

25 February 2021

Agenda Item:

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

ANNUAL BUDGET 2021/22

ADULT SOCIAL CARE PRECEPT 2021/22

COUNCIL TAX 2021/22

MEDIUM TERM FINANCIAL STRATEGY 2021/22 to 2024/25

CAPITAL PROGRAMME 2021/22 to 2024/25

CAPITAL STRATEGY 2021/22

Purpose of the Report

- 1) This report is seeking approval for the following:
 - Annual budget for 2021/22.
 - Amount of Adult Social Care Precept to be levied for 2021/22 to part fund increasing adult social care costs.
 - Finance and Major Contracts Management Committee be authorised to make allocations from the General Contingency for 2021/22.
 - Amount of Council Tax to be levied for County Council purposes for 2021/22 and the arrangements for collecting this from district and borough councils.
 - Medium Term Financial Strategy for 2021/22 to 2024/25.
 - Capital Programme for 2021/22 to 2024/25.
 - Minimum Revenue Provision policy for 2021/22.
 - 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 2021/22.
 - The Capital Strategy including the 2021/22 Prudential Indicators and Treasury Management Strategy.
 - Treasury Management Policy for 2021/22.
 - To delegate responsibility for the setting of Treasury Management Policies and Practices relating to Pension Fund cash to the Pension Fund Committee.

Information

- 2) The Council continues to operate in an extremely challenging and uncertain financial environment following a period of significant budget reductions and on-going spending pressures, particularly in social care areas. This uncertainty has been exacerbated by the on-going impact of the COVID19 pandemic, the Chancellor of the Exchequer's one-year funding settlement, the further postponement to a new business rates retention scheme and the Fair Funding Review, the stalled Adult Social Care Green Paper, Government funding uncertainty overall and any implications that may arise as a result of the Brexit agreement.
- 3) The COVID19 crisis has had an unprecedented impact on the County Council's finances. Additional costs and lost income directly associated with the crisis in the current financial year are forecast to be approximately £86m. The Council has managed to deal with this crisis through a combination of Central Government support, expenditure controls and re-prioritisation of discretionary spend. The direct implications of the crisis will continue into the 2021/22 financial year and the impact on the Council's financial position will continue to be monitored through the usual budget monitoring processes.
- 4) At the same time, the transition to a more self-sufficient funding position has been delayed and numerous Council services continue to experience increasing demand. Many of these services are those directed at the most vulnerable in society, especially in children's and adult's social care.
- 5) Despite the challenging environment in which the Council continues to operate, it continues to perform well in many areas including the following examples:-
 - Supporting the most vulnerable people in our communities through the COVID19 crisis.
 - Four new / replacement schools are / have been built - Bestwood Hawthorne Primary, Orchard Special School, Newark, Hucknall Flying High Academy and Rosecliffe Spencer Academy, Edwalton.
 - Good OFSTED inspection of Children's Services.
 - Maintaining vital Social Care services.
 - Increased investment in the Highways Infrastructure across the county.
 - Continued development and improvement to Local Bus Services.
 - Full Library provision maintained with significant investment in buildings, fleet and IT.
- 6) Also, the Peer Review conducted in June 2019, identified Nottinghamshire County Council as an effective Council delivering good quality, citizen focused services to its residents. It has a good track record for delivering savings whilst protecting front line services. There are a range of projects that are delivering innovation and developing cutting-edge practice in service delivery. There is financial stability in the organisation and the Council has a

proven track record in delivering savings while maintaining front-line services over a long period of time.

- 7) The County Council budget for 2021/22 has been prepared in the context of this on-going and unprecedented uncertainty.
- 8) The 2020/21 Annual Budget Report that was submitted to Full Council in February 2020 set out a funding shortfall of £28.3m over the four years to 2023/24. The 2021/22 Budget Report that was submitted to Finance and Major Contracts Management Committee on 8 February 2021 set out the financial landscape within which the Council is operating and emphasised once again the uncertainty that a one-year settlement brings.
- 9) 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 2021/22. The report to Finance and Major Contracts Management Committee in February 2021 set out the forecast position and recommended that the level of Council Tax be increased by 1.99% and that an Adult Social Care Precept of 1.00% be implemented in 2021/22. This recommendation is incorporated within this report.
- 10) The Council continues to take its environmental responsibilities seriously. As such, in March 2020 Policy Committee approved the new Corporate Environmental Policy as well as thirteen key strategic ambitions for the environmental strategy. In December 2020, a report was submitted to Policy Committee which provided an update on progress with the delivery of the Corporate Environment Strategy as well as establishing a new post of Environment Strategy Manager. Environmental factors have been taken into account when constructing this budget and a number of green initiatives are already approved within the Council's capital programme. Details of these are set out in paragraphs 53 and 54 below. This report also proposes that a Green Investment Fund is established to provide funding for projects that improve the Council's environmental performance.
- 11) 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 2021/22.

Annual Budget 2021/22

- 12) The report to Finance and Major Contracts Committee on 8 February 2021 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.
- 13) The final Local Government Settlement was announced on 4 February 2021. The final settlement remains unchanged from allocations published at the time of the provisional settlement in December 2020. As part of the Local Government Settlement it was announced that the Council will receive an initial allocation of £16.1m to meet the costs of COVID19 in 2021/22.

- 14) This report brings together the Council's confirmed funding position. The total revenue budget for 2021/22 is £530.3m. A summary is shown in Table 1 with a more detailed breakdown shown in Appendix A.

Table 1 - Proposed County Council Budget 2021/22

Committee Analysis	Net Budget 2020/21	Pressures	Savings	Pay, NI & Pensions increase	Budget Changes	Net Budget 2021/22
	£m	£m	£m	£m	£m	£m
Children & Young People	140.507	9.132	(0.474)	-	(0.078)	149.087
Adult Social Care & Public Health	210.040	10.576	(0.895)	-	(0.449)	219.272
Communities & Place	126.503	4.399	(0.135)	-	0.488	131.255
Policy	34.088	0.465	(0.268)	-	3.169	37.454
Finance & Major Contracts Mgt	2.901	-	-	-	0.030	2.931
Governance & Ethics	7.572	-	-	-	0.155	7.727
Personnel	15.386	0.300	(0.097)	-	0.198	15.787
Net Committee Requirements	536.997	24.872	(1.869)	-	3.513	563.513
Corporate Budgets	(23.840)	-	-	-	(8.023)	(31.863)
Use of Reserves	(0.609)	-	-	-	(0.724)	(1.333)
Budget Requirement	512.548	24.872	(1.869)	-	(5.234)	530.317

- 15) Table 1 shows the changes between the original net budget for 2020/21 and the proposed budget for 2021/22, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2020/21 and transfers between Committees.

Corporate Budgets and Reserves

- 16) 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 is a legacy cost and the practice is no longer permitted following changes to the pension rules.
 - **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.
 - **Contingency:** This is provided to cover redundancy costs, impact of the pay award, delays in efficiency savings, changes in legislation and other unforeseen 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.
- **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, Social Care Grant and Local Council Tax Support Grant are held centrally and are not ring-fenced.
- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £17.6m of reserves over the medium term with £1.5m being used to deliver a balanced budget in 2021/22. Further detail is provided in Appendix B.

Table 2 - Proposed Budget 2021/22
Corporate Budgets and Reserves

	Net Budget 2020/21	Budget Changes	Net Budget 2021/22
	£m	£m	£m
Flood Defence Levy	0.291	0.003	0.294
Pension Enhancements (Centralised)	2.050	-	2.050
Trading Organisations	1.300	-	1.300
Contingency	6.600	1.064	7.664
Capital Charges (Depreciation)	(44.264)	0.194	(44.070)
Interest & Borrowing	21.073	0.250	21.323
Minimum Revenue Provision (MRP)	11.370	0.497	11.867
New Homes Bonus Grant	(1.873)	0.701	(1.172)
Social Care Grant	(20.387)	(3.914)	(24.301)
Local Council Tax Support Grant	-	(6.818)	(6.818)
Subtotal Corporate Budgets	(23.840)	(8.023)	(31.863)
Net Transfer (From)/To Other Earmarked Reserves	0.022	(1.355)	(1.333)
Transfer (From)/To General Fund Balances	(0.631)	0.631	-
Subtotal Use of Reserves	(0.609)	(0.724)	(1.333)

Council Tax Base 2021/22

- 17) 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 254,884.46 as set out in Table 7, this represents growth of 0.70%. The increase in tax base has been factored into the construction of this budget.

Council Tax Surplus/Deficit

- 18) 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. As a result of pressures associated with the Coronavirus pandemic, billing authorities are likely to estimate a larger-than-normal deficit on the 2020/21 Collection Fund and Government has therefore mandated for the estimated deficit to be spread over the three years 2021/22 to 2023/24. After application of this phasing arrangement, the figures confirmed from the District and Borough Councils equate to a net Surplus of £1,718,916 for 2021/22 and a Deficit of £1,175,089 to be applied in both 2022/23 and 2023/24.

Business Rates Surplus/Deficit

- 19) Budgets in respect of Business Rates are contingent upon a range of inputs derived from District/Borough councils and Central Government returns, the outcome of which at the time of writing this report are uncertain in terms of both timing and amount. The pandemic and its impact in relation to the increase in reliefs made to businesses are likely to have an adverse effect on collection rates. Should any deficit in relation to current projections be

realised, these will be met from a combination of existing Government compensation and COVID related grants already received by the Authority. This is based on the expectation that the Business Rate baseline will recover over the period of the MTFS

Council Tax and Adult Social Care Precept 2021/22

- 20) The 2021/22 Provisional Local Government Settlement announced by the Government in December 2020 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2021/22 referendum threshold has been set in line with inflation, and so setting the core Council Tax referendum principle at 2%.
- 21) 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 2%
- 22) Also, in the announcement, it was confirmed that there will be further flexibility to levy an Adult Social Care Precept of 3%, part of which may be deferred to 2022/23.
- 23) In determining the local government settlement, the Government has assumed that the Council would take the maximum Adult Social Care Precept of 3% and increase the Council Tax to the maximum level in 2021/22. It is proposed, therefore, that the Council fixes any increase to local taxes in-line with that expected by the Government. However, at present there is anticipated sufficient funding in 2021/22 to defer 2% of the increase allowed in the Adult Social Care Precept to 2022/23. Therefore, for 2021/22, it is proposed that Council Tax is increased by 1.99% 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 together with the deferment of 2% of the Adult Social Care Precept into 2022/23.

Requirement to Raise Local Tax

- 24) 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

2021/22	Amount £m	% Funding
Initial Budget Requirement	530.317	100.0
Less National Non-Domestic Rates	(118.561)	22.4
Less Revenue Support Grant	(7.103)	1.3
Net Budget Requirement	404.653	
Less Estimated Collection Fund Surplus	(1.719)	0.3
Council Tax Requirement	402.934	76.0

Adult Social Care Precept Recommendation

- 25) It is recommended that County Council approves the implementation of a 1.00% Adult Social Care Precept for 2021/22 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) 2021/22**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2020/21 £	County Council 2021/22 £	Change £
A	Up to £40,000	145,645	39.4%	6/9	89.53	99.76	10.23
B	£40,001 to £52,000	76,295	20.6%	7/9	104.45	116.39	11.94
C	£52,001 to £68,000	63,246	17.1%	8/9	119.37	133.01	13.64
D	£68,001 to £88,000	42,684	11.5%	1	134.29	149.64	15.35
E	£88,001 to £120,000	24,154	6.5%	11/9	164.13	182.89	18.76
F	£120,001 to £160,000	11,664	3.1%	13/9	193.97	216.15	22.18
G	£160,001 to £320,000	6,279	1.7%	15/9	223.82	249.40	25.58
H	Over £320,000	483	0.1%	18/9	268.58	299.28	30.70

Local Tax Recommendation

- 26) It is recommended that Members agree an increase of 1.99% 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 1.99% Increase on Local Tax Levels
(County Council Element) 2021/22**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2020/21 £	County Council 2021/22 £	Change £
A	Up to £40,000	145,645	39.4%	6/9	933.77	954.14	20.37
B	£40,001 to £52,000	76,295	20.6%	7/9	1,089.40	1,113.16	23.76
C	£52,001 to £68,000	63,246	17.1%	8/9	1,245.03	1,272.19	27.16
D	£68,001 to £88,000	42,684	11.5%	1	1,400.66	1,431.21	30.55
E	£88,001 to £120,000	24,154	6.5%	11/9	1,711.92	1,749.26	37.34
F	£120,001 to £160,000	11,664	3.1%	13/9	2,023.18	2,067.30	44.12
G	£160,001 to £320,000	6,279	1.7%	15/9	2,334.43	2,385.35	50.92
H	Over £320,000	483	0.1%	18/9	2,801.32	2,862.42	61.10

- 27) The total impact of implementing a 1.00% Adult Social Care Precept and a 1.99% increase in local tax levels is shown in Table 6.

**Table 6 - Recommended levels of Council Tax and Adult Social Care
Precept 2021/22**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2020/21 £	County Council 2021/22 £	Change £
A	Up to £40,000	145,645	39.4%	6/9	1,023.30	1,053.90	30.60
B	£40,001 to £52,000	76,295	20.6%	7/9	1,193.85	1,229.55	35.70
C	£52,001 to £68,000	63,246	17.1%	8/9	1,364.40	1,405.20	40.80
D	£68,001 to £88,000	42,684	11.5%	1	1,534.95	1,580.85	45.90
E	£88,001 to £120,000	24,154	6.5%	11/9	1,876.05	1,932.15	56.10
F	£120,001 to £160,000	11,664	3.1%	13/9	2,217.15	2,283.45	66.30
G	£160,001 to £320,000	6,279	1.7%	15/9	2,558.25	2,634.75	76.50
H	Over £320,000	483	0.1%	18/9	3,069.90	3,161.70	91.80

- 28) 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

- 29) 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 – 2021/22

District / Borough Council	Council Tax Base	County Precept
Ashfield	33,731.70	£53,324,758
Bassetlaw	35,771.49	£56,549,360
Browtowe	34,217.46	£54,092,672
Gedling	37,389.96	£59,107,918
Mansfield	29,512.20	£46,654,361
Newark & Sherwood	40,002.05	£63,237,241
Rushcliffe	44,259.60	£69,967,789
Total	254,884.46	£402,934,099

- 30) 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 – 2021/22

2021	2022
19 April	5 January
27 May	3 February
2 July	10 March
5 August	
10 September	
15 October	
19 November	

- 31) 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 2020/21 will be paid or refunded on the same dates.

Medium Term Financial Strategy (MTFS)

- 32) The Budget report to the February Council in 2020 forecast a budget gap of £28.3m for the three years to 2023/24. As part of the budget setting process the MTFS has been rolled forward a year to reflect the four-year term to 2024/25 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.
- 33) It should be noted that the 2021/22 Local Government Finance Settlement is a one-year settlement only. As such, considerable uncertainty beyond 2021/22 will remain until future funding announcements are made. This uncertainty is compounded as a result of the COVID19 pandemic implications and delays to longer term funding reforms around Business Rates Retention and the Fair Funding Review. 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 the new Brexit deal. As such, the MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.
- 34) The MTFS on which this budget report is based assumes Council Tax increases of 1.99% in future years. In addition, an Adult Social Care Precept increase of 2.00% in 2022/23 is factored in.
- 35) Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2020.
- 36) In summary, from 2022/23 onwards, the Council is currently projecting a budget shortfall of £47.7m across the duration of the MTFS. Proposals as to how the budget will be balanced will need to be made over the coming months.

**Table 9 – Analysis of Changes to the Medium-Term Financial Strategy
2021/21 – 2024/25**

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Year on Year Savings requirement (February 2020 Report)	-	14.9	13.4	-	28.3
Additional Pressures / Inflation	3.3	8.8	4.5	26.7	43.3
Change in Pay / Pension Related Inflation	-	-	-	3.7	3.7
Committee Approved Efficiencies	(0.7)	-	-	-	(0.7)
Adjustments to Base Budgets	2.6	(0.9)	-	-	1.7
Change in Grant Funding	(10.7)	8.7	-	(2.3)	(4.3)
Increase in Council Tax / ASC Precept	(3.9)	(8.3)	(0.4)	(9.0)	(21.6)
Change in Council Tax Base assumptions	0.3	3.0	0.1	(6.3)	(2.9)
Variation in use of Reserves	8.3	(9.2)	(2.7)	2.4	(1.2)
Other Corporate Adjustments	0.8	0.6	(0.3)	0.3	1.4
Revised Gap	-	17.6	14.6	15.5	47.7

- 37) The Council's year by year MTFs for the four years to 2024/25 is shown in Table 10. It shows that whilst the Council can deliver a balanced budget in 2021/22, further savings will need to be identified in each of the following years to 2024/25, based on current assumptions.

Table 10 – Medium Term Financial Strategy 2021/22 – 2024/25

	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Net Budget Requirement	530.3	568.3	581.2	599.6
Financed by :				
Business Rates	118.6	120.8	123.0	125.3
Revenue Support Grant	7.1	7.1	7.1	7.1
Council Tax	365.8	378.8	392.5	406.5
Adult Social Care Precept	37.1	45.2	45.2	45.2
Collection Fund Surplus / (Deficit)	1.7	(1.2)	(1.2)	-
Total Funding	530.3	550.7	566.6	584.1
Funding Shortfall	-	17.6	14.6	15.5
Cumulative Funding Shortfall	-	17.6	32.2	47.7

Capital Programme and Financing

- 38) 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.
- 39) The Council’s capital programme has been reviewed as part of the 2021/22 budget setting process. As reported to Finance and Major Contracts Management Committee in January 2021, significant variations and slippage have been identified through the monthly capital monitoring process. 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 is reported to the Finance and Major Contracts Management Committee.

Major Capital Programme Successes

- 40) **Roads Maintenance and Renewals** –The Council has identified investment in the highways infrastructure across the county as an important strategic objective. This commitment can clearly be seen as expenditure against the Roads Maintenance and Renewals programme has exceeded £100m since April 2017. This includes over £20m of the Council’s own funding on top of grant funding received from the Department for Transport. A total of 291 schemes are programmed for completion in 2020/21 of which 245 have been completed to date.
- 41) **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 ambition 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 development of the former Gedling Colliery site.
- 42) **New / Replacement Schools** –The Schools Place programme focuses on the Council’s statutory duty to provide sufficient school places. The Council works closely with academies and the voluntary aided sector to meet this statutory responsibility and function. As part of this programme four new / replacement schools are / have been built in Bestwood Hawthorne Primary, Orchard Special School, Newark, Hucknall Flying High Academy and Rosecliffe Spencer Academy, Edwalton.
- 43) **Better Broadband for Nottinghamshire** –In just shy of a decade, the Council has taken the superfast digital infrastructure across Nottinghamshire from a baseline of 86% to 98.7% availability. The original contractual expectations were for 20% of homes and businesses to make the switch to the newly installed superfast connection. This target has been far exceeded, with take-up rate standing at 71.86% This has triggered the contractual

gainshare mechanism for the next seven years. This gainshare funding will be made available to fund further improvements to the county's digital infrastructure in the future.

- 44) **Homes England Projects** –By embracing the ethos of working closely with Government in order to bring forward new housing, the Council has been very successful in securing external funding of £9.0m from Homes England. This funding, along with £4.5m matched funding contributions, will help fund an increase in the supply of new homes by helping to remove the barriers facing local authorities with development on their sites. Sites at Lowmoor Road and Caudwell Road are benefiting from this funding as well as a further major project at Top Wighay Farm near Hucknall.
- 45) **Investing in Nottinghamshire** – As set out in a report to Policy Committee in December 2020, the Council has established an Investing in Nottinghamshire capital programme that sets out to utilise the Council's property estate to deliver environmental, economic and financial benefits in a post- COVID19 world. This programme funding allows for the delivery of an ambitious programme of projects that will improve, re-furbish or build new offices across multiple sites of the Council's estate which in turn would deliver widespread benefits across our services and the local economy.

New and Emerging Capital Projects

- 46) A number of new and emerging capital projects are being developed but are not yet included in the capital programme as follows:-
 - **New Special School Provision** – Despite the rebuilding and expansion of the Orchard Special School in Newark as well as a number of additional Special School expansions, there remains insufficient specialist places to allow parents to express a preference for a local special school. This results in an increased demand for county and out of county specialist placements. To mitigate this issue, the Policy Committee in November 2019 gave approval for a feasibility study to be undertaken and work is continuing to identify a suitable site to build a new special school.
 - **Increased Secondary School Provision in West Bridgford** – At the Policy Committee meeting in September 2019, approval was granted in principle to the construction of a third secondary school within the West Bridgford planning area in the short to medium term which covers the catchment areas of Rushcliffe School and West Bridgford School.

Further reports will be submitted to the appropriate Committee in due course to provide updates on these new and emerging capital projects. Any required variations to the capital programme will be subject to the usual capital approval process.

- 47) During the course of 2020/21, 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 48 to 57. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Children and Young People (CYP)

- 48) **School Building Improvement Programme** –The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2021/22 onwards. The 2020/21 allocation was confirmed at £6.5m and it is proposed that an estimated SCM grant allocation of £4.5m is reflected in the capital programme from 2021/22 until 2024/25. It is also proposed that this grant is top sliced by £0.3m from 2021/22 to 2024/25 to provide funding to further the School Access Initiative (SAI) programme.

It is proposed that the Children and Young People capital programme is varied to reflect an estimate SCM Grant of £4.5m from 2021/22 to 2024/25. It is also proposed that the SCM budget is top sliced by £0.3m in 2021/22 to 2024/25 to further the SAI programme.

- 49) **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. The Authority has received a 2021/22 Basic Need grant of £16.4m. Further Basic Need grant announcements are expected in Spring 2021 but until then it is proposed that estimated further School Places Grant of £2.0m per annum are included in 2022/23 to 2024/25 of the Children and Young People's capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect £16.4m 2021/22 grant allocation and the estimated School Places Grant of £2.0m to 2024/25.

- 50) **Chapel Lane Primary School** – As reported to Policy Committee in September 2019, as a result of local housing growth there is a need to build a new school in Bingham. It is proposed that the Children and Young People's capital programme is varied to include this new £7.2m school funded from Section 106 contributions (£2.8m) and the School Places programme (£4.4m)

It is proposed that the Children and Young People capital programme is varied to reflect the £7.2m new primary school at Chapel Lane funded from Section 106 contributions (£2.8m) and the School Places Programme (£4.4m).

Communities and Place

- 51) **Road Maintenance and Renewals Programme** – It is expected that the Communities and Place Committee will receive an Incentive Grant from the Department for Transport in 2021/22. This grant rewards Councils who demonstrate that they are delivering value for money in carrying out cost effective improvements to the county roads maintenance network. It is proposed that an estimated grant figure of £2.5m is included in the 2021/22 to reflect this capital grant. The capital programme will be reviewed once the actual grant allocation is announced.

It is proposed that the Communities and Place Committee capital programme is increased by £2.5m to reflect the estimated 2021/22 DfT Incentive Fund Grant.

- 52) **Waste Management** – A review of Waste Management costs associated with the Eastcroft Incinerator has been undertaken. The current approved capital programme includes a contribution from the Communities and Place revenue budget. Following the review, these contributions have been amended as follows:-

2021/22	2022/23	2023/24	2024/25
£000	£000	£000	£000
222	877	451	-

It is proposed that the Communities and Place capital programme is varied to reflect the revised estimated contributions from the Communities and Place revenue budget towards costs associated with the Eastcroft Incinerator as shown above.

- 53) **Green Initiatives** –As part of the Corporate Environment Strategy paper that was reported to Policy Committee on 9 December 2020, it is proposed that the Council establishes a £0.5m Green Investment Fund to provide funding for projects that improve the Council’s environmental performance. This will be an internally available fund to which Council services from all departments could apply towards activities in support of the environment and delivery of the Environment Strategy objectives.

It is proposed that the Communities and Place capital programme is varied to reflect the establishment of a £0.5m Green Investment Fund, funded from borrowing.

- 54) The Communities and Place Committee approved capital programme also includes a number of additional green initiatives as follows:-

- **Carbon Management Programme and the Energy Saving Scheme** - These programmes of work identify and undertake projects that enable energy savings to be made and carbon emissions to be reduced. They also enable investment in spend to save energy and water efficiency measures to supplement the current capital programme and maintenance budgets. All savings are recycled to fund further energy savings projects. The total budget included in the capital programme for these green initiatives is £3.4m.
- **Street Lighting** – This programme of work is aimed at replacing the lanterns in street lights for lower energy options to realise an energy saving. The total budget included in the capital programme to fund street light replacements is £6.3m.
- **Flood Mitigation Projects** –The 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 Council’s Flood

Alleviation and Drainage programme, will fund two schemes that are scheduled for completion by September 2021 and will benefit approximately 240 properties and 60 businesses. The Council has secured a further £0.6m of external funding to fund works at eight risk sites across the county. In addition, the Council has used its own resources to enable the delivery a £1.0m Property Flood Resilience programme to properties vulnerable to flooding across the county.

Policy

- 55) **Getting Building Funding** –The Council has been successful in securing a £0.6m Getting Building Fund grant. As reported to Policy Committee on 30 September 2020, it is proposed that this funding will be used to establish a 5G Innovation Hub in North Nottinghamshire acting as a catalyst for skills and innovation development and also as a showcase for ground-breaking 5G related technological developments.

It is proposed that the Policy Committee capital programme is varied to reflect the secured £0.6m Getting Building Fund grant allocation.

Capital Programme Contingency

- 56) 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.
- 57) A number of capital bids described above are proposed to be funded from uncommitted contingency. The levels of contingency funding remaining in the capital programme are as follows:-

2021/22	£2.3m
2022/23	£2.8m
2023/24	£2.8m
2024/25	£2.9m

Revised Capital Programme

58) 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 2024/25 are set out in Table 11.

Table 11 – Summary Capital Programme

	Revised 2020/21	2021/22	2022/23	2023/24	2024/25	TOTAL
	£m	£m	£m	£m	£m	£m
Committee:						
Children & Young People*	29.553	24.335	16.377	11.301	11.301	92.867
Adult Social Care & Public Health	1.266	0.241	0.000	0.000	0.000	1.507
Communities & Place	67.033	44.135	23.249	20.893	20.390	175.700
Capital page Policy	26.109	37.332	15.794	5.016	4.430	88.681
Finance & MCM	0.180	0.180	0.180	0.180	0.180	0.900
Personnel	0.354	0.000	0.000	0.000	0.000	0.354
Contingency	0.000	2.300	2.800	2.800	2.854	10.754
Capital Expenditure	124.495	108.523	58.400	40.190	39.155	370.763
Financed By:						
Borrowing	42.924	62.474	26.309	12.016	11.432	155.155
Capital Grants	78.465	45.286	30.714	27.223	27.223	208.911
Revenue / Reserves	3.106	0.763	1.377	0.951	0.500	6.697
Total Funding	124.495	108.523	58.400	40.190	39.155	370.763

* These figures exclude Devolved Formula Capital allocations to schools.

Capital Receipts

- 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 2021/22 to 2024/25. 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

	2020/21	2021/22	2022/23	2023/24	2024/25	TOTAL
	£m	£m	£m	£m	£m	£m
Forecast Capital Receipts	7.4	12.9	10.7	13.6	10.1	54.7

- 59) 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.
- 60) 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.
- 61) 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 2021/22. The Strategy is incorporated in to the Capital Strategy in Appendix D and the Policy is in Appendix E.
- 62) With regard to cash balances that form part of the Nottinghamshire County Council Pension Fund, this report proposes the Council delegates responsibility for the setting of Treasury Management Policies and Practices to the Pension Fund Committee
- 63) It is proposed that the Service Director – Finance, Infrastructure and Improvement be permitted to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2021/22.

Statutory and Policy Implications

- 64) 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

- 65) 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.
- 66) 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.
- 67) 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:	<u>Reference</u>
1) The Annual Revenue Budget for Nottinghamshire County Council is set at £530.317 million for 2021/22.	Para. 14
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 2021/22.	Para. 16
4) That the 1.00% Adult Social Care Precept is levied in 2021/22 to part fund increasing adult social care costs.	Para. 25
5) The County Council element of the Council Tax is increased by 1.99% in 2021/22. That the overall Band D tax rate is set at £1,580.85 with the various other bands of property as set out in the report.	Para. 27
6) The County Precept for the year ending 31 March 2022 shall be £402,934,099 and shall be applicable to the whole of the District Council areas as General Expenses.	Para. 29
7) The County Precept for 2021/22 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 2021/22 to 2024/25 be approved at the total amounts below and be financed as set out in the report:	Table 11

Year	Capital Programme
2021/22	£108.523m
2022/23	£58.400m
2023/24	£40.190m
2024/25	£39.155m

COUNCILLOR RICHARD JACKSON

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| 9) The variations to the Capital Programme be approved. | Para. 48-57 |
| 10)The Minimum Revenue Provision policy for 2021/22 be approved. | Appx. C |
| 11)The Capital Strategy including the 2021/22 Prudential Indicators and Treasury Management Strategy be approved. | Appx. D |
| 12)The Service Director – Finance, Infrastructure and Improvement be authorised to raise loans in 2021/22 within the limits of total external borrowings. | Para. 63 |
| 13)The Treasury Management Policy for 2021/22 be approved. | Appx. E |
| 14)The Council delegates responsibility for the setting of Treasury Management Policies and Practices relating to Pension Fund cash to the Pension Fund Committee. | Para. 62 |
| 15)The report be approved and adopted. | |

CHAIRMAN OF THE FINANCE AND MAJOR CONTRACTS MANAGEMENT COMMITTEE

Constitutional Comments (GR 05/02/2021)

Pursuant to the Nottinghamshire County Council Constitution this report and recommendations contained within it are within the remit of Full Council.

Human Resources Implications (GE 05/02/2021)

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 04/02/2021)

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 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 2021/22. 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 2021/22. 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. More specifically, the impacts of responding to the Covid-19 pandemic has also been considered together with the announcements of the additional financial support from the Government. 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 2021/22 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 Report – Finance and Major Contract Management Committee 10 February 2020

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