

## **REPORT OF CABINET MEMBER FOR FINANCE AND RESOURCES**

### **BUDGET 2024/25 – PROPOSALS FOR SUBMISSION TO FULL COUNCIL**

#### **Purpose of the Report**

1. To consider the contents of the Budget Report that will be recommended to Full Council on 22 February 2024 with specific reference to:
  - The Annual Revenue Budget for 2024/25.
  - Amount of Adult Social Care Precept to be levied for 2024/25 to part fund increasing adult social care costs.
  - Amount of Council Tax to be levied for County Council purposes for 2024/25 and the arrangements for collecting this from district and borough Councils.
  - Medium Term Financial Strategy for 2024/25 to 2027/28.
  - Capital Programme for 2024/25 to 2027/28.
  - Minimum Revenue Provision policy for 2024/25.
  - Cabinet to be authorised to make allocations from the general contingency for 2024/25.
  - Borrowing limits that the Council is required to set by Statute and that the Service Director (Finance, Infrastructure and Improvement) be authorised to raise loans within these limits in 2024/25.
  - The Capital Strategy including the 2024/25 Prudential Indicators and Treasury Management Strategy.
  - Treasury Management Policy for 2024/25.

#### **Our Long-Term Plans for Better Lives**

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

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

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

levels. These actions, which are already beginning to bear fruit, both improve the lives of local people and offer a more sustainable way forward financially for the organisation.

12. More people living independent lives, supported by their community and local networks, including our own place-based services, rather than being reliant on our most expensive services such as residential care, is better for everyone - for resident, community, and Council. Work will particularly focus on improving services in those most disadvantaged communities, where the demand is highest and the need for support is greatest.
13. Through our budget we will help to galvanise communities and work with them to augment community services. It will include collaborating better with partners to be more efficient and effective with our services, joining things up to achieve better outcomes. It will include supporting young people to remain independent with extended family or community-based solutions, where outcomes are far better. We will focus our spend on early support for families within local areas, preventing the need for expensive residential care later.
14. Managing demand and helping people gradually increase their independence is a much more sustainable, and much more attractive, approach compared with making short term cuts to services. It will take time, and we have set out a long-term plan over the coming 10 years. These are broad themes and directions that will build resilience in our communities into the future and are supported by nine ambitions which will function as a framework for all County Council activity.
15. Our 2024/25 Budget will clearly show that our approach is already beginning to take shape. We are prioritising key service areas, moving money to the right places, and offering increased financial security for the rest of the Medium-Term Financial Strategy (MTFS). Implementing our approach over time will help us to avoid the need for more drastic and difficult choices for the coming years, and to move beyond a difficult annual discussion about cuts or tax rises, towards something more sustainable.
16. Our position relative to other Councils shows that our plan is working, and this Budget supports the continued delivery of that long term plan to help us deliver long-term sustainability for local services.
17. Despite the pressures, this Council also continues to invest, through its capital programme, ensuring that we are still delivering 'invest to save' propositions as well as major projects and highways improvements that support economic growth in the County.

## **The Nottinghamshire Plan**

18. At the Full Council meeting held on 25 November 2021, the Council approved The Nottinghamshire Plan 2021-31: Healthy, Prosperous, Green. This ambitious plan set out the strategic vision for the future of Nottinghamshire and the Council built around achieving a bold 10-year vision for a 'healthy, prosperous and greener future for everyone' with a focus on:
  - Improving health and well-being in all our communities
  - Growing our economy and improving living standards
  - Reducing the County's impact on the environment
  - Helping everyone access the best of Nottinghamshire.

19. These broad themes will build resilience in our communities into the future and are supported by nine ambitions which will provide a framework for all County Council activity:
- Helping our people live healthier, more independent lives
  - Supporting communities and families
  - Keeping children, vulnerable adults and communities safe
  - Building skills that help people to get good local jobs
  - Strengthening businesses and creating more good-quality jobs
  - Making Nottinghamshire somewhere people love to live, work and visit
  - Attracting investment in infrastructure, the economy and green growth
  - Improving transport and digital connections
  - Protecting the environment and reducing our carbon footprint
20. A tenth ambition – ‘A forward-looking resilient Council’ – outlines the Council’s plans to strengthen processes, systems and ways of working that enable the whole organisation to deliver efficient and effective services for Nottinghamshire’s people and communities. Looking to the future, work to reform the organisation into a forward looking, sustainable and resilient council will become an increasing corporate priority particularly so that the Council can remain ambitious for the County and fit for the future.
21. The Plan sets out what the County Council will do over the next ten years to achieve these ambitions as well as how it will measure progress and success. The Plan also details the Council’s on-going journey of improvement as we continue to deliver services in a responsive, efficient, financially sustainable and forward-looking way.
22. The Annual Delivery Plan describes how the Council will be working collaboratively, both across the Council and with partners, to continue the development of our cross-cutting transformation programmes. This will help us to test new and improved ways of working, service delivery and systems and help create the conditions to enable us to make a difference for the County’s communities and residents.

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

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

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

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

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

## **Background to the Budget**

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

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

### **Budget Consultation – Rising to the Challenge**

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

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

### **Provisional Local Government Settlement 2024/25**

45. On 18 December 2023, the provisional Local Government Settlement 2024/25 was announced via a written ministerial statement by the Secretary of State for Levelling Up, Housing and Communities, the Rt Hon Michael Gove MP. The key announcements that will affect the Council are as follows:
- Core Spending Power increases by an average of 6.5% assuming all Local Authorities levy the maximum precept allowed in 2024/25,
  - Confirmed £65.1m Social Care Grant allocation in 2024/25,
  - Services Grant allocation of £0.7m,



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

### **Additional Funding Announcement**

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

### **Revised Pressures and Running Cost Inflation**

52. When the 2023/24 budget was approved in February 2023, specific pressures and non-pay inflationary pressures totalling £114.6m were identified for the period 2023/24 to 2026/27 of which £44.7m related to 2023/24.
53. A review has been undertaken whereby Departments were asked to both justify existing pressures and identify any new pressures faced over the medium term. These bids have continued to be revised and total specific pressures and non-pay inflationary pressures to 2027/28 now total £134.8m. Table 1 below tracks the movement in pressures and inflation that has occurred since February 2023.

54. Appendix A identifies that the Council's main pressures relate to growth in both External Placements for Looked After Children and SEND Transport, increases to the National Living Wage in Adult Social Care and the impact of inflation across various contracts and services.
55. In recent years, no uplift has been provided for inflation on non-pay items, except where a specific business need has been identified. It is proposed that this approach is continued for the duration of the MTFS.

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

Portfolio	2024/25 to 2026/27			Add Year 2027/28	Current Total 2024/25 to 2027/28
	Original Demand Pressures	Original Inflation	Net Movement		
Adult Social Care	7.3	4.8	12.1	16.1	72.4
Children & Families	10.3	0.3	10.6	3.6	25.1
Education & SEND	0.4	-	0.4	0.2	1.6
Economic Development & Asset Management Communities & Public Health	-	(0.4)	(0.4)	0.1	0.5
Transport & Environment	2.5	0.3	2.8	0.7	5.1
	10.3	3.8	14.1	4.6	30.3
<b>Total</b>	<b>30.8</b>	<b>8.8</b>	<b>39.6</b>	<b>25.4</b>	<b>134.8</b>

### **Further Investment in Highways**

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

### **Pay Award Inflation**

58. The County Council continues to be part of nationally determined local government pay bargaining arrangements. These are negotiated by the National Joint Council made up of the national employers and the recognised trade unions. Based upon previous rises and current estimates the MTFS assumes an annual 5.0% increase for 2024/25, 3% in 2025/26 and a further 2% increase in 2026/27 and 2027/28.

## **Savings / Efficiencies**

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

## **MTFS Assumptions and Projections**

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

## **Interest and Borrowing**

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

65. The level of borrowing undertaken by the Council is heavily influenced by the capital programme and the associated expenditure profile of approved schemes. Slippage can result in reduced borrowing in the year, although this will still be incurred at a later date when schemes are completed. Interest payments are based on an estimated interest rate which can also fluctuate depending on the market rates at the time the borrowing is undertaken. The level of external borrowing undertaken will also increase as the Council's level of reserves declines, as this effectively reduces the Council's ability to borrow internally.
66. The Council's position is monitored regularly in relation to these two variables and the budget for interest and debt repayments has been reviewed to meet expected costs in 2024/25. This budget will continue to be closely monitored to ensure interest and debt payments are adequately provided for in future years.

### **Contingency**

67. An acceptable minimum level of contingency is needed for unforeseen events, redundancy payments and non-delivery of savings. This is even more critical in an increased risk environment due to uncertainty around budget pressures, achievability of savings, pay award settlement and the on-going impacts of high inflation. As part of the budget construction process, the base level for the 2024/25 Contingency budget has been set at £5.0m.
68. In addition, there is a need to provide for an estimated pay award contingency of £10.8m in relation to 2024/25 which will also be earmarked for future allocation to Portfolios once agreed.

### **Annual Budget 2024/25**

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

**Table 2 – Proposed County Council Budget 2024/25**

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

\* Includes SEND Transport Pressures

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

### Corporate Budgets and Reserves

73. There are a number of centrally held budgets that are not reported to a specific portfolio. They are detailed below with the budget analysis shown in Table 3:

- **Flood Defence Levy:** The Environment Agency issues an annual local levy based on the Band D equivalent houses within each Flood and Coastal Committee area. This helps to fund local flood defence priority works.
- **Pension Enhancements:** The cost of additional years' service awards, approved in previous years. This is a legacy cost and the practice is no longer permitted following changes to the pension rules.
- **Trading Organisations:** This sum is required to cover the difference between the basic employer's pension contributions used in the trading accounts and the amounts actually charged, as required by the actuarial valuation.
- **Contingency:** This is provided to cover redundancy costs, impact of the pay awards, delays in efficiency savings, changes in legislation and other unforeseen eventualities. Cabinet, the Cabinet Member for Finance and Resources or the Section 151 Officer are required to approve the release of contingency funds in accordance with limits set out in the approved financial regulations of the Council.

- **Capital Charges (Depreciation):** This represents the notional costs of using the Council's fixed assets. As such, budget provision is made within the service accounts and adjustments here relate to corresponding movements in the service accounts. However, statute requires that this amount is not a cost to the Council Taxpayer, hence this is reversed out within corporate budgets and replaced with the actual cost that impacts on the Council's revenue budget, being the costs of borrowing (i.e. interest) and the Minimum Revenue Provision (MRP).
- **Interest and Borrowing:** The level of borrowing undertaken by the Council is heavily influenced by the capital programme. Slippage can result in reduced borrowing in the year although this will be incurred at a later date. Interest payment budgets are based on an estimated interest rate which can fluctuate depending on the market rates that exist at the time. The level of borrowing will also increase as the Council's level of reserves declines because the ability to borrow internally reduces.
- **Minimum Revenue Provision:** Local Authorities are required by law to make provision through their revenue account for the repayment of long-term external borrowing and credit arrangements. This provision is made in the form of the Minimum Revenue Provision (MRP). The MRP policy can be seen in Appendix D.
- **Revenue Grants:** The New Homes Bonus, Revenue Support Grant, Social Care Grant and Council Services Grant are held centrally and are not ring-fenced.
- **Use of Reserves:** This represents the Council's use or contribution in relation to balance sheet reserves. This budget report is proposing to utilise £35.3m of reserves over the medium term. Further detail is provided in Appendix C.

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

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

## **Tax Base**

74. As new houses are built the Council Tax base increases. Over the last 5 years the growth rate has fluctuated due, in part, to the challenging economic climate.
75. The District and Borough Councils calculate a Council Tax base by assessing the number of Band D equivalent properties in their area, and then building in an allowance for possible non-collection. The Council has received confirmed tax base information from all District and Borough Councils and the notifications received forecast a total tax base of 267,038.21. This represents growth of 1.27% compared to original assumed growth of 1.20% and gives rise to an additional £0.3m of funding when compared to the assumption used in previous MTFS updates.

## **Council Tax Surplus/Deficit**

76. Each year an adjustment is made by the District and Borough Councils to reflect the actual collection rate of Council Tax in the previous year. Sometimes this gives rise to a surplus, payable to the County Council, or a deficit which is offset against the future years' tax receipts. Following receipt of collection fund information from all District and Borough Councils, the figures confirmed equate to a net surplus of £3.3m in 2024/25.

## **Business Rates Surplus / Deficit**

77. Budgets in respect of Business Rates are contingent upon a range of inputs derived from District/Borough Councils and Central Government returns, the outcome of which at the time of writing this report are uncertain in terms of both timing and amount. Any impact in relation to the increase in reliefs made to businesses are likely to have an adverse effect on collection rates. Should any deficit in relation to current projections be realised, these are expected to be met by compensation grants from Government or amounts set aside in earmarked reserves.

## **Government Grants**

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

## Council Tax and Adult Social Care Precept 2024/25

81. The Provisional Local Government Settlement announced by the Government on 18 December 2023 set out funding plans for councils in England to help them to deliver the services that their residents need. It was confirmed that the 2024/25 referendum threshold has been set at 3.00%.
82. Also in the announcement, it was confirmed that there will be further flexibility to levy an Adult Social Care Precept of 2.00% in 2024/25.
83. The Core Spending Power issued by the Government therefore affirmed the expectation that, in addition to the usual assumptions with regard to tax base growth, Councils would increase their overall Council Tax by 3.00% plus an ASC Precept of 2.00%.
84. As part of setting the budget, the Council carefully considers balancing the requirements to deliver services and the increased cost of those services against important affordability issues including the prevalent cost of living challenges that residents face. In acknowledgement of the continuing strain experienced by many households, it is proposed once again that, rather than raising local taxation to the maximum level in 2024/25, Council Tax is increased by 2.84% and the Adult Social Care Precept is implemented at 2.00%. Future Council Tax increases of 1.99% per annum have also been factored into the MTFS. No further Adult Social Care Precept increases beyond 2024/25 have been factored in at this stage.
85. 59% of properties in Nottinghamshire are in Band A and B. Consequently, the majority of households across Nottinghamshire will see a Council Tax increase of less than £1.15 per week. The average increase for all households across the county will be £1.36.

### Requirement to Raise Local Tax

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

**Table 4 – Local Tax Requirement Calculation**

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



## Adult Social Care Precept Recommendation

87. It is recommended that County Council approves the implementation of a 2.00% Adult Social Care Precept for 2024/25 to part fund increasing costs associated with adult social care. The impact of this is shown in Table 5.

**Table 5 – Impact of 2.00% Adult Social Care Precept on Local Tax Levels  
(County Council Element) 2024/25**

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

## Local Tax Recommendation

88. It is recommended that County Council approves an increase of 2.84% to local tax levels to ensure that the Council meets the local tax requirement. The impact of this is shown in Table 6 below.

**Table 6 – Impact of 2.84% Increase on Local Tax Levels  
(County Council Element) 2024/25**

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

89. The total impact of implementing a 2.00% Adult Social Care Precept and a 2.84% increase in local tax levels is shown in Table 7:

**Table 7 – Recommended levels of Council Tax and Adult Social Care Precept 2024/25**

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

90. The actual amounts payable by householders will also depend on:

- The District or Borough’s own Council Tax decisions
- The Police and Crime Commissioner and the Combined Fire Authority Council Tax
- Any Parish precepts or special levies
- The eligibility for discounts and rebates.

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

### County Precept

92. District and Borough Councils collect the Council Tax for the County Council. This is then recovered from the Districts by setting a County Precept. The total Precept is split according to Council Tax base for each District.

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

**Table 8 – Proposed County Council Precept Dates – 2024/25**

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

94. The dates shown are those by which the County Council's bank account must receive the credit, otherwise interest is charged. Adjustments for net variations in amounts being collected in 2023/24 will be paid or refunded on the same dates.

### Medium Term Financial Strategy (MTFS)

95. The Budget report to the February Council in 2023 forecast a budget gap of £30.8m for the three years to 2026/27. As part of the budget setting process the MTFS has been rolled forward a year to reflect the four-year term to 2027/28 and a rigorous review of the Council's MTFS assumptions has taken place. The impact of these is set out in the paragraphs below.

96. It should be noted that the 2024/25 Local Government Finance Settlement is a one-year settlement only. As such, considerable uncertainty beyond 2024/25 will remain until future funding announcements are made. The MTFS will continue to be reviewed regularly to ensure that it reflects the latest information available.

97. Table 9 summarises the cumulative changes made to the MTFS since the report to February Council in 2023 was approved.

98. In summary, from 2024/25 onwards, the Council is currently projecting a budget shortfall of £36.0m across the duration of the MTFS. Proposals as to how the budget will be balanced will need to be made over the coming months.

**Table 9 – Analysis of Changes to the Medium-Term Financial Strategy 2024 –2028**

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

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

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

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

**Financial Risks, Balances and Contingency**

100. The County Council is legally obliged to set a balanced budget for each financial year. Additionally, a four-year medium term financial strategy is required. As previously reported, there are significant risks and uncertainties associated with the current environment that local authorities are operating within, both short and medium term. It is therefore of paramount importance that the County Council takes appropriate measures to mitigate against these risks, whilst acknowledging that, given the level of uncertainty overall, contingency plans may not be sufficient.
101. Within the MTFs a number of assumptions are made with regard to a wide variety of factors including future Council Tax policy, Business Rates income and Government Grant levels. Any variation from these assumptions has implications for the level of resources available to the Council.
102. The current and future forecast level of reserve balances are shown in Appendix C. The General Fund Balance is a reserve which is not bound by any specific criteria. Earmarked reserves have to be applied to specific schemes, and a large proportion relates to the reserves that support the PFI schemes in waste and schools. Reserves are “one-off” funds so it is recommended that they are limited to supporting one-off expenditure rather than funding on-going costs.
103. A robust reserve strategy underpins the delivery of the MTFs, however it is acknowledged that the use of reserves does not represent a sustainable solution to budget management. The Council will once again be targeting reserves to allow time for more transformative approaches to be developed and implemented. Reserves provide a short-term fix, but their use only delays the requirement for a permanent solution. The Council also needs to maintain an appropriate level of reserves to guard against unforeseen events and target those reserves responsibly using a profile that effectively “buys time” by feeding balances into the MTFs and thus preventing an inevitable cliff edge. Reserves have therefore been varied to balance the budget and provide temporary relief to facilitate achievement of Transformation and associated delivery of required savings. This budget report is proposing to utilise £35.3m of reserves. Further detail is provided in Appendix C.

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

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

105. Adequate levels of balances and contingency need to be maintained in order to provide short-term flexibility to manage unforeseen events, and to allow for the necessary longer-term changes to be implemented. Central Government continues to encourage local authorities to use reserves to support their transformation agenda. More detail regarding the need to hold balances is set out in Appendix C.

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

107. **Future Years Pay Awards** – The revised MTFS includes a 5.0% pay award in 2024/25, 3.0% in 2025/26 and 2.0% thereafter. Any increases in subsequent years over and above this assumption will further add to the funding gap. In simple terms, each extra 1% would add approximately £2.0m to the Council's budget requirement.

108. **Ongoing future year impact of inflation / pressures** – cost pressures for 2024/25 are £25.8m higher than the figure assumed in the MTFs approved in February 2023. If a similar scenario plays out in future years, then there could be significant increases to the Council’s funding gap.
109. **Retention of Children’s Social Workers and the Social Care Market** – Social Care market issues are of national concern and most local authorities are experiencing difficulties with ensuring a stable care and support market. There are issues around market resilience, provider business models, workforce and rates of contractual pay which may result in pressures over and above what are in the MTFs.

### **Capital Programme and Financing**

110. Local authorities are able to determine their overall levels of borrowing, provided they have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. It is therefore possible to increase the capital programme and finance this increase by additional borrowing provided that this is “affordable, prudent and sustainable”. This is in addition to capital expenditure funded from other sources such as external grants and contributions, revenue and reserves. The revenue implications of the capital programme are provided for and integrated within the revenue budget.
111. The Council’s Capital Programme has been reviewed as part of the 2024/25 budget setting process and a strategy to limit borrowing to that which was already approved by Full Council in February 2022 has been adopted. This will ensure that the cost of financing the capital programme is managed within existing limits and thereby restricting the impact on the on-going revenue budget.
112. As reported in the Period 8 Financial Monitoring Report to this meeting, significant variations and slippage have been identified through the monthly capital monitoring process. The capital programme is monitored closely in order that variations to expenditure and receipts can be identified in a timely manner. Any subsequent impact on the revenue budget and associated prudential borrowing indicators is reported through the regular monthly monitoring report to the Cabinet Member for Finance and Resources or Cabinet.

### **Major Capital Programme Successes**

113. **Roads Maintenance and Renewals** – The Council has identified investment in the highways infrastructure across the county as an important strategic objective. This commitment can clearly be seen as expenditure against the Roads Maintenance and Renewals programme has exceeded £168m since April 2017. This includes over £30m of the Council’s own funding on top of grant funding received from the Department for Transport. A further £8.0m of the Council’s own funding will be invested in this programme over the medium-term.
114. **Gedling Access Road** – This major transport scheme has enabled the realisation of a key strategic development site in Gedling. It has also fulfilled the long-term ambition to provide a bypass around Gedling Village. The project has been delivered by key public sector partners working jointly towards achieving common objectives for the future development of the former Gedling Colliery site.

115. **New / Replacement Schools** –The Schools Place programme focuses on the Council's statutory duty to provide sufficient school places. The Council works closely with academies and the voluntary aided sector to meet this statutory responsibility and function. As part of this programme the following new / replacement schools have been built – Hawthorne Primary in Bestwood, Orchard Special School in Newark, Hucknall Flying High Academy, Rosecliffe Spencer Academy in Edwalton, Chapel Lane Primary in Bingham and the Millside Spencer Academy in East Leake. Further work on new or major expansions are taking place in Rushcliffe and Worksop.
116. **Building and Office Rationalisation Programme** – Following a review by Overview Committee and as reported to Full Council in July 2023, the Council has established a Building and Office Rationalisation capital programme that sets out to utilise the Council's property estate to deliver environmental, economic and financial benefits in a post-COVID world. This funding allows for the delivery of a programme of projects that will improve, refurbish or build new offices across multiple sites of the Council's estate which allow the vacation and rationalisation of other buildings.
117. During the course of 2023/24, variations to the capital programme have been approved by Cabinet, the Cabinet Member for Finance and Resources and the Section 151 Officer in accordance with the Council's Financial Regulations. Following a review of the capital programme and its financing, some proposals have been made regarding both new schemes and extensions to existing schemes in the capital programme. These proposals are identified in paragraphs 118 to 122. Schemes will be subject to Latest Estimated Cost (LEC) reports in accordance with the Council's Financial Regulations.

## **Education and SEND**

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

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

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

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

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

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

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

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

## **Transport & Environment**

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

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

123. The Transport and Environment portfolio approved capital programme includes a number of green initiatives as follows:

- **Carbon Management Programme and the Energy Saving Scheme** - These programmes of work identify and undertake projects that enable energy savings to be made and carbon emissions to be reduced. They also enable investment in spend to save energy and water efficiency measures to supplement the current capital programme and maintenance budgets. All savings are recycled to fund further energy savings projects. The total budget included in the capital programme for these green initiatives is £2.3m.
- **Street Lighting** – This programme of work is aimed at replacing the lanterns in street lights for lower energy options to realise an energy saving. The total budget included in the capital programme to fund street light replacements is £4.0m.
- **Green Investment Fund** – This Investment Fund was established to support green projects, specifically those supporting the delivery of the Environment Strategy Action



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

- In addition, the Council has used its own resources to lever in external funding which has enabled the delivery of further flood risk management projects.

### Capital Programme Contingency

124. The capital programme requires an element of contingency funding for a variety of purposes, including urgent capital works, schemes which are not sufficiently developed for their immediate inclusion in the capital programme, possible match-funding of grants and possible replacement of reduced grant funding.

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

<b>2023/24</b>	<b>£3.1m</b>
<b>2024/25</b>	<b>£3.7m</b>
<b>2025/26</b>	<b>£3.0m</b>
<b>2026/27</b>	<b>£3.0m</b>
<b>2027/28</b>	<b>£4.7m</b>

### Revised Capital Programme

126. Taking into account schemes already committed from previous years and the additional proposals detailed in this report, the summary capital programme and proposed sources of financing for the years to 2027/28 are set out in Table 11. A more detailed breakdown across Portfolios will be reported to Full Council as part of the Annual Budget Report 2024/25.

**Table 11 – Summary Capital Programme**

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

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

## Capital Receipts

127. In preparing the capital programme, a full review has been carried out of potential capital receipts. The programme still anticipates significant capital receipts over the period 2024/25 to 2027/28. Any shortfall in capital receipts is likely to result in an increase in prudential borrowing. Forecasts of capital receipts are shown in Table 12.

**Table 12 – Forecast Capital Receipts**

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

128. As part of the recent capital programme review, a decision was taken to limit borrowing to what is already approved in the capital programme. To further minimise the impact of the cost of borrowing on the revenue budget it is proposed that a minimum level of capital receipts, based on forecasts set out in the February 2021 Budget Report and the value of capital investment in short life assets over the MTFs, are set against previous years' borrowing. It is also proposed that reserves are used where appropriate to limit the value of borrowing required over the MTFs. These measures will help reduce the impact of the Minimum Revenue Provision on the revenue accounts. This approach will also enable excess capital receipts to be used to fund any future additional capital investment.
129. One of the requirements of the Local Government Act 2003 is that the Council must set an "Authorised Limit" for its external borrowings. Any potential breach of this limit would require authorisation from the Council. There are a number of other prudential indicators that are required by The Prudential Code to ensure that the proposed levels of borrowing are affordable, prudent and sustainable. The values of the prudential indicators are proposed in Appendix E.
130. In accordance with the "CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes", it is proposed that the Council approves a Treasury Management Strategy and Policy for 2024/25 (Appendix F). This Strategy is incorporated into the Capital Strategy in Appendix E.
131. With regard to cash balances that form part of the Nottinghamshire County Council Pension Fund, this report proposes the Council delegates responsibility for the setting of Treasury Management Policies and Practices to the Pension Fund Committee.
132. It is proposed that the Service Director – Finance, Infrastructure and Improvement be permitted to raise loans within the authorised limit for external borrowing, subject to the limits in the Treasury Management Strategy for 2024/25 (Appendix F).

## **Timetable for Decisions**

133. On 9 November 2023, a Budget Update report was presented to Cabinet which highlighted the Council's current and medium-term position as well as setting out the approach to undertaking the budget consultation and tackling the predicted budget deficit.
134. The Overview Committee has considered the Council's approach to the budget setting process, the current assumptions behind the budget and were given the opportunity to feedback any specific points on the budget for 2024/25.
135. The County Council meets on 22 February 2024 to consider the Annual Budget Report 2024/25 including the revenue budget and capital programme. This will enable the 2024/25 budget to be set and approved before the statutory deadline of the end of February 2024.

## **Equalities Impact Assessment**

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

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

### **Other Options Considered**

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

### **Reasons for Recommendation**

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

### **Statutory and Policy Implications**

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

## RECOMMENDATION/S

That the report is noted and the following be recommended to Full Council:

- a) The Annual Revenue Budget for Nottinghamshire County Council is set at £638.835 million for 2024/25. Para. 71
- b) The principles underlying the Medium-Term Financial Strategy are approved. Table 9
- c) The Cabinet be authorised to make allocations from the General Contingency for 2024/25. Para. 73
- d) That the 2.00% Adult Social Care Precept is levied in 2024/25 to part fund increasing adult social care costs. Para. 87
- e) The County Council element of the Council Tax is increased by 2.84% in 2024/25. That the overall Band D tax rate is set at £1,807.08 with the various other bands of property as set out in the report. Para. 88/89
- f) The County Precept for 2024/25 shall be collected from the District and Borough councils on the dates set out in Table 8. Table 8
- g) The Capital Programme for 2024/25 to 2027/28 be approved at the total amounts below and be financed as set out in the report: Table 11

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

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

- o) The undertaking of future consultations on savings options where required is approved. Para. 59-62

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

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

**Constitutional Comments (GR 26/01/2024)**

Pursuant to the Nottinghamshire County Constitution the Cabinet has the authority to receive this report and to consider the recommendation contained within it.

**Human Resources Comments (HG 25/01/2024)**

The human resources implications will be identified as specific proposals are developed. Where any employment implications arise from any of the identified actions outlined in this report, these will be consulted on and implemented in line with the agreed employment policies and procedures of the Council.

**Financial Comments (NS 10/01/2024)**

The financial implications are set out in the report.

**Background Papers and Published Documents**

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

Equality Impact Assessment

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

All