33	18.84	0.36
C	1,081.71	1,103.24	21.53	0.41
D	1,216.92	1,241.14	24.22	0.47
E	1,487.35	1,516.95	29.60	0.57
F	1,757.77	1,792.76	34.99	0.67
G	2,028.20	2,068.57	40.37	0.78
H	2,433.84	2,482.28	48.44	0.93

56. The proposal is that Council Tax is increased by 1.99% for 2015/16 and the same increase will be built into the MTFS for the following three years. This will be reviewed in light of annual announcements on Council Tax referendum levels.
57. The overall impact of all the changes since the November report are shown in Table 6:

Table 6 – Summary of Post November Changes

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	TOTAL £m
Year-on-year savings requirement (November report)	25.9	19.0	32.4	-	77.3
Roll forward of MTFS	-	-	-	11.3	11.3
Savings Proposals	(6.6)	(11.9)	(11.9)	-	(30.4)
Revised pressures and running cost inflation	(4.3)	(3.9)	(3.8)	6.7	(5.3)
Interest and borrowing	0.5	0.8	0.5	0.5	2.3
Change in Council Tax base	(3.4)	(0.4)	(0.5)	(0.5)	(4.8)
Collection Fund surplus / deficit	(2.3)	2.3	-	-	-
Changes in Government grant (inc. CTFG)	2.6	(5.0)	1.1	0.6	(0.7)
Increase in Council Tax 1.99%	(5.7)	(5.8)	(6.0)	(6.2)	(23.7)
Corporate Adjustments	4.7	3.4	(7.1)	(1.5)	(0.5)
Changes in use of reserves	(11.4)	11.4	-	-	-
Revised year on year shortfall	-	9.9	4.7	10.9	25.5

Note: Cuts to Revenue Support Grant were already included in the November report.

Financial Risks, Balances & Contingency

58. The County Council is legally obliged to set a balanced budget for each financial year. It has also prepared a four-year medium term financial strategy. As previously reported, there are significant risks and uncertainties associated with the current operational environment that local authorities are operating within, both short and medium term. It is therefore of paramount importance that the County Council takes appropriate measures to mitigate against these risks, whilst acknowledging that, given the level of uncertainty, overall contingency plans may not be sufficient.
59. The main financial risks associated with the initial budget proposals are as follows:
- Given the scale and extent of the savings proposals, and the degree of complexity and change, it is highly likely that there could be a degree of non-delivery and slippage of proposals. Due to the reduced levels of contingency, a more rigorous approach to savings delivery and overall financial accountability will be required.
 - The cost pressures factored into the budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, notably in adult and children's social care.
 - Care Act funding for 2015/16 has been announced but there has been no indication of funding for 2016/17 and beyond. There is further uncertainty regarding the timing and detail of the Dilnot reforms and the financial impact this will have on Local Authorities. Currently the MTFS has treated both these areas as fully funded burdens.

60. Adequate levels of balances and contingency need to be maintained in order to provide short-term flexibility to manage unforeseen events, and to allow for the necessary longer term changes to be implemented. Central Government continues to encourage local authorities to use reserves to support their transformation agenda.
61. A review of the reserves has been commissioned that will benchmark the Council's level of balances with neighbouring authorities in order to determine an appropriate amount given the level of risk and the need to fund future transformation.
62. The current level of balances is shown in Table 7. The General Fund Balance is a reserve which is not bound by any specific criteria. Earmarked reserves have to be applied to specific schemes, and a large proportion relates to the reserves that support the PFI schemes in waste and schools. Reserves are "one-off" funds so it is recommended that they are limited to supporting one-off expenditure rather than funding on-going costs.

Table 7 – Current Forecast Level of Reserves and Balances

	General Fund £m	Earmarked Reserves £m	Total £m
Balance as at 1 April 2014	29.1	141.8	170.9
Approved use in current year	(5.2)	(40.0)	(45.2)
Expected Balance 31 March 2015	23.9	101.8	125.7

Capital Programme and Financing

63. Local authorities are able to determine their overall levels of borrowing, provided they have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. It is, therefore, possible to increase the capital programme and finance this increase by additional borrowing provided that this is "affordable, prudent and sustainable". This is in addition to capital expenditure funded from other sources such as external grants and contributions, revenue and reserves. The revenue implications of the capital programme are provided for and integrated within the revenue budget.
64. The Council's capital programme has been reviewed as part of the 2015/16 budget setting process. Savings and re-profiling with a total value of £6.9m have been identified in 2015/16 as part of this exercise. These savings, along with capital reserves and contingencies, will be used to fund new inclusions. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported to the Finance & Property Committee.
65. During the course of 2014/15, some variations to the capital programme have been approved by Policy Committee, Finance & Property Committee and by the Section 151 Officer in accordance with the Council's Financial Regulations. Following a review of the capital programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the capital programme. These proposals

are identified in paragraphs 66 to 99. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Children and Young People (CYP)

66. The Department for Education has yet to announce the Schools Capital Maintenance grant allocations for 2015/16. If there is no announcement prior to the Full Council Budget Report, an estimated 2015/16 grant allocation of £5.5m will be incorporated.
67. **Priority Schools Building Programme (PSBP)** - The current PSBP programme will provide a total of 15 new schools across the County over the next two or three years. To help part fund the Council's contribution to the programme a Departmental Reserve totalling £1.621m has been established.
68. **It is proposed that the capital programme is varied to reflect the Council's £1.621m contribution to the PSBP programme funded by reserves.**
69. **Looked After Children Provision** – It is proposed that two spend-to-save projects are undertaken at Lyndene and West View children's residential homes to provide additional placements for looked after children.
70. **It is proposed that a £0.289m allocation, funded from reserves, is incorporated into the capital programme to support the provision of additional placements.**

Transport and Highways

71. **Road Maintenance and Renewals and Integrated Transport Measures** – Higher than forecast grant funding for 2015/16 has been announced by the Department for Transport which allows a saving against the overall borrowing requirement. The result is an increase in the overall programme and this has enabled the Council to re-align its contribution towards the Integrated Transport Measures programme. These allocations require inclusion into the capital programme as follows:

Table 8 – Capital Allocations RMR and ITM

Year	Road Maintenance and Renewals	Integrated Transport Measures
2015/16	£14.920m	£3.916m
2016/17	£13.678m	£3.916m
2017/18	£13.264m	£3.916m
2018/19	£12.006m	£3.916m
2019/20	£12.006m	£3.916m
2020/21	£12.006m	£3.916m

72. **It is proposed that the capital programme is amended to reflect the allocations as detailed above.**
73. **Salix Funded Street Lighting** – A spend-to-save initiative, totalling £1.8m, to replace lanterns in street lights for lower energy options is already in the approved capital programme. The Council has been awarded additional Salix loans of £900k per annum

from 2015/16 to 2018/19 to extend this programme. The loans will be repaid from revenue savings over a four year period.

74. **It is proposed that a £0.9m allocation, funded from borrowing, is incorporated into the Transport and Highways capital programme for the years 2015/16 to 2018/19.**

Adult Social Care and Health

75. **ASCH Strategy** – It is proposed that two spend to save capital projects are undertaken to contribute towards the Adult Social Care and Health Strategy. Capital investment totalling £0.3m will enable the co-location of County Enterprise Food production and distribution. Additional investment of £0.094m will enable the service to utilise assistive technology to help target services required by vulnerable people.
76. **It is proposed that a £0.394m allocation, funded from capital contingency, is incorporated into the Adult Social Care and Health capital programme.**

Economic Development

77. **Superfast Extension Programme** – The Council has secured £2.63m of funding from Broadband Delivery UK matched with the Local Growth Fund to extend Superfast Broadband. As a result of this additional funding, it is expected that close to 97% of Nottinghamshire premises will benefit from fibre-based broadband.
78. **It is proposed that the Superfast Broadband budget is increased to reflect the £5.6m external funding.**

Finance and Property

79. **Sir John Robinson House** – During the course of carrying out planned maintenance works at Sir John Robinson House, concerns were raised regarding its structural fabric. Emergency works have been required to secure the building, make it water tight in accordance with listed building consents and to maintain its operational status.
80. **It is proposed that £2.2m, funded from capital contingency, is included in the capital programme to fund the emergency works required at Sir John Robinson House.**
81. **Trent Bridge House Soil Stacks** – Serious problems have been uncovered within the foul water drainage system. Works are required to eliminate these issues and to ensure that the building can be maintained at full operational capacity.
82. **It is proposed that £0.180m, funded from reserves, is included in the Finance and Property capital programme to fund the Trent Bridge House Soil Stacks project.**
83. **County Office Security** – The Access Security Systems need to be upgraded within the County Offices to allow full compatibility and support with Microsoft Windows 7. This would deliver a more secure and fit-for-purpose system.
84. **It is proposed that £0.150m, funded from reserves, is included in the Finance and Property capital programme to fund the County Office Security project.**

85. **The Hall – Dilapidations Settlement** – The Hall was leased from Rushcliffe Borough Council for use as offices and as a registry office. The lease was recently terminated and the terms of the contract require the Council to hand the property back in good and substantial repair. A £0.160m dilapidations settlement has been reached with the landlord.
86. **It is proposed that £0.160m, funded from reserves, is included in the Finance and Property capital programme to fund The Hall Dilapidations Settlement.**
87. **Customer Service Centre and Multi-Agency Safeguarding Hub** – Mercury House can no longer sustain the staff numbers required to meet the requirements of the new service delivery models and channel shift. Capital investment totalling £0.8m is required to make the preferred building solution suitable.
88. **It is proposed that £0.8m, funded from capital contingency, is included in the Finance and Property capital programme to fund the Customer Service Centre and Multi-Agency Safeguarding Hub.**
89. **Demolition of County Hall CLASP Block** – As part of the Ways of Working programme the County Hall CLASP Block has become surplus to requirement. It is proposed that the block is demolished to enable land to be marketed and sold for development.
90. **It is proposed that £1.3m, funded from capital contingency, is included in the Finance and Property capital programme to fund the demolition of the CLASP Block.**
91. **Energy and Carbon Saving in Nottinghamshire** - It is proposed that a scheme is set up to enable investment into spend-to-save energy and water efficiency measures to supplement the current capital programme and property maintenance budgets.

It is proposed that £1m per annum to 2017/18, funded from contingency, is included in the Finance and Property capital programme to fund the Energy and Carbon Saving scheme.

92. **ICT Strategy** – The ICT Strategy 2014-17 was approved at Policy Committee on 7 May 2014. The strategy pulls together the five ICT strategic themes that will support business transformation across the Council – Workforce Mobilisation, Customer Channel Shift, Business Performance Reporting, Partnership Working and Reliability and Compliance. Capital investment of £6.275m is required to support the ICT strategy of which £1.9m is already approved. Additional funding requirements can be profiled as follows:

2014/15	£0.430m
2015/16	£2.145m
2016/17	£1.800m

93. **It is proposed that the amounts above, funded from reserves and capital contingency, is included in the Finance and Property capital programme to fund the ICT Strategy**

Culture

94. **Sherwood Forest Visitor Centre** – The Council remains committed to replacing the existing visitor centre facilities that support the visitor experience at Sherwood Forest. A

report to Culture Committee in October 2014 approved the procurement process to be followed in order to secure a partner to build and manage the Visitor Centre and Park. An additional £2.464m is proposed to support the capital elements of the project.

95. It is proposed that £2.464m, funded from capital contingency, is incorporated into the Culture capital programme to fund the new Sherwood Forest Visitor Centre and Park.

Capital Programme Contingency

96. The capital programme requires an element of contingency funding for a variety of purposes, including urgent capital works, schemes which are not sufficiently developed for their immediate inclusion in the capital programme, possible match-funding of grants and possible replacement of reduced grant funding.
97. A number of capital bids described above are proposed to be funded from uncommitted contingency across the period to 2018/19. The levels of contingency funding remaining in the capital programme are as follows:-

2015/16	£1.8m
2016/17	£1.8m
2017/18	£1.8m
2018/19	£4.0m

Revised Capital Programme

98. Taking into account schemes already committed from previous years and the additional proposals detailed above, the summary capital programme and proposed sources of financing for the years to 2018/19 are set out in Table 9.

Table 9 – Summary Capital Programme

	Revised 2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	TOTAL £'m
Committee:						
Children & Young People*	37.593	40,376	25.810	2.000	2.000	107.779
Adult Social Care & Health	1.567	6.920	11.707	1.000	4.500	25.694
Transport & Highways	34.373	38,786	28.958	24.838	23.322	150.277
Environment & Sustainability	2.419	1.913	1.784	1.500	1.500	9.116
Community Safety	0.004	-	-	-	-	0.004
Culture	4.089	1.051	4.912	0.700	-	10.752
Policy	3.396	1.221	0.110	-	-	4.727
Finance & Property	12.024	12.801	9.527	4.400	3.400	42.152
Personnel	1.903	0.095	0.070	0.070	0.070	2.208
Economic Development	5,336	6.165	5.403	2.912	1.000	20.816
Contingency	-	1.800	1.800	1.800	4.000	9.400
Capital Expenditure	102.704	111.128	90.081	39.220	39.792	382.925
Financed By:						
Borrowing	31.654	55.452	41.044	16.770	20.700	165,620
Capital Grants †	48.742	50.918	46.179	21.230	17.922	184.991
Revenue/Reserves	22.308	4.758	2.858	1.220	1.170	30.676
Total Funding	102.704	111.128	90.081	39.220	39.792	382.925

* These figures exclude Devolved Formula Capital allocations to schools.

† Indicative Government funding for Transport and Schools is included in 2016/17 to 2018/19.

99. The capital programme for 2014/15 includes £25m of re-phased or slipped expenditure previously included in the capital programme for 2013/14.

Capital Receipts

100. In preparing the capital programme, a full review has been carried out of potential capital receipts. The programme still anticipates significant capital receipts over the period 2014/15 to 2018/19. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of capital receipts are shown in Table 10.

Table 10 – Forecast Capital Receipts

	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	TOTAL £'m
Forecast Capital Receipts	4.5	6.9	13.4	14.3	11.1	50.2

101. The Council is required to set aside a Minimum Revenue Provision (MRP) in respect of capital expenditure previously financed by borrowing. In recent years, the Council has sought to minimise the revenue consequences of borrowing by optimising the use of capital receipts to reduce the levels of MRP in the short to medium term. As such, the Council's strategy is to apply capital receipts to borrowing undertaken in earlier years, rather than using them to fund in-year expenditure. Although this will be presented as a higher level of in-year borrowing, the overall level of external debt will be unaffected. This policy will be reviewed on an annual basis.

Statutory and Policy Implications

102. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That a report be prepared for County Council on 26 February 2015 based on the budget proposals as set out in this report including the proposed council tax increase.

**COUNCILLOR DAVID KIRKHAM
CHAIRMAN OF FINANCE AND PROPERTY COMMITTEE**

**For any enquiries about this report please contact:
Nigel Stevenson, Service Director – Finance & Procurement**

Constitutional Comments (JFW 27/01/2015)

Finance and Property Committee has responsibility for the financial management of the Authority including recommending to Council the financial strategy, annual revenue budget, annual capital budget, asset management plan and precept on billing authorities. The proposal in this report is therefore within the remit of this Committee.

Financial Comments (NS 22/01/2015)

The financial implications are set out in the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Consultation response dashboard

Electoral Division(s) and Member(s) Affected
All