

28 February 2019

Agenda Item: 5

**REPORT OF THE CHAIRMAN OF THE FINANCE & MAJOR
CONTRACTS MANAGEMENT COMMITTEE**

ANNUAL BUDGET 2019/20

ADULT SOCIAL CARE PRECEPT 2019/20

COUNCIL TAX 2019/20

MEDIUM TERM FINANCIAL STRATEGY 2019/20 to 2022/23

CAPITAL PROGRAMME 2019/20 to 2022/23

CAPITAL STRATEGY 2019/20

Purpose of the Report

1. This report is seeking approval for the following:
 - Annual budget for 2019/20.
 - Amount of Adult Social Care Precept to be levied for 2019/20 to part fund increasing adult social care costs.
 - Finance and Major Contracts Management Committee be authorised to make allocations from the General Contingency for 2019/20.
 - Amount of Council Tax to be levied for County Council purposes for 2019/20 and the arrangements for collecting this from district and borough councils.
 - Medium Term Financial Strategy for 2019/20 to 2022/23.
 - Capital Programme for 2019/20 to 2022/23.
 - Minimum Revenue Provision policy for 2019/20.
 - Borrowing limits that the Council is required to set by Statute and that the Service Director (Finance, Infrastructure and Improvement) be authorised to raise loans within these limits in 2019/20.
 - The Capital Strategy including the 2019/20 Prudential Indicators and Treasury Management Strategy.
 - Treasury Management Policy for 2019/20.

Information

2. The County Council budget for 2019/20 has been prepared in the context of on-going funding reductions from Government. Local authorities continue to

face falling Government grants whilst experiencing increased demand for services as well as other cost pressures from inflation and new legislation.

3. A budget update report was submitted to Policy Committee on 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.
4. Since November, the Council has carried out a full review of the budget pressures and underlying assumptions within the Medium Term Financial Strategy (MTFS). The Council has also received information on the level of funding it can expect in 2019/20. On 11 February 2019, a report to the Finance and Major Contracts Management Committee set out the forecast position and recommended that the level of Council Tax be increased by 2.99% and that an Adult Social Care Precept of 1.00% be implemented in 2019/20. This recommendation is incorporated within this report.
5. This report also seeks approval for the statutory borrowing limits that the Council is required to set in addition to its Treasury Management Strategy and Policy for 2019/20.

Nottinghamshire Residents Survey

6. 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. The findings of the survey were reported to Policy Committee in February 2019.

Annual Budget 2019/20

7. The report to Policy Committee on 14 November 2018 outlined the financial position in which the Council is operating, the associated budget shortfall and the Council's strategic response to meeting the budget challenge. The report to Finance and Major Contracts Management Committee on 11 February 2019 provided a further update.
8. The final Local Government Settlement was announced on 30th January 2019. The final settlement remains broadly unchanged from allocations published at the time of the provisional settlement in December 2018.
9. This report brings together the Council's confirmed funding position. The total revenue budget for 2019/20 is £487.4m. A summary is shown in Table 1 with a more detailed breakdown shown in Appendix A.

Table 1 - Proposed County Council Budget 2019/20

| Committee Analysis | Net Budget 2018/19 | Pressures | Savings | Pay, NI & Pensions increase | Budget Changes | Net Budget 2019/20 |
|-----------------------------------|---------------------------|------------------|-----------------|--|-----------------------|---------------------------|
| | £m | £m | £m | £m | £m | £m |
| Children & Young People | 117.441 | 7.072 | (0.547) | 1.184 | 1.440 | 126.590 |
| Adult Social Care & Public Health | 204.427 | 18.105 | (12.793) | 1.366 | (7.362) | 203.743 |
| Communities & Place | 119.287 | 1.515 | (0.690) | 0.323 | 0.678 | 121.113 |
| Policy | 32.688 | 0.115 | (0.568) | 0.372 | (0.048) | 32.559 |
| Finance & Major Contracts Mgt | 2.902 | - | (0.106) | 0.109 | (0.320) | 2.585 |
| Governance & Ethics | 7.170 | - | (0.014) | 0.092 | 0.058 | 7.306 |
| Personnel | 15.304 | - | (0.529) | 0.526 | (0.509) | 14.792 |
| Net Committee Requirements | 499.219 | 26.807 | (15.247) | 3.972 | (6.063) | 508.688 |
| Corporate Budgets | (3.288) | - | - | - | (12.374) | (15.662) |
| Use of Reserves | (14.701) | - | - | - | 9.103 | (5.598) |
| Budget Requirement | 481.230 | 26.807 | (15.247) | 3.972 | (9.334) | 487.428 |

10. Table 1 shows the changes between the original net budget for 2018/19 and the proposed budget for 2019/20, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2018/19 and transfers between Committees.

Corporate Budgets and Reserves

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

- **Flood Defence Levy:** The Environment Agency issues an annual local levy based on the Band D equivalent houses within each Flood and Coastal Committee area. This helps to fund local flood defence priority works.
- **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This practice is no longer permitted following changes to the pension rules.
- **Contingency:** This is provided to cover redundancy costs, impact of the pay award, delays in efficiency savings, changes in legislation and other eventualities. Finance and Major Contracts Management Committee or the Section 151 Officer are required to approve the release of contingency funds.

- **Capital Charges (depreciation):** This represents the notional costs of using the Council's fixed assets. As such, budget provision is made within the service accounts and adjustments here relate to corresponding movements in the service accounts. However, statute requires that this amount is not a cost to the Council Tax payer, hence this is reversed out within corporate budgets and replaced with the actual cost that impacts on the Council's revenue budget, being the costs of borrowing, i.e. interest, and the Minimum Revenue Provision (MRP).
- **Interest and borrowing:** The level of borrowing undertaken by the Council is heavily influenced by the capital programme. Slippage can result in reduced borrowing in the year although this will be incurred at a later date. Interest payment budgets are based on an estimated interest rate which can fluctuate depending on the market rates that exist at the time. The level of borrowing will also increase as the Council's level of reserves declines because the ability to borrow internally reduces.
- **Trading Organisations:** This sum is required to cover the difference between the basic employer's pension contributions used in the trading accounts and the amounts actually charged, as required by the actuarial valuation.
- **Minimum Revenue Provision:** Local Authorities are required by law to make provision through their revenue account for the repayment of long term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision (MRP). The MRP policy can be seen in Appendix C.
- **Revenue Grants:** The New Homes Bonus, Business Rate Levy account and the Adult and Children's Social Care Support Grant are held centrally and are not ring-fenced. The additional winter pressures grant has been added to the Better Care Fund, as per regulation.
- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £19.2m of reserves over the medium term with £5.6m being used to deliver a balanced budget in 2019/20. Further detail is provided in Appendix B.

Table 2 - Proposed Budget 2019/20
Corporate Budgets and Reserves

| | Net Budget 2018/19 £m | Budget Changes £m | Net Budget 2019/20 £m |
|---|--|----------------------------------|--|
| Flood Defence Levy | 0.285 | 0.003 | 0.288 |
| Pension Enhancements (Centralised) | 2.100 | - | 2.100 |
| Contingency | 5.500 | (0.850) | 4.650 |
| Pressures & Inflation Account | 4.100 | (4.100) | - |
| Capital Charges (Depreciation) | (40.055) | (2.804) | (42.859) |
| Interest & Borrowing | 19.477 | (0.838) | 18.639 |
| Trading Organisations | 1.250 | - | 1.250 |
| Minimum Revenue Provision (MRP) | 8.300 | 1.366 | 9.666 |
| New Homes Bonus Grant | (2.041) | 0.313 | (1.728) |
| Business Rates Levy Account | - | (1.643) | (1.643) |
| Adult Social Care Support Grant | (2.204) | 2.204 | - |
| Adults and Childrens Social Care Support Grant | - | (6.025) | (6.025) |
| Subtotal Corporate Budgets | (3.288) | (12.374) | (15.662) |
| Net Transfer (From)/To Other Earmarked Reserves | (13.172) | 9.673 | (3.499) |
| Transfer (From)/To General Fund Balances | (1.529) | (0.570) | (2.099) |
| Subtotal Use of Reserves | (14.701) | 9.103 | (5.598) |

Council Tax Base 2019/20

12. The District and Borough Councils calculate a Council Tax base by assessing the number of Band D equivalent properties in their area, and then building in an allowance for possible non-collection. The notifications received forecast a total tax base of 250,189.61 as set out in Table 7, this represents growth of 1.17%. The increase in tax base has been taken into account in the calculation of the budget.

Council Tax Surplus/Deficit

13. 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.

Council Tax and Adult Social Care Precept 2019/20

14. 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.

15. As part of the Local Government Finance Settlement the Government affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their Council Tax by 3%
16. Also in the announcement, it was confirmed that the Adult Social Care Precept will continue including the additional 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.
17. 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%. Future Council Tax increases of 1.99% per annum have also been factored into the MTFS in line with inflationary expectations.

Requirement to Raise Local Tax

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

Table 3 – Local Tax Requirement Calculation

| 2019/20 | Amount £m | % Funding |
|--|----------------------|----------------------|
| Initial Budget Requirement | 487.428 | 100.0 |
| Less National Non-Domestic Rates | (110.645) | 22.7 |
| Less Revenue Support Grant | (6.951) | 1.4 |
| Net Budget Requirement | 369.832 | |
| Less Estimated Collection Fund Surplus | (0.537) | 0.1 |
| Council Tax Requirement | 369.295 | 75.8 |

Adult Social Care Precept Recommendation

19. It is recommended that County Council approves the implementation of a 1.00% Adult Social Care Precept for 2019/20 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 4.

**Table 4 – Impact of 1.00% Adult 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 |

Local Tax Recommendation

20. It is recommended that Members agree an increase of 2.99% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 5 below.

**Table 5 – Impact of 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 |

21. The total impact of implementing a 1.00% Adult Social Care Precept and a 2.99% increase in local tax levels is shown in Table 6.

Table 6 - Recommended levels of Council Tax and Adult 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 |

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

County Precept

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

Table 7 – Amount of County Precept by District – 2019/20

| District / Borough Council | Council Tax Base | County Precept |
|----------------------------|-------------------|---------------------|
| Ashfield | 33,542.50 | £49,510,743 |
| Bassetlaw | 34,794.99 | £51,359,493 |
| Browtowe | 33,674.71 | £49,705,892 |
| Gedling | 37,007.37 | £54,625,099 |
| Mansfield | 29,219.90 | £43,130,326 |
| Newark & Sherwood | 38,771.64 | £57,229,267 |
| Rushcliffe | 43,178.50 | £63,734,057 |
| Total | 250,189.61 | £369,294,877 |

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

Table 8 – Proposed County Precept Dates - 2019/20

| 2019 | 2020 |
|--------------|------------|
| 18 April | 2 January |
| 29 May | 6 February |
| 3 July | 13 March |
| 7 August | |
| 12 September | |
| 17 October | |
| 21 November | |

25. The dates shown are those by which the County Council’s bank account must receive the credit, otherwise interest is charged. Adjustments for net variations in amounts being collected in 2018/19 will be paid or refunded on the same dates.

Medium Term Financial Strategy (MTFS)

26. 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.

27. It should be noted that the four year settlement accepted by the Council concludes in 2019/20, this coincides with the end of the Government’s Comprehensive Spending Review. Following this, there is much uncertainty as Councils await the outcomes from the Business Rates Retention and Fair Funding consultations. Other areas of uncertainty exist throughout the term of the MTFS such as the outcome of the Social Care Green Paper, 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.

28. The MTFS on which this budget report is based assumes a Council Tax increase of 2.99% in 2019/20 with further increases of 1.99% in future years. In addition, an Adult Social Care Precept increase of 1.00% in 2019/20 is factored in.

29. Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2018.

30. In summary, from 2020/21 onwards, the Council is currently projecting a budget shortfall of £34.2m across the duration of the MTFS. Proposals as to how the budget will be balanced for these three years will need to be made over the coming months.

**Table 9 – Analysis of Changes to the Medium Term Financial Strategy
2019/20 – 2022/23**

| | 2019- 20 £m | 2020- 21 £m | 2021- 22 £m | 2022- 23 £m | Total £m |
|---|-------------------|-------------------|-------------------|-------------------|-------------|
| Year on Year Savings requirement (February Report) | 28.7 | 12.7 | 12.8 | - | 54.2 |
| Change in Pay / Pension Related Inflation | - | - | - | 4.2 | 4.2 |
| Additional Pressures / Inflation | 8.6 | 4.0 | - | 13.8 | 26.4 |
| Committee Approved Efficiencies | (6.9) | (0.9) | (0.8) | - | (8.6) |
| Adjustments to Savings / Base Budgets | (2.5) | (0.9) | (0.1) | 1.6 | (1.9) |
| Change in Grant Funding | (11.4) | 11.4 | - | (2.2) | (2.2) |
| 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) |
| Use of / Contribution to Reserves | (6.2) | 0.2 | 6.9 | (0.9) | - |
| Miscellaneous | (0.2) | 0.6 | (0.5) | 0.1 | - |
| Revised Gap | 0.0 | 19.9 | 10.4 | 3.9 | 34.2 |

31. The Council's year by year MTFs for the four years to 2022/23 is shown in Table 10. It shows that whilst the Council can deliver a balanced budget in 2019/20, further savings will need to be identified in each of the following three years to 2022/23, based on current assumptions.

Table 10 – Medium Term Financial Strategy 2019/20 – 2022/23

| | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Net Budget Requirement | 487.4 | 513.7 | 518.6 | 526.9 |
| Financed by : | | | | |
| Business Rates | 110.6 | 111.6 | 113.8 | 115.9 |
| Revenue Support Grant | 7.0 | - | - | - |
| Council Tax | 343.6 | 355.5 | 367.7 | 380.4 |
| Adult Social Care Precept | 25.7 | 25.7 | 25.7 | 25.7 |
| Collection Fund Surplus / (Deficit) | 0.5 | 1.0 | 1.0 | 1.0 |
| Total Funding | 487.4 | 493.8 | 508.2 | 523.0 |
| Funding Shortfall | - | 19.9 | 10.4 | 3.9 |
| Cumulative Funding Shortfall | - | 19.9 | 30.3 | 34.2 |

Capital Programme and Financing

32. 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.
33. 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 £20.9m 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.
34. During the course of 2018/19, a number of 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 35 to 49. 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)

35. 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)

36. **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.

37. **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.

38. **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.

39. **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.

40. **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 all 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.

41. **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

42. **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 Corserv’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.

43. **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.

44. **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.

45. **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

46. **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.

47. **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

48. 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.

49. 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

50. Taking into account schemes already committed from previous years and the additional proposals detailed above, the summary capital programme and proposed sources of financing for the years to 2022/23 are set out in Table 11.

Table 11 – 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

51. 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 12.

Table 12 – 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 |

52. 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.
53. One of the requirements of the Local Government Act 2003 is that the Council must set an "Authorised Limit" for its external borrowings. Any potential breach of this limit would require authorisation from the Council. There are a number of other prudential indicators that are required by The Prudential Code to ensure that the proposed levels of borrowing are affordable, prudent and sustainable. The values of the prudential indicators are proposed in Appendix D.
54. In accordance with the "CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes", it is proposed that the Council approves a Treasury Management Strategy and Policy for 2019/20. The Strategy is incorporated in to the Capital Strategy in Appendix D and the Policy is in Appendix E.
55. It is proposed that the Service Director – Finance, Infrastructure and Improvement be allowed to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2019/20.

Statutory and Policy Implications

56. 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 and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Public Sector Equality Duty

57. It is essential that Members give due regard to the implications for protected groups in the context of their equality duty in relation to this decision. Public authorities are required by law to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation
- advance equality of opportunity between people who share protected characteristics and those who do not
- foster good relations between people who share protected characteristics and those who do not.

58. Decision makers must understand the effect of policies and practices on people with protected characteristics. Equality Impact Assessments are the mechanism by which the authority considers these effects.

59. Equality implications have been considered during the development of the budget, Capital Programme and MTFs and equality impact assessments were undertaken on each relevant proposal and approved by the appropriate Committee.

Recommendations

It is recommended that:

Reference

- | | |
|--|-------------|
| 1) The Annual Revenue Budget for Nottinghamshire County Council is set at £487.428 million for 2019/20. | Para. 9 |
| 2) The principles underlying the Medium Term Financial Strategy are approved. | Table 9 |
| 3) The Finance and Major Contracts Management Committee be authorised to make allocations from the General Contingency for 2019/20. | Para. 11 |
| 4) That the 1.00% Adult Social Care Precept is levied in 2019/20 to part fund increasing adult social care costs. | Para. 19 |
| 5) The County Council element of the Council Tax is increased by 2.99% in 2019/20. That the overall Band D tax rate is set at £1,476.06 with the various other bands of property as set out in the report. | Para. 20/21 |

6) The County Precept for the year ending 31 March 2020 shall be £369,294,877 and shall be applicable to the whole of the District Council areas as General Expenses. Para. 23

7) The County Precept for 2019/20 shall be collected from the District and Borough councils in the proportions set out in Table 7 with the payment of equal instalments on the dates set out in Table 8. Table 7
Table 8

8) The Capital Programme for 2019/20 to 2022/23 be approved at the total amounts below and be financed as set out in the report: Table 11

| Year | Capital Programme |
|---------|-------------------|
| 2019/20 | £116.375m |
| 2020/21 | £86.380m |
| 2021/22 | £41.190m |
| 2022/23 | £33.322m |

9) The variations to the Capital Programme be approved. Para. 35-49

10)The Minimum Revenue Provision policy for 2019/20 be approved. Appx. C

11)The Capital Strategy including the 2019/20 Prudential Indicators and Treasury Management Strategy be approved. Appx. D

12)The Service Director – Finance, Infrastructure and Improvement be authorised to raise loans in 2019/20 within the limits of total external borrowings. Para. 55

13)The Treasury Management Policy for 2019/20 be approved. Appx. E

14)The report be approved and adopted.

**COUNCILLOR RICHARD JACKSON
CHAIRMAN OF THE FINANCE AND MAJOR CONTRACTS MANAGEMENT
COMMITTEE**

Constitutional Comments (KK 11/02/2019)

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

Human Resources Implications (GME 11/02/2019)

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 of the Service Director – Finance, Infrastructure and Improvement (NS 04/02/2019)

The budget proposed has been prepared taking into account the four vision statements and twelve commitments set out in the County Council's new strategic plan for 2017–2021, entitled Your Nottinghamshire, Your Future (Council, 13 July 2017) and reflects all significant cost variations that can be anticipated.

The budget has been prepared in conjunction with the Corporate Leadership Team and other senior officers, and through significant Member engagement via relevant Committees and Finance and Major Contracts Management Committee. There has been robust examination and challenge of all spending pressures and savings proposals. In addition, Committee approved savings proposals are tracked and reported on by the Improvement and Change Sub-Committee.

As is the case in the current financial year, strict budgetary control will be maintained throughout 2019/20. Departments will be required to utilise any departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its General Fund balances.

The levels of reserves and balances have been reviewed and are considered to be adequate. The forecast reduction in Reserves and General Fund balances has been the result of using reserves to balance previous years' budgets and continued use in 2019/20. Whilst this has been in accordance with guidance from the Ministry for Housing, Communities and Local Government and will result in the Council still being above the level that is considered prudent, further reductions in Reserves and General Fund balances would need to be taken only after careful assessment and consideration of the overall level of financial risk.

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

The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2019/20 fulfil the requirement to set a balanced budget.

Background Papers Available for Inspection:

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

Budget Update Report - Policy Committee 14 November 2018

Budget Report – Finance and Major Contract Management Committee 11 February 2019

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