

24 February 2022

Agenda Item: 7

REPORT OF THE CHAIRMAN OF THE FINANCE COMMITTEE

ANNUAL BUDGET 2022/23

ADULT SOCIAL CARE PRECEPT 2022/23

COUNCIL TAX 2022/23

MEDIUM TERM FINANCIAL STRATEGY 2022/23 to 2025/26

CAPITAL PROGRAMME 2022/23 to 2025/26

CAPITAL STRATEGY 2022/23

Purpose of the Report

- 1) This report is seeking approval for the following:
 - Annual budget for 2022/23.
 - Amount of Adult Social Care Precept to be levied for 2022/23 to part fund increasing adult social care costs.
 - Finance Committee be authorised to make allocations from the General Contingency for 2022/23.
 - Amount of Council Tax to be levied for County Council purposes for 2022/23 and the arrangements for collecting this from district and borough councils.
 - Medium Term Financial Strategy for 2022/23 to 2025/26.
 - The establishment of a £15m earmarked reserve to fund works associated with the highways review and the environment strategy.
 - Capital Programme for 2022/23 to 2025/26.
 - Minimum Revenue Provision policy for 2022/23.
 - 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 2022/23.
 - The Capital Strategy including the 2022/23 Prudential Indicators and Treasury Management Strategy.
 - Treasury Management Policy for 2022/23.
 - To delegate responsibility for the setting of Treasury Management Policies and Practices relating to Pension Fund cash to the Pension Fund Committee.

Information

- 2) The Council continues to operate in an extremely challenging and uncertain financial environment following a period of significant budget reductions and on-going spending pressures, particularly in social care areas. This uncertainty has been exacerbated by the on-going impact of the COVID19 pandemic, a further one-year 2022/23 funding settlement, the delayed Fair Funding Review, funding uncertainties associated with the Adult Social Care Reform White Paper and Government funding uncertainty overall.
- 3) The COVID19 pandemic has had an unprecedented impact on the County Council's finances. Additional costs and lost income directly associated with the crisis in the current and previous financial years are forecast to be approximately £138m. The Council has managed to deal with this through a combination of Central Government support, expenditure controls and re-prioritisation of discretionary spend. The direct implications of the pandemic will continue into the 2022/23 financial year and the impact on the Council's financial position will continue to be monitored through the usual budget monitoring processes.
- 4) At the same time as the financial impact of the COVID19 pandemic, many Council services continue to experience increasing demand. Many of these services are those directed at the most vulnerable in society, especially in children's and adult's social care.
- 5) The County Council budget for 2022/23 has been prepared in the context of this on-going and unprecedented uncertainty.
- 6) Despite the COVID19 pandemic and the challenging financial position experienced over recent years, the Council has maintained the delivery of on-going statutory and discretionary services and it continues to perform well in many areas including the following examples: -
 - Supporting the most vulnerable people in our communities
 - Four new / replacement schools are / have been built in Bestwood Hawthorne Primary, Orchard Special School, Newark, Hucknall Flying High Academy and Rosecliffe Spencer Academy, Edwalton.
 - Maintaining vital Social Care services.
 - Further investment in the Highways Infrastructure across the county.
 - Full Library provision maintained with significant investment in buildings, fleet and IT.

- 7) The 2021/22 Budget Report that was submitted to Full Council on 25 February 2021 set out a funding shortfall of £47.7m over the three years to 2024/25. The 2022/23 Budget Report that was submitted to Finance Committee on 7 February 2022 set out the financial landscape within which the Council is operating and emphasised once again the uncertainty that a one-year settlement brings.
- 8) The Council has carried out a full review of the budget pressures and underlying assumptions within the Medium-Term Financial Strategy (MTFS). The Council has also received information on the level of funding it can expect in 2022/23.
- 9) In determining the Local Government Settlement, the Government has assumed that the Council would take the maximum Adult Social Care Precept and increase the Council Tax to the maximum level in 2022/23. The Council has carefully considered balancing the requirements of the Authority to deliver services and the increased cost of those services to meet the needs of the most vulnerable residents against important affordability issues and the increasing cost of living challenges that residents face. The report to Finance Committee in February 2022 proposed therefore that the level of Council Tax be increased by 1% and that an Adult Social Care Precept of 3% be implemented in 2022/23. This recommendation is incorporated into this report.

Environmental Strategy and Highways Review

- 10) The Council continues to take its environmental responsibilities seriously. In December 2020, a report was submitted to Policy Committee which provided an update on progress with the delivery of the Corporate Environment Strategy as well as establishing a new post of Environment Strategy Manager. The report also sought additional funding to take the Strategy forward and enable the Council to achieve its environmental ambitions.
- 11) At the first meeting of the current administration in May 2021, enhanced commitments were made when Members unanimously agreed the declaration of a Climate Emergency. The Transport and Environment Committee is taking the lead in considering, agreeing and overseeing appropriate measures to achieve this Authority's commitment to achieve carbon neutrality in all its activities by 2030.

- 12) The Transport and Environment Committee meeting held on 15 June 2021 agreed to the commencement of a cross-party highways review. A further report to Transport and Environment Committee in December 2021 recommended that the actions arising from the Highways Review are delivered through a Highways Improvement Plan with continuing monitoring from the Highways Review Panel alongside continued external support and challenge.
- 13) Environmental factors and the costs associated with maintaining and improving the county's highways have already been taken into account when constructing this budget. It is proposed however that a £15m earmarked reserve is established to fund works emerging from both the environmental strategy and the highways review over the next four years.
- 14) This report also seeks approval for the statutory borrowing limits that the Council is required to set in addition to its Treasury Management Strategy and Policy for 2022/23.

Annual Budget 2022/23

- 15) The report to Finance and Major Contracts Committee on 7 February 2022 outlined the financial position in which the Council is operating, the associated budget shortfall and the Council's strategic response to meeting the budget challenge.
- 16) The final Local Government Settlement was announced on 7 February 2022. The final settlement remains unchanged from allocations published at the time of the provisional settlement in December 2021.
- 17) This report brings together the Council's confirmed funding position. The total revenue budget for 2022/23 is £559.5m. A summary is shown in Table 1 with a more detailed breakdown shown in Appendix A.

Table 1 - Proposed County Council Budget 2022/23

Committee Analysis	Net Budget 2021/22	Pressures	Savings	Pay, NI & Pensions increase	Budget Changes	Net Budget 2022/23
	£m	£m	£m	£m	£m	£m
Children & Young People	149.087	15.040	(0.357)	-	(2.216)	161.554
Adult Social Care & Public Health	219.272	20.692	(7.745)	-	(0.765)	231.454
Transport & Environment	111.447	3.003	-	-	0.080	114.530
Communities	18.417	0.148	-	-	(0.327)	18.238
Policy	3.186	-	-	-	1.798	4.984
Economic Development & Asset Management	21.246	0.566	-	-	3.326	25.138
Finance	15.097	-	-	-	0.282	15.379
Governance & Ethics	7.727	-	-	-	(0.090)	7.637
Personnel	18.034	-	-	-	(0.577)	17.457
Net Committee Requirements	563.513	39.449	(8.102)	-	1.511	596.371
Corporate Budgets	(31.863)	-	-	-	(1.273)	(33.136)
Use of Reserves	(1.333)	-	-	-	(2.430)	(3.763)
Budget Requirement	530.317	39.449	(8.102)	-	(2.192)	559.472

- 18) Table 1 shows the changes between the original net budget for 2021/22 and the proposed budget for 2022/23, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2021/22 and transfers between Committees.

Corporate Budgets and Reserves

- 19) There are a number of centrally-held budgets that are not reported to a specific committee. They are detailed below with the budget analysis shown in Table 2:
 - **Flood Defence Levy:** The Environment Agency issues an annual local levy based on the Band D equivalent houses within each Flood and Coastal Committee area. This helps to fund local flood defence priority works.
 - **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This is a legacy cost and the practice is no longer permitted following changes to the pension rules.

- **Trading Organisations:** This sum is required to cover the difference between the basic employer's pension contributions used in the trading accounts and the amounts actually charged, as required by the actuarial valuation.
- **Contingency:** This is provided to cover redundancy costs, impact of the pay awards, delays in efficiency savings, changes in legislation and other unforeseen eventualities. Finance Committee or the Section 151 Officer are required to approve the release of contingency funds.
- **Capital Charges (Depreciation):** This represents the notional costs of using the Council's fixed assets. As such, budget provision is made within the service accounts and adjustments here relate to corresponding movements in the service accounts. However, statute requires that this amount is not a cost to the Council Tax payer, hence this is reversed out within corporate budgets and replaced with the actual cost that impacts on the Council's revenue budget, being the costs of borrowing (i.e. interest) and the Minimum Revenue Provision (MRP).
- **Interest and Borrowing:** The level of borrowing undertaken by the Council is heavily influenced by the capital programme. Slippage can result in reduced borrowing in the year although this will be incurred at a later date. Interest payment budgets are based on an estimated interest rate which can fluctuate depending on the market rates that exist at the time. The level of borrowing will also increase as the Council's level of reserves declines because the ability to borrow internally reduces.
- **Minimum Revenue Provision:** Local Authorities are required by law to make provision through their revenue account for the repayment of long-term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision (MRP). The MRP policy can be seen in Appendix C.
- **Revenue Grants:** The New Homes Bonus, Social Care Grant and Council Services Grant are held centrally and are not ring-fenced.
- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £19.9m of reserves over the medium term with £3.8m being used to deliver a balanced budget in 2022/23. Further detail is provided in Appendix B.

**Table 2 - Proposed Budget 2022/23
Corporate Budgets and Reserves**

	Net Budget 2021/22 £m	Budget Changes £m	Net Budget 2022/23 £m
Flood Defence Levies	0.294	0.015	0.309
Pension Enhancements (Centralised)	2.050	-	2.050
Trading Organisations	1.300	-	1.300
Contingency - General	7.664	(0.625)	7.039
Contingency - Pay	-	10.226	10.226
Capital Charges (Depreciation)	(44.070)	(1.290)	(45.360)
Interest & Borrowing	21.323	(0.100)	21.223
Minimum Revenue Provision (MRP)	11.867	0.815	12.682
New Homes Bonus Grant	(1.172)	(0.465)	(1.637)
Social Care Grant	(24.301)	(9.160)	(33.461)
Council Services Grant	-	(7.507)	(7.507)
Local Council Tax Support Grant	(6.818)	6.818	-
Subtotal Corporate Budgets	(31.863)	(1.273)	(33.136)
Net Transfer (From)/To Other Earmarked Reserves	(1.333)	(2.430)	(3.763)
Transfer (From)/To General Fund Balances	-	-	-
Subtotal Use of Reserves	(1.333)	(2.430)	(3.763)

Council Tax Base 2022/23

20) The District and Borough Councils calculate a Council Tax base by assessing the number of Band D equivalent properties in their area, and then building in an allowance for possible non-collection. The notifications received forecast a total tax base of 259,905.83 as set out in Table 7, this represents growth of 1.97%. The increase in tax base has been factored into the construction of this budget.

Council Tax Surplus/Deficit

21) Each year an adjustment is made by the District and Borough Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against the future years' tax receipts. As a result of pressures associated with the Coronavirus pandemic, deficits estimated by billing authorities in 2020/21 were allowed by Government legislation to be spread over the three years 2021-22 to 2023-24. After application of this phasing arrangement, the figures confirmed from the District and Borough Councils equates to a net surplus of £4.1m in 2022/23. The final phased net deficit allowance of £1.2m, relating to the 2020/21 deficit, is applied to 2023/24.

Business Rates Surplus/Deficit

22) Budgets in respect of Business Rates are contingent upon a range of inputs derived from District/Borough councils and Central Government returns, the outcome of which at the time of writing this report are uncertain in terms of both timing and amount. The pandemic and its impact in relation to the

increase in reliefs made to businesses are likely to have an adverse effect on collection rates. Should any deficit in relation to current projections be realised, these will be met from a combination of existing Government compensation and COVID related grants already received by the Authority. This is based on the expectation that the Business Rate baseline will recover over the period of the MTFS.

Council Tax and Adult Social Care Precept 2022/23

- 23) The 2022/23 Provisional Local Government Settlement announced by the Government in December 2021 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2022/23 referendum threshold has been set in line with inflation, and so setting the core Council Tax referendum principle at 1.99%.
- 24) As part of the Local Government Finance Settlement the Government affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their Council Tax by 1.99%
- 25) Also in the announcement, it was confirmed that there will be further flexibility to levy an Adult Social Care Precept of 1%, plus any carried forward from previous years where Council's did not take the full ASC precept increase available.
- 26) In determining the local government settlement, the Government has assumed that the Council would take the maximum Adult Social Care Precept and increase the Council Tax to the maximum level in 2022/23. The Council, however, has carefully considered balancing the requirements of the Authority to deliver services and the increased cost of those services to meet the needs of the most vulnerable residents against important affordability issues and the increasing cost of living challenges that residents face. It is proposed therefore that, rather than raising local taxation to the maximum level in 2022/23, Council Tax is increased by 1% and the Adult Social Care Precept is implemented at 3%. Future Council Tax increases of 1.99% per annum have also been factored into the MTFS together with annual 1% Adult Social Care Precept increases to 2024/25.

Requirement to Raise Local Tax

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

Table 3 – Local Tax Requirement Calculation

2022/23	Amount £m	% Funding
Initial Budget Requirement	559.472	100.0
Less National Non-Domestic Rates	(120.767)	21.6
Less Revenue Support Grant	(7.336)	1.3
Net Budget Requirement	431.369	
Less Estimated Collection Fund Surplus	(4.060)	0.7
Council Tax Requirement	427.309	76.4

Adult Social Care Precept Recommendation

- 28) It is recommended that County Council approves the implementation of a 3.00% Adult Social Care Precept for 2022/23 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 4.

**Table 4 – Impact of 3.00% Adult Social Care Precept on Local Tax Levels
(County Council Element) 2022/23**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2021/22 £	County Council 2022/23 £	Change £
A	Up to £40,000	146,397	39.1%	6/9	99.76	131.38	31.62
B	£40,001 to £52,000	77,141	20.6%	7/9	116.39	153.28	36.89
C	£52,001 to £68,000	63,963	17.1%	8/9	133.01	175.17	42.16
D	£68,001 to £88,000	43,458	11.6%	1	149.64	197.07	47.43
E	£88,001 to £120,000	24,642	6.6%	11/9	182.89	240.86	57.97
F	£120,001 to £160,000	11,888	3.2%	13/9	216.15	284.66	68.51
G	£160,001 to £320,000	6,392	1.7%	15/9	249.40	328.45	79.05
H	Over £320,000	485	0.1%	18/9	299.28	394.14	94.86

Local Tax Recommendation

- 29) It is recommended that Members agree an increase of 1.00% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 5 below.

**Table 5 – Impact of 1.00% Increase on Local Tax Levels
(County Council Element) 2022/23**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2021/22 £	County Council 2022/23 £	Change £
A	Up to £40,000	146,397	39.1%	6/9	954.14	964.68	10.54
B	£40,001 to £52,000	77,141	20.6%	7/9	1,113.16	1,125.46	12.30
C	£52,001 to £68,000	63,963	17.1%	8/9	1,272.19	1,286.24	14.05
D	£68,001 to £88,000	43,458	11.6%	1	1,431.21	1,447.02	15.81
E	£88,001 to £120,000	24,642	6.6%	11/9	1,749.26	1,768.58	19.32
F	£120,001 to £160,000	11,888	3.2%	13/9	2,067.30	2,090.14	22.84
G	£160,001 to £320,000	6,392	1.7%	15/9	2,385.35	2,411.70	26.35
H	Over £320,000	485	0.1%	18/9	2,862.42	2,894.04	31.62

- 30) The total impact of implementing a 3.00% Adult Social Care Precept and a 1.00% increase in local tax levels is shown in Table 6.

Table 6 - Recommended levels of Council Tax and Adult Social Care Precept 2022/23

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2021/22 £	County Council 2022/23 £	Change £
A	Up to £40,000	146,397	39.1%	6/9	1,053.90	1,096.06	42.16
B	£40,001 to £52,000	77,141	20.6%	7/9	1,229.55	1,278.74	49.19
C	£52,001 to £68,000	63,963	17.1%	8/9	1,405.20	1,461.41	56.21
D	£68,001 to £88,000	43,458	11.6%	1	1,580.85	1,644.09	63.24
E	£88,001 to £120,000	24,642	6.6%	11/9	1,932.15	2,009.44	77.29
F	£120,001 to £160,000	11,888	3.2%	13/9	2,283.45	2,374.80	91.35
G	£160,001 to £320,000	6,392	1.7%	15/9	2,634.75	2,740.15	105.40
H	Over £320,000	485	0.1%	18/9	3,161.70	3,288.18	126.48

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

County Precept

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

Table 7 – Amount of County Precept by District – 2022/23

District Council	Council Tax Base	County Precept
Ashfield	34,052.70	£55,985,704
Bassetlaw	36,396.81	£59,839,631
Broxtowe	34,530.00	£56,770,428
Gedling	37,776.42	£62,107,834
Mansfield	30,557.30	£50,238,951
Newark	41,205.00	£67,744,728
Rushcliffe	45,387.60	£74,621,299
Total	259,905.83	£427,308,575

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

Table 8 – Proposed County Precept Dates – 2022/23

2022	2023
20 April	4 January
27 May	3 February
1 July	10 March
5 August	
12 September	
17 October	
21 November	

- 34) 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 2021/22 will be paid or refunded on the same dates.

Medium Term Financial Strategy (MTFS)

- 35) The Budget report to the February Council in 2021 forecast a budget gap of £47.7m for the three years to 2024/25. As part of the budget setting process the MTFS has been rolled forward a year to reflect the four-year term to 2025/26 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.
- 36) It should be noted that the 2022/23 Local Government Finance Settlement is a one-year settlement only. Despite the direction of travel set out in the 2021 Comprehensive Spending Review, considerable uncertainty beyond 2022/23 will remain until future funding announcements are made. This uncertainty is compounded by the on-going impact of the COVID19 pandemic, the delayed Fair Funding Review, funding uncertainties associated with the Adult Social Care Reform and Government funding uncertainty overall. As such, the MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.
- 37) The MTFS on which this budget report is based assumes Council Tax increases of 1.99% in future years. In addition, an Adult Social Care Precept increase of 1.00% in both 2023/24 and 2024/25 is factored in.
- 38) Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2021.
- 39) In summary, from 2023/24 onwards, the Council is currently projecting a budget shortfall of £29.1m 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
2022/23 – 2025/26

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Year on Year Savings requirement (February 2021 Report)	17.6	14.6	15.5	-	47.7
Additional Pressures / Inflation	10.2	5.2	0.8	27.4	43.6
Increase in Contingency for Pressures Risk	4.2	-	-	-	4.2
Change in Pay / Pension Related Inflation	1.9	1.9	0.1	3.9	7.8
Approved Efficiencies & Base Budget Adjustments	(6.0)	(3.6)	(0.3)	0.1	(9.8)
Change in Grant Funding	(22.9)	(4.9)	(9.2)	(2.3)	(39.3)
Increase in Council Tax	-	(4.3)	(4.6)	(9.4)	(18.3)
Change in Council Tax Base assumptions	(3.2)	(0.1)	(0.1)	(5.5)	(8.9)
Change in Council Tax Surplus	(5.2)	5.2	-	-	-
Variation in use of Reserves	3.0	(6.5)	4.3	0.5	1.3
Other Corporate Adjustments	0.4	0.7	(0.3)	-	0.8
Revised Gap	-	8.2	6.2	14.7	29.1

- 40) The Council's year by year MTFS for the four years to 2025/26 is shown in Table 10. It shows that whilst the Council can deliver a balanced budget in

2022/23, further savings will need to be identified in each of the following years to 2025/26, based on current assumptions.

Table 10 – Medium Term Financial Strategy 2022/23 – 2025/26

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Net Budget Requirement	559.5	582.8	603.1	628.9
Financed by :				
Business Rates	120.8	123.0	125.3	127.7
Revenue Support Grant	7.3	7.4	7.4	7.4
Council Tax	377.9	391.7	406.0	420.9
Adult Social Care Precept	49.4	53.7	58.2	58.2
Collection Fund Surplus / (Deficit)	4.1	(1.2)	-	-
Total Funding	559.5	574.6	596.9	614.2
Funding Shortfall	-	8.2	6.2	14.7
Cumulative Funding Shortfall	-	8.2	14.4	29.1

Capital Programme and Financing

- 41) 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.
- 42) The Council’s capital programme has been reviewed as part of the 2022/23 budget setting process. As reported to Finance Committee in February 2022, significant variations and slippage have been identified through the monthly capital monitoring process. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators is reported to the Finance Committee.

Major Capital Programme Successes

- 43) **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 £120m since April 2017. This includes over £20m of the Council’s own funding on top of grant funding received from the Department for Transport. A total of 250 schemes are programmed for completion in 2021/22 of which 193 have been completed to date.
- 44) **Gedling Access Road** – This major transport scheme will enable the realisation of a key strategic development site in Gedling. It will also fulfil the long-term ambition to provide a bypass around Gedling Village. The project is to be delivered by key public sector partners working jointly towards achieving common objectives for the future development of the former Gedling Colliery site.
- 45) **New / Replacement Schools** –The Schools Place programme focuses on the Council’s statutory duty to provide sufficient school places. The Council works closely with academies and the voluntary aided sector to meet this statutory responsibility and function. As part of this programme four new / replacement schools are / have been built in Bestwood Hawthorne Primary, Orchard Special School, Newark, Hucknall Flying High Academy and Rosecliffe Spencer Academy, Edwalton with new schools at East Leake and Bingham in the pipeline.
- 46) **Digital Connectivity in Nottinghamshire** – Nottinghamshire has cemented its position in the top three most digitally connected counties in the UK through its range of strategies, policy initiatives and capital funding. The Council has an outstanding record of delivering world class digital infrastructure particularly the roll-out of superfast broadband. Standing at 76% coverage in 2011, the figure is now 98.7% a figure that is 2% higher than the national average and our neighbouring counties. The programme is now

aiming at the goal of achieving 99% by the end of 2021/22. Take-up in the county also continues to rise thereby triggering gainshare funding which will be used to fund further improvements. The Council, in partnership with academic researchers and local businesses, has also created the world's first 5G Connected Forest within the historic Sherwood Forest area, due for completion in March 2022 and, through the Getting Building Fund, is delivering the 5G Digital Turbine project.

- 47) **Homes England Projects** –By embracing the ethos of working closely with Government in order to bring forward new housing, the Council has been very successful in securing external funding of £9.0m from Homes England. This funding, along with £4.5m matched funding contributions, will help fund an increase in the supply of new homes by helping to remove the barriers facing local authorities with development on their sites. Sites at Lowmoor Road and Caudwell Road are benefiting from this funding as well as a further major project at Top Wighay Farm near Hucknall.
- 48) **Investing in Nottinghamshire** – As set out in a report to Economic Development and Asset Management Committee in November 2021, the Council has established an Investing in Nottinghamshire capital programme that sets out to utilise the Council's property estate to deliver, environmental, economic and financial benefits in a post- COVID19 world. This programme funding allows for the delivery of an ambitious programme of projects that will improve, refurbish or build new offices across multiple sites of the Council's estate which in turn would deliver widespread benefits across our services and the local economy.
- 49) Further reports will be submitted to the appropriate Committee in due course to provide updates on any new and emerging capital projects. Any required variations to the capital programme will be subject to the usual capital approval process.
- 50) During the course of 2021/22, some variations to the capital programme have been approved by Policy Committee, Finance Committee and by the Section 151 Officer in accordance with the Council's Financial Regulations. Following a review of the capital programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the capital programme. These proposals are identified in paragraphs 76 to 88. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

Children and Young People (CYP)

- 51) **School Building Improvement Programme** – The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2022/23 onwards. The 2021/22 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 2022/23 until 2025/26. It is also proposed that this grant is top sliced by £0.3m from 2022/23 to 2025/26 to provide funding to further the School Access Initiative (SAI) programme.

It is proposed that the Children and Young People capital programme is varied to reflect an estimated SCM Grant of £4.5m from 2022/23 to 2025/26. It is also proposed that the SCM budget is top sliced by £0.3m in 2022/23 to 2025/26 to further the SAI programme.

- 52) **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. The Authority has received a 2022/23 Basic Need grant of £1.2m. Further Basic Need grant announcements are expected in Spring 2022 but until then it is proposed that estimated further School Places Grant of £2.0m per annum are included in 2023/24 to 2025/26 of the Children and Young People’s capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect an estimated School Places Grant of £2.0m per annum to 2025/26.

- 53) **Clayfields House** - The Council has been successful in securing £2.8m of external funding from the Department for Education to carry out improvement works of the Loxley and Sherwood House Units at Clayfields House Secure Unit. The works will help to address feedback from the OFSTED inspection which took place in June 2021 and bring these units up to the same standards as achieved elsewhere on the site.

It is proposed that the Children and Young People capital programme is varied to reflect the £2.8m grant received from the department for Education to carry out improvement works at Clayfields House.

- 54) **Mill Adventure Base** – A spend to save initiative is already approved within the Children and Young People’s Committee capital programme. The estimated cost of the project has increased by £0.5m due to an enhanced provision and following more detailed feasibility work which has identified increased construction material and contractor costs. It is proposed that the estimated costs are funded from borrowing in the first instance which will then be fully replenished from future income generation.

It is proposed that the Children and Young People capital programme is varied by £0.5m to enable the delivery of spend to save developments at the Mill Adventure Base, funded from borrowing to be replenished from future income generation at the site.

- 55) **New CYP System** – In the Children and Young People’s Committee an exercise is underway to procure the replacement education, early years and youth justice systems as the current contract is due to end in March 2023. The cost required to procure the system and bring it into operation is estimated to be £0.3m.

It is proposed that the Children and Young People capital programme is varied by £0.3m to enable the procurement of a new education, early years and youth justice system, funded from borrowing.

Transport & Environment

- 56) **Road Maintenance and Renewals Programme** – Department for Transport (DfT) Capital Block allocations for 2022/23 and future years have not yet been announced. It is expected however that future year’s allocations will be very much in line with the 2021/22 allocations received. It is proposed therefore that an annual estimated grant figure of £18.6m is included in the capital programme from 2022/23 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.

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

- 57) **Gedling Access Road** - The latest costs for the delivery of the Gedling Access Road and the overall project position was reported to Finance Committee in November 2021. Finance Committee approved a variation to the capital programme of £8.6m to allow the completion of the project.

It is proposed that the Transport and Environment Committee capital programme is increased by £8.6m to reflect the revised estimated cost of the Gedling Access Road, as set out in the report to Finance Committee in November 2021.

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

2022/23	2023/24	2024/25	2025/26
£000	£000	£000	£000
714	253	711	306

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

- 59) **Green Initiatives** – The Transport and Environment Committee approved capital programme also includes a number of additional green initiatives as follows: -

- Carbon Management Programme and the Energy Saving Scheme - These programmes of work identify and undertake projects that enable energy savings to be made and carbon emissions to be reduced. They also enable investment in spend to save energy and water efficiency measures to supplement the current capital programme and maintenance budgets. All savings are recycled to fund further energy

savings projects. The total budget included in the capital programme for these green initiatives is £2.1m.

- Street Lighting – This programme of work is aimed at replacing the lanterns in streetlights for lower energy options to realise an energy saving. The total budget included in the capital programme to fund street light replacements is £4.0m.
- Flood Mitigation Projects – The Council has been successful in securing £4.3m external funding to carry out flood mitigation projects in Southwell. This funding, alongside a £0.7m contribution from the Council's Flood Alleviation and Drainage programme, will fund two schemes that are scheduled for completion by Summer 2022 and will benefit approximately 240 properties and 60 businesses. In addition, the Council has used its own resources to enable the delivery of a £1.0m Property Flood Resilience programme to properties vulnerable to flooding across the county.

Economic Development & Asset Management

- 60) **Hybridisation Programme** – A report was submitted to the Economic Development and Asset Management Committee in January 2022 which approved £0.4m investment in Hybrid Meeting and Live Streaming technology at County Hall to support and facilitate the delivery of Hybrid meetings in the Council Chamber, the Rufford Suite and Committee Rooms B and C.

It is proposed that the Economic Development and Asset Management Committee capital programme is varied by £0.4m to fund Hybrid Meeting and Live Streaming Technology at County Hall, funded from grant.

- 61) **Lindhurst Development** – The Council has been very successful in working as a partner of the Lindhurst Group to make the best possible use of the land which will make a crucial contribution towards fulfilling the Council's ambitions for the county and for the housing needs of communities. A £3m D2N2 funded development project is already approved in the capital programme for the provision of infrastructure into Phase 2 of the development site. It is proposed that the consortium fund further expenditure totalling £2.6m to bring the project to completion.

It is proposed that the Economic Development and Asset Management Committee capital programme is varied by £2.6m to fund the completion of works at the Lindhurst Development, funded from the Lindhurst consortium.

Finance

- 62) **Computer Equipment Replacement Programme** – A need has been identified to extend the Computer Equipment Replacement Programme. The COVID19 pandemic has re-shaped the way that Council employees work and during the past two years more staff have been forced to work remotely thereby impacting on the Council's ICT estate.

In 2022/23, a further £5.4m funding is required to ensure that sufficient ICT devices can be purchased to ensure that our workforce can execute their work in an efficient and effective manner with reliable, performant devices. It is proposed that the following extension to the CERP programme is funded from COVID19 grant: -

Year	Value
2022/23	£1.785m
2023/24	£2.535m
2024/25	£1.035m

It is proposed that the Finance Committee capital programme is varied by £5.4m to reflect the requirement for additional ICT devices as a result of the changed way in which the Council's employees work, funded from COVID19 grant.

- 63) In addition to the variations to increase the capital programme, there are two requirements to reduce the capital programme. Firstly, the project to introduce a new Rushcliffe Recycling has been removed from the programme until a full review of the county's household waste recycling service has been completed. Also, the Authority will not use all of the Homes England grant received to bring forward developments at Lowmoor Road and Caudwell Road and so an element of the grant will be returned. The projects have progressed to planning permission submission stage but further works were considered unaffordable to be funded from the grant.

Capital Programme Contingency

- 64) 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.
- 65) 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:-

2022/23	£4.6m
2023/24	£4.6m
2024/25	£4.6m
2025/26	£4.6m

Revised Capital Programme

66) Taking into account schemes already committed from previous years and the additional proposals detailed in this report, the summary capital programme and proposed sources of financing for the years to 2024/25 are set out in Table 11.

Table 11 – Summary Capital Programme

	Revised 2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL
	£m	£m	£m	£m	£m	£m
Committee:						
Children & Young People*	19.844	43.193	12.139	11.301	6.500	92.977
Adult Social Care & Public Health	0.971	0.000	0.000	0.000	0.000	0.971
Transport & Environment	57.903	46.268	27.908	28.502	26.903	187.484
Communities	2.013	1.943	0.500	0.500	0.500	5.456
Economic Devt & Asset Mngt	20.438	23.806	6.400	3.335	2.400	56.379
Finance	10.083	7.069	5.145	3.645	2.610	28.552
Personnel	0.151	0.000	0.000	0.000	0.000	0.151
Contingency	0.000	4.600	4.600	4.600	4.600	18.400
Capital Expenditure	111.403	126.879	56.692	51.883	43.513	390.370
Financed By:						
Borrowing	39.751	56.420	17.660	14.595	13.660	142.086
Capital Grants	64.312	65.586	35.774	35.072	29.077	229.821
Revenue / Reserves	7.340	4.873	3.258	2.216	0.776	18.463
Total Funding	111.403	126.879	56.692	51.883	43.513	390.370

* These figures exclude Devolved Formula Capital allocations to schools.

Capital Receipts

67) 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 2022/23 to 2025/26. 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

	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL
	£m	£m	£m	£m	£m	£m
Forecast Capital Receipts	8.4	11.8	37.1	29.1	14.7	101.1

- 68) As set out in the report to Finance Committee in February 2022, a decision was taken as part of the recent capital programme review to limit borrowing to what is already approved in the capital programme. To further minimise the impact of the cost of borrowing on the revenue budget it is proposed that capital receipts, to the value approved as part of the February 2021 budget report, are set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts. This will enable excess capital receipts to be used to fund future additional capital investment.
- 69) One of the requirements of the Local Government Act 2003 is that the Council must set an "Authorised Limit" for its external borrowings. Any potential breach of this limit would require authorisation from the Council. There are a number of other prudential indicators that are required by The Prudential Code to ensure that the proposed levels of borrowing are affordable, prudent and sustainable. The values of the prudential indicators are proposed in Appendix D.
- 70) 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 2022/23. The Strategy is incorporated in to the Capital Strategy in Appendix D and the Policy is in Appendix E.
- 71) 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
- 72) 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 2022/23.

Statutory and Policy Implications

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

Public Sector Equality Duty

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

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

Recommendations

It is recommended that:	<u>Reference</u>
1) The Annual Revenue Budget for Nottinghamshire County Council is set at £559.472 million for 2022/23.	Para. 17
2) The principles underlying the Medium-Term Financial Strategy are approved.	Table 9
3) The establishment of a £15m earmarked reserve to fund costs associated with the highways review and the environment strategy.	Para. 13
4) The Finance Committee be authorised to make allocations from the General Contingency for 2022/23.	Para. 19
5) That the 3.00% Adult Social Care Precept is levied in 2022/23 to part fund increasing adult social care costs.	Para. 28
6) The County Council element of the Council Tax is increased by 1.00% in 2022/23. That the overall Band D tax rate is set at £1,644.09 with the various other bands of property as set out in the report.	Para. 29
7) The County Precept for the year ending 31 March 2023 shall be £427,308,575 and shall be applicable to the whole of the District Council areas as General Expenses.	Para. 32
8) The County Precept for 2022/23 shall be collected from the District and Borough councils in the proportions set out in Table 7 with the payment of equal instalments on the dates set out in Table 8.	Table 7 Table 8

- 9) The Capital Programme for 2022/23 to 2025/26 be approved at the total amounts below and be financed as set out in the report: Table 11

Year	Capital Programme
2022/23	£126.879m
2023/24	£56.692m
2024/25	£51.883m
2025/26	£43.513m

- 10)The variations to the Capital Programme be approved. Para. 51-63
- 11)The Minimum Revenue Provision policy for 2022/23 be approved. Appx. C
- 12)The Capital Strategy including the 2022/23 Prudential Indicators and Treasury Management Strategy be approved. Appx. D
- 13)The Service Director – Finance, Infrastructure and Improvement be authorised to raise loans in 2022/23 within the limits of total external borrowings. Para. 72
- 14)The Treasury Management Policy for 2022/23 be approved. Appx. E
- 15)The Council delegates responsibility for the setting of Treasury Management Policies and Practices relating to Pension Fund cash to the Pension Fund Committee. Para. 71
- 16)The report be approved and adopted.

**COUNCILLOR RICHARD JACKSON
CHAIRMAN OF THE FINANCE COMMITTEE**

Constitutional Comments (GR 08/02/2022)

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

Human Resources Implications (GR 15/02/2022)

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

Financial Comments of the Service Director – Finance, Infrastructure and Improvement (NS 11/02/2022)

The budget proposed has been prepared taking into account the ambitious new strategic vision as set out in The Nottinghamshire Plan 2021-31: Healthy, Prosperous, Green and all significant cost variations that can be anticipated.

The budget has been prepared in conjunction with the Corporate Leadership Team and other senior officers, and through significant Member engagement via relevant Committees and Finance Committee. There has been robust examination and challenge of all spending pressures and savings proposals. It was agreed in principle at the Full Council meeting held in September 2021 to move to a leader and cabinet model of decision making. The budget will be amended to reflect the new constitution on approval.

As is the case in the current financial year, strict budgetary control will be maintained throughout 2022/23. Departments will be required to utilise any departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its risk-based General Fund balances as set out in Appendix B to this report.

The levels of reserves and balances have been reviewed and are considered to be adequate. Given the uncertain future economic outlook and the risks surrounding the MTFs, the Council is maintaining a risk-based General Fund Balance. The current General Fund Balance is relatively strong and stable in terms of risk cover when compared with other County Councils.

Given the severity of the financial challenges facing the Council, the budget has been prepared on the basis of accepting an appropriate level of financial risk. More specifically, the continuing impacts the Covid-19 pandemic have also been considered together with the announcements of the additional financial support from the Government. The contingency budget will be used to mitigate the impact should any of the savings proposals be delayed or not delivered as planned. The risks and assumptions have been communicated to, and understood by, elected Members and the Corporate Leadership Team.

The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2022/23 fulfil the requirement to set a balanced budget.

Background Papers Available for Inspection:

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

Budget Report – Finance Committee 7 February 2022

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