



## ADDITIONAL / TO FOLLOW AGENDA ITEMS

This is a supplement to the original agenda and includes reports that are additional to the original agenda or which were marked 'to follow'.

### NOTTINGHAM CITY COUNCIL CITY COUNCIL

**Date:** Monday, 7 March 2016

**Time:** 2.00 pm

**Place:** Council House, Old Market Square

**Governance Officer:** James Welbourn, Constitutional Services

**Direct Dial:** 01158763288

### AGENDA

### Pages

<b>8</b>	<b>QUESTIONS FROM COUNCILLORS - TO A MEMBER OF EXECUTIVE BOARD, THE CHAIR OF A COMMITTEE AND THE CHAIR OF ANY OTHER CITY COUNCIL BODY</b>	<b>3 - 4</b>
<b>12</b>	<b>BUDGET 2016/17</b>	<b>5 - 24</b>

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**CQ1**

**COPY OF QUESTION TO BE ASKED BY COUNCILLOR ANDREW RULE OF THE PORTFOLIO HOLDER FOR PLANNING & HOUSING AT THE MEETING OF THE CITY COUNCIL TO BE HELD ON MONDAY 7 MARCH 2016**

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Will the Portfolio Holder ensure, that in the event that the Land and Planning Policies Document is found to be sound and replaces the current local plan, that measures are put in place to ensure that appropriate provision is made for resident's parking in those areas identified for residential development that are situated in close proximity to existing residential areas; as this will then avoid additional pressure being placed on roads serving existing residential areas?

**CQ2**

**COPY OF QUESTION TO BE ASKED BY COUNCILLOR JIM ARMSTRONG OF THE PORTFOLIO HOLDER FOR JOBS GROWTH AND TRANSPORT AT THE MEETING OF THE CITY COUNCIL TO BE HELD ON MONDAY 7 MARCH 2016**

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Could the Portfolio Holder for Jobs Growth & Transport confirm the results of the consultation regarding the expansion of Fernwood Primary School and whether the already hazardous traffic conditions along Arleston Drive are to be addressed and what are the proposals to improve the traffic flow for the safety of residents, school children and the other road users?

**CQ3**

**COPY OF QUESTION TO BE ASKED BY COUNCILLOR GUL KHAN OF THE PORTFOLIO HOLDER FOR PLANNING & HOUSING AT THE MEETING OF THE CITY COUNCIL TO BE HELD ON MONDAY 7 MARCH 2016**

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Could the Portfolio Holder for Planning & Housing please tell the chamber how the £140 million set aside by the Government for housing estate regeneration would in practice work?

**CQ4**

**COPY OF QUESTION TO BE ASKED BY COUNCILLOR JOSH COOK OF THE PORTFOLIO HOLDER FOR SCHOOLS AT THE MEETING OF THE CITY COUNCIL TO BE HELD ON MONDAY 7 MARCH 2016**

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Does the Portfolio Holder agree with me that Government policy on school place provision is contradictory? Isn't it nonsensical to give Councils the legal duty to provide adequate school places whilst at the same time banning them from opening new schools?

**CQ5**

**COPY OF QUESTION TO BE ASKED BY COUNCILLOR STEVE YOUNG OF THE PORTFOLIO HOLDER FOR LEISURE & CULTURE AT THE MEETING OF THE CITY COUNCIL TO BE HELD ON MONDAY 7 MARCH 2016**

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Would the Portfolio Holder for Leisure and Culture explain how the Theatre Royal and the Royal Concert Hall are able to finance a capital development, their Royal Transformation project, out of revenue surpluses on their trading activities? How will this work in practice and what is the benefit to the council tax payers in Nottingham?

**CITY COUNCIL - 7 MARCH 2016**

**REPORT OF THE DEPUTY LEADER**

**BUDGET 2016/17**

**1 SUMMARY**

- 1.1 This budget report sets out the proposals for 2016/17 in a layout governed by statute.
- 1.2 This report is based on the Medium Term Financial Plan (MTFP) as considered by Executive Board on 23 February 2016 and which comprised the General Fund revenue budget, General Fund capital programme, Housing Revenue Account (HRA) revenue budget and HRA capital programme.
- 1.3 This report increases the City Council element of Band D council tax by a general increase of **1.95%** plus an additional **2.0%** social care precept.
- 1.4 This report should be read in conjunction with the contents of the associated financial plans and budget reports.

**2 RECOMMENDATIONS**

- 2.1 To approve the revenue budget for 2016/17, including;
  - (a) the recommendations of the Strategic Director for Finance /Chief Finance Officer in respect of the robustness of the estimates made for the purpose of the budget calculations and the adequacy of reserves;
  - (b) the delegation of authority to the Strategic Director for Finance /Chief Finance Officer in consultation with the Deputy Leader to finalise the MTFP for publication;
  - (c) the delegation of authority to the appropriate Directors to implement savings after undertaking the appropriate consultation;
- 2.2 To approve the capital programme for 2015/16 – 2020/21;
- 2.3 To approve a council tax requirement of **£94,211,916**, including the calculations required by Sections 30 to 36 of the Local Government Finance Act 1992 (“the Act”), as set out below:
  - (a) **£942,968,586** being the aggregate of the expenditure, allowances, reserves and amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;
  - (b) **£848,756,670** being the aggregate of the income and amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act;
  - (c) **£94,211,916** being the amount by which the aggregate at **2.1(3)(a)** above exceeds the aggregate at **2.1(3)(b)** above, calculated by the Council, in

accordance with Section 31A(4) of the Act, as its council tax requirement for the year;

- 2.4 To approve a City Council Band D basic amount of council tax for 2016/17 of **£1,517.32** being the amount at **2.1(3)(c)** divided by the amount at **2.2(3)** below, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (as set out in **section 5** of this report);
- 2.5 To approve the setting of the amounts of council tax for 2016/17 at the levels described in **section 5.6** of this report;
- 2.6 To approve the Members' Allowances Scheme for 2016/17 in the terms of the previously adopted and amended Scheme, save for adjustments to mirror nationally determined rates for pay awards and travel and subsistence (as applicable to officers) and for carers allowances;
- 2.7 To note a Nottinghamshire and City of Nottingham Fire and Rescue Authority precept at Band D for 2016/17 of **£73.85**.
- 2.8 To note a Nottinghamshire Police and Crime Commissioner precept at Band D for 2016/17 of **£179.91**.
- 2.9 To note that in January 2016, the City Council calculated the amount of **62,091** as its council tax base for the year 2016/17 in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 2.10 To note an updated Medium Term Financial Strategy (MTFS) as attached at **Appendix A**

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1 Council Tax. The City Council is required by Section 30 of the Act to set its Council Tax for each year on or before 11 March in the preceding financial year. In order to do so, it must calculate its council tax requirement in accordance with the Act as detailed below including taking into account its estimated forthcoming spending requirements and ensuring that there are adequate reserves to draw on in the event that these estimates turn out to be insufficient. The City Council must also take into account the report of its Chief Financial Officer (set out at Annex 5 to the MTFP) on the robustness of these estimates and the adequacy of the proposed reserves. The total Council Tax being set also includes the precepted requirements of the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire and City of Nottingham Fire and Rescue Authority.
- 3.2 Members' Allowances Scheme 2016/17. This report recommends the adoption of the Scheme for 2016/17 without changes, save for adjustments to mirror nationally determined rates for pay awards and travel and subsistence (as applicable to officers) and for carers' allowances. A copy of the current Scheme can be viewed within the Council's Constitution at Part 7 or by using the following hyperlink to the document published online at:  
<http://www.nottinghamcity.gov.uk/article/24275/Nottingham-City-Councils-Constitution>

#### 4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

4.1 None

#### 5 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

5.1 The legislation governing the setting of council tax is contained in the Act. Section 31B(1) requires a billing authority to calculate the basic amount of its council tax, which in the City Council's case is that applicable to Band D dwellings in its area. The calculation is made in accordance with a formula **R/T**

5.2 **R** is the amount calculated by the City Council as its council tax requirement for 2016/17, calculated in accordance with section 31A(4) of the Act. The Executive Board at its meeting on 23 February 2016 determined the council tax requirement to be **£94,211,916**. **T** is the amount calculated by the City Council as its council tax base for 2016/17. In January 2016 the City Council calculated the amount of **62,091** as its council tax base for the year 2016/17 in accordance with Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. Application of the formula R/T thus gives a basic amount of council tax of:

$$\frac{\mathbf{£94,211,916}}{\mathbf{62,091}} = \mathbf{£1,517.32}$$

for a Band D property in accordance with Section 31B(1) of the Act.

5.3 Application of the formula specified in section 36 of the Act gives the following basic amount of council tax for each valuation band :

Band	Factor	Basic amount of council tax
A	6/9	£1,011.55
B	7/9	£1,180.14
C	8/9	£1,348.73
D	9/9	<b>£1,517.32</b>
E	11/9	£1,854.50
F	13/9	£2,191.68
G	15/9	£2,528.87
H	18/9	£3,034.64

5.4 It should be noted that, for the financial year 2016/17, the Nottinghamshire Police and Crime Commissioner has issued the following amounts in precepts in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£119.94	£139.93	£159.92	£179.91	£219.89	£259.87	£299.85	£359.82

5.5 It should also be noted that, for the financial year 2016/17, the Nottinghamshire and City of Nottingham Fire and Rescue Authority has issued the following amounts in precepts in accordance with Section 40 of the Act for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£49.23	£57.44	£65.64	£73.85	£90.26	£106.67	£123.08	£147.70

5.6 The City Council, as billing authority, is required under section 30 of the Act to set council taxes for its area. In the City Council's case these will represent the aggregate of the City Council's basic amount of council taxes and the precepts of the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire and City of Nottingham Fire and Rescue Authority as shown above. The impact of the proposals in the council tax is provided below:

<b>Band</b>	<b>City Council £</b>	<b>Police &amp; Crime Commissioner £</b>	<b>Fire &amp; Rescue Authority £</b>	<b>Aggregate Council Tax £</b>
<b>A</b>	£1,011.55	£119.94	£49.23	£1,180.72
<b>B</b>	£1,180.14	£139.93	£57.44	£1,377.51
<b>C</b>	£1,348.73	£159.92	£65.64	£1,574.29
<b>D</b>	<b>£1,517.32</b>	<b>£179.91</b>	<b>£73.85</b>	<b>£1,771.08</b>
<b>E</b>	£1,854.50	£219.89	£90.26	£2,164.65
<b>F</b>	£2,191.68	£259.87	£106.67	£2,558.22
<b>G</b>	£2,528.87	£299.85	£123.08	£2,951.80
<b>H</b>	£3,034.64	£359.82	£147.70	£3,542.16

5.7 Budget Consultation. The MTFP process is supported by extensive consultation and the City Council is committed to maintaining and developing this participation.

5.7.1 Pre-budget consultation was carried out in October to November 2015 with 1,834 responses expressing views on priority Council services. Further consultation has been undertaken from December 2015 with citizens, colleagues, businesses and the voluntary sector to consider the budget proposals set out in the draft Medium Term Financial Plan. A total of 69 survey submissions and 244 comments relating to specific budget proposals have been received to date.

5.7.2 Appropriate action has been taken in relation to any representations made and feedback from the consultation has been taken into account in finalising the proposals within this report.

5.8 HRA Tenant Consultation on 2016/17 Budget and Rents. The City Council and Nottingham City Homes undertook a formal consultation on the proposed budget and rent level for 2016/17. The consultation was undertaken by questionnaire and via the Tenant Forum with 229 responses received to date.

## **6 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY)**

6.1 These have been considered in the MTFP 2016/17–2019/20 report to Executive Board on 23 February 2016.

## **7 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

7.1 These have been considered in the MTFP 2016/17–2019/20 report to Executive Board on 23 February 2016.

7.2 The recommendations within this report fall within the City Council's functions under the Act, the Local Government Act 1972 and other enabling legislation.

## **8 EQUALITY IMPACT ASSESSMENT (EIA)**

8.1 An EIA has been carried out and was detailed in Appendix A of the MTFP 2016/17–2019/20 report to Executive Board. Due regard has been given to the equality implications identified in the EIA.

## **9 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

9.1 None.

## **10 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

10.1 Previously published documents are available on the dedicated consultation page <http://www.nottinghamcity.gov.uk/budget16> and the committee page <http://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=5042>

**COUNCILLOR GRAHAM CHAPMAN  
DEPUTY LEADER**

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**MEDIUM TERM FINANCIAL STRATEGY 2016/2020****Introduction**

The purpose of the Medium Term Financial Strategy (MTFS) sets out the strategic direction for the financial management of the Council, providing the financial framework that supports delivery of the priorities set out in the Council Plan. The MTFS outlines the principles and key assumptions that direct the construction of the City Council's Medium Term Financial Plan (MTFP). The MTFS is underpinned by a range of financial principles and practices that are contained within the budget guidelines and financial management handbook. This document is regularly reviewed to ensure that they are fit for purpose and to ensure that councillors have a sound basis for planning and decision making.

As part of the 2016/17 budget process the MTFP is presenting a four year view in response to the Government's offer of four year funding settlement to 2019/20 for any council that wishes to take up the offer.

The sub-sections of the MTFS are set out below:-

- 1 – Policy Framework
- 2 – Economic and Financial Context
- 3 – Financial Framework
- 4 – Summary MTFP

**1. POLICY FRAMEWORK**

The Council's service planning and MTFS are aligned to ensure that the MTFP reflects the priorities of the Council, and that service plans explain how priorities will be delivered with the resources available. The MTFS creates the framework for resource allocation decisions that will support the delivery of the Council Plan.

**Council Plan**

The plan sets out how the City Council aims to make Nottingham a great city with citizens at the heart of everything we do.

The latest Council Plan, approved by Full Council on 9 November 2015, sets out the Council's ambitions for the city over the next four years up to 2019. The Plan underpins the council's wider Good to Great journey, with a continued emphasis on placing citizens at the heart of everything we do to shape our service delivery going forward. This includes 5 key objectives for the Council to deliver:

- Ensure that every child in Nottingham is taught in a school that is judged good or outstanding by Ofsted
- Build 2,500 new homes that Nottingham people can afford to rent or buy
- Cut the number of victims of crime by a fifth and continue to reduce anti-social behaviour
- Tackle fuel poverty by setting up a not for profit energy company, to sell energy at the lowest possible price to Nottingham people
- Guarantee a job, training place or further education plan for every 18-24 year old

## Citizens at the Heart

This strategy ensures that all areas of the City Council's work have the 'Citizen at the Heart', this strategy has four elements to it being:

- Great City - Shared Prosperity – Reduced Poverty
- Great Workforce - Working Together
- Great Services – The Nottingham Way
- Great Council – Delivering on Promises



## 2. ECONOMIC AND FINANCIAL CONTEXT

### National Context

**Economic background:** Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in November. Consumer confidence has been boosted by wages growing at 2.4% a year, and the unemployment rate falling to 5.2%. This has helped to underpin retail spending and hence GDP growth, which was 2.1% a year in the third quarter of 2015.

The Bank of England's Monetary Policy Committee (MPC) has held policy rates at 0.5% for the 82nd consecutive month at its meeting in December 2015. Quantitative Easing (QE) has been maintained at £375bn since July 2012.

Uncertainty over the outcome of the forthcoming EU referendum is expected to put downward pressure on UK GDP growth and interest rates.

China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. Financial markets have reacted negatively on concerns that the Chinese slowdown will present a significant drag on global growth. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators suggested recent global turbulence has not knocked the American recovery off course, although activity has weakened a little. The Federal Reserve raised policy rates at its meeting in December as expected, but accompanying statements suggested that the tightening cycle will be gradual and very much data dependent. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation and undertook further monetary easing late in the year.

**Public spending:** The Chancellor's Autumn Statement announced that policing, health, international aid and defence budgets would be protected from further funding reductions, requiring the remaining unprotected public services, including local government to deliver significant further savings. By 2020 unprotected Government departments will have their funding reduced by a total of £20bn.

The November 2015 Spending Review forecast that core central government funding will fall by **24%** in real terms or **£4.1bn** over the Spending Review period. Taking into account Office of Budget Responsibility (OBR) forecasts of income raised locally by councils, the overall position is a **6.7%** real terms reduction.

The Local Government Association (LGA) also predicts that councils will have **£3.6bn** of budget pressures by 2019/20 this is in addition to the **£6.3bn** of pressures as a result of previous Government decisions.

The Autumn Statement also confirmed the planned reforms to Business Rate Retention, which will allow local authorities to retain all Business Rates by 2020. At a national level the intention is that this will be financially neutral, with additional responsibilities being passed to local government to be financed from the additional income passed through. The impact and transfer of risk to Nottingham will only become clear later.

Further changes to specific grants were included in the Local Government Financial Settlement and are reflected in the MTFP.

**Interest rate forecast:** The Authority's treasury advisor Arlingclose projects the first 0.25% increase in the UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling at or below 2% in several years time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside. Arlingclose projects the 10 year gilt yield to rise from its current 1.8% level by around 0.3% a year.

**Public Sector Pay:** Public sector pay was subject to a pay freeze in 2011/12 and 2012/13, but increased on average by 1% in 2013/14. The nationally agreed pay award for 2014/15 included a 15 month (covering January 2015 to March 2016) increase of 2.2%, with some specific non-consolidated increases at a lower level. The national Government announced in the Emergency Budget of June 2015, that public sector pay would be capped at 1% for the next four years.

## Local Context

**Population:** The population of Nottingham has increased in the last decade and in 2013 was **310,800**. This is predicted to continue to grow, with the largest predicted growth being in the 70-74 age group. Due to the large student population in the City the largest age band is 20-24. Nottingham is a diverse city in terms of ethnicity, with over a third of the population being non-white British. The 2011 census reported **18.1%** of Nottingham's population having health problems or disabilities which limit their day to day activity, this is slightly above the national average (**17.6%**).

**Local economy:** Greater Nottingham's economy has seen steady growth since 2012. In 2012 the Greater Nottingham economy was worth £12.91bn. Provisional figures for 2014 show that this has increased to £13.66bn, growth over the period of 5.8%, lower than the average 9% achieved in England over the same period. The growth has been lower than the national averages, largely due to a lack of growth in the Public Sector, which dominates the local economy.

Forecast overall employment growth for Nottinghamshire (including Nottingham City) to 2022 is 4.5% which is equivalent to 22,000 jobs, a total workforce of 755,000. There are also expected to be around 170,000 which will arise due to replacement demand, mainly due to retirement.

The City Council and partners remain focused on improving education and skill levels, investing in modern infrastructure, supporting (new) business formation and growth in key sectors, raising productivity, and strengthening place marketing in order to grow the visitor economy and attract inward investment. In all these areas the City Council remains committed to economic and social inclusion and tackling the underlying causes of poverty and disadvantage.

**City Council finances:** The Council, like all other local authorities across the country, has seen a substantial reduction in government funding as a consequence of the Government's policies to tackle the national fiscal deficit.

Over the last 5 years Nottingham has had to make annual savings to the total of **£152m**. This has been driven by the reduction in settlement funding and grant income over this period, whilst at the same time there has been increased demand for a number of services, most notably Adult Social Care and Children in Care which already account for **50%** of the Council's net budget. These increasing care pressures, alongside continuing funding cuts, will continue to have a significant impact on the Council's ability to fund other local services.

**Table 1** summarises the **£152m** annual savings already delivered by the Council over the last five years (i.e. between 2011/12 and 2015/16) and the currently projected **£78m** savings that will be required to deliver balanced budgets between 2016/17 and 2019/20.

<b>TABLE 1: BUDGET SAVINGS</b>					
<b>Financial Year</b>	<b>New budgeted savings<sup>A</sup> £m</b>	<b>Continuing profile of previous savings £m</b>	<b>Projected MTFO gap £m</b>	<b>Annual total savings £m</b>	<b>Cumulative savings £m</b>
2011/12	(38.404)	(6.903)		(45.307)	
2012/13	(19.596)	(7.165)		(26.761)	
2013/14	(19.171)	(7.881)		(27.052)	
2014/15	(22.619)	(1.084)		(23.702)	
2015/16	(25.033)	(3.734)		(28.768)	<b>(151.589)</b>
2016/17	(20.826)	(8.016)	balanced budget	(28.841)	
2017/18		(3.777)	(23.347)	(27.124)	
2018/19		(3.370)	(10.793)	(14.163)	
2019/20		0.216	(7.927)	(7.710)	<b>(77.838)</b>

<sup>A</sup> as reported in the appropriate February Executive Board budget reports

In response to the current financial climate the Council continues to work with council networks including the LGA and the Special Interest Group of Municipal Authorities (SIGOMA) to campaign for a fairer funding settlement from central government for cities like Nottingham. As one of the ten Core Cities in the UK, the Council is campaigning for control over funding, programmes and policy to be devolved to cities to give us more freedom to grow our economy and reform our public services to get better outcomes for citizens.

Nationally and locally the economy has continued to show signs of a steady recovery in the past year, with an increase in the employment rate and significant fall in the number of people claiming out of work benefits, and whilst these continue to lag behind the national average the gap is narrowing. The most recent data shows higher than average growth in both the economy and wages in Nottingham in 2014 and 2015 although economic productivity, both locally and nationally, is yet to recover to pre-recession levels.

### **Central Government Funding**

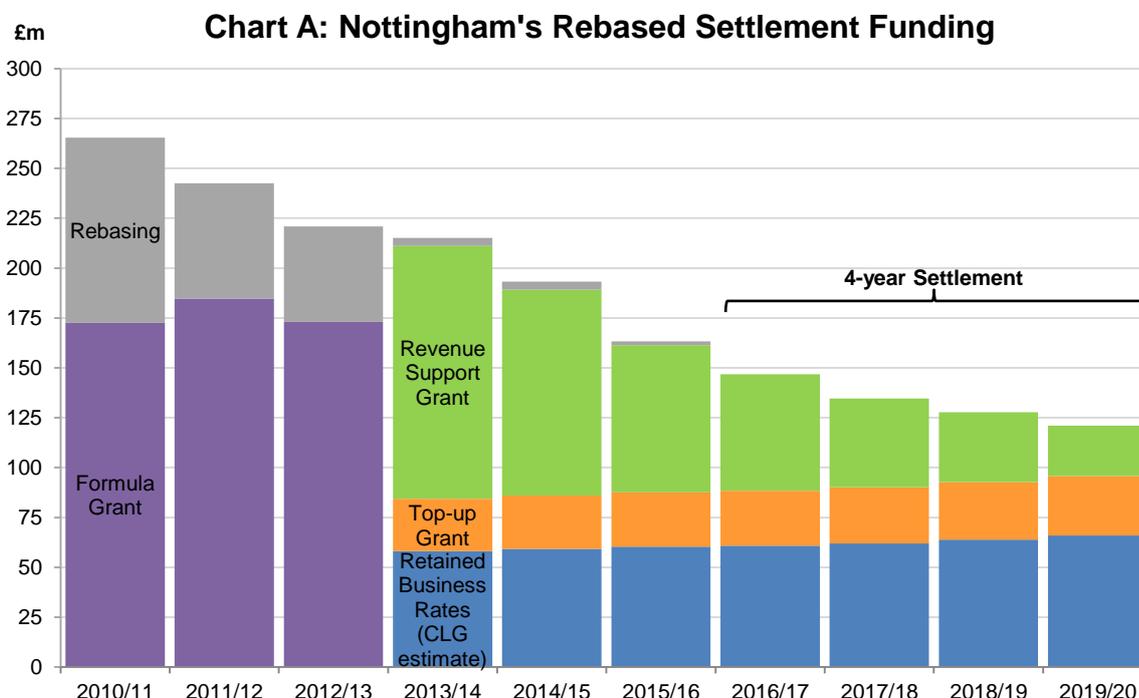
Between 2010/11 and 2016/17 the overall settlement funding for the Council, after taking account of transfers in funding and new burdens, has been reduced by the equivalent of **£119m** or **45%** with further significant cuts expected for 2017/18 and beyond as illustrated in **Chart A**.

Since 2013/14 and the introduction of the current settlement system of 50% locally retained business rates, Nottingham's Revenue Support Grant (RSG) has fallen **£68m** or **54%** by 2016/17.

The Government is offering a four year funding settlement to 2019/20 for any council that wishes to take it up. Their expectation is that the future funding certainty will enable more proactive planning of service delivery and will support strategic collaboration with local partners. Authorities will be required to publish an 'efficiency plan' setting out what further collaborative saving opportunities have been created with the acceptance of a multi-year settlement. Further details of the offer and the process for acceptance are expected from DCLG in the near future with a response deadline of 14 October 2016.

The proposed four year settlement assumes that RSG will continue to fall a further **£33m** or **57%** by 2019/20. This steep reduction in RSG will only be partially compensated by increasing retained business rates and council tax income.

By 2019/20 the assumed reduction in overall settlement funding since 2010/11 will be **£144m** or **54%**.

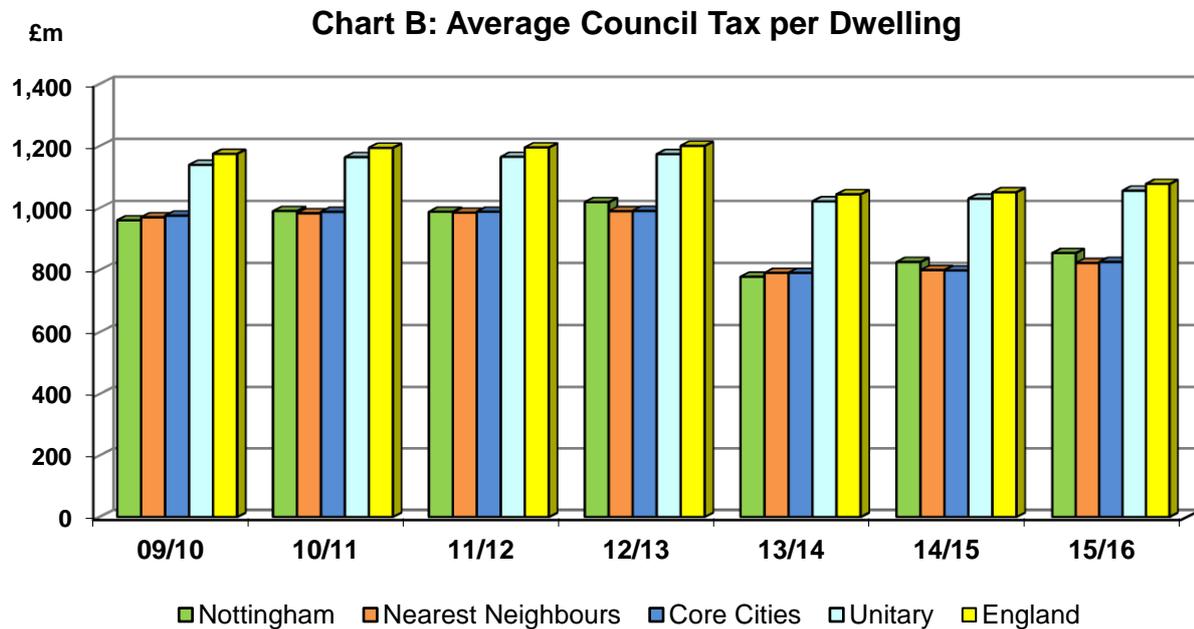


### Council Tax

Council tax is a significant source of income. Decisions to make increases are based on a balanced consideration of the need to raise funds with the ability of local taxpayers to pay. In recent years Nottingham's total Band D council tax (i.e. including all precepts) has consistently increased at a greater percentage rate than the average for its CIPFA classified nearest neighbours, other Core Cities and similar Unitary Authorities with the sole exception of 2011/12 when the Government introduced its Council Tax Freeze Grant (CTFG) to encourage authorities to freeze their council tax.

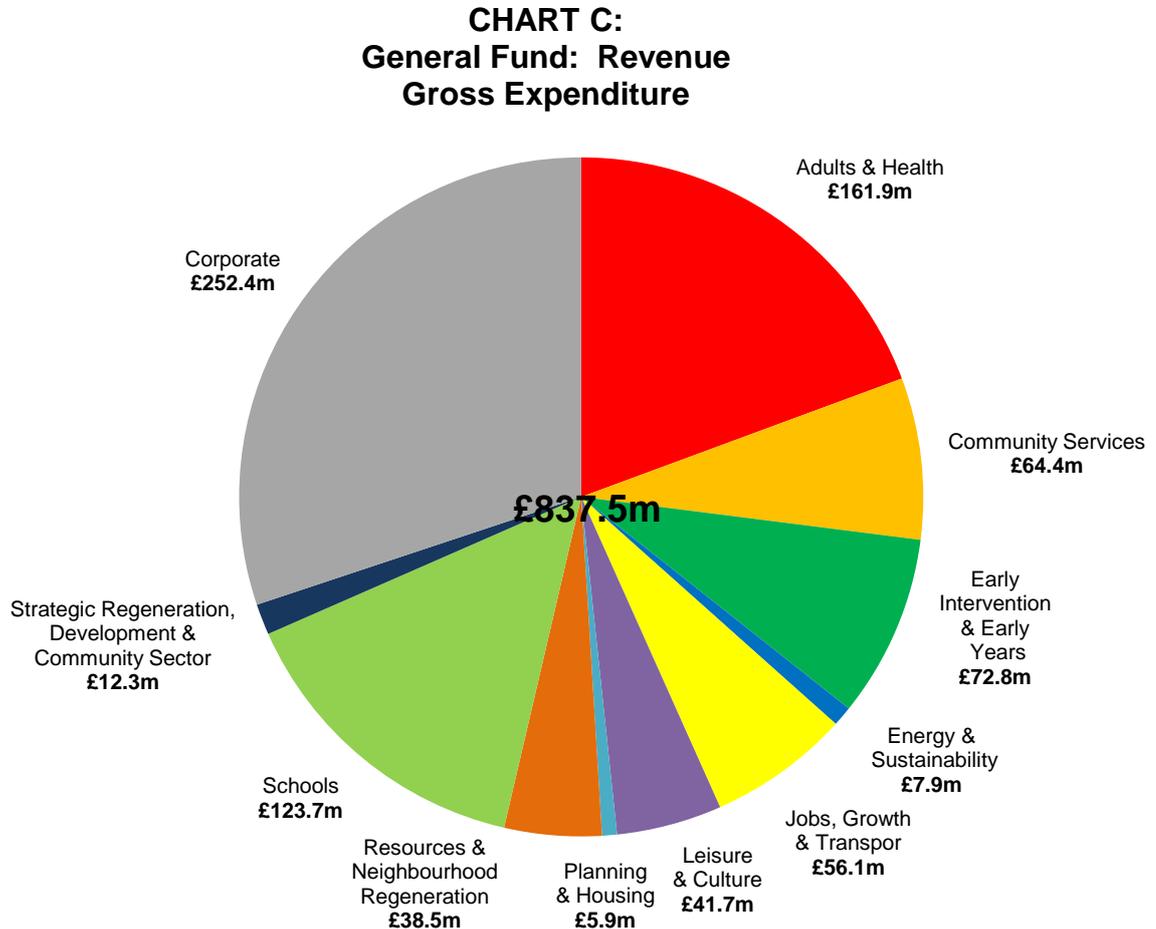
The benefit or dis-benefit of any increase or decrease in council tax impacts on the Council in perpetuity. For the last four years the Council has increased its Band D council tax and has not been in receipt of CTFG. Alternatively taking the available CTFG and freezing council tax over this period would have resulted in a requirement for an additional **£12.6m** cumulative savings. Nottingham has a relatively high Band D due to its local tax base predominately consisting of properties in bands A and B (these make up **80.2%** of the **134,370** dwellings on the October 2015 valuation list) and the relatively high number of student properties excluded from council tax (**10,130** properties). As a consequence Nottingham has the 31<sup>st</sup> lowest average council per dwelling out of 326 billing authorities in England in 2015/16. **Chart B** illustrates the average council tax per dwelling against the key comparators.

The MTFS assumes that the City Council will continue to increase Council Tax within the referendum limits currently set by the Government (MTFP assumes 1.95% Council Tax increase per annum).



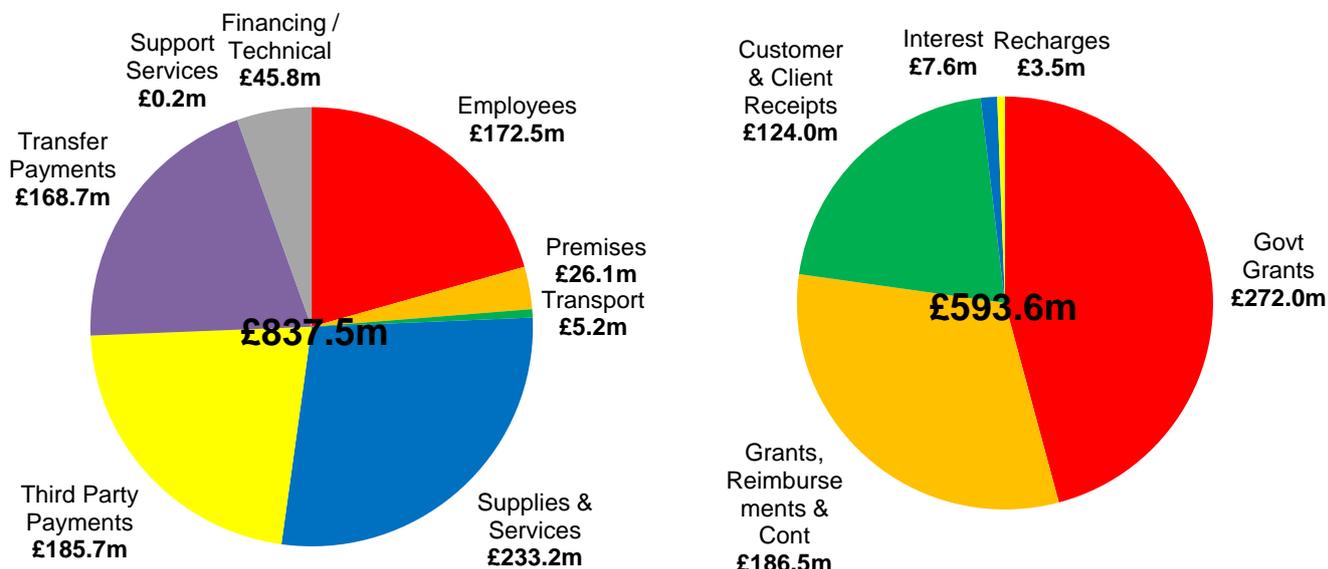
### Cost of services

The City Council is budgeting to spend £837.5m on services in 2016/17 as shown in **Chart C**.



**Chart D** further shows how the gross expenditure is spent and the sources of income that fund these services. The net expenditure being financed through the Settlement funding and Council Tax.

**CHART D: 2016/17 GENERAL FUND GROSS BUDGET AND INCOME**



### Devolution

Recognising devolution as a historic opportunity for the areas 2.2m citizens, Councils across Nottinghamshire and Derbyshire, along with the private sector led by D2N2, have come together as the ‘North Midlands’ to seek ground-breaking local control over powers and budgets that are currently held at the national level. The North Midlands is working hard to establish a brand new Combined Authority that will be amongst the largest in England with an economy larger than Northern Ireland.

The proposed governance for the new arrangements would result in:

- A single combined authority for Nottinghamshire and Derbyshire
- A single elected Mayor – first elections planned to be held in May 2017

In February 2016 the draft North Midlands Devolution Agreement was published. It includes proposals put forward by local councils for key areas where control and funding is to be transferred from central government to the new Mayor and combined authority covering:-

- Skills, apprenticeships and employment
- Housing and planning
- Transport

### 3. FINANCIAL FRAMEWORK

The financial framework is an integral part of the wider planning framework, and comprises a series of documents and processes which together facilitate our strategic financial planning and operational financial management. The financial framework has clear links to the various levels of service planning, risk management and performance management.

The financial framework is shown in **Table 2** includes four strands – strategies, guidance, plans and governance. Nottingham City Council has adopted the CIPFA / SOLACE Code of

Practice on governance and is committed to ensuring high standards are embraced by the organisation.

<b>TABLE 2: FINANCIAL FRAMEWORK</b>					
<b>Category</b>	<b>Revenue</b>	<b>Capital</b>	<b>Treasury Management</b>	<b>Procurement</b>	<b>Risk Management</b>
<b>Strategies</b>	Medium Term Financial Strategy				
	Income and Debt Management Strategies	Capital and Asset Management Strategies	Treasury Management Strategy	Procurement Strategy	Risk Management Strategy
<b>Guidance</b>	CIPFA and Technical Guidance				
	Budget guidelines and Financial Management handbook		CIPFA Treasury Management Code	Procurement Toolkit	Risk Management Guides
<b>Plans</b>	Medium Term Financial Plan				
	Annual Budget	Capital Programme & AMP	TM Plan	Procurement Plans	Risk Management Action Plans
<b>Governance</b>	Constitution				
	Financial Regulations and Standing Orders Relating to Contracts				
	Annual Governance Statement				
	Internal and External Audit Plans				
	Professional advice and support from colleagues				

The MTFFS seeks to weave together the key components of the framework in order to fully understand the prevailing context and use that to develop a strategy for the short, medium and long term. The MTFP translates that strategy, as an integral part of the service planning process, into the financial plan that will support delivery of the Council's objectives for the next four years.

The financial framework is supported by financial policies and practices that are key to ensuring robust financial decision making and strong governance. These policies and practices are contained within the Budget Guidelines and Financial Management Handbook. These policies are subject to regular review and any changes will be presented to Council for consideration.

## **Development of the MTFP**

### Revenue Budgets

The revenue element of the budget has been driven by the following:

- take account of the Council's priorities within the Council Plan 2015/2019 agreed by City Council on 9 November 2015;
- address demographic and service pressures through investment;
- reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities;
- support the Council's determination to be efficient, improve performance and modernise the organisation;

- recognise the very challenging financial landscape and future outlook and the impact on all sectors, including the Public Sector.

In addition, the Council's approach to setting recent budgets has, where possible, been guided by the following principles:

- to pursue commercialisation opportunities to generate income for the Council; and help offset a proportion of the impact of grant reductions;
- reducing demand and reviewing the way we commission our services;
- redesigning and modernising our service provision / identifying efficiencies;
- to protect frontline services and minimise the impact of service reductions and changes on vulnerable citizens

### Commercialism

In recent years the Council has taken a more commercial perspective. The aim is to ensure all services are more 'business-like' in terms of the rigour and thought processes going into spending and pricing decisions. The aim is to understand and challenge what outcomes are being achieved for the inputs being put in and how the service is being delivered. This will mean different things for different service areas. For some areas this will mean breaking even or making a 'profit', for others it will mean clarity of the benefits for the level of spending and the impact of changing to other levels of spending. However, for all it will involve challenging why and how things are done, if they are needed on an ongoing basis, and if there are different, better ways of doing them in the future.

Commercialism does not presuppose a best way of working, however, different ways of working and their costs and benefits should be considered as part of the overall decision of service provision. Alternatives include:

- 'Traditional' budgeted provision
- Shared services
- Partnership working
- Trading units
- Arms-length companies
- Outsourcing (or purchasing from another public sector body)
- Insourcing (bringing procured services back in-house)
- Selling services to other public sector organisations (via any of the methods above) or to others

This approach has been successful and has been a key driver in preserving other services which may otherwise have been under increasing pressure to reduce costs given the reduction in overall Council funding. The commercialism agenda is an integral part of the future direction for the Council.

### Capital Budgets

The Council has an ambitious approach to capital investment and consequently the programme includes substantial investments. The following key principles are adopted in managing the capital programme:

- where new projects are added to the programme that will not cover their costs, an existing project will be removed or amended;

- all projects must have a robust and viable business case, which considers and includes whole life costing and revenue implications (including rate of return);
- all schemes will be subject to robust and deliverable business plans and models which demonstrate the necessary return on investment required;
- all future schemes will need to address the consequences of cash flow shortfalls in the early years, and available funding must be identified and approved prior to the commencement of projects;
- the decision to progress schemes will be dependent on securing the stated level of external funding or grant as appropriate;
- new projects will be considered where the Council can make a return on investment;
- where new sources of external funding/grants become available, the programme will be revisited;
- all schemes will be subject to an independent internal 'Gateway Review Process'.

With respect to funding the capital programme the following considerations will be made with respect to this funding:

- the Council will endeavour to maximise grant funding for schemes which will assist in the delivery of the corporate priorities, part/full grant funded bids will be subject to the same prioritisation process;
- prudential or unsupported borrowing can be used where it can be demonstrated that it is affordable and sustainable in the medium term. Borrowing must be within approved limits and in accordance with the prevailing guidance in the Treasury Management Strategy;
- capital receipts generated from the sale of land, buildings and other assets will be a non-earmarked, council-wide resource, to be allocated according to Council priorities only after a thorough and objective options appraisal and consideration of opportunity costs, and not earmarked to a particular project, scheme, service, directorate and/or geographical area.

### HRA

The HRA is the Council's landlord account, which provides for the management and maintenance of the Council's Housing stock. Legislation requires this account to be ring-fenced from the Council's other financial transactions. The budget has been set under the HRA self-financing system whereby the HRA is sustained from the rental income. The legislative framework is a key driver to the strategy around the HRA.

### Reserves

A corporate financial risk assessment is undertaken to determine the key risks and their impact on the budget. This is used to inform the level of unearmarked reserves held within the overall context of the financial policy for reserves. Regular reviews are undertaken of all reserve balances to ensure that the purpose is still required.

## **4. SUMMARY MTFP**

### **Medium Term Financial Plan (MTFP)**

The MTFP projections, taking into account the 2016/17 and previously agreed saving proposals, confirm the need for on-going significant cost reductions in the short to medium

term to meet the continuing challenging budget position. Government funding to provide services will continue to decline while there are increasing demands on services. This will be the focus of budget planning in 2016.

If Nottingham chooses to follow the process towards accepting the Government's four year funding settlement the Council will be required to produce an 'efficiency plan' by 14 October 2016 setting out what further collaborative saving opportunities would be created with the acceptance of a multi-year settlement and the MTFP will be the starting point for this process.

Based on current best estimates it is projected that at least a further £42.1m savings will have to be identified by 2019/20, as shown in **Table 2**.

<b>TABLE 2: MEDIUM TERM FINANCIAL PLAN</b>				
<b>DESCRIPTION</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
2015/16 Net Budget Requirement	255.814	255.814	255.814	255.814
Budget Refresh	4.564	12.288	18.032	21.454
New Pressures	4.325	10.039	15.686	18.460
<b>SUB-TOTAL</b>	<b>264.703</b>	<b>278.142</b>	<b>289.533</b>	<b>295.728</b>
Portfolio Proposals	(19.826)	(20.038)	(22.749)	(22.749)
Corporate Proposals	(1.000)	0.000	0.000	0.000
<b>ASSUMED NET BUDGET</b>	<b>243.878</b>	<b>258.104</b>	<b>266.783</b>	<b>272.979</b>
Retained Business Rates, Top-up & RSG	(148.201)	(136.063)	(129.261)	(122.625)
Council Tax	(94.212)	(98.694)	(103.383)	(108.288)
Collection Funds	(1.465)	0.000	0.000	0.000
<b>ASSUMED FUNDING</b>	<b>(243.878)</b>	<b>(234.757)</b>	<b>(232.644)</b>	<b>(230.913)</b>
<b>NET MTFP POSITION</b>	<b>0.000</b>	<b>23.347</b>	<b>34.139</b>	<b>42.066</b>

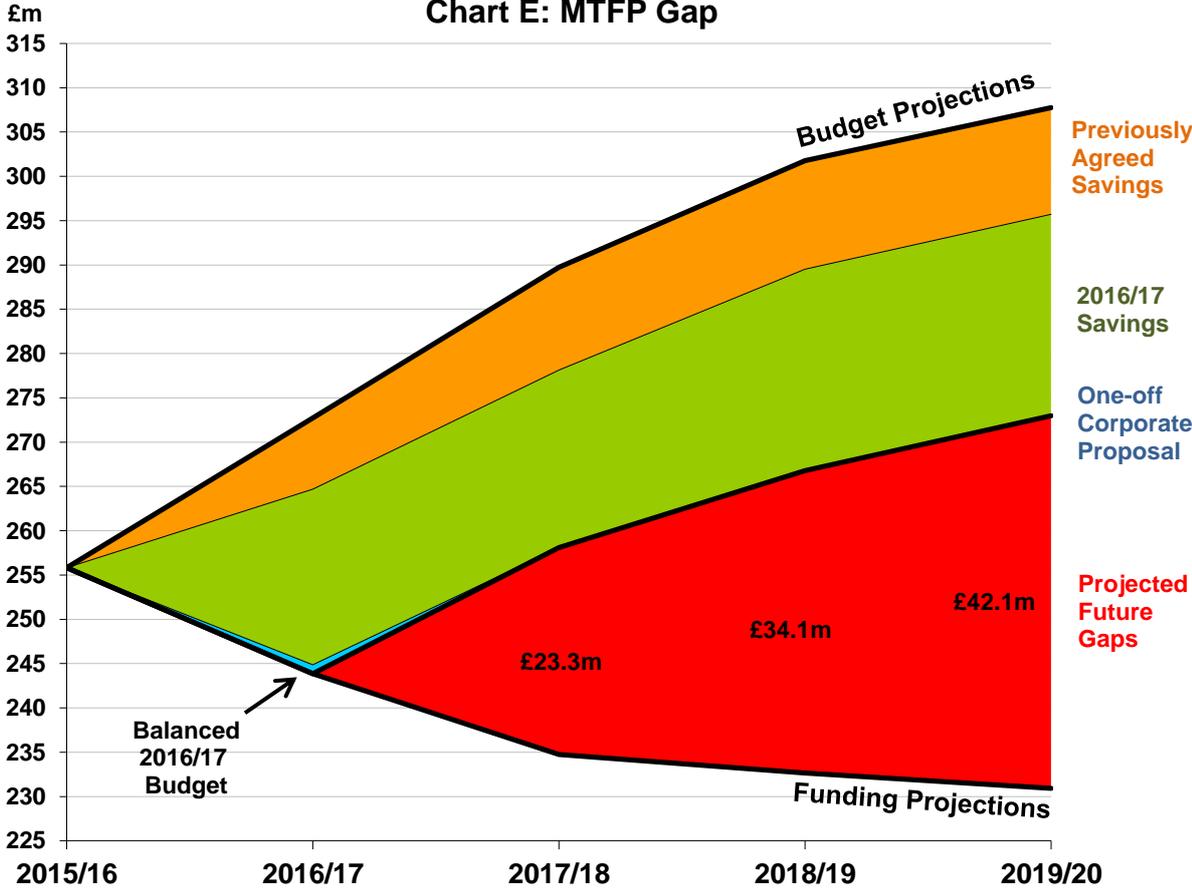
The MTFP projections assume the following key parameters:

- Band D council tax increases of 1.95% plus an additional 2.0% social care precept for all years
- Revenue Support Grant as announced in the Government's four year settlement offer
- No significant underlying growth in retained business rates over the immediate future years
- 1% pay award and appropriate general inflation for all years
- No further budget increases to meet demographic or service demand pressures beyond those already agreed
- New Homes Bonus estimates reduced to match key proposals proposed by Government for the reformed grant scheme
- If specific grant funding reduces then the associated expenditure and activity will reduce accordingly
- All existing saving proposals will be fully delivered

All these budget assumptions will be subject to ongoing review in light of changing circumstances. In particular funding projections will be updated to reflect the final results of the Government consultations on the New Homes Bonus grant and the proposed implementation of 100% locally retained business rates by 2019/20.

The MTFP projections can also be represented graphically as shown in **Chart E**.

**Chart E: MTFP Gap**



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