Nottinghamshire County Council

County Hall West Bridgford Nottingham NG2 7QP

SUMMONS TO COUNCIL

date Wednesday, 28 February 2018 **commencing at 10:30** venue County Hall, West Bridgford, Nottingham

You are hereby requested to attend the above Meeting to be held at the time/place and on the date mentioned above for the purpose of transacting the business on the Agenda as under.

Chief Executive

1	Minutes of the last meeting held on 18 January 2018	5 - 24
2	Apologies for Absence	
3	Declarations of Interests by Members and Officers:- (see note below) (a) Disclosable Pecuniary Interests (b) Private Interests (pecuniary and non-pecuniary)	
4	Chairman's Business a) Presentation of Awards/Certificates (if any)	
5	Annual Budget 2018-19	25 - 122

NOTES:-

(A) For Councillors

(1) Members will be informed of the date and time of their Group meeting for Council by their Group Researcher.

(2) The Chairman has agreed that the Council will adjourn for lunch at their discretion.

(3) (a) Persons making a declaration of interest should have regard to the Code of Conduct and the Procedure Rules for Meetings of the Full Council. Those declaring must indicate whether their interest is a disclosable pecuniary interest or a private interest and the reasons for the declaration.

(b) Any member or officer who declares a disclosable pecuniary interest in an item must withdraw from the meeting during discussion and voting upon it, unless a dispensation has been granted. Members or officers requiring clarification on whether to make a declaration of interest are invited to contact the Monitoring Officer or Democratic Services prior to the meeting.

(c) Declarations of interest will be recorded and included in the minutes of this meeting and it is therefore important that clear details are given by members and others in turn, to enable Democratic Services to record accurate information.

(4) Members are reminded that petitions can be presented from their seat with a 1 minute time limit set on introducing the petition.

(5) Members are reminded that these papers may be recycled. Appropriate containers are located in the respective secretariats.

(6) <u>Commonly used points of order – Budget meetings</u>

89b – The Member has spoken for more than 20 minutes

52 – The Member is not speaking to the subject under discussion

55 – The Member has already spoken on the motion

60 – Points of Order and Personal Explanations

79 – Disorderly conduct

(7) <u>Time limit of speeches – budget meetings</u>

<u>Motions</u>
50 – no longer than 10 minutes (subject to any exceptions set out in the Constitution)

<u>Petitions</u>
27 – up to one minute allowed

(B) For Members of the Public

(1) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:

Customer Services Centre 0300 500 80 80.

(2) The papers enclosed with this agenda are available in large print if required. Copies can be requested by contacting the Customer Services Centre on 0300 500 80 80. Certain documents (for example appendices and plans to reports) may not be available electronically. Hard copies can be requested from the above contact.

(3) This agenda and its associated reports are available to view online via an online calendar – http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

Meeting	COUNTY COUNCIL
Date	Thursday, 18 January 2018 (10.30 am – 3.40 pm)

Membership
Persons absent are marked with 'A'

COUNCILLORS

John Handley (Chairman)
Mrs Sue Saddington (Vice-Chairman)

	Reg Adair		John Knight
	Pauline Allan		Bruce Laughton
	Chris Barnfather		John Longdon
	Joyce Bosnjak	A	Rachel Madden
	Ben Bradley		David Martin
	Nicki Brooks		Diana Meale
	Andrew Brown		John Ogle
	Richard Butler		Philip Owen
	Steve Carr		Michael Payne
	John Clarke	A	John Peck JP
	Neil Clarke MBE		Sheila Place
	John Cottee		Liz Plant
	Jim Creamer		Mike Pringle
	Mrs Kay Cutts MBE		Francis Purdue-Horan
	Samantha Deakin		Mike Quigley MBE
	Maureen Dobson		Alan Rhodes
	Dr John Doddy		Kevin Rostance
	Boyd Elliott		Phil Rostance
	Sybil Fielding		Andy Sissons
	Kate Foale		Helen-Ann Smith
	Stephen Garner		Tracey Taylor
	Glynn Gilfoyle		Parry Tsimbiridis
	Keith Girling		Steve Vickers
	Kevin Greaves		Keith Walker
	Tony Harper		Stuart Wallace
	Errol Henry JP		Muriel Weisz
	Paul Henshaw		Andy Wetton
	Tom Hollis		Gordon Wheeler
A	Vaughan Hopewell		Jonathan Wheeler
	Richard Jackson	A	Yvonne Woodhead
	Roger Jackson		Martin Wright
	Eric Kerry		Jason Zadrozny

OFFICERS IN ATTENDANCE

David Pearson CBE	(Adult Social Care and Public Health)
Jayne Francis-Ward	(Resources)
Barbara Brady	(Adult Social Care and Public Health)
Colin Pettigrew	(Children, Families and Cultural Service)
Adrian Smith	(Place)
Sara Allmond	(Resources)
Carl Bilbey	(Resources)
Angie Dilley	(Resources)
Martin Done	(Resources)
David Hennigan	(Resources)
Nigel Stevenson	(Resources)

OPENING PRAYER

Upon the Council convening, prayers were led by the Chairman's Chaplain.

MINUTE'S SILENCE

A minute's silence was held in memory of former County Councillor Keith Longdon.

1. MINUTES

RESOLVED: 2018/001

That the minutes of the last meeting of the County Council held on 23 November 2017 be agreed as a true record and signed by the Chairman, with an amendment to item 6a petition (17) which was accepted as part of petition (1) and therefore was removed from the minutes.

2. APOLOGIES FOR ABSENCE

An apology for absence was received from:-

- Councillor Vaughan Hopewell – medical/illness
- Councillor Rachel Madden – medical/illness
- Councillor John Peck JP – medical/illness
- Councillor Yvonne Woodhead – medical/illness

3. DECLARATIONS OF INTEREST

None

STATEMENT BY THE LEADER OF THE COUNCIL

Councillor Mrs Kay Cutts MBE, Leader of the Council made a public apology to the Chamber apologising to the survivors and their families for the Council's past failure in its duty to protect children in its care, in relation to historic abuse. The statement is attached at Appendix A

4. INDEPENDENT INQUIRY INTO CHILD SEXUAL ABUSE

The Chairman exercised his discretion to change the agenda order at publication under Procedure Rule 15.

Councillor Mrs Kay Cutts MBE introduced the report and moved a motion in terms of resolution 2087/002 below.

The motion was seconded by Councillor Reg Adair

RESOLVED: 2018/002

1) That Full Council supports the actions taken to respond to the Independent Inquiry into Child Sexual Abuse.

2) That a further update report be brought to a future meeting of Full Council.

5. CHAIRMAN'S BUSINESS

FORMER COUNTY COUNCILLOR KEITH LONGDON

The Chairman of the Council, and Councillors Richard Butler, Steve Carr, Mrs Kay Cutts MBE, Tony Harper, Tom Hollis, Philip Owen, Parry Tsimbiridis, Alan Rhodes and Jason Zadrozny spoke in memory of former County Councillor Keith Longdon.

CHAIRMAN'S BUSINESS SINCE THE LAST MEETING

The Chairman updated the Chamber on the business he had carried out on behalf of the Council since the last meeting.

PRESENTATION OF AWARDS

None

6. CONSTITUENCY ISSUES

The following Members spoke for up to three minutes on issues which specifically related to their division and were relevant to the services provided by the County Council.

Councillor Helen-Ann Smith – regarding Public Transport in Sutton North

Councillor Tom Hollis – regarding Travellers in Sutton West

Councillor David Martin – regarding Street Lighting in the Selston Parish

Councillor Kate Foale – regarding Beeston Town Hall

7a. PRESENTATION OF PETITIONS

The following petitions were presented to the Chairman as indicated below:-

(1) Councillor Martin Wright regarding Traffic Regulation Orders in Forest Town

(2) Councillor Keith Walker requesting 50mph speed limit on road through Staunton village

(3) Councillor Liz Plant from West Bridgford Methodist Church objecting to residents parking proposals

(4) Councillor John Knight requesting a safer crossing on Derby Road to Brooklyn Day Nursery

(5) Councillor John Clarke requesting traffic lights at the top of Breck Hill, Mapperley

(6) Councillor Jim Creamer requesting on-street parking for Second Avenue, Carlton

(7) Councillor Jim Creamer requesting no on-street parking on part of Second Avenue, Carlton

(8) Councillor Helen-Ann Smith from local residents regarding fracking

(9) Councillor John Handley regarding speeding traffic including HGVs from Moor Green Residents

RESOLVED: 2018/003

That the petitions be referred to the appropriate Committees for consideration in accordance with the Procedure Rules, with a report being brought back to Council in due course.

7b. RESPONSE TO PETITION PRESENTED TO THE CHAIRMAN OF THE COUNTY COUNCIL

RESOLVED: 2018/004

That the contents and actions taken as set out in the report be noted.

8. QUESTIONS

(a) QUESTIONS TO NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY

None

(b) QUESTIONS TO COMMITTEE CHAIRMAN

Fourteen questions had been received as follows:-

1) from Councillor Samantha Deakin regarding fines for unauthorised absences from school (Councillor Philip Owen replied)

2) from Councillor Tom Hollis about seismic surveying of sensitive areas such as Sherwood Forest (Councillor Chris Barnfather replied)

3) from Councillor Kevin Greaves concerning cutting of grass verges (Councillor John Cottee replied)

Questions 4 and 5 will be taken together and answered by Councillor Cutts

4) from Councillor Jason Zadrozny regarding Carillion impact on services and jobs (Councillor Mrs Kay Cutts replied)

5) from Councillor Alan Rhodes concerning Carillion contracts (Councillor Mrs Kay Cutts replied on behalf of Councillor John Cottee)

6) from Councillor Alan Rhodes about unitary status (Councillor Mrs Kay Cutts replied)

7) from Councillor Rachel Madden regarding pothole repairs –the question fell as Councillor Madden was not at the meeting.

8) from Councillor Kate Foale regarding scrutiny of cuts to health services (Councillor Keith Girling replied)

9) from Councillor Helen-Ann Smith concerning road safety outside Quarrydale Academy (Councillor John Cottee replied)

10) from Councillor Muriel Weisz regarding unclaimed benefit payments (Councillor Stuart Wallace replied)

11) from Councillor David Martin about camera car and Notts Civil Parking Partnership (Councillor John Cottee replied)

12) from Councillor Michael Payne about plans for former depot at Rolleston Drive (Councillor Mrs Kay Cutts replied)

The full responses to the questions above are set out in set out in Appendix B to these minutes.

The time limit of 60 minutes allowed for questions was reached before the following questions were asked. A written response to the questions would be provided to the Councillors who asked the question within 15 working days of the meeting and be included in the papers for the next Full Council meeting.

13) from Councillor Mike Pringle about Ollerton Roundabout (Councillor John Cottee to reply)

14) from Councillor Jason Zadrozny concerning reply from Secretary of Stage for Transport re electrification of Midland Mainline (Councillor Mrs Kay Cutts to reply)

Council adjourned from 12.30 pm to 1.32 pm.

9. NOTICE OF MOTIONS

MOTION ONE

A motion as set out below was moved by Councillor Jason Zadrozny and seconded by Councillor David Martin:-

"This Council notes with regret the £2.38 million cut in real terms funding for Nottinghamshire Police for 2018/19.

In December, the Government announced that the core funding for police budgets will remain exactly the same as in 2017/2018. For Nottinghamshire Police, this means that the core funding settlement from the Government remains at £76,843,070. Taking into account inflation, this will mean a cut in real terms of £2.38m.

This Council notes that the Government announced in December that they will be investing an additional £270m in police nationally. This Council acknowledges however that this this is entirely reliant on local Police and Crime Commissioners raising the police precept in their areas. This amounts to a Council Tax rise by the back door and will not do much to protect the residents of Nottinghamshire.

This Council believes that the Government should be investing in front line policing proportionately across Nottinghamshire not cutting funding. Also notes that overall crime has risen across Nottinghamshire by 12 per cent with a rise in violence against a person, theft crimes, possession of weapons, and public order offences.

This Council further notes with regret that Nottinghamshire Police failed to answer or respond to 36,000 '101' calls from residents in the last year. This Council believes that as a result, the rise in crime in the County could be the tip of the ice-berg. With crime rising, the government should have increased police budgets in real terms not ignoring the alarming rise in serious crime.

This Council calls for an urgent meeting with Minister of State for Policing and the Fire Service with the Leaders of the Conservatives, Labour and Ashfield Independents alongside the current Police and Crime Commissioner for Nottinghamshire."

Following a debate, the motion was put to the meeting and after a show of hands the Chairman declared it was lost.

The requisite number of Members requested a recorded vote and it was ascertained that the following 28 Members voted **'For'** the motion:-

Pauline Allan
Joyce Bosnjak
Nicki Brooks
Steve Carr
John Clarke
Jim Creamer
Samantha Deakin
Maureen Dobson
Sybil Fielding
Kate Foale
Glynn Gilfoyle
Kevin Greaves
Errol Henry JP
Paul Henshaw
Tom Hollis
John Knight
David Martin
Diana Meale
Michael Payne
Sheila Place
Liz Plant
Mike Pringle
Alan Rhodes
Helen-Ann Smith
Parry Tsimbiridis
Muriel Weisz
Andy Wetton
Jason Zadzonzy

The following 34 Members voted **'Against´** the motion:-

Reg Adair
Chris Barnfather
Ben Bradley
Andrew Brown
Richard Butler
Neil Clarke MBE
John Cottee
Mrs Kay Cutts MBE
Dr John Doddy
Boyd Elliott
Stephen Garner
Keith Girling
John Handley
Tony Harper
Richard Jackson
Roger Jackson
Eric Kerry
Bruce Laughton
John Longdon
John Ogle
Philip Owen
Francis Purdue-Horan
Mike Quigley MBE
Kevin Rostance
Phil Rostance
Mrs Sue Saddington
Andy Sissons
Tracey Taylor
Steve Vickers
Keith Walker
Stuart Wallace
Gordon Wheeler
Jonathan Wheeler
Martin Wright

The Chairman declared that the motion was lost.

MOTION TWO

A motion as set out below was moved by Councillor Tom Hollis and seconded by Councillor Helen-Ann Smith:-

"This Council welcomes the decision of the Children and Young People's Committee to implement shorter summer holidays for pupils in Nottinghamshire in 2019/20. The decision to reduce the summer holidays from six weeks to five weeks and introduce a two week October half term and fixed term break was made after a six week consultation.

This Council notes with concern however, that the increase in fines for unauthorised absence has increased from 1508 during the Summer Term of 2015/16 to 2470 in the Summer Term of 2016/17. Parents fined for taking their children on holiday without permission rose at the same time from 1399 in 2015/16 to 2419 in 2016/17.

This Council believes that the changes in term times across the County was partly a result of the increase in the fines levied and welcomes the proactive decision to tackle this.

This Council notes however, the disgraceful behaviour of holiday companies which force the poorest to take holidays in term time. August prices are often twice those in June, camping holidays quadruple in costs, and flights and ferry fares on peak summer weekends can be up to four times more expensive than at quieter times.

This Council therefore resolves:

(1) To write to Association of British Travel Agents (ABTA) and ask them to carry out a review of their member's pricing policies and consider withdrawing membership from those members who persisting in sustaining the 'Great Family Holiday Rip Off.'

(2) To reduce or suspend any fines for the 2019/20 academic year for parents who take their children on holiday without permission as families get used to the new term time arrangements."

An amendment to the motion as set out below was moved by Councillor Jim Creamer and seconded by Councillor Kate Foale:-

"This Council **notes** ~~welcomes~~ the decision of the Children and Young People's Committee to implement shorter summer holidays for pupils in Nottinghamshire in 2019/20. The decision to reduce the summer holidays from six weeks to five weeks and introduce a two week October half term and fixed term break was made after a six week consultation.

This Council notes with concern however, that the increase in fines for unauthorised absence has increased from 1508 during the Summer Term of 2015/16 to 2470 in the Summer Term of 2016/17. Parents fined for taking their children on holiday without permission rose at the same time from 1399 in 2015/16 to 2419 in 2016/17.

~~This Council believes that the changes in term times across the County was partly a result of the increase in the fines levied and welcomes the proactive decision to tackle this.~~

This Council notes however, the disgraceful behaviour of holiday companies which force the poorest to take holidays in term time. August prices are often twice those in June, camping holidays quadruple in costs, and flights and ferry fares on peak summer weekends can be up to four times more expensive than at quieter times. **Education is the greatest gift, however the council needs to be sympathetic to people who have already booked a holiday.**

This Council therefore resolves:

(1) To write to Association of British Travel Agents (ABTA) and ask them to carry out a review of their member's pricing policies and consider withdrawing membership from those members who persisting in sustaining the 'Great Family Holiday Rip Off.'

(2) To **review actions on** ~~reduce or suspend~~ any fines for the 2019/20 academic year for parents who take their children on holiday without permission as families get used to the new term time arrangements."

(3) This Council must continue to support schools in their efforts to improve attendance across Nottinghamshire"

The amendment was accepted by the mover of the motion.

Following a debate, the motion was put to the meeting and after a show of hands the Chairman declared it was lost

The requisite number of Members requested a recorded vote and it was ascertained that the following 28 Members voted **'For'** the motion:-

Pauline Allan
Joyce Bosnjak
Nicki Brooks
Steve Carr
John Clarke
Jim Creamer
Samantha Deakin
Maureen Dobson
Sybil Fielding
Kate Foale
Glynn Gilfoyle
Kevin Greaves
Errol Henry JP
Paul Henshaw
Tom Hollis
John Knight
David Martin
Diana Meale
Michael Payne
Sheila Place
Liz Plant
Mike Pringle
Alan Rhodes
Helen-Ann Smith
Parry Tsimbiridis
Muriel Weisz
Andy Wetton
Jason Zadzonzy

The following 34 Members voted **'Against´** the motion:-

Reg Adair
Chris Barnfather
Ben Bradley
Andrew Brown
Richard Butler
Neil Clarke MBE
John Cottee
Mrs Kay Cutts MBE
Dr John Doddy
Boyd Elliott
Stephen Garner
Keith Girling
John Handley
Tony Harper
Richard Jackson
Roger Jackson
Eric Kerry
Bruce Laughton
John Longdon
John Ogle
Philip Owen
Francis Purdue-Horan
Mike Quigley MBE
Kevin Rostance
Phil Rostance
Mrs Sue Saddington
Andy Sissons
Tracey Taylor
Steve Vickers
Keith Walker
Stuart Wallace
Gordon Wheeler
Jonathan Wheeler
Martin Wright

The Chairman declared that the motion was lost.

11. ADJOURNMENT DEBATE

None

The Chairman declared the meeting closed at 3.40 pm.

CHAIRMAN

APPENDIX A

Historical child sex abuse apology – January Full Council

Leader Councillor Kay Cutts

One of the greatest duties that can be bestowed on a person or an institution is the responsibility for the safety and upbringing of another's child.

This is not something that we at Nottinghamshire County Council treat lightly.

And I also know that *today*, we are doing lots of good work to keep children safe and to ensure that they have every chance to reach their full potential in life.

Sadly, there is a dreadful stain on the history of this Council that we must neither refute nor excuse.

Some children were entrusted to our care and we failed them.

We now know that they were subjected to horrible and heinous abuse that has left many damaged and scarred for life. They suffered at the hands of devious people who had malice in mind.

The fact that this happened is something that leaves me personally feeling deeply saddened and ashamed.

While we cannot eradicate the evil that lurks in our society, we need to be taking every step to keep this away from our children.

This is a period that will be examined in great detail by the Independent Inquiry into Child Sexual Abuse later this year in October and we continue to fully engage in the process, with the next stage being the second preliminary hearing at the end of this month.

The process of laying bare the evidence during this period is undoubtedly difficult for this organisation but there is no question that this is the right thing to do.

Looking back at those times, it very much feels like a different country to the one where we live and work now.

The previous Leader of this council, Alan Rhodes, rightly stood before this Chamber in March 2016 and made an apology for any times that we had failed to adequately protect children in our care. I applaud him for that.

Given the ongoing work with the IICSA inquiry, we continue to understand the nature of our historical failures and it would not be right not to reflect on that further.

On behalf of this Council, as its Leader, I now want to express my deep and heartfelt apology to all of the survivors from this dark period in our history.

While these words today will not change the past, I hope that they will bring some small comfort to those who continue to endure pain as a result.

I hope that survivors of any abuse will listen to these words and feel that they have been heard and, importantly, believed.

My pledge today to survivors is as follows:

- You will have a voice and be heard
- You will not feel that your abuse has happened without steps being taken to address the failings of the past
- You will never be left in any doubt that every effort has been made to bring all perpetrators to justice

While there will always be people who will seek to harm and abuse children and young vulnerable people, we have a duty of care to ensure that we do everything in our power to stop this happening.

I am confident that this is now in place.

While we will never be able to make good what was so clearly wrong at the time, we must do everything that we can to protect the children in our care today.

In so doing we will tirelessly work to lay bare the mistakes of the past and ensure that they are never repeated.

The survivors are rightly demanding truth and justice – we will do everything in our power to make sure that this is delivered.

END

APPENDIX B

COUNTY COUNCIL MEETING HELD ON 18TH JANUARY 2018
QUESTIONS TO COMMITTEE CHAIRMEN

Question to the Chairman of the Children and Young People's Committee from Councillor Samantha Deakin

Can the Chairman please update the Council on how much money this Council has made from fining families for unauthorised absence in the past year and inform the Council on what happens to the money?

Response from Councillor Philip Owen, the Chairman of the Children and Young People's Committee

The income from fines that were issued for unauthorised absences during the 2016-17 academic year was £186,600. This is being used to finance the scheme.

Question to the Chairman of the Planning and Licensing Committee from Councillor Tom Hollis

At the last Council Meeting, members from all sides of this Chamber spoke about the importance of protecting areas like ancient woodland in Sherwood Forest from the dangers of fracking and seismic surveying. A recent Freedom of Information request revealed that INEOS, a UK-based petrochemical company sought and won permission from authorities to survey sensitive areas in Sherwood Forest. This is despite making public statements claiming it would exclude areas in Sherwood Forest from seismic surveying.

What are the Council doing to ensure that the 'jewels in Nottinghamshire's crown like Sherwood Forest are protected from seismic surveying and ultimately fracking?

Response from Councillor Chris Barnfather, the Chairman of the Planning and Licensing Committee

When I saw the article, I had similar concerns Councillor Hollis. The County Council in its role as the Minerals Planning Authority received a prior notification from INEOS in May of last year, to carry out seismic surveys in the county as permitted development. The prior notification excluded sensitive areas, such as Sites of Special Scientific Interest (SSSIs) including those in Sherwood Forest. The Minerals Planning Authority has agreed to an extension of time to carry out the surveys until 31st January, but no amendment has been made to the areas in which the survey can take place.

I am aware that the Freedom of Information Request referred to indicates that an agreement to work in sensitive areas of Sherwood Forest was part of a licence agreement between INEOS and the Forestry Commission. However, such an agreement does not change the scope of the permitted development rights confirmed by the Minerals Planning Authority to INEOS and any surveys outside of the area that the County Council has already received prior notification for, such as

SSSIs in Sherwood Forest would need to be preceded by the Minerals Planning Authority receiving a further prior notification from INEOS.

If prior notification was submitted for sensitive areas such as SSSIs in Sherwood Forest, the Minerals Planning Authority would consider each notification on its own merits and would be able to exercise its powers to remove permitted development rights if it was satisfied that it was expedient to do so, using an Article 5 Direction. Any such Direction would only be served following consultation with specialist consultees such as Natural England and would result in INEOS having to apply for planning permission to carry out any seismic surveys in the sensitive areas referred to in the Direction.

I would finally like to highlight that the carrying out of seismic surveys represents the very start of the shale gas development process. Any production of shale gas, involving hydraulic fracturing, would only take place after planning applications for exploration, appraisal and production have been submitted to, thoroughly assessed and then determined by the County Council as the Minerals Planning Authority. In addition to this, other permits and approvals would be required from regulatory bodies such as the Environment Agency, the Health and Safety Executive and the Oil and Gas Authority.

I can assure members that this is the most rigorous and thorough process and rightly so.

Question to the Chairman of the Communities and Place Committee from Councillor Kevin Greaves

Could this Council please confirm that there are no plans to reduce grass verge cutting throughout the county for this coming year?

Response from Councillor John Cottee, the Chairman of the Communities and Place Committee

I can confirm that there are no plans to reduce the frequency of grass verge cutting throughout the county in the coming year 2018/19.

However, I am considering a trial of a very small number of sites in rural areas, to test different cutting patterns where it is safe to do so. This would only be pursued with the support of the local community, for example on the basis that it could encourage wildlife and wildflowers to flourish.

I have asked officers to bring a report to Communities and Place Committee in the future so that Members can discuss the potential of this approach.

The following two questions were taken together:-

Question to the Leader of the Council from Councillor Jason Zadrozny

Following the news that Carillion has gone into liquidation, will the Council Leader please update this Council on the impact on public services in Nottinghamshire and what plans this Council are putting in place to ensure those services remain as protected as possible?

What support can this Council give to the hundreds of residents across Nottinghamshire whose jobs may be under threat?

Question to the Chairman of Communities and Place Committee from Councillor Alan Rhodes

What contracts do the County Council currently have with Carillion, what is the value of those contracts, and what provisions are in place to protect such contracts and ensure works continue to completion?

Response from Councillor Mrs Kay Cutts MBE, Leader of the Council

The immediate impact on the County Council services from the collapse of Carillion is minimal, with any affected facilities continuing to operate on a 'business as usual' basis.

Nottinghamshire County Council has an ongoing Private Financial Initiative (PFI) contract with East Leake Schools Limited for two school sites, East Leake Academy and the Lantern Lane Primary. It also has a contract for East Leake Leisure Centre provided on behalf of Rushcliffe Borough Council where Carillion provide subcontracted "hard" Facilities Management (FM) services on site, such as building management and maintenance.

Although there is no direct contractual relationship between the County Council and Carillion through its PFI arrangement, Carillion further subcontracts the provision of soft Facilities Management such as catering, cleaning and grounds maintenance for those sites back to the County Councils Catering and Facilities Management Service.

East Leake Schools Limited, and the Official Receiver, are ensuring that all these sites are continuing to operate as normal in the short term, and in the longer term a new contractor will be appointed to provide the building management and maintenance services previously undertaken by Carillion.

In the medium term, and subject to the approval of the Official Receiver, East Leake Schools may 'step in' and operate the current Carillion services direct, ensuring that the sites continue to be open as normal until these new contractual arrangements are formalised.

Additionally Hucknall Town Centre Improvement Scheme was delivered through a Joint Venture arrangement between Tarmac and Carillion. The contract was awarded using a framework contract and all works are complete.
At the present time the Carillion position is not impacting upon the contract close out, because the company remains involved in the Joint Venture and under the current contract terms any outstanding issues default to Tarmac.

Members of the Finance and Major Contracts Management Committee were briefed on the issue of outstanding invoices from our Traded Services to Carillion at its meeting earlier this week. The picture from the Operator of the PFI Scheme and the Official Receiver will become clearer as the month progresses and Members of the Finance and Major Contracts Management Committee will receive more information as this becomes available.

Question to the Leader of the Council from Councillor Alan Rhodes

Could the Leader of this Council please clarify whether she intends to proceed with plans to transform this Authority to a unitary status, and provide a timeline for implementation of said plans?

Response from Councillor Mrs Kay Cutts MBE, Leader of the Council

Yes, this Administration does intend to present proposals for a unitary model of local government for Nottinghamshire, but I am not yet in a position to provide a timeline. As soon as I can, this information will of course be provided to all Members.

Question to the Chairman of Communities and Place Committee from Councillor Rachel Madden

Time and time again residents are raising the poor standard of repair to potholes via social media or directly to councillors.

Given the number and repetition of these complaints, does the Chair of Communities and Place consider the current method of repair shows Value for Money for the taxpayers of our County?

This question fell as Councillor Madden had sent her apologies to the meeting.

Question to the Chairman of Health Scrutiny Committee from Councillor Kate Foale

Following the establishment of a new committee structure in May 2017 which removed the Joint City/County Health Scrutiny Committee, how can we ensure that the scrutiny of cuts to health services accessed by both City and County residents are being communicated to relevant committees at the County Council, particularly when the impact of such changes will put pressure on our County Council Services and may adversely affect our residents?

Response from Councillor Keith Girling, Chairman of Health Scrutiny Committee

It was approved at Full Council in May last year that there would be one Health Scrutiny Committee to cover health scrutiny across the whole Council area ensuring that the same considerations are given to all health care issues across Nottinghamshire.

As an authority with a population of over 800,000, it is important that those matters pertaining to our electorate are properly examined by this Council. I am sure Nottingham City Council have in place appropriate scrutiny processes for those matters which are more city-focussed and affect City residents.

Our Health Scrutiny Committee enables County Members to build up a coherent cross-county picture of the organisations involved and the services they provide. By so doing, this allows us on behalf of County residents to influence plans for the NHS in Nottinghamshire including Nottingham University and Sherwood Forest Hospital Trusts, both of which serve our area.

Question to the Chairman of Communities and Place Committee from Councillor Helen-Ann Smith

Quarrydale Academy on Stoneyford Road in my Division is one of the fastest growing schools in Nottinghamshire with well over 1,000 pupils and rising. The Chairman will be aware that widening Stoneyford Road to make it safer at school times by creating extra space for parents dropping off their children is one of my priorities. More and more parents are complaining about road safety at the school. They claim that it is an accident waiting to happen.

Can I invite Councillor Cottee to the school to see for himself the extent of the problem and ask that sorting out the current unsuitability of the road for such a growing school is prioritised to protect our young people and pedestrians?

Response from Councillor John Cottee, Chairman of Communities and Place Committee

You will be pleased to know that the Quarrydale Academy has, as part of its recent expansion of facilities, decided to incorporate a loop road within the site to allow parents to pull off the highway and then drop their children off safely within the school grounds.

The works to build the loop road are due to be carried out by Via East Midlands on behalf of the main contractor. The work will be done during the Easter school holidays. That is March this year.

Full details of the facility are contained in the planning application documents that can be viewed on the Ashfield District Council website. But I have brought with me the planning details and some maps of what they are doing which I am happy to pass over to you.

Question to the Chairman of Adult Social Care and Public Health Committee from Councillor Muriel Weisz

Given the high level of unclaimed benefit payments nationally, can you explain what measures the County Council is taking to ensure that people with disabilities and older people, who are eligible for support, are benefitting from the income for which they are eligible?

Response from Councillor Stuart Wallace, Chairman of Adult Social Care and Health Committee

The Council provides welfare services and rights advice to our residents through a combination of our Benefits, Training and Advice Teams which are part of the Adult Access Service. And of course our front line staff.

Firstly, the Benefits Team offer a telephone-based service that advises service users and their carers on their entitlement to state benefits, for example Attendance Allowance, Pension Credits and the Personal Independence Payments, and other forms of nationally acquired benefit. During the financial year 2016/17, the team helped Nottinghamshire residents to access over £2.8 million in unclaimed benefits. This money helps individuals to remain living in their community for longer, whilst also allowing this Authority to charge the appropriate level for care services that we are providing.

In addition the team is able to signpost people who need support with form filling to the Council's funded Connect Service. The Service can in turn refer people to the free Representation Unit at Nottingham Trent University, who will assist claimants with tribunal representation should it fall to them.

Secondly the team maintains the benefits information on our own County Council website and also on the 'Notts Help Yourself' website. These pages have details of individual benefits and fact sheets that can be downloaded by the public, including information on local advice providers that can deliver face to face advice if the claimant required.

Finally, we support people through the delivery of bespoke training and awareness sessions to our own teams, particularly front line teams, within Adult Social Care and Health and the voluntary sector. The team are now looking at how we can provide training and awareness sessions for the carer groups across the county.

In summary, as a Council we are doing a great deal to help people maximise their income through the efforts, expertise and dedication of our staff. I think it would be wrong for me not to also inform the Council that the work of our Benefits, Training and Advice Team was recently acknowledged when they were shortlisted for the team of the year category at the East Midlands event for the Great British Care Awards. A fine achievement and I do applaud them on their efforts.

Question to the Chairman of the Communities and Place Committee from Councillor David Martin

Would the Chairman of the Communities and Place Committee agree with me that we welcome the introduction of a new additional camera car to help monitor inconsiderate parking issues that jeopardise the lives of our school children? Would he also agree with me that the Nottinghamshire Civil Parking Partnership needs to be radically enhanced to help solve some of the inconsiderate parking issues on the rest of the highways, because the Police have now made these issues that blight all of our everyday lives across our County a low priority?

Response from Councillor John Cottee, Chairman of Communities and Place Committee

The provision of a second camera car was agreed at Communities and Place Committee on 7th December 2017. I am pleased that you welcome this additional car, which will be an important addition to our parking enforcement.

The seven Borough and District Councils and the County Council are collectively responsible for on and off street parking enforcement across the county, through The Nottinghamshire Parking Partnership.

Civil Enforcement Officers are deployed by local Parking Managers to provide a proportionate level of enforcement across the county that meets the needs of the partner authorities and reflect local concerns.

Consequently, officers are more typically deployed in towns than in outlying villages, although all restrictions should be enforced. The Partnership has proved very successful over the last 10 years in providing a cost-effective level of enforcement that is commensurate with the traffic management needs of a shire county.

By emailing the County Council, our local schools are able to “book” one of the camera cars to help enforce restrictions outside their premises. If you provide details of the specific issues that are concerning you, I will ask officers to consider enforcement measures at those locations.

Your question asks whether the Nottinghamshire Civil Parking Partnership needs to be radically enhanced. I do not know about ‘radically’, but it is fair to say we are always looking at ways services can be improved, and this area of our work is no different. We always try to work closely with the Police, but parking enforcement does seem to be a lower priority to the Police now than maybe it was in the past, which means the burden of enforcement falls increasingly on the County Council, particularly outside schools.

Question to the Leader of the Council from Councillor Michael Payne

The former County Council depot at Rolleston Drive has been vacant for at least five years. Apart from some security fencing and remedial works following an arson attack, there’s no visible sign of progress on the site. Gedling Borough Council have pushed and pushed for the site to be developed and even offered to buy it, such is the frustration from local residents, councillors and the MP at the lack of progress. I’m aware that a funding application has been submitted to Homes England but please could the Leader confirm what the County Council plans to do with the site and if no decision has been reached yet, why is it taking so long and when will such a decision be made?

Response from Councillor Mrs Kay Cutts MBE, Leader of the Council

The circumstances surrounding the management of the Rolleston Drive site have been wholly unsatisfactory ever since it was vacated by County Supplies in 2013.

The Labour administration took control in the Spring of that year, and it is fair to say very little happened over the next four years. I gather from my conversations with you, Councillor Payne, that as the local Member you frequently raised concerns, not just about the lack of progress with the sale, but also about the visual condition of the site and the apparent ease of access to it by unauthorised persons.

Within two months of the Conservative administration returning to office in 2017, a fire was set by vandals, and concerns were raised at the time by the fire service that the gas and electricity had never been disconnected, that no security fencing was in place, and that CCTV was not installed, with local people reporting that youngsters were regularly scaling the fencing.

The County Council has funded the demolition work on the Rolleston Drive site, with the project due to be complete by the end of February 2018. There are currently two bids awaiting consideration by the HCA to help fund the development of the site. The timelines for development will be different, depending on whether the bids are successful, and the amount of funding available.

There are regular monthly meetings held with Gedling Borough Council (GBC) officers to keep them appraised of progress. Planning Policy Guidelines have been prepared in conjunction with Gedling Borough Council officers to develop the site for housing whilst retaining a third for a future school need and any other County Council premises which may be required in this area.

This Administration is determined to bring forward sites in the County Council's ownership for the much-needed housing, and I know from my meetings with the Chief Executive and the Leader of Gedling Borough Council that they would welcome an early development here, and so would I.

Nottinghamshire County Council

Report to County Council

28 February 2018

Agenda Item: 5

REPORT OF THE CHAIRMAN OF THE FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE

ANNUAL BUDGET 2018/19
ADULT SOCIAL CARE PRECEPT 2018/19
COUNCIL TAX 2018/19
MEDIUM TERM FINANCIAL STRATEGY 2018/19 to 2021/22
CAPITAL PROGRAMME 2018/19 to 2021/22
CAPITAL STRATEGY 2018/19

Purpose of the Report

1. This report is seeking approval for the following:

- Annual budget for 2018/19.
- Amount of Adult Social Care Precept to be levied for 2018/19 to part-fund increasing adult social care costs.
- Amount of Council Tax to be levied for County Council purposes for 2018/19 and the arrangements for collecting this from district and borough councils.
- Medium Term Financial Strategy for 2018/19 to 2021/22.
- Capital Programme for 2018/19 to 2021/22.
- Borrowing limits that the Council is required to set by Statute.
- The Capital Strategy including the 2018/19 Prudential Indicators and Treasury Management Strategy.
- Treasury Management Policy for 2018/19.

Information

2. The County Council budget for 2018/19 has been prepared in the context of on-going funding reductions from Government. Local authorities continue to face falling Government grants whilst experiencing increased demand for services as well as other cost pressures from inflation and new legislation.

3. A budget update report was considered by Policy Committee on 20 December 2017 which set out the financial landscape within which the

Council is operating and noted the anticipated budget shortfall of £50.1m over the three years to 2020/21.

4. Since December, the Council has carried out a full review of the budget pressures and underlying assumptions within the Medium Term Financial Strategy. The Council has also received provisional information on the level of funding it can expect in 2018/19. On 6 February 2018, a report to the Finance and Major Contracts Management Committee set out the forecast position and recommended that the level of Council Tax be increased by 2.99% and that an Adult Social Care Precept of 2.00% be implemented in 2018/19. This recommendation is incorporated within this report.

5. This report also seeks approval for the statutory borrowing limits that the Council is required to set in addition to its Treasury Management Strategy and Policy for 2018/19.

Nottinghamshire Residents Survey

6. As in previous years the 2017 Nottinghamshire Annual Residents' Satisfaction Survey was carried out using face to face interviews with residents who are representative of the Nottinghamshire population. The findings of the survey were reported to Policy Committee in January 2018

Annual Budget 2018/19

7. The report to Policy Committee on 20 December 2017 outlined the financial position in which the Council is operating, the associated budget shortfall and the Council's strategic response to meeting the budget challenge. The report to Finance and Major Contracts Management Committee on 6 February 2018 provided a further update.

8. The final Local Government Settlement was announced on 7 February 2018. As part of the announcement it was confirmed that the Adult Social Care Support Grant will continue into 2018/19. This is in some recognition of the continuing cost pressures faced by Councils with responsibility for providing Adult Social Care services. The Council will receive an additional 2018/19 Adult Social Care Support Grant allocation of £2.2m. There are no further changes resulting from the final Local Government Settlement.

9. This report brings together the Council's confirmed funding position. The total revenue budget for 2018/19 is £481.2m. A summary is shown in Table 1 with a more detailed breakdown shown in Appendix A.

Table 1 - Proposed County Council Budget 2018/19

Committee Analysis	Net Budget 2017/18 £m	Pressures £m	Savings £m	Pay, NI & Pensions increase £m	Budget Changes £m	Net Budget 2018/19 £m
Children & Young People	119.829	0.896	(1.463)	0.928	(2.749)	117.441
Adult Social Care & Public Health	216.362	11.287	(8.429)	1.274	(16.067)	204.427
Community & Place	120.054	2.148	(3.309)	0.303	0.091	119.287
Policy	34.364	0.115	(0.494)	0.354	(1.651)	32.688
Finance & Major Contracts Management	3.135	-	(0.342)	0.100	0.009	2.902
Governance & Ethics	7.135	-	(0.274)	0.084	0.225	7.170
Personnel	17.145	-	(1.335)	0.489	(0.995)	15.304
Net Committee Requirements	**518.024**	**14.446**	**(15.646)**	**3.532**	**(21.137)**	**499.219**
Corporate Budgets	(15.562)	-	-	-	12.274	(3.288)
Use of Reserves	(27.183)	-	-	-	12.482	(14.701)
Budget Requirement	**475.279**	**14.446**	**(15.646)**	**3.532**	**3.619**	**481.230**

10. Table 1 shows the changes between the original net budget for 2017/18 and the proposed budget for 2018/19, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2017/18 and transfers between Committees.

Corporate Budgets and Reserves

11. There are a number of centrally-held budgets that are not reported to a specific committee. They are shown below with the budget analysis shown in Table 2:

- **Flood Defence Levy:** The Environment Agency issues an annual local levy based on the Band D equivalent houses within each Flood and Coastal Committee area. This helps to fund local flood defence priority works.
- **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This practice is no longer permitted following changes to the pension rules.
- **Contingency:** This is provided to cover redundancy costs, impact of the pay award, delays in efficiency savings, changes in legislation and other eventualities. Also, in 2018/19 a number of pressures have been identified that have a high degree of uncertainty with regard to likelihood, value and profiling. As such, a provision of £4.7m has been made within contingency to fund these pressures should they arise. Finance and Major Contracts Management Committee or the Section 151 Officer are required to approve the release of contingency funds.

- **Capital Charges (depreciation):** This represents the notional costs of using the Council's fixed assets. As such, budget provision is made within the service accounts and adjustments here relate to corresponding movements in the service accounts. However, statute requires that this amount is not a cost to the Council Tax payer, hence this is reversed out within corporate budgets and replaced with the actual cost that impacts on the Council's revenue budget, being the costs of borrowing, i.e. interest, and the Minimum Revenue Provision (MRP).
- **Interest and borrowing:** The level of borrowing undertaken by the Council is heavily influenced by the capital programme. Slippage can result in reduced borrowing in the year although this will be incurred at a later date. Interest payment budgets are based on an estimated interest rate which can fluctuate depending on the market rates that exist at the time. The level of borrowing will also increase as the Council's level of reserves declines because the ability to borrow internally reduces.
- **Trading Organisations:** This sum is required to cover the difference between the basic employer's pension contributions used in the trading accounts and the amounts actually charged, as required by the actuarial valuation.
- **Minimum Revenue Provision:** Local Authorities are required by law to make provision through their revenue account for the repayment of long term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision (MRP). The MRP policy can be seen in Appendix C.
- **Revenue Grants:** The New Homes Bonus and the Adult Social Care Support Grant are held centrally and are not ring-fenced. The Adult Social Care Support Grant of £2.2m was announced in the final local government settlement and has been reflected in the MTFS. Contributions from reserves have been adjusted accordingly.
- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £20.3m of reserves over the medium term with £14.7m being used to deliver a balanced budget in 2018/19. Further detail is provided in Appendix B.

Table 2 - Proposed Budget 2018/19
Corporate Budgets and Reserves

	Net Budget 2017/18 £m	Budget Changes £m	Net Budget 2018/19 £m
Flood Defence Levies	0.285	-	0.285
Pension Enhancements (Centralised)	2.205	(0.105)	2.100
Contingency	5.100	0.400	5.500
Pressures and Inflation Account	-	4.100	4.100
Capital Charges (Depreciation)	(40.835)	0.780	(40.055)
Interest & Borrowing	20.060	(0.583)	19.477
Traders	1.500	(0.250)	1.250
Minimum Revenue Provision (MRP)	8.000	0.300	8.300
New Homes Bonus Grant	(3.124)	1.083	(2.041)
Education Services Grant	(3.226)	3.226	-
Adult Social Care Support Grant	(3.543)	1.339	(2.204)
Transition Grant	(1.984)	1.984	-
Subtotal Corporate Budgets	**(15.562)**	**12.274**	**(3.288)**
Net Transfer (From)/To Other Earmarked Reserves	(22.683)	9.511	(13.172)
Transfer (From)/To General Fund Balances	(4.500)	2.971	(1.529)
Subtotal Use of Reserves	**(27.183)**	**12.482**	**(14.701)**

Council Tax Base 2018/19

12. The District and Borough Councils calculate a Council Tax base by assessing the number of Band D equivalent properties in their area, and then building in an allowance for possible non-collection. The notifications received forecast a total tax base of 247,294.09 as set out in Table 7, this represents growth of 1.19%. The increase in tax base has been taken into account in the calculation of the budget.

Council Tax Surplus/Deficit

13. 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 the future years' tax receipts. Figures confirmed from the District and Borough Councils equate to a surplus of £726,446 for 2018/19, which has been factored into the MTFS as a one-off additional resource.

Council Tax and Adult Social Care Precept 2018/19

14. The 2018/19 Provisional Local Government Settlement announced by the Government in December 2017 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the referendum threshold has been set in line with inflation, and so setting the core Council Tax referendum principle at 3%. The threshold was set at 2% in 2017/18.

15. The Core Spending Power issued by the Government therefore affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their Council Tax by 3%

16. Also in the announcement, it was confirmed that the Adult Social Care Precept will continue including the additional flexibility to raise the precept to 3% this year but by no more than 6% over the period 2017/18 to 2019/20.

17. In determining the local government settlement the Government has assumed that the Council would take the maximum Adult Social Care Precept of 6% over the period 2017/18 to 2019/20 and increase the Council Tax to the maximum level in 2018/19. It is proposed, therefore, that the Council fixes any increase to local taxes to that expected by the Government. So, for 2018/19, it is proposed that Council Tax is increased by 2.99% and the Adult Social Care Precept is implemented at 2% in 2018/19 and a further 1% in 2019/20.

Requirement to Raise Local Tax

18. The Local Tax requirement is divided by the tax base to arrive at the Band D figure. This figure then forms the basis of the calculation of the liability for all Council Tax bands.

Table 3 – Local Tax Requirement Calculation

2018/19	**Amount £m**	**% Funding**
Initial Budget Requirement	481.230	100.0
Less Formula Grant	(129.487)	26.9
Net Budget Requirement	**351.743**	
Less Estimated Collection Fund Surplus	(0.726)	0.2
Council Tax Requirement	**351.017**	**72.9**

Adult Social Care Precept Recommendation

19. It is recommended that County Council approves the implementation of a 2.00% Adult Social Care Precept for 2018/19 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 4.

Table 4 – Impact of 2.00% Adult Social Care Precept on Local Tax Levels (County Council Element) 2018/19

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2017/18 £	County Council 2018/19 £	Change £
A	Up to £40,000	143,260	39.6%	6/9	42.36	60.39	**18.03**
B	£40,001 to £52,000	74,400	20.6%	7/9	49.42	70.45	**21.03**
C	£52,001 to £68,000	61,590	17.1%	8/9	56.48	80.52	**24.04**
D	£68,001 to £88,000	41,060	11.4%	1	63.54	90.58	**27.04**
E	£88,001 to £120,000	22,950	6.4%	11/9	77.66	110.71	**33.05**
F	£120,001 to £160,000	11,030	3.1%	13/9	91.78	130.84	**39.06**
G	£160,001 to £320,000	6,040	1.7%	15/9	105.90	150.97	**45.07**
H	Over £320,000	470	0.1%	18/9	127.08	181.16	**54.08**

Local Tax Recommendation

20. It is recommended that Members agree an increase of 2.99% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 5 below.

Table 5 – Impact of 2.99% Increase on Local Tax Levels (County Council Element) 2018/19

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2017/18 £	County Council 2018/19 £	Change £
A	Up to £40,000	143,260	39.6%	6/9	858.95	885.90	**26.95**
B	£40,001 to £52,000	74,400	20.6%	7/9	1,002.11	1,033.56	**31.45**
C	£52,001 to £68,000	61,590	17.1%	8/9	1,145.27	1,181.20	**35.93**
D	£68,001 to £88,000	41,060	11.4%	1	1,288.43	1,328.85	**40.42**
E	£88,001 to £120,000	22,950	6.4%	11/9	1,574.75	1,624.14	**49.39**
F	£120,001 to £160,000	11,030	3.1%	13/9	1,861.07	1,919.45	**58.38**
G	£160,001 to £320,000	6,040	1.7%	15/9	2,147.38	2,214.75	**67.37**
H	Over £320,000	470	0.1%	18/9	2,576.86	2,657.70	**80.84**

21. The total impact of implementing a 2.00% Adult Social Care Precept and a 2.99% increase in local tax levels is shown in Table 6.

Table 6 - Recommended levels of Council Tax and Adult Social Care Precept 2018/19

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2017/18 £	County Council 2018/19 £	Change £
A	Up to £40,000	143,260	39.6%	6/9	901.31	946.29	**44.98**
B	£40,001 to £52,000	74,400	20.6%	7/9	1,051.53	1,104.00	**52.47**
C	£52,001 to £68,000	61,590	17.1%	8/9	1,201.75	1,261.72	**59.97**
D	£68,001 to £88,000	41,060	11.4%	1	1,351.97	1,419.43	**67.46**
E	£88,001 to £120,000	22,950	6.4%	11/9	1,652.41	1,734.86	**82.45**
F	£120,001 to £160,000	11,030	3.1%	13/9	1,952.85	2,050.29	**97.44**
G	£160,001 to £320,000	6,040	1.7%	15/9	2,253.28	2,365.72	**112.44**
H	Over £320,000	470	0.1%	18/9	2,703.94	2,838.86	**134.92**

22. The actual amounts payable by householders will also depend on:

- The District or Borough Council's own Council Tax decisions
- The Police and Crime Commissioner and the Combined Fire Authority Council Tax
- Any Parish precepts or special levies
- The eligibility for discounts and rebates

County Precept

23. District and Borough Councils collect the Council Tax for the County Council. This is then recovered from the Districts by setting a County Precept. The total Precept is split according to the Council Tax base for each District as set out in Table 7.

Table 7 – Amount of County Precept by District - 2018/19

District Council	Council Tax Base	County Precept
Ashfield	33,140.50	£47,040,620
Bassetlaw	34,231.95	£48,589,857
Browtowe	33,448.29	£47,477,506
Gedling	36,637.56	£52,004,452
Mansfield	28,905.50	£41,029,334
Newark	38,320.19	£54,392,827
Rushcliffe	42,610.10	£60,482,054
Total	**247,294.09**	**£351,016,650**

24. Discussions have been held with District and Borough Councils and the dates shown in Table 8 have been agreed for the collection of the precept:

Table 8 – Proposed County Precept Dates - 2018/19

2018	2019
20 April 29 May 3 July 7 August 12 September 17 October 21 November	2 January 6 February 13 March

25. The dates shown are those by which the County Council's bank account must receive the credit, otherwise interest is charged. Adjustments for net variations in amounts being collected in 2017/18 will be paid or refunded on the same dates.

Medium Term Financial Strategy (MTFS)

26. The Budget report to the February Council in 2017 forecast a budget shortfall of £62.9m for the three years to 2020/21. The model has now been rolled forward a year and a review of the underlying assumptions contained in the Council's MTFS has taken place.

27. The MTFS on which this budget report is based assumes a Council Tax increase of 2.99% in 2018/19 only and an Adult Social Care Precept increase of 2.00% in 2018/19 and 1% in 2019/20.

28. Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2017.

29. In summary, from 2019/20 onwards, the Council is currently projecting a budget shortfall of £54.2m across the duration of the MTFS. Proposals as to how the budget will be balanced for these three years will need to be made over the coming months.

Table 9 – Analysis of Changes to the Medium Term Financial Strategy 2018/19 – 2021/22

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Year on Year Savings requirement (February Report)	**31.0**	**16.6**	**15.3**	**-**	**62.9**
Change in Pay / Pension Related Inflation	1.6	1.8	2.0	4.1	**9.5**
Additional Pressures / Inflation	2.0	1.9	0.7	12.5	**17.1**
Pressures & Inflation Account	4.1	0.3	0.2	0.1	**4.7**
Committee Approved Efficiencies	(5.2)	(4.7)	(3.2)	-	**(13.1)**
Adjustments to Savings / Base Budgets	(5.1)	1.6	2.7	-	**(0.8)**
Change in Grant Funding	(1.2)	2.3	(1.2)	(2.1)	**(2.2)**
Increase in Council Tax	(9.8)	-	-	-	**(9.8)**
Increase in Adult Social Care Precept	(6.6)	(3.4)	-	-	**(10.0)**
Use of / Contribution to Reserves	(9.7)	12.5	(4.7)	1.9	**-**
Miscellaneous	(1.1)	(0.2)	0.9	(3.7)	**(4.1)**
Revised Gap	**-**	**28.7**	**12.7**	**12.8**	**54.2**

30. The Council's year by year MTFS for the four years to 2021/22 is shown in Table 10. It shows that whilst the Council can deliver a balanced budget in 2018/19, further savings will need to be identified in each of the following three years to 2021/22, based on current assumptions.

Table 10 – Medium Term Financial Strategy 2018/19 – 2021/22

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Net Budget Requirement	481.2	506.2	489.2	495.7
Financed by :				
Business Rates	106.9	110.3	111.6	113.7
Revenue Support Grant	22.6	7.0	-	-
Council Tax	328.9	333.5	338.2	342.5
Adult Social Care Precept	22.1	25.7	25.7	25.7
Collection Fund Surplus / (Deficit)	0.7	1.0	1.0	1.0
Total Funding	**481.2**	**477.5**	**476.5**	**482.9**
Funding Shortfall	**-**	**28.7**	**12.7**	**12.8**
Cumulative Funding Shortfall	**-**	**28.7**	**41.4**	**54.2**

Capital Programme and Financing

31. 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.

32. The Council's capital programme has been reviewed as part of the 2018/19 budget setting process. Savings and re-profiling with a total value of £17.5m have been identified in 2017/18 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 and Major Contracts Management Committee.

33. During the course of 2017/18, some variations to the capital programme have been approved by Policy Committee, Finance and Major Contracts Management 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 34 to 50. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Adult Social Care and Public Health (ASCPH)

34. Since February 2010, £25.0m of capital allocations have been approved to fund Adult Social Care and Public Health Extra Care Schemes. A number of Extra Care schemes have been developed and will continue to be developed with a forecast total cost of £12.0m. The Council is still committed to the delivery of Extra Care schemes however every effort will be made to fund these without the need for additional capital expenditure. Consequently, it is proposed that the remaining capital budget of £13.0m is re-allocated to fund key strategic capital priorities across the Council.

    It is proposed that the Adult Social Care and Public Health capital programme is varied to reflect the re-prioritisation of capital resources towards key strategic priorities.

35. **County Horticulture** – A spend to save initiative has been identified by the County Horticulture and Work Training Service following work undertaken with the Commercial Development Unit. A range of initiatives requiring

capital funding of £0.4m have been identified which will help support the Council to maintain the service but at a reduced and more sustainable cost.

It is proposed that the Adult Social Care and Public Health capital programme is varied to reflect the £0.4m initiative identified above, funded from capital allocation.

Children and Young People (CYP)

36. **School Building Improvement Programme** - The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2018/19 onwards. As such, it is proposed that an estimated SCM grant allocation of £5.5m is incorporated into the capital programme for 2018/19 and then reduced by £0.5m per annum to reflect further school conversions to academy. It is also proposed that the 2018/19 grant continues to be top sliced by £0.5m to provide funding to further the School Access Initiative programme.

    It is proposed that the Children and Young People capital programme is varied to reflect an estimated School Capital Maintenance Grant of £5.5m for 2018/19 with a reduction of £0.5m per annum in each of the future years.

37. **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. A review of the provision of school halls will be reviewed as part of the current analysis. A Department for Education grant of £20.5m in 2018/19 is already approved within the Children and Young People's capital programme. It is proposed that estimated further School Places Grant of £2.0m are included in both 2020/21 and 2021/22 of the Children and Young People capital programme.

    It is proposed that the Children and Young People capital programme is varied to reflect estimated School Places Grant of £2.0m for 2020/21 and 2021/22.

38. **Special Schools Grant** – The County Council received an allocation of £2.5m (£0.8m per annum for three years commencing 2018/19) from the Specialist Provision Capital Grant fund. This funding has been made available to support local authorities to make capital investments in provision for pupils with special educational needs and disabilities. The outcome of a consultation on the use of this funding was reported to the Children and Young People's Committee in January 2018.

    It is proposed that the Children and Young People capital programme is varied to incorporate the £2.5m Specialist Provision Capital Grant.

39. **Orchard Special School, Newark** – As part of the 2017/18 Annual Budget Report to Full Council, it was approved that the Council would contribute £5.0m towards the cost of a project to rebuild the Orchard Special School in Newark. Work is on-going to review options and agree upon a final project solution. It is proposed that the Council will contribute a further £2.5m towards the cost of the new school.

It is proposed that the Children and Young People capital programme is varied to reflect the additional £2.5m contribution towards the cost of a new Orchard Special School in Newark, funded from capital allocation.

40. **Hawthorne Primary Replacement School, Bestwood** – A report to Policy Committee in December 2017 provided Members with a progress update on the replacement of the Hawthorne Primary School in Bestwood. The £5.8m funding for this project is currently included within the School Places Programme line of the CYP capital programme. Given the scale of the project, it is proposed that it is shown separately on the face of the capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect separately the £5.8m replacement school project in Bestwood.

Community and Place

41. **Additional Highways Investment** – In the Community and Place Committee, the Council has identified investment in the highways infrastructure across the county as an important strategic priority. The Road Maintenance and Renewal and Integrated Transport Measures capital programmes are currently funded from Department for Transport capital grant with a £0.5m contribution from the County Council. It is proposed that these programmes are enhanced by a contribution from the Council of £20.0m to 2021/22 to enable further highways improvement works to be rolled out. This additional funding will be profiled as follows:

£m	2018/19	2019/20	2020/21	2021/22	Total
Road Maintenance and Renewal	3.25	5.00	4.75	4.00	**17.00**
Integrated Transport Measures	0.75	0.75	0.75	0.75	**3.00**
Total	**4.00**	**5.75**	**5.50**	**4.75**	**20.00**

It is proposed that the Community and Place capital programme is varied to reflect the £20.0m additional contribution to the Highways Improvement programme to 2021/22, funded by capital allocation.

42. **Integrated Transport Measures –** The County Council has been successful in securing £1.5m capital funding from the Local Enterprise Partnership for Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Sustainable Transport Programme to enable the delivery of four cycle network developments across the county. This is in addition to the £0.7m funding that was approved at the Finance and Major Contracts Management Committee to deliver the West Bridgford cycle network. It is proposed that three further cycle networks are delivered in Arnold / Carlton, Mansfield and Newark on Trent.

It is proposed that the Community and Place capital programme is amended to reflect the additional £1.5m D2N2 funding secured for developing three further cycle networks.

43. **Highways Maintenance Incentive Fund** – In the Community and Place Committee, the Department for Transport has continued with the policy of providing an incentivisation element to the Highways Capital Maintenance Grant. This approach encourages local authorities to adopt good practice with regard to efficiencies and asset management. The Council has been allocated an indicative Incentive Grant totalling £2.5m in 2018/19, subject to the outcome of the self-assessment exercise.

It is proposed that the Community and Place capital programme is amended to reflect the £2.5m Incentive Grant as detailed above.

44. **Gedling Access Road (GAR)** – The GAR is a proposed new access road bypassing Gedling Village and is being provided as supporting infrastructure for the mixed-use residential and employment development on the former Gedling Colliery site. Subject to funding arrangements, planning approvals and statutory process, construction of the new road is planned to commence in autumn 2018 with completion in 2020. The Council's £5.4m contribution to the scheme was approved in February 2014. The current funding allocations for this scheme are shown in the table below:

	Funding contribution (£m)					
	2016/17	2017/18	2018/19	2019/20	2020/21	**TOTAL**
County Council	-	0.241	0.163	3.870	1.126	**5.400**
D2N2 LEP LGF	-	0.500	5.400	4.900	-	**10.800**
Developer Contributions / Gedling BC	-	-	3.984	10.759	2.786	**17.529**
Homes and Communities Agency	0.138	0.206	4.144	2.058	0.624	**7.170**
TOTAL	**0.138**	**0.947**	**13.691**	**21.587**	**4.536**	**40.899**

It is proposed that the Community and Place capital programme is varied to reflect the current external funding allocations for the Gedling Access Road scheme.

45. **Southern Growth Corridor** – The A612 Daleside Road Improvement Scheme is funded through the D2N2 as part of £6.1m for bus priority measures. The proposals within the county area include improvements to bus infrastructure under the banner of the Southern Growth Corridor. The £0.3m funding for this work is funded entirely from the total D2N2 funding available.

It is proposed that the Community and Place capital programme is varied to reflect the £0.3m D2N2 funding secured for developing the Southern Growth Corridor.

46. **Rushcliffe Recycling Centre** – With additional homes proposed to be built across the Rushcliffe area over the coming years, the County Council considers improving the coverage of recycling centres in the area as a key strategic priority. It is proposed, therefore, to incorporate £2.5m into the Community and Place capital programme to construct a new recycling facility in Rushcliffe.

It is proposed that a £2.5m allocation, funded from borrowing, is incorporated into the Community and Place capital programme to fund a new Rushcliffe Recycling Centre.

47. **Carbon Management** – This energy saving capital programme, which is funded fully from external funding, has been extended and re-phased by the project team. The programme is now forecast to be profiled as follows:

2018/19 – £0.360m
2019/20 – £0.320m
2020/21 – £0.320m
2021/22 – £0.320m

Policy

48. **Journey to the Cloud** – A capital allocation of £4.1m was approved as part of the 2017/18 Annual Budget Report to fund costs associated with moving the Council's ICT service provision from an on-site delivery method to a more flexible, cloud based approach. Since then, the Chartered Institute of Public Finance and Accountancy has published an 'Accounting for the Cloud' guidance document. This sets out that the transition to a Cloud arrangement by its nature represents a shift from a capital intensive infrastructure / software investment to a contractual service subscription model and should therefore be funded from revenue budgets. It is proposed that this transformation project is funded from the extended capital receipts flexibility as announced in the 2018/19 Provisional Local Government Settlement.

It is proposed that Policy Committee capital programme is varied to reflect that the £4.1m Journey to the Cloud project is to be funded from capital receipts flexibility.

49. **Better Broadband for Nottinghamshire (BBfN)** – Following an underspend on Phase 1 of the BBfN programme, £2.6m of funding will be returned to the Council. It is proposed that this funding is incorporated into the Policy Committee capital programme to provide further superfast broadband coverage to even more homes and businesses.

It is proposed that the Policy Committee capital programme is varied to reflect the £2.6m that will be used to further the BBfN programme.

50. **Transformation Programme** – As part of the 2017/18 Annual Budget Report, it was approved that transformational costs associated with the Programmes and Projects Team would be funded from capital receipts flexibility in 2017/18 and 2018/19. Now that the capital flexibility has been extended for a further three years, it is proposed that this approach continues to 2021/22.

Capital Programme Contingency

51. 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.

52. A number of capital bids described above are proposed to be funded from uncommitted contingency across the period to 2021/22. The levels of contingency funding remaining in the capital programme are as follows:-

2018/19	**£1.5m**
2019/20	**£1.5m**
2020/21	**£1.5m**
2021/22	**£1.5m**

Revised Capital Programme

53. 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 2021/22 are set out in Table 11.

Table 11 – Summary Capital Programme

	Revised 2017/18 £m	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**TOTAL £m**
Committee:						
Children & Young People*	28.115	37.590	22.603	9.348	6.000	103.656
Adult Social Care & Public Health	4.958	3.218	2.563	0.683	0.683	12.105
Community & Place	43.737	53.745	54.574	31.378	26.092	209.526
Policy	20.661	16.462	10.015	7.185	6.725	61.048
Finance & MCM	0.180	0.180	0.180	0.180	0.180	0.900
Personnel	0.219	0.076	0.000	0.000	0.000	0.295
Contingency	0.000	1.500	1.500	1.500	1.500	6.000
Capital Expenditure	**97.870**	**112.771**	**91.435**	**50.274**	**41.180**	**393.530**
Financed By:						
Borrowing	52.600	49.642	39.914	22.494	18.158	182.808
Capital Grants	44.033	61.577	49.721	26.680	21.922	203.933
Revenue/Reserves	1.237	1.552	1.800	1.100	1.100	6.789
Total Funding	**97.870**	**112.771**	**91.435**	**50.274**	**41.180**	**393.530**

* These figures exclude Devolved Formula Capital allocations to schools.

54. The capital programme for 2018/19 includes £17.5m of re-phased or slipped expenditure previously included in the capital programme for 2017/18.

Capital Receipts

55. 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 2018/19 to 2021/22. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of capital receipts are shown in Table 12.

Table 12 – Forecast Capital Receipts

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	TOTAL £m
Forecast Capital Receipts	**7.2**	**6.9**	**14.1**	**14.0**	**6.0**	**48.2**

56. 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.

57. 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. As set out above, in addition to this strategy, local authorities have been given the opportunity to use capital receipts to fund one off costs associated with transformation to 2021/22. This approach will be reviewed on an annual basis.

58. One of the requirements of the Local Government Act 2003 is that the Council must set an "Authorised Limit" for its external borrowings. Any potential breach of this limit would require authorisation from the Council. There are a number of other prudential indicators that are required by The Prudential Code to ensure that the proposed levels of borrowing are affordable, prudent and sustainable. The values of the prudential indicators are proposed in Appendix D.

59. In accordance with the "CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes", it is proposed that the Council approves a Treasury Management Strategy and Policy for 2018/19. The Strategy is incorporated in to the Capital Strategy in Appendix D and the Policy is in Appendix E.

60. It is proposed that the Service Director – Finance, Procurement and Improvement be allowed to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2018/19.

Statutory and Policy Implications

61. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Public Sector Equality Duty

62. It is essential that Members give due regard to the implications for protected groups in the context of their equality duty in relation to this decision. Public authorities are required by law to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation
- advance equality of opportunity between people who share protected characteristics and those who do not
- foster good relations between people who share protected characteristics and those who do not.

63. Decision makers must understand the effect of policies and practices on people with protected characteristics. Equality Impact Assessments are the mechanism by which the authority considers these effects.

64. Equality implications have been considered during the development of the budget, Capital Programme and MTFS and equality impact assessments were undertaken on each relevant proposal and approved by the appropriate Committee.

Recommendations

It is recommended that:	**Reference**
1) The Annual Revenue Budget for Nottinghamshire County Council is set at £481.230 million for 2018/19.	Para. 9
2) The principles underlying the Medium Term Financial Strategy are approved.	Table 9
3) The Finance & Major Contracts Management Committee be authorised to make allocations from the General Contingency for 2018/19.	Para. 11
4) That the 2.00% Adult Social Care Precept is levied in 2018/19 to part fund increasing adult social care costs.	Para. 19
5) The County Council element of the Council Tax is increased by 2.99% in 2018/19. That the standard Band D tax rate is	Para. 20

set at £1,419.43 with the various other bands of property as set out in the report.

6) The County Precept for the year ending 31 March 2019 shall be £351,016,650 and shall be applicable to the whole of the District Council areas as General Expenses. Para. 23

7) The County Precept for 2018/19 shall be collected from the District and Borough councils in the proportions set out in Table 7 with the payment of equal instalments on the dates set out in the report. Table 7 Table 8

8) The Capital Programme for 2018/19 to 2021/22 be approved at the total amounts below and be financed as set out in the report: Table 11

Year	Capital Programme
2018/19	£112.771m
2019/20	£91.435m
2020/21	£50.274m
2021/22	£41.180m

9) The variations to the Capital Programme be approved. Para. 34-50

10) The Minimum Revenue Provision policy for 2018/19 be approved. Appx. C

11) The Capital Strategy including the 2018/19 Prudential Indicators and Treasury Management Strategy be approved. Appx. D

12) The Service Director – Finance, Procurement and Improvement be authorised to raise loans in 2018/19 within the limits of total external borrowings. Para. 60

13) The Treasury Management Policy for 2018/19 be approved. Appx. E

14) The report be approved and adopted.

COUNCILLOR RICHARD JACKSON
CHAIRMAN OF THE FINANCE AND MAJOR CONTRACTS MANAGEMENT COMMITTEE

Constitutional Comments (KK 12/02/2018)

The proposals within this report are within the remit of Full Council.

Human Resources Implications (GME 15/02/2018)

Where there are staffing implications arising from any of the proposals contained in this report, the agreed employment procedures will be applied and consultation with trade union colleagues through corporate and departmental joint consultative and negotiating panel meetings will be undertaken. Where more detailed discussion is required additional meetings will be arranged. For completeness, the headcount for centrally employed council employees as at the end of January 2018 is 7,542.

Financial Comments of the Service Director – Finance, Procurement and Improvement (NS 12/02/2018)

The budget proposed has been prepared taking into account the four vision statements and twelve commitments set out in the County Council's new strategic plan for 2017–2021, entitled Your Nottinghamshire, Your Future (Council, 13 July 2017) and reflects all significant cost variations that can be anticipated.

The budget has been prepared in conjunction with the Corporate Leadership Team and other senior officers, and through significant Member engagement via Policy Committee and Finance and Major Contracts Management Committee. There has been robust examination and challenge of all spending pressures and savings proposals.

As is the case in the current financial year, strict budgetary control will be maintained throughout 2018/19. Departments will be required to utilise any departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its General Fund balances.

The levels of reserves and balances have been reviewed and are considered to be adequate. The forecast reduction in Reserves and General Fund balances has been the result of using reserves to balance previous years' budgets and continued use in 2018/19. Whilst this has been in accordance with guidance from the Ministry for Housing, Communities and Local Government and will result in the Council still being above the level that is considered prudent, further reductions in Reserves and General Fund balances would need to be taken only after careful assessment and consideration of the overall level of financial risk.

Given the severity of the financial challenges facing the Council, the budget has been prepared on the basis of accepting a high level of financial risk. The contingency budget will be used to mitigate the impact should any of the savings proposals be delayed or not deliver as planned. The risks and assumptions have been communicated to, and understood by, elected Members and the Corporate Leadership Team.

The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2018/19 fulfil the requirement to set a balanced budget.

Background Papers Available for Inspection:

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.

Budget Update Report - Policy Committee 20 December 2017
Budget Report – Finance and Major Contract Management Committee 6 February 2018

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

Revenue Budget Summary 2018/19

	2017/18 Original Budget £'000	2018/19 Annual Budget £'000
Committee:		
Children & Young People	119,829	117,441
Adult Social Care & Public Health	216,362	204,427
Community & Place	120,054	119,287
Policy	34,364	32,688
Finance & Major Contracts Management	3,135	2,902
Governance & Ethics	7,135	7,170
Personnel	17,145	15,304
Net Committee Requirements	**518,024**	**499,219**
Items Outside Committee:		
Flood Defence Levies	285	285
Pension Enhancements (Centralised)	2,205	2,100
Contingency	5,100	5,500
Pressures and Inflation Account	-	4,100
Capital Charges (included in Committees above)	(40,835)	(40,055)
Interest & Borrowing	20,060	19,477
Trading Organisations	1,500	1,250
Minimum Revenue Provision (MRP)	8,000	8,300
New Homes Bonus Grant	(3,124)	(2,041)
Education Services Grant	(3,226)	-
Adult Social Care Support Grant	(3,543)	(2,204)
Transition Grant	(1,984)	-
Total before use of Reserves	**502,462**	**495,931**
Use of Reserves:		
Net Transfer (From)/To Other Earmarked Reserves	(22,683)	(13,172)
Transfer (From)/To General Fund Balances	(4,500)	(1,529)
BUDGET REQUIREMENT	**475,279**	**481,230**
Funding Of Budget Requirement:		
Surplus on Council Tax Collection for Previous Years	3,330	726
National Non-Domestic Rates	103,022	106,934
Revenue Support Grant	38,510	22,553
Council Tax	314,984	328,897
Adult Social Care Precept	15,433	22,120
TOTAL FUNDING	**475,279**	**481,230**

Please note that the previous years budget has been restated to reflect current reporting requirements.

Children & Young People Committee
Variation Summary 2017/18 to 2018/19

		£'000	£'000
1	**Original Budget 2017/18**		**119,829**
2	**Budgets Transferred between Committees**		**(109)**
3	**Additional Allocations/Reductions 2017/18**		**(1,876)**
4	**Capital Financing Budget Transfers**		**(764)**
5	**2018/19 Service Changes:**		
	Budget Pressures		
	Leaving Care Service	220	
	Looked After Childrens Transport	113	
	Section 17	102	
	MASH Additional Staffing	277	
	National Living Wage - External	136	
	Basic Fostering Allowance	48	
			896
	Pay Award, National Insurance & Pensions Increase		**928**
	Budget Savings		
	Youth Services	(139)	
	School Swimming Service	(10)	
	Early Help - Early Years Sold Offer	(50)	
	Mainstream Residential Homes	(66)	
	Looked After Children Placements	324	
	LAC Residential Placements - Personal Advisors	(140)	
	SEND/CDS Integration	(335)	
	Contracts Review	(670)	
	Line-by-line Budget Review	(102)	
	Ancillary Savings (0.25% Levy)	(275)	
			(1,463)
6	**Annual Budget 2018/19**		**117,441**

Children & Young People Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
	Schools Budget							
206,222	Schools Block - Distributed	-	-	-	**194,614**	-	-	**194,614**
19,212	High Needs Block - Distributed	-	-	-	**18,285**	-	-	**18,285**
17,904	Early Years Block - Distributed	-	-	-	**20,330**	-	-	**20,330**
69,605	Schools Budget - Centrally Retained	-	-	-	**72,175**	-	-	**72,175**
312,943	**Total Schools Expenditure Budget**	-	-	-	**305,404**	-	-	**305,404**
(312,943)	Dedicated Schools Grant (DSG)	-	-	-	**-**	(305,404)	-	**(305,404)**
-	Other ESFA grants for allocation to maintained schools	-	-	-	**25,677**	(25,677)	-	**-**
12,947	School Assets	-	-	11,939	**11,939**	-	-	**11,939**
	Youth, Families & Social Work							
4,269	Divisional Overheads	3,155	74	-	**3,229**	-	-	**3,229**
18,331	Regulated Services	14,561	8,920	-	**23,481**	-	(4,909)	**18,572**
4,861	Social Work Services Assessment	5,048	261	-	**5,309**	-	(6)	**5,303**
14,771	Social Work Services Throughcare & Childrens Disability Service	5,041	10,649	-	**15,690**	(207)	-	**15,483**
6,071	District Child Protection Teams	5,419	637	-	**6,056**	-	(6)	**6,050**
6,257	Early Help	10,073	2,120	-	**12,193**	(3,187)	(3,045)	**5,961**
54,560	**Total Youth, Families & Social Work**	**43,297**	**22,661**	**-**	**65,958**	**(3,394)**	**(7,966)**	**54,598**
	Education Standards & Inclusion							
6,426	Support to Schools Service	7,858	900	-	**8,758**	(119)	(3,253)	**5,386**
6,426	**Total Education Standards & Inclusion**	**7,858**	**900**	**-**	**8,758**	**(119)**	**(3,253)**	**5,386**

Children & Young People Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
	Commissioning & Resources							
3,978	Safeguarding, Assurance & Improvement	3,060	1,606	-	**4,666**	-	(452)	**4,214**
3,542	Integrated Childrens Disability Service	2,928	1,354	-	**4,282**	(609)	(110)	**3,563**
9,754	Early Childhood Services	1,072	12,338	-	**13,410**	(14)	(3,662)	**9,734**
27,861	Placements & Commissioning	949	29,841	-	**30,790**	(983)	(2,805)	**27,002**
45,135	**Total Commissioning & Resources**	**8,009**	**45,139**	**-**	**53,148**	**(1,606)**	**(7,029)**	**44,513**
761	**Capital Charges**	-	-	1,005	**1,005**	-	-	**1,005**
119,829	**TOTAL CHILDREN & YOUNG PEOPLE COMMITTEE**	**59,164**	**68,700**	**12,944**	**140,808**	**(5,119)**	**(18,248)**	**117,441**

Please note that the previous years budget has been restated to reflect current reporting requirements.

Children & Young People Committee - Capital Programme 2018/19

	Revised 2017/18 £000	**Budget Year 2018/19 £000**	Indicative Figures 2019/20 £000	2020/21 £000	2021/22 £000
Children & Young People Capital Programme					
Beardall Street Primary	840	606	-	-	-
School Access Initiative	856	703	-	-	-
School Places Programme	12,120	15,719	10,000	2,000	2,000
School Capital Refurbishment Programme	7,800	10,117	6,000	4,500	4,000
Lyndene & Westview	43	-	-	-	-
Children's Homes	110	-	-	-	-
Orchard Special	-	1,500	3,983	2,000	-
Short Break Capital Grant	70	-	-	-	-
Early Years Education Places	1,754	940	-	-	-
Young People Services Modernisation	59	40	-	-	-
Clayfields House	3,583	2,614	1,361	-	-
Bestwood New School	880	4,502	410	-	-
Special School Grant	-	849	849	848	-
Gross Capital Programme	**28,115**	**37,590**	**22,603**	**9,348**	**6,000**
Funded from:					
Approved County Council Allocations	19,292	12,908	9,921	2,000	-
External Grants & Contributions	8,684	24,682	11,982	7,348	6,000
Revenue	-	-	-	-	-
Reserves	139	-	700	-	-
Total Funding	**28,115**	**37,590**	**22,603**	**9,348**	**6,000**

Adult Social Care & Public Health Committee
Variation Summary 2017/18 to 2018/19

		£000	£000
1	**Original Budget 2017/18**		**216,362**
2	**Budgets Transferred between Committees**		**14**
3	**Additional Allocations/Reductions 2017/18**		**(16,169)**
4	**Capital Financing Budget Transfers**		**88**
5	**2018/19 Service Changes:**		
	Budget Pressures		
	Younger Adults Aged 18-64 Years	3,132	
	Older Adults Demand	455	
	Fair Price for Care	1,192	
	National Living Wage - External	6,508	
			11,287
	Pay Award, National Insurance & Pensions Increase		**1,274**
	Budget Savings		
	Strategic Services, Access & Public Protection	83	
	Direct Services	(1,070)	
	North & Mid Nottinghamshire	(4,075)	
	South Nottinghamshire	(2,758)	
	Ancillary Savings (0.25% Levy)	(609)	
			(8,429)
6	**Annual Budget 2018/19**		**204,427**

Adult Social Care & Public Health Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
	Corporate Director & Departmental Costs							
208	Corporate Director	169	45	-	**214**	-	-	**214**
(15,154)	Countywide	1,224	2,649	-	**3,873**	-	(2,543)	**1,330**
(14,946)	**Total Departmental Costs**	**1,393**	**2,694**	**-**	**4,087**	**-**	**(2,543)**	**1,544**
	Strategic Commissioning, Access & Safeguarding							
119	Service Director	119	27	-	**146**	-	-	**146**
7,140	Strategic Commissioning	1,595	9,213	16	**10,824**	(209)	(4,659)	**5,956**
1,608	Access & Safeguarding	2,145	86	-	**2,231**	-	(353)	**1,878**
(33,931)	Quality & Market Management	2,860	1,385	96	**4,341**	-	(37,757)	**(33,416)**
(25,064)	**Total Strategic Commissioning, Access & Safeguarding**	**6,719**	**10,711**	**112**	**17,542**	**(209)**	**(42,769)**	**(25,436)**
	North Nottinghamshire & Direct Services							
95	Service Director	119	38	-	**157**	-	(130)	**27**
24,740	Direct Services	19,930	6,443	832	**27,205**	-	(3,010)	**24,195**
35,328	Bassetlaw	3,605	37,937	-	**41,542**	(587)	(9,867)	**31,088**
60,163	**Total North Nottinghamshire & Direct Services**	**23,654**	**44,418**	**832**	**68,904**	**(587)**	**(13,007)**	**55,310**

Adult Social Care & Public Health Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
	Mid Nottinghamshire							
121	Service Director	163	4	-	**167**	-	-	**167**
33,421	Newark	3,921	36,320	-	**40,241**	(456)	(9,914)	**29,871**
67,926	Ashfield & Mansfield	7,014	70,889	-	**77,903**	(800)	(17,807)	**59,296**
8,606	Countywide	4,888	5,107	79	**10,074**	(71)	(2,425)	**7,578**
110,074	**Total Mid Nottinghamshire**	**15,986**	**112,320**	**79**	**128,385**	**(1,327)**	**(30,146)**	**96,912**
	South Nottinghamshire							
118	Service Director	119	2	-	**121**	-	-	**121**
84,777	Broxtowe, Gedling & Rushcliffe	11,246	91,679	52	**102,977**	(1,198)	(26,666)	**75,113**
1,240	Countywide	868	354	29	**1,251**	-	(388)	**863**
86,135	**Total South Nottinghamshire**	**12,233**	**92,035**	**81**	**104,349**	**(1,198)**	**(27,054)**	**76,097**
	Public Health							
7,423	Directorate Pay & Associated Costs	2,377	3,657	-	**6,034**	-	(4)	**6,030**
35,837	Commissioned Services	33	35,841	-	**35,874**	-	(795)	**35,079**
(43,260)	Public Health Grant	-	-	-	**-**	(41,109)	-	**(41,109)**
-	**Total Public Health**	**2,410**	**39,498**	**-**	**41,908**	**(41,109)**	**(799)**	**-**
216,362	**TOTAL ADULT SOCIAL CARE & PUBLIC HEALTH COMMITTEE**	**62,395**	**301,676**	**1,104**	**365,175**	**(44,430)**	**(116,318)**	**204,427**

Please note that the previous years budget has been restated to reflect current reporting requirements.

Adult Social Care & Public Health Committee - Capital Programme 2018/19

	Revised 2017/18 £000	**Budget Year 2018/19 £000**	Indicative Figures 2019/20 £000	2020/21 £000	2021/22 £000
Adult Social Care & Public Health Capital Programme					
Living at Home	3,740	1,520	1,880	-	-
Day Services Modernisation	132	-	-	-	-
Supported Living	220	1,300	683	683	683
ASC&PH Strategy	412	45	-	-	-
Disability Facilities Grant Equipment	454	-	-	-	-
Winterbourne Capital Grant	-	-	-	-	-
County Horticulture	-	353	-	-	-
Gross Capital Programme	**4,958**	**3,218**	**2,563**	**683**	**683**
Funded from:					
Approved County Council Allocations	4,221	2,478	2,563	683	683
External Grants & Contributions	674	740	-	-	-
Revenue	-	-	-	-	-
Reserves	63	-	-	-	-
Total Funding	**4,958**	**3,218**	**2,563**	**683**	**683**

Community & Place Committee
Variation Summary 2017/18 to 2018/19

		£'000	£'000
1	**Original Budget 2017/18**		**120,054**
2	**Budgets Transferred between Committees**		**(38)**
3	**Additional Allocations/Reductions 2017/18**		**(449)**
4	**Capital Financing Budget Transfers**		**578**
5	**2018/19 Service Changes:**		
	Budget Pressures		
	Concessionary Travel	229	
	Local Bus & Home to School Contracts	90	
	Highways Energy	648	
	Waste PFI Contract Growth	137	
	Waste PFI Contract Inflation	1,044	
			2,148
	Pay Award, National Insurance & Pensions Increase		**303**
	Budget Savings		
	Highway Maintenance & VIA commissioning	(650)	
	Highways ASDM efficiencies	(400)	
	Road Lighting & Signals Energy	(225)	
	Efficiencies in Concessionary Travel	(179)	
	Preferred Travel - Transport Hub	(210)	
	Statutory School Transport	(686)	
	Sports Development Efficiencies	(108)	
	Libraries & Arts Efficiencies	(143)	
	Service Redesign - Sherwood Forest Country Park	(295)	
	Green Estates & Country Parks Efficiencies	(30)	
	National Water Sports Centre Contract Review	(10)	
	Commercialisation of Business Advice & Support	(75)	
	Increase in Trading Standards Income	(13)	
	Service Transformation Greenwood Forest	(10)	
	Ancillary Savings (0.25% Levy)	(275)	
			(3,309)
6	**Annual Budget 2018/19**		**119,287**

Community & Place Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
	Highways							
18,917	VIA East Midlands Contract	-	18,146	-	**18,146**	-	-	**18,146**
20,777	NCC Highways Retained Client	1,609	7,672	18,076	**27,357**	-	(5,671)	**21,686**
39,694	**Highways Total**	**1,609**	**25,818**	**18,076**	**45,503**	**-**	**(5,671)**	**39,832**
	Transport							
11,093	Concessionary Fares	-	11,150	-	**11,150**	-	(35)	**11,115**
4,300	Local Bus Services	-	4,020	-	**4,020**	-	(40)	**3,980**
1,943	Other Transport Running Costs	3,139	4,709	280	**8,128**	(1,170)	(5,030)	**1,928**
11,653	SEND / Home to School Transport	-	13,634	-	**13,634**	(2,492)	(65)	**11,077**
28,989	**Transport Total**	**3,139**	**33,513**	**280**	**36,932**	**(3,662)**	**(5,170)**	**28,100**
	Waste & Energy							
25,244	Veolia PFI Contract	-	28,045	-	**28,045**	(2,040)	(12)	**25,993**
6,295	NCC Retained Client	679	5,512	1,938	**8,129**	-	(1,892)	**6,237**
31,539	**Total Waste & Energy**	**679**	**33,557**	**1,938**	**36,174**	**(2,040)**	**(1,904)**	**32,230**

Community & Place Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
	Other Community & Place							
10,739	Libraries inc. Inspire Contract	61	12,574	1,114	**13,749**	(3,300)	-	**10,449**
699	Country Parks (inc Bestwood and Rufford)	216	598	-	**814**	(26)	(398)	**390**
600	National Watersports Centre / Tour of Britain / Sports	49	495	-	**544**	-	-	**544**
658	Planning, Policy and Development Management	910	110	-	**1,020**	-	(343)	**677**
869	HW Development Management & Transport Policies & Programmes	1,092	66	-	**1,158**	-	(267)	**891**
802	Conservation (Including Green Spaces)	603	205	-	**808**	-	(34)	**774**
248	Community & Voluntary Sector	240	13	-	**253**	-	-	**253**
1,770	Grants to Organisations	72	1,889	-	**1,961**	(198)	-	**1,763**
1,110	Trading Standards	1,515	111	6	**1,632**	-	(575)	**1,057**
489	Community Safety	266	229	-	**495**	-	-	**495**
258	Emergency Planning	283	24	-	**307**	(61)	(2)	**244**
815	Coroners	-	816	-	**816**	-	-	**816**
128	Registration of Births, Deaths & Marriages	1,312	297	1	**1,610**	(40)	(1,476)	**94**
288	Directorate	322	10	-	**332**	-	-	**332**
359	Recharges, Insurance & Internal Services	-	272	102	**374**	-	(28)	**346**
19,832	**Total Other Community & Place**	**6,941**	**17,709**	**1,223**	**25,873**	**(3,625)**	**(3,123)**	**19,125**
120,054	**TOTAL COMMUNITY & PLACE COMMITTEE**	**12,368**	**110,597**	**21,517**	**144,482**	**(9,327)**	**(15,868)**	**119,287**

Please note that the previous years budget has been restated to reflect current reporting requirements

Community & Place Committee - Capital Programme 2018/19

	Revised 2017/18 £000	**Budget Year 2018/19 £000**	Indicative Figures 2019/20 £000	2020/21 £000	2021/22 £000
Community & Place Capital Programme					
Hucknall Town Centre Improvement Scheme	1,635	-	-	-	-
Road Maintenance & Renewals	15,787	18,756	18,006	16,756	16,006
Street Lighting Renewals	1,000	1,000	1,000	1,000	1,000
Flood Alleviation & Drainage	538	1,081	900	900	900
Road Safety	570	350	350	350	350
Integrated Transport Measures	6,055	7,048	5,166	5,166	5,166
Challenge Fund - A38/A617	5,500	-	-	-	-
Safer Roads	1,707	474	-	-	-
Land Reclamation	28	-	-	-	-
Transport & Travel Services	1,285	1,385	750	750	750
Green Network	74	-	-	-	-
Rolls Royce Development	269	-	-	-	-
Gedling Access Road	721	13,691	21,587	4,536	-
A57 Roundabout	377	-	-	-	-
Salix Street Light Fund	1,996	1,567	-	-	-
Enhanced Rail Services	50	50	-	-	-
Average Speed Camera Equipment	40	-	-	-	-
Harworth Access Link	511	97	2,500	-	-
Local Improvement Schemes	511	500	500	500	500
Carbon Management	395	360	320	320	320
Waste Management	350	1,112	1,100	1,100	1,100
Environmental Weight Restrictions	100	-	-	-	-
Libraries Improvement Programme	570	902	300	-	-
Sherwood Forest Visitor Centre	2,100	2,199	-	-	-
Rufford Country Park	977	-	-	-	-
Kingsmill Reservoir	12	123	-	-	-
Sun Volt Programme	187	-	-	-	-
Energy Saving Scheme	130	1,500	1,095	-	-
Rushcliffe Recycling Plant	-	1,500	1,000	-	-
Southern Growth Corridor	262	50	-	-	-
Gross Capital Programme	**43,737**	**53,745**	**54,574**	**31,378**	**26,092**
Funded from:					
Approved County Council Allocations	10,739	17,392	16,515	11,126	9,250
External Grants & Contributions	32,375	34,981	37,139	19,332	15,922
Revenue	188	600	600	600	600
Reserves	435	772	320	320	320
Total Funding	**43,737**	**53,745**	**54,574**	**31,378**	**26,092**

Policy Committee
Variation Summary 2017/18 to 2018/19

		£'000	£'000
1	**Original Budget 2017/18**		**34,364**
2	**Budgets Transferred between Committees**		**91**
3	**Additional Allocations/Reductions 2017/18**		**(1,620)**
4	**Capital Financing Budget Transfers**		**(122)**
5	**2018/19 Service Changes:**		
	Budget Pressures		
	Schools PFI Inflation		**115**
	Pay Award, National Insurance & Pensions Increase		**354**
	Budget Savings		
	Property Efficiencies	(100)	
	ICT Services Efficiency Programme	(115)	
	Efficiency of Printing & Mail Solutions	(11)	
	Reprioritisation of Resources - Performance	(67)	
	Communications Savings	(22)	
	Estate Management Changes	(100)	
	Ancillary Savings (0.25% Levy)	(79)	
			(494)
6	**Annual Budget 2018/19**		**32,688**

Policy Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
	Property							
4,394	Facilities Management - County Offices	1,165	2,957	762	**4,884**	-	(311)	**4,573**
4,846	Building and Planned Maintenance	-	4,746	-	**4,746**	-	-	**4,746**
5,007	Schools PFI Scheme / Academies / Joint Use	53	23,272	-	**23,325**	(12,337)	(5,882)	**5,106**
2,014	Property Asset Management / Compliance / Departmental Services / Estates	1,753	1,093	41	**2,887**	-	(1,368)	**1,519**
16,261	**Total Property**	**2,971**	**32,068**	**803**	**35,842**	**(12,337)**	**(7,561)**	**15,944**
1,074	Economic Development	514	2,613	42	**3,169**	-	(2,087)	**1,082**
	Corporate Services							
11,816	ICT Services	7,887	3,982	2,925	**14,794**	-	(3,555)	**11,239**
453	Directorate	417	66	-	**483**	-	(18)	**465**
1,252	Document Services	841	1,701	48	**2,590**	(27)	(1,267)	**1,296**
1,419	Performance & Improvement	1,191	284	-	**1,475**	-	(100)	**1,375**
1,289	Corporate Communications	1,101	270	24	**1,395**	-	(108)	**1,287**
800	County Council Elections	-	-	-	**-**	-	-	**-**
17,029	**Total Corporate Services**	**11,437**	**6,303**	**2,997**	**20,737**	**(27)**	**(5,048)**	**15,662**
34,364	**TOTAL POLICY COMMITTEE**	**14,922**	**40,984**	**3,842**	**59,748**	**(12,364)**	**(14,696)**	**32,688**

Please note that the previous years budget has been restated to reflect current reporting requirements

Policy Committee - Capital Programme 2018/19

	Revised 2017/18 £000	**Budget Year 2018/19 £000**	Indicative Figures 2019/20 £000	2020/21 £000	2021/22 £000
Policy Capital Programme					
Building Works	3,098	2,400	2,400	2,400	2,400
ICT Infrastructure	1,127	1,000	1,000	1,000	1,000
Microsoft Enterprise Agreement	1,134	1,042	1,042	1,000	1,000
ICT Disaster Recovery	37	-	-	-	-
ICT Strategy	1,400	1,089	-	-	-
ICT Replacement	860	460	460	460	-
Lindhurst Project	637	-	-	-	-
County Office Security	29	-	-	-	-
CLASP Demolition	578	-	-	-	-
Customer Service Centre - MASH	307	-	-	-	-
Business Reporting & Management Information (BRMI)	1,218	-	-	-	-
Journey to the Cloud	450	2,550	1,061	-	-
Rolleston Drive Demolition	1,500	-	-	-	-
Economic Development Capital Fund	1,601	568	-	-	-
Turbine Centre	252	-	-	-	-
Superfast Broadband	2,280	3,474	1,200	-	-
Smarter Ways of Working	1,640	1,442	527	-	-
Transformation Programme	2,513	2,437	2,325	2,325	2,325
Gross Capital Programme	**20,661**	**16,462**	**10,015**	**7,185**	**6,725**
Funded from:					
Approved County Council Allocations	18,129	15,288	9,415	7,185	6,725
External Grants & Contributions	2,300	1,174	600	-	-
Revenue	-	-	-	-	-
Reserves	232	-	-	-	-
Total Funding	**20,661**	**16,462**	**10,015**	**7,185**	**6,725**

Finance & Major Contracts Management Committee
Variation Summary 2017/18 to 2018/19

		£'000	£'000
1	**Original Budget 2017/18**		**3,135**
2	**Budgets Transferred between Committees**		**62**
3	**Additional Allocations/Reductions 2017/18**		**(53)**
4	**Capital Financing Budget Transfers**		**-**
5	**2018/19 Service Changes:**		
	Pay Award, National Insurance & Pensions Increase		**100**
	Budget Savings		
	Efficiency Savings - Finance & Procurement	(65)	
	Business Case Development	(270)	
	Ancillary Savings (0.25% Levy)	(7)	
			(342)
6	**Annual Budget 2018/19**		**2,902**

Finance & Major Contracts Management Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
2,878	Finance & Procurement	4,100	432	-	**4,532**	(1)	(1,621)	**2,910**
257	Commercial Development Unit	203	59	-	**262**	-	-	**262**
	Contribution from Trading Services:							
-	County Supplies	682	489	-	**1,171**	-	(1,171)	**-**
(273)	Catering	11,069	10,251	-	**21,320**	-	(21,590)	**(270)**
273	Cleaning & Landscape	11,968	2,370	-	**14,338**	-	(14,338)	**-**
3,135	**TOTAL FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE**	**28,022**	**13,601**	**-**	**41,623**	**(1)**	**(38,720)**	**2,902**

Please note that the previous years budget has been restated to reflect current reporting requirements

Finance & Major Contracts Management Committee - Capital Programme 2018/19

	Revised 2017/18 £000	**Budget Year 2018/19 £000**	Indicative Figures 2019/20 £000	2020/21 £000	2021/22 £000
Finance & Major Contracts Management Capital Programme					
Risk Management	150	150	150	150	150
Landscape Services	30	30	30	30	30
Gross Capital Programme	**180**	**180**	**180**	**180**	**180**
Funded from:					
Approved County Council Allocations	-	-	-	-	-
External Grants & Contributions	-	-	-	-	-
Revenue	-	-	-	-	-
Reserves	180	180	180	180	180
Total Funding	**180**	**180**	**180**	**180**	**180**

Governance & Ethics Committee
Variation Summary 2017/18 to 2018/19

		£'000	£'000
1	**Original Budget 2017/18**		**7,135**
2	**Budgets Transferred between Committees**		**(5)**
3	**Additional Allocations/Reductions 2017/18**		**230**
4	**Capital Financing Budget Transfers**		**-**
5	**2018/19 Service Changes:**		
	Pay Award, National Insurance & Pensions Increase		**84**
	Budget Savings		
	Legal Services Digital Improvements	(33)	
	Complaints & Information - Service Efficiencies	(12)	
	Democratic Services - Service Efficiencies	(8)	
	Revised Staffing Structure Democratic Services	(165)	
	Review of SARs process	(40)	
	Ancillary Savings (0.25% Levy)	(16)	
			(274)
6	**Annual Budget 2018/19**		**7,170**

Governance & Ethics Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
748	Democratic Services	563	161	-	**724**	(62)	(78)	**584**
1,754	Members Allowances	10	1,717	-	**1,727**	-	-	**1,727**
329	Councillors Divisional Fund	-	329	-	**329**	-	-	**329**
4,304	Legal Services	3,268	1,467	-	**4,735**	-	(205)	**4,530**
7,135	**TOTAL GOVERNANCE & ETHICS COMMITTEE**	**3,841**	**3,674**	**-**	**7,515**	**(62)**	**(283)**	**7,170**

Please note that the previous years budget has been restated to reflect current reporting requirements.

Personnel Committee
Variation Summary 2017/18 to 2018/19

		£'000	£'000
1	**Original Budget 2017/18**		**17,145**
2	**Budgets Transferred between Committees**		**(15)**
3	**Additional Allocations/Reductions 2017/18**		**(420)**
4	**Capital Financing Budget Transfers**		**(560)**
5	**2018/19 Service Changes:**		
	Pay Award, National Insurance & Pensions Increase		**489**
	Budget Savings		
	Business Support Service	(700)	
	Customer Services Centre New Operating Model	(35)	
	HR Service Integration	(221)	
	Further Development of the Integrated HR Business Partner Model	(33)	
	Business Support Centre - SAP New Model	(307)	
	Ancillary Savings (0.25% Levy)	(39)	**(1,335)**
6	**Annual Budget 2018/19**		**15,304**

Personnel Committee - Revenue Budget 2018/19

Original Budget 2017/18 £'000		Employees £'000	Running Expenses £'000	Capital Charges £'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Original Budget 2018/19 £'000
2,539	Corporate Human Resources	3,900	1,729	-	**5,629**	(494)	(2,619)	**2,516**
8,259	Business Support	9,707	242	-	**9,949**	(22)	(2,166)	**7,761**
3,627	Business Support Centre	4,477	5,250	526	**10,253**	(108)	(7,857)	**2,288**
2,720	Customer Services Centre	2,671	251	122	**3,044**	-	(305)	**2,739**
17,145	**TOTAL PERSONNEL COMMITTEE**	**20,755**	**7,472**	**648**	**28,875**	**(624)**	**(12,947)**	**15,304**

Please note that the previous years budget has been restated to reflect current reporting requirements.

Personnel Committee -
Capital Programme 2018/19

	Revised 2017/18 £000	**Budget Year 2018/19 £000**	Indicative Figures 2019/20 £000	2020/21 £000	2021/22 £000
Personnel Capital Programme					
Customer Services Centre	14	-	-	-	-
Business Management System	205	76	-	-	-
Gross Capital Programme	**219**	**76**	**-**	**-**	**-**
Funded from:					
Approved County Council Allocations	219	76	-	-	-
External Grants & Contributions	-	-	-	-	-
Revenue	-	-	-	-	-
Reserves	-	-	-	-	-
Total Funding	**219**	**76**	**-**	**-**	**-**

ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE COUNTY COUNCIL'S RESERVES

1. The County Council has always taken a prudent approach regarding its reserves, which are specifically set aside to meet future, or potential future, expenditure. The Council's current position is therefore relatively robust.

2. There are four main types of reserve held by the County Council:

   - The General Fund Balance is a non-earmarked reserve, consisting of the accumulated surpluses. A balance on the General Fund is maintained to cushion the impact of uneven cash flows and as a contingency to reduce the impact of unexpected events or emergencies.
   - Earmarked Reserves are held to meet specific planned expenditure, for example, that relating to PFI schemes.
   - Schools Statutory Reserve represents monies held on behalf of Schools under the Financial Management of Schools scheme.
   - Capital Grants have been received in advance but have not yet been applied.

Forecast Level of Reserves

3. Given the continuing financial challenges facing local authorities, central government have encouraged councils to be innovative regarding the deployment of existing reserves to meet one-off costs of transformation. This budget report is proposing to utilise £20.3m of reserves over the medium term with £14.7m being used to deliver a balanced budget in 2018/19.

4. As in previous years the County Council has undertaken a review of all of its reserves; forecasts based on latest estimates for the current and following year are shown in Table B1 below.

Table B1 – County Council Reserves Forecast to 31st March 2019

Reserve	Actual Balance as at 31/03/2017 £'m	Projected balance at 31/03/2018 £'m	Forecast balance at 31/03/2019 £'m
General Fund Balance	**27.7**	**30.6**	**29.1**
Earmarked Reserves			
Insurance Reserve	16.3	16.3	16.7
Trading Organisations	2.6	2.0	2.0
Earmarked for Services	7.9	4.9	4.9
Revenue Grants	15.9	13.2	13.2
Section 256 Grants	15.1	13.4	13.4
Earmarked Reserve	9.6	3.3	0.4
Capital Projects Reserve	13.6	13.0	4.8
NDR Pool Reserves	6.0	4.7	4.7
East Leake PFI	3.2	3.2	3.2
Bassetlaw PFI	0.6	0.6	0.7
Waste PFI	25.7	25.8	25.9
Surplus Pension Contributions	0.2	0.2	0.2
Corporate Redundancy	6.2	7.2	7.2
IICSA Reserve	0.4	2.7	3.5
Strategic Development Fund	4.7	2.9	7.7
Subtotal Earmarked Reserves	**128.0**	**113.4**	**108.5**
Schools Statutory Reserve	**26.0**	**26.0**	**26.0**
Capital Grants Unapplied	**4.2**	**4.2**	**4.2**
Total Usable Reserves	**185.9**	**174.2**	**167.8**

5. Certain assumptions have been made in predicting closing balances and the timing of when movements on balances will occur. These are outlined below.

- A full external review of the Council's Reserves Strategy was undertaken in 2015 and subsequently built upon. The Council is maintaining a risk based General Fund Balance and although the General Fund reserve has fluctuated over the previous three years, the position is relatively strong in terms of risk cover when compared with other County Councils. A risk based assessment of the required level of General Fund Reserve has been undertaken and can be seen in the table below:

Risk	Impact	Probability (low, medium or high)	Mitigation	Proposed level of reserve cover for 2018/19 £m
Major funding stream variations	If an in-year correction or top-slice is made to external funding during 2018/19 this would reduce the Council's ability to fund its Budget (say 0.5% of RSG+BR)	Medium	The government settlement has been announced, however, there have been in-year changes previously.	£0.6
Major variations in budget assumptions e.g. inflation	If inflationary expectations are too low, it could have a greater impact on the Council's expenditure than expected.	Low	The Service Director – Finance, Procurement & Improvement monitors the economic environment and takes forecasts from reliable sources	£1.5
Major expenditure and income variations	If expenditure is higher than budgeted or income lower than budgeted in any service, this will lead to a service overspend and potentially an overall overspend in Budget (say 1.5% of net committee requirements of £499.219m)	Medium	The Council's Management Team control the budget through a robust monthly budget management process, however, there are ongoing risks in Children's and Adults Services where safeguarding takes priority	£7.5
Delay in and/or non-delivery of savings	If planned savings are delayed or are found to be undeliverable this will have a significant impact on the Council's ability to deliver its Budget.	High	The Council's Management Team control the delivery of the savings programme through a robust monthly budget management process, however, this becomes more difficult year-on-year given the savings already delivered to date and the complexity of building change on change	£2.0
Major disaster implications	The Council could face unplanned expenditure if faced with a major disaster e.g. freak weather conditions	Medium	The Council may receive central government support but it is not certain that this would cover all required expenditure, there is also robust major emergency plans in place	£1.3

Risk	Impact	Probability (low, medium or high)	Mitigation	Proposed level of reserve cover for 2018/19 £m
Health and safety breaches	The Council could be faced with a fine if it was found to be in breach of health and safety requirements	Low	The Council has very good health and safety procedures and records in place and these are reviewed and updated on a regular basis. A training programme is also in place	£1.0
Security breaches	The Council could be liable for a penalty from the Information Commissioner's Office with regard to the new General Data Protection Regulations.	Low	The establishment of an Information Governance Improvement Plan and Programme was approved at Policy Committee in June 2017.	£6.0
ICT failure	The reliance on ICT for the Council is significant and growing, which means that there could potentially be a significant impact if one or more of the Council's main systems failed	Low	The Council has an ICT Strategy in place, which includes a disaster recovery plan and business continuity plans are in place for all services	£1.7
Impact of litigation	The Council may be faced with litigation related to the services that it provides e.g. related to safeguarding in Children's and Adults Services	Low	The services have strong procedures in place for the delivery of services and are fully conversant with the requirements of the legislation relevant to each service area	£1.7
Employment matters	The Council could be faced with costs associated with industrial action or individual tribunal cases	Low	The Council has good employee and union relations, including early consultation for major policy implications and major service changes	£1.7
Third party failure	The Council could have a significant negative financial impact of one or more of its major suppliers or trading operations failed	Low	The Council has strong governance and contract controls in place, with major contracts reviewed and monitored closely as part of the operation of each Council service	£1.7

Risk	Impact	Probability (low, medium or high)	Mitigation	Proposed level of reserve cover for 2018/19 £m
Contingency – unforeseen events	The above risks are intended to cover all foreseen situations that the Council could face, however, there could be future major policy changes or unforeseen incidents that could significantly impact on the Council's financial stability (say 0.5% of Total Before Reserves £482.964m)	Low	In the current uncertain times associated with Local Government Finance changes, volatility in the global economy and the focus on national security it is advisable for the Council to hold a contingent level of reserves	£2.4
Risk assessed minimum level of General Fund Reserve				**£29.1**
% of net revenue expenditure (based on £499.219)				**5.8%**

- The latest budget monitoring report, which covers the first three quarters of the current financial year, predicts an underspend in the region of £8.4m although there may still be fluctuations in the forecast before year end. It is proposed that any in-year underspend is transferred to reserves to fund specific future priorities and to the General Fund to inform the strategy required to meet the shortfall in funding as identified in the MTFS.
- PFI Reserves are built up using funding surpluses which are held for use in later years of the contract, when the planned withdrawal of government funding will leave a funding shortfall.
- A full review of services reserves has also been undertaken and where funds have been identified as no longer required, transfers have been actioned. A further review will be undertaken to assess planned use against the need to support County Council priorities. The Earmarked for Services reserves also include revenue grants that are received in advance, these will be spent in accordance with the grant conditions.
- In previous years a Strategic Development Fund was established to deliver the Councils revised operating model, invest in IT and realise the savings agreed in the proposed Options for Change. It is proposed that, from 2018/19 to 2021/22, these transformational costs are funded from the extension to the capital flexibility opportunity as announced in the 2018/19 provisional Local Government Finance Settlement.

- The Trading Organisations Reserve is money set aside by the Trading Units e.g. Catering, Cleaning, Landscape and County Supplies to fund future replacement equipment.
- The Schools Statutory Reserve comprises money that schools have set aside from their Dedicated Schools Grant and these funds are not available for general authority use. As such it is not possible to accurately predict future balances although they are likely to reduce as schools transfer to Academy status.

Adequacy of Proposed Reserves

6. CIPFA do not advocate the introduction of a statutory minimum level of reserves as ‘there is a broad range within which authorities might reasonably operate depending on their particular circumstances’. Imposing a statutory minimum would also be against the promotion of local autonomy and would conflict with the increased financial freedoms that are being introduced in local authorities. Indeed, guidance suggests that ‘local authorities, on the advice of their finance directors, should make their own judgement on such matters taking into account all the relevant local circumstances’.

7. Further, in previous responses to media coverage of Council reserve balances, CIPFA have supported the flexible management of reserves ‘If local councils are trying to manage their reserves to protect the public from future financial problems this is good financial management and should be applauded. In fact it is encouraging that the majority of councils are exercising prudence in their reserves management, providing crucial capacity to invest in service transformation and protect against future unexpected shortfalls.’

8. Ultimately it is the responsibility of the County Council’s Section 151 Officer to recommend a strategy for the management of reserves based on their professional opinion.

Risk Management Measures

9. The Council has developed a strategic approach to risk management that seeks to identify potential risks at an early stage so that remedial action can be taken. This supports the general arrangements the authority has in place for managing risk, and is underpinned by:

- The External Auditors annual review of the Councils financial arrangements and assessment of the Council’s financial health, which are then formally reported in their Annual Audit Letter.
- The Council’s positive track record in sound and effective financial management.

Professional Opinion of the County Council's Section 151 Officer

10. The 2003 Local Government Act stipulates that the County Council's Section 151 Officer should report to Members on the robustness of budget estimates and the adequacy of proposed reserves. A summary of the total usable reserves available to the County Council is shown in Table B1 above. The table includes estimates of future reserve levels based on latest estimates of plans and commitments.

11. The strategy proposed in this report is to utilise up to £14.7m of General Fund and earmarked reserves in 2018/19 to help deliver a balanced budget for 2018/19.

12. My conclusion is that the budget as set out in this report is legal, robust and sustainable. However, given the on-going financial uncertainties and challenges, the need for robust financial management, strict budgetary control and the on-going monitoring of savings delivery plans, will be of paramount importance.

Recommendations

13. The level of proposed General Fund balances in 2018/19 be regarded as acceptable cover for any reasonable level of unforeseen events.

14. The report be noted.

NIGEL STEVENSON CPFA

SERVICE DIRECTOR – FINANCE, PROCUREMENT AND IMPROVEMENT

ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT

Local authorities are required by law to make provision through their revenue account for the repayment of long term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision charge to the Council's General Fund.

The Council is under a statutory duty "to determine for the current financial year an amount of MRP which it considers to be prudent". Local authorities are asked by the Secretary of State "to prepare an annual statement of their policy on making MRP for submission to their Full Council".

The Council's approach to determining the annual MRP charge was the subject of a report to Full Council on 13 July 2017. The Council approved the revised MRP policy statement as set out below:

- That MRP for capital expenditure financed by borrowing prior to 1 April 2007 is based on a fixed, straight line method over a period of 50 years commencing in 2016/17;
- That MRP for capital expenditure financed by borrowing after 1 April 2007 is based on the annuity method over the estimated life of assets;
- That for "on Balance Sheet" PFI contracts and finance leases, the MRP requirement is regarded as being met by a charge equal to the element of the rent that goes to write down the Balance Sheet liability.

As part of the MRP report to Finance and Property Committee in February 2016, it was identified that applying the previous policy had led to MRP charges that exceeded what prudence required during the period from 1 April 2007 to 31 March 2016. There was a realignment of MRP charged to the revenue account in 2016/17 and this will continue into future years to recognise this excess sum. Total MRP after applying realignment will not be less than zero in any financial year.

The critical consideration of the MRP Policy is prudence. The proposed policy detailed above ensures responsible economic foresight and is consistent with the methods prescribed by statutory guidance.

NIGEL STEVENSON CPFA

SERVICE DIRECTOR – FINANCE, PROCUREMENT AND IMPROVEMENT

Nottinghamshire County Council Capital Strategy

Purpose and Aims

1. The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy in December 2017. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.

2. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

3. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority.

4. The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

5. This capital strategy sets out a framework for the self-management of capital finance and examines the following areas:

    - Capital expenditure and investment plans
    - Prudential Indicators
    - External debt
    - Treasury Management

National Context

6. It is important to set out the external environment in which Nottinghamshire County Council is currently operating. Some of the key factors that impact directly on the capital programme are outlined below:

- Financial stability and tackling public debt continue to be key drivers for Central Government over this parliamentary term. This is resulting in reduced direct funding for local government, particularly related to revenue support. Over the medium term Nottinghamshire County Council's revenue budget is being cut further on top of prior years' reductions, having a direct impact on the Council's ability to self-fund capital investment.

- The Government has chosen to prioritise high-value investment, specifically in infrastructure and innovation that will directly contribute to raising Britain's productivity.

- Mechanisms for distributing government funding continue to evolve through the Government's devolution agenda specifically through the Local Growth Fund (LGF) and the increased role of Local Enterprise Partnerships (LEPs) in the strategic oversight of regional areas.

- The LGF now totals over £12 billion (including devolution deals) of capital investment. This presents both opportunities and risks to existing levels of government service delivery and investment, as LEPs with the strongest Strategic Plans will gain the greatest share.

Managing the Future – Nottinghamshire County Council's Strategic Response

7. "Your Nottinghamshire, Your Future", the new County Council Plan which sets out the strategic ambition for the future of Nottinghamshire County Council was approved at Full Council in July 2017.

8. "Your Nottinghamshire, Your Future" is structured around four vision statements:

    - A great place to bring up your family
    - A great place to fulfil your ambition
    - A great place to enjoy your later life
    - A great place start and grow your business

9. In addition, four detailed departmental strategies have been designed to offer the best possible services whilst making the most efficient use of the Council's resources. Each of these strategies were approved at Policy Committee in January 2018. They outline the priorities and programmes of activity that will be pursued in the coming year to achieve delivery of the overall Council Plan.

10. To help the Council deliver the departmental strategies and hence the Council Plan it is essential that necessary long term fixed assets continue to be made available. The provision of long term assets is further defined as being capital expenditure.

11. There are a number of local influences that help shape the need for capital investment across the county as follows:
    - Nottinghamshire remains an area that is experiencing significant population growth. This is contributing to significant pressure being placed on school places and infrastructure.
    - There is pressure on budgets to keep pace with the deterioration of roads from exceptional weather conditions and increased usage.

- In line with the national context, safeguarding of children remains a challenging area for all local authorities.
- The Council is committed to investing to stimulate the Nottinghamshire economy in order to place the county at the forefront of business, commerce, jobs and economic prosperity.

What is Capital Expenditure?

12. An understanding of what constitutes capital expenditure is fundamental to realising the benefits that an authority can obtain under the Prudential framework. Unless expenditure qualifies as capital it will normally fall outside the scope of the framework and be charged to revenue in the period that the expenditure is incurred. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.

13. There are three ways in which expenditure can qualify as capital under the framework:-

    - The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with 'proper practices'.
    - The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
    - The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

Approach to Capital Investment

14. Nottinghamshire County Council's Capital Strategy defines and outlines the Council's approach to capital investment and is fundamental to the Council's financial planning processes. It aims to ensure that:

    - Capital expenditure contributes to the achievement of the Council's strategic plan.
    - An affordable and sustainable capital programme is delivered.
    - Use of resources and value for money is maximised.
    - A clear framework for making capital expenditure decisions is provided.
    - A corporate approach to generating capital resources is established.
    - Access to sufficient long term assets to provide services are acquired and retained.
    - Invest to save initiatives to make efficiencies within the Council's revenue budget are encouraged.
    - An appraisal and prioritisation process for new schemes is robust.

Governance Arrangements

Capital Programme Approvals

15. The Authority's constitution and financial regulations govern the capital programme as set out below:

- All capital expenditure must be carried out in accordance with the financial regulations and the Council's Constitution.
- The expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards.
- The Capital Programme approved by Full Council as part of the Council's annual budget report sets the capital funding availability for the Council, the prioritisation of funding and the schemes receiving entry into the Capital Programme.
- All schemes are formally approved into the capital programme by following a process as set out in the financial regulations.
- Officers are not authorised to commit expenditure without prior formal approval as set out in the financial regulations.
- Each scheme must be under the control of a responsible person/project manager.
- Corporate Directors must take a Latest Estimated Cost report to Finance and Major Contracts Management Committee where the capital cost is over £1 million.
- Any agreements (such as section 106) which contractually commit to procure capital schemes will need to follow the same approval process as other capital expenditure before it can be formally incorporated into the capital programme.

Capital Programme Bodies

16. The main internal bodies that are responsible for the governance and management of the capital programme are the Full Council, Policy Committee, Finance and Major Contracts Management Committee and the Corporate Asset Management Group.

17. **Full Council:**

- Approves the capital programme as part of the Annual Budget Report within the strategic boundaries set by the Council.
- Approves capital schemes into the approved capital programme to enable commencement of delivery and schemes to start to incur expenditure.

18. **Policy Committee / Finance and Major Contracts Management Committee:**

- Approves additional schemes into the capital programme and cost variations to existing schemes.
- Receives Latest Estimated Cost reports where the capital costs are in excess of £250,000.

19. **Corporate Asset Management Group (CAMG)** – CAMG is a cross-service group of officers with a finance, service and property management background. It is responsible for ensuring that the County Council has a clear and cohesive strategy for managing its physical assets and to oversee the development and delivery of the County Council's capital programme in support of that strategy.

Funding Streams

20. Nottinghamshire County Council's Capital Programme is funded from a mix of sources including:-

- **Prudential Borrowing** – The introduction of the Prudential Code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This funding can also be used as an option to front fund development to stimulate growth. This has provided the Council with the flexibility to raise capital funding as demand and business need have dictated. This type of borrowing has revenue implications for the Council in the form of financing costs.

- **External Grants** – The largest form of capital funding comes through as external grant allocations from central government departments such as the Department for Transport and Department for Education. Central government capital expenditure has been announced to be prioritised over the medium term.

- **Section 106 and External Contributions** – Elements of the capital programme are funded by contributions from private sector developers and partners. Growth in Nottinghamshire has resulted in Section 106 contributions from developers accounting for significant elements of funding of the capital programme in recent years.

- **Revenue Funding** – The Council can use revenue resources to fund capital projects on a direct basis and this funding avenue has been used in the past. However, the impact of austerity on the Council's revenue budget has reduced options in this area and therefore the preference is for Invest to Save options to be adopted where feasible.

- **Capital Receipts** – The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources which will be available to support the Council's plans.

21. The size of the Capital Programme will be influenced by funding sources and financing costs. The main limiting factor on the Council's ability to undertake capital investment is whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by central government, now mainly through capital grants.

Overview of the Capital Programme

22. The following table shows Nottinghamshire County Council's overall Capital Programme by Committee and how it is funded from 2017/18 to 2021/22:-

Table D1 - Capital Programme by Committee

	Revised 2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	TOTAL £m
Committee:						
Children & Young People*	28.115	37.590	22.603	9.348	6.000	103.656
Adult Social Care & Public Health	4.958	3.218	2.563	0.683	0.683	12.105
Community & Place	43.737	53.745	54.574	31.378	26.092	209.526
Policy	20.661	16.462	10.015	7.185	6.725	61.048
Finance & MCM	0.180	0.180	0.180	0.180	0.180	0.900
Personnel	0.219	0.076	0.000	0.000	0.000	0.295
Contingency	0.000	1.500	1.500	1.500	1.500	6.000
Capital Expenditure	**97.870**	**112.771**	**91.435**	**50.274**	**41.180**	**393.530**
Financed By:						
Borrowing	52.600	49.642	39.914	22.494	18.158	182.808
Capital Grants	44.033	61.577	49.721	26.680	21.922	203.933
Revenue/Reserves	1.237	1.552	1.800	1.100	1.100	6.789
Total Funding	**97.870**	**112.771**	**91.435**	**50.274**	**41.180**	**393.530**

*This table excludes funding that is given directly to schools.

Description of Major Schemes

23. The main capital projects / programmes of work that are incorporated into the Authority's capital programme are identified below:

- **Schools Building Improvement Programme (SBIP) –** The SBIP focuses on the most immediate condition issues relating to heating, lighting & power, windows and roofing of the County Councils' maintained school building stock.
- **School Places Programme** - The School Places Programme focuses on the Council's statutory duty to provide sufficient school places. This applies to sufficiency planning across all schools, including academies. It is expected that local authorities will work closely with academies and the voluntary aided sector to meet this statutory responsibility and function. The fulfilment of this duty is described as meeting Basic Need. Children and Young People's Services analyse the pupil projection data available to identify schools which would be best suited to fulfil the Basic Need requirement and secure diversity of provision and increase the opportunity for parental preference.
- **Hawthorne Primary and Orchard Special School Replacements** – As part of the programme to ensure that there are sufficient school places across the county two new replacement schools are to be built in Bestwood and Newark.
- **Clayfields House -** The Scarlet wing of Clayfields House Secure Unit was constructed in 1970. It is suffering from subsidence for which structural repairs are not considered to be financially viable. This project replaces the Scarlet Wing together with the construction of a Vocational Unit.
- **Hucknall Town Centre Improvement Scheme -** A transport improvement scheme in Hucknall to construct a new road between Station Road and Annesley Road has been safeguarded for a number of years. The new road will enable part of the High Street (between Baker Street and Watnall Road) to be pedestrianised creating a high quality, safe and attractive environment to stimulate and regenerate the town centre by attracting inward investment.
- **Roads Maintenance and Renewals -** This major programme of work supports local highway maintenance across the County and is funded mainly from Department for Transport grant with a local top up funded from capital allocation.
- **Integrated Transport Measures (ITM) -** The ITM is a package of capital schemes developed to support the Local Transport Plan and is funded mainly by direct grant from Government with a local top up funded from capital allocation.
- **Gedling Access Road (GAR) -** This major transport scheme will enable the realisation of a key strategic development site in Gedling. It will also fulfil the long term proposal to provide a bypass around Gedling village. The project is

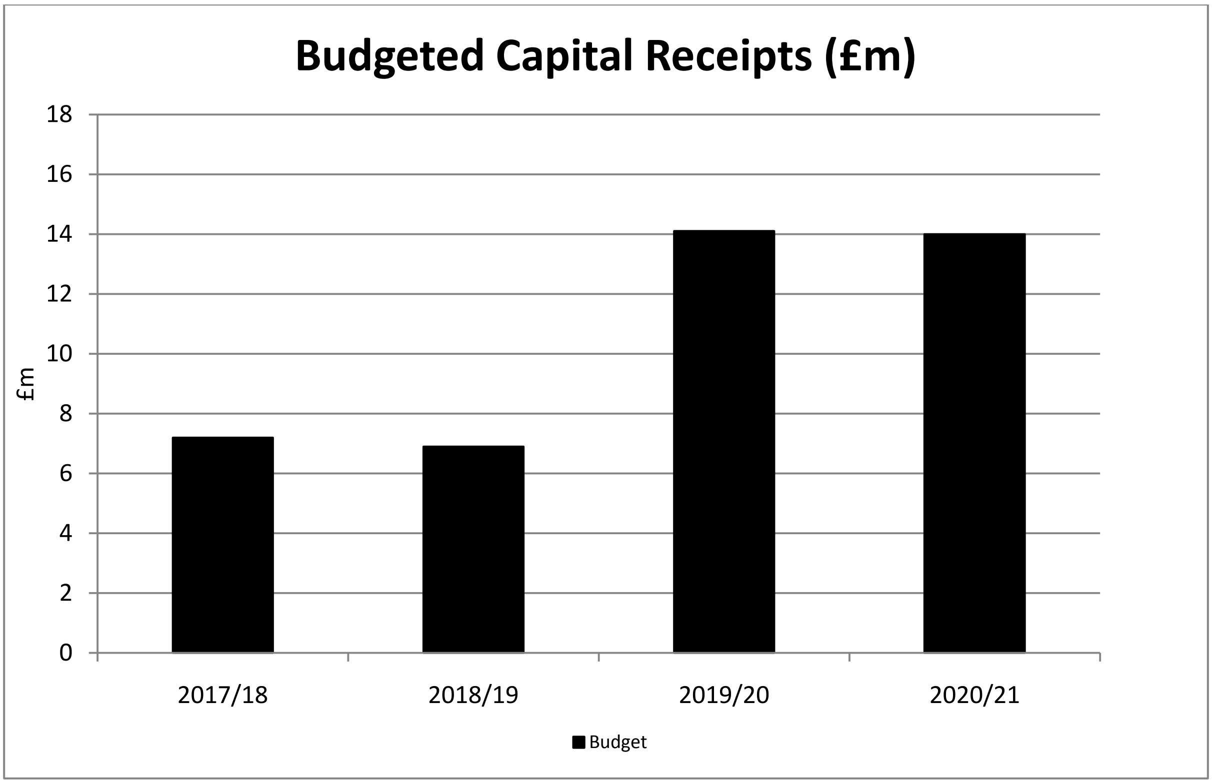
to be delivered by key public sector partners working jointly towards achieving common objectives for the future redevelopment of the former Gedling Colliery site.

- **Sherwood Forest Visitor Centre -** A Royal Society for the Protection of Birds (RSPB) – led consortium won a bid to design and build the new Sherwood Forest Visitor Centre and manage Sherwood Forest Country Park back in August 2015. This capital budget represents the Councils' contribution to fund a commitment to replace the existing visitor centre facilities at Sherwood Forest.
- **Building Works -** The building works capital budget funds essential capital works to maintain the condition of the Council's property portfolio.
- **Superfast Broadband** - The Council has contributed to and secured external funding from Broadband Deliver UK, European Regional Development Fund, Local Growth Fund and other local authorities to enable Superfast Broadband to be rolled out to 97% of Nottinghamshire premises.

Capital Receipts / Disposals

24. Anticipated capital receipts are reviewed on a regular basis by the Finance and Major Contracts Management Committee. All forecasts are based on estimated disposal values of identified properties and prudently assume a slippage factor based on risks associated with each property.

25. The chart below shows the budgeted capital receipts for the four years to 2020/21:



26. 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.

27. 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. As set out above, in addition to this strategy, local authorities have been given the opportunity to use capital receipts to fund one off costs associated with transformation to 2021/22. This approach will be reviewed on an annual basis.

2018/19 PRUDENTIAL INDICATORS FOR CAPITAL FINANCE

28. This section of the capital strategy sets out the prudential indicators and outlines how expenditure will be financed by borrowing in an affordable, prudent and sustainable way.

Information and Advice

29. The Local Government Act 2003 enables local authorities to determine their programmes for capital investment and associated borrowing requirements, provided they have regard to the Prudential Code for Capital Finance in Local Authorities developed by CIPFA and also take advice from the Section 151 Officer.

30. The Executive Summary of the Code states that "The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice."

31. The Code sets out a number of prudential indicators designed to support and record local decision making and it is the duty of the Service Director – Finance, Procurement and Improvement (the Council's Section 151 Officer) to ensure that this information is available to Members when they take decisions on the County Council's capital expenditure plans and annual budget. Key issues to be considered are:

- Affordability (e.g. implications for Council Tax)
- Prudence and sustainability (e.g. implications for external borrowing and whole life costing)
- Value for money (e.g. option appraisal)
- Stewardship of assets (e.g. asset management planning)
- Service objectives (e.g. alignment with the Council's Strategic Plan)
- Practicality (e.g. whether the capital plans are achievable).

Affordability

32. The fundamental objective in the consideration of the affordability of the Authority's capital plans is to ensure that the level of investment in capital assets proposed means that the total capital investment of the authority remains within sustainable limits.

33. In considering the affordability of its capital plans, the Authority is required to consider all of the resources currently available to it and estimated for the

future, together with the totality of its capital plans, income and expenditure forecasts.

34. The costs of financing capital expenditure are:

- Interest payable to external lenders less interest earned on investments; and
- Amounts set aside for repayments of amounts borrowed (including repayments of amounts relating to PFI schemes and other finance lease liabilities).

The relevant figures from the 2016/17 Accounts are as follows.

Table D2 – 2016/17 Capital Financing Costs and Net Revenue Stream

Capital Financing Costs	**£'m**
Interest Payable (incl. PFI/Finance Leases)	34.757
Interest and Investment Income	(1.061)
Repayment of Previous Years' Borrowing	4.349
Repayment of PFI/Finance Lease Liabilities	5.442
Other Amounts Set Aside for Repaying Debt	3.100
Total Capital Financing Costs	**46.587**

Net Revenue Stream	**581.584**

35. The Capital Financing Costs as a proportion of Net Revenue Stream for 2016/17 and future years are shown in the table below:

Table D3 – Capital Financing Costs as a Proportion of Net Revenue Stream

Capital Financing Costs as a proportion of Net Revenue Stream		
Actual	2016/17	8.0%
Estimates	2017/18	8.5%
	2018/19	8.2%
	2019/20	9.8%
	2020/21	11.5%
	2021/22	10.4%

36. As a result of significantly lower Minimum Revenue Provision (MRP) charges in 2016/17 to 2019/20, following the MRP Review and associated changes to the MRP methodology, the proportions are relatively small during this period. The increase in future years proportions relates mainly to the reducing forecast Net Revenue Spend, re-instatement of full MRP charges as well as the variation in the levels of capital receipts available to set against amounts previously

borrowed. The proportion of capital financing costs to net revenue stream will be kept under review.

Prudence and Sustainability

37. The Prudential Code requires that the Authority shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact on the Authority's overall fiscal sustainability.

38. The Authority is required to make reasonable estimates of the total capital expenditure that it plans to incur in the forthcoming financial year and at least the following two financial years. These indicators, together with anticipated sources of finance, are as follows.

Table D4 – Estimates of Capital Expenditure

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Capital Expenditure	**112.771**	**91.435**	**50.274**	**41.180**
Funded from:				
Borrowing	49.642	39.914	22.494	18.158
Grants and Contributions	61.577	49.721	26.680	21.922
Revenue / Reserves	1.552	1.800	1.100	1.100
Total Capital Financing Costs	**112.771**	**91.435**	**50.274**	**41.180**

39. The proposed level of borrowing under the Prudential Code for 2018/19 is £49.6m, which is more than previously envisaged because of re-phasing and slippage of expenditure from prior years. This re-phasing does not result in a higher overall level of debt.

40. One of the features of the Prudential Code arrangements is the need to calculate the Capital Financing Requirement. This figure covers capital expenditure which has not yet been permanently financed through the revenue account. It is derived by consolidating a number of Balance Sheet items as follows.

Table D5 – Capital Financing Requirement 2016/17

	£m
Fixed Assets	1,257
Short-term Assets Held For Sale	1
Capital Adjustment Account	(399)
Revaluation Reserve	(143)
Capital Financing Requirement as at 31/3/17	**716**

41. The Code states that "In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that net 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." This is a key indicator of prudence.

42. The Capital Financing Requirement needs to be rolled forward to the estimated position at the end of 2017/18:

Table D6 – Estimated Capital Financing Requirement 2017/18

	£m
Capital Financing Requirement 2016/17	**716**
Borrowing in 2017/18	53
Additional PFI/Finance Lease Liabilities in 2017/18	6
Repayment of PFI/Finance Lease Liabilities in 2017/18	(5)
Capital Receipts set against previous borrowing in 2017/18	(4)
Other amounts set aside for Repayment of Debt in 2017/18	(3)
Estimated Capital Financing Requirement 2017/18	**763**

43. The additional Capital Financing Requirements for the next 3 years are:

Table D7 – Estimated Capital Financing Requirements 2018/19 - 2020/21

	2018/19 £m	2019/20 £m	2020/21 £m
New Borrowing	50	40	23
Additional PFI/Finance Lease Liabilities	-	-	-
Repayment of PFI/Finance Lease Liabilities	(6)	(2)	(6)
Capital Receipts set against previous borrowing	(2)	(11)	(12)
Other amounts set aside for Repayment of Debt	(3)	(5)	(7)
Capital Financing Requirement Net Additions	**39**	**22**	**(2)**
Estimated Capital Financing Requirement	**802**	**824**	**822**

44. As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2018/19 does not, except in the short term, exceed £824m (i.e. the estimated CFR for 2019/20).

External Debt

45. The Local Government Act 2003 requires the County Council to set two borrowing limits for next year and the following two years with respect to external borrowing.

46. Operational Boundary –have to be set for both borrowing and long term liabilities. This measure encompasses all borrowing and is used in-year as a tool for monitoring the Council's prudent borrowing requirements. The

operational boundary is calculated by taking account of existing borrowing and long term liabilities, planned new borrowing, net change in long term liabilities and any amounts set aside for repayment of debt.

47. Authorised Limit – this higher measure, is the upper limit on the level of gross indebtedness which must not be breached without County Council approval. If it appears that the Authorised Limit might be breached, the Service Director – Finance, Procurement and Improvement has a duty to report this to the County Council for appropriate action to be taken.

48. The Operational Boundary for external debt for the next three years is built up from the existing level of external borrowing, which was £447m, and the level of relevant liabilities (including finance lease liabilities), which was £128m, on the Balance Sheet at 31 March 2017.

49. These figures can be rolled forward to provide the proposed Operational Boundaries for 2018/19 and subsequent years.

Table D8 – Operational Boundaries 2018/19 – 2020/21

	Borrowing £m	Other Long-Term Liabilities £m	TOTAL £m
External borrowing at 31 March 2017	447	-	447
Other Long-Term Liabilities at 31 March 2017	-	126	126
Net new borrowing in 2017/18	9	-	9
Net change in PFI/finance lease liabilities	-	2	2
Estimated external borrowing at 31 March 2018	456	128	**584**
Capital expenditure financed by borrowing 2018/19	50	-	50
Amounts set aside for repayment of debt	(5)	-	(5)
Net change in PFI/finance lease liabilities	-	(6)	(6)
Contingency for changes in cash flow forecast	37	-	37
Operational Boundary 2018/19	538	122	**660**
Capital expenditure financed by borrowing 2019/20	40	-	40
Amounts set aside for repayment of debt	(16)	-	(16)
Net change in PFI/finance lease liabilities	-	(3)	(3)
Contingency for changes in cash flow forecast	37	-	37
Operational Boundary 2019/20	599	119	**718**
Capital expenditure financed by borrowing 2020/21	23	-	23
Amounts set aside for repayment of debt	(19)	-	(19)
Net change in PFI/finance lease liabilities	-	(6)	(6)
Contingency for changes in cash flow forecast	37	-	37
Operational Boundary 2020/21	640	113	**753**

50. The Authorised Limits should not need to be varied during the year, bar exceptional purposes. It is proposed to add a further £25m to the Operational Boundaries for Borrowing to provide sufficient headroom for events such as unusual cash movements. The proposed Authorised Limits are:

Table D9 – Authorised Limits 2018/19 – 2020/21

	Authorised Limit		
	Borrowing £m	Other Long-Term Liabilities £m	Borrowing and Other Long-Term Liabilities £m
2018/19	563	122	685
2019/20	624	119	743
2020/21	665	113	778

51. Both the Authorised Limits and Operational Boundaries are less than the Capital Financing Requirement because best practice in treasury management means that actual borrowing is below the notional underlying borrowing requirement.

52. The Prudential Code indicator in respect of treasury management is the adoption of the CIPFA Treasury Management Code of Practice. The County Council has formally adopted the code and approves an annual Treasury Management Policy and Strategy. This includes setting the treasury indicators:

- upper limits for fixed and variable interest rate exposures
- upper limit for investments over 364 days
- upper and lower limits for the maturity structure of borrowing.

Value for money – option appraisal

53. The County Council's Capital Programme is driven by the desire to provide high quality, value for money public services and is monitored by the CAMG. Business cases for proposed new capital schemes are reviewed by this group against an agreed prioritisation criteria. The results of this exercise are presented to Finance and Major Contracts Management Committee.

Stewardship of Assets

54. The Council's Asset Management Plan sets out the condition of its assets and the arrangements for managing these effectively. The Council's Corporate Property Strategy enhances these arrangements, including increasing the awareness that efficient use of property is an important element of maximising the value obtained from the Council's overall resources.

Service Objectives

55. The option appraisal of proposed capital schemes overseen by CAMG considers, amongst other factors, the following:

- How the proposal help achieve the objectives and priorities set out in the Council's Strategic Plan 2017-2021.
- How the proposal will help achieve objectives set out in Departmental Strategic Plans.
- The service improvements and other anticipated benefits expected to be delivered from the investment.

56. **Practicality / Monitoring**

- Capital budget holders are responsible for providing monthly forecasts to the Financial Strategy and Accounting Team. Any slippage on schemes is identified as soon as possible.
- All forecasts are collated by the Financial Strategy and Accounting Team and reported to Finance and Major Contracts Management Committee on monthly basis.

Recommendation

57. It is recommended that the Prudential Indicators in Table D11 are approved as part of the 2018/19 budget.

Table D10 – Prudential Indicators 2018/19 – 2020/21

	2018/19	2019/20	2020/21
Estimated capital expenditure	£112.7m	£91.4m	£50.3m
Estimated Capital Financing Requirement	£802m	£824m	£822m
Authorised limit for external debt	£685m	£743m	£778m
Operational boundary for external debt	£660m	£718m	£753m
Financing costs as a % of net revenue stream	8.2%	9.8%	11.5%

Treasury Management Strategy 2018/19

Introduction

58. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

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

59. The Local Government Act 2003 (the Act) requires local authorities "to have regard –
    (a) to such guidance as the Secretary of State may issue, and
    (b) to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision."

60. The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 state that:
    "In carrying out its capital finance functions, a local authority must have regard to the code of practice in 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes' (regulation 24)."

61. The 2003 regulations further require local authorities to have regard to the code of practice entitled the 'Prudential Code for Capital Finance in Local Authorities' (published by CIPFA), when considering how much they can afford to borrow. Both the Treasury Management Code (the Code) and the Prudential Code were updated in December 2017.

62. With regard to investment of funds, the Secretary of State issued revised guidance in 2010 that requires local authorities to prepare an annual investment strategy which has the key objectives of security and liquidity of funds.

63. The Code has 3 key principles which are:

    i) The establishment of 'comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury activities'.
    ii) The effective management and control of risk are prime objectives and that responsibility for these lies clearly within the organisation.
    iii) The pursuit of value for money and the use of suitable performance measures are valid and important tools.

64. In accordance with the CIPFA Code, the Council adopts the following:
   (a) The Council will create, and maintain, as the cornerstones for effective treasury management:
   - a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.
   - suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

   The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject to amendment only where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

   (b) The Council will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

   (c) The Council delegates responsibility for the implementation, scrutiny and monitoring of its treasury management policies and practices to the Treasury Management Group, comprising:
   - Service Director (Finance, Procurement & Improvement)
   - Group Manager (Financial Strategy & Compliance)
   - Group Manager (Financial Management)
   - Senior Accountant (Financial Strategy & Accounting)
   - Senior Accountant (Pensions & Treasury Management)

   The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act in accordance with the policy statement and TMPs.

65. This Treasury Management Strategy has been prepared in accordance with regulations, guidance and codes of practice to support the Council's Medium Term Financial Strategy and in particular the financing of the capital programme and the management of cash balances. In addition to this strategy there is a Treasury Management Policy Statement in Appendix E that underpins the strategy, together with the TMPs that govern treasury management operations.

66. The strategy covers:
   - Current treasury position
   - Borrowing requirement
   - Treasury Indicators
   - Interest rate forecasts
   - Borrowing strategy
   - Investment strategy

Current Treasury Position

67. The table below shows the Council's forecast treasury position as at 31 March 2018:

Table D11 – Forecast Treasury Position as at 31 March 2018

		Total £m	Average Interest Rate
EXTERNAL BORROWING			
Fixed Rate	PWLB	351.1	4.58%
	Market loans	100.0	3.85%
	Loans from other LAs	5.0	2.08%
Total External Borrowing		**456.1**	**4.39%**
Other Long Term Liabilities		127.6	
Total Gross Debt		**583.7**	
Less: Investments		(40.9)	
Total Net Debt		**542.8**	

Note 1: PWLB = Public Works Loans Board
Note 2: Figures exclude accrued interest

Borrowing Requirement

68. Under the Prudential Code, the Council is required to calculate the 'Capital Financing Requirement' (CFR). This represents the Council's underlying need to borrow for the approved capital programme. New capital expenditure, financed by borrowing or by credit arrangements such as finance leases and private finance initiative schemes, increases the CFR.

69. The Council also sets aside an amount each year as a provision for the repayment of debt. This is known as the Minimum Revenue Provision (MRP) and is, in effect, the principal repayment for the borrowing expected to be undertaken by the Council to finance its capital programme. MRP set aside reduces the CFR.

70. The difference between the CFR and the total of long-term liabilities and existing and new borrowing indicates that the Council has made temporary use of internal cash balances (from its own earmarked reserves and working capital) to finance the capital programme. This is known as "internal borrowing". Internal borrowing is a way of making short-term savings and avoiding the risks

associated with holding large cash balances and is explained further in the "Borrowing Strategy" section below.

71. The Local Government Act 2003 and supporting regulations requires the Council to determine and keep under review how much it is prepared to borrow, termed the "Authorised Limit". This limit is determined for external borrowing (including both long-term and temporary borrowing and other forms of long-term liability, such as credit arrangements). This limit reflects the need to borrow for capital purposes. The Authorised Limit is set for at least the forthcoming financial year and two successive financial years. The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that its total capital investment is 'affordable, prudent and sustainable'.

72. In practice during the year the level of borrowing will be monitored against the "Operational Boundary". This represents the planned level of borrowing for capital purposes and is made up as follows:

- Existing borrowing and other long-term liabilities
- Increased by:
  - planned new borrowing
  - net change in long-term liabilities
- Reduced by amounts set aside for repayment of debt (referred to as Minimum Revenue Provision or MRP).
- Contingency for changes to reserves forecast

73. The Operational Boundary is set for the forthcoming financial year and next two financial years. Any breach of this indicator would provide an early warning of a potential breach of the Authorised Limit and allow time for the Council to take appropriate action.

74. There are two main reasons why planned actual borrowing may be lower than that shown as being required to finance the capital programme. These are slippage in capital schemes and the Council temporarily making use of its cash reserves to delay external borrowing (the internal borrowing referred to above). The main components involved in calculating planned actual borrowing over the next three years are shown in the table below.

Table D12 – Cumulative Minimum Borrowing Requirement

	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£m	£m	£m	£m	£m
Closing Capital Financing Requirement	716.0	763.0	802.0	824.0	822.0
Less:					
- Long-term liabilities	(126.3)	(127.6)	(121.7)	(119.4)	(113.4)
- Existing borrowing	(436.2)	(456.1)	(441.8)	(427.8)	(415.2)
- Cap Ex to be financed by borrowing		(52.6)	(49.6)	(39.9)	(22.5)
- Replenishment/Replacement borrowing		52.6	4.9	(44.9)	(79.0)
Internal borrowing (A)	**153.5**	**179.3**	**193.8**	**191.9**	**191.9**
Cash and cash equivalents	46.5	40.9	20.0	20.0	20.0
Fixed investments	34.5	2.5	0.0	0.0	0.0
Y/E investment balances (B)	**81.0**	**43.4**	**20.0**	**20.0**	**20.0**
Cash deployed (A+B)	**234.4**	**222.7**	**213.8**	**211.9**	**211.9**
comprising:					
- Usable reserves	185.9	174.2	165.3	163.4	163.4
- Provisions / Working capital	48.5	48.5	48.5	48.5	48.5
Cumulative minimum borrowing requirement		**0.0**	**44.7**	**84.8**	**101.5**

75. The table above shows that, after factoring in internal borrowing, the Council is expecting to borrow approximately £101m from the financial markets over the next 3 years. This is a minimum and should not result in any surplus cash that could be held as long-term investments by the Council. Therefore, if reserve balances are used quicker than forecast, or if working capital is reduced, additional borrowing – up to the Capital Financing Requirement - will be necessary.

76. The forecast borrowing for 2017/18 is £30m, and this is in line with what was reported in the 2017/18 Strategy Report.

77. Under the capital finance regulations, local authorities are permitted to *fully borrow* up to three years in advance of need as determined by the Capital Financing Requirement. This will only be done if cashflow dictates or if market conditions indicate that it is the best course of action. One of the reasons for borrowing more than the minimal amount is to take advantage of, and lock in, low long-term interest rates, make long-term savings and also reduce the Council's exposure to variable interest rate risk. However, there will almost certainly be a short-term 'carry cost' to borrowing in advance of need when current investment rates are lower than long-term borrowing rates. This would be fully evaluated before any decision is taken.

78. Borrowing in advance of need also increases the level of temporary investments and makes the security of those funds even more important. However, the Council's treasury management practices ensure that the risks of investing funds are minimised.

79. A summary of the proposed Treasury Management Indicators for 2018-21 are set out in the tables below.

Table D13 – Treasury Indicators

TREASURY INDICATORS	Proposed 2018/19 £m	Proposed 2019/20 £m	Proposed 2020/21 £m
Upper limit for Rate Exposure			
Fixed Rate	100%	100%	100%
Variable Rate	75%	75%	75%
Upper limit for principal sums invested for over 364 days	Higher of £20m and 15%	Higher of £20m and 15%	Higher of £20m and 15%

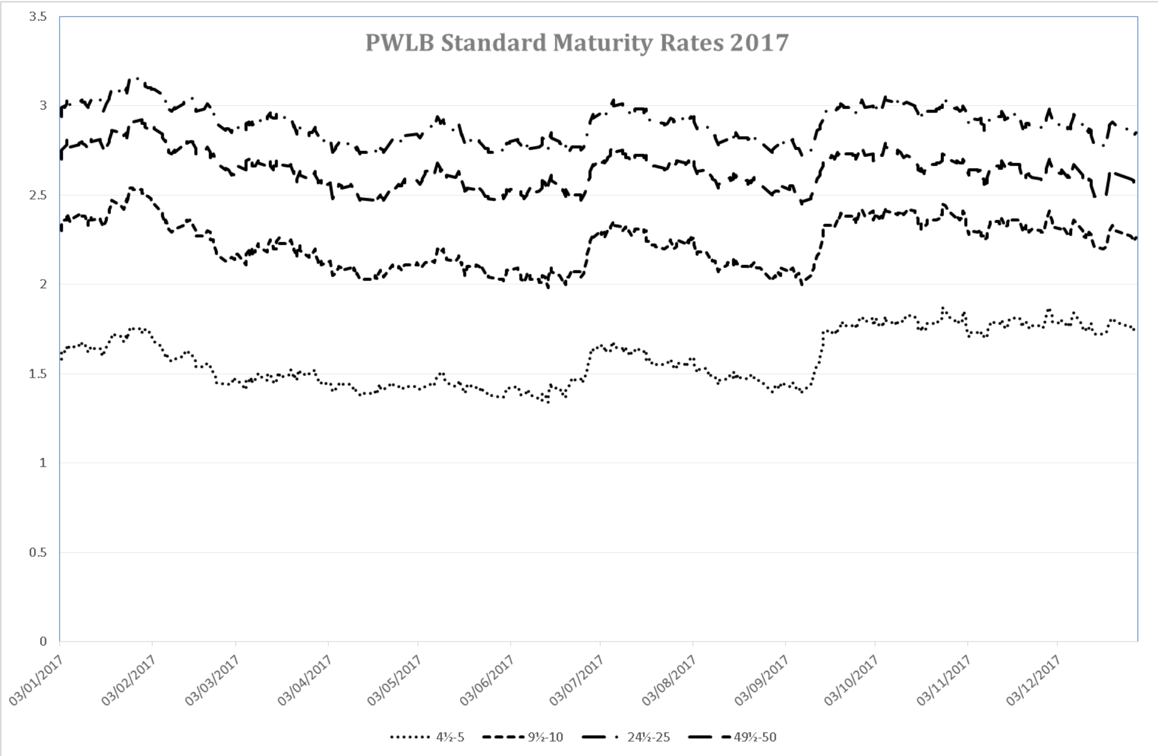
Table D14 – Structure of Fixed Term Borrowing

Maturity structure of fixed rate borrowing	Lower limit	Upper limit
under 12 months	0%	25%
12 months and within 24 months	0%	25%
24 months and within 5 years	0%	75%
5 years and within 10 years	0%	100%
10 years and above	0%	100%
Adoption of CIPFA's Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes	Adopted	

Borrowing Strategy

80. Over the course of 2017 PWLB rates were broadly stable though not without their fluctuations, especially as the Bank of England began to make its first moves in tackling inflation in the UK economy. The rates are shown in the chart below:

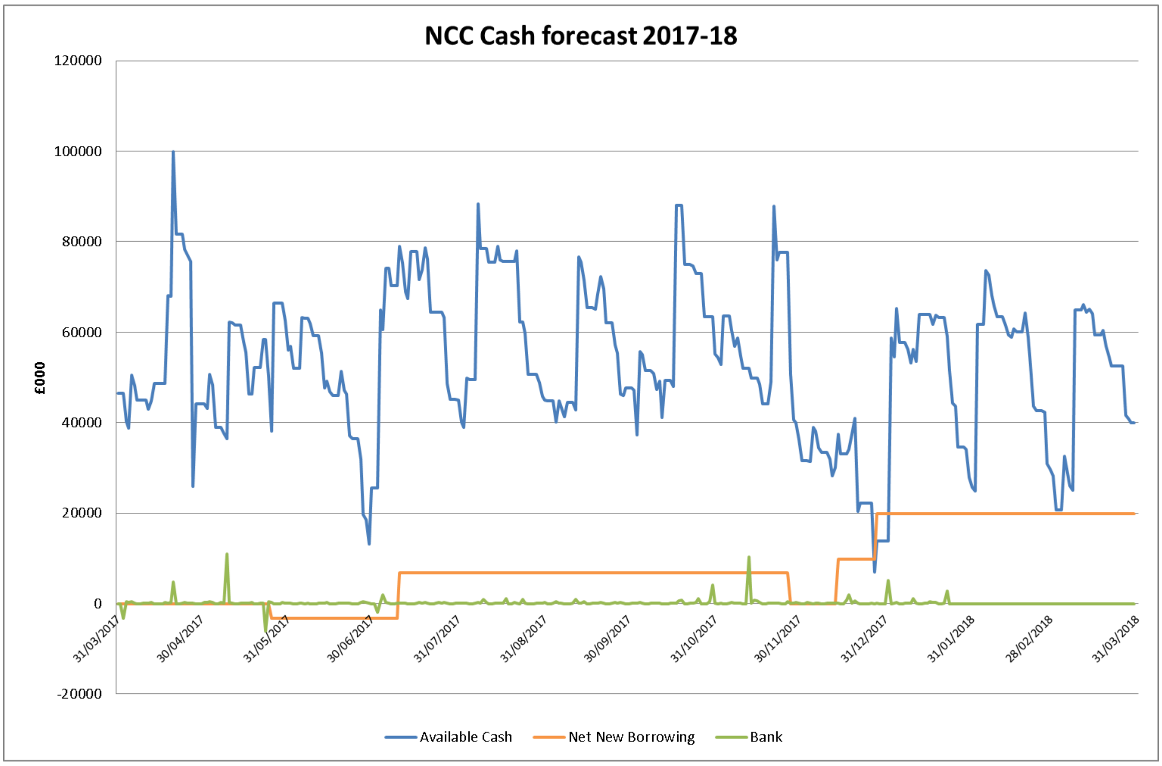
Table D15 – PWLB Standard Maturity Rates 2017



81. The chart below shows how the Council's instant-access cash position has progressed over the financial year to January 2018 and how it is forecast to progress until the year-end. This position has varied over the year between £7m and £100m, reflecting the cumulative profile of the Council's revenue and capital expenditure, grant and precept income, together with any borrowing or fixed-term lending decisions made by the Council's treasury management team.

82. The lower line shows the Council's net new borrowing over the course of the year. It can be seen that for 2017/18 this was approximately £20m (that is, new borrowing of £30m and £10m of loan maturities).

Table D16 – NCC Cash Forecast 2017/18



83. Generally the activity of investing surplus cash comes to the fore in the first few months of the financial year, when grant income and precept income tends to exceed outgoing payments. Towards the end of the year the cashflow tends to reverse, and the focus shifts towards the borrowing strategy. Decisions then have to be taken about the mix of short-term and long-term borrowing and the extent to which use can be made of cash reserves to defer borrowing.

84. Over the past several years the Council has financed the capital programme (on a temporary basis) by using its cash balances. These are essentially earmarked reserves, general fund reserves and net movement on current assets. As the cash in these reserves is not required in the short term for the reserves' specific purposes, it has been utilised to reduce external borrowing.

85. The advantage to the Council of internal borrowing is that it costs less than external borrowing, the cost being the opportunity cost of interest foregone by not investing the cash (investment rates are typically around 0.5% for short-term deposits). It therefore generates short-term savings for the Council. Another advantage is that counterparty risk is reduced by having less cash to invest.

86. On the other hand, by postponing its long-term borrowing the Council is in effect increasing its exposure to interest rate risk, as rates will fluctuate in the intervening period until long-term fixed rate borrowing is taken. Treasury management staff monitor this risk, and regularly review interest rates.

87. As a result of all this, the borrowing strategy needs to provide funds not only to finance the capital programme but also funds (i) to replenish reserves as and when these are required and (ii) to cover principal repayments on any maturing debt. If long-term borrowing is not taken to cover these outflows of cash then the Council would need to consider other sources of finance (such as an ongoing bank overdraft facility or a series of short-term loans).

88. These strategic factors drive the Council's objective need to secure long-term debt finance, but there are a number of day-to-day factors – relating to market conditions and the Council's own revenue budget - that must be taken into account when deciding precisely when to borrow.

89. Despite recent fluctuations in the gilt market it is still the case that short-term debt is cheaper than long-term: as of mid-January 2018 1 year loans are approximately 1.2% (taking account of the 'certainty' rate offered by PWLB), whereas 40 year loans (reflecting the asset life of the assets within the capital programme) are approximately 2.4%. In cash terms taking the very short-dated debt would equate to a saving of £12,000 per annum for every £1m of Council borrowing, or approximately £538,000 in 2018/19 (based on the borrowing figures in table D12 above).

90. However, there would be a significant risk in pursuing such a short-term approach, since short-term loans need regular refinancing and at these points the Council would find itself exposed to interest rate risk, ie. it would be forced to accept whatever the prevailing interest rates were at the time. If this happened the Council could find itself facing considerably higher interest rates, which would quickly undermine any saving made by taking short-dated debt.

91. Given that the Council's current portfolio of PWLB loans average 4.58% the long-term rates being offered by PWLB remain relatively attractive. Occasionally, however, long-term loans offered by the market or by other local authorities can be a competitive alternative to PWLB loans, and these may also be worth considering.

92. In practice, a balanced portfolio will include a mix of:
    - Temporary use of the Council's cash reserves
    - Short-term debt provided by the market or other local authorities
    - Short-term or variable rate debt provided by PWLB
    - Long-term debt provided by PWLB
    - Long-term debt provided by the market or other local authorities

93. Given these contingencies the amount, type, period, rate and timing of new borrowing will be an operational matter falling under the responsibility of the Service Director (Finance, Procurement and Improvement) exercised by the Senior Accountant (Pensions & Treasury Management) within the approved borrowing strategy, taking into account the following factors:
    - expected movements in interest rates as outlined above
    - current debt maturity profile
    - the impact on the medium term financial strategy
    - the capital financing requirement

- the operational boundary
- the authorised limit.

94. Opportunities to reschedule debt will be reviewed periodically throughout 2018/19 but the current structure of repayment rates from the PWLB indicate significant premiums to be paid on the premature repayment of existing loans which would not be compensated by lower rates available for new loans.

Investment Strategy

95. During 2018/19 cash balances are expected to be kept at a low level with the aim of maintaining a working balance of around £20m, and a minimal level of around £5m by year end. This will provide a level of liquidity without recourse to temporary borrowing, i.e. having to seek funds when availability may be restricted and therefore expensive.

96. As the 2017/18 cash flow chart above suggests, the most suitable strategy will be for the Council to consider making use of fixed-term investments only in the early part of the financial year, but mainly use call accounts or money market funds in order to manage any liquidity risk.

97. The Council actively manages counterparty risk by monitoring the ratings of the institutions in which it could invest. Exposure to the Eurozone is limited by investing in UK banks and high credit quality overseas banks. The criteria for selecting counterparties are detailed in TMP 1 in Appendix E.

98. A further measure to ensure security of the Council's investments is to maintain the Council's exposure to the UK local authority sector and UK government securities. When lending to local authorities fixed term deposits would be used but these are subject to demand and cannot be relied upon in the same way as bank lending. The use of treasury bills and UK government gilts may be considered and would ensure priority is given to security and liquidity of funds.

NIGEL STEVENSON CPFA
SERVICE DIRECTOR – FINANCE, PROCUREMENT AND IMPROVEMENT

Report of the Service Director – Finance, Procurement & Improvement

Treasury Management Policy Statement 2018/19

1. The Council, in line with the CIPFA Code of Practice, defines its treasury management activities as:
   The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. The Council regards the successful identification, monitoring and control of risk as the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

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

4. The Council's borrowing strategy will take account of all legislative requirements, codes of practice and other guidance to ensure that borrowing costs are "affordable, prudent and sustainable" and to mitigate refinancing risk. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so within the Council's capital financing requirement.

5. The Council's investment strategy will take account of all legislative requirements, codes of practice and other guidance to ensure that priority is given to the security and liquidity of investments.

6. The Council delegates responsibility for the implementation, scrutiny and monitoring of its treasury management policies and practices to the *Treasury Management Group*, comprising:
   - Service Director (Finance, Procurement & Improvement)
   - Group Manager (Financial Strategy & Compliance)
   - Group Manager (Financial Management)
   - Senior Accountant (Financial Strategy & Accounting)
   - Senior Accountant (Pensions & Treasury Management)

7. The Council's Treasury Management Policy will be implemented through the following Treasury Management Practices (TMPs). The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act in accordance with the policy statement and TMPs.

TMP1 Risk management

8. The Senior Accountant (Pensions & Treasury Management) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. Reports will be made on these arrangements in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. The arrangements will seek to cover each of the following risks.

9. **Credit and counterparty risk**
   The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or revenue resources.

10. The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparties and lending limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in the following paragraphs.

11. The Local Government Act 2003 gives a local authority power to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. In exercising this power, the local authority must have regard to guidance issued by the Secretary of State. The latest guidance was issued in April 2010.

12. The guidance classifies investments between "specified" and "non-specified". Specified investments are those offering high security and high liquidity. All such investments should be in sterling and with a maturity of no more than a year. Such short-term investments made with the UK Government or a local authority will automatically count as specified investments. In addition, short-term sterling investments with bodies or investment schemes of "high credit quality" will count as specified investments. The Council's policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield and investing in sterling instruments only. The majority of these will be specified investments.

13. The Council will operate an approved list of counterparties for lending. The approved lending list will comprise institutions with high credit ratings based on minimum ratings from at least 2 rating agencies together with Fitch support rating for longer term lending. The list reflects a prudent attitude to lending and uses a combination of ratings issued by the 3 main ratings agencies: Fitch, Moody's and Standard & Poor's. Banks will be assessed for inclusion on the basis of long-term, short-term and support ratings; money market funds (MMFs) on the basis of MMF ratings.

14. Short-term ratings assess the capacity of an entity to meet financial obligations with maturity of up to 13 months and are based on the short term vulnerability to default. The long-term ratings cover a period in excess of 1 year and are useful as a key indicator impacting on the cost of borrowing for financial institutions. This

cost of borrowing will feed through to the ability of the financial institution to obtain funds at reasonable cost to maintain liquidity.

15. MMFs are mutual funds that invest in cash and short-term money market instruments such as government bonds and commercial paper. They allow investors to participate in a more diverse portfolio than direct investment by spreading capital across a variety of institutions. The highest AAA rating reflects an extremely strong capacity to achieve the 'investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk'.

16. The Council subscribes to an on-line market information feed and will monitor ratings from the main agencies along with general market data. The Council will also monitor developments in the financial markets including policy announcements by the Government, Bank of England, regulatory bodies and other international bodies. It will use this information to determine if any changes are required to the above methodology.

17. Bail-in legislation, which aims to ensure that large investors (including local authorities) will rescue failing banks instead of taxpayers, has now been fully implemented in the UK, USA and Germany. This has had an impact on credit ratings, particularly Fitch support ratings. The criteria below take account of these changes.

18. The approved list will include institutions that meet the following criteria from at least 2 rating agencies:

	Long Term	**Short Term**	**MMFs**
Fitch	A-	F1	AAAmmf
Moodys	A3	P-1	Aaamf
Standard & Poors	A-	A-1	AAAm

Sovereign Rating	AA

19. However, within the approved list the following minimum criteria will apply, dependent on the terms of the deposit, from at least 2 ratings agencies:

	Fitch Long term	Fitch Support	Moodys Long term	S&P Long term
Instant access	A-	-	A3	A-
Up to 3 months	A-	-	A3	A-
Up to 364 days	AA-	-	AA3	AA-
365 days and over	A	1 or 2	A2	A

20. All investments (up to 364 days duration) with the counterparties in the approved list are considered specified investments.

21. Exceptions (to be determined by the *Treasury Management Group*) to rating criteria may be made in respect of the following:
    1) UK government
    2) UK local authorities
    3) The Council's bank (currently Barclays Bank)
    4) the Pension Fund's custodian (currently State Street)

22. The lending list will be approved by the *Treasury Management Group* and monitored by the Senior Accountant (Pensions & Treasury Management) in the light of rating changes and market conditions. Individual institutions or countries may be suspended from the list if felt appropriate. The *Treasury Management Group* may add or remove organisations from the approved list subject to maintaining consistency with the approved criteria.

23. The maximum amount to be lent to any organisation on the approved list is subject to individual institution limits of £20m. These limits apply separately to the County Council and the Pension Fund cash investments. Only two institutions within the same group may be used at any one time. The *Treasury Management Group* may increase the limit for specific institutions by £10 million for investments in call accounts and MMFs with same day liquidity.

24. Investments with the UK government will have no upper limit but in practice limits will be dependent on the liquidity of those investments and may fall within the definition of specified or non-specified investments. Amounts invested in non-specified investments will be limited to £20 million or 15% of the total invested at the time of the investment, whichever is the higher.

25. The Council's current main bank, through which all treasury management activity operates, is Barclays.

26. As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were by default treated as 'retail' clients by investment counterparties. However, authorities can choose to opt up to 'professional' client status, provided that they meet certain criteria which include having an investment balance of at least £10 million and ensuring that the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that this person(s) has the expertise, experience and knowledge to make investment decisions and understand the risks involved. The Council has met the conditions to opt up to professional status with a range of counterparties. By so doing, the Council will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

27. **Liquidity risk**
The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

28. The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

29. Summarised cash flow forecasts will be provided on a quarterly basis to the *Treasury Management Group*. Detailed daily cash flow forecasts will be maintained by the Loans Officer. These forecasts will be used as the basis for ensuring adequate cash resources are available in order to support the Council's objectives.

30. The Senior Accountant (Pensions & Treasury Management) or Investments Officer may approve fixed term investments up to 364 days. Longer periods require permission from either the Service Director (Finance & Procurement), the Group Manager (Financial Strategy & Compliance) or the Group Manager (Financial Management) and must comply with the relevant treasury management limits.

31. The Treasury Management Group must also approve any long-term borrowing to ensure (a) that it is within the Council's borrowing limits and (b) that it will not have an adverse impact (in terms of creating a situation in which counterparty limits could be exceeded) on the Council's cash management.

32. **Interest rate risk**
The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

33. The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

34. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

35. Regular monitoring of interest rates and monthly monitoring of the Interest Payable and Interest Receivable budgets will be undertaken by the Senior Accountant (Pensions & Treasury Management), in line with the treasury

management indicators, with quarterly reports to the *Treasury Management Group*.

36. **Exchange rate risk**
    The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

37. The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. Exposure will be minimal as the Council's borrowing and investment are all in sterling.

38. **Refinancing risk**
    The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

39. The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to managing refinancing risk and obtaining terms which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time. It will manage the profile of its maturing debt such that excessive refinancing is not required in any one financial year.

40. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

41. The maturity structure and prevailing interest rates are monitored by the Senior Accountant (Pensions & Treasury Management) in line with the limits set in the treasury management indicators, and regular reports are made to the *Treasury Management Group*.

42. **Legal and regulatory risk**
    The risk that the Council itself, or a counterparty with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

43. The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1(1) credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

44. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

45. The Council is an administering authority in the Local Government Pension Scheme and is required, under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, to invest any fund money that is not needed immediately to make payments.

46. The Council will separately identify pension fund cash and specific investment decisions will be made on any surplus cash identified, based on the estimated cash flow requirements of the Fund. Specific investments will be made on the Fund's behalf by the County Council in line with the treasury management policy. As the majority of Fund cash is allocated to individual investment managers and may be called by them at short notice, it is expected that the majority of cash will be placed on call or on short-term fixed deposits. Unallocated balances may be placed directly with the Fund's custodian.

47. **Fraud, error and corruption, and contingency management**
The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

48. The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

49. **Market risk**
The risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

50. The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations. Decisions on investment in tradeable securities, which risk loss of capital due to market fluctuations, will only be authorised by the *Treasury Management Group*.

TMP2 Performance measurement

51. The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy. One key performance measure is income/expenditure against budget, and budget setting for interest payable and receivable is crucially important for effective treasury management.

52. Furthermore, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. Methods of service delivery and the scope for potential improvements will be regularly examined.

53. The Council's positive cashflows tend to be weighted towards the first half of the financial year, with outflows towards the second half of the year. This allows the Council to make investments most days but restricts its use of fixed rate investments to the first half of the year, with most investments being for very short, often overnight, periods. For this reason, cash management returns will be benchmarked against the average ***7 day LIBID*** rate each year.

54. Returns are also benchmarked against other local authorities within the CIPFA benchmarking club but caution needs to be exercised in analysing these results as they vary with both the overall size of the portfolio (larger portfolios are able to obtain better longer term rates) and the attitude to risk at these authorities. Unfortunately the nature of other authorities' treasury management risk appetites cannot be known in any detail without extensive subjective research.

55. Borrowing will be undertaken in accordance with the treasury management strategy and opportunities will to be taken to borrow, with regard to the Council's Capital Financing Requirement and the most recent cashflow forecast, at rates that are considered to be affordable and attractive over the long-term.

TMP3 Decision-making and analysis

56. The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

57. Treasury management processes and practices are documented in the Investments Procedure Manual. This is reviewed and agreed by the *Treasury Management Group* following any material changes. Full records are maintained of all treasury management decisions in order to demonstrate compliance with these processes and for audit purposes. Where appropriate, decisions are reported to the *Treasury Management Group*.

TMP4 Approved instruments, methods and techniques

58. The Council will undertake its treasury management activities within the limits and parameters defined in *TMP1 Risk management*. Its borrowing activity will be within the prudential limits and may include the following:
    (a) overdraft or short-term loan from an authorised financial institution;
    (b) short-term loan from a local authority;
    (c) long-term loan from an authorised financial institution (to include Lender Option Borrower Option (LOBO) loans)
    (d) the PWLB (or successor);
    (e) loan instruments, including transferable loans up to five years duration and non-transferable of no fixed duration;
    (f) Municipal Bonds Agency.

59. For investing purposes, the Council may use the following financial instruments:
    a) call or notice accounts
    b) fixed term deposits
    c) callable deposits
    d) structured deposits
    e) certificates of deposits
    f) money market funds
    g) UK Treasury Bills
    h) UK government bonds

60. For money market funds the Council will limit their use to those with a constant net asset value and minimum total assets of £5 billion. For UK Treasury bills and UK government bonds the objective will be to hold until maturity but their tradeability gives the flexibility to realize these instruments earlier for liquidity purposes or in the event of significant capital gains. The Council will use forward dealing for both investing and borrowing where market conditions indicate this approach to offer better value for money.

TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

61. The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

62. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

63. If the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Senior Accountant (Pensions & Treasury Management) will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

64. The Senior Accountant (Pensions & Treasury Management) will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Senior Accountant (Pensions & Treasury Management) will also ensure that at all times those engaged in treasury management shall follow the policies and procedures set out.

65. The Senior Accountant (Pensions & Treasury Management) will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

66. The current responsibilities are outlined below.
    - Treasury management strategy, policies and practices are set by the County Council.
    - Responsibility for the implementation, scrutiny and regular monitoring of the treasury management policies and practices is delegated to the *Treasury Management Group*.
    - The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act within the parameters set by the Treasury Management Policy Statement and TMPs and decisions of the *Treasury Management Group*. The Investments Officer will act as deputy to the Senior Accountant (Pensions & Treasury Management) in his or her absence.

67. The current procedures are outlined below.
    - Daily cash flow forecasts will be maintained by the Loans Officer. Annual cash flow forecasts will be provided to the *Treasury Management Group* on a quarterly basis.
    - The daily procedures for cash flow monitoring, placing deals, transmission of funds and documentation are set out in the Investments Procedure Manual. These procedures are usually carried out by the Loans Officer with absences covered by another officer under the responsibility of the Senior Accountant (Pensions & Treasury Management).
    - The officer dealing on the money market each day must prepare a cash flow forecast for that day based on the most up-to-date information available and this must be checked by the Senior Accountant (Pensions & Treasury Management), or another officer under the responsibility of the Senior Accountant (Pensions & Treasury Management), before that day's deals are carried out. Before conducting a deal, the officer will confirm that the credit ratings of the counterparty are in line with the approved policy.
    - Deals must be within the limits set out in *TMP1 Risk management*. Dealing staff must be aware of the principles set out in Non-Investment Products (NIPs) Code published by the Bank of England. Documentation must be kept in accordance with the Investments Procedure Manual.
    - The transfer of funds will normally be actioned by CHAPS transfer through the banking system. Separate authorisation is required by a senior officer of the Council in order to release the payment.

68. Individual deal limits specified in *TMP1 Risk management* apply to all staff placing deals. Any borrowing or lending for periods greater than 364 days may only be actioned on the authority of the Senior Accountant (Pensions & Treasury Management) and either the Service Director (Finance, Procurement and Improvement) or the Group Manager (Financial Management). Money may only be lent to institutions or funds on the *Approved List*.

TMP6 Reporting requirements and management information arrangements

69. The Service Director (Finance, Procurement and Improvement) will ensure that regular reports are prepared and considered on the implementation of the

Council's treasury management strategy and policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

70. Full Council will receive:
    - an annual report on the strategy to be pursued in the coming year
    - a mid-year review
    - an annual report on the performance of the treasury management function in the past year and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.

71. The *Treasury Management Group* will receive regular monitoring reports on treasury management activities and risks and on compliance with and suggested revisions to policy. Members of the *Treasury Management Group* will be informed of any breach of the principles contained in TMP5.

TMP7 Budgeting, accounting and audit arrangements

72. The Service Director (Finance, Procurement & Improvement) will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1 Risk management*, *TMP2 Performance measurement*, and *TMP4 Approved instruments, methods and techniques*.

73. The Service Director (Finance, Procurement & Improvement) will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with *TMP6 Reporting requirements and management information arrangements*.

74. The Council accounts for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

75. The impact of expected borrowing and investment activity is dealt with in the Council's budget book. Systems and procedures are subject to both internal and external audit and all necessary information and documentation is provided on request.

TMP8 Cash and cash flow management

76. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the (Finance, Procurement & Improvement), and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Service Director (Finance, Procurement & Improvement) will ensure that

these are adequate for the purposes of monitoring compliance with *TMP1(2) liquidity risk management*.

77. As outlined in TMP5, daily cash flow forecasts are prepared in accordance with the Investments Procedure Manual, and summarised weekly and annual forecasts are regularly provided to the *Treasury Management Group*.

TMP9 Money laundering

78. The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

79. All treasury management activity with banks other than the Council's own bank is actioned through CHAPS transfers to/from nominated accounts. Suspicions that a third party is attempting to involve the County Council in money laundering will be reported to the Service Director (Finance, Procurement & Improvement).

TMP10 Training and qualifications

80. The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

81. The person specifications for the Senior Accountant (Pensions & Treasury Management) and the Investments Officer require a CCAB qualification and other members of the treasury team have the option to be supported to attain professional qualifications from the Association of Accounting Technicians, the Chartered Institute of Public Finance and Accountancy or the Association of Corporate Treasurers. The members of the *Treasury Management Group* are also required to be CCAB or CIMA qualified.

82. Professional qualifications will be supplemented by relevant training courses, attendance at seminars and conferences and access to CIPFA's Treasury Management Network and Technical Information Service for all team members. The Senior Accountant (Pensions & Treasury Management) will recommend and implement the necessary arrangements. Requests and suggestions for training may be discussed at any time with the Senior Accountant (Pensions & Treasury Management) and also feature as part of the EPDR process.

83. The *Treasury Management Group* will ensure that board/council members tasked with treasury management responsibilities have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to undertake their role effectively.

TMP11 Use of external service providers

84. The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

85. Where services are subject to formal tender or re-tender arrangements, legislative requirements will be observed. The monitoring of such arrangements rests with the responsible officer.

86. The Council currently uses four broking companies to act as intermediaries in lending and borrowing activity although it will also carry out this activity directly with counterparties. It does not currently employ the services of any specialist treasury management advisers. It subscribes to an on-line market information feed relating to Money Markets and Gilt prices, as well as for credit and support rating information.

TMP12 Corporate governance

87. The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

88. The Council has adopted and implemented the key provisions of the CIPFA Treasury Management in the Public Services Code (2011 edition) and reports are made in accordance with the approved policy. The Council's constitution includes schemes of delegation covering treasury management activities.

89. These measures are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if necessary, report upon the effectiveness of these arrangements.