

10 February 2020

Agenda Item: 4

**REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT**

REVENUE BUDGET PROPOSALS 2020/21

CAPITAL PROGRAMME PROPOSALS 2020/21 to 2023/24

MEDIUM TERM FINANCIAL STRATEGY 2020/21 to 2023/24

COUNCIL TAX PROPOSALS 2020/21

Purpose of the Report

1. To consider the contents of the budget report that will be taken to Full Council on 27 February 2020 with specific reference to:
 - the Annual Revenue Budget for 2020/21
 - the Capital Programme for 2020/21 to 2023/24
 - the Medium Term Financial Strategy for 2020/21 to 2023/24
 - the level of the Council Tax Precept for 2020/21

Background

2. The Council continues to operate in a challenging financial landscape with funding to local authorities expected to undergo fundamental structural changes over the next few years. When the Council approved the Budget for 2019/20 last February it was assumed that the main Government Grant, the Revenue Support Grant, will have disappeared and it was anticipated that the outcomes from the Fair Funding Review and the Business Rates Retention Review would have been implemented from 2020/21. This would have provided local authorities with much needed certainty and stability regarding their longer-term funding. However, following the Chancellor of the Exchequer's one-year funding announcement, as set out in the Spending Review 2019, these longer-term reforms have been delayed until 2021/22.
3. At the same time as the transition to a more self-sufficient funding position has been delayed, many 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. Demand for Children's Social Care continues to rise nationally with demand for Looked After Children (LAC) increasing by 4% for the year ending 31 March 2019 to 78,150 (year ending 31 March 2018 – increased 4% to 75,420) (Source – Department for Education - (DfE) Children looked after in England). Nottinghamshire has directly seen increases in demand for Children's Social Care and LAC however these

continue to be below national comparators. The current pressures on the budget are consistent with pressures experienced at 152 upper-tier authorities where 91% have recorded overspends.

4. These demand issues alongside the postponement to a new business rates retention scheme, the delayed 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 negotiations make the current financial position particularly challenging for local authorities.
5. Despite the challenging financial position that the Council has experienced over recent years and the on-going financial challenges, it continues to perform well in many areas including the following examples:-
 - Good OFSTED inspection of Children's Services
 - Maintaining vital Social Care services.
 - Continued development and improvement to Local Bus Services.
 - Full Library provision maintained with significant investment in buildings, fleet and IT.
 - The Children's Centre provision continues to provide key services to vulnerable children and families.

Further evidence of major Council successes associated with the capital programme are set out from paragraph 57.

6. The Budget Report submitted to Full Council on 28 February 2019 set out the financial landscape within which the Council is operating and noted the anticipated budget shortfall of £34.2m over the three years to 2022/23.
7. The Period 9 Budget Monitoring Report that is also reported to this Committee meeting showed a minor net underspend position. This budget position was made up of a £9.6m overspend in Children and Young People's Committee (mainly as a result of the increased number of external placements for Looked After Children) and an overspend of £2.5m in the Communities and Place Committee (mainly as a result of the number of pupils that require SEND Home to School transport). These overspends were offset by underspends across other Committees and within Central Items. These variances have been taken account of in the construction of this budget report.
8. 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 Medium Term Financial Strategy. The Council has also received provisional information on the level of funding it can expect in 2020/21. This report outlines the recommendations that will be submitted for approval to the Annual Budget Meeting on 27 February 2020.

Managing the Future – A Strategic Response

9. The County Council's strategic plan for 2017 - 2021, Your Nottinghamshire, Your Future, is a four-year plan, reviewed annually, that sets out the strategic ambition for the future of Nottinghamshire and the Council. In addition, four detailed departmental strategies have

been developed to ensure that each Department is designed to offer the best possible services whilst making best use of the Council's resources.

10. 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 - this is impressive.
11. As reported to Policy Committee in October 2019, given the context of ongoing financial pressures, increased and complex demand and changing resident expectations, a new model for transformation is proposed to support the organisation to move forward and build on our strong foundations. The following three tier approach is proposed to reposition the Council and help achieve future transformation objectives :-
 - Tier 1 – Strategic Review of Outcomes (Achieve)
 - Tier 2 – Targeted Cross Cutting Transformation Reviews (Transform)
 - Tier 3 – Ongoing efficiency as part of continuous improvement (Save)
12. This new approach to transformation will lay the foundations for a review of the Council Plan in 2021. A key part of this work is in cementing the County's position as a leading authority recognised by Government, partners and communities for providing excellent services, future proofed for a changing world.
13. This budget report sets out the financial framework around which the County Council will achieve its strategic vision statements and meet the success factors that underpin the County Council's Strategic Plan.

Environmental Strategy

14. The Council continues to take its environmental responsibilities seriously. As such, at Policy Committee in September 2019, the scope and approach to developing an all-encompassing environmental strategy and associated environmental policy was approved. To emphasise the Council's commitment to the environment, the policy and strategy will:-
 - Demonstrate the Council's commitment to managing the effects of its operations on the environment.
 - Provide a strategic framework that will bring corporate coherence to the Council's existing environmental improvement activities and offer a chance to showcase good practice.
 - Strengthen procurement requirements for suppliers of goods and services to demonstrate management and improvement of their own environmental impacts.
 - Contribute to furthering the efficient use of resources thereby helping to make the best use of the Council's finances.

- Contribute to reducing the likelihood of breaching environmental regulations and suffering financial penalties and reputational damage.
- Improve integration between policy objectives and decisions in all aspects of County Council business to maximise environmental benefits.

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 initiatives are set out in paragraph 69 below.

Spending Round 2019 and Local Government Settlement 2020/21

15. On 4 October 2019, the Chancellor of the Exchequer delivered the Spending Round 2019. The key announcements that will affect the Council are as follows:-
 - Temporary grants (£1.8bn improved Better Care Fund and £650m Social Care / Winter Pressures) have been baselined into Government funding.
 - £1bn additional Social Care funding.
 - 4% Council Tax threshold (including 2% Adult Social Care Precept).
 - Additional £700m SEND funding.
 - Public Health Grant will increase in real terms.
 - Core funding will increase by 2.7%
 - Business Rates baseline will increase in line with inflation.
 - A £241m Stronger Town Fund to support the regeneration of high streets / town centres.
16. A technical consultation which sought views on proposals for the 2020/21 Local Government Finance Settlement concluded on 31 October 2019.
17. On 20 December 2019, the provisional Local Government Finance Settlement 2020/21 was announced by the Secretary of State for Housing, Communities and Local Government, Rt Hon Robert Jenrick MP. The 2019/20 Settlement reflected the final year of the previous four year Comprehensive Spending Review. The 2020/21 Settlement is a one year settlement and, as such, considerable uncertainty beyond 2020/21 will remain until future announcements are made.
18. In acknowledgement of the growing pressures from demand led services such as adult and children's social care, pay award and National Living Wages commitments a number of temporary funding measures have been made available in 2020/21. The main announcements were as follows:-
 - A confirmed council tax referendum principle of up to 2% for 2020/21. The council tax referendum principle will continue to be reviewed in line with inflation.
 - Confirmation of the continuation of the Adult Social Care Precept including the ability to raise the precept by up to 2% in 2020/21.
 - Provisional Core Spending Power announcements were made which set out the:-
 - Settlement Funding Assessment (RSG and Baseline funding)

- S31 compensation grant for change in the Business Rates multiplier
 - Council Tax estimates based on the maximum council tax precept
 - Improved Better Care Fund (including unringfenced Winter pressures)
 - Social Care Support Grant (including £1bn new funding)
 - New Homes Bonus
- Pothole funding is expected to be announced as part of the upcoming Budget on 11 March 2020.
 - New Homes Bonus allocations continuing for 2020/21 but no announcements for future years.
 - The outcome of the Fair Funding Review and the move to increased business rates retention will be delayed by one year until 2021/22 when there will also be a reset of business rates.

Nottinghamshire Residents' Survey

19. As in previous years the 2019 Nottinghamshire Annual Residents' Satisfaction Survey was carried out using face to face interviews with residents who are representative of the Nottinghamshire population.
20. In addition to the questions around levels of satisfaction the 2019 survey included:
 - Questions to measure attitudes towards resident's local area.
 - Questions on areas of Council business and to what extent they should be prioritised in the future.
 - Questions to help with the direction of development of Council services.
21. The findings of the survey were reported to Policy Committee in February 2020.

Movements in the Medium Term Financial Strategy (MTFS)

22. The Budget report to the February Council in 2019 forecast a budget gap of £34.2m for the three years to 2022/23. As part of the budget setting process, the MTFS has been rolled forward a year to reflect the four year term to 2023/24 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.
23. The provisional local government settlement has provided allocation details for 2020/21 but there continues to be much uncertainty surrounding the future of local government funding particularly with regard to the Fair Funding Review and the revised Business Rates methodology. Other areas of uncertainty exist throughout the term of the MTFS such as the outcome of the Social Care Green Paper and the implications of Brexit. As such, the MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.

Revised Pressures and Running Cost Inflation

24. When the 2019/20 budget was approved in February 2019, specific pressures and non-pay inflationary pressures totalling £69.8m were identified for the period 2019/20 to 2022/23 of which £26.8m relates to 2019/20.
25. 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 2023/24 now total £100.1m. Table 1 below tracks the movement in pressures and inflation that has occurred since February 2019 with details of the revised figures in Appendix A.
26. Appendix A identifies that the Council's main pressures relate to Growth in External Placements for Looked After Children, increases to the National Living Wage and Special Educational Needs and Disabilities (SEND) Transport Growth.
27. In addition, a number of potential pressures have been identified that have a high degree of uncertainty with regard to the likelihood of the pressure materialising, the values involved and the likely profile. As such, a provision of £1.5m has been added to the contingency budget to fund these pressures should they arise.
28. In recent years, no uplift has been provided for inflation on non-pay items, except where a specific business need has been identified. It is proposed that this approach is continued for the duration of the MTFs.

Table 1 – Movement in Pressures and Inflation

Committee	2020/21 to 2022/23			Add year 2023/24	Current Total 2020/21 to 2023/24
	Original Demand Pressures	Original Inflation	Net Movement		
Children & Young People	2.7	2.8	20.3	4.5	30.3
Adult Social Care & Health	10.0	20.9	11.0	13.4	55.3
Community & Place	0.3	5.0	5.4	3.3	14.0
Policy	-	1.4	(1.0)	0.1	0.5
Total	13.0	30.1	35.7	21.3	100.1

Pay Award Inflation

29. Negotiations between the National Employers for Local Government and the various trade union bodies for the 2020/21 pay claim are in the very early stages. Based upon previous rises an estimate of 2% per annum has been assumed across the MTFs.

Savings / Efficiencies

30. The MTFs includes previously approved savings options totalling £6.5m from 2019/20. In addition to this, the Council has approved a number of efficiencies and base budget reviews through appropriate Committees.

MTFS Assumptions and Projections

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

Interest and Borrowing

32. 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.
33. 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 2020/21 budget for interest and debt repayments has been adjusted to meet expected costs in 2020/21. This budget will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

Contingency

34. 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.
35. As part of the budget construction process, the base level for the 2019/20 contingency budget has been set at £4.7m. However, as set out above, an additional contingency of £1.5m has been provided for further potential pressures, making a total contingency budget of £6.2m.

Tax Base

36. 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.
37. The District and Borough Councils have provided tax base estimates for 2020/21 which equate to growth of 1.17%. A forecast tax base growth assumption of 1.20% per annum has been factored into the MTFS, this is based on the latest trend of base growth.

Table 2 – Council Tax base 2020/21

	Taxbase 2019/20	Assumed growth of 1.2%	Band D Precept £1476.06	Confirmed % Change	Confirmed Taxbase 2020/21	Band D Precept £1476.06
Ashfield	33,542.50	33,945.01	£50,104,871	0.46%	33,695.30	£49,736,285
Bassetlaw	34,794.99	35,212.53	£51,975,807	1.66%	35,373.06	£52,212,759
Browtove	33,674.71	34,078.81	£50,302,368	1.08%	34,039.14	£50,243,813
Gedling	37,007.37	37,451.46	£55,280,602	1.03%	37,387.44	£55,186,105
Mansfield	29,219.90	29,570.54	£43,647,891	0.64%	29,407.70	£43,407,530
Newark	38,771.64	39,236.90	£57,916,019	1.18%	39,229.76	£57,905,480
Rushcliffe	43,178.50	43,696.64	£64,498,862	1.87%	43,987.70	£64,928,484
Total	250,189.61	253,191.89	£373,726,421	1.17%	253,120.10	£373,620,456
Additional / (Reduction) of funding in MTFs from confirmed figures						(£105,965)

Council Tax Surplus/Deficit

38. Each year an adjustment is made by the District and Borough Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against the future years' tax receipts. A weighted average was previously factored into the MTFs of £1,000,000 surplus. However, figures confirmed from the District and Borough Councils equate to a surplus of £558,507 for 2020/21, resulting in a shortfall of £441,493 for 2020/21. This reduction has been reflected in the MTFs. Given the last three years has produced a large deficit against the £1,000,000 estimated surplus, this assumption has been removed from the MTFs.

Government Grants

39. As announced in the 2020/21 provisional finance settlement the following government grants will be received in 2020/21:-
- £20.4m - Social Care Grant
 - £30.0m - Improved Better Care Fund (this now includes the £3.5m Winter Pressures funding and £5.0m of funding which was previously treated as temporary funding).
 - £7.1m – Revenue Support Grant
40. Also, for Nottinghamshire, the 2020/21 New Homes Bonus funding has been confirmed at £1.9m.
41. All of the above government grants have been reflected in the MTFs.

Funding Transformation

42. The Chancellor announced in the 2015 Autumn Statement changes to the rules for the use of capital receipts. From 1 April 2016, for a three year period, local authorities were able to

spend any revenues they generate from selling surplus assets to fund expenditure on projects that:-

- Generate on-going revenue savings in the delivery of public services,
- Transform service delivery to reduce costs,
- Transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

43. As part of the Provisional Local Government Finance Settlement announced in December 2017 this flexibility was extended for a further three years to 2021/22.
44. It is proposed that capital receipts to 2021/22 are, in the first instance, used to fund transformational costs associated with the Programmes and Projects Team and the implementation of the IT Cloud platform. Any excess capital receipts will be set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts.

Council Tax and Adult Social Care Precept 2020/21

45. The 2020/21 Provisional Local Government Settlement announced by the Government in December 2019 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2020/21 referendum threshold has been set in line with inflation, and so setting the core Council Tax referendum principle at 2%.
46. The Core Spending Power issued by the Government therefore affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their Council Tax by 2%.
47. Also in the announcement, it was confirmed that the Adult Social Care Precept will continue including the ability to raise the precept by 2% in 2020/21 only.
48. In determining the local government settlement the Government has assumed that the Council would take the maximum Adult Social Care Precept of 2% and increase the Council Tax to the maximum level in 2020/21. It is proposed, therefore, that the Council fixes any increase to local taxes to that expected by the Government. So, for 2020/21, it is proposed that Council Tax is increased by 1.99% and the Adult Social Care Precept is implemented at 2%. Future Council Tax increases of 1.99% per annum have also been factored into the MTFS.
49. 60% of properties in Nottinghamshire are in Band A and B. As a consequence, the majority of households across Nottinghamshire will see a Council Tax increase of less than £0.80 per week. The average increase for all households across the county will be £0.96.

**Table 3 – Impact of 2.00% Social Care Precept on Local Tax Levels
(County Council Element) 2020/21**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2019/20 £	County Council 2020/21 £	Change £
A	Up to £40,000	144,720	39.6%	6/9	69.85	89.53	19.68
B	£40,001 to £52,000	75,550	20.6%	7/9	81.49	104.45	22.96
C	£52,001 to £68,000	62,560	17.1%	8/9	93.13	119.37	26.24
D	£68,001 to £88,000	41,940	11.4%	1	104.77	134.29	29.52
E	£88,001 to £120,000	23,550	6.4%	11/9	128.05	164.13	36.08
F	£120,001 to £160,000	11,330	3.1%	13/9	151.33	193.97	42.64
G	£160,001 to £320,000	6,170	1.7%	15/9	174.62	223.82	49.20
H	Over £320,000	480	0.1%	18/9	209.54	268.58	59.04

**Table 4 – Impact of 1.99% Increase on Local Tax Levels
(County Council Element) 2020/21**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2019/20 £	County Council 2020/21 £	Change £
A	Up to £40,000	144,720	39.6%	6/9	914.19	933.77	19.58
B	£40,001 to £52,000	75,550	20.6%	7/9	1,066.56	1,089.40	22.84
C	£52,001 to £68,000	62,560	17.1%	8/9	1,218.92	1,245.03	26.11
D	£68,001 to £88,000	41,940	11.4%	1	1,371.29	1,400.66	29.37
E	£88,001 to £120,000	23,550	6.4%	11/9	1,676.02	1,711.92	35.90
F	£120,001 to £160,000	11,330	3.1%	13/9	1,980.76	2,023.18	42.42
G	£160,001 to £320,000	6,170	1.7%	15/9	2,285.48	2,334.43	48.95
H	Over £320,000	480	0.1%	18/9	2,742.58	2,801.32	58.74

Table 5 – Recommended levels of Council Tax and Social Care Precept 2020/21

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2018/19 £	County Council 2019/20 £	Change £
A	Up to £40,000	144,720	39.6%	6/9	984.04	1,023.30	39.26
B	£40,001 to £52,000	75,550	20.6%	7/9	1,148.05	1,193.85	45.80
C	£52,001 to £68,000	62,560	17.1%	8/9	1,312.05	1,364.40	52.35
D	£68,001 to £88,000	41,940	11.4%	1	1,476.06	1,534.95	58.89
E	£88,001 to £120,000	23,550	6.4%	11/9	1,804.07	1,876.05	71.98
F	£120,001 to £160,000	11,330	3.1%	13/9	2,132.09	2,217.15	85.06
G	£160,001 to £320,000	6,170	1.7%	15/9	2,460.10	2,558.25	98.15
H	Over £320,000	480	0.1%	18/9	2,952.12	3,069.90	117.78

50. The overall impact of all the changes since the February Full Council report are shown in Table 6:

Table 6 – Updated MTFS

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Year on Year Savings requirement (February Report)	19.9	10.4	3.9	-	34.2
Change in Pressures and Inflation	20.2	8.9	6.7	21.3	57.1
Increase Contingency for Pressures Risk	1.5	-	-	-	1.5
Change in Pay / Pension Related Inflation	(0.5)	(0.6)	(0.6)	3.6	1.9
Committee Approved Efficiencies	(2.1)	(1.1)	(0.3)	-	(3.5)
Changes to Base Budgets	(4.8)	(0.2)	-	0.1	(4.9)
Change in Government Grants	(40.5)	0.6	0.3	(1.8)	(41.4)
Use of / Contribution to Reserves	10.2	(17.9)	4.4	3.3	-
Increase in ASC Precept / Council Tax	(7.5)	-	-	(8.4)	(15.9)
Change in Council Tax Base assumptions	0.1	(0.2)	(0.2)	(4.9)	(5.2)
Change in Council Tax Surplus / Deficit	0.4	0.6	-	-	1.0
Other Corporate Adjustments	3.1	(0.5)	0.1	0.2	2.9
Revised Gap	0.0	0.0	14.3	13.4	27.7

Financial Risks, Balances and Contingency

51. 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.

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

- That, given the scale and extent of the savings proposals over many years and the degree of complexity and change, it is highly likely that there could be a degree of non-delivery and slippage of proposals.
- The cost pressures factored into the budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, particularly with regard to increased demand for Adults and Children’s Social Care Services, Transport Services, the impact of the National Living Wage, agreement of the pay award, the impact of the Green Paper on Adult Social Care and any extra burdens identified by Central Government.
- The 2020/21 Settlement reflects a one year settlement only. As such, the considerable uncertainty beyond 2020/21 will remain until the outcome of the Comprehensive Spending Review is known.
- The outcome of the Fair Funding Review and the move to a higher retention of business rates has been delayed by one year to 2021/22.
- The implications and uncertainty surrounding Brexit.

53. Adequate levels of balances and contingency need to be maintained in order to provide short-term flexibility to manage unforeseen events, and to allow for the necessary longer term changes to be implemented. Central Government continues to encourage local authorities to use reserves to support their transformation agenda. More detail regarding the need to hold balances will be reported to Full Council as part of the 2020/21 Budget Report.

54. The current level of balances is shown in Table 7. The General Fund Balance is a reserve which is not bound by any specific criteria. Earmarked reserves have to be applied to specific schemes, and a large proportion relates to the reserves that support the PFI schemes in waste and schools. Reserves are “one-off” funds so it is recommended that they are limited to supporting one-off expenditure rather than funding on-going costs.

Table 7 – Current Forecast Level of Reserves and Balances

	General Fund £m	Earmarked Reserves £m	Total £m
Balance as at 1 April 2019	24.1	117.0	141.1
Approved use in current year	(2.1)	(20.4)	(22.5)
Forecast Variance (Period 9)	-	1.2	1.2
Expected Balance 31 March 2020	22.0	97.8	119.8

Capital Programme and Financing

55. 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.
56. The Council’s capital programme has been reviewed as part of the 2020/21 budget setting process. As reported to Finance and Major Contracts Management Committee in January 2020, significant variations and slippage have been identified through the monthly capital monitoring process. Savings, variations and re-profiling with a total value of £36.6m have been identified in 2019/20. These savings, along with capital reserves and contingencies, will be used to fund new inclusions. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported to the Finance and Major Contracts Management Committee.

Major Capital Programme Successes

57. **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 by investing £20.0m of capital resources to further the Roads Maintenance and Renewals programmes. To March 2020, an additional 241 road maintenance projects have been delivered with a further 64 forecast to be delivered in 2020/21.
58. **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.
59. **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 being built in Bestwood (£6.3m), Newark (£11.6m), Hucknall (£4.2m) and West Bridgford (£8.6m).
60. **Better Broadband for Nottinghamshire** – The Council’s Better Broadband for Nottinghamshire programme has benefitted from Council support since its inception in May 2011. In the intervening eight years, Nottinghamshire has maintained its vanguard position as the leader for full fibre coverage in the Local Enterprise Partnership area. Significant investment has helped Nottinghamshire achieve 98.4% superfast coverage across the county. The Council continues to seek all additional funding opportunities to extend the reach of fibre broadband.

61. **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 a £4.5m contribution from the Council's capital resources, 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 will benefit from this funding as well as a further major project at Top Wighay Farm near Hucknall.

New and Emerging Capital Projects

62. A number of new and emerging capital projects are being developed but are not yet included in the capital programme as follows:-

- **Investing in Nottinghamshire** – As detailed above three Homes England funded projects are already approved into the capital programme to increase the supply of new homes in Nottinghamshire as part of the Investing in Nottinghamshire programme. In addition to these projects, a full review of county office accommodation has been undertaken the results of which were reported to Policy Committee in February 2020.
- **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 to identify a suitable site in the Hucknall and Ollerton areas 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.

63. During the course of 2019/20, some variations to the capital programme have been approved by Policy Committee, Finance and Major Contracts Management Committee and by the Section 151 Officer in accordance with the Council's Financial Regulations. Following a review of the capital programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the capital programme. These proposals are identified in paragraphs 64 to 72. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Children and Young People (CYP)

64. **School Building Improvement Programme** – The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2020/21 onwards. The 2019/20 allocation was confirmed at £4.5m and it is proposed that an estimated SCM grant allocation of £4.5m is reflected in the capital programme for 2020/21 and then reduced

down to £3.5m by 2023/24 to reflect further school conversions to academy. It is also proposed that the 2020/21 grant is top sliced by £0.3m 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 a confirmed SCM Grant of £4.5m for 2019/20 with an estimated grant of £4.5m in 2020/21 reducing down to £3.5m by 2022/23. It is also proposed that the SCM budget is top sliced by £0.3m in 2020/21 to further the SAI programme.

65. **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. The Authority has received a 2020/21 Basic Need grant of £8.6m. Further Basic Need grant announcements are expected in Spring 2020 but until then it is proposed that estimated further School Places Grant of £2.0m per annum are included in 2021/22 to 2023/24 of the Children and Young People’s capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect the estimated School Places Grant of £2.0m to 2023/24.

Communities and Place

66. **Additional Highways Investment** – In the Communities and Place Committee, the Council has identified investment in the highways infrastructure across the county as an important strategic priority. As part of the 2018/19 Budget Report to Full Council the Authority contributed £20.0m of funding to enhance the Road and Maintenance and Renewals programme. It is proposed that a further £5.0m is invested to further this Council priority.

It is proposed that the Communities and Place capital programme is varied to reflect the additional £5.0m contribution form the Council to further the Roads Maintenance and Renewals programme, funded from borrowing.

67. **Harworth Access Link** – This £2.6m externally funded project is not now expected to take place. Bassetlaw District Council are no longer planning on progressing this delivery and, as such, the funding for this project has never been passed on to Nottinghamshire County Council.

It is proposed that the Communities and Place capital programme is varied to remove the £2.6m externally funded Harworth Access Link project from the programme.

68. **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 of £0.6m per annum. Following the review, these contributions have been amended as follows:-

£000	£000	£000	£000
2020/21	2021/22	2022/23	2023/24
619	30	361	8

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.

69. **Green Initiatives** – As part of the Council’s commitment to the environment a number of green initiatives are already incorporated into the capital programme. The Communities and Place Committee oversees the progress of green capital initiatives which include the following:-

- **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 green initiatives is £3.2m.
- **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 £7.1m.
- **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. The proposed schemes are scheduled to be completed by Spring 2021 and will benefit approximately 240 properties and 60 businesses.

Policy

70. **Wide Area Network (WAN)** – It is proposed that the Policy Committee capital programme is varied to reflect the cost of installing the Council’s new WAN following the recent procurement exercise. The WAN will enable efficient connectivity between all corporate sites to the two main data centres and, in addition, to the internet and cloud-based services.

It is proposed that the Policy Committee capital programme is varied to reflect the £2.5m investment in the new Wide Area Network infrastructure, funded from borrowing.

Capital Programme Contingency

71. 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.

72. 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:-

2020/21	£2.2m
2021/22	£2.2m
2022/23	£2.2m
2023/24	£2.7m

Revised Capital Programme

73. 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 2023/24 are set out in Table 8.

Table 8 – Summary Capital Programme

	Revised 2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Committee:						
Children & Young People*	31.494	33.731	17.137	5.500	5.500	93.362
Adult Social Care & Public Health	3.328	0.409	0.000	0.000	0.000	3.737
Communities & Place	50.854	56.682	35.393	23.086	20.450	186.465
Policy	33.111	23.933	8.550	4.400	4.400	74.394
Finance & MCM	0.150	0.180	0.180	0.180	0.180	0.870
Personnel	0.128	0.249	0.000	0.000	0.000	0.377
Contingency	-	2.200	2.200	2.200	2.795	9.395
Capital Expenditure	119.065	117.384	63.460	35.366	33.325	368.600
Financed By:						
Borrowing	62.656	53.405	33.233	11.330	11.395	172.019
Capital Grants	53.995	62.192	29.697	23.175	21.422	190.481
Revenue / Reserves	2.414	1.787	0.530	0.861	0.508	6.100
Total Funding	119.065	117.384	63.460	35.366	33.325	368.600

* These figures exclude Devolved Formula Capital allocations to schools.

Capital Receipts

74. 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 2020/21 to 2023/24. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of capital receipts are shown in Table 9.

Table 9 – Forecast Capital Receipts

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Forecast Capital Receipts	3.8	6.9	13.4	11.6	3.8	39.5

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

Statutory and Policy Implications

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

RECOMMENDATION/S

- 1) That a report be prepared for County Council on 27 February 2020 based on the budget proposals as set out in this report, including the proposed Council Tax and Adult Social Care Precept increases as prescribed in the Central Government funding model.

NIGEL STEVENSON

SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

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

Constitutional Comments (KK 30/02/2020)

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

Financial Comments (NS 30/01/2020)

The financial implications are set out in the report.

Background Papers and Published Documents

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

Electoral Division(s) and Member(s) Affected

All