Nottinghamshire County Council

Report to Policy Committee

13 February 2013

Agenda Item: 6

REPORT OF THE LEADER, AND THE CHAIRMAN OF THE FINANCE & PROPERTY COMMITTEE

REVENUE BUDGET PROPOSALS 2013/14
CAPITAL PROGRAMME PROPOSALS 2013/14 to 2016/17
MEDIUM TERM FINANCIAL STRATEGY 2013/14 to 2016/17
COUNCIL TAX PROPOSALS 2013/14

Purposes of the Report

1. To make proposals to the full County Council on 28 February 2013 regarding:

- the Annual Revenue Budget for 2013/14
- the Capital Programme for 2013/14 to 2016/17
- the Medium Term Financial Strategy for 2013/14 to 2016/17
- the level of the Council Tax Precept for 2013/14

Initial Budget Proposals

2. On the 5 November 2012, the Budget Conversation campaign was launched and Finance & Property Committee considered initial budget proposals at its meeting on 12 November 2012. The report set out the Council's Medium Term Financial Strategy (MTFS) and outlined the financial risks and policy assumptions over the period to 2016/17. This report is an update to the November report and will inform the budget report to full Council later this month.

Autumn Statement and Local Government Settlement

3. On 5 December 2012, the Chancellor of the Exchequer, George Osborne, made his Autumn Statement to the House of Commons updating MPs on economic and fiscal forecasts for the UK economy. At the same time the Office for Budget Responsibility (OBR) published its Economic and Fiscal Outlook (EFO), with its forecasts for the economy and the public finances, and an assessment of whether the Government is likely to achieve its fiscal mandate and supplementary target. In his statement, the Chancellor outlined the following key issues:

- The OBR's forecasts of economic growth, as measured by Gross Domestic Product (GDP), have been revised downwards since the March 2012 Budget. The Chancellor said 'It's taking time but the British economy is healing'. The UK economy is now forecast to reduce by 0.1% this year (compared with growth 0.8% forecast in March) and grow by 1.2% next year (compared with 2.0% forecast in March). In 2014, 2015, 2016, the forecast growth will be 2.0%, 2.3% and 2.7%.

- The deficit is expected to fall as a share of GDP over the coming five years, from 6.1% this year, to 1.6% in 2017/18.

- Government departments' revenue budgets, known as resource Departmental Expenditure Limits (DELs), will be reduced by 1% in 2013/14 and 2% in 2014/15. This will reduce total government expenditure by £980 million in 2013/14 and £2.4bn in 2014/15.

- The Government will provide an additional £333 million for essential maintenance of the national and local road network.

- The Government will provide £275 million in 2013/14 and £895 million in 2014/15 for capital expenditure on schools. This includes funding for 100 new academies and free schools, as well as investment to expand 'good schools', in the areas experiencing highest demand for places.

- The Government will provide a further £350 million for the Regional Growth Fund by May 2015. This supports projects and programmes with significant potential for economic growth and creation of additional private sector employment.

4. Looking ahead, overall public expenditure in 2015/16 and 2016/17 will continue to decrease at the same rate as the previous spending review period, as announced in the Autumn Statement 2011. Detailed spending plans for 2015/16 will be published in the first half of 2013. However, spending on health, schools and overseas development will be protected from further reductions. Consequently, although no decisions about actual public spending for these years have been made, indications are that Local Government can expect to see its funding reduced further, perhaps by as much as 10-15% over the reductions that have already previously been announced. The figures in this report take account of a potential 15% reduction over 2015/16 and 2016/17.

5. The autumn statement was followed by the Local Government Finance settlement, which was issued later than in previous years on 19th December. The introduction of the Business Rates Retention Scheme, the rolling of several government grants into formula grant and late announcements on some departmental grants has added to the complexity in confirming the settlement figures.

6. The settlement confirmed the earlier announcement by the Chancellor in October 2012 on Council Tax freeze grant; it assumed that the freeze grant for 2013/14 will be 1% (equivalent to £3.1m) pending the decision at the County Council meeting in February to set a nil increase in council tax for 2013/14.

7. The headlines from the settlement were:

- There was a reduction in the size of the New Homes Bonus topslice from £2bn each year to a figure more in line with forecast allocations. In addition, there was a reduction in the topslice to fund the Business Rate Safety Net from £250 million to £25m. These measures reduce the amount withheld from local authorities and will help all authorities to plan their budgets with more certainty.

- The criteria under which a council tax referendum would be called has been published; any increase in council tax of 2% or more would trigger a referendum.

- The Secretary of State announced that local authorities will face an average reduction in spending power of 1.7%; and that no local authority would experience a decrease of more than 8.8%. The County Council's reduction has been calculated as 2.5% as illustrated in the table below.

Table 1 - Financial Analysis of Funding Changes 2013/14

Funding	**2012/13 £m**	**2013/14 £m**	**Change £m**	**%**
Formula Grant	252.1	238.1	(14.0)	5.6
Other Grants*	11.6	15.5	3.9	33.6
Council Tax (including Freeze Grant)	316.6	312.0	(4.6)	(1.5)
Total Spending Power	**580.3**	**565.6**	**(14.7)**	**(2.5)**

*This analysis includes Learning Disability & Health Reform Grant and New Homes Bonus, but does not include the £35million funding Public Health; or the anticipated further c£11million Education Services Grant - this amount is still to be confirmed by the Department for Education

8. The overall conclusion that can be drawn from both the Autumn Statement and the settlement is that in the short term, i.e. 2013/14, it is unlikely that the government will implement further measures, over and above those already in place, to reduce funding to local government. However, over the medium term to longer term it is highly likely that further and potentially significant budget reductions will be forthcoming. The County Council must therefore take appropriate steps to mitigate against the risks of further funding reductions and this will be a key aspect of the next phase of the Council's transformation programme.

9. Given the change to the way in which local authorities are funded through business rates, a healthy local economy will become increasingly important to local government. Coupled with the continued challenging economic conditions, the Council is looking to play a key role in ensuring local economic growth is secured. As such, capital programme schemes to dual the A453, deploy superfast broadband for the area and bring in tourism through the Sherwood Forest Visitor

Centre attraction and development of the National Watersports Centre, will be of critical importance. Full details of the capital programme are included in paragraphs 42- 82.

Consultation

10. Each year the Council undertakes a budget consultation exercise with residents and stakeholder groups to help guide and inform the annual budget setting process. Last year the County Council consulted on specific budget proposals for a two year period, as such this year there are no specific budget proposals to consult on. As in previous years, this year's budget consultation process has been robust with the emphasis on involving as many residents and communities as possible.

11. 2 On the 5 November 2012, the 'Budget Conversation' campaign was launched. This was designed to gauge residents' views on services which are important to them and to gain an understanding of their general priorities for the future. The campaign took place in County News (the Council's newspaper), on-line, in libraries and county information points across Nottinghamshire, by holding face to face meetings and workshops and by attending events. In addition to raising awareness of the financial constraints facing the Council, the campaign was also designed to gauge specific views by asking the following questions:-

    - *Do residents agree or disagree that we should freeze council tax?*
    - *On a scale of 1 to 5, how willing would residents be to take on more responsibility for what happens in their neighbourhood?*
    - *Do residents think the Council is doing too much/about right/too little to provide services to support them and their community?*
    - *Looking at a list of County Council services, where would residents <u>least</u> like to see savings made?*
    - *Looking at a list of County Council services, where do residents consider are the <u>greatest opportunities</u> to make savings, with least impact?*
    - *Which services do residents think the County Council should stop providing?*
    - *If some County Council non-statutory services were to be provided differently, which alternative approach would residents support?*
    - *What single change or improvement to County Council services do residents think would make a real difference to them or their family?*

12. This year, 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 via meetings, often 'piggybacking' other community events that have taken place. Also, articles have been placed in local newsletters such as the 'Bellamy Bugle', promoting the opportunity for residents to get involved in this year's budget conversation.

13. Particular attention has been given to accessibility and engagement to ensure the budget conversation process is participatory and no one is precluded from taking part by:-

- Giving residents the opportunity to set their own budget by using the on-line budget simulator.
- Making available a toolkit for residents/organisations to use if they want to run an event to discuss the budget. This was available to download from the public website or completing on-line. Over 213 copies of the toolkit have been downloaded.
- Residents could join the conversation in our discussion forums.
- Making comments cards available in reception points in libraries and county information points, where members of the public could obtain assistance.
- Holding face to face discussion groups and workshops with young and older people across the county, including Older People's Advisory Group, East Leake Academy, Colonel Frank Seeley School, Quarrydale Academy.
- Publicising a freepost address for residents to send in their own handwritten letters.
- Making available an on-line form on the County Council's website.
- Making paper copies of the budget proposal questionnaire available to all Nottinghamshire residents in the county via County News.
- Publicising the Customer Service Centre telephone number so that members of the public can get advice and assistance over the telephone and an advisor will complete the on-line questionnaire for the customer if required.
- Engaging the voluntary sector via Networking Action for Voluntary Organisations (NAVO) via meetings and newsletters.
- Displaying posters on Parish/Town Council notice boards.
- Reaching community based organisations, groups we consider hard to reach and other agencies via email and face to face meetings.

14. 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 Nottinghamshire were involved, the 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. The budget conversation was highlighted at the September 2012 NBEG meeting and reinforced again via an electronic mailing, requesting their views and to cascade information to their members. NBEG members were then reminded at the December meeting, to encourage a response. Officers have also taken the opportunity to encourage a response to the consultation when attending

meetings of business clubs, for example, at the Chamber's President's Breakfast Meeting in November 2012.

15. The Council has been eager to make use of social media as a mechanism for promoting, and engaging, residents in the 2013/14 budget conversation. As at the 25 January 2013 a total of 2132 visits have been made to the budget conversation site via Google, and social media sites such as Facebook and Twitter.

16. The on-line budget simulator has been used by the Council as a means of consulting residents on their spending and budgetary priorities for the forthcoming year. Participants were required to balance the budget to achieve a 0% increase in council tax and have the opportunity to have their say by increasing or reducing expenditure within six service headings (Children & Young People: Adult Social Care & Health: Culture & Community: Transport & the Environment: Community Safety: Support Services). In addition, respondents were able to choose to save money through certain efficiencies. A total of 114 individuals completed the budget simulator. In order to engage with young people and to raise their awareness of the difficult financial decisions the council has to make, a number of budget conversation workshops have taken place in schools across the County. Students said they found the experience both informative and enlightening and began to understand the complexities and difficulties of having to make priority decisions in such important service areas.

17. Consultation on the County Council's 2013/14 budget conversation closed on 25 January 2013. In total 1,431 individual responses have been received.

Table 2 - Consultation engagement methods and responses

Methodology	Responses
On-line consultation form, comment cards and 'County News' paper surveys	1,317
On-line budget simulator	114
Total	**1,431**

18. The key findings arising out of the 'budget conversation' are summarised below:

- More residents agree (65%) than disagree (21%) that the Council should freeze council tax.
- On a scale of 1 to 5 (1 being *least* willing and 5 being *most* willing) most residents (38%) indicated a response of '3' to the question 'How willing would you be to take on more responsibility for what happens in your neighbourhood', followed by 20% of residents indicating a response of 4.
- A total of 44% of respondents think the Council is doing 'about right' to provide services to support them and their community, 4% think the Council is doing 'too much', 43% 'too little' and 9% 'don't know'.
- When it comes to savings residents would least like to see, the majority of respondents indicated the areas they would least like to see savings made are 'Services to support older people, adults with physical or learning disabilities and adults with mental health needs', followed by 'Services to tackle crime and anti-social behaviour'.
- Most residents saw 'Street lighting', followed by 'Services aimed at protecting the environment' as opportunities to make savings, with least impact.
- In response to the question 'What services should the Council stop providing, most respondents indicated 'None – all services are important', followed by 'Under-utilised bus services, bus subsidies, free transport'.
- If some Council non-statutory services were to be provided differently, the majority of respondents would like these provided by 'Town/Parish councils', followed by 'Charities/voluntary sector organisations'.
- When asked what single change or improvement to Council services would make a real difference to residents and their family, the majority of respondents stated 'Improvements to the highways (including streets and verges) / public transport' and 'More libraries and longer library opening hours'.

19. Findings from the on-line budget simulator have indicated the highest percentage *increase* people would prefer to see relates to Culture and Community (22% increase), a total of £13.9 million is currently spent in this area; and Community Safety (22% increase), a total of £4.3million is currently spent in this area. The

highest percentage *reduction* people would prefer to see relates to Council Support Services (83% reduction), a total of £52 million is currently spent in this area.

Proposed adjustments post consultation

20. In light of the consultation responses, Members have reviewed the budget proposals and have now recommended a number of variations to the overall package of savings and investment that were contained in the November report, which are set out below:

- An additional £1 million funding be allocated to the carriageway and footway patching budgets. This increased funding and maintenance will enable the Council to be more responsive, and carry out permanent patching as part of a 'right first time' approach. It will also support the overall condition of the road network that the authority maintains.

- The establishment of a £500,000 programme of investment to support the delivery of a Nottinghamshire Youth Employment Strategy aimed at increasing young people's access to employment opportunities through the development of employability skills and more effective employer engagement

Movements since November

21. Taking account of the proposed areas for both growth and reprioritisation, no increase in Council Tax was proposed for 2013/14 in the November consultation report. Since the November report, and following the settlement, the Council's MTFS has been updated to reflect the latest available information, and the impact is set out in the paragraphs below. The overall change can be accommodated within existing resources, maintaining the commitment to freeze Council Tax for a fourth consecutive year, and as a result no increase in Council Tax for the 2013/14 financial year is proposed.

Revised Pressures

22. The outline budget proposals contained in the November report referred to significant service growth over the medium term with increased expenditure on specific services of £25.4 million in 2013/14, and a further £33.8 million over the following years. Since then, total pressures have been reviewed and additional pressures have been identified in both Children and Young People Committee and Adults Social Care and Health Committee totalling £10.4 million in 2013/14 and a further £3.1 million in 2014/15. This is summarised in the table below with individual pressures outlined in Appendix A.

Table 3 – Summary of Current Forecast MTFS Spending pressures

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Pressures reported November 2012	25.4	12.3	9.7	11.8	**59.2**

Additional Children's Social Care investment	8.4	3.1	-	-	**11.5**
Additional Adults Commissioning investment	2.0	-	-	-	**2.0**
Revised total	**35.8**	**15.4**	**9.7**	**11.8**	**72.7**

23. In common with other areas of the country, Children's Social Care services in Nottinghamshire continue to be under pressure from the increase in numbers of looked after children and latest modelling trends suggest that this will increase further. Independent audit shows that thresholds for entry to the care system are being applied appropriately, and the numbers of looked after children are lower than both Nottinghamshire's statistical neighbours and the national average. Additional investment of £11.5 million is required in this area to fund both the cost of placing children, the associated legal costs, and an estimate of agency staff usage. This is in addition to the investment agreed in the last budget round.

24. Within Adults Social Care, inflationary pressures have been identified and a further £2million has been added to the base budget.

25. Overall, for 2013/14 the County Council is currently planning to invest an additional £17.9 million in Adults Social Care and an additional £16.4 million in children and young people which includes £11.2 million on Children's Social Care.

26. These cost pressures exceed the anticipated increases that were factored into the MTFS when the Council set the current financial year's budget in February 2012. As in previous years, continued reprioritisation of spending across the County Council, in conjunction with tight budget control in the current year, has released the funding for these higher priority objectives. The budget principles continue to be to minimise the impact on front line services and, where possible, deliver savings through efficiency measures and income generation, as opposed to service reductions.

Inflation

27. The inflation assumptions have not changed since the November report and a 1% pay award has been provided for, although this is still subject to agreement between the employer and unions.

The Base Budget Review

28. The Authority commenced a Base Budget Review in September 2012, with the intention of achieving a number of objectives. These included improving the accuracy of budgets, improving budget forecasting and increasing the understanding of demand led budgets. The delivery of the objectives anticipate the following outcomes:

- Improved transparency and awareness of structure and content of budgets
- Clearer and stronger management of finance across the organisation
- Greater level of ownership from budget holders
- More accurate analysis of all costs

29. Significant work has been undertaken in engaging with budget managers, incorporating a line by line review of each budget area. This has included a detailed review of all staffing budgets, to ensure the 2013/14 budget accurately reflects the deployment of staff across the County Council. In addition, the review of non-staff spend has looked at the primary cost/revenue drivers that influence expenditure/income, and developed appropriate financial models have been developed to assist the budget preparation process.

30. The process has been largely welcomed by managers, often providing them with the first opportunity to be involved in the detailed budget preparation process. This will undoubtedly result in an improvement in the quality of budget monitoring/forecasting, as well as supporting the introduction of a new framework for financial accountability. Furthermore, it will also assist in providing the baseline to undertake a "strategic choices exercise" to align resources to priorities, and help meet the ongoing MTFS challenges outlined elsewhere within the report.

31. This project is still on-going and approximately 85% of budget areas have been subject to review. The complete results will be reported to Members in due course.

Interest & borrowing

32. The level of borrowing undertaken by the Council is heavily influenced by the capital programme and the profile of spend within this. Slippage of capital schemes 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 has not moved since the November report.

Use of reserves

33. The Council's strategy for managing its reserves and County Fund Balances is outlined in paragraphs 92-96. The effect of this strategy is that the Council intends to utilise an additional £8.4 million, to allow investment in areas that have identified additional pressures, compared to the expectation in the November report.

Taxbase

34. Given the challenging economic climate and the particular pressures being experienced by the housing market, the assumption built into the November report was for growth in the Taxbase of 0.3% from 2013/14 onwards. However, the localisation of Council Tax support has added complexity to any year by year comparison. The precept payable from the District Councils has significantly reduced as households qualifying for Council Tax Benefit are no longer included in the Districts tax base, and instead the grant will be paid directly to the County Council as part of its total funding.

35. Taking a combined figure, however, results in an overall increase in funding of 0.53%, the details are illustrated in the table below.

Table 4 – Forecast Council Taxbase 2013/14

	Taxbase 2012/13	Growth of 0.3% 2013/14	Band D Precept £1,193.18	Confirmed % Change	Confirmed Taxbase 2013/14	Band D Precept £1,193.18
Ashfield	35,620.00	35,726.86	£42,628,575	-16.14%	29,870.30	£35,640,645
Bassetlaw	36,427.23	36,536.51	£43,594,635	-13.77%	31,409.55	£37,477,247
Browtowe	35,658.24	35,765.21	£42,674,339	-10.52%	31,907.95	£38,071,928
Gedling	38,435.35	38,550.66	£45,997,872	-10.56%	34,375.00	£41,015,563
Mansfield	31,864.50	31,960.09	£38,134,144	-16.76%	26,524.25	£31,648,205
Newark	39,373.97	39,492.09	£47,121,174	-8.53%	36,015.10	£42,972,497
Rushcliffe	41,459.00	41,583.38	£49,616,454	-6.06%	38,948.00	£46,471,975
Subtotal	**258,838.29**	**259,614.80**	**309,767,192.87**	**-11.51%**	**229,050.15**	**273,298,057.98**
Council Tax Support Grant			**(37,899,000.00)**			
Grand Total funding			**271,868,192.87**			**273,298,057.98**
Additional funding in MTFS from confirmed figures						**£1,429,865**

Council Tax Surplus/Deficit

36. 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 results in a surplus, payable to the County Council; or a deficit which is offset against future year's Council tax receipts. In recent years this has been as much as £2 million surplus, and a weighted average of £971,000 is included in the MTFS base. Provisional figures suggest a surplus of £686,000 for 2013/14, a one off reduction of £285,000.

Government Grants

37. The November report highlighted a number of uncertainties surrounding the Council's future funding and the overall level of resources available, primarily due to the rolling up of specific grants and changes taking place from April 2013. Paragraphs 3-9 of this report outline the key changes in central government funding policy. Given that reductions were already anticipated in the November MTFS, the impact on the authority has been minimal for 2013/14. The further 2% reduction in 2014/15, equating to £4.9 million, will be dealt with as part of the Council's future financial planning arrangements. The change in 2015/16 represents the 2011/12 Council Tax freeze grant which was added to the base budget for the duration of the Comprehensive Spending Review period only.

38. From 1 April 2013, the Council will become responsible for the provision of public health services. In November, the expectation was that a ring-fenced grant in the region of £30 million would be received. The Department of Health have since released figures for the next two years, and the Council can expect to receive

£35.1 million and £36.1 million respectively. This funding will be spent on delivering additional services that meet the definition of public health, and therefore there is no impact on the Council's bottom line budget.

39. The Council also receives funding from the NHS to support adult social care. In 2012/13, the Council received £9.6 million, this funding has risen to £12.6 million for 2013/14. This funding will be used to help fund some of the additional investment the Council is planning to make in Adult Social Care. However, this funding is not guaranteed on a permanent basis, and has therefore been included in the MTFS assumptions for 2013/14 and 2014/15 only.

40. Since 2011 the Council has received Early Intervention Grant to support services for children, young people and families. This has now been rolled into mainstream funding, although £150 million was retained by Central Government. Recent announcements have confirmed that this will be distributed to authorities as Adoption Reform Grant to support local authorities in the challenge of transforming adoption services and dealing with system backlogs. The County Council anticipates it will receive £1million funding in 2013/14 for this.

41. The overall impact of all the changes since the November report are shown in the following table:

Table 5 – Summary of Post November Changes

	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	TOTAL £'m
Cumulative shortfall (November report)	**0.0**	**30.6**	**70.0**	**106.3**	**-**
Year on year savings requirement	**0.0**	**30.6**	**39.4**	**36.3**	**106.3**
Post consultation adjustments	1.5	(1.5)	-	-	-
Revised Pressures	10.4	3.1	-	-	13.5
Changes in use of reserves	(8.4)	8.4	-	-	-
Changes in Taxbase	(1.1)	-	-	-	(1.1)
Changes in Government grant	1.6	4.9	7.7	-	14.2
NHS Funding	(3.0)	-	3.0	-	-
Adoption Reform Grant	(1.0)	1.0	-	-	-
Revised year on year shortfall	**0**	**46.5**	**50.1**	**36.3**	**132.9**
Revised cumulative shortfall	**0**	**46.5**	**96.6**	**132.9**	**-**

Note: Already included in the November report was an assumption of a further 15% cut in government grant over 2015/16 and 2016/17.

Capital Programme and Financing

42. 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 in, and integrated with, the revenue budget.

43. The County Council's capital programme has been reviewed as part of the 2013/14 budget setting process. The 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.

44. During the course of 2012/13, some variations to the Capital Programme have been approved by Policy Committee, Finance and Property Committee and by the Section 151 Officer. A summary of these were reported to Finance and Property Committee in December 2012. 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 45 to 79. The schemes are at different levels of maturity and, where indicated, detailed Business Cases will need to be developed before expenditure commences. Schemes will be subject to Latest Estimated Cost reports in accordance with the Council's Financial Regulations.

Children and Young People's Services (CYPS)

45. School Basic Need Programme - The School Basic Need Programme totalling £19.6 million over the period 2012/13 to 2015/16 is already approved within the CYPS capital programme. There continues to be significant pressures on school places due to rising birth rates and parental choice. This has resulted in a need to extend the programme to ensure that Nottinghamshire schools have sufficient capacity.

46. **It is proposed that additional funding of £10.5 million funded from contingency (£5.5 million) and reserves (£5.0 million) is added to the School Basic Need Programme with revised phasing as follows:-.**

2012/13	**£2.6m**
2013/14	**£14.1m**
2014/15	**£8.9m**
2015/16	**£2.5m**
2016/17	**£2.0m**

47. School Capital Refurbishment Programme – The School Capital Refurbishment Programme totalling £65.5 million over the period 2012/13 to 2015/16 is already

approved as part of the CYPS capital programme. The programme has been accelerated to deliver essential building works.

48. The rephased funding of the School Capital Refurbishment Programme is as follows:-

2012/13	£25.6m
2013/14	£29.9m
2014/15	£10.0m

49. The Department for Education capital grant allocation for 2013/14 and beyond that support both the school Basic Need and Refurbishment programmes are best estimates as the Government funding regarding school capital allocations have yet to be announced. On confirmation of the grant allocations the programme will need to be varied accordingly.

50. Rushcliffe Children's Centres – It is proposed that a programme of work is undertaken to re-organise the Children's Centre provision in Rushcliffe. Co-location of services and the refurbishment of existing buildings would enhance services available in the Borough and enable most vulnerable families to be reached.

51. **It is proposed that an £870k allocation funded from contingency is incorporated into the Capital Programme**.

52. Early Education Places for Eligible Two Year Olds – The Local Authority has been allocated a 2013/14 capital grant from the Department for Education. The £1.1million grant is available to provide childcare places for disadvantaged children across the County where there is a sufficiency issue.

53. **It is proposed to incorporate the £1.1 million Early Education Places for Eligible Two Year Olds grant into the Capital Programme.**

Transport and Highways

54. Worksop Bus Station – This project proposes to create a fully enclosed bus station for Worksop as part of the County Council's strategy to refurbish or rebuild the county's stock of bus stations.

55. **It is proposed that funding of £1.0 million in 2013/14 and a further £1.5 million in 2014/15 is incorporated into the Capital Programme and funded from reserves.**

56. Minor Capital Allocation Variations – Many programmes of work within the Transport and Highways are intrinsically linked. **As a result of this, approval is sought to transfer a number of minor allocations between programmes as shown below. This movement of funding does not impact the total level of borrowing in the programme as a whole:-**

Programme	£000
Road Maintenance & Local Transport Plan	91
Road Safety	(41)
Residual Land Compensation Claims	(44)
Street Lighting Renewal	(49)
Advance Design Fees	(8)
Other Major Projects	51
Net Budget Movement	**NIL**

57. Road Maintenance and Renewals and Local Transport Plan – These two programmes of work provide support for local highway maintenance across the County. Funding for 2012/13 is already approved within the capital programme. In the Chancellor's Autumn Statement announced on 5 December 2012 additional funding was received from the Department for Transport through the Local Highways Maintenance Grant.

58. **It is proposed that additional grant of £2.0 million in 2013/14 and a further £1.1 million grant in 2014/15 are included within the capital programme.**

59. Transport and Highway External Funding - Transport and Highways have successfully levered in external funding to fund a number of projects across the Capital Programme. This is funding allocated across many programmes of work but does not impact upon the financing of the programme as a whole.

60. **The variations to the capital programme required as a result of the external funding income are as follows:-**

Programme	£000
Transport and Highways External Funding	(676)
Local Transport Plan	295
Land Reclamation	251
Transport and Travel Services	84
Road Safety	41
Flood Alleviation and Drainage	5
Net Budget Movement	**NIL**

61. **Hucknall Town Centre Improvement -** This major transport scheme proposes the construction of a 0.5 km inner relief road parallel to the existing town centre High Street with funding already approved within the Capital Programme. Grant identified against this scheme in the capital programme totals £9.8 million. £8.5 million of this is funded from the Department from Transport and a further £1.34 million is funded from a contribution from Ashfield District Council. £339k of the Ashfield contribution was applied to capital expenditure in 2011/12

62. **A variation to the capital programme is required to reduce the financing of this project down by £339k to reflect external funding applied in prior years.**

63. Vehicle Purchase – Gritters – Costs totalling £219k have been incurred to purchase essential gritting vehicles over and above the available budget. It is proposed that the shortfall in funding is recovered from within the Manage and Operate Partnerships capital budget.

64. **It is proposed that a variation to the capital programme is approved to reduce the Manage and Operate Partnerships budget by £219k with a corresponding increase to the Vehicle Purchase – Gritters budget. The overall capital programme is unaffected by this variation.**

Environment and Sustainability

65. <u>Waste Management</u> **–** The capital programme already includes indicative budget of £500k per annum from 2013/14 onwards. However, there is recognition that costs associated with the Eastcroft Incinerator will increase by £500k per annum from 2013/14.

66. **It is proposed that funding of £500k per annum, funded from capital borrowing, is added to the capital programme to fund anticipated increased Waste Management costs.**

Culture

67. <u>Sherwood Forest Visitor Centre</u> – In September 2011, the Council agreed a new works concession procurement process to secure an external designer, operator and funder for the Sherwood Forest Visitor Centre. As part of this process there is a requirement for the County Council to support the development by a third party of a new visitor centre.

68. **It is proposed that funding of £1.653 million, funded from reserves, is added to the capital programme to fund site remediation, access and infrastructure costs at the centre.**

69. <u>National Water Sports Centre</u> – In July 2011, Cabinet approved a new ambition statement for the National Water Sports Centre. Approval was also given for the undertaking of a competitive dialogue procurement process to secure an operating partner to manage, operate and develop the Centre on the Council's behalf. As part of the process the Council has been explicit with bidders that there is £1.6 million capital funding allocated to the project. £1.475 million of this contribution will be funded from grant that is already approved within the capital programme.

70. **It is proposed that the £0.125 million funding shortfall is met from contingency and included in the Capital Programme.**

Finance and Property

71. Nottinghamshire Local Broadband Plan – The ambitious vision for superfast broadband deployment in Nottinghamshire can only be realised if the Government's allocation of £4.25 million is matched pound for pound by local sources and a telecommunications provider is procured (who will also be required to provide match funding). Discussions are taking place with the District, Borough and City Councils with regard to contributions to the scheme.

72. **It is proposed that funding of £2.150 million, funded from contingency, is included in the capital programme to fund the County Council's contribution to the broadband project.**

73. Building Works – It is proposed that the Building Works capital budget will make a contribution of £237k in respect of essential maintenance works required to the Adult Day Care Services Modernisation capital project.

74. **It is proposed that a variation to the capital programme is approved to reduce the Building Work budget by £237k with a corresponding increase in the Adult Day Care Modernisation project. The overall capital programme is unaffected by this variation.**

75. Sun Volt Programme – It is proposed that a spend to save initiative is undertaken to install solar panels on the main County Council building. This project will enable the County Council to benefit from feed tariff payments and savings in energy costs. The programme is expected to yield an overall return on investment of almost 10% and will also markedly reduce carbon emissions.

76. **It is proposed that from 2013/14 to 2016/17 funding of £250k per annum, funded from prudential borrowing, is included in the capital programme to fund the County Council's Sun Volt programme.**

Contingency

77. 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.

78. A number of capital bids described above are proposed to be funded from uncommitted 2012/13 contingency and a part of the 2013/14 contingency. The levels of contingency funding remaining in the capital programme are as follows:-

2012/13	£3.2 million
2013/14	£1.3 million
2014/15	£8.5 million
2015/16+	£5.0 million per annum

Revised Capital Programme

79. 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 2016/17 are set out in the table below. The figures reflect proposals to utilise Earmarked Reserves and County Fund Balances to fund one off capital schemes as outlined at Appendix B.

Table 6 – Summary Capital Programme

	Revised 2012/13 £'m	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	TOTAL £'m
Committee:						
Children & Young People's Services*	39.854	54.294	18.900	2.500	2.000	117.548
Adult Social Care & Health	4.418	6.104	6.650	3,000	3.000	23.172
Transport & Highways	38.602	42.524	37.407	35.565	26.256	180.354
Environment & Sustainability	5.171	4.853	4.574	4.200	4.000	22.798
Community Safety	0.003	0.297	-	-	-	0.300
Culture	5.147	5.930	1.204	0.450	1.322	14.053
Deputy Leader	8.902	5.075	-	-	-	13.977
Finance & Property	14.880	11.180	4.450	3.650	3.650	37.810
Personnel and Performance	0.088	0.070	0.070	0.070	0.070	0.368
Contingency	3.200	2.329	8.500	5.000	5.000	24.029
Capital Expenditure	**120.265**	**132.656**	**81.755**	**54.435**	**45.298**	**434.409**
Financed By:						
Borrowing	67.298	72.144	36.406	25.800	21.672	223.320
Capital Grants †	46.162	44.351	37.679	27.465	22.456	178.113
Revenue/Reserves	6.805	16.161	7.670	1.170	1.170	32.976
Total Funding	**120.265**	**132.656**	**81.755**	**54.435**	**45.298**	**434.409**

* These figures exclude Devolved Formula Capital allocations to schools.
† Indicative Government funding for Transport and Schools is included in 2014/15 to 2016/17.

80. The Capital Programme for 2013/14 includes £19 million of re-phased or slipped expenditure previously included in the Capital Programme for 2012/13. Funding for individual schemes is detailed in Appendix A.

Capital Receipts

81. 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 2012/13 to 2016/17. 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 7 – Forecast Capital Receipts

	2012/13 £'m	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	TOTAL £'m
Forecast Capital Receipts	**3.6**	**5.8**	**18.1**	**12.2**	**11.5**	**51.2**

82. 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.

Costs of Redundancies arising from 2012/13 Budget Proposals

83. 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.

84. Other Human Resource policies, such as retraining and redeployment, will be used wherever possible. During the course of the 2012/13 financial year a number of people have already left the service of the Authority and more will depart on or before 31 March 2013. The current estimated costs for 2012/13 are shown in the table below.

Table 8 – Estimated Redundancy Costs 2012/13

Department	Redundancy £'m	Pension Strain £'m	Total £'m
Policy, Planning & Corporate Services	0.25	0.37	0.62
Children, Families & Cultural Services	3.05	0.62	3.67
Environment and Resources	1.24	0.56	1.80
Adult Social Care, Health & Public Protection	1.55	0.67	2.22
Total	**6.09**	**2.22**	**8.31**

85. The costs of Lump Sum payments and the ongoing 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. Of the costs identified above, £6.5 million has been funded from 2011-12 allocations, leaving £1.8 million to be funded from the current year redundancy contingency.

86. A further Section 188 notice was published on 31 October 2012; the consultation period for this ended on 29 January 2013 and responses are being considered. An estimate based on average costs per redundant post is shown in the table below (the actual level of redundancies has yet to be confirmed and these figures are therefore likely to change).

Table 9 – Estimated Redundancy Costs and Headcount Reduction

Department	Redundancy £'m	Pension Strain £'m	Total £'m	Redundant Headcount (FTE)	Vacant posts (FTE)	Total proposed post reductions (FTE)
PPCS	0.083	0.058	0.141	5.0	2.0	7.0
CFCS	0.446	0.312	0.758	27.0	9.0	36.0
E&R	0.822	0.575	1.397	49.8	71.6	121.4
ASCH & PP	0.583	0.408	0.991	35.3	19.1	54.4
Total	**1.934**	**1.353**	**3.287**	**117.1**	**101.7**	**218.8**

87. Given that the timing difference between the decision and the actual payments being made is likely to cross over financial years, a provision will be set aside in the current year from the 2012/13 redundancy contingency. This is in keeping with previous practice and, as per accounting guidance, will cover the anticipated redundancy costs only, leaving the pension strain to be paid from 2013/14 redundancy contingency. Once final figures are known, the balance of the redundancy budget may be transferred to the redundancy reserve to fund the cost of redundancy in future years.

88. The 2013/14 redundancy contingency has been reduced to £3 million in light of the reduction in the number of redundant posts from this Section 188 and should cover the costs that are charged to 2013/14. If necessary, in year underspends can also be used to fund any balance that remains. Should costs go beyond this, the earmarked redundancy reserve of £3.1 million has not been required to date and could also be used.

Improvement Programme

89. The Improvement Programme was established in February 2010 to support the organisation in meeting a significant and unprecedented budget challenge. Between 2010 and 2013, savings of £180 million needed to be found, of which £70 million would be reinvested in priority services. In addition to supporting the delivery of budget savings, the Programme has also supported improvements in services and helped to drive out inefficiency and target resources, so that the impact of budget reductions on service delivery has been minimised.

90. The medium term financial forecast outlined in this report identifies a further £133 million of savings that need to be realised over the 3 year period 2014/15 – 2016/17. The next phase of the Improvement Programme will play a critical role in helping identify ways in which this target can be delivered, whilst at the same time minimising the impact on service delivery. The future direction of the Improvement Programme was laid out in a report to Policy Committee in October 2012.

91. Transformation boards have been established and are meeting regularly to develop proposals for projects to deliver the savings and efficiencies required to meet this challenge. Further reports will be brought to Policy Committee to update Members on progress.

Review of County Fund Balances & Reserves

92. Central Government have encouraged Local Authorities to utilise reserves during this period of austerity and support their transformation agenda. As such, the Council intends to make use of its reserves to manage its finances over the medium term. This includes accelerating savings where possible to earmark funds in temporary reserves to use the following year to ease pressure in the immediate term. To this end, £3.1 million is budgeted to be put aside in 2012/13 for this purpose and will be drawn down in 2013/14 to help deliver a balanced budget.

93. The 2012/13 budget also provides for a contribution to County Fund Balances of £4.9 million, which would result in a closing balance of £34.6 million. The latest budget monitoring suggests an underspend can be expected by year end. Providing resources allow, it is proposed to use this one off resource to make a £5 million contribution to the capital projects reserve with the balance to be added to the accelerated savings reserve.

94. In addition to this, a thorough review of the Authorities 'Earmarked for Services' reserves has been undertaken. A total of £0.5 million of reserves previously identified as earmarked for specific schemes, are now available to be released to the County Fund.

95. These proposed increases to revenue balances will exceed £8.5 million, which will cover the net withdrawal from County Fund Balances planned for 2013/14 of £8.4 million. Hence the Authority's position will be broadly similar to that at the start of the current financial year.

96. However, the actual level of reserves at the end of the current year will be determined by the financial out-turn, and a revised forecast will be incorporated into the Budget Report to County Council on 28 February.

Medium Term Financial Strategy and Risk Analysis

97. The Council has a "rolling" four-year Medium Term Financial Strategy MTFS), which is reviewed and updated each year as part of the annual budget process. In November Members were made aware that the budget process for 2013/14 would differ slightly than that of previous years. Whilst the normal planning horizon of 4 years will remain, as there are no new major budget proposals for change in 2013/14, the Council is presenting a one plus three year strategy.

98. In announcing the local government settlement for 2013/14 the government also indicated the level of funding anticipated for 2014/15. The current spending review period will end in 2014/15 and the government indicated that the next review will be completed in spring 2013 which will hopefully confirm the level of formula grant for 2014/15 and set the level for 2015/16.

99. Whilst every effort has been made to identify the financial pressures over the next few years, Members will be aware that the government is still committed to its deficit reduction programme. As mentioned in paragraph 8, the Chancellor indicated in December that further spending reductions are expected over the current planning horizon and this has been estimated in the MTFS.

100. In addition to the government announcements, Members will be aware of the significant changes in local government financing following the enactment of the Local Government Finance Act 2012, with the repatriation of business rates and the localisation of council tax benefit (see section 105) from 1 April 2013. The summation of all these issues is that we are in a period of financial uncertainty, which is of greater significance than the anticipated Spending Review.

101. The budget for 2013/14 has been cash limited, and no general allowance has been included for general price inflation, other than for specific business reasons where inflationary pressures are particularly challenging, and these are included in the committee budget pressures in Appendix A. Given that the prevailing level of inflation continues to exceed the Bank of England's target, inflationary pressures are likely to remain for the foreseeable future. As such, departments will be expected to maintain rigorous spending controls, as they have done in previous years.

102. Given the tight controls over public sector pay, an increase of 1% has been factored into the budget for 2013/14.

103. Other notable risks are as follows:

- Revenue impact of the capital programme

  The council has an ambitious capital programme, and over the past 5 years has committed in excess of £250 million of borrowing. Whilst the Council's MTFS covers a 4-year time horizon, the impact of borrowing is felt for up to 40 years and as such it would be imprudent not to consider the longer-term impact of the capital programme. In the medium term, the Council's capital programme can be delivered, particularly given the forecast level of capital receipts (assuming they are delivered) and the application of reserves, as highlighted earlier in this report.

  Beyond the Council's current MTFS, borrowing costs are forecast to increase by £5 million per annum by 2019/20. Excluding finance lease costs under PFI schemes, currently borrowing costs represent 7.75% of the Council's net revenue budget, and this increase, coupled with a reduction in funding, is forecast to increase this to over 8.2% by 2013/14, rising steadily to 8.8% by 2017/18.

  When the Council set its Prudential Indicators as part of the Budget decision in February last year, it determined that the measure of Affordability (financing costs as a percentage of the net revenue expenditure) would be set at 12.1% by 2014/15. Excluding finance lease costs under PFI schemes the equivalent figure would be 8.2%.

Whilst the level of increase in the capital programme can be funded in the short to medium term, any further increases would need to be factored into future plans regarding spending and taxation as well as set in the context of the Prudential Indicators, in particular Affordability. The Prudential Indicators will be reviewed as part of the Budget decision in February 2013.

- Children's Social Care

The number of looked after children continues to rise. The major cost for these children and young people relates to external and/or specialist placements. The MTFS includes additional funding of £3 million for specialist placements and the Base Budget Review has identified that a further £11.5 million of investment will be required. There is still a risk that costs could continue to rise further.

- Welfare Reform Act 2012

The Welfare Reform Act will introduce a single, Universal Credit from October 2013, replacing existing means-tested benefits paid to people of working age, all tax credits and housing benefit, affecting 4 million Department of Work and Pension's customers, 3.5 million Her Majesty's Revenue & Custom's customers and 3.5 million housing benefit customers. At its heart is a simplification of the welfare system and it aims to tackle the problems of poor work incentives and complexity and will provide households with a basic allowance, topped up by additional components for families with children, housing costs, disability and health conditions that limit work, and caring responsibilities. It will be available to people both in and out of work on low incomes replacing Working Tax Credits, Child Tax Credits, Housing Benefit, Income Support, income based Jobseekers and income-related Employment and Support Allowance.

The introduction of Universal Credit will have a range of significant impacts for local authorities. The ultimate goal is that Universal Credit will deliver a fully integrated service which will include labour market and wider support services for those who need it, and 2013 will provide the foundation on which more diverse models will be built. For 2013, there will be a jointly developed national service offering with targeted local flexibility. The face to face model encompasses all Department of Work and Pensions customers who need to use that channel, including those over pension age. The transition period from legacy benefits to Universal Credit is expected to run for four years from October 2013.

These changes should be seen in light of the localising of council tax benefit and the transfer of the administration of Housing Benefits from Local Authorities to the Department for Work and Pensions. Other 'passported' services will be affected by the transition to Universal Credit; such as support for elderly and disabled people; homelessness services; and other non-statutory support offered to Local Authority residents and future Universal Credit claimants, such as debt advisory services; because Local Authorities typically use an award of Housing Benefit as a flag to indicate entitlement to these locally administered benefits and a general concern that the introduction of Universal Credit will reduce the level of payment towards

Local Authority provided services. The level of impact upon local services is hard to determine and there is a risk that costs for social care services will increase.

104. Given the inherent uncertainties described above the need for robust financial planning and management will continue to be a high priority. Consequently, detailed budget monitoring will continue to be important in 2013/14 in order to ensure the budgets are on target. Any slippage in the achievement of the planned savings will need to be addressed as a matter of urgency within the financial year.

Major Developments in Local Government Financing

105. In addition to the risks set out above, there are two major developments in the financing of local government introduced from April 2013, following the enactment of the Local Government Finance Act 2012.

a) Business Rates Retention Scheme

General

- Business rates retention is at the heart of the government's reform agenda and is intended to achieve 2 priorities: economic growth and localism. The proposals are to enable local councils to retain a proportion of their business rate income, with a key intention to enable councils to benefit locally from any increase in business rates as a result of economic development activities.

- It is intended to provide a direct link between business rates growth and the amount of money councils have to spend on local people and local services. As a consequence, Councils will be able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area and will provide a strong financial incentive for councils to promote economic growth.

- At the beginning of the scheme, the government will carry out calculations to ensure that councils with more business rates than their current spending will make a tariff payment to government. Similarly, where councils have greater needs than their business rates income, they will receive a top-up payment from the government. The total sums of these payments will equal each other. The levels of tariff and top-up payments will remain fixed each year, but will increase in line with the Retail Price Index. This situation will not change until the system is reset. The government has said that this will not occur before 2020 at the earliest which will provide councils with the certainty they need to plan and budget.

- In addition, safety net payments will be available if a council's business rates income falls by a certain amount. This will provide support if, for example, a major local employer closes. The Safety Net will see no authority see income fall by more than a set percentage of their original baseline funding level. The government has now announced that the Safety Net percentage would be -7.5% (previously it had provided a range of - 7.5% to -10.0%).

- This safety net will be funded by a levy paid by those councils whose business rates revenue increases by a disproportionate amount compared to their needs. The levy is designed to ensure that the more councils grow their business rates, the more they benefit.

- The proceeds from business rates will be split 50:50, between central and local government. This split is to ensure that the scheme operates within spending control totals, which the government sees as critical to getting the fiscal deficit under control and making the scheme fiscally sustainable in future.

- By sharing business rates in this way, the reward from positive growth, but also the risk from negative growth, will be borne by both central and local government. The central share of business rates will be used by central government in its entirety to fund the local government sector. This will be in the form of Revenue Support Grant. Previously, it was the intention to abolish RSG on the introduction of the business rate retention scheme.

- In addition, the Government announced a number of specific grants that it intends to roll into mainstream funding via the RSG, including Council Tax Support Grant, Early Intervention Grant and New Homes Bonus.

- In two-tier areas, the local share of business rate receipts will be split 80:20 (to lower and upper tiers respectively). Where county councils such as Nottinghamshire do not have fire and rescue service responsibilities, they will receive 18% of the local share, with the remaining 2% going to single purpose fire and rescue authorities.

<u>Pooling</u>

- As part of the rates retention scheme, local authorities will be able to pool their business rates, giving them scope to potentially generate additional growth through collaborative effort, and to smooth the impact of volatility in rates income across a wider economic area.

- Pooling effectively combines the tariffs/top ups of individual authorities within the pooling area and treats the area as a single authority (although individual authorities would still be notified of their tariffs/top ups). A single levy rate applies to the sum of the pool's income and growth levels. Similarly, safety net eligibility is also calculated at aggregate pool level.

- However due to the way the system is designed, any council receiving a top-up, such as Nottinghamshire County Council, will never pay a levy. This also has the advantage of offsetting the levy that would otherwise be paid by the District Councils, and therefore this amount is retained within the pool, and can be redistributed to the participating authorities on a basis that they agree between them.

- During 2012 the County Council and the 7 District Councils assessed the potential risks, benefits and governance arrangements to forming a Nottinghamshire Pool and submitted a successful bid to forming a Pool to the DCLG. The pooling area covers Nottinghamshire County, being the two-tier area comprising the County Council and the District Councils of Ashfield, Bassetlaw, Broxtowe, Gedling, Mansfield, Newark & Sherwood and Rushcliffe. The pool builds on the already strong and well-established service relationships, with the overall aim of growing the local economy. Specifically, opportunities will be exploited to enhance the pool through links to wider funding sources such as the D2N2 LEP's Growing Places Funding and potentially, European Funding where that exists. This will allow the partners to prioritise activity that increases the competitiveness of the area and stimulates private sector economic growth. It will also allow for the planning of economic growth across the functional economic area covered by the pool rather than being constricted by local authority administrative boundaries.

- Based on the latest available estimate information and assumptions, this benefit of establishing the Nottinghamshire Pool could range from between £3.5million to £10.1million (with the County Council's share ranging from £1.4million to £4.2million) over the next five years.

- Whilst there are also financial risks associated with pooling, it is anticipated that the costs would not be expected to be excessive and it would take a very significant reduction overall in business rate income to offset the potential benefits. Any financial risk is also mitigated by the fact that the pool could be dissolved after one year if it was found that the perceived benefits did not materialise. Authorities would then simply revert to being treated individually in terms of business rates income.

b) Localising Support for Council Tax in England

- This is part of the wider set of reforms to the welfare system; improving incentives to work and ensuring resources are used more effectively, so reducing worklessness and ending a culture of benefit dependency. Localisation is part of a policy of decentralisation that will give local authorities increase financial freedoms and a greater stake in ensuring local tax payers are supported into work and how resources are used to achieve that. It is one of a number of reforms introduced by the Government to increase local financial accountability and decision-making, ensuring that councils benefit from the proceeds of growth and are accountable for decisions over council tax.

- Under the Act, Billing authorities (Districts/Unitaries) will be responsible for designing a scheme based on their funding allocation and potential caseload. The scheme will include different categories of claimants and levels of support. However, the Secretary of State has the power to prescribe categories and there level of support such as in the case of pensioners. Each Billing authority has to determine its scheme by the 31 January 2013.

- The funding for 2013/14 has been transferred to local authorities and included in the new business rates/RSG funding regime. For the County Council £37.9 million funding was provided.

- In November 2012 the Secretary of State announced that The Department for Communities and Local Government was making available an additional £100 million for 1 year to support those local authorities in developing well-designed council tax support schemes and maintain positive incentives to work. The grant will be payable in March 2013 to those authorities who adopt schemes that must comply with criteria set by Government to ensure that low income households do not face an extensive increase in their council tax liability in 2013 to 2014. This funding will enable councils to explore more sustainable approaches to managing the funding reduction that minimise the impact on vulnerable taxpayers. The level of grant for the County Council will be dependent upon the schemes devised by the Nottinghamshire District Councils.

<u>Policy Development – Community Budgets</u>

106. In addition to the above, there is another major policy development that will potentially have far reaching financial implications for all local authorities.

107. Community Budgets are a new way for local public service providers to work together to meet local needs. Community Budgets allow providers of public services to share budgets, improving outcomes for local people and reducing duplication and waste and reflects an ambition in local government to strengthen the local democratic accountability for public services, improve the outcomes for local people, families and communities, and to maximise the value for money of public spending.

108. With Councils taking a lead role, Community Budgeting – whole place, neighbourhood and troubled families - is a concept that gives local public service partners the freedom to work together to redesign services around the needs of citizens reducing the fragmentation and complexity of local public services faced by citizens, improving outcomes, reducing duplication and waste.

109. Successful Community Budgeting enables an area to deliver better service to residents because it can:

- make better use of its resources, including pooling and aligning the budgets of all agencies where it is effective to do so, including local knowledge, community assets and voluntary effort
- remove central rules and regulations so local professionals can deliver better services by redesigning them so delivery is more effective for residents
- give people greater control over their local public services

- establish appropriate local partnership and governance arrangements to create a unified approach that suits their area.

110. The solutions do not lie with councils alone but require coordination and cooperation across the public sector. An advanced form of partnership is required to redefine the way services work together and help break down barriers at a local level by moving away from a system where funding is fragmented across separate agencies.

111. Sixteen first-phase Community Budgets for families with multiple problems were announced in April 2011 as part of the effort to help turn round the lives of at least 10,000 families over 4 years. Following consultation, 2 further types of budget pilots were announced on 21 December 2011. If proven successful there is an incentive to increase the number and scope of Community Budgets.

112. The financial implication of these changes will become clearer over the coming months and updates will be provided to Members as soon as practicable.

Council Tax Leaflet 2013/14

113. The County Council considers that supplying information directly to citizens is a key way of informing them of the performance of the County Council. The public has growing expectations for the quality of public services, and expects value for money, both from central and local government. Giving people information on their council's efficiency will enable them to understand what it is doing to improve value for money – and challenge the Council to do better if necessary.

114. The Government introduced Regulations that require councils to include information about efficiency performance on the face of the Council Tax demand, and in the leaflets that accompany demand notices.

115. Not all Nottinghamshire residents have access to the internet and although regulations have changed enabling councils to publish such information electronically, as in previous years the County Council will be producing and sending information to all council tax payers in Nottinghamshire regarding the budget for 2013/14. The County Council believes it is important that all council tax payers understand the services the County Council provides, understand where there County Council's money comes from and where it is spent, together with knowing where the County Council is investing their money.

Council Tax 2013/14

116. On the basis of the above proposals a Band D Council Tax of £1,193.18 would be required in 2013/14, which represents a freeze on the Council Tax for the fourth year in a row. The tax rates for each of the property Bands are shown below:

Table 10 – Proposed Council Tax Levels for 2013/14

Band	Proposed 2013/14 Council Tax
A	795.45
B	928.03
C	1,060.60
D	1,193.18
E	1,458.33
F	1,723.48
G	1,988.63
H	2,386.36

Statutory and Policy Implications

117. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That a report be prepared for County Council on 28 February 2013 based on the budget proposals and Council Tax freeze referred to in this report.

COUNCILLOR KAY CUTTS **COUNCILLOR REG ADAIR**
LEADER **CHAIRMAN OF FINANCE AND PROPERTY**
COMMITTEE

For any enquiries about this report please contact:
Paul Simpson
Service Director – Finance & Procurement

Constitutional Comments

Policy Committee has the authority to make recommendations to the Council regarding the Budget. Authority to approve the final budget and Medium Term Financial Strategy is reserved to full Council.

Financial Comments (PDS 24/01/2013)

The financial implications are set out in the report.

Background Papers and Published Documents

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

Consultation responses.

Initial Budget and Capital Programme Proposals report to Finance & Property Committee, 12 November 2012

Electoral Division(s) and Member(s) Affected

All

Appendix A
Summary of Departmental Cost Pressures

	2013/14	2014/15	2015/16	2016/17	TOTAL
Children & Young People's Services	£'000	£'000	£'000	£'000	£'000
Children's Social Care	11,179	3,097	0	0	14,276
Building Schools for the Future Alternatives	3,000	0	0	0	3,000
Priority School Building Programme	200	0	0	0	200
Bassetlaw PFI Inflation	(257)	141	148	0	32
School Transport (Manifesto pledge)	300	400	300	300	1,300
Schools Funding	2,000	0	(2,000)	0	0
	16,422	**3,638**	**(1,552)**	**300**	**18,808**
Adult Social Care & Health					
Demand led - Mental Health & Learning Disability	5,100	6,100	6,100	6,100	23,400
Demand led - Older People Demographics	2,500	2,500	2,500	2,500	10,000
Demand led - Physical Disability	1,300	1,300	1,300	1,300	5,200
Adult Commissioning Costs	9,000	0	0	0	9,000
	17,900	**9,900**	**9,900**	**9,900**	**47,600**
Transport & Highways					
Increased Highway maintenance and inflation	500	500	500	500	2,000
Concessionary Travel	525	551	579	579	2,234
Increased Highway income	(200)	(200)	0	0	(400)
Local bus & Schools inflation	476	490	505	505	1,976
Mansfield & Newark Bus Stations	0	100	0	0	100
Manage & Operate Partnerships transfer	(500)	0	0	0	(500)
	801	**1,441**	**1,584**	**1,584**	**5,410**
Environment & Sustainability					
Waste Disposal Landfill tax Escalator	0	1,300	0	0	1,300
Waste PFI	0	1,000	0	0	1,000
	0	**2,300**	**0**	**0**	**2,300**
Culture					
Sport England - Holme Pierrepont (NWSC)	500	0	0	0	500
	500	**0**	**0**	**0**	**500**
Policy					
Ways of Working	(2,000)	(500)	0	0	(2,500)
Grant Aid	0	(225)	(225)	0	(450)
Election	1,200	(1,200)	0	0	0
	(800)	**(1,925)**	**(225)**	**0**	**(2,950)**
Finance & Property					
Implications of Base Budget Review	1,000	0	0	0	1,000
	1,000	**0**	**0**	**0**	**1,000**
Total Pressures	**35,823**	**15,354**	**9,707**	**11,784**	**72,668**

Appendix B
Summary of Revised Budget & Efficiency Savings

Business Case Title	2013/14 Achievable £000	2014/15 Achievable £000	Total £000
CHILDREN & YOUNG PEOPLE COMMITTEE			
Youth Support Service's delivery and management structure	(186)	(37)	(223)
Connexions	0	25	25
Youth Offending Service Cost Reduction Programme	(30)	(1)	(31)
Ethnicity Culture and Achievement Service	(13)	(13)	(26)
Enrichment Services - full cost recovery	(153)	(35)	(188)
Inclusion Services Remodelling	(62)	(63)	(125)
School Improvement Service – Remodelling	(45)	(67)	(112)
Premature Retirement Compensation Costs for Schools-natural wastage	0	(25)	(25)
Sure Start Early Years and Childcare Grant	(1,000)	(1,000)	(2,000)
Social Care Fieldwork Services	(204)	(406)	(610)
CYP Business Support Services Review	600	0	600
Disestablish Extended Services Team, Restructure Play Function	(255)	0	(255)
Reduction to Connexions Funding	(222)	0	(222)
Reduction in Department overheads	(100)	0	(100)
EIG and Former Area Based Grant monies	(20)	0	(20)
TOTAL CHILDREN & YOUNG PEOPLE COMMITTEE	**(1,690)**	**(1,622)**	**(3,312)**
ADULT SOCIAL CARE & HEALTH COMMITTEE			
Increased income through increased charges	(26)	0	(26)
Day Services	(2,673)	(590)	(3,263)
Living at Home	128	(2,354)	(2,226)
Interagency planning and commissioning - linkage efficiencies	(256)	(296)	(552)
Notts 50+ (Early Intervention and Prevention)	(15)	0	(15)
Learning Disability & Mental Health Community Care	(1,281)	(1,281)	(2,562)
Adult Placement Scheme	(38)	(38)	(76)
Learning Disability commissioning	(150)	(11)	(161)
Reduce spend on Supporting People	(1,100)	(2,400)	(3,500)
Learning Disability Short Breaks	(81)	0	(81)
Service Organisers (Centralise teams)	(150)	0	(150)
Reablement for Younger Adults with Physical Disability	(150)	0	(150)
Assistive Technology	(125)	0	(125)
Redesign of Home Based Services	0	(865)	(865)
Locality Savings	(150)	0	(150)
Shared Lives	(300)	0	(300)
Sherwood Industries	(250)	0	(250)
ADULT & SOCIAL CARE TOTAL	**(6,617)**	**(7,835)**	**(14,452)**
TRANSPORT AND HIGHWAYS COMMITTEE			
Fleet Consolidation (Shared Transport Centre) - Travel Efficiencies	(100)	(75)	(175)
Street Lighting: Energy cost savings and reduced maintenance	(184)	(144)	(328)
Maximise Highways income and recharges	0	(88)	(88)
Highways Service Redesign - Structure Review & Increased Efficiencies	(304)	(149)	(453)

Part-night street lighting, reduced Robin Hood line funding	(40)	0	(40)
Efficiency savings through the reconfiguration of transport service	(100)	0	(100)
TOTAL TRANSPORT AND HIGHWAYS COMMITTEE	**(728)**	**(456)**	**(1,184)**

Business Case Title	2013/14 Achievable £000	2014/15 Achievable £000	Total £000
COMMUNITY SAFETY COMMITTEE			
Registration Service - Maximising Income Opportunities and Cessation of Security Guard	(98)	(98)	(196)
TOTAL COMMUNITY SAFETY COMMITTEE	**(98)**	**(98)**	**(196)**
CULTURE COMMITTEE			
Libraries & Archives	(216)	0	(216)
Sports & Arts	(115)	0	(115)
Country Parks & Green Estate (Car Park income & opening hours)	(50)	0	(50)
Country Parks & Green Estate (Orangery development)	(55)	0	(55)
TOTAL CULTURE COMMITTEE	**(436)**	**0**	**(436)**
POLICY COMMITTEE			
Shared Legal Services with other public bodies	(11)	0	(11)
Legal Services – process efficiency and work reduction	(50)	0	(50)
Legal Services – managing demand reduction	(38)	0	(38)
Customer Services	(281)	0	(281)
Procurement and Contracts	0	(1,000)	(1,000)
Staffing Restructure	(173)	0	(173)
Ways of Working Operational savings	(350)	0	(350)
TOTAL POLICY COMMITTEE	**(903)**	**(1,000)**	**(1,903)**
FINANCE & PROPERTY COMMITTEE			
Finance Reduced Capacity	(29)	0	(29)
Vertical review staffing	(339)	(591)	(930)
Vertical review ISP and connectivity rationalisation	(150)	(180)	(330)
Vertical review Apps rationalisation	(50)	(190)	(240)
Vertical review desktop strategy	(50)	(100)	(150)
Reduction in strategic function	(381)	0	(381)
Property Planned Maintenance reduction	(200)	0	(200)
Reduction in Finance capacity by the deletion of further posts	(76)	0	(76)
TOTAL FINANCE & PROPERTY COMMITTEE	**(1,275)**	**(1,061)**	**(2,336)**
PERSONNEL COMMITTEE			
Learning & Development	(10)	0	(10)
TOTAL PERSONNEL COMMITTEE	**(10)**	**0**	**(10)**
HORIZONTAL SAVINGS	**(1,717)**	**(700)**	**(2,417)**
GRAND TOTAL	**(13,474)**	**(12,772)**	**(26,246)**