

REPORT OF CABINET MEMBER FOR FINANCE**BUDGET 2023/24 – PROPOSALS FOR SUBMISSION TO FULL COUNCIL****Purpose of the Report**

1. To consider the contents of the Budget Report that will be recommended to Full Council on 9 February 2023 with specific reference to:
 - The Annual Revenue Budget for 2023/24.
 - Amount of Adult Social Care Precept to be levied for 2023/24 to part fund increasing adult social care costs.
 - Amount of Council Tax to be levied for County Council purposes for 2023/24 and the arrangements for collecting this from district and borough Councils.
 - Medium Term Financial Strategy for 2023/24 to 2026/27.
 - Capital Programme for 2023/24 to 2026/27.
 - Minimum Revenue Provision policy for 2023/24.
 - Cabinet to be authorised to make allocations from the general contingency for 2023/24.
 - 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 2023/24.
 - The Capital Strategy including the 2023/24 Prudential Indicators and Treasury Management Strategy.
 - Treasury Management Policy for 2023/24.

Our Long Term Plans for Better Lives and a Sustainable Council

2. The Budget for 2023/24 will aim to protect and enhance key services for residents whilst making our organisation financially sustainable for the medium to long term. This Council must reach a position, through transforming the way it delivers services over a number of years, where it is able to both offer more support within communities, and simultaneously be more efficient and effective with our spending.
3. The key drivers of budget pressures are rising demand and inflation. The Council must therefore aim to deliver that long term sustainability by focusing on prevention and early help, thereby reducing the demand on expensive, acute services over time. It must take this long-term approach instead of cutting services for short-term expediency, in order to protect and support residents at the same time, and to improve outcomes.
4. By doing this, we aim to prioritise and enhance key services as far as possible, particularly in those most disadvantaged communities, in order to help improve the lives of local people,

and also mitigate the impacts of inflation to protect residents from bearing the brunt of these increased costs.

5. As the residents and businesses across the county continue to recover from the COVID19 pandemic it is important that the Council focusses on helping to build economic, community, family and individual resilience so that there is more self-reliance and better outcomes for everyone across the county.
6. For Council budgets and local services to be sustainable for the long term, the Council must rethink the way that services are delivered and focus on earlier interventions, supporting people to remain independent and living within their home, family and community. With this in mind, this budget will support our community-based assets as a priority, such as our libraries and children's centres. This support provides a basis from which to invest and offer additional, long term early help within communities.
7. The Council is currently undertaking numerous service transformation programmes, aimed at improving the levels and efficacy of 'prevention' services. These programmes are supporting local residents to reduce the numbers of people needing the most acute and expensive services, with the aim of reducing demand on care in particular to sustainable levels. These actions, which are already beginning to bear fruit, both improve the lives of local people and offer a more sustainable way forward financially for the organisation.
8. More people living independent lives, supported by their community and local networks, including our own place-based services, rather than being reliant on our most expensive services such as residential care, is better for everyone; for resident, community and Council. Work will particularly focus on improving services in those most disadvantaged communities, where the demand is highest and the need for support is greatest.
9. Where there are savings in this budget, they will come from transformation of the way we deliver services, for wider long term benefit. This will include long term projects like reducing our office estate through our Investing in Nottinghamshire programme, saving money on building maintenance and utilities, with funds instead redirected to delivering key services for our residents. It will include working better with partners to be more efficient and effective with our services, joining things up to achieve better outcomes. It will include supporting young people to remain independent with extended family or community-based solutions, where outcomes are far better. We will spend money on early support for families within local areas, preventing the need for expensive residential care later on. By making these kinds of changes, instead of often reductive and counter-intuitive short-term cuts, we will both improve lives and manage our finances.
10. This is a long term change. Managing demand and helping people gradually increase their independence is a much more sustainable, and much more attractive, approach compared with making short term cuts to services. It will take time, and we have set out a long term plan over the coming 10 years.
11. These are broad themes that will build resilience in our communities into the future and are supported by nine ambitions which will act as a framework for all County Council activity: However, our 2023/24 Budget will clearly show that our approach is already beginning to take shape. We are prioritising key service areas, moving money to the right places, and also offering increased financial security for the rest of the Medium Term Financial Strategy

(MTFS). Implementing our approach over time will help us to avoid the need for more drastic and difficult choices for the coming years, and to move beyond a difficult annual discussion about cuts or tax rises, towards something more sustainable.

The Nottinghamshire Plan

12. At the Full Council meeting held on 25 November 2021, the Council approved The Nottinghamshire Plan 2021-31: Healthy, Prosperous, Green. This ambitious new plan sets out the strategic vision for the future of Nottinghamshire and the Council.
13. The activity in the Nottinghamshire Plan is built around achieving a bold 10-year vision for a 'healthy, prosperous and greener future for everyone'. The plan will focus on:
 - Improving health and well-being in all our communities
 - Growing our economy and improving living standards
 - Reducing the County's impact on the environment
 - Helping everyone access the best of Nottinghamshire.
14. These are broad themes that will build resilience in our communities into the future and are supported by nine ambitions which will act as a framework for all County Council activity:
 - Helping our people live healthier, more independent lives
 - Supporting communities and families
 - Keeping children, vulnerable adults and communities safe
 - Building skills that help people to get good local jobs
 - Strengthening businesses and creating more good-quality jobs
 - Making Nottinghamshire somewhere people love to live, work and visit
 - Attracting investment in infrastructure, the economy and green growth
 - Improving transport and digital connections
 - Protecting the environment and reducing our carbon footprint
15. The Plan sets out what the County Council will do over the next ten years to achieve these ambitions as well as how it will measure progress and success. This will have a particular focus on supporting Nottinghamshire's communities and businesses to recover from the socio-economic impacts of the COVID19 pandemic. The Plan also details the Council's on-going journey of improvement as we continue to deliver services in a responsive, efficient, financially sustainable and forward-looking way.
16. The budget report to Full Council in February 2023 will set out the financial framework around which the County Council will achieve its strategic vision statements and meet the success factors that underpin the Nottinghamshire Plan. The Budget is built on a foundation of solid financial management over many years, putting our Council in a relatively positive position, despite difficult national and international circumstances.

Background to the Budget

17. The Medium-Term Financial Strategy (MTFS) is the key financial plan for the Council. The Council's financial position has been challenging now for a number of years, most recently

due to significant growth in spending pressures and demand on services, particularly from social care areas.

18. In addition, during the last two financial years the Council has faced unprecedented budget pressures as a consequence of the COVID19 pandemic. Although through these years the government provided significant additional funding to local authorities to ensure they were able to respond and manage the financial challenges faced there was still a gap in funding to meet the underlying increase in demand for our services.
19. In 2022/23 the Council is facing a new financial challenge, mainly resulting from the impact of the conflict in Ukraine. Consumer Price Inflation (CPI) in the UK economy is presently 10.7% (November 2022) down from a peak of 11.1% in October 2022 and this is driving significant upward pressure across a range of expenditure budgets especially those that relate to energy, fuel and external contracts where energy and fuel are a major factor.
20. The risks arising from escalating inflation, which is also impacting household incomes, was recognised in the Annual Budget Report to Full Council in February 2022. Additional reserves were set aside in the risk-based General Fund reserve with regard to inflationary pressures, increased on-going risks in Children's and Adults Services and challenges faced specifically in the social care market following the pandemic.
21. The Budget Report submitted to Full Council on 24 February 2022 set out the financial landscape within which the Council is operating and noted the anticipated budget shortfall of £29.1m over the three years to 2025/26. This, however, assumed the Council would increase both Council Tax and the Adult Social Care Precept. Excluding both meant that the essential budget shortfall over the three years was £65.4m.
22. The current projected capital programme outturn for 2022/23 is £102.5m. As part of the budget setting process a review of the capital programme has been undertaken.
23. On the day before the Chancellor's September 23rd Fiscal Event, the Treasury confirmed that it will reverse the temporary 1.25% increase in National Insurance rates from 6 November 2023. It also announced that it will cancel the Health and Social Care Levy which was due to replace the temporary increase in National Insurance Contribution rates in April 2023.
24. At this stage, with the Government's further one-year settlement announcement, despite having a clear view of the funding for 2023/24, funding for the final three years of the Medium Term-Financial Strategy (MTFS) remains unclear. This will continue to be the case until announcements regarding the longer-term future of local government financing are made.
25. The Period 8 Budget Monitoring Report that is also reported to this Cabinet meeting shows a small net underspend position of £2.2m, representing less than 0.4% of the net budget. The current forecast underspend follows significant efforts to control in year spending to reduce a forecast overspend of £4.4m in Period 5. Efforts will continue to ensure a break even or better position by the end of 2022/23, and any underspend arising will be added to the General Fund Balance to help offset risks set out later in this report.
26. As part of the budget setting process the Council has carried out a full review of the budget pressures and underlying assumptions held within the MTFS. The Council has also received provisional information on the level of funding it can expect in 2023/24. This report outlines

the recommendations that will be submitted for approval to the Full Council meeting on 9 February 2023.

Budget Consultation – Rising to the Challenge

27. The production of the Council's budget is undertaken in accordance with the requirements of the Council's Constitution.
28. A key element of the Council's budget setting process is consultation with stakeholders.
29. The consultation went live on the 17th November 2022 and closed on the 2nd January 2023. The survey sets out how the Council spends its allocated budget and asks people for their views about our services and their priorities.
30. The consultation was made available through a number of platforms including:
 - A dedicated space on the Council's website, hosting background information and linking through to an online survey that was open to all Nottinghamshire residents.
 - In print / hard copy format, produced and distributed to all 59 Children's Centres and 60 Libraries across the county.
 - For residents needing support with completing the survey, there was also the option to phone the Council's Customer Service Centre.
31. We also shared our consultation with our partners, including groups representing the business community and other relevant stakeholders including trade unions and the Council's Overview Committee. Views from the Overview Committee will be shared with Cabinet Members following the meeting on 24 January 2023.
32. Completion of the survey was promoted via email bulletin and sent to all 140,309 subscribers to the Councils' "emailme" system. Targeted communications to encourage completion were also sent to all 179 Parish Councils and representatives of the business community. Email bulletins to remind "emailme" subscribers were also sent to maximise completion of the survey. The Council also utilised social media to promote survey completion including Twitter and Facebook and a press release was issued countywide on 27 October 2022.
33. The consultation was completed by 2,454 respondents. This is a significant improvement on comparable budget consultations conducted in recent years, which have not exceeded 1,400 responses.
34. The consultation (question 05) asked respondents to identify the top three Nottinghamshire County Council services benefitting them and their communities. The three services most frequently identified in respondents' top three were:
 - Care and support for vulnerable adults and older people, with 51% of respondents identifying this as one of their top three services.
 - Community and public transport, with 50% of respondents identifying this as one of their top three services.
 - Environmental services, with 46% of respondents identifying this as one of their top three services.

35. The three services that were least frequently identified in respondents top three were:
- Support for families, with 24% of respondents identifying this as one of their top three services.
 - Economic development and regeneration, with 16% of respondents identifying this as one of their top three services.
 - Services for schools, with 12% of respondents identifying this as one of their top three services.
36. Question 07 of the consultation asked respondents to confirm the extent to which they agree / disagree with reductions to spending, to meet the Council's financial challenges. Overall, the majority of respondents did not agree or strongly agree with reductions to any of the services outlined in the consultation document. However, more respondents disagreed or strongly disagreed with reductions to:
- Care and support for vulnerable adults and older people, with 73% of respondents disagreeing or strongly disagreeing with reductions to these services.
 - Keeping children safe, with 66% of respondents disagreeing or strongly disagreeing with reductions to these services.
 - Community and public transport, with 63% of respondents disagreeing or strongly disagreeing with reductions to these services.
37. Fewer respondents disagreed or strongly disagreed with reductions to economic development and regeneration (36%), services for schools (43%) and recreation and cultural services (50%).
38. The consultation asked if respondents would support increases in Council Tax (question 06) and the Adult Social Care Precept (question 08). With respect to Council Tax, the results showed that 65% of respondents would support an increase, 26% would not support an increase and 8% did not know. With respect to the Adult Social Care Precept 61% of people completing the survey would support an increase, 29% would not and 10% did not know. For both questions there were a small number of respondents who did not answer.
39. The consultation also offered respondents with an opportunity to offer suggestions about how the Council could save money or raise additional revenue, as a free text box. 1,219 free text comments were received in completed surveys. Work is ongoing to analyse the responses to identify if there are any consistent themes within free text feedback, for inclusion in the report to Full Council in February 2023.
40. As part of the Overview Committee workplan for this year the Council is looking at the approach to consultation. Feedback from this work will be considered as part of the approach to the future budget surveys.
41. Cabinet has taken account of the responses to the consultation when drawing up the proposals set out in this report.

Autumn Statement 2022 and Provisional Local Government Settlement 2023/24

42. On 17 November 2022, the Chancellor of the Exchequer announced the Autumn Statement 2022 in a speech in the House of Commons. The delayed Autumn Statement gave the Chancellor and the Prime Minister time to address the spending gap that was identified following the September mini budget. The headlines coming from the Autumn Statement 2022 are as follows:-

- The Office of Budget Responsibility forecast that a recession started in Quarter 3 of 2022. Gross Domestic Product (GDP) for 2022 is expected to be 4.2% but -1.4% for 2023.
- Inflation is expected to be 9.1% in 2022, 7.4% in 2023 and 0.6% in 2024,
- Increased Council Tax flexibilities of 3% plus 2% Adult Social Care precept in 2023/24,
- Business Rate Multipliers to be frozen in 2023/24 with Authorities to be compensated in the usual way,
- 12-month extension to the Household Support Fund,
- Many tax thresholds remain frozen for an additional two years until 2028. Higher tax rate threshold (45p) reduced to £125,140,
- Local Government Resources Departmental Expenditure Limit (DEL) to increase by 33% from 2022/23 to 2023/24,
- DELs in the next Spending Review to increase in real terms plus 1%
- Social Care Charging Reforms delayed for two years to October 2025, funding remains,
- Windfall tax increased and extended to electricity generators,
- Additional funding for the NHS - £3.3bn in each of the next three years,
- Two new fiscal rules – over a five-year period, Public Sector Borrowing to stay below 3% of GDP and debt to be falling as a share of GDP by the 5th of a rolling year cycle,

43. On 19 December 2022, the provisional Local Government Settlement 2023/24 was announced via a written statement by the Secretary of State for Levelling Up, Housing and Communities, the Rt Hon Michael Gove MP. The key announcements that will affect the Council are as follows:-

- Core Spending Power increases by an average of 9.2% assuming all Local Authorities levy the maximum precept allowed in 2023/24,
- Confirmed £55.4m Social Care Grant allocation in 2023/24, although this does include a rolled-in Independent Living Fund allocation of £2.6m,
- Confirmed Services Grant allocation of £4.2m,
- Confirmed Revenue Support Grant of £8.1m,
- Confirmed New Home Bonus Grant allocation of £1.1m,
- The Council Tax threshold has been set at 3.00% in both 2023/24 and 2024/25 with an additional 2.00% Adult Social Care Precept limit in each of those years.

44. The Budget Report 2022/23, approved by Full Council in February 2022, included growth assumptions regarding the level of future year general government grants. The 2023/24 grants announced in the Provisional Local Government Settlement exceed those assumptions by £11.8m.

45. In addition the following specific Social Care Grants were announced:-

- Confirmed Market Sustainability Grant allocation of £8.3m,
- Confirmed Discharge Fund Grant allocation of £4.3m,
- Confirmed Independent Living Fund allocation of £2.6m (rolled into the Social Care Grant).

46. The 2023/24 Settlement is a further one-year settlement and, as such, considerable uncertainty beyond 2023/24 will remain until future announcements are made.

Revised Pressures and Running Cost Inflation

47. When the 2022/23 budget was approved in February 2022, specific pressures and non-pay inflationary pressures totalling £125.4m were identified for the period 2022/23 to 2025/26 of which £39.5m related to 2022/23.

48. A review has been undertaken whereby Departments were asked to both justify existing pressures and identify any new pressures faced over the medium term. These bids have continued to be revised and total specific pressures and non-pay inflationary pressures to 2026/27 now total £114.6m. Table 1 below tracks the movement in pressures and inflation that has occurred since February 2022.

49. Appendix A identifies that the Council's main pressures relate to growth in External Placements for Looked After Children, demand for Adult Social Care, increases to the National Living Wage and the impact of inflation across various contracts and services.

50. 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

Portfolio	2023/24 to 2025/26			Add Year 2026/27	Current Total 2023/24 to 2026/27
	Original Demand Pressures	Original Inflation	Net Movement		
Adult Social Care & Public Health	(6.4)	21.3	14.9	11.5	69.0
Children & Young People	(19.1)	7.0	(12.1)	3.5	25.3
Economic Development & Asset Management	-	1.8	1.8	0.1	2.1
Communities	0.2	-	0.2	-	0.2
Transport & Environment	0.1	4.1	4.2	4.4	18.1
Total	(25.3)	34.2	9.0	19.6	114.6

Pay Award Inflation

51. The County Council continues to be part of nationally determined local government pay bargaining arrangements. These are negotiated by the National Joint Council made up of the national employers and the recognised trade unions. Based upon previous rises and current estimates the MTFS assumes an annual 5.5% increase for 2023/24, 4.5% for 2024/25 with a further 2% increase in 2025/26 to 2026/27.

Savings / Efficiencies

52. The MTFS includes previously approved savings options totalling £2.8m from 2022/23. In addition to this, the Council has proposed a number of further savings and efficiencies that total £9.2m. A breakdown is set out in Appendix B which details the nature of the proposals including those where further consultation will be sought. The progress of these efficiencies will be monitored throughout the year as part of the usual budget monitoring processes.

MTFS Assumptions and Projections

53. Similar to previous years a detailed review has been undertaken of the assumptions that underpin the MTFS.

Interest and Borrowing

54. 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.
55. The Council's position is monitored regularly in relation to these two variables and the latest budget monitoring report forecasts a breakeven position for the current year. The budget for interest and debt repayments has been reviewed to meet expected costs in 2023/24. This budget will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

Contingency

56. 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, achievability of savings, pay award settlement and the significant impacts of high inflation. As part of the budget construction process, the base level for the 2023/24 Contingency budget has been set at £5.0m.
57. In addition, there is a need to provide for an estimated pay award contingency of £10.9m in relation to 2023/24 which will also be earmarked for future allocation to Portfolios once agreed.

Annual Budget 2023/24

58. The paragraphs above outline the financial position that the Council is operating, the budget position as reported to Full Council in February 2022, the MTFS assumptions that have been reviewed and the Council's strategic response to meeting the budget challenge.
59. The Provisional Local Government Settlement 2023/24 was announced on 19 December 2022. It is expected that the Final Local Government Settlement will be announced in early

February 2023. Any changes to the final settlement will be reported as part of the Budget Report 2023/24 to Full Council on 9 February 2023.

60. This report brings together the Council's provisional funding position. The total revenue budget for 2023/24 is £591.3m. A summary is shown in Table 2. A more detailed breakdown across Portfolios will be reported to the Cabinet Member for Finance once Full Council has approved the Annual Budget Report 2023/24 on 9 February 2023.

Table 2 – Proposed County Council Budget 2023/24

Portfolio Analysis	Net Budget 2022/23 £m	Pressures £m	Savings £m	Pay, NI & Pensions increase £m	Budget Changes £m	Net Budget 2023/24 £m
Children & Young People	161.554	13.476	(0.385)	-	4.439	179.084
Adult Social Care & Public Health	231.454	24.788	(3.254)	-	6.607	259.595
Transport & Environment	114.530	4.255	(3.447)	-	3.346	118.684
Communities	18.238	0.916	(0.135)	-	0.255	19.274
Deputy Leader & Transformation	4.984	-	(0.281)	-	(0.050)	4.653
Economic Development & Asset Management	25.138	1.306	(0.673)	-	0.401	26.172
Finance	15.379	-	(0.084)	-	2.794	18.089
Personnel	25.094	-	(0.408)	-	2.806	27.492
Net Portfolio Requirements	596.371	44.741	(8.667)	-	20.598	653.043
Corporate Budgets	(33.136)	-	-	-	(24.714)	(57.850)
Use of Reserves	(3.763)	-	-	-	(0.127)	(3.890)
Budget Requirement	559.472	44.741	(8.667)	-	(4.243)	591.303

61. Table 2 shows the changes between the original net budget for 2022/23 and the proposed budget for 2023/24, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2022/23 and transfers between portfolios.

Corporate Budgets and Reserves

62. There are a number of centrally-held budgets that are not reported to a specific portfolio. They are detailed below with the budget analysis shown in Table 3:

- **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 awards, delays in efficiency savings, changes in legislation and other unforeseen eventualities. Cabinet, the Cabinet Member for Finance or the Section 151 Officer

are required to approve the release of contingency funds in accordance with limits set out in the approved financial regulations of the Council.

- **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 D.
- **Revenue Grants:** The New Homes Bonus, Social Care Grant and Council Services 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 £49.7m of reserves over the medium term with £3.9m being used to deliver a balanced budget in 2023/24. This is £29.8m more than the Council forecast to use as part of the 2022/23 budget report thus enabling time for the transformation programmes, as set out below, to be completed. Further detail is provided in Appendix C.

Table 3 - Proposed Budget 2023/24 Corporate Budget and Reserves

	Net Budget 2022/23 £m	Budget Changes £m	Net Budget 2023/24 £m
Flood Defence Levies	0.309	0.006	0.315
Pension Enhancements (Centralised)	2.050	-	2.050
Trading Organisations	1.300	-	1.300
Contingency - General	7.039	(2.039)	5.000
Contingency - Pay	10.226	0.628	10.854
Capital Charges (Depreciation)	(45.360)	(4.008)	(49.368)
Interest & Borrowing	21.223	(1.000)	20.223
Minimum Revenue Provision (MRP)	12.682	(0.173)	12.509
New Homes Bonus Grant	(1.637)	0.543	(1.094)
Social Care Grant	(33.461)	(21.948)	(55.409)
Council Services Grant	(7.507)	3.277	(4.230)
Subtotal Corporate Budgets	(33.136)	(24.714)	(57.850)
Net Transfer (From)/To Other Earmarked Reserves	(3.763)	(0.127)	(3.890)
Transfer (From)/To General Fund Balances	-	-	-
Subtotal Use of Reserves	(3.763)	(0.127)	(3.890)

Tax Base

63. 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.
64. The District and Borough Councils will provide tax base information by 15 January 2023. The MTFS will be updated to reflect the reported figures ahead of the Annual Budget Report to Full Council on 9 February 2023. A forecast growth assumption of 1.20% per annum has been factored into the MTFS and is broadly consistent with the latest indicative information received.

Council Tax Surplus/Deficit

65. 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 COVID19 pandemic, deficits estimated by billing authorities in 2020/21 were allowed by Government legislation to be spread over the three years 2021-22 to 2023-24. The figures confirmed from the District and Borough Councils will be reported to Full Council on 9 February 2023 as part of Annual Budget Report 2023/24.

Business Rates Surplus / Deficit

66. 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. Any 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 are expected to

be met by compensation grants from Government or amounts set aside in earmarked reserves.

Government Grants

67. As announced in the 2023/24 Provisional Local Government Finance Settlement the following government grants will be received in 2023/24:-

- £55.4m - Social Care Grant (including rolled-in £2.6m Independent Living Funding)
- £4.2m – Services Grant
- £8.1m – Revenue Support Grant
- £30.9m - Improved Better Care Fund
- £8.3m - Market Sustainability and Fair Cost of Funding Grant
- £4.3m – Discharge Funding

68. Also, for Nottinghamshire, the 2023/24 New Homes Bonus funding has been confirmed at £1.1m.

69. All of the above government grants have been reflected in the MTFS for 2023/24. In addition, it is assumed that the Social Care Grant, the Services Grant and the Revenue Support Grant all remain at 2023/24 levels across the whole of the MTFS with the New Homes Bonus Funding dropping out from 2024/25 onwards.

Transformation

70. The Annual Delivery Plan 2022/23 that was reported to Cabinet in May 2022 set out that the Council will be working collaboratively both across the Council and with partners to develop and deliver our cross-cutting transformation programmes. This will help us to test new and improved ways of working, service delivery and systems. It will also create the conditions to enable us to deliver co-ordinated and integrated transformation that makes a difference for the County's communities and residents. It is these cross-cutting transformation programmes that will help towards the Council delivering a balanced budget across the MTFS.

71. It has been agreed that the cross-cutting transformation programmes will be delivered across four themes as follows:-

- **Early Help and Preventative Interventions Programme** – designed to develop the early help and support that County residents can access, working with partners and our communities to build resilience and maximise independence for families, older people and to support our communities as they recover from the COVID19 pandemic.
- **Improving Residents Access Programme** – will be improve how residents can access information, advice and guidance from the Council across the range of services that it delivers.
- **Whole Family Safeguarding Programme** – will ensure that children in need of help and protection and their families benefit from high quality care and support.

This programme will deliver better outcomes for young people, helping them to live safely at home and in their communities.

- **All-Age Approach to Disability Programme** – will help to improve and develop how we support young people with disabilities to prepare them for adulthood ensuring that the care and support they receive as a young adult is tailored to meet their individual needs and help them to realise their ambitions in life.

Council Tax and Adult Social Care Precept 2023/24

72. The 2023/24 Autumn Statement announced by the Government in November 2022 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2023/24 referendum threshold has been increased to 3.00%.
73. Also in the announcement, it was confirmed that there will be further flexibility to levy an Adult Social Care Precept of 2.00% in 2023/24.
74. 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 overall Council Tax by 3.00% plus an ASC Precept of 2.00%
75. In determining the local government settlement, the Government has assumed that the Council would take the maximum Adult Social Care Precept and increase the Council Tax to the maximum level in 2023/24. The Council, however, has carefully considered balancing the requirements to deliver services and the increased cost of those services to meet the needs of the most vulnerable residents against important affordability issues and the increasing cost of living challenges that residents face. It is proposed therefore that, rather than raising local taxation to the maximum level in 2023/24, Council Tax is increased by 2.84% and the Adult Social Care Precept is implemented at 2.00%. Future Council Tax increases of 1.99% per annum have also been factored into the MTFS together with an annual 1% Adult Social Care Precept increase in 2024/25.
76. 59% 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 £1.10 per week. The average increase for all households across the county will be £1.30. These increases are reduced down to £0.88 per week and £1.03 per week respectively once the average level of discounts are applied.

Requirement to Raise Local Tax

77. 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 4 – Local Tax Requirement Calculation

2023/24	Amount £m	% Funding
Initial Budget Requirement	591.303	100.0
Less National Non-Domestic Rates	(128.016)	21.6
Less Revenue Support Grant	(8.098)	1.4
Net Budget Requirement	455.189	
Less Estimated Collection Fund Surplus	(1.824)	0.3
Council Tax Requirement	453.365	76.7

Adult Social Care Precept Recommendation

78. It is recommended that County Council approves the implementation of a 2.00% Adult Social Care Precept for 2023/24 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 5.

**Table 5 – Impact of 2.00% Adult Social Care Precept on Local Tax Levels
(County Council Element) 2023/24**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2022/23 £	County Council 2023/24 £	Change £
A	Up to £40,000	146,861	38.8%	6/9	131.38	153.30	21.92
B	£40,001 to £52,000	77,977	20.6%	7/9	153.28	178.85	25.57
C	£52,001 to £68,000	64,812	17.1%	8/9	175.17	204.40	29.23
D	£68,001 to £88,000	44,235	11.7%	1	197.07	229.95	32.88
E	£88,001 to £120,000	25,255	6.7%	11/9	240.86	281.05	40.19
F	£120,001 to £160,000	12,140	3.2%	13/9	284.66	332.15	47.49
G	£160,001 to £320,000	6,557	1.7%	15/9	328.45	383.25	54.80
H	Over £320,000	492	0.1%	18/9	394.14	459.90	65.76

Local Tax Recommendation

79. It is recommended that County Council approves an increase of 2.84% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 6 below.

**Table 6 – Impact of 2.84% Increase on Local Tax Levels
(County Council Element) 2023/24**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2022/23 £	County Council 2023/24 £	Change £
A	Up to £40,000	146,861	38.8%	6/9	964.68	995.81	31.13
B	£40,001 to £52,000	77,977	20.6%	7/9	1,125.46	1,161.77	36.31
C	£52,001 to £68,000	64,812	17.1%	8/9	1,286.24	1,327.74	41.50
D	£68,001 to £88,000	44,235	11.7%	1	1,447.02	1,493.71	46.69
E	£88,001 to £120,000	25,255	6.7%	11/9	1,768.58	1,825.65	57.07
F	£120,001 to £160,000	12,140	3.2%	13/9	2,090.14	2,157.58	67.44
G	£160,001 to £320,000	6,557	1.7%	15/9	2,411.70	2,489.52	77.82
H	Over £320,000	492	0.1%	18/9	2,894.04	2,987.42	93.38

80. The total impact of implementing a 2.00% Adult Social Care Precept and a 2.84% increase in local tax levels is shown in Table 7:

**Table 7 – Recommended levels of Council Tax and Adult Social Care Precept
2023/24**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2022/23 £	County Council 2023/24 £	Change £
A	Up to £40,000	146,861	38.8%	6/9	1,096.06	1,149.11	53.05
B	£40,001 to £52,000	77,977	20.6%	7/9	1,278.74	1,340.62	61.88
C	£52,001 to £68,000	64,812	17.1%	8/9	1,461.41	1,532.14	70.73
D	£68,001 to £88,000	44,235	11.7%	1	1,644.09	1,723.66	79.57
E	£88,001 to £120,000	25,255	6.7%	11/9	2,009.44	2,106.70	97.26
F	£120,001 to £160,000	12,140	3.2%	13/9	2,374.80	2,489.73	114.93
G	£160,001 to £320,000	6,557	1.7%	15/9	2,740.15	2,872.77	132.62
H	Over £320,000	492	0.1%	18/9	3,288.18	3,447.32	159.14

81. The actual amounts payable by householders will also depend on:

- The District or Borough'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

82. 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 Council Tax base for each District.
83. 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 Council Precept Dates – 2023/24

2023	2024
19 April 25 May 3 July 4 August 11 September 17 October 21 November	3 January 5 February 11 March

84. 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 2022/23 will be paid or refunded on the same dates.

Medium Term Financial Strategy (MTFS)

85. The Budget report to the February Council in 2022 forecast a budget gap of £29.1m for the three years to 2025/26. As part of the budget setting process the MTFS has been rolled forward a year to reflect the four-year term to 2026/27 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.
86. It should be noted that the 2023/24 Local Government Finance Settlement is a one-year settlement only. As such, a considerable uncertainty beyond 2023/24 will remain until future funding announcements are made. The MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.
87. Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2022.
88. In summary, from 2024/25 onwards, the Council is currently projecting a budget shortfall of £31.7m 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 2023/24 – 2026/27

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Year on Year Savings requirement (February 2022 Report)	8.2	6.2	14.7	-	29.1
Additional Pressures / Inflation	13.7	3.3	(8.0)	19.6	28.6
Increase in Contingency for Pressures/Inflation Risk	1.0	-	-	-	1.0
Change in Pay / Pension Related Inflation	5.2	5.5	0.4	4.4	15.5
Proposed Efficiencies	(5.9)	(1.3)	(2.0)	-	(9.2)
Amendments to Portfolio base budgets	14.2	0.5	0.1	0.1	14.9
Change in Grant Funding	(24.6)	10.3	-	(2.4)	(16.7)
Increase in Council Tax	(8.0)	(0.3)	(0.3)	(9.9)	(18.5)
Change in Council Tax Base assumptions (TBC)	-	-	-	(5.7)	(5.7)
Change in Council Tax Surplus (TBC)	(3.0)	3.0	-	-	-
Change in Business Rates Assumptions	(5.0)	-	2.3	2.4	(0.3)
Variation in use of Reserves	6.0	(27.7)	11.2	5.5	(5.0)
Other Corporate Adjustments	(1.8)	0.5	0.1	(0.8)	(2.0)
Revised Gap	-	-	18.5	13.2	31.7

89. The Council's year by year MTFs for the four years to 2026/27 is shown in Table 10 below. It shows that whilst the Council can deliver a balanced budget in both 2023/24 and 2024/25, based on current assumptions, further significant savings will need to be identified in each of the following years to 2026/27.

Table 10 – Medium Term Financial Strategy 2023/24 – 2026/27

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Net Budget Requirement	591.3	610.9	644.6	655.0
Financed by :				
Business Rates	128.1	130.3	130.3	130.3
Revenue Support Grant	8.1	8.1	8.1	8.1
Council Tax	395.3	409.9	425.1	440.8
Adult Social Care Precept	58.0	62.6	62.6	62.6
Collection Fund Surplus / (Deficit)	1.8	-	-	-
Total Funding	591.3	610.9	626.1	641.8
Funding Shortfall	-	-	18.5	13.2
Cumulative Funding Shortfall	-	-	18.5	31.7

Financial Risks, Balances and Contingency

90. 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 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.

91. The main financial risks associated with the initial budget proposals are as follows:
 - The estimated future increases in Central Government grants set out in the MTFS may not be in line with future announcements
 - 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 and agreement of the pay award.
 - The 2023/24 Settlement reflects a one-year settlement only. As such, considerable uncertainty beyond 2023/24 will remain until further funding announcements are made
 - The outcome of the Fair Funding Review has been delayed further.
92. 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 is set out in Appendix C.
93. A summary of other significant challenges that are not yet fully reflected in the MTFS are as follows:
94. **Social Care Reform** - A report to Cabinet in July 2022 set out the impact and risks associated with forthcoming Adult Social Care Reform programme. Adult Social Care Services are faced with implementing no less than eight pieces of reform legislation through 2022 and 2023. Key areas of reform will include changes to:-
 - Social Care Assurance and Integrated Care System Assurance
 - Fair Price for Care
 - Charging Reform
 - Liberty Protection Safeguards
 - Mental Health Act Reform
 - New Models of Care for Workforce
 - Social Care System Improvement
 - Integration measures and Establishment of Integrated Care Systems
 - Joining Up Care for People, Places and Populations
95. The department has identified five key themes which it is using as a framework to navigate this multi-faceted complex change and they are set out below:
 - Charging Reform – introduction of the cap on care costs
 - Fair Price for Care – changes to the rates local authorities pay to CQC registered providers

- People at the Heart of Care – introduction of a CQC Assurance Framework
- Integration White Paper – introduction of an Integrated Care Board and Integrated Care Partnership across the Integrated Care System footprint
- Build Back Better – workforce and service reform as set out in the White Paper.

96. A programme for responding to reform has been implemented and the following actions have been undertaken:

- Adult Social Reform is now a Corporate Transformation Programme
- Adult Social Care and Public Health has launched a Quality Assurance Framework
- The required reform and assurance resources have been identified and are partially funded by reform monies and departmental underspend
- The reform programme is in place
- Mental Health Act reform and Liberty Protection Safeguards are existing workstreams within the All-Age Approaches Programme given the implications of those pieces of legislative reform.

97. The potential costs of Adult Social Care Reform were set out in the July 2022 report to Cabinet. The department awaits further allocation of government funding around workforce, social care assurance and other aspects of Social Care Reform therefore the full financial implications cannot be detailed at this stage.

98. **Future Years Pay Awards** – The revised MTFS includes a 5.5% pay award in 2023/24, 4.5% in 2024/25 and 2.0% thereafter. Any increases in subsequent years over and above this assumption will further add to the funding gap. In simple terms, each extra 1% would add approximately £2.0m to the Council's budget requirement.

99. **Ongoing future year impact of inflation / pressures** – Inflationary pressures for 2023/24 are £19.3m higher than the figure assumed in the MTFS approved in February 2022. If a similar scenario plays out in future years then there could be significant increases to the Council's funding gap.

100. **Retention of Children's Social Workers and the Social Care Market** – Social Care market issues are of national concern and most local authorities are experiencing difficulties with ensuring a stable care and support market. There are issues around market resilience, provider business models, workforce and rates of contractual which may result in pressures over and above what are in the MTFS.

101. The current and future forecast level of reserve balances are shown in Appendix C. 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.

Capital Programme and Financing

102. 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.

103. The Council’s Capital Programme has been reviewed as part of the 2023/24 budget setting process and a strategy to limit borrowing to that which was already approved by Full Council in February 2022. This will ensure that the cost of financing the capital programme is managed within existing limits and thereby restricting the impact on the on-going revenue budget.
104. As reported in the Period 8 Financial Monitoring Report to this meeting, 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 through the regular monthly monitoring report to the Cabinet member for Finance and Cabinet.

Major Capital Programme Successes

105. **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 £139m 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 further £17.8m of the Council’s own funding will be invested in this programme over the medium-term.
106. **Gedling Access Road** – This major transport scheme has enabled the realisation of a key strategic development site in Gedling. It has also fulfilled the long term ambition to provide a bypass around Gedling Village. The project has been delivered by key public sector partners working jointly towards achieving common objectives for the future development of the former Gedling Colliery site.
107. **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 have been built in Bestwood Hawthorne Primary, Orchard Special School, Hucknall Flying High Academy and Rosecliffe Spencer Academy with new schools at East Leake and Bingham in progress. In addition, a major expansion programme is delivering additional spaces in Academies in particular Carlton Le Willows Academy and the Rushcliffe Spencer Academy.
108. **Investing in Nottinghamshire** – As set out in a report to Economic Development and Asset Management Committee in November 2021, 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 a programme of projects that will improve, refurbish or build new offices across multiple sites of the Council’s estate which allow the vacation and rationalisation of other buildings. The use of our offices is also a matter of

interest for the Overview Committee which is undertaking a Scrutiny Review of Council buildings to inform future use.

109. During the course of 2022/23, variations to the capital programme have been approved by Cabinet, the Cabinet Member for Finance and 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 110 to 121. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Children and Young People (CYP)

110. **School Building Improvement Programme** – The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2023/24 onwards. The 2022/23 allocation was confirmed at £9.6m and it is proposed that an estimated SCM grant allocation of £4.5m is reflected in the capital programme from 2023/24 until 2026/27. It is also proposed that this grant is top sliced by £0.3m from 2023/24 to 2026/27 to provide funding to further the School Access Initiative (SAI) programme.

It is proposed that the Children and Young People portfolio capital programme is varied to reflect an estimate SCM Grant of £4.5m from 2023/24 to 2026/27. It is also proposed that the SCM budget is top sliced by £0.3m in 2023/24 to 2026/27 to further the SAI programme.

111. **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. The Council has received a 2023/24 Basic Need grant of £38.4m with a further allocation of £5.7m confirmed for 2024/25. It is proposed that estimated further School Places Grant of £2.0m per annum are included in 2025/26 to 2026/27 of the Children and Young People's capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect an estimated School Places Grant of £2.0m per annum to 2026/27.

112. **Rushcliffe School Expansion Project** – A project to deliver a major school expansion project at the Rushcliffe Spencer Academy was approved by the Cabinet Member for Economic Development and Asset Management in December 2022. Forecast project costs of £29.8m will be incurred from 2022/23 onwards, funded from Section 106 contributions (£7.2m) and Basic Need Grant (£20.6m). Although these costs are approved within the Children and Young Peoples portfolio capital programme, it is proposed that the funding is identified separately and moved to its own budget line.

It is proposed that the Children and Young People portfolio capital programme is varied to reflect the £29.8m major school expansion project at Rushcliffe Spencer Academy on a separate budget line.

Transport & Environment

113. **Road Maintenance and Renewals Programme** – Department for Transport (DfT) Capital Block allocations for 2023/24 and future years have not yet been announced. It is expected however that future years allocations will be very much in line with the 2022/23 allocations

received. It is proposed therefore that an annual estimated grant figure of £18.6m is included in the capital programme from 2023/24 onwards to reflect the estimated block allocations from the DfT to fund the Roads Maintenance and Renewals programme. The capital programme will be reviewed once the actual grant allocations are announced. In addition, it is proposed that the Council provide a further £3.0m per annum from 2022/23 to 2025/26 and a further £1.5m per annum from 2023/24 to 2026/27 to further the Road Maintenance and Renewals programme, funded from reserves.

It is proposed that the Transport and Environment portfolio capital programme is varied to reflect estimated DfT annual grant allocations of £18.6m, an additional £3.0m per annum from 2022/23 to 2025/26 and £1.5m per annum from 2023/24 to 2026/27 to further the Roads Maintenance and Renewals capital programme.

114. **Integrated Transport Measures Programme** – Department for Transport (DfT) Capital Block allocations for 2023/24 and future years have not yet been announced. It is expected however that future year's allocations will be very much in line with the 2022/23 allocations received. It is proposed therefore that an annual estimated grant figure of £3.9m is included in the capital programme from 2023/24 onwards to reflect the estimated block allocations from the DfT to fund the Integrated Transport Measures programme. The capital programme will be reviewed once the actual grant allocations are announced.

It is proposed that the Transport and Environment portfolio capital programme is varied to reflect estimated DfT annual grant allocations of £3.9m to fund the Integrated Transport Measures capital programme.

115. **Bus Services Improvement Plan** – The National Bus Strategy sets out an ambitious vision to dramatically improve bus services in England through greater local leadership. As part of this strategy, Nottinghamshire has been awarded £12.9m of Bus Services Improvement Plan funding from the Government. This funding has been allocated to reflect the Council's prioritised interventions and proposals as set out in the approved Enhanced Partnership Plans and Schemes that were approved by the Cabinet Member for Transport and Environment in September 2022.

It is proposed that the Transport and Environment portfolio capital programme is increased by £12.9m to reflect the Bus Services Improvement Plan capital grant funding received from Central Government.

116. **Externally Funded Bus Improvement Programme** – The Council has been successful in securing a number of external funding opportunities to improve bus services across the county. A number of these funding sources, totalling £0.3m, are already included within the approved Transport and Highways portfolio capital programme across a number of budget lines. It is proposed that these funding streams are merged to form the externally funded bus improvement programme. In addition, a further £0.3m of external funding, mainly Section 106 and Section 278 contributions, has been secured. It is proposed that the Transport and Environment portfolio capital programme is varied to establish a £0.6m externally funded bus improvement programme.

It is proposed that the Transport and Environment portfolio capital programme is varied to establish a £0.6m Externally Funded Bus Improvement Programme.

117. **Southern Relief Link Road, Newark** – A new four-mile long road linking the A46 near Farndon with the A1 in Fernwood will help to ease congestion in the area and unlock the area's economic potential. It is proposed that the Council makes a £3.0m contribution to this project, funded from capital receipts.

It is proposed that the Transport and Environment portfolio capital programme is varied by £3.0m to reflect the Council's contribution to Southern Relief Link Road in Newark, funded from capital receipts.

118. The Transport and Environment portfolio 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 £2.7m.
- **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 £4.0m.
- **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 contribution from the Council's Flood Alleviation and Drainage programme, is funding two schemes that are scheduled for completion by Spring 2023 and will benefit approximately 200 properties and businesses. Due to a number of factors including additional works identified during the planning process, material prices increases and increased contractor costs the total cost of the project has increased by £0.4m. It is proposed that these costs are funded from the Flood Alleviation and Drainage capital budget

It is proposed that the Transport and Environment portfolio capital programme is varied by £0.4m to reflect the increased cost of the Southwell Flood Mitigation projects, funded from the Flood Alleviation and Drainage programme.

- In addition, the Council has used its own resources to lever in external funding which has enabled the delivery of further flood risk management projects.

Finance

119. **Microsoft Enterprise Agreement (MEA)** - The MEA provides an overarching provision to enable the majority of the Council ICT platforms and systems to function in an effective and efficient manner. The Council has successfully implemented large-scale remote working requiring central infrastructure changes and new features available within the Microsoft packages which will enhance business benefits. It is proposed that the Finance portfolio capital programme is varied by £1.7m per annum, in addition to the current approved £1m per annum allocation, to fund the enhanced MEA provision.

It is proposed that the Finance portfolio capital programme is increased by £1.7m per annum to reflect the enhanced MEA provision required, funded from borrowing.

Capital Programme Contingency

120. 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.
121. 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:-

2023/24	£3.0m
2024/25	£3.0m
2025/26	£3.0m
2026/27	£3.0m

Revised Capital Programme

122. 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 2026/27 set out in Table 11. A more detailed breakdown across Portfolios will be reported to the Cabinet Member for Finance once Full Council has approved the Annual Budget Report 2023/24 on 9 February 2023.

Table 11 – Summary Capital Programme

	Revised 2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL
	£m	£m	£m	£m	£m	£m
Portfolio:						
Children & Young People*	35.009	65.047	54.092	8.500	6.500	169.148
Adult Social Care & Public Health	0.862	0.000	0.000	0.000	0.000	0.862
Transport & Environment	46.141	58.706	39.930	31.797	28.664	205.238
Communities	2.110	1.665	0.500	0.500	0.500	5.275
Economic Devt & Asset Mngt	10.471	15.141	11.229	2.400	2.400	41.641
Finance	7.830	12.658	6.438	4.210	4.210	35.346
Personnel	0.106	0.000	0.000	0.000	0.000	0.106
Contingency	0.000	3.000	3.000	3.000	3.000	12.000
Capital Expenditure	102.529	156.217	115.189	50.407	45.274	469.616
Financed By:						
Borrowing	28.556	39.011	52.566	14.194	13.760	148.087
Capital Grants	67.555	108.098	55.535	31.077	29.077	291.342
Revenue / Reserves	6.418	9.108	7.088	5.136	2.437	30.187
Total Funding	102.529	156.217	115.189	50.407	45.274	469.616

* These figures exclude Devolved Formula Capital allocations to schools.

Capital Receipts

123. 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 2023/24 to 2026/27. 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

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
Forecast Capital Receipts	7.2	20.9	40.8	24.2	19.2	112.2

124. As already outlined in this report, a decision was taken as part of the recent capital programme review to limit borrowing to what is already approved in the capital programme. To further minimise the impact of the cost of borrowing on the revenue budget it is proposed that capital receipts, to the value approved as part of the February 2021 budget report, are set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts. This will enable excess capital receipts to be potentially used to fund future additional capital investment.
125. 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 E.
126. 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 2023/24. The Strategy is incorporated into the Capital Strategy in Appendix E and the Policy is in Appendix F.
127. 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.
128. 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 2023/24.

Timetable for Decisions (including Overview Committee)

129. On 17 November a Budget Update report was presented to Cabinet which highlighted the Council's current and medium-term position as well as setting out the approach to undertaking the budget consultation and tackling the predicted budget deficit. That report was considered by Overview Committee on 1 December 2022.
130. The Overview Committee considered this report on 24 January. Specific comments will be fed back at this Cabinet meeting for further consideration.

131. The County Council meets on 9 February 2023 to consider the Annual Budget Report 2023/24 including the revenue budget and capital programme . This will enable the 2023/24 budget to be set and approved before the statutory deadline of the end of February 2023.

Equalities Impact Assessment

132. When setting the budget, the Council must be mindful of the potential impact on service users. The consultation activities which have taken place in the preparation of the 2023-24 budget are relevant in this respect.
133. The Equality Act 2010 imposes an obligation on Members to have due regard to protecting and promoting the welfare and interests of persons who share a relevant protected characteristic (age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation).
134. Any resulting savings may result in reductions or changes to frontline services, which directly affect the people of Nottinghamshire. Many of the Council's services are targeted at particular groups including older people, people with disabilities, children and younger people and families. These services command the largest parts of the Council's budget.
135. The information in this report ensures that Members are able to pay due regard to the equality implications of the proposed budget for 2023/24 and the full EQIA is available as a background paper.

Other Options Considered

136. The Council has a statutory requirement to set a balanced budget and to set a Council Tax precept for the 2023/24 financial year. This report meets those requirements.

Reasons for Recommendation

137. To enable the County Council to meet its statutory requirements with respect to setting a budget and Council Tax precept for 2023/24, to allow efficient financial administration during 2023/24 and to provide a basis for the planning of services across the medium-term.

Statutory and Policy Implications

138. 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 the report is noted and the following be recommended to Full Council:-

- a) The Annual Revenue Budget for Nottinghamshire County Council is set at £591.303 million for 2023/24. Para. 60
- b) The principles underlying the Medium-Term Financial Strategy are approved. Table 9
- c) The Cabinet be authorised to make allocations from the General Contingency for 2023/24. Para. 62
- d) That the 2.00% Adult Social Care Precept is levied in 2023/24 to part fund increasing adult social care costs. Para. 78
- e) The County Council element of the Council Tax is increased by 2.84% in 2023/24. That the overall Band D tax rate is set at £1,723.66 with the various other bands of property as set out in the report. Para. 79/80
- f) The County Precept for 2023/24 shall be collected from the District and Borough councils on the dates set out in Table 8. Table 8
- g) The Capital Programme for 2023/24 to 2026/27 be approved at the total amounts below and be financed as set out in the report: Table 11

Year	Capital Programme
2023/24	£156.217m
2024/25	£115.189m
2025/26	£50.407m
2026/27	£45.274m

- h) The variations to the Capital Programme be approved. Para. 110-121
- i) The Minimum Revenue Provision policy for 2023/24 be approved. Appx. D
- j) The Capital Strategy including the 2023/24 Prudential Indicators and Treasury Management Strategy be approved. Appx. E
- k) The Service Director – Finance, Infrastructure and Improvement be authorised to raise loans in 2023/24 within the limits of total external borrowings. Para. 128
- l) The Treasury Management Policy for 2023/24 be approved. Appx. F
- m) The Council delegates responsibility for the setting of Treasury Management Policies and Practices relating to Pension Fund cash to the Pension Fund Committee. Para 127

**COUNCILLOR RICHARD JACKSON
CABINET MEMBER FOR FINANCE**

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

Constitutional Comments (GR 11/01/2023)

Pursuant to the Nottinghamshire County Constitution the Cabinet has the authority to receive this report and to consider the recommendation contained within it.

Human Resources Comments (HG 12/01/2023)

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

Financial Comments (NS 10/01/2023)

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.

Equality Impact Assessment

Electoral Division(s) and Member(s) Affected

All