

27 February 2020

Agenda Item: 5

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

**ANNUAL BUDGET 2020/21**

**ADULT SOCIAL CARE PRECEPT 2020/21**

**COUNCIL TAX 2020/21**

**MEDIUM TERM FINANCIAL STRATEGY 2020/21 to 2023/24**

**CAPITAL PROGRAMME 2020/21 to 2023/24**

**CAPITAL STRATEGY 2020/21**

**Purpose of the Report**

- 1) This report is seeking approval for the following:
  - Annual budget for 2020/21.
  - Amount of Adult Social Care Precept to be levied for 2020/21 to part fund increasing adult social care costs.
  - Finance and Major Contracts Management Committee be authorised to make allocations from the General Contingency for 2020/21.
  - Amount of Council Tax to be levied for County Council purposes for 2020/21 and the arrangements for collecting this from district and borough councils.
  - Medium Term Financial Strategy for 2020/21 to 2023/24.
  - Capital Programme for 2020/21 to 2023/24.
  - Minimum Revenue Provision policy for 2020/21.
  - 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 2020/21.
  - The Capital Strategy including the 2020/21 Prudential Indicators and Treasury Management Strategy.
  - Treasury Management Policy for 2020/21
  - To delegate responsibility for the setting of Treasury Management Policies and Practices relating to Pension Fund cash to the Pension Fund Committee.

## Information

- 2) The Council continues to operate in 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 at least 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.
- 4) The County Council budget for 2020/21 has been prepared in the context of this on-going funding uncertainty from Government.
- 5) The 2019/20 Annual Budget Report that was submitted to Full Council in February 2019 set out a funding shortfall of £34.2m over the four years to 2022/23. The 2020/21 Budget Report that was submitted to Finance and Major Contracts Management Committee on 10 February 2020 set out the financial landscape within which the Council is operating and emphasised the uncertainty that a one-year settlement brings.
- 6) The Council has carried out a full review of the budget pressures and underlying assumptions within the Medium-Term Financial Strategy (MTFS). The Council has also received information on the level of funding it can expect in 2020/21. The report to Finance and Major Contracts Management Committee in February 2020 set out the forecast position and recommended that the level of Council Tax be increased by 1.99% and that an Adult Social Care Precept of 2.00% be implemented in 2020/21. This recommendation is incorporated within this report.
- 7) 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. Environmental factors have been taken into account when constructing this budget and a number of green initiatives are already approved with the Council's capital programme. Details of these are set out in paragraph 52 below.
- 8) This report also seeks approval for the statutory borrowing limits that the Council is required to set in addition to its Treasury Management Strategy and Policy for 2020/21.

## Nottinghamshire Residents Survey

- 9) 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. The findings of the survey were reported to Policy Committee in February 2020.

## Annual Budget 2020/21

- 10) The report to Finance and Major Contracts Committee on 10 February 2020 outlined the financial position in which the Council is operating, the associated budget shortfall and the Council's strategic response to meeting the budget challenge.
- 11) The final Local Government Settlement was announced on 6 February 2020. The final settlement remains unchanged from allocations published at the time of the provisional settlement in December 2019.
- 12) This report brings together the Council's confirmed funding position. The total revenue budget for 2020/21 is £512.5m. A summary is shown in Table 1 with a more detailed breakdown shown in Appendix A.

**Table 1 - Proposed County Council Budget 2020/21**

Committee Analysis	Net Budget 2019/20 £m	Pressures £m	Savings £m	Pay, NI & Pensions increase £m	Budget Changes £m	Net Budget 2020/21 £m
Children & Young People	126.590	15.627	(1.712)	1.423	(1.421)	140.507
Adult Social Care & Public Health	203.743	16.418	(5.002)	1.077	(6.196)	210.040
Communities & Place	121.113	4.643	(0.552)	0.246	1.053	126.503
Policy	32.559	0.115	(0.450)	0.284	1.580	34.088
Finance & Major Contracts Mgt	2.585	-	-	0.082	0.234	2.901
Governance & Ethics	7.306	-	-	0.077	0.189	7.572
Personnel	14.792	-	(0.221)	0.404	0.411	15.386
<b>Net Committee Requirements</b>	<b>508.688</b>	<b>36.803</b>	<b>(7.937)</b>	<b>3.593</b>	<b>(4.150)</b>	<b>536.997</b>
Corporate Budgets	(15.662)	-	-	-	(8.178)	(23.840)
Use of Reserves	(5.598)	-	-	-	4.989	(0.609)
<b>Budget Requirement</b>	<b>487.428</b>	<b>36.803</b>	<b>(7.937)</b>	<b>3.593</b>	<b>(7.339)</b>	<b>512.548</b>

- 13) Table 1 shows the changes between the original net budget for 2019/20 and the proposed budget for 2020/21, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2019/20 and transfers between Committees.

## Departmental Budgets

- 14) The County Council is committed to continuing to support victims and survivors of sexual abuse and is engaged with working with partners, including the Clinical Commissioning Groups and the Office of the Police and Crime Commissioner and the City Council to strengthen support to victims

and survivors, including development of a new service model. A further £268,000 of permanent funding is now available for this service.

- 15) Given the overall financial position of the Council, certain areas of the highways service has suffered from under investment in recent years. The main effects of this are the deterioration of the road markings and that road sign cleaning takes place less often. A £250,000 temporary budget adjustment has been made to fund more of these activities within 2020/21.
- 16) The Council has introduced successful Alternative Service Delivery Models (ASDMs) for the delivery of library (Inspire), property (Arc) and highways (Via) functions. Via was initially jointly owned by Corserv (Cornwall County Council) but the Corserv shares were purchased by the Council in March 2019. Having taken full ownership of Via, the Council is now looking at the most efficient way of managing any surpluses that might arise. The MTFs assumes a level of dividends from the ASDMs, but any surpluses in excess of this will be utilised to deliver further service improvements in the relevant service area.

### **Corporate Budgets and Reserves**

- 17) There are a number of centrally-held budgets that are not reported to a specific committee. They are detailed below with the budget analysis shown in Table 2:
  - **Flood Defence Levy:** The Environment Agency issues an annual local levy based on the Band D equivalent houses within each Flood and Coastal Committee area. This helps to fund local flood defence priority works.
  - **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This practice is no longer permitted following changes to the pension rules.
  - **Trading Organisations:** This sum is required to cover the difference between the basic employer's pension contributions used in the trading accounts and the amounts actually charged, as required by the actuarial valuation.
  - **Contingency:** This is provided to cover redundancy costs, impact of the pay award, delays in efficiency savings, changes in legislation and other eventualities. Finance and Major Contracts Management Committee or the Section 151 Officer are required to approve the release of contingency funds. 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. Similarly, there are a number of savings proposals that are experiencing uncertainty in being fully achieved and on time. As such, a provision of £2.0m has been added to the contingency budget to fund these pressures should they arise and/or savings that may be delayed or not materialise.
  - **Capital Charges (Depreciation):** This represents the notional costs of using the Council's fixed assets. As such, budget provision is made within the service accounts and adjustments here relate to corresponding movements in the service accounts. However, statute requires that this amount is not a cost to the Council Tax payer, hence this is reversed out

within corporate budgets and replaced with the actual cost that impacts on the Council's revenue budget, being the costs of borrowing, i.e. interest, and the Minimum Revenue Provision (MRP).

- **Interest and Borrowing:** The level of borrowing undertaken by the Council is heavily influenced by the capital programme. Slippage can result in reduced borrowing in the year although this will be incurred at a later date. Interest payment budgets are based on an estimated interest rate which can fluctuate depending on the market rates that exist at the time. The level of borrowing will also increase as the Council's level of reserves declines because the ability to borrow internally reduces.
- **Minimum Revenue Provision:** Local Authorities are required by law to make provision through their revenue account for the repayment of long-term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision (MRP). The MRP policy can be seen in Appendix C.
- **Revenue Grants:** The New Homes Bonus and the Social Care Grant are held centrally and are not ring-fenced.
- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £17.8m of reserves over the medium term with £0.6m being used to deliver a balanced budget in 2019/20. Further detail is provided in Appendix B.

**Table 2 - Proposed Budget 2020/21**  
**Corporate Budgets and Reserves**

	<b>Net Budget 2019/20 £m</b>	<b>Budget Changes £m</b>	<b>Net Budget 2020/21 £m</b>
Flood Defence Levy	0.288	0.003	0.291
Pension Enhancements (Centralised)	2.100	(0.050)	2.050
Trading Organisations	1.250	0.050	1.300
Contingency	4.650	1.950	6.600
Capital Charges (Depreciation)	(42.859)	(1.405)	(44.264)
Interest & Borrowing	18.639	2.434	21.073
Minimum Revenue Provision (MRP)	9.666	1.704	11.370
New Homes Bonus Grant	(1.728)	(0.145)	(1.873)
Business Rates Levy Account	(1.643)	1.643	-
Social Care Grant	(6.025)	(14.362)	(20.387)
<b>Subtotal Corporate Budgets</b>	<b>(15.662)</b>	<b>(8.178)</b>	<b>(23.840)</b>
Net Transfer (From)/To Other Earmarked Reserves	(3.499)	3.521	0.022
Transfer (From)/To General Fund Balances	(2.099)	1.468	(0.631)
<b>Subtotal Use of Reserves</b>	<b>(5.598)</b>	<b>4.989</b>	<b>(0.609)</b>

### **Council Tax Base 2020/21**

- 18) The District and Borough Councils calculate a Council Tax base by assessing the number of Band D equivalent properties in their area, and then building in

an allowance for possible non-collection. The notifications received forecast a total tax base of 253,120.10 as set out in Table 7, this represents growth of 1.17%. The increase in tax base has been taken into account in the calculation of the budget.

### **Council Tax Surplus/Deficit**

- 19) 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 shortfall against the £1,000,000 estimated surplus, this assumption has been removed from the MTFS.

### **Council Tax and Adult Social Care Precept 2020/21**

- 20) 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%.
- 21) As part of the Local Government Finance Settlement the Government affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their Council Tax by 2%
- 22) Also in the announcement, it was confirmed that the Adult Social Care Precept will continue including the ability to raise the precept by 2% in 2020/21 only.
- 23) 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%. As in previous year, future Council Tax increases of 1.99% per annum have been factored into the MTFS.

## Requirement to Raise Local Tax

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

**Table 3 – Local Tax Requirement Calculation**

<b>2020/21</b>	<b>Amount £m</b>	<b>% Funding</b>
Initial Budget Requirement	512.548	100.0
Less National Non-Domestic Rates	(116.398)	22.7
Less Revenue Support Grant	(7.064)	1.4
<b>Net Budget Requirement</b>	<b>389.086</b>	
Less Estimated Collection Fund Surplus	(0.559)	0.1
<b>Council Tax Requirement</b>	<b>388.527</b>	<b>75.8</b>

## Adult Social Care Precept Recommendation

- 25) It is recommended that County Council approves the implementation of a 2.00% Adult Social Care Precept for 2020/21 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 4.

**Table 4 – Impact of 2.00% Adult Social Care Precept on Local Tax Levels  
(County Council Element) 2020/21**

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

## Local Tax Recommendation

- 26) It is recommended that Members agree an increase of 1.99% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 5 below.

**Table 5 – Impact of 1.99% Increase on Local Tax Levels  
(County Council Element) 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	<b>19.58</b>
B	£40,001 to £52,000	75,550	20.6%	7/9	1,066.56	1,089.40	<b>22.84</b>
C	£52,001 to £68,000	62,560	17.1%	8/9	1,218.92	1,245.03	<b>26.11</b>
D	£68,001 to £88,000	41,940	11.4%	1	1,371.29	1,400.66	<b>29.37</b>
E	£88,001 to £120,000	23,550	6.4%	11/9	1,676.02	1,711.92	<b>35.90</b>
F	£120,001 to £160,000	11,330	3.1%	13/9	1,980.76	2,023.18	<b>42.42</b>
G	£160,001 to £320,000	6,170	1.7%	15/9	2,285.48	2,334.43	<b>48.95</b>
H	Over £320,000	480	0.1%	18/9	2,742.58	2,801.32	<b>58.74</b>

- 27) The total impact of implementing a 2.00% Adult Social Care Precept and a 1.99% increase in local tax levels is shown in Table 6.

**Table 6 - Recommended levels of Council Tax and Adult Social Care  
Precept 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	984.04	1,023.30	<b>39.26</b>
B	£40,001 to £52,000	75,550	20.6%	7/9	1,148.05	1,193.85	<b>45.80</b>
C	£52,001 to £68,000	62,560	17.1%	8/9	1,312.05	1,364.40	<b>52.35</b>
D	£68,001 to £88,000	41,940	11.4%	1	1,476.06	1,534.95	<b>58.89</b>
E	£88,001 to £120,000	23,550	6.4%	11/9	1,804.07	1,876.05	<b>71.98</b>
F	£120,001 to £160,000	11,330	3.1%	13/9	2,132.09	2,217.15	<b>85.06</b>
G	£160,001 to £320,000	6,170	1.7%	15/9	2,460.10	2,558.25	<b>98.15</b>
H	Over £320,000	480	0.1%	18/9	2,952.12	3,069.90	<b>117.78</b>

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



## County Precept

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

**Table 7 – Amount of County Precept by District – 2020/21**

District / Borough Council	Council Tax Base	County Precept
Ashfield	33,695.30	£51,720,601
Bassetlaw	35,373.06	£54,295,878
Browtove	34,039.14	£52,248,378
Gedling	37,387.44	£57,387,851
Mansfield	29,407.70	£45,139,349
Newark & Sherwood	39,229.76	£60,215,720
Rushcliffe	43,987.70	£67,518,920
<b>Total</b>	<b>253,120.10</b>	<b>£388,526,697</b>

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

**Table 8 – Proposed County Precept Dates – 2020/21**

2020	2021
20 April	6 January
28 May	3 February
2 July	11 March
6 August	
11 September	
19 October	
19 November	

- 31) The dates shown are those by which the County Council's bank account must receive the credit, otherwise interest is charged. Adjustments for net variations in amounts being collected in 2019/20 will be paid or refunded on the same dates.

## **Medium Term Financial Strategy (MTFS)**

- 32) The Budget report to the February Council in 2019 forecast a budget gap of £34.2m for the three years to 2021/22. As part of the budget setting process the MTFS has been rolled forward a year to reflect the four-year term to 2022/23 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.
- 33) It should be noted that the 2020/21 Local Government Finance Settlement is a one-year settlement only. As such, considerable uncertainty beyond 2020/21 will remain until future funding announcements are made. This uncertainty is compounded as a result of the delays to longer term funding reforms around Business Rates Retention and the Fair Funding Review. Other areas of uncertainty exist throughout the term of the MTFS such as the outcome of the Social Care Green Paper and the implications of Brexit. As such, the MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.
- 34) The MTFS on which this budget report is based assumes a Council Tax increases of 1.99% in future years. In addition, an Adult Social Care Precept increase of 2.00% in 2020/21 is factored in.
- 35) Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2019.
- 36) In summary, from 2022/23 onwards, the Council is currently projecting a budget shortfall of £28.3m across the duration of the MTFS. Proposals as to how the budget will be balanced for these two years will need to be made over the coming months.

**Table 9 – Analysis of Changes to the Medium Term Financial Strategy  
2020/21 – 2023/24**

	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	2.0	0.1	-	-	2.1
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	(4.5)	(0.4)	-	0.1	(4.8)
Change in Government Grants	(40.5)	0.6	0.3	(1.8)	(41.4)
Use of / Contribution to Reserves	9.5	(17.8)	5.0	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	3.0	(0.5)	0.1	0.2	2.8
<b>Revised Gap</b>	<b>0.0</b>	<b>0.0</b>	<b>14.9</b>	<b>13.4</b>	<b>28.3</b>

- 37) The Council's year by year MTFs for the four years to 2023/24 is shown in Table 10. It shows that whilst the Council can deliver a balanced budget in 2020/21 and 2021/22, further savings will need to be identified in each of the following years to 2023/24, based on current assumptions.

**Table 10 – Medium Term Financial Strategy 2020/21 – 2023/24**

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Net Budget Requirement	512.5	526.6	556.6	570.7
<b>Financed by :</b>				
Business Rates	116.4	118.5	120.7	123.0
Revenue Support Grant	7.0	7.1	7.1	7.1
Council Tax	355.4	367.9	380.8	394.1
Adult Social Care Precept	33.1	33.1	33.1	33.1
Collection Fund Surplus / (Deficit)	0.6	-	-	-
<b>Total Funding</b>	<b>512.5</b>	<b>526.6</b>	<b>541.7</b>	<b>557.3</b>
<b>Funding Shortfall</b>	<b>-</b>	<b>-</b>	<b>14.9</b>	<b>13.4</b>
<b>Cumulative Funding Shortfall</b>	<b>-</b>	<b>-</b>	<b>14.9</b>	<b>28.3</b>

## Capital Programme and Financing

- 38) Local authorities are able to determine their overall levels of borrowing, provided they have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. It is, therefore, possible to increase the capital programme and finance this increase by additional borrowing provided that this is “affordable, prudent and sustainable”. This is in addition to capital expenditure funded from other sources such as external grants and contributions, revenue and reserves. The revenue implications of the capital programme are provided for and integrated within the revenue budget.
- 39) The Council’s capital programme has been reviewed as part of the 2020/21 budget setting process. Savings and re-profiling with a total value of £36.6m have been identified in 2019/20 as part of this exercise. These savings, along with capital reserves and contingencies, will be used to fund new inclusions. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported to the Finance and Major Contracts Management Committee.
- 40) During the course of 2019/20, a number of variations to the capital programme have been approved by Policy Committee, Finance and Major Contracts Management Committee and by the Section 151 Officer in accordance with the Council’s Financial Regulations. Following a review of the capital programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the capital programme. These proposals are identified in paragraphs 41 to 55. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council’s Financial Regulations.

### Major Capital Programme Successes

- 41) **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 project have been delivered with a further 64 forecast to be delivered in 2020/21.
- 42) **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.
- 43) **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).

- 44) **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.
- 45) **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**

- 46) 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’re 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 and the future MTFs will be amended in due course to reflect any associated revenue implications.

### **Children and Young People (CYP)**

- 47) **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.**

- 48) **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**

- 49) **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 from the Council to further the Roads Maintenance and Renewals programme, funded from borrowing.**

- 50) **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.**

- 51) **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.**

- 52) **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

- 53) **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

- 54) 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.
- 55) 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:-

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



## Revised Capital Programme

56) 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 11 – Summary Capital Programme**

	Revised 2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
<b>Committee:</b>						
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
<b>Capital Expenditure</b>	<b>119.065</b>	<b>117.384</b>	<b>63.460</b>	<b>35.366</b>	<b>33.325</b>	<b>368.600</b>
<b>Financed By:</b>						
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
<b>Total Funding</b>	<b>119.065</b>	<b>117.384</b>	<b>63.460</b>	<b>35.366</b>	<b>33.325</b>	<b>368.600</b>

\* These figures exclude Devolved Formula Capital allocations to schools.

## Capital Receipts

57) 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 12 – Forecast Capital Receipts**

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

- 58) 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.
- 59) One of the requirements of the Local Government Act 2003 is that the Council must set an "Authorised Limit" for its external borrowings. Any potential breach of this limit would require authorisation from the Council. There are a number of other prudential indicators that are required by The Prudential Code to ensure that the proposed levels of borrowing are affordable, prudent and sustainable. The values of the prudential indicators are proposed in Appendix D.
- 60) 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 2020/21. The Strategy is incorporated in to the Capital Strategy in Appendix D and the Policy is in Appendix E.
- 61) 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
- 62) It is proposed that the Service Director – Finance, Infrastructure and Improvement be allowed to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2020/21.

### **Statutory and Policy Implications**

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

### **Public Sector Equality Duty**

- 64) It is essential that Members give due regard to the implications for protected groups in the context of their equality duty in relation to this decision. Public authorities are required by law to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation
  - advance equality of opportunity between people who share protected characteristics and those who do not

- foster good relations between people who share protected characteristics and those who do not.
- 65) Decision makers must understand the effect of policies and practices on people with protected characteristics. Equality Impact Assessments are the mechanism by which the authority considers these effects.
- 66) Equality implications have been considered during the development of the budget, Capital Programme and MTFs and equality impact assessments were undertaken on each relevant proposal and approved by the appropriate Committee.

## Recommendations

<b>It is recommended that:</b>	<b><u>Reference</u></b>
1) The Annual Revenue Budget for Nottinghamshire County Council is set at £512.548 million for 2020/21.	Para. 12
2) The principles underlying the Medium Term Financial Strategy are approved.	Table 9
3) The Finance and Major Contracts Management Committee be authorised to make allocations from the General Contingency for 2020/21.	Para. 17
4) That the 2.00% Adult Social Care Precept is levied in 2020/21 to part fund increasing adult social care costs.	Para. 25
5) The County Council element of the Council Tax is increased by 1.99% in 2020/21. That the overall Band D tax rate is set at £1,534.95 with the various other bands of property as set out in the report.	Para. 26
6) The County Precept for the year ending 31 March 2021 shall be £388,526,697 and shall be applicable to the whole of the District Council areas as General Expenses.	Para. 29
7) The County Precept for 2020/21 shall be collected from the District and Borough councils in the proportions set out in Table 7 with the payment of equal instalments on the dates set out in Table 8.	Table 7 Table 8
8) The Capital Programme for 2020/21 to 2023/24 be approved at the total amounts below and be financed as set out in the report:	Table 11

<b>Year</b>	<b>Capital Programme</b>
<b>2020/21</b>	£117.384m
<b>2021/22</b>	£63.460m
<b>2022/23</b>	£35.366m
<b>2023/24</b>	£33.325m

- |  |             |
|--|-------------|
| 9) The variations to the Capital Programme be approved.  | Para. 41-55 |
| 10)The Minimum Revenue Provision policy for 2020/21 be approved.   | Appx. C     |
| 11)The Capital Strategy including the 2020/21 Prudential Indicators and Treasury Management Strategy be approved.  | Appx. D     |
| 12)The Service Director – Finance, Infrastructure and Improvement be authorised to raise loans in 2020/21 within the limits of total external borrowings.          | Para. 62    |
| 13)The Treasury Management Policy for 2020/21 be approved.   | Appx. E     |
| 14)The Council delegates responsibility for the setting of Treasury Management Policies and Practices relating to Pension Fund cash to the Pension Fund Committee. | Para. 61    |

15)The report be approved and adopted.

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

**Constitutional Comments (GR 18/02/2020)**

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

**Human Resources Implications (MT 18/02/2020)**

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

**Financial Comments of the Service Director – Finance, Infrastructure and Improvement (NS 14/02/2020)**

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

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

As is the case in the current financial year, strict budgetary control will be maintained throughout 2020/21. Departments will be required to utilise any

departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its General Fund balances.

The levels of reserves and balances have been reviewed and are considered to be adequate. The forecast reduction in Reserves and General Fund balances has been the result of using reserves to balance previous years' budgets and continued use in 2020/21. Whilst this has been in accordance with guidance from the Ministry for Housing, Communities and Local Government and will result in the Council still being above the level that is considered prudent, further reductions in Reserves and General Fund balances would need to be taken only after careful assessment and consideration of the overall level of financial risk.

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

The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2020/21 fulfil the requirement to set a balanced budget.

**Background Papers Available for Inspection:**

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

Budget Report – Finance and Major Contract Management Committee 10 February 2020

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