Nottinghamshire County Council

Cabinet

Thursday, 26 January 2023 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

1	Minutes of the last meeting of Cabinet held on 15 December 2022	3 - 6
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	Adult Social Care Market Position Statement, Market Sustainability Plan and Fee Strategy	7 - 14
5	Financial Monitoring Report Period 8 - 2022-23	15 - 30
6	Budget 2023-24	
6a	Response to Overview Committee's Consideration of Draft Budget and Medium Term Financial Strategy Proposals	31 - 34
6b	Budget 2023-24 - Proposals for Submission to Full Council	35 - 132

Notes

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) 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

(3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Keith Ford (Tel. 0115 977 2590) or a colleague in Democratic Services prior to the meeting.

(4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

(5) 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

minutes

Meeting	CABINET
Date	Thursday 15 December 2022 (commencing at 10.30 am)

membership

COUNCILLORS

Ben Bradley MP (Chairman)
Bruce Laughton (Vice-Chairman)

Chris Barnfather
Matt Barney
Neil Clarke MBE
John Cottee
Keith Girling
Richard Jackson
Tracey Taylor
Gordon Wheeler

OTHER COUNCILLORS IN ATTENDANCE

Deputy Cabinet Members
Reg Adair
Mike Adams
Andre Camilleri
Scott Carlton
Tom Smith

Other Councillors
Boyd Elliott

OFFICERS IN ATTENDANCE

Adrian Smith	Chief Executive
Marjorie Toward Isobel Fleming Phil Rostance Nigel Stevenson Keith Ford	Chief Executive's Department
Jonathan Gribbin	Adult Social Care and Public Health Department

Colin Pettigrew	Children and Families Department
Derek Higton Gary Wood	Place Department
Dan Maher	Via East Midlands Limited

1 MINUTES

The minutes of the last meeting of Cabinet held on 17 November 2022, having been previously circulated, were confirmed and signed by the Chairman.

2 APOLOGIES FOR ABSENCE

None.

3 DECLARATIONS OF INTERESTS BY MEMBERS AND OFFICERS

None.

4 NOTTINGHAMSHIRE PLAN ANNUAL DELIVERY PLAN ASSURANCE REPORT

RESOLVED 2022/0018

That progress to date against the Annual Delivery Plan 2022-23 be noted.

5 FOOD REDISTRIBUTION SCHEMES

RESOLVED 2022/0019

1) That the Council continues its financial support for food redistribution schemes.

2) That up to £210,000 of Public Health Reserves budgeted from funding approved by Cabinet in May 2022 for Public Health Outcome – HEALTHY FOOD – Early Years Food Environment in 2023-26 be allocated specifically to food redistribution schemes operated by community and voluntary sector or partner organisations, with any grant funding awards to those schemes to be made via the Local Communities Fund (LCF), in line with the Council's financial regulations and existing delegations for the LCF.

6 HIGHWAYS REVIEW

RESOLVED 2022/0020

1) That the progress and outputs from the Highways Review, which took place following on from the motion agreed at Full Council on 27 May 2021, be endorsed.

2) That the Highways Asset Management Strategy and Policy, as appended to the report, be approved.

3) That a formal approach to continuous improvement be embedded in the highways functions with the creation of a joint continuous improvement plan across the activities of the Council and Via East Midlands Limited, building on the achievements from the original highways review.

The meeting closed at 11.07 am

CHAIRMAN

Nottinghamshire County Council

Report to Cabinet

26 January 2023

Agenda Item: 4

REPORT OF THE CABINET MEMBER, ADULT SOCIAL CARE AND PUBLIC HEALTH

ADULT SOCIAL CARE MARKET POSITION STATEMENT, MARKET SUSTAINABILITY PLAN AND FEE STRATEGY

Purpose of the Report

1. The report provides Cabinet with an update on the Department of Health and Social Care (DHSC) Fair Cost of Care exercise, the ongoing position, and the timeline associated with this.

2. The report provides an update to Cabinet on the final submission to be made to the DHSC on 1 February 2023.

3. The report provides detail on the final Market Sustainability Plan, the Fee Strategy and Cost of Care report submission along with the Market Position Statement that will be presented to Cabinet in March 2023.

Information

Background

4. In Nottinghamshire, as nationally, much of the market providing care to individuals assessed as requiring care is delivered by organisations, many of which are independent businesses, alongside self-employed individuals, voluntary and community organisations.

5. The Council has a statutory duty within the Care Act to promote, develop and manage the market ensuring sufficient high-quality provision that meets local need.

6. In December 2021, the government announced the Market Sustainability and Fair Cost of Care Fund to support local authorities to prepare their markets for reform and to support local authorities to move towards paying providers a fair cost of care.

7. The government released a grant to support local authorities to prepare for the fair cost of care. As a condition of receiving the fund, local authorities are required to evidence the cost of care exercises for 65+ care homes and 18+ domiciliary care markets alongside a provisional market sustainability plan and a spend report detailing how funding allocated for 2022/23 is being spent.

8. Adult Social Care reform and expected requirements were set out for Cabinet in July 2022. Some aspects of Adult Social Care national reform guidance are delayed, and guidance is pending from the DHSC on how current and future Reform Grant Conditions will be met.

9. Councils annually review rates for their commissioned social care providers typically carrying out a local cost of care exercise. This informs them of the pressures on various parts of the care market.

10. In Nottinghamshire, most provider fees are uplifted annually in line with the National Living Wage and any other statutory increases, applied to the proportion of the rate that relates to staffing costs or the statutory increase. In addition, Ageing Well (65+) banded care home rates receive an additional general inflationary element for costs based on previously agreed statistical indices.

The Fair Cost of Care Exercise

11. East Midlands' Councils collaborated to analyse the social care market. This collaboration has enabled work to take place at scale and offers consistency with shared providers with the East Midlands' authorities individually commissioning Care Analytics to undertake the Cost of Care exercise. The analytical work involves looking at costs of care to inform the required Cost of Care exercise and the Council's Fee Strategy and provides an independent market analysis and recommendations to inform each local authority's future Fee Strategy.

12. In addition to the Cost of Care exercise, the Council will use the following to determine its costs and fee setting:

- local care providers quality monitoring and assurance data and information
- local performance monitoring and information
- local market comparison information
- local public health information
- national data and information, for example from Skills for Care
- engagement with workforce leads
- views of people, for example from quality monitoring.

13. Participating in the exercise was not mandatory for care providers, however the Council encouraged care providers to be involved and invested in building strong relationships with them. Several care provider engagement events and communications took place and communication with providers is ongoing.

Current Position

14. The October 2022 submission was made on time. This included:

- completed cost of care exercise for Care Homes (65+) and Homecare (18+)
- completion of a provisional Market Sustainability Plan
- completion of a spend report detailing how funding allocated for 2022 to 2023 would be spent in line with the fund's purpose.

15. DHSC are reviewing local authorities' Cost of Care data exercises, the provisional Market Sustainability Plans and spend reports. This is to assure the Department of local authorities' compliance with the grant conditions tied to October's submission deadline, including that 2022-23 funding allocations have been spent appropriately.

16. The Cost of Care information received from providers continues to be analysed and quality assured along with other market analysis being conducted by Care Analytics as part of their work and will be contained in their final report.

Next Steps - DHSC

17. Next steps for the Department between December 2022 and February 2023 are detailed below:

    a) DHSC will contact local authorities to check on grant conditions where funding has been used to increase fee rates paid to providers in line with the objectives of the Fund in year one.
    b) DHSC will also contact local authorities where there are specific questions on the results of the Cost of Care exercise to understand where the greatest market sustainability risks lie and to understand what strategies local authorities are using to address these.
    c) DHSC will continue to work with local government representatives to produce high-level content recommendations for local authorities to consider including in their final Market Sustainability Plans.

18. There is an expectation that local authorities continue working on, and sharing, information with their providers until the submission and publication deadlines.

19. Cost of Care reports need to be published on local authorities' GOV.UK webpages by 1 February 2023.

20. The date for submission and publication dates for final Market Sustainability Plans are yet to be confirmed.

Next Steps – Nottinghamshire County Council

21. Final guidance is still pending from DHSC on the February (and March) submission with information, templates, and updates being followed as they become available from central government. Due to this, further work continues to finalise the Fair Cost of Care exercises and the associated Fee Strategy, understanding the key findings and identifying the key challenges (including any relating to the impact of rurality) ensuring compliance with the required submission.

22. The DHSC returns will be completed and approved in advance of the final submission of Annex B and its publication on the Council website on 1 February 2023. The Cabinet Member for Adult Social Care and Public Health will be given the delegated authority to approve the final submissions to be made to DHSC following consultation with the Monitoring Officer and the s151 Officer.

23. It should be noted that, DHSC could contact the Council at any time up to 01 February 2023 (for the Fair Cost of Care work) and up to 31 March 2023 (for the Market Sustainability Plan) regarding submission to seek clarification that could result in changes, or even amendments after this date. With documents already published on the Council's website should any changes be required by DHSC, they will be discussed with and authorised by the Cabinet Member for Adult Social Care and Public Health. A record of any changes will be brought back to the next available Cabinet.

24. A report will be brought to Cabinet in March 2023. This report will include:

1) the final Cost of Care report and associated annexes
2) the Fee Strategy
3) the Market Sustainability Plan and Market Position Statement
4) any questions regarding Nottinghamshire's submissions that have been raised by DHSC.

These documents will become the Council's policy on how fees are set and the rates that are paid to providers. As such, Cabinet will be asked to adopt these documents as Nottinghamshire County Council's fee policy.

Other Options Considered

25. Other options are not being considered as the Council is following national guidance.

Reason/s for Recommendation/s

26. To update Cabinet on the continuing work to meet the national deadlines and the current position of the Fair Cost of Care exercise.

Statutory and Policy Implications

27. 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 (National Health Service) 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.

Financial Implications

28. National funding was made available to support the Fair Cost of Care exercise of £162m for 2022/23. Of this, Nottinghamshire's allocation was £2.31m. The spend report was submitted to DHSC in October 2022.

29. At least 75% of 'the fund' for 2022/23 must be spent on uplift of care fees. The spend report submitted to DHSC on 14 October 2022 set out that the Council expected to use £1,929,447 (81%) to partially fund the £1 per hour increase in rates paid to homecare providers from September 2022 as agreed by Cabinet in July 2022, with the remaining 19% being used for implementation activity.

Public Sector Equality Duty Implications

30. An Equality Impact Assessment is being completed as part of the drafting of the Market Position Statement, Market Sustainability Plan and Fee Strategy.

Implications for Residents

31. The ambitions of Social Care reform and the Fair Cost of Care exercise are to give residents greater choice, control, and support to live independent lives, access to personalised care and support of outstanding quality, and fair and affordable adult social care. Under the new reforms, which have now been delayed by Government for a further two years, self-funders would have been able to ask local authorities to arrange their care for them at the local authority rates.

32. The Council has experience of supporting self-funders receiving domiciliary care and officers will engage and listen to residents who are currently experiencing this service to determine (following the residents' steer) any areas that can be improved in the delivery of this service.

33. These lessons learned will be shared with self-funding residents and families currently living within residential care settings in the County and Nottinghamshire residents living in such settings out of area, focus groups and other residents through a formal consultation process.

34. The consultation will enable the development of an effective support model for self-funding residents that has been co-designed and developed by people who are, or will be, using this service.

35. The model will be reviewed regularly to ensure it is fit for purpose.

RECOMMENDATION/S

That Cabinet:

1) acknowledges the work to date and the current position with regards to the Market Sustainability, Market Position Statement, the Fair Cost of Care exercise and the related fee strategy, including the submission to the Department of Health and Social Care.

2) delegates to the Cabinet Member for Adult Social Care and Public Health the authority to approve the final submissions to be made to the Department for Health and Social Care in February following consultation with the Monitoring Officer and the s151 Officer.

3) notes that a report will be brought to Cabinet in March 2023 to consider and adopt the final Market Sustainability Plan, final supporting Fee Strategy and Market Position Statement and Market Sustainability Plan.

Councillor Matt Barney
Cabinet Member, Adult Social Care and Public Health

For any enquiries about this report please contact:

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Corporate Director, Adult Social Care and Health
T: 0115 8043928
E: melanie.williams@nottscc.gov.uk

Constitutional Comments (CEH 17/01/23)

36. The report is to inform and update Cabinet on the Fair Cost of Care exercise including progress to date and the next steps, and falls within the remit of Cabinet.

Financial Comments (KAS 10/1/23)

37. The Council has received £2.31m of the £162m national allocation. In addition to other council funding this is being used to partially fund the £1 per hour increase in rates paid to homecare and supported living providers from September 2022 as agreed by Cabinet in July 2022.

38. At least 75% of the £2.31m received will be spent on uplift of care fees in line with the grant conditions, with the remaining grant being used to fund the implementation costs.

Background Papers and Published Documents

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

Published Market Sustainability and Fair Cost of Care Fund: purpose and conditions 2022 to 2023 - GOV.UK (www.gov.uk)

Published Market sustainability and fair cost of care fund 2022 to 2023: guidance - GOV.UK (www.gov.uk)

Published Social Care Reform White Paper: https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper

Published Adult Social Care Reform Impact and Risks Cabinet report dated 14th July 2022

Published Adult Social Care Market Pressures Cabinet Report dated 14th July 2022

Published Section 5 of the Care Act – shaping the market and support services Care Act factsheets - GOV.UK (www.gov.uk)

Published Care and Support Statutory Guidance (Sec 4.31) Care and support statutory guidance - GOV.UK (www.gov.uk)

Published further background information on Think Local Act Personal (TLAP)

Autumn Statement in Detail - CBP-9315.pdf (parliament.uk)

Electoral Division(s) and Member(s) Affected

All.

A0031

Nottinghamshire County Council

Report to Cabinet

26 January 2023

Agenda Item:5

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTUCTURE AND IMPROVEMENT

FINANCIAL MONITORING REPORT: PERIOD 8 2022/2023

Purpose of the Report

1. To provide the Cabinet with a summary of the budget monitoring position as at Period 8.

Information and Advice

Background

2. The Council approved the 2022/23 budget at its meeting on 24 February 2022. As with previous financial years, progress updates will be closely monitored and reported to management and either the Cabinet Member for Finance or Cabinet each month.

Summary Revenue Position

3. The table below summarises the revenue budgets for each Portfolio for the forthcoming financial year. An underspend of £2.2m (0.4% of the Council's Net Budget Requirement) is currently projected against the budget approved by Full Council in February 2022. As a consequence of this variance and the significant levels of uncertainty and financial challenges facing the Council over the medium term, the key message to effectively manage budgets and, wherever possible, deliver in-year savings continues to be reinforced.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 7	Portfolio	Annual Budget £'000	Actual to Period 8 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000	Percentage Variance to Annual Budget
260	Children & Young People	170,136	109,493	170,124	(12)	(0.01%)
(1,217)	Adult Social Care & Public Health	248,443	139,149	247,111	(1,332)	(0.54%)
941	Transport & Environment	120,838	76,003	120,914	76	0.06%
513	Communities	19,036	5,678	19,272	236	1.24%
(168)	Economic Development & Asset Management	25,660	15,549	25,376	(284)	(1.11%)
(194)	Deputy Leader & Transformation	5,177	2,906	4,729	(448)	(8.65%)
(120)	Finance	17,812	14,119	17,777	(35)	(0.20%)
(485)	Personnel	28,425	18,909	27,791	(634)	(2.23%)
(470)	**Net Committee (under)/overspend**	**635,527**	**381,806**	**633,094**	**(2,433)**	
(2,000)	Central items	(51,883)	(66,697)	(53,883)	(2,000)	
-	Schools Expenditure	497	-	497	-	
1,205	Contribution to/(from) Traders	(863)	4,226	488	1,351	
(1,265)	**Forecast prior to use of reserves**	**583,278**	**319,335**	**580,196**	**(3,082)**	
-	Transfer to / (from) Corporate Reserves	(6,520)	-	(6,520)	-	
971	Transfer to / (from) Departmental Reserves	(17,286)	293	(16,386)	900	
-	Transfer to / (from) General Fund	-	-	-	-	
(294)	**Net County Council Budget Requirement**	**559,472**	**319,628**	**557,290**	**(2,182)**	

Portfolio Variations

Adult Social Care & Public Health (£1.3m underspend, 0.54% of net portfolio budget)

4. The Adult Social Care & Public Health portfolio is currently reporting a forecast underspend of £1.3m. This is mainly due to underspends in Direct & Provider Services (£2.7m), Strategic Commissioning and Integration (£1.4m), Maximising Independence (£0.2m) and Public Health (£0.9m), being partly offset by an overspend in Living Well and Ageing Well (£3.9m).

5. The underspend in Commissioning and Integration Services is due to underspends across a range of budget heads including staffing, overheads, contract spend on supported accommodation and other non-staffing budgets.

6. The underspend in Direct & Provider Services is across all services and is mainly due to the following:

   - Anticipated additional NHS Continuing Healthcare income into residential services which is positive in supporting people with complex health and social care needs.
   - Increased underspend in Day Services due to slippage on recruitment. Although the vacancy rate is high and the majority of posts need to be recruited to maintain service continuity, retaining a proportion of vacancies will assist in redesigning services and job roles in response to the recently launched Day Opportunities Strategy.

7. The forecast overspend in Living Well has increased, mainly due to increases in Long Term Residential and Nursing Care and increased volume of cases.

8. Living Well spend continues to be challenging, particularly in relation to increasing needs and market forces, where there is limited availability of services, particularly for people with complex needs, which results in lack of market competition and high placement costs. A number of actions are being taken to mitigate this as follows:

    - Close oversight of placement decisions through an effective panel process.
    - Joint work with Strategic Commissioning to develop the external provider market and maximise how we utilise contracted services.
    - A focus on taking a strengths-based approach to support, to maximise independence and reduce the need for formal support.
    - Reviewing the transition of young people approaching adulthood to ensure that interventions are timely and cost effective. This will form part of the focused budget setting work over the summer period.
    - A joint programme of work relating to home care and Housing with Care has been set out which will help to develop community alternatives that are cost effective and improve outcomes for our residents.

Personnel (£0.6m underspend, 2.23% of net portfolio budget)

9. The Personnel portfolio is currently reporting a forecast underspend of £0.6m. This consists of forecast overspends in Corporate HR (£0.2m) and Legal Service (£0.2m) offset by underspends in Business Support (£0.5m), Apprentices / Trainees (£0.1m), Communications & Marketing (£0.2m) and Business Services Centre (£0.2m).

10. The Corporate HR overspend is due to reduced income from Schools & Academies buy back income. Legal Services have incurred additional costs due to a lack of court resources meaning cases spending longer within the court system, a need to place reliance on locums and additional work supporting the change in governance arrangements. Underspends are predominantly due to staff vacancies.

Traded Services (£1.4m overspend)

11. The Schools Catering Service forecast includes estimated additional labour costs of £0.5m in-year, as a result of the 2022/23 Local Government pay award and the revised foundation living wage. The forecast also includes the impact of food cost increases of £0.4m. A proposed increase in the price of Free and Universal Infant Free School meals to schools, backdated to April, has also been included in the forecast. The net impact of these changes is that the service is forecast to incur a net operating deficit of £1.7m in 2022/23. The Service will seek to recover additional costs of £0.7m through its SLA and non-SLA contracts with Schools leaving a net deficit of £1.0m to be funded by the County Council. To mitigate the forecast deficit further, a number of other measures are being considered including a revised in-year pricing strategy for paid meals. In addition, the County Office West Bridgford Catering service is forecasting a loss of £0.1m due to increases in salary costs and running expenses.

12. As a result of estimated increased labour costs of £0.5m arising from the 2022/23 pay offer and the revised foundation living wage, the Cleaning & Landscapes Services forecast is revised from a surplus to an anticipated deficit of £0.3m.

Central Items (£2.0m underspend)

13. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.

14. Interest projections (both payable and receivable) fluctuate depending on expectations in relation to future rates and anticipated slippage on the capital programme. Current Treasury Management forecasts suggest a net underspend on interest of £2.0m.

15. The Council's budget includes a base contingency budget of £4.0m to cover redundancy costs, slippage of savings and other potential unforeseen events. Also, in 2022/23 further demand and inflationary pressures have been identified that have a degree of uncertainty with regard to likelihood, value and profiling; including assumptions on pay awards. As such, an additional provision of £13.3m was made within the contingency to fund these pressures should they arise. The Cabinet, Cabinet Member for Finance or the Section 151 Officer are required to approve the release of contingency funds.

Requests for Contingency

16. The recent settlement of the 2022/23 Local Government pay award will require a call upon the Contingency budget to nullify the impact upon Portfolio pay budgets. As a consequence, Cabinet approval is sought to drawdown £11.4m to fund associated costs.

17. There has already been a call on the 2022/23 contingency budget from requests that have been approved by the previous Finance Committee, Cabinet or the Section 151 Officer which total £3.5m. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main Areas of Risk within the 2022/23 budget

18. As reported previously, there are significant risks and uncertainties associated with the current environment that local authorities are operating within, both in the short and medium terms. The main financial risks faced by the Council are as follows:-

- Any on-going financial impact of the COVID19 pandemic and the implications that this may have on the delivery of Council services.
- The cost pressures factored into the Council's budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, particularly with regard to Adults and Children's Social Care Services, Transport Services, the impact of the National Living Wage, agreement of the pay award, the impact of the proposed Adult Social Care reform as well as any additional burdens identified by Central Government.
- The COVID19 pandemic coupled with the UK leaving the EU has had a significant impact on the availability of staffing resource particularly in the social care sector as recruiting and retaining care staff across social care services remains difficult. Staff

shortages have also been experienced in catering, facilities management and waste services.

- Whilst the Council is somewhat protected from immediate inflation on direct energy costs through the advanced purchasing arrangement with Crown Commercial Services (CCS), wider inflationary pressures driven by energy costs could have a detrimental impact across a whole range of service areas.
- Fuel prices which are at a record high, will also be felt across all areas of the organisation in due course, with the potential for contracts to become unaffordable for the council or unviable for some service providers.
- Higher costs associated with the capital programme due to material shortages and increases in the cost of construction and other key materials.

Balance Sheet
General Fund Balance

19. Cabinet approved the 2021/22 closing General Fund Balance of £35.2m on 14 July 2022. This balance represents 6.2% of the net budget requirement.

Capital Programme

20. Table 2 summarises changes to the gross Capital Programme for 2022/23 since approval of the original Programme in the Budget Report (Council 24/02/22):

Table 2 – Revised Capital Programme for 2022/23

	2022/23 £'000	£'000
Approved per Council (Budget Report 2022/23)		126,879
Variations funded from County Council Allocations :		
Net slippage from 2021/22 and financing adjustments	4,498	
		4,498
Variations funded from other sources :		
Net variation from 2021/22 and financing adjustments	1,851	
		1,851
Revised Gross Capital Programme		**133,228**

21. Table 3 shows actual capital expenditure to date against the forecast out-turn at Period 8.

Portfolio	Revised Capital Programme £'000	Actual Expenditure to Period 8 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	39,845	21,871	32,854	(6,991)
Adult Social Care & Public Health	1,073	418	857	(216)
Transport & Environment	52,556	26,352	52,101	(455)
Communities	2,081	550	2,067	(14)
Economic Devt & Asset Mngt	28,073	4,249	10,465	(17,608)
Finance	7,830	4,252	7,157	(673)
Personnel	106	22	106	-
Contingency	1,664	-	1,664	-
Total	**133,228**	**57,714**	**107,271**	**(25,957)**

Children & Young People

22. In the Children and Young People's portfolio capital programme, a forecast underspend of £7.0m is currently being reported. This is mainly due to reported slippage of £2.9m identified against the School Building Improvement Programme capital budget, £3.5m re-profiling against the new East Leake School project as well as slippage of £0.4m identified against the Mill Adventure Base scheme. These budgets will be amended as part of the Annual Budget Report 2023/24.

Economic Development and Asset Management (EDAM)

23. In the EDAM portfolio capital programme a forecast underspend of £17.6m has been identified. This mainly relates to £12.2m of slippage against Investing in Nottinghamshire programme as this programme is reviewed. In addition, £1.1m of the Top Wighay Farm Homes England project has been re-profiled into the 2023/24 financial year. Also, the Broadband and 5G Digital Connectivity programmes have been completed at lower than expected cost.

Finance

24. In the Finance portfolio capital programme a forecast underspend of £0.7m has been identified. This is due to reported re-profiling of £0.7m against the EcoSystem capital programme following a programme review.

Variations to the Capital Programme

25. Under the Council's new governance arrangements, the Section 151 officer has approved a number of variations to the capital programme as set out in the following paragraphs. These variations mainly relate to the re-profiling of capital budgets and may also have an impact on the capital programmes for future years. To capture these implications, all capital budget holders will be asked to review the phasing of their capital programmes by financial year. The outcome of this exercise will be reported as part of the Annual Budget Report to Cabinet in January 2023.

Children & Young People (CYPS)

26. **School Places / Hawthorne Primary -** As part of Period 8 capital monitoring, it has been identified that the Hawthorne Primary School project has completed with a minor underspend of £53k. The CYPS portfolio has been varied to reflect the transfer of funding from the Hawthorne School Project back into the School Places Programme.

Transport & Environment (T&E)

27. **Flood Alleviation and Drainage / Southwell Flood Projects** – The cost of the Southwell Flood Mitigation project has increased by £0.4m. This increase is due to a number of factors which include planning costs, additional commuted sum payments, recent material price increases, covid management costs and additional ground / archaeological costs. These costs are all managed and reported to the Southwell project Board chaired by the Service Director – Place and Communities. It was proposed that the additional costs are funded from the Flood Alleviation and Drainage budget. The T&E portfolio capital programme has been varied to transfer £0.4m budget from the Flood Alleviation and Drainage budget to the Southwell Flood Project to reflect the increased costs of the Southwell Flood Project.

28. **Major Infrastructure Projects** - In the T&E portfolio capital programme, additional costs totalling £149k have been identified against the Major Infrastructure Projects programme. It is proposed that these costs are funded from revenue contributions from the T&E portfolio. The T&E portfolio capital programme has been varied by £0.1m to reflect the identified costs, funded from revenue contributions.

Communities

29. **National Water Sports Centre** - In the Communities portfolio capital programme, works required to carry out roof and boiler replacements have been identified at a total cost of £50k. The Communities portfolio capital programme has been varied by £50k to reflect these works, funded from reserves.

Economic Development & Asset Management

30. **Land Release Funding, Eastwood** - In the EDAM portfolio capital programme, it has been reported that the land release funding project in Eastwood has been completed with a £0.2m underspend. The EDAM portfolio capital programme has been varied by £0.2m to reflect the underspend on this project.

31. **Lowmoor / Caudwell Road Projects** - In the EDAM portfolio capital programme, it has been reported that the Homes England projects at Lowmoor Road and Caudwell Road have been completed with a £0.1m underspend. The EDAM portfolio capital programme has been varied by £0.1m to reflect the underspend on these projects.

Financing of the Approved Capital Programme

32. Table 4 summarises the financing of the overall approved capital programme for 2022/23

Table 4 – Financing of the Approved Capital Programme for 2022/23

Portfolio	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People's	21,154	18,441	200	50	39,845
Adult Social Care & Public Health	43	851	-	179	1,073
Transport & Environment	10,189	41,117	726	524	52,556
Communities	1,891	170	20	-	2,081
Economic Devt & Asset Mngt	21,131	5,568	100	1,274	28,073
Finance	4,740	2,040	-	1,050	7,830
Personnel	106	-	-	-	106
Contingency	1,664	-	-	-	1,664
Total	**60,918**	**68,187**	**1,046**	**3,077**	**133,228**

33. It is anticipated that borrowing in 2022/23 will decrease by £17.9m from the forecast in the Budget Report 2022/23 (Council 24/02/22). This decrease is primarily a consequence of:

- £4.5m of net slippage from 2021/22 to 2022/23 and financing adjustments funded by capital allocations.
- Net slippage in 2022/23 of £22.4m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

34. Historically, further additional slippage is identified in the final quarter of the year. This coupled with the high level of capital grants received in-year, means that it is likely that the Authority will not need to increase borrowing in this financial year.

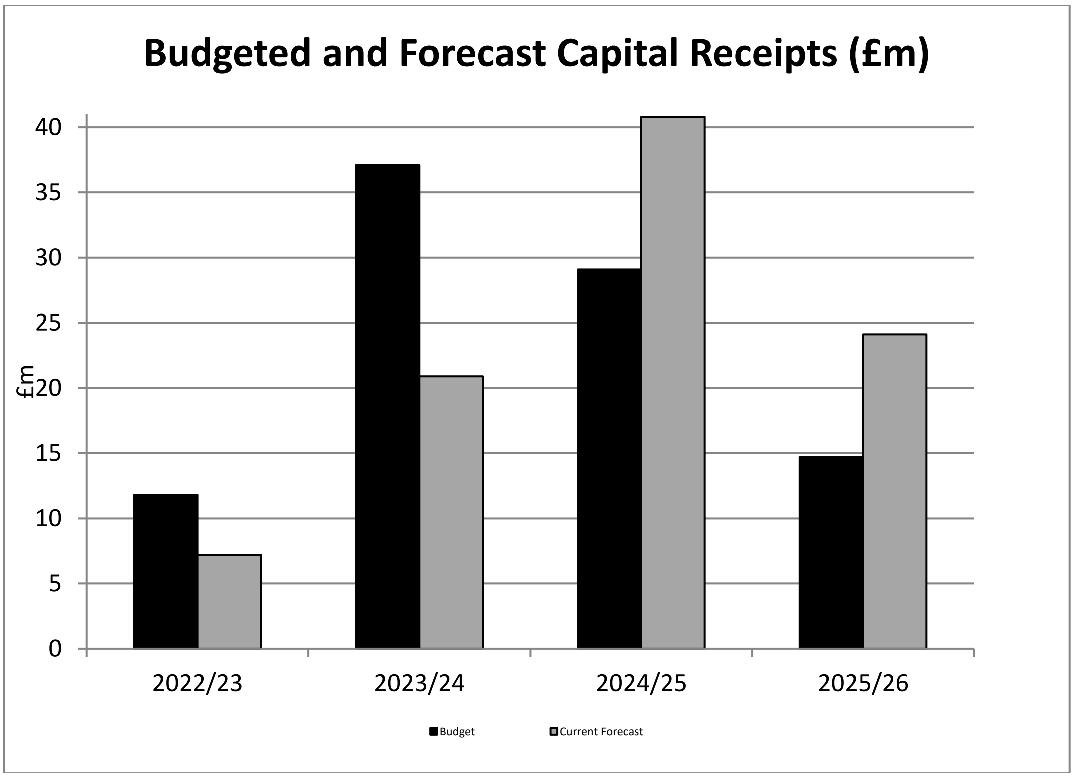
Prudential Indicator Monitoring

35. Performance against the Council's Prudential Indicators is regularly monitored to ensure that external debt remains within both the operational boundary and the authorised limit.

Capital Receipts Monitoring

36. Anticipated capital receipts are regularly reviewed. Forecasts are currently based on estimated sales values of identified properties and prudently assume a slippage factor based upon a review of risk associated with each property.

37. The chart below shows the budgeted and forecast capital receipts for the four years to 2025/26.



38. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2022/23 (Council 24/02/2022). These capital receipts budgets prudently incorporated slippage, giving a degree of "protection" from the risk of non-delivery. It is clear that there is an element

of slippage in the programme mainly due to current market conditions but the level of the capital receipt forecast across the MTFS remains consistent.

39. The capital receipt forecast for 2022/23 is £7.2m. To date in 2022/23, £5.1m of capital receipts have been received.

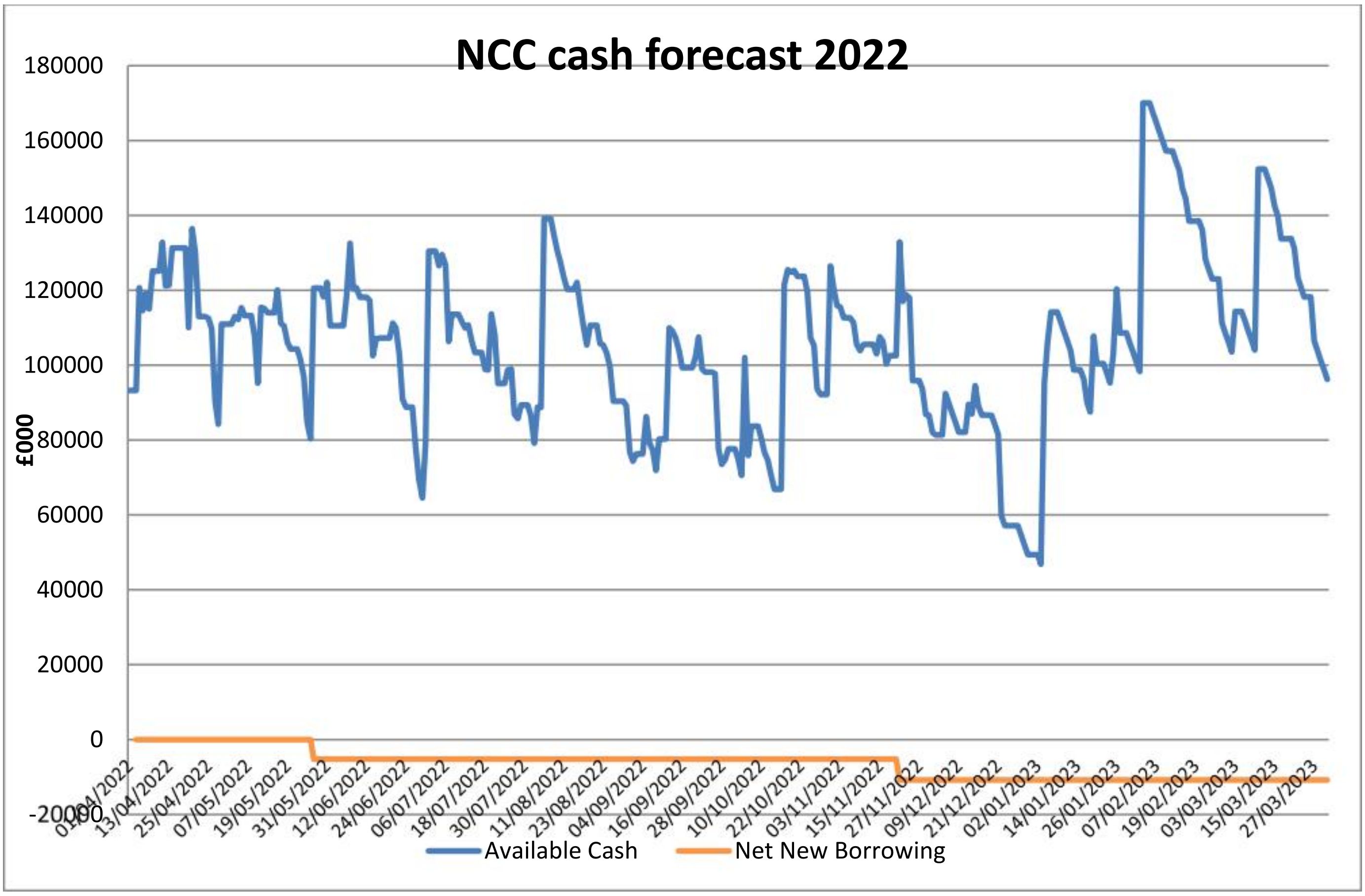
40. The number and size of large, anticipated receipts increase the risk that income from property sales will be below the revised forecasts over the next three years. Although the forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales being lower than the forecast.

41. Current Council policy (Budget Report 2022/23), to minimise the impact of the cost of borrowing on the revenue budget, is to use capital receipts to the value approved as part of the 2021/22 Budget Report to set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts. This will enable excess capital receipts to be used to fund future additional capital investment.

Treasury Management

42. Daily cash management aims for a closing nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group (TMG).

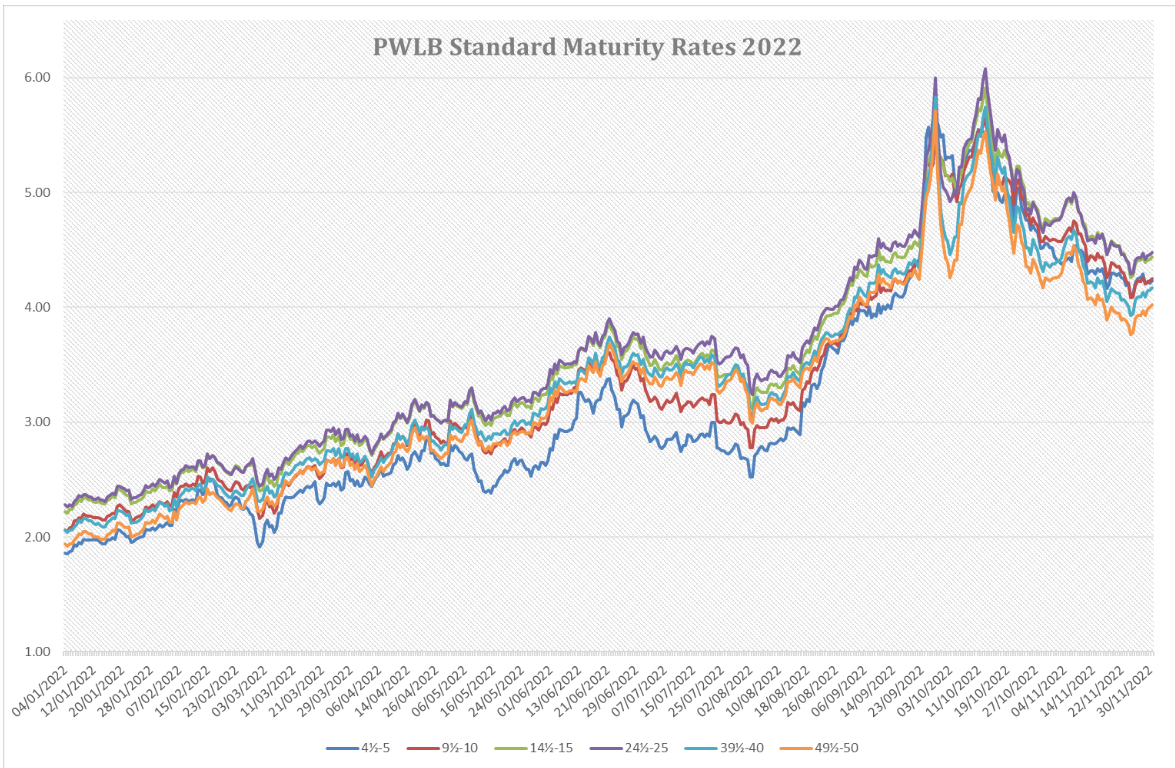
43. The cash forecast chart below shows the current estimated cash flow position for the financial year 2022/23. Cash inflows are typically higher at the start of the year due to the front-loading receipt of Central Government grants, and the payment profile of precepts. Cash outflows, in particular capital expenditure, tend to increase later in the year, and the chart below reflects this. Also, expected borrowing in support of capital expenditure is not included in the forecast. The chart thereby helps highlight the points in the year when such borrowing will be necessary, and it is monitored daily so that treasury management staff can act comfortably in advance of the cash being required, the aim being to maintain adequate but not excessive liquidity.



44. The chart above gives the following information:

Available cash	Surplus cash (invested in call accounts or money market funds) or a shortfall of cash indicating a need to borrow.
Net new borrowing	New loans taken during the year net of principal repayments on existing borrowing.
Bank	That element of surplus cash held in the Council's Barclays Bank account.

45. The Treasury Management Strategy for 2022/23 identified a need to borrow approximately £20m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. However, more recent forecasts show that the Council should be able to make use of internal borrowing until next financial year. PWLB interest rates continue to be monitored closely to allow changes - or potential changes - in rates to feed into decisions on new borrowing. The Council remains able to take advantage of the PWLB "certainty rate" which is 0.2% below the standard rates, although rate rises this year have somewhat nullified the benefit of this. The chart below shows the movement in standard PWLB maturity rates over the course of 2022 to date, and incorporates the spike associated with the dramatic fall and recovery of gilt prices in late September.

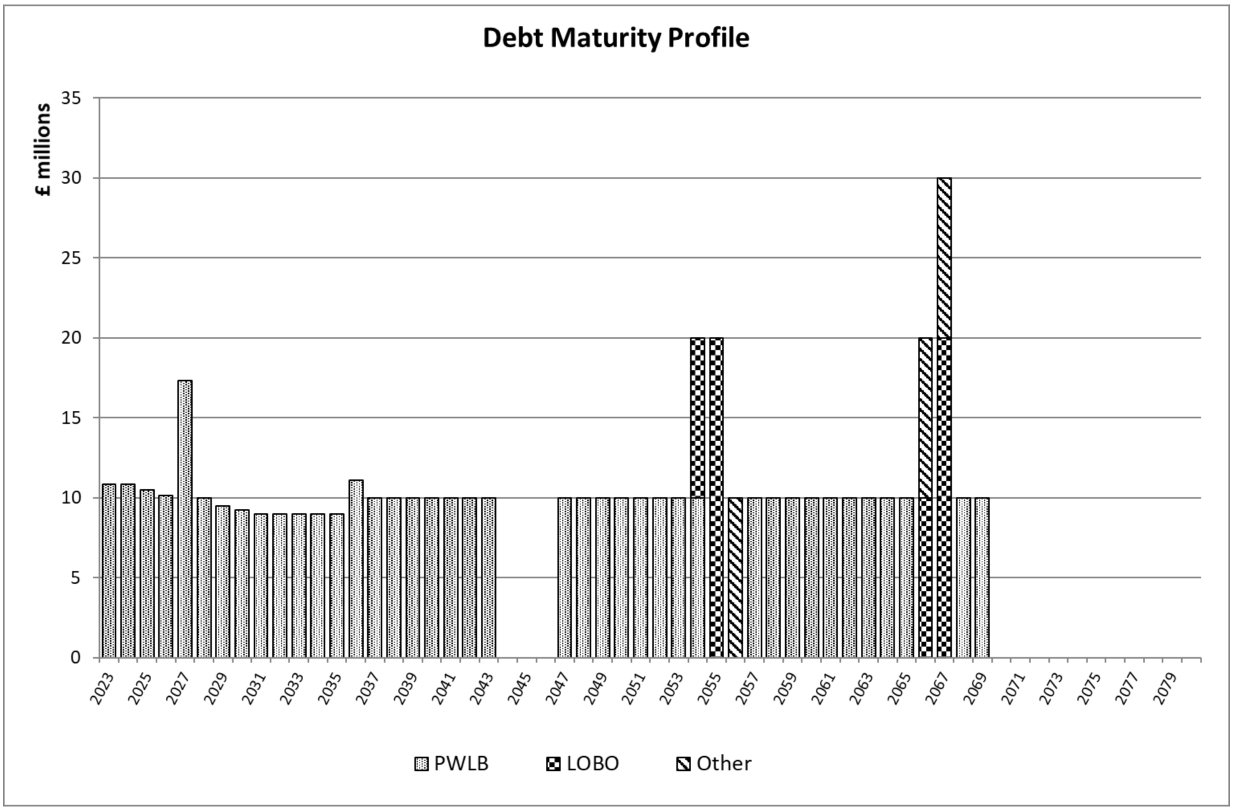


46. Borrowing decisions will take account of a number of factors including:
    - expected movements in interest rates
    - current maturity profile
    - the impact on revenue budgets and the medium-term financial strategy
    - the treasury management prudential indicators.

47. The maturity profile of the Council's debt portfolio is shown in the chart below. The PWLB loans are reasonably well distributed and have a maximum duration of 50 years. When deciding on the lengths of future loans the Council will factor in any gaps in its maturity profile, with a view to minimising interest rate risk, but will consider this alongside other financial factors.

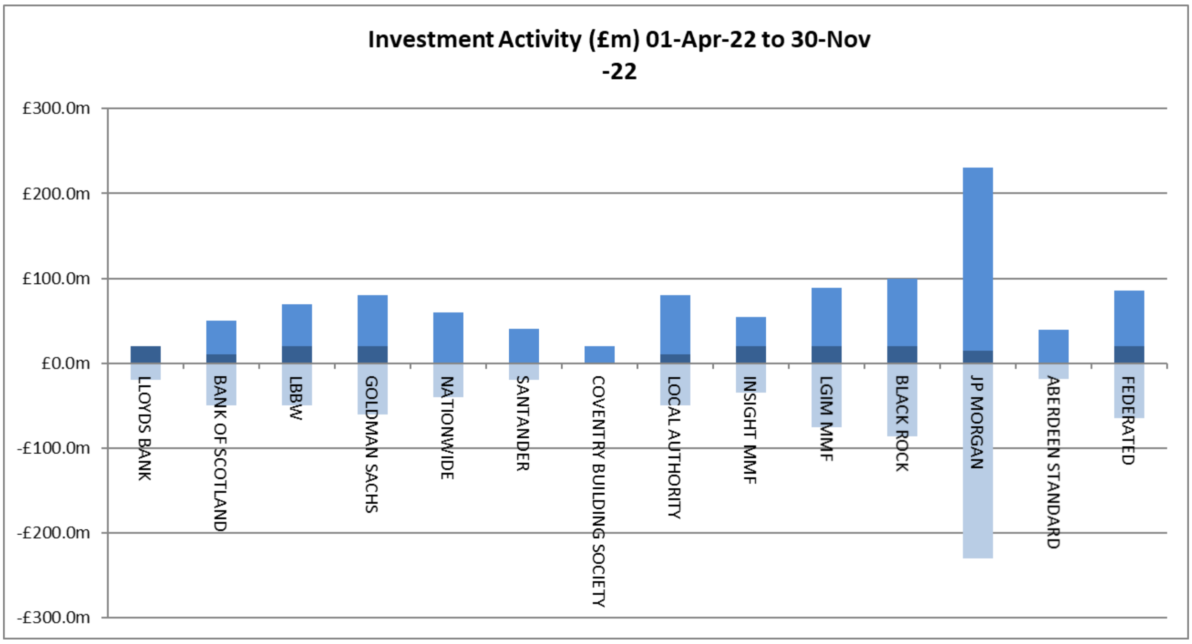
48. Long-term borrowing was also obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken at rates lower than the prevailing PWLB rate at the time. However, LOBOs could actually mature at various points before then, exposing the Council to some refinancing risk.

49. The 'other' loans shown in the chart consists of fixed-term loans from Barclays Bank.



50. The investment activity for 2022/23 to date is summarised in the chart and table below. Outstanding investment balances totalled approximately £175m at the start of the year and £217m at the end of November.

	Total B/f	Total Raised	Total Repaid	Outstanding
	£000	£000	£000	£000
LLOYDS BANK	20,000	0	-20,000	0
BANK OF SCOTLAND	10,000	40,000	-50,000	0
LBBW	20,000	50,000	-50,000	20,000
GOLDMAN SACHS	20,000	60,000	-60,000	20,000
NATIONWIDE	0	60,000	-40,000	20,000
SANTANDER	0	40,000	-20,000	20,000
COVENTRY BUILDING SOCIETY	0	20,000	0	20,000
LOCAL AUTHORITY	10,000	70,000	-50,000	30,000
INSIGHT MMF	20,000	34,250	-34,250	20,000
LGIM MMF	20,000	68,650	-75,250	13,400
BLACK ROCK	20,000	79,550	-86,400	13,150
JP MORGAN	14,800	215,600	-230,400	0
ABERDEEN STANDARD	0	38,900	-18,900	20,000
FEDERATED	20,000	65,200	-65,200	20,000
	174,800	**842,150**	**-800,400**	**216,550**



51. As part of the Council's risk management processes all counterparty ratings are regularly monitored and lending restrictions changed accordingly.

Statutory and Policy Implications

52. 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 where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Other Options Considered

53. To informally brief the Cabinet Member. By noting the latest position as a formal decision, this enables the Council to be more transparent and for all County Councillors and the public to be kept informed of the latest position in a timely manner.

Reasons for Recommendations

54. To enable Cabinet to be fully informed of the latest position with the Council's budget and for that information to be made publicly available.

RECOMMENDATIONS

1) For the Cabinet to:-

- Note the individual Portfolio revenue budgets for 2022/23.
- Approve the contingency request detailed in the report.
- Note the summary of capital expenditure to date, year-end forecasts and variations to the capital programme.
- Note the Council's Balance Sheet transactions.

Nigel Stevenson Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:
Keith Palframan, Group Manager, Financial Strategy and Compliance
Tamsin Rabbitts - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (GR 11/01/2023)

55. Pursuant to the Nottinghamshire County Constitution the Cabinet has the authority to receive this report and to consider the recommendation contained within it.

Financial Comments (GB 11/01/2023)

56. The financial implications are stated within the report.

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Cabinet

26 January 2023

Agenda Item: 6(a)

REPORT OF THE CABINET MEMBER - FINANCE

RESPONSE TO OVERVIEW COMMITTEE'S CONSIDERATION OF DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY PROPOSALS

Purpose of the Report

1. To share any issues raised by Overview Committee in its consideration of the draft proposals for the Council's Budget 2023-24 and the Medium Term Financial Strategy for 2023-24 to 2026-27 and the subsequent response to those issues from the Cabinet Member – Finance.

Information

2. In accordance with the Council's revised Constitution and updated Budget and Policy Framework Procedure Rules, agreed as part of the move to the new Executive arrangements in May 2022, Overview Committee has an important part to play in the scrutiny and development of the Council's Budget proposals each year.

3. Overview Committee, at its meeting on 1 December 2022, considered the Budget Update report that set out the financial context for the Council together with the implications for the Council's Medium Term Financial Strategy 2026-27.

4. The draft documents that make up the Budget proposals for 2023-24 and the Medium Term Financial Strategy for 2023-24 to 2026-27 have been shared with Overview Committee for consideration at its meeting on 24 January 2023.

5. That meeting will be attended by the Cabinet Member- Finance and the Service Director for Finance, Infrastructure & Improvement (Section 151 Officer) who will give an introductory presentation and respond to any initial queries at the meeting.

6. The Cabinet Member - Finance will also take away any key issues which the Committee agrees require consideration as part of the budget setting process at the Cabinet meeting on 26 January 2023.

7. In light of the relative timings of the Overview Committee and Cabinet meetings, an **addendum** to this report, detailing the key issues referred by Overview Committee and the response of the Cabinet Member-Finance will be produced and circulated electronically as soon as possible after the Overview Committee meeting and ahead of the Cabinet meeting. This will also be published on the relevant Cabinet agenda page on the Council's website and

will thereby be made available to all County Councillors and members of the public in advance of the meeting.

8. This is a link to that website page:

   http://ws43-0000.nccadmin.ad.nottscc.gov.uk/dmsadmin/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/5777/Committee/539/SelectedTab/Documents/Default.aspx

Other Options Considered

9. For the Cabinet Member to provide an oral response to the issues raised by Overview Committee at the Cabinet meeting on 26 January 2023 but that approach would not be as transparent as the process being followed.

Reasons for Recommendations

10. To enable the views of Overview Committee on the 2023-24 Budget proposals and Medium Term Financial Strategy for 2023-24 to 2026-27 to be given due consideration by Cabinet.

Statutory and Policy Implications

11. 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.

RECOMMENDATION

That the issues raised by Overview Committee and the subsequent response of the Cabinet Member-Finance, as detailed in the addendum to this report (to be circulated ahead of the Cabinet meeting) be noted and given due consideration by Cabinet.

COUNCILLOR RICHARD JACKSON
CABINET MEMBER - FINANCE

For any enquiries about this report please contact: Keith Ford Tel: 0115 9772590
E-mail: keith.ford@nottscc.gov.uk

Constitutional Comments (HD – 13/1/2023)

12. In accordance with the Council's Budget and Policy Framework Procedure Rules, Cabinet is the appropriate body of Council to consider the views of Overview Committee on its draft budget proposals before finalising those proposals in a report to Council for its consideration, showing how the Cabinet has taken into account any recommendations from the Overview Committee.

Financial Comments (CSB 12/01/2023)

13. Any specific financial implications arising from Overview Committee's consideration will be addressed as part of the Cabinet Member's response.

Background Papers

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 and Consultation - report to Overview Committee – 1 December 2022 and minutes of that meeting (published)
- Budget Report 2023-24

Electoral Division(s) and Member(s) Affected

All

Nottinghamshire County Council

Report to Cabinet

26 January 2023

Agenda Item: 6(b)

REPORT OF CABINET MEMBER FOR FINANCE

BUDGET 2023/24 – PROPOSALS FOR SUBMISSION TO FULL COUNCIL

Purpose of the Report

1. To consider the contents of the Budget Report that will be recommended to Full Council on 9 February 2023 with specific reference to:

- The Annual Revenue Budget for 2023/24.
- Amount of Adult Social Care Precept to be levied for 2023/24 to part fund increasing adult social care costs.
- Amount of Council Tax to be levied for County Council purposes for 2023/24 and the arrangements for collecting this from district and borough Councils.
- Medium Term Financial Strategy for 2023/24 to 2026/27.
- Capital Programme for 2023/24 to 2026/27.
- Minimum Revenue Provision policy for 2023/24.
- Cabinet to be authorised to make allocations form the general contingency for 2023/24.
- Borrowing limits that the Council is required to set by Statute and that the Service Director (Finance, Infrastructure and Improvement) be authorised to raise loans within these limits in 2023/24.
- The Capital Strategy including the 2023/24 Prudential Indicators and Treasury Management Strategy.
- Treasury Management Policy for 2023/24.

Our Long Term Plans for Better Lives and a Sustainable Council

2. The Budget for 2023/24 will aim to protect and enhance key services for residents whilst making our organisation financially sustainable for the medium to long term. This Council must reach a position, through transforming the way it delivers services over a number of years, where it is able to both offer more support within communities, and simultaneously be more efficient and effective with our spending.

3. The key drivers of budget pressures are rising demand and inflation. The Council must therefore aim to deliver that long term sustainability by focusing on prevention and early help, thereby reducing the demand on expensive, acute services over time. It must take this long-term approach instead of cutting services for short-term expediency, in order to protect and support residents at the same time, and to improve outcomes.

4. By doing this, we aim to prioritise and enhance key services as far as possible, particularly in those most disadvantaged communities, in order to help improve the lives of local people,

and also mitigate the impacts of inflation to protect residents from bearing the brunt of these increased costs.

5. As the residents and businesses across the county continue to recover from the COVID19 pandemic it is important that the Council focusses on helping to build economic, community, family and individual resilience so that there is more self-reliance and better outcomes for everyone across the county.

6. For Council budgets and local services to be sustainable for the long term, the Council must rethink the way that services are delivered and focus on earlier interventions, supporting people to remain independent and living within their home, family and community. With this in mind, this budget will support our community-based assets as a priority, such as our libraries and children's centres. This support provides a basis from which to invest and offer additional, long term early help within communities.

7. The Council is currently undertaking numerous service transformation programmes, aimed at improving the levels and efficacy of 'prevention' services. These programmes are supporting local residents to reduce the numbers of people needing the most acute and expensive services, with the aim of reducing demand on care in particular to sustainable levels. These actions, which are already beginning to bear fruit, both improve the lives of local people and offer a more sustainable way forward financially for the organisation.

8. More people living independent lives, supported by their community and local networks, including our own place-based services, rather than being reliant on our most expensive services such as residential care, is better for everyone; for resident, community and Council. Work will particularly focus on improving services in those most disadvantaged communities, where the demand is highest and the need for support is greatest.

9. Where there are savings in this budget, they will come from transformation of the way we deliver services, for wider long term benefit. This will include long term projects like reducing our office estate through our Investing in Nottinghamshire programme, saving money on building maintenance and utilities, with funds instead redirected to delivering key services for our residents. It will include working better with partners to be more efficient and effective with our services, joining things up to achieve better outcomes. It will include supporting young people to remain independent with extended family or community-based solutions, where outcomes are far better. We will spend money on early support for families within local areas, preventing the need for expensive residential care later on. By making these kinds of changes, instead of often reductive and counter-intuitive short-term cuts, we will both improve lives and manage our finances.

10. This is a long term change. Managing demand and helping people gradually increase their independence is a much more sustainable, and much more attractive, approach compared with making short term cuts to services. It will take time, and we have set out a long term plan over the coming 10 years.

11. These are broad themes that will build resilience in our communities into the future and are supported by nine ambitions which will act as a framework for all County Council activity: However, our 2023/24 Budget will clearly show that our approach is already beginning to take shape. We are prioritising key service areas, moving money to the right places, and also offering increased financial security for the rest of the Medium Term Financial Strategy

(MTFS). Implementing our approach over time will help us to avoid the need for more drastic and difficult choices for the coming years, and to move beyond a difficult annual discussion about cuts or tax rises, towards something more sustainable.

The Nottinghamshire Plan

12. At the Full Council meeting held on 25 November 2021, the Council approved The Nottinghamshire Plan 2021-31: Healthy, Prosperous, Green. This ambitious new plan sets out the strategic vision for the future of Nottinghamshire and the Council.

13. The activity in the Nottinghamshire Plan is built around achieving a bold 10-year vision for a 'healthy, prosperous and greener future for everyone'. The plan will focus on:

- Improving health and well-being in all our communities
- Growing our economy and improving living standards
- Reducing the County's impact on the environment
- Helping everyone access the best of Nottinghamshire.

14. These are broad themes that will build resilience in our communities into the future and are supported by nine ambitions which will act as a framework for all County Council activity:

- Helping our people live healthier, more independent lives
- Supporting communities and families
- Keeping children, vulnerable adults and communities safe
- Building skills that help people to get good local jobs
- Strengthening businesses and creating more good-quality jobs
- Making Nottinghamshire somewhere people love to live, work and visit
- Attracting investment in infrastructure, the economy and green growth
- Improving transport and digital connections
- Protecting the environment and reducing our carbon footprint

15. The Plan sets out what the County Council will do over the next ten years to achieve these ambitions as well as how it will measure progress and success. This will have a particular focus on supporting Nottinghamshire's communities and businesses to recover from the socio-economic impacts of the COVID19 pandemic. The Plan also details the Council's on-going journey of improvement as we continue to deliver services in a responsive, efficient, financially sustainable and forward-looking way.

16. The budget report to Full Council in February 2023 will set out the financial framework around which the County Council will achieve its strategic vision statements and meet the success factors that underpin the Nottinghamshire Plan. The Budget is built on a foundation of solid financial management over many years, putting our Council in a relatively positive position, despite difficult national and international circumstances.

Background to the Budget

17. The Medium-Term Financial Strategy (MTFS) is the key financial plan for the Council. The Council's financial position has been challenging now for a number of years, most recently

due to significant growth in spending pressures and demand on services, particularly from social care areas.

18. In addition, during the last two financial years the Council has faced unprecedented budget pressures as a consequence of the COVID19 pandemic. Although through these years the government provided significant additional funding to local authorities to ensure they were able to respond and manage the financial challenges faced there was still a gap in funding to meet the underlying increase in demand for our services.

19. In 2022/23 the Council is facing a new financial challenge, mainly resulting from the impact of the conflict in Ukraine. Consumer Price Inflation (CPI) in the UK economy is presently 10.7% (November 2022) down from a peak of 11.1% in October 2022 and this is driving significant upward pressure across a range of expenditure budgets especially those that relate to energy, fuel and external contracts where energy and fuel are a major factor.

20. The risks arising from escalating inflation, which is also impacting household incomes, was recognised in the Annual Budget Report to Full Council in February 2022. Additional reserves were set aside in the risk-based General Fund reserve with regard to inflationary pressures, increased on-going risks in Children's and Adults Services and challenges faced specifically in the social care market following the pandemic.

21. The Budget Report submitted to Full Council on 24 February 2022 set out the financial landscape within which the Council is operating and noted the anticipated budget shortfall of £29.1m over the three years to 2025/26. This, however, assumed the Council would increase both Council Tax and the Adult Social Care Precept. Excluding both meant that the essential budget shortfall over the three years was £65.4m.

22. The current projected capital programme outturn for 2022/23 is £102.5m. As part of the budget setting process a review of the capital programme has been undertaken.

23. On the day before the Chancellor's September 23rd Fiscal Event, the Treasury confirmed that it will reverse the temporary 1.25% increase in National Insurance rates from 6 November 2023. It also announced that it will cancel the Health and Social Care Levy which was due to replace the temporary increase in National Insurance Contribution rates in April 2023.

24. At this stage, with the Government's further one-year settlement announcement, despite having a clear view of the funding for 2023/24, funding for the final three years of the Medium Term-Financial Strategy (MTFS) remains unclear. This will continue to be the case until announcements regarding the longer-term future of local government financing are made.

25. The Period 8 Budget Monitoring Report that is also reported to this Cabinet meeting shows a small net underspend position of £2.2m, representing less than 0.4% of the net budget. The current forecast underspend follows significant efforts to control in year spending to reduce a forecast overspend of £4.4m in Period 5. Efforts will continue to ensure a break even or better position by the end of 2022/23, and any underspend arising will be added to the General Fund Balance to help offset risks set out later in this report.

26. As part of the budget setting process the Council has carried out a full review of the budget pressures and underlying assumptions held within the MTFS. The Council has also received provisional information on the level of funding it can expect in 2023/24. This report outlines

the recommendations that will be submitted for approval to the Full Council meeting on 9 February 2023.

Budget Consultation – Rising to the Challenge

27. The production of the Council's budget is undertaken in accordance with the requirements of the Council's Constitution.

28. A key element of the Council's budget setting process is consultation with stakeholders.

29. The consultation went live on the 17th November 2022 and closed on the 2nd January 2023. The survey sets out how the Council spends its allocated budget and asks people for their views about our services and their priorities.

30. The consultation was made available through a number of platforms including:

    - A dedicated space on the Council's website, hosting background information and linking through to an online survey that was open to all Nottinghamshire residents.
    - In print / hard copy format, produced and distributed to all 59 Children's Centres and 60 Libraries across the county.
    - For residents needing support with completing the survey, there was also the option to phone the Council's Customer Service Centre.

31. We also shared our consultation with our partners, including groups representing the business community and other relevant stakeholders including trade unions and the Council's Overview Committee. Views from the Overview Committee will be shared with Cabinet Members following the meeting on 24 January 2023.

32. Completion of the survey was promoted via email bulletin and sent to all 140,309 subscribers to the Councils' "emailme" system. Targeted communications to encourage completion were also sent to all 179 Parish Councils and representatives of the business community. Email bulletins to remind "emailme" subscribers were also sent to maximise completion of the survey. The Council also utilised social media to promote survey completion including Twitter and Facebook and a press release was issued countywide on 27 October 2022.

33. The consultation was completed by 2,454 respondents. This is a significant improvement on comparable budget consultations conducted in recent years, which have not exceeded 1,400 responses.

34. The consultation (question 05) asked respondents to identify the top three Nottinghamshire County Council services benefitting them and their communities. The three services most frequently identified in respondents' top three were:

    - Care and support for vulnerable adults and older people, with 51% of respondents identifying this as one of their top three services.
    - Community and public transport, with 50% of respondents identifying this as one of their top three services.
    - Environmental services, with 46% of respondents identifying this as one of their top three services.

35. The three services that were least frequently identified in respondents top three were:

- Support for families, with 24% of respondents identifying this as one of their top three services.
- Economic development and regeneration, with 16% of respondents identifying this as one of their top three services.
- Services for schools, with 12% of respondents identifying this as one of their top three services.

36. Question 07 of the consultation asked respondents to confirm the extent to which they agree / disagree with reductions to spending, to meet the Council's financial challenges. Overall, the majority of respondents did not agree or strongly agree with reductions to any of the services outlined in the consultation document. However, more respondents disagreed or strongly disagreed with reductions to:

- Care and support for vulnerable adults and older people, with 73% of respondents disagreeing or strongly disagreeing with reductions to these services.
- Keeping children safe, with 66% of respondents disagreeing or strongly disagreeing with reductions to these services.
- Community and public transport, with 63% of respondents disagreeing or strongly disagreeing with reductions to these services.

37. Fewer respondents disagreed or strongly disagreed with reductions to economic development and regeneration (36%), services for schools (43%) and recreation and cultural services (50%).

38. The consultation asked if respondents would support increases in Council Tax (question 06) and the Adult Social Care Precept (question 08). With respect to Council Tax, the results showed that 65% of respondents would support an increase, 26% would not support an increase and 8% did not know. With respect to the Adult Social Care Precept 61% of people completing the survey would support an increase, 29% would not and 10% did not know. For both questions there were a small number of respondents who did not answer.

39. The consultation also offered respondents with an opportunity to offer suggestions about how the Council could save money or raise additional revenue, as a free text box. 1,219 free text comments were received in completed surveys. Work is ongoing to analyse the responses to identify if there are any consistent themes within free text feedback, for inclusion in the report to Full Council in February 2023.

40. As part of the Overview Committee workplan for this year the Council is looking at the approach to consultation. Feedback from this work will be considered as part of the approach to the future budget surveys.

41. Cabinet has taken account of the responses to the consultation when drawing up the proposals set out in this report.

Autumn Statement 2022 and Provisional Local Government Settlement 2023/24

42. On 17 November 2022, the Chancellor of the Exchequer announced the Autumn Statement 2022 in a speech in the House of Commons. The delayed Autumn Statement gave the Chancellor and the Prime Minister time to address the spending gap that was identified following the September mini budget. The headlines coming from the Autumn Statement 2022 are as follows:-

    - The Office of Budget Responsibility forecast that a recession started in Quarter 3 of 2022. Gross Domestic Product (GDP) for 2022 is expected to be 4.2% but -1.4% for 2023.
    - Inflation is expected to be 9.1% in 2022, 7.4% in 2023 and 0.6% in 2024,
    - Increased Council Tax flexibilities of 3% plus 2% Adult Social Care precept in 2023/24,
    - Business Rate Multipliers to be frozen in 2023/24 with Authorities to be compensated in the usual way,
    - 12-month extension to the Household Support Fund,
    - Many tax thresholds remain frozen for an additional two years until 2028. Higher tax rate threshold (45p) reduced to £125,140,
    - Local Government Resources Departmental Expenditure Limit (DEL) to increase by 33% from 2022/23 to 2023/24,
    - DELs in the next Spending Review to increase in real terms plus 1%
    - Social Care Charging Reforms delayed for two years to October 2025, funding remains,
    - Windfall tax increased and extended to electricity generators,
    - Additional funding for the NHS - £3.3bn in each of the next three years,
    - Two new fiscal rules – over a five-year period, Public Sector Borrowing to stay below 3% of GDP and debt to be falling as a share of GDP by the 5th of a rolling year cycle,

43. On 19 December 2022, the provisional Local Government Settlement 2023/24 was announced via a written statement by the Secretary of State for Levelling Up, Housing and Communities, the Rt Hon Michael Gove MP. The key announcements that will affect the Council are as follows:-

- Core Spending Power increases by an average of 9.2% assuming all Local Authorities levy the maximum precept allowed in 2023/24,
- Confirmed £55.4m Social Care Grant allocation in 2023/24, although this does include a rolled-in Independent Living Fund allocation of £2.6m,
- Confirmed Services Grant allocation of £4.2m,
- Confirmed Revenue Support Grant of £8.1m,
- Confirmed New Home Bonus Grant allocation of £1.1m,
- The Council Tax threshold has been set at 3.00% in both 2023/24 and 2024/25 with an additional 2.00% Adult Social Care Precept limit in each of those years.

44. The Budget Report 2022/23, approved by Full Council in February 2022, included growth assumptions regarding the level of future year general government grants. The 2023/24 grants announced in the Provisional Local Government Settlement exceed those assumptions by £11.8m.

45. In addition the following specific Social Care Grants were announced:-

- Confirmed Market Sustainability Grant allocation of £8.3m,
- Confirmed Discharge Fund Grant allocation of £4.3m,
- Confirmed Independent Living Fund allocation of £2.6m (rolled into the Social Care Grant).

46. The 2023/24 Settlement is a further one-year settlement and, as such, considerable uncertainty beyond 2023/24 will remain until future announcements are made.

Revised Pressures and Running Cost Inflation

47. When the 2022/23 budget was approved in February 2022, specific pressures and non-pay inflationary pressures totalling £125.4m were identified for the period 2022/23 to 2025/26 of which £39.5m related to 2022/23.

48. A review has been undertaken whereby Departments were asked to both justify existing pressures and identify any new pressures faced over the medium term. These bids have continued to be revised and total specific pressures and non-pay inflationary pressures to 2026/27 now total £114.6m. Table 1 below tracks the movement in pressures and inflation that has occurred since February 2022.

49. Appendix A identifies that the Council's main pressures relate to growth in External Placements for Looked After Children, demand for Adult Social Care, increases to the National Living Wage and the impact of inflation across various contracts and services.

50. In recent years, no uplift has been provided for inflation on non-pay items, except where a specific business need has been identified. It is proposed that this approach is continued for the duration of the MTFS.

Table 1 – Movement in Pressures and Inflation

Portfolio	2023/24 to 2025/26			Add Year 2026/27	Current Total 2023/24 to 2026/27
	Original Demand Pressures	Original Inflation	Net Movement		
Adult Social Care & Public Health	(6.4)	21.3	14.9	11.5	**69.0**
Children & Young People	(19.1)	7.0	(12.1)	3.5	**25.3**
Economic Development & Asset Management	-	1.8	1.8	0.1	**2.1**
Communities	0.2	-	0.2	-	**0.2**
Transport & Environment	0.1	4.1	4.2	4.4	**18.1**
Total	**(25.3)**	**34.2**	**9.0**	**19.6**	**114.6**

Pay Award Inflation

51. The County Council continues to be part of nationally determined local government pay bargaining arrangements. These are negotiated by the National Joint Council made up of the national employers and the recognised trade unions. Based upon previous rises and current estimates the MTFS assumes an annual 5.5% increase for 2023/24, 4.5% for 2024/25 with a further 2% increase in 2025/26 to 2026/27.

Savings / Efficiencies

52. The MTFS includes previously approved savings options totalling £2.8m from 2022/23. In addition to this, the Council has proposed a number of further savings and efficiencies that total £9.2m. A breakdown is set out in Appendix B which details the nature of the proposals including those where further consultation will be sought. The progress of these efficiencies will be monitored throughout the year as part of the usual budget monitoring processes.

MTFS Assumptions and Projections

53. Similar to previous years a detailed review has been undertaken of the assumptions that underpin the MTFS.

Interest and Borrowing

54. The level of borrowing undertaken by the Council is heavily influenced by the capital programme and the associated expenditure profile of approved schemes. Slippage can result in reduced borrowing in the year, although this will still be incurred at a later date when schemes are completed. Interest payments are based on an estimated interest rate which can also fluctuate depending on the market rates at the time the borrowing is undertaken. The level of external borrowing undertaken will also increase as the Council's level of reserves declines, as this effectively reduces the Council's ability to borrow internally.

55. The Council's position is monitored regularly in relation to these two variables and the latest budget monitoring report forecasts a breakeven position for the current year. The budget for interest and debt repayments has been reviewed to meet expected costs in 2023/24. This budget will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

Contingency

56. An acceptable minimum level of contingency is needed for unforeseen events, redundancy payments and non-delivery of savings. This is even more critical in an increased risk environment due to uncertainty around budget pressures, achievability of savings, pay award settlement and the significant impacts of high inflation. As part of the budget construction process, the base level for the 2023/24 Contingency budget has been set at £5.0m.

57. In addition, there is a need to provide for an estimated pay award contingency of £10.9m in relation to 2023/24 which will also be earmarked for future allocation to Portfolios once agreed.

Annual Budget 2023/24

58. The paragraphs above outline the financial position that the Council is operating, the budget position as reported to Full Council in February 2022, the MTFS assumptions that have been reviewed and the Council's strategic response to meeting the budget challenge.

59. The Provisional Local Government Settlement 2023/24 was announced on 19 December 2022. It is expected that the Final Local Government Settlement will be announced in early

February 2023. Any changes to the final settlement will be reported as part of the Budget Report 2023/24 to Full Council on 9 February 2023.

60. This report brings together the Council's provisional funding position. The total revenue budget for 2023/24 is £591.3m. A summary is shown in Table 2. A more detailed breakdown across Portfolios will be reported to the Cabinet Member for Finance once Full Council has approved the Annual Budget Report 2023/24 on 9 February 2023.

Table 2 – Proposed County Council Budget 2023/24

Portfolio Analysis	Net Budget 2022/23 £m	Pressures £m	Savings £m	Pay, NI & Pensions increase £m	Budget Changes £m	Net Budget 2023/24 £m
Children & Young People	161.554	13.476	(0.385)	-	4.439	179.084
Adult Social Care & Public Health	231.454	24.788	(3.254)	-	6.607	259.595
Transport & Environment	114.530	4.255	(3.447)	-	3.346	118.684
Communities	18.238	0.916	(0.135)	-	0.255	19.274
Deputy Leader & Transformation	4.984	-	(0.281)	-	(0.050)	4.653
Economic Development & Asset Management	25.138	1.306	(0.673)	-	0.401	26.172
Finance	15.379	-	(0.084)	-	2.794	18.089
Personnel	25.094	-	(0.408)	-	2.806	27.492
Net Portfolio Requirements	**596.371**	**44.741**	**(8.667)**	**-**	**20.598**	**653.043**
Corporate Budgets	(33.136)	-	-	-	(24.714)	(57.850)
Use of Reserves	(3.763)	-	-	-	(0.127)	(3.890)
Budget Requirement	**559.472**	**44.741**	**(8.667)**	**-**	**(4.243)**	**591.303**

61. Table 2 shows the changes between the original net budget for 2022/23 and the proposed budget for 2023/24, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2022/23 and transfers between portfolios.

Corporate Budgets and Reserves

62. There are a number of centrally-held budgets that are not reported to a specific portfolio. They are detailed below with the budget analysis shown in Table 3:

- **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 is a legacy cost and the practice is no longer permitted following changes to the pension rules.

- **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.

- **Contingency:** This is provided to cover redundancy costs, impact of the pay awards, delays in efficiency savings, changes in legislation and other unforeseen eventualities. Cabinet, the Cabinet Member for Finance or the Section 151 Officer are required to approve the release of contingency funds in accordance with limits set out in the approved financial regulations of the Council.

- **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.

- **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 D.

- **Revenue Grants:** The New Homes Bonus, Social Care Grant and Council Services Grant are held centrally and are not ring-fenced.

- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £49.7m of reserves over the medium term with £3.9m being used to deliver a balanced budget in 2023/24. This is £29.8m more than the Council forecast to use as part of the 2022/23 budget report thus enabling time for the transformation programmes, as set out below, to be completed. Further detail is provided in Appendix C.

Table 3 - Proposed Budget 2023/24 Corporate Budget and Reserves

	Net Budget 2022/23 £m	Budget Changes £m	Net Budget 2023/24 £m
Flood Defence Levies	0.309	0.006	0.315
Pension Enhancements (Centralised)	2.050	-	2.050
Trading Organisations	1.300	-	1.300
Contingency - General	7.039	(2.039)	5.000
Contingency - Pay	10.226	0.628	10.854
Capital Charges (Depreciation)	(45.360)	(4.008)	(49.368)
Interest & Borrowing	21.223	(1.000)	20.223
Minimum Revenue Provision (MRP)	12.682	(0.173)	12.509
New Homes Bonus Grant	(1.637)	0.543	(1.094)
Social Care Grant	(33.461)	(21.948)	(55.409)
Council Services Grant	(7.507)	3.277	(4.230)
Subtotal Corporate Budgets	**(33.136)**	**(24.714)**	**(57.850)**
Net Transfer (From)/To Other Earmarked Reserves	(3.763)	(0.127)	(3.890)
Transfer (From)/To General Fund Balances	-	-	-
Subtotal Use of Reserves	**(3.763)**	**(0.127)**	**(3.890)**

Tax Base

63. As new houses are built the Council Tax base increases. Over the last 5 years the growth rate has fluctuated due, in part, to the challenging economic climate.

64. The District and Borough Councils will provide tax base information by 15 January 2023. The MTFS will be updated to reflect the reported figures ahead of the Annual Budget Report to Full Council on 9 February 2023. A forecast growth assumption of 1.20% per annum has been factored into the MTFS and is broadly consistent with the latest indicative information received.

Council Tax Surplus/Deficit

65. 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. As a result of pressures associated with the COVID19 pandemic, deficits estimated by billing authorities in 2020/21 were allowed by Government legislation to be spread over the three years 2021-22 to 2023-24. The figures confirmed from the District and Borough Councils will be reported to Full Council on 9 February 2023 as part of Annual Budget Report 2023/24.

Business Rates Surplus / Deficit

66. Budgets in respect of Business Rates are contingent upon a range of inputs derived from District/Borough Councils and Central Government returns, the outcome of which at the time of writing this report are uncertain in terms of both timing and amount. Any impact in relation to the increase in reliefs made to businesses are likely to have an adverse effect on collection rates. Should any deficit in relation to current projections be realised, these are expected to

be met by compensation grants from Government or amounts set aside in earmarked reserves.

Government Grants

67. As announced in the 2023/24 Provisional Local Government Finance Settlement the following government grants will be received in 2023/24:-

- £55.4m - Social Care Grant (including rolled-in £2.6m Independent Living Funding)
- £4.2m – Services Grant
- £8.1m – Revenue Support Grant
- £30.9m - Improved Better Care Fund
- £8.3m - Market Sustainability and Fair Cost of Funding Grant
- £4.3m – Discharge Funding

68. Also, for Nottinghamshire, the 2023/24 New Homes Bonus funding has been confirmed at £1.1m.

69. All of the above government grants have been reflected in the MTFS for 2023/24. In addition, it is assumed that the Social Care Grant, the Services Grant and the Revenue Support Grant all remain at 2023/24 levels across the whole of the MTFS with the New Homes Bonus Funding dropping out from 2024/25 onwards.

Transformation

70. The Annual Delivery Plan 2022/23 that was reported to Cabinet in May 2022 set out that the Council will be working collaboratively both across the Council and with partners to develop and deliver our cross-cutting transformation programmes. This will help us to test new and improved ways of working, service delivery and systems. It will also create the conditions to enable us to deliver co-ordinated and integrated transformation that makes a difference for the County's communities and residents. It is these cross-cutting transformation programmes that will help towards the Council delivering a balanced budget across the MTFS.

71. It has been agreed that the cross-cutting transformation programmes will be delivered across four themes as follows:-

- **Early Help and Preventative Interventions Programme** – designed to develop the early help and support that County residents can access, working with partners and our communities to build resilience and maximise independence for families, older people and to support our communities as they recover from the COVID19 pandemic.

- **Improving Residents Access Programme** – will be improve how residents can access information, advice and guidance from the Council across the range of services that it delivers.

- **Whole Family Safeguarding Programme** – will ensure that children in need of help and protection and their families benefit from high quality care and support.

This programme will deliver better outcomes for young people, helping them to live safely at home and in their communities.

- **All-Age Approach to Disability Programme** – will help to improve and develop how we support young people with disabilities to prepare them for adulthood ensuring that the care and support they receive as a young adult is tailored to meet their individual needs and help them to realise their ambitions in life.

Council Tax and Adult Social Care Precept 2023/24

72. The 2023/24 Autumn Statement announced by the Government in November 2022 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2023/24 referendum threshold has been increased to 3.00%.

73. Also in the announcement, it was confirmed that there will be further flexibility to levy an Adult Social Care Precept of 2.00% in 2023/24.

74. 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 overall Council Tax by 3.00% plus an ASC Precept of 2.00%

75. In determining the local government settlement, the Government has assumed that the Council would take the maximum Adult Social Care Precept and increase the Council Tax to the maximum level in 2023/24. The Council, however, has carefully considered balancing the requirements to deliver services and the increased cost of those services to meet the needs of the most vulnerable residents against important affordability issues and the increasing cost of living challenges that residents face. It is proposed therefore that, rather than raising local taxation to the maximum level in 2023/24, Council Tax is increased by 2.84% and the Adult Social Care Precept is implemented at 2.00%. Future Council Tax increases of 1.99% per annum have also been factored into the MTFS together with an annual 1% Adult Social Care Precept increase in 2024/25.

76. 59% of properties in Nottinghamshire are in Band A and B. As a consequence, the majority of households across Nottinghamshire will see a Council Tax increase of less than £1.10 per week. The average increase for all households across the county will be £1.30. These increases are reduced down to £0.88 per week and £1.03 per week respectively once the average level of discounts are applied.

Requirement to Raise Local Tax

77. 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 4 – Local Tax Requirement Calculation

2023/24	Amount £m	% Funding
Initial Budget Requirement	591.303	100.0
Less National Non-Domestic Rates	(128.016)	21.6
Less Revenue Support Grant	(8.098)	1.4
Net Budget Requirement	**455.189**	
Less Estimated Collection Fund Surplus	(1.824)	0.3
Council Tax Requirement	**453.365**	**76.7**

Adult Social Care Precept Recommendation

78. It is recommended that County Council approves the implementation of a 2.00% Adult Social Care Precept for 2023/24 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 5.

Table 5 – Impact of 2.00% Adult Social Care Precept on Local Tax Levels (County Council Element) 2023/24

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2022/23 £	County Council 2023/24 £	Change £
A	Up to £40,000	146,861	38.8%	6/9	131.38	153.30	**21.92**
B	£40,001 to £52,000	77,977	20.6%	7/9	153.28	178.85	**25.57**
C	£52,001 to £68,000	64,812	17.1%	8/9	175.17	204.40	**29.23**
D	£68,001 to £88,000	44,235	11.7%	1	197.07	229.95	**32.88**
E	£88,001 to £120,000	25,255	6.7%	11/9	240.86	281.05	**40.19**
F	£120,001 to £160,000	12,140	3.2%	13/9	284.66	332.15	**47.49**
G	£160,001 to £320,000	6,557	1.7%	15/9	328.45	383.25	**54.80**
H	Over £320,000	492	0.1%	18/9	394.14	459.90	**65.76**

Local Tax Recommendation

79. It is recommended that County Council approves an increase of 2.84% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 6 below.

Table 6 – Impact of 2.84% Increase on Local Tax Levels (County Council Element) 2023/24

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2022/23 £	County Council 2023/24 £	Change £
A	Up to £40,000	146,861	38.8%	6/9	964.68	995.81	**31.13**
B	£40,001 to £52,000	77,977	20.6%	7/9	1,125.46	1,161.77	**36.31**
C	£52,001 to £68,000	64,812	17.1%	8/9	1,286.24	1,327.74	**41.50**
D	£68,001 to £88,000	44,235	11.7%	1	1,447.02	1,493.71	**46.69**
E	£88,001 to £120,000	25,255	6.7%	11/9	1,768.58	1,825.65	**57.07**
F	£120,001 to £160,000	12,140	3.2%	13/9	2,090.14	2,157.58	**67.44**
G	£160,001 to £320,000	6,557	1.7%	15/9	2,411.70	2,489.52	**77.82**
H	Over £320,000	492	0.1%	18/9	2,894.04	2,987.42	**93.38**

80. The total impact of implementing a 2.00% Adult Social Care Precept and a 2.84% increase in local tax levels is shown in Table 7:

Table 7 – Recommended levels of Council Tax and Adult Social Care Precept 2023/24

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2022/23 £	County Council 2023/24 £	Change £
A	Up to £40,000	146,861	38.8%	6/9	1,096.06	1,149.11	**53.05**
B	£40,001 to £52,000	77,977	20.6%	7/9	1,278.74	1,340.62	**61.88**
C	£52,001 to £68,000	64,812	17.1%	8/9	1,461.41	1,532.14	**70.73**
D	£68,001 to £88,000	44,235	11.7%	1	1,644.09	1,723.66	**79.57**
E	£88,001 to £120,000	25,255	6.7%	11/9	2,009.44	2,106.70	**97.26**
F	£120,001 to £160,000	12,140	3.2%	13/9	2,374.80	2,489.73	**114.93**
G	£160,001 to £320,000	6,557	1.7%	15/9	2,740.15	2,872.77	**132.62**
H	Over £320,000	492	0.1%	18/9	3,288.18	3,447.32	**159.14**

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

- The District or Borough'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

82. 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 Council Tax base for each District.

83. 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 Council Precept Dates – 2023/24

2023	2024
19 April 25 May 3 July 4 August 11 September 17 October 21 November	3 January 5 February 11 March

84. 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 2022/23 will be paid or refunded on the same dates.

Medium Term Financial Strategy (MTFS)

85. The Budget report to the February Council in 2022 forecast a budget gap of £29.1m for the three years to 2025/26. As part of the budget setting process the MTFS has been rolled forward a year to reflect the four-year term to 2026/27 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.

86. It should be noted that the 2023/24 Local Government Finance Settlement is a one-year settlement only. As such, a considerable uncertainty beyond 2023/24 will remain until future funding announcements are made. The MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.

87. Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2022.

88. In summary, from 2024/25 onwards, the Council is currently projecting a budget shortfall of £31.7m across the duration of the MTFS. Proposals as to how the budget will be balanced will need to be made over the coming months.

Table 9 – Analysis of Changes to the Medium Term Financial Strategy 2023/24 – 2026/27

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Year on Year Savings requirement (February 2022 Report)	**8.2**	**6.2**	**14.7**	**-**	**29.1**
Additional Pressures / Inflation	13.7	3.3	(8.0)	19.6	**28.6**
Increase in Contingency for Pressures/Inflation Risk	1.0	-	-	-	**1.0**
Change in Pay / Pension Related Inflation	5.2	5.5	0.4	4.4	**15.5**
Proposed Efficiencies	(5.9)	(1.3)	(2.0)	-	**(9.2)**
Amendments to Portfolio base budgets	14.2	0.5	0.1	0.1	**14.9**
Change in Grant Funding	(24.6)	10.3	-	(2.4)	**(16.7)**
Increase in Council Tax	(8.0)	(0.3)	(0.3)	(9.9)	**(18.5)**
Change in Council Tax Base assumptions **(TBC)**	-	-	-	(5.7)	**(5.7)**
Change in Council Tax Surplus **(TBC)**	(3.0)	3.0	-	-	**-**
Change in Business Rates Assumptions	(5.0)	-	2.3	2.4	**(0.3)**
Variation in use of Reserves	6.0	(27.7)	11.2	5.5	**(5.0)**
Other Corporate Adjustments	(1.8)	0.5	0.1	(0.8)	**(2.0)**
Revised Gap	**-**	**-**	**18.5**	**13.2**	**31.7**

89. The Council's year by year MTFS for the four years to 2026/27 is shown in Table 10 below. It shows that whilst the Council can deliver a balanced budget in both 2023/24 and 2024/25, based on current assumptions, further significant savings will need to be identified in each of the following years to 2026/27.

Table 10 – Medium Term Financial Strategy 2023/24 – 2026/27

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Net Budget Requirement	591.3	610.9	644.6	655.0
Financed by :				
Business Rates	128.1	130.3	130.3	130.3
Revenue Support Grant	8.1	8.1	8.1	8.1
Council Tax	395.3	409.9	425.1	440.8
Adult Social Care Precept	58.0	62.6	62.6	62.6
Collection Fund Surplus / (Deficit)	1.8	-	-	-
Total Funding	**591.3**	**610.9**	**626.1**	**641.8**
Funding Shortfall	**-**	**-**	**18.5**	**13.2**
Cumulative Funding Shortfall	**-**	**-**	**18.5**	**31.7**

Financial Risks, Balances and Contingency

90. The County Council is legally obliged to set a balanced budget for each financial year. Additionally, a four year medium term financial strategy is required. As previously reported,

there are significant risks and uncertainties associated with the current environment that local authorities are operating within, both short and medium term. It is therefore of paramount importance that the County Council takes appropriate measures to mitigate against these risks, whilst acknowledging that, given the level of uncertainty overall, contingency plans may not be sufficient.

91. The main financial risks associated with the initial budget proposals are as follows:

- The estimated future increases in Central Government grants set out in the MTFS may not be in line with future announcements
- The cost pressures factored into the budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, particularly with regard to increased demand for Adults and Children's Social Care Services, Transport Services, the impact of the National Living Wage and agreement of the pay award.
- The 2023/24 Settlement reflects a one-year settlement only. As such, considerable uncertainty beyond 2023/24 will remain until further funding announcements are made
- The outcome of the Fair Funding Review has been delayed further.

92. Adequate levels of balances and contingency need to be maintained in order to provide short-term flexibility to manage unforeseen events, and to allow for the necessary longer-term changes to be implemented. Central Government continues to encourage local authorities to use reserves to support their transformation agenda. More detail regarding the need to hold balances is set out in Appendix C.

93. A summary of other significant challenges that are not yet fully reflected in the MTFS are as follows:

94. **Social Care Reform** - A report to Cabinet in July 2022 set out the impact and risks associated with forthcoming Adult Social Care Reform programme. Adult Social Care Services are faced with implementing no less than eight pieces of reform legislation through 2022 and 2023. Key areas of reform will include changes to:-

- Social Care Assurance and Integrated Care System Assurance
- Fair Price for Care
- Charging Reform
- Liberty Protection Safeguards
- Mental Health Act Reform
- New Models of Care for Workforce
- Social Care System Improvement
- Integration measures and Establishment of Integrated Care Systems
- Joining Up Care for People, Places and Populations

95. The department has identified five key themes which it is using as a framework to navigate this multi-faceted complex change and they are set out below:

- Charging Reform – introduction of the cap on care costs
- Fair Price for Care – changes to the rates local authorities pay to CQC registered providers

- People at the Heart of Care – introduction of a CQC Assurance Framework
- Integration White Paper – introduction of an Integrated Care Board and Integrated Care Partnership across the Integrated Care System footprint
- Build Back Better – workforce and service reform as set out in the White Paper.

96. A programme for responding to reform has been implemented and the following actions have been undertaken:

    - Adult Social Reform is now a Corporate Transformation Programme
    - Adult Social Care and Public Health has launched a Quality Assurance Framework
    - The required reform and assurance resources have been identified and are partially funded by reform monies and departmental underspend
    - The reform programme is in place
    - Mental Health Act reform and Liberty Protection Safeguards are existing workstreams within the All-Age Approaches Programme given the implications of those pieces of legislative reform.

97. The potential costs of Adult Social Care Reform were set out in the July 2022 report to Cabinet. The department awaits further allocation of government funding around workforce, social care assurance and other aspects of Social Care Reform therefore the full financial implications cannot be detailed at this stage.

98. **Future Years Pay Awards –** The revised MTFS includes a 5.5% pay award in 2023/24, 4.5% in 2024/25 and 2.0% thereafter. Any increases in subsequent years over and above this assumption will further add to the funding gap. In simple terms, each extra 1% would add approximately £2.0m to the Council's budget requirement.

99. **Ongoing future year impact of inflation / pressures** – Inflationary pressures for 2023/24 are £19.3m higher than the figure assumed in the MTFS approved in February 2022. If a similar scenario plays out in future years then there could be significant increases to the Council's funding gap.

100. **Retention of Children's Social Workers and the Social Care Market** – Social Care market issues are of national concern and most local authorities are experiencing difficulties with ensuring a stable care and support market. There are issues around market resilience, provider business models, workforce and rates of contractual which may result in pressures over and above what are in the MTFS.

101. The current and future forecast level of reserve balances are shown in Appendix C. The General Fund Balance is a reserve which is not bound by any specific criteria. Earmarked reserves have to be applied to specific schemes, and a large proportion relates to the reserves that support the PFI schemes in waste and schools. Reserves are "one-off" funds so it is recommended that they are limited to supporting one-off expenditure rather than funding on-going costs.

Capital Programme and Financing

102. 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.

103. The Council's Capital Programme has been reviewed as part of the 2023/24 budget setting process and a strategy to limit borrowing to that which was already approved by Full Council in February 2022. This will ensure that the cost of financing the capital programme is managed within existing limits and thereby restricting the impact on the on-going revenue budget.

104. As reported in the Period 8 Financial Monitoring Report to this meeting, significant variations and slippage have been identified through the monthly capital monitoring process. 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 is reported through the regular monthly monitoring report to the Cabinet member for Finance and Cabinet.

Major Capital Programme Successes

105. **Roads Maintenance and Renewals** – The Council has identified investment in the highways infrastructure across the county as an important strategic objective. This commitment can clearly be seen as expenditure against the Roads Maintenance and Renewals programme has exceeded £139m since April 2017. This includes over £20m of the Council's own funding on top of grant funding received from the Department for Transport. A further £17.8m of the Council's own funding will be invested in this programme over the medium-term.

106. **Gedling Access Road** – This major transport scheme has enabled the realisation of a key strategic development site in Gedling. It has also fulfilled the long term ambition to provide a bypass around Gedling Village. The project has been delivered by key public sector partners working jointly towards achieving common objectives for the future development of the former Gedling Colliery site.

107. **New / Replacement Schools** – The Schools Place programme focuses on the Council's statutory duty to provide sufficient school places. The Council works closely with academies and the voluntary aided sector to meet this statutory responsibility and function. As part of this programme four new / replacement schools have been built in Bestwood Hawthorne Primary, Orchard Special School, Hucknall Flying High Academy and Rosecliffe Spencer Academy with new schools at East Leake and Bingham in progress. In additional, a major expansion programme is delivering additional spaces in Academies in particular Carlton Le Willows Academy and the Rushcliffe Spencer Academy.

108. **Investing in Nottinghamshire** – As set out in a report to Economic Development and Asset Management Committee in November 2021, the Council has established an Investing in Nottinghamshire capital programme that sets out to utilise the Council's property estate to deliver, environmental, economic and financial benefits in a post- COVID19 world. This programme funding allows for the delivery of a programme of projects that will improve, refurbish or build new offices across multiple sites of the Council's estate which allow the vacation and rationalisation of other buildings. The use of our offices is also a matter of

interest for the Overview Committee which is undertaking a Scrutiny Review of Council buildings to inform future use.

109. During the course of 2022/23, variations to the capital programme have been approved by Cabinet, the Cabinet Member for Finance and 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 110 to 121. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Children and Young People (CYP)

110. **School Building Improvement Programme** – The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2023/24 onwards. The 2022/23 allocation was confirmed at £9.6m and it is proposed that an estimated SCM grant allocation of £4.5m is reflected in the capital programme from 2023/24 until 2026/27. It is also proposed that this grant is top sliced by £0.3m from 2023/24 to 2026/27 to provide funding to further the School Access Initiative (SAI) programme.

It is proposed that the Children and Young People portfolio capital programme is varied to reflect an estimate SCM Grant of £4.5m from 2023/24 to 2026/27. It is also proposed that the SCM budget is top sliced by £0.3m in 2023/24 to 2026/27 to further the SAI programme.

111. **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. The Council has received a 2023/24 Basic Need grant of £38.4m with a further allocation of £5.7m confirmed for 2024/25. It is proposed that estimated further School Places Grant of £2.0m per annum are included in 2025/26 to 2026/27 of the Children and Young People's capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect an estimated School Places Grant of £2.0m per annum to 2026/27.

112. **Rushcliffe School Expansion Project –** A project to deliver a major school expansion project at the Rushcliffe Spencer Academy was approved by the Cabinet Member for Economic Development and Asset Management in December 2022. Forecast project costs of £29.8m will be incurred from 2022/23 onwards, funded from Section 106 contributions (£7.2m) and Basic Need Grant (£20.6m). Although these costs are approved within the Children and Young Peoples portfolio capital programme, it is proposed that the funding is identified separately and moved to its own budget line.

It is proposed that the Children and Young People portfolio capital programme is varied to reflect the £29.8m major school expansion project at Rushcliffe Spencer Academy on a separate budget line.

Transport & Environment

113. **Road Maintenance and Renewals Programme** – Department for Transport (DfT) Capital Block allocations for 2023/24 and future years have not yet been announced. It is expected however that future years allocations will be very much in line with the 2022/23 allocations

received. It is proposed therefore that an annual estimated grant figure of £18.6m is included in the capital programme from 2023/24 onwards to reflect the estimated block allocations from the DfT to fund the Roads Maintenance and Renewals programme. The capital programme will be reviewed once the actual grant allocations are announced. In addition, it is proposed that the Council provide a further £3.0m per annum from 2022/23 to 2025/26 and a further £1.5m per annum from 2023/24 to 2026/27 to further the Road Maintenance and Renewals programme, funded from reserves.

It is proposed that the Transport and Environment portfolio capital programme is varied to reflect estimated DfT annual grant allocations of £18.6m, an additional £3.0m per annum from 2022/23 to 2025/26 and £1.5m per annum from 2023/24 to 2026/27 to further the Roads Maintenance and Renewals capital programme.

114. **Integrated Transport Measures Programme** – Department for Transport (DfT) Capital Block allocations for 2023/24 and future years have not yet been announced. It is expected however that future year's allocations will be very much in line with the 2022/23 allocations received. It is proposed therefore that an annual estimated grant figure of £3.9m is included in the capital programme from 2023/24 onwards to reflect the estimated block allocations from the DfT to fund the Integrated Transport Measures programme. The capital programme will be reviewed once the actual grant allocations are announced.

It is proposed that the Transport and Environment portfolio capital programme is varied to reflect estimated DfT annual grant allocations of £3.9m to fund the Integrated Transport Measures capital programme.

115. **Bus Services Improvement Plan** – The National Bus Strategy sets out an ambitious vision to dramatically improve bus services in England through greater local leadership. As part of this strategy, Nottinghamshire has been awarded £12.9m of Bus Services Improvement Plan funding from the Government. This funding has been allocated to reflect the Council's prioritised interventions and proposals as set out in the approved Enhanced Partnership Plans and Schemes that were approved by the Cabinet Member for Transport and Environment in September 2022.

It is proposed that the Transport and Environment portfolio capital programme is increased by £12.9m to reflect the Bus Services Improvement Plan capital grant funding received from Central Government.

116. **Externally Funded Bus Improvement Programme** – The Council has been successful in securing a number of external funding opportunities to improve bus services across the county. A number of these funding sources, totalling £0.3m, are already included within the approved Transport and Highways portfolio capital programme across a number of budget lines. It is proposed that these funding streams are merged to form the externally funded bus improvement programme. In addition, a further £0.3m of external funding, mainly Section 106 and Section 278 contributions, has been secured. It is proposed that the Transport and Environment portfolio capital programme is varied to establish a £0.6m externally funded bus improvement programme.

It is proposed that the Transport and Environment portfolio capital programme is varied to establish a £0.6m Externally Funded Bus Improvement Programme.

117. **Southern Relief Link Road, Newark –** A new four-mile long road linking the A46 near Farndon with the A1 in Fernwood will help to ease congestion in the area and unlock the area's economic potential. It is proposed that the Council makes a £3.0m contribution to this project, funded from capital receipts.

It is proposed that the Transport and Environment portfolio capital programme is varied by £3.0m to reflect the Council's contribution to Southern Relief Link Road in Newark, funded from capital receipts.

118. The Transport and Environment portfolio approved capital programme also includes a number of additional green initiatives as follows:-

- **Carbon Management Programme and the Energy Saving Scheme -** These programmes of work identify and undertake projects that enable energy savings to be made and carbon emissions to be reduced. They also enable investment in spend to save energy and water efficiency measures to supplement the current capital programme and maintenance budgets. All savings are recycled to fund further energy savings projects. The total budget included in the capital programme for these green initiatives is £2.7m.

- **Street Lighting** – This programme of work is aimed at replacing the lanterns in street lights for lower energy options to realise an energy saving. The total budget included in the capital programme to fund street light replacements is £4.0m.

- **Flood Mitigation Projects** – The Council has been successful in securing £4.3m external funding to carry out flood mitigation projects in Southwell. This funding, alongside a contribution from the Council's Flood Alleviation and Drainage programme, is funding two schemes that are scheduled for completion by Spring 2023 and will benefit approximately 200 properties and businesses. Due to a number of factors including additional works identified during the planning process, material prices increases and increased contractor costs the total cost of the project has increased by £0.4m. It is proposed that these costs are funded from the Flood Alleviation and Drainage capital budget

It is proposed that the Transport and Environment portfolio capital programme is varied by £0.4m to reflect the increased cost of the Southwell Flood Mitigation projects, funded from the Flood Alleviation and Drainage programme.

- In addition, the Council has used its own resources to lever in external funding which has enabled the delivery of further flood risk management projects.

Finance

119. **Microsoft Enterprise Agreement (MEA)** - The MEA provides an overarching provision to enable the majority of the Council ICT platforms and systems to function in an effective and efficient manner. The Council has successfully implemented large-scale remote working requiring central infrastructure changes and new features available within the Microsoft packages which will enhance business benefits. It is proposed that the Finance portfolio capital programme is varied by £1.7m per annum, in addition to the current approved £1m per annum allocation, to fund the enhanced MEA provision.

It is proposed that the Finance portfolio capital programme is increased by £1.7m per annum to reflect the enhanced MEA provision required, funded from borrowing.

Capital Programme Contingency

120. 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.

121. A number of capital bids described above are proposed to be funded from uncommitted contingency. The levels of contingency funding remaining in the capital programme are as follows:-

2023/24	**£3.0m**
2024/25	**£3.0m**
2025/26	**£3.0m**
2026/27	**£3.0m**

Revised Capital Programme

122. Taking into account schemes already committed from previous years and the additional proposals detailed in this report, the summary capital programme and proposed sources of financing for the years to 2026/27 set out in Table 11. A more detailed breakdown across Portfolios will be reported to the Cabinet Member for Finance once Full Council has approved the Annual Budget Report 2023/24 on 9 February 2023.

Table 11 – Summary Capital Programme

	Revised 2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
Portfolio:						
Children & Young People*	35.009	65.047	54.092	8.500	6.500	169.148
Adult Social Care & Public Health	0.862	0.000	0.000	0.000	0.000	0.862
Transport & Environment	46.141	58.706	39.930	31.797	28.664	205.238
Communities	2.110	1.665	0.500	0.500	0.500	5.275
Economic Devt & Asset Mngt	10.471	15.141	11.229	2.400	2.400	41.641
Finance	7.830	12.658	6.438	4.210	4.210	35.346
Personnel	0.106	0.000	0.000	0.000	0.000	0.106
Contingency	0.000	3.000	3.000	3.000	3.000	12.000
Capital Expenditure	**102.529**	**156.217**	**115.189**	**50.407**	**45.274**	**469.616**
Financed By:						
Borrowing	28.556	39.011	52.566	14.194	13.760	148.087
Capital Grants	67.555	108.098	55.535	31.077	29.077	291.342
Revenue / Reserves	6.418	9.108	7.088	5.136	2.437	30.187
Total Funding	**102.529**	**156.217**	**115.189**	**50.407**	**45.274**	**469.616**

* These figures exclude Devolved Formula Capital allocations to schools.

Capital Receipts

123. 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 2023/24 to 2026/27. 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

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
Forecast Capital Receipts	**7.2**	**20.9**	**40.8**	**24.2**	**19.2**	**112.2**

124. As already outlined in this report, a decision was taken as part of the recent capital programme review to limit borrowing to what is already approved in the capital programme. To further minimise the impact of the cost of borrowing on the revenue budget it is proposed that capital receipts, to the value approved as part of the February 2021 budget report, are set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts. This will enable excess capital receipts to be potentially used to fund future additional capital investment.

125. 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 E.

126. 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 2023/24. The Strategy is incorporated into the Capital Strategy in Appendix E and the Policy is in Appendix F.

127. With regard to cash balances that form part of the Nottinghamshire County Council Pension Fund, this report proposes the Council delegates responsibility for the setting of Treasury Management Policies and Practices to the Pension Fund Committee.

128. It is proposed that the Service Director – Finance, Infrastructure and Improvement be permitted to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2023/24.

Timetable for Decisions (including Overview Committee)

129. On 17 November a Budget Update report was presented to Cabinet which highlighted the Council's current and medium-term position as well as setting out the approach to undertaking the budget consultation and tackling the predicted budget deficit. That report was considered by Overview Committee on 1 December 2022.

130. The Overview Committee considered this report on 24 January. Specific comments will be fed back at this Cabinet meeting for further consideration.

131. The County Council meets on 9 February 2023 to consider the Annual Budget Report 2023/24 including the revenue budget and capital programme . This will enable the 2023/24 budget to be set and approved before the statutory deadline of the end of February 2023.

Equalities Impact Assessment

132. When setting the budget, the Council must be mindful of the potential impact on service users. The consultation activities which have taken place in the preparation of the 2023-24 budget are relevant in this respect.

133. The Equality Act 2010 imposes an obligation on Members to have due regard to protecting and promoting the welfare and interests of persons who share a relevant protected characteristic (age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation).

134. Any resulting savings may result in reductions or changes to frontline services, which directly affect the people of Nottinghamshire. Many of the Council's services are targeted at particular groups including older people, people with disabilities, children and younger people and families. These services command the largest parts of the Council's budget.

135. The information in this report ensures that Members are able to pay due regard to the equality implications of the proposed budget for 2023/24 and the full EQIA is available as a background paper.

Other Options Considered

136. The Council has a statutory requirement to set a balanced budget and to set a Council Tax precept for the 2023/24 financial year. This report meets those requirements.

Reasons for Recommendation

137. To enable the County Council to meet its statutory requirements with respect to setting a budget and Council Tax precept for 2023/24, to allow efficient financial administration during 2023/24 and to provide a basis for the planning of services across the medium-term.

Statutory and Policy Implications

138. 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 where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That the report is noted and the following be recommended to Full Council:-

a) The Annual Revenue Budget for Nottinghamshire County Council is set at £591.303 million for 2023/24. Para. 60

b) The principles underlying the Medium-Term Financial Strategy are approved. Table 9

c) The Cabinet be authorised to make allocations from the General Contingency for 2023/24. Para. 62

d) That the 2.00% Adult Social Care Precept is levied in 2023/24 to part fund increasing adult social care costs. Para. 78

e) The County Council element of the Council Tax is increased by 2.84% in 2023/24. That the overall Band D tax rate is set at £1,723.66 with the various other bands of property as set out in the report. Para. 79/80

f) The County Precept for 2023/24 shall be collected from the District and Borough councils on the dates set out in Table 8. Table 8

g) The Capital Programme for 2023/24 to 2026/27 be approved at the total amounts below and be financed as set out in the report: Table 11

Year	Capital Programme
2023/24	£156.217m
2024/25	£115.189m
2025/26	£50.407m
2026/27	£45.274m

h) The variations to the Capital Programme be approved. Para. 110-121

i) The Minimum Revenue Provision policy for 2023/24 be approved. Appx. D

j) The Capital Strategy including the 2023/24 Prudential Indicators and Treasury Management Strategy be approved. Appx. E

k) The Service Director – Finance, Infrastructure and Improvement be authorised to raise loans in 2023/24 within the limits of total external borrowings. Para. 128

l) The Treasury Management Policy for 2023/24 be approved. Appx. F

m) The Council delegates responsibility for the setting of Treasury Management Policies and Practices relating to Pension Fund cash to the Pension Fund Committee. Para 127

COUNCILLOR RICHARD JACKSON
CABINET MEMBER FOR FINANCE

For any enquiries about this report please contact:
Keith Palframan, Group Manager – Financial Services

Constitutional Comments (GR 11/01/2023)

Pursuant to the Nottinghamshire County Constitution the Cabinet has the authority to receive this report and to consider the recommendation contained within it.

Human Resources Comments (HG 12/01/2023)

The human resources implications are implicit in the body of the report. Where any employment implications arise from any of the identified actions outlined in this report, these will be consulted on and implemented in line with the agreed employment policies and procedures of the Council.

Financial Comments (NS 10/01/2023)

The financial implications are set out in the report.

Background Papers and Published Documents

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

Equality Impact Assessment

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

Summary of Budget Pressures

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	TOTAL £000
Children & Young People					
Non Looked After Children Placements	-	-	183	-	183
Demographic Pressures - Edn, Health & Care Plans (ICDS)	170	188	209	231	798
Growth in External Placements for LAC	2,145	700	700	700	4,245
Education Psychology Service	623	291	-	-	914
Supported accommodation for young people	175	-	-	-	175
Children's Occupational Therapy Services (OT)	270	-	-	-	270
Social Work Staffing	1,047	(1,047)	-	-	-
Looked After Children and Leaving Care Service	1,264	216	124	-	1,604
Subtotal Children & Young People Pressures	**5,694**	**348**	**1,216**	**931**	**8,189**
Adult Social Care & Public Health					
Care Package Demand for Adults Aged 18-64 Years	4,228	2,933	484	484	8,129
Care Package Demand for Adults Aged 65 and Over	280	(1,260)	(530)	-	(1,510)
Vacancy rate temp Adj	-	1,000	-	-	1,000
Subtotal Adult Social Care & Public Health Pressures	**4,508**	**2,673**	**(46)**	**484**	**7,619**
Transport and Environment					
SEND Transport Growth	950	950	950	950	3,800
Waste PFI Contract Growth	100	100	100	100	400
COVID related SEND Transport costs	(50)	-	-	-	(50)
COVID related HtS and Post 16 Transport costs	(125)	-	-	-	(125)
Green Spaces Maintenance	-	(235)	-	-	(235)
Subtotal Transport and Environment Pressures	**875**	**815**	**1,050**	**1,050**	**3,790**
Communities Pressures					
Coroners Budget	173	-	-	-	173
Subtotal Communities Pressures	**173**	**-**	**-**	**-**	**173**
Total Pressures	**11,250**	**3,836**	**2,220**	**2,465**	**19,771**
Children & Young People					
National Living Wage - External	165	104	68	40	377
Basic Fostering Allowance	155	162	170	178	665
Contract Cost Inflation	7,462	3,769	2,396	2,396	16,023
Subtotal Children & Young People Inflation	**7,782**	**4,035**	**2,634**	**2,614**	**17,065**
Adult Social Care & Public Health					
Fair Price for Care	4,262	4,000	3,000	3,000	14,262
National Living Wage - External	16,018	14,943	8,055	8,055	47,071
Subtotal Adult Social Care & Public Health Inflation	**20,280**	**18,943**	**11,055**	**11,055**	**61,333**
Economic Development and Asset Management					
Schools PFI Inflation	120	120	120	120	480
Corporate Energy Costs Inflation	1,186	429	-	-	1,615
Subtotal Economic Dev and Asset Mgt Inflation	**1,306**	**549**	**120**	**120**	**2,095**
Transport and Environment					
Local Bus & Home to School Contracts	300	300	300	300	1,200
SEND Transport Inflation	300	300	300	300	1,200
Highways Energy	400	350	300	300	1,350
Waste PFI Contract Inflation	1,305	1,305	1,305	1,305	5,220
Contract Cost Inflation - VIA	1,075	680	680	680	3,115
Contract Cost Inflation - Inspire	715	475	450	450	2,090
Contract Cost Inflation - Country Parks	28	30	30	30	118
Subtotal Transport and Environment Inflation	**4,123**	**3,440**	**3,365**	**3,365**	**14,293**
Total Inflation	**33,491**	**26,967**	**17,174**	**17,154**	**94,786**
Total Pressures & Inflation	**44,741**	**30,803**	**19,394**	**19,619**	**114,557**

Summary of Budget Savings & Efficiencies

Appendix B

Portfolio	Efficiency	Description	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Deputy Leader	Councillors Divisional Funds	Reduction in the budget for Councillors Divisional Fund so that each Councillor amount is £3,000	132	-	-	132
Deputy Leader	Service Efficiencies	Drive efficiencies and reduce costs whilst largely maintaining strategic direction and service delivery. This includes deletion of vacant posts, service re-design and additional income	149	-	-	149
Finance			84	-	-	84
Personnel			329	-	-	329
Transport	Congestion and Traffic management review	Review of bus priority measures aligned with the National Bus Strategy, review of arrangements for off-street and on-street parking and moving traffic offences, review of utility works management including Lane Rental – all of which are subject to further consultation	20	345	1,730	2,095
Transport	Street lighting LED conversion	Energy savings arising from Conversion Project	610	-		610
Transport	Highways & Transport service efficiencies and income generation	Combination of Transport and Highways income increases in line with inflation , efficiencies in running costs & staff savings through deletion of vacant posts.	1,357	59	71	1,487
Transport	Capitalisation of Highway spend	Reclassification of spend following Highways review	1,460	-	-	1,460
Communities	Trading Standards	Realignment of income budgets to reflect use of reserves over the MTFS period	45	-	-	45
Communities	Holme Pierrepoint Country Park and National Water Sports Centre	Further investment to reduce revenue spend	50	-	-	50
Communities	Registration Service	General efficiencies & optimisation of income	40	40	40	120
Communities	Emergency Planning	General efficiencies	5	5	5	15
EDAM	Planned Maintenance Budget	Reduction in budget	250	-	-	250
EDAM	Core office estate	Efficiencies from reduced holiday opening hours	30	-	-	30
EDAM	Growth, Infrastructure and Development Group	Combination of growth in income & staffing efficiencies	170	120	100	390
EDAM	Corporate Landlord	Efficiencies from a centralised approach to contracts, staffing efficiencies and standardisation of service levels	100	250	-	350
EDAM	Disposals/letting of former caretakers houses	Enhanced programme of disposal of properties to make savings from holding costs and potentially to achieve rental income	-	100	-	100
EDAM	Premises rationalisation	Saving on premises costs	100	50	80	230
EDAM	Digital connectivity	Installation of "small cells" technology on street furniture to grow the wireless networks efficiently and generate income	18	12	-	30
ASC&PH	Adult Social Care Residential Services	Review of the NCC provision of registered residential care for people with learning disabilities to ensure that the care and support provided is strengths based, maintains or increases their independence and that people are supported in an environment that best meets their needs. Further consultation is required.	200	-	-	200
Children's	Early Help - System Re-design	Matching income budget to level of achievable income	-	270	-	270
Corporate	Travel Spend -Hybrid working	Savings from reduction in staff travel costs	720	-	-	720
Total Efficiencies			**5,869**	**1,251**	**2,026**	**9,146**

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

1. Reserves are a fundamental part of the Council's financial strategy and are used to ensure resilience and stability when setting the budget requirement. Therefore, by taking a prudent approach to budgeting, the Authority can operate with a level of reserves appropriate for the risks (both internal and external) to which it is exposed.

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

   - The General Fund Balance is a non-earmarked reserve, consisting of 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.
   - The Schools Statutory Reserve represents funds held on behalf of Schools under the Financial Management of Schools scheme.
   - Grants/External funding that 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 use reserves to maintain services in the face of immediate inflationary pressures whilst maintaining appropriate levels to support financial sustainability and future investment. This budget report is proposing to directly utilise £49.7m of reserves over the medium term with £3.9m being used to deliver a balanced budget in 2023/24.

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

5. The Council has taken a risk-based approach in setting its budget for 2023/24 and compiling the MTFS. This is reflected in the level of balances and reserves it needs to maintain. The main financial risks include:

   - General inflationary pressures impacting a range of expenditure budgets including wage growth and costs that relate to energy, fuel and external contracts.
   - The assumptions factored into the budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, particularly with regard to increased demand pressures in Adults and Children's Social Care services.

- The 2023/24 Settlement reflects a one-year settlement only. As such, the considerable uncertainty beyond 2023/24 will remain. In addition, the outcome of the Fair Funding Review and the move to a higher retention of business rates has been delayed and we await further announcements as to if, and when this review will complete.

Table B1 – County Council Reserves Forecast to 31st March 2027

Reserve	Actual Balance as at 31/03/2022 £'m	Projected balance at 31/03/2023 £'m	Projected balance at 31/03/2027 £'m
General Fund Balance	**35.2**	**37.2**	**37.2**
Earmarked Reserves			
General Insurance Reserve	39.4	38.5	29.7
Trading Activities	0.2	0.4	0.4
Earmarked for Services	12.7	4.6	4.6
Revenue Grants	20.5	15.0	15.0
Section 256 Grants	38.5	38.5	28.5
Earmarked Reserve	3.2	8.8	0.0
Capital Projects Reserve	15.8	14.7	4.0
NDR Pool Reserves	12.1	11.2	10.7
East Leake PFI	2.9	2.9	2.9
Bassetlaw PFI	1.7	1.7	1.7
Waste PFI	24.4	23.5	22.6
Workforce Reserve	6.6	6.6	0.0
Strategic Development Fund	17.9	15.0	3.4
Council Tax Equalisation	2.4	1.2	0.0
Business Rates Equalisation	5.6	5.6	4.4
COVID Recovery Reserve	5.7	0.0	0.0
Highways / Envt Reserve	15.0	10.8	0.0
Subtotal Earmarked Reserves	**224.6**	**198.9**	**127.8**
Schools Statutory Reserve	**30.1**	**30.1**	**30.1**
Capital Grants Unapplied	**3.5**	**3.5**	**3.5**
Total Usable Reserves	**293.4**	**269.7**	**198.6**

6. The movements above reflect current expectations in terms of usage of reserves over the period of the MTFS. Certain assumptions have been made in predicting closing balances and the timing of when movements on balances will occur. The key assumptions are outlined below.

General Fund Balance

7. The General Fund balance has been stable over recent years and can be considered relatively strong in terms of risk cover when compared with other County Councils. This is a prudent approach given the uncertainty that currently exists within the Local Government financial landscape and difficulty in projecting the full impact of inflationary pressures across the MTFS.

8. The latest budget monitoring report, which covers the first three quarters of the current financial year, predicts a small underspend of £2.2m representing 0.4% of the net budget. This projection may however fluctuate in the intervening period prior to 31st March. It is proposed that any in-year underspend is treated as a contribution to the General Fund, and this has been reflected in Table B1.

9. An assessment has been undertaken to identify the key financial risks for next year which can be used as a basis for determining the minimum level of general balances for the county council. Whilst this is not an exhaustive list of all the financial risks faced by the council, the assessment includes those most likely to have a significant impact on the budget. Details of this assessment are provided in the table below:

Risk	Impact	Probability (Low, Medium or High)	Mitigation	Proposed level of reserve cover for 2023/24 £m
Major funding stream variations	If an in-year correction or top-slice is made to external funding during 2023/24 this would reduce the Council's ability to fund its Budget (say 0.5% of RSG+BR)	Low	The government settlement has been announced, however, there have been in-year changes previously.	£0.7
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. (1% of net committee requirements of £653.043m)	Medium	The Service Director – Finance, Infrastructure & Improvement monitors the economic environment and takes forecasts from reliable sources	£6.5

Risk	**Impact**	**Probability (Low, Medium or High)**	**Mitigation**	**Proposed level of reserve cover for 2023/24 £m**
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 £653.043m)	Medium	The Council's Leadership 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	£9.8
Risk in the Social Care Market	As a result of the COVID19 pandemic, the Social Care Market is facing significant challenges relating to workforce, quality and cost which could lead to potential service overspends in Children's and Adult budgets	High	The Council will maximise the use of external funding opportunities, put plans in place for improved career progression and recruitment and continue to control budgets through the usual budget monitoring processes.	£6.0
Slippage 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 (say, 10% non-delivery in-year of £8.667m to be saved)	High	The Council's Leadership Team control the delivery of the savings programme through a robust monthly budget management process, however, this becomes more difficult given the savings already delivered to date and the complexity of building change on change	£0.9
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 however it is not certain this would cover all required expenditure. Whilst robust major emergency plans are in place, many associated costs will be unavoidable.	£1.0

Risk	Impact	Probability (Low, Medium or High)	Mitigation	Proposed level of reserve cover for 2023/24 £m
Health and safety breaches	The Council could be faced with a fine if 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 mandatory training programme is also in place.	£0.5
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 Framework was approved at Policy Committee in March 2018. A mandatory training programme is also in place.	£3.0
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	£1.0
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	£1.0
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	£0.5

Risk	Impact	Probability (Low, Medium or High)	Mitigation	Proposed level of reserve cover for 2023/24 £m
Third party failure	The Council could have a significant negative financial impact if 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	£1.0
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 Net Budget Requirement £653.043m)	Low	The current uncertainty within Local Government Finance coupled with volatility in the global economy mean it is advisable for the Council to hold a contingent level of reserves	£3.3
Risk assessed minimum level of General Fund Reserve				**£35.2**
% of net revenue expenditure (based on £653.043m)				**5.4%**

Other Earmarked Reserves

- PFI Reserves are accumulated using funding surpluses which are held for use in later years of the contract when the planned withdrawal of government support will leave a funding shortfall.
- The Workforce Reserve covers potential pay protection, National Living Wage increases and Pension Strain, as well as Pension Contributions and Redundancy costs.

- A full review of Earmarked for Services reserves has 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 deliver and support County Council priorities. The reserves relating to revenue grants that are received in advance will be spent in accordance with the relevant grant conditions.
- In previous years, the costs of Transformation have been funded by capital flexibility provisions as announced in the 2018/19 provisional Local Government Settlement. Whilst this funding opportunity still exists, the Authority has taken the decision to use future capital receipts to either re-pay previous years borrowing or to invest directly in the Capital Programme. It is therefore proposed that the Strategic Development Fund is used to fund future costs of Transformation across the MTFS.
- The Schools Statutory Reserve comprises money that schools have set aside from their share of Dedicated Schools Grant and these funds are not available for use by the Local authority. 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

10. 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’.

11. Furthermore, 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. The CIPFA Resilience Indicator for local authorities provides a useful broad dashboard indicator of the financial risks and mitigations within the budget approved for the current year. The Resilience Indicator for Nottinghamshire does not highlight any undue risk to the Authority.

12. 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.

Professional Opinion of the Council's Section 151 Officer

13. 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.

14. 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

15. The level of proposed General Fund balances in 2023/24 be regarded as acceptable cover for any reasonable level of unforeseen events.

16. The report be noted.

NIGEL STEVENSON CPFA

SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE 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".

It is proposed that the following policy, approved by Full Council (24 February 2022) for 2022/23, is continued for 2023/24:

- 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;
- For assets acquired by lease or PFI, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability, over the life of the lease.

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 2017/18 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, INFRASTRUCTURE & IMPROVEMENT

Nottinghamshire County Council Capital Strategy

Contents

Purpose and Aims

1. The importance of having a meaningful and comprehensive capital strategy was recognised in the Prudential Code for Capital Finance in Local Authorities that was updated by the Chartered Institute of Public Finance and Accountancy in 2021. This requires that all Local Authorities have a Capital Strategy to ensure that capital investment is directed to programmes and projects which maximise the delivery of organisational objectives. This report has been developed with reference to the updated Capital Strategy Guidance document that was published in 2021.

2. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable, that risks associated with investments for commercial purposes are proportionate to their financial capacity 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 plans, investments and debt 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. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investments and debt.

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

Nottinghamshire County Council – Longer Term Investment Influencers

6. Nottinghamshire County Council is the upper-tier Local Authority for the county of Nottinghamshire. The Council is responsible for providing such important public services as Education, Transport, Social Care, Libraries, Trading Standards and Waste Management. How the Council is structured, how it listens to its stakeholders, how it meets its environmental targets and delivers services

to its residents will have a major impact on the capital investment decisions that will be made over the longer term.

7. Nottingham and Nottinghamshire councils have been working together to identify areas for greater collaboration and opportunities to make an even bigger difference for our residents in the future. In August 2022, bids worth more than £250m were sent to the Government to apply for funding to revitalise and transform town centres across Nottinghamshire. The national policy context is a driver for this work with £4.8bn of Levelling Up Fund being made available as part of the Government's Levelling Up agenda.

8. On 30 August 2022, the leaders of Derbyshire County Council, Nottinghamshire County Council, Derby City Council and Nottingham City Council all signed up to work on a devolution deal following an announcement from the Government that a package of new powers and funding, worth £1.14bn, were available for the area. The four Councils agreed in November 2022 to go ahead with a public Consultation as the next step in the process to gather residents' views on the proposal. Devolution would mean that a future mayor and combined authority could:-

- Work towards Net Zero and cleaner air with new low carbon homes, retrofit existing houses with external wall insulation, promote the use of renewable energy, and protect and enhance green spaces, like areas for wildlife and green verges.
- Build on the region's existing knowledge and expertise in green technology and promote the growth of a future low carbon economy by investing in related skills training at colleges and other training facilities.
- Set up and coordinate smart integrated ticketing and enhanced concessionary fares schemes.
- Work with Homes England to build more affordable homes, by using new powers to buy land and housing (With district and borough council consent).
- Enhance the region's economy by developing new commercial space to maximise opportunities.
- Work with national government on initiatives to address homelessness, domestic abuse, community safety, social mobility, and support for young people.
- Take advantage of economies of scale by using combined and devolved budgets to deliver more value for taxpayers and more cost-efficient services.

If the devolution deal is formally approved, the Government will pass legislation bringing a new combined authority for the East Midlands into existence. The first election for a regional mayor for Derby, Derbyshire, Nottingham and Nottinghamshire would be in May 2024. Altogether Nottinghamshire County Council is working towards a stronger, more prosperous Nottinghamshire for everyone.

9. In March 2020, the County Council resolved to bring forward proposals for a new Environment Strategy to support the Government's national aspiration to achieving a legally binding target of net-zero greenhouse gas emissions by 2050. The Climate Emergency, which the Council declared in May 2021, heightened

expectation further with the Cabinet Member for Transport and Environment being tasked with overseeing the measures required to achieve the Authority's commitment to achieve carbon neutrality in all its activities by 2030.

10. The current and changing connectivity and access needs across the county with regards to travel and expected changes in user behaviour have been addressed as part of a full highways services review which has been overseen by the Cabinet Member for Transport and Environment.

11. A Highways Review report was presented to Cabinet on 15 December 2022 that sets out the recommendations that have been agreed. The recommendations were shaped into a Highways Improvement Plan and, from a resident perspective, they were designed to improve the Council's highway maintenance offer and provided an opportunity to :-

    - Move to a right first-time approach to highway maintenance and reduce the need to use reactive short-term maintenance
    - Publish a longer-term programme of capital works to keep residents informed of future plans
    - Maintain network condition and seek to improve it within financial constraints
    - Prioritise local roads and footways 11
    - Work with communities alongside improving communications, so that residents understand our approaches and are better informed about future plans
    - Increase our effectiveness and efficiency, maximising return on investment by ensuring that our highways maintenance and management works are driven by our policies and strategy.
    - Developing a new Highways Strategy which will set out the highways service the Council wants and the quality / outcomes required within the context of the new Council Plan 2021 – 31
    - Refreshing and updating the current Highways Infrastructure Asset Management Plan and Policy
    - Embedding a 'right repair, right first time' approach in our Asset Management Plan

12. Other major areas of service delivery will continue to inform the capital strategy over the next ten years as follows:

13. The Council has a statutory duty to ensure that there continues to be sufficiency of school places for children resident in the county, including special school provision. The Council is also responsible for ensuring that all mainstream schools are maintained to suitable condition.

14. The Council has a rich history and a considerable level of maturity around Smarter Working. As such we were in a good position to respond to the COVID19 pandemic. There have been unforeseen impacts and far-reaching changes to how the Council views its property portfolio. A review of the Investing in Nottinghamshire programme will capture the opportunities provided by the

Hybrid Working Strategy, address the Climate Emergency declaration, maximise the environmental benefits available and connects with our communities and ensure that the Council maximises the use of our buildings and office spaces. This programme of work will continue to evolve and capital investment will be kept under review.

15. The Council has a continuing successful record of delivering world-class digital infrastructure throughout Nottinghamshire. The Council has achieved 98% superfast broadband coverage to make Nottinghamshire one of the top three most digitally connected in the UK. The Council will continue to invest in new technology to improve individuals' access to and experience of services, as well as making businesses more fit for purpose, more efficient and more effective, delivering both national and local priorities

16. It is important to note that the capital strategy has been prepared against a background of funding difficulties being experienced by local authorities. At the same time the Council's own resources available to finance capital projects have reduced to a low level and will need to be replenished before any substantial further capital investment can be made. The Council will however work to lever in external funding wherever possible to ensure that continuing capital investment can be made.

17. In summary, the next decade promises both opportunities and challenges for our public services. With the growing, increasingly ageing population, demand for our services will continue to grow. Many services will need to be re-invented and rebuilt to meet the new challenges ahead and the Council is in a good position to meet these challenges.

The Nottinghamshire Plan 2021 – 2031: Healthy, Prosperous, Green

18. At the Full Council meeting held on 25 November 2021, the Council approved The Nottinghamshire Plan 2021-31: Healthy, Prosperous, Green. This ambitious, new plan sets out the strategic vision for the future of Nottinghamshire and the local authority.

19. The activity in the Nottinghamshire Plan is built around achieving a bold 10-year vision for a 'healthy, prosperous and greener future for everyone'. The plan will focus on:

    - Improving health and well-being in all our communities
    - Growing our economy and improving living standards
    - Reducing the County's impact on the environment
    - Helping everyone access the best of Nottinghamshire.

20. These are broad themes that will build resilience in our communities into the future and are supported by nine ambitions which will act as a framework for all County Council activity:

    - Helping our people live healthier, more independent lives

- Supporting communities and families
- Keeping children, vulnerable adults and communities safe
- Building skills that help people to get good local jobs
- Strengthening businesses and creating more good-quality jobs
- Making Nottinghamshire somewhere people love to live, work and visit
- Attracting investment in infrastructure, the economy and green growth
- Improving transport and digital connections
- Protecting the environment and reducing our carbon footprint

21. The Plan sets out what the County Council will do over the next four years to achieve these ambitions as well as how it will measure progress and success. This will have a particular focus on supporting Nottinghamshire's communities and businesses to recover from the socio-economic impacts of the COVID19 pandemic. The Plan also details the Council's on-going journey of improvement as we continue to deliver services in a responsive, efficient, financially sustainable and forward-looking way.

22. Finally, the Plan sets the approach the Council will take in planning and delivering its services. Our approach is to:

- Listen to our communities
- Support independence
- Reduce inequalities
- Spend money wisely
- Make decisions based on evidence
- Work together
- Lead with optimism

23. The vision and ambitions of the Council Plan are far-reaching and cannot be delivered by the County Council alone. The Council is proud to be working towards a stronger future with a wide range of public, private and voluntary sector organisations as well as communities themselves.

Capital Ambitions

24. The Council's ambitious Capital Strategy is prepared principally to enable the Council to achieve its vision and its ambitions. Despite the unprecedented financial and non-financial challenges that Local Government is currently facing, Nottinghamshire's Capital Strategy has delivered and will continue to deliver capital investments that the residents of Nottinghamshire can be proud of. The following section of the Capital Strategy will set a flavour of the capital projects that have been or will be undertaken to help deliver the Council's nine ambitions. The links will take you to a short YouTube video which outlines each ambition.

25. The Nottinghamshire Plan - Ambition 1: Helping our people live healthier and more independent lives - YouTube

    The Council continues to work with partners to use its land to supply new homes that meet the needs of people of all abilities in Nottinghamshire and help them to live independently. The Top Wighay Farm site, a 40-hectare site situated north-west of the Nottinghamshire town of Hucknall will feature an 805-property housing development, a new primary school and a local community centre. Developers will use modern building techniques to accelerate construction of the housing units, 30% of which have been designated as affordable.

26. [The Nottinghamshire Plan - Ambition 2: Supporting communities and families - YouTube]
A key element of the Children and Young People’s capital strategy is to provide support to children with special educational needs and their families. The range of local, specialist service provision will be improved as the Council looks to find ways to better support those preparing for adulthood. The replacement Orchard Special School in Newark was delivered in March 2021 and further funding has been secured to support the provision of new places for children with special educational needs and disabilities in future years.

27. The Nottinghamshire Plan - Ambition 3: Keeping children, vulnerable adults and communities safe - YouTube
The Council will keep improving support for vulnerable children and adults and continue to make improvements where we can. Clayfields House is a secure children’s home run by the Council. A new, robust modern wing has recently been completed and delivered through our partnership with ARC. The new wing has created a more homely, inspiring space for young people to live, yet making security a top priority. Additional external funding has already been secured to carry out further improvements at Clayfields House.

28. The Nottinghamshire Plan - Ambition 4: Building skills that help people get good jobs - YouTube

Working alongside the Government and local developers, the Council will address the growing demand for secondary school places in Gedling, Rushcliffe and Worksop and primary schools in East Leake, Carlton, Colwick and Edwinstowe. We will also ensure sufficient places are provided alongside new housing developments. The Rosecliffe Spencer Academy, a new primary school in West Bridgford, opened in Spring 2021. The new school provides 315 pupil places for the local area together with a 26 place nursery.

29. [The Nottinghamshire Plan - Ambition 5: Strengthening businesses and creating more good-quality jobs - YouTube]

The Council's ambition to develop new opportunities for business growth within the Council's land and premises portfolio has already been seen at the Worksop Turbine Centre. The Centre has been developed through previous capital programmes and is a dedicated business centre which assists small businesses to achieve growth. Further innovative opportunities will be created at Top Wighay Farm where plans are in place to build a range of offices, green spaces and other infrastructure opening up more jobs for local people.

30. [The Nottinghamshire Plan - Ambition 6: Making Notts somewhere people love to live, work and visit - YouTube]

The Council will deliver the Nottinghamshire Visitor Economy Strategy to grow tourism across the county. More opportunities to invest in and improve our beautiful country parks and green spaces, like Rufford Abbey and Sherwood Forest as well as our sporting venue, the National Water Sports Centre. A project to create the Sherwood Forest Visitor Centre has been completed and it is hoped that new, RSPB led building brings higher footfall, increases tourism, aids education, learning and engagement as well as benefitting the local community. Additional external funding was also secured to carry out pioneering work which introduced cutting-edge digital technology in the heart of Sherwood Forest and Rufford Country Park.

31. [The Nottinghamshire Plan - Ambition 7: Attracting investment - YouTube]

The Council will continue to deliver the major development programme at Lindhurst and Top Wighay Farm. Top Wighay Farm in particular will be developed as a blueprint for sustainable living in Nottinghamshire and will develop more sites over the coming years to supply quality housing and new job opportunities for our residents.

32. [The Nottinghamshire Plan - Ambition 8: Improving transport and digital connections - YouTube]

The Council will continue to improve and join up local and regional transport connections, opening up employment, training and leisure opportunities to everyone and securing funding to develop new infrastructure where it is needed most. The Gedling Access Road (GAR) is a new 3.8km single carriageway road which has provided a link between the B684 Mapperley Plains and the A612 Trent Valley Road. The new road has provided significant economic and congestion relief benefits and has unlocked new housing in the Gedling Local Plan, create jobs and provide business opportunities locally. Additional funding has been allocated by the Department for Transport, subject to a Full Business Case, to carry out a major scheme to improve the road network along the A614 and A6097 corridor between Ollerton and Lowdham.

33. [The Nottinghamshire Plan - Ambition 9: Protecting the environment and reducing our carbon footprint - YouTube]

As part of the Council's ambition to restore our landscapes, ecosystems and biodiversity, the Council will plant 250,000 trees on Council land and set up five new nature reserves to restore our green spaces. The Council has already secured significant external funding from the Department for the Environment, Food and Rural Affairs to create a new community forest in Nottinghamshire. This new 'Trees for Climate' programme was announced as part of the Government's 'Nature for Climate' fund to deliver widespread woodland creation to help combat the climate emergency.

34. In summary, the capital strategy is not intended to be static, it is a dynamic plan that will evolve and change over time alongside the Council's changing priorities. The strategy ambition is set over a ten-year period but will be updated annually and include short, medium and long-term investment ambitions.

Future Capital Strategy Development

35. As set above, it is recognised that the capital strategy is a continually changing document that will need to develop over time. Potential development actions will be identified during 2023/24 as part of a process of continuous improvement. Such actions include:

- Building on an initial data gathering exercise identifying capital pressures and risks over a ten-year horizon
- Assessment of service asset management plans to inform decision making and inform prioritisations.
- Clear scope and post project evaluations to identify learnings
- Review the existing capital strategy and identify any areas that require improving.

Key strategies and policies impacting on the Council's Capital Strategy

36. The Council has a number of strategies and policies in place which significantly influence the Council's Capital Programme. The major ones are as follows.

Corporate Property Strategy

37. The Corporate Property Strategy (2018-2023) provides a framework to support the development and management of the Council's land and property assets to achieve our ambition of delivering collaborative property solutions which achieve corporate objectives.

38. The Corporate Property Strategy is publicly available at: https://www.nottinghamshire.gov.uk/policy-library/60247/corporate-property-strategy-2018-2023

39. Aligned to the Corporate Property Strategy is a five-year Property Asset Management Plan (PAMP). This is updated annually and its main purpose is to:

    • set out the Council's objectives, priorities, programmes and performance in relation to land and property assets

    • provide a clear statement of direction for other land and property stakeholders and customers

40. Service Asset Management Plans (SAMPs), also updated annually, are developed to support the PAMP and to clearly articulate a service's land and property needs. Each will contain important information to help inform capital bids such as anticipated changes to the service, supply and demand detail, prioritised solutions and a delivery plan.

ICT Strategy

41. The ICT strategy 2022-2025 built on the previous strategy and was drawn up with linkages to the new Council Plan. The key themes of this strategy revolve around Cloud based technologies, technical debt, safe and ethical use of systems and data, reducing ICT's environmental impact, accessible services, transparency and governance.

42. This strategy is publicly available here: ICT Strategy

Pupil Place Planning and School Capital Policy

43. This Policy is a key document enabling the Local Authority to meet its statutory duty to provide sufficient places for the children and young people of Nottinghamshire. It provides a context for all to understand the pressures and considerations when addressing demand for the expansion of existing provision or the creation of new provision across the County.

44. The Pupil Place Planning and School Capital Policy is publicly available at: https://www.nottinghamshire.gov.uk/policy-library/41408/pupil-place-planning

Highway Infrastructure Asset Management Plan

45. This document sets out the asset management strategy and plan for Nottinghamshire, promoting best practice and the implementation of asset management principles in all highway maintenance activities.

46. The Highway Infrastructure Asset Management Plan is publicly available at https://www.nottinghamshire.gov.uk/transport/roads/highway-infrastructure-asset-management-plan

Highways Capital Programme 2022/23-2024/25

47. This consists of a suite of programmes stating how the Council plans to meet the transport objectives set out in the Nottinghamshire Local Transport Plan and to satisfy locally identified priorities.

    The Highways Capital Programme 2022/23-2024/25 is publicly available at https://www.nottinghamshire.gov.uk/transport/roads/highways-capital-programme

Commercial Strategy

48. The Commercial Strategy sets out the high-level framework for the commercial approach of the Council across a wide number of activities.

49. The Commercial Strategy is publicly available at: https://www.nottinghamshire.gov.uk/policy-library/55851/commercial-strategy

50. The area of Property Investment comes with risk. For example, items such as Brexit, the COVID-19 pandemic and the expected economic situation as at late 2022. The Council takes a largely risk-averse approach and does not tend to invest in Commercial Property for the sole purpose of revenue return.

51. Investment Properties represent only 3.9% of total Long-Term assets.

52. Sales of property has and continues to deliver capital receipts, but in the main the property was not originally acquired for this purpose.

53. The Council owns a number of commercial units and farms that deliver a return through rental income but these were not originally purchased for the purpose of generating a commercial return. The net figure for rental income and expenditure from these properties in 2021-22 was £308k.

Corporate Environmental Policy

54. The Council recognises the impact its operations and decisions have on the environment and how its position as a service provider, major employer, community leader and partner can have positive environmental outcomes. This policy outlines the Council's commitment to protecting and enhancing the environment for today and for future generations.

55. The Corporate Environmental Policy is publicly available at: https://www.nottinghamshire.gov.uk/policy-library/72901/corporate-environmental-policy

Working with External Partners

56. Delivering investment across the county to meet the Council's ambition needs a strategic approach with the public, private, voluntary and community sectors. In delivering its capital strategy the Council works with a number of external partners, each of whom have their own strategies, priorities and availability of funding, which in turn interact with the Council's capital strategy. These partners include:
    - Central government and its Agencies
    - D2N2 Local Enterprise Partnership
    - Other local authorities in the region
    - Local NHS providers
    - Local Universities and Further Education Providers
    - Charities and other voluntary organisations

Working in Partnership
Arc and Via – A Collaboration to Deliver Economic Growth

57. Arc Partnership and Via East Midlands are Alternative Service Delivery Models established by the Council to deliver services in line with their Service Agreements and empowered to deliver third party works under the auspices of Local Authority Trading Companies, as both are classed as 'Teckal Companies'. Both companies are either wholly or partly owned by the Council.

58. Arc Partnership delivers multi-disciplinary property design, consultancy, master planning, regeneration, project/programme management, construction; emergency, reactive, compliance, asset management and planned servicing on behalf of the Council and the communities and people it represents.

59. Via East Midlands delivers multi-disciplinary engineering and fleet management services, including highways maintenance, design and consultancy, project/programme management, construction, signals and lighting, drainage, landscaping, environmental assessment, road safety, fleet services and a highway training centre.

60. Both organisations already collaborate and partner in a number of areas in delivering projects and programmes of work that deliver value for money, quality

of output and customer excellence. They are looking to formalise this collaboration in order to deliver greater joint working, cross selling, and establish a framework which will bring forward a number of key regeneration, inward investment and economic growth opportunities.

What is Capital Expenditure?

61. 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.

62. Capital expenditure is where the Council spends money on buying, building or enhancing long-term fixed assets that will yield benefits for the Council and be used for more than one financial year.

63. Examples of long-term assets include but are not limited to: land and buildings, vehicles, infrastructure such as roads and bridges.

64. In Local Government this includes spending on assets owned by other bodies and loans / grants to other bodies enabling them to buy assets.

Funding Streams

65. 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 the Department for Education.

- **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.

66. The size of the Capital Programme will be influenced by funding sources and financing costs and any related constraints. The Strategy has been prepared against a background of continuing reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic conditions and to rebalance public finances.

67. 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.

Approach to Capital Investment

68. 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.

Capital Prioritisation

69. It is usual that demand for capital resources to meet investment needs and aspirations will exceed the resources available to the Council. In times of financial difficulty this situation is exacerbated.

70. To ensure that capital resources are allocated to the Council's priorities it is essential that an objective, structured prioritisation process is adopted when determining new schemes within the capital programme. This capital prioritisation process will then assist the Corporate Asset Management Group in making recommendations to the Corporate Leadership Team and Members in respect of the content of the Capital Programme.

71. The prioritisation process specifically addresses the key requirements of the Prudential Code:-

- Affordability, prudence and sustainability – the integration of the capital and revenue planning processes ensure that coherent decision-making takes place with regard to the level of borrowing.

    - Spend to save schemes must be able to demonstrate clearly the level of forecast revenue savings. These savings will be applied towards the repayment of the capital investment required. Subsequent savings will accrue to departmental budgets.

    - External funding may include earmarked capital receipts that require agreement with Strategic Property with regard to value and timing. Any external funding must be confirmed prior to project commencement.

- There should be a regard for the stewardship of the Council's assets – with explicit regard to the Council's Asset Management Plan.
- All capital expenditure should link into, and be consistent with, current corporate / service strategic objectives and be supported by appropriate levels of option appraisal and consultation to ensure value for money.

72. The practicalities of the capital expenditure plan – i.e projects are realistically phased and are capable of being delivered in physical terms.

Particular types of projects are prioritised as follows:

- **Externally Funded Schemes**
  Schemes that are totally funded by external sources and have no revenue or capital impact on the County Council are not subject to prioritisation. This would include 'spend to save' schemes where expenditure is fully funded by savings within the same financial year. These schemes are automatically absorbed into the capital programme once necessary funding and approvals are confirmed.

- **Immediate, Unavoidable Obligations**
  These schemes would have the highest priority against available funding and would include, for example, compulsory and immediate legislative changes requiring funding.

- Other schemes
  These are scored and prioritised according to the following criteria:

    - Funding criteria: for example Spend to Save initiatives and projects that lever in external funding / capital receipts
    - Service needs
    - Corporate priorities.

Governance Arrangements

Capital Programme Approvals

73. 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 the appropriate Cabinet Member 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

74. The main internal bodies that are responsible for the governance and management of the capital programme are the Full Council, Cabinet, Cabinet Members and the Corporate Asset Management Group.

75. **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.

76. **Cabinet / Cabinet Members:**

- Receive Latest Estimated Cost reports where the capital costs are in excess of £1m.

77. **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.

Skills & Training

78. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. All staff are encouraged to keep abreast of new developments and skills to ensure their continuous professional development.

79. The Council's property portfolio is valued by a team of internal valuers working in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The team has extensive knowledge of the Nottinghamshire property market and experience dealing with a mix of property types.

Overview of the Capital Programme

80. The following table shows Nottinghamshire County Council's overall Capital Programme by Committee and how it is funded from 2022/23 to 2026/27:-

Table E1 - Capital Programme by Committee

	Revised 2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
Portfolio:						
Children & Young People*	35.009	65.047	54.092	8.500	6.500	169.148
Adult Social Care & Public Health	0.862	0.000	0.000	0.000	0.000	0.862
Transport & Environment	46.141	58.706	39.930	31.797	28.664	205.238
Communities	2.110	1.665	0.500	0.500	0.500	5.275
Economic Devt & Asset Mngt	10.471	15.141	11.229	2.400	2.400	41.641
Finance	7.830	12.658	6.438	4.210	4.210	35.346
Personnel	0.106	0.000	0.000	0.000	0.000	0.106
Contingency	0.000	3.000	3.000	3.000	3.000	12.000
Capital Expenditure	**102.529**	**156.217**	**115.189**	**50.407**	**45.274**	**469.616**
Financed By:						
Borrowing	28.556	39.011	52.566	14.194	13.760	148.087
Capital Grants	67.555	108.098	55.535	31.077	29.077	291.342
Revenue / Reserves	6.418	9.108	7.088	5.136	2.437	30.187
Total Funding	**102.529**	**156.217**	**115.189**	**50.407**	**45.274**	**469.616**

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

Description of Major Schemes

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

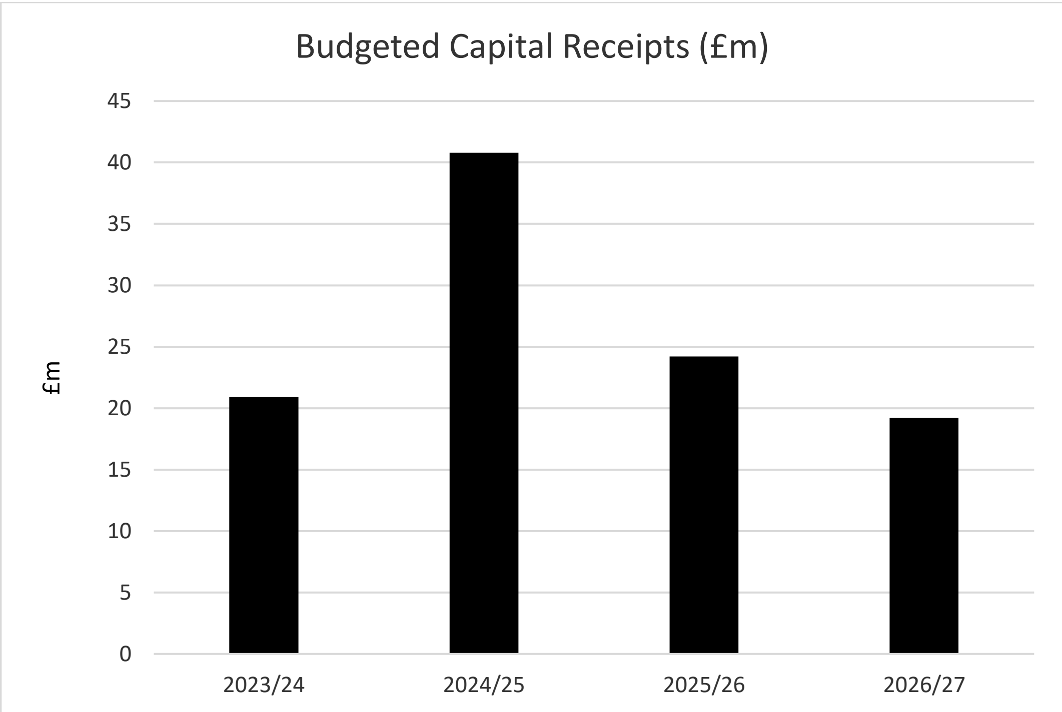
- **Schools Building Improvement Programme (SBIP) –** The SBIP focuses on the most immediate condition issues relating to heating, lighting and power, windows and roofing of the County Councils' maintained school building stock.
- **School Places Programme** - The School Places Programme focuses on the 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.
- **New / Replacement Schools** –The Schools Place programme focuses on the Council's statutory duty to provide sufficient school places. The Council works closely with academies and the voluntary aided sector to meet this statutory responsibility and function. As part of this programme four new / replacement schools have been built in Bestwood Hawthorne Primary, Orchard Special School, Newark, Hucknall Flying High Academy and Rosecliffe Spencer Academy, Edwalton with new schools at East Leake and Bingham in progress.
- **Special Schools –** This programme of work is funded by the High Needs Provision capital allocations received from the Department for Education and focusses on supporting the provision of new places and the improvement of existing provision for children with special educational needs and disabilities.
- **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.
- **Bus Service Improvement Programme (BSIP) -**
- **Building Works -** The building works capital budget funds essential capital works to maintain the condition of the Council's property portfolio.
- **Investing in Nottinghamshire** – As set out in a report to Economic Development and Asset Management Committee in November 2021, the

Council has established an Investing in Nottinghamshire capital programme that sets out to utilise the Council's property estate to deliver, environmental, economic and financial benefits in a post-COVID19 world. This programme funding allows for the delivery of a programme of projects that will improve, refurbish or build new offices across multiple sites of the Council's estate which allow the vacation and rationalisation of other buildings. The use of our offices is also a matter of interest for the Overview Committee which is undertaking a Scrutiny Review of Council buildings to inform future use.

Capital Receipts / Disposals

82. Anticipated capital receipts are reviewed on a regular basis by the Finance 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.

83. The chart below shows the budgeted capital receipts for the four years to 2026/27:



84. As part of the recent capital programme review, a decision was taken to limit borrowing to what is already approved in the capital programme. To further minimise the impact of the cost of borrowing on the revenue budget it is proposed that capital receipts, to the value approved as part of the February 2021 budget report, are set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts. This will enable excess capital receipts to be used to fund any future additional capital investment.

2023/24 PRUDENTIAL INDICATORS FOR CAPITAL FINANCE

85. 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

86. 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.

87. 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."

88. 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, Infrastructure 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

89. 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.

90. 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.

91. 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 2021/22 Accounts are as follows.

Table E2 – 2021/22 Capital Financing Costs and Net Revenue Stream

Capital Financing Costs	**£'m**
Interest Payable (incl. PFI/Finance Leases)	33.695
Interest and Investment Income	(1.111)
Repayment of Previous Years' Borrowing	5.088
Repayment of PFI/Finance Lease Liabilities	6.470
Other Amounts Set Aside for Repaying Debt	12.117
Total Capital Financing Costs	**56.259**

Net Revenue Stream	**648,498**

92. The Capital Financing Costs as a proportion of Net Revenue Stream for 2021/22 and future years are shown in the table below:

Table E3 – Capital Financing Costs as a Proportion of Net Revenue Stream

Capital Financing Costs as a proportion of Net Revenue Stream		
Actual	2021/22	8.7%
Estimates	2022/23	9.0%
	2023/24	8.3%
	2024/25	9.1%
	2025/26	11.1%
	2026/27	10.2%

93. The prudential indicator that sets out the proportion of capital financing costs to net revenue stream will be kept under review.

Prudence and Sustainability

94. 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.

95. 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 E4 – Estimates of Capital Expenditure

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Capital Expenditure	**156.217**	**115.189**	**50.407**	**45.274**
Funded from:				
Borrowing	39.011	52.566	14.194	13.760
Grants and Contributions	108.098	55.535	31.077	29.077
Revenue / Reserves	9.108	7.088	5.136	2.437
Total Capital Financing Costs	**156.217**	**115.189**	**50.407**	**45.274**

96. The proposed level of borrowing under the Prudential Code for 2023/24 is £28.6m.

97. 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 E5 – Capital Financing Requirement 2021/22

	£m
Fixed Assets	1,563
Short-term Assets Held For Sale	9
Capital Adjustment Account	(472)
Revaluation Reserve	(299)
Capital Financing Requirement as at 31/3/22	**801**

98. 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.

99. The Capital Financing Requirement needs to be rolled forward to the estimated position at the end of 2022/23:

Table E6 – Estimated Capital Financing Requirement 2022/23

	£m
Capital Financing Requirement 2021/22	**801**
Borrowing in 2022/23	29
Additional PFI/Finance Lease Liabilities in 2022/23	-
Repayment of PFI/Finance Lease Liabilities in 2022/23	(6)
Capital Receipts set against previous borrowing in 2022/23	(7)
Other amounts set aside for Repayment of Debt in 2022/23	(12)
Estimated Capital Financing Requirement 2022/23	**805**

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

Table E7 – Estimated Capital Financing Requirements 2023/24 - 2025/26

	2023/24 £m	2024/25 £m	2025/26 £m
New Borrowing	39	53	14
Additional PFI/Finance Lease Liabilities	-	2	1
Repayment of PFI/Finance Lease Liabilities	(7)	(8)	(9)
Capital Receipts set against previous borrowing	(15)	(12)	(24)
Other amounts set aside for Repayment of Debt	(13)	(13)	(13)
Capital Financing Requirement Net Additions	**4**	**22**	**(31)**
Estimated Capital Financing Requirement	**809**	**831**	**800**

101. As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2023/24 does not, except in the short term, exceed £809m (i.e. the estimated CFR for 2023/24).

External Debt

102. 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.

103. Operational Boundary – has 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.

104. 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, Infrastructure and Improvement has a duty to report this to the County Council for appropriate action to be taken.

105. The Operational Boundary for external debt for the next three years is built up from the existing level of external borrowing, which was £487m, and the level of relevant liabilities (including finance lease liabilities), which was £104m, on the Balance Sheet at 31 March 2022.

106. These figures can be rolled forward to provide the proposed Operational Boundaries for 2023/24 and subsequent years.

Table E8 – Operational Boundaries 2023/24 – 2025/26

	Borrowing £m	Other Long-Term Liabilities £m	TOTAL £m
External borrowing at 31 March 2022	487	-	487
Other Long-Term Liabilities as at 31 March 2022	-	104	104
Net new borrowing in 2022/23	-	-	-
Net change in PFI/finance lease liabilities	-	(6)	(6)
Estimated external borrowing as at 31 March 2023	487	98	**585**
Capital expenditure financed by borrowing 2023/24	39	-	39
Amounts set aside for repayment of debt	(28)	-	(28)
Net change in PFI/finance lease liabilities	-	(7)	(7)
Contingency for changes in cash flow forecast	40	-	40
Operational Boundary 2023/24	538	91	**629**
Capital expenditure financed by borrowing 2024/25	53	-	53
Amounts set aside for repayment of debt	(25)	-	(25)
Net change in PFI/finance lease liabilities	-	(7)	(6)
Contingency for changes in cash flow forecast	40	-	40
Operational Boundary 2024/25	606	85	**691**
Capital expenditure financed by borrowing 2025/26	14	-	14
Amounts set aside for repayment of debt	(38)	-	(38)
Net change in PFI/finance lease liabilities	-	(8)	(8)
Contingency for changes in cash flow forecast	40	-	40
Operational Boundary 2025/26	622	77	**699**

107. 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 E9 – Authorised Limits 2023/24 – 2025/26

	Authorised Limit		
	Borrowing £m	Other Long-Term Liabilities £m	Borrowing and Other Long-Term Liabilities £m
2023/24	563	91	654
2024/25	631	85	716
2025/26	647	77	724

108. 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.

109. 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

110. 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 the Cabinet Member for Finance or Cabinet.

Stewardship of Assets

111. 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

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

- How the proposal helps achieve the objectives and priorities set out in the Council's Strategic Plan.
- 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.

113. **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 the Cabinet Member for Finance or Cabinet on a monthly basis.

Recommendation

114. That Cabinet recommend to Full Council that the Prudential Indicators in Table E10 are approved as part of the 2023/24 budget.

Table E10 – Prudential Indicators 2023/24 – 2025/26

	2023/24	2024/25	2025/26
Estimated capital expenditure	£156.2m	£115.2m	£50.4m
Estimated Capital Financing Requirement	£809m	£831m	£800m
Authorised limit for external debt	£654m	£716m	£724m
Operational boundary for external debt	£629m	£691m	£699m
Financing costs as a % of net revenue stream	8.3%	9.1%	11.1%

Report of the Service Director (Finance, Infrastructure & Improvement)

Treasury Management Strategy 2023/24

Introduction

115. 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".

116. 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."

117. 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)."

118. 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 2021.

119. 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.

120. The Code has 3 key principles which are:

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

121. 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, Infrastructure & Improvement)
- Group Manager (Financial Services)
- Senior Accountant (Financial Strategy & Accounting)
- Senior Accountant (Pensions & Treasury Management)
- Investments Officer

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.

122. With regard to cash balances that form part of the Nottinghamshire County Council Pension Fund, the Council has delegated responsibility for the setting of treasury management policies and practices to the Pension Fund Committee.

123. 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 F that underpins the strategy, together with the TMPs that govern treasury management operations.

124. The strategy covers:

- Current treasury position
- Borrowing requirement
- Treasury Indicators
- Interest rate forecasts
- Borrowing strategy
- Investment strategy

Current Treasury Position

125. The table below shows the Council's forecast treasury position for 31 March 2023:

Table E11		**Total £m**	**Average Interest Rate**
EXTERNAL BORROWING			
Fixed Rate	PWLB	393.6	3.87%
	Market loans	90.0	3.83%
Total External Borrowing		**483.6**	
Other Long-term Liabilities		98.0	
Total Gross Debt		**581.6**	
Less: Cash balances		(140.0)	
Total Net Debt		**441.6**	

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

Borrowing Requirement

126. 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.

127. 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.

128. 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.

129. 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’.

130. In practice during the year the level of borrowing will be monitored against the “Operational Boundary”. This represents a reasonable limit for the planned level of borrowing for capital purposes and is affected by the following:
- 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

131. 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 any appropriate action.

132. 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 E12 – Borrowing Forecasts

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Closing Capital Financing Requirement	801.0	805.0	809.0	831.0	800.0	774.0
Less:						
- Long-term liabilities	-103.0	-98.0	-91.0	-85.0	-77.0	-69.0
- Existing borrowing	-494.4	-483.6	-472.8	-462.3	-452.2	-434.9
- Cap Ex to be financed by borrowing (a)		-29.0	-39.0	-53.0	-14.0	-14.0
- Cumulative replacement borrowing (b)		27.0	40.2	55.7	17.5	14.2
Internal borrowing (A)	**203.6**	**221.4**	**246.4**	**286.4**	**274.4**	**270.4**
Cash and cash equivalents	94.8	90.0	100.0	40.0	30.0	20.0
Fixed investments	80.0	50.0	0	0	0	0
Y/E investment balances (B)	**174.8**	**140.0**	**100.0**	**40.0**	**30.0**	**20.0**
Cash deployed (A+B)	**378.4**	**361.4**	**346.4**	**326.4**	**304.4**	**290.4**
comprising:						
- Usable reserves	287.0	270.0	255.0	235.0	213.0	199.0
- Estimated provisions / working capital	91.4	91.4	91.4	91.4	91.4	91.4
Cumulative minimum borrowing requirement (-a-b)	**0.0**	**2.0**	**-1.2**	**-2.7**	**-3.5**	**-0.2**
Annual borrowing requirement (nearest £10m)	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative annual borrowing requirement	0.0	0.0	0.0	0.0	0.0	0.0

133. The table above shows the latest capital expenditure, financing and reserves forecasts. From this can be calculated the Council's estimated internal borrowing and its cumulative minimum borrowing requirement, which is zero for all years to 2026/27. In other words, the Council is forecasting to use its cash balances to postpone its long-term borrowing at least until 2027/28.

134. This forecast assumes that usable reserves will be used in the first instance to postpone borrowing and thereby keep year-end cash balances to a comfortable minimum. However, if reserve balances are used quicker than forecast, or if working capital is for any reason reduced, then some borrowing will be necessary before 2027/28.

135. Under the capital finance regulations, local authorities are permitted to *fully borrow* (i.e. use no internal borrowing) 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.

136. The main reason for borrowing more than the minimal amount would be to take advantage of, and lock in, low long-term interest rates, making long-term savings and also reducing the Council's exposure to variable interest rate risk. However, this would almost certainly result in a short-term 'cost of carry', especially as interest rates on invested surplus cash are effectively zero. The financial implications of any amounts borrowed long-term would therefore be fully evaluated by Treasury Management Group before commitment.

137. 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.

138. A summary of the proposed Treasury Management Indicators for the years to 2025/26 are set out in tables E13 and E14 below. Please note that the 'Authorised Limit and 'Operational Boundary' are detailed in paragraphs 102 to 107.

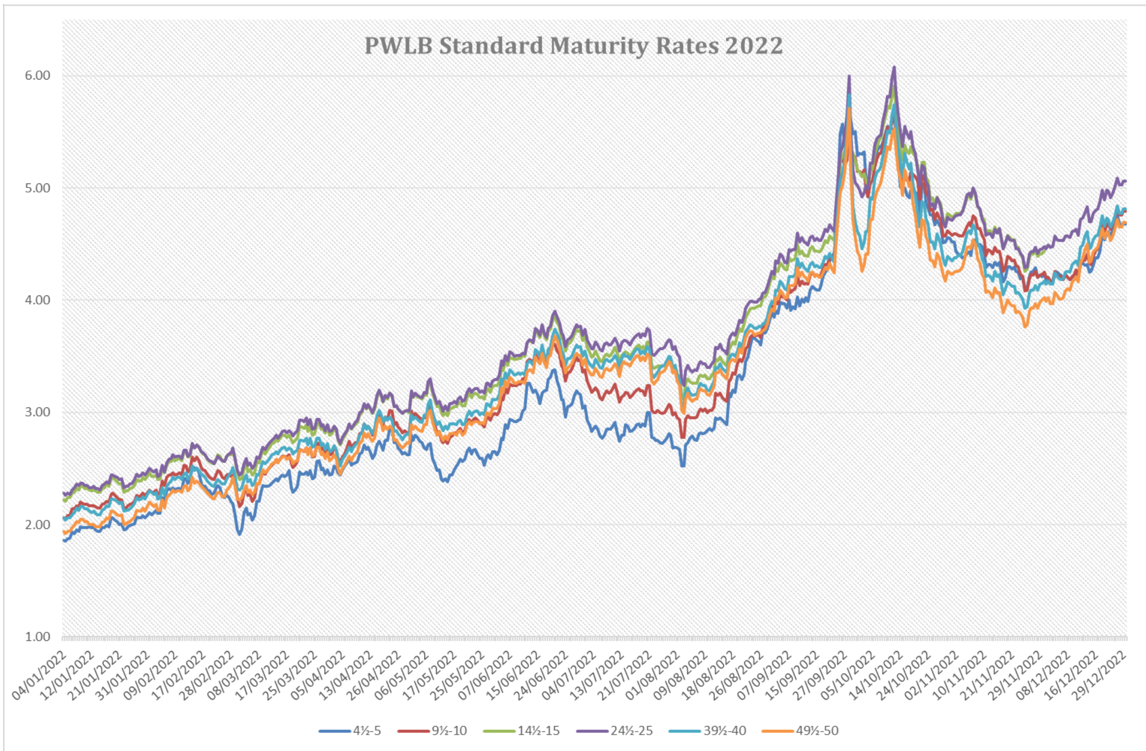
Table E13 **TREASURY INDICATORS**	**Proposed 2023/24 £m**	**Proposed 2024/25 £m**	**Proposed 2025/26 £m**
Upper limit for Rate Exposure (fixed-term investments)			
Fixed Rate	100%	100%	100%
Variable Rate	75%	75%	75%
Upper limit for principal sums invested for over 364 days	Higher of £20m or 15%	Higher of £20m or 15%	Higher of £20m or 15%

Table E14 **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

139. PWLB rates climbed significantly during 2022, in line with inflation, reflecting wider problems in the economy. This can be seen in the chart below:

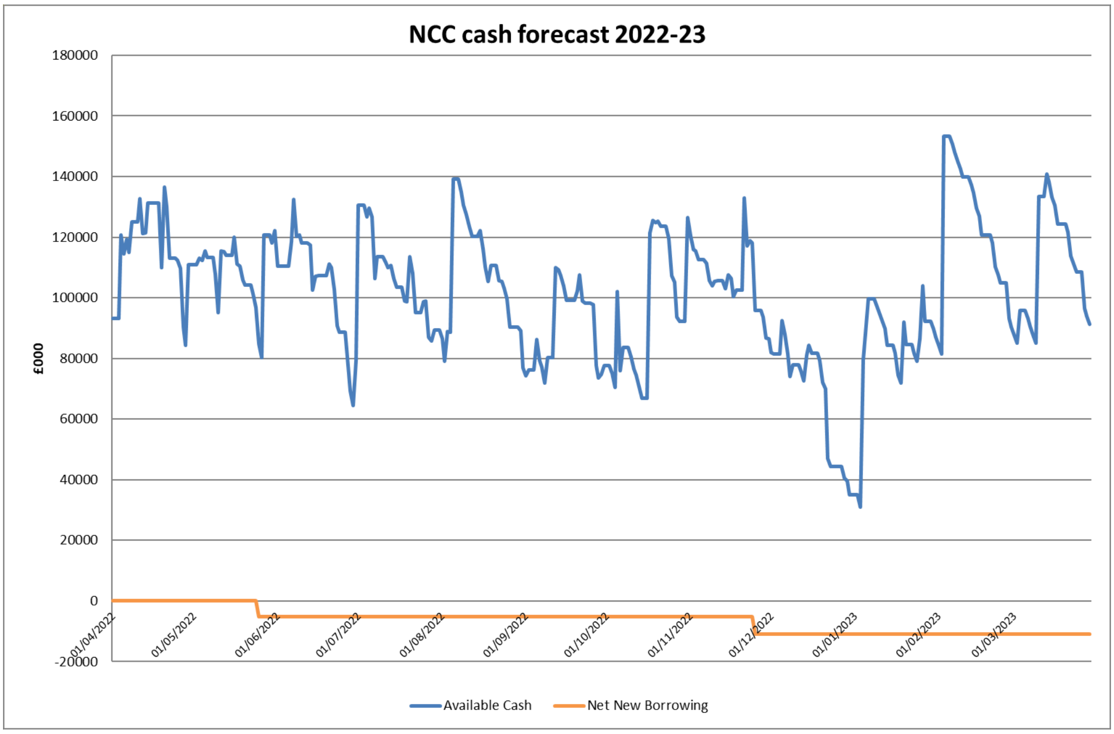
Table E15 – PWLB Standard Maturity Rates 2022



140. The chart below shows how the Council's instant-access cash position has progressed over the financial year to January 2023 and how it is forecast to progress until the year-end. This position varies over the course of the year but averages about £101m. The line reflects the day-to-day impact 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.

141. The lower line shows the Council's net new borrowing, which was negative over the course of the year. During 2022/23 approximately £10.8m matured and no new borrowing was undertaken.

Table E16 – NCC Cash Forecast 2022/23



142. Over the past several years the Council has in the short-term funded its capital programme 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 in order to reduce external borrowing. This is known as 'internal borrowing'.

143. 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 currently around 3% 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 deposited with counterparties.

144. 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.

145. 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).

146. 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.

147. Despite recent increases, long-term rates being offered by PWLB remain relatively attractive. In addition, long-term loans offered by the market or short-term loans offered by other local authorities can sometimes be a competitive alternative to PWLB loans, and these are worth considering.

148. It should be borne in mind that there would be a risk if the Council were to take *only* short-term debt. This is because short-term loans need more frequent refinancing and at such points the Council would find itself exposed to 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.

149. 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/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

150. 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, Infrastructure & 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.

151. Opportunities to reschedule debt will be reviewed as and when they occur during the coming year. However, prevailing conditions make rescheduling a costly activity.

Investment Strategy

152. During 2023/24 it is intended to keep cash balances at a low level with the aim of maintaining an adequate working cash balance. This will provide a level of

liquidity without recourse to temporary borrowing, i.e. having to seek funds at short notice when availability may be restricted and therefore expensive.

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

154. A further measure to ensure security of the Council's cash deposits 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, INFRASTRUCTURE & IMPROVEMENT

Report of the Service Director (Finance, Infrastructure & Improvement)

Treasury Management Policy Statement 2023/24

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, Infrastructure & Improvement)
   - Group Manager (Financial Services)
   - Senior Accountant (Financial Strategy & Accounting)
   - Senior Accountant (Pensions & Treasury Management)
   - Investments Officer

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 any guidance issued by the Secretary of State.

12. Current 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 lending list will comprise institutions based on minimum ratings (see paragraph below) 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 Sterling MMF ratings.

14. Short-term ratings assess the capacity of an entity to meet financial obligations with maturity of up to and including 12 months and are based on the short-term vulnerability to default. The long-term ratings cover a period in excess of 12 months 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 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 lending list will include institutions that meet the following criteria from at least 2 rating agencies:

	Long Term	**Short Term**	**GBP MMF**
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 365 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

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 of County Council cash (i.e. not Pension Fund cash) that can be lent to any organisation on the approved list is subject to individual institution limits of £20m. 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 account, through which all treasury management activity operates, is held at Barclays Bank.

26. As a result of the second Markets in Financial Instruments Directive (MiFID II), from January 2018 local authorities have been treated as 'retail' clients by investment counterparties by default unless they chose to opt up to 'professional' client status. The Council has chosen to do so with all of its counterparties where required.

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 365 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 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. Responsibility for the investment of Pension Fund cash surpluses has been delegated to the Pension Fund Committee.

46. **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.

47. 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.

48. **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.

49. 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

50. 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.

51. 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.

52. 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 tends to restrict 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 ***SONIA*** (Sterling Over Night Indexed Average) rate, which replaced the LIBID rate in December 2021.

53. 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

54. 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.

55. Treasury management processes and practices are well-documented. These are 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

56. 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) UK Municipal Bonds Agency.

57. 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

58. For sterling money market funds the Council will limit their use to those with 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 that this approach offers better value for money.

TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

59. 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.

60. 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.

61. 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.

62. 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.

63. 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.

64. 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.

65. 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 can now be carried out remotely and are set out in the Treasury Management team's Cash Process Notes. 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 markets 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 UK Money Markets Code

2017 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.

66. Individual deal limits specified in *TMP1 Risk management* apply to all staff placing deals. Any borrowing or lending for periods greater than 365 days may only be actioned on the authority of any two of the following members of Treasury Management Group:
    - Senior Accountant (Pensions & Treasury Management)
    - Service Director (Finance, Infrastructure and Improvement)
    - Group Manager (Financial Strategy & Accounting)

    Money may only be lent to institutions or funds on the *Approved List*.

TMP6 Reporting requirements and management information arrangements

67. The Service Director (Finance, Infrastructure 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.

68. 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.

69. 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

70. The Service Director (Finance, Infrastructure & 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*.

71. The Service Director (Finance, Infrastructure & 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*.

72. 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.

73. 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

74. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Service Director (Finance, Infrastructure & 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, Infrastructure & Improvement) will ensure that these are adequate for the purposes of monitoring compliance with *TMP1(2) liquidity risk management*. A separate arrangement holds for any Pension Fund cash, for which separate cashflow projections are prepared.

75. As outlined in TMP5, daily cash flow forecasts are prepared in accordance with the team's Cash Process Notes, and summarised weekly and annual forecasts are regularly provided to the *Treasury Management Group*.

TMP9 Money laundering

76. 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.

77. 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, Infrastructure & Improvement).

TMP10 Training and qualifications

78. 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.

79. 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 ACT qualified.

80. Professional qualifications will be supplemented by relevant training courses, and attendance at seminars and conferences for all team members as and when these become available. 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.

81. 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

82. The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It also 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. However, it does not currently employ the services of any specialist treasury management advisers.

83. In the employment of such service providers, the Council 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, documented and subjected to regular review. It will also 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. 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.

84. The Council currently uses broking companies to act as intermediaries in lending and borrowing activity, although it will also carry out this activity directly with counterparties when opportunities arise and when settlement details can be adequately verified.

TMP12 Corporate governance

85. 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.

86. 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.

87. 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.