

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

REVENUE BUDGET PROPOSALS 2022/23

CAPITAL PROGRAMME PROPOSALS 2022/23 to 2025/26

MEDIUM TERM FINANCIAL STRATEGY 2022/23 to 2025/26

COUNCIL TAX PROPOSALS 2022/23

Purpose of the Report

1. To consider the contents of the budget report that will be taken to Full Council on 24 February 2022 with specific reference to:
 - the Annual Revenue Budget for 2022/23
 - the Capital Programme for 2022/23 to 2025/26
 - the Medium-Term Financial Strategy for 2022/23 to 2025/26
 - the level of the Council Tax Precept for 2022/23
 - the establishment of a £15m earmarked reserve to fund works associated with the highways review and the environment strategy.

Background

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 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. 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.

Further evidence of major Council successes associated with the capital programme are set out from paragraph 69.

6. The Budget Report submitted to Full Council on 25 February 2021 set out the financial landscape within which the Council is operating and noted the anticipated budget shortfall of £47.7m over the three years to 2024/25.
7. The Period 9 Budget Monitoring Report that is also reported to this Committee meeting showed a net underspend position of £0.1m. This budget position was mainly as a result of a £2.9m underspend in the Adult Social Care and Public Health Committee, an overspend of £1.7m against the Children and Young People's Committee as well as various other, more minor, variations across the Council. The in-year position will continue to be reviewed throughout the year via the usual budget monitoring process.
8. As part of the budget setting process the Council has carried out a full review of the budget pressures and underlying assumptions held within the Medium-Term Financial Strategy. The Council has also received provisional information on the level of funding it can expect in 2022/23. This report outlines the recommendations that will be submitted for approval to the Full Council meeting on 24 February 2022.

Managing the Future – A Strategic Response

9. 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.
10. 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.
11. These are broad themes that will build resilience in our communities into the future and are supported by nine ambitions which will act as a framework for all County Council activity:

- 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

12. 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 ongoing journey of improvement as we continue to deliver services in a responsive, efficient, financially sustainable and forward-looking way.
13. 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
14. 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.
15. Building upon the Peer Review conducted in June 2019, Nottinghamshire County Council continues to perform as an effective Council delivering good quality, citizen focused services to its residents. It has a good track record for delivering savings whilst protecting front line services. There are a range of projects that are delivering innovation and developing cutting-edge practice in service delivery. There is financial stability in the organisation and the Council has a proven track record in delivering savings while maintaining front-line services over a long period of time.
16. This budget report sets out the financial framework around which the County Council will achieve its strategic vision statements and meet the success factors that underpin the County Council's Strategic Plan.

Environmental Strategy

17. 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.
18. To emphasise the Council's commitment to the environment, the policy and strategy will:-
 - Demonstrate the Council's commitment to managing the effects of its operations on the environment.
 - Provide a strategic framework that will bring corporate coherence to the Council's existing environmental improvement activities and offer a chance to showcase good practice.
 - Strengthen procurement requirements for suppliers of goods and services to demonstrate management and improvement of their own environmental impacts.
 - Contribute to furthering the efficient use of resources thereby helping to make the best use of the Council's finances.
 - Contribute to reducing the likelihood of breaching environmental regulations and suffering financial penalties and reputational damage.
 - Improve integration between policy objectives and decisions in all aspects of County Council business to maximise environmental benefits.
19. The Council's thirteen strategic environmental ambitions have been broken down into a sixty-one point Action Plan. Progress against this Action Plan, as well as an update on the £0.6m Green Investment Fund, can be seen as part of the report that went to Transport and Environment Committee in January 2022.
20. 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.
21. It is proposed that any works arising from the environment strategy are funded from an earmarked reserve established to fund highways and environmental improvements – see Financial Risks, Balances and Contingency section below.

Highways Review

22. The Transport and Committee meeting held on 15 June 2021 agreed to the commencement of a cross-party highways review. A summary of the agreed scope of the review is set out below:
 - Review of relative performance against national and Council metrics
 - Practice, policy and guidance

- Capital maintenance programme including funding allocation methodologies across the county for the annual capital maintenance repair methods, use of technology and innovation.
- Revenue maintenance programme – highway and associated footway repair treatment – include review of Viafix and use of technology and innovation
- Utility works – including co-ordination, traffic management damage to infrastructure
- Work quality and value for money – review processes to ensure quality work and value for money is delivered
- Performance management – review of performance management arrangements and contract management of Via
- Communications
- Drainage, Tree Maintenance and Verge Maintenance
- Functions and Leadership – including review of functional split between NCC and Via.

23. A further report to Transport and Highways 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.

24. Approved improvement outcomes and recommendations from the cross-party highways review panel can be summarised as follows:

- Move to a right first time approach to highway maintenance and reduce the need to use reactive short-term maintenance
- Recognise that prevention is better than cure and that whole street approaches are desirable
- Publish a longer-term programme of capital works to support our ability to plan for the long term and keep residents well informed about this
- Maintain our overall network condition and seek to improve it within financial constraints, whilst prioritising local roads (the unclassified network) alongside our footways wherever possible
- Improve our communications so that residents are better informed about our work and understand our approaches
- Improve our major capital programme management
- Increase our effectiveness and efficiency, maximising the return on our investment in highways by ensuring that our highways policies and strategy drive our maintenance priorities and treatments / techniques alongside our increased use of innovation and technology.

25. It is proposed that any works arising from the highways review are funded from an earmarked reserve established to fund highways and environmental improvements – see Financial Risks, Balances and Contingency section below.

Continuing COVID19 Pandemic

26. As set out above, 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

previous and current financial year are forecast to be approximately £138m. These costs have been and will continue to be funded from a combination of specific and general COVID19 grants received from Central Government.

27. The Council continues to respond to the changing consequences of the COVID19 pandemic. It is also important to note that considerable uncertainty does still remain regarding the longer-term implications of recovering from the pandemic both from an expenditure and an income perspective. The COVID19 risks will continue to be monitored closely through the usual budget monitoring processes with a particular focus on the known risk areas of Adult Social Care, Looked After Children, Home to School Transport, Schools Catering and Vulnerable Families. No further COVID19 funding has been announced by Central Government from 2022/23 onwards.

Autumn Statement 2021 and Local Government Settlement 2022/23

28. Although the Autumn Statement, announced on 27 October 2021, set out high level indicative Departmental allocations for three years, the Local Government Finance Settlement only set out a one-year settlement for local authorities. As such, there continues to be further uncertainty beyond 2022/23 which will remain until further funding announcements are made.
29. On 16 December 2021, the provisional Local Government Settlement 2022/23 was announced by the Secretary of State for Levelling Up, Housing and Communities Rt Hon Michael Gove MP. The key announcements that will affect the Council are as follows:-
- Core Spending Power increases by an average of 6.9% - assuming all authorities levy the maximum precept allowed
 - A confirmed £33.5m Social Care Grant allocation in 2022/23, an increase of £9.2m from 2021/22
 - A confirmed one-off £7.5m Services Grant for 2022/23
 - A confirmed £2.4m Market Sustainability and Fair Cost of Funding Grant
 - A confirmed Revenue Support Grant allocation of £7.3m, an increase of £0.2m from 2021/22
 - An Improved Better Care Fund allocation of £30.9m, an increase of £0.9m from 2021/22
 - The Council Tax threshold will remain at 1.99% for 2022/23 with an additional 1% flexibility for the Adult Social Care (ASC) Precept - plus any carried forward from previous years where Council's did not take the full 3% ASC precept increase
 - A £1.6m New Homes Bonus allocation includes the final legacy payment of the bonus for 2019/20
 - The Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. A consultation on the Fair Funding Review is expected in Spring 2022.
 - No additional COVID19 funding was announced.
30. The 2022/23 Settlement is a further one-year settlement and, as such, considerable uncertainty beyond 2022/23 will remain until future announcements are made.

Movements in the Medium-Term Financial Strategy (MTFS)

31. The Budget report to Full Council in February 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.
32. The provisional local government settlement has provided allocation details for 2022/23 only. As a result, there continues to be much uncertainty surrounding the future of local government funding particularly with regard to the Fair Funding Review. Other areas of uncertainty exist throughout the term of the MTFS such as the continuing impact of the COVID19 pandemic, levels of future Government Grants and the implications of the proposed Social Care reforms. As such, the MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.

Revised Pressures and Running Cost Inflation

33. When the 2021/22 budget was approved in February 2021, specific pressures and non-pay inflationary pressures totalling £106.6m were identified for the period 2021/22 to 2024/25 of which £24.9m related to 2021/22.
34. 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 2025/26 now total £125.4m. Table 1 below tracks the movement in pressures and inflation that has occurred since February 2021 with details of the revised figures in Appendix A.
35. Appendix A identifies that the Council's main pressures relate to Demographic changes together with growth in External Placements for Looked After Children, increases to the National Living Wage and Special Educational Needs and Disabilities (SEND) Transport Growth.
36. 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. A report to Finance Committee in November 2021, however, did outline concerns that material and staffing shortages due to COVID19 and the impact of the UK leaving the EU was driving abnormal inflation rates across the construction sector. This is exacerbated by substantially increased energy and fuel costs which has led to higher generalised inflation and will have an impact on the Council's ability to deliver projects and services. These challenges faced by the council will need to be continually reviewed over the MTFS.

Table 1 – Movement in Pressures and Inflation

Committee	2022/23 to 2024/25			Add Year 2025/26	Current Total 2022/23 to 2025/26
	Original Demand Pressures	Original Inflation	Net Movement		
Adult Social Care & Public Health	7.8	(0.7)	7.1	13.0	63.2
Children & Young People	5.6	3.0	8.6	11.1	48.9
Economic Development & Asset Management	0.5	(0.1)	0.4	0.1	0.8
Transport & Environment	0.2	(0.0)	0.2	3.3	12.6
Total	14.1	2.1	16.2	27.4	125.4

Pay Award Inflation

37. 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 from the national employers and the recognised trade unions. Based upon previous rises and current estimates the MTFs assumes an annual 3% increase for 2022/23 and 2023/24 with a further 2% increase in 2024/25 to 2025/26.

Savings / Efficiencies

38. The MTFs includes previously approved savings options totalling £0.7m from 2021/22. In addition to this, the Council has approved a number of further savings and efficiencies through appropriate Committees that total £11.0m. The achievement of agreed savings will be monitored throughout the year as part of the usual budget monitoring processes.

MTFS Assumptions and Projections

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

Interest and Borrowing

40. 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.

41. The Council's position is monitored regularly in relation to these two variables and the latest budget monitoring report forecasts a breakeven position for the current year. The budget for interest and debt repayments has been reviewed to meet expected costs in 2022/23. This budget will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

Contingency

42. 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, the impacts of higher inflation and the continuing need to respond to the COVID19 pandemic. As part of the budget construction process, the base level for the 2022/23 Contingency budget has been set at £7.1m
43. In 2021/22, an estimate of £3.5m was added to Contingency to fund the 2021/22 Pay Award which has still yet to be confirmed and allocated to departments. In addition, there is now a need to provide for an estimated pay award budget of £5.4m in relation to 2022/23 which will also be earmarked for future allocation to Departments once agreed.
44. Also, in September 2021 the Government announced an increase of 1.25% to be applied to National Insurance contributions from 1st April 2022. This uplift has been estimated at costing an additional £1.3m in employer contributions which will also be added to Contingency and subsequently allocated to departments.
45. As a consequence of the significant funds allocated to Contingency to fund pay related uncertainty, it is proposed to allocate such items to a separate Pay Contingency to provide distinction from the general Contingency budget allocation. The Pay Contingency for 2022/23 will therefore be set at £10.2m

Tax Base

46. 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.
47. The District and Borough Councils have provided tax base estimates for 2022/23 which equate to growth of 1.97%. A forecast tax base growth assumption of 1.20% per annum has been factored into the MTFs based on the latest trend of base growth.

Table 2 – Council Tax Base 2022/23

	Taxbase 2020/21	Assumed growth of 1.2%	Band D Precept £1580.85	Confirmed % Change	Confirmed Taxbase	Band D Precept £1580.85
Ashfield	33,731.70	34,136.48	£52,397,790	0.95%	34,052.70	£52,269,192
Bassetlaw	35,771.49	36,200.75	£55,566,341	1.75%	36,396.81	£55,867,284
Browtove	34,217.46	34,628.07	£53,152,356	0.91%	34,530.00	£53,001,824
Gedling	37,389.96	37,838.64	£58,080,420	1.03%	37,776.42	£57,984,916
Mansfield	29,512.20	29,866.35	£45,843,354	3.54%	30,557.30	£46,903,928
Newark	40,002.05	40,482.07	£62,137,953	3.01%	41,205.00	£63,247,615
Rushcliffe	44,259.60	44,790.72	£68,751,516	2.55%	45,387.60	£69,667,697
Total	254,884.46	257,943.08	£395,929,731	1.97%	259,905.83	£398,942,456
Addition / (Reduction) to funding in MTFS from confirmed figures						£3,012,725

Council Tax Surplus/Deficit

48. Each year an adjustment is made by the District and Borough Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against the future years' tax receipts. As a result of pressures associated with the COVID19 pandemic, deficits estimated by billing authorities in 2020/21 were allowed by Government legislation to be spread over the three years 2021-22 to 2023-24. 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.

Government Grants

49. As announced in the 2022/23 provisional finance settlement the following government grants will be received in 2022/23:-
- £33.5m - Social Care Grant
 - £7.5m – Services Grant
 - £30.9m - Improved Better Care Fund
 - £2.4m - Market Sustainability and Fair Cost of Funding Grant
 - £7.3m – Revenue Support Grant
50. Also, for Nottinghamshire, the 2021/22 New Homes Bonus funding has been confirmed at £1.6m.

51. All of the above government grants have been reflected in the MTFs for 2022/23. In addition, as a consequence of the direction of travel set out in the Chancellors three-year Comprehensive Spending review, it is assumed that:
- the Social Care Grant increases by £9.2m in both 2023/24 and 2024/25 and remains unchanged into 2025/26
 - the Services Grant is reduced to £4.0m per annum to 2025/26
 - The Revenue Support Grant increases to £7.4m in 2023/24 and then remains unchanged to 2025/26

Funding Transformation

52. The Chancellor announced in the 2015 Autumn Statement changes to the rules for the use of capital receipts. From 1 April 2016, for a three-year period, local authorities were able to spend any revenues they generate from selling surplus assets to fund expenditure on projects that:-
- Generate on-going revenue savings in the delivery of public services,
 - Transform service delivery to reduce costs,
 - Transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.
53. As part of the Provisional Local Government Finance Settlement announced in December 2017 this flexibility was extended to the end of the 2021/22 financial year. No further extensions have been announced.
54. It is proposed therefore that capital receipts received from 2022/23 onwards will be treated as set out in paragraph 93 below. From 2022/23, the costs of transformation will need to be met from the Authority's reserves.

Council Tax and Adult Social Care Precept 2022/23

55. 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 at 1.99%.
56. 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.
57. 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 1.99% plus any ASC Precept carried forward from previous years.
58. 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 1.00% 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.

59. 60% of properties in Nottinghamshire are in Bands A and B. As a consequence, the majority of households across Nottinghamshire will see a Council Tax increase of less than £0.86 per week. The average increase for all households across the county will be £1.03.

**Table 3 – Impact of 3.00% 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

**Table 4 – 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

Table 5 – Recommended levels of Council Tax and 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

60. The overall impact of all the changes since the February 2021 Full Council report are shown in Table 6:

Table 6 – Updated MTFS

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Year on Year Savings requirement (February 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)	(0.4)	0.1	(9.9)
Change in Grant Funding	(22.9)	(4.9)	(9.2)	(2.3)	(39.3)
Increase in Council Tax	(0.1)	(4.2)	(4.6)	(9.4)	(18.3)
Change in Council Tax Base / Reserve Assumptions	(0.2)	(6.6)	4.3	(5.0)	(7.5)
Change in Council Tax Surplus	(5.2)	5.2	-	-	-
Other Corporate Adjustments	0.5	0.6	(0.3)	-	0.8
Revised Gap	-	8.2	6.2	14.7	29.1

Financial Risks, Balances and Contingency

61. 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.

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

- The on-going financial impact of the COVID19 pandemic and the implications that this may have on the delivery of council services
- The estimated future increases in Central Government grants set out in the MTFS are not in line with future announcements
- The cost pressures factored into the budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, particularly with regard to increased demand for Adults and Children’s Social Care Services, Transport Services, the impact of the National Living Wage, agreement of the pay award, the impact of the proposed Adult Social Care reform and any extra burdens identified by Central Government
- The 2022/23 Settlement reflects 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 further funding announcements are made
- The outcome of the Fair Funding Review has been delayed further.

63. Adequate levels of balances and contingency need to be maintained in order to provide short-term flexibility to manage unforeseen events, and to allow for the necessary longer-term changes to be implemented. Central Government continues to encourage local authorities to use reserves to support their transformation agenda. More detail regarding the need to hold balances will be reported to Full Council as part of the 2022/23 Budget Report.

64. It is proposed that a £15m earmarked reserve is established to fund works emerging from both the environment strategy and the highways review over the next four years.

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

Table 7 – Current Forecast Level of Reserves and Balances

	General Fund £m	Earmarked Reserves £m	Total £m
Balance as at 1 April 2021	32.1	147.6	179.7
Approved use in current year	0.1	(6.1)	(6.0)
Expected Balance 31 March 2022	32.2	141.5	173.7

Capital Programme and Financing

66. 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.
67. The Council’s Capital Programme has been reviewed as part of the 2022/23 budget setting process and a strategy to limit borrowing to that which was already approved as at February 2021 was agreed. 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.
68. As reported to Finance Committee in January 2021, 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

69. **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.
70. **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.
71. **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.
72. **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.

73. **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.
74. **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.
75. 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)

76. **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 estimate 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.

77. **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.

78. **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.

79. **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.

80. **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

81. **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 £18.6m to fund the Roads Maintenance and Renewals capital programme.

82. **Integrated Transport Measures 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 £3.9m is included in the capital programme from 2022/23 onwards to reflect the estimated block allocations from the DfT to fund the Integrated Transport Measures programme. The capital programme will be reviewed once the actual grant allocations are announced.

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

83. **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.

84. **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.

85. 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 street lights for lower energy options to realise an energy saving. The total budget included in the capital programme to fund street light replacements is £4.0m.
- **Flood Mitigation Projects** – The Council has been successful in securing £4.3m external funding to carry out flood mitigation projects in Southwell. This funding, alongside a £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 and Asset Management

86. **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.

Finance

87. **Computer Equipment Replacement Programme** – A need has been identified to extend the Computer Equipment Replacement Programme. The COVID19 pandemic has reshaped 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.

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.

88. 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 Centre 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

89. 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.
90. 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

91. 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 2025/26 set out in Table 8.

Table 8 – Summary Capital Programme

	Revised 2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £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	23.203	183.784
Communities	2.013	1.943	0.500	0.500	0.500	5.456
Economic Devt & Asset Mngt	19.238	22.439	6.400	3.335	2.400	53.812
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	110.203	125.512	56.692	51.883	39.813	384.103
Financed By:						
Borrowing	39.751	56.420	17.660	14.595	9.960	138.386
Capital Grants	63.112	64.219	35.774	35.072	29.077	227.254
Revenue / Reserves	7.340	4.873	3.258	2.216	0.776	18.463
Total Funding	110.203	125.512	56.692	51.883	39.813	384.103

* These figures exclude Devolved Formula Capital allocations to schools.

Capital Receipts

92. 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 9.

Table 9 – Forecast Capital Receipts

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

93. As set out in paragraph 59, 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 may be used to fund any future additional capital investment.

Statutory and Policy Implications

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

RECOMMENDATION/S

- 1) That a report be prepared for County Council on 24 February 2022 based on the budget proposals as set out in this report, including the proposed Council Tax and Adult Social Care Precept increases and the establishment of a £15m earmarked reserve to fund works associated with the highways review and the environment strategy.

NIGEL STEVENSON
SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

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

Constitutional Comments (KK 27/01/2022)

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

Financial Comments (NS 31/01/2022)

The financial implications are set out in the report.

Background Papers and Published Documents

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

Electoral Division(s) and Member(s) Affected

All