

28 February 2018

Agenda Item: 5

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

ANNUAL BUDGET 2018/19

ADULT SOCIAL CARE PRECEPT 2018/19

COUNCIL TAX 2018/19

MEDIUM TERM FINANCIAL STRATEGY 2018/19 to 2021/22

CAPITAL PROGRAMME 2018/19 to 2021/22

CAPITAL STRATEGY 2018/19

Purpose of the Report

1. This report is seeking approval for the following:
 - Annual budget for 2018/19.
 - Amount of Adult Social Care Precept to be levied for 2018/19 to part-fund increasing adult social care costs.
 - Amount of Council Tax to be levied for County Council purposes for 2018/19 and the arrangements for collecting this from district and borough councils.
 - Medium Term Financial Strategy for 2018/19 to 2021/22.
 - Capital Programme for 2018/19 to 2021/22.
 - Borrowing limits that the Council is required to set by Statute.
 - The Capital Strategy including the 2018/19 Prudential Indicators and Treasury Management Strategy.
 - Treasury Management Policy for 2018/19.

Information

2. The County Council budget for 2018/19 has been prepared in the context of on-going funding reductions from Government. Local authorities continue to face falling Government grants whilst experiencing increased demand for services as well as other cost pressures from inflation and new legislation.
3. A budget update report was considered by Policy Committee on 20 December 2017 which set out the financial landscape within which the

Council is operating and noted the anticipated budget shortfall of £50.1m over the three years to 2020/21.

4. Since December, the Council has carried out a full review of the budget pressures and underlying assumptions within the Medium Term Financial Strategy. The Council has also received provisional information on the level of funding it can expect in 2018/19. On 6 February 2018, a report to the Finance and Major Contracts Management Committee set out the forecast position and recommended that the level of Council Tax be increased by 2.99% and that an Adult Social Care Precept of 2.00% be implemented in 2018/19. This recommendation is incorporated within this report.
5. 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 2018/19.

Nottinghamshire Residents Survey

6. As in previous years the 2017 Nottinghamshire Annual Residents' Satisfaction Survey was carried out using face to face interviews with residents who are representative of the Nottinghamshire population. The findings of the survey were reported to Policy Committee in January 2018

Annual Budget 2018/19

7. The report to Policy Committee on 20 December 2017 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. The report to Finance and Major Contracts Management Committee on 6 February 2018 provided a further update.
8. The final Local Government Settlement was announced on 7 February 2018. As part of the announcement it was confirmed that the Adult Social Care Support Grant will continue into 2018/19. This is in some recognition of the continuing cost pressures faced by Councils with responsibility for providing Adult Social Care services. The Council will receive an additional 2018/19 Adult Social Care Support Grant allocation of £2.2m. There are no further changes resulting from the final Local Government Settlement.
9. This report brings together the Council's confirmed funding position. The total revenue budget for 2018/19 is £481.2m. A summary is shown in Table 1 with a more detailed breakdown shown in Appendix A.

Table 1 - Proposed County Council Budget 2018/19

Committee Analysis	Net Budget 2017/18 £m	Pressures £m	Savings £m	Pay, NI & Pensions increase £m	Budget Changes £m	Net Budget 2018/19 £m
Children & Young People	119.829	0.896	(1.463)	0.928	(2.749)	117.441
Adult Social Care & Public Health	216.362	11.287	(8.429)	1.274	(16.067)	204.427
Community & Place	120.054	2.148	(3.309)	0.303	0.091	119.287
Policy	34.364	0.115	(0.494)	0.354	(1.651)	32.688
Finance & Major Contracts Management	3.135	-	(0.342)	0.100	0.009	2.902
Governance & Ethics	7.135	-	(0.274)	0.084	0.225	7.170
Personnel	17.145	-	(1.335)	0.489	(0.995)	15.304
Net Committee Requirements	518.024	14.446	(15.646)	3.532	(21.137)	499.219
Corporate Budgets	(15.562)	-	-	-	12.274	(3.288)
Use of Reserves	(27.183)	-	-	-	12.482	(14.701)
Budget Requirement	475.279	14.446	(15.646)	3.532	3.619	481.230

10. Table 1 shows the changes between the original net budget for 2017/18 and the proposed budget for 2018/19, including budget pressures, savings, pay inflation and other budget changes which include permanent contingency transfers approved in 2017/18 and transfers between Committees.

Corporate Budgets and Reserves

11. There are a number of centrally-held budgets that are not reported to a specific committee. They are shown below with the budget analysis shown in Table 2:
- **Flood Defence Levy:** The Environment Agency issues an annual local levy based on the Band D equivalent houses within each Flood and Coastal Committee area. This helps to fund local flood defence priority works.
 - **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This practice is no longer permitted following changes to the pension rules.
 - **Contingency:** This is provided to cover redundancy costs, impact of the pay award, delays in efficiency savings, changes in legislation and other eventualities. Also, in 2018/19 a number of pressures have been identified that have a high degree of uncertainty with regard to likelihood, value and profiling. As such, a provision of £4.7m has been made within contingency to fund these pressures should they arise. Finance and Major Contracts Management 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.
- **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.
- **Minimum Revenue Provision:** Local Authorities are required by law to make provision through their revenue account for the repayment of long term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision (MRP). The MRP policy can be seen in Appendix C.
- **Revenue Grants:** The New Homes Bonus and the Adult Social Care Support Grant are held centrally and are not ring-fenced. The Adult Social Care Support Grant of £2.2m was announced in the final local government settlement and has been reflected in the MTFS. Contributions from reserves have been adjusted accordingly.
- **Use of Reserves:** This represents the Council's use of balance sheet reserves. This budget report is proposing to utilise £20.3m of reserves over the medium term with £14.7m being used to deliver a balanced budget in 2018/19. Further detail is provided in Appendix B.

Table 2 - Proposed Budget 2018/19
Corporate Budgets and Reserves

	Net Budget 2017/18 £m	Budget Changes £m	Net Budget 2018/19 £m
Flood Defence Levies	0.285	-	0.285
Pension Enhancements (Centralised)	2.205	(0.105)	2.100
Contingency	5.100	0.400	5.500
Pressures and Inflation Account	-	4.100	4.100
Capital Charges (Depreciation)	(40.835)	0.780	(40.055)
Interest & Borrowing	20.060	(0.583)	19.477
Traders	1.500	(0.250)	1.250
Minimum Revenue Provision (MRP)	8.000	0.300	8.300
New Homes Bonus Grant	(3.124)	1.083	(2.041)
Education Services Grant	(3.226)	3.226	-
Adult Social Care Support Grant	(3.543)	1.339	(2.204)
Transition Grant	(1.984)	1.984	-
Subtotal Corporate Budgets	(15.562)	12.274	(3.288)
Net Transfer (From)/To Other Earmarked Reserves	(22.683)	9.511	(13.172)
Transfer (From)/To General Fund Balances	(4.500)	2.971	(1.529)
Subtotal Use of Reserves	(27.183)	12.482	(14.701)

Council Tax Base 2018/19

12. 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 247,294.09 as set out in Table 7, this represents growth of 1.19%. The increase in tax base has been taken into account in the calculation of the budget.

Council Tax Surplus/Deficit

13. 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. Figures confirmed from the District and Borough Councils equate to a surplus of £726,446 for 2018/19, which has been factored into the MTFs as a one-off additional resource.

Council Tax and Adult Social Care Precept 2018/19

14. The 2018/19 Provisional Local Government Settlement announced by the Government in December 2017 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the referendum threshold has been set in line with inflation, and so setting the core Council Tax referendum principle at 3%. The threshold was set at 2% in 2017/18.

15. The Core Spending Power issued by the Government therefore affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their Council Tax by 3%
16. Also in the announcement, it was confirmed that the Adult Social Care Precept will continue including the additional flexibility to raise the precept to 3% this year but by no more than 6% over the period 2017/18 to 2019/20.
17. In determining the local government settlement the Government has assumed that the Council would take the maximum Adult Social Care Precept of 6% over the period 2017/18 to 2019/20 and increase the Council Tax to the maximum level in 2018/19. It is proposed, therefore, that the Council fixes any increase to local taxes to that expected by the Government. So, for 2018/19, it is proposed that Council Tax is increased by 2.99% and the Adult Social Care Precept is implemented at 2% in 2018/19 and a further 1% in 2019/20.

Requirement to Raise Local Tax

18. 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

2018/19	Amount £m	% Funding
Initial Budget Requirement	481.230	100.0
Less Formula Grant	(129.487)	26.9
Net Budget Requirement	351.743	
Less Estimated Collection Fund Surplus	(0.726)	0.2
Council Tax Requirement	351.017	72.9

Adult Social Care Precept Recommendation

19. It is recommended that County Council approves the implementation of a 2.00% Adult Social Care Precept for 2018/19 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 4.

**Table 4 – Impact of 2.00% Adult Social Care Precept on Local Tax Levels
(County Council Element) 2018/19**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2017/18 £	County Council 2018/19 £	Change £
A	Up to £40,000	143,260	39.6%	6/9	42.36	60.39	18.03
B	£40,001 to £52,000	74,400	20.6%	7/9	49.42	70.45	21.03
C	£52,001 to £68,000	61,590	17.1%	8/9	56.48	80.52	24.04
D	£68,001 to £88,000	41,060	11.4%	1	63.54	90.58	27.04
E	£88,001 to £120,000	22,950	6.4%	11/9	77.66	110.71	33.05
F	£120,001 to £160,000	11,030	3.1%	13/9	91.78	130.84	39.06
G	£160,001 to £320,000	6,040	1.7%	15/9	105.90	150.97	45.07
H	Over £320,000	470	0.1%	18/9	127.08	181.16	54.08

Local Tax Recommendation

20. It is recommended that Members agree an increase of 2.99% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 5 below.

**Table 5 – Impact of 2.99% Increase on Local Tax Levels
(County Council Element) 2018/19**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2017/18 £	County Council 2018/19 £	Change £
A	Up to £40,000	143,260	39.6%	6/9	858.95	885.90	26.95
B	£40,001 to £52,000	74,400	20.6%	7/9	1,002.11	1,033.56	31.45
C	£52,001 to £68,000	61,590	17.1%	8/9	1,145.27	1,181.20	35.93
D	£68,001 to £88,000	41,060	11.4%	1	1,288.43	1,328.85	40.42
E	£88,001 to £120,000	22,950	6.4%	11/9	1,574.75	1,624.14	49.39
F	£120,001 to £160,000	11,030	3.1%	13/9	1,861.07	1,919.45	58.38
G	£160,001 to £320,000	6,040	1.7%	15/9	2,147.38	2,214.75	67.37
H	Over £320,000	470	0.1%	18/9	2,576.86	2,657.70	80.84

21. The total impact of implementing a 2.00% Adult Social Care Precept and a 2.99% increase in local tax levels is shown in Table 6.

Table 6 - Recommended levels of Council Tax and Adult Social Care Precept 2018/19

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2017/18 £	County Council 2018/19 £	Change £
A	Up to £40,000	143,260	39.6%	6/9	901.31	946.29	44.98
B	£40,001 to £52,000	74,400	20.6%	7/9	1,051.53	1,104.00	52.47
C	£52,001 to £68,000	61,590	17.1%	8/9	1,201.75	1,261.72	59.97
D	£68,001 to £88,000	41,060	11.4%	1	1,351.97	1,419.43	67.46
E	£88,001 to £120,000	22,950	6.4%	11/9	1,652.41	1,734.86	82.45
F	£120,001 to £160,000	11,030	3.1%	13/9	1,952.85	2,050.29	97.44
G	£160,001 to £320,000	6,040	1.7%	15/9	2,253.28	2,365.72	112.44
H	Over £320,000	470	0.1%	18/9	2,703.94	2,838.86	134.92

22. 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

23. 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 - 2018/19

District Council	Council Tax Base	County Precept
Ashfield	33,140.50	£47,040,620
Bassetlaw	34,231.95	£48,589,857
Browtove	33,448.29	£47,477,506
Gedling	36,637.56	£52,004,452
Mansfield	28,905.50	£41,029,334
Newark	38,320.19	£54,392,827
Rushcliffe	42,610.10	£60,482,054
Total	247,294.09	£351,016,650

24. 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 - 2018/19

2018	2019
20 April 29 May 3 July 7 August 12 September 17 October 21 November	2 January 6 February 13 March

25. 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 2017/18 will be paid or refunded on the same dates.

Medium Term Financial Strategy (MTFS)

26. The Budget report to the February Council in 2017 forecast a budget shortfall of £62.9m for the three years to 2020/21. The model has now been rolled forward a year and a review of the underlying assumptions contained in the Council's MTFS has taken place.
27. The MTFS on which this budget report is based assumes a Council Tax increase of 2.99% in 2018/19 only and an Adult Social Care Precept increase of 2.00% in 2018/19 and 1% in 2019/20.
28. Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2017.
29. In summary, from 2019/20 onwards, the Council is currently projecting a budget shortfall of £54.2m across the duration of the MTFS. Proposals as to how the budget will be balanced for these three years will need to be made over the coming months.

**Table 9 – Analysis of Changes to the Medium Term Financial Strategy
2018/19 – 2021/22**

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Year on Year Savings requirement (February Report)	31.0	16.6	15.3	-	62.9
Change in Pay / Pension Related Inflation	1.6	1.8	2.0	4.1	9.5
Additional Pressures / Inflation	2.0	1.9	0.7	12.5	17.1
Pressures & Inflation Account	4.1	0.3	0.2	0.1	4.7
Committee Approved Efficiencies	(5.2)	(4.7)	(3.2)	-	(13.1)
Adjustments to Savings / Base Budgets	(5.1)	1.6	2.7	-	(0.8)
Change in Grant Funding	(1.2)	2.3	(1.2)	(2.1)	(2.2)
Increase in Council Tax	(9.8)	-	-	-	(9.8)
Increase in Adult Social Care Precept	(6.6)	(3.4)	-	-	(10.0)
Use of / Contribution to Reserves	(9.7)	12.5	(4.7)	1.9	-
Miscellaneous	(1.1)	(0.2)	0.9	(3.7)	(4.1)
Revised Gap	-	28.7	12.7	12.8	54.2

30. The Council's year by year MTFs for the four years to 2021/22 is shown in Table 10. It shows that whilst the Council can deliver a balanced budget in 2018/19, further savings will need to be identified in each of the following three years to 2021/22, based on current assumptions.

Table 10 – Medium Term Financial Strategy 2018/19 – 2021/22

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Net Budget Requirement	481.2	506.2	489.2	495.7
Financed by :				
Business Rates	106.9	110.3	111.6	113.7
Revenue Support Grant	22.6	7.0	-	-
Council Tax	328.9	333.5	338.2	342.5
Adult Social Care Precept	22.1	25.7	25.7	25.7
Collection Fund Surplus / (Deficit)	0.7	1.0	1.0	1.0
Total Funding	481.2	477.5	476.5	482.9
Funding Shortfall	-	28.7	12.7	12.8
Cumulative Funding Shortfall	-	28.7	41.4	54.2

Capital Programme and Financing

31. 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.
32. The Council’s capital programme has been reviewed as part of the 2018/19 budget setting process. Savings and re-profiling with a total value of £17.5m have been identified in 2017/18 as part of this exercise. These savings, along with capital reserves and contingencies, will be used to fund new inclusions. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators will be reported to the Finance and Major Contracts Management Committee.
33. During the course of 2017/18, some variations to the capital programme have been approved by Policy Committee, Finance and Major Contracts Management Committee and by the Section 151 Officer in accordance with the Council’s Financial Regulations. Following a review of the capital programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the capital programme. These proposals are identified in paragraphs 34 to 50. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council’s Financial Regulations.

Adult Social Care and Public Health (ASCPH)

34. Since February 2010, £25.0m of capital allocations have been approved to fund Adult Social Care and Public Health Extra Care Schemes. A number of Extra Care schemes have been developed and will continue to be developed with a forecast total cost of £12.0m. The Council is still committed to the delivery of Extra Care schemes however every effort will be made to fund these without the need for additional capital expenditure. Consequently, it is proposed that the remaining capital budget of £13.0m is re-allocated to fund key strategic capital priorities across the Council.

It is proposed that the Adult Social Care and Public Health capital programme is varied to reflect the re-prioritisation of capital resources towards key strategic priorities.

35. **County Horticulture** – A spend to save initiative has been identified by the County Horticulture and Work Training Service following work undertaken with the Commercial Development Unit. A range of initiatives requiring

capital funding of £0.4m have been identified which will help support the Council to maintain the service but at a reduced and more sustainable cost.

It is proposed that the Adult Social Care and Public Health capital programme is varied to reflect the £0.4m initiative identified above, funded from capital allocation.

Children and Young People (CYP)

36. **School Building Improvement Programme** - The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2018/19 onwards. As such, it is proposed that an estimated SCM grant allocation of £5.5m is incorporated into the capital programme for 2018/19 and then reduced by £0.5m per annum to reflect further school conversions to academy. It is also proposed that the 2018/19 grant continues to be top sliced by £0.5m to provide funding to further the School Access Initiative programme.

It is proposed that the Children and Young People capital programme is varied to reflect an estimated School Capital Maintenance Grant of £5.5m for 2018/19 with a reduction of £0.5m per annum in each of the future years.

37. **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. A review of the provision of school halls will be reviewed as part of the current analysis. A Department for Education grant of £20.5m in 2018/19 is already approved within the Children and Young People’s capital programme. It is proposed that estimated further School Places Grant of £2.0m are included in both 2020/21 and 2021/22 of the Children and Young People capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect estimated School Places Grant of £2.0m for 2020/21 and 2021/22.

38. **Special Schools Grant** – The County Council received an allocation of £2.5m (£0.8m per annum for three years commencing 2018/19) from the Specialist Provision Capital Grant fund. This funding has been made available to support local authorities to make capital investments in provision for pupils with special educational needs and disabilities. The outcome of a consultation on the use of this funding was reported to the Children and Young People’s Committee in January 2018.

It is proposed that the Children and Young People capital programme is varied to incorporate the £2.5m Specialist Provision Capital Grant.

39. **Orchard Special School, Newark** – As part of the 2017/18 Annual Budget Report to Full Council, it was approved that the Council would contribute £5.0m towards the cost of a project to rebuild the Orchard Special School in Newark. Work is on-going to review options and agree upon a final project solution. It is proposed that the Council will contribute a further £2.5m towards the cost of the new school.

It is proposed that the Children and Young People capital programme is varied to reflect the additional £2.5m contribution towards the cost of a new Orchard Special School in Newark, funded from capital allocation.

40. **Hawthorne Primary Replacement School, Bestwood** – A report to Policy Committee in December 2017 provided Members with a progress update on the replacement of the Hawthorne Primary School in Bestwood. The £5.8m funding for this project is currently included within the School Places Programme line of the CYP capital programme. Given the scale of the project, it is proposed that it is shown separately on the face of the capital programme.

It is proposed that the Children and Young People capital programme is varied to reflect separately the £5.8m replacement school project in Bestwood.

Community and Place

41. **Additional Highways Investment** – In the Community and Place Committee, the Council has identified investment in the highways infrastructure across the county as an important strategic priority. The Road Maintenance and Renewal and Integrated Transport Measures capital programmes are currently funded from Department for Transport capital grant with a £0.5m contribution from the County Council. It is proposed that these programmes are enhanced by a contribution from the Council of £20.0m to 2021/22 to enable further highways improvement works to be rolled out. This additional funding will be profiled as follows:

£m	2018/19	2019/20	2020/21	2021/22	Total
Road Maintenance and Renewal	3.25	5.00	4.75	4.00	17.00
Integrated Transport Measures	0.75	0.75	0.75	0.75	3.00
Total	4.00	5.75	5.50	4.75	20.00

It is proposed that the Community and Place capital programme is varied to reflect the £20.0m additional contribution to the Highways Improvement programme to 2021/22, funded by capital allocation.

42. **Integrated Transport Measures** – The County Council has been successful in securing £1.5m capital funding from the Local Enterprise Partnership for Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Sustainable Transport Programme to enable the delivery of four cycle network developments across the county. This is in addition to the £0.7m funding that was approved at the Finance and Major Contracts Management Committee to deliver the West Bridgford cycle network. It is proposed that three further cycle networks are delivered in Arnold / Carlton, Mansfield and Newark on Trent.

It is proposed that the Community and Place capital programme is amended to reflect the additional £1.5m D2N2 funding secured for developing three further cycle networks.

43. **Highways Maintenance Incentive Fund** – In the Community and Place Committee, the Department for Transport has continued with the policy of providing an incentivisation element to the Highways Capital Maintenance Grant. This approach encourages local authorities to adopt good practice with regard to efficiencies and asset management. The Council has been allocated an indicative Incentive Grant totalling £2.5m in 2018/19, subject to the outcome of the self-assessment exercise.

It is proposed that the Community and Place capital programme is amended to reflect the £2.5m Incentive Grant as detailed above.

44. **Gedling Access Road (GAR)** – The GAR is a proposed new access road bypassing Gedling Village and is being provided as supporting infrastructure for the mixed-use residential and employment development on the former Gedling Colliery site. Subject to funding arrangements, planning approvals and statutory process, construction of the new road is planned to commence in autumn 2018 with completion in 2020. The Council's £5.4m contribution to the scheme was approved in February 2014. The current funding allocations for this scheme are shown in the table below:

	Funding contribution (£m)					TOTAL
	2016/17	2017/18	2018/19	2019/20	2020/21	
County Council	-	0.241	0.163	3.870	1.126	5.400
D2N2 LEP LGF	-	0.500	5.400	4.900	-	10.800
Developer Contributions / Gedling BC	-	-	3.984	10.759	2.786	17.529
Homes and Communities Agency	0.138	0.206	4.144	2.058	0.624	7.170
TOTAL	0.138	0.947	13.691	21.587	4.536	40.899

It is proposed that the Community and Place capital programme is varied to reflect the current external funding allocations for the Gedling Access Road scheme.

45. **Southern Growth Corridor** – The A612 Daleside Road Improvement Scheme is funded through the D2N2 as part of £6.1m for bus priority measures. The proposals within the county area include improvements to bus infrastructure under the banner of the Southern Growth Corridor. The £0.3m funding for this work is funded entirely from the total D2N2 funding available.

It is proposed that the Community and Place capital programme is varied to reflect the £0.3m D2N2 funding secured for developing the Southern Growth Corridor.

46. **Rushcliffe Recycling Centre** – With additional homes proposed to be built across the Rushcliffe area over the coming years, the County Council considers improving the coverage of recycling centres in the area as a key strategic priority. It is proposed, therefore, to incorporate £2.5m into the Community and Place capital programme to construct a new recycling facility in Rushcliffe.

It is proposed that a £2.5m allocation, funded from borrowing, is incorporated into the Community and Place capital programme to fund a new Rushcliffe Recycling Centre.

47. **Carbon Management** – This energy saving capital programme, which is funded fully from external funding, has been extended and re-phased by the project team. The programme is now forecast to be profiled as follows:

2018/19 – £0.360m

2019/20 – £0.320m

2020/21 – £0.320m

2021/22 – £0.320m

Policy

48. **Journey to the Cloud** – A capital allocation of £4.1m was approved as part of the 2017/18 Annual Budget Report to fund costs associated with moving the Council's ICT service provision from an on-site delivery method to a more flexible, cloud based approach. Since then, the Chartered Institute of Public Finance and Accountancy has published an 'Accounting for the Cloud' guidance document. This sets out that the transition to a Cloud arrangement by its nature represents a shift from a capital intensive infrastructure / software investment to a contractual service subscription model and should therefore be funded from revenue budgets. It is proposed that this transformation project is funded from the extended capital receipts flexibility as announced in the 2018/19 Provisional Local Government Settlement.

It is proposed that Policy Committee capital programme is varied to reflect that the £4.1m Journey to the Cloud project is to be funded from capital receipts flexibility.

49. **Better Broadband for Nottinghamshire (BBfN)** – Following an underspend on Phase 1 of the BBfN programme, £2.6m of funding will be returned to the Council. It is proposed that this funding is incorporated into the Policy Committee capital programme to provide further superfast broadband coverage to even more homes and businesses.

It is proposed that the Policy Committee capital programme is varied to reflect the £2.6m that will be used to further the BBfN programme.

50. **Transformation Programme** – As part of the 2017/18 Annual Budget Report, it was approved that transformational costs associated with the Programmes and Projects Team would be funded from capital receipts flexibility in 2017/18 and 2018/19. Now that the capital flexibility has been extended for a further three years, it is proposed that this approach continues to 2021/22.

Capital Programme Contingency

51. 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.

52. A number of capital bids described above are proposed to be funded from uncommitted contingency across the period to 2021/22. The levels of contingency funding remaining in the capital programme are as follows:-

2018/19	£1.5m
2019/20	£1.5m
2020/21	£1.5m
2021/22	£1.5m

Revised Capital Programme

53. Taking into account schemes already committed from previous years and the additional proposals detailed above, the summary capital programme and proposed sources of financing for the years to 2021/22 are set out in Table 11.

Table 11 – Summary Capital Programme

	Revised					
	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m	£m
Committee:						
Children & Young People*	28.115	37.590	22.603	9.348	6.000	103.656
Adult Social Care & Public Health	4.958	3.218	2.563	0.683	0.683	12.105
Community & Place	43.737	53.745	54.574	31.378	26.092	209.526
Policy	20.661	16.462	10.015	7.185	6.725	61.048
Finance & MCM	0.180	0.180	0.180	0.180	0.180	0.900
Personnel	0.219	0.076	0.000	0.000	0.000	0.295
Contingency	0.000	1.500	1.500	1.500	1.500	6.000
Capital Expenditure	97.870	112.771	91.435	50.274	41.180	393.530
Financed By:						
Borrowing	52.600	49.642	39.914	22.494	18.158	182.808
Capital Grants	44.033	61.577	49.721	26.680	21.922	203.933
Revenue/Reserves	1.237	1.552	1.800	1.100	1.100	6.789
Total Funding	97.870	112.771	91.435	50.274	41.180	393.530

* These figures exclude Devolved Formula Capital allocations to schools.

54. The capital programme for 2018/19 includes £17.5m of re-phased or slipped expenditure previously included in the capital programme for 2017/18.

Capital Receipts

55. 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 2018/19 to 2021/22. 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

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	TOTAL £m
Forecast Capital Receipts	7.2	6.9	14.1	14.0	6.0	48.2

56. The Council is required to set aside a Minimum Revenue Provision (MRP) in respect of capital expenditure previously financed by borrowing. In recent years, the Council has sought to minimise the revenue consequences of borrowing by optimising the use of capital receipts to reduce the levels of MRP in the short to medium term.
57. As such, the Council's strategy is to apply capital receipts to borrowing undertaken in earlier years, rather than using them to fund in-year expenditure. Although this will be presented as a higher level of in-year borrowing, the overall level of external debt will be unaffected. As set out above, in addition to this strategy, local authorities have been given the opportunity to use capital receipts to fund one off costs associated with transformation to 2021/22. This approach will be reviewed on an annual basis.
58. 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.
59. 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 2018/19. The Strategy is incorporated in to the Capital Strategy in Appendix D and the Policy is in Appendix E.
60. It is proposed that the Service Director – Finance, Procurement and Improvement be allowed to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2018/19.

Statutory and Policy Implications

61. 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

62. 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.

63. 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.

64. 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:

Reference

- | | |
|---|----------|
| 1) The Annual Revenue Budget for Nottinghamshire County Council is set at £481.230 million for 2018/19. | Para. 9 |
| 2) The principles underlying the Medium Term Financial Strategy are approved. | Table 9 |
| 3) The Finance & Major Contracts Management Committee be authorised to make allocations from the General Contingency for 2018/19. | Para. 11 |
| 4) That the 2.00% Adult Social Care Precept is levied in 2018/19 to part fund increasing adult social care costs. | Para. 19 |
| 5) The County Council element of the Council Tax is increased by 2.99% in 2018/19. That the standard Band D tax rate is | Para. 20 |

set at £1,419.43 with the various other bands of property as set out in the report.

- 6) The County Precept for the year ending 31 March 2019 shall be £351,016,650 and shall be applicable to the whole of the District Council areas as General Expenses. Para. 23
- 7) The County Precept for 2018/19 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 the report. Table 7
Table 8
- 8) The Capital Programme for 2018/19 to 2021/22 be approved at the total amounts below and be financed as set out in the report: Table 11

Year	Capital Programme
2018/19	£112.771m
2019/20	£91.435m
2020/21	£50.274m
2021/22	£41.180m

- 9) The variations to the Capital Programme be approved. Para. 34-50
- 10)The Minimum Revenue Provision policy for 2018/19 be approved. Appx. C
- 11)The Capital Strategy including the 2018/19 Prudential Indicators and Treasury Management Strategy be approved. Appx. D
- 12)The Service Director – Finance, Procurement and Improvement be authorised to raise loans in 2018/19 within the limits of total external borrowings. Para. 60
- 13)The Treasury Management Policy for 2018/19 be approved. Appx. E
- 14)The report be approved and adopted.

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

Constitutional Comments (KK 12/02/2018)

The proposals within this report are within the remit of Full Council.

Human Resources Implications (GME 15/02/2018)

Where there are staffing implications arising from any of the proposals contained in this report, the agreed employment procedures will be applied and consultation with trade union colleagues through corporate and departmental joint consultative and negotiating panel meetings will be undertaken. Where more detailed discussion is required additional meetings will be arranged. For completeness,

the headcount for centrally employed council employees as at the end of January 2018 is 7,542.

Financial Comments of the Service Director – Finance, Procurement and Improvement (NS 12/02/2018)

The budget proposed has been prepared taking into account the four vision statements and twelve commitments set out in the County Council's new strategic plan for 2017–2021, entitled Your Nottinghamshire, Your Future (Council, 13 July 2017) and reflects all significant cost variations that can be anticipated.

The budget has been prepared in conjunction with the Corporate Leadership Team and other senior officers, and through significant Member engagement via Policy Committee and Finance and Major Contracts Management Committee. There has been robust examination and challenge of all spending pressures and savings proposals.

As is the case in the current financial year, strict budgetary control will be maintained throughout 2018/19. Departments will be required to utilise any departmental underspends to offset unexpected cost increases that exceed the resources that have been provided to meet known cost pressures and inflation. To the extent that that this may be insufficient or that other unexpected events arise, the Council could potentially call on its General Fund balances.

The levels of reserves and balances have been reviewed and are considered to be adequate. The forecast reduction in Reserves and General Fund balances has been the result of using reserves to balance previous years' budgets and continued use in 2018/19. Whilst this has been in accordance with guidance from the Ministry for Housing, Communities and Local Government and will result in the Council still being above the level that is considered prudent, further reductions in Reserves and General Fund balances would need to be taken only after careful assessment and consideration of the overall level of financial risk.

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

The budget is, in my opinion, robust and meets the requirements of the Local Government Finance Act 1992, the Local Government Act 2003 and the CIPFA Prudential Code. The proposals for 2018/19 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 Update Report - Policy Committee 20 December 2017

Budget Report – Finance and Major Contract Management Committee 6 February 2018

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