

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT**REVENUE BUDGET PROPOSALS 2014/15****CAPITAL PROGRAMME PROPOSALS 2014/15 to 2017/18****MEDIUM TERM FINANCIAL STRATEGY 2014/15 to 2017/18****COUNCIL TAX PROPOSALS 2014/15****Purposes of the Report**

1. To make proposals to the full County Council on 27 February 2014 regarding:
 - the Annual Revenue Budget for 2014/15
 - the Capital Programme for 2014/15 to 2017/18
 - the Medium Term Financial Strategy for 2014/15 to 2017/18
 - the level of the Council Tax Precept for 2014/15

Initial Budget Proposals

2. The magnitude of the financial challenges facing the Council was reported to Policy Committee at its meeting on 13 November 2013. At this point, a budget shortfall of £154m was anticipated over the three years to 2016/17. This meeting launched a public consultation on £83m of savings proposals which concluded on the 17 January 2014.
3. During the period since November, the Council has fully reviewed the extent of budget pressures it is facing, and has received more detailed information on the funding it can expect to receive in 2014/15 and 2015/16. Detailed budget proposals have been developed that take all of these factors into account, and this report outlines the recommendations that will be submitted for formal approval to the Council budget meeting on 27 February 2014.

Autumn Statement and Local Government Settlement

4. The Chancellor of the Exchequer, George Osborne, presented his Autumn Statement on 5 December 2013. Alongside this, the Office of Budget Responsibility (OBR) released its economic and fiscal outlook containing the latest update on the economy and public finances. The following national key issues were outlined:
 - The growth forecast for 2013 has increased to 1.4% (from 0.6% in March) with later year's growth also expected to increase.
 - Unemployment is lower than forecast with the claimant count falling particularly rapidly.

- The UK's budget deficit will have fallen by 11.1% of GDP over the nine years from 2009/10, around 80% of the reduction is accounted for by lower public spending.
 - Public sector net debt borrowing is forecast to be £111.2bn this year, £8.6bn lower than the March forecast, and £3.8bn lower than in 2012/13.
 - In 2018/19, the OBR expects the government to run a cash surplus.
 - Public sector net debt as a proportion of GDP is still rising but is now expected to peak in 2015/16 at 80%.
5. Whilst some government departments are required to reduce Department Expenditure Limits (DEL) by 1.1% in 2014/15 and 2015/16, protection was announced for Local Government "to help local authorities to freeze Council Tax in 2014/15 and 2015/16".
 6. The Chancellor also announced a series of changes to Business Rates, including a decision to cap the rise in the business rate multiplier at 2%, rather than the expected 3.2% RPI inflationary increase. Given that Local Government is directly dependent upon Business Rates for income, compensation through Section 31 grant is expected for 2014/15 and 2015/16, with future years to be decided by the government in place after the 2015 general election.
 7. Additional announcements relating to Local Government include confirmation that the proposed top-slicing of New Homes Bonus will not go ahead, and £450m will be made available to fund free school meals from September 2014 to every pupil in reception, year 1 and year 2 attending a state-funded school (£635m in 2015/16), with £150m of capital funding to ensure capacity of school kitchens and eating areas can meet this commitment.
 8. The Autumn Statement was followed by the Local Government Finance Settlement on 18 December 2013. The headlines from the settlement were:
 - Funding equivalent to a 1% increase will be built into spending review baselines for local authorities who freeze or reduce their Council Tax levels in 2014/15 (with funding to be paid as a Section 31 grant in both 2014/15 and 2015/16). Grant equivalent to 1% will also be paid to those authorities who freeze tax in 2015/16, this funding will also be built into spending review baselines. This rolling in of grant into mainstream funding is potentially a welcome measure as, subject to any changes following the 2015 general election, it would remove the potential 'cliff edge' in 2016/17 of grant dropping out, provided it is not matched by a further reduction in Revenue Support Grant (RSG).
 - The trigger criteria under which a council tax referendum would be called is yet to be published, but is currently 2%.
 - The proposed pooling of New Homes Bonus with Local Enterprise Partnerships to support strategic housing and economic development priorities, that would have reduced local government funding by £400m from 2015/16, has been overturned.
 - There was a reduction in the size of the New Homes Bonus held back for local authorities for 2014/15 from £800m to £700m, for 2015/16 the holdback has reduced from £1.1bn to £1.0bn.

- The Local Welfare Provision Grant will cease to be paid in 2015/16, only 2 years after its introduction. It is unclear if the burden to provide this service will remain with upper tier authorities in the future, which would be an effective cut in resources. The Council is expecting to receive £2.1m in 2014/15 in what is expected to be the final allocation.
- The government announced indicative figures for the Better Care Fund (commencing in 2015/16). The Better Care Fund will provide £3.8 billion to local services to give elderly and vulnerable people an improved health and social system. Local government and health organisations are required to work together to prepare and submit (by mid-February) joint plans as to how they will use their portion of the fund to join up health and care services around the needs of patients, so that people can stay at home more and be in hospital less.
- The County Council's reduction in spending power between 2013/14 and 2014/15 has been calculated as 2.3% as illustrated in the table below. The Council Tax Requirement figure has been revised from the estimates released by Central Government to reflect local figures. The table below does not include any expectation in relation to increases in Council Tax or receipt of Council Tax freeze grant.

Table 1 - Financial Analysis of Funding Changes 2014/15

Funding	2013/14 £m	2014/15 £m	Change £m	%
Settlement Funding Assessment	241.3	219.0	(22.3)	(9.2)
Public Health (ring-fenced)	35.1	36.1	1.0	2.8
NHS funding to support social care	12.6	16.2	3.5	28.1
Other Grants *	5.5	6.7	1.2	21.9
Council Tax Requirement	273.3	276.6	3.2	1.2
Total Revenue Spending Power	567.8	554.5	(13.3)	(2.3)

*This analysis includes provisional New Homes Bonus, Local Reform and Community Voices, Local Welfare Provision, Lead Local Flood Authority and estimated Section 31 grant to compensate for the Business Rates cap.

Education Services Grant, still to be confirmed by the Department for Education once academy conversions are finalised, is currently expected to reduce from £9.9m to £9.5m.

9. In summary, the Coalition Government predicts public spending cuts will be needed until after the 2015 general election in order to continue to reduce the level of national debt and, The pace at which this debt has been reduced, since the Coalition government came to office, has been hampered by a slower than expected economic recovery.
10. On that basis, and recognising that the state of the public finances is still extremely challenging, the period of austerity is expected to continue for the remainder of the current decade, whatever the outcome of the 2015 election. 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.

New Operating Model

11. The Corporate Leadership Team is developing a new operating model for the Council that will redefine its core offer and the level of service delivery that can be provided in the future against the backdrop of reduced funding and increased demand for services. While this is still a work in progress, it is clear that any new model will require greater partnership working with health, police, local councils as well as other public sector partners. In addition, the Council will be seeking more creative solutions with communities and the Third Sector and, at the same time, looking to take advantage of the changes in society.
12. It is expected that a proposal that sets the framework for a longer-term sustainable solution that protects those things that are most needed and valued by local people will be taken to the Policy Committee on 7 May, 2014.

Budget Consultation

13. Each year the Council undertakes a budget consultation exercise with residents and stakeholder groups to help guide and inform the annual budget setting process.
14. The total number of responses received across the whole campaign (38,412 as outlined in paragraph 25 below), reflects the prominence of this consultation, which is one of the biggest ever undertaken by the authority.
15. On 2 September 2013, the Council formally launched a consultation exercise called the Budget Challenge to help inform and guide the budget setting process. The Budget Challenge consultation lasted for 20 weeks and took place on-line, via social media, by holding face to face meetings, workshops and events, and in libraries and county information points across Nottinghamshire. The campaign was undertaken in three distinct stages:
 - Stage 1 - designed to give the context, raise awareness of the financial constraints facing the Council, to inform the public about the budget challenges ahead and to seek public opinion on how these challenges should be met
 - Stage 2 - designed to seek people's views on the values and strategic priorities detailed in the new draft Strategic Plan
 - Stage 3 - designed to seek public opinion on specific budget proposals
16. The Council has been keen to consult with community groups and has taken a proactive approach through its community engagement officers. The whole of the county has been covered and a wide range of respondents from all age groups and backgrounds have been engaged either by completing questionnaires, comment cards, writing individual letters/emails or via meetings, often 'piggybacking' other community events that have taken place. Also, articles have been placed in local newsletters and on-line bulletins such as Networking Action for Voluntary Organisations (NAVO), Neighbourhood Watch, Poets Corner etc and promotion has taken place via Community and Voluntary Service (CVS) partners, highlighting the opportunity for residents to get involved in this year's budget challenge campaign.
17. Since the publication of the draft budget proposals in November 2013, there has been extensive consultation with the public, service users and stakeholders on the 50 draft proposals and the proposed council tax increase. Methods for consulting have included:

- An on-line questionnaire on the County Council's public website which was accompanied by more detail on each of the individual proposals, as well as associated Equality Impact Assessments
- Making paper copies of the above questionnaire available in reception points at libraries, county information points and in community centres etc.
- Links to the budget proposals available on the Council's intranet for all employees
- Numerous face to face meetings between officers and service users regarding specific proposals
- Publicising the Customer Service Centre telephone number so that members of the public can get advice and assistance over the telephone and the completion of the on-line questionnaire by an advisor if required.

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

- Making available an on-line form on the County Council's website
- Enabling residents to join the campaign via discussion forums
- Making comment cards and paper questionnaires available in reception points in libraries and county information points etc, where members of the public could obtain assistance
- Holding face to face discussion groups and workshops with specific service users
- Publicising a freepost address for residents to send in their own handwritten letters/comments
- Emails to stakeholder groups providing a link to the budget consultation information and proposals on the Council's website
- Emailing information leaflets out to communities and groups including – Luncheon Clubs, Over 50's forums, Asian Elders Group, Friendship clubs, Royal British Legion, WI's, University of 3rd Age, Age UK, Children's Centres explaining how they can get involved.
- Publicising the Customer Service Centre telephone number so that members of the public can get advice and assistance over the telephone and the completion of the on-line questionnaire by an advisor if required.
- Engaging the voluntary sector via Networking Action for Voluntary Organisations (NAVO) via meetings/newsletters.
- Displaying posters on notice boards across the county
- Reaching community based organisations, groups considered hard to reach and other agencies via email and face to face meetings.
- Extensive media coverage in the local press, on local radio and on regional TV, and explaining how residents can get involved (a total of 678 media mentions)
- Letters and emails to town/parish councils highlighting the proposals and how comments can be submitted
- Letters to service users and stakeholder groups directly affected by the proposals
- Letters to voluntary sector providers
- Giving residents the opportunity to set their own budget by using the on-line budget simulator; a total of 48 individuals have completed the online budget simulator
- Making available a toolkit for residents/organisations to use if they want to run a community event to discuss the budget. This was available to download from the public website or completing on-line; a total of 478 copies of the community engagement toolkit have been downloaded.

19. This year, the Council has also published an information booklet setting out the Budget Challenge, explaining the funding shortfall, detailing where the Council's budget currently comes from, what it is spent on, how much Council service's cost, services currently provided, and explaining how people can get involved. In addition, the Leader of the Council released a video on YouTube setting out the Council's Budget Challenge; this video has received 81 views.
20. The vast majority of the promotional material informed residents of the different ways they could get involved. A total of 27,704 visits were made to the Budget Challenge pages on the Council's website.
21. The overall budget position and overview of Outline Business Cases (OBCs) have been discussed through the formal JCNP process, at Central Panel, and other meetings with the Trade Unions. A formal response has been received from UNISON.
22. The County Council has a statutory duty to consult with the business community under the Local Government Finance Act 1992 (section 65) regarding the authority's plans for expenditure in the financial year. This year, consultation with members of the business community took place via the Council's existing links. In order to ensure as many small and medium sized businesses across the county were involved, the Nottinghamshire Business Engagement Group (NBEG) were consulted. NBEG comprises representatives of business clubs across the County including the Chamber of Commerce and the Federation of Small Business, as well as more local Clubs such as Mansfield 2020 and the Newark Business Club. Together, NBEG representation offers access to some 12,000 Nottinghamshire businesses. A full response to the Council's budget has been received from the Derbyshire and Nottinghamshire Chamber of Commerce.
23. Procedures have been established to ensure that all consultation responses are captured and recorded on a central database and taken into account in the decision making process.
24. Responses have been received from a number of diverse organisations including – District/Borough/Town/Parish Councils, Framework, Nottinghamshire MP's, Mansfield and Sherwood Ramblers Association, Mersey Care NHS Trust, Nottinghamshire Advice Network, Newark & Sherwood CCG, Nottingham Playhouse, Department for Work and Pensions, Nottingham Pensioners Action Group, Carers Federation, Diocesan Board of Education, Age UK, Members of Youth Parliament, Rushcliffe Community & Voluntary Service, Rural Community Action Nottinghamshire, The National Autistic Society, Bassetlaw Learning Disability Association, 1st Daybrook Rainbows and 1st Daybrook Brownies. In response to the consultation, a total of 32 petitions have also been received.
25. Consultation on the County Council's 2014/15 budget challenge campaign closed on 17 January 2014. In total 38,412 responses have been received via all channels. A breakdown of all responses is detailed in the following table:

Table 2 – Responses to the budget challenge consultation

		Responses / Taken part
1	On-line and paper questionnaires, comment cards, letters and emails (incl questions asked in the annual residents survey)	7,982
2	Additional (standard) letters relating to the 'Supporting People' proposal (Framework funding)	3,750
3	'Photo voices'/case studies and stories from service users who use Framework	300
4	On-line budget simulator	48
5	Discussion forum	5
6	Social media comments (Facebook/Twitter)	75
7	Petitions (32)	24,252
8	Service specific consultations, including: <ul style="list-style-type: none"> • 'Supporting People' proposal • 'Changes to Day Services' proposal • 'Changes to Residential Short Breaks' proposal • 'Reduction in cost of transport services' proposal • 'Changes to employment services' proposal • 'Reduction in Trading Standards staffing and increased income generation' proposal • 'Efficiencies and local bus services reductions' proposal <i>(Additional responses + numbers taking part in face to face meetings)</i>	Over 2,000
	Total	38,412

26. The headlines results from the online/paper/email consultation responses are summarised below. It should be noted that the results are a reflection of those who took part. Detailed results from the consultation are available as a background paper on request.

- A total of 75% of respondents indicated that having read the information about the Budget challenge on the Council's website they feel more informed about the Council's budget challenge.
- Given that the Council has to reduce its budget, the services the majority of respondents would reduce are – 'Subsidies for local bus and community transport services', followed by 'Street lighting' and 'Trading Standards (plus consumer protection/advice)'. The services which the majority of respondents least want to reduce are – 'Support for older people, including adults with physical or learning disabilities/mental health needs' followed by 'Maintaining roads and pavements' and 'Tackling crime and anti-social behaviour'.

- Given the inevitable impact on services, most respondents indicated they would be prepared to - 'Accept a reduced level of service e.g. reduced opening hours/days', followed by 'Accept reduced eligibility to access services' and 'Pay more for services'.
- The vast majority of respondents agree with the three core values and five key priorities set out in the draft Strategic Plan. Comments and suggestions covered a wide range of topics and issues showing that there are no strong alternative or additional core values or key priorities emerging.
- In response to the question around Council Tax (options range from 1.99% increase to 5% increase), the option which most respondents would prefer is a 1.99% increase (45%) followed by a 3% increase (25%), 4% (10%), 5% (20%).
- When it comes to proposals residents would least like to see implemented (i.e. *in disagreement*), the top five proposals indicated are:
 1. Savings from the Supporting People budget
 2. Changes to Employment Services
 3. To cease awarding grant aid to Nottingham Playhouse'
 4. Changes to Residential Short Breaks Services
 5. Changes to Day Services'
- When it comes to proposals residents would most like to see implemented (i.e. *in agreement*), the top five proposals indicated are:
 1. Reduce Councillors' Divisional Fund
 2. Renegotiation of Waste Management Contracts
 3. Increase Charges for Blue Badges
 4. Development of a Shared Service Delivery Model with Boroughs & Districts'
 5. School meal price changes

27. Analysis of comments received showed the most frequently raised issues concern social care and protecting the most vulnerable, especially children, disabled and the elderly.

Movements in the Medium Term Financial Strategy (MTFS)

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

Revised Pressures and Running Cost Inflation

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

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

30. Since then the MTFS has rolled forward a year to reflect the four year term to 2017/18. Further pressures have been identified, most notably in Adult Social Care and Health. Given the severity of the financial situation, both existing and new pressures have been through a re-evaluation process. The Chief Executive and S151 Officer have met with each Service Director, along with their Management teams, in a series of "Budget Pressure Challenge" meetings. These meetings critically evaluated the pressures, identified areas where reduction was possible, giving particular emphasis to adopting a "higher risk" approach than has previously been the case, and taking into consideration the Council's cost / performance profile against comparator authorities.
31. In terms of inflation on non-pay items, no inflationary uplift was provided for in the current year, other than where there was a specific business need incorporated as individual bids. This practice has been in place for a number of years and, given the financial position of the authority, it is proposed to continue this for the next 3 years. Managers will therefore be expected to control expenditure within their cash limited budgets.
32. The Budget Pressure Challenge exercise and cash limiting of budgets has ensured that resources have been effectively reprioritised, and overall, the additional service demands can be accommodated within the original resource allocated. The table below tracks the movement in pressures and inflation that has occurred from February, details of the revised figures are set out in Appendix A.

Table 3 – Movement in Pressures and Inflation

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

Pay Award Inflation

33. For 2013/14 a pay award of 1% has been agreed across Local Government. Previous MTFS expectations assumed that this offer would be repeated in 2014/15 moving to a 3% increase from 2015/16 onwards. In light of Central Government indications of continuing austerity, this assumption has been revised down to 1% for all years in the MTFS timeframe.

Income Inflation

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

Savings Proposals

35. The report to Policy Committee in November 2013 set out detailed proposals for how the Council could save £82.7m, being the initial identification of savings proposals that would contribute to the overall savings target of £154m over the next 3 years. These proposals have been subject to an extensive consultation process, the results of which have been summarised in paragraphs 13-27 above. The summary proposals that will go forward for inclusion in the County Council Budget report on the 27th February are set out in Appendix B to this report.
36. Over the last few months, the Council has also reviewed the role and function of the Public Health ring fenced grant, since its transfer from the NHS in April 2013. It was inevitable that a period of time would be necessary, in order to evaluate the range of Public Health responsibilities, and in particular to identify areas of potential duplication with existing County Council services.
37. This process took place between April and October, and the Council is now able to propose a series of changes that will deliver £5m of operational efficiencies. These are described in Appendix C.
38. Most of these proposals involve routine review of contracts, identification of internal efficiencies and small changes to service specifications, therefore these were not included in the County Councils budget public consultation. One exception is the re-tendering of substance misuse services, which was subject to a dedicated three month public consultation during June-September 2013. Service user consultation has also been undertaken to explore the impact of the tobacco control proposal.
39. As a consequence of finding these efficiencies, a further process has been undertaken to identify where this £5m could be re-invested within the County Council to meet additional Public Health outcomes, whilst maintaining an overall level of expenditure in Public Health provision of £36.1m in 2014/15. The detailed proposals which make up this realignment of the Public Health grant are set out in Appendix D.
40. The realignment of the Public Health grant will facilitate the ongoing integration of Public Health within the Council. Plans have identified opportunities to avoid duplication and provide Public Health leadership to complex areas. These include domestic violence and services to support people who are homeless or vulnerable. Due regard has been taken during the realignment process to emerging health and wellbeing priorities as identified in the Joint Strategic Needs Assessment.

41. Further discussions around efficiencies and realignment will need to take place for 2015/16 onwards. Public Health plans to strengthen the engagement process with stakeholders to ensure that any implications from proposed commissioning decisions and realignment of the Public Health grant are properly discussed. Clinical Commissioning Group representatives will be invited to participate in the Council realignment process.

MTFS Assumptions and Projections

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

Interest & borrowing

45. The level of borrowing undertaken by the Council is heavily influenced by the capital programme and the associated expenditure profile of approved schemes. Slippage can therefore result in reduced borrowing in the year, although this will still be incurred at a later date when the scheme completes. Interest payments are based on an estimated interest rate which can also fluctuate depending on the market rates at the time the borrowing is undertaken. The Council's position is monitored regularly in relation to these two variables and the latest budget monitoring report forecasts an underspend of £2m for the current year. The 2014/15 budget has therefore been reduced by £2m to reflect this saving. This will continue to be closely monitored to ensure interest payments are adequately provided for in future years, should interest rates rise.

Tax-base

46. As new houses are built each year the council tax-base increases. Over the last 5 years the increase had been around 0.7% but then dropped to 0.5% in 2011/12 and 2012/13. Given the challenging economic climate, the particular pressures being experienced in the housing market, and the unknown impact of Localised Council Tax Benefit (LCTB) schemes from April 2013, the assumption for growth in the tax-base was revised downwards to 0.3% for the duration of the MTFS.

47. The District Councils have provided tax base estimates for 2014/15 which equate to growth of 1.19%. In part this may be due to the modest recovery in the housing market and wider economy, initiatives such as the Local Authority Mortgage Scheme, as well as the concerns relating to LCTB not materialising in full. This latter impact will be a one off gain on the tax-base. Future years growth assumptions have been revised upwards from the 0.3% to 0.65% for the remainder of the MTFS.

Table 4 – Forecast Council Tax-base 2014/15

	Tax-base 2013/14	Assumed growth of 0.3% 2014/15	Band D Precept £1,193.18	Confirmed % Change	Confirmed Tax-base 2014/15	Band D Precept £1,193.18
Ashfield	29,870.30	29,959.91	£35,747,566	1.29%	30,256.20	£36,101,093
Bassetlaw	31,409.55	31,503.78	£37,589,679	1.54%	31,893.84	£38,055,092
Broxtowe	31,907.95	32,003.67	£38,186,144	0.88%	32,188.65	£38,406,853
Gedling	34,396.13	34,499.32	£41,163,897	1.50%	34,912.38	£41,656,754
Mansfield	26,524.26	26,603.83	£31,743,161	1.58%	26,943.82	£32,148,827
Newark	36,015.10	36,123.15	£43,101,415	0.61%	36,233.47	£43,233,052
Rushcliffe	38,948.00	39,064.84	£46,611,391	1.09%	39,373.00	£46,979,076
Total	229,071.29	229,758.50	£274,143,252	1.19%	231,801.36	£276,580,747
Additional funding in MTFS from confirmed figures						£2,437,495

Council Tax Surplus/Deficit

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

Government Grants

49. The November report highlighted a number of uncertainties surrounding the Council's future funding and the overall level of resources available, particularly given that several consultation exercises launched by DCLG were still ongoing. Paragraphs 4-10 of this report outline the key changes in central government funding policy that were announced in December 2013. Given that further reductions were already anticipated in the November report, the impact on the Authority's MTFS has been comparatively favourable for 2014/15 (although of course the reductions overall are still significant and further reductions are expected in later years of the MTFS). Furthermore, it is likely that certain funding will come with increased expectations of the services the Council will deliver, caution is therefore required in applying the funding to meet the existing budget requirement.

Costs of Redundancies arising from the Budget Proposals

50. It is recognised that significant reductions in staffing numbers results in substantial redundancy costs. The Council seeks to maximise the use of voluntary redundancies to minimise the impact of having to make compulsory redundancies, although it is inevitable that there will be some compulsory redundancies, and the costs of either voluntary or compulsory redundancy are the same. Other Human Resource policies, such as retraining and redeployment, will be used wherever possible.
51. During the course of the 2013/14 financial year, a number of people have already left the service of the Authority and more will depart on or before 31 March 2014. The costs of lump sum payments and the on-going pension costs are met from the Pension Fund and are not a cost to the County Council budget. Redundancy payments and the cost of Pension Strain are met by the Authority. The costs for the year to date are included in the monthly budget monitoring report to this Committee and currently stand at £2m.
52. A new Section 188 notice was published on 6 November 2013; the consultation period for this ended on 19 December 2013. 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 5 – Estimated Redundancy Costs and Headcount Reduction

Department	Redundancy £m	Pension Strain £m	Total £m	Potential Headcount Reduction (FTE)	Vacant posts (FTE)	Total proposed post reductions (FTE)
PPCS	0.63	0.44	1.07	37.96	22.14	60.10
CFCS	3.17	2.22	5.39	191.95	44.85	236.80
E&R	1.39	0.97	2.36	83.98	124.83	208.81
ASCH & PP	2.75	1.93	4.68	166.67	74.78	241.45
Performance Teams*	0.14	0.10	0.24	8.65	2.2	10.85
Total	8.08	5.65	13.73	489.21	268.8	758.01

*This represents the potential headcount reductions in posts across all departmental performance management teams

53. 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 2013/14 redundancy contingency. This is in keeping with previous practice and, as per accounting guidance, will cover the anticipated redundancy costs only, leaving the remaining pension strain to be paid from the 2014/15 contingency. Once final figures are known, the balance of the 2013/14 contingency budget may be transferred to the redundancy reserve to fund the cost of redundancy in future years.

Establishment of a Strategic Development Fund

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

Council Tax Leaflet 2014/15

60. In 2012 the Government revised the Regulations that required councils to include information about efficiency performance on the face of the Council Tax demand, enabling councils to publish such information electronically. From 2014/15 the Council will publish this information on its website. However, printed copies will be available to residents and stakeholders on request.

Post Consultation Decisions

61. As described in the consultation section of the report (paragraphs 13 – 27), the consultation exercise has been particularly extensive, and in light of the scale and detail of the responses received, Members are still considering the outcome of the process. The financial implications of any subsequent decisions regarding the budget consultation will be incorporated in the final report to County Council on the 27th February. At this stage therefore, for the purpose of recommending a balanced budget to County Council, the assumption is that all proposals will be implemented as set out in the original OBCs.

Council Tax 2014/15

62. At the time of preparing this report, the Government had still not confirmed the point at which an increase in Council Tax would trigger the requirement to hold a local referendum; currently this stands at 2%. As part of the wide ranging consultation exercise, residents were asked whether they would prefer an increase in council tax of between 1.99% and 5%, generating between £5.5m and £13.8m respectively.
63. Alternatively, the Council could agree to freeze council tax, and in so doing, be eligible for the Council Tax Freeze Grant, which the government announced would be built into the overall financial settlement, for both 2014/15 and 2015/16 (assuming council tax is frozen in both years). It is important to emphasise the point however that the Government will not commit to making any funding announcements beyond its current term of office, and there is therefore no certainty that this funding will be “permanent” beyond the 2015/16 financial year.
64. The freeze grant equates to a 1% increase in Council Tax, which for Nottinghamshire is £3.1m. This compares to the £5.5m that would be generated by a 1.99% increase (which would be a permanent increase in the Council’s base funding). Given that no decision on the level of the threshold has been made, the Council is proposing to set its 2014/15 budget on the assumption that it will increase council tax by 1.99%, which will then be reviewed in light of any subsequent announcement on a change to the level of the referendum threshold.
65. The tax rates for each of the property Bands, based upon a 1.99% increase, are shown below:

Table 6 – Proposed Council Tax Levels for 2014/15

Band	2013/14 Council Tax £	Proposed Council Tax £	Proposed annual increase £	Proposed weekly increase £
A	795.45	811.28	15.83	0.30
B	928.03	946.50	18.47	0.36
C	1,060.60	1,081.71	21.11	0.41
D	1,193.18	1,216.92	23.74	0.46
E	1,458.33	1,487.35	29.02	0.56
F	1,723.48	1,757.78	34.30	0.66
G	1,988.63	2,028.20	39.57	0.76
H	2,386.36	2,433.85	47.49	0.91

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

Table 7 – Summary of Post November Changes

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	TOTAL £m
Year on year savings requirement (November report)	62.9	51.5	39.7	-	154.1
Roll forward of MTFS	-	-	-	41.5	41.5
Pay Award inflation	-	(4.0)	(4.2)	(4.4)	(12.6)
Removal of income inflation	3.7	3.7	3.8	-	11.2
Savings Proposals	(37.3)	(28.9)	(16.5)	-	(82.7)
Public Health	(5.0)	(4.0)	(3.0)	-	(12.0)
Corporate Adjustments	8.5	(6.0)	(7.6)	(1.6)	(6.7)
Interest and borrowing	(2.0)	-	-	-	(2.0)
Change in Council Taxbase	(2.5)	(0.9)	(1.0)	(1.0)	(5.4)
Collection Fund surplus / deficit	(1.2)	1.2	-	-	-
Increase in Council Tax 1.99%	(5.5)	-	-	-	(5.5)
Changes in Government grant	(11.4)	5.0	6.2	(2.1)	(2.3)
Changes in use of reserves	(10.2)	7.4	2.3	-	(0.5)
Revised year on year shortfall	-	25.0	19.7	32.4	77.1

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

Financial Risks, Balances & Contingency

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

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

- The Government has not yet announced the Council Tax referendum threshold and as such any decision on a potential increase in Council Tax might have to be revised.
- The Council will potentially need to fund a significant level of redundancy costs, if it is to deliver the savings that have been consulted upon. The Council may not have the available resources to meet these costs

- Given the scale and extent of the savings proposals, and the degree of complexity and change required to deliver them, it is highly likely that there could be a degree of non-delivery and slippage of proposals. That said the Council does not have the levels of contingency previously available, and as such a more rigorous approach to savings delivery and overall financial accountability will be required.
- The cost pressures that have been factored into the budget may not be sufficient to meet the underlying cost and demand pressures that may arise, notably in Adult Social Care.
- The Council and Health partners are currently developing plans for the use and allocation of the Better Care Fund. This process requires agreement on how the funding will be used to protect Social Care Services, in addition to other health priorities. If agreement cannot be reached on how much funding can be directed to offset adult social care cost pressures, there is a risk that the Council will have insufficient resources to meet known financial commitments.

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

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

Table 8 – Forecast Level of Reserves and Balances 2014/15

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

71. The budget proposals as currently set out propose a reduced use of balances although it is important to stress that the 2014/15 budget is being balanced through the use of one off resources and corresponding savings will need to be made in future years.
72. The forecast level of reserves still compares relatively favourably with other County Councils but will have been significantly reduced from the level at the beginning of the 2013/14 financial year. As set out in paragraph 59, the Council will require significant one off investment in order to successfully implement the necessary level of transformational change.
73. The continuing financial uncertainty is also a key driver behind the need for the County Council to maintain the tight spending controls that it has implemented in recent years.

Capital Programme and Financing

74. Local authorities are able to determine their overall levels of borrowing, provided they have regard to "The Prudential Code for Capital Finance in Local Authorities" published by CIPFA. It is, therefore, possible to increase the Capital Programme and finance this increase by additional borrowing provided that this is "affordable, prudent and sustainable". This is in addition to capital expenditure funded from other sources such as external grants and contributions, revenue and reserves. The revenue implications of the Capital Programme are provided for and integrated with the revenue budget.
75. The County Council's capital programme has been reviewed as part of the 2014/15 budget setting process. Savings totalling £16.9m have been identified as part of this exercise. These savings, along with capital reserves and contingencies will be used to fund new inclusions into the programme. The capital programme continues to be monitored closely in order that variations to capital expenditure and capital receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported appropriately to the Finance and Property Committee.
76. During the course of 2013/14, 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 77 to 130. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Children and Young People (CYP)

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

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

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

2013/14 - £8.4m
2014/15 - £7.8m

80. **It is proposed that the CYP Capital Programme is varied to reflect the confirmed School Capital Maintenance Grant allocations.**
81. The cost of School Capital Refurbishment works already completed is significantly higher than originally forecast. There are two main reasons for the increase in costs:-
- Additional essential works necessary to alleviate health and safety risks in schools and / or to avoid school closures over the next 3-5 years.
 - Costs associated with the discovery of asbestos.
82. A review of the SCRП programme undertaken at the end of the second year has concluded that the programme can be concluded over a four year period to March 2015. The additional funding required to complete the programme is £15.2m.
83. **It is proposed that an additional £15.2m allocation funded from the Capital Projects Reserve (£7.6m) and capital contingency (£7.6m) is incorporated into the CYP Capital Programme as follows:-**

2014/15 - £9.2m
2015/16 - £6.0m

84. A £0.17m Environmental Improvement capital grant has been received from the Department for Education to part fund refurbishment works carried out at the Newark Academy.
85. **It is proposed that the £0.17m Environmental Improvement Capital Grant is added to the Schools Capital Refurbishment Programme budget.**
86. **CYP Capital Programme Review** – A review of the CYP capital programme has identified savings totalling £1.5m due to underspends on the following schemes:

Table 9 – CYP Capital Programme

Programme	£000
Other Primary Projects	255
Primary Amalgamation Programme	367
Bramcote Hills Comprehensive	190
School Condition Initiative Phase 1	21
School Modernisation Programme	609
Other Youth Projects	58
CYP Capital Savings	1,500

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

Transport and Highways

92. **Gedling Access Road** – This major transport scheme will enable the realisation of a key strategic development site in Gedling. It will also fulfil the long term proposal to provide a bypass around Gedling village. The project is to be delivered by key public sector partners working jointly towards achieving common objectives for the future redevelopment of the former Gedling Colliery site. The latest estimated cost of the scheme is £32.4m.
93. Match funding has been secured from the Local Transport Body, Gedling Borough Council and the Homes and Communities Agency. The County Council is required to contribute £5.4m to the scheme. An additional opportunity to bid in for further external funding will become available through the Single Local Growth Fund mechanism.
94. **It is proposed that funding of £5.4m in 2017/18 is incorporated into the Capital Programme, funded from capital contingency, to support the Gedling Access Road project.**

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

106. **It is proposed that a £1.8m allocation, funded from borrowing, is incorporated into the Transport and Highways Capital Programme.**

Personnel

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

Adult Social Care and Health

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

Policy

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

Finance and Property

113. **Nottinghamshire Local Broadband Plan** – The County Council's £2.15m contribution to the Superfast Broadband Project is already approved within the Finance and Property Capital Programme. The capital programme needs to be varied, however, to incorporate external funding from BDUK (£4.50m), ERDF (£2.76m) and other Districts and Boroughs (£1.15m)
114. **It is proposed that the Superfast Broadband budget is increased to reflect the £8.41m external funding that has been levered into the County Council.**
115. **Lindhurst Scheme** – The County Council is one of three parties in a Developers Collaboration Agreement to the south of Mansfield. The terms of the agreement state that the Council is liable to make a contribution to the scheme which is capped at £1.0m. The Council also has a £0.75m contractual overage liability attached to its land holding within the scheme.
116. **It is proposed that £1.0m, funded from capital contingency, is included in the 2014/15 capital programme to fund the rolling cap. It is also proposed that £0.75m, funded from capital contingency is added to the 2016/17 capital programme to fund the overage liability.**

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

Capital Programme Contingency

125. 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.
126. A number of capital bids described above are proposed to be funded from uncommitted contingency across the period to 2017/18. The levels of contingency funding remaining in the capital programme are as follows:-

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

Revised Capital Programme

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

Table 10 – Summary Capital Programme

	Revised 2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	TOTAL £m
Committee:						
Children & Young People*	61.227	35.025	27.867	17.501	2.000	143.620
Adult Social Care & Health	0.373	5.760	8.790	7.100	1.350	23.373
Transport & Highways	40.956	43.486	33.824	23.050	29.350	170.666
Environment & Sustainability	4.473	2.242	2.033	1.984	1.700	12.432
Community Safety	0.289	-	-	-	-	0.289
Culture	4.000	5.362	0.450	1.210	1.200	12.222
Deputy Leader	5.785	2.748	0.115	0.110	-	8.758
Finance & Property	12.221	14.301	9.358	6.455	3.400	45.735
Personnel and Performance	0.145	1.785	0.070	0.070	0.070	2.140
Economic Development	-	1.000	1.000	1.000	1.000	4.000
Contingency	-	1.884	1.883	1.884	1.883	7.534
Capital Expenditure	129.469	113.593	85.390	60.364	41.953	430.769
Financed By:						
Borrowing	65.533	44.429	37.597	23.154	21.583	192.296
Capital Grants †	47.247	48.421	46.623	36.040	19.200	197.531
Revenue/Reserves	16.689	20.743	1.170	1.170	1.170	40.942
Total Funding	129.469	113.593	85.390	60.364	41.953	430.769

* These figures exclude Devolved Formula Capital allocations to schools.

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

128. The Capital Programme for 2013/14 includes £12m of re-phased or slipped expenditure previously included in the Capital Programme for 2012/13.

Capital Receipts

129. In preparing the Capital Programme, a full review has been carried out of potential capital receipts. The programme still anticipates significant capital receipts over the period 2013/14 to 2017/18. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of Capital Receipts incorporate anticipated slippage between years and are shown in the following table.

Table 11 – Forecast Capital Receipts

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

130. 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.

Statutory and Policy Implications

131. 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.

RECOMMENDATION/S

- 1) That a report be prepared for County Council on 27 February 2014 based on the budget proposals and Council Tax increase referred to in this report.

COUNCILLOR DAVID KIRKHAM
CHAIRMAN OF FINANCE AND PROPERTY COMMITTEE

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

Constitutional Comments (KK 31/01/2014)

Finance and Property Committee has responsibility for the financial management of the Authority including recommending to Council the financial strategy, annual revenue budget, annual capital budget, asset management plan and precept on billing authorities. The proposal in this report is therefore within the remit of this Committee.

Financial Comments (PDS 21/01/2014)

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

List of petitions received

Initial Budget and Capital Programme Proposals report to Policy Committee, 13 November 2013

Electoral Division(s) and Member(s) Affected

All

Appendix A

Summary of Departmental Cost Pressures

	2014/15	2015/16	2016/17	2017/18	TOTAL
	£000	£000	£000	£000	£000
<u>Children & Young People's Services</u>					
Children's Social Care	2,814	1,064	-	-	3,878
Subtotal Children & Young People's Services Pressures	2,814	1,064	-	-	3,878
<u>Adult Social Care & Health</u>					
Mental Health & Learning Disability	4,680	4,680	4,680	4,680	18,720
Physical Disability	924	924	924	924	3,696
Older Adults Demand	5,000	-	-	-	5,000
Shortfall in Client Contributions	3,000	-	-	-	3,000
Shortfall on Continuing Health Care Income	500	-	-	-	500
Younger Adults Demand	1,500	-	-	-	1,500
Subtotal Adult Social Care & Health Pressures	15,604	5,604	5,604	5,604	32,416
<u>Transport & Highways</u>					
Bus Stations	100	-	-	-	100
Road Lighting CRC Tax	396	20	20	20	456
Subtotal Transport & Highways Pressures	496	20	20	20	556
<u>Environment & Sustainability</u>					
Waste PFI pressure	1,000	-	-	-	1,000
Subtotal Environment & Sustainability Pressures	1,000	-	-	-	1,000
<u>Policy</u>					
Legal Services	300	-	-	-	300
Subtotal Policy Pressures	300	-	-	-	300
Total Pressures	20,214	6,688	5,624	5,624	38,150
<u>Children & Young People's Services</u>					
Bassetlaw PFI Inflation	141	148	153	159	601
Subtotal Children & Young People's Services Inflation	141	148	153	159	601
<u>Adult Social Care & Health</u>					
Fair Price for Care	1,600	1,700	1,800	1,800	6,900
Subtotal Adult Social Care & Health Inflation	1,600	1,700	1,800	1,800	6,900
<u>Transport & Highways</u>					
Concessionary Travel	-	229	579	579	1,387
Local Bus & Schools inflation	490	505	505	505	2,005
Road Lighting Energy	759	893	920	920	3,492
Subtotal Transport & Highways Inflation	1,249	1,627	2,004	2,004	6,884
<u>Environment & Sustainability</u>					
Waste Disposal Landfill tax Escalator	1,300	394	406	418	2,518
Waste Inflation	500	500	500	500	2,000
Subtotal Environment & Sustainability Inflation	1,800	894	906	918	4,518
<u>Personnel</u>					
Living wage	300	-	-	-	300
Subtotal Personnel Inflation	300	-	-	-	300
Total Inflation	5,090	4,369	4,863	4,881	19,203
Total Pressures & Inflation	25,304	11,057	10,487	10,505	57,353

Appendix B
Summary of Revised Savings Proposals

Consultation Ref.	Committee	Title	2014/15 £000	2015/16 £000	2016/17 £000	TOTAL SAVING £000
A01	ASCH	Living at Home Phase II	0	555	397	952
A02	ASCH	Dementia Quality Mark	500	0	0	500
A03	ASCH	Use of Public Health funding	200	0	0	200
A04	ASCH	Development of reablement in Physical Disability services	150	150	0	300
A05	ASCH	Reduction in staff posts in the Joint Commissioning Unit	34	0	149	183
A06	ASCH	Reduction in staff posts in the Performance Improvement Team	92	0	0	92
A07	ASCH	Major redesign and restructure of business support function	411	400	0	811
A08	ASCH	Reduction in staffing in the Framework Development Team	79	0	0	79
A09	ASCH	Restructure of Adult Care Financial Services (ACFS) and a reduction in posts	93	121	0	214
A12	ASCH	Group Manager Restructure	0	200	0	200
B01	ASCH	Assessment and Care Management - Older Adults	165	494	0	659
B02	ASCH	Use of NHS social care funding to offset budget pressures	1,912	0	0	1,912
B03	ASCH	Reduce no. of social care staff in hospital settings by 15%	49	147	0	196
B04	ASCH	Reduction in supplier costs - older person's care homes	0	2,335	0	2,335
B05	ASCH	Reduction in supplier costs - Younger Adults	1,184	761	592	2,537
B06	ASCH	Use of NHS social care funding to offset pressures	1,912	0	0	1,912

Consultation Ref.	Committee	Title	2014/15 £000	2015/16 £000	2016/17 £000	TOTAL SAVING £000
B07	ASCH	Younger Adults Assessment & Care Management (A&CM) and Structural Changes	250	700	250	1,200
B08	ASCH	Changes to the delivery structure of the Safeguarding Adults Team	172	0	0	172
B09	ASCH	Reduction in Benefits Advice staff	45	45	0	90
C01	ASCH	Reducing Community Care Spend - Older Adults	754	1,762	0	2,516
C02	ASCH	Reducing the average community care personal budget - Younger Adults	925	1,178	701	2,804
C03	ASCH	Reduction in long term care placements	550	550	423	1,523
C04	ASCH	Reduction in cost of transport services	0	0	0	0
C05	ASCH	Managing Demand in Younger Adults	175	200	0	375
C06	ASCH	Residential Short Breaks Services	250	250	0	500
C07	ASCH	Day Services	350	220	490	1,060
C08	ASCH	Employment Services	180	0	0	180
C09	ASCH	Various contract changes by the Joint Commissioning Unit	131	179	190	500
C10	ASCH	Savings from the Supporting People budget	1,000	2,200	1,000	4,200
C11	ASCH	Cease NHS short breaks service (Newlands)	175	175	0	350
C13	ASCH	Targeting Reablement Support	0	755	755	1,510
C14	ASCH	Various options to reduce the cost of the intermediate care service	540	540	0	1,080
C15	ASCH	Notts Welfare Assistance Fund (NAAF)	2,130	0	0	2,130
	ASCH Total		14,408	13,917	4,947	33,272

Consultation Ref.	Committee	Title	2014/15 £000	2015/16 £000	2016/17 £000	TOTAL SAVING £000
A10	Community Safety	Reduction in Emergency Planning staffing	35	0	0	35
A11	Community Safety	Registration Service Income Generation	47	0	0	47
B30	Community Safety	Service Restructuring	367	0	0	367
B33	Community Safety	Redesign focus of service.	245	0	0	245
C12	Community Safety	Reduction in Trading Standards staffing and increased income generation	292	195	0	487
	Community Safety Total		986	195	0	1,181
A60	Culture	Restructuring - staff reductions	50	0	0	50
B13	Culture	Libraries, Archives, Information and Learning	250	375	375	1,000
B14	Culture	Cultural and Enrichment Services	50	130	0	180
B15	Culture	Country Parks and Green Estates	150	160	190	500
Separate consultation	Culture	National Water Sports Centre	310	130	140	580
	Culture Total		810	795	705	2,310
A13	CYP	Support to Schools	1,000	370	0	1,370
A14	CYP	SEND Hub	492	0	0	492
A15	CYP	Business Support Service	500	1,330	600	2,430
A16	CYP	School Access	0	50	50	100
A17	CYP	Targeted Support and Youth Justice	800	100	100	1,000
A18	CYP	Children's Social Care Management Review	120	80	0	200
A19	CYP	Planning, Performance and Quality Assurance Group	1,350	150	0	1,500

Consultation Ref.	Committee	Title	2014/15 £000	2015/16 £000	2016/17 £000	TOTAL SAVING £000
A20	CYP	CFCS Management Structure Review	80	110	185	375
B10	CYP	Independent Travel Training	0	200	300	500
B11	CYP	Young People's Service	675	675	0	1,350
B12	CYP	Early Years and Early Intervention	1,000	0	3,000	4,000
B14	CYP	Cultural and Enrichment Services	150	420	50	620
B16	CYP	Looked After Children Placements	2,320	2,570	1,700	6,590
C16	CYP	Children's Disability Service	0	1,180	1,180	2,360
Separate consultation	CYP	Transport travel Hub-Preferred travel	177	357	532	1,066
	CYP Total		8,664	7,592	7,697	23,953
B18	E&S	Renegotiation of Waste Management Contracts	800	200	0	1,000
B19	E&S	Introduce a range of measures associated with HWRC's	205	505	0	710
B20	E&S	Provide financial support to Waste Collection Authorities to introduce kerbside Green Waste Collections	0	200	0	200
B21	E&S	Increase Energy Contract Rebate Income	200	0	0	200
B26	E&S	Restructuring - staff reductions. Income generation.	73	0	0	73
	E&S Total		1,278	905	0	2,183
B28	Economic Development	Development of a shared service delivery model with Borough & District Councils.	0	250	0	250
B29	Economic Development	Reducing the NCC contribution to Experience Nottinghamshire	100	0	0	100
	Econ Dev Total		100	250	0	350

Consultation Ref.	Committee	Title	2014/15 £000	2015/16 £000	2016/17 £000	TOTAL SAVING £000
A30	F&P	Reduction in County Offices Maintenance	300	200	100	600
A31	F&P	Reduction in Property Staffing	167	100	0	267
A32	F&P	Rationalisation and staffing reductions	0	50	200	250
A33	F&P	Reduction in Planned Maintenance Budget	0	0	519	519
A49	F&P	Finance & Procurement Staffing Reductions	700	250	250	1,200
A50	F&P	Contract Savings	0	0	350	350
A51	F&P	Savings in provision of online @home service	250	0	0	250
A52	F&P	Termination of licence agreement	80	0	0	80
A53	F&P	Reduction in provision of ICT equipment replacement	0	100	0	100
A54	F&P	Staffing reductions in the Business Support and Development team	60	0	0	60
B34	F&P	Reduce Councillors' Divisional Fund	335	0	0	335
	F&P Total		1,892	700	1,419	4,011
A22	Personnel	Review Human Resources activity & support - increased self service	500	0	47	547
A23	Personnel	Review Health & Safety service - income generation and sharing of services	80	0	0	80
A24	Personnel	Deletion of Senior Analyst post - Job Evaluation	41	0	0	41
A25	Personnel	Cease counselling service and signpost employees to alternative providers	49	0	0	49
A26	Personnel	Review of integrated Learning & Development activity - to further streamline structures; commission more training externally and with others	1,000	0	0	1,000
B25	Personnel	Schools meal price changes	0	0	0	0
	Personnel Total		1,670	0	47	1,717

Consultation Ref.	Committee	Title	2014/15 £000	2015/16 £000	2016/17 £000	TOTAL SAVING £000
A21	Policy	Restructure, efficiencies and cost reductions in the Business Support Centre	1,000	500	200	1,700
A27	Policy	Customer Service Centre - efficiencies and shift to more cost effective access channels	45	200	120	365
A28	Policy	Customer Service Centre - generation of additional income and sharing of services with other public sector providers	50	50	0	100
A29	Policy	Review of face to face customer service provision across the county	100	0	0	100
A61	Policy	Redesign staffing structure	246	408	12	666
A62	Policy	Cease holding of Member Forum meetings.	27	0	0	27
A63	Policy	Reorganise Civic Office support staff and reconfigure support activities.	87	0	0	87
A64	Policy	To provide governance & democratic support service to the PCP and PCC.	81	0	0	81
A65	Policy	To move to partial electronic only provision of committee papers.	43	0	0	43
A66	Policy	Streamline corporate complaints	113	0	0	113
A67	Policy	Redesign staffing structure	51	0	0	51
A68	Policy	Redesign staffing structure	246	0	0	246
A69	Policy	Refocus communications and marketing activity	178	0	0	178
A70	Policy	Alternative delivery of translation and interpretation services.	55	0	0	55
A71	Policy	Income generation	24	24	24	72

Consultation Ref.	Committee	Title	2014/15 £000	2015/16 £000	2016/17 £000	TOTAL SAVING £000
A72	Policy	Review PPCS management structure	50	0	0	50
B27	Policy	Restructuring - staff reductions. Income generation.	64	0	3	67
B31	Policy	Reduce the financial contribution to Health Watch Nottinghamshire	95	50	0	145
B32	Policy	To cease awarding grant aid to Nottingham Playhouse in 2014/15	95	0	0	95
	POLICY Total		2,650	1,232	359	4,241
A34	T&H	Highways Contract savings	1,170	0	0	1,170
A35	T&H	Increased efficiency by Highways Operations Group	900	0	100	1,000
A36	T&H	Efficiencies through more effective pothole repair & patching service	0	100	100	200
A37	T&H	Reduce contribution to Highways Safety Shared Service	200	100	100	400
A38	T&H	Shared Service for Central Processing Unit	0	25	0	25
A39	T&H	Renegotiation of contribution to the Urban Traffic Control Shared Service	50	0	0	50
A40	T&H	Removal of Robin Hood Line subsidy	0	80	0	80
A41	T&H	Reduce Street Lighting Energy Costs	300	500	700	1,500
A42	T&H	Increased Highways Income from additional housing development activity	10	10	13	33
A43	T&H	Increased income from various service areas	20	30	30	80
A44	T&H	Increased income from providing services to neighbouring local authorities	13	0	0	13

Consultation Ref.	Committee	Title	2014/15 £000	2015/16 £000	2016/17 £000	TOTAL SAVING £000
A45	T&H	Restructuring - staff reductions	133	217	0	350
A46	T&H	Restructuring - staff reductions	0	0	0	0
A47	T&H	Restructuring - staff reductions	175	284	0	459
A48	T&H	Restructuring - staff reductions	192	311	0	503
A55	T&H	Staffing Reductions in Transport & Travel Services	150	150	0	300
A56	T&H	Establishment of fund for replacing worn out integrated transport measures	200	200	200	600
A57	T&H	Reduction of discretionary spend	100	100	100	300
A58	T&H	Use of financial contributions (Commuted Sums) from developers	250	0	0	250
A59	T&H	Gully cleaning	50	0	0	50
B17	T&H	Efficiencies & Local Bus Service reductions	800	1,000	0	1,800
B22	T&H	Reduction in Rights of Way Service	100	50	0	150
B23	T&H	Increase charges for Blue Badges	40	40	56	136
B24	T&H	Re-commission Road Safety Education	0	79	0	79
	T&H Total		4,853	3,276	1,399	9,528
	Grand total		37,311	28,862	16,573	82,746

Appendix C
Summary of Public Health Budget Savings

Public Health Budget Savings - Programme Area	Budget Savings for 2014/15 £000	
Re-commissioning of Substance Misuse services		450
Review of Health Check Programme		182
Review of Tobacco control service		166
Release of uncommitted Public Health funding		
Dental Public Health and Fluoridation	20	
General Prevention (Older People, LTNC and Stroke).	30	
Public Health Staffing	157	
Public Health Corporate Misc. (– including Staffing-non-pay, Health & Wellbeing Board, overheads, NHS property costs.)	50	
Contingency/development	3,945	
		4,202
Total Efficiencies		5,000

Appendix D
Summary of Public Health Realignment Plans

Proposal Name	Description	Value £000
Domestic Violence	Centralisation & coordination of domestic violence services across council.	1,034
Youth violence reduction	Service to deliver preventative case management and psycho-social interventions through Youth Offending Teams with children aged 8-17.	380
Supporting People	Adult Homelessness Services, including homelessness prevention.	1,000
Young people's supported accommodation	Young people's service to support homelessness, learning disability, offenders, substance users, those with poor mental/emotional health.	460
Substance Misuse including Young Peoples Substance Misuse	Residential rehabilitation and supporting people accommodation, early intervention and diversion programmes, including services for young offenders (aged below 18)	468
Illicit Tobacco Prevention & Enforcement	Funding of Trading Standards Officer (TSO) dedicated to reducing the supply of illicit tobacco across the County.	91
Mental Health co-production service	Services to support people who have low/ moderate mental ill health needs and low mental wellbeing.	206
Handy Persons Adaptation Scheme	Service to provide small adaptations to retain older people in their own homes.	95
Building community resources to support people	Services to support people to retain independence and reduce loneliness.	200
Community Outreach Advisors	Service to provide community outreach to support people to stay independent in their own homes	164
Information Prescriptions	Service to provide information on request on a number of areas of health and social care.	28
Stroke	Service to people at risk of stroke or who have experienced stroke.	13
Young Carers	Services to support young carers of a disabled parent, and services to promote educational, psychological social and emotional development of young carers, that are complementary to delivery of ASC Personal Budgets.	340
Young People's Sexual Health.	Dedicated out of hours sexual health services and staff training directed to young people aged 13-19.	80
Family Nurse Partnerships	Intensive home visiting programme for first time teenage mothers.	100
Speech and Language Therapy	Services/support to early childhood services, including Health Visitor teams, to improve screening and promote communication and language development.	350
Total		5,000