

REPORT OF THE LEADER, AND THE CHAIRMAN OF THE FINANCE & PROPERTY COMMITTEE**ANNUAL BUDGET 2014/15****MEDIUM TERM FINANCIAL STRATEGY 2014/15 to 2017/18****COUNCIL TAX PRECEPT 2014/15****CAPITAL PROGRAMME 2014/15 to 2017/18****Purposes of the Report**

1. The purpose of this report is to seek approval for:
 - the annual budget for 2014/15
 - the Medium Term Financial Strategy for 2014/15 to 2017/18
 - the implementation of Category B and C savings proposals
 - the development of a new operating model
 - the establishment of a Strategic Development Fund
 - the amount of Council Tax to be levied for County Council purposes for 2014/15 and the arrangements for collecting this from district and borough councils
 - the Capital Programme for 2014/15 to 2017/18
 - the borrowing limits that the Council is required to make by statute
 - the Treasury Management Strategy and Policy for 2014/15

Introduction

2. The budget for 2014/15 has been prepared in the context of the Government's overarching priority to continue to reduce the national structural deficit. Funding reductions from the Government continue to have extensive implications for local authorities, in addition to increased demand for services as well as cost pressures including pay inflation. The magnitude of the financial challenges facing the Council was reported to Policy Committee at its meeting on 13 November 2013. At that time, a budget shortfall of £154m was anticipated over the three years to 2016/17.
3. Over £100m of savings have already been delivered since 2011/12 and the November Policy Committee meeting, approved the launch of the Budget Challenge consultation on £83m of savings proposals which concluded on the 17 January 2014.

4. Since November, the Council has fully reviewed the scale of budget pressures it is facing, and has received further information on the funding it can expect to receive in 2014/15 and 2015/16. Detailed budget proposals have been developed that take all of these factors into account, and this report outlines the recommendations that were agreed by Finance & Property Committee on 10th February 2014 to be formally considered and approved.
5. As part of the Budget Challenge consultation, the Council presented a number of options to increase the Council Tax (ranging from 1.99% to 5%) for 2014/15. The option which most respondents favoured was a 1.99% increase (45%). This increase would secure permanent funding in the base budget and the report to Finance and Property Committee recommended that the level of Council Tax for 2014/15 be increased by 1.99%, which in turn is incorporated within this report. This increase does not breach the limit that would trigger a referendum.
6. More than 38,000 responses were received to the budget consultation, which has been one of the largest in the country. Members have listened carefully to the views expressed in the consultation and have sought to ensure that, wherever possible, resources are aligned to the Strategic Priorities with a number of proposals being amended as a result.
7. The Council has also developed proposals to deliver a balanced capital programme in the medium term, and is proposing a prudent use of its reserves (both General Fund and earmarked) to reduce the need to borrow. The report seeks approval for the statutory borrowing limits that the Council is required to set in addition to its Treasury Management Strategy and Policy for 2014/15.
8. The Medium Term Financial Strategy has been refreshed to account for a number of changes, including adjustments to the tax base, grant funding, pressures and the deliverability of savings.
9. The report also sets out proposals to redefine the way the Council will operate within the resources available in the future.

Alignment of Resources to the Council's Strategic Priorities

10. The Council approved its new Strategic Plan in January 2014. The priorities in the Strategic Plan are:
 - Supporting safe and thriving communities
 - Protecting the environment
 - Supporting economic growth and employment
 - Providing care and promoting health
 - Investing in our future
11. These priorities represent what the Council plans to do, with each service making a contribution to achieving planned outcomes and through the Council's work with partners.
12. These priorities have also been a key driver in the allocation of financial resources and, in conjunction with the responses to the budget consultation, have helped shape Members' financial decisions on the savings proposals contained within this report.

13. Members are particularly mindful of the need to protect the most vulnerable in our communities, whilst at the same time recognising that supporting economic growth will be critical for local business and getting people back to work, and reducing the reliance on local public services.
14. The Council is ensuring that it continues to invest, through its capital programme, in vital infrastructure developments such as the highway network and broadband. The Council is also working with other major local authorities in the area through the Local Enterprise Partnership (D2N2) to promote investment in jobs and support for major infrastructure projects including High Speed 2.

Redefining the Council

15. The Council will continue to face further reductions in government grant funding coupled with rising demands for services, driven by an ageing population and the focus on the safeguarding children agenda. Other significant factors include changes to national policy such as the Care Bill, which comes into effect in 2015/16, changes to the regulatory framework demanding even tougher inspection regimes and the potential for joint working with other public sector organisations.
16. In light of these ongoing demands and reductions, detailed plans are being prepared to redefine the way the Council will operate within the resources available in the future. The scale of all of these changes will mean that the Council can no longer deliver services in the same way or at the same level as in the past. It will need to revise its operating model and create a framework that will enable decisions to be made, about what services the Council delivers, how they will be provided and at what level. These decisions will be underpinned by the principles and values of the Council as detailed in the Strategic Plan.
17. This process will require the Council to radically review all of its operations – both support and frontline services – rethinking what will be delivered, how it will be delivered and at what level.
18. The revised operating model will provide a blueprint for the future of the Council and a catalyst for the next wave of transformation and change. It will also initiate and be dependent on greater collaboration with the wider public sector across Nottinghamshire.
19. It is anticipated that a report on the revised operating model will be presented to Policy Committee on 7 May 2014.

Budget Consultation

20. Each year the Council undertakes a budget consultation exercise with residents and stakeholder groups to help guide and inform the annual budget setting process.
21. The total number of responses received across the whole campaign (38,412 as outlined in paragraph 32 below), reflects the prominence of this consultation, which is one of the largest ever undertaken by the authority.
22. On 2 September 2013, the Council formally launched a consultation exercise called the Budget Challenge to help inform and guide the budget setting process. The Budget Challenge consultation lasted for 20 weeks and took place on-line, via social media, by holding face to face meetings, workshops and events, and in libraries and county information points across Nottinghamshire. The campaign was undertaken in three distinct stages:

- Stage 1 - designed to give the context, raise awareness of the financial constraints facing the Council, to inform the public about the budget challenges ahead and to seek public opinion on how these challenges should be met
 - Stage 2 - designed to seek people's views on the values and strategic priorities detailed in the new draft Strategic Plan
 - Stage 3 - designed to seek public opinion on specific budget proposals
23. The Council has been keen to consult with community groups and has taken a proactive approach through its community engagement officers. The whole of the county has been covered and a wide range of respondents from all age groups and backgrounds have been engaged either by completing questionnaires, comment cards, writing individual letters/emails or via meetings, often 'piggybacking' other community events that have taken place. Also, articles have been placed in local newsletters and on-line bulletins such as Networking Action for Voluntary Organisations (NAVO), Neighbourhood Watch, Poets Corner etc and promotion has taken place via Community and Voluntary Service (CVS) partners, highlighting the opportunity for residents to get involved in this year's budget challenge campaign.
24. Since the publication of the draft budget proposals in November 2013, there has been extensive consultation with the public, service users and stakeholders on the 50 draft proposals and the proposed council tax increase. Methods for consulting have included:
- An on-line questionnaire on the County Council's public website which was accompanied by more detail on each of the individual proposals, as well as associated Equality Impact Assessments
 - Making paper copies of the above questionnaire available in reception points at libraries, county information points and in community centres etc.
 - Links to the budget proposals available on the Council's intranet for all employees
 - Numerous face to face meetings between officers and service users regarding specific proposals
 - Publicising the Customer Service Centre telephone number so that members of the public can get advice and assistance over the telephone and the completion of the on-line questionnaire by an advisor if required.
25. Particular attention has been given to accessibility and engagement to ensure the budget consultation process is participatory and no one is precluded from taking part by:
- Making available an on-line form on the County Council's website
 - Enabling residents to join the campaign via discussion forums
 - Making comment cards and paper questionnaires available in reception points in libraries and county information points etc, where members of the public could obtain assistance
 - Holding face to face discussion groups and workshops with specific service users
 - Publicising a freepost address for residents to send in their own handwritten letters/comments
 - Emails to stakeholder groups providing a link to the budget consultation information and proposals on the Council's website
 - Emailing information leaflets out to communities and groups including – Luncheon Clubs, Over 50's forums, Asian Elders Group, Friendship clubs, Royal British Legion, WI's, University of 3rd Age, Age UK, Children's Centres explaining how they can get involved.

- Publicising the Customer Service Centre telephone number so that members of the public can get advice and assistance over the telephone and the completion of the on-line questionnaire by an advisor if required.
 - Engaging the voluntary sector via Networking Action for Voluntary Organisations (NAVO) via meetings/newsletters.
 - Displaying posters on notice boards across the county
 - Reaching community based organisations, groups considered hard to reach and other agencies via email and face to face meetings.
 - Extensive media coverage in the local press, on local radio and on regional TV, and explaining how residents can get involved (a total of 678 media mentions)
 - Letters and emails to town/parish councils highlighting the proposals and how comments can be submitted
 - Letters to service users and stakeholder groups directly affected by the proposals
 - Letters to voluntary sector providers
 - Giving residents the opportunity to set their own budget by using the on-line budget simulator; a total of 48 individuals have completed the online budget simulator
 - Making available a toolkit for residents/organisations to use if they want to run a community event to discuss the budget. This was available to download from the public website or completing on-line; a total of 478 copies of the community engagement toolkit have been downloaded.
26. This year, the Council has also published an information booklet setting out the Budget Challenge, explaining the funding shortfall, detailing where the Council's budget currently comes from, what it is spent on, how much Council service's cost, services currently provided, and explaining how people can get involved. In addition, the Leader of the Council released a video on YouTube setting out the Council's Budget Challenge; this video has received 81 views.
27. The vast majority of the promotional material informed residents of the different ways they could get involved. A total of 27,704 visits were made to the Budget Challenge pages on the Council's website.
28. The overall budget position and overview of Outline Business Cases (OBCs) have been discussed through the formal Joint Consultative and Negotiating Panel (JCNP) process, at a corporate and departmental level, and other local meetings with the Trade Unions. A formal response has been received from UNISON.
29. The County Council has a statutory duty to consult with the business community under the Local Government Finance Act 1992 (section 65) regarding the authority's plans for expenditure in the financial year. This year, consultation with members of the business community took place via the Council's existing links. In order to ensure as many small and medium sized businesses across the county were involved, the Nottinghamshire Business Engagement Group (NBEG) were consulted. NBEG comprises representatives of business clubs across the County including the Chamber of Commerce and the Federation of Small Business, as well as more local Clubs such as Mansfield 2020 and the Newark Business Club. Together, NBEG representation offers access to some 12,000 Nottinghamshire businesses. A full response to the Council's budget has been received from the Derbyshire and Nottinghamshire Chamber of Commerce.
30. Procedures have been established to ensure that all consultation responses are captured and recorded on a central database and taken into account in the decision making process.

31. Responses have been received from a number of diverse organisations including – District/Borough/Town/Parish Councils, Framework, Nottinghamshire MP's, Mansfield and Sherwood Ramblers Association, Mersey Care NHS Trust, Nottinghamshire Advice Network, Newark & Sherwood CCG, Nottingham Playhouse, Department for Work and Pensions, Nottingham Pensioners Action Group, Carers Federation, Diocesan Board of Education, Age UK, Members of Youth Parliament, Rushcliffe Community & Voluntary Service, Rural Community Action Nottinghamshire, The National Autistic Society, Bassetlaw Learning Disability Association, 1st Daybrook Rainbows and 1st Daybrook Brownies. In response to the consultation, a total of 32 petitions have also been received.
32. The County Council's 2014/15 budget challenge campaign closed on 17 January 2014. In total 38,412 responses have been received via all channels.

Listening

33. Members have listened carefully to the messages from the consultation which echoed the theme of protecting the most vulnerable in our society. As a result, some of the proposals have been amended to reflect these concerns although the changes have been necessarily constrained by the financial position. In addition, although some of the proposals are still going ahead, a number of measures have been proposed to mitigate the impact by either proposing a longer transition period or establishing a transition fund.

Responding – changes to the original proposals

34. As a result of the extensive consultation, it is proposed that the following changes are made to the original proposals to reflect the views of respondents:

35. **Aspergers and Autism**

It is proposed that the Autism team is retained which would reduce the budget saving in younger adults staffing by £0.2m. This would allow the continued provision of specialist staffing to meet the needs of people with Autistic Spectrum Disorders.

36. **Kingsbridge Way**

The original proposal recommended the closure of the Kingsbridge Way short breaks service between 2014/15 and 2015/16. The Chillwell centre, which is the smallest of four short break centres across the county, provides nine beds for carers/adults with moderate to severe learning difficulties. It provides support for 63 people in total. The changed proposal recommends that the closure is re-phased to allow more time and care in helping the sensitive transition of vulnerable clients. As a result the closure will be deferred by 12 months to allow for a supported transition to alternative provision for the affected group of service users. This £0.5m saving will now be delivered over two years starting in 2015/16.

37. **Newlands NHS Short Breaks Unit**

The Council commissions the Newlands NHS short breaks unit which is currently caring for 18 individuals with learning disabilities on a short term basis in order to provide breaks for carers. In order to allow for a sensitive and supported transition to an alternative service provider, it is now proposed that the commencement is deferred until 2015/16. This is in recognition of the

difficulty in helping people with complex needs and the sensitivity of transferring to a new service provider.

38. I-Works

The i-Works team places adults with learning difficulties within paid employment. The original proposal recommended the closure of two projects: The Strawberry Fayre café and the Phoenix Unit. These supported employment schemes provided employment opportunities for 13 and 17 individuals respectively. It is now proposed that the Strawberry Fayre café will remain open subject to a review of contractual arrangements and alternative services. The reduction in the development team staff will continue in line with the original proposal and the Phoenix Unit will still be closed but all the individuals will be offered alternative day care or placements at Linby Farm.

39. Supporting people

The Government has removed the ring-fencing of the Supporting People grant. The costs of the services previously funded by grant, are now funded through the Council's main formula grant (i.e. Revenue Support Grant and Business Rates Baseline). Given the substantial reductions in overall funding coupled with the Councils statutory responsibilities the Council must now develop a revised approach to the services tackling drug and alcohol abuse, domestic violence and homelessness.

This revised approach will be developed by working with key stakeholders to fully analyse, determine and coordinate the support and services available from the district and borough councils, health partners, the voluntary sector and local providers in light of the inevitable reductions to finances available for this work.

The Council will commence further detailed work with all parties to define a revised but sustainable response and service offer that meets the needs of those most at risk within the restricted financial envelope for non-statutory services.

As part of this development and changed approach the Council will realign £1.0m from the Public Health budget to support shared outcomes that reflect public health priorities. In addition, to help with the transition over the next three years the Council will also provide a £0.75m transition fund to support and enable a phased and managed plan to be developed with all key stakeholders. To assist in local area planning and responding to individual users needs the Council will also retain the welfare benefit advisor team at a cost of £90,000 to work with stakeholders and assist in providing advice and support to the revised approach. These three measures will be used to help mitigate the £4.2m reduction in the Supporting People grant.

40. Social Care Transport

The Council spends more than £3.5m on providing transport for 1,500 individuals to enable them to access social care services. The Council consulted on a range of options around this transport and 1,798 responses were received with 52% agreeing with the overall aim of reducing the cost of transport services (27% disagreed and 21% neither agreed nor disagreed). In addition, 227 people attended the 17 special consultation meetings to hear about the proposals and 252 questionnaires were returned.

After taking into account the responses, the following options are proposed:

- Withdraw the transport to lunch clubs except where the attendees are eligible to receive support and transport following a Community Care Assessment (saving £80,000)
- Increase the cost of social care transport from £5 to £7 a day bringing in an additional £0.2m;
- Improve the fleet efficiency (saving £0.2m)
- Withdraw transport assistance to and from short breaks services other than in exceptional circumstances.

The proposal to cease the provision of transport to people who are in receipt of the Disability Living Allowance mobility component has been withdrawn.

In total, the Social Care Transport proposals will deliver an additional £0.48m of savings to contribute towards the Council's overall budget position.

Saving Proposals Approval

41. As part of the consultation process, the savings proposals were classified into three categories:
 - Category A could be moved forward into implementation subject to normal internal consultation processes – these have progressed accordingly and are included at appendix A for noting.
 - Category B could be approved in principle, subject to discretionary consultation with stakeholders and partners. Appropriate consultation has been completed and, subject to the amendments to schemes referred to above, approval is now sought to proceed. A list of these schemes is included in appendix B.
 - Category C required formal statutory consultation before being implemented. Appropriate consultation has been completed and, subject to the amendments to schemes referred to above, approval is now sought to proceed. A list of these schemes is included in appendix C.
42. It is now proposed that Members agree the Category B and C proposals as set out in appendix B and C with the revisions set out at paragraphs 34-40.

Movements in the Medium Term Financial Strategy (MTFS)

43. The Budget Report to February Council 2013 forecast a budget gap of £133m for the three years to 2016/17. In July 2013, the Government released several consultation proposals which indicated further reductions in funding for local authorities, adding an additional £21m to the budget shortfall. The report to Policy Committee in November 2013 therefore highlighted the need to make savings of £154m, and offered savings proposals of £83m for consultation. Since the November report a rigorous review of the Council's MTFS has taken place, and the resultant revisions are set out in the paragraphs below.

Revised Pressures and Running Cost Inflation

44. When the budget for 2013/14 was approved in February, the forward look to 2016/17 identified specific budget pressures in respect of children's social care, care for older people and those with physical or mental disabilities, waste disposal, highway maintenance and transport. In total, the scale of budget pressures identified at that time amounted to £72.6m, of which £35.8m related to 2013/14 with the balance of £36.8m for the three remaining years of the MTFS term.

This was a net figure reflecting temporary and one off pressures that were planned to phase out in subsequent years, for example the costs of the 2013 local election. A further expectation of £20.5m for general running costs inflation was included.

45. Since that time, the MTFS has rolled forward a year to reflect the four years to 2017/18. Further pressures have been identified, most notably in Adult Social Care and Health. Given the severity of the financial situation, both existing and new pressures have been through a re-evaluation process. The Chief Executive and S151 Officer have met with each Service Director, along with their Management teams, in a series of "Budget Pressure Challenge" meetings. These meetings critically evaluated the pressures, identified areas where reduction was possible, giving particular emphasis to adopting a "higher risk" approach than has previously been the case, and taking into consideration the Council's cost / performance profile against comparator authorities.
46. In terms of inflation on non-pay items, no inflationary uplift was provided for in the current year, other than where there was a specific business need incorporated as individual bids. This practice has been in place for a number of years and, given the financial position of the authority, it is proposed to continue this for the foreseeable future. Managers will therefore be expected to control expenditure within their cash limited budgets. Furthermore, given the tight spending controls the Council has implemented, each department has an additional savings target to reduce non-essential expenditure wherever possible.
47. The Budget Pressure Challenge exercise and cash limiting of budgets has ensured that resources have been effectively reprioritised, and overall, the additional service demands can be accommodated within the original resource allocated. The table below tracks the movement in pressures and inflation that has occurred from February 2013, details of the revised figures are set out in appendix F.

Table 1 – Movement in Pressures and Inflation

Committee	Original Pressures 2014/15-2016/17 £'m	Original non-pay inflation 2014/15-2016/17 £'m	Net movement £'m	Current Total Requirement 2014/15-2017/18 £'m
Children & Young People	2.4	3.8	(1.7)	4.5
Adult Social Care & Health	29.7	11.0	(1.4)	39.3
Transport & Highways	4.6	2.2	0.6	7.4
Environment & Sustainability	2.3	1.3	1.9	5.5
Community Safety	-	0.1	(0.1)	-
Culture	-	0.4	(0.4)	-
Policy	(2.2)	0.7	1.8	0.3
Finance & Property	-	1.0	(1.0)	-
Personnel	-	-	0.3	0.3
Total	36.8	20.5	0.0	57.3

Pay Award Inflation

48. For 2013/14 a pay award of 1% has been implemented across Local Government. Previous MTFS expectations assumed that this offer would be repeated in 2014/15 moving to a 3%

increase from 2015/16 onwards. In light of Central Government indications of continuing austerity, this assumption has been revised down to 1% for all years in the MTFS timeframe.

Income Inflation

49. The MTFS contained an assumption that fees and charges would be inflated in line with the increase in costs incurred in providing those services. An estimated rise of 2.5% was anticipated each year from 2014/15 to 2016/17, which would have generated £3.7m per year. However, actual income received has been lower than budgeted levels and therefore it would be inappropriate to apply an inflationary increase. In line with the policy to cash limit expenditure budgets, this blanket assumption has been removed from the MTFS, and services have been reviewed on an individual basis. Where income increases for a service are appropriate, this has been included as a Savings Proposal Business Case.

MTFS Assumptions and Projections

50. In addition to the reduction in budget pressures and inflation, a detailed review was undertaken of the assumptions that underpin the preparation of the MTFS. A similar review was undertaken in previous years that resulted in a reduced level of corporate contingencies, along with a range of other adjustments, to help deliver a balanced budget. However, this has diminished the level of flexibility previously available and reflects that the Council has adopted a higher level of financial risk than it has in previous years.
51. This approach has mitigated against what otherwise would have been deeper reductions in services in 2014/15. By also drawing on County Fund balances and other reserves, the Council is able deliver a balanced budget for 2014/15. Nonetheless, whilst the Council can set a balanced budget for the next financial year, from 2015/16 onwards, the Council is currently projecting a budget gap of a further £77m.
52. Further proposals as to how the budget will be balanced for the following three years, will be made following a critical evaluation of current service delivery, and how this fits with the revised Strategic Priorities and the establishment of a new operating model for the Council as previously described. Consideration will also need to be given to changes in how local authority services are supported, particularly given the government's commitment to protect social care services, as one of the major components of the recently announced Better Care Fund allocation for 2015/16.

Interest & borrowing

53. 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 therefore result in reduced borrowing in the year, although this will still be incurred at a later date when the scheme completes. 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 Council's position is monitored regularly in relation to these two variables and the latest budget monitoring report forecasts an underspend of £2m for the current year. The 2014/15 budget has therefore been reduced by £2m to reflect this saving. This will continue to be closely monitored to ensure interest payments are adequately provided for in future years, should interest rates rise.

Public Health

54. Over the last few months, the Council has also reviewed the role and function of the Public Health ring fenced grant, since its transfer from the NHS in April 2013. It was inevitable that a period of time would be necessary, in order to evaluate the range of Public Health responsibilities, and in particular to identify areas of potential duplication with existing County Council services. This process took place between April and October, and the Council is now able to propose a series of changes that will deliver £5m of operational efficiencies. These are described in appendix D.
55. Most of these proposals involve routine review of contracts, identification of internal efficiencies and small changes to service specifications, therefore these were not included in the County Councils budget public consultation. One exception is the re-tendering of substance misuse services, which was subject to a dedicated three month public consultation during June-September 2013. Service user consultation has also been undertaken to explore the impact of the tobacco control proposal.
56. As a consequence of finding these efficiencies, a further process has been undertaken to identify where this £5m could be re-invested within the County Council to meet additional Public Health outcomes, whilst maintaining an overall level of expenditure in Public Health provision of £36.1m in 2014/15. The detailed proposals which make up this realignment of the Public Health grant are set out in appendix E.
57. The realignment of the Public Health grant will facilitate the ongoing integration of Public Health within the Council. Plans have identified opportunities to avoid duplication and provide Public Health leadership to complex areas. These include domestic violence and services to support people who are homeless or vulnerable. Due regard has been taken during the realignment process to emerging health and wellbeing priorities as identified in the Joint Strategic Needs Assessment.
58. Further discussions involving partners regarding efficiencies and realignment will need to take place for 2015/16 onwards.

Better Care Fund (BCF)

59. As set out in the Finance & Property Committee report (10th February 2014), the Government has established a Better Care Fund (nationally £3.8bn), to support the integration of health and social care. This is not new money, but is funding that is already allocated to health and local government. The purpose of the Better Care Fund is to encourage health and local government to change the way that services are delivered, particularly joining up services to provide care at home rather than hospital or residential settings.
60. The Council, along with local health providers, Clinical Commissioning Groups and district council partners have recently prepared joint plans as to how the £16.1m of Better Care Fund (BCF) will be allocated in 2014/15. More significantly, the plans cover how the £49.7m of BCF money announced in the December 2013 settlement, will be allocated in 2015/16 (albeit the 2015/16 plans are subject to change prior to sign-off).
61. Any proposals for use of the BCF have to be formally endorsed and agreed by the local Health and Wellbeing Board, but one of a number of national priorities of the fund is for the protection of Adult Social Care Services.

62. As such, plans are expected to propose ways in which the existing cost pressures in Adult Social Care, as well as other priority areas, can be alleviated and reduced. It is not however envisaged that the fund will be sufficient to protect social services from the levels of need and costs that arise from increasing numbers of people requiring care. The fund is also expected to fund the costs of implementing the Care Bill from 2015/16.

Council Tax

Council Tax Base

63. As new houses are built each year the council tax base increases. Over the last 5 years the increase had been around 0.7% but then dropped to 0.5% in 2011/12 and 2012/13. Given the challenging economic climate, the particular pressures being experienced in the housing market, and the unknown impact of Localised Council Tax Benefit (LCTB) schemes from April 2013, the assumption for growth in the tax base was revised downwards to 0.3% for the duration of the MTFS.
64. The District Councils have provided tax base estimates for 2014/15 which equate to growth of 1.19%. In part this may be due to the modest recovery in the housing market and wider economy, initiatives such as the Local Authority Mortgage Scheme, as well as the concerns relating to LCTB not materialising in full. This latter impact will be a one off gain on the tax base. Future years growth assumptions have been revised upwards from the 0.3% to 0.65% for the remainder of the MTFS.

Table 2 – Forecast Council Tax base 2014/15

	Tax base 2013/14	Assumed growth of 0.3% 2014/15	Band D Precept £1,193.18	Confirmed % Change	Confirmed Tax base 2014/15	Band D Precept £1,193.18
Ashfield	29,870.30	29,959.91	£35,747,565	1.29%	30,256.20	£36,101,093
Bassetlaw	31,409.55	31,503.78	£37,589,680	1.54%	31,893.84	£38,055,092
Broxtowe	31,907.95	32,003.67	£38,186,139	0.88%	32,188.65	£38,406,853
Gedling	34,396.13	34,499.32	£41,163,899	1.50%	34,912.38	£41,656,754
Mansfield	26,524.26	26,603.83	£31,743,158	1.58%	26,943.82	£32,148,827
Newark	36,015.10	36,123.15	£43,101,420	0.61%	36,233.47	£43,233,052
Rushcliffe	38,948.00	39,064.84	£46,611,386	1.09%	39,373.00	£46,979,076
Total	229,071.29	229,758.50	£274,143,247	1.19%	231,801.36	£276,580,747
Additional funding in MTFS from confirmed figures						£2,437,500

Council Tax Surplus/Deficit

65. Each year an adjustment is made by the District Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council; or a deficit which is offset against future year's Council tax receipts. A weighted average is factored into the MTFS of £971,000. However, figures confirmed from the district Councils equate to a surplus of £2,125,959 for 2014/15, resulting in an increase of £1.2m for 2014/15. This has been factored into the MTFS as a one off resource.

Council Tax increase

66. As part of the Budget Challenge consultation, the Council presented a number of options to increase the Council Tax (ranging from 1.99% to 5%) for 2014/15. The option which most respondents favoured was a 1.99% increase (45%). This increase would secure permanent funding in the base budget and does not breach the limit that would trigger a referendum. The report to Finance and Property Committee (10th February 2014) recommended that the level of Council Tax for 2014/15 be increased by 1.99% and this is incorporated within the calculation of the Council Tax requirement as shown in the table below:

Table 3 – Council Tax Requirement

2014/15	Amount £'m	% Funding
Initial Budget Requirement	504.261	100
Settlement Funding Assessment	(220.051)	43.6
Net Budget requirement	284.210	
Less Estimated Collection Fund Surplus	(2.126)	0.4
Council Tax Requirement	282.084	56.0

67. The Council Tax requirement is then divided by the taxbase to arrive at the Band D figure. This figure then forms the basis of the calculation of the liability for all Council Tax bands. Full details of the County Council's Tax Rates are shown below.

Table 4 - Recommended Levels of Council Tax (County Council Element) 2014/15

Band	Value as at 1.4.91	No. of Properties	% no. of properties	Ratio	County Council 2013/14 £	County Council 2014/15 £	Increase £
A	Up to £40,000	140,730	40.0	6/9	795.45	811.28	15.83
B	£40,001- £52,000	72,580	20.6	7/9	928.03	946.49	18.46
C	£52,001- £68,000	60,340	17.1	8/9	1,060.60	1,081.71	21.11
D	£68,001- £88,000	39,900	11.3	1	1,193.18	1,216.92	23.74
E	£88,001- £120,000	21,990	6.2	11/9	1,458.33	1,487.35	29.02
F	£120,001- £160,000	10,540	3.0	13/9	1,723.48	1,757.77	34.29
G	£160,001 - £320,000	5,910	1.7	15/9	1,988.63	2,028.20	39.57
H	Over £320,000	460	0.1	18/9	2,386.36	2,433.84	47.48

68. As the table above shows, almost 78% of properties are in bands A-C i.e. the vast majority of Nottinghamshire residents will pay less than the standard Band D rate.
69. It is proposed that Members approve a Council Tax increase of 1.99%. The actual amounts payable by householders will also depend on:
- The district council tax
 - The Police Authority and the Combined Fire Authority Council Tax
 - Any parish precepts or special levies
 - The eligibility for discounts and rebates

County Precept

70. District and borough councils collect the Council Tax for the County Council, which is recovered from the districts by setting a county precept. The total precept is split according to the Council Taxbase for each district as set out in the table below.

Table 5 – Amount of County Precept by District - 2014/15

District Council	Council Taxbase	County Precept £
Ashfield	30,256.20	36,819,375
Bassetlaw	31,893.84	38,812,252
Broxtowe	32,188.65	39,171,012
Gedling	34,912.38	42,485,573
Mansfield	26,943.82	32,788,473
Newark & Sherwood	36,233.47	44,093,234
Rushcliffe	39,373.00	47,913,791
Total	231,801.36	282,083,710

71. Discussions have been held with district councils and the following dates have been agreed for the collection of the precept:

Table 6 – Proposed County Precept Dates - 2014/15

2014	2014	2015
17 April 28 May 2 July 6 August	11 September 16 October 20 November 29 December	3 February 10 March

72. 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 2013/14 will be paid or refunded on the same dates.

Council Tax Information 2014/15

73. In 2012, the Government revised the Regulations that required councils to include information about efficiency performance on the face of the Council Tax demand, enabling councils to publish such information electronically. From 2014/15 the Council will publish this information on its website. Printed copies will be available to residents and stakeholders on request and will be distributed to all households in April in the Council's County Life publication.

Annual Budget 2014/15

74. The Council's total revenue budget for 2014/15 is £504.261m. A summary is shown in the table below with a more detailed breakdown shown in appendix G.

Table 7 - Proposed County Council Budget 2014/15

Committee Analysis	Net Budget 2013/14 £'m	Reinvestment £'m	Savings * £'m	Pay Inflation £'m	Budget Changes £'m	Net Budget 2014/15 £'m
Children & Young People	171.447	2.955	(9.042)	0.650	(13.115)	152.895
Adult Social Care & Health	216.823	17.204	(17.708)	0.561	(5.068)	211.812
Transport & Highways	63.367	1.745	(5.265)	0.146	(0.649)	59.344
Environment & Sustainability	29.027	2.800	(1.402)	0.014	0.260	30.699
Community Safety	4.231	-	(1.085)	0.040	(0.248)	2.938
Culture	14.390	-	(0.830)	0.101	(0.273)	13.388
Economic Development	1.145	-	(0.110)	0.004	(0.030)	1.009
Policy	23.432	0.300	(2.616)	0.186	5.256	26.558
Finance & Property	29.517	-	(1.952)	0.206	(0.358)	27.413
Personnel	2.385	0.300	(1.680)	0.038	0.398	1.441
Public Health	35.103	-	-	-	(35.103)	--
Net Committee Requirement	590.867	25.304	(41.690)	1.946	(48.930)	527.497
Corporate Budgets	(53.720)	-	-	-	44.996	(8.724)
Use of Earmarked Reserves	(9.872)	-	-	-	0.544	(9.328)
Use of General Fund Balances	(15.137)	-	-	-	9.953	(5.184)
BUDGET REQUIREMENT	512.138	25.304	(41.690)	1.946	6.563	504.261

* The savings column in the table above includes the agreed savings from the November 2013 consultation, as well as savings that had been agreed in previous budget rounds.

75. The table above shows the changes between the original budget for 2013/14 and the proposed budget for 2014/15 including budget pressures, savings, pay inflation and other budget changes including:

- Budget transfers between Committees, including services that have been realigned to Public Health
- The transfer of permanent use of contingency approved in 2013/14
- In line with expectations, an additional draw down of the Improvement Programme reserve of £1.162m to support the continuation of projects such as the Ways of Working Programme
- The transfer of Public Health grant from Corporate to Public Health – in the 2013/14 budget report Public Health was presented as a gross budget of £35.103m with the grant reporting under Corporate budgets. As this is a ring fenced grant it is more appropriate for the income to show alongside the expenditure as a net nil budget. This has been reflected in the budget monitoring throughout the year and in the table above. The variance in grant between years is an additional £1.016m.

Corporate Budgets

76. There are a number of centrally-held budgets that do not report into a specific Committee. These budgets are explained below, with the budget analysis shown in table 8.

- **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.
- **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.
- **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This practice is no longer permitted following changes to the pension rules. This budget requires realignment as attrition rates have not kept pace with pension increases.
- **Employers Pension Contribution:** The Council's actuary has estimated the Council will need to increase its contribution to the pension fund, the increase is held centrally - pending final confirmation, and will be allocated to individual budgets once final figures are known.
- **Contingency:** This is provided to cover redundancy costs, delays in efficiency savings, changes in legislation and other eventualities. Finance & Property Committee approval is required for the release of contingency funds.
- **Depreciation:** This represents the notional costs of utilising 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).
- **Revenue Grants** – This represents unringfenced grants, namely New Homes Bonus and Education Services grant. As explained above, the Public Health grant is now reported within the departmental budgets.

Table 8 - Proposed Corporate Budgets 2014/15

	Net Budget 2013/14 £'m	Budget Changes £'m	Net Budget 2014/15 £'m
Flood Defence	0.273	-	0.273
Trading Organisations	0.801	-	0.801
Pension Enhancements (centralised)	1.842	0.363	2.205
Increase in employers pension contribution	-	0.842	0.842
Contingency	5.040	(0.434)	4.606
Depreciation	(45.748)	4.635	(41.113)
Net interest	17.919	(1.331)	16.588
MRP	18.708	0.551	19.259
Revenue Grants	(52.555)	40.370	(12.185)
Corporate Budgets	(53.720)	44.996	(8.724)

Costs of Redundancies arising from the Budget Proposals

77. It is recognised that significant reductions in staffing numbers results in substantial redundancy costs. The Council seeks to maximise the use of voluntary redundancies to minimise the impact of having to make compulsory redundancies, although it is inevitable that there will be some compulsory redundancies, and the costs of either voluntary or compulsory redundancy are the same. Other employment provisions such as vacancy control, retraining and redeployment will be used.
78. The costs of lump sum payments and the on-going pension costs are met from the Pension Fund and are not a cost to the County Council budget. Redundancy payments and the cost of Pension Strain are met by the Authority. The Council will factor these costs into its Medium Term Financial Strategy.

Establishment of a Strategic Development Fund

79. As previously stated, the Council has already commenced a major internal review of its services, structures and ways of working, the intention of which is to devise a new operating model that will clearly define future service delivery aspirations and the ways in which these services will be commissioned and delivered.
80. Alongside this critical piece of work, the Council will need to continue to transform current services to align with the business cases that have been consulted upon, which will deliver the initial round of budget reductions. The scale of change necessary to deliver these reductions is unlikely to be possible without appropriate project management and change management support and capacity (which has largely been met to date by the Council's Improvement Programme team). The Council will also need support from its internal "support services" i.e. legal, communications, HR, ICT, property, finance and procurement.
81. In addition to these resources, there are still significant opportunities to reshape the way that services are both delivered to and accessed by service users, particularly through mobile and internet technology, the use of different customer access channels and more effective use of Council and partner buildings. This in turn will necessitate further investment, to fund the necessary change management capacity, as well as investment in hardware, software, physical assets and skills development.
82. These resource requirements can broadly be grouped under the following categories:
- Implementing the new operating model
 - Funding the transformation of services and the delivery of the OBC's
 - Investing in ICT
 - Resourcing change management, programme management and support service capacity, including the support to new projects and new initiatives e.g. the Care Bill.
83. Recognising the need to fund these various commitments, the Council is recommending the establishment of a Strategic Development Fund that will facilitate their delivery. This will be funded by a combination of the remainder of the existing Improvement Programme Reserve (£4m) and the re-designation of the Lifecycle Maintenance Reserve (£4m).

84. That said, given the financial commitments that are to be met from this fund, notably the cost of implementing the OBC's (particularly in Adult Social Care) and the cost of supporting the change process, it is unlikely that the amount identified to date will be sufficient to meet the overall requirement, or indeed support other initiatives and policy aspirations. It will therefore be imperative that wherever possible, additional temporary resources can be identified to enable the Council to fully implement the changes outlined above.

Post Consultation Medium Term Financial Strategy (MTFS)

85. The following table summarises the Council's overall Medium Term Financial Strategy for the four years to 2017/18, taking all of the factors highlighted in this report into consideration. It shows that whilst the Council can deliver a balanced budget in 2014/15, further significant savings will need to be identified in each of the following three years to 2017/18.

Table 9 – Medium Term Financial Strategy 2014/15 – 2017/18

	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	TOTAL £'m
Year on year savings requirement (November 2013 Policy report)	62.9	51.5	39.7	-	154.1
Roll forward of MTFS	-	-	-	41.5	41.5
Pay Award inflation	-	(4.0)	(4.2)	(4.4)	(12.6)
Removal of income inflation	3.7	3.7	3.8	-	11.2
Original Savings Proposals	(37.3)	(29.3)	(16.1)	-	(82.7)
Consultation response to savings proposals	1.7	0.5	(1.0)	-	1.2
Public Health	(5.0)	(4.0)	(3.0)	-	(12.0)
Corporate Adjustments	7.5	(6.0)	(7.6)	(1.6)	(7.7)
Interest and borrowing	(2.0)	-	-	-	(2.0)
Change in Council Taxbase	(2.5)	(0.9)	(1.0)	(1.0)	(5.4)
Collection Fund surplus / deficit	(1.2)	1.2	-	-	-
Increase in Council Tax 1.99%	(5.5)	-	-	-	(5.5)
Changes in Government grant	(11.4)	5.0	6.2	(2.1)	(2.3)
Changes in use of reserves	(10.9)	8.2	2.2	-	(0.5)
Subtotal changes	(62.9)	(25.6)	(20.7)	32.4	(76.8)
Revised year on year shortfall	-	25.9	19.0	32.4	77.3

Note: Already included in the November report was an assumption of cuts to Revenue Support Grant of 18%, 25% and 28% over the three years to 2016/17.

Financial Risks, Balances & Contingency

86. The County Council is legally obliged to set a balanced budget for each financial year. It has also prepared a four-year medium term financial strategy. As previously reported, there are significant risks and uncertainties associated with the current operational environment that local authorities are operating within, both short and medium term. It is therefore of paramount importance that the County Council takes appropriate measures to mitigate against these risks, whilst acknowledging that, given the level of uncertainty, overall contingency plans may not be sufficient.

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

- The Council will potentially need to fund a significant level of redundancy costs, if it is to deliver the savings that have been consulted upon. The Council may not have the available resources to meet these costs
- Given the scale and extent of the savings proposals, and the degree of complexity and change required to deliver them, it is highly likely that there could be a degree of non-delivery and slippage of proposals. That said the Council does not have the levels of contingency previously available, and as such a more rigorous approach to savings delivery and overall financial accountability will be required.
- The cost pressures that have been factored into the budget may not be sufficient to meet the underlying cost and demand pressures that may arise, notably in Adult Social Care.
- The Council and Health partners are currently developing plans for the use and allocation of the Better Care Fund. This process requires agreement on how the funding will be used to protect Social Care Services, in addition to other health priorities. There is a risk that there will be insufficient resources from the fund.

88. This is why the County Council must maintain an adequate level of balances and contingency in order to provide short term flexibility to manage unforeseen events, and to allow for the necessary longer term changes to be implemented in a managed and sustainable fashion. However, this policy must be balanced with that of Central Government, which has been to encourage Local Authorities to utilise reserves during this period of austerity to support their transformation agenda. The current level of balances is shown in the table below.

Table 10 – Forecast Level of Reserves and Balances 2014/15

Current Forecast level of Balances & Reserves	£'m	£'m
Balance as at 1 April 2013:		
General Fund Balance	42.1	
Earmarked Reserves	148.2	190.3
Approved use in current year:		
General Fund Balances	(15.1)	
Earmarked Reserves	(49.4)	(64.5)
Expected Balance 31 March 2014:		
General Fund Balances	27.0	
Earmarked Reserves	98.8	125.8

89. The County Fund Balances are the Council's "general reserves", which do not have any specific criteria attached in terms of how they are applied. Earmarked reserves have to be applied to specific schemes or programmes, and a large proportion of this balance relates to the reserves that support the County Council's PFI schemes in Waste and Schools. It is also important to stress that given reserves are "one-off" funds; their use should really be limited to supporting one-off expenditure, and not to fund on-going costs.

90. The budget proposals as currently set out propose a reduced use of balances although it is important to stress that the 2014/15 budget is being balanced through the use of one off resources and corresponding savings will need to be made in future years.
91. The forecast level of reserves still compares relatively favourably with other County Councils but will have been significantly reduced from the level at the beginning of the 2013/14 financial year. As set out in paragraphs 79-84, the Council will require significant one off investment in order to successfully implement the necessary level of transformational change.
92. The continuing financial uncertainty is also a key driver behind the need for the County Council to maintain the tight spending controls that it has implemented in recent years. This is further highlighted in the Section 151 Officer's report at appendix H.

Capital Programme and Financing

93. 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 with the revenue budget.
94. The County Council's capital programme has been reviewed as part of the 2014/15 budget setting process. Savings totalling £16.9m have been identified as part of this exercise. These savings, along with capital reserves and contingencies will be used to fund new inclusions into the programme. The capital programme continues to be monitored closely in order that variations to capital expenditure and capital receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported appropriately to the Finance & Property Committee.
95. During the course of 2013/14, some variations to the capital programme have been approved by Policy Committee, Finance & Property Committee and by the Section 151 Officer in accordance with the Council's Financial Regulations. Following a review of the capital programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the capital programme. These proposals are identified in paragraphs 96 to 149. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Children and Young People (CYP)

96. **School Basic Need Programme** - The School Basic Need Programme totalling £31.7m over the period 2012/13 to 2015/16 is already approved within the CYP capital programme. The Department for Education has recognised that demographic pressures continue to put a strain on schools in many parts of the country. As such, 2013/14 and 2014/15 school place capital grant allocations have been confirmed. Further school place capital grant allocations have been announced up to 2017.
97. **It is proposed that the CYP capital programme is amended to reflect confirmed / newly announced school place capital grant allocations as follows:-**

2013/14	£2.6m
2014/15	£4.0m (incl. £1.4m Targeted Basic Need)
2015/16	£16.7m
2016/17	£17.5m

98. **School Capital Refurbishment Programme (SCRП)** – The School Capital Refurbishment Programme totalling £60.9m over the period 2012/13 to 2015/16 is already approved as part of the CYP capital programme. The 2013/14 and 2014/15 School Capital Maintenance Grant allocations have been confirmed by the Department for Education as follows:

2013/14	£8.4m
2014/15	£7.8m

99. **It is proposed that the CYP capital programme is varied to reflect the confirmed School Capital Maintenance Grant allocations.**

100. The cost of SCRП works already completed is significantly higher than originally forecast. There are two main reasons for the increase in costs:

- Additional essential works necessary to alleviate health and safety risks in schools and / or to avoid school closures over the next 3-5 years.
- Costs associated with the discovery of asbestos.

101. A review of the SCRП programme undertaken at the end of the second year has concluded that the programme can be concluded over a four year period to March 2015. The additional funding required to complete the programme is £15.2m.

102. **It is proposed that an additional £15.2m allocation funded from the Capital Projects Reserve (£7.6m) and capital contingency (£7.6m) is incorporated into the CYP capital programme as follows:**

2014/15	£9.2m
2015/16	£6.0m

103. A £0.17m Environmental Improvement capital grant has been received from the Department for Education to part fund refurbishment works carried out at the Newark Academy.

104. **It is proposed that the £0.17m Environmental Improvement Capital Grant is added to the Schools Capital Refurbishment Programme budget.**

105. **CYP Capital Programme Review** – A review of the CYP capital programme has identified savings totalling £1.5m due to underspends on the following schemes:

Table 11 – CYP Capital Programme

Programme	£'m
Other Primary Projects	0.255
Primary Amalgamation Programme	0.367
Bramcote Hills Comprehensive	0.190
School Condition Initiative Phase 1	0.021
School Modernisation Programme	0.609
Other Youth Projects	0.058
CYP Capital Savings	1.500

106. **It is proposed that the £1.5m savings identified above are incorporated into the School Capital Refurbishment Programme capital budget.**
107. **Children's Residential Homes** – A review of children's homes across the County has identified a need for a programme of work to continually refresh and make improvements to their fixtures and fittings, equipment and ICT facilities.
108. **It is proposed that a £0.2m allocation funded from contingency is incorporated into the CYP capital programme in both 2014/15 and 2015/16.**
109. **Early Education Places for Eligible Two Year Olds** – A £1.1m allocation is already approved as part of the CYP capital programme to provide childcare places for disadvantaged children across the County where there is a sufficiency issue. The Local Authority has been given approval by the Department for Education to use £1.0m Early Years Trajectory funding to further this programme.
110. **It is proposed to incorporate the £1.0m Trajectory Grant into the CYP capital programme.**

Transport and Highways

111. **Gedling Access Road** – 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. The latest estimated cost of the scheme is £32.4m.
112. Match funding has been secured from the Local Transport Body, Gedling Borough Council and the Homes and Communities Agency. The County Council is required to contribute £5.4m to the scheme. An additional opportunity to bid in for further external funding will become available through the Single Local Growth Fund mechanism.
113. **It is proposed that funding of £5.4m in 2017/18 is incorporated into the capital programme, funded from capital contingency, to support the Gedling Access Road project.**

115. **A57 Roundabout** – It is proposed that improvement works are undertaken at the A60 / A57 / B6024 roundabout. This junction is a key traffic hotspot on the County Council's Strategic Road Network. The works will remove peak period congestion, improve journey times and support economic growth objectives in the area. The latest estimated cost of the scheme is £3.24m. Match funding has been secured from the Local Transport Body and other external funding opportunities are being explored. The County Council is required to make a £1.0m contribution to the scheme.
116. **It is proposed that funding of £1.0m in 2017/18 is incorporated into the capital programme, funded from capital contingency, to support the A57 Roundabout project.**
117. **Road Maintenance and Renewals and Local Transport Plan** – These two programmes of work provide support for local highway maintenance across the County. Funding for 2014/15 is already approved within the capital programme. Estimates used for 2015/16 onwards reflect a revised funding methodology whereby an element of funding is re-directed to the Local Enterprise Partnership.
118. **It is proposed that the estimated grant reflected against the Local Transport Plan budget is reduced by £2.9m per annum from 2015/16 onwards.**
119. **Development Site in Hucknall** – The Muse Development Project at the Rolls Royce site in Hucknall was incorporated into the capital programme following the Council meeting in April 2014. The funding was predicated upon a £2.2m capital grant bid through Pinchpoint. As the bid was unsuccessful there is a requirement for the Council to bridge the funding gap.
120. **It is proposed that funding of £2.2m, funded from capital contingency, is incorporated into the 2014/15 Transport and Highways capital programme.**
121. **Worksop Bus Station** – The Worksop Bus Station project totalling £2.5m is already approved as part of the Transport and Highways capital programme. Increased land acquisition costs and an unsuccessful bid for external funding has resulted in a requirement for additional funding.
122. **It is proposed that funding of £0.860m, funded from capital contingency, is incorporated into the Transport and Highways capital programme.**
123. **Vehicle and Plant** – It is proposed that a Spend to Save programme is undertaken to replace 52 vehicles which are currently leased to the County Council. This programme of work will enable the County Council to benefit from significant revenue savings associated with the current hire of vehicles.
124. **It is proposed that a £0.495m allocation, funded from capital contingency, is incorporated into the capital programme in both 2014/15 and 2015/16.**
125. **Salix Funded Street Lighting** – It is proposed that a Spend to Save initiative is undertaken to replace lanterns in street lights for lower energy options to realise an energy saving. This will be funded by a Salix loan and repaid from revenue savings over a four year period.
126. **It is proposed that a £1.8m allocation, funded from borrowing, is incorporated into the Transport and Highways capital programme.**

Personnel

127. **Universal Infant Free School Meals** – The County Council has received a £1.715m capital grant from the Department for Education to support universal free school meals for children in reception, Year 1 and Year 2 in state funded schools. It is envisaged that this funding will be used to improve school kitchens and dining facilities in schools.
128. **It is proposed that a £1.715m allocation, funded from external funding, is incorporated into the Personnel capital programme.**

Adult Social Care and Health

129. **Supported Living** – It is proposed that a programme of work is undertaken to develop good quality, secure accommodation for people with challenging needs. This work will enable people with high level needs to move out of inappropriate, expensive accommodation and will, over time, bring down the cost of care.
130. **It is proposed that a £3.0m allocation, funded from capital contingency, is incorporated into the Adult Social Care and Health capital programme.**

Policy

131. **Ways of Working** – The Ways of Working programme is already approved within the Policy Committee capital programme. The discovery of asbestos at County Hall has resulted in a requirement for additional funding.
132. **It is proposed that additional funding of £1.5m allocation, funded from reserves, is added to the Ways of Working Programme.**

Economic Development

133. **Nottinghamshire Local Broadband Plan** – The County Council's £2.15m contribution to the Superfast Broadband Project is already approved within the Finance and Property capital programme. The capital programme needs to be varied, however, to incorporate external funding from BDUK (£4.50m), ERDF (£2.76m) and other districts and boroughs (£1.15m)
134. **It is proposed that the Superfast Broadband budget is increased to reflect the £8.41m external funding that has been levered into the County Council.**

Finance and Property

135. **Lindhurst Scheme** – The County Council is one of three parties in a Developers Collaboration Agreement to the south of Mansfield. The terms of the agreement state that the Council is liable to make a contribution to the scheme which is capped at £1.0m. The Council also has a £0.75m contractual overage liability attached to its land holding within the scheme.
136. **It is proposed that £1.0m, funded from capital contingency, is included in the 2014/15 capital programme to fund the rolling cap. It is also proposed that £0.75m, funded from capital contingency is added to the 2016/17 capital programme to fund the overage liability.**

138. **Water Monitoring System** – It is proposed that a Spend to Save initiative is undertaken to install a water temperature monitoring and flushing system in all of the County Council's main corporate properties. This initiative would enable the County Council to benefit from significant revenue savings.
139. **It is proposed that £0.88m, funded from reserves, is included in the Finance and Property capital programme to fund the water monitoring system installation.**
140. **Rokerfield** – It is proposed that a Spend to Save initiative is undertaken to upgrade Rokerfield Day Centre. These works will enable three alternative sites to be vacated with both staff and equipment being consolidated on one site. This initiative would enable the County Council to benefit from significant future revenue savings.
141. **It is proposed that £0.21m, funded from reserves, is included in the Finance and Property capital programme to fund the improvements to Rokerfield Day Centre.**
142. **Stapleford Boundary Wall** – It has been identified that urgent remediation work is required to a ground retaining boundary wall in Stapleford. The wall supports a number of buildings and any collapse could result in serious structural implications.
143. **It is proposed that £1.0m, funded from capital contingency, is included in the capital programme to fund the Stapleford boundary wall works.**
144. **Microsoft Enterprise Agreement** – The County Council's Enterprise Agreement with Microsoft comes to an end in 2014. It is proposed that this efficient method of procuring Microsoft licences is continued into future years.
145. **It is proposed that £1.0m, funded from capital contingency, is incorporated into the Finance and Property capital programme in each of the three years commencing 2014/15.**

Capital Programme Contingency

146. 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.
147. A number of capital bids described above are proposed to be funded from uncommitted contingency across the period to 2017/18. The levels of contingency funding remaining in the capital programme are as follows:-

2014/15	£1.9m
2015/16	£1.9m
2016/17	£1.9m
2017/18	£1.9m

Revised Capital Programme

148. Taking into account schemes already committed from previous years (some of which have incurred slippage and are now re-phased) and the additional proposals above, the summary capital programme and proposed sources of financing for the years to 2017/18 are set out in the table below.

Table 12 – Summary Capital Programme

	Revised 2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	TOTAL £'m
Committee:						
Children & Young People*	61.227	35.025	27.867	17.501	2.000	143.620
Adult Social Care & Health	0.373	5.760	8.790	7.100	1.350	23.373
Transport & Highways	40.956	42.486	33.824	22.300	29.350	168.916
Environment & Sustainability	4.473	2.242	2.033	1.984	1.700	12.432
Community Safety	0.289	-	-	-	-	0.289
Culture	4.000	5.362	0.450	1.210	1.200	12.222
Policy	5.785	2.748	0.115	0.110	-	8.758
Finance & Property	12.221	9.508	4.650	5.400	3.400	35.179
Personnel	0.145	1.785	0.070	0.070	0.070	2.140
Economic Development	-	5.793	5.708	2.055	1.000	14.556
Contingency	-	1.884	1.883	1.884	1.883	7.534
Capital Expenditure	129.469	112.593	85.390	59.614	41.953	429.019
Financed By:						
Borrowing	65.533	43.429	37.597	22.404	21.583	190.546
Capital Grants †	47.247	48.421	46.623	36.040	19.200	197.531
Revenue/Reserves	16.689	20.743	1.170	1.170	1.170	40.942
Total Funding	129.469	112.593	85.390	59.614	41.953	429.019

* These figures exclude Devolved Formula Capital allocations to schools.

† Indicative Government funding for Transport and Schools is included in 2015/16 to 2017/18.

149. The capital programme for 2013/14 includes £12m of re-phased or slipped expenditure previously included in the capital programme for 2012/13.

Capital Receipts

150. 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 2013/14 to 2017/18. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of capital receipts incorporate anticipated slippage between years and are shown in the following table.

Table 13 – Forecast Capital Receipts

	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	TOTAL £'m
Forecast Capital Receipts	2.0	7.9	9.6	20.5	11.8	51.8

151. The County Council is required to set aside a Minimum Revenue Provision (MRP) in respect of capital expenditure previously financed by borrowing. In recent years, the Council has sought to minimise the revenue consequences of borrowing by optimising the use of capital receipts to reduce the levels of MRP in the short to medium term. As such, the Council's strategy is to apply capital receipts to borrowing undertaken in earlier years, rather than using them to fund in-year expenditure. Although this will be presented as a higher level of in-year borrowing, the overall level of external debt will be unaffected. This policy will be reviewed on an annual basis.
152. 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 J.
153. 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 2014/15. The Strategy is in Appendix K and the Policy is in Appendix L.
154. It is proposed that the Service Director – Finance and Procurement be allowed to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2014/15.

Equality Impact Assessments

155. Public authorities are required by law to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation
 - advance equality of opportunity between people who share protected characteristics and those who do not
 - foster good relations between people who share protected characteristics and those who do not.
156. Decision makers must understand the effect of policies and practices on people with protected characteristics. Equality impact assessments are the mechanism by which the authority considers these effects.
157. Equality implications have been considered during the development of the budget proposals and equality impact assessments were undertaken on each proposal approved as part of the 2014/15 MTFS. In addition the Employment Policies that will be applied to any staffing reductions have been the subject of equality impact assessments undertaken by Human Resources staff. This includes assessments which are available as background papers on the following relevant Employment Policies:

- Enabling process
- Redundancy process
- Redundancy selection criteria
- Selection and recruitment process
- Re-deployment process

158. It is essential that Members give due regard to the implications for protected groups in the context of their equality duty in relation to this decision. Members must therefore ensure they have read and fully understand the equality implications of all the proposals before making their decisions.

Statutory and Policy Implications

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

Recommendations

Paragraph
Ref

It is recommended that:

1. The Annual Revenue Budget for Nottinghamshire County Council is set at £504.261m for 2014/15. 74
2. The Finance & Property Committee be authorised to make allocations from the General Contingency for 2014/15. 76
3. The County Council element of the Council Tax is increased by 1.99%, that is, set at a standard Band D tax rate of £1,216.92, with the various bands of property being: 66-69

Band	Value as at 1.4.91	No. of Properties	% no. of properties	Ratio	County Council 2013/14 £	County Council 2014/15 £	Increase £
A	Up to £40,000	140,730	40.0	6/9	795.45	811.28	15.83
B	£40,001- £52,000	72,580	20.6	7/9	928.03	946.49	18.46
C	£52,001- £68,000	60,340	17.1	8/9	1,060.60	1,081.71	21.11
D	£68,001- £88,000	39,900	11.3	1	1,193.18	1,216.92	23.74
E	£88,001- £120,000	21,990	6.2	11/9	1,458.33	1,487.35	29.02
F	£120,001- £160,000	10,540	3.0	13/9	1,723.48	1,757.77	34.29
G	£160,001 - £320,000	5,910	1.7	15/9	1,988.63	2,028.20	39.57
H	Over £320,000	460	0.1	18/9	2,386.36	2,433.84	47.48

4. The County Precept for the year ending 31 March 2015 shall be £282,083,710 and shall be applicable to the whole of the district council areas as General Expenses. 70

5. The County Precept for 2014/15 shall be collected from the district and borough councils in the proportions set out in paragraph 71 with the payment of equal instalments on the following dates: 71-72

2014	2014	2015
17 April 28 May 2 July 6 August	11 September 16 October 20 November 29 December	3 February 10 March

6. The Capital Programme for 2014/15 to 2017/18 be approved at total amounts of: Table 12

£112.593m 2014/15
£ 85.390m 2015/16
£ 59.614m 2016/17
£ 41.953m 2017/18

and be financed as set out in the report.

7. The variations to the Capital Programme be approved. 96-149
8. The Minimum Revenue Provision policy for 2014/15 be approved. Appendix I
9. The Prudential Indicators be approved. Appendix J
10. The Service Director – Finance & Procurement be authorised to raise loans in 2014/15 within the limits of total external borrowings. 154
11. The Treasury Management Strategy for 2014/15 be approved. Appendix K
12. The Treasury Management Policy for 2014/15 be approved. Appendix L
13. The development of a revised operating model be noted. 15-19
14. That the Category A proposals be noted and the Category B and C proposals be approved and implemented. 41-42 Appx A-C
15. The creation of a Strategic Development Fund be approved 79-84
16. The principles underlying the Medium Term Financial Strategy be approved. 43-62
17. The report on the Annual Budget for 2014/15, and the Capital Programme 2014/15 – 2017/18 be approved and adopted

CLLR ALAN RHODES
LEADER OF THE COUNCIL

CLLR DAVID KIRKHAM
CHAIRMAN OF FINANCE AND PROPERTY COMMITTEE

Background Papers Available for Inspection

- Savings Proposals 2014/15 – 2016/17 – Policy Committee – 13th November 2013
- Budget Report – Finance & Property Committee – 10th February 2014
- Risk Register

All Equality Impact Assessments are published on the Council's website at:

<http://www.nottinghamshire.gov.uk/thecouncil/democracy/equalities/eqia/budgetproposalseqia2014/>

Constitutional Comments (GR 18/02/2013)

The proposals set out within this report fall within the remit of the Council to adopt pursuant to Part A of the County Council's Constitution.

Human Resources Implications (MT 14/02/14)

1. The proposals set out within the Outline Business Cases agreed by Policy Committee in November 2013 and reflected in the Medium Term Financial Strategy; resulted in 759 fte posts being identified as at risk of redundancy. These were reflected in a Section 188 notice published on 6th November which led to a period of statutory consultation with the recognised trade unions and employees. The revised vacancy control measures approved by elected members in June 2013 resulted in 268 fte of the posts identified being vacant. This provides opportunities to make the savings identified in the Medium Term Financial Strategy by deleting the posts or for the redeployment of employees at risk of redundancy.
2. All reasonable steps will be taken to mitigate the need for compulsory redundancies including robust vacancy control; redeployment; effective workforce planning (including retraining and reskilling where appropriate) and giving priority consideration to volunteers for redundancy wherever possible. Any staffing reductions will be implemented in accordance with the Council's agreed employment policies and procedures.
3. The Council has developed a comprehensive support package, using feedback from employees and trade union colleagues, for employees potentially at risk of redundancy. This includes providing skills based training and retraining opportunities to maximise employees' potential for redeployment into alternative posts. Individual skills analysis' are undertaken for each employee at risk and a dedicated intranet site provides access to a range of support and guidance including career planning; CV writing; interview skills; dealing with change; financial planning and planning for retirement. The programme is delivered in partnership with organisations such as the Department for Work and Pensions; Job Centre Plus; Futures; local colleges; independent providers such as Barclays Bank and the recognised trades unions.

Financial Comments of the Service Director, Finance & Procurement (PDS 12/02/2014)

4. The budget proposed has been prepared taking into account the major strategic objectives of the Council as set out in the Strategic Plan 2014 to 2018 (Council, 16 January 2014) and reflects all significant cost variations that can be anticipated.
5. The budget has been prepared in conjunction with the Corporate Leadership Team and other senior officers, and through significant member engagement via Policy Committee and Finance

& Property Committee. There has been robust examination and challenge of all the additional spending pressures and savings proposals.

6. Strict budgetary control will be maintained throughout the 2014/15 financial year, and the Council will also implement a new Accountability Framework to further enhance its financial management and accountability arrangements. As in previous years, Departments will be required to utilise any departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its General Fund balances.
7. The levels of reserves and balances have been reviewed and are considered to be adequate. However, in comparison to recent years the level of General Fund balances in particular, is expected to be substantially reduced.
8. The forecast reduction in General Fund balances has been the result of using reserves to balance both the previous year's budget and the 2014/15 budget. Whilst this has been in accordance with guidance from the DCLG and will result in the Council still being above the level that is considered prudent (currently c£20m), further reductions in General Fund balances would need to be taken only after careful assessment and consideration of the overall level of financial risk.
9. Given the severity of the financial challenges facing the Council, the budget has been prepared on the basis of accepting a higher level of financial risk than has previously been the case. A comprehensive risk analysis is available as a background paper to this report. A contingency, although again much reduced from that of previous years, has been provided in recognition of the risk of underachievement of some of the savings proposals. The risks and assumptions have been communicated to, and understood by, elected Members and the Corporate Leadership Team.
10. The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2014/15 fulfil the requirement to set a balanced budget.