

REPORT OF CABINET MEMBER FOR FINANCE AND RESOURCES

BUDGET 2024/25 – 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 22 February 2024 with specific reference to:
 - The Annual Revenue Budget for 2024/25.
 - Amount of Adult Social Care Precept to be levied for 2024/25 to part fund increasing adult social care costs.
 - Amount of Council Tax to be levied for County Council purposes for 2024/25 and the arrangements for collecting this from district and borough Councils.
 - Medium Term Financial Strategy for 2024/25 to 2027/28.
 - Capital Programme for 2024/25 to 2027/28.
 - Minimum Revenue Provision policy for 2024/25.
 - Cabinet to be authorised to make allocations from the general contingency for 2024/25.
 - 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 2024/25.
 - The Capital Strategy including the 2024/25 Prudential Indicators and Treasury Management Strategy.
 - Treasury Management Policy for 2024/25.

Our Long-Term Plans for Better Lives

2. The Budget for 2024/25 is set in a challenging financial time for local government. The context sees a picture of increasing need, the challenge of inflation driving up the cost of delivering services and the national picture of limited funding support to local government. The options of increasing funding through council tax should also be seen in the backdrop of the continued financial pressures faced by communities.
3. The financial landscape facing the sector including the Council is becoming increasingly challenging with 2023 seeing an increasing number of councils, including noticeably those with social care responsibilities, giving warnings about their ability to balance their 2023/24 budgetary positions and beyond, due in large part to inflation and wage growth.
4. Many of the sectoral bodies (Local Government Association, County Councils Network, Society of County Treasurers and Special Interest Group of Municipal Authorities) have recently published warnings illustrating that the current local government finance system is

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failing to tackle issues around social care funding (including children's), plus the continual impact of high inflation. This has put some councils in a perilous financial position with many Section 151 Officers considering issuing of Section 114 reports for not being able to balance their budget for the coming year.

5. This Budget proposal marks an increase in overall spending of over £47m for 2024/5 compared with 2023/4, with service areas seeing an increase in spending on statutory services. Despite this, it has still been necessary to make huge efforts to reduce costs. This demonstrates just how much the inflationary pressure and wage rises have impacted on the cost of delivering services.
6. Nottinghamshire County Council is better placed than many due both to the sound fiscal management approach and the significant ongoing transformation of our services. This has enabled us to maintain delivery of our services whilst limiting the increase in council tax. The Council will continue with our aim to protect and enhance key services for residents whilst making our organisation financially sustainable for the medium to long term. The Budget proposal uses reserves wisely to protect services as much as possible in the short to medium term and in order to give the Council time to transform.
7. In the medium-term the overarching objective of the Council's budget strategy must be to try to deliver a balanced budget by deploying a framework which allows the Council to adapt to a scale that matches its financial envelope; in a way that does not cut services for short-term expediency, but instead protects and supports residents, and improves outcomes. This will require the Council to prioritise and enhance key services as far as possible, particularly in those most disadvantaged communities, helping to improve the lives of local people, and mitigate the impacts of inflation to protect residents and assist them to withstand the worst of these increased costs.
8. The longer-term financial sustainability comes by focusing on prevention and early help, thereby reducing the demand on expensive, acute services over time. This requires a longer-term view whereby the Council must reach a position, through transforming the way it delivers services in future, where it is able to both offer more support within communities, and simultaneously be more efficient and effective with its spending.
9. Despite the financial pressures on the sector, earlier decisions taken by this Council have effectively given us time to manage a transition to something more sustainable, and to work with communities to deliver service transformation. This is a relatively positive position, against a backdrop of other Councils delivering large programmes of immediate service reductions.
10. The Council will focus on helping to build economic, community, family, and individual resilience so that there is more independence and better outcomes for everyone across the county. We will continue to support people to remain independent and living within their own home, family, and community.
11. 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

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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.

12. 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.
13. Through our budget we will help to galvanise communities and work with them to augment community services. It will include collaborating 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 focus our spend on early support for families within local areas, preventing the need for expensive residential care later.
14. 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. These are broad themes and directions that will build resilience in our communities into the future and are supported by nine ambitions which will function as a framework for all County Council activity.
15. Our 2024/25 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 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.
16. Our position relative to other Councils shows that our plan is working, and this Budget supports the continued delivery of that long term plan to help us deliver long-term sustainability for local services.
17. Despite the pressures, this Council also continues to invest, through its capital programme, ensuring that we are still delivering 'invest to save' propositions as well as major projects and highways improvements that support economic growth in the County.

The Nottinghamshire Plan

18. At the Full Council meeting held on 25 November 2021, the Council approved The Nottinghamshire Plan 2021-31: Healthy, Prosperous, Green. This ambitious plan set out the strategic vision for the future of Nottinghamshire and the Council built around achieving a bold 10-year vision for a 'healthy, prosperous and greener future for everyone' with a 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.

19. These broad themes will build resilience in our communities into the future and are supported by nine ambitions which will provide 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
20. A tenth ambition – ‘A forward-looking resilient Council’ – outlines the Council’s plans to strengthen processes, systems and ways of working that enable the whole organisation to deliver efficient and effective services for Nottinghamshire’s people and communities. Looking to the future, work to reform the organisation into a forward looking, sustainable and resilient council will become an increasing corporate priority particularly so that the Council can remain ambitious for the County and fit for the future.
21. 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. 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.
22. The Annual Delivery Plan describes how the Council will be working collaboratively, both across the Council and with partners, to continue the development of our cross-cutting transformation programmes. This will help us to test new and improved ways of working, service delivery and systems and help create the conditions to enable us to make a difference for the County’s communities and residents.

What this means for how Nottinghamshire County Council will operate in future

23. The Council is operating in a global, national and regional context, which creates great opportunity and some challenges. With our track record in change and transformation the Council is well positioned to look to the future. To secure a sustainable and financially resilient forward position, it will be critical for the Council to continue to change and transform how it operates to respond to additional projected financial pressures. However, it must be recognised that continuous improvement alone will not be enough to ensure our ongoing sustainability. We will need to mobilise all the talent and creativity across the Council to innovate, reform and take advantage of new opportunities, whilst maintaining the delivery of high-quality services and mitigating the risks to delivery of our ambitions as a Council.

24. As a blueprint for the longer term is developed, there are already some key themes emerging that will help build the plan for the future shape of the organisation and retain a focus on the longer-term ambitions in the Nottinghamshire Plan:

- **Driving local public service reform** –The Council already has the foundations in place to maximise the opportunities of working collaboratively with the newly formed East Midlands County Combined Authority (EMCCA), the Integrated Care Board (ICB) and other key partners such as District and Parish Councils, schools and the voluntary and community sector. Anchored in a review of the County’s strategic partnerships, we will shift our approach to deeper collaboration, reducing duplication and focusing collective partnership resources on tackling the multiple causes that prevent all communities from experiencing the best possible outcomes. We will best achieve our long-term ambitions by moving beyond working as one Council, to working as one system for Nottinghamshire.
- **Re-shaping the organisation in a sustainable manner** – Revised organisational design principles will ensure the organisation has the right leadership, capacity and capability to achieve our statutory outcomes and fulfil a leadership role across the local public service system for Nottinghamshire. The Council will continue to assess service delivery models, ensuring we provide or commission services that meet statutory duties as efficiently and effectively as possible through targeted service reviews. This will include increased use of new technologies and digital tools to bring artificial intelligence (AI), automation and integrated systems more prominently into our operating model, as well as skills-mix and establishment reviews to reduce the cost of front-line functions, ensure efficient use of centralised resources, and further rationalisation of our office and service estate. Reviews will also consider the effectiveness or appropriateness of the Council as a provider of traded and non-statutory services.
- **Strengthening the building blocks of good health and wellbeing in communities** – Nottinghamshire County Council continues to invest in early help and prevention; however, we know that our levels of investment are not sustainable in the current financial climate. We will therefore invest our available resources to focus support on the people and communities that will benefit most from the support and services we offer. We believe that this approach will build resilience and independence, reducing demand over time for County Council statutory services, and those of other statutory public sector agencies. The Council can draw collective knowledge and insight together, working with people, partners and communities, to co-create solutions and new approaches to community-based interventions. We will need to work with partners, including the voluntary and community sector, district and parish councils, and schools to support and grow the strengths and assets in our communities.
- **Re-defining our relationship with schools** - The Council has a strong and positive relationship with Multi Academy Trusts and schools across the County, a relationship we will continue to nurture and strengthen. There is a great deal of pride in the way the Council and schools ensure children and young people get the best start in life and grow their future. As the number of schools academising continues to increase there has been a change in the ways that individual schools and groups of schools, including Trusts, commission, or purchase services for schools. The Council needs to be able to adapt to these changes and will therefore review the services currently provided to schools including how statutory duties are met and other discretionary support. Traded services

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provided to schools across Council departments will be in scope for review including Support to Schools, Outdoor Education, School Catering and Cleaning. As schools academise and the Council's customer base reduces, the value for money we're able to offer both schools and taxpayers decreases. For those services that are discretionary, carry financial risk or are not financially viable, we will consider whether the County Council is best placed to deliver these services in the current format or a redesigned model or, where there are other providers already in the market providing these services to schools, whether the Council should collaborate appropriately.

Background to the Budget

25. This report sets out the detailed background to the Council's budget position over the life of the Medium-Term Financial Strategy (MTFS), which is the key financial plan for the Council.
26. The Council's financial position has been challenging now for several years. More recently, the main drivers of pressure on the Council's budget have related to inflation and rising costs (including wage rises) and to increased demand for local government services, particularly from social care areas. This is why services continue to be under pressure, despite an overall increase in spending on services. The impact upon the Council's finances, because of the increase in overall costs, is being replicated across the country.
27. The strategic and financial planning for 2024/25 is being undertaken within the context of continued uncertainty because of the on-going conflicts in Ukraine and the Middle East and its impact in relation to global energy and food supplies. In addition, the continuing consequences of inflationary pressures, although now falling, have impacted on both the cost of delivering services and the demand for services as households and communities continue to struggle with the associated cost of living.
28. Consumer Price Inflation (CPI) in the UK economy stood at 4% in December 2023 down from 10.5% in December 2022. The Bank of England Monetary Policy Report – November 2023 forecast inflation to decrease to around 4.5% in quarter 4 of 2023 and to keep falling in 2024 to reach the 2% target in 2024. At its meeting on 14 December 2023, the Bank of England's Monetary Policy Committee maintained the Bank Rate of interest at 5.25% for the third meeting in a row, the highest level since February 2008.
29. The risks arising from inflation, which is also impacting household incomes, was recognised in the Annual Budget Report to Full Council in February 2023. 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 Service and inherent challenges faced specifically in the social care market following the pandemic.
30. The Council closely monitors developments across the local government landscape and takes account of the financial issues being reported by other authorities. There have been a number of councils that have recently issued or warned of issuing Section 114 notices. This serves to highlight the underlying fragility and lack of resilience within the wider local government sector. Whilst some of the issues that plague local authorities are specific in nature (e.g. exposure to commercial risk, excessive levels of borrowing, Equal Pay Claims) it is the Section 151 Officer's focus to ensure that the issues faced by those councils at risk are not replicated in Nottinghamshire by a failure to set a robust and sustainable budget.

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31. This Council is not immune to the overall decline in financial resilience across the sector and continues to face significant financial and service delivery pressures across its services as set out elsewhere in this report. It is therefore important to continue to work with partners across the sector to lobby Government for adequate and sustainable levels of funding for local government as a whole.
32. The Budget Report submitted to Full Council on 9 February 2023 set out the financial landscape within which the Council is operating and noted the anticipated budget shortfall of £30.8m over the three years to 2026/27. 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 £64.4m.
33. The current projected capital programme outturn for 2024/25 is £161.3m. As part of the budget setting process a review of the capital programme has been undertaken.
34. At this stage, with the Government's further one-year settlement announcement, despite having a clear view of the funding for 2024/25, the financial resources available 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.
35. The Period 8 Budget Monitoring Report that is also reported to this Cabinet meeting shows a net underspend position of £5.5m, representing less than 0.1% of the net budget. The current forecast underspend follows significant efforts to control in year spending. Efforts will continue to manage the 2023/24 budget with any underspend being added to fund continuing investment in technology, transformation and invest to save programmes.
36. 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 2024/25. This report outlines the recommendations that will be submitted for approval to the Full Council meeting on 22 February 2024.
37. It is also important to note that our Budget setting process does not happen in a vacuum, and this year we will see fundamental changes to the delivery of public services in our County with the introduction of a new East Midlands County Combined Authority (EMCCA). In 2024/5 and beyond this Council will work with the EMCCA to transition some areas of powers and funding into the new Authority, which will take over some Council responsibilities, particularly around Transport.

Budget Consultation – Rising to the Challenge

38. A key element of the Council's budget setting process is consultation with stakeholders.
39. The 2023 consultation went live on the 29 September 2023 and closed on the 12 November 2023. The survey set out how the council spends its allocated budget and asked people for their views about our services and their priorities.

40. The consultation was made available through a range of channels including:
- Nottinghamshire County Council website
 - local and regional media
 - social media, including X, Facebook and Instagram
 - email bulletins to the Council's subscribers
 - and in print at Libraries.
41. We also shared our consultation with our partners, including groups representing the business community and other relevant stakeholders including the trade unions at Central Joint Consultative and Negotiating Panel (JCNP).
42. The Council received 3,911 responses to the 2023 Budget Survey which is a 59% increase on the 2,454 responses received last year. Analysis highlights from the Budget Survey 2023 include:
- The majority of respondents were positive about their local area as a place to live, with 69% specifically saying that they are 'very or fairly satisfied'.
 - When ranking the three Nottinghamshire County Council services in order according to the services that benefit respondents the most, community and public transport was the service area most often identified by respondents.
 - Most respondents disagreed or strongly disagreed when asked whether the Council should reduce spend on a range of services to help meet the financial challenge.
 - Overall, 63% of respondents would support an increase in council tax – 44% up to the current referendum limit of 2.99% and 19% would support an increase by lower than the referendum limit.
 - Overall, 70% of people completing the survey would support an increase in the Adult Social Care Levy – 48% by the maximum level currently permitted of 2%, whilst 22% would support an increase by a lower level permitted.
43. The outcomes from the Annual Budget Survey 2023 were reported to Cabinet on 21 December 2023. Further details and analysis regarding the outcomes can be found by referring to the December Cabinet report.
44. Responses to the consultation have been considered when drawing up the proposals set out in this report.

Provisional Local Government Settlement 2024/25

45. On 18 December 2023, the provisional Local Government Settlement 2024/25 was announced via a written ministerial 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 6.5% assuming all Local Authorities levy the maximum precept allowed in 2024/25,
 - Confirmed £65.1m Social Care Grant allocation in 2024/25,
 - Services Grant allocation of £0.7m,

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- Confirmed Revenue Support Grant of £8.6m,
 - Confirmed New Home Bonus Grant allocation of £1.0m,
 - The Council Tax threshold has been set at 3.00% in 2024/25,
 - The Adult Social Care Precept has been set at 2.00% in 2024/25.
46. The Budget Report 2023/24, approved by Full Council in February 2023, included assumptions regarding the level of future year general government grants. The 2024/25 grants announced in the Provisional Local Government Settlement exceed those assumptions by £5.5m.
47. In addition, the following specific Social Care Grants were announced:
- Confirmed Market Sustainability Grant allocation of £15.4m,
 - Confirmed Discharge Fund Grant allocation of £7.2m.
48. The 2024/25 Settlement is a further one-year settlement and, as such, considerable uncertainty beyond 2024/25 will remain until future announcements are made.

Additional Funding Announcement

49. On 24 January 2024, a further written ministerial statement from the Secretary of State for Levelling Up, Housing and Communities, the Rt Hon Michael Gove MP announced additional measures for local authorities worth £600m. This includes £500m of additional funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant formula. It is anticipated that this will result in a further £7.2m Social Care Grant for the Council. It is expected that this will be confirmed as part of the Final Local Government Settlement announcement which is expected in early February 2024.
50. Councils are expected to invest this additional funding in areas that help place children's social care services on a sustainable footing, whilst being mindful of the level of adult social care provision. This includes investment in expanding family help and targeted early intervention, expanding kinship care and boosting the number of foster carers. The funding will go some way to addressing the £25.1m pressures identified in the Children and Families portfolio.
51. As a condition of funding, Government will be asking local authorities to produce productivity plans setting out how they will improve service performance and reduce wasteful expenditure to ensure every area is making best use of taxpayers' money.

Revised Pressures and Running Cost Inflation

52. When the 2023/24 budget was approved in February 2023, specific pressures and non-pay inflationary pressures totalling £114.6m were identified for the period 2023/24 to 2026/27 of which £44.7m related to 2023/24.
53. 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 2027/28 now total £134.8m. Table 1 below tracks the movement in pressures and inflation that has occurred since February 2023.

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54. Appendix A identifies that the Council's main pressures relate to growth in both External Placements for Looked After Children and SEND Transport, increases to the National Living Wage in Adult Social Care and the impact of inflation across various contracts and services.
55. 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	2024/25 to 2026/27			Add Year 2027/28	Current Total 2024/25 to 2027/28
	Original Demand Pressures	Original Inflation	Net Movement		
Adult Social Care	7.3	4.8	12.1	16.1	72.4
Children & Families	10.3	0.3	10.6	3.6	25.1
Education & SEND	0.4	-	0.4	0.2	1.6
Economic Development & Asset Management	-	(0.4)	(0.4)	0.1	0.5
Communities & Public Health	2.5	0.3	2.8	0.7	5.1
Transport & Environment	10.3	3.8	14.1	4.6	30.3
Total	30.8	8.8	39.6	25.4	134.8

Further Investment in Highways

56. Over recent weeks and months the county has experienced a number of intense weather events including Storm Babet, Storm Henk and freezing temperatures. These events have contributed to a significant increase in the level of road damage this winter compared to a normal year. This has had an adverse impact on the condition of roads across the whole of the county. The Council has previously identified investment in the highways infrastructure across the county as an important strategic objective which is confirmed through the annual budget consultation exercise.
57. In addition to recent Government announcements on funding, the Council will also set aside extra funding into our highway. Consequently, it is proposed that the Council invests a further £4m in highways during 2024/25, over and above the contract inflation set out in Appendix A, to further improve the condition of roads across the county. This additional investment will be focused upon improving the condition of a number of the County's busier main roads and will be delivered through a number of significant surface improvement schemes.

Pay Award Inflation

58. 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 5.0% increase for 2024/25, 3% in 2025/26 and a further 2% increase in 2026/27 and 2027/28.

Savings / Efficiencies

59. The MTFS includes previously approved savings options totalling £3.3m from 2023/24. In addition to this, the Council has proposed a number of further savings and efficiencies that total £16.3m. A breakdown is set out in Appendix B which details the nature of the proposals including those where consultation will be undertaken as appropriate before a final decision is made.
60. The progress of all savings and efficiencies will be monitored throughout the year as part of the usual budget monitoring processes.
61. In summary, the significant savings set out in this report are anticipated to be made from:
- working with the Integrated Care Board (ICB) to reduce the number of hospital admissions, reviewing high-cost nursing and residential care home placements and deployment of greater technological solutions aimed at improving health and independence for service users whilst reducing the reliance upon high-cost placements and slowing the overall increase seen on social care costs.
 - maintaining the level of spend on our highways but ensuring the spend is appropriately charged to the capital programme rather than through our revenue budget.
 - working with the new East Midlands Combined County Authority to ensure our spend on economic development activities is aligned across the two county geographies.
 - invest to save opportunities, general efficiencies in our running costs and setting budgets to match our income.
62. Further work will be undertaken to identify the human resources implications in more detail in relation to specific proposals referenced in the report. Where 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.

MTFS Assumptions and Projections

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

Interest and Borrowing

64. A strategy to limit borrowing to that already approved by Full Council in February 2022 was set out in the 2023/24 Budget Report. As well as restricting the impact on the on-going revenue budget with respect to the Minimum Revenue Provision it also minimises associated interest payable by the Council. In addition, recent increases to interest rates announced by the Bank of England Monetary Policy Committee have raised the amount of interest received by the Council. Following review, a prudent decision has been taken to reduce interest budgets by £5m.

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65. 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.
66. The Council's position is monitored regularly in relation to these two variables and the budget for interest and debt repayments has been reviewed to meet expected costs in 2024/25. This budget will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

Contingency

67. 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 on-going impacts of high inflation. As part of the budget construction process, the base level for the 2024/25 Contingency budget has been set at £5.0m.
68. In addition, there is a need to provide for an estimated pay award contingency of £10.8m in relation to 2024/25 which will also be earmarked for future allocation to Portfolios once agreed.

Annual Budget 2024/25

69. The paragraphs above outline the financial position that the Council is operating in, the budget position as reported to Full Council in February 2023, the MTFS assumptions that have been reviewed and the Council's strategic response to meeting the budget challenge.
70. The Provisional Local Government Settlement 2024/25 was announced on 18 December 2023. It is expected that the Final Local Government Settlement will be announced in early February 2024. Any changes to the final settlement will be reported as part of the Annual Budget Report 2024/25 to Full Council on 22 February 2024.
71. This report brings together the Council's provisional funding position. The total revenue budget for 2024/25 is £638.8m. A summary is shown in Table 2 and a more detailed breakdown across Portfolios will also be reported to Full Council as part of the Annual Budget Report 2024/25.

Table 2 – Proposed County Council Budget 2024/25

Portfolio Analysis	Net Budget 2023/24 £m	Pressures £m	Savings £m	Budget Changes £m	Net Budget 2024/25 £m
Children & Families	155.018	14.709	(0.270)	1.975	171.432
Education & SEND	24.082	0.756	-	1.548	26.386
Adult Social Care	259.817	23.099	(1.848)	(2.499)	278.569
Transport & Environment*	118.764	14.607	(3.816)	1.182	130.737
Communities & Public Health	19.141	3.319	(0.144)	0.599	22.915
Deputy Leader & Transformation	4.799	-	-	(1.360)	3.439
Economic Development & Asset Management	25.988	0.120	(0.600)	0.768	26.276
Finance & Resources	45.619	-	-	5.920	51.539
Net Portfolio Requirements	653.228	56.610	(6.678)	8.133	711.293
Corporate Budgets	(57.707)	-	-	(21.242)	(78.949)
Net Transfer (From)/To Reserves	(3.890)	-	-	10.381	6.491
Budget Requirement	591.631	56.610	(6.678)	(2.728)	638.835

* Includes SEND Transport Pressures

72. Table 2 shows the changes between the original net budget for 2023/24 and the proposed budget for 2024/25, including budget pressures, savings and other budget changes which include permanent contingency transfers approved in 2023/24 and various transfers between portfolios. Each area of statutory service delivery will see an increase in Budget for 2024/25.

Corporate Budgets and Reserves

73. 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 and Resources 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.

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- **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 Taxpayer, 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, Revenue Support Grant, Social Care Grant and Council Services Grant are held centrally and are not ring-fenced.
- **Use of Reserves:** This represents the Council's use or contribution in relation to balance sheet reserves. This budget report is proposing to utilise £35.3m of reserves over the medium term. Further detail is provided in Appendix C.

Table 3 - Proposed Budget 2024/25 - Corporate Budget and Reserves

	Net Budget 2023/24 £m	Budget Changes £m	Net Budget 2024/25 £m
Flood Defence Levies	0.339	0.016	0.355
Pension Enhancements (Centralised)	2.050	-	2.050
Trading Organisations	1.300	-	1.300
Contingency - General	5.000	-	5.000
Contingency - Pay	10.973	(0.150)	10.823
Capital Charges (Depreciation)	(49.368)	(2.842)	(52.210)
Interest & Borrowing	20.223	(5.000)	15.223
Minimum Revenue Provision (MRP)	12.509	(0.018)	12.491
New Homes Bonus Grant	(1.094)	0.060	(1.034)
Social Care Grant	(55.409)	(16.845)	(72.254)
Council Services Grant	(4.230)	3.537	(0.693)
Subtotal Corporate Budgets	(57.707)	(21.242)	(78.949)
Net Transfer (From)/To Other Earmarked Reserves	(3.890)	10.381	6.491
Transfer (From)/To General Fund Balances	-	-	-
Subtotal Use of Reserves	(3.890)	10.381	6.491

Tax Base

74. 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.
75. 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 Council has received confirmed tax base information from all District and Borough Councils and the notifications received forecast a total tax base of 267,038.21. This represents growth of 1.27% compared to original assumed growth of 1.20% and gives rise to an additional £0.3m of funding when compared to the assumption used in previous MTFS updates.

Council Tax Surplus/Deficit

76. 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. Following receipt of collection fund information from all District and Borough Councils, the figures confirmed equate to a net surplus of £3.3m in 2024/25.

Business Rates Surplus / Deficit

77. 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

78. As announced in the 2024/25 Provisional Local Government Finance Settlement the following government grants will be received in 2024/25:
- £65.1m - Social Care Grant
 - £0.7m – Services Grant
 - £8.6m – Revenue Support Grant
 - £30.9m - Improved Better Care Fund
 - £15.4m - Market Sustainability and Fair Cost of Funding Grant
 - £7.2m – Discharge Funding
79. In addition, a further £7.2m is expected to be received through the Social Care Grant following the ministerial statement announced on the 24 January 2024.
80. Also, for Nottinghamshire, the 2024/25 New Homes Bonus funding has been confirmed at £1.0m.

Council Tax and Adult Social Care Precept 2024/25

81. The Provisional Local Government Settlement announced by the Government on 18 December 2023 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2024/25 referendum threshold has been set at 3.00%.
82. Also in the announcement, it was confirmed that there will be further flexibility to levy an Adult Social Care Precept of 2.00% in 2024/25.
83. 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%.
84. As part of setting the budget, the Council carefully considers balancing the requirements to deliver services and the increased cost of those services against important affordability issues including the prevalent cost of living challenges that residents face. In acknowledgement of the continuing strain experienced by many households, it is proposed once again that, rather than raising local taxation to the maximum level in 2024/25, 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. No further Adult Social Care Precept increases beyond 2024/25 have been factored in at this stage.
85. 59% of properties in Nottinghamshire are in Band A and B. Consequently, the majority of households across Nottinghamshire will see a Council Tax increase of less than £1.15 per week. The average increase for all households across the county will be £1.36.

Requirement to Raise Local Tax

86. 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

2024/25	Amount	%
	£m	Funding
Initial Budget Requirement	638.835	100.0
Less National Non-Domestic Rates	(144.308)	22.6
Less Revenue Support Grant	(8.634)	1.4
Net Budget Requirement	485.893	
Less Estimated Collection Fund Surplus	(3.334)	0.5
Council Tax Requirement	482.559	75.5

Adult Social Care Precept Recommendation

87. It is recommended that County Council approves the implementation of a 2.00% Adult Social Care Precept for 2024/25 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) 2024/25

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2023/24 £	County Council 2024/25 £	Change £
A	Up to £40,000	147,718	38.6%	6/9	153.30	176.28	22.98
B	£40,001 to £52,000	79,070	20.7%	7/9	178.85	205.66	26.81
C	£52,001 to £68,000	65,725	17.2%	8/9	204.40	235.04	30.64
D	£68,001 to £88,000	45,080	11.8%	1	229.95	264.42	34.47
E	£88,001 to £120,000	25,726	6.7%	11/9	281.05	323.18	42.13
F	£120,001 to £160,000	12,295	3.2%	13/9	332.15	381.94	49.79
G	£160,001 to £320,000	6,642	1.7%	15/9	383.25	440.70	57.45
H	Over £320,000	505	0.1%	18/9	459.90	528.84	68.94

Local Tax Recommendation

88. 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) 2024/25

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2023/24 £	County Council 2024/25 £	Change £
A	Up to £40,000	147,718	38.8%	6/9	995.81	1,028.44	32.63
B	£40,001 to £52,000	79,070	20.6%	7/9	1,161.77	1,199.85	38.08
C	£52,001 to £68,000	65,725	17.1%	8/9	1,327.74	1,371.25	43.51
D	£68,001 to £88,000	45,080	11.7%	1	1,493.71	1,542.66	48.95
E	£88,001 to £120,000	25,726	6.7%	11/9	1,825.65	1,885.47	59.82
F	£120,001 to £160,000	12,295	3.2%	13/9	2,157.58	2,228.29	70.71
G	£160,001 to £320,000	6,642	1.7%	15/9	2,489.52	2,571.10	81.58
H	Over £320,000	505	0.1%	18/9	2,987.42	3,085.32	97.90

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89. 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
2024/25**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2023/24 £	County Council 2024/25 £	Change £
A	Up to £40,000	147,718	38.8%	6/9	1,149.11	1,204.72	55.61
B	£40,001 to £52,000	79,070	20.6%	7/9	1,340.62	1,405.51	64.89
C	£52,001 to £68,000	65,725	17.1%	8/9	1,532.14	1,606.29	74.15
D	£68,001 to £88,000	45,080	11.7%	1	1,723.66	1,807.08	83.42
E	£88,001 to £120,000	25,726	6.7%	11/9	2,106.70	2,208.65	101.95
F	£120,001 to £160,000	12,295	3.2%	13/9	2,489.73	2,610.23	120.50
G	£160,001 to £320,000	6,642	1.7%	15/9	2,872.77	3,011.80	139.03
H	Over £320,000	505	0.1%	18/9	3,447.32	3,614.16	166.84

90. 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.
91. At the time of writing, it appears highly likely that the vast majority of Councils across all tiers of Local Government will increase Council Tax by the maximum available amount, due to the inflationary pressures that exist on services. Nottinghamshire's approach avoids this, and the administration has still never increased Council tax by the maximum available, thus increasing the value for money offered to local residents relative to other Councils.

County Precept

92. 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.
93. 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 – 2024/25

2024	2025
19 April	6 January
29 May	5 February
2 July	11 March
6 August	
12 September	
16 October	
21 November	

94. 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 2023/24 will be paid or refunded on the same dates.

Medium Term Financial Strategy (MTFS)

95. The Budget report to the February Council in 2023 forecast a budget gap of £30.8m for the three years to 2026/27. As part of the budget setting process the MTFS has been rolled forward a year to reflect the four-year term to 2027/28 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.
96. It should be noted that the 2024/25 Local Government Finance Settlement is a one-year settlement only. As such, considerable uncertainty beyond 2024/25 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.
97. Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2023 was approved.
98. In summary, from 2024/25 onwards, the Council is currently projecting a budget shortfall of £36.0m 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 2024 –2028

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Year on Year Savings requirement (February 2023 Report)	-	17.6	13.2	-	30.8
Additional Pressures / Inflation	25.8	8.5	5.4	25.4	65.1
Increase in Contingency for Pressures/Inflation Risk	0.3	-	-	-	0.3
Change in Pay / Pension Related Inflation	1.1	2.2	0.1	4.6	8.0
Proposed Efficiencies	(5.4)	(3.7)	(7.2)	-	(16.3)
Amendments to Portfolio base budgets	6.6	1.0	5.3	0.1	13.0
Change in Grant Funding	(41.3)	8.9	-	-	(32.4)
Increase in Council Tax	(8.5)	(0.3)	(0.3)	(10.5)	(19.6)
Change in Council Tax Base assumptions	(0.3)	-	-	(6.1)	(6.4)
Change in Council Tax Surplus	(3.3)	3.3	-	-	-
Variation in use of Reserves	30.5	(37.9)	3.2	2.3	(1.9)
Other Corporate Adjustments	(5.5)	0.4	0.3	0.2	(4.6)
Revised Gap	-	-	20.0	16.0	36.0

99. The Council's year by year MTFS for the four years to 2027/28 is shown in Table 10 below. It shows that, based on current assumptions, the Council can deliver a balanced budget in both 2024/25 and 2025/26. However, projections indicate that further significant savings will need to be identified in each of the following years to 2027/28.

Table 10 – Medium Term Financial Strategy 2024/25 – 2027/28

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Net Budget Requirement	638.8	651.0	687.0	699.6
Financed by :				
Business Rates	144.3	144.3	144.3	144.3
Revenue Support Grant	8.6	8.6	8.6	8.6
Council Tax	415.3	430.8	446.8	463.4
Adult Social Care Precept	67.3	67.3	67.3	67.3
Collection Fund Surplus / (Deficit)	3.3	-	-	-
Total Funding	638.8	651.0	667.0	683.6
Funding Shortfall	-	-	20.0	16.0
Cumulative Funding Shortfall	-	-	20.0	36.0

Financial Risks, Balances and Contingency

100. 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.
101. Within the MTFS a number of assumptions are made with regard to a wide variety of factors including future Council Tax policy, Business Rates income and Government Grant levels. Any variation from these assumptions has implications for the level of resources available to the Council.
102. 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.
103. A robust reserve strategy underpins the delivery of the MTFS, however it is acknowledged that the use of reserves does not represent a sustainable solution to budget management. The Council will once again be targeting reserves to allow time for more transformative approaches to be developed and implemented. Reserves provide a short-term fix, but their use only delays the requirement for a permanent solution. The Council also needs to maintain an appropriate level of reserves to guard against unforeseen events and target those reserves responsibly using a profile that effectively “buys time” by feeding balances into the MTFS and thus preventing an inevitable cliff edge. Reserves have therefore been varied to balance the budget and provide temporary relief to facilitate achievement of Transformation and associated delivery of required savings. This budget report is proposing to utilise £35.3m of reserves. Further detail is provided in Appendix C.

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104. The following key risks must also be managed in order to deliver our budget strategy: -

- **Economic Risks** – underlying risks caused by the aftermath of global energy and fuel inflation and associated cost of living crisis compounded by national economic issues. The Monetary Policy Committee meeting in December 2023 resulted in the Bank of England holding interest rates at 5.25% in an attempt to lower the levels of inflation. CPI inflation was 4.0% in December 2023 with forecasts suggesting it will remain in excess of the 2% target through 2024 before falling back in line in towards the end of 2024. Consequently, without a commensurate increase in financial resources, the spending power of the Council will become further eroded until inflation falls back to the Bank of England's target.
- **Risks to Funding** – Indication of Government's future spending plans covering the period beyond 2024/25 won't be known until future Local Government Settlements. Consequently, the spending intentions for local government could differ from assumptions contained in the MTFS. Any differences will, in turn, impact on the level of resources available to the Council. Furthermore, there remain uncertainties around Business Rates reform, the Government's Fair Funding review, how the Government's Levelling Up policies will support local authorities in the future and also the Government's intentions for the future funding of social care.
- **Demand and Demography Risk** - This Medium-Term Financial Strategy contains risks surrounding the estimation of demand and demographic pressures within services such as Adult Social Care and Children's Services, including determination of key income budgets that rely on the number of users of a service and risk that inflation on the cost of demand and demography will be higher than assumed in the MTFS.
- **Political Landscape** - The Prime Minister, Rishi Sunak, took office in October 2022. In January 2023 he outlined his five key priorities for 2023: to halve inflation, to grow the economy and create better paid jobs, to reduce the national debt, to cut NHS waiting lists and to pass new laws to stop small boats. The focus on these priorities inevitably impacts on the Government's expectations of the role of local government and the areas for which funding is made available. The next general election can be held no later than 28th January 2025 and this contributes to the uncertainty with regard to both the current and a future Government's spending plans with regard to Local Government.

105. 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.

106. A summary of other specific challenges that are not yet fully reflected in the MTFS are as follows:

107. **Future Years Pay Awards** – The revised MTFS includes a 5.0% pay award in 2024/25, 3.0% in 2025/26 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.

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108. **Ongoing future year impact of inflation / pressures** – cost pressures for 2024/25 are £25.8m higher than the figure assumed in the MTFS approved in February 2023. If a similar scenario plays out in future years, then there could be significant increases to the Council's funding gap.
109. **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 pay which may result in pressures over and above what are in the MTFS.

Capital Programme and Financing

110. 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.
111. The Council's Capital Programme has been reviewed as part of the 2024/25 budget setting process and a strategy to limit borrowing to that which was already approved by Full Council in February 2022 has been adopted. 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.
112. 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 Resources or Cabinet.

Major Capital Programme Successes

113. **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 £168m since April 2017. This includes over £30m of the Council's own funding on top of grant funding received from the Department for Transport. A further £8.0m of the Council's own funding will be invested in this programme over the medium-term.
114. **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.

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115. **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 the following new / replacement schools have been built – Hawthorne Primary in Bestwood, Orchard Special School in Newark, Hucknall Flying High Academy, Rosecliffe Spencer Academy in Edwalton, Chapel Lane Primary in Bingham and the Millside Spencer Academy in East Leake. Further work on new or major expansions are taking place in Rushcliffe and Worksop.
116. **Building and Office Rationalisation Programme** – Following a review by Overview Committee and as reported to Full Council in July 2023, the Council has established a Building and Office Rationalisation capital programme that sets out to utilise the Council's property estate to deliver environmental, economic and financial benefits in a post-COVID world. This 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.
117. During the course of 2023/24, variations to the capital programme have been approved by Cabinet, the Cabinet Member for Finance and Resources 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 118 to 122. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Education and SEND

118. **School Building Improvement Programme** – The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2024/25 onwards. The 2023/24 allocation was confirmed at £9.5m and it is proposed that an estimated SCM grant allocation of £4.5m is reflected in the capital programme from 2024/25 until 2027/28. It is also proposed that this grant is top sliced by £0.3m from 2024/25 to 2027/28 to provide funding to further the School Access Initiative (SAI) programme.

It is proposed that the Education and SEND portfolio capital programme is varied to reflect an estimate SCM Grant of £4.5m from 2024/25 to 2027/28. It is also proposed that the SCM budget is top sliced by £0.3m in 2024/25 to 2027/28 to further the SAI programme.

119. **Childcare Extensions** – The Council has received a £1.8m Childcare Expansion Grant from the Department for Education (DfE) to support the roll-out of early years entitlement places from April 2024 and wraparound places from September 2024.

It is proposed that the Education and SEND portfolio capital programme is varied to reflect the £1.8m Childcare Expansion capital grant received from the DfE.

120. **Gateford New School** – A new £11.2m primary free school is being delivered in Worksop to serve the new development at Gateford Park. The new school is expected to be open in September 2024 with the capacity for 315 primary places plus a 26-place nursery. The new school will be funded from the School Places Programme but it has been agreed to show this budget on a separate line in the capital programme.

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It is proposed that the Education and SEND portfolio capital programme is varied to show the £11.2m Gateford New School, funded fully from the School Places Programme, on a separate line in the Education and SEND portfolio capital programme.

121. **Outwood Portland Academy Expansion** – A £10.4m major expansion project is currently underway at the Outwood Academy Portland secondary school to make space for 300 more pupils. The expansion is expected to be completed by September 2024. The new school will be funded from the School Places Programme but it has been agreed to show this budget on a separate line in the capital programme.

It is proposed that the Education and SEND portfolio capital programme is varied to show the £10.4m Outwood Portland New School, fully funded from the School Places Programme, on a separate line in the Education and SEND portfolio capital programme.

Transport & Environment

122. **Road Maintenance and Renewals Programme** - Department for Transport (DfT) Capital Block allocations to 2024/25 have been announced. It is assumed in the capital programme that future years' allocations will be very much in line with the 2024/25 allocations received. It is proposed therefore that an annual estimated grant figure of £18.6m is included in the capital programme from 2025/26 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 £2.0m per annum from 2024/25 to 2027/28 to further the Road Maintenance and Renewals programme, funded from capital allocation in 2024/25 and from reserves to 2027/28.

It is proposed that the Transport and Environment portfolio capital programme is varied to reflect estimated DfT annual grant allocations of £18.6m from 2025/26 onwards and an additional £2.0m per annum from 2024/25 to 2027/28 to further the Roads Maintenance and Renewals capital programme.

123. The Transport and Environment portfolio approved capital programme includes a number of 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 £2.3m.
- **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.
- **Green Investment Fund** – This Investment Fund was established to support green projects, specifically those supporting the delivery of the Environment Strategy Action

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Plan. This programme will help support the Council's 2030 target of carbon neutrality in all of its activities.

- 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.

Capital Programme Contingency

124. 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.

125. 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	£3.1m
2024/25	£3.7m
2025/26	£3.0m
2026/27	£3.0m
2027/28	£4.7m

Revised Capital Programme

126. 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 2027/28 are set out in Table 11. A more detailed breakdown across Portfolios will be reported to Full Council as part of the Annual Budget Report 2024/25.

Table 11 – Summary Capital Programme

	Revised 2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	TOTAL £m
Portfolio:						
Education & SEND*	57.859	58.806	24.453	6.500	6.500	154.118
Children & Families	4.159	5.861	0.000	0.000	0.000	10.020
Adult Social Care	0.776	0.000	0.000	0.000	0.000	0.776
Transport & Environment	58.438	61.793	31.220	30.857	30.331	212.639
Communities & Public Health	2.652	1.714	0.500	0.500	0.500	5.866
Economic Devt & Asset Mngt	15.500	19.313	6.328	2.400	2.400	45.941
Finance & Resources	5.610	10.111	4.210	4.210	4.210	28.351
Contingency	3.057	3.698	3.000	3.000	4.660	17.415
Capital Expenditure	148.051	161.296	69.711	47.467	48.601	475.126
Financed By:						
Borrowing	40.805	72.145	18.497	14.305	15.420	161.172
Capital Grants	97.064	80.767	47.030	29.077	29.077	283.015
Revenue / Reserves	10.182	8.384	4.184	4.085	4.104	30.939
Total Funding	148.051	161.296	69.711	47.467	48.601	475.126

* These figures exclude Devolved Formula Capital allocations to schools.

Capital Receipts

127. 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 2024/25 to 2027/28. 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

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	TOTAL £m
Forecast Capital Receipts	7.1	22.6	34.9	25.7	25.5	115.8

128. As part of the recent capital programme review, a decision was taken 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 a minimum level of capital receipts, based on forecasts set out in the February 2021 Budget Report and the value of capital investment in short life assets over the MTFS, are set against previous years' borrowing. It is also proposed that reserves are used where appropriate to limit the value of borrowing required over the MTFS. These measures will help reduce the impact of the Minimum Revenue Provision on the revenue accounts. This approach will also enable excess capital receipts to be used to fund any future additional capital investment.
129. 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.
130. 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 2024/25 (Appendix F). This Strategy is incorporated into the Capital Strategy in Appendix E.
131. 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.
132. 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 2024/25 (Appendix F).

Timetable for Decisions

133. On 9 November 2023, 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.
134. The Overview Committee has considered the Council's approach to the budget setting process, the current assumptions behind the budget and were given the opportunity to feedback any specific points on the budget for 2024/25.
135. The County Council meets on 22 February 2024 to consider the Annual Budget Report 2024/25 including the revenue budget and capital programme. This will enable the 2024/25 budget to be set and approved before the statutory deadline of the end of February 2024.

Equalities Impact Assessment

136. In setting the Budget, the Council should have regard to the Public Sector Equality Duty under the Equality Act 2010. This requires public authorities to have "due regard" to:
 - The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act.
 - The need to advance equality of opportunity between persons who share a relevant protected characteristic and those who do not. This includes removing or minimising disadvantages suffered by persons who share a relevant characteristic; taking steps to meet the needs of such persons/groups that are different to the needs of people who do not share the characteristic; encouraging people with a protected characteristic to participate in public life or other activity where participation is disproportionately low.
137. In addition to the specific requirements of the Equality Act, the Council is also committed to considering the potential impacts of the Budget proposals on other groups and individuals. This includes, following the resolution of Full Council, having due regard to impacts and outcomes in relation to care experienced people. The Council will also have due regard to the principles set out in the Armed Forces Covenant and the Armed Forces Public Duty in respect of armed forces personnel.
138. When setting the overall Council budget, it is important to be mindful of and consider the potential impact on service users and staff of the budget as a whole in a cross-cutting way including any cumulative impacts, and individual proposals, where known. This includes identifying actions which could reduce or mitigate a potential negative impact on a particular group.
139. For changes where residents are most likely to see a difference in the way services are delivered and specific equality implications are well defined at the time of setting the budget, these are reflected in the high-level Equality Impact Assessment (EIA). Where specific proposals are at the review or development stage then further work will be undertaken prior to final decisions being made to consider the potential equality and wider implications in more detail and specific Equality Impact Assessments undertaken as necessary as work progresses on the particular changes proposed and areas of service impacted.

APPENDIX 2

140. Savings or efficiencies proposals and medium to longer term change programmes may result in changes to frontline services, which directly affect the people of Nottinghamshire. Many of the Council's services are aimed at particular groups including older people, people with disabilities, carers, children and younger people and families. These services command the largest parts of the Council's budget.
141. The approach and themes set out within the Budget reflect a re-shaping and rescaling of the Council to operate effectively and efficiently within its financial envelope in a more sustainable way. The focus will be on protecting, supporting and improving outcomes for residents by prioritising and enhancing key services, particularly for the most disadvantaged and vulnerable communities where demand and the need for support is highest. A focus on helping build economic, community, family and individual resilience and supporting people to continue to remain independent will enable targeting of resources at those most in need and who will benefit most from support and services.
142. The approach set out within the Budget to prioritising place and community-based early help and prevention to build resilience and independence, deliver improved outcomes and reduce demand by working with our partners and communities to grow our community assets will enable a sustainable approach for the future designed to meet the needs of communities. This reflects the views of our communities including feedback from consultation activities which have taken place in the preparation of the 2024/25 budget.
143. The information in this report and the full EIA, which is available, will enable Members to pay due regard to the equality implications of the proposed budget for 2024/25.

Other Options Considered

144. The Council has a statutory requirement to set a balanced budget and to set a Council Tax precept for the 2024/25 financial year. This report meets those requirements.

Reasons for Recommendation

145. To enable the County Council to meet its statutory requirements with respect to setting a budget and Council Tax precept for 2024/25, to allow efficient financial administration during 2024/25 and to provide a basis for the planning of services across the medium-term.

Statutory and Policy Implications

146. 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

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 £638.835 million for 2024/25. Para. 71
- 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 2024/25. Para. 73
- d) That the 2.00% Adult Social Care Precept is levied in 2024/25 to part fund increasing adult social care costs. Para. 87
- e) The County Council element of the Council Tax is increased by 2.84% in 2024/25. That the overall Band D tax rate is set at £1,807.08 with the various other bands of property as set out in the report. Para. 88/89
- f) The County Precept for 2024/25 shall be collected from the District and Borough councils on the dates set out in Table 8. Table 8
- g) The Capital Programme for 2024/25 to 2027/28 be approved at the total amounts below and be financed as set out in the report: Table 11

Year	Capital Programme
2024/25	£161.296m
2025/26	£69.711m
2026/27	£47.467m
2027/28	£48.601m

- h) The variations to the Capital Programme be approved. Para. 118-122
- i) The Minimum Revenue Provision policy for 2024/25 be approved. Appx. D
- j) The Capital Strategy including the 2024/25 Prudential Indicators and Treasury Management Strategy be approved. Appx. E
- k) The Service Director – Finance, Infrastructure and Improvement be authorised to raise loans in 2024/25 within the limits of total external borrowings. Para. 132
- l) The Treasury Management Policy for 2024/25 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 131
- n) The implementation of the savings options set out in Appendix B is implemented. Appendix B

- o) The undertaking of future consultations on savings options where required is approved.

**COUNCILLOR RICHARD JACKSON
CABINET MEMBER FOR FINANCE AND RESOURCES**

**For any enquiries about this report please contact:
Glen Bicknell, Interim Group Manager – Financial Services**

Constitutional Comments (GR 26/01/2024)

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 25/01/2024)

The human resources implications will be identified as specific proposals are developed. 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 10/01/2024)

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

Summary of Budget Pressures

	2024/25	2025/26	2026/27	2027/28	TOTAL
	£000	£000	£000	£000	£000
Children & Families					
Non Looked After Children Placements	750	230	237	237	1,454
Growth in External Placements for LAC	8,450	1,582	495	495	11,022
Social Work Staffing	1,430	(1,290)	-	-	140
Subtotal Children & Families Pressures	10,630	522	732	732	12,616
Education & SEND					
Demographic Pressures - Edn, Health & Care Plans	268	209	230	230	937
Education Psychology Service	474	108	49	-	631
Subtotal Education & SEND Pressures	742	317	279	230	1,568
Adult Social Care					
Care Package Demand for Adults Aged 18-64 Years	420	409	2,681	2,681	6,191
Care Package Demand for Adults Aged 65 and Over	644	1,323	1,470	1,470	4,907
Vacancy rate temp Adj	1,000	-	-	-	1,000
Preparing for Adulthood - Workforce	1,119	348	174	174	1,815
ASCH Day Service Fleet Recharge	600	100	100	100	900
Subtotal Adult Social Care Pressures	3,783	2,180	4,425	4,425	14,813
Transport and Environment					
Mainstream Home to School Contracts - Growth	1,740	400	400	400	2,940
SEND Transport Growth	7,890	2,000	700	700	11,290
Waste PFI Contract Growth	100	100	100	100	400
Green Spaces Maintenance	(235)	-	-	-	(235)
Subtotal Transport and Environment Pressures	9,495	2,500	1,200	1,200	14,395
Communities & Public Health					
Traders	2,500	-	-	-	2,500
Subtotal Communities & Public Health Pressures	2,500	-	-	-	2,500
Total Pressures	27,150	5,519	6,636	6,587	45,892
Children & Families					
National Living Wage - External	179	73	54	54	360
Basic Fostering Allowance	157	99	102	100	458
Contract Cost Inflation	3,462	2,432	2,720	2,720	11,334
AEM Increase in Partner Contribution	295	-	-	-	295
Subtotal Children & Families Inflation	4,093	2,604	2,876	2,874	12,447
Adult Social Care					
Fair Price for Care	2,628	3,000	3,000	3,000	11,628
National Living Wage - External	16,688	11,901	8,673	8,673	45,935
Subtotal Adult Social Care Inflation	19,316	14,901	11,673	11,673	57,563
Economic Development and Asset Management					
Schools PFI Inflation	120	120	120	120	480
Subtotal EDAM Inflation	120	120	120	120	480
Transport and Environment					
Mainstream Home to School Contracts	645	330	225	150	1,350
SEND Transport Inflation	1,175	1,200	950	900	4,225
Highways Energy	200	150	150	150	650
Waste PFI Contract Inflation	1,410	1,410	1,410	1,410	5,640
Contract Cost Inflation - VIA	1,682	1,087	482	750	4,001
Subtotal Transport and Environment Inflation	5,112	4,177	3,217	3,360	15,866
Communities & Public Health					
Contract Cost Inflation - Inspire	694	490	422	700	2,306
Contract Cost Inflation - Country Parks	125	40	40	40	245
Subtotal Communities & Public Health Inflation	819	530	462	740	2,551
Total Inflation	29,460	22,332	18,348	18,767	88,907
Total Pressures & Inflation	56,610	27,851	24,984	25,354	134,799

Summary of Budget Savings & Efficiencies

Appendix B

Portfolio	Efficiency	Description	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Transport & Environment	Service Efficiencies	Cross Council staff travels savings.	300	-	-	300
Transport & Environment	Highways	Maintaining the level of spend on our highways but ensuring the spend is appropriately charged to the capital programme rather than through our revenue budget.	2,000	-	-	2,000
Communities & Public Health	Culture Services/Country Parks	Seek further invest to save and cost reduction opportunities.	-	445	-	445
Economic Development & Asset Management	Planning	Increased income from Planning Fees.	50	50	70	170
Transport & Environment	Waste Contracts	Flexible use of the Waste PFI reserve.	1,100	-	-	1,100
Communities & Public Health	Additional Income Generation	Commercial options for Emergency Planning and Registration Service.	99	54	215	368
Economic Development & Asset Management	Growth Infrastructure & Development	Explore options to transition the Service to an externally funded model.	30	60	1,670	1,760
Economic Development & Asset Management	Property Services	Explore options to deepen the scope of the Buildings and Office Rationalisation Programme, including service premises.	-	650	750	1,400
Adult Social Care	Joint Work with Health	Explore two areas of opportunity - 1. Hospital Avoidance. 2. Reviewing high-cost nursing and residential care home placements.	-	2,000	2,000	4,000
Adult Social Care	Technology at scale	Increase in the use of technology to assist more people being able to maintain their independence for longer.	1,848	420	2,200	4,468
Children & Families	Outdoor Education	Explore options to enable the service to become self sustaining by transferring to an external provider or remodelling in order to prioritise support to vulnerable children at risk of care or placement breakdown.	-	-	282	282
Total Efficiencies			5,427	3,679	7,187	16,293

ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE COUNTY COUNCIL'S RESERVES

1. Reserves are a fundamental part of the Council's financial strategy and are used to ensure resilience and stability when setting the budget requirement. Therefore, by taking a prudent approach to budgeting, the Authority can operate with a level of reserves appropriate for the risks (both internal and external) to which it is exposed.
2. There are four main types of reserve held by the County Council:
 - The General Fund Balance is a non-earmarked reserve, consisting of accumulated surpluses. A balance on the General Fund is maintained to cushion the impact of uneven cash flows and as a contingency to reduce the impact of unexpected events or emergencies.
 - Earmarked Reserves are held to meet specific planned expenditure, for example, those relating to PFI schemes.
 - The Schools Statutory Reserve represents funds held on behalf of Schools under the Financial Management of Schools scheme.
 - Grants/External funding that have been received in advance but have not yet been applied.

Forecast Level of Reserves

3. Given the continuing financial challenges facing Local Authorities, Central Government have encouraged councils to use reserves to maintain services in the face of immediate inflationary pressures whilst maintaining appropriate levels to support financial sustainability and future investment. This budget report is proposing to directly utilise £35.3m of reserves over the medium-term financial strategy (MTFS).
4. As in previous years, the County Council has undertaken a review of all its reserves and forecasts based on latest estimates for the current and future years across the MTFS are shown in Table B1 below.
5. The Council continues to take a risk-based approach in setting its budget for 2024/25 and compiling the MTFS. This is reflected in the level of balances and reserves it needs to maintain. The main financial risks include:
 - General inflationary pressures impacting a range of expenditure budgets including wage growth and costs that relate to energy, fuel and external contracts.
 - The assumptions 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 pressures in Adults and Children's Social Care services together with SEND and Home to School Transport.

Appendix C

- The MTFS for 2024-28 includes proposed delivery of savings and efficiencies totalling 19.6m.
 - The 2024/25 Settlement reflects a one-year settlement only. As such, the considerable uncertainty beyond 2024/25 will remain.
6. The latest budget monitoring report, which covers the first three quarters of the current financial year, predicts an underspend of £5.5m representing 0.9% of the net budget. This projection may however fluctuate in the intervening period prior to 31st March. It is proposed that any in-year underspend is treated as a contribution to earmarked reserves to fund investment in technology, transformation and invest to save programmes. This has been reflected in Table B1.

Table B1 – County Council Reserves Forecast to 31st March 2028

Reserve	Actual Balance as at 31/03/2023 £'m	Projected balance at 31/03/2024 £'m	Projected balance at 31/03/2028 £'m
General Fund Balance	36.9	36.9	36.9
Earmarked Reserves			
General Insurance Reserve	41.5	40.9	37.8
Trading Activities	0.8	0.6	0.6
Earmarked for Services	7.5	2.4	2.4
Revenue Grants	26.0	20.9	20.9
Section 256 Grants	29.3	27.8	17.1
Earmarked Reserve	16.2	15.9	0.7
Capital Projects Reserve	14.1	11.5	2.2
NDR Pool Reserves	15.3	14.3	0.0
East Leake PFI	2.8	2.6	0.0
Bassetlaw PFI	2.0	2.0	2.0
Waste PFI	24.9	22.4	22.4
Workforce Reserve	7.3	7.3	0.0
Strategic Development Fund	17.9	21.7	0.0
Council Tax Equalisation	1.1	0.0	0.0
Business Rates Equalisation	8.7	8.7	8.5
Highways / Env't Reserve	8.3	3.9	0.0
Traders Resilience Reserve	4.0	4.0	0.0
Subtotal Earmarked Reserves	227.7	206.9	114.6
Schools Statutory Reserve	41.9	41.9	41.9
Capital Grants Unapplied	3.8	3.8	3.8
Total Usable Reserves	310.3	289.5	197.2

7. The movements above reflect current expectations in terms of usage of reserves over the period of the MTFS. This includes anticipated consumption of balances in relation to supporting the Capital programme. Certain assumptions have been made in predicting closing balances and the timing of when movements on balances will occur.

General Fund Balance

8. The General Fund balance has been stable over recent years and can be considered relatively strong in terms of risk cover when compared with other County Councils. This is a prudent approach given the uncertainty that currently exists within the Local Government financial landscape and difficulty in projecting the full impact of inflationary and service demand pressures across the MTFS.
9. An assessment has been undertaken to identify the key financial risks for next year which can be used as a basis for determining the minimum level of general balances for the county council. Whilst this is not an exhaustive list of all the financial risks faced by the council, the assessment includes those most likely to have a significant impact on the budget. Details of this assessment are provided in the table below:

Risk	Impact	Probability (Low, Medium or High)	Mitigation	Proposed level of reserve cover for 2024/25 £m
Major funding stream variations	If an in-year correction or top-slice is made to external funding during 2024/25 this would reduce the Council's ability to fund its Budget (say 0.5% of RSG+BR)	Low	The government settlement has been announced, however, there have been in-year changes previously.	£0.8
Major variations in budget assumptions e.g. inflation	If inflationary expectations are too low, it could have a greater impact on the Council's expenditure than expected. (1% of net committee requirements of £711.293m)	Medium	The Service Director – Finance, Infrastructure & Improvement monitors the economic environment and takes forecasts from reliable sources	£7.1

Appendix C

Risk	Impact	Probability (Low, Medium or High)	Mitigation	Proposed level of reserve cover for 2024/25 £m
Major expenditure and income variations	If expenditure is higher than budgeted or income lower than budgeted in any service, this will lead to a service overspend and potentially an overall overspend in Budget (say 1.5% of net committee requirements of £711.293m)	Medium	The Council's Leadership Team control the budget through a robust monthly budget management process, however, there are ongoing risks in Children's and Adults Services where safeguarding takes priority	£10.7
Risk in the Social Care Market	As a result of the COVID19 pandemic, the Social Care Market is facing significant challenges relating to workforce, quality and cost which could lead to potential service overspends in Children's and Adult budgets	High	The Council will maximise the use of external funding opportunities, put plans in place for improved career progression and recruitment and continue to control budgets through the usual budget monitoring processes.	£6.0
Slippage and/or non-delivery of savings	If planned savings are delayed or are found to be undeliverable this will have a significant impact on the Council's ability to deliver its Budget (say, 10% non-delivery in-year of £6.678m to be saved)	High	The Council's Leadership Team control the delivery of the savings programme through a robust monthly budget management process, however, this becomes more difficult given the savings already delivered to date and the complexity of building change on change	£0.7
Major disaster implications	Based on recent experience, the Council could face unplanned expenditure if faced with a major disaster (e.g. Flooding & other freak/adverse events)	Medium	The Council may receive central government support however it is not certain this would cover all required expenditure. Whilst robust major emergency plans are in place, many associated costs will be unavoidable.	£1.9

Appendix C

Risk	Impact	Probability (Low, Medium or High)	Mitigation	Proposed level of reserve cover for 2024/25 £m
Health and safety breaches	The Council could be faced with a fine if found to be in breach of health and safety requirements	Low	The Council has very good health and safety procedures and records in place and these are reviewed and updated on a regular basis. A mandatory training programme is also in place.	£0.5
Security breaches	The Council could be liable for a penalty from the Information Commissioner's Office with regard to General Data Protection Regulations.	Low	The establishment of an Information Governance Framework was approved at Policy Committee in March 2018. A mandatory training programme is also in place.	£2.5
ICT failure	The reliance on ICT for the Council is significant and growing, which means that there could potentially be a significant impact if one or more of the Council's main systems failed.	Low	The Council has an ICT Strategy in place, which includes a disaster recovery plan and business continuity plans are in place for all services	£1.0
Impact of litigation	The Council may be faced with litigation related to the services that it provides (e.g. related to safeguarding in Children's and Adults Services)	Low	The services have strong procedures in place for the delivery of services and are fully conversant with the requirements of the legislation relevant to each service area	£1.0
Employment matters	The Council could be faced with costs associated with industrial action or individual tribunal cases	Low	The Council has good employee and union relations, including early consultation for major policy implications and major service changes	£0.5

Appendix C

Risk	Impact	Probability (Low, Medium or High)	Mitigation	Proposed level of reserve cover for 2024/25 £m
Third party failure	The Council could have a significant negative financial impact if one or more of its major suppliers or trading operations failed	Low	The Council has strong governance and contract controls in place, with major contracts reviewed and monitored closely as part of the operation of each Council service	£1.0
Contingency – unforeseen events	The above risks are intended to cover all foreseen situations that the Council could face, however, there could be future major policy changes or unforeseen incidents that could significantly impact on the Council's financial stability (say 0.5% of Net Budget Requirement £638.835m)	Low	Whilst the Council allocates funding for budgeted contingencies, the current uncertainty within Local Government Finance coupled with volatility in the global economy mean it is advisable for the Council to hold a contingent level of reserves	£3.2
Risk assessed minimum level of General Fund Reserve				£36.9
% of net revenue expenditure (based on £711.293m)				5.2%

Other Earmarked Reserves

- A full review of Earmarked for Services reserves has been undertaken and where funds have been identified as no longer required, transfers have been actioned. A further review will be undertaken to assess planned use against the need to deliver and support County Council priorities. The reserves relating to revenue grants that are received in advance will be spent in accordance with the relevant grant conditions.

- In previous years, the costs of Transformation have been funded by capital flexibility provisions as announced in the 2018/19 provisional Local Government Settlement. Whilst this funding opportunity still exists, the Authority has taken the decision to use future capital receipts to either re-pay previous years borrowing or to invest directly in the Capital Programme. It is therefore proposed that the Strategic Development Fund (SDF) is used to fund future costs of Transformation across the MTFS. This includes funding earmarked for expanding productivity related technology (e.g. AI) through Invest to Save initiatives.
- PFI Reserves are accumulated using funding surpluses which are held for use in later years of the contract when the planned withdrawal of government support will leave a funding shortfall.
- The Schools Statutory Reserve comprises money that schools have set aside from their share of Dedicated Schools Grant and these funds are not available for use by the Local authority. As such it is not possible to accurately predict future balances although they are likely to reduce as schools transfer to Academy status.

Adequacy of Proposed Reserves

10. CIPFA do not advocate the introduction of a statutory minimum level of reserves as 'there is a broad range within which authorities might reasonably operate depending on their particular circumstances'. Imposing a statutory minimum would also be against the promotion of local autonomy and would conflict with the increased financial freedoms that are being introduced in local authorities. Indeed, guidance suggests that 'local authorities, on the advice of their finance directors, should make their own judgement on such matters taking into account all the relevant local circumstances'.
11. Furthermore, in previous responses to media coverage of Council reserve balances, CIPFA have supported the flexible management of reserves 'If local councils are trying to manage their reserves to protect the public from future financial problems this is good financial management and should be applauded. The CIPFA Resilience Indicator for local authorities provides a useful broad dashboard indicator of the financial risks and mitigations within the budget approved for the current year. The Resilience Indicator for Nottinghamshire does not highlight any undue risk to the Authority.
12. Ultimately it is the responsibility of the County Council's Section 151 Officer to recommend a strategy for the management of reserves based on their professional opinion.

Professional Opinion of the Council's Section 151 Officer

13. The 2003 Local Government Act stipulates that the County Council's Section 151 Officer should report to Members on the robustness of budget estimates and the adequacy of proposed reserves. A summary of the total usable reserves available to the County Council is shown in Table B1 above. The table includes estimates of future reserve levels based on latest estimates of plans and commitments.
14. My conclusion is that the budget as set out in this report is legal, robust and sustainable. However, given the on-going financial uncertainties and challenges, the need for robust financial management, strict budgetary control and the on-going monitoring of savings delivery plans, will be of paramount importance.

Recommendations

15. The level of proposed General Fund balances in 2024/25 be regarded as acceptable cover for any reasonable level of unforeseen events.
16. The report be noted.

NIGEL STEVENSON CPFA

SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT

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 charge to the Council's General Fund.

The Council is under a statutory duty "to determine for the current financial year an amount of MRP which it considers to be prudent". Local authorities are asked by the Secretary of State "to prepare an annual statement of their policy on making MRP for submission to their Full Council".

It is proposed that the following policy, approved by Full Council (9 February 2023) for 2023/24, is continued for 2024/25:

- That MRP for capital expenditure financed by borrowing prior to 1 April 2007 is based on a fixed, straight-line method over a period of 50 years commencing in 2016/17;
- That MRP for capital expenditure financed by borrowing after 1 April 2007 is based on the annuity method over the estimated life of assets;
- For assets acquired by lease or PFI, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability, over the life of the lease.

As part of the MRP report to Finance and Property Committee in February 2016, it was identified that applying the previous policy had led to MRP charges that exceeded what prudence required during the period from 1 April 2007 to 31 March 2016. There was a realignment of MRP charged to the revenue account in 2017/18 and this will continue into future years to recognise this excess sum. Total MRP after applying realignment will not be less than zero in any financial year.

The critical consideration of the MRP Policy is prudence. The proposed policy detailed above ensures responsible economic foresight and is consistent with the methods prescribed by statutory guidance.

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SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

Nottinghamshire County Council Capital Strategy

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Purpose and Aims

1. The importance of having a meaningful and comprehensive capital strategy was recognised in the Prudential Code for Capital Finance in Local Authorities that was updated by the Chartered Institute of Public Finance and Accountancy in 2021. This requires that all Local Authorities have a Capital Strategy to ensure that capital investment is directed to programmes and projects which maximise the delivery of organisational objectives. This report has been developed with reference to the updated Capital Strategy Guidance document that was published in 2021.
2. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable, that risks associated with investments for commercial purposes are proportionate to their financial capacity and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.
3. The Prudential Code requires authorities to look at capital expenditure plans, investments and debt in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investments and debt.
4. The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
5. This capital strategy sets out a framework for the self-management of capital finance and examines the following areas:
 - Capital expenditure and investment plans
 - Prudential Indicators
 - External debt
 - Treasury Management

Nottinghamshire County Council – Longer Term Investment Influencers

6. Nottinghamshire County Council is the upper-tier Local Authority for the county of Nottinghamshire. The Council is responsible for providing such important public services as Education, Transport, Social Care, Libraries, Trading Standards and Waste Management. How the Council is structured, how it listens to its stakeholders, how it meets its environmental targets and delivers services

to its residents will have a major impact on the capital investment decisions that will be made over the longer term.

7. On 30 August 2022, the leaders of Derbyshire County Council, Nottinghamshire County Council, Derby City Council and Nottingham City Council all signed up to work on a devolution deal following an announcement from the Government that a package of new powers and funding, worth £1.14bn, were available for the area.
8. A public consultation was held from 14 November 2022 to 9 January 2023. Following consideration of the consultation responses, all four Councils voted to approve a final proposal for an East Midlands Combine County Authority in March 2023. Following the Royal Assent of the Levelling Up and Regeneration Act 2023 in October 2023, the devolution proposal was submitted to Government on 1 November 2023. Draft statutory instruments were laid before Parliament in December 2023 and are making their way through the relevant parliamentary process, approval of which is anticipated in approximately February / March 2024. Devolution means that a future mayor and combined county authority could:-
 - Work towards Net Zero and cleaner air with new low carbon homes, retrofit existing houses with external wall insulation, promote the use of renewable energy, and protect and enhance green spaces, like areas for wildlife and green verges.
 - Build on the region's existing knowledge and expertise in green technology and promote the growth of a future low carbon economy by investing in related skills training at colleges and other training facilities.
 - Set up and coordinate smart integrated ticketing and enhanced concessionary fares schemes.
 - Work with Homes England to build more affordable homes, by using new powers to buy land and housing (With district and borough council consent).
 - Enhance the region's economy by developing new commercial space to maximise opportunities.
 - Work with national government on initiatives to address homelessness, domestic abuse, community safety, social mobility, and support for young people.
 - Take advantage of economies of scale by using combined and devolved budgets to deliver more value for taxpayers and more cost-efficient services.

The first election for a regional mayor for Derby, Derbyshire, Nottingham and Nottinghamshire is scheduled to take place in May 2024. Altogether Nottinghamshire County Council is working towards a stronger, more prosperous Nottinghamshire for everyone.

9. In March 2020, the County Council resolved to bring forward proposals for a new Environment Strategy to support the Government's national aspiration to achieving a legally binding target of net-zero greenhouse gas emissions by 2050. The Climate Emergency, which the Council declared in May 2021, heightened expectation further with the Cabinet Member for Transport and Environment

being tasked with overseeing the measures required to achieve the Authority's commitment to achieve carbon neutrality in all its activities by 2030.

10. The current and changing connectivity and access needs across the county with regards to travel and expected changes in user behaviour have been addressed as part of a full highways services review which has been overseen by the Cabinet Member for Transport and Environment.
11. The Nottinghamshire Highways Improvement Plan was created using the recommendations identified by a cross-party highways review panel. The recommendations were developed over a series of meetings with input from a significant Local Government Association Peer Review and external input from industry sector experts. They formed a comprehensive list of activities designed to improve the council's highways maintenance work and provide and opportunity to :-
 - Move to a right first-time approach to highway maintenance and reduce the need to use reactive short-term maintenance.
 - Publish a longer-term programme of capital works to keep residents informed of future plans.
 - Maintain network condition and seek to improve it within financial constraints.
 - Prioritise local roads and footways.
 - Work with communities alongside improving communications, so that residents understand our approaches and are better informed about future plans.
 - Increase our effectiveness and efficiency, maximising return on investment by ensuring that our highways maintenance and management works are driven by our policies and strategy.
 - Developing a new Highways Strategy which will set out the highways service the Council wants and the quality / outcomes required within the context of the new Council Plan 2021 – 31
 - Refreshing and updating the current Highways Infrastructure Asset Management Plan and Policy
 - Embedding a 'right repair, right first time' approach in our Asset Management Plan
12. Other major areas of service delivery will continue to inform the capital strategy over the next ten years as follows:
13. The Council has a statutory duty to ensure that there continues to be sufficiency of school places for children resident in the county, including special school provision. The Council is also responsible for ensuring that all mainstream schools are maintained to suitable condition.
14. The Council has a rich history and a considerable level of maturity around Smarter Working. There have been unforeseen impacts and far-reaching changes to how the Council views its property portfolio. A review of the Building and Office Rationalisation programme will capture the opportunities provided by

the Hybrid Working Strategy, address the Climate Emergency declaration, maximise the environmental benefits available and connects with our communities and ensure that the Council maximises the use of our buildings and office spaces. This programme of work will continue to evolve and capital investment will be kept under review.

15. As reported to the Place Select Committee in September 2023, a task and finish review of Household Waste Recycling Centre provision across the county is currently taking place. Once the outcome of this review is known there may be a requirement for additional capital investment. Any approvals required would go through the usual capital approval processes.
16. The Council has a continuing successful record of delivering world-class digital infrastructure throughout Nottinghamshire. The Council has achieved 98% superfast broadband coverage to make Nottinghamshire one of the top three most digitally connected in the UK. The Council will continue to invest in new technology to improve individuals' access to and experience of services, as well as making businesses more fit for purpose, more efficient and more effective, delivering both national and local priorities.
17. It is important to note that the capital strategy has been prepared against a background of funding difficulties being experienced by local authorities. At the same time the Council's own resources available to finance capital projects have reduced to a low level and will need to be replenished before any substantial further capital investment can be made. The Council will however work to lever in external funding wherever possible and make use of excess capital receipts to ensure that continuing capital investment can be made.
18. In summary, the next decade promises both opportunities and challenges for our public services. With the growing, increasingly ageing population, demand for our services will continue to grow. Many services will need to be re-invented and rebuilt to meet the new challenges ahead and the Council is in a good position to meet these challenges.

The Nottinghamshire Plan 2021 – 2031: Healthy, Prosperous, Green

19. 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 local authority.
20. 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.

21. 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
22. The Plan sets out what the County Council will do over the next four 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.
23. Finally, the Plan sets the approach the Council will take in planning and delivering its services. Our approach is to:
- Listen to our communities
 - Support independence
 - Reduce inequalities
 - Spend money wisely
 - Make decisions based on evidence
 - Work together
 - Lead with optimism
24. The vision and ambitions of the Council Plan are far-reaching and cannot be delivered by the County Council alone. The Council is proud to be working towards a stronger future with a wide range of public, private and voluntary sector organisations as well as communities themselves.

Capital Ambitions

25. The Council's ambitious Capital Strategy is prepared principally to enable the Council to achieve its vision and its ambitions. Despite the unprecedented financial and non-financial challenges that Local Government is currently facing, Nottinghamshire's Capital Strategy has delivered and will continue to deliver capital investments that the residents of Nottinghamshire can be proud of. The following section of the Capital Strategy will set a flavour of the capital projects that have been or will be undertaken to help deliver the Council's nine ambitions. The links will take you to a short YouTube video which outlines each ambition.

26. [The Nottinghamshire Plan - Ambition 1: Helping our people live healthier and more independent lives - YouTube](#)

The Council continues to work with partners to use its land to supply new homes that meet the needs of people of all abilities in Nottinghamshire and help them to live independently. The Top Wighay Farm site, a 40-hectare site situated north-west of the Nottinghamshire town of Hucknall will feature an 805-property housing development, a new primary school and a local community centre. Developers will use modern building techniques to accelerate construction of the housing units, 30% of which have been designated as affordable.



27. [The Nottinghamshire Plan - Ambition 2: Supporting communities and families - YouTube](#)

A key element of the Children and Young People's capital strategy is to provide support to children with special educational needs and their families. The range of local, specialist service provision will be improved as the Council looks to find ways to better support those preparing for adulthood. The replacement Orchard Special School in Newark was delivered in March 2021, a new special school in Ravensdale is set to open in September (see design picture below) and further funding has been secured to support the provision of new places for children with special educational needs and disabilities in future years.



28. [The Nottinghamshire Plan - Ambition 3: Keeping children, vulnerable adults and communities safe - YouTube](#)

The Council will keep improving support for vulnerable children and adults and continue to make improvements where we can. Clayfields House is a secure children's home run by the Council. A new, robust modern wing has recently been completed and delivered through our partnership with ARC. The new wing has created a more homely, inspiring space for young people to live, yet making security a top priority. Additional external funding has already been secured to carry out further improvements at Clayfields House.



29. [The Nottinghamshire Plan - Ambition 4: Building skills that help people get good jobs - YouTube](#)

Working alongside the Government and local developers, the Council will address the growing demand for secondary school places in Gedling, Rushcliffe and Worksop and primary schools in East Leake, Carlton, Colwick and Edwinstowe. The Council will also ensure sufficient places are provided alongside new housing developments. The Chapel Lane Primary School in Bingham (pictured below) opened in September 2022 and is a fully electric, carbon neutral school with a cohort of 210 pupils aged 4 to 11.



30. [The Nottinghamshire Plan - Ambition 5: Strengthening businesses and creating more good-quality jobs - YouTube](#)

The Council's ambition to develop new opportunities for business growth within the Council's land and premises portfolio has already been seen at the Worksop Turbine Centre. The Centre has been developed through previous capital programmes and is a dedicated business centre which assists small businesses to achieve growth. Further innovative opportunities will be created at Top Wighay Farm where plans are in place to build a range of offices, green spaces and other infrastructure opening up more jobs for local people.



31. [The Nottinghamshire Plan - Ambition 6: Making Notts somewhere people love to live, work and visit - YouTube](#)

The Council will deliver the Nottinghamshire Visitor Economy Strategy to grow tourism across the county. More opportunities to invest in and improve our beautiful country parks and green spaces, like Rufford Abbey and Sherwood Forest as well as our sporting venue, the National Water Sports Centre. A project to create the Sherwood Forest Visitor Centre has been completed and it is hoped that new, RSPB led building brings higher footfall, increases tourism, aids education, learning and engagement as well as benefitting the local community. Additional external funding was also secured to carry out pioneering work which introduced cutting-edge digital technology in the heart of Sherwood Forest and Rufford Country Park.



32. [The Nottinghamshire Plan - Ambition 7: Attracting investment - YouTube](#)

The Council will continue to deliver the major development programme at Lindhurst and Top Wighay Farm. Top Wighay Farm in particular will be developed as a blueprint for sustainable living in Nottinghamshire and will develop more sites over the coming years to supply quality housing and new job opportunities for our residents.



33. [The Nottinghamshire Plan - Ambition 8: Improving transport and digital connections - YouTube](#)

The Council will continue to improve and join up local and regional transport connections, opening up employment, training and leisure opportunities to everyone and securing funding to develop new infrastructure where it is needed most. The Gedling Access Road (GAR) is a new 3.8km single carriageway road which has provided a link between the B684 Mapperley Plains and the A612 Trent Valley Road. The new road has provided significant economic and congestion relief benefits and has unlocked new housing in the Gedling Local Plan, create jobs and provide business opportunities locally. Additional funding has been allocated by the Department for Transport, subject to a Full Business Case, to carry out a major scheme to improve the road network along the A614 and A6097 corridor between Ollerton and Lowdham.



34. [The Nottinghamshire Plan - Ambition 9: Protecting the environment and reducing our carbon footprint - YouTube](#)

As part of the Council's ambition to restore our landscapes, ecosystems and biodiversity, the Council will plant 250,000 trees on Council land and set up five new nature reserves to restore our green spaces. The Council has already secured significant external funding from the Department for the Environment, Food and Rural Affairs to create a new community forest in Nottinghamshire. This new 'Trees for Climate' programme was announced as part of the Government's 'Nature for Climate' fund to deliver widespread woodland creation to help combat the climate emergency.



35. In summary, the capital strategy is not intended to be static, it is a dynamic plan that will evolve and change over time alongside the Council's changing priorities. The strategy ambition is set over a ten-year period but will be updated annually and include short, medium and long-term investment ambitions.

Future Capital Strategy Development

36. As set above, it is recognised that the capital strategy is a continually changing document that will need to develop over time. Potential development actions will be identified during 2024/25 as part of a process of continuous improvement. Such actions include:
- Building on an initial data gathering exercise identifying capital pressures and risks over a ten-year horizon.
 - Assessment of service asset management plans to inform decision making and inform prioritisations.
 - Clear scope and post project evaluations to identify learnings.
 - Review the existing capital strategy and identify any areas that require improving.

Key strategies and policies impacting on the Council's Capital Strategy

37. The Council has a number of strategies and policies in place which significantly influence the Council's Capital Programme. The major ones are as follows.

Corporate Property Strategy

38. The Corporate Property Strategy (2018-2023) provides a framework to support the development and management of the Council's land and property assets to achieve our ambition of delivering collaborative property solutions which achieve corporate objectives.
39. The Corporate Property Strategy is publicly available at:
<https://www.nottinghamshire.gov.uk/policy-library/60247/corporate-property-strategy-2018-2023>
40. Aligned to the Corporate Property Strategy is a five-year Property Asset Management Plan (PAMP). This is updated annually and its main purpose is to:
- set out the Council's objectives, priorities, programmes and performance in relation to land and property assets
 - provide a clear statement of direction for other land and property stakeholders and customers
41. Service Asset Management Plans (SAMPs), also updated annually, are developed to support the PAMP and to clearly articulate a service's land and property needs. Each will contain important information to help inform capital bids such as anticipated changes to the service, supply and demand detail, prioritised solutions and a delivery plan.

ICT Strategy

42. The ICT strategy 2022-2025 built on the previous strategy and was drawn up with linkages to the new Council Plan. The key themes of this strategy revolve around Cloud based technologies, technical debt, safe and ethical use of systems and data, reducing ICT's environmental impact, accessible services, transparency and governance.
43. This strategy is publicly available here:
[ICT Strategy](#)

Pupil Place Planning and School Capital Policy

44. This Policy is a key document enabling the Local Authority to meet its statutory duty to provide sufficient places for the children and young people of Nottinghamshire. It provides a context for all to understand the pressures and considerations when addressing demand for the expansion of existing provision or the creation of new provision across the County.

45. The Pupil Place Planning and School Capital Policy is publicly available at:
<https://www.nottinghamshire.gov.uk/policy-library/41408/pupil-place-planning>

Highway Infrastructure Asset Management Plan

46. This document sets out the asset management strategy and plan for Nottinghamshire, promoting best practice and the implementation of asset management principles in all highway maintenance activities.
47. The Highway Infrastructure Asset Management Plan is publicly available at
<https://www.nottinghamshire.gov.uk/transport/roads/highway-infrastructure-asset-management-plan>

Highways Capital Programme 2022/23-2024/25

48. This consists of a suite of programmes stating how the Council plans to meet the transport objectives set out in the Nottinghamshire Local Transport Plan and to satisfy locally identified priorities.

The Highways Capital Programme 2022/23-2024/25 is publicly available at
<https://www.nottinghamshire.gov.uk/transport/roads/highways-capital-programme>

Commercial Strategy

49. The Commercial Strategy sets out the high-level framework for the commercial approach of the Council across a wide number of activities.
50. The Commercial Strategy is publicly available at:
<https://www.nottinghamshire.gov.uk/policy-library/55851/commercial-strategy>
51. The area of Property Investment comes with risk. For example, items such as the long-term effects of the COVID-19 pandemic and the expected economic situation as at late 2023. The Council takes a largely risk-averse approach and does not tend to invest in Commercial Property for the sole purpose of revenue return.
52. Investment Properties represent only 4.0% of total Long-Term assets.
53. Sales of property has and continues to deliver capital receipts, but in the main the property was not originally acquired for this purpose.
54. The Council owns a number of commercial units and farms that deliver a return through rental income but these were not originally purchased for the purpose of generating a commercial return. The net figure for rental income and expenditure from these properties in 2022-23 was £631k.

Corporate Environmental Policy

55. The Council recognises the impact its operations and decisions have on the environment and how its position as a service provider, major employer, community leader and partner can have positive environmental outcomes. This policy outlines the Council's commitment to protecting and enhancing the environment for today and for future generations.
56. The Corporate Environmental Policy is publicly available at: <https://www.nottinghamshire.gov.uk/policy-library/72901/corporate-environmental-policy>

Working with External Partners

57. Delivering investment across the county to meet the Council's ambition needs a strategic approach with the public, private, voluntary and community sectors. In delivering its capital strategy the Council works with a number of external partners, each of whom have their own strategies, priorities and availability of funding, which in turn interact with the Council's capital strategy. These partners include:
 - Central government and its Agencies
 - East Midlands Combined County Authority
 - D2N2 Local Enterprise Partnership
 - Other local authorities in the region
 - Local NHS providers
 - Local Universities and Further Education Providers
 - Charities and other voluntary organisations

Working in Partnership

Arc and Via – A Collaboration to Deliver Economic Growth

58. Arc Partnership and Via East Midlands are Alternative Service Delivery Models established by the Council to deliver services in line with their Service Agreements and empowered to deliver third party works under the auspices of Local Authority Trading Companies, as both are classed as 'Teckal Companies'. Both companies are either wholly or partly owned by the Council.
59. Arc Partnership delivers multi-disciplinary property design, consultancy, master planning, regeneration, project/programme management, construction; emergency, reactive, compliance, asset management and planned servicing on behalf of the Council and the communities and people it represents.
60. Via East Midlands delivers multi-disciplinary engineering and fleet management services, including highways maintenance, design and consultancy, project/programme management, construction, signals and lighting, drainage, landscaping, environmental assessment, road safety, fleet services and a highway training centre.

61. Both organisations already collaborate and partner in a number of areas in delivering projects and programmes of work that deliver value for money, quality of output and customer excellence. They are looking to formalise this collaboration in order to deliver greater joint working, cross selling, and establish a framework which will bring forward a number of key regeneration, inward investment and economic growth opportunities.

What is Capital Expenditure?

62. An understanding of what constitutes capital expenditure is fundamental to realising the benefits that an authority can obtain under the Prudential framework. Unless expenditure qualifies as capital it will normally fall outside the scope of the framework and be charged to revenue in the period that the expenditure is incurred. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenues.
63. Capital expenditure is where the Council spends money on buying, building, or enhancing long-term fixed assets that will yield benefits for the Council and be used for more than one financial year.
64. Examples of long-term assets include but are not limited to land and buildings, vehicles, infrastructure such as roads and bridges.
65. In Local Government this includes spending on assets owned by other bodies and loans / grants to other bodies enabling them to buy assets.

Funding Streams

66. Nottinghamshire County Council's Capital Programme is funded from a mix of sources including: -
- **Prudential Borrowing** – The introduction of the Prudential Code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This funding can also be used as an option to front fund development to stimulate growth. This has provided the Council with the flexibility to raise capital funding as demand and business need have dictated. This type of borrowing has revenue implications for the Council in the form of financing costs.
 - **External Grants** – The largest form of capital funding comes through as external grant allocations from central government departments such as the Department for Transport and the Department for Education.
 - **Section 106 and External Contributions** – Elements of the capital programme are funded by contributions from private sector developers and partners. Growth in Nottinghamshire has resulted in Section 106 contributions from developers accounting for significant elements of funding of the capital programme in recent years.

- **Revenue / Reserves Funding** – The Council can use revenue and reserve resources to fund capital projects on a direct basis. However, the impact of austerity on the Council's revenue budget has reduced options in this area and therefore the preference is for Invest to Save options to be adopted where feasible.
 - **Capital Receipts** – The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources which will be available to support the Council's plans.
67. The size of the Capital Programme will be influenced by funding sources and financing costs and any related constraints. The Strategy has been prepared against a background of continuing reductions in funding provided to local authorities by central government and its agencies, arising from the need to restrain public expenditure owing to the ongoing economic conditions and to rebalance public finances.
68. The main limiting factor on the Council's ability to undertake capital investment is whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by central government, now mainly through capital grants.

Approach to Capital Investment

69. Nottinghamshire County Council's Capital Strategy defines and outlines the Council's approach to capital investment and is fundamental to the Council's financial planning processes. It aims to ensure that:
- Capital expenditure contributes to the achievement of the Council's strategic plan.
 - An affordable and sustainable capital programme is delivered.
 - Use of resources and value for money is maximised.
 - A clear framework for making capital expenditure decisions is provided.
 - A corporate approach to generating capital resources is established.
 - Access to sufficient long-term assets to provide services are acquired and retained.
 - Invest to save initiatives to make efficiencies within the Council's revenue budget are encouraged.
 - An appraisal and prioritisation process for new schemes is robust.

Capital Prioritisation

70. It is usual that demand for capital resources to meet investment needs and aspirations will exceed the resources available to the Council. In times of financial difficulty this situation is exacerbated.
71. To ensure that capital resources are allocated to the Council's priorities it is essential that an objective, structured prioritisation process is adopted when determining new schemes within the capital programme. This capital prioritisation process will then assist the Corporate Asset Management Group in

making recommendations to the Corporate Leadership Team and Members in respect of the content of the Capital Programme.

72. The prioritisation process specifically addresses the key requirements of the Prudential Code:-

- Affordability, prudence and sustainability – the integration of the capital and revenue planning processes ensure that coherent decision-making takes place with regard to the level of borrowing.
 - Spend to save schemes must be able to demonstrate clearly the level of forecast revenue savings. These savings will be applied towards the repayment of the capital investment required. Subsequent savings will accrue to departmental budgets.
 - External funding may include earmarked capital receipts that require agreement with Strategic Property with regard to value and timing. Any external funding must be confirmed prior to project commencement.
- There should be a regard for the stewardship of the Council's assets – with explicit regard to the Council's Asset Management Plan.
- All capital expenditure should link into, and be consistent with, current corporate / service strategic objectives and be supported by appropriate levels of option appraisal and consultation to ensure value for money.

73. The practicalities of the capital expenditure plan – i.e projects are realistically phased and are capable of being delivered in physical terms.

Particular types of projects are prioritised as follows:

- **Externally Funded Schemes**
Schemes that are totally funded by external sources and have no revenue or capital impact on the County Council are not subject to prioritisation. This would include 'spend to save' schemes where expenditure is fully funded by savings within the same financial year. These schemes are automatically absorbed into the capital programme once necessary funding and approvals are confirmed.
- **Immediate, Unavoidable Obligations**
These schemes would have the highest priority against available funding and would include, for example, compulsory and immediate legislative changes requiring funding.
- **Other schemes**
These are scored and prioritised according to the following criteria:
 - Funding criteria: for example Spend to Save initiatives and projects that lever in external funding / capital receipts

- Service needs
- Corporate priorities.

Governance Arrangements

Capital Programme Approvals

74. The Authority's constitution and financial regulations govern the capital programme as set out below:

- All capital expenditure must be carried out in accordance with the financial regulations and the Council's Constitution.
- The expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards.
- The Capital Programme approved by Full Council as part of the Council's annual budget report sets the capital funding availability for the Council, the prioritisation of funding and the schemes receiving entry into the Capital Programme.
- All schemes are formally approved into the capital programme by following a process as set out in the financial regulations.
- Officers are not authorised to commit expenditure without prior formal approval as set out in the financial regulations.
- Each scheme must be under the control of a responsible person/project manager.
- Corporate Directors must take a Latest Estimated Cost report to the appropriate Cabinet Member where the capital cost is over £1 million.
- Any agreements (such as section 106) which contractually commit to procure capital schemes will need to follow the same approval process as other capital expenditure before it can be formally incorporated into the capital programme.

Capital Programme Bodies

75. The main internal bodies that are responsible for the governance and management of the capital programme are the Full Council, Cabinet, Cabinet Members and the Corporate Asset Management Group.

76. **Full Council:**

- Approves the capital programme as part of the Annual Budget Report within the strategic boundaries set by the Council.
- Approves capital schemes into the approved capital programme to enable commencement of delivery and schemes to start to incur expenditure.

77. **Cabinet / Cabinet Members:**

- Receive Latest Estimated Cost reports where the capital costs are in excess of £1m.

78. **Corporate Asset Management Group (CAMG)** – CAMG is a cross-service group of officers with a finance, service and property management background. It is responsible for ensuring that the County Council has a clear and cohesive strategy for managing its physical assets and to oversee the development and delivery of the County Council's capital programme in support of that strategy.

Skills & Training

79. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. All staff are encouraged to keep abreast of new developments and skills to ensure their continuous professional development.
80. The Council's property portfolio is valued by a team of internal valuers working in accordance with the statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The team has extensive knowledge of the Nottinghamshire property market and experience dealing with a mix of property types.

Overview of the Capital Programme

81. The following table shows Nottinghamshire County Council's overall Capital Programme by Portfolio and how it is funded from 2023/24 to 2027/28:-

Table E1 - Capital Programme by Portfolio

	Revised 2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	TOTAL £m
Portfolio:						
Education & SEND	57.859	58.806	24.453	6.500	6.500	154.118
Children & Families	4.159	5.861	0.000	0.000	0.000	10.020
Adult Social Care	0.776	0.000	0.000	0.000	0.000	0.776
Transport & Environment	58.438	61.793	31.220	30.857	30.331	212.639
Communities & Public Health	2.652	1.714	0.500	0.500	0.500	5.866
Economic Devt & Asset Mngt	15.500	19.313	6.328	2.400	2.400	45.941
Finance & Resurces	5.610	10.111	4.210	4.210	4.210	28.351
Contingency	3.057	3.698	3.000	3.000	4.660	17.415
Capital Expenditure	148.051	161.296	69.711	47.467	48.601	475.126
Financed By:						
Borrowing	40.805	72.145	18.497	14.305	15.420	161.172
Capital Grants	97.064	80.767	47.030	29.077	29.077	283.015
Revenue / Reserves	10.182	8.384	4.184	4.085	4.104	30.939
Total Funding	148.051	161.296	69.711	47.467	48.601	475.126

*This table excludes funding that is given directly to schools.

Description of Major Schemes

82. The main capital projects / programmes of work that are incorporated into the Authority's capital programme are identified below:

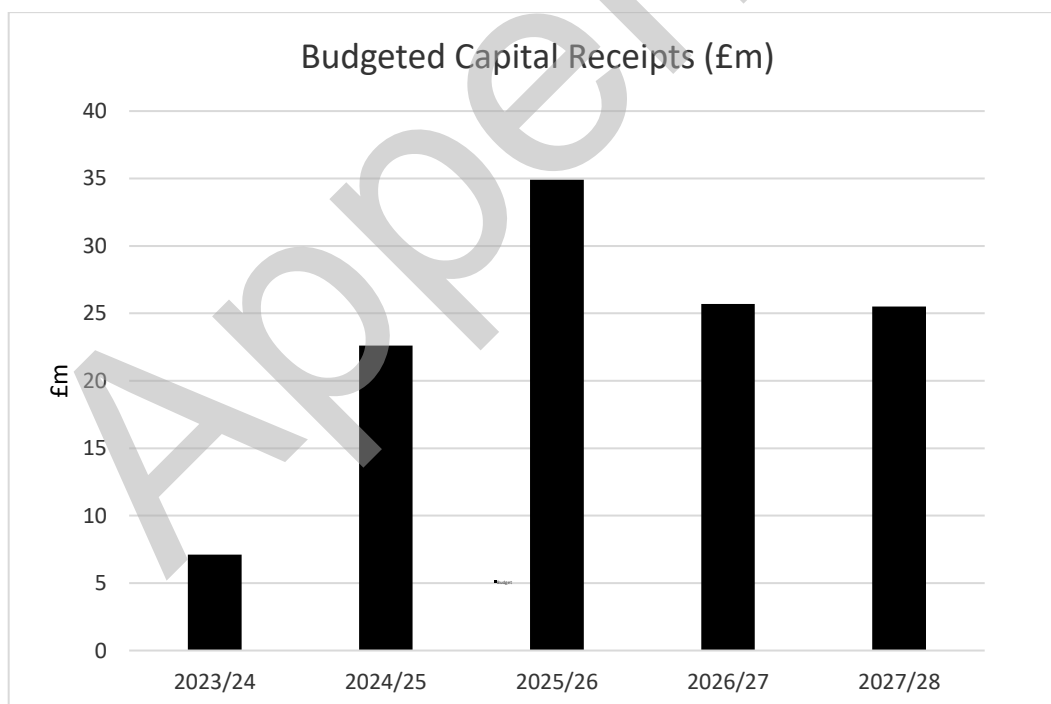
- **Schools Building Improvement Programme (SBIP)** – The SBIP focuses on the most immediate condition issues relating to heating, lighting and power, windows and roofing of the County Councils' maintained school building stock.
- **School Places Programme** - The School Places Programme focuses on the Council's statutory duty to provide sufficient school places. This applies to sufficiency planning across all schools, including academies. It is expected that local authorities will work closely with academies and the voluntary aided sector to meet this statutory responsibility and function. The fulfilment of this duty is described as meeting Basic Need. Children and Young People's Services analyse the pupil projection data available to identify schools which would be best suited to fulfil the Basic Need requirement and secure diversity of provision and increase the opportunity for parental preference.
- **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 new / replacement schools have been built in Bestwood Hawthorne Primary, Orchard Special School, Newark, Hucknall Flying High Academy, Rosecliffe Spencer Academy, Edwalton, Chapel Lane Primary, Bingham and the Millside Spencer Academy, East Leake. Further work on new or major expansions are taking place in Rushcliffe and Worksop.
- **Special Schools** – This programme of work is funded by the High Needs Provision capital allocations received from the Department for Education and focusses on supporting the provision of new places and the improvement of existing provision for children with special educational needs and disabilities.
- **Roads Maintenance and Renewals** - This major programme of work supports local highway maintenance across the County and is funded mainly from Department for Transport grant with a local top up funded from capital allocation.
- **Integrated Transport Measures (ITM)** - The ITM is a package of capital schemes developed to support the Local Transport Plan and is funded mainly by direct grant from Government with a local top up funded from capital allocation.
- **Gedling Access Road (GAR)** - This major transport scheme has enabled the realisation of a key strategic development site in Gedling. It has also fulfilled the long-term proposal 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 redevelopment of the former Gedling Colliery site.
- **Bus Service Improvement Programme (BSIP)** – This programme is an initiative by the Council to improve the reliability and efficiency of bus services

across the county. The programme aims to increase bus patronage and improve customer satisfaction.

- **Building Works** - The building works capital budget funds essential capital works to maintain the condition of the Council's property portfolio.
- **Building and Office Rationalisation Programme** – Following a review by Overview Committee and as reported to Full Council in July 2023, the Council has established a Building and Office Rationalisation 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 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.

Capital Receipts / Disposals

83. Anticipated capital receipts are reviewed on a regular basis by the Finance Committee. All forecasts are based on estimated disposal values of identified properties and prudently assume a slippage factor based on risks associated with each property.
84. The chart below shows the budgeted capital receipts for the four years to 2027/28:



85. As part of the recent capital programme review, a decision was taken 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 a minimum level of capital receipts, based on forecasts set out in the February 2021 Budget Report and the value of capital investment in short life assets over the MTFS, are set against previous years' borrowing. It is also

proposed that reserves are used where appropriate to limit the value of borrowing required over the MTFS. These measures will help reduce the impact of the Minimum Revenue Provision on the revenue accounts. This approach will also enable excess capital receipts to be used to fund any future additional capital investment.

Appendix

2024/25 PRUDENTIAL INDICATORS FOR CAPITAL FINANCE

86. This section of the capital strategy sets out the prudential indicators and outlines how expenditure will be financed by borrowing in an affordable, prudent and sustainable way.

Information and Advice

87. The Local Government Act 2003 enables local authorities to determine their programmes for capital investment and associated borrowing requirements, provided they have regard to the Prudential Code for Capital Finance in Local Authorities developed by CIPFA and also take advice from the Section 151 Officer.
88. The Executive Summary of the Code states that “The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.”
89. The Code sets out a number of prudential indicators designed to support and record local decision making and it is the duty of the Service Director – Finance, Infrastructure and Improvement (the Council's Section 151 Officer) to ensure that this information is available to Members when they take decisions on the County Council's capital expenditure plans and annual budget. Key issues to be considered are:
- Affordability (e.g. implications for Council Tax)
 - Prudence and sustainability (e.g. implications for external borrowing and whole life costing)
 - Value for money (e.g. option appraisal)
 - Stewardship of assets (e.g. asset management planning)
 - Service objectives (e.g. alignment with the Council's Strategic Plan)
 - Practicality (e.g. whether the capital plans are achievable).

Affordability

90. The fundamental objective in the consideration of the affordability of the Authority's capital plans is to ensure that the level of investment in capital assets proposed means that the total capital investment of the authority remains within sustainable limits.
91. In considering the affordability of its capital plans, the Authority is required to consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, income and expenditure forecasts.

92. The costs of financing capital expenditure are:

- Interest payable to external lenders less interest earned on investments; and
- Amounts set aside for repayments of amounts borrowed (including repayments of amounts relating to PFI schemes and other finance lease liabilities).

The relevant figures from the 2022/23 Accounts are as follows.

Table E2 – 2022/23 Capital Financing Costs and Net Revenue Stream

Capital Financing Costs	£'m
Interest Payable (incl. PFI/Finance Leases)	32.466
Interest and Investment Income	-5.562
Repayment of Previous Years' Borrowing	6.034
Repayment of PFI/Finance Lease Liabilities	6.616
Other Amounts Set Aside for Repaying Debt	12.135
Total Capital Financing Costs	51.689
Net Revenue Stream	663.913

93. The Capital Financing Costs as a proportion of Net Revenue Stream for 2022/23 and future years are shown in the table below:

Table E3 – Capital Financing Costs as a Proportion of Net Revenue Stream

Capital Financing Costs as a proportion of Net Revenue Stream		
Actual	2022/23	7.8%
Estimates	2023/24	8.0%
	2024/25	8.6%
	2025/26	8.9%
	2026/27	7.8%
	2027/28	7.5%

94. The prudential indicator that sets out the proportion of capital financing costs to net revenue stream will be kept under review.

Prudence and Sustainability

95. The Prudential Code requires that the Authority shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact on the Authority's overall fiscal sustainability.

96. The Authority is required to make reasonable estimates of the total capital expenditure that it plans to incur in the forthcoming financial year and at least the following two financial years. These indicators, together with anticipated sources of finance, are as follows.

Table E4 – Estimates of Capital Expenditure

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Capital Expenditure	161.296	69.711	47.467	48.601
Funded from:				
Borrowing	72.145	18.497	14.305	15.420
Grants and Contributions	80.767	47.030	29.077	29.077
Revenue / Reserves	8.384	4.184	4.085	4.104
Total Capital Financing Costs	161.296	69.711	47.467	48.601

97. The proposed level of borrowing under the Prudential Code for 2024/25 is £72.1m.
98. One of the features of the Prudential Code arrangements is the need to calculate the Capital Financing Requirement. This figure covers capital expenditure which has not yet been permanently financed through the revenue account. It is derived by consolidating a number of Balance Sheet items as follows.

Table E5 – Capital Financing Requirement 2022/23

	£m
Fixed Assets	1,514
Short-term Assets Held For Sale	34
Capital Adjustment Account	(468)
Revaluation Reserve	(294)
Capital Financing Requirement as at 31/3/23	786

99. The Code states that “In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that net debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.” This is a key indicator of prudence.

100. The Capital Financing Requirement needs to be rolled forward to the estimated position at the end of 2023/24:

Table E6 – Estimated Capital Financing Requirement 2023/24

	£m
Capital Financing Requirement 2022/23	786
Borrowing in 2023/24	41
Additional PFI/Finance Lease Liabilities in 2023/24	-
Repayment of PFI/Finance Lease Liabilities in 2023/24	(7)
Capital Receipts set against previous borrowing in 2023/24	(7)
Other amounts set aside for Repayment of Debt in 2023/24	(12)
Estimated Capital Financing Requirement 2023/24	801

101. The additional Capital Financing Requirements for the next 3 years are:

Table E7 – Estimated Capital Financing Requirements 2024/25 - 2026/27

	2024/25	2025/26	2026/27
	£m	£m	£m
New Borrowing	72	18	14
Additional PFI/Finance Lease Liabilities	2	1	1
Repayment of PFI/Finance Lease Liabilities	(8)	(9)	(10)
Capital Receipts set against previous borrowing	(18)	(16)	(8)
Other amounts set aside for Repayment of Debt	(13)	(13)	(13)
Capital Financing Requirement Net Additions	35	(19)	(16)
Estimated Capital Financing Requirement	836	817	801

102. As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2024/25 does not, except in the short term, exceed £836m (i.e. the estimated CFR for 2024/25).

External Debt

103. The Local Government Act 2003 requires the County Council to set two borrowing limits for next year and the following two years with respect to external borrowing.
104. Operational Boundary – has to be set for both borrowing and long-term liabilities. This measure encompasses all borrowing and is used in-year as a tool for monitoring the Council's prudent borrowing requirements. The operational boundary is calculated by taking account of existing borrowing and long-term liabilities, planned new borrowing, net change in long term liabilities and any amounts set aside for repayment of debt.
105. Authorised Limit – this higher measure, is the upper limit on the level of gross indebtedness which must not be breached without County Council approval. If it appears that the Authorised Limit might be breached, the Service Director –

Finance, Infrastructure and Improvement has a duty to report this to the County Council for appropriate action to be taken.

106. The Operational Boundary for external debt for the next three years is built up from the existing level of external borrowing, which was £475m, and the level of relevant liabilities (including finance lease liabilities), which was £90m, on the Balance Sheet at 31 March 2023.
107. These figures can be rolled forward to provide the proposed Operational Boundaries for 2024/25 and subsequent years.

Table E8 – Operational Boundaries 2024/25 – 2026/27

	Borrowing £m	Other Long-Term Liabilities £m	TOTAL £m
External borrowing at 31 March 2023	493	-	493
Other Long-Term Liabilities as at 31 March 2023	-	97	97
Net new borrowing in 2023/24	(18)	-	(18)
Net change in PFI/finance lease liabilities	-	(7)	(7)
Estimated external borrowing as at 31 March 2024	475	90	565
Capital expenditure financed by borrowing 2024/25	72	-	72
Amounts set aside for repayment of debt	(30)	-	(30)
Net change in PFI/finance lease liabilities	-	(7)	(7)
Contingency for changes in cash flow forecast	40	-	40
Operational Boundary 2024/25	557	83	640
Capital expenditure financed by borrowing 2025/26	19	-	19
Amounts set aside for repayment of debt	(29)	-	(29)
Net change in PFI/finance lease liabilities	-	(8)	(8)
Contingency for changes in cash flow forecast	40	-	40
Operational Boundary 2025/26	587	75	662
Capital expenditure financed by borrowing 26/27	14	-	14
Amounts set aside for repayment of debt	(20)	-	(20)
Net change in PFI/finance lease liabilities	-	(9)	(9)
Contingency for changes in cash flow forecast	40	-	40
Operational Boundary 2026/27	621	66	687

108. The Authorised Limits should not need to be varied during the year, bar exceptional purposes. It is proposed to add a further £25m to the Operational Boundaries for Borrowing to provide sufficient headroom for events such as unusual cash movements. The proposed Authorised Limits are:

Table E9 – Authorised Limits 2024/25 – 2026/27

	Authorised Limit		
	Borrowing £m	Other Long-Term Liabilities £m	Borrowing and Other Long-Term Liabilities £m
2024/25	582	83	665
2025/26	612	75	687
2026/27	646	66	712

109. Both the Authorised Limits and Operational Boundaries are less than the Capital Financing Requirement because best practice in treasury management means that actual borrowing is below the notional underlying borrowing requirement.
110. The Prudential Code indicator in respect of treasury management is the adoption of the CIPFA Treasury Management Code of Practice. The County Council has formally adopted the code and approves an annual Treasury Management Policy and Strategy. This includes setting the treasury indicators:
- upper limits for fixed and variable interest rate exposures
 - upper limit for investments over 364 days
 - upper and lower limits for the maturity structure of borrowing.

Value for money – option appraisal

111. The County Council's Capital Programme is driven by the desire to provide high quality, value for money public services and is monitored by the CAMG. Business cases for proposed new capital schemes are reviewed by this group against an agreed prioritisation criteria. The results of this exercise are presented to the Cabinet Member for Finance or Cabinet.

Stewardship of Assets

112. The Council's Asset Management Plan sets out the condition of its assets and the arrangements for managing these effectively. The Council's Corporate Property Strategy enhances these arrangements, including increasing the awareness that efficient use of property is an important element of maximising the value obtained from the Council's overall resources.

Service Objectives

113. The option appraisal of proposed capital schemes overseen by CAMG considers, amongst other factors, the following:

- How the proposal helps achieve the objectives and priorities set out in the Council's Strategic Plan.
- How the proposal will help achieve objectives set out in Departmental Strategic Plans.
- The service improvements and other anticipated benefits expected to be delivered from the investment.

114. Practicality / Monitoring

- Capital budget holders are responsible for providing monthly forecasts to the Financial Strategy and Accounting Team. Any slippage on schemes is identified as soon as possible.
- All forecasts are collated by the Financial Strategy and Accounting Team and reported to the Cabinet Member for Finance or Cabinet on a monthly basis.

Recommendation

115. That Cabinet recommend to Full Council that the Prudential Indicators in Table E10 are approved as part of the 2024/25 budget.

Table E10 – Prudential Indicators 2024/25 – 2026/27

	2024/25	2025/26	2026/27
Estimated capital expenditure	£161.3m	£69.7m	£47.5m
Estimated Capital Financing Requirement	£836m	£817m	£801m
Authorised limit for external debt	£665m	£687m	£712m
Operational boundary for external debt	£640m	£662m	£687m
Financing costs as a % of net revenue stream	8.6%	8.9%	7.8%

Report of the Service Director (Finance, Infrastructure & Improvement)

Treasury Management Strategy 2024/25

Introduction

116. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

117. The Local Government Act 2003 (the Act) requires local authorities “to have regard –

- (a) to such guidance as the Secretary of State may issue, and
- (b) to such other guidance as the Secretary of State may by regulations specify for the purposes of this provision.”

118. The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 state that:

“In carrying out its capital finance functions, a local authority must have regard to the code of practice in ‘Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes’ (regulation 24).”

119. The 2003 regulations further require local authorities to have regard to the code of practice entitled the ‘Prudential Code for Capital Finance in Local Authorities’ (published by CIPFA), when considering how much they can afford to borrow. Both the Treasury Management Code (the Code) and the Prudential Code were updated in December 2021.

120. With regard to investment of funds, the Secretary of State issued revised guidance in 2010 that requires local authorities to prepare an annual investment strategy which has the key objectives of security and liquidity of funds.

121. The Code has 3 key principles which are:

- the establishment of ‘comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury activities’.
- the effective management and control of risk are prime objectives and that responsibility for these lies clearly within the organisation.
- the pursuit of value for money and the use of suitable performance measures are valid and important tools.

122. In accordance with the CIPFA Code, the Council adopts the following:

- (a) The Council will create, and maintain, as the cornerstones for effective treasury management:
 - a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject to amendment only where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

- (b) The Council will receive reports on its treasury management policies, practices and activities, including an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

- (c) The Council delegates responsibility for the implementation, scrutiny and monitoring of its treasury management policies and practices to the Treasury Management Group, comprising:

- Service Director (Finance, Infrastructure & Improvement)
- Group Manager (Financial Services)
- Senior Accountant (Financial Strategy & Accounting)
- Senior Accountant (Pensions & Treasury Management)
- Investments Officer

The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act in accordance with the policy statement and TMPs.

123. Regarding cash balances that form part of the Nottinghamshire County Council Pension Fund, the Council has delegated responsibility for the setting of treasury management policies and practices to the Pension Fund Committee.

124. This Treasury Management Strategy has been prepared in accordance with regulations, guidance and codes of practice to support the Council's Medium-Term Financial Strategy and in particular the financing of the capital programme and the management of cash balances. In addition to this strategy there is a Treasury Management Policy Statement in Appendix F that underpins the strategy, together with the TMPs that govern treasury management operations.

125. The strategy covers:

- Current treasury position
- Borrowing requirement
- Treasury Indicators
- Interest rate forecasts
- Borrowing strategy
- Investment strategy

Current Treasury Position

126. The table below shows the Council's forecast treasury position for 31 March 2024:

Table E11		Total £m	Average Interest Rate
EXTERNAL BORROWING			
Fixed Rate	PWLB	382.8	3.79%
	Market loans	90.0	3.83%
Total External Borrowing		472.8	
Other Long-term Liabilities		90.0	
Total Gross Debt		562.8	
Less: Cash balances		(150.0)	
Total Net Debt		412.8	

Note 1: PWLB = Public Works Loans Board

Note 2: Figures exclude accrued interest

Borrowing Requirement

127. Under the Prudential Code, the Council is required to calculate the 'Capital Financing Requirement' (CFR). This represents the Council's underlying need to borrow for the approved capital programme. New capital expenditure, financed by borrowing or by credit arrangements such as finance leases and private finance initiative schemes, increases the CFR.

128. The Council also sets aside an amount each year as a provision for the repayment of debt. This is known as the Minimum Revenue Provision (MRP) and is, in effect, the principal repayment for the borrowing expected to be undertaken by the Council to finance its capital programme. MRP set aside reduces the CFR.

129. The difference between the CFR and the total of long-term liabilities and existing and new borrowing indicates that the Council has made temporary use of internal cash balances (from its own earmarked reserves and working capital) to finance the capital programme. This is known as “internal borrowing”. Internal borrowing is a way of making short-term savings and avoiding the risks associated with holding large cash balances and is explained further in the “Borrowing Strategy” section below.
130. The Local Government Act 2003 and supporting regulations requires the Council to determine and keep under review how much it is prepared to borrow, termed the “Authorised Limit”. This limit is determined for external borrowing (including both long-term and temporary borrowing and other forms of long-term liability, such as credit arrangements). This limit reflects the need to borrow for capital purposes. The Authorised Limit is set for at least the forthcoming financial year and two successive financial years. The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that its total capital investment is ‘affordable, prudent and sustainable’.
131. In practice during the year the level of borrowing will be monitored against the “Operational Boundary”. This represents a reasonable limit for the planned level of borrowing for capital purposes and is affected by the following:
- Existing borrowing and other long-term liabilities
 - Increased by:
 - planned new borrowing
 - net change in long-term liabilities
 - Reduced by amounts set aside for repayment of debt (referred to as Minimum Revenue Provision or MRP).
 - Contingency for changes to reserves forecast
132. The Operational Boundary is set for the forthcoming financial year and next two financial years. Any breach of this indicator would provide an early warning of a potential breach of the Authorised Limit and allow time for the Council to take any appropriate action.
133. There are two main reasons why planned actual borrowing may be lower than that shown as being required to finance the capital programme. These are slippage in capital schemes and the Council temporarily making use of its cash reserves to delay external borrowing (the internal borrowing referred to above). The main components involved in calculating planned actual borrowing over the next three years are shown in the table below:

Table E12 – Borrowing Forecasts

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Closing Capital Financing Requirement	786.0	801.0	836.0	817.0	801.0	785.0
Less:						
- Long-term liabilities	-97.0	-90.0	-84.0	-76.0	-67.0	-57.0
- Existing borrowing	-483.6	-472.8	-462.3	-452.2	-434.9	-424.9
- Cap Ex to be financed by borrowing (a)		-41.0	-72.0	-18.0	-14.0	-15.0
- Cumulative replacement borrowing (b)		41.0	72.0	18.0	11.0	-7.9
Internal borrowing (A)	205.4	238.2	289.7	288.9	296.2	280.2
Cash and cash equivalents	73.8	100.0	78.5	57.3	30.0	30.0
Fixed investments	125.0	50.0				
Y/E investment balances (B)	198.8	150.0	78.5	57.3	30.0	30.0
Cash deployed (A+B)	404.2	388.2	368.2	346.2	326.2	310.2
comprising:						
- Usable reserves	307.0	291.0	271.0	249.0	229.0	213.0
- Estimated provisions / working capital	97.2	97.2	97.2	97.2	97.2	97.2
Cumulative minimum borrowing requirement (-a-b)	0.0	0.0	0.0	0.0	3.0	22.9
Annual borrowing requirement (nearest £10m)	0.0	0.0	0.0	0.0	0.0	20.0
Cumulative annual borrowing requirement	0.0	0.0	0.0	0.0	0.0	20.0

134. The table above shows the latest capital expenditure, financing and reserves forecasts. From this can be calculated the Council's estimated internal borrowing and its cumulative minimum borrowing requirement, which is zero for all years to 2026/27. In other words, the Council is forecasting to use its cash balances to postpone its long-term borrowing at least until 2027/28.
135. This forecast assumes that usable reserves will be used in the first instance to postpone borrowing and thereby keep year-end cash balances to a comfortable minimum. However, if reserve balances are used quicker than forecast, or if working capital is for any reason reduced, then some borrowing will be necessary before 2027/28.
136. Under the capital finance regulations, local authorities are permitted to *fully borrow* (i.e. use no internal borrowing) up to three years in advance of need as determined by the Capital Financing Requirement. This will only be done if cashflow dictates or if market conditions indicate that it is the best course of action.
137. The main reason for borrowing more than the minimal amount would be to take advantage of, and lock in, low long-term interest rates, making long-term savings and also reducing the Council's exposure to variable interest rate risk. However, this could result in a 'cost of carry' if interest rates on cash deposits dropped below borrowing rates. The financial implications of any amounts borrowed 'in advance of need' would therefore be fully evaluated by Treasury Management Group before commitment.
138. Borrowing in advance of need also increases the level of temporary investments and makes the security of those funds even more important. However, the Council's treasury management practices ensure that the risks of investing funds are minimised.

139. A summary of the proposed Treasury Management Indicators for the years to 2026/27 are set out in tables E13 and E14 below. Please note that the 'Authorised Limit and 'Operational Boundary' are detailed in paragraphs above.

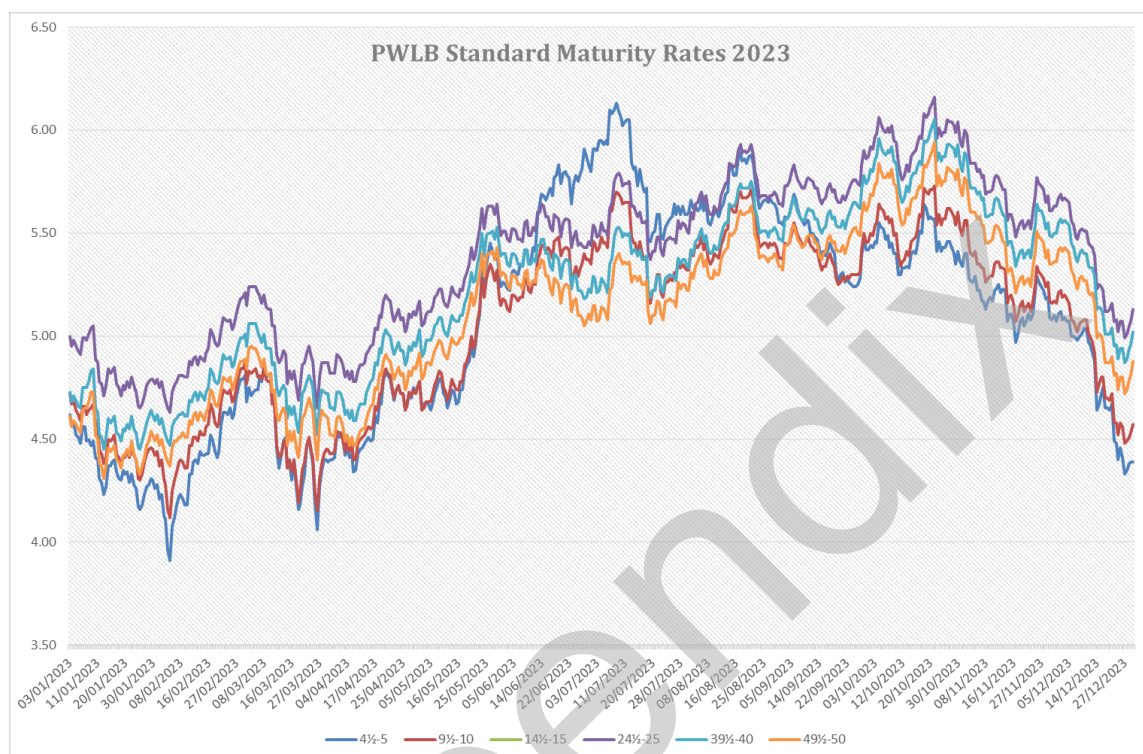
Table E13 TREASURY INDICATORS	Proposed 2024/25 £m	Proposed 2025/26 £m	Proposed 2026/27 £m
Upper limit for Rate Exposure (fixed-term investments)			
Fixed Rate	100%	100%	100%
Variable Rate	75%	75%	75%
Upper limit for principal sums invested for over 364 days	Higher of £20m or 15%	Higher of £20m or 15%	Higher of £20m or 15%

Table E14. Maturity structure of fixed rate borrowing	Lower limit	Upper limit
under 12 months	0%	25%
12 months and within 24 months	0%	25%
24 months and within 5 years	0%	75%
5 years and within 10 years	0%	100%
10 years and above	0%	100%
Adoption of CIPFA's Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes	Adopted	

Borrowing Strategy

140. PWLB rates varied significantly during 2023, in line with inflation, but by year-end they were back to previous year's level. This can be seen in the chart below:

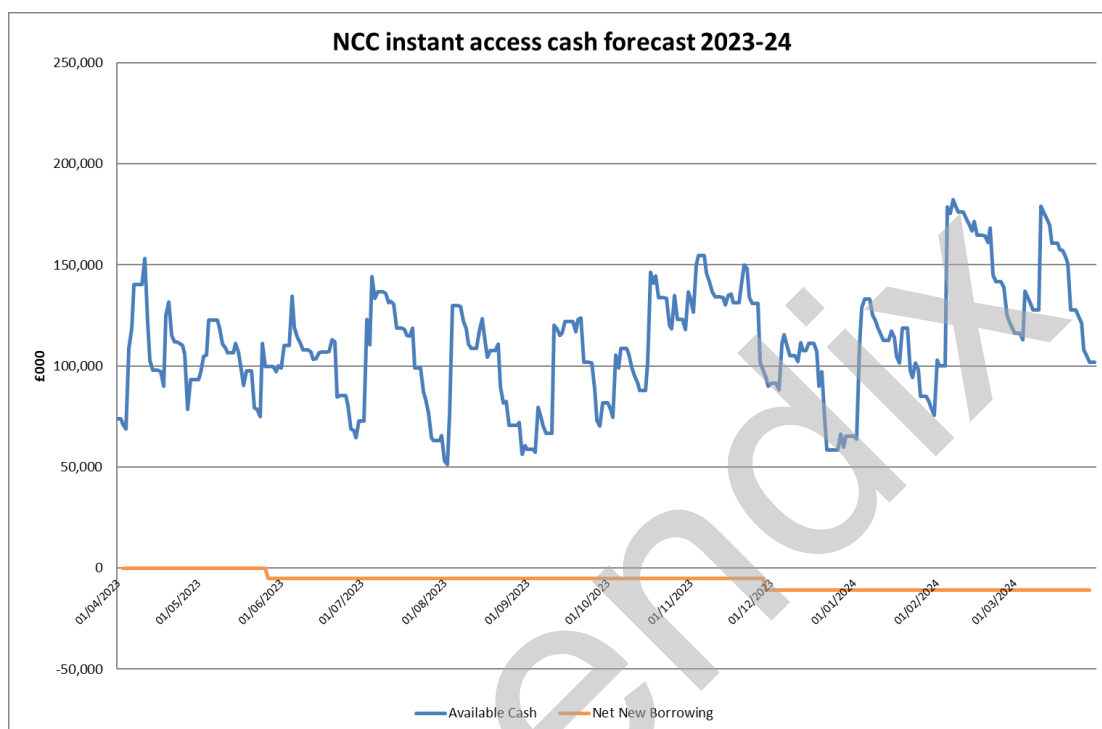
Table E15 – PWLB Standard Maturity Rates 2023



141. The chart below shows how the Council's instant-access cash position has progressed over the financial year to January 2024 and how it is forecast to progress until the year-end. This position varies over the course of the year but averages about £110m. The line reflects the day-to-day impact of the Council's revenue and capital expenditure, grant and precept income, together with any borrowing or fixed-term lending decisions made by the Council's treasury management team.

142. The lower line shows the Council's net new borrowing, which was negative over the course of the year. During 2023/24 approximately £10.8m matured and no new borrowing was undertaken.

Table E16 – NCC Cash Forecast 2023/24



143. Over the past several years the Council has in the short-term funded its capital programme by using its cash balances. These are essentially earmarked reserves, general fund reserves and net movement on current assets. As the cash in these reserves is not required in the short term for the reserves' specific purposes, it has been utilised in order to reduce external borrowing. This is known as 'internal borrowing'.
144. This means the borrowing strategy needs to provide funds not only to finance the capital programme but also funds (i) to replenish reserves as and when these are required and (ii) to cover principal repayments on any maturing debt. If long-term borrowing is not taken to cover these outflows of cash then the Council would need to consider other sources of finance (such as an ongoing bank overdraft facility or a series of short-term loans).
145. Generally, the advantage to the Council of internal borrowing is that it costs less than external borrowing, the cost being the opportunity cost of interest foregone by not investing the cash. Internal borrowing can therefore generate short-term savings for the Council. It also reduces the Council's cash balances deposited with the various counterparties and thereby reduces counterparty risk.
146. Occasionally, however, and at the time of writing this strategy, for some loans interest rates are lower than prevailing deposit rates, meaning that internal

borrowing can result in the short-term in reduced income. Furthermore, by always postponing its long-term borrowing the Council is in effect increasing its exposure to interest rate risk, as rates will fluctuate in the intervening period until long-term fixed rate borrowing is taken.

147. But it must be borne in mind that switching away from the position of postponing borrowing, and taking long-term borrowing before liquidity demands were felt, would greatly increase the Council's exposure to counterparty risk.
148. In practice, a balanced portfolio will include a mix of:
 - Temporary use of the Council's cash reserves
 - Short-term debt provided by the market/other local authorities
 - Short-term or variable rate debt provided by PWLB
 - Long-term debt provided by PWLB
 - Long-term debt provided by the market or other local authorities
149. Given these contingencies the amount, type, period, rate and timing of new borrowing will be an operational matter falling under the responsibility of the Service Director (Finance, Infrastructure & Improvement) exercised by the Senior Accountant (Pensions & Treasury Management) within the approved borrowing strategy, taking into account the following factors:
 - expected movements in interest rates as outlined above.
 - current debt maturity profile.
 - the impact on the medium-term financial strategy.
 - the capital financing requirement.
 - the operational boundary.
 - the authorised limit.
150. Opportunities to reschedule debt will be reviewed as and when they occur during the coming year.

Investment Strategy

151. During 2024/25 it is intended to maintain a minimum instantly available cash balance of £30m (although in practice available funds will be higher than this). This will provide a level of liquidity without recourse to temporary borrowing, i.e., having to seek funds at short notice when availability may be restricted and rates therefore expensive.
152. Forecast cash balances above this level can therefore be considered for longer-term deposits of up to 12 months, if rates are favourable.
153. The Council manages counterparty risk by monitoring the ratings of the institutions in which it could invest. Exposure to the Eurozone is limited by depositing cash only in UK banks and high credit quality overseas banks. The criteria for selecting counterparties are detailed in TMP 1 in Appendix F.
154. A further measure to ensure security of the Council's cash deposits is to maintain the Council's exposure to the UK local authority sector and UK government

securities. When lending to local authorities fixed-term deposits would be used but these are subject to demand and cannot be relied upon in the same way as bank lending. The use of treasury bills and UK government gilts may be considered and would ensure priority is given to security and liquidity of funds.

NIGEL STEVENSON CPFA

SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

Appendix

Report of the Service Director (Finance, Infrastructure & Improvement)

Treasury Management Policy Statement 2024/25

1. The Council, in line with the CIPFA Code of Practice, defines its treasury management activities as:
The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. The Council regards the successful identification, monitoring and control of risk as the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
3. The Council acknowledges that effective treasury management will provide support towards achieving its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. The Council's borrowing strategy will take account of all legislative requirements, codes of practice and other guidance to ensure that borrowing costs are "affordable, prudent and sustainable" and to mitigate refinancing risk. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so within the Council's capital financing requirement.
5. The Council's investment strategy will take account of all legislative requirements, codes of practice and other guidance to ensure that priority is given to the security and liquidity of investments.
6. The Council delegates responsibility for the implementation, scrutiny and monitoring of its treasury management policies and practices to the *Treasury Management Group*, comprising:
 - Service Director (Finance, Infrastructure & Improvement)
 - Group Manager (Financial Services)
 - Senior Accountant (Financial Strategy & Accounting)
 - Senior Accountant (Pensions & Treasury Management)
 - Investments Officer
7. The Council's Treasury Management Policy will be implemented through the following Treasury Management Practices (TMPs). The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act in accordance with the policy statement and TMPs.

TMP1 Risk management

8. The Senior Accountant (Pensions & Treasury Management) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. Reports will be made on these arrangements in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. The arrangements will seek to cover each of the following risks.
9. **Credit and counterparty risk**
The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or revenue resources.
10. The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparties and lending limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in the following paragraphs.
11. The Local Government Act 2003 gives a local authority power to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. In exercising this power, the local authority must have regard to any guidance issued by the Secretary of State.
12. Current guidance classifies investments between "specified" and "non-specified". Specified investments are those offering high security and high liquidity. All such investments should be in sterling and with a maturity of no more than a year. Such short-term investments made with the UK Government or a local authority will automatically count as specified investments. In addition, short-term sterling investments with bodies or investment schemes of "high credit quality" will count as specified investments. The Council's policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield and investing in sterling instruments only. The majority of these will be specified investments.
13. The Council will operate an approved list of counterparties for lending. The lending list will comprise institutions based on minimum ratings (see paragraph below) from at least 2 rating agencies together with Fitch support rating for longer term lending. The list reflects a prudent attitude to lending and uses a combination of ratings issued by the 3 main ratings agencies: Fitch, Moody's and Standard & Poor's. Banks will be assessed for inclusion on the basis of long-term, short-term and support ratings; money market funds (MMFs) on the basis of Sterling MMF ratings.
14. Short-term ratings assess the capacity of an entity to meet financial obligations with maturity of up to and including 12 months and are based on the short-term vulnerability to default. The long-term ratings cover a period in excess of 12 months and are useful as a key indicator impacting on the cost of borrowing for financial institutions. This cost of borrowing will feed through to the ability of the financial institution to obtain funds at reasonable cost to maintain liquidity.

15. MMFs are mutual funds that invest in cash and short-term money market instruments such as government bonds and commercial paper. They allow investors to participate in a more diverse portfolio than direct investment by spreading capital across a variety of institutions. The highest AAA rating reflects an extremely strong capacity to achieve the 'investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk'.
16. The Council will monitor ratings from the main agencies along with general market data. The Council will also monitor developments in the financial markets including policy announcements by the Government, Bank of England, regulatory bodies and other international bodies. It will use this information to determine if any changes are required to the above methodology.
17. Bail-in legislation, which aims to ensure that large investors (including local authorities) will rescue failing banks instead of taxpayers, has now been fully implemented in the UK, USA and Germany. This has had an impact on credit ratings, particularly Fitch support ratings. The criteria below take account of these changes.
18. The lending list will include institutions that meet the following criteria from at least 2 rating agencies:

	Long Term	Short Term	GBP MMF
Fitch	A-	F1	AAAmmf
Moodys	A3	P-1	Aaamf
Standard & Poors	A-	A-1	AAAm

Sovereign Rating	AA
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19. However, within the approved list the following minimum criteria will apply, dependent on the terms of the deposit, from at least 2 ratings agencies:

	Fitch Long term	Fitch Support	Moodys Long term	S&P Long term
Instant access	A-	-	A3	A-
Up to 3 months	A-	-	A3	A-
Up to 364 days	AA-	-	AA3	AA-
365 days and over	A	1 or 2	A2	A

20. All investments (up to 365 days duration) with the counterparties in the approved list are considered specified investments.
21. Exceptions (to be determined by the *Treasury Management Group*) to rating criteria may be made in respect of the following:
- 1) UK government
 - 2) UK local authorities

3) The Council's bank

22. The lending list will be approved by the *Treasury Management Group* and monitored by the Senior Accountant (Pensions & Treasury Management) in the light of rating changes and market conditions. Individual institutions or countries may be suspended from the list if felt appropriate. The *Treasury Management Group* may add or remove organisations from the approved list subject to maintaining consistency with the approved criteria.
23. The maximum amount of County Council cash (i.e. not Pension Fund cash) that can be lent to any organisation on the approved list is subject to individual institution limits of £25m. Only two institutions within the same group may be used at any one time. The *Treasury Management Group* may increase the limit for specific institutions by £10 million for investments in call accounts and MMFs with same day liquidity.
24. Investments with the UK government will have no upper limit but in practice limits will be dependent on the liquidity of those investments and may fall within the definition of specified or non-specified investments. Amounts invested in non-specified investments will be limited to £20 million or 15% of the total invested at the time of the investment, whichever is the higher.
25. The Council's current account, through which all treasury management activity operates, is held at Barclays Bank.
26. As a result of the second Markets in Financial Instruments Directive (MiFID II), from January 2018 local authorities have been treated as 'retail' clients by investment counterparties by default unless they chose to opt up to 'professional' client status. The Council has chosen to do so with all of its counterparties where required.
27. **Liquidity risk**
The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.
28. The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.
29. Summarised cash flow forecasts will be provided on a quarterly basis to the *Treasury Management Group*. Detailed daily cash flow forecasts will be maintained by the Loans Officer. These forecasts will be used as the basis for ensuring adequate cash resources are available in order to support the Council's objectives.
30. The Senior Accountant (Pensions & Treasury Management) or Investments Officer may approve fixed term investments up to 365 days. Longer periods require permission from either the Service Director (Finance & Procurement) or the Group

Manager (Financial Services) and must comply with the relevant treasury management limits.

31. The Treasury Management Group must also approve any long-term borrowing to ensure (a) that it is within the Council's borrowing limits and (b) that it will not have an adverse impact (in terms of creating a situation in which counterparty limits could be exceeded) on the Council's cash management.

32. Interest rate risk

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

33. The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

34. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

35. Regular monitoring of interest rates and monthly monitoring of the Interest Payable and Interest Receivable budgets will be undertaken by the Senior Accountant (Pensions & Treasury Management), in line with the treasury management indicators, with quarterly reports to the *Treasury Management Group*.

36. Exchange rate risk

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

37. The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. Exposure will be minimal as the Council's borrowing and investment are all in sterling.

38. Refinancing risk

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

39. The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to managing refinancing risk and obtaining terms which are competitive and as favourable to the Council as can

reasonably be achieved in the light of market conditions prevailing at the time. It will manage the profile of its maturing debt such that excessive refinancing is not required in any one financial year.

40. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

41. The maturity structure and prevailing interest rates are monitored by the Senior Accountant (Pensions & Treasury Management) in line with the limits set in the treasury management indicators, and regular reports are made to the *Treasury Management Group*.

42. Legal and regulatory risk

The risk that the Council itself, or a counterparty with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

43. The Council will ensure that all its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1(1) credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

44. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

45. The Council is an administering authority in the Local Government Pension Scheme and is required, under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, to invest any fund money that is not needed immediately to make payments. Responsibility for approving and monitoring the implementation of the Pension Fund treasury management strategy has been delegated to the Pension Fund Committee.

46. Fraud, error and corruption, and contingency management

The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

47. The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

48. Market risk

The risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

49. The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations. Decisions on investment in tradeable securities, which risk loss of capital due to market fluctuations, will only be authorised by the *Treasury Management Group*.

TMP2 Performance measurement

50. The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy. One key performance measure is income/expenditure against budget, and budget setting for interest payable and receivable is crucially important for effective treasury management.

51. Furthermore, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. Methods of service delivery and the scope for potential improvements will be regularly examined.

52. The Council's positive cashflows tend to be weighted towards the first half of the financial year, with outflows towards the second half of the year. This allows the Council to make investments most days but tends to restrict its use of fixed rate investments to the first half of the year, with most investments being for very short, often overnight, periods. For this reason, cash management returns will be benchmarked against the average **SONIA** (Sterling Over Night Indexed Average) rate, which replaced the LIBID rate in December 2021.

53. Borrowing will be undertaken in accordance with the treasury management strategy and opportunities will be taken to borrow, with regard to the Council's Capital Financing Requirement and the most recent cashflow forecast, at rates that are considered to be affordable and attractive over the long-term.

TMP3 Decision-making and analysis

54. The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

55. Treasury management processes and practices are well-documented. These are reviewed and agreed by the *Treasury Management Group* following any material changes. Full records are maintained of all treasury management decisions in order

to demonstrate compliance with these processes and for audit purposes. Where appropriate, decisions are reported to the *Treasury Management Group*.

TMP4 Approved instruments, methods and techniques

56. The Council will undertake its treasury management activities within the limits and parameters defined in *TMP1 Risk management*. Its borrowing activity will be within the prudential limits and may include the following:

- (a) overdraft or short-term loan from an authorised financial institution.
- (b) short-term loan from a local authority.
- (c) long-term loan from an authorised financial institution (to include Lender Option Borrower Option (LOBO) loans).
- (d) the PWLB (or successor).
- (e) loan instruments, including transferable loans up to five years duration and non-transferable of no fixed duration.
- (f) UK Municipal Bonds Agency.

57. For investing purposes, the Council may use the following financial instruments:

- a) call or notice accounts
- b) fixed term deposits
- c) callable deposits
- d) structured deposits
- e) certificates of deposits
- f) money market funds
- g) UK Treasury Bills
- h) UK government bonds

58. For sterling money market funds, the Council will limit their use to those with minimum total assets of £5 billion. For UK Treasury bills and UK government bonds the objective will be to hold until maturity but their tradeability gives the flexibility to realize these instruments earlier for liquidity purposes or in the event of significant capital gains. The Council will use forward dealing for both investing and borrowing where market conditions indicate that this approach offers better value for money.

TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

59. The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

60. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

61. If the Council intends, because of lack of resources or other circumstances, to depart from these principles, the Senior Accountant (Pensions & Treasury

Management) will ensure that the reasons are properly reported in accordance with *TMP6 Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

62. The Senior Accountant (Pensions & Treasury Management) will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Senior Accountant (Pensions & Treasury Management) will also always ensure that those engaged in treasury management shall follow the policies and procedures set out.

63. The Senior Accountant (Pensions & Treasury Management) will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

64. The current responsibilities are outlined below.

- Treasury management strategy, policies and practices are set by the County Council.
- Responsibility for the implementation, scrutiny and regular monitoring of the treasury management policies and practices is delegated to the *Treasury Management Group*.
- The responsible officer for the execution and administration of treasury management decisions is the Senior Accountant (Pensions & Treasury Management), who will act within the parameters set by the Treasury Management Policy Statement and TMPs and decisions of the *Treasury Management Group*. The Investments Officer will act as deputy to the Senior Accountant (Pensions & Treasury Management) in his or her absence.

65. The current procedures are outlined below.

- Daily cash flow forecasts will be maintained by the Loans Officer. Annual cash flow forecasts will be provided to the *Treasury Management Group* on a quarterly basis.
- The daily procedures for cash flow monitoring, placing deals, transmission of funds and documentation can now be carried out remotely and are set out in the Treasury Management Procedure Manual. These procedures are usually carried out by the Loans Officer, with absences covered by another officer under the responsibility of the Senior Accountant (Pensions & Treasury Management) or by an identified and trained officer from the wider finance team.
- The officer dealing on the money markets each day must prepare a cash flow forecast for that day based on the most up-to-date information available and this must be checked by the Senior Accountant (Pensions & Treasury Management), or another trained officer, before that day's deals are carried out. Before conducting a deal, the officer will confirm that the credit ratings of the counterparty are in line with the approved policy.
- Deals must be within the limits set out in *TMP1 Risk management*. Dealing staff must be aware of the principles set out in UK Money Markets Code 2021 published by the Bank of England. Documentation must be kept in accordance with the Cash Process Notes.

- The transfer of funds will normally be actioned by CHAPS transfer through the banking system. Separate authorisation is required by a senior officer of the Council to release the payment.

66. Individual deal limits specified in *TMP1 Risk management* apply to all staff placing deals. Any borrowing or lending for periods greater than 365 days may only be actioned on the authority of any two of the following members of Treasury Management Group:

- Senior Accountant (Pensions & Treasury Management)
- Service Director (Finance, Infrastructure and Improvement)
- Group Manager (Financial Services)

Money may only be lent to institutions or funds on the *Approved List*.

TMP6 Reporting requirements and management information arrangements

67. The Service Director (Finance, Infrastructure and Improvement) will ensure that regular reports are prepared and considered on the implementation of the Council's treasury management strategy and policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

68. Full Council will receive:

- an annual report on the strategy to be pursued in the coming year.
- a mid-year review.
- an annual report on the performance of the treasury management function in the past year and on any circumstances of non-compliance with the Council's treasury management policy statement and TMPs.

69. The *Treasury Management Group* will receive regular monitoring reports on treasury management activities and risks and on compliance with and suggested revisions to policy. Members of the *Treasury Management Group* will be informed of any breach of the principles contained in TMP5.

TMP7 Budgeting, accounting and audit arrangements

70. The Service Director (Finance, Infrastructure & Improvement) will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1 Risk management*, *TMP2 Performance measurement*, and *TMP4 Approved instruments, methods and techniques*.

71. The Service Director (Finance, Infrastructure & Improvement) will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with *TMP6 Reporting requirements and management information arrangements*.

72. The Council accounts for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.
73. The impact of expected borrowing and investment activity is dealt with in the Council's budget book. Systems and procedures are subject to both internal and external audit and all necessary information and documentation is provided on request.

TMP8 Cash and cash flow management

74. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Service Director (Finance, Infrastructure & Improvement), and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Service Director (Finance, Infrastructure & Improvement) will ensure that these are adequate for the purposes of monitoring compliance with *TMP1(2) liquidity risk management*. A separate arrangement holds for any Pension Fund cash, for which separate cashflow projections are prepared.
75. As outlined in TMP5, daily cash flow forecasts are prepared in accordance with the team's Cash Process Notes, and summarised weekly and annual forecasts are regularly provided to the *Treasury Management Group*.

TMP9 Money laundering

76. The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.
77. All treasury management activity with banks other than the Council's own bank is actioned through CHAPS transfers to/from nominated accounts. Suspicions that a third party is attempting to involve the County Council in money laundering will be reported to the Service Director (Finance, Infrastructure & Improvement).

TMP10 Training and qualifications

78. The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.
79. The person specifications for the Senior Accountant (Pensions & Treasury Management) and the Investments Officer require a CCAB qualification and other members of the treasury team have the option to be supported to attain professional qualifications from the Association of Accounting Technicians, the Chartered Institute of Public Finance and Accountancy or the Association of Corporate Treasurers. The members of the *Treasury Management Group* are also required to be CCAB or ACT qualified.

80. Professional qualifications will be supplemented by relevant training courses, and attendance at seminars and conferences for all team members as and when these become available. The Senior Accountant (Pensions & Treasury Management) will recommend and implement the necessary arrangements. Requests and suggestions for training may be discussed at any time with the Senior Accountant (Pensions & Treasury Management) and also feature as part of the EPDR process.
81. The *Treasury Management Group* will ensure that board/council members tasked with treasury management responsibilities have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to undertake their role effectively.

TMP11 Use of external service providers

82. The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It also recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. However, it does not currently employ the services of any specialist treasury management advisers.
83. In the employment of such service providers, the Council will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subjected to regular review. It will also ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will be observed. The monitoring of such arrangements rests with the responsible officer.
84. The Council currently uses broking companies to act as intermediaries in lending and borrowing activity, although it will also carry out this activity directly with counterparties when opportunities arise and when settlement details can be adequately verified.

TMP12 Corporate governance

85. The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
86. The Council has adopted and implemented the key provisions of the CIPFA Treasury Management in the Public Services Code (2021 edition) and reports are made in accordance with the approved policy. The Council's constitution includes schemes of delegation covering treasury management activities.
87. These measures are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if necessary, report upon the effectiveness of these arrangements.