

**REPORT OF THE CHAIRMAN OF THE FINANCE & PROPERTY  
COMMITTEE****ANNUAL BUDGET 2017/18****CAPITAL PROGRAMME 2017/18 to 2020/21****MEDIUM TERM FINANCIAL STRATEGY 2017/18 to 2020/21****SOCIAL CARE PRECEPT 2017/18****COUNCIL TAX 2017/18****Purpose of the Report**

1. This report is seeking approval for the following:
  - Annual budget for 2017/18
  - Medium Term Financial Strategy for 2017/18 to 2020/21
  - Amount of Social Care Precept to be levied for 2017/18 to part-fund increasing adult social care costs
  - Amount of Council Tax to be levied for County Council purposes for 2017/18 and the arrangements for collecting this from district and borough councils
  - Capital Programme for 2017/18 to 2020/21
  - Borrowing limits that the Council is required to set by Statute
  - Treasury Management Strategy and Policy for 2017/18

**Information and advice**

2. The County Council budget for 2017/18 has been prepared in the context of on-going funding reductions from Government. Local authorities continue to face falling Government grants whilst experiencing increased demand for services as well as other cost pressures from inflation and new legislation.
3. A budget update report was submitted to Policy Committee on 16 November 2016 which set out the financial landscape within which the Council is operating and noted the anticipated budget shortfall of £54.6m over the three years to 2019/20. The report also provided an update on the budget consultation.
4. Since November, the Council has carried out a full review of the budget pressures and underlying assumptions within the Medium Term Financial Strategy. The Council has also received provisional information on the level of funding it can expect in 2017/18. On 8 February 2017, a report to the

Finance and Property Committee set out the forecast position and recommended that the level of Council Tax be increased by 1.75% and that an Adult Social Care Precept of 3.00% be implemented in 2017/18. This recommendation is incorporated within this report.

- This report also seeks approval for the statutory borrowing limits that the Council is required to set in addition to its Treasury Management Strategy and Policy for 2017/18.

## Budget Consultation

- The 2017/18 budget consultation was carried out in two phases with the first phase beginning on 22 August 2016 and the second phase ending on 13 January 2017. The results of the consultation were reported to Finance and Property Committee on 8 February 2017.

## Annual Budget 2017/18

- The report to Policy Committee on 16 November 2016 outlined the financial position in which the Council is operating, the associated budget shortfall and the Council's strategic response to meeting the budget challenge. The report to Finance and Property Committee on 8 February 2017 provided a further update.
- This report brings together the Council's confirmed funding position. The total revenue budget for 2017/18 is £475.3m. A summary is shown in Table 1 with a more detailed breakdown shown in Appendix A.

**Table 1 - Proposed County Council Budget 2017/18**

Committee Analysis	Net Budget 2016/17 £m	Pressures £m	Savings £m	Pay, NI & Pensions increase £m	Budget Changes £m	Net Budget 2017/18 £m
Children & Young People	134.366	5.807	(2.865)	1.103	(6.516)	131.895
Adult Social Care & Health	219.793	9.013	(7.373)	1.262	(5.529)	217.166
Transport & Highways	57.541	1.506	(1.464)	0.250	0.573	58.406
Environment & Sustainability	31.115	0.849	(0.013)	0.036	0.210	32.197
Community Safety	2.928	-	(0.068)	0.092	0.096	3.048
Culture	12.757	-	(0.592)	0.049	0.213	12.427
Economic Development	0.987	-	(0.003)	0.016	0.074	1.074
Policy	23.482	-	(1.179)	0.332	(2.243)	20.392
Finance & Property	30.920	0.115	(0.707)	0.34	0.823	31.491
Personnel	2.612	-	(0.601)	0.316	8.405	10.732
Public Health	-	-	-	-	-	-
<b>Net Committee Requirements</b>	<b>516.501</b>	<b>17.290</b>	<b>(14.865)</b>	<b>3.796</b>	<b>(3.894)</b>	<b>518.828</b>
Corporate Budgets	(18.730)	-	-	-	2.364	(16.366)
Use of Reserves	(18.875)	-	-	-	(8.308)	(27.183)
<b>Budget Requirement</b>	<b>478.896</b>	<b>17.290</b>	<b>(14.865)</b>	<b>3.796</b>	<b>(9.838)</b>	<b>475.279</b>

9. Table 1 shows the changes between the original net budget for 2016/17 and the proposed budget for 2017/18, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2016/17 and transfers between Committees.

### **Corporate Budgets & Reserves**

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

- **Flood Defence Levy:** The Environment Agency issues an annual local levy based on the Band D equivalent houses within each Flood and Coastal Committee area. This helps to fund local flood defence priority works.
- **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This practice is no longer permitted following changes to the pension rules.
- **Contingency:** This is provided to cover redundancy costs, delays in efficiency savings, changes in legislation and other eventualities. Finance and Property Committee or the Section 151 Officer are required to approve the release of contingency funds.
- **Capital Charges (depreciation):** This represents the notional costs of using the Council's fixed assets. As such, budget provision is made within the service accounts, and adjustments here relate to corresponding movements in the service accounts. However, statute requires that this amount is not a cost to the Council Tax payer, hence this is reversed out within corporate budgets and replaced with the actual cost that impacts on the Council's revenue budget, being the costs of borrowing, i.e. interest, and the Minimum Revenue Provision (MRP).
- **Interest and borrowing:** The level of borrowing undertaken by the Council is heavily influenced by the capital programme. Slippage can result in reduced borrowing in the year although this will be incurred at a later date. Interest payment budgets are based on an estimated interest rate which can fluctuate depending on the market rates that exist at the time. The level of borrowing will also increase as the Council's level of reserves declines because the ability to borrow internally reduces.
- **Trading Organisations:** This sum is required to cover the difference between the basic employer's pension contributions used in the trading accounts and the amounts actually charged, as required by the actuarial valuation.
- **Minimum Revenue Provision:** Local Authorities are required by law to make provision through their revenue account for the repayment of long term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision. The MRP policy can be seen in Appendix C.

- **Revenue Grants:** Grants that are not ring-fenced, namely New Homes Bonus, Education Services Grant, Adult Social Care Support Grant, Improved Better Care Fund and Transition Grant.
- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £36.5m of reserves over the medium term with £27.2m being used to deliver a balanced budget in 2017/18. Further detail is provided in Appendix B.

**Table 2 - Proposed Budget 2017/18**  
**Corporate Budgets and Reserves**

	<b>Net Budget 2016/17 £m</b>	<b>Budget Changes £m</b>	<b>Net Budget 2017/18 £m</b>
Flood Defence Levies	0.278	0.007	0.285
Pension Enhancements (Centralised)	2.205	-	2.205
Contingency	5.820	(0.720)	5.100
Capital Charges (Depreciation)	(41.152)	0.317	(40.835)
Interest & Borrowing	18.622	1.438	20.060
Trading Organisations	-	1.500	1.500
Minimum Revenue Provision (MRP)	7.500	0.500	8.000
New Homes Bonus Grant	(3.544)	0.420	(3.124)
Education Services Grant	(6.480)	3.254	(3.226)
Improved Better Care Fund	-	(0.804)	(0.804)
Adult Social Care Support Grant	-	(3.543)	(3.543)
Transition Grant	(1.979)	(0.005)	(1.984)
<b>Subtotal Corporate Budgets</b>	<b>(18.730)</b>	<b>2.364</b>	<b>(16.366)</b>
Net Transfer (From)/To Other Earmarked Reserves	(15.134)	(7.549)	(22.683)
Transfer (From)/To General Fund Balances	(3.741)	(0.759)	(4.500)
<b>Subtotal Use of Reserves</b>	<b>(18.875)</b>	<b>(8.308)</b>	<b>(27.183)</b>

### **Council Tax Base 2017/18**

11. The District and Borough Councils calculate a Council Tax base by assessing the number of Band D equivalent properties in their area, and then building in an allowance for possible non-collection. The notifications received forecast a total tax base of 244,396.57 as set out in Table 7, this represents growth of 1.60%. The increase in tax base has been taken into account in the calculation of the budget.

### **Council Tax Surplus/Deficit**

12. Each year an adjustment is made by the District and Borough Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against the future years' tax receipts. Figures confirmed from the District and Borough Councils equate to a surplus of

£3,330,419 for 2017/18, which has been factored into the MTFS as a one-off additional resource.

### **Council Tax and Adult Social Care Precept 2017/18**

13. The four year settlement offered by the Government as part of the 2016/17 Local Government Settlement included assumptions that Council Tax would be increased by 1.75% per annum and local authorities would implement an Adult Social Care Precept of 2% in each year.
14. The 2017/18 provisional Local Government Settlement re-affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their Council Tax by 1.75%. It is anticipated that the final settlement will be confirmed on 22 February 2017.
15. Also in the 2017/18 announcement, the Government has recognised the social care funding issues faced by upper tier local authorities by allowing the acceleration of the Adult Social Care and Health Precept. The announcement stated that such local authorities would be able to increase the Adult Social Care Precept by up to 3% in both 2017/18 and 2018/19 but by no more than a 6% increase in total by 2019/20.
16. In determining the provisional Local Government Settlement the Government has assumed that the Council would take the Adult Social Care Precept and increase Council Tax by 1.75% It is proposed, therefore, that the Council fixes any increase to local taxes to that expected by the Government i.e. Council Tax is increased by 1.75% for 2017/18 and the Adult Social Care Precept is implemented at 3% in 2017/18. Future year changes to Council Tax levels will be reviewed in as part of future MTFS reviews. The impact on Council Tax and Adult Social Care Precept levels are shown in the tables below.

### **Requirement to Raise Local Tax**

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

**Table 3 – Local Tax Requirement Calculation**

<b>2017/18</b>	<b>Amount £m</b>	<b>% Funding</b>
Initial Budget Requirement	475.279	100.0
Less Formula Grant	(141.532)	29.8
<b>Net Budget Requirement</b>	<b>333.747</b>	
Less Estimated Collection Fund Surplus	(3.330)	0.7
<b>Council Tax Requirement</b>	<b>330.417</b>	<b>69.5</b>

## Social Care Precept Recommendation

18. It is recommended that County Council approves the implementation of a 3.00% Social Care Precept for 2017/18 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 4.

**Table 4 – Impact of 3.00% Social Care Precept on Local Tax Levels**  
**(County Council Element) 2017/18**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2016/17 £	County Council 2017/18 £	Change £
A	Up to £40,000	142,310	39.8%	6/9	16.55	42.36	25.81
B	£40,001 to £52,000	73,840	20.6%	7/9	19.30	49.42	30.12
C	£52,001 to £68,000	61,170	17.1%	8/9	22.06	56.48	34.42
D	£68,001 to £88,000	40,680	11.4%	1	24.82	63.54	38.72
E	£88,001 to £120,000	22,620	6.3%	11/9	30.34	77.66	47.32
F	£120,001 to £160,000	10,870	3.0%	13/9	35.85	91.78	55.93
G	£160,001 to £320,000	6,010	1.7%	15/9	41.37	105.90	64.53
H	Over £320,000	470	0.1%	18/9	49.64	127.08	77.44

## Local Tax Recommendation

19. It is recommended that Members agree an increase of 1.75% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 5 below.

**Table 5 – Impact of 1.75% Increase on Local Tax Levels**  
**(County Council Element) 2017/18**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2016/17 £	County Council 2017/18 £	Change £
A	Up to £40,000	142,310	39.8%	6/9	843.89	858.95	15.06
B	£40,001 to £52,000	73,840	20.6%	7/9	984.55	1,002.11	17.56
C	£52,001 to £68,000	61,170	17.1%	8/9	1,125.19	1,145.27	20.08
D	£68,001 to £88,000	40,680	11.4%	1	1,265.84	1,288.43	22.59
E	£88,001 to £120,000	22,620	6.3%	11/9	1,547.13	1,574.75	27.62
F	£120,001 to £160,000	10,870	3.0%	13/9	1,828.44	1,861.07	32.63
G	£160,001 to £320,000	6,010	1.7%	15/9	2,109.73	2,147.38	37.65
H	Over £320,000	470	0.1%	18/9	2,531.68	2,576.86	45.18

20. The total impact of implementing a 3.00% Social Care Precept and a 1.75% increase in local tax levels is shown in Table 6.

**Table 6 - Recommended levels of Council Tax and Social Care Precept  
2017/18**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2016/17 £	County Council 2017/18 £	Change £
A	Up to £40,000	142,310	39.8%	6/9	860.44	901.31	40.87
B	£40,001 to £52,000	73,840	20.6%	7/9	1,003.85	1,051.53	47.68
C	£52,001 to £68,000	61,170	17.1%	8/9	1,147.25	1,201.75	54.50
D	£68,001 to £88,000	40,680	11.4%	1	1,290.66	1,351.97	61.31
E	£88,001 to £120,000	22,620	6.3%	11/9	1,577.47	1,652.41	74.94
F	£120,001 to £160,000	10,870	3.0%	13/9	1,864.29	1,952.85	88.56
G	£160,001 to £320,000	6,010	1.7%	15/9	2,151.10	2,253.28	102.18
H	Over £320,000	470	0.1%	18/9	2,581.32	2,703.94	122.62

21. The actual amounts payable by householders will also depend on:
- The District or Borough Council's own Council Tax decisions
  - The Police and Crime Commissioner and the Combined Fire Authority Council Tax
  - Any Parish precepts or special levies
  - The eligibility for discounts and rebates

### **County Precept**

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

**Table 7 – Amount of County Precept by District - 2017/18**

District Council	Council Tax Base	County Precept
Ashfield	32,546.20	£44,001,486
Bassetlaw	33,916.77	£45,854,456
Browtove	33,126.78	£44,786,413
Gedling	36,306.09	£49,084,744
Mansfield	28,894.98	£39,065,146
Newark	37,828.75	£51,143,335
Rushcliffe	41,777.00	£56,481,251
<b>Total</b>	<b>244,396.57</b>	<b>£330,416,831</b>

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

**Table 8 – Proposed County Precept Dates - 2017/18**

<b>2017</b>	<b>2018</b>
20 April 26 May 3 July 7 August 12 September 17 October 21 November	2 January 2 February 9 March

24. 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 2016/17 will be paid or refunded on the same dates.

### **Medium Term Financial Strategy (MTFS)**

25. The Budget report to the February Council in 2016 forecast a budget shortfall of £50.2m for the three years to 2019/20. The model has now been rolled forward a year and a review of the underlying assumptions contained in the Council's MTFS has taken place.
26. The MTFS on which this budget report is based assumes a Council Tax increase of 1.75% and a Social Care Precept increase of 3.00% in 2017/18 only.
27. Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2016.
28. In summary, from 2018/19 onwards, the Council is currently projecting a budget shortfall of £62.9m across the duration of the MTFS. Proposals as to how the budget will be balanced for these three years will need to be made over the coming months.



**Table 9 – Analysis of Changes to the Medium Term Financial Strategy  
2017/18 – 2020/21**

	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m
Year on Year Savings requirement (February Report)	15.1	17.2	17.9	-	50.2
Adjustments to Savings / Base Budgets	(3.3)	(0.4)	1.7	-	(2.0)
Review to Pressures and Inflation	2.3	(0.4)	(2.3)	11.8	11.4
Adjustments for Pay/Pensions Costs	2.0	(0.3)	(0.3)	2.0	3.4
Changes in Interest and Borrowing	1.0	0.3	-	(0.4)	0.9
Increase use of General Fund Balance	(4.5)	4.5	-	-	-
New Adult Social Care Support Grant	(3.5)	3.5	-	-	-
Changes to Government Grants	1.4	0.1	(0.6)	6.6	7.5
Collection Fund Surplus / Deficit	(2.4)	2.4	-	-	-
Change in Council Tax Base	(1.2)	(0.3)	(0.1)	(4.6)	(6.2)
Change in Assumptions for Council Tax Increases	0.8	6.6	-	-	7.4
Increase of ASC Precept 3%	(9.4)	-	-	-	(9.4)
Other Corporate Adjustments	1.7	(2.2)	0.3	(0.1)	(0.3)
<b>Revised Gap</b>	-	<b>31.0</b>	<b>16.6</b>	<b>15.3</b>	<b>62.9</b>

29. The Council's year by year MTFs for the four years to 2020/21 is shown in Table 10. It shows that whilst the Council can deliver a balanced budget in 2017/18, further savings will need to be identified in each of the following three years to 2020/21, based on current assumptions.

**Table 10 – Medium Term Financial Strategy 2016/17 – 2019/20**

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Net Budget Requirement	475.3	495.4	473.3	469.6
<b>Financed by :</b>				
Business Rates	103.0	106.0	109.4	109.4
Revenue Support Grant	38.5	22.5	6.9	-
Council Tax	314.9	319.2	323.5	327.9
Adult Social Care Precept	15.5	15.7	15.9	16.0
Collection Fund Surplus / (Deficit)	3.4	1.0	1.0	1.0
<b>Total Funding</b>	<b>475.3</b>	<b>464.4</b>	<b>456.7</b>	<b>454.3</b>
<b>Funding Shortfall</b>	-	<b>31.0</b>	<b>16.6</b>	<b>15.3</b>
<b>Cumulative Funding Shortfall</b>	-	<b>31.0</b>	<b>47.6</b>	<b>62.9</b>

## Capital Programme and Financing

30. 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 the Chartered Institute of Public Finance and Accountancy (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.
31. The Council's capital programme has been reviewed as part of the 2017/18 budget setting process. Savings and re-profiling with a total value of £26.0m have been identified in 2016/17 as part of this exercise. These savings, along with capital reserves and contingencies, will be used to fund new inclusions. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported to the Finance and Property Committee.
32. During the course of 2016/17, some variations to the capital programme have been approved by Policy Committee, Finance and 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 33 to 45. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

## Children and Young People (CYP)

33. The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2017/18 onwards. As such, it is proposed that an estimated SCM grant allocation of £5.5m is incorporated into the capital programme for 2017/18 and the following three years, based on previous year grant allocations.

**It is proposed that the Children and Young People capital programme is varied to reflect an estimated School Maintenance Grant of £5.5m for 2017/18 and each of the following three years**

34. **School Capital Refurbishment Programme** - The School Capital Refurbishment Programme has been completed with a significant £5m underspend due to a strong focus on meeting school condition priorities as well as robust project management of the overall programme.

**It is proposed that the Children and Young People capital programme is varied to reflect the underspend achieved against the Schools Capital Refurbishment Programme.**

35. **Orchard Special School, Newark** – Discussions are on-going with the Education Funding Agency (EFA) to agree a solution to rebuild the Orchard Special School in Newark. It is proposed that the Council contributes £5m of capital funding, in addition to land that it owns, towards the cost of a new school. A further variation to the capital programme will be required if external funding is secured from the EFA. Alongside the capital investment in the Orchard Special School, a full review of special school provision across the County is being undertaken. The outcome of this review will be reported to Finance and Property Committee in due course.

**It is proposed that the Children and Young People capital programme is varied to reflect the £5m contribution towards the cost of a new Orchard Special School in Newark.**

### **Transport and Highways**

36. **Highways Maintenance Incentive Fund** – In the Transport and Highways Committee, the Department for Transport has introduced an incentivisation element to the Highways Capital Maintenance Grant. This approach encourages local authorities to adopt good practice with regard to efficiencies and asset management. The Council has been allocated an indicative Incentive Grant totalling £1.1m in 2017/18, subject to the outcome of the self-assessment exercise.

**It is proposed that the Transport and Highways capital programme is amended to reflect the £1.1m Incentive Grant as detailed above.**

37. **National Productivity Investment Fund** – Also, in the Transport and Highways Committee, the Council has been allocated a grant of £3.0m in 2017/18 from the National Productivity Investment Fund to further improve local road networks such as highways and public transport networks.

**It is proposed that the Transport and Highways capital programme is amended to reflect the £3.0m National Productivity Investment Fund Grant as detailed above.**

38. **Salix Funded Street Lighting** – A spend-to-save initiative to replace lanterns in street lights for lower energy options is already in the approved capital programme. The Council has been awarded additional Salix loans of £0.4m per annum from 2016/17 to 2018/19 to extend this programme.

**It is proposed that a £1.1m allocation, funded from borrowing, is incorporated into the Transport and Highways capital programme for the years 2016/17 to 2018/19.**

39. **A57 Roundabout** – A project to carry out improvements to the A57 roundabout is already incorporated into the capital programme. Additional

external funding totalling £0.5m has been secured from Sheffield City Regions to enable the successful completion of this project.

**It is proposed that the Transport and Highways capital programme is varied to reflect the additional £0.5m external funding secured to complete the A57 roundabout project.**

40. **Harworth Access Links** – A project to improve access links in Harworth is already incorporated into the capital programme. Additional external funding has been secured to enable the successful completion of this project as follows:

<b>Funding Source</b>	<b>£000</b>
Sheffield City Regions (Phase 1)	450
Sheffield City Regions (Phase 2)	500
Developer Contributions	1,500
<b>Total Funding</b>	<b>2,450</b>

**It is proposed that the Transport and Highways capital programme is varied to reflect the additional £2.5m external funding secured to complete the Harworth Access capital project.**

## **Policy**

41. **Smarter Ways of Working** – A report was taken to Policy Committee in November 2016 setting out a proposal to build on the success of the Ways of Working programme to deliver the technology, work settings and support to increase the flexibility of the Council's workforce and to deliver a range of other benefits. It is proposed that the capital programme is varied to include a £3.6m. Smarter Ways of Working programme.

**It is proposed that the Policy capital programme is varied by £3.6m, funded by capital contingency, to incorporate the Smarter Ways of Working programme.**

## **Finance and Property**

42. **Journey to the Cloud** – A report was taken to Policy Committee in December 2016 setting out proposals to move the Council's current ICT service provision from an on-site delivery method to a more flexible, cloud based approach. It is proposed that the capital programme is varied to include a £3.1m project to achieve the new cloud based ICT service.

**It is proposed that £3.1m, funded from capital contingency, is included in the capital programme for three years commencing 2017/18, to fund the Journey to the Cloud ICT project.**

43. **Rolleston Drive Demolition** – The Rolleston Drive site in Arnold is surplus to requirements with all of the buildings vacant. It is proposed that the site will be used in the future for a number of separate uses developed independently of each other with no one party responsible for the whole

demolition. To expedite the project it is proposed the Council funds the upfront demolition works thereby securing a higher capital receipt in the future

**It is proposed that £1.5m, funded from capital contingency, is included in the Finance and Property capital programme to fund the Rolleston Drive Demolition project.**

44. **Business Reporting and Management Information Project (BRMI)** – Phase 1 of the BRMI project to provide an integrated approach to business intelligence across the Council to address operational and strategic reporting needs is already approved within the capital programme. It is proposed that a further £0.5m is made available to fund phase 2 of the project which will focus on additional infrastructure requirements for the Mosaic upgrade from Frameworki as well as technical design for BMS integration.

**It is proposed that £0.5m, funded from capital contingency, is included in the Finance and Property capital programme to fund phase 2 of the BRMI project.**

45. **Microsoft Enterprise Agreement** – The Council's Enterprise Agreement with Microsoft comes to an end in 2017. It is proposed that this efficient method of procuring Microsoft licences is continued into future years.

**It is proposed that £1.0m, funded from capital contingency, is included in the Finance and Property capital programme on an on-going basis to fund the Microsoft Enterprise Agreement.**

### **Capital Programme Contingency**

46. 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.
47. A number of capital bids described above are proposed to be funded from uncommitted contingency across the period to 2020/21. The levels of contingency funding remaining in the capital programme are as follows:-

<b>2017/18</b>	<b>£1.0m</b>
<b>2018/19</b>	<b>£1.0m</b>
<b>2019/20</b>	<b>£1.0m</b>
<b>2020/21</b>	<b>£1.0m</b>

## Revised Capital Programme

48. Taking into account schemes already committed from previous years and the additional proposals detailed above, the summary capital programme and proposed sources of financing for the years to 2020/21 are set out in Table 11.

**Table 11 – Summary Capital Programme**

	<b>Revised 2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>2019/20 £'m</b>	<b>2020/21 £'m</b>	<b>TOTAL £'m</b>
<b>Committee:</b>						
Children & Young People*	25.711	33.063	36.771	7.500	7.500	110.545
Adult Social Care & Health	4.011	5.638	4.507	4.049	8.577	26.782
Transport & Highways	40.562	31.756	21.589	22.857	19.122	135.886
Environment & Sustainability	2.724	2.044	1.200	1.600	1.600	9.168
Community Safety	0.100	0.000	0.000	0.000	0.000	0.100
Culture	0.735	6.382	0.000	0.000	0.000	7.117
Policy	0.255	3.765	3.767	0.727	0.000	8.514
Finance & Property	11.235	14.276	7.402	5.552	5.010	43.475
Personnel	0.252	0.070	0.070	0.070	0.070	0.532
Economic Development	5.242	4.526	2.200	1.000	1.000	13.968
Contingency	0.000	1.000	1.000	1.000	1.000	4.000
<b>Capital Expenditure</b>	<b>90.827</b>	<b>102.520</b>	<b>78.506</b>	<b>44.355</b>	<b>43.879</b>	<b>360.087</b>
<b>Financed By:</b>						
Borrowing	32.268	56.851	33.967	20.113	19.637	162.836
Capital Grants †	56.324	44.072	43.719	23.422	23.422	190.959
Revenue/Reserves	2.235	1.597	0.820	0.820	0.820	6.292
<b>Total Funding</b>	<b>90.827</b>	<b>102.520</b>	<b>78.506</b>	<b>44.355</b>	<b>43.879</b>	<b>360.087</b>

\* These figures exclude Devolved Formula Capital allocations to schools.

† Indicative Government funding for Transport and Schools is included in 2017/18 to 2020/21.

49. The capital programme for 2017/18 includes £26m of re-phased or slipped expenditure previously included in the capital programme for 2016/17.

## Capital Receipts

50. 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 2017/18 to 2020/21. 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**

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	TOTAL £m
<b>Forecast Capital Receipts</b>	<b>4.9</b>	<b>9.0</b>	<b>12.9</b>	<b>13.1</b>	<b>11.0</b>	<b>50.9</b>

51. The Council is required to set aside a Minimum Revenue Provision (MRP) in respect of capital expenditure previously financed by borrowing. In recent years, the Council has sought to minimise the revenue consequences of borrowing by optimising the use of capital receipts to reduce the levels of MRP in the short to medium term.
52. The current capital receipts policy therefore is to set these against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts. The Chancellor announced in the 2015 Autumn Statement, however, changes to the rules for their use. From 1 April 2016, for a three year period, local authorities are able to spend any revenues they generate from selling surplus assets to fund expenditure on projects that:-
- Generate on-going revenue savings in the delivery of public services,
  - Transform service delivery to reduce costs
  - Transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.
53. It is proposed that transformational costs associated with the Programmes and Projects Team in both 2017/18 and 2018/19 are funded from this new flexibility.
54. One of the requirements of the Local Government Act 2003 is that the Council must set an "Authorised Limit" for its external borrowings. Any potential breach of this limit would require authorisation from the Council. There are a number of other prudential indicators that are required by The Prudential Code to ensure that the proposed levels of borrowing are affordable, prudent and sustainable. The values of the prudential indicators are proposed in Appendix D.
55. 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 2017/18. The Strategy is in Appendix E and the Policy is in Appendix F.

56. It is proposed that the Service Director – Finance, Procurement and Improvement be allowed to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2017/18.

### **Statutory and Policy Implications**

57. 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.

### **Public Sector Equality Duty**

57. It is essential that Members give due regard to the implications for protected groups in the context of their equality duty in relation to this decision. Public authorities are required by law to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation
  - advance equality of opportunity between people who share protected characteristics and those who do not
  - foster good relations between people who share protected characteristics and those who do not.
58. 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.
59. Equality implications have been considered during the development of the budget, Capital Programme and MTFs and equality impact assessments were undertaken on each relevant proposal as appropriate. In addition the Human Resources (HR) policies that will be applied to any staffing reductions have been the subject of Equality Impact Assessments.



## Recommendations

### It is recommended that:

### Reference

- 1) The Annual Revenue Budget for Nottinghamshire County Council is set at £475.279 million for 2017/18. Para. 8
- 2) The principles underlying the Medium Term Financial Strategy are approved. Table 9
- 3) The Finance & Property Committee be authorised to make allocations from the General Contingency for 2017/18. Para. 10
- 4) That the 3.00% Social Care Precept is levied in 2017/18 to part fund increasing adult social care costs. Para. 18
- 5) The County Council element of the Council Tax is increased by 1.75% in 2017/18. That the standard Band D tax rate is set at £1,351.97 with the various other bands of property as set out in the report. Para. 19
- 6) The County Precept for the year ending 31 March 2018 shall be £330,416,831 and shall be applicable to the whole of the District Council areas as General Expenses. Para. 22
- 7) The County Precept for 2017/18 shall be collected from the District and Borough councils in the proportions set out in Table 8 with the payment of equal instalments on the dates set out in the report. Table 7  
Table 8
- 8) The Capital Programme for 2017/18 to 2020/21 be approved at the total amounts below and be financed as set out in the report: Table 11

Year	Capital Programme
<b>2017/18</b>	£102.520m
<b>2018/19</b>	£78.506m
<b>2019/20</b>	£44.355m
<b>2020/21</b>	£43.879m

- 9) The variations to the Capital Programme be approved. Para. 33-45
- 10) The Minimum Revenue Provision policy for 2017/18 be approved. Appx. C
- 11) The Prudential Indicators be approved. Appx. D
- 12) The Service Director – Finance, Procurement and Improvement be authorised to raise loans in 2017/18 within the limits of total external borrowings. Para. 56
- 13) The Treasury Management Strategy for 2017/18 be approved. Appx. E

14) The Treasury Management Policy for 2017/18 be approved.

Appx. F

15) The report be approved and adopted.

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

**Constitutional Comments (HD 03/02/2017)**

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

**Human Resources Implications (MT 07/02/2017)**

Consultation has taken place with trades union colleagues on proposals with staffing implications through corporate and departmental joint consultative and negotiating panel meetings. Where more detailed discussion is required additional meetings have been arranged.

Any staffing reductions will be implemented in accordance with the Council's agreed policies and procedures and all reasonable steps taken to minimise the number of compulsory redundancies. This will include considering requests for voluntary redundancies and identifying redeployment and retraining opportunities where possible.

**Financial Comments of the Service Director – Finance, Procurement and Improvement (NS 07/02/2017)**

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.

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 spending pressures and savings proposals.

As is the case in the current financial year, strict budgetary control will be maintained throughout 2017/18. Departments will be required to utilise any departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its General Fund balances.

The levels of reserves and balances have been reviewed and are considered to be adequate. However, in comparison to recent years the level of General Fund balances in particular, is expected to be substantially reduced.

The forecast reduction in General Fund balances has been the result of using reserves to balance previous years' budgets and continued use in 2017/18. 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, further reductions in General Fund balances would need to be taken only after careful assessment and consideration of the overall level of financial risk.

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

The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2017/18 fulfil the requirement to set a balanced budget.

**Background Papers Available for Inspection:**

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

Budget Update Report - Policy Committee 16 November 2016

Budget Report – Finance and Property 8 February 2017

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