

**REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT****REVENUE BUDGET PROPOSALS 2019/20****CAPITAL PROGRAMME PROPOSALS 2019/20 to 2022/23****MEDIUM TERM FINANCIAL STRATEGY 2019/20 to 2022/23****COUNCIL TAX PROPOSALS 2019/20****Purpose of the Report**

1. To consider the contents of the budget report that will be taken to Full Council on 28 February 2019 with specific reference to:
 - the Annual Revenue Budget for 2019/20
 - the Capital Programme for 2019/20 to 2022/23
 - the Medium Term Financial Strategy for 2019/20 to 2022/23
 - the level of the Council Tax Precept for 2019/20

Information

2. A budget update report was submitted to Policy Committee on 14 November 2018 which set out the financial landscape within which the Council is operating and noted the anticipated budget shortfall of £63.9m over the three years to 2021/22.
3. Since November, the Council has carried out a full review of the budget pressures and underlying assumptions within the Medium Term Financial Strategy. The Council has also received provisional information on the level of funding it can expect in 2019/20. This report outlines the recommendations that will be submitted for approval to the Annual Budget Meeting on 28 February 2019.

Managing the Future – A Strategic Response

4. The County Council has been successful in delivering £26.8m of savings over the previous two financial years. Delivering future savings however will become increasingly more challenging following successive reductions in Government funding and rising demand for services over a number of years. The stark economic and fiscal backdrop for public finances calls for a strategic rather than a piecemeal response as set out in the County Council Plan.
5. Your Nottinghamshire, Your Future, the new County Council Plan sets out the strategic ambition for the future of Nottinghamshire and the Council, structured around four vision statements and supported by twelve commitments.

6. In addition, four detailed departmental strategies have been designed to offer the best possible services whilst making best use of the Council's resources. Each of these strategies were approved at Policy Committee in January 2018. They outline the priorities and programmes of activity that will be pursued in the coming year to achieve delivery of the overall Council Plan. Your Nottinghamshire, Your Future will encourage a more commercial approach across the Council, adopting creative and innovative ways of delivering value for money.
7. This budget report sets out the financial framework around which the County Council will achieve its strategic vision statements and meet the success factors that underpin the County Council's twelve commitments.

Autumn Statement 2018 and Local Government Settlement 2019/20

8. On 29 October 2018, the Chancellor of the Exchequer, the Right Honourable Philip Hammond MP, made his Autumn Budget Statement in the House of Commons. The Office of Budget Responsibility (OBR) also published its Economic and Fiscal Outlook.
9. The following announcements in the Autumn Statement and OBR report were key:
 - Public finances have performed better than expected even though the economy has grown less quickly. This reflects stronger tax revenues and lower than expected spend on welfare and debt interest. The significant improvement in reducing the underlying pace of deficit reduction has been offset by promises of higher spending in the NHS, increased income tax personal allowance and a more generous than expected universal credit agreement.
 - Consumer Price Inflation averaged 2.4% in the second quarter of 2018 and is expected to fall to round 2.0% over the medium term. Unemployment fell to 4.0% in the second quarter of 2018 and is expected to fall to 3.7% at the start of the year before stabilising and edging up to a rate of 4.0%.
 - Continuation of the £240m Winter Pressures Grant for adult social care into 2019/20 was announced alongside a new £410m Social Care Support Grant in 2019/20 for adults and children's social care.
 - Announcement of a new £420m local highways maintenance capital funding in 2018/19.
10. On 13 December 2018, the provisional Local Government Finance Settlement was announced by the Right Honourable James Brokenshire MP, the Secretary of State for Housing, Communities and Local Government. This Settlement reflected the final year of the current Comprehensive Spending Review. As such, considerable uncertainty beyond 2019/20 will remain until the outcome of the 2019/20 Comprehensive Spending Review is known. In acknowledgement of the growing pressures from demand led services such as adult and children's social care, pay award and National Living Wages commitments a number of temporary funding measures have been made available in 2019/20. The main announcements were as follows:-

- In October 2016, the Council accepted the offer of a four year funding settlement to run to 2019/20. The final year of this funding settlement has been provisionally confirmed.
- A confirmed council tax referendum principle of up to 3% for 2019/20. The council tax referendum principle will continue to be reviewed in line with inflation.
- Confirmation of the continuation of the Adult Social Care Precept including the flexibility to raise the precept by up to 2% this year but by no more than 6% over the period 2017/18 to 2019/20.
- Confirmation of the temporary £240m Winter Pressures Grant into 2019/20 and a new temporary £410m Social Care Support Grant in 2019/20 for adults and children's social care, as announced in the Chancellor's 2018 Budget Statement.
- Confirmation of a £420m local highways maintenance capital funding in 2018/19 as announced in the Chancellor's 2018 Budget Statement.
- The current business rates system is working well and, as a result of increased growth in income, the government has announced that it is intending to re-distribute £180m of levy surplus on a one-off basis to all authorities.
- Other announcements included:-
 - No change to the current methodology for calculating New Homes Bonus allocations,
 - Those Authorities selected to pilot the 75% Business Rates Retention scheme were announced,
 - The removal of negative RSG allocations from a number of Authorities,
 - Increase in the Rural Service Delivery Grant for 2019/20 to £81m
- Two consultation papers were published alongside the provisional settlement to address Business Rates Retention Reform and the Fair Funding Review.

Nottinghamshire Residents' Survey

11. As in previous years the 2018 Nottinghamshire Annual Residents' Satisfaction Survey was carried out using face to face interviews with residents who are representative of the Nottinghamshire population.
12. In addition to the questions around levels of satisfaction the 2018 survey included:
 - Questions to measure public opinion on the quality of Council Services.
 - Questions on areas of Council business and to what extent they should be prioritised in the future.
 - Questions on state of the county with regard to the Council Plan's four vision statements that contribute to make Nottinghamshire 'a great place'.
13. The findings of the survey were reported to Policy Committee in February 2019.

Movements in the Medium Term Financial Strategy (MTFS)

14. The Budget report to the February Council in 2018 forecast a budget gap of £54.2m for the three years to 2021/22. The Budget Update report to Policy Committee in November 2018 showed a revised budget shortfall of £63.9m. Since the December report, the MTFS has been rolled forward a year to reflect the four year term to 2022/23 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.
15. It should be noted that the four year settlement accepted by the Council concludes in 2019/20. Following this, there is much uncertainty surrounding the move to localising 75% of business rates income from 2020/21. Other areas of uncertainty exist throughout the term of the MTFS such as the outcome of the Social Care Green Paper and the implications of Brexit and further political uncertainty. As such, the MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.

Revised Pressures and Running Cost Inflation

16. When the 2018/19 budget was approved in February 2018, specific pressures and non-pay inflationary pressures totalling £57.8m were identified for the period 2018/19 to 2021/22.
17. A review has been undertaken whereby Departments were asked to both justify existing pressures and identify any new pressures faced over the medium term. The initial results of this exercise were reported to Policy Committee in November 2018. These bids have continued to be revised and total specific pressures and non-pay inflationary pressures to 2022/23 now total £69.8m. Table 1 below tracks the movement in pressures and inflation that has occurred since February 2018 with details of the revised figures in Appendix A.
18. In 2018/19, a Pressures and Inflation Account was established to fund potential pressures that had a high degree of uncertainty with regard to the likelihood of the pressure materialising, the values involved and the likely profile. The funding for these pressures have either not materialised, been allocated to Services or have been rolled up into confirmed Committee pressures.
19. In recent years, no uplift has been provided for inflation on non-pay items, except where a specific business need has been identified. It is proposed that this approach is continued for the duration of the MTFS.

Table 1 – Movement in Pressures and Inflation

Committee	Original Pressures 2019/20-2021/22 £m	Original non-pay inflation 2019/20-2021/22 £m	Net movement £m	Current Total Requirement 2019/20-2022/23 £m
Children & Young People	0.5	0.6	11.4	12.5
Adult Social Care & Public Health	9.3	23.1	16.6	49.0
Communities & Place	-	4.9	1.9	6.8
Policy	-	0.3	1.2	1.5
Pressures & Inflation A/c	0.6	-	(0.6)	-
Total	10.4	28.9	30.5	69.8

Pay Award Inflation

20. In December 2017, local government employers outlined a proposal covering the two years from 1 April 2018. The proposal offered a 2% wage rise from April 2018 and a further 2% in April 2019 with additional increases for the lower paid. As such, the MTFS assumptions have been amended in line with these expectations.

Savings / Efficiencies

21. The MTFS includes previously approved savings options totalling £10.8m from 2018/19. In addition to this, the Council approved a number of efficiencies and base budget reviews through appropriate Committees.

MTFS Assumptions and Projections

22. Similar to previous years a detailed review has been undertaken of the assumptions that underpin the MTFS.
23. By reviewing assumptions and drawing on the 2019/20 temporary funding allocations of £11.2m, the Council is able to deliver a balanced budget for 2019/20. Nonetheless, whilst the Council can set a balanced budget for the next financial year, from 2020/21 onwards, there is a projected budget gap of £33.9m across the duration of the MTFS. Further proposals as to how the budget will be balanced for the following three years will need to be made over the coming months.

Interest and Borrowing

24. The level of borrowing undertaken by the Council is heavily influenced by the capital programme and the associated expenditure profile of approved schemes. Slippage can result in reduced borrowing in the year, although this will still be incurred at a later date when schemes are completed. Interest payments are based on an estimated interest rate which can also fluctuate depending on the market rates at the time the borrowing is undertaken.

The level of external borrowing undertaken will also increase as the Council's level of reserves declines, as this effectively reduces the Council's ability to borrow internally.

25. The Council's position is monitored regularly in relation to these two variables and the latest budget monitoring report forecasts an underspend of £0.8m for the current year. The 2019/20 budget for interest and debt repayments has been adjusted to meet expected costs in 2019/20. This budget will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

Contingency

26. An acceptable minimum level of contingency is needed for unforeseen events, redundancy payments and non-delivery of savings. This is even more critical in an increased risk environment due to uncertainty around budget pressures. Given the in-year budget adjustments, there is a need to replenish the contingency budget and this is reflected in the MTFS assumptions.
27. As part of the budget construction process, the base level for the 2019/20 contingency budget has been set at £4.7m.

Tax Base

28. As new houses are built the council tax base increases. Over the last 5 years the growth rate has fluctuated due, in part, to the challenging economic climate. Each of the District Councils were asked to provide their tax base forecasts for each of the four year review period. These forecasts have been incorporated into the MTFS.
29. The District and Borough Councils have provided tax base estimates for 2019/20 which equate to growth of 1.17%. A forecast tax base growth assumption of 1.20% per annum has been factored into the MTFS, this is based on the latest trend of base growth.

Table 2 – Forecast Council Tax base 2019/20

	Taxbase 2018/19	Assumed growth of 1.31% 2019/20	Band D Precept £1,419.43	Confirmed % Change	Confirmed Taxbase 2019/20	Band D Precept £1,419.43
Ashfield	33,140.50	33,574.78	£47,657,050	1.21%	33,542.50	£47,611,231
Bassetlaw	34,231.95	34,680.54	£49,226,599	1.64%	34,794.99	£49,389,053
Browtove	33,448.29	33,886.61	£48,099,671	0.68%	33,674.71	£47,798,894
Gedling	36,637.56	37,117.67	£52,685,934	1.01%	37,007.37	£52,529,371
Mansfield	28,905.50	29,284.29	£41,567,000	1.09%	29,219.90	£41,475,603
Newark	38,320.19	38,822.35	£55,105,608	1.18%	38,771.64	£55,033,629
Rushcliffe	42,610.10	43,168.48	£61,274,636	1.33%	43,178.50	£61,288,858
Total	247,294.09	250,534.72	£355,616,498	1.17%	250,189.61	£355,126,639
Additional / (Reduction) of funding in MTFS from confirmed figures						(£489,859)

Council Tax Surplus/Deficit

30. Each year an adjustment is made by the District and Borough Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against the future years' tax receipts. A weighted average is factored into the MTFS of £1,000,000 surplus. However, figures confirmed from the District and Borough Councils equate to a surplus of £536,971 for 2019/20, resulting in a shortfall of £463,029 for 2019/20. This reduction has been reflected in the MTFS.

Government Grants

31. Further reductions in Government funding had already been anticipated as part of the four year settlement.
32. As a result of increased growth in business rates income, the government has announced that it is intending to redistribute the levy surplus to all authorities in 2019/20 on a one off basis. Nottinghamshire's share of this surplus is £1.6m.
33. As announced in the 2019/20 provisional settlement the Winter Pressures Grant has continued into 2019/20 and a Social Care Support Grant has also been confirmed for 2019/20. For Nottinghamshire, the sum of both of these temporary grants total £9.6m.
34. Also, for Nottinghamshire, the 2019/20 New Homes Bonus funding has reduced by £0.3m, to £1.7m.
35. All of the above government grants have been reflected in the MTFS.

Funding Transformation

36. The Chancellor announced in the 2015 Autumn Statement changes to the rules for the use of capital receipts. From 1 April 2016, for a three year period, local authorities were able to spend any revenues they generate from selling surplus assets to fund expenditure on projects that:-
- Generate on-going revenue savings in the delivery of public services,
 - Transform service delivery to reduce costs,
 - Transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.
37. As part of the Provisional Local Government Finance Settlement announced in December 2017 this flexibility was extended for a further three years to 2021/22.
38. It is proposed that capital receipts to 2021/22 are, in the first instance, used to fund transformational costs associated with the Programmes and Projects Team and the implementation of the IT Cloud platform. Any excess capital receipts will be set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts.

Council Tax and Adult Social Care Precept 2019/20

39. The 2019/20 Provisional Local Government Settlement announced by the Government in December 2018 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2019/20 referendum threshold has been set in line with inflation, and so setting the core Council Tax referendum principle at 3%. This is in line with the threshold set in 2018/19.
40. The Core Spending Power issued by the Government therefore affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their Council Tax by 3%
41. Also in the announcement, it was confirmed that the Adult Social Care Precept will continue including the additional flexibility to raise the precept by 2% this year but by no more than 6% over the period 2017/18 to 2019/20.
42. In determining the local government settlement the Government has assumed that the Council would take the maximum Adult Social Care Precept of 6% over the period 2017/18 to 2019/20 and increase the Council Tax to the maximum level in 2019/20. It is proposed, therefore, that the Council fixes any increase to local taxes to that expected by the Government. So, for 2019/20, it is proposed that Council Tax is increased by 2.99% and the Adult Social Care Precept is implemented at 1% in 2019/20. Future Council Tax increases of 1.99% per annum have also been factored into the MTFS.
43. 60% of properties in Nottinghamshire are in Band A and B. As a consequence, the majority of households across Nottinghamshire will see a Council Tax increase of less than £0.80 per week. The average increase for all households across the county will be £0.97.

**Table 3 – Impact of 1.00% Social Care Precept on Local Tax Levels
(County Council Element) 2019/20**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2018/19 £	County Council 2019/20 £	Change £
A	Up to £40,000	143,920	39.6%	6/9	60.39	69.85	9.46
B	£40,001 to £52,000	74,930	20.6%	7/9	70.45	81.49	11.04
C	£52,001 to £68,000	62,050	17.1%	8/9	80.52	93.13	12.61
D	£68,001 to £88,000	41,430	11.4%	1	90.58	104.77	14.19
E	£88,001 to £120,000	23,200	6.4%	11/9	110.71	128.05	17.34
F	£120,001 to £160,000	11,160	3.1%	13/9	130.84	151.33	20.49
G	£160,001 to £320,000	6,080	1.7%	15/9	150.97	174.62	23.65
H	Over £320,000	480	0.1%	18/9	181.16	209.54	28.38

**Table 4 – Impact of 2.99% Increase on Local Tax Levels
(County Council Element) 2019/20**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2018/19 £	County Council 2019/20 £	Change £
A	Up to £40,000	143,920	39.6%	6/9	885.90	914.19	28.29
B	£40,001 to £52,000	74,930	20.6%	7/9	1,033.55	1,066.56	33.01
C	£52,001 to £68,000	62,050	17.1%	8/9	1,181.20	1,218.92	37.72
D	£68,001 to £88,000	41,430	11.4%	1	1,328.85	1,371.29	42.44
E	£88,001 to £120,000	23,200	6.4%	11/9	1,624.15	1,676.02	51.87
F	£120,001 to £160,000	11,160	3.1%	13/9	1,919.45	1,980.76	61.31
G	£160,001 to £320,000	6,080	1.7%	15/9	2,214.75	2,285.48	70.73
H	Over £320,000	480	0.1%	18/9	2,657.70	2,742.58	84.88

Table 5 – Recommended levels of Council Tax and Social Care Precept 2019/20

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2018/19 £	County Council 2019/20 £	Change £
A	Up to £40,000	143,920	39.6%	6/9	946.29	984.04	37.75
B	£40,001 to £52,000	74,930	20.6%	7/9	1,104.00	1,148.05	44.05
C	£52,001 to £68,000	62,050	17.1%	8/9	1,261.72	1,312.05	50.33
D	£68,001 to £88,000	41,430	11.4%	1	1,419.43	1,476.06	56.63
E	£88,001 to £120,000	23,200	6.4%	11/9	1,734.86	1,804.07	69.21
F	£120,001 to £160,000	11,160	3.1%	13/9	2,050.29	2,132.09	81.80
G	£160,001 to £320,000	6,080	1.7%	15/9	2,365.72	2,460.10	94.38
H	Over £320,000	480	0.1%	18/9	2,838.86	2,952.12	113.26

44. The overall impact of all the changes since the November Policy report are shown in Table 6:

Table 6 – Updated MTFS

	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m
Year on Year Savings requirement (November Report)	34.4	17.1	12.4	-	63.9
Change in Pay / Pension Related Inflation	-	-	-	4.2	4.2
Change in Pressures and Inflation	(1.4)	(0.4)	-	13.8	12.0
Changes in Savings / Base Budgets	(5.6)	(1.8)	(0.6)	1.6	(6.4)
Change in Government Grants	(11.4)	11.4	-	(2.2)	(2.2)
Use of / Contribution to Reserves	(5.9)	(0.1)	6.9	(0.8)	0.1
Increase in Council Tax	(10.6)	(7.5)	(7.7)	(8.0)	(33.8)
Change in Council Tax Base assumptions	0.5	0.3	(0.2)	(4.7)	(4.1)
Other Corporate Adjustments	-	0.6	(0.4)	-	0.2
Revised Gap	0.0	19.6	10.4	3.9	33.9

Financial Risks, Balances and Contingency

45. The County Council is legally obliged to set a balanced budget for each financial year. Additionally, a four year medium term financial strategy is required. As previously reported, there are significant risks and uncertainties associated with the current 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.
46. The main financial risks associated with the initial budget proposals are as follows:
- That, given the scale and extent of the savings proposals and the degree of complexity and change, it is highly likely that there could be a degree of non-delivery and slippage of proposals.
 - The cost pressures factored into the budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, particularly with regard to increased demand for Adults and Children's Social Care Services, Transport Services, the impact of the National Living Wage, agreement of the pay award, the impact of the Green Paper on Adult Social Care and any extra burdens identified by Central Government.
 - The 2019/20 Settlement reflects the final year of the current Comprehensive Spending Review. As such, the considerable uncertainty beyond 2019/20 will remain until the outcome of the 2019/20 Comprehensive Spending Review is known.

- The move to 75% retention of business rates from 2020/21 after the conclusion of the four year settlement.
 - The implications surrounding Brexit and the associated political uncertainty.
47. Adequate levels of balances and contingency need to be maintained in order to provide short-term flexibility to manage unforeseen events, and to allow for the necessary longer term changes to be implemented. Central Government continues to encourage local authorities to use reserves to support their transformation agenda. More detail regarding the need to hold balances will be reported to Full Council as part of the 2019/20 Budget Report.
48. The current level of balances is shown in Table 7. The General Fund Balance is a reserve which is not bound by any specific criteria. Earmarked reserves have to be applied to specific schemes, and a large proportion relates to the reserves that support the PFI schemes in waste and schools. Reserves are “one-off” funds so it is recommended that they are limited to supporting one-off expenditure rather than funding on-going costs.

Table 7 – Current Forecast Level of Reserves and Balances

	General Fund £m	Earmarked Reserves £m	Total £m
Balance as at 1 April 2018	30.9	129.0	159.9
Approved use in current year	(1.5)	(18.9)	(20.4)
Forecast Overspend (Period 8)	(5.7)	-	(5.7)
Expected Balance 31 March 2019	23.7	110.1	133.8

Capital Programme and Financing

49. Local authorities are able to determine their overall levels of borrowing, provided they have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. It is, therefore, possible to increase the capital programme and finance this increase by additional borrowing provided that this is “affordable, prudent and sustainable”. This is in addition to capital expenditure funded from other sources such as external grants and contributions, revenue and reserves. The revenue implications of the capital programme are provided for and integrated within the revenue budget.
50. The Council’s capital programme has been reviewed as part of the 2019/20 budget setting process. Savings and re-profiling with a total value of £24.0m have been identified in 2018/19 as part of this exercise. These savings, along with capital reserves and contingencies, will be used to fund new inclusions. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported to the Finance and Major Contracts Management Committee.
51. During the course of 2018/19, some variations to the capital programme have been approved by Policy Committee, Finance and Major Contracts Management 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 52 to 66. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Adult Social Care and Public Health (ASCPH)

52. As part of the 2014/15 Budget Report that was approved by Full Council (February 2014), a £3.0m programme was established, funded by borrowing, to develop good quality, secure accommodation for people with challenging needs. The objectives of this programme have been achieved by using Department of Health grants and other resources. It is therefore proposed that the borrowing element of this programme is re-allocated to fund other capital priorities across the Council.

It is proposed that the Adult Social Care and Public Health capital programme is varied to reflect the re-prioritisation of capital resources towards key strategic priorities.

Children and Young People (CYP)

53. **School Building Improvement Programme** – The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2019/20 onwards. As such, it is proposed that an estimated SCM grant allocation of £5.0m is reflected in the capital programme for 2019/20 and then reduced by £0.5m per annum to reflect further school conversions to academy.

It is proposed that the Children and Young People capital programme is varied to reflect an estimated School Capital Maintenance Grant of £5.0m for 2019/20 with a reduction of £0.5m per annum in each of the future years.

54. **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. The Authority will receive no 2019/20 Basic Need allocation but the Department for Education have announced that the Authority will receive a 2020/21 Basic Need grant of £8.6m. This funding has already been received by the Authority. It is proposed that estimated further School Places Grant of £2.0m per annum are included in both 2021/22 and 2022/23 of the Children and Young People's capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect the 2020/21 allocation and estimated School Places Grant of £2.0m for 2021/22 and 2022/23.

55. **Special Schools Grant** – The County Council received an allocation of £2.5m (£0.8m per annum for three years commencing 2018/19) from the Specialist Provision Capital Grant fund. This funding has been made available to support local authorities to make capital investments in provision for pupils with special educational needs and disabilities. The outcome of a consultation on the use of this funding was reported to the Children and Young People's Committee in January 2018. Since then, the grant has been topped up by £0.6m as announced in May 2018 and a further indicative grant of £1.1m was announced in December 2018.

It is proposed that the Children and Young People capital programme is varied to incorporate the additional £1.7m Specialist Provision Capital Grant.

56. **Orchard Special School, Newark** – As part of the 2018/19 Annual Budget Report to Full Council, it was approved that the Authority would contribute £7.5m towards the cost of a project to rebuild the Orchard Special School in Newark. A Latest Estimated Cost report was submitted to the Finance and Major Contracts Management Committee in September 2018 setting out the scheme objectives, including the replacement of Newark Day Centre, and total costs. It is proposed that the Children and Young People's capital programme is varied to reflect how this project is to be funded as follows:-

£m	2018/19	2019/20	2020/21	Total
Borrowing	-	7.4	0.1	7.5
School Places Programme	1.7	1.2	-	2.9
Specialist Provision Capital Grant	-	2.3	0.8	3.1
School Building Improvement Programme	-	0.9	-	0.9
Priority School Building Programme Grant	0.1	1.0	-	1.1
Total	1.8	12.8	0.9	15.5

It is proposed that the Children and Young People's capital programme is varied to reflect the total cost of the new Orchard Special School scheme in Newark.

57. **Watnall Road New School** – As reported to Finance and Major Contracts Management Committee in July 2018 a new school is to be constructed at the Watnall Road site in Hucknall. The total cost of the new school will total £3.7m, all of which is funded from Section 106 contributions.

It is proposed that the Children and Young People's capital programme is varied to include the new school at Watnall Road in Hucknall, funded from external funding.

58. **The Mill Adventure Base** - It is proposed that the Children and Young People's capital programme is varied to reflect a £1.0m investment in the Mill Adventure Base. This investment will provide a new high ropes and climbing facility at the Base, including additional family orientated facilities to further develop the well-respected offer Nottinghamshire County Council has within the Kings Mill Reservoir Country Park.

It is proposed that the Children and Young People's capital programme is varied to reflect the investment in the Mill Adventure Base, funded from capital allocation.

Communities and Place

59. **Additional Highways Investment** – In the Communities and Place Committee, the Council has identified investment in the highways infrastructure across the county as an important strategic priority. As part of the 2018/19 Budget Report to Full Council the Authority contributed £20.0m of funding to enhance the Road and Maintenance and Renewals programme. As reported to Policy Committee in November 2018, the Council will be exercising the option of purchasing Corser's shares in Via East Midlands Limited from

existing budgets. Furthermore, the Department for Transport have recently announced an additional 2018/19 grant of £6.6m to further the investment in highways across the county. It is also estimated the Authority will receive a £2.5m Incentive Grant in 2019/20 and 2020/21 to fund highways improvement works.

It is proposed that the Communities and Place capital programme is varied to reflect the additional £6.6m DfT grant in 2018/19 as well as the indicative Incentive Grant for 2019/20 and 2020/21.

60. **Southwell Flood Mitigation Schemes** – As reported to the Communities and Place Committee in November 2018, the County Council has been successful in securing £4.3m external funding to carry out flood mitigation projects in Southwell. This funding, alongside a £0.7m contribution from the County Council funded Flood Alleviation and Drainage programme, will fund two projects as follows:

£m	External Funding	Borrowing	Total
Slowing the Flow	0.5	0.1	0.6
Other Southwell Flood Project	3.8	0.6	4.4

The proposed mitigation measures are scheduled to be completed by Spring 2021 and will benefit approximately 240 properties and 60 businesses.

It is proposed that the Communities and Place capital programme is amended to incorporate the £4.3m external funding secured to part fund the Southwell Flood Mitigation Scheme.

61. **Salix Funded Street Lighting** – A spend-to-save initiative to replace lanterns in street lights for lower energy options is already in the approved capital programme. The Council has been awarded additional Salix loans of £1.1m per annum in 2019/20 and 2020/21 to extend this programme.

It is proposed that a £1.1m allocation in 2019/20 and 2020/21, funded from borrowing, is incorporated into the Communities and Place capital programme to further the Salix Street Lighting programme.

62. **Carbon Management** – This energy saving capital programme, which is funded fully from external funding, has been extended and re-phased by the project team. The programme is now forecast to be profiled as follows:

2019/20 – £0.900m
 2020/21 – £0.320m
 2021/22 – £0.320m
 2022/23 – £0.320m

It is proposed that the Communities and Place capital programme is varied to reflect the revised Carbon Management programme.

Policy

63. **Better Broadband for Nottinghamshire (BBfN)** – The Council has been successful in securing £1.0m of European Agricultural Fund for Rural Development funding. This grant will be used to further extend the superfast broadband coverage across Nottinghamshire.

It is proposed that the Policy Committee capital programme is varied to reflect the £1.0m European grant that will be used to further the BBfN programme.

64. **Site Clearance Programme** – It has been identified that there are a number of surplus properties held by the Authority that are costing a significant amount to guard and secure and are a target for vandalism and anti-social behaviour. As such, it is proposed that a programme is established to fund the clearance of these properties.

It is proposed that the Policy Committee capital programme is varied to reflect the £4.0m Site Clearance Programme, funded from capital allocations.

Capital Programme Contingency

65. 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.
66. A number of capital bids described above are proposed to be funded from uncommitted contingency across the period to 2022/23. The levels of contingency funding remaining in the capital programme are as follows:-

2019/20	£2.2m
2020/21	£2.2m
2021/22	£2.2m
2022/23	£2.2m

Revised Capital Programme

67. Taking into account schemes already committed from previous years and the additional proposals detailed in this report, the summary capital programme and proposed sources of financing for the years to 2022/23 are set out in Table 8.

Table 8 – Summary Capital Programme

	Revised 2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	TOTAL £m
Committee:						
Children & Young People*	24.705	45.912	20.387	6.000	5.500	102.504
Adult Social Care & Public Health	3.523	2.180	-	-	-	5.703
Communities & Place	54.160	53.549	58.983	28.410	21.042	216.144
Policy	15.100	12.105	4.630	4.400	4.400	40.635
Finance & MCM	0.180	0.180	0.180	0.180	0.180	0.900
Personnel	0.007	0.249	-	-	-	0.256
Contingency	-	2.200	2.200	2.200	2.200	8.800
Capital Expenditure	97.675	116.375	86.380	41.190	33.322	374.942
Financed By:						
Borrowing	41.846	44.939	38.196	15.850	10.800	151.631
Capital Grants	52.496	69.368	46.584	24.240	21.422	214.110
Revenue / Reserves	3.333	2.068	1.600	1.100	1.100	9.201
Total Funding	97.675	116.375	86.380	41.190	33.322	374.942

* These figures exclude Devolved Formula Capital allocations to schools.

Capital Receipts

68. 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 2019/20 to 2022/23. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of capital receipts are shown in Table 9.

Table 9 – Forecast Capital Receipts

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	TOTAL £m
Forecast Capital Receipts	4.5	12.6	15.0	6.5	1.0	39.6

69. As set out above however, local authorities have been given the opportunity to use capital receipts to fund one off costs associated with transformation to 2021/22. This approach will be reviewed on an annual basis. It is proposed that capital receipts to 2021/22 are, in the first instance, used to fund transformational costs associated with the Programmes and Projects Team and the implementation of the IT Cloud platform. Any excess capital receipts will be set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts.

Statutory and Policy Implications

70. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That a report be prepared for County Council on 28 February 2019 based on the budget proposals as set out in this report, including the proposed Council Tax and Adult Social Care Precept increases as prescribed in the Central Government funding model.

NIGEL STEVENSON

SERVICE DIRECTOR – FINANCE, PROCUREMENT AND IMPROVEMENT

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

Constitutional Comments (KK 31/01/2019)

Finance and Major Contracts Management 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.

Human Resources Comments (GME 31/01/19)

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

Financial Comments (NS 15/01/2019)

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.

Electoral Division(s) and Member(s) Affected

All