

**REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND  
IMPROVEMENT****REVENUE BUDGET PROPOSALS 2021/22****CAPITAL PROGRAMME PROPOSALS 2021/22 to 2024/25****MEDIUM TERM FINANCIAL STRATEGY 2021/22 to 2024/25****COUNCIL TAX PROPOSALS 2021/22****Purpose of the Report**

1. To consider the contents of the budget report that will be taken to Full Council on 25 February 2021 with specific reference to:
  - the Annual Revenue Budget for 2021/22
  - the Capital Programme for 2021/22 to 2024/25
  - the Medium Term Financial Strategy for 2021/22 to 2024/25
  - the level of the Council Tax Precept for 2021/22

**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, the Chancellor of the Exchequers' one-year funding settlement, the further postponement to a new business rates retention scheme and the Fair Funding Review, the stalled Adult Social Care Green Paper, Government funding uncertainty overall and any implications that may arise as a result of the Brexit agreement.
3. The COVID19 crisis has had an unprecedented impact on the County Council's finances. Additional costs and lost income directly associated with the crisis in the current financial year are forecast to be approximately £86m. The Council has managed to deal with this crisis through a combination of Central Government support, expenditure controls and re-prioritisation of discretionary spend. The direct implications of the crisis will continue into the 2021/22 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 COVID19 crisis, 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. For example, Demand for Children's Social Care continues to rise nationally with demand for Looked After Children

(LAC) increasing by 2.5% for the year ending 31 March 2020 to 80,080 (year ending 31 March 2019 – increased 4% to 78,140). Nottinghamshire has directly seen increases in demand for Children's Social Care and LAC with an above average rise in LAC of 6%, however it continues to be below national comparators for the LAC average rate per 10,000 of children aged under 18 population (Source – Department for Education - (DfE) Children looked after in England).

5. Despite the challenging financial position that the Council has experienced over recent years, the COVID19 pandemic and the on-going financial challenges it continues to perform well in many areas including the following examples:-
  - Supporting the most vulnerable people in our communities through the COVID19 crisis
  - 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.
  - Good OFSTED inspection of Children's Services
  - Maintaining vital Social Care services.
  - Increased investment in the Highways Infrastructure across the county.
  - Continued development and improvement to Local Bus Services.
  - 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 57.

6. The Budget Report submitted to Full Council on 27 February 2020 set out the financial landscape within which the Council is operating and noted the anticipated budget shortfall of £28.3m over the three years to 2023/24.
7. The Period 9 Budget Monitoring Report that is also reported to this Committee meeting showed a net underspend position of £7.4m. This budget position was mainly as a result of a £5.3m underspend in the Adult Social Care and Public Health Committee and an underspend of £1.7m against various Central Items. 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 2021/22. This report outlines the recommendations that will be submitted for approval to the Annual Budget Meeting on 25 February 2021.

### **Managing the Future – A Strategic Response**

9. The County Council's strategic plan for 2017 - 2021, Your Nottinghamshire, Your Future, is a four-year plan, reviewed annually, that sets out the strategic ambition for the future of Nottinghamshire and the Council. In addition, four detailed departmental strategies have been developed to ensure that each Department is designed to offer the best possible services whilst making best use of the Council's resources.

10. The Peer Review conducted in June 2019, identified Nottinghamshire County Council 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 - this is impressive.
11. As reported to Policy Committee in October 2019, given the context of ongoing financial pressures, increased and complex demand and changing resident expectations, a new model for transformation is proposed to support the organisation to move forward and build on our strong foundations. The following three tier approach is proposed to reposition the Council and help achieve future transformation objectives :-
  - Tier 1 – Strategic Review of Outcomes (Achieve)
  - Tier 2 – Targeted Cross Cutting Transformation Reviews (Transform)
  - Tier 3 – Ongoing efficiency as part of continuous improvement (Save)
12. This new approach to transformation will lay the foundations for a review of the Council Plan in 2021. A key part of this work is in cementing the County's position as a leading authority recognised by Government, partners and communities for providing excellent services, future proofed for a changing world.
13. An update on progress made against the Council Plan and the impact caused by the COVID19 pandemic was reported to the Improvement and Change Sub-Committee on 23 November 2020.
14. 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**

15. The Council continues to take its environmental responsibilities seriously. As such, in March 2020 Policy Committee approved the new Corporate Environmental Policy as well as thirteen key strategic ambitions for the environmental strategy. 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.
16. 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.
17. The Council's thirteen strategic environmental ambitions have been broken down into a fifty-nine point Action Plan. Progress against this Action Plan can be seen as part of the report that went to Policy Committee in December 2020.
18. Environmental factors have been taken into account when constructing this budget and a number of green initiatives, including the establishment of new £0.5m Green Investment Fund are set out within the Council's capital programme.

### **Continuing COVID19 Pandemic**

19. As set out above, the COVID19 crisis has had an unprecedented impact on the County Council's finances. Additional costs and lost income directly associated with the crisis in the current financial year are forecast to be approximately £86m. It is important to note that the Council continues to respond to the consequences of the COVID19 pandemic. A large number of services, resources, functions, plans and programmes have been re- and de-prioritised as the Council has had to respond to a rapidly changing and fluid situation that has included the regular provision of new guidance and legislation.
20. It is not possible to forecast with any certainty the true impact that the COVID19 pandemic will have on the Authority in 2021/22. 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, Vulnerable Families and Personal Protective Equipment. Central Government have announced that the Authority will receive a further COVID19 grant totalling £16.1m in 2021/22. This will be used to offset those COVID19 costs incurred by the Authority.

## **Spending Round 2020 and Local Government Settlement 2021/22**

21. On 25 November 2020, the Chancellor of the Exchequer delivered the Spending Round 2020. On 17 December 2020, the provisional Local Government Settlement 2021/22 was announced by the Secretary of State for Housing, Communities and Local Government, Rt Hon Robert Jenrick MP. The Settlement confirmed many of the announcements made in the Spending Round 2020. The key announcements that will affect the Council are as follows:-

- Confirmation that Core Spending Power increases by an average of 4.5% - assuming all authorities levy the maximum precept allowed in 2021/22 – with most of the increase in power coming from greater council tax flexibilities.
- The £1.410bn of Social Care Grants in 2020-21 will be rolled forward and now includes an additional £300m – although this is heavily equalised against the Adult Social Care Precept.
- All additional grant for Adult and Children's Social Care including Winter Pressures and Adult Social Care grant will continue.
- Council Tax threshold will remain at 1.99% but there will be further flexibility for Adult Social Care Precept of 3% of which part may be deferred to 2022/23.
- £1.55bn for additional COVID19 related expenditure pressures in 2021/22.
- A scheme to compensate Councils for 75% of irrecoverable loss of Council Tax and Business Rates revenues in 2020/21.
- Sales, fees and charges compensation will be extended into the first three months of 2021/22.
- Confirmation of continuation of £165m Troubled Families Programme.
- New Homes Bonus will continue for a further year with no new legacy payments.
- A £670m Local Council Tax Support Grant to be allocated to authorities in recognition of the increased costs of providing local council tax support following the COVID19 pandemic.
- A fundamental review of the Business Rates Retention System will be reported in Spring 2021.
- A further £1.7bn for pothole repairs and roads maintenance in 2021/22.

22. The 2021/22 Settlement is a further one year settlement and, as such, considerable uncertainty beyond 2021/22 will remain until future announcements are made.

## **Movements in the Medium Term Financial Strategy (MTFS)**

23. The Budget report to the February Council in 2019 forecast a budget gap of £28.3m for the three years to 2023/24. As part of the budget setting process, the MTFS has been rolled forward a year to reflect the four year term to 2024/25 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.

24. The provisional local government settlement has provided allocation details for 2021/22 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 and the revised Business Rates methodology. Other areas of uncertainty exist throughout the term of the MTFS such as the continuing impact of the COVID19 pandemic, the outcome of the Social Care Green Paper and the implications of the new Brexit deal. 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

25. When the 2020/21 budget was approved in February 2020, specific pressures and non-pay inflationary pressures totalling £100.1m were identified for the period 2020/21 to 2023/24 of which £36.8m relates to 2020/21.
26. 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 2024/25 now total £106.6m. Table 1 below tracks the movement in pressures and inflation that has occurred since February 2020 with details of the revised figures in Appendix A.
27. 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.
28. In recent years, no uplift has been provided for inflation on non-pay items, except where a specific business need has been identified. It is proposed that this approach is continued for the duration of the MTFS.

**Table 1 – Movement in Pressures and Inflation**

Committee	2021/22 to 2023/24			Add Year 2024/25	Current Total 2021/22 to 2024/25
	Original Demand Pressures	Original Inflation	Net Movement		
Children & Young People	14.1	0.5	14.6	9.0	38.3
Adult Social Care & Public Health	0.4	0.2	0.5	14.1	53.6
Policy	0.4	-	0.4	0.1	0.8
Communities & Place	0.2	0.5	0.8	3.4	13.6
Personnel	0.3	-	0.3	-	0.3
<b>Total</b>	<b>15.4</b>	<b>1.2</b>	<b>16.6</b>	<b>26.7</b>	<b>106.6</b>

## Pay Award Inflation

29. 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 of an average of 2%, this has been assumed across the MTFS.

## **Savings / Efficiencies**

30. The MTFS includes previously approved savings options totalling £1.9m from 2020/21. In addition to this, the Council has approved a number of efficiencies and base budget reviews through appropriate Committees that total £0.5m.

## **MTFS Assumptions and Projections**

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

## **Interest and Borrowing**

32. 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.
33. 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 2021/22 budget for interest and debt repayments has been adjusted to meet expected costs in 2021/22. This budget will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

## **Contingency**

34. 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 and impacts of continuing to respond to the Covid-19 pandemic.
35. As part of the budget construction process, the base level for the 2021/22 contingency budget has been set at £4.1m. However, an estimated pay award budget of £3.5m has also been added for future allocation to Departments once any pay award has been agreed.

## **Tax Base**

36. 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.
37. The District and Borough Councils have provided tax base estimates for 2021/22 which equate to growth of 0.70%. 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 2021/22**

	<b>Taxbase 2020/21</b>	<b>Assumed growth of 1.2%</b>	<b>Band D Precept £1534.95</b>	<b>Confirmed % Change</b>	<b>Confirmed Taxbase</b>	<b>Band D Precept £1534.95</b>
Ashfield	33,695.30	34,099.64	£52,341,242	0.11%	33,731.70	£51,776,473
Bassetlaw	35,373.06	35,797.54	£54,947,434	1.13%	35,771.49	£54,907,449
Browtove	34,039.14	34,447.61	£52,875,359	0.52%	34,217.46	£52,522,090
Gedling	37,387.44	37,836.09	£58,076,506	0.01%	37,389.96	£57,391,719
Mansfield	29,407.70	29,760.59	£45,681,018	0.36%	29,512.20	£45,299,751
Newark	39,229.76	39,700.52	£60,938,313	1.97%	40,002.05	£61,401,147
Rushcliffe	43,987.70	44,515.55	£68,329,143	0.62%	44,259.60	£67,936,273
<b>Total</b>	<b>253,120.10</b>	<b>256,157.54</b>	<b>£393,189,016</b>	<b>0.70%</b>	<b>254,884.46</b>	<b>£391,234,902</b>
<b>Additional / (Reduction) of funding in MTFS from confirmed figures</b>						<b>(£1,954,114)</b>

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

38. Each year an adjustment is made by the District and Borough Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against the future years' tax receipts. As a result of pressures associated with the Coronavirus pandemic, billing authorities are likely to estimate a larger-than-normal deficit on the 2020-21 Collection Fund and Government has therefore mandated for the estimated deficit 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 deficit of £1,107,764 for 2021/22 and £1,175,089 to be applied in both 2022/23 and 2023/24. This liability has been factored into the MTFS as per the Government legislation.

### **Government Grants**

39. As announced in the 2021/22 provisional finance settlement the following government grants will be received in 2021/22:-
- £24.3m - Social Care Grant (£1.9m of which is temporary funding)
  - £30.0m - Improved Better Care Fund
  - £7.1m – Revenue Support Grant
40. Also, for Nottinghamshire, the 2021/22 New Homes Bonus funding has been confirmed at £1.2m.
41. All of the above government grants have been reflected in the MTFS.

## **Funding Transformation**

42. 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.
43. 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. The one year provisional settlement in December 2020 made no indication of further extensions.
44. It is proposed that capital receipts received in 2021/22 are, in the first instance, used to fund transformational costs associated with the Programmes and Projects Team and the implementation of the IT Cloud platform. Any excess capital receipts will be set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts.

## **Council Tax and Adult Social Care Precept 2021/22**

45. The 2021/22 Provisional Local Government Settlement announced by the Government in December 2020 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2021/22 referendum threshold has been set in line with inflation, and so setting the core Council Tax referendum principle at 1.99%.
46. Also in the announcement, it was confirmed that there will be further flexibility to levy an Adult Social Care Precept of 3%, part of which may be deferred to 2022/23.
47. 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 4.99%.
48. In determining the local government settlement, the Government has assumed that the Council would take the maximum Adult Social Care Precept of 3% and increase the Council Tax to the maximum level in 2021/22. It is proposed, therefore, that the Council fixes any increase to local taxes in-line with that expected by the Government. However, at present there is anticipated sufficient funding in 2021/22 to defer 2% of the increase allowed in the Adult Social Care Precept to 2022/23. Therefore, for 2021/22, it is proposed that Council Tax is increased by 1.99% and the Adult Social Care Precept is implemented at 1%. Future Council Tax increases of 1.99% per annum have also been factored into the MTFS together with the deferment of 2% of the Adult Social Care Precept into 2022/23.
49. 60% of properties in Nottinghamshire are in Band A and B. As a consequence, the majority of households across Nottinghamshire will see a Council Tax increase of less than £0.62 per week. The average increase for all households across the county will be £0.75.

**Table 3 – Impact of 1.00% Social Care Precept on Local Tax Levels  
(County Council Element) 2021/22**

<b>Band</b>	<b>Value as at 1.4.91</b>	<b>No. of Properties</b>	<b>% No. of Properties</b>	<b>Ratio</b>	<b>County Council 2020/21 £</b>	<b>County Council 2021/22 £</b>	<b>Change £</b>
A	Up to £40,000	145,645	39.4%	6/9	89.53	99.76	<b>10.23</b>
B	£40,001 to £52,000	76,295	20.6%	7/9	104.45	116.39	<b>11.94</b>
C	£52,001 to £68,000	63,246	17.1%	8/9	119.37	133.01	<b>13.64</b>
D	£68,001 to £88,000	42,684	11.5%	1	134.29	149.64	<b>15.35</b>
E	£88,001 to £120,000	24,154	6.5%	11/9	164.13	182.89	<b>18.76</b>
F	£120,001 to £160,000	11,664	3.1%	13/9	193.97	216.15	<b>22.18</b>
G	£160,001 to £320,000	6,279	1.7%	15/9	223.82	249.40	<b>25.58</b>
H	Over £320,000	483	0.1%	18/9	268.58	299.28	<b>30.70</b>

**Table 4 – Impact of 1.99% Increase on Local Tax Levels  
(County Council Element) 2021/22**

<b>Band</b>	<b>Value as at 1.4.91</b>	<b>No. of Properties</b>	<b>% No. of Properties</b>	<b>Ratio</b>	<b>County Council 2020/21 £</b>	<b>County Council 2021/22 £</b>	<b>Change £</b>
A	Up to £40,000	145,645	39.4%	6/9	933.77	954.14	<b>20.37</b>
B	£40,001 to £52,000	76,295	20.6%	7/9	1,089.40	1,113.16	<b>23.76</b>
C	£52,001 to £68,000	63,246	17.1%	8/9	1,245.03	1,272.19	<b>27.16</b>
D	£68,001 to £88,000	42,684	11.5%	1	1,400.66	1,431.21	<b>30.55</b>
E	£88,001 to £120,000	24,154	6.5%	11/9	1,711.92	1,749.26	<b>37.34</b>
F	£120,001 to £160,000	11,664	3.1%	13/9	2,023.18	2,067.30	<b>44.12</b>
G	£160,001 to £320,000	6,279	1.7%	15/9	2,334.43	2,385.35	<b>50.92</b>
H	Over £320,000	483	0.1%	18/9	2,801.32	2,862.42	<b>61.10</b>

**Table 5 – Recommended levels of Council Tax and Social Care Precept 2021/22**

Band	Value as at 1.4.91	No. of Properties	% No. of Properties	Ratio	County Council 2020/21 £	County Council 2021/22 £	Change £
A	Up to £40,000	145,645	39.4%	6/9	1,023.30	1,053.90	30.60
B	£40,001 to £52,000	76,295	20.6%	7/9	1,193.85	1,229.55	35.70
C	£52,001 to £68,000	63,246	17.1%	8/9	1,364.40	1,405.20	40.80
D	£68,001 to £88,000	42,684	11.5%	1	1,534.95	1,580.85	45.90
E	£88,001 to £120,000	24,154	6.5%	11/9	1,876.05	1,932.15	56.10
F	£120,001 to £160,000	11,664	3.1%	13/9	2,217.15	2,283.45	66.30
G	£160,001 to £320,000	6,279	1.7%	15/9	2,558.25	2,634.75	76.50
H	Over £320,000	483	0.1%	18/9	3,069.90	3,161.70	91.80

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

**Table 6 – Updated MTFS**

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Year on Year Savings requirement (February 2020 Report)	-	14.9	13.4	-	28.3
Additional Pressures / Inflation	3.3	8.8	4.5	26.7	43.3
Change in Pay / Pension Related Inflation	-	-	-	3.7	3.7
Committee Approved Efficiencies	(0.7)	-	-	-	(0.7)
Adjustments to Base Budgets	2.6	(0.9)	-	-	1.7
Change in Grant Funding	(10.7)	8.7	-	(2.3)	(4.3)
Increase in Council Tax / ASC Precept	(3.9)	(8.3)	(0.4)	(9.0)	(21.6)
Change in Council Tax Base assumptions	3.1	0.2	0.1	(6.3)	(2.9)
Variation in use of Reserves	5.4	(6.4)	(2.7)	2.4	(1.3)
Other Corporate Adjustments	0.9	0.6	(0.3)	0.3	1.5
<b>Revised Gap</b>	<b>0.0</b>	<b>17.6</b>	<b>14.6</b>	<b>15.5</b>	<b>47.7</b>

### **Financial Risks, Balances and Contingency**

51. 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.

52. 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 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 Green Paper on Adult Social Care and any extra burdens identified by Central Government.
- The 2021/22 Settlement reflects a one year settlement only. As such, the considerable uncertainty beyond 2021/22 will remain until the outcome of the Comprehensive Spending Review is known.
- The outcome of the Fair Funding Review and the move to a higher retention of business rates has been delayed by one year to 2022/23.
- The implications and uncertainty surrounding the new Brexit deal.

53. 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 2021/22 Budget Report.

54. 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**

	<b>General Fund £m</b>	<b>Earmarked Reserves £m</b>	<b>Total £m</b>
Balance as at 1 April 2020	21.9	119.8	<b>141.7</b>
Approved use in current year	(0.6)	(26.7)	<b>(27.3)</b>
Forecast Variance (Period 9)	-	0.7	<b>0.7</b>
<b>Expected Balance 31 March 2021</b>	<b>21.3</b>	<b>93.8</b>	<b>115.1</b>

## Capital Programme and Financing

55. 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.
56. The Council’s capital programme has been reviewed as part of the 2021/22 budget setting process. As reported to Finance and Major Contracts Management 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 and Major Contracts Management Committee.

## Major Capital Programme Successes

57. **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 £100m 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 291 schemes are programmed for completion in 2020/21 of which 245 have been completed to date.
58. **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.
59. **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.
60. **Better Broadband for Nottinghamshire** – In just shy of a decade, the Council has taken the superfast digital infrastructure across Nottinghamshire from a baseline of 86% to 98.7% availability. The original contractual expectations were for 20% of homes and businesses to make the switch to the newly installed superfast connection. This target has been far exceeded, with take-up rate standing at 71.86% This has triggered the contractual gainshare mechanism for the next seven years. This gainshare funding will be made available to fund further improvements to the county’s digital infrastructure in the future.

61. **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.
62. **Investing in Nottinghamshire** – As set out in a report to Policy Committee in December 2020, 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, re-furbish 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.
63. **New Special School Provision** – Despite the rebuilding and expansion of the Orchard Special School in Newark as well as a number of additional Special School expansions there remains insufficient specialist places to allow parents to express a preference for a local special school. This results in an increased demand for county and out of county specialist placements. To mitigate this issue, the Policy Committee in November 2019 gave approval for a feasibility study to be undertaken and work is continuing to identify a suitable site to build a new special school.
64. **Increased Secondary School Provision in West Bridgford** – At the Policy Committee meeting in September 2019 approval was granted in principle to the construction of a third secondary school within the West Bridgford planning area in the short to medium term which covers the catchment areas of Rushcliffe School and West Bridgford School.

Further reports will be submitted to the appropriate Committee in due course to provide updates on these new and emerging capital projects. Any required variations to the capital programme will be subject to the usual capital approval process.

65. During the course of 2020/21, 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 64 to 72. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

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

66. **School Building Improvement Programme** – The Department for Education has yet to announce the Schools Capital Maintenance (SCM) grant allocations for 2021/22 onwards. The 2020/21 allocation was confirmed at £6.5m and it is proposed that an estimated SCM grant allocation of £4.5m is reflected in the capital programme from 2021/22 until 2024/25. It is also proposed that this grant is top sliced by £0.3m from 2021/22 to 2024/25 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 2021/22 to 2024/25. It is also proposed that the SCM budget is top sliced by £0.3m in 2021/22 to 2024/25 to further the SAI programme.**

67. **School Places Programme** – An analysis of school places sufficiency across Nottinghamshire is undertaken on a regular basis. The Authority has received a 2021/22 Basic Need grant of £16.4m. Further Basic Need grant announcements are expected in Spring 2021 but until then it is proposed that estimated further School Places Grant of £2.0m per annum are included in 2022/23 to 2024/25 of the Children and Young People's capital programme.

**It is proposed that the Children and Young People capital programme is varied to reflect £16.4m 2021/22 grant allocation and the estimated School Places Grant of £2.0m to 2024/25.**

## **Communities and Place**

68. **Road Maintenance and Renewals Programme** – It is expected that the Communities and Place Committee will receive an Incentive Grant from the Department for Transport in 2021/22. This grant rewards Councils who demonstrate that they are delivering value for money in carrying out cost effective improvements to the county roads maintenance network. It is proposed that an estimated grant figure of £2.5m is included in the 2021/22 to reflect this capital grant. The capital programme will be reviewed once the actual grant allocation is announced.

**It is proposed that the Communities and Place Committee capital programme is increased by £2.5m to reflect the estimated 2021/22 DfT Incentive Fund Grant.**

69. **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:-

2021/22	2022/23	2023/24	2024/25
£000	£000	£000	£000
222	877	451	-

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

70. **Green Initiatives** – As part of the Corporate Environment Strategy paper that was reported to Policy Committee on 9 December 2020, it is proposed that the Council establishes a £0.5m Green Investment Fund to provide funding for projects that improve the Council's environmental performance. This will be an internally available fund to which Council services from all departments could apply towards activities in support of the environment and delivery of the Environment Strategy objectives.

**It is proposed that the Communities and Place capital programme is varied to reflect the £0.5m Green Investment Fund, funded from borrowing.**

71. The Communities and Place 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 £3.4m.
- **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 £6.3m.
- **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 September 2021 and will benefit approximately 240 properties and 60 businesses. The Council has secured a further £0.6m of external funding to fund works at eight risk sites across the county. In addition, the Council has used its own resources to enable the delivery a £1.0m Property Flood Resilience programme to properties vulnerable to flooding across the county.

## **Policy**

72. **Getting Building Fund** – The Council has been successful in securing a £0.6m Getting Building Fund grant. As reported to Policy Committee on 30 September 2020, it is proposed that this funding will be used to establish a 5G Innovation Hub in North Nottinghamshire acting as a catalyst for skills and innovation development and also as a showcase for ground-breaking 5G related technological developments.

**It is proposed that the Policy Committee capital programme is varied to reflect the secured £0.6m Getting Building Fund grant allocation.**

## **Capital Programme Contingency**

73. 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.

74. A number of capital bids described above are proposed to be funded from uncommitted contingency. The levels of contingency funding remaining in the capital programme are as follows:-

<b>2021/22</b>	<b>£2.8m</b>
<b>2022/23</b>	<b>£2.8m</b>
<b>2023/24</b>	<b>£2.8m</b>
<b>2024/25</b>	<b>£2.9m</b>

### Revised Capital Programme

75. Taking into account schemes already committed from previous years and the additional proposals detailed in this report, the summary capital programme and proposed sources of financing for the years to 2024/25 are set out in Table 8.

**Table 8 – Summary Capital Programme**

	<b>Revised 2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Committee:</b>						
Children & Young People*	29.553	24.135	13.777	11.301	11.301	90.067
Adult Social Care & Public Health	1.266	0.241	0.000	0.000	0.000	1.507
Communities & Place	67.033	43.635	23.249	20.893	20.390	175.200
Policy	26.109	37.332	15.794	5.016	4.430	88.681
Finance & MCM	0.180	0.180	0.180	0.180	0.180	0.900
Personnel	0.354	0.000	0.000	0.000	0.000	0.354
Contingency	0.000	2.800	2.800	2.800	2.854	11.254
<b>Capital Expenditure</b>	<b>124.495</b>	<b>108.323</b>	<b>55.800</b>	<b>40.190</b>	<b>39.155</b>	<b>367.963</b>
<b>Financed By:</b>						
Borrowing	42.924	62.474	26.309	12.016	11.432	155.155
Capital Grants	78.465	45.086	28.114	27.223	27.223	206.111
Revenue / Reserves	3.106	0.763	1.377	0.951	0.500	6.697
<b>Total Funding</b>	<b>124.495</b>	<b>108.323</b>	<b>55.800</b>	<b>40.190</b>	<b>39.155</b>	<b>367.963</b>

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

### Capital Receipts

76. 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 2021/22 to 2024/25. 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**

	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>TOTAL £m</b>
<b>Forecast Capital Receipts</b>	<b>7.4</b>	<b>12.9</b>	<b>10.7</b>	<b>13.6</b>	<b>10.1</b>	<b>54.7</b>

77. As set out above, local authorities have been given the opportunity to use capital receipts to fund one off costs associated with transformation to 2021/22. This approach will be reviewed on an annual basis. It is proposed that capital receipts to 2021/22 are, in the first instance, used to fund transformational costs associated with the Programmes and Projects Team and the implementation of the IT Cloud platform. Any excess capital receipts will be set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts.

## **Statutory and Policy Implications**

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

## **RECOMMENDATION/S**

That a report be prepared for County Council on 25 February 2021 based on the budget proposals as set out in this report, including the proposed Council Tax and Adult Social Care Precept increases that are in line with the Central Government funding model.

**NIGEL STEVENSON**

**SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT**

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

## **Constitutional Comments (CH 26/01/2021)**

The Finance and Major Contracts Management 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 recommendation therefore falls within the remit of this Committee.

## **Financial Comments (NS 31/01/2021)**

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.

None.

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

All.