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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
EXECUTIVE BOARD

Date: Tuesday, 19 February 2019

Time: 2.00 pm

Place: Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG

Governance Officer: Kate Morris, Constitutional Services **Direct Dial:** 0115 8764353

AGENDA		Pages
7	**MEDIUM TERM FINANCIAL PLAN (MTFP) - KEY DECISION** Report of the Deputy Leader/Portfolio Holder for Finance, Resources and Commercial Services	3 - 184
8	**TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL & INVESTMENT STRATEGY 2019/20** Report of the Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration	185 - 258
9	**EXCLUSION OF THE PUBLIC** To consider excluding the public from the meeting during consideration of the remaining item(s) in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regards to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	
10	**TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL & INVESTMENT STRATEGY 2019/20 - EXEMPT APPENDIX** Report of the Deputy Leader/Portfoli Holider for Finance, Resources and Commercial Services	259 - 262

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EXECUTIVE BOARD – 19 February 2019

Subject:	**MEDIUM TERM FINANCIAL PLAN (MTFP)**
Corporate Director(s)/Director(s):	Laura Pattman, Strategic Director for Finance
Portfolio Holder(s):	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Finance, Resources and Commercial Services
Report author and contact details:	Theresa Channell – Head of Strategic Finance & Deputy Section 151 Officer 0115 8763649 theresa.channell@nottinghamcity.gov.uk

Subject to call-in: ☐ Yes ☒ No

Key Decision: ☒Yes ☐ No

Criteria for Key Decision:

(a) ☒ Expenditure ☒ Income ☐ Savings of £1,000,000 or more taking account of the overall impact of the decision

and/or

(b) Significant impact on communities living or working in two or more wards in the City
☒ Yes ☐ No

Type of expenditure: ☒ Revenue ☒ Capital

Total value of the decision: £122.609m

Wards affected: All

Date of consultation with Portfolio Holder(s): Throughout the budget process

Relevant Council Plan Key Theme:

Strategic Regeneration and Development	☒
Schools	☒
Planning and Housing	☒
Community Services	☒
Energy, Sustainability and Customer	☒
Jobs, Growth and Transport	☒
Adults, Health and Community Sector	☒
Children, Early Intervention and Early Years	☒
Leisure and Culture	☒
Resources and Neighbourhood Regeneration	☒

Summary of issues (including benefits to citizens/service users):

This report presents the Council's Medium Term Financial Plan (MTFP) and comprises revenue and capital programme for both the General Fund and Housing Revenue Account (HRA).
The MTFP report contains a large amount of important information. In order to make this accessible, the report comprises 6 annexes as follows:

1. Annex 1 – 2018/19 forecast outturn for all 4 elements of the MTFP.
2. Annex 2 - General Fund revenue MTFP for 2019/20 – 2021/22.
3. Annex 3 - Capital Programme for 2019/20 – 2023/24.
4. Annex 4 - HRA MTFP for revenue and capital
5. Annex 5 - Robustness of the Budget, this is required under The Local Government Act (Part II) 2003.
6. Annex 6 - Budget Consultation 2019/20.

This information enables Executive Board to:

- make recommendations to City Council in respect of the MTFP for the capital programme and General Fund which includes setting the Council Tax
- set HRA rent levels and service charges for 2019/20 and continue the tenant reward scheme.

The final settlement was announced on 5 February and figures are based on the final Local Government Finance Settlement.

As is usual, public consultation has been undertaken in relation to the budget proposals. Feedback from the consultation process has been taken into account in making these final recommendations to City Council.

The decision is not subject to call in as Councillor Brian Parbutt, Chair of the Overview and Scrutiny Committee, has agreed that the decision is reasonable in all the circumstances and should be treated as a matter of urgency as the Council's budget has to be approved at the Full Council meeting on 4 March 2019 (report despatch date is before the call-in period has ended).

Exempt information: State 'None' or complete the following
None

Recommendation(s):

1 2018/19 Forecast Outturn (Annex 1)

a. To note the current forecast outturn for the 2018/19 General Fund and HRA revenue budgets and capital programmes.
b. To endorse the allocations from Contingency as set out in **Table 3**.
c. To approve the budget virements and reserve movements set out in and **Appendices B and C.**

2 MTFP 2019/20 – 2021/22 Revenue Element (Annex 2)

a. To note:
   i. The General Fund revenue aspects of the MTFP.
b. To note, endorse and release:
   i. proposals totalling **£15.901m** as set out in **Tables 9** and detailed within **Appendices A** of the report for formal public consultation
c. To note, endorse and recommend to City Council:
   i. The General Fund net budget requirement for 2019/20 of **£239.785m** including the net movement in earmarked reserves as set out in **Table 5**
   ii. A basic amount of Council Tax level (Band D) of **£1,738.93** that will raise a total of **£116.101m** (a basic increase of **2.99%,** no increase for Adult Social Care Precept)
   iii. Delegated authority to the appropriate Director to implement all proposals after undertaking necessary consultation

3 MTFP 2019/20 – 2023/24 Capital Programme Element (Annex 3)

Executive Board to note, endorse and recommend to City Council:

a. The Capital Programme as detailed in **Appendix D**
b. The additional key principle for the governance and management of the capital programme as set out in **Section 5** and **Section 8**
c. The extension of the rolling programmes as set out in revised General Fund Capital Programme **Table 3**
d. The revised Local Transport Programme as set out in **Appendix C**

4 MTFP 2019/20 – 2021/22 HRA Element (Annex 4)

a. To note the following changes that impact on the HRA's financial sustainability include:
   i. Reduction of social housing rents by 1%
   ii. Stock reduction resulting from Right to Buy and the increase through new build and acquisition
   iii. Roll out of Universal Credit from October 2018
b. To approve the:
   i. Proposed rent decrease of **1.0%** for 2019/20
   ii. Continuation of the tenant incentive scheme of up to **£100** per annum
   iii. Introduction of a **10%** administration charge for selected service charges
   iv. A proposed increase in general services charges of **2.4%**

v. Proposed increase to estate & block maintenance service charges **£0.68/week** vi. A working balance of **£7.727m** to provide for the effects of Universal Credit vii. Delegation of authority to Nottingham City Homes (NCH) to award capital contracts up to the value of the scheme/programme as set out in **Appendix B** of **Annex 4** of the report c. To note, endorse and recommend to City Council the 2019/20 HRA budget
5 Robustness of the Budget (Annex 5) To note and endorse the recommendations of the Chief Finance Officer (CFO) in respect of the robustness of the estimates within the budget and the adequacy of reserves.
6 Budget Consultation 2019/20 (Annex 6) To note the outcomes of the budget consultation and communication.
7 To delegate authority to the Director of Strategic Finance, in consultation with the Deputy Leader, to finalise the MTFP for publication following approval of the relevant elements of the budget by City Council.

1 REASONS FOR RECOMMENDATIONS

1.1 This report presents and seeks endorsement for the MTFP to enable Executive Board to approve HRA elements of the report and make recommendations to City Council for consideration on 4 March 2019 when they meet to set the budget and council tax for 2019/20.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 The MTFP is directed by the Medium Term Financial Strategy (MTFS) and this document was the basis for the Efficiency Plan submission to DCLG in October 2016 with approval granted in November 2016. The Efficiency Plan was a requirement in securing the multi-year settlement covering 2016/17 to 2019/20. The MTFP aligns to the remaining one year of this settlement. Future levels of funding post 2019/20 will be dependent on the outcomes on the next Government spending review and Fair Funding review.

2.2 The December Executive Board reported a 2019/20 budget gap of **£1.173m**. Since the December report further proposals have been developed to present a balanced position for 2019/20. Savings proposals of **£23.258m** are detailed in **Table 8** of **Annex 2** and are categorised as:

- December Executive report savings of **£22.085m** for 2019/20, of which **£15.037m** are portfolio proposals, with **£7.048m** of Council wide proposals.
- New savings proposals of **£1.173m** for 2019/20, portfolio proposals of **£0.864m** and **£0.309m** Council wide proposals.

Individual portfolio proposals of **£15.901m** are detailed within **Appendix A** of **Annex 2**

2.3 The draft MTFP reflects the culmination of the extensive work of councillors, colleagues and other stakeholders which has been scrutinised throughout the process to fulfil a legal obligation to enable the setting of a balanced budget for 2019/20 in the context of a three year MTFP to fund provision of a wide range of services; many of them statutory.

2.4 The MTFP process is supported by extensive consultation and the Council is committed to maintaining and developing this participation.

Pre-budget consultation was carried out in October and November 2018 and **2,187** responses were received. Citizens were asked which services are important; tackling crime and anti-social behaviour, services to the Elderly and vulnerable people, refuse collection, child protection, public health and public transport. Further consultation has been undertaken from December 2018 with citizens, colleagues and the voluntary sector to consider the budget proposals set out in the draft Medium Term Financial Plan. A total of **39** surveys have been received up until 4 February 2019. Full details of the consultation outcomes can be found in **Annex 6**.

So far there have been no significant changes to the budget proposals published in December. The consultation period will continue to run until the Council meeting in March 2019 or until appropriate consultation has been undertaken.

2.5 The Capital Programme element of the MTFP continues the Council's focus on regeneration and growth by investing in infrastructure and assets to create the right conditions for businesses to grow and for creation of jobs.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 Throughout the budget process, a large number of individual cost reduction, income and investment options are considered. These in turn impact on the level of reserves. This is a complex process with many iterations and possibilities too numerous to present as discrete options. This report presents the final overall package of detailed proposals which together seek to balance levels of investment, cost reduction and an appropriate level of income.

4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

4.1 The City Council's MTFP forms the cornerstone of financial management and control and service delivery within the organisation. Below is a summary of the key headlines for each of the four elements of the MTFP, individual annexes will contain further details to support these headlines:

General Fund revenue budget (Annex 1 and 2)

- A forecast overspend in 2018/19 of **£3.277m**. However the Council is committed to delivering an outturn on budget and management action is in place to mitigate the current forecast overspend. The MTFP for 2019/20 is predicated on this assumption
- A 2019/20 net revenue budget requirement of **£239.785m** and a Band D council tax of **£1,738.93.**
- Total proposals of **£15.901m**

General Fund Capital Programme (Annex 3)

- An overall programme of **£454.314m**, of which **£166.694m** relates to 2019/20
- **£268.078m** from prudential borrowing
- **£128.271m** funded from specific grants and contributions
- **£57.965m** from capital receipts and other internal contributions, this represents a balanced position for the capital programme

HRA Revenue Budget (Annex 4)

- An HRA expenditure budget **£102.865m** in 2019/20
- A **1%** decrease in rents, year four of a four year 1% reduction in Social Housing Rents
- A CPI based increase in service charges of **2.4%,** except Estate and Block Maintenance charges which will increase by **£0.68** per week, in addition where applicable an administration charge of **10%** will be added to recover overheads.
- A closing working balance in 2019/20 of **£7.727m**

HRA Capital Programme (Annex 4)

- An overall programme of **£245.350m** of which **£54.862m** relates to 2019/20
- **£165.817m** is funded from the Major Repairs Allowance, **£32.812m** from prudential borrowing, **£31.535m** from capital receipts, and **£7.100m** from specific grants and contributions. This represents a current shortfall of **£8.086m**

Reporting financial performance against budget is an integral part of the annual calendar and Executive Board will continue to receive quarterly monitoring reports in 2019/20.

The Audit Committee has responsibility for the scrutiny and challenge of the financial and performance framework and its implementation.

4.2 Council Tax Requirement

The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992. As a result, the billing authority is required to calculate a Council Tax Requirement for the year rather than the previous Budget Requirement.

5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

5.1 The City Council is required to set a balanced budget for 2019/20 before 11 March 2019;

5.2 A detailed and comprehensive risk assessment has been undertaken in order to inform the CFO's assessment of the affordability of these budget plans and the consequent recommended levels of reserves and contingencies. This is summarised in **Annex 5**.

The Council has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services, and decisions on implementation of policies developed outside the Council.

6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

6.1 None

7 SOCIAL VALUE CONSIDERATIONS

7.1 None

8 REGARD TO THE NHS CONSTITUTION

8.1 Not applicable

9 EQUALITY IMPACT ASSESSMENT (EIA)

9.1 Has the equality impact of the proposals in this report been assessed?

No ☐
An EIA is not required because:
(Please explain why an EIA is not necessary)

Yes ☒
Attached as Appendix A, and due regard will be given to any implications identified in it.

10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

10.1 None

11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

11.1 **Council Plan 2015-2019**
http://committee.nottinghamcity.gov.uk/documents/s32068/Council%20Plan%202015-2019.pdf

Budget Consultation 2019/20 – Approved by Executive Board December 2018
https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=7399

Efficiency Plan 2016/17- 2019/20 – Approved by Executive Board October 2016
http://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=5770

Equality Impact Assessment Form

Document Control

1. **Control Details**

Title:	Budget 2019/20 Community Impact Assessment
Author :	Aidsa Djan / Jo Worster
Director:	Richard Henderson / Laura Pattman
Department:	Strategy & Resources
Service Area:	HR & Finance
Contact details:	0115 876 4894 / 0115 876 3448
Strategic Budget EIA: Y/N	Yes
Exempt from publication Y/N	No

Assessment

1. **Brief description of proposal / policy / service being assessed**

<u>2019/20 Budget Proposals</u>

This document provides an overview of equality issues associated with the Council's Medium Term Financial Plan (MTFP). It summarises the potential equality impacts and the steps taken to minimise impact on protected groups during the development of the MTFP.

The Budget Consultation 2019/20 report approved at December 2018 Executive Board contains details of savings proposals, additional proposals have been added as part of the February Executive Board report, a full list of all the portfolio proposals are contained within Annex 2 of this report. These two reports form the basis of the MTFP and this assessment should be read in conjunction with those reports.

Public consultation began on 18 December and is ongoing, various events for Citizens and interested groups have been held as part of this process in addition to the consultation pages and survey on the Council's website. The Budget will be presented to Full Council on 4 March for approval.

Budget proposals cover all Portfolios and span various services across the Council, an assessment as to the proposals that require an Equality Impact Assessment (EIA) has been carried out, initial screenings and where appropriate individual EIA's have been completed and these are available on request. The Equality Duty 2010 is a continuing duty, therefore it will be necessary to monitor the effects of the decision after implementation.

Nottingham City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding because of austerity policies. In the period from 2010/11 to 2018/19 the Council has had to make savings totalling **£267.4m** and will continue to have to make difficult decisions about the services it provides in order to close the initial projected budget gap.

In order to respond to the funding cuts and manage the increasing pressures the Council has built its MTFP on the following principles:

- take account of the Council's priorities within the Council Plan 2015-2019 agreed by Council on 9 November 2015;
- address demographic and service pressures;
- 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;
- minimise the impact of service reductions and changes on vulnerable citizens by protecting frontline services;
- to pursue commercialisation opportunities to generate income for the Council.

The Council's equality objectives are to:

- ensure our workforce reflects the communities we serve;
- create economic growth for the benefit of all communities;
- provide inclusive and accessible services for our citizens; and
- lead the City in tackling discrimination and promoting equality

Council Tax

The proposed MTFP assumes a **2.99%** Council Tax increase in 2019/20.

Savings Proposals

Table 1 below details the category of savings proposals for 2019/20 to 2021/22.

TABLE 1: TOTAL SAVINGS			
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Budget Consultation (2019/20) Dec. Exec Report			
• December Executive Board Report	(15.037)	(14.768)	(16.312)
• New Proposals	(0.864)	(0.994)	(0.994)
Total Portfolio Proposals	**(15.901)**	**(15.762)**	**(17.306)**
Management/Staffing Review	(1.509)	(1.509)	(1.509)
NCH	(1.200)	(1.200)	(1.200)
Corporate Proposals	(4.648)	(2.000)	(2.000)
TOTAL	**(23.258)**	**(20.471)**	**(22.015)**

Table 2 below details the value of these proposals by lead portfolio

TABLE 2: PORTFOLIO CONSULTATION PROPOSALS			
LEAD PORTFOLIO	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Adult Social Care & Health	(2.734)	(2.106)	(2.888)
Community Protection	(1.365)	(1.472)	(1.472)
Early Intervention & Early Years	(4.087)	(4.229)	(4.415)
Education & Skills	(0.575)	(0.395)	(0.395)
Energy & Environment	(0.864)	(0.864)	(0.864)
Finance, Resources & Commercial Services	(2.533)	(2.712)	(3.172)
Planning, Housing & Heritage	(0.103)	(0.103)	(0.103)
Leisure & Localities	(1.006)	(1.006)	(1.006)
Regeneration & Growth	(0.618)	(0.714)	(0.829)
Transport & HR	(2.017)	(2.163)	(2.163)
TOTAL	**(15.901)**	**(15.762)**	**(17.306)**

2. **Information used to analyse the effects on equality:**

This assessment is based on a process of consultation and equality impact assessment (EIA) built into the Council's overall budget development process. This has included:

- screening of all proposals to identify potential equality impact;
- EIA's for specific budget proposals where a potential equality impact has been identified;
- ongoing discussions between Officers and Executive Councillors;
- regular budget meetings for Councillors to approve, amend, or reject budget proposals, taking into account their potential equality impact;
- additional consideration of cumulative equality and wider community impact of the proposals;
- meetings with Voluntary and Community Sector (VCS);
- local businesses were invited to a consultation event however no business representatives attended the event;
- consultation on the Council's budget priorities.

3. **Impacts and Actions:**

	Could particularly benefit X	**May adversely impact X**
People from different ethnic groups.	☐	☒
Men	☐	☒
Women	☐	☒
Trans	☐	☒

Disabled people or carers.	☐	☒
Pregnancy/ Maternity	☐	☒
People of different faiths/ beliefs and those with none.	☐	☒
Lesbian, gay or bisexual people.	☐	☒
Older	☐	☒
Younger	☐	☒
Other (e.g. marriage/ civil partnership, looked after children, cohesion/ good relations, vulnerable children/ adults). ***Please underline the group(s) /issue more adversely affected or which benefits.***	☐	☐

How different groups could be affected (Summary of impacts)	**Details of actions to reduce negative or increase positive impact** (or why action isn't possible)
<u>People from different ethnic groups</u> Diversity monitoring data currently available is not sophisticated enough to enable analysis between individual ethnic groups, however data on the life chances of minority groups measured in terms of health, life expectancy, educational achievement and economies suggest poorer outcomes will be experienced by minority communities with regard to poverty and inequality when resources are stretched. This is likely to be further exacerbated by increasing health and social	**<u>Equality Action Plans & Impact Assessments</u>** Measures are being taken to manage all changes in a planned way, and to minimise adverse impacts where possible. Each department of the Council has developed an equality action plan detailing specific activities that will be undertaken to advance equality in order to meet the Council's equality objectives. With regard to these budget proposals, individual equality impact assessments have been conducted for specific proposals, and

care costs. New and emerging communities may face greater marginalisation as all communities compete for scarce resources. Black and Minority Ethnic (BME) communities may rely on voluntary sector organisations to provide services and specialist advice sensitive to their cultural needs, in a way that mainstream services can struggle to match. This is particularly relevant where people have multiple or complex needs and where there is a reduction in face to face contact when accessing services. The proposed closure and service relocation of the service for older African-Caribbean citizens provided at Marcus Garvey will affect around 30 citizens with an average of 10 citizens a day being impacted. In addition to the above factors, the proposed reductions in funding detailed in this report could result in people also experiencing some of the following issues i.e. difficulty accessing services, struggling to navigate processes that are unfamiliar. People could be placed at risk of isolation, which can lead to various mental health conditions. In terms of wider health and social care, people may face a worsening of symptoms linked to illness and/or disease due to delayed access to medical attention where individuals present late for diagnosis/treatment. Whilst cuts in social care provision affect people from many different backgrounds, research shows that BME women provide proportionately more care than non-BME people do. It is also well documented that the health issues and experiences of BME people are different to those of non-BME people, and BME people are less	will be reviewed and updated as necessary. Further consultation with stakeholders is required for some of the proposals, and individual impact assessments will be amended in reponse to new information received. **<u>Fees & Charges</u>** Care will be taken to ensure that information provided is made available in accessible formats. Where people are affected by fees and charges, only those who can afford to pay will do so and those on the lowest incomes are protected. Where appropriate, individual consultation letters will be sent to affected citizens or their carers where appropriate, detailing proposals. A helpline will be established to answer questions and to allay fears Citizens will be made aware of their right to a financial assessment, and the offer of support to find alternative more cost effective support. **<u>Commercial Growth/Income Generation</u>** Commercial growth proposals may create opportunities to advance equality by creating employment and apprenticeships for communities currently underrepresented in the Council's workforce. In addition to this, the Council will continue to support local people to access employment opportunities through the

likely to access the care they need. Where voluntary sector organisations are unable to provide the level of support some communities require, or where people do not have the right level of support to manage their individual resources, some people may fail to access mainstream service provision. Access and participation in cultural activities is an essential part of having an inclusive City. It contributes towards promoting social integration, enhancing self-esteem and identity, building skills and confidence, and projects can often lead to employment opportunities. The proposals include a 10% reduction overall of cultural grants impacting on the delivery of activity targeted at BME communities. **Older People/Disabled People/Carers** A significant proportion of people using social care provision are older and disabled people. Proposals include a review of a small number of transport provision that will impact on elderly and disabled people who use Locallink services. The proposal to put out to tender some of the Council's subsidised services may see some rationalisation of some services which would likely impact elderly and disabled passengers. There will also be a fares increase for Locallink services. Users of the service have benefitted from fares below commercial levels contrary to the Transport Act 1985. Those on concessionary permits will not be affected, but cash payers will	Nottingham Jobs Hub. **Health and Social Care** With regard to mitigating potential negative impacts linked to health and social care, it is not clear what this means for individual communities, however there may be an opportunity to advance equality through the redesign of local services. As proposals linked to the integration of health and social care evolve, it is essential that stakeholders are consulted and that participation is accessible, allowing the voices of those who are seldom heard to be included. Equality impact assessments will also need to be developed accordingly. Stakeholders will be written to as part of the consultation process and invited to share their views. Additional opportunities to advance equality need to be explored through related commissioning and procurement processes, with particular regard being given to the Social Value Act 2012 and how wider social, economic and environmental benefits can be realised through such arrangements. Organisations that receive funding from the Council are also given support and information, including strategic networking support, information on national trends and funding opportunities. The council will continue to work in partnership with organisations to deliver inclusive targeted events in the City. In addition, service level agreements will be reviewed to ensure that

see an increase.

With regard to older people, many have conditions that limit their activities. Where support is required with things like personal care, spouses, partners and female family members provide much of the informal care required. In addition, a higher proportion of disabled older people are women who rely on social care to live independently in their own homes. Whilst a significant number of older people live in poverty, means tested charges for services are likely to affect the take-up of support, as some people may find the process complicated and some people may feel stigmatised.

Reports show that the majority of disabled people and families with disabled children are living in poverty, and are significantly less likely to have an adequate standard of living than non-disabled people. More disabled people have to contribute towards the cost of their care, which affects the financial and practical support received to empower people to live as independently as possible. These proposals may impact on the day-to-day activities that non-disabled people often take for granted and without the right level of support disabled people can be placed at greater risk of avoidable dependency, poverty and isolation.

A review of parking charges will see the provision of free Blue Badge parking maintained in areas where there is a need to encourage turnover of vehicles to meet the ongoing demands for parking within the City Centre.

resources are used effectively.

Where services are commissioned, quality monitoring will be undertaken by contract management teams to ensure that benefits are delivered and that remedial action is taken where necessary.

Work is also being done with service providers and partners to work collaboratively to ensure that needs are addressed where there are shared priorities and to ensure that people are signposted to appropriate service providers.

Where relevant, service level agreements will be reviewed with targets being renegotiated to ensure that service delivery is viable and that the needs of key groups are able to be met. Services will continue to be targeted at those who are most in need.

A comprehensive Mental Health and Wellbeing Strategy is in place to support people with mental health conditions. Public Health have created a BME consultative group to ensure that ideas are captured in relation to achieveing improved mental health for BME communities whose outcomes are often poorest.

Young People

The profile of young people affected will be considered as part of the development of future systems, approaches and arrangements which are currently under review. Where possible, awareness raising with regard to alternative provision will be

A Whole Life Disability Programme has been agreed which means the Disabled Children's Service being moved to the responsibility of Adult Social Care adopting a strengths based approach enabling disabled children, adults and their families to have necessary and appropriate support reducing the impact of transition between different stages of life. This approach has identified a concurrent underspend which will be removed from the overall budget. There is also a proposal to withdraw the Lunch Club Meal Grant totalling £105,320 from 8 organisations over the next three years. Work will be done with clubs and communities to identify how access without council funding can be achieved. There is a proposal to discontinue Infection Prevention Control in Care homes with nursing beds only in order to achieve savings of £230,558. Since November 2018 a decision was taken to re-establish service provision with CityCare as provider. The service would be expected to commence January 2019 and would alleviate the possible complications of infections for vulnerable citizens particularly elderly, disabled and young children. **Women** The impact of the budget proposals on women is likely to be multi-layered and interconnected with other protected characteristics e.g. disabled people and BME groups (as mentioned above). Women are more likely to use public	done, for example with regard to accessing sexual health services. Collaborative work will be undertaken with key partner agencies to deliver early intervention services. Opportunities for colocation will be maximised, and resources used to support key areas of work

services and to work in the public sector so are therefore at greater risk of being hit by reductions in staffing levels. They are more likely to be paid less than men, and are more likely to live in poverty. Women are more likely to be lone parents, as well as primary carers for children, older and disabled people. Reductions in the funding of adult social care will affect women as direct service users, in addition to affecting those women who will be required to fill the gap as unpaid carers, reducing their ability to work full-time; consequently increasing their reliance on welfare benefits. Increased charges linked to leisure and public transport services in addition to changes to some bus services are also likely to have a disproportionate negative impact on women, as the majority of service users are female. This may lead to isolation and lack of social contact, placing women as greater risk of jeopardising their mental and physical health. **Younger People/ Pregnancy and Maternity** A number of children and young people in the City live in households that will be affected by proposals linked to reductions in staffing levels and those relating to revised models of service delivery. This will have a direct impact on the quality and availability of certain types of provision. There may be opportunities through major service reforms involving health and social care to take a more innovative approach with regard to providing services to young people. This may create an opportunity to advance equality by increasing opportunities to provide better life chances for young people, and by ensuring that wherever possible, services are tailored to reflect local	

need. There may also be additional impacts on young people who are carers looking after disabled parents. Where there are proposals to increase fees and charges, these may affect the affordability of family outings and day trips, as admission fees and travel can form a substantial part of the cost of a day out. Additional proposals affecting young people include reduced funding for sexual health services such as testing services for HIV/Aids. **Lesbian, Gay, Bisexual and Trans people** The findings from national research show that LGBT organisations are underfunded in comparison to other mainstream organisations. The full impact of funding reductions is not yet known, however it is likely that this will lead to a reduction in services in particular the services identified above re: HIV/Aids testing. The communities most likely to be disadvantaged by the proposed changes include young people, looked after children, new and emerging communities, and men who have sex with men. For a more detailed breakdown of the proposals and possible impacts, please refer to the individual EIA. **Vulnerable Adults & Young People** Proposed changes to integrated drug and alcohol treatment and support services by the development of a tender for a new service has	

been offset by a short term direct award to Framework but in the longer term any new provider is expected to ensure that all communities access the services as the previous provider had 74% of its users as male and only 12% BME. Work will need to be done to ensure pregnant women and disabled people will also be able to access in numbers proportionate to the broader community. Independent travel out of area may be more difficult for vulnerable adults and may present increased risks to including a higher risk of disengaging with existing community treatment. **Workforce** Every effort will be made to mitigate the level of redundancies wherever possible. The majority of people employed by the Council are female, so consequently it is likely that these proposals will have a negative disproportionate impact on women. It should be noted that the majority of people in lower paid part-time roles are women, and that women are also more likely to be negatively impacted by the cuts to services in addition to the number of job losses as outlined above. It is worth noting more particularly that changes to the following roles may have an indirect impact on various community groups protected by the Equality Act 2010. Further details can be found in the corresponding Workforce Equality Impact Assessment.	

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ANNEX 1

FORECAST OUTTURN 2018/19

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ANNEX 1 - FORECAST OUTTURN 2018/19

Introduction

This annex summarises the current position and forecast outturn for both the revenue and capital elements of the General Fund and HRA. Our risk based forecasting reflects the diverse nature of the Council's activities and the wide range of cost and income drivers. Some report tables may not sum exactly due to rounding.

General Fund Revenue - Overview

Table 1 shows the current forecast outturn. This is based on the position as at 31 December 2018, updated for known future factors, and shows an adverse forecast outturn variance of **£3.277m**. This is an increase in overspend of **£2.309m** from that reported in Quarter 2 and is predominantly related to Children and Social Care. The Council is committed to delivering an on budget outturn and the MTFP 2019/20 reflects this commitment. Management action is in place to ensure that this happens; in particular a range of agreed spending controls, vacancy freeze controls, contingency freeze and fast tracking of 2019/20 savings where possible. In addition, one off measures will be used, these include the Council's allocation of the 2018/19 Business Rates Levy redistribution (announced as part of the December 2018 Provisional Settlement) and further review of reserves.

The 2017/18 outturn showed a net overspend of **£4.215m**, which will be repaid in 2018/19 through a one off review of reserves.

In accordance with the trading account principles set out in the Medium Term Financial Strategy, 50% of traded surplus may be retained for reinvestment in the service. Given the current size and scale of the financial overspend, no traded surplus retention will be awarded in 2018/19. This is consistent with 2017/18. Figures in brackets indicate an underspend.

TABLE 1: CURRENT FORECAST OUTTURN AS AT 31.12.18 (Q3)

OUTTURN VARIANCE 2017/18 £m	FORECAST OUTTURN @ 30.06.18 (Q1) £m	FORECAST OUTTURN @ 30.09.18 (Q2) £m	PORTFOLIO	FORECAST OUTTURN @ 31.12.18 (Q3) £m
0.713	0.168	(0.170)	Adult Social Care & Health	(0.767)
(0.696)	(0.304)	(0.394)	Community Protection	(0.422)
2.529	0.831	0.555	Early Intervention & Early Years	3.345
0.947	1.041	0.750	Education & Skills	0.891
(0.609)	0.961	0.756	Energy & Environment	0.726
(0.021)	0.011	(0.400)	Finance, Resources & Commercial Services	(0.465)
0.659	0.191	0.172	Housing & Planning	0.159
(0.311)	(0.343)	(0.245)	Leisure & Localities	(0.159)
0.608	0.178	(0.026)	Regeneration & Growth	(0.027)
(0.785)	(0.207)	(0.050)	Transport & HR	(0.039)
3.036	**2.527**	**0.947**	**TOTAL PORTFOLIOS**	**3.243**
1.149	(0.036)	0.021	Corporate budgets	0.034
10.111	0.000	0.000	Health Integration	0.000
(10.081)	0.000	0.000	Corporate Mitigation & Management Action*	0.000
4.215	**2.491**	**0.968**	**TOTAL**	**3.277**

* For further details, please refer to the 2017/18 Outturn Report, approved by Executive Board in June 2018

General Reserves
These provide a financial safety net to cover above-budget costs during the year. Table 2 shows the potential impact of the current forecast variance on the general reserve.

TABLE 2: THE GENERAL RESERVE	
ITEM	**£m**
Opening Balance at 01.04.18 (adjusted)	**9.643**
2018/19 Forecast Outturn	(3.277)
Potential 2019/20 Opening Balance without mitigation	**6.366**

The minimum level of opening reserves for 2018/19 was set at **£9.643m**. Corporate Leadership Team are committed to maintaining a General Reserve balance of **£9.643m** and this will be achieved through the 2018/19 management action and one off review of reserves.

Variances - Headline Issues
The following sections describe the major issues impacting on the forecast outturn.

Adult Social Care & Health - £0.767m favourable
Directorate & Adult Assessment Management £0.237m favourable:
- **£0.136m** underspend from the Social Care in Prisons
- **£0.070m** underspend from vacant Director post

Health Integration Staffing £0.407m favourable:
- Staffing underspends from vacancies across the service predominantly against the Occupational Therapy Team (**£0.089m)**, the Duty Team (**£0.144m)** and the Access & Crisis Team (**£0.085m)**

Quality Assurance & Safeguarding £0.137m favourable:
- Staffing underspends across the service predominantly against the City Safeguarding Team (**£0.063m)** and the Training & Development Team (**£0.038m)** and the maximisation of external funding

Specialist Services Staffing £0.107m favourable:
- Staffing underspends across the service as a result of posts being held at the beginning of the year in order to deliver savings in the MTFP

ASC Quality & Change £0.137m adverse:
- **£0.090m** overspend resulting from increased activity levels reviewing contributions to care packages
- **£0.050m** additional costs included for legal fees.

Community Protection - £0.422m favourable
Community Cohesion £0.066m adverse
- Known budget pressure within the service due to reduction in grant funding but increased need for the service including a Hate Crime officer.

Uniformed Services £0.069m favourable

- Vacancies within the service

Licencing £0.093m favourable

- Income shortfall due to lack of licensing applications – a direct and conscious consequence of tighter policies

Security & Logistics £0.099m favourable

- Business Plan achievement due to increased efficiencies within the service

<u>Early Intervention & Early Years - £3.345m adverse</u>

Disabled Children's Service £0.089m favourable:

- Underspend predominantly against personal budgets and direct payments spend and short breaks services.

Children's Integrated Services £3.059m adverse:

- The forecast for Q3 2018/19 is a **£4.085m** gross overspend due to the following:
    - **£4.869m** overspends in Children in Care costs
    - **(£0.784m)** underspends in other Children services
- The forecast in Q3 assumes no growth.
- The services is forecasting to reduce the overspend by **£1.027m** through:
    - Reducing high cost placements
    - Increasing foster carers
    - Reducing the costs of semi independence
- The net position including the **£1.0127m** mitigation is a **£3.059m** overspend.

Inclusive Learning £0.207m adverse:

This is mainly due to staffing overspends and unmet income targets in the Behaviour Support Team (BST) and Disability Central and Sensory Teams. Plans are underway to manage these pressures in 2019/20.

Strategy & Policy (Early Intervention & Early Years) £0.125m adverse:

- Shortfall in Data Analysis & Insight for School Improvement (DAISI) income

Contracting & Procurement £0.072m adverse:

- **£0.120m** contractual overspend on Financial Vulnerability mitigated by vacancy savings and use of contingency funding of **£0.055m**

<u>Education & Skills - £0.891m adverse</u>

Education Services £0.457m adverse:

- SEN Transport demand
- Reduced levels of external income

School Improvement £0.440m adverse:

- Unmet income targets and savings. Plans are underway to manage these pressures in 2019/20

<u>Energy & Environment - £0.726m adverse</u>

Commercial, Infrastructure & Energy £1.192m adverse:

All in year savings are forecast to be achieved

The waste disposal overspend is due to energy inflation being excluded from the 2018/19 budget process. This pressure is being monitored, and mitigating plans are in place including reduced usage, already reducing this year's utility pressure by approx. **£0.200m**.

Street Scene and Grounds Maintenance £0.134m favourable:

- Efficiencies and the merger of Parks and street scene

Waste Management (Commercial Waste) £0.300m favourable:

- Increased income growth, however there are also further efficiencies within Domestic Waste, these efficiencies aim to cover the increased demand of additional houses, and increased waste in year. Pressure funding has been agreed for 2019/20.

<u>Finance, Resources & Commercial Services - £0.465m favourable</u>

Nottingham Catering £0.209m favourable:

- Increased income growth

Commissioning Management £0.106m favourable:

- Vacancy savings within Commissioning

Commercial Finance £0.167m adverse:

- Contractual increases for Revenue and Benefits delivery. Plans are in place to manage this pressure in 2019/20

Civic & Coronial Services £0.135m favourable:

- Savings on the histology and toxicology contracts.

Analysis & Insight Service £0.070m favourable:

- Vacancy savings & underspend on running costs

Strategy & Policy £0.106m adverse:

- Unachieved saving

<u>Housing & Planning - £0.159m adverse</u>

Customer Access Programme £0.146m adverse:

- Unallocated Customer Access Programme saving.
- This has been partly mitigated in 2018/19 and the full amount of **£0.390m** has been agreed as a budget pressure for 2019/20+.

<u>Leisure & Localities - £0.159m favourable</u>

Increased income growth and increased charges:

- **Cemeteries & Crematoria £0.100m favourable**
- **Libraries £0.147m favourable**
- **Sports & Leisure £0.310m favourable**

Markets £0.294m adverse – INTU have significantly increased the service charges for the Victoria Market repeatedly over recent years. This has resulted in the Indoor Market moving from a position whereby stallholder rents covers the costs to one whereby the rents do not meet operating costs. This higher stall rents has resulted in an increased number of vacant stalls.

Corporate Contingency
This enables management of the financial impact of issues that were not reflected when the budget was set. Services are required to accommodate unforeseen expenditure and/or income shortfalls from within their cash limited budgets, only seeking allocations where this is not the case.

Contingency is **£1.800m** in 2018/19 and **£0.194m** has already been approved in Quarter 1 and Quarter 2. Table 3 shows the allocations approved by the Strategic Director for Finance since the December report, which now require endorsement.

TABLE 3: CONTINGENCY ALLOCATIONS REQUIRING ENDORSEMENT	
ITEM	**£m**
WW1 Memorial Project – Capital	0.095
Supporting Council Projects	0.050
WW1 Memorial Project	0.042
Super Kitchen	0.006
TOTAL	**0.193**

This leaves a remaining balance of **£1.413m**, although there are further pending applications, which will be reported as part of the outturn report. As part of the management action to deliver an on budget outturn, future contingency requests will be frozen to support the overall outturn position. This is approximately **£0.255m**.

Cost Reductions and Potential Overspend Risks
The 2018/19 budget includes new cost reductions of **£29.375m** and funding for potential overspend risks of **£4.424m.** Any issues affecting the delivery of these are detailed in the variance narratives.

Debtors Monitoring (Appendix D)

Housing Rents
The target (98.50%) has been achieved at the end of the third quarter, and despite being slightly behind the same position last year (0.02%) this indicator has shown a significant improvement from quarter one (1.46%). This is against the fact that Universal Credit was rolled out in Nottingham in mid-October and there are currently over 1,000 NCC tenants in receipt of this benefit. We are continuing to promote a robust “Rent First” message in order to maintain this strong performance.

Council Tax
Collection for Quarter 3 of 2018/19 was 76.6%, which exceeds the monthly profiled target by 0.6%, but in percentage terms is behind by 0.18% when compared to 2017/18, however the amount collected is **£102.30m** compared to collection of **£95.90m** for the same period in 2017/18. Net debt collectable over the two financial years has increased from **£124.90m** in 2017/18 to **£133.50m** in 2018/19.

National Non- Domestic Rates (NNDR)
Collection for Quarter 3 of 2018/19 was 79.03%, which was 1.47% below the profiled target. Collection amounted to **£112.20m**, compared to collection of **£115.90m** in 2017/18. Net debt collectable over the year has increased from **£137.70m** in 2017/18 to **£142.00m** in 2018/19.

Sundry Income
The percentage of debts collected within 90 days in the 12 months to December 2018 remains steady at 83%, which corresponds to the figure for 2017/18 of 83%.

The debtor day indicator (which shows how quickly debts are recovered) is currently 38 days, which is worse than the target of 32.30 days but is the same as the corresponding figure for 2017/18.

There is significant work underway to improve debt collection rates in Oracle, with particular focus on the implementation of Oracle Advanced Collections as part of Fit for the Future (FFtF). Advanced Collections is a debt management tool that will provide vastly improved debt collection functionality, enabling tailored debt strategies to be built into Oracle for different types of debt.

Estates Rents
The collection rate of 97.89% is above the set target of 97.50% but is a reduction of 0.12% since Quarter 2 and a reduction of 0.50% since Quarter 1.

Adult Residential Services
Backdated charges remain a challenge to collect and a high value of debt sits with Money Carers Foundation. However good progress has been made in recovering these sums during Q3. The target remains on track for year end, though there is some work to be done to ensure collection rates are in a good position for the start of 2019/20 ensuring that the ARS team are in contact with all debtors.

Movement of Resources
Transfers of services between directorates and/or portfolios are reflected in the monitoring figures. These transfers now require approval and are listed in **Appendix B.**

Movements in Earmarked Reserves
Earmarked reserves are funds set aside for specific purposes. At 1 April 2018, the balance of earmarked reserves was **£154.584m** (including Schools Statutory Reserves, workforce issues, Insurance, and NET Private Finance Initiative (PFI) grant and decisions taken at Outturn 2017/18). During the year there has been a net increase of **£8.216m** (predominantly in relation to slippage in Treasury Management Capital financing costs) in earmarked reserves requiring approval, in addition to previously approved decisions of **£2.624m** (a total of **£10.840m**). Further movements will be reported at outturn.

Appendix C provides more details of movement in reserves.

HRA – Revenue Overview
The HRA budget was approved at the February 2018 Executive Board meeting, which would increase the working balance from **£4.000**m to **£7.727m** at 31 March 2019. The working balance acts as a contingency to cover unexpected significant expenditure or loss of income. The increase in the 2018/19 budget is to provide for the introduction of Universal Credit in October 2018 and the impact on arrears and bad debt. The latest forecast is a projected in-year balanced position therefore retaining the working balance at **£7.727m**.

Working Balance Brought Forward: Increase of £0.043m
The actual position of the Working Balance carried forward from 2017/18 was **£4.043m**, which is an increase of **£0.043m** from that reported in the Budget. Details of variance were set out in the outturn report considered by Executive Board in June 2018.

Depreciation: Increase of £0.401m
Increase following the recalculation of depreciation charge based on latest stock condition survey data, resulting in a decrease to the Working Balance.

Capital Charges: Decrease of £0.117m
Lower level of debt forecast for 2018/19 due to a delay in borrowing to finance the new build programme, resulting in an increase to the Working Balance.

Retained Housing: Decrease of £0.241m
Shops additional income **(£0.060m)**, underspend revenue costs of capital schemes **(£0.100m)** and vacancy savings **(£0.081m)**, resulting in an increase to the Working Balance.

Table 4 below shows the revised working balance at 31 March 2019**.**

TABLE 4: HOUSING REVENUE ACCOUNT WORKING BALANCE	
Item	**£m**
Estimated balance at 31 March 2019	**7.727**
Working Balance brought forward 2017/18	0.043
Depreciation	(0.401)
Capital Charges	0.117
Retained Housing – budget realignment	0.241
Revised working balance at 31 March 2019	**7.727**

Capital Programme Update
The quarter 2 report approved an updated overall Capital Programme for 2018/19 of **£164.522m** for the General Fund and **£51.301m** for Public Sector Housing. During quarter 3 schemes to the value of **£26.204m** have been approved while slippage and other movements of approved schemes equates to (**£68.977m)**. Actual spend to the end of quarter 3 is **£80.484m**.

TABLE 5: 2018/19 REVISED CAPITAL PROGRAMME AND ACTUAL SPEND FOR QUARTER 3					
PORTFOLIO	**Forecasted Spend £m**	**Additions £m**	**Slippage / Reprofiling £m**	**Projected Outturn at Qtr 3 £m**	**Actual Spend to Qtr 3 £m**
Category 1 (Approved Schemes)					
Public Sector Housing	51.301	1.847	(4.218)	**48.930**	20.154
Transport Schemes	21.219	0.000	(1.523)	**19.696**	8.987
Education / Schools	9.238	0.000	(1.735)	**7.503**	4.508
All Other Services	134.065	24.357	(61.501)	**96.921**	46.835
Sub-Total: Category 1 Approved Schemes	**215.823**	**26.204**	**(68.977)**	**173.050**	**80.484**
Category 2 (Planned Schemes)					
General Fund	112.122	0.000	(92.872)	**19.250**	0.000
Sub-Total: Category 2 Planned Schemes	**112.122**	**0.000**	**(92.872)**	**19.250**	**0.000**
TOTAL	**327.945**	**26.204**	**(161.849)**	**192.300**	**80.484**

Approvals in Quarter 3

Scheme amendments and additions of **£26.204m** have been approved in quarter 3 where the capital spend is expected to be incurred in 2018/19. Details of all approvals over the value of **£1.000m** are listed below, including schemes where the expenditure is expected to be incurred in future years:

- **£19.659m** Investment Property Acquisitions - all expenditure forecast to be incurred in 2018/19. These property purchases are funded by Prudential Borrowing to be funded by increased income to the investment portfolio.
- **£1.638m** Public Sector Housing Right to Buy Acquisitions, a further **£3.362m** is to be incurred in future years. This project is for the Housing Revenue Account to increase housing stock by procuring houses.
- **£1.199m** Loan to Nottingham City Homes Registered Provide – to enable the purchase of affordable homes at Radford Allotments.
- **£1.237m** as part of the Southside Regeneration, **£1.237m** will be incurred in 2018/19 and **£42.983m** expenditure forecast in future years.
- **£1.500m** Blueprint to enable the acceleration of developments, **£1.500m** will be incurred in 2018/19 and **£1.000m** expenditure forecast in future years.

Further details of all quarter 3 approvals are provided in Appendix A.

Other Movements (Slippage / Reprofiling)

Scheme movements (slippages / reprofiling) in 2018/19 quarter 3 is (**£68.977m)**. Schemes where slippage is over **£0.200m** are detailed below in **Table 6.**

TABLE 6: QUARTER 3 SLIPPAGE / REPROFILING			
Scheme	**2018/19 Scheme Forecast at Qtr2 £m**	**2018/19 Scheme Forecast at Qtr3 £m**	**Movement £m**
Public Sector Housing			
Low Rise Sprinkler Systems	0.490	0.090	(0.400)
High Rise Sprinkler Systems - FSW	3.787	2.506	(1.281)
Warmth for Nottingham - CR&M	3.000	2.800	(0.200)
External Fabric	3.757	3.113	(0.644)
No Fines/ Solid Wall Insulation Schemes	1.258	0.000	(1.258)
ERDF - Energiesprong Roll Out	0.242	2.432	2.190
Garage / Outbuildings - CITYWIDE	0.335	0.101	(0.234)
Major Void Works	2.300	1.950	(0.350)
Knights Close - Demolition	0.248	0.002	(0.246)
Knights Close - New Build	0.501	0.150	(0.351)
Clifton Miners Welfare	0.812	0.350	(0.462)
Marlstones	0.781	0.514	(0.267)
Adaptations For Disabled Persons	1.484	1.086	(0.398)
Public Sector Housing - Total	**18.995**	**15.094**	**(3.901)**
Transport Schemes			
Better Bus Area	0.271	(0.133)	(0.404)
Office for Low Emission Vehicles (OLEV) - Go Ultra Low City Bid	0.885	0.400	(0.485)
Clean Bus Technology	1.348	0.915	(0.433)
Transport Schemes - Total	**2.504**	**1.182**	**(1.322)**
Education / Schools			
Access Improvements - Minor Schemes	0.200	0.000	(0.200)
Berridge Primary - Roof / Chimney Imps	0.215	0.010	(0.205)
Westbury Special School	0.592	0.392	(0.200)
Glade Hill Primary - Expansion	1.567	1.817	0.250
Claremont Primary (Heating)	0.250	0.010	(0.240)
Fernwood School Expansion	0.750	0.263	(0.487)
Education / Schools - Total	**3.574**	**2.492**	**(1.082)**
Jobs and Growth			
Carrington St Area Townscape Heritage Project	0.697	0.000	(0.697)
Waterside Spine Road	1.247	0.000	(1.247)
Low Emission Fleet Project	2.815	1.315	(1.500)
Skills Hub (Enabling)	0.000	0.961	0.961
Leisure and Culture			
Nottingham Castle Transformation	14.333	3.693	(10.640)
ERDF Axis 6 - Daybrook Park	2.150	0.250	(1.900)
ERDF Axis 6 - Leen Park	1.989	0.000	(1.989)

Notts County Cricket Club - Loan 2	2.265	1.444	(0.821)
Resources and Neighbourhood Regeneration			
IT - Childrens and Adults Social Care Project	0.215	0.000	(0.215)
IT - Project Evolution	0.543	0.000	(0.543)
IT - Microsoft Licenses - 3yrs	1.005	2.027	1.022
IT - PC Hardware Acquisitions	1.731	1.192	(0.539)
IT - Software AM System	0.200	0.000	(0.200)
Loan - NCH-E Ltd Arboretum	8.500	0.000	(8.500)
Strategic Regeneration & Development			
Southern Gateway	10.313	3.000	(7.313)
Growing Places - Loan No.2	4.539	1.000	(3.539)
Exchange Bldgs Refurbishment Design	3.406	0.000	(3.406)
Nottingham College Skills Hub	6.000	0.000	(6.000)
Nottingham Science Park - Phase 2	7.322	0.604	(6.718)
Sneinton Market in Partnership Scheme	0.759	0.000	(0.759)
Blueprint	5.000	2.000	(3.000)
Housing Aid Cavendish Court	0.507	0.000	(0.507)
All Other Services Total	**75.536**	**17.486**	**(58.050)**
Other Movements under (£0.200m)			**(4.622)**
TOTAL	**100.609**	**36.254**	**(68.977)**

Public Sector Housing (HRA) Capital Programme
The Public Sector Housing Programme has been updated to reflect movements in quarter 3, **Table 7** below sets out the updated programme and resources.

TABLE 7: Public Sector Housing - Capital Programme and Resources

PORTFOLIO	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Category 1 - Approved Schemes	48.930	54.362	36.165	29.462	31.774	32.819	**233.512**
Category 2 - Planned Schemes	0.000	0.500	11.338	0.000	0.000	0.000	**11.838**
Total Programme	**48.930**	**54.862**	**47.503**	**29.462**	**31.774**	**32.819**	**245.350**
Resources Available							
Prudential Borrowing	7.795	8.403	16.614	0.000	0.000	0.000	**32.812**
Grants & Contribution	3.794	2.556	0.750	0.000	0.000	0.000	**7.100**
Internal Funds / Revenue	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Major Repairs Allowance	26.898	31.349	24.349	25.902	28.137	29.182	**165.817**
Capital Receipts - Secured	6.582	8.329	2.661	0.000	0.000	0.000	**17.572**
Capital Receipts - Unsecured	0.000	0.000	3.129	3.560	3.637	3.637	**13.963**
Total Resources	**45.069**	**50.637**	**47.503**	**29.462**	**31.774**	**32.819**	**237.264**
Cumulative (Surplus)/Shortfall	**3.861**	**8.086**	**8.086**	**8.086**	**8.086**	**8.086**	**8.086**

The programme currently shows a resourcing shortfall due to additional capital projects being required following the Grenfell incident. If external grant cannot be identified, savings will need to be made elsewhere within the Public Sector Housing Programme to offset the forecast funding shortfall.

General Fund Capital Programme

The General Fund Programme is updated to reflect the movements in quarter 3. **Table 8** below sets out the updated programme.

TABLE 8: General Fund - Capital Programme and Resources						
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**Total £m**
Category 1 (Approved Schemes)						
Transport Schemes	19.696	13.988	0.000	0.000	0.000	**33.684**
Education / Schools	7.503	3.045	0.000	0.000	0.000	**10.548**
Other Services	96.921	135.359	71.851	19.128	8.606	**331.865**
Category 2 (Planned Schemes)	19.250	14.302	29.766	7.572	0.000	**70.890**
Total Programme	**143.370**	**166.694**	**101.617**	**26.700**	**8.606**	**446.987**
Resources						
Prudential Borrowing	83.311	81.382	72.340	21.314	5.425	**263.772**
Grants & Contributions	43.860	65.501	11.890	2.543	2.309	**126.103**
Internal Funds / Revenue	5.810	6.670	4.785	1.464	0.113	**18.842**
Capital Receipts – Secured	8.919	0.000	0.000	0.000	0.000	**8.919**
Capital Receipts - Unsecured	1.470	13.141	12.602	1.379	0.759	**29.351**
Resourcing Subtotal	**143.370**	**166.694**	**101.617**	**26.700**	**8.606**	**446.987**

GENERAL FUND CAPITAL PROGRAMME QUARTER 3 APPROVALS APPENDIX A

Public Sector Housing						
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**Total**
Independent living Re-Design	0.000	0.000	0.000	0.000	0.100	**0.100**
Management Fee - Older People	0.000	0.000	0.000	0.000	0.005	**0.005**
Fire Damaged Properties - DLO	0.000	0.000	0.000	0.000	0.100	**0.100**
Rooftop Fan Project	0.144	0.224	0.000	0.000	0.000	**0.368**
Property Acquisition - RTB 1-4-1 (Tranche 1 & 2)	1.638	1.365	1.997	0.000	0.000	**5.000**
Acquisition of Woodborough Road Flat	0.065	0.000	0.000	0.000	0.000	**0.065**
TOTAL - Public Sector Housing	**1.847**	**1.589**	**1.997**	**0.000**	**0.205**	**5.638**

General Fund (Category 1 Approved): Children's Services - Schools						
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**Total**
Forest Fields Asbestos	0.000	0.015	0.000	0.000	0.000	**0.015**
Bentinck Primary - Electrics & Ventilation System	0.000	0.013	0.000	0.000	0.000	**0.013**
TOTAL - Children's Services - Schools	**0.000**	**0.028**	**0.000**	**0.000**	**0.000**	**0.028**

General Fund (Category 1 Approved): Other Services						
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**Total**
Adults Health & Community Sector						
Barkla Close Refurbishment	0.157	0.000	0.000	0.000	0.000	**0.157**
Energy and Sustainability						
Eastcroft Combined Heat & Power Plant Works	0.034	0.210	0.000	0.001	0.000	**0.245**
District Heating - Replacement of Network	(0.990)	0.810	0.110	0.070	(0.730)	**(0.730)**
Leisure and Culture						
Harvey Hadden Sports Centre	(0.131)	0.000	0.000	0.000	0.000	**(0.131)**
Victoria Leisure Centre Scheme	0.093	0.000	0.000	0.000	0.000	**0.093**
Forest Sports Zone	0.007	0.000	0.000	0.000	0.000	**0.007**
Bulwell Bogs	0.082	0.010	0.000	0.000	0.000	**0.092**
Colwick Country Park	0.000	0.035	0.000	0.000	0.000	**0.035**
Marmion Park	0.000	0.005	0.000	0.000	0.000	**0.005**
Coppice Park	0.000	0.065	0.000	0.000	0.000	**0.065**
Greenway Park (Tricketts Yard)	0.000	0.060	0.000	0.000	0.000	**0.060**
Area 6 Trees & Parks	0.011	0.000	0.000	0.000	0.000	**0.011**
Martins Pond Nature Reserve	0.000	0.050	0.000	0.000	0.000	**0.050**
Victoria Embankment HLF	0.000	0.100	0.000	0.000	0.000	**0.100**
Ruddington Lane Park	0.000	0.110	0.000	0.000	0.000	**0.110**
Arkwright Walk Park	0.002	0.000	0.000	0.000	0.000	**0.002**

Locksley Park	0.000	0.002	0.000	0.000	0.000	**0.002**
Iremongers Pond	0.002	0.000	0.000	0.000	0.000	**0.002**
Area 8 Trees & Parks	0.000	0.060	0.000	0.000	0.000	**0.060**
Planning and Housing						
S106 - Affordability Housing Dwelling (Basford)	0.040	0.000	0.000	0.000	0.000	**0.040**
General Fund Chingford Access Point	0.481	0.000	0.000	0.000	0.000	**0.481**
Resources and Neighbourhood Regeneration						
Roof Replacement Garnet Court	0.235	0.000	0.000	0.000	0.000	**0.235**
Roof Replacement Clarence Court	0.315	0.000	0.000	0.000	0.000	**0.315**
Investment Properties	19.659	0.000	0.000	0.000	0.000	**19.659**
IT-Confirm Enterprise Licence	0.081	0.000	0.000	0.000	0.000	**0.081**
IT - Service Improvement Programme	0.018	0.015	0.015	0.015	0.015	**0.078**
Loan - NCHRP Radford Allotments	1.199	0.000	0.000	0.000	0.000	**1.199**
Loxley House Workplace & Hub	0.100	1.723	0.000	0.000	0.000	**1.823**
Strategic Regeneration & Development						
Southern Gateway	1.237	21.491	25.776	0.000	0.000	**48.504**
Blueprint	1.500	1.000	0.000	0.000	0.000	**2.500**
One Public Estate - Crocus Place	0.117	1.000	0.807	0.000	0.000	**1.924**
Chase Farm Demolition	0.108	0.000	0.000	0.000	0.000	**0.108**
TOTAL - Other Services	**24.357**	**26.746**	**26.708**	**0.086**	**(0.715)**	**77.182**
TOTAL - General Fund (Approved Schemes)	**24.357**	**26.774**	**26.708**	**0.086**	**(0.715)**	**77.210**

Details	Net Amount £m	Department		Portfolio	
		From	To	From	To
BCF realignment	0.227	CA	SR	Within ASCH	
SALIX realignment	(0.002)	Within CO		CP	EE
	0.006			LL	EE
Pay model adjustment	0.009	Within CO		FRCS	EE
Parking Service Realignment	0.050	Within CO		THR	CP
Savings Realignment	0.050	Within CO		THR	EE
Post realignment Parks to Neighbourhood services	0.031	Within CO		LL	EE
Housing Aid service move	1.014	DG	CA	Within HP	
William Olds realignment	0.033	CA	DG	ELY	RG
Post Realignment b/t Woodfields and Catering	0.005	Within CO		ES	FRCS
Business Rates Pressure	0.160	Corporate	CO	FRCS	LL
	0.218	Corporate	CO	FRCS	THR
	1.801				

Portfolio	Key
Adult Social Care & Health	ASCH
Early Intervention & Early Years	ELY
Community Protection	CP
Energy & Environment	EE
Education & Skills	ES
Finance, Resources & Commercial Services	FRCS
Housing & Planning	HP
Leisure & Localities	LL
Regeneration and Growth	RG
Transport and HR	THR

Department	Key
Children & Adults	CA
Commercial & Operations	CO
Chief Executive	CX
Development & Growth	DG
Strategy & Resources	SR
Housing Revenue Account	HRA

MOVEMENTS IN RESERVES REQUIRING APPROVAL 2018/19

APPENDIX C

Portfolio	Reserve Name	Description	Contribution to Capital Scheme	Reserve Replenishment	Reserve to Capital	Use of Reserves	Total
Adult Social Care & Health	Public Health Transition	CDP				0.133	0.133
		Health Checks				0.115	0.115
		Sexual Health C-Card Contribution				0.005	0.005
		Tobacco				0.029	0.029
		Smoking in Pregnancy				0.070	0.070
Adult Social Care & Health Total						**0.352**	**0.352**
Corporate	BSF Revenue	Rosehill School Maintenance			0.020		0.020
	NET City Reserve Fund	2018/19 Movement				(1.087)	(1.087)
	Rev Reserves for Capital	2018/19 Movement			(0.016)		(0.016)
Corporate Total					**0.004**	**(1.087)**	**(1.082)**
Education & Skills	PFI Life Cycle	DFC BSF Ellis Guilford		(0.022)			(0.022)
		DFC BSF Rosehill		(0.006)			(0.006)
Education & Skills Total				**(0.028)**			**(0.028)**
Energy & Environment	Feasibility Schemes	2018/19 Expenditure				0.092	0.092
Energy & Environment Total						**0.092**	**0.092**
Finance, Resources & Commercial Services	Capital Program Dept Prudential Borrowing	2018/19 Movement		(4.072)			(4.072)
		2018/19 Expenditure				1.771	1.771
	Contingency Reserve	CCR007 Eurocities Year 2 Funding		(0.015)			(0.015)
	DRF	WW1 Memorial Project	(0.095)				(0.095)
	Emergency Hardship Funds	Emergency Support Staffing element				0.300	0.300
	Grants	Technical Adjustment				0.100	0.100
	Rev Reserves for Capital	Legal SRB Charge for Science Park				0.010	0.010
	The Midland Engine DDM2598	Contingency Midlands Engine		(0.020)			(0.020)
	Treasury Management Transformation of Services	2018/19 Contributions MRP		(4.024)			(4.024)
	Treasury Management Reserve	2018/19 Contributions MRP		(1.600)			(1.600)
Finance, Resources & Commercial Services Total			**(0.095)**	**(9.730)**		**2.181**	**(7.644)**
Housing & Planning	HAZ Delivery Plan	Heritage England grant income				0.012	0.012
	IT Investment Fund	Customer Access Programme				0.225	0.225
	Local Plan	2018/19 Expenditure				0.030	0.030

Portfolio	Reserve Name	Description	Contribution to Capital Scheme	Reserve Replenishment	Reserve to Capital	Use of Reserves	Total
Housing & Planning Total						**0.267**	**0.267**
Leisure & Localities	Feasibility Schemes	Castle Development				0.111	0.111
	Trading Operations Traded Surplus	Wild in Art				0.030	0.030
Leisure & Localities Total						**0.141**	**0.141**
Regeneration & Growth	Contingency Reserve	Alfreton Road Improvements				0.025	0.025
		Developing Digital Infrastructure				0.015	0.015
		Portfolio Management Office				0.140	0.140
		Shop Strategy Slippage				0.026	0.026
	Feasibility Schemes	2018/19 Expenditure				0.050	0.050
	Investment Property Maintenance Fund	Investment Properties Sinking Fund		(0.610)			(0.610)
	Investment Strategy	Vacant Shop scheme				0.013	0.013
	Loxley House Phase 2	2018/19 Contributions		(0.061)			(0.061)
	Rev Reserves for Capital	Revenue works to - Clarence Court and Garnet Court				0.016	0.016
	Wireless Ducting Concession	2018/19 Expenditure				0.010	0.010
Regeneration & Growth Total				**(0.671)**		**0.293**	**(0.378)**
Transport & HR	Bike Hire Scheme	City Cycle Bike Hire Scheme				0.065	0.065
Transport & HR Total						**0.065**	**0.065**
Total			**(0.095)**	**(10.430)**	**0.004**	**2.304**	**(8.216)**

DEBTORS MONITORING TO 31 DECEMBER 2018

Debtors - Performance Review – Q3 2018/19	Q1 June	Q2 Sept	Q3 Dec
BVPI 66a - Housing Rent Collection (%) *(cumulative - current tenants only)*			
(arrears + debit) Actual	97.09	97.93	98.55
Target	98.50	98.50	98.50
Last Year Actual 2017-18	97.27	97.96	98.57
BVPI 9 - Council Tax Collection (%)			
(in year cumulative) Actual	26.10	50.80	76.60
Target	26.10	50.50	76.00
Last Year Actual 2017-18	26.35	50.96	76.78
BVPI 10 - NNDR Collection (%)			
(in year cumulative) Actual	27.34	54.90	79.03
Target	28.50	55.50	80.50
Last Year Actual 2017-18	28.17	56.11	83.05
Sundry Income Collection (%)			
(12 month rolling average) Actual	79.00	79.80	83.00
Target	99.00	99.00	99.00
Last Year Actual 2017-18	83.30	81.20	83.00
Sundry Income Debtor Days – General			
Actual	31.00	36.00	38.00
(12 month rolling average) Target	32.30	32.30	32.30
Last Year Actual 2017-18	31.00	34.00	38.00
Estates Rents Collection (%)			
Actual	97.94	98.01	97.89
(12 month rolling average) Target	97.50	97.50	97.50
Last Year Actual 2017-18	95.54	94.93	96.29
Adult Residential Services Collection (%)			
Actual	97.90	97.70	97.50
(12 month rolling average) Target	95.90	95.90	95.90
Last Year Actual 2017-18	95.31	94.25	90.86

ANNEX 2
DRAFT REVENUE MTFP
2019/20 to 2021/22

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APPENDICES

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A	Portfolio Proposals

1. INTRODUCTION

The Council's Revenue Medium Term Financial Plan (MTFP) is the financial representation of the Council's service plans for the next three years.

2. THE FINANCIAL FRAMEWORK

The main financial objectives for the City Council focus on: ensuring our financial planning and management support our citizens to have access to value for money services which are modern and fit for purpose; maintaining good underlying financial health and good governance, and always taking a longer-term view.

This policy-led, medium term approach to financial planning and management is good practice and ensures that we can fund our vision, values and priorities. The City Council is committed to maintaining financial stability and delivering value for money through effective, economic and efficient services.

3. CONSTRUCTING THE MTFP

The Medium Term Financial Strategy (MTFS) sets out the principles we work to in order to deliver our aims and objectives. The City Council operates on a principal of medium term, policy-led financial planning. This connects the vision, values and priorities with decisions made in setting the annual budget within the MTFP.

In particular, any new investment is considered in the context of how it will contribute to realising the City Council's vision and performance improvement more generally. Options are worked up for consideration and decisions to stop, reduce or reshape services are made in full knowledge of the impact on objectives. All proposals are scrutinised throughout the budget process by peers, senior colleagues and councillors. The whole approach is informed by the use of a variety of performance and financial data.

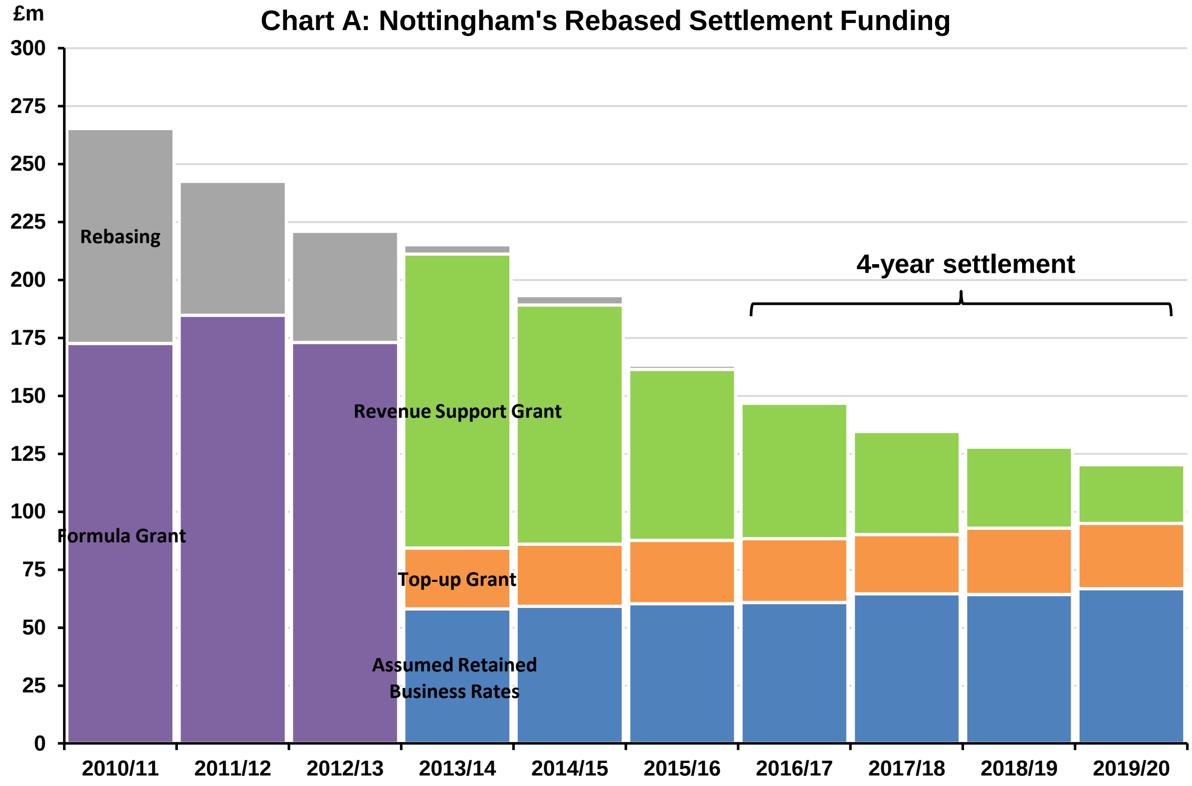
4. ECONOMIC AND FUNDING OVERVIEW

Local authorities continue to operate in a challenging financial environment of reduced levels of Government funding, with the full consequences of Brexit yet unknown.

The Autumn Budget published on 29 October, there were no significant measures to address the rising demand and funding gaps for Adult Social Care and Children's services.

The City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding because of austerity policies.

These have seen Revenue Support Grant (RSG) as a proportion of the Council's total revenue funding reduce and this trend will continue in future years. **Chart A** illustrates how RSG is profiled to fall from **£126.8m** in 2013/14 to **£25.3m** in 2019/20.



Alongside this reduction in grant income, Nottingham has seen increased demand for a number of services, for example Adult Social Care and Children in Care. These increasing care costs, alongside continuing funding cuts, will have a significant impact on the Council's ability to fund other local services. It is expected that the continuing trend will mean that local services will be increasingly funded by local tax payers as Government funding continues to fall.

In the period from 2010/11 to 2018/19 the Council has had to make annual savings totalling **£267.4m** and will continue to have to make difficult decisions about the services it provides in order to close a predicted budget gap of **£23.258m** next year.

The final settlement was announced on 5 February and figures in this report are based on the final Local Government Finance Settlement.

Settlement Funding

Settlement Funding is the amount of funding assumed by the Ministry of Housing, Communities and Local Government (MHCLG) to be available to an authority through the estimated business rates share and general grant funding.

Table 1 summarises the total amount of funding assumed by MHCLG to be available to the authority through an estimated business rates share and general grant funding (including previous specific grants which have been rolled into it).

The Council submitted an Efficiency Plan (the basis being the MTFS) to the now MHCLG in October 2016 with approval granted in November 2016, this was a requirement in securing the multi-year settlement covering 2016/17 to 2019/20.

TABLE 1: SETTLEMENT FUNDING	
Elements of the Settlement	**2019/20 £m**
Business Rates Baseline	(66.905)
Business Rates Top-up	(28.125)
Revenue Support Grant	(25.332)
TOTAL	**(120.362)**

2020/21 and 2021/22 are outside the 4-year settlement period and for the purposes of the MTFP funding for 2020/21 and 2021/22 has been assumed as a notional 5% pa reduction in the settlement.

The Government has assumed a level of business rates for Nottingham based on the 2017 business rates revaluation. The figure included in **Table 1** is **£0.599m** lower than the forecast of retained business rates income as reported to MHCLG in the NNDR1 return and included in the MTFP.

Core Spending Power

Core Spending Power is the calculation by Government to assess the overall impact on local authority funding. This includes the Council Tax requirement, New Homes Bonus and the Settlement Funding. This attempts to assess the total resources over which the Council can exercise discretion in how it can spend its funding. The Government has calculated, based on their own estimates, that Nottingham will receive an overall increase in spending power of **1.6%** or **£29** per dwelling in 2019/20 as set out in **Table 2**. Nottingham's increase is below the national average increase of **2.8%.**

TABLE 2: CORE SPENDING POWER		
Elements of MHCLG Spending Power	**MHCLG estimates**	
	Revised 2018/19 £m	**2019/20 £m**
Settlement Funding Assessment	127.882	120.362
Compensation for lower BR multiplier *(MHCLG estimate)*	2.129	3.097
Council Tax requirement *(MHCLG estimate)*	102.211	107.589
Social care precept *(MHCLG estimate)*	8.195	8.627
Improved Better Care Fund	11.723	14.565
Adult Social Care Support Grant	0.969	0.000
Winter Pressures/Adults & Children's Social Care	1.550	4.198
New Homes Bonus grant	3.811	4.067
Total	**258.470**	**262.504**
Annual change		4.034
Annual change by dwelling (137,012)		+£29
Annual % change		1.6%

Retained Business Rates
With the localisation of Business Rates it is necessary for each authority to estimate the amount of business rates to be collected in 2019/20. The locally retained element of business rates is 50%, of which the council retains 49% and 1% is received by Nottinghamshire and City of Nottingham Fire and Rescue Authority. The monitoring and estimating of business rates is a local responsibility and the financial risk due to the volatility within Business Rates (including outstanding appeals) has an impact on the Council's overall funding.

Business Rates are based on the 2017 valuation list and the rateable value of businesses in Nottingham will be **£364m** (NNDR1 January 2019). There are currently numerous rating appeals lodged with the Government's Valuation Office in respect of rateable values. Not all of these will be successful either in full or part. The cost of any successful appeals will be met from the monies received, and hence will impact the Council's overall funding.

Top-up
Under the retained Business Rates system any authority whose Business Rates income is less than their initial baseline funding level, as is the case for Nottingham, will receive the balance as a 'top-up' grant.

Revenue Support Grant (RSG)
All authorities currently continue to receive RSG from the Government in addition to their retained Business Rates. Nottingham has accepted the multi-year settlement offer and 2019/20 will be the final year of the 4-year settlement. RSG will cease with the proposed introduction of 75% retention of Business Rates in 2020/21. Details of this new funding and business rates system are currently unavailable and consequently the MTFO assumes the continuation of the current 50% system as a working assumption. This will be updated once the Government publishes final details.

Current figures reflect a reduction of **27.6%** or **£9.649m** from 2018/19 to 2019/20.

Specific Grants outside the Settlement
A number of additional grants have been announced which are outside of the settlement.
The basis of distribution varies from grant to grant. The budget has again been constructed on the basis that if specific grant funding reduces then the expenditure and activity will reduce accordingly.

<u>New Homes Bonus (NHB)</u>
The New Homes Bonus grant is awarded to local Councils for increasing the number of new and affordable homes. The MTFP reflects the announced grant of **£4.067m** for 2019/20 and projections for future years.

<u>Social Care Support Grant and Winter Pressures Grant</u>
The final settlement confirmed the one-off **£2.648m** Social Care Support Grant available to partially fund pressures in Adult and Children's social care and the continuation of the existing **£1.550m** Winter Pressures Grant for an additional year.

<u>Local Council Tax Support & Housing Benefit Administration Subsidy Grant</u>
The City Council will receive administration subsidy grant of **£1.919m** in 2019/20 (a reduction of **£0.188m**) to fund the Council's statutory duty to administer and process Housing Benefit and directly related enquiries.

Improved Better Care Fund
This 3-year grant was awarded in 2017/18; the purpose of it was to contribute towards the increased pressure of Adult Social Care needs aiming to reduce pressures in Health and ensure the Social Care market is provided for.

The 2019/20 allocation of **£14.565m** is an increase of **£2.841m** on 2018/19.

Disabled Facilities Grant
This **£2.261m** grant contributes to the cost of improvements to citizens' homes to enable them to continue to live there. This forms part of the Better Care and a section 75 agreement.

Former Independent Living Fund (ILF) Grant
The **£0.702m** Former ILF Grant compensates cost pressures to local authorities caused by the closure of the ILF. The funding followed the introduction of the Care Act 2014, which ensures that key features such as personalisation, choice and control are now part of the mainstream adult social care system.

Social Care in Prisons Grant
This grant allocation is still to be confirmed for 2019/20 however in 2018/19 it was **£0.156m** recognising changes introduced as part of the Care Act that establishes that the local authority will be responsible for assessing and meeting the care and support needs of an offender residing in a prison, approved premises of bail accommodation.

Local Reform & Community Voices Grant
This grant allocation is still to be confirmed for 2019/20 however in 2018/19 it was **£0.218m** comprising the following elements:
- Funding for Deprivation of Liberty Safeguards in Hospitals;
- Funding for Independent NHS Complaints Advocacy Services and
- Local Healthwatch Funding (Local Authorities have a duty to ensure that an effective local Healthwatch is operating in their area, delivering the activities set out in the legislation).

Public Health
The 2019/20 grant for Nottingham is **£32.937m** reflecting a further grant reduction of **£0.893m** from 2018/19. Overall, the grant has reduced by **£5.536m** (14.39%) since 2015/16.

Dedicated School Grant (DSG)
The DSG is a ring-fenced grant subject to grant conditions requiring it to be used to support the Schools Budget as defined in the School and Early Years Finance Regulations.

The DSG funds educational establishments and specific services for Schools, Central Expenditure, Early Years and High Needs. The initial 2019/20 DSG budget allocation for Nottingham is **£274.956m** increasing by **£8.787m**. This increase is due:
1. An increase in school pupil numbers from 40,173 to 41,075 (902) **£6.437m**;
2. Pupil growth increaser of **£0.100m**
3. Additional funding in High Needs of **£2.257m**

Any spend allocated to the Local Authority has been incorporated in the MTFP.

5. DRAFT MTFP 2019/20 – 2021/22

This section provides an update to the draft MTFP report presented to December Executive Board to reflect latest assumptions and Government announcements and the final settlement.

The December Executive Board reported a 2019/20 budget gap of **£1.173m**. Since the December report, further proposals have been developed and these are detailed in this report to present a balanced position for 2019/20. In total **£23.258m** of proposals have been identified for 2019/20:

- December Executive Report savings of **£22.085m** for 2019/20, comprising:
  - **£15.037m** portfolio consultation proposals
  - **£7.048m** of council wide proposals
- New proposals presented within this report of **£1.173m** (**£0.864m** portfolio proposals and **£0.309m** council wide proposals)

Individual portfolio proposals totaling **£15.901m** are detailed within **Appendix A**

Budget Overview and Headlines
The draft budget has been constructed in accordance with the MTFS and all relevant corporate financial protocols. It is a balanced budget; policy-led, medium term and risk assessed, reflects the Council Plan priorities and comprises:

- a 2019/20 net General Fund revenue budget of **£239.785m**;
- a council tax requirement of **£116.101m** and council tax increase of **2.99%**
- total savings of **£23.258m** of which:
  - Portfolio proposals **£15.901m**
  - Council wide proposals **£7.357m**
- provision for pressures of **£15.162m** including Adults demographic increases **£4.380m**, Adults National Living Wage **£4.013m** and Children in Care demographic increase of **£1.683m**;
- a general contingency of **£1.800m**;
- provision for the Local Government Employers pay offer of **2%**, which also included a higher percentage increase for lower pay points for 2019/20;
- provision for contractual inflation where appropriate.

General Fund Revenue Budget

Table 3 summarises the changes required to update the 2018/19 base budget to refresh the starting point for the 2019/20 budget.

TABLE 3: BUDGET REFRESH				
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**TABLE**
Inflation	7.094	13.361	19.638	**4**
Technical Adjustments	(5.404)	(1.716)	(1.549)	**5**
Previously Agreed Decisions	8.814	13.265	14.962	**6**
TOTAL	**10.504**	**24.911**	**33.051**	

Adjustments have been made to reflect estimated pay award, contractual inflation where appropriate, the continuing impact of previous MTFP decisions, the removal of one-off proposals in the last budget and other corporate adjustments such as anticipated movements in the financing of the capital programme and the Council's debt portfolio.

Inflation

Table 4 shows the pay and specific inflation currently assumed for 2019/20 and subsequent years.

TABLE 4: INFLATION			
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Employee	5.921	10.996	16.046
Specific contractual inflation	1.173	2.366	3.593
TOTAL	**7.094**	**13.361**	**19.638**

Employee inflation based on the Local Government Employers pay offer of 2% pay award, which also included a higher percentage increase for lower pay points. For non-pay costs, the MTFP assumes no general inflation; only specific contractual inflation has been applied.

Technical Adjustments

Table 5 summarises the corporate adjustments that include anticipated movements in the financing of the capital programme and the debt portfolio, movements in reserves, net impact of changes in specific grants and various other changes. Provision has also been made for the revenue implications of investment schemes within the capital programme.

TABLE 5: TECHNICAL ADJUSTMENTS			
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Net movement in Reserves	(4.293)	(2.848)	(1.930)
Net movement in Specific Grants	(3.841)	(2.021)	(2.618)
Other	2.730	3.154	2.998
TOTAL	**(5.404)**	**(1.716)**	**(1.549)**

General Reserves

The proposed level of general reserves for 2019/20 is **£10.643m** and assumes that the outturn for 2018/19 is on budget.

Previously agreed MTFP decisions

Table 6 summarises the impact on the 2019/20 budget of decisions made in previous budgets. This totals a net increase of **£8.814m** in 2019/20, mostly due to previously agreed pressures in Adult Social Care and Children in Care.

TABLE 6: PREVIOUSLY AGREED MTFP PROPOSALS			
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Adult Social Care & Health	8.393	12.940	14.277
Early Intervention & Early Years	0.353	0.709	1.069
Finance, Resources & Commercial Services	0.240	0.240	0.240
Pressures / Overspend Risks	8.986	13.890	15.586
Savings	(0.172)	(0.625)	(0.625)

TOTAL	8.814	13.265	14.962

New Pressures

As in previous years, the Council continues to face significant budget issues that have a major impact on the MTFP. **Table 7** details the additional pressures of **£6.177m** funded in the MTFP for 2019/20. These are mostly due to additional demand in Adult Social Care and Children in Care, increased costs in Special Needs Transport and potential inflationary pressures.

Taking into account previously agreed and new pressures a total increase of **£15.162m** has been included in the 2019/20.

TABLE 7: NEW PRESSURES			
PORTFOLIO	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Adult Social Care & Health	0.000	3.345	9.694
Early Intervention & Early Years	1.331	2.542	3.753
Education & Skills	0.623	0.623	0.623
Energy & Environment	0.150	0.150	0.150
Finance, Resources & Commercial Services	2.006	2.906	3.758
Planning, Housing & Heritage	1.528	1.528	1.528
Leisure & Localities	0.301	0.000	0.000
Transport & HR	0.238	0.238	0.238
TOTAL	**6.177**	**11.332**	**19.744**

Saving Proposals

During the budget process, colleagues and councillors work together to identify proposals which, when taken together, direct funding into the Council's priorities and balance the budget. This is a complex and time consuming activity. These will be found from a combination of income generation, demand management, service transformation and efficiencies.

Table 8 summarises the total savings.

TABLE 8: TOTAL SAVINGS			
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Portfolio Proposals:			
• December Executive Board report	(15.037)	(14.768)	(16.312)
• New proposals	(0.864)	(0.994)	(0.994)
Total Portfolio Proposals	**(15.901)**	**(15.762)**	**(17.306)**
Management/Staffing Review	(1.509)	(1.509)	(1.509)
NCH	(1.200)	(1.200)	(1.200)
Corporate Proposals	(4.648)	(2.000)	(2.000)
Council Wide Proposals	**(7.357)**	**(4.709)**	**(4.709)**
TOTAL	**(23.258)**	**(20.471)**	**(22.015)**

Portfolio Proposals

Table 9 summarises by budgeted portfolio the total value of both previously consulted and new/amended proposals. **Appendix A** provides a complete list of all proposals by lead portfolios with new/amended proposals identified, the differences are due to instances where the budgeted and lead portfolios for proposals being different.

TABLE 9: PORTFOLIO PROPOSALS			
BUDGETED PORTFOLIO	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Adult Social Care & Health	(2.734)	(2.106)	(2.888)
Community Protection	(1.365)	(1.472)	(1.472)
Early Intervention & Early Years	(4.087)	(4.229)	(4.415)
Education & Skills	(0.575)	(0.395)	(0.395)
Energy & Environment	(0.864)	(0.864)	(0.864)
Finance, Resources & Commercial Services	(2.533)	(2.712)	(3.172)
Planning, Housing & Heritage	(0.103)	(0.103)	(0.103)
Leisure & Localities	(1.006)	(1.006)	(1.006)
Regeneration & Growth	(0.618)	(0.714)	(0.829)
Transport & HR	(2.017)	(2.163)	(2.163)
TOTAL	**(15.901)**	**(15.762)**	**(17.306)**

Council Wide Proposals

As part of the Budget Strategy for 2019/20 Corporate Leadership Team (CLT) and Directors worked together in order to generate significant council wide savings. In addition to the proposals within **Appendix A** are three further streams of savings, namely Management/Staffing Review, Nottingham City Homes (NCH) and corporate proposals.

Management/Staffing Review

CLT is working on a full management review of the Council and will consult with relevant colleagues. This review and other efficiencies are expected to deliver on-going annual savings of **£1.509m** per annum.

NCH

NCC and NCH continue to work together to review costs for services and ensuring fair costs are paid for renting council owned properties. This is expected to generate General Fund savings of **£1.200m** per annum, in addition to proposals already contained within Appendix A.

Corporate

The draft MTFP assumes corporate savings of **£4.648m** for 2019/20, and **£2.000m** for 2020/21 and 2021/22. **£2.648m** in 2019/20 from the use of Social Care Support Grant announced in the Autumn Budget to offset Adults/Children's pressures and on-going **£2.000m** from Minimum Revenue Provision (MRP).

Budget Requirement

Table 10 shows the resulting proposed draft net budget requirement for 2019/20 and the current budget projections for 2020/21 and 2021/22 before any additional savings.

TABLE 10: NET BUDGET				
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**TABLE**
2018/19 Budget Requirement	246.363	246.363	246.363	
Budget Refresh	10.504	24.911	33.051	**3**
New Pressures	6.177	11.332	19.744	**7**
SUB-TOTAL	**263.043**	**282.605**	**299.158**	
Saving proposals	(23.258)	(20.471)	(22.015)	**8**
NET BUDGET	**239.785**	**262.134**	**277.143**	

Funding

The position relating to Retained Business Rate income carries significant risks for the Council. The assumed share of the business rate income is **£67.504m** in 2019/20**,** which is **£0.599m** above our Business Rate Baseline as determined by the Government for the purpose of the settlement.

Under the retention scheme, there are both potential risks and rewards in calculating our share of the yield. The major risks and concerns are; the level of successful rating appeals that may be made in the year, the unknown level of bankruptcies and businesses going into administration, the number of empty properties, the number of new properties and the collection rate achievable. We have to make an estimate of the impact of all these, based on limited trend information. The NNDR1 return submitted to MHCLG in January 2019 estimated the net rates as **£142.450m** after all reliefs, with **£1.200m** assumed for bad debts (0.8**%**) and **£6.353m** for appeal repayments (4.5**%**) leaving total collectible rates for 2019/20 as **£134.897m**.

The Council in 2019/20 expects to receive **£7.703m** section 31 grant, this grant compensate councils for the loss of income, suffered as a result of previously announced changes to the business rates multiplier and various reliefs. The impact of these grants has been included within the budget refresh figures and details are shown in **Table 11**.

TABLE 11: SECTION 31 GRANTS (BUSINESS RATES)	
DESCRIPTION	**2019/20 £m**
Small business rates relief	3.665
Multiplier cap	2.184
Retail Discount	1.676
Discretionary Scheme	0.134
Supporting Small Business Relief	0.044
Local Newspaper Temporary Relief	0.001
TOTAL	**7.703**

Under the current scheme 100% of any business rates uplift in both the Enterprise Zone and the Creative Quarter can be retained and ring-fenced for these areas. No retained uplift for either the Enterprise Zone or the Creative Quarter is expected in 2019/20.

Table 12 sets out the overall funding assumed within the MTFP.

TABLE 12: FUNDING			
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Projections			
- Retained Business Rates	(67.504)	(68.854)	(70.231)
- Top Up	(28.125)	(28.688)	(29.262)
- Revenue Support Grant	(25.332)	(17.413)	(9.757)
NET POSITION	**(120.961)**	**(114.955)**	**(109.250)**

Details of the proposed new funding and business rates systems are currently unavailable and consequently the MTFO assumes the continuation of the current 50% system as a working assumption. This will be updated once the Government publishes final details of the Fair funding Review and Business Rates Retention Review.

<u>Collection Funds</u>

The Collection Fund is held separately from the General Fund and accounts for income collected from council tax. An annual review is undertaken to assess the estimated level of collection, the likely balance of the Fund and to advise the precepting authorities (Fire and Police) of their share of any surplus/deficit. This enables them to take this into account in their own budget calculations.

It is estimated that there will be a surplus on the Council Tax collection fund of **£0.928m**. The City Council share of this is **£0.799m**.

In addition, there is a collection fund surplus with respect to business rates of **£3.924m**. The City Council share of this surplus is **£1.923m**.

<u>Proposed Council Tax</u>

Table 13 shows the implications for the proposed level of council tax needing to be levied.

If the final budget is in line with the total figures outlined in this report, the proposed total council tax levied for 2019/20 will be **£116.101m**, equating to a Band D of **£1,738.93** and a Band A of **£1,159.29**, this represents a basic increase of **2.99%**.

TABLE 13: AMOUNT TO BE RAISED BY COUNCIL TAX	
DESCRIPTION	**2019/20 £m**
Net Budget Requirement	239.785
Funding (Table 12)	(120.961)
Collection Fund – Council Tax	(0.799)
Collection Fund – Business Rates	(1.923)
COUNCIL TAX REQUIREMENT	**116.101**

6. MEDIUM TERM FINANCIAL OUTLOOK (MTFO)

In examining proposals for the 2019/20 budget, the Council considers both the immediate situation and the longer term outlook and assesses the impact of decisions accordingly.

Current MTFO for 2019/20 through to 2021/22 assume:

- Council tax increases of **2.99%** in 2019/20, **1.99%** Council Tax increase for 2020/21 and 2021/22. Nottingham has already set the maximum allowed Adult Social Precept hence no further precept increase.
- Revenue Support Grant as detailed in accepting the multi-year settlement, years two and three of the MTFO are outside of the multi-year settlement and current spending review period and therefore a notional 5% year-on-year reduction in overall settlement has been assumed for 2020/21 and 2021/22. This is broadly assumes the continuation of recent levels of funding cuts.
- Working assumption of nil underlying growth in retained business rates over the future years of the MTFO.
- Pay award in line with the Local Government Employers pay offer of **2%** (plus a higher percentage for lower pay points) for 2019/20, also assume **2% pa** for 2020/21 and 2021/22
- NHB future estimates reflect the current scheme and assumed growth in tax base

All these budget assumptions will be subject to on-going review in light of changing circumstances.

Table 14 includes the impact of the 2019/20 proposals contained elsewhere in this report and confirms the need for on-going significant cost reductions in the short to medium term of **£27.730m** in 2020/21 and **£45.009m** in 2021/22

TABLE 14: MEDIUM TERM FINANCIAL OUTLOOK			
DESCRIPTION	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
2018/19 Net Budget Requirement	246.363	246.363	246.363
Updated Budget Assumptions	16.680	36.243	52.795
SUB-TOTAL	**263.043**	**282.606**	**299.158**
Saving proposals	(23.258)	(20.471)	(22.015)
ASSUMED NET BUDGET	**239.785**	**262.134**	**277.143**
Retained Business Rates, Top-up & RSG	(120.961)	(114.955)	(109.250)
Council Tax	(116.101)	(119.449)	(122.884)
Collection Funds	(2.722)	0.000	0.000
ASSUMED FUNDING	**(239.785)**	**(234.404)**	**(232.134)**
NET MTFO POSITION	**0.000**	**27.730**	**45.009**

7. Financial Stability and the Management of Risk

The Council's strategy in this regard is to have financial stability and ensure that our financial pressures are known, understood and well managed. The CFO advises on this using the principles within the MTFS, best practice and professional experience.

Under sections 25-27 of the Local Government Act 2003 (part II), the CFO is required to formally report to councillors on the robustness of the budget estimates and the adequacy of the City Council's financial reserves.

A corporate financial risk assessment has been undertaken to determine key risks and their impact on the budget. This ensures that adequate overall corporate budgetary provision is available to cover for unforeseen future events. This approach is embedded within the budget process and is used to inform the level of reserves required. Details appear in **Annex 5.**

The proposed General Fund balance for 2019/20 is **£10.643m** and has been informed by the risk assessment, financial climate and comparison to other Core Cities.

Annex 5 details the separate report (incorporating the risk assessment) relating to the robustness of the budget and the adequacy of reserves and has been written by the CFO in her capacity as S151 officer.

8. Accountability

Portfolio pages are included below, providing an outline of the key responsibilities of each portfolio and the headline budget. Portfolio Holders are expected to deliver the City's policies and priorities within the resources made available to them. The budgets set for 2019/20 form the basis by which performance management can take place.

The regular monitoring of budgets takes place at various management levels within the Council, including at CLT and is reported quarterly to Executive Board. This is particularly important in highlighting areas of budget pressures, as early as possible in the process, to enable management action to take place.

The City Council recognises the importance of individual and collective accountability and requires managers acknowledge their responsibilities to deliver services on time, to the required standard and within budget, and to implement any savings and investment allocated to their areas. In recognition that financial management is an integral aspect of effective leadership and good management, relevant councillors and managers are required to participate fully in all aspects of financial processes.

9. Portfolio Pages

Leader / Regeneration & Growth – Councillor Jon Collins

Broad Responsibilities:

- Promote Core Values & Objectives of Council
- Overseeing the strategic use of resources and the strategic planning cycle of the Council
- Political leadership and development of City, reflecting national, European and international policy and strategic partnerships
- Support to portfolio holders
- Strategic Regeneration and Development
    - Overview of all regeneration activity across the City
    - City Centre, major regeneration projects
    - Local Economic Partnership and European Funding
- Strategic and Operational Property
- Crime and Drugs Partnership
- Business & Growth
    - Growth Plan Delivery
    - City Centre Retail Management
    - Business Support, Development and Liaison
    - Inward Investment
    - Sector Development
    - Social Enterprise and Enterprise Development
- Creative Quarter
- Place Marketing Organisation
- Smart Cities
- Metro Strategy
- Communications and Marketing

Revenue Budget 2019/20: Regeneration & Growth				
	Base Budget £m	Adjustments, Inflation & Previous Decisions £m	Portfolio & Corporate Proposals £m	Net Budget £m
R&G	(18.800)	(0.561)	(0.768)	(20.129)
Corporate item	(0.300)	(0.050)	(0.200)	(0.550)
Total	**(19.100)**	**(0.611)**	**(0.968)**	**(20.679)**

Deputy Leader / Finance, Resources and Commercial Services – Councillor Graham Chapman

Broad Responsibilities:

- Deputise for the Leader;
- Value for Money and Organisational Health;
- Improved cross-cutting delivery;

- Finance & Resources:-
    - Finance
    - Legal and Democratic Services, Monitoring
    - Health and Safety
    - Risk Management
    - Collection of Council Tax and NNDR
    - Housing and Council Tax Benefits
    - Welfare Rights
    - Catering
- Income Generation and Commercialisation
- Services to schools
    - Facility and Building Services
- Commissioning and Procurement:-
    - Corporate Strategic Commissioning
- Neighbourhood Regeneration
    - Neighbourhood Retail Management

Revenue Budget 2019/20: Finance, Resources and Commercial Services				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
F,R&CS	22.402	1.685	(2.033)	22.054
Corporate items	52.155	(0.461)	(4.859)	46.835
Portfolio Total	**74.557**	**1.224**	**(6.892)**	**68.889**

Adult Social Care & Health – Councillor Sam Webster

Broad Responsibilities:
Health and Social Care Integration

- Adults:-
  - Corporate Strategies for Older People and Vulnerable Adults
  - Championing Independent Living
    - telecare
    - catering
  - Adult Safeguarding
- Health:-
  - Public Health and Wellbeing
    - health inequalities
    - smoking and avoidable injuries
  - Chair of the Health and Well Being Board
  - Mental Health and Well-being
  - Teenage Conception
  - Wider Health Links
  - Lead on commissioning of Adults Services
- Meals at Home
- Passenger Transport

Revenue Budget 2019/20: Adult Social Care & Health				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
Total	**86.560**	**5.157**	**(2.734)**	**88.983**

Education & Skills – Councillor Neghat Khan

Broad Responsibilities:

- Schools
  - Education Improvement Board
  - Educational provision 3 – 16 including school re-organisation and governance, Academies and Free Schools
  - Attendance
  - Special Educational Needs – Special Education Schools
  - Pupil Referral Units
  - Employability in Schools
- Jobs and Skills:-
  - Lead on skills and employment
    - Post 16 Training, FE and HE
    - Develop opportunities for young people and adults
    - Local Jobs for Local People and Making the Connections
    - Investment initiatives
    - Nottingham and Notts Futures Advice, Skills and Employment
- Woodfield Industries
- One Nottingham

Revenue Budget 2019/20: Education & Skills				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
Total	**2.180**	**0.643**	**(0.575)**	**2.248**

Community Protection – Councillor Toby Neal

Broad Responsibilities:

- Partnerships – voluntary sector and faith
- Community Sector
  - Lead role with the Community Sector and Volunteering
  - Community Centres
- Community Cohesion
- Equalities
- Community Safety
  - Overview of the Council's Section 17 responsibilities.
  - Public and Consumer Protection
  - Community Safety and Respect for Nottingham
  - Domestic Violence
- Licensing and Environmental health
- Trading Standards
- City Centre Management
- Homelessness and Housing Aid (operational)
- Emergency Planning
- Digital Inclusion and IT
- Information Management and Assurance

Revenue Budget 2019/20: Community Protection				
	Base Budget £m	Adjustments, Inflation & Previous Decisions £m	Portfolio & Corporate Proposals £m	Net Budget £m
Total	**16.597**	**0.636**	**(1.365)**	**15.868**

Early Intervention & Early Years – Councillor David Mellen

Broad Responsibilities:

- Children's Services
  - Performing the lead role for Children's Services in accordance with statutory requirements and guidance
  - Children's Safeguarding and children's social care
  - Children in Care and Care Leavers
  - Leading on Early-Intervention
  - Children's Partnership and Young People's Plan
  - Youth and Play teams, Youth Offending team
  - Early Years including Children's Centres
  - Children's Disability and Children's Mental Health
  - Lead on commissioning of Children's Services
- Lead of refugees and asylum seekers
- International and European links

Revenue Budget 2019/20: Early Intervention & Early Years				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
Total	**57.521**	**3.158**	**(6.735)**	**53.944**

Transport & HR – Councillor Dave Liversidge

Broad Responsibilities:

- Strategic Transport
- HS2
- NET phase 1,2 and 3
- Road repairs and resurfacing
- Street Lighting
- Taxi Strategy
- HR and Transformation
- Neighbourhood Transport
    - Traffic Management and Parking
    - Highways Design and Maintenance
    - Public Transport
    - Area committee highways work
    - Corporate Transport Fleet

Revenue Budget 2019/20: Transport & HR				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
Total	**6.352**	**0.846**	**(2.017)**	**5.181**

Leisure & Localities – Councillor David Trimble

Broad Responsibilities:

- Leisure and Culture:
  - Parks, allotments, open spaces and playgrounds
  - Street Parks (Play Zones)
  - Leisure Transformation Programme
  - Museum and heritage sites
  - Libraries, arts and events, museums, theatres and sport
  - Lead on arms-length venues – Ice Arena, Playhouse, Theatre Royal & Royal Centre
  - Nature conservation – operational
- Tourism
- Markets, fairs and toilets
- Cemeteries and crematoriums
- Area Working
  - Neighbourhood Management and Engagement

Revenue Budget 2019/20: Leisure & Localities				
	Base Budget £m	Adjustments, Inflation & Previous Decisions £m	Portfolio & Corporate Proposals £m	Net Budget £m
Total	**8.505**	**1.020**	**(1.006)**	**8.520**

Energy & Environment – Councillor Sally Longford

Broad Responsibilities:

- Sustainability
- Robin Hood Energy
- Climate change and carbon reduction
- Nature conservation – strategy
- Energy and energy bills
- Energy from Waste including Enviroenergy (Waste Recycling Group)
- Nottingham Energy Partnership
- Waste Collection and Waste Disposal
- Clean air/ Air quality
- Cleansing
- Street Scene
- Flooding and flood risk

Revenue Budget 2019/20: Energy & Environment				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
E&E	17.046	1.801	(0.864)	17.983
Corporate item	(0.349)	0.000	0.000	(0.349)
Total	**16.697**	**1.801**	**(0.864)**	**17.634**

Planning, Housing & Heritage – Councillor Linda Woodings

Broad Responsibilities:

- Planning
  - Planning policy and development management
- Housing
  - Physical neighbourhood transformation and regeneration
  - Estate Management – Council and private estates
  - Private Housing and Private Rented Sector
  - Performance of NCH and Housing Associations
  - Student Housing
  - Housing with care and support
  - Strategic and Retained Housing functions
  - Regeneration Land and Property (tied in with above)
  - Homelessness Policy
  - Temporary Accommodation commissioning
  - HiMOs
- Heritage
- Customer Services and Customer Care

Revenue Budget 2019/20: Planning, Housing & Heritage				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
PH&H	1.781	0.469	(0.103)	2.147
Corporate item	(5.288)	2.338	0.000	(2.950)
Total	**(3.507)**	**2.807**	**(0.103)**	**(0.803)**

Adult Social Care & Health

Appendix A.1

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	C&A - Adults	Adult Social Care	Removal of subsidy for adult care services in line with Government guidance	The proposal is to remove the subsidy for adult social care services for those people who can afford to pay for day care, transport to day care and homecare where more than one carer is needed. This will be done in line with national guidance and the Fairer Charging Policy.	(0.247)	(0.138)	(0.111)
2	C&A - Adults	Adult Social Care	Deputyship Fee Income	Office of the Public Guardian have set LA fees that can be charged. Citizens with the lowest level of income are exempt from these charges by this guidance	(0.017)	(0.017)	(0.017)
3	C&A - Adults	Adult Social Care	National Living Wage (NLW)	Review proposals for funding NLW against the current MTFP allocation. Expectation on providers to fund part of the additional cost of NLW	(1.600)	0.000	0.000
4	C&A - Adults	Adult Assessment	Business Performance and Adult Assessment	Reconfiguration of staffing	(0.096)	(0.128)	(0.128)
5	C&A - Adults	Adult Social Care	Review of Direct Payments process	Implement changes to the way in which Direct Payment Support providers are paid to exempt payments from VAT. It should be noted that a deflator has been incorporated to this saving as a further initiative is encouraging all new citizens to use card accounts and employment support is being offered at no cost at the support planning stage	(0.053)	(0.078)	(0.078)
6	C&A - Adults	Adult Social Care	Decommissioning of CM2000	Contractual savings relating to the decommissioning of the homecare monitoring system for external care providers. This has been replaced by functionality within the Integrated Social Care and Finance system	(0.090)	(0.090)	(0.090)
7	C&A - Adults	Adult Social Care	Mental Health - Social Impact Bond	The Social Impact Bond has been successful in gaining a grant from the Life Chances Fund to support the Social Impact Bond. The initiative still needs to attract independent investment. It will support those citizens with mental health problems living in residential care who are difficult to engage. The aim of the project will be to maximise the potential of a cohort of 36 working age adults, who are either in residential care or who are at risk of	(0.011)	(0.385)	(0.879)

				entering into residential care, to lead independent lives in a community setting			
8	C&A - Adults	Adult Social Care	Mental Health - Housing Related Support (HRS)	There are a number of citizens living in residential care who would benefit from a more outcome focussed approach but were not appropriate for a move to supported living. This will enable a number of citizens to move from residential care to HRS, reducing NCC's reliance on residential care	(0.246)	(0.807)	(1.123)
9	C&A - Adults	Adult Social Care	Social Care Advocacy Contract	To reduce the City Council's contribution towards the Advocacy Contract in line with the current levels of utilisation. This level of reduction has been agreed by the County Council	(0.130)	(0.130)	(0.130)
10	C&A - Adults	Adult Social Care	Sign Language Interpretation Service	Contract efficiencies	(0.021)	(0.021)	(0.021)
11	C&A - Adults	Adult Social Care	Learning Disability Development Fund	The Learning Disability Board is now self-sufficient and no longer needs this subsidy	(0.015)	0.000	0.000
12	C&A - Adults	Adult Social Care	Providing support for people with HIV through the council's in-house adult social care service	The proposal is for people with HIV who need social care services to be supported through Nottingham City Council's adult social care offer rather than through a separately-funded service	(0.043)	(0.043)	(0.043)
13	C&A - Adults	Adult Provision	Relocate the Marcus Garvey Day Service to The Willows	The building used by Marcus Garvey Day Service is no longer fit for purpose. The proposal is to move this service to The Willows	(0.067)	(0.067)	(0.067)
14	C&A - Adults	Adult Provision	Lunch Club Meals	Removal of subsidy	(0.053)	(0.105)	(0.105)
15	C&A - Adults	Adult Provision	Reconfiguration of Day Centre Activity **NEW PROPOSAL**	The further roll out of the Nottingham Pathway Service will mean a move away from the traditional offer of Day Centre activities for those citizens with mild learning disability.	(0.045)	(0.095)	(0.095)
					(2.734)	**(2.106)**	**(2.888)**

Education & Skills

Appendix A.2

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	Development & Growth	Economic Development	Futures	Reduction in annual NCC contribution	(0.150)	(0.150)	(0.150)
2	C&A - Education	Various Departments	Partnership Contributions	Increase usage of one off contributions made from schools, trusts and central government funding	(0.200)	0.000	0.000
3	Commercial & Operations	Neighbourhood Services	Woodfield Industries	Continued transformation of Woodfield Industries through moving supported employees into permanent posts throughout the authority. Staff will move into new posts and retain the support of the Community Partnership and Project Development team. The total number of supported placements will be maintained at the current level	(0.085)	(0.085)	(0.085)
4	C&A - Education	Education Partnerships	SEN Transport Post 16 **NEW PROPOSAL**	SEN Transport Post 16 including, • Attending special school sixth form • Attending Portland College • Attending other college provision	(0.250)	(0.300)	(0.300)
					(0.685)	**(0.535)**	**(0.535)**

Community Protection

Appendix A.3

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	Commercial & Operations	Neighbourhood Services	Security efficiency savings and income generation	Promotion of security services to others to generate income streams, as well as consolidating our security offer, including CCTV, to maximise operational efficiencies	(0.100)	(0.100)	(0.100)
2	Strategy & Resources	IT	Commercial service income increase	To continue the successful development of IT commercial services	0.000	(0.020)	(0.020)
3	Strategy & Resources	IT	Voice and WAN savings	To reduce expenditure with Virgin Media by at least £100k per annum	(0.100)	(0.100)	(0.100)
4	Strategy & Resources	IT	Contracts review	To continue the review of small software contracts to maximise value for the Council	(0.040)	(0.120)	(0.120)
5	Strategy & Resources	IT	Continued migration from internal Oracle database hosting to Microsoft SQL	All internal applications require some form of database to support their operation. IT will continue to migrate these databases to lower cost options	(0.030)	(0.030)	(0.030)
	Commercial & Operations	Community Protection	Community Protection efficiency savings	Community Protection consists of Regulatory Services and the City Council's crime and ASB functions, which are delivered in partnership with Notts Police. This saving is a combination of effective management action to reduce the overall cost of the service whilst retaining our focus on Council priorities	(0.223)	(0.223)	(0.223)
7	Strategy & Resources	IT	Server Monitoring Systems Review	The IT service has developed a complex and comprehensive range of proactive monitoring and BI tools. This proposal suggests the removal of one of four separate monitoring systems	0.000	(0.007)	(0.007)
8	Strategy & Resources	IT	One number / One device	Reduction in corporate expenditure on mobile telephony by 25%	(0.250)	(0.250)	(0.250)
9	Strategy & Resources	IT	IT departmental budget allocation	Reduction in Libraries IT budget allocation	(0.020)	(0.020)	(0.020)
10	Strategy & Resources	IT	Centralisation of LA IT functions	Bringing together various staffing roles within the Council that exist to develop and maintain web based activities. Reduction of two posts	(0.050)	(0.050)	(0.050)
11	Strategy & Resources	IT	CCTV related project work	Offer a broader service for the Council’s CCTV network	(0.030)	(0.030)	(0.030)
12	Commercial & Operations	Community Protection	Environmental Health - Deletion of Tobacco Officer	Removal of Tobacco Control Officer Post	(0.047)	(0.047)	(0.047)

13	Commercial & Operations	Community Protection	Reduce Police Partnership Contribution	Asking the PCC to making a reduction of 10% of the spend	(0.045)	(0.045)	(0.045)
14	Commercial & Operations	Community Protection	Review/Reduction of Community facing grants	Strategic Review of all Community facing grants including Voluntary Sector Grants and Area Based Grants	(0.250)	(0.250)	(0.250)
15	Commercial & Operations	Community Protection	Reductions in expenditure in Regulatory Services Budget (inc. Licensing) **NEW PROPOSAL**	A review will be undertaken, including the appropriateness of all charges and all income and expenditure	(0.150)	(0.150)	(0.150)
16	Commercial & Operations	Community Cohesion	Reduce Community Cohesion Funding **NEW PROPOSAL**	Reduction in City Council funding	(0.030)	(0.030)	(0.030)
					(1.365)	**(1.472)**	**(1.472)**

Early Intervention & Early Years

Appendix A.4

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	C&A - Children's	Children In Care	Implementation of Pause Programme	Pause works with women who have experienced, or are at risk of, repeat removals of children from their care. It aims to break this cycle and give women the opportunity to develop new skills and responses that can help them create a more positive future	0.000	(0.189)	(0.396)
2	C&A - Children's	Children In Care	DN2 Social Impact Bond	Various interventions including step down from residential, placement stabilisation to prevent coming into residential, re-unification and edge of care	(0.300)	(0.300)	(0.300)
3	C&A - Children's	Children In Care	Increased partnership contribution	Increase in partnership contributions to Children in Care costs	(0.550)	(0.550)	(0.550)
4	C&A - Children's	Children In Care	Reduce the number of Children in Care	Reduction through further early intervention and progressing the right children through the process to permanency	(0.727)	(0.727)	(0.727)
5	C&A - Children's	Children In Care	High Cost Placements	This programme will continue to reduce the average placement costs for children in care and will be supported by the use of innovative approaches and whole-family wrap-around support to enable children to return home safely to their families or for their needs to be met in less costly provision	(1.135)	(1.135)	(1.135)
6	C&A - Children's	Children In Care	Increase foster placements	This work will continue to shift the balance of internal versus external fostering placements to make better use of available resources	(0.637)	(0.637)	(0.637)
7	C&A - Children's	Children In Care	Commissioning and contractual savings for Semi Independence provisions	This work will continue to strengthen commissioning arrangements and contract management around semi-independence provision for 16-18 year olds	(0.200)	(0.200)	(0.200)
8	C&A - Children's	Children In Care	Workforce Review	Reviewing support & managing workforce processes - this project will see a continued reduction in agency social workers as a result of our Grow Our Own Programme and newly qualified social worker recruitment programme	(0.159)	(0.159)	(0.159)
9	C&A - Adults	Adult Assessment	Disabled Children's Service	Release of historical underspends within service	(0.121)	(0.121)	(0.121)
10	C&A - Education	School Improvement	Income generation through training	Increase income through additional training to be delivered to support additional needs	(0.010)	(0.010)	(0.010)
11	C&A - Education	School Improvement	Education - Staffing Efficiencies	Staffing efficiency	(0.030)	0.000	0.000

12	Commercial & Operations	Community Protection (Syrian Management)	Home Office Grant Funding	Maximise Grant Funding	(0.020)	(0.020)	0.000
13	Strategy & Resources	Commissioning & Procurement (ELY)	Funding Reduction	Reduction in contribution to the 'Under 5's Integrated Children's' contract in partnership with City Care	(0.098)	(0.098)	(0.098)
14	Strategy & Resources	Commissioning & Procurement (ELY)	Funding Reduction	Reduction in contribution to the Appropriate Adult Service	(0.005)	(0.005)	(0.005)
15	C&A - Children's	NGY Contract	Reducing the contribution to the NGY youth centre	Reduce our contribution to the NGY youth centre	(0.030)	(0.030)	(0.030)
16	C&A - Children's	Play & Youth	Reduction of Play and Youth posts	To reduce and realign posts across Play & Youth teams	(0.151)	(0.151)	(0.151)
17	C&A - Children's	Targeted Team	Utilisation of grant funding for Family Support	Review of family support offer across targeting service to utilise opportunities for grant funding	(0.048)	0.000	0.000
18	C&A - Children's	Safeguarding	Safeguarding partnership	Reduction in contribution to partnership funding	(0.005)	(0.005)	(0.005)
					(4.225)	**(4.337)**	**(4.523)**

Energy & Environment

Appendix A.5

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	Commercial & Operations	Commercial & Energy Infrastructure	Energy Services	Expansion of the Energy & Waste Big Ticket	(0.250)	(0.250)	(0.250)
2	Commercial & Operations	Neighbourhood Services	Commercial Waste	Business Plan Delivery through growth and the commercial performance of the Derby Waste Contract	(0.300)	(0.300)	(0.300)
3	Commercial & Operations	Neighbourhood Services	Bin Calendar Sponsorship	Sponsorship proposal for the bin calendar	(0.014)	(0.014)	(0.014)
4	Commercial & Operations	Neighbourhood Services	Housing Revenue Account	Increase the charge to the Housing Revenue Account for Street Cleansing and Grounds Maintenance	(0.300)	(0.300)	(0.300)
					(0.864)	**(0.864)**	**(0.864)**

Leisure & Localities

Appendix A.6

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	Commercial & Operations	Neighbourhood Services	Cemeteries & Crematoriums	Increase fees and additional capacity	(0.100)	(0.100)	(0.100)
2	Commercial & Operations	Sport & Culture	Sport & Leisure	Review of pricing, service redesign and efficiencies	(0.299)	(0.299)	(0.299)
3	Commercial & Operations	Sport & Culture	Theatre Royal & Concert Hall	Maximise business activity from recent transformation investment & continue commercial income growth performance	(0.100)	(0.100)	(0.100)
4	Commercial & Operations	Sport & Culture	Wollaton Hall and Newstead Abbey	Sustain income generation from Wollaton & Newstead sites including catering, retail and new event attraction	(0.050)	(0.050)	(0.050)
5	Commercial & Operations	Sport & Culture	Libraries	Service redesign, income generation and review of current contract	(0.150)	(0.150)	(0.150)
6	Commercial & Operations	Sport & Culture	Cultural Grants	Reduction in cultural grants	(0.032)	(0.032)	(0.032)
7	Commercial & Operations	Sport & Culture	Events	Cease October Festival activity	(0.057)	(0.057)	(0.057)
8	Commercial & Operations	Community Protection	Ward councillor budgets	Reduced funding	(0.088)	(0.088)	(0.088)
9	Commercial & Operations	Community Protection	Area Committee Arrangements	Reduce the current number of Area Committees from 8 to 6	(0.020)	(0.020)	(0.020)
10	Commercial & Operations	Sport & Culture	Museums – Seasonal opening hours **NEW PROPOSAL**	Aligned opening hours to support seasonal trading of Wollaton Hall (excluding the Park) and Newstead Abbey including flexible opening and closing times to meet commercial demand.	(0.080)	(0.080)	(0.080)
11	Commercial & Operations	Neighbourhood Services	Parks and Open Spaces - Bulwell Golf Course **NEW PROPOSAL**	A review will be undertaken with a view to exploring alternative uses or identifying an operator who can operate the golf course at no subsidy.	(0.050)	(0.050)	(0.050)
					(1.026)	**(1.026)**	**(1.026)**

Transport & HR

Appendix A.7

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	Commercial & Operations	Commercial & Energy Infrastructure	Highways - Insourcing and staffing efficiencies	Further insourcing and increased productivity in the DLO	(0.200)	(0.200)	(0.200)
2	Commercial & Operations	Neighbourhood Services	Car Parking - Income Growth	Incremental pricing changes to reflect competitor activity	(0.205)	(0.205)	(0.205)
3	Commercial & Operations	Neighbourhood Services	City Centre Car Parking - Sunday Charges	City Centre On-Street Parking - charge Sundays at the same tariff rate as Mon-Sat. Currently Sunday charges are 50p per 1/2 hr (zone 1 (min £1)). Zones 2 and are £1 for 3 hours or £2 all day	(0.041)	(0.100)	(0.100)
4	Commercial & Operations	Neighbourhood Services	City Centre Car Parking - Review of parking zones	Review all on-street zones occupancy levels to ensure they are zoned correctly (Zones 1-5)	(0.023)	(0.030)	(0.030)
5	Development & Growth	Traffic	Incomes from fees and charges	Review current fees and charges across Traffic, particularly in regard to external bodies	(0.060)	(0.060)	(0.060)
6	Development & Growth	Public Transport	Income from the University of Nottingham	Annual fixed income deal with the University of Nottingham for Medilink Bus Service which allows its students to board for free	(0.043)	(0.043)	(0.043)
	Development & Growth	Major Projects	Reassessment of PFI reserve contribution and models	Reduced contributions following a review of financial model assumptions	(0.020)	(0.020)	(0.020)
8	Development & Growth	Major Projects	Reprofile of PFI **AMENDED PROPOSAL**	Review of model to generate efficiency savings	(0.350)	(0.350)	(0.350)
9	Development & Growth	Traffic	Keeping Nottingham Moving reinvestment	Any red route income is reinvested in Keeping Nottingham Moving	(0.030)	(0.058)	(0.058)
10	Development & Growth	Traffic	Restructure Traffic service	Rationalisation of current structure	(0.180)	(0.180)	(0.180)
11	Development & Growth	Major Projects	Reserves for seasonal street lighting	Reducing annual reserve payments based on actual experience of replacement costs	(0.013)	(0.013)	(0.013)
12	Commercial & Operations	Neighbourhood Services	City Centre Car Parking - On Street Evening Parking	Extend the existing daily charging period to cover 8am-8pm Remove the evening parking rate (£2 between 6-8pm) and charge the same tariff as the day rate	(0.036)	(0.088)	(0.088)
13	Commercial & Operations	Neighbourhood Services	City Centre Car Parking - On Street Parking Periods	This proposal means that the half hour intervals will be removed from on-street parking, except for the first half hour in Zone 1. The new tariff structure would be: Zone 1 - £1 for first 30 mins, £2 for first hour and £2 per hour thereafter	(0.145)	(0.145)	(0.145)

				Zone 2 - £1 per hour Zone 3 - £1 for 2 hours, 50p per hour thereafter			
14	Commercial & Operations	Neighbourhood Services	City Centre Car Parking - On Street Evening Parking	Move the evening charge to 8pm - 10pm Introduce the evening parking rate £2 from 6-8pm to 8-10pm	(0.010)	(0.010)	(0.010)
15	Development & Growth	Transport Strategy & Public Transport	Contract Link Bus Services **AMENDED PROPOSAL**	Delivery efficiencies by the review and withdrawal of some routes	(1.011)	(1.011)	(1.011)
					(2.367)	**(2.513)**	**(2.513)**

Planning, Housing & Heritage

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	Development & Growth	Planning	Building Control	Review of team structure and management, income potential and fees	(0.040)	(0.040)	(0.040)
2	Development & Growth	Planning	Pre-application fees	Review fee schedule and increase pre-application planning fees	(0.010)	(0.010)	(0.010)
3	Development & Growth	Planning	Planning fees	Increase planning fee income target - due to increased development	(0.025)	(0.025)	(0.025)
4	Development & Growth	Planning	Searches team	Staffing rationalisation	(0.020)	(0.020)	(0.020)
					(0.095)	**(0.095)**	**(0.095)**

Finance, Resources & Commercial Services

Appendix A.9

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	Commercial & Operations	Neighbourhood Services	Nottingham Catering	Commercial growth, increased school meal prices and supply chain and operational cost savings	(0.200)	(0.200)	(0.200)
2	Development & Growth	Strategic Assets and Property	Information Management income	Increase in income target within service area	(0.030)	(0.030)	(0.030)
3	Strategy & Resources	Insight & Analysis	Research, Engagement and Consultation Team Income Generation	Continue to deliver an engagement and consultation service but with a focus on income generation through commissioned engagement work as part of external funding bids and consultancy opportunities	(0.020)	(0.020)	(0.020)
4	Strategy & Resources	Strategic & Corporate Finance	Removal of budgeted funding from previous restructure plans	Removal of funding that was previously retained as part of a previous restructure as a different and cheaper model was adopted	(0.100)	(0.150)	(0.200)
5	Strategy & Resources	Commercial Finance	Grant and Income Maximisation	Review of the use of grants	(0.400)	0.000	0.000
6	Strategy & Resources	Legal & Governance	Additional income	Conveyancing income target increase	(0.050)	(0.050)	(0.050)
7	Strategy & Resources	Legal & Governance	Additional income	Conveyancing income target increase - Increase in external fees & charges including an increase in local land charges fees	(0.020)	(0.040)	(0.040)
8	Strategy & Resources	Legal & Governance	Further income generation	Refocus on additional income generation which will have an impact on level of available support to departments	0.000	(0.020)	(0.020)
9	Strategy & Resources	Procurement	Contracting & Procurement - Increased income generation	Further Procurement work with Districts & Boroughs to be agreed during 2018/19.	(0.040)	(0.040)	0.000
10	Corporate	Corporate Items	Increase in NCT dividend	Additional dividend assumption	(0.500)	(0.500)	(0.500)
11	Strategy & Resources	Strategic & Corporate Finance	Contract Renegotiation	EMSS Contract Price Reduction and service provision	(0.050)	(0.100)	(0.150)
12	Strategy & Resources	Procurement	Reducing Contract Costs through more efficient Contract Management	Reducing Contract Costs through more efficient Contract Management across the authority, part of Systems Big Ticket. Savings will be net of the commissioning and procurement team costs	(0.036)	(0.096)	(0.096)
13	Strategy & Resources	Commercial Finance	Business Rates Transformation	Business Rates Transformation - This will include re-organisation of our approach to business rates, inspection, collection and administration. To develop an alternative delivery method aligning	(0.200)	(0.300)	(0.400)

				with council tax administration and the review of policies			
14	Strategy & Resources	Commercial Finance	Revenue & Benefits delivery vehicle	Contract and service delivery review	0.000	(0.100)	(0.200)
15	Strategy & Resources	Commercial Finance	Housing Benefit	Housing Benefit - Reduce the error rates in relation to Housing Benefit, introduce and invest to save quality assurance approach	0.000	(0.100)	(0.300)
16	Strategy & Resources	Insight & Analysis	Removal of budgeted funding from previous restructure plans	Removal of funding that was previously retained as part of a previous restructure as a different and cheaper model was adopted	(0.012)	(0.012)	(0.012)
17	Strategy & Resources	Commissioning	Commissioning	Deletion of vacant posts/reduction in hours	(0.057)	(0.103)	(0.103)
18	Strategy & Resources	Audit & Risk	Audit & Risk Reduction	Increasing income & reduction in resourcing in Audit & Risk	(0.063)	(0.088)	(0.088)
19	Strategy & Resources	Legal & Governance	Constitutional Services	Staffing reduction of 1 FTE in Constitutional Services	(0.031)	(0.031)	(0.031)
20	Strategy & Resources	Legal & Governance	Alignment of Councillor allowance budget to reflect actual spend.	Reduction in Councillor allowances and expenses budget to reflect actual spend.	(0.040)	0.000	0.000
21	Strategy & Resources	Legal & Governance	Service restructure within Legal Services	Staffing reduction in Legal & Governance Services Realignment of resources to meet Corporate priorities	(0.063)	(0.063)	(0.063)
22	Strategy & Resources	Registrars	Registration Service	Delete 1 x Asst Registrar post	(0.019)	(0.019)	(0.019)
23	Strategy & Resources	Insight & Analysis	Public Health Insight Specialist support	Removal of vacant posts	(0.098)	(0.098)	(0.098)
24	Strategy & Resources	Insight & Analysis	Knowledge Resource	Deletion of post	(0.018)	(0.036)	(0.036)
25	Strategy & Resources	Legal & Governance	Rationalisation of Council Committees **NEW PROPOSAL**	Reduction in the number of meetings	(0.030)	(0.060)	(0.060)
					(2.077)	**(2.255)**	**(2.715)**

Regeneration & Growth

Appendix A.10

	Department	Service Area	Title of Proposal	Narrative	2019/20 £m	2020/21 £m	2021/22 £m
1	Strategy & Resources	Marketing & Comms	Income Generation – Advertising **AMENDED PROPOSAL**	Communications and Marketing will work with departmental services to pursue new opportunities for income generation from advertising	(0.011)	(0.022)	(0.027)
2	Strategy & Resources	Marketing & Comms	Income Generation - Large Format Digital Screens	Fast track phase 2 of the digital screen plan designed to generate advertising revenue (via third party support) from small/large digital screens in the City Centre	(0.015)	(0.015)	(0.015)
3	Corporate	Corporate Items	SCAPE	Increase in dividend	(0.200)	(0.225)	(0.335)
4	Development & Growth	Economic Development	Marketing Nottingham	Rental reduction	0.000	(0.050)	(0.050)
5	Development & Growth	Development and Growth	Urban Delivery Unit	Creating team within D&G to focus on Urban Delivery. Savings achieved through unified line management, multi-disciplinary working and increased potential for securing grant income	(0.100)	(0.100)	(0.100)
	Development & Growth	Development and Growth	Management Restructuring	Changes to departmental structure	(0.055)	(0.055)	(0.055)
	Strategy & Resources	Marketing & Comms	Marketing & Comms	Transformation of Marketing & Comms function. The aim will be to develop an alternative delivery method aligning increasingly limited resources to our highest priorities	(0.083)	(0.093)	(0.093)
					(0.464)	**(0.560)**	**(0.675)**

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ANNEX 3

CAPITAL PROGRAMME

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Capital Programme

1. Introduction

Annex 3 introduces the draft capital programme, incorporating the capital budget for 2019/20 – 2023/24. CIPFA requires the Council to have an agreed Capital and Investment Strategy; this capital programme report has been formulated in accordance with this strategy.

The capital budget is aligned to the Capital and Investment Strategy and presents, in financial terms, the Council's plan for investment related to the purchasing, building and improvement of capital assets, together with the implications of any major capital projects or investments in Nottingham; this does not relate to the day-to-day running costs of the Council.

This draft capital programme shows how we intend to invest **£699.664m**, from 2018/19 to 2023/24, enabling substantial regeneration in and around the City and allowing the Council to deliver the capital requirements that have arisen from service needs. This planned investment will ensure that Nottingham continues to be a Great City with Citizens at the Heart.

2. Understanding the Capital Programme

The programme is divided into two categories:

The General Fund Capital Programme
This is the main fund from which the costs of the majority of capital projects are met; it deals with most functions of the Council and is reported in the following sections:

- Transport Schemes – sets out the policies and programmes of investment for delivering transport improvement initiatives across Nottingham.
- Education – This section includes capital expenditure needed for the maintenance and upkeep of schools in the City together with the investment required to ensure there are sufficient school places for the number of pupils in the City, through the expansion of existing schools or building new ones.
- Other Services – All other capital projects, including the maintenance and upkeep of Council owned assets, capital investments required to maintain and enhance service delivery and significant investment in regeneration projects, aimed at creating jobs, attracting other investment into the city and creating a vibrant and attractive city centre for all.

Public Sector Housing Capital Programme
The Housing Revenue Account (HRA) is the Council's landlord account, which provides for the capital expenditure associated with the management and maintenance of the Council's social housing stock of c25,600 dwellings. Legislation requires that the HRA is kept separate (ring-fenced) from the Council's other financial transactions.

Both the General Fund and Public Sector Housing programmes are further subdivided into two categories, as follows:

Category 1: Approved Capital Schemes
Projects that have been formally approved and have a funding package that is deemed affordable

Category 2: Planned Capital Schemes
Projects that have been agreed in principal and the Council is undergoing project feasibility and development to identify if the project's objectives can be achieved within an affordable funding envelope

Table 1 summarises the proposed capital programme of **£699.664m** between the General Fund and the Housing Revenue Account. **Appendix D** sets out the details.

TABLE 1: TOTAL CAPITAL PROGRAMME							
Programme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**TOTAL £m**
General Fund							
Category 1 - Approved Schemes	124.120	152.392	71.851	19.128	8.606	7.327	**383.424**
Category 2 - Planned Schemes	19.250	14.302	29.766	7.572	0.000	0.000	**70.890**
Total General Fund	**143.370**	**166.694**	**101.617**	**26.700**	**8.606**	**7.327**	**454.314**
Public Sector Housing							
Category 1 - Approved Schemes	48.930	54.362	36.165	29.462	31.774	32.819	233.512
Category 2 - Planned Schemes	0.000	0.500	11.338	0.000	0.000	0.000	11.838
Total Public Sector Housing	**48.930**	**54.862**	**47.503**	**29.462**	**31.774**	**32.819**	**245.350**
TOTAL PROGRAMME	**192.300**	**221.556**	**149.120**	**56.162**	**40.380**	**40.146**	**699.664**

Table 1a below shows the funding of the total proposed capital programme, split by General Fund and the Public Sector Housing Programme.

TABLE 1a: CAPITAL FUNDING OVERVIEW								
Programme	**Capital Budget**	**Prudential Borrowing**	**Grants & Cont's**	**Internal Funds**	**Major Repair Allowance**	**Secured Capital Receipts**	**Unsecured Capital Receipts**	**Total Funding**
Total General Fund	454.314	(268.078)	(128.271)	(18.945)	0.000	(8.919)	(30.101)	**(454.314)**
Public Sector Housing	245.350	(32.812)	(7.100)	0.000	(165.817)	(17.572)	(13.963)	**(237.264)**
Total	**699.664**	**(300.890)**	**(135.371)**	**(18.945)**	**(165.817)**	**(26.491)**	**(44.064)**	**(691.578)**
General Fund & Schemes in Development Programme (Surplus) / Deficit								**0.000**
Public Sector Housing Programme (Surplus) / Deficit*								**8.086**

The public sector housing programme is showing a deficit of **£8.086m** as per the Executive Board decision regarding Fire Safety Works for High Rise Blocks whereby funding for the works is still to be identified.

3. General Fund Capital Programme – excluding Transport Schemes

Table 2 shows the revisions to the General Fund (excluding Transport Schemes) approved capital programme since Quarter 2 (presented at Executive Board in December 2018).

TABLE 2: General Fund Programme (Excluding Transport) – Revisions Since Quarter 2							
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**TOTAL £m**
Qtr 2 Projections	254.543	99.645	33.387	10.392	9.354	0.000	**407.321**
Additions	24.357	26.774	33.758	0.086	(0.715)	7.317	**91.577**
Slippage / Reprofiling / Other	(80.104)	16.625	36.641	16.222	(0.033)	0.010	**(10.639)**
Movement with Category 2 Planned	(75.122)	9.662	(2.169)	0.000	0.000	0.000	**(67.629)**
Qtr 3 Projections	**123.674**	**152.706**	**101.617**	**26.700**	**8.606**	**7.327**	**420.630**

The updated projected programme excluding transport totals **£420.630m**. Details of approved additions to the programme, of **£91.577m**, are shown in **Appendix A.** These include **£19.659m** for Investment Property Acquisitions and **£48.504m** for Southern Gateway.

The Transport proposals are highlighted in **section 6**, with the detail included in the Local Transport Plan at **Appendix C** and changes in Public Sector Housing are detailed in **Appendix D**.

In addition approval is requested for the expansion of rolling schemes for Eastcroft CAPEX, Vehicle Replacement Programme, Disabled Facility Grants, the District Heating Pipe Network and Area Capital Fund as detailed below and in **Table 3.**

- **Eastcroft Capex**
  Extension of the Capital works required to maintain the Eastcroft Incinerator, which is a contractual commitment for the Council. The reduction in maintenance reflects the linked contract expiring in 2030/31.

- **Vehicle Replacement Programme**
  The Council operates a fleet of c525 vehicles that are to be replaced on a rolling basis in order to maintain an efficient and effective fleet and service. The programme for 2019/20 is **£3.000m** and is funded from prudential borrowing. The revenue costs of repayments are met within the service.

- **Disabled Facilities Grant (DFG)**
  DFG's are a means tested mandatory grant, delivered through an integrated service by Occupational Therapy and the Adaptations & Renewal Agency. They are the principal method of financing adaptations for vulnerable disabled people in the private sector i.e. owner occupiers, tenants of housing associations and tenants of private landlords. The DFG approval is based on the DFG grant to be received in 2019/20 and an assumption has been made that the grant will remain at a consistent level. Any reduction in grant will mean a subsequent reduction in capital approval.

- **Integrated Community Equipment Services**
  The Integrated Community Equipment Services provide care equipment in the community and is an ongoing commitment for the Council, this capital scheme does not attract any capital grant and therefore is to be funded by reallocating a proportion of the DFG Grant.

- **District Heating Network**
  The City has a contractual obligation to maintain its assets to a satisfactory standard and in order to do so an effective asset management strategy has been developed with the introduction of quality survey data combined with operational expertise and local knowledge. Targeted maintenance is undertaken in order to minimise service failure and disruption to our domestic and commercial customers. This expenditure is funded through prudential borrowing and recovered from Enviroenergy by charges made to the company under established SLA arrangements.

- **Area Capital Fund**
  A continuation of the Council's contribution to Area Based Capital Plans, further supported through aligned funding contained within the LTP programme.

TABLE:3 APPROVAL OF ROLLING SCHEMES

Scheme	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Eastcroft Incinerator							
Fully Approved Position	2.732	1.612	1.632	0.847	0.955	0.000	**7.778**
Approval Required	0.034	0.210	0.000	0.001	0.000	0.306	**0.551**
Latest Position Quarter 3	**2.766**	**1.822**	**1.632**	**0.848**	**0.955**	**0.306**	**8.329**
Vehicle Replacement Programme							
Fully Approved Position	5.538	3.000	3.000	3.000	3.000	0.000	**17.538**
Approval Required	(0.500)	0.000	0.000	0.000	0.000	3.000	**2.500**
Latest Position Quarter 3	**5.038**	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**20.038**
Disabled Facilities Grant							
Fully Approved Position	1.776	1.825	1.825	1.825	1.825	0.000	**9.076**
Approval Required	0.000	0.000	0.000	0.000	0.000	1.825	**1.825**
Latest Position Quarter 3	**1.776**	**1.825**	**1.825**	**1.825**	**1.825**	**1.825**	**10.901**
Integrated Community Equipment Services							
Fully Approved Position	0.336	0.336	0.336	0.336	0.336	0.000	**1.680**
Approval Required	0.000	0.000	0.000	0.000	0.000	0.336	**0.336**
Latest Position Quarter 3	**0.336**	**0.336**	**0.336**	**0.336**	**0.336**	**0.336**	**2.016**
District Heating Network							
Fully Approved Position	2.530	1.930	1.730	1.730	1.730	0.000	**9.650**
Approval Required	(0.990)	0.810	0.110	0.070	(0.730)	1.000	**0.270**
Latest Position Quarter 3	**1.540**	**2.740**	**1.840**	**1.800**	**1.000**	**1.000**	**9.920**
Area Capital Fund							
Fully Approved Position	0.480	0.750	0.750	0.750	0.750	0.000	**3.480**
Approval Required	0.000	0.000	0.000	0.000	0.000	0.750	**0.750**

Latest Position Quarter 3	**0.480**	**0.750**	**0.750**	**0.750**	**0.750**	**0.750**	**4.230**

Revised Capital Programme 2018/19 – 2023/24
Table 4 presents the revised General Fund element of the capital programme, by portfolio after amending for the revisions stated above in **Tables 2** and **3**. The detailed capital programme is attached at **Appendix D**.

TABLE 4 : REVISED GENERAL FUND CAPITAL PROGRAMME							
PORTFOLIO	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Category 1 - Approved Schemes							
Transport Schemes	19.696	13.988	0.000	0.000	0.000	0.000	**33.684**
Education / Schools	7.503	3.045	0.000	0.000	0.000	0.000	**10.548**
Other Services	96.921	135.359	71.851	19.128	8.606	7.327	**339.192**
Total Approved Schemes	**124.120**	**152.392**	**71.851**	**19.128**	**8.606**	**7.327**	**383.424**
Category 2 - Planned Schemes							
Regeneration	5.000	4.837	0.000	0.000	0.000	0.000	**9.837**
Commercial	14.250	9.465	22.716	7.572	0.000	0.000	**54.003**
Leisure and Culture	0.000	0.000	7.050	0.000	0.000	0.000	**7.050**
Total Planned Schemes	**19.250**	**14.302**	**29.766**	**7.572**	**0.000**	**0.000**	**70.890**
Total Programme	**143.370**	**166.694**	**101.617**	**26.700**	**8.606**	**7.327**	**454.314**

4. Sources of Programme Funding

The funding of the capital programme is delivered from a diverse range of sources as follows:

Capital Receipts
Receipts from the sale of surplus assets are a corporate resource, allowing the Council to fund a range of projects. Capital receipts are also used as a strategic funding mechanism to deliver projects for which the Council has a statutory responsibility.

Unsecured capital receipts used to fund the capital programme have been subject to a risk assessment that takes current market conditions and other factors into consideration. A full review of surplus assets is currently being undertaken as part of the Disposal and Reinvestment Strategy, which will include a new strategy for asset management. The capital programme is predicated on **£30.101m** of Unsecured Capital Receipts, if these receipts do not materialise or additional assets are not identified a pressure will be created in the capital programme.

Prudential Borrowing
Under the rules of the Prudential Code the Council has the power to finance capital projects through borrowing that does not attract support from the Government. The key principle for this prudential borrowing is that it must be affordable and consequently it is heavily regulated. This method of financing is used for those schemes that demonstrate they can deliver savings or make a return on investment to cover the debt repayments of interest and principal.

All borrowing is subject to:

- A robust business case that details how the related schemes will cover the costs of borrowing or make a commercial return.
- The prudential indicators for limits on external debt.
- Ensuring the borrowing and the Council's overall debt levels are affordable and sustainable.

Grants
External funds that are either provided by the Government which may be ring-fenced for specific areas, or external grants from other sources that have been specifically provided in order to deliver specific projects.

Reserves
Earmarked reserves set aside through Executive Board approval, for specific capital projects.

Table 4a below gives a further breakdown of how the General Fund capital programme will be funded.

TABLE 4a: GENERAL FUND CAPITAL PROGRAMME RESOURCES							
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Category 1 - Approved Schemes							
Prudential Borrowing	71.061	72.017	45.574	13.742	5.425	4.306	**212.125**
Grants & Contribution	38.860	60.564	11.890	2.543	2.309	2.168	**118.334**
Internal Funds / Revenue	5.810	6.670	4.785	1.464	0.113	0.103	**18.945**
Capital Receipts - Secured	6.919	0.000	0.000	0.000	0.000	0.000	**6.919**
Capital Receipts - Unsecured	1.470	13.141	9.602	1.379	0.759	0.750	**27.101**
Total Approved Schemes	**124.120**	**152.392**	**71.851**	**19.128**	**8.606**	**7.327**	**383.424**
Category 2 - Planned Schemes							
Prudential Borrowing	12.250	9.365	26.766	7.572	0.000	0.000	**55.953**
Grants & Contribution	5.000	4.937	0.000	0.000	0.000	0.000	**9.937**
Internal Funds / Revenue	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Capital Receipts - Secured	2.000	0.000	0.000	0.000	0.000	0.000	**2.000**
Capital Receipts - Unsecured	0.000	0.000	3.000	0.000	0.000	0.000	**3.000**
Total Planned Schemes	**19.250**	**14.302**	**29.766**	**7.572**	**0.000**	**0.000**	**70.890**
Total Resources	**143.370**	**166.694**	**101.617**	**26.700**	**8.606**	**7.327**	**454.314**

Cumulative (Surplus) / Shortfall (Table 4 - Table 4a)	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

59% of the value of capital schemes is proposed to be funded by prudential borrowing. 28.2% of projects are funded by external grants and contributions, with 12.8% being funded by capital receipts and internal funds. **Appendix B** lists the schemes that are being funded by Prudential Borrowing.

5. New and Emerging Projects

As capital projects progress through the sub categories (i.e. Planned and Potential Schemes) or emerge as a new project throughout the year it is common for there to be a number of emerging capital schemes being considered simultaneously. The decision to progress additional schemes will be dependent on securing the required level of external funding or grant as appropriate. Where projects do not attract grant or external funding, inclusion in the capital programme will be based on how the project aligns to Council priorities, the assessment of robust business cases and financial models that demonstrate the necessary return on investment required. All new and emerging capital schemes will be subject to the principles set out in **section 8** of this report.

Given the general financial outlook, a rate of return on any investment is desirable. The rate of return that will need to be generated on an investment will depend on the chosen method of financing. For example, any investment funded from prudential borrowing will need to cover the cost of borrowing as the minimum requirement.

In addition to the above it has been recognised that although commercial schemes are expected to make future returns on investment, some business cases demonstrate cash flow shortfalls in the early years. These shortfalls need to be taken into consideration in the wider context of available resources and funding to cover these shortfalls will need to be identified and approved prior to the commencement of projects. Therefore the following principle to be adopted and approved is as follows:

- All 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.

A revenue reserve has been established for contractual commitments which give rise to a cash flow shortfall of **£14.460m** over the period 2018/19 to 2022/23, and the current capital programme has fully committed these resources. Funding to cover this has been identified and has been included in the Medium Term Financial Plan.

6. Transport Schemes

The Transport Schemes are a significant component of the capital programme. The transport scheme programme comprises of Local Transportation Schemes and other Transport Schemes. Local Transport Plan (LTP) funding is also used to lever in significant additional external resources.

Traditionally the LTP is set for three years, however due to the 2019 Spending Review no funding is programmed for 2020/21 and 2021/22. Once the outcome of the spending review has been completed the Transport Programme will be reviewed to ensure it is able to respond to any new requirements or priorities.

Table 5 below shows the impact the new schemes will have on the proposed programme. The detail and the funding allocations are set out in **Appendix C**. The programme has been compiled on the basis that all schemes are consistent with the objectives set out in the LTP.

TABLE 5 : TRANSPORT SCHEMES MOVEMENT							
Description	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Transport Schemes as Reported at Quarter 2	21.219	13.059	3.874	0.000	0.000	0.000	**38.152**
Additions (New Schemes)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Slippage / Reprofiling Current Schemes / Other	(1.523)	0.929	(3.874)	0.000	0.000	0.000	**(4.468)**
Proposed Transport Schemes	**19.696**	**13.988**	**0.000**	**0.000**	**0.000**	**0.000**	**33.684**

7. Public Sector Housing Capital Programme

The Public Sector Housing Programme sets out the five year investment in the housing stock. This programme is within the overall 30 year HRA Business Plan which sets out how the public sector housing stock will be maintained to decent standards over the long term. Although Nottingham City Homes (NCH) manages the stock under a management agreement, the Council retains ownership and funding is awarded to the Council. Allocation of these funds to individual schemes is agreed between the Council and NCH. **Table 6** shows investment to 2023/24 of **£245.350m**.

The programme to 2023/24 has a shortfall of **£8.086m**; this is due to the capital scheme Fire Safety Works for High Rise Blocks. A review of schemes will be undertaken to either reduce, delay or stop if external funding is not forthcoming.

TABLE 6: PUBLIC SECTOR HOUSING - CAPITAL PROGRAMME AND RESOURCES							
PORTFOLIO	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Category 1 - Approved Schemes	48.93	54.362	36.165	29.462	31.774	32.819	**233.512**
Category 2 - Planned Schemes	0.000	0.500	11.338	0.000	0.000	0.000	**11.838**
Total Programme	**48.930**	**54.862**	**47.503**	**29.462**	**31.774**	**32.819**	**245.350**
Resources Available							
Prudential Borrowing	7.795	8.403	16.614	0.000	0.000	0.000	**32.812**
Grants & Contribution	3.794	2.556	0.750	0.000	0.000	0.000	**7.100**
Internal Funds / Revenue	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Major Repairs Reserve	26.898	31.349	24.349	25.902	28.137	29.182	**165.817**
Capital Receipts - Secured	6.582	8.329	2.661	0.000	0.000	0.000	**17.572**
Capital Receipts - Unsecured	0.000	0.000	3.129	3.560	3.637	3.637	**13.963**
Total Resources	**45.069**	**50.637**	**47.503**	**29.462**	**31.774**	**32.819**	**237.264**
Cumulative (Surplus)/Shortfall	**3.861**	**8.086**	**8.086**	**8.086**	**8.086**	**8.086**	**8.086**

8. Risk Management & Governance

The proposed five-year programme will require the Council to use a high proportion of available resources. Investment of this nature will result in the Council being exposed to additional risks as follows:

- an increase in the authority's borrowing over the next five years;
- exposure to interest rate changes; a 0.5% increase in interest rates will increase the cost of borrowing by c**£0.456m** per annum for 2018/19 forecast General Fund spend;
- major schemes have a long pay-back period, which will require the use of reserves in the early years to fund short term deficits in business plans;
- the cost of feasibility studies are all undertaken at risk;
- schemes may not cover their costs or make the desired return.

In order to manage these risks the following key principles will be adopted in managing the capital programme, further details can be found in the Council's Capital Strategy:

- 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;
- assumptions within business cases to have an Officer of the Council as the assumptions owner. The assumption owner will be accountable for the assumptions in the model;
- 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'.

The Medium Term Financial Strategy includes the following requirements for consideration of the funding of the capital programme:

- 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;
- Corporate Capital Receipts generated from the sale of land, buildings and other assets are held centrally due to pressures within the current capital programme. These receipts are to be allocated according to Council pressures / 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.

The City Council recognises the importance of individual and collective accountability and requires managers to formally acknowledge their responsibilities. Financial management is an integral aspect of effective leadership and good management, relevant councillors and managers are required to participate fully in all aspects of capital investment plans.

Corporate Directors will be accountable for the success and deliverability of all capital projects within their remit including:

- Ownership of business cases and any subsequent changes to them.
- Ensuring that capital projects are delivered in line with agreed targets and resources.
- The successful outcome and benefits realisation of capital projects

APPENDIX A

CAPITAL PROGRAMME QUARTER 3 APPROVALS

Public Sector Housing							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
City Wide CCTV / Door Entry Imp	0.000	0.000	0.000	0.000	0.000	0.685	**0.685**
Fire Alarm Installations	0.000	0.000	0.000	0.000	0.000	0.411	**0.411**
Structural Surveys & Rectification Works	0.000	0.000	0.000	0.000	0.000	0.050	**0.050**
Renew Bin Store/Refuse Chute	0.000	0.000	0.000	0.000	0.000	1.201	**1.201**
Management Fee - Safe	0.000	0.000	0.000	0.000	0.000	0.117	**0.117**
Nottingham Secure - Windows	0.000	0.000	0.000	0.000	0.000	0.100	**0.100**
Nottingham Secure - Doors	0.000	0.000	0.000	0.000	0.000	0.989	**0.989**
Modern Living	0.000	0.000	0.000	0.000	0.000	5.752	**5.752**
Warmth for Nottingham	0.000	0.000	0.000	0.000	0.000	4.288	**4.288**
Roof & Chimney Replacement	0.000	0.000	0.000	0.000	0.000	4.470	**4.470**
External Fabric	0.000	0.000	0.000	0.000	0.000	5.000	**5.000**
Management Fee - Secure and Warm	0.000	0.000	0.000	0.000	0.000	0.816	**0.816**
Independent living Re-Design	0.000	0.000	0.000	0.000	0.100	0.100	**0.200**
Management Fee - Older People	0.000	0.000	0.000	0.000	0.005	0.005	**0.010**
City Wide Environmentals - AREA CAPITAL FUND	0.000	0.000	0.000	0.000	0.000	1.000	**1.000**
Estate/Area Impact works	0.000	0.000	0.000	0.000	0.000	1.640	**1.640**
Paving Works - AREA COMMITTEE SCHEMES	0.000	0.000	0.000	0.000	0.000	0.360	**0.360**
Garage / Outbuildings - CITYWIDE	0.000	0.000	0.000	0.000	0.000	1.000	**1.000**
Management Fee - Decent Neighbourhoods	0.000	0.000	0.000	0.000	0.000	0.200	**0.200**
Major Void Works	0.000	0.000	0.000	0.000	0.000	2.400	**2.400**
Fire Damaged Properties	0.000	0.000	0.000	0.000	0.100	0.100	**0.200**
Rooftop Fan Project	0.144	0.224	0.000	0.000	0.000	0.000	**0.368**
Property Acquisition - RTB 1-4-1 (Tranche 1 & 2)	1.638	1.365	1.997	0.000	0.000	0.000	**5.000**
Sanctuary Project	0.000	0.000	0.000	0.000	0.000	0.035	**0.035**
Acquisition of Woodborough Road Flat	0.065	0.000	0.000	0.000	0.000	0.000	**0.065**
Adaptations For Disabled Persons	0.000	0.000	0.000	0.000	0.000	0.731	**0.731**
Adaptations For Disabled Persons – Capital, Repairs & Maintenance	0.000	0.000	0.000	0.000	0.000	1.269	**1.269**
TOTAL - Public Sector Housing	**1.847**	**1.589**	**1.997**	**0.000**	**0.205**	**32.719**	**38.357**

General Fund (Category 1 Approved): Children's Services - Schools							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Forest Fields Asbestos	0.000	0.015	0.000	0.000	0.000	0.000	**0.015**
Bentinck Primary - Electrics & Ventilation System	0.000	0.013	0.000	0.000	0.000	0.000	**0.013**
TOTAL - Children's Services - Schools	**0.000**	**0.028**	**0.000**	**0.000**	**0.000**	**0.000**	**0.028**

General Fund (Category 1 Approved): Other Services							
Scheme	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Adults Health & Community Sector							
Integrated Community Equipment Services	0.000	0.000	0.000	0.000	0.000	0.336	**0.336**
Barkla Close Refurbishment	0.157	0.000	0.000	0.000	0.000	0.000	**0.157**
Community Services							
Area Based Capital Investment	0.000	0.000	0.000	0.000	0.000	0.750	**0.750**
Energy and Sustainability							
Eastcroft Combined Heat & Power Plant Works	0.034	0.210	0.000	0.001	0.000	0.306	**0.551**
District Heating - Replacement of Network	(0.990)	0.810	0.110	0.070	(0.730)	1.000	**0.270**
Jobs and Growth							
Vehicle Replacement Programme	0.000	0.000	0.000	0.000	0.000	3.000	**3.000**
Leisure and Culture							
Harvey Hadden Sports Centre	(0.131)	0.000	0.000	0.000	0.000	0.000	**(0.131)**
Victoria Leisure Centre Scheme	0.093	0.000	0.000	0.000	0.000	0.000	**0.093**
Forest Sports Zone	0.007	0.000	0.000	0.000	0.000	0.000	**0.007**
Parks & Open Spaces	0.097	0.437	0.000	0.000	0.000	0.000	**0.534**
Area 8 Trees & Parks	0.000	0.060	0.000	0.000	0.000	0.000	**0.060**
Planning and Housing							
Disabled Facilities Grant	0.000	0.000	0.000	0.000	0.000	1.825	**1.825**
S106 - Affordability Housing Dwelling (Basford)	0.040	0.000	0.000	0.000	0.000	0.000	**0.040**
General Fund Chingford Access Point	0.481	0.000	0.000	0.000	0.000	0.000	**0.481**
Resources and Neighbourhood Regeneration							
Roof Replacement Garnet Court	0.235	0.000	0.000	0.000	0.000	0.000	**0.235**
Roof Replacement Clarence Court	0.315	0.000	0.000	0.000	0.000	0.000	**0.315**
Investment Properties	19.659	0.000	0.000	0.000	0.000	0.000	**19.659**
IT-Confirm Enterpise Licence	0.081	0.000	0.000	0.000	0.000	0.000	**0.081**
IT - Service Improvement Programme	0.018	0.015	0.015	0.015	0.015	0.100	**0.178**
Loan - NCHRP Radford Allotments	1.199	0.000	0.000	0.000	0.000	0.000	**1.199**
Loxley House Workplace & Hub	0.100	1.723	0.000	0.000	0.000	0.000	**1.823**
Strategic Regeneration & Development							
Southern Gateway	1.237	21.491	25.776	0.000	0.000	0.000	**48.504**
Blueprint	1.500	1.000	0.000	0.000	0.000	0.000	**2.500**
One Public Estate - Crocus Place	0.117	1.000	0.807	0.000	0.000	0.000	**1.924**
Chase Farm Demolition	0.108	0.000	0.000	0.000	0.000	0.000	**0.108**
TOTAL - Other Services	**24.357**	**26.746**	**26.708**	**0.086**	**(0.715)**	**7.317**	**84.499**
Planned Schemes	**0.000**	**0.000**	**7.050**	**0.000**	**0.000**	**0.000**	**7.050**
TOTAL - General Fund (Approved Schemes)	**24.357**	**26.774**	**33.758**	**0.086**	**(0.715)**	**7.317**	**91.577**

APPENDIX B

PRUDENTIAL BORROWING SCHEDULE

Public Sector Housing - Category 1 (Approved): Prudential Borrowing Schedule							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Lenton New Build - Phase 2 Includes Flats	0.085	0.000	0.000	0.000	0.000	0.000	**0.085**
Strelley Library & ILS - New Build	1.282	0.000	0.000	0.000	0.000	0.000	**1.282**
Infrastructure Cost	0.128	0.000	0.000	0.000	0.000	0.000	**0.128**
Meadows New Build	0.134	0.000	0.000	0.000	0.000	0.000	**0.134**
Demolition	0.013	0.000	0.000	0.000	0.000	0.000	**0.013**
Affordable Homes - Garage Sites - New Build	0.585	0.000	0.000	0.000	0.000	0.000	**0.585**
Woodthorpe & Winchester - New Build	2.863	0.000	0.000	0.000	0.000	0.000	**2.863**
Property Acquisition - RTB 1-4-1 (Tranch 1 & 2)	1.865	1.752	1.398	0.000	0.000	0.000	**5.015**
Knights Close - New Build	0.115	2.069	0.251	0.000	0.000	0.000	**2.435**
Clifton Miners Welfare	0.258	1.936	0.000	0.000	0.000	0.000	**2.194**
Tunstall Drive	0.000	1.500	0.000	0.000	0.000	0.000	**1.500**
Marlstones	0.372	1.146	0.000	0.000	0.000	0.000	**1.518**
Office Improvements	0.030	0.000	0.000	0.000	0.000	0.000	**0.030**
PV Installation Programme	0.000	0.000	5.627	0.000	0.000	0.000	**5.627**
Provision of Driveways to Council Homes	0.065	0.000	0.000	0.000	0.000	0.000	**0.065**
TOTAL: Public Sector Housing	**7.795**	**8.403**	**7.276**	**0.000**	**0.000**	**0.000**	**23.474**

Public Sector Housing - Category 2 (Planned): Prudential Borrowing Schedule							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
New Build Phase 2	0.000	0.000	9.338	0.000	0.000	0.000	**9.338**
TOTAL: Public Sector Housing	**0.000**	**0.000**	**9.338**	**0.000**	**0.000**	**0.000**	**9.338**

General Fund - Category 1 (Approved): Prudential Borrowing Schedule							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Energy and Sustainability							
Eastcroft Combined Heat & Power Plant Works	2.766	1.822	1.632	0.848	0.955	0.306	**8.329**
District Heating - Replacement of Network	1.540	2.740	1.840	1.800	1.000	1.000	**9.920**
CleanMobilEnergy - Electric Vehicles	0.600	0.000	0.000	0.000	0.000	0.000	**0.600**
Jobs and Growth							
NET	1.829	2.628	2.628	0.000	0.000	0.000	**7.085**
Vehicle Replacement Programme	5.038	3.000	3.000	3.000	3.000	3.000	**20.038**
Replacement of Pay on Foot Equipment	0.000	0.013	0.000	0.000	0.000	0.000	**0.013**
Low Emission Fleet Project	0.618	0.705	0.000	0.000	0.000	0.000	**1.323**
Vehicle Telematcis System	0.500	0.000	0.000	0.000	0.000	0.000	**0.500**
Leisure and Culture							
Harvey Hadden Sports Centre	(0.869)	0.000	0.000	0.000	0.000	0.000	**(0.869)**
Victoria Leisure Centre Scheme	0.023	0.000	0.000	0.000	0.000	0.000	**0.023**
Nottingham Castle Transformation	0.554	2.960	0.825	0.030	0.000	0.000	**4.369**
Concert Hall Seats / Theatre FOH Lift	0.000	0.063	0.000	0.000	0.000	0.000	**0.063**
Car Parking Meters at Major Parks	0.000	0.008	0.000	0.000	0.000	0.000	**0.008**
Newstead Abbey - Vision for the Future	0.000	0.070	0.000	0.000	0.000	0.000	**0.070**
Loan - Notts Cricket Club	1.444	0.821	0.000	0.000	0.000	0.000	**2.265**
Resources and Neighbourhood Regeneration							
Joint Service Centre - St Anns	0.040	0.044	0.053	0.084	0.470	0.000	**0.691**
One Public Estate - Loxley (DD2826)	0.015	0.000	0.000	0.000	0.000	0.000	**0.015**
Loxley House Workplace & Hub	0.086	1.482	0.000	0.000	0.000	0.000	**1.568**
Loan - NCHRP Radford Allotments	1.199	0.000	0.000	0.000	0.000	0.000	**1.199**
One Public Estate - Crocus Place (DD2826)	0.099	0.730	0.589	0.000	0.000	0.000	**1.418**
Loan - NCH Homeless	6.000	0.000	0.000	0.000	0.000	0.000	**6.000**
Loan - NCH-E Ltd Arboretum	0.000	4.000	4.500	0.000	0.000	0.000	**8.500**
Loan - NCH RP, Church Square	2.230	0.000	0.000	0.000	0.000	0.000	**2.230**
Investment Properties	40.793	0.000	0.000	0.000	0.000	0.000	**40.793**
Strategic Regeneration & Development							
Expansion of Bio City	0.000	0.074	0.000	0.000	0.000	0.000	**0.074**
Exchange Bldgs Refurbishment Design	0.000	0.406	2.000	1.000	0.000	0.000	**3.406**
Nottingham College Skills Hub	0.000	5.510	5.510	6.980	0.000	0.000	**18.000**
Nottingham Science Park - Phase 2	0.357	4.879	0.000	0.000	0.000	0.000	**5.236**
Island Site Cap Park (BMCP)	0.037	0.000	0.000	0.000	0.000	0.000	**0.037**
Blueprint	2.000	3.000	0.000	0.000	0.000	0.000	**5.000**
Southern Gateway	2.662	36.062	22.997	0.000	0.000	0.000	**61.721**
Blueprint	1.500	1.000	0.000	0.000	0.000	0.000	**2.500**
TOTAL - General Fund Approved Schemes	**71.061**	**72.017**	**45.574**	**13.742**	**5.425**	**4.306**	**212.125**
Planned Schemes	**12.250**	**9.365**	**26.766**	**7.572**	**0.000**	**0.000**	**55.953**

Local Transport Plan Programme Overview

Context

The Nottingham Local Transport Plan 3 (LTP3), adopted in April 2011, sets out the policies and programme of investment for delivering transport improvements across Nottingham. It comprises two components: The Local Transport Strategy 2011 – 2026 (which outlines the long-term transport vision and strategy) and the Implementation Plan (detailing funding allocations and proposed transport measures on a three year rolling basis). The funding allocations set out below will inform the update of the Implementation Plan covering the period April 2019 to March 2022.

In November 2018, Central Government indicated that the local transport settlement funding from 2020/21 was under review as part of the 2019 spending review. The grant funding allocations for the Integrated Transport Block (ITB) and Maintenance Block are not confirmed, and because of Central Government indicating that the funds provided are likely to change, figures have not been provided beyond the confirmed allocations. The overall capital funding indicated therefore has contracted substantially. The Government has however announced a number of new funding opportunities that will arise during the year that the Council will bid into to supplement the programme.

Total Transport Programme

Table 1 shows the total summary transport programme for 2019/20 of **£7.234m.** No funding is programmed for 2020/21 and 2021/22 as this funding is subject to a spending review by Central Government. When added to the current 2018/19 programme of **£11.637m** (including additional maintenance funding) shows a total transport programme of **£18.870m,** the full details of which are shown in **Section 3.** Elements of the 2018/19 programme are expected to roll forward into 2019/20.

TABLE 1: OVERALL SUMMARY TRANSPORT PROGRAMME

Programme	2019/20 £m	2020/21 £m	2021/22 £m	Total £m	Funding Source
Local Transport Programme	**5.209**	**0.000**	**0.000**	**5.209**	LTP- Grant
Public Transport Smart ticketing project	0.800	0.000	0.000	**0.800**	NPIF 2018-20 Grant
OLEV City Programme	0.225	0.000	0.000	**0.225**	OLEV City Grant
DEFRA Clean Air Fund	1.000	0.000	0.000	**1.000**	DEFRA Grant
TOTAL PROGRAMME	**7.234**	**0.000**	**0.000**	**7.234**	
Programme for 2018/19				**10.654**	
Additional 2018/19 Maintenance funding				**0.982**	Awarded in 2018 Budget (October 2018)
TOTAL LTP PROGRAMME				**18.870**	

2. Local Transport Plan

The Local Transport element of the programme is split in to a variety of streams that support local transport infrastructure and maintenance. It is specifically funded by LTP funding, made up of the Integrated Transport Block (ITB) and Maintenance

Block (MB) from the Department for Transport. Funding for both ITB and MB was confirmed for 2019/20 in November 2018. Due to confirmation of the spending review to take place in 2019, no allocation can be shown for future funding years.

The local transport block, maintenance block and associated block allocations are set out in **Table 2** below. 2020/21 and 2021/22 allocations are subject to the 2019 spending review by central government. Scheme details for 2019/20– 2021/22 total **£15.664m** and are listed in **Section 1 - LTP Allocations**.

TABLE 2: LOCAL TRANSPORT PLAN PROGRAMME 2019/20 - 2021/22				
	2019/20 £m	**2020/21 £m***	**2021/22 £m***	**Total £m**
Neighbourhood Improvements	1.250	0.000	0.000	1.250
Supporting Economic Growth	1.230	0.000	0.000	1.230
Local Transport Improvements	0.710	0.000	0.000	0.710
Maintenance Schemes	1.782	0.000	0.000	1.782
Maintenance Incentive and Pothole Fund	0.037	0.000	0.000	0.037
Monitoring & Evaluation	0.200	0.000	0.000	0.200
Total Local Transport Schemes	**5.209**	**0.000**	**0.000**	**5.209**
Grant Funding				
Integrated Highways Block (ITB)	3.390	0.000	0.000	3.390
Highways Capital Maintenance	1.782	0.000	0.000	1.782
Maintenance Incentive Fund	0.037	0.000	0.000	0.037
Total Transport Grant Funding	**5.209**	**0.000**	**0.000**	**5.209**

*Allocations are shown as zero as subject to 2019 spending review. The mechanisms and allocations of any funding are likely to change. No guarantee of funding in future years.

Proposals

Although the LTP is set for three years, it is annually reviewed during the budget process to allow flexibility in responding to prevailing new requirements or priorities. As some schemes may not be completed by the end of March, elements of the 2018/19 programme and associated funding may need to be rolled forward into the next financial year.

The LTP3 Strategy anticipated lower levels of funding than previous years. It also reflects Council priorities for greater emphasis on supporting the local economy, maintenance activity, small-scale neighbourhood transport schemes and measures to 'Keep Nottingham Moving', given current funding constraints. Priorities for LTP transport investment are therefore:

- **Supporting the local economy:** Investment in Nottingham's transport system increases opportunities for local businesses and thus provides a stimulus to the local economy (this includes local contributions to Local Growth Fund schemes);
- **Linking local people to jobs and training:** through improving transport services and facilities to key employment areas and education sites;
- **Maintaining our current transport system:** Following a decade of substantial investment to improve our transport infrastructure, we are prioritising investment to protect and preserve our existing transport system reflecting the economic and social importance to local communities;

- **Supporting neighbourhood transformation:** through enabling local citizens and communities to have a greater say in what local transport improvements are made in their local areas and neighbourhoods. These include footway improvements, local accessibility, parking and traffic management schemes;
- **'Keep Nottingham Moving':** through continued investment in measures to tackle congestion including local road improvements and investment in public transport, walking and cycling.
- **Greening of the transport system:** by pursuing clean and efficient vehicle choice for fleets and buses and providing electric charging infrastructure to help improve air quality.

To maximise performance, a combination of internal and levered-in external resources will be used to ensure that the programme will be delivered, whilst conforming to financial regulations and value for money considerations. The three year programme will also be managed flexibly to maximise the potential from new funding opportunities, new development, take account of issues arising from consultation with ward councillors, stakeholders and the public, legal procedures, detailed design and variations to scheme estimates. The programme has been compiled on the basis of:

- Schemes are consistent with the objectives set out in the LTP;
- Enabling wider Council Strategic Choices budget savings to be achieved;
- Achieving co-ordination of schemes with other elements of the programme;
- Schemes that lever in other external funding (including developer contributions and economic development funding, including from the Local Enterprise Partnership);
- Procurement to support the local economy and increase job opportunities for local people;
- Ensuring sufficient advance design is undertaken to maintain future programme delivery;
- Achieving a balance between large and small-scale schemes to ensure efficient use of staff resources.

The main LTP programme is set out under the following headings – Highways Capital Maintenance and Integrated Transport Block. Detailed allocations are set out below.

<u>Highways Capital Maintenance</u>
This programme includes schemes for carriageway and structural maintenance. Priorities are determined through condition surveys, taking account of coordination with the integrated transport block programme and, in the case of residential roads informed by priorities of ward councillors. As part of the November 2018 budget, additional maintenance funding was provided to the local authority of £983,000 for spend within 2018/19.

Significant schemes within this block for the 2019/20 financial year include:

- Carriageway maintenance priorities;
- Residential Roads carriageway programme (to be identified from condition surveys and neighbourhood priorities in consultation with ward councillors);
- Corrosion protection and minor works for bridges;

More details regarding the maintenance programme can be found in **Section 1**. Detailed programmes for 2019/20 and 2020/21 will be determined over the coming year.

Maintenance Incentive Fund

The Incentive Fund is a new measure that was announced in December 2014, to help improve maintenance performance. The funding is used to “top-up” the existing capital maintenance funding, based on local authorities providing a self-assessment proforma required to be submitted annually to the Department for Transport. Dependent on the scores based on the questions, the local authority is placed into a performance band and will receive additional funding to that level. This funding is tapered, with the lowest performing bands eventually receiving no additional funding in future years.

Table 3 provides a breakdown as to the potential allocations based on performance the council could receive each financial year. Allocations from 2019/20 onwards have been provided by the Department for Transport and are currently indicative.

TABLE 3: MAINTENANCE INCENTIVE FUND				
Performance Band	**2019/20 £m**	**2020/21* £m**	**2021/22* £m**	**Total £m**
Band 3 (Highest Performing)	0.371	0.371	0.000	0.742
Band 2	0.186	0.111	0.000	0.297
Band 1 (Lowest Performing)	0.037	0.000	0.000	0.037

NOTE: Figures are not cumulative. Figures for 2020/21 onwards subject to spending review.

Based on the performance for 2018/19, the Council is currently scored as being on band 2, and received £263,000 in 2018/19 through the incentive fund. Efforts are currently being made to reach the higher performing bands, with work currently being undertaken to score for band 2 or 3 for 2019/20. However, until this funding is confirmed, it is presumed that as minimum that the authority will receive the band 1 allocation. Details regarding the use of this funding can be found in **Section 1** as part of the maintenance allocations.

Pothole Fund

In 2016/17 onwards, an additional allocation of funding by central government was made to support the repairs of potholes on local roads. For 2018/19, this funding was £242,057, and was used to provide pothole repairs and patching on local roads. An additional £119,864 was provided in February 2018 for the 2017/18 financial year. As part of the November 2018 budget, additional maintenance funding was provided to the local authority of £982,000 for spend within 2018/19 including for the use of pothole repairs.

Integrated Transport Block (ITB)

This programme comprises a wide range of projects to tackle congestion and improve public transport, walking, cycling, and measures to influence travel behaviour and support the local economy. Significant 2019/20 schemes included here are:

- Programme of footway improvements, parking and traffic management improvements in neighbourhoods prioritised by ward councillors and Area Committees (continuation of Area Capital Fund transport component);
- Match funding contribution towards a cycle infrastructure project on the River Leen that forms part of the Cycle Ambition Programme;
- Local contribution towards the Broadmarsh regeneration programme and other future Local Growth Fund schemes;

The content of the 2019/20 and 2020/21 programmes are indicative, and subject to any changes in funding by the Department for Transport. Elements included in the integrated transport block programme will be used as match for other funding streams.

The LTP allocation table is shown in **Section 1** of the 2018/19 Local Transport Programme tables.

Neighbourhood/Area Working

Certain elements of the programme require local input to determine final priorities for scheme delivery, including footway renewals, parking and traffic management improvements, residential road maintenance and elements of the road safety programme. This input is achieved through ongoing consultation with ward councillors, neighbourhood managers, Area Committees, residents and other local stakeholders.

The purpose of the Area Capital Fund (ACF), established in 2006, has been to secure neighbourhood public realm improvements with a particular focus on improving footways. Due to the programme's success it was extended to include small-scale schemes to address local parking and traffic management issues within neighbourhoods. The LTP programme allows for a further continuation of the transport component of this programme, at a level of £1.25m.

The mechanism for allocating ACF to areas is determined by a fixed sum for each (£20,000 per annum), with the remaining funding derived by formulae based on population and deprivation. Allocations for individual areas have not changed from the previous year.

The allocations for respective Areas and Wards are shown in **Section 2**. Allocations for 2020/21 and 2021/22 are shown as zero subject to any changes made to the LTP formula grant as part of the 2019 spending review. Based on feedback in 2015/16, allocations to wards have been provided to the nearest £100.

3. Local Growth Fund Schemes

In July 2014, funding was confirmed for the Local Growth Fund, a national programme to improve local economic growth within each of the Local Enterprise Partnerships (LEPs) areas. Following a prioritisation process, four transport schemes were confirmed as part of the deal for the D2N2 LEP for Nottingham as part of LGF 1 and 2. These are:

- Highway improvements associated with the Broadmarsh Redevelopment. (Funding approved and works commenced).
- The Cycle City Ambition Package providing improved cycle facilities across the city. (Works nearing completion).

- A package of infrastructure works for the Nottingham Enterprise Zone, with a new walking and cycling bridge over the rail line to connect the area to into the tram network, upgraded pedestrian and cycle access routes. (Bridge over rail line put in place Autumn 2018, works nearing completion).
- Southern Growth Corridor (Daleside Road), which will see a package of improvements and public transport measures along the corridor along Daleside Road. (Works completed in April 2018).

The three-year total Local Growth Fund component, from 2015/16 to 2017/18 for rounds 1 and 2 listed above totalled £28.520m.

An announcement relating to the third round of the Local Growth Fund was announced in March 2017, following the November 2016 budget statement. This provided funding relating to the Broadmarsh Car Park, Bus station and Public Realm.

In order to support Local Growth Fund schemes, local contributions are required, which are included within the local transport plan programme.

4. National Productivity Investment Fund 2018-2020: Smartcard Project

On the 19th October 2017, successful bidders to the 2018-2020 National Productivity Investment Fund (NPIF) was announced by the Department for Transport. The funding bid by Nottingham City Council for contactless bankcard and mobile phone ticketing was successful. This project comprises of £1.6m in 2018/19 and £0.8m in 2019/20.

TABLE 4: NPIF 2018/20:Smart ticketing project				
Scheme	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**Total £m**
Public Transport Bankcard/mobile phone ticketing project	0.800	0.000	0.000	**0.800**
TOTAL	**0.800**	**0.000**	**0.000**	**0.800**

5. DEFRA Clean Air Fund

In December 2017, the Department for Environment, Farming and Rural Affairs (DEFRA) announced that £1m of funding was to be available to develop measures relating to measures to improve Air Quality. In November 2018, the Air Quality strategy for Nottingham was accepted by central government, with a further £1m provided to implement measures. The breakdown of this funding is shown in **Table 5**.

TABLE 5 : DEFRA CLEAN AIR FUND				
Scheme	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**Total £m**
Taxi Measure 1: Licencing scheme	0.308	0.000	0.000	**0.308**
ULEV try before you buy programme	0.280	0.000	0.000	**0.280**
ULEV Charging infrastructure	0.287	0.000	0.000	**0.287**
ULEV only Taxi Rank	0.065	0.000	0.000	**0.065**

Programme Administration Support	0.060	0.000	0.000	**0.060**
TOTAL	**1.000**	**0.000**	**0.000**	**1.000**

6. Contribution to Economic Development

In addition to the above the Local Transport Plan has also contributed **£0.300m** to Economic Development to support regeneration schemes for 2019/20.

7. Office for Low Emission Vehicles (OLEV) Go Ultra Low City Bid

In January 2016, the City Council was notified that it had been successful in securing funding through the Office for Low Emission Vehicles (OLEV) City Fund. A total of £6.120 million comprising £6.000m capital and £0.120m revenue has been secured for the period covering 2016 to 2020. The City Council led on behalf of a partnership bid which was supported by Nottinghamshire County Council and Derby City Council. The objectives of the City Fund are to support the uptake in Ultra Low Emission Vehicles (ULEV), deliver significant air quality benefits and create ULEV-related growth opportunities in the local area. Investment over the programme will see, expansion of ULEV charging infrastructure at transport interchanges, support programmes offering community and business events, advice, vehicle try outs and grants for businesses, conversion of the City Council pool car fleet to ULEVs and expansion of an electric car club. The programme is now entering its final year of funding.

The programme, along with a detailed breakdown by projects is shown in **Table 6** below.

TABLE 6: OLEV GO ULTRA LOW CITY PROGRAMME				
Scheme	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**Total £m**
ULEV Parking Charging Infrastructure Network	0.000	0.000	0.000	**0.000**
ULEV Business Support Programme Activities	0.000	0.000	0.000	**0.000**
Public Sector ULEV Fleet	0.000	0.000	0.000	**0.000**
ULEV Promotions and Events	0.100	0.000	0.000	**0.100**
D2N2 Low Carbon Technology Centre	0.050	0.000	0.000	**0.050**
Clean Air Zone	0.000	0.000	0.000	**0.000**
Low Emission Corridor	0.000	0.000	0.000	**0.000**
ULEV Car Club Scheme	0.000	0.000	0.000	**0.000**
Programme Coordination	0.075	0.000	0.000	**0.075**
TOTAL	**0.225**	**0.000**	**0.000**	**0.225**

Alongside this capital funding, an annual £30,000 of revenue funding has been provided over the duration of the programme, of £0.120m.

8. Transforming Cities Fund (TCF)

On the 27th September 2018, the Department for Transport announced that Nottingham and Derby was one of the shortlisted cities as part of the £840m Transforming Cities Fund after a competitive bid process. Areas with Mayoral Combined Authorities was separately provided £840m by funding formula as part of this fund.

At the 2018 Budget, the government announced additional funding for a further year and two additional cities would be added. Funding for measures under Transforming Cities is through a competitive bidding process for funding between 2019-20 and 2022/23 is currently underway. A joint bid between Nottingham and Derby for Tranche 1 funding of the Transforming Cities Fund was submitted on the 4th January 2019 for funding up to £10m for improvements for public transport, walking and cycling.

9. Other

Funding is being requested as part of an ERDF bid to provide further works to the River Leen footpath as a multi-user path. Further details and approval will be sought if the funding bid is successful.

From 2020, the Major Road Network (MRN) will potentially provide funding for highway improvements on designated "A" roads over the next five years (up to 2025). At the 2018 budget, approximately £3.5bn was set aside for this fund (along with Local Major Transport scheme funding). Funding is to be allocated through the Strategic Transport Bodies (STBs), such as Midlands Connect. Ring Road Phase 2 and Western Outer Look Road has been submitted as potential schemes for this fund.

Programme Delivery

To ensure good project management practice, significant or groups of LTP schemes will be subject to Gateway Review.

In addition to the main programme, some reserve schemes are also in development. In the event of non-delivery of any main programme schemes, this can be replaced by a future year or reserve scheme to ensure full expenditure is still achieved for the financial year. This also ensures that a pool of schemes is ready for implementation in future years or bids for alternative sources of funding can be submitted at short notice.

The LTP programme is delivered through a combination of in-house resources and external contractors and suppliers. Wherever possible procurement routes will be used that maximise employment for local people through the creation of direct employment or training opportunities and prioritising the use of local companies consistent with the business charter. The Nottingham Employment Hub provides a tailored service to match skilled local people to the jobs that will be created including in the transport sector. The Hub will be used to match local people with new employment opportunities created through this programme and other transport investments.

Future Funding Opportunities

As part of the HM Treasury Budget announced in October 2018, several funding opportunities have arisen that will affect future programming over the next five years. A large proportion of this funding is likely to be in the form of specific grants by competitive bidding. As a result, there will be a will need to coordinate bidding for these funding streams and programmes. Key announcements for transport from the statement included:

- Extension of the "Transforming Cities Fund" by a further year.
- £150m for local road junction improvements in 2021/23 (competitive funding).
- Extension to the "Housing Infrastructure Fund" by a further year.

- £675m “Future High Streets Fund” to support local high streets.

Further details relating to these funding streams will be announced over the coming months. Any additional funding streams will be reported through future Financial Plans where appropriate.

2019/20 Transport Programme Tables

Section 1 - LTP Allocations

Project	Description	2019/20 £m	2020/21 £m*	2021/22 £m*	Total
Neighbourhood Improvements					
Area Capital Fund					
Area Capital Fund	Small scale improvements through Area Committee, determined by ward councillors.	1.250	0.000	0.000	**1.250**
Total: Neighbourhood Improvements		1.250	0.000	0.000	**1.250**

Supporting Economic Growth					
Contributions to Major Schemes					
Future funding allocations for major schemes contribution (Contribution to Local Growth Fund)	Match contribution to major transport schemes including Broadmarsh Phase 2.	0.930	0.000	0.000	**0.930**
Supporting Regeneration					
Economic Development Fund Contribution	Funding to Economic Development	0.300	0.000	0.000	**0.300**
Total: Supporting Economic Growth		1.230	0.000	0.000	**1.230**

Local Transport Improvements					
Walking and Cycling					
City Wide General Improvements	Works to the rights of way network to maintain use for public.	0.050	0.000	0.000	**0.050**
Road Safety					
Pedestrian Safety Measures: City centre	Pedestrian safety improvements on Old Market Square and Trent Bridge	0.500	0.000	0.000	**0.500**
Tram junction modifications	Safety measures to reduce accidents at tram junctions on section at Arboretum and Phoenix Park	0.160	0.000	0.000	**0.160**
Total: Local Transport Improvements		0.710	0.000	0.000	**0.710**

Appendix C

Maintenance					
Streetscape Maintenance					
City Centre Streetscape maintenance	Refurbishment works as a priority from condition surveys.	0.100	0.000	0.000	**0.100**
Old Market Square – Terrace Refurbishment works	Refurbishment of Old Market Square terrace public realm	0.100	0.000	0.000	**0.100**
Cycle Maintenance					
Cycle Infrastructure Maintenance	City wide programme of maintenance of strategic cycling routes and facilities.	0.100	0.000	0.000	**0.100**
Bridges and Structures					
Bridge Inspections	Inspections to identify bridge deterioration.	0.050	0.000	0.000	**0.050**
Bridge Maintenance (to be confirmed)	Schemes to be prioritised based on bridge condition.	0.230	0.000	0.000	**0.230**
Road Maintenance					
Main Roads Resurfacing works	Carriageway resurfacing for Green Lane, Clifton.	0.405	0.000	0.000	**0.405**
Residential Resurfacing Programme	Priorities to be determined on technical scores from area highway inspectors and condition surveys.	0.517	0.000	0.000	**0.517**
Street Furniture, Structural Drainage and Road marking schemes	City wide programme maintaining upkeep of carriageway network.	0.250	0.000	0.000	**0.250**
Condition Survey	Annual survey of highway condition.	0.030	0.000	0.000	**0.030**
Total: Maintenance		1.782	0.000	0.000	**1.782**

Maintenance Incentive Fund and Pothole Fund					
Residential Resurfacing Programme	"Top-up" maintenance allocation for Residential Resurfacing Programme. Priorities to be determined on technical scores from area highway inspectors and condition surveys.	0.037	0.000	0.000	**0.037**
Total: Maintenance Incentive Fund and Pothole Fund		0.037	0.000	0.000	**0.037**

Other Schemes					
Monitoring and Coordination					
LTP Programme Coordination / Development	Staff Costs and advance design that will inform LTP programmes.	0.100	0.000	0.000	**0.100**
Local Transport Monitoring	Annual Monitoring of LTP Performance indicators.	0.100	0.000	0.000	**0.100**
Total: Other Schemes		0.200	0.000	0.000	**0.200**

*Allocations for 2020/21 and 2021/22 are shown as zero due to review of funding as part of 2019 spending review by central government.

Section 2 – Area Capital Fund Allocations

	2019/20 Allocation £m		2020/21 Allocation (Indicative) £m		2021/22 Allocation (Indicative) £m	
Ward	**Ward allocation**	**Area Committee Allocation**	**Ward allocation**	**Area Committee Allocation**	**Ward allocation**	**Area Committee Allocation**
Bulwell	0.0856	**0.1339**	0.0000	**0.0000**	0.0000	**0.0000**
Bulwell Forest	0.0483		0.0000		0.0000	
Basford	0.0649	**0.1403**	0.0000	**0.0000**	0.0000	**0.0000**
Bestwood	0.0754		0.0000		0.0000	
Aspley	0.1002	**0.2291**	0.0000	**0.0000**	0.0000	**0.0000**
Bilborough	0.0852		0.0000		0.0000	
Leen Valley	0.0437		0.0000		0.0000	
Arboretum	0.0688	**0.1748**	0.0000	**0.0000**	0.0000	**0.0000**
Dunkirk and Lenton	0.0386		0.0000		0.0000	
Radford and Park	0.0674		0.0000		0.0000	
Berridge	0.0701	**0.1242**	0.0000	**0.0000**	0.0000	**0.0000**
Sherwood	0.0541		0.0000		0.0000	
Wollaton East and Lenton Abbey	0.0364	**0.0683**	0.0000	**0.0000**	0.0000	**0.0000**
Wollaton West	0.0319		0.0000		0.0000	
Dales	0.0671	**0.2188**	0.0000	**0.0000**	0.0000	**0.0000**
St Ann's	0.0932		0.0000		0.0000	
Mapperley	0.0585		0.0000		0.0000	
Bridge	0.0532	**0.1606**	0.0000	**0.0000**	0.0000	**0.0000**
Clifton North	0.0475		0.0000		0.0000	
Clifton South	0.0599		0.0000		0.0000	
Total		**1.2500**		**0.0000**		**0.0000**

*Allocations for 2020/21 and 2021/22 are shown as zero due to review of funding as part of 2019 spending review by central government.

Section 3 Total Local Transport Plan and Resources Detail

Local Transport Schemes and Associated Funding												
	Transport Programme					**Funding**						
	2019//20 £m	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**Total £m**	**Prudential Borrowing £m**	**Local Growth Fund £m**	**WPL £m**	**TCF Grant £m**	**Other Funding £m**	**DfT Grant £m**	**Total Funding £m**
Area Capital Fund contribution	1.250	0.000	0.000	0.000	**1.250**	0.000	0.000	0.000	0.000	0.000	1.250	**1.250**
Major Schemes - Match Funding	0.930	0.000	0.000	0.000	**0.930**	0.000	0.000	0.000	0.000	0.000	0.930	**0.930**
Economic Development	0.300	0.000	0.000	0.000	**0.300**	0.000	0.000	0.000	0.000	0.000	0.300	**0.300**
Walking Schemes	0.050	0.000	0.000	0.000	**0.050**	0.000	0.000	0.000	0.000	0.000	0.050	**0.050**
Road Safety	0.660	0.000	0.000	0.000	**0.660**	0.000	0.000	0.000	0.000	0.000	0.660	**0.660**
Carriageway Maintenance	1.302	0.000	0.000	0.000	**1.302**	0.000	0.000	0.000	0.000	0.000	1.302	**1.302**
Streetscape Maintenance	0.100	0.000	0.000	0.000	**0.100**	0.000	0.000	0.000	0.000	0.000	0.100	**0.100**
Cycle Infrastructure Maintenance	0.100	0.000	0.000	0.000	**0.100**	0.000	0.000	0.000	0.000	0.000	0.100	**0.100**
Bridges	0.280	0.000	0.000	0.000	**0.280**	0.000	0.000	0.000	0.000	0.000	0.280	**0.280**
Maintenance Incentive Fund	0.037	0.000	0.000	0.000	**0.037**	0.000	0.000	0.000	0.000	0.000	0.037	**0.037**
Other LTP Schemes	0.360	0.000	0.000	0.000	**0.200**	0.000	0.000	0.000	0.000	0.000	0.200	**0.200**
Total Local Transport Schemes	**5.209**	**0.000**	**0.000**	**0.000**	**5.209**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**5.209**	**5.209**

NPIF Public	0.800	0.000	0.000	0.000	0.800	0.000	0.000	0.000	0.000	0.000	0.800	0.800

Local Transport Schemes and Associated Funding												
	Transport Programme					Funding						
	2019//20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m	Prudential Borrowing £m	Local Growth Fund £m	WPL £m	TCF Grant £m	Other Funding £m	DfT Grant £m	Total Funding £m
Transport Smart Ticketing												
OLEV Go Ultra Low City Programme	0.225	0.000	0.000	0.000	0.225	0.000	0.000	0.000	0.000	0.225	0.000	0.225
DEFRA Clean Air Zone	1.000	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	1.000	0.000	1.000
Total Other Schemes	**2.025**	**0.000**	**0.000**	**0.000**	**2.025**	**0.000**	**0.000**	**0.000**	**0.000**	**1.025**	**0.800**	**2.025**
TOTAL	**7.234**	**0.000**	**0.000**	**0.000**	**7.234**	**0.000**	**0.000**	**0.000**	**0.000**	**1.025**	**6.009**	**7.234**

APPENDIX D

DETAILED CAPITAL PROGRAMME

Public Sector Housing: Category 1 (Approved Schemes)							
Scheme	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Safe Programme							
City Wide CCTV / Door Entry Imp	0.122	0.201	0.111	0.409	0.291	0.685	**1.819**
Fire Alarm Installations	0.099	0.090	0.069	0.071	0.518	0.411	**1.258**
Asbestos Works	0.336	0.200	0.200	0.200	0.190	0.000	**1.126**
Lift Replacement Programme	1.483	0.612	0.000	0.000	0.000	0.000	**2.095**
Radon Awareness	0.060	0.051	0.000	0.000	0.000	0.000	**0.111**
Water Infrastructure Managed Supplies	0.010	0.000	0.000	0.000	0.000	0.000	**0.010**
Low Rise Sprinkler Systems	0.090	0.400	0.000	0.000	0.000	0.000	**0.490**
Structural Surveys & Rectification Works	0.050	0.050	0.050	0.050	0.048	0.050	**0.298**
Renew Bin Store/Refuse Chute	0.049	0.464	0.468	0.500	0.000	1.201	**2.682**
Management Fee - Safe	0.115	0.103	0.045	0.062	0.052	0.117	**0.494**
Intercom Systems - Fire Safety Works	0.405	0.165	0.000	0.000	0.000	0.000	**0.570**
Public Address System - Fire Safety Works	0.689	0.332	0.000	0.000	0.000	0.000	**1.021**
Fire Alarm Installations - Fire Safety Works	0.100	0.100	0.000	0.000	0.000	0.000	**0.200**
High Rise Sprinkler Systems - Fire Safety Works	1.356	2.582	0.000	0.000	0.000	0.000	**3.938**
High Rise Sprinkler Systems - Fire Safety Works (CR&M)	1.150	0.781	0.000	0.000	0.000	0.000	**1.931**
Gas Safety Enhancements - Fire Safety Works	0.050	0.200	0.000	0.000	0.000	0.000	**0.250**
Management Fee - Fire Safety Works	0.111	0.065	0.000	0.000	0.000	0.000	**0.176**
Total - Safe Programme	**6.275**	6.396	0.943	1.292	1.099	2.464	**18.469**
Secure, Warm & Modern							
Nottingham Secure - Windows	1.834	2.396	2.692	0.028	0.058	0.100	**7.108**
Nottingham Secure - Doors	0.776	0.267	0.551	2.007	1.835	0.989	**6.425**
Modern Living	2.740	3.818	4.000	5.498	6.584	5.752	**28.392**
Warmth for Nottingham - CR&M	2.800	3.247	3.100	3.100	5.645	4.288	**22.180**
Roof & Chimney Replacement	1.522	1.533	2.000	3.403	2.237	4.470	**15.165**
External Fabric	3.113	3.823	4.000	4.000	3.810	5.000	**23.746**
Management Fee - Secure and Warm	0.499	0.592	0.662	0.747	0.726	0.816	**4.042**
Total - Safe Programme	**13.284**	15.676	17.005	18.783	20.895	21.415	**107.058**
Energy Efficiency & Tackling Fuel Poverty							
No Fines/ Solid Wall Insulation Schemes	0.000	2.768	0.000	0.973	1.553	0.000	**5.294**
REMOURBAN	3.566	0.000	0.000	0.000	0.000	0.000	**3.566**
ERDF - Energiesprong Roll Out	2.432	6.456	1.910	0.000	0.000	0.000	**10.798**
EWI Schemes - CR&M	0.100	0.725	0.000	0.000	0.000	0.000	**0.825**

Public Sector Housing: Category 1 (Approved Schemes) – Continued							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Green Deal Communities Funding	0.041	0.000	0.000	0.000	0.000	0.000	**0.041**
LED Communal Lighting	0.304	0.000	0.000	0.000	0.000	0.000	**0.304**
Woodthorpe & Winchester - CHP	2.157	0.000	0.000	0.000	0.000	0.000	**2.157**
Management Fee - Energy	0.430	0.522	0.195	0.049	0.078	0.000	**1.274**
Total - Energy Efficiency & Tackling Fuel Poverty	**9.030**	**10.471**	**2.105**	**1.022**	**1.631**	**0.000**	**24.259**
Modernising Housing For Older People							
Independent living Re-Design	0.606	0.269	0.100	0.100	0.100	0.100	**1.275**
Independent Living Re-Designation	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Mobile Scooter Stores	0.181	0.104	0.000	0.000	0.000	0.000	**0.285**
Refurbishment Of Sheltered Housing Scheme	0.154	0.000	0.000	0.000	0.000	0.000	**0.154**
Management Fee - Older People	0.047	0.019	0.005	0.005	0.005	0.005	**0.086**
Total - Modernising Housing For Older People	**0.988**	**0.392**	**0.105**	**0.105**	**0.105**	**0.105**	**1.800**
Decent Neighbourhoods							
City Wide Environmentals - Area Capital Fund	1.356	1.000	1.000	1.000	0.952	1.000	**6.308**
Estate/Area Impact works	1.015	1.000	1.000	1.000	1.000	1.640	**6.655**
Paving Works - Area Committee Schemes	0.360	0.360	0.360	0.360	0.343	0.360	**2.143**
Garage / Outbuildings - Citywide	0.101	1.028	0.438	1.166	0.952	1.000	**4.685**
Management Fee - Decent Neighbourhoods	0.142	0.169	0.140	0.176	0.162	0.200	**0.989**
Total - Decent Neighbourhoods	**2.974**	**3.557**	**2.938**	**3.702**	**3.409**	**4.200**	**20.780**
Existing Stock Investment							
Major Void Works	1.950	2.611	2.400	2.400	2.400	2.400	**14.161**
Fire Damaged Properties	0.246	0.300	0.100	0.023	0.100	0.100	**0.869**
Victoria Centre Roof	0.117	0.000	0.000	0.000	0.000	0.000	**0.117**
Rooftop Fan Project	0.144	0.224	0.000	0.000	0.000	0.000	**0.368**
Management Fee - Existing Stock	0.013	0.011	0.000	0.000	0.000	0.000	**0.024**
Total - Existing Stock Investment	**2.470**	**3.146**	**2.500**	**2.423**	**2.500**	**2.500**	**15.539**
Building A Better Nottingham							
Lenton New Build - Phase 2 Includes Flats	0.120	0.000	0.000	0.000	0.000	0.000	**0.120**
Strelley Library & ILS - New Build	2.322	0.000	0.000	0.000	0.000	0.000	**2.322**
Infrastructure Cost	0.128	0.000	0.000	0.000	0.000	0.000	**0.128**
Church Square Decom & Leaseholder Acquisition	0.019	0.000	0.000	0.000	0.000	0.000	**0.019**
Church Square Demolition	0.035	0.000	0.000	0.000	0.000	0.000	**0.035**
Meadows New Build	0.142	0.000	0.000	0.000	0.000	0.000	**0.142**
Demolition	0.013	0.000	0.000	0.000	0.000	0.000	**0.013**
Affordable Homes - Garage Sites - New Build	0.801	0.000	0.000	0.000	0.000	0.000	**0.801**
New Build Phase 1 - Unallocated	0.010	0.000	0.000	0.000	0.000	0.000	**0.010**

Public Sector Housing: Category 1 (Approved Schemes) – Continued							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Woodthorpe & Winchester - New Build	3.541	0.000	0.000	0.000	0.000	0.000	**3.541**
Property Acquisition - RTB 1-4-1 (Tranche 1 & 2)	2.665	2.503	1.997	0.000	0.000	0.000	**7.165**
Disposal of HRA Assets	0.175	0.000	0.000	0.000	0.000	0.000	**0.175**
Knights Close - Decommissioning	0.036	0.000	0.000	0.000	0.000	0.000	**0.036**
Knights Close - Demolition	0.002	0.124	0.000	0.000	0.000	0.000	**0.126**
Knights Close - New Build	0.150	2.699	0.327	0.000	0.000	0.000	**3.176**
Clifton Miners Welfare	0.350	2.625	0.000	0.000	0.000	0.000	**2.975**
Tunstall Drive	0.000	2.057	0.000	0.000	0.000	0.000	**2.057**
Marlstones	0.514	1.582	0.000	0.000	0.000	0.000	**2.096**
Management Fee - Regeneration Prog	0.405	0.454	0.483	0.000	0.000	0.000	**1.342**
Total - Building A Better Nottingham	**11.428**	**12.044**	**2.807**	**0.000**	**0.000**	**0.000**	**26.279**
Joint NCC/NCH Involvement							
Sanctuary Project	0.035	0.035	0.035	0.035	0.035	0.035	**0.210**
HRA Shop Investment Strategy	0.045	0.000	0.000	0.000	0.000	0.000	**0.045**
St Anns Estate - Stonebridge Park (PH 3 & 6) - HRA Element	0.190	0.147	0.000	0.000	0.000	0.000	**0.337**
Office Improvements	0.030	0.000	0.000	0.000	0.000	0.000	**0.030**
IT Development Programme	0.017	0.000	0.000	0.000	0.000	0.000	**0.017**
PV Installation Programme	0.000	0.000	5.627	0.000	0.000	0.000	**5.627**
Adaptations For Disabled Persons	0.848	0.731	0.731	0.731	0.731	0.731	**4.503**
Adaptations For Disabled Persons – CR&M	1.086	1.667	1.269	1.269	1.269	1.269	**7.829**
Preventive Adaptations For Older People - PAD	0.100	0.100	0.100	0.100	0.100	0.100	**0.600**
Provision of Driveways to Council Homes	0.065	0.000	0.000	0.000	0.000	0.000	**0.065**
Acquisition of Woodborough Road Flat	0.065	0.000	0.000	0.000	0.000	0.000	**0.065**
Total - Joint NCC/NCH Involvement	**2.481**	**2.680**	**7.762**	**2.135**	**2.135**	**2.135**	**19.328**
Total - Public Sector Housing: Approved Schemes	**48.930**	**54.362**	**36.165**	**29.462**	**31.774**	**32.819**	**233.512**
Planned Schemes	**0.000**	**0.500**	**11.338**	**0.000**	**0.000**	**0.000**	**11.838**

Local Transport Programme Schemes - Capital Programme							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Maintenance Incentive Fund	0.263	0.037	0.000	0.000	0.000	0.000	**0.300**
Pothole Fund	0.362	0.000	0.000	0.000	0.000	0.000	**0.362**
Highways Maintenance Fund							
Bridges	0.280	0.280	0.000	0.000	0.000	0.000	**0.560**
Streetscape Maintenance	0.100	0.200	0.000	0.000	0.000	0.000	**0.300**
Cycle Infrastructure	0.100	0.100	0.000	0.000	0.000	0.000	**0.200**
Residential Road Resurfacing	0.383	0.517	0.000	0.000	0.000	0.000	**0.900**
Main Road Resurfacing	0.639	0.405	0.000	0.000	0.000	0.000	**1.044**
Street Furniture	0.250	0.250	0.000	0.000	0.000	0.000	**0.500**
Condition Surveys	0.030	0.030	0.000	0.000	0.000	0.000	**0.060**
Integrated Highways Block							
Area Capital Contribution	1.250	1.250	0.000	0.000	0.000	0.000	**2.500**
Walking Schemes	0.050	0.050	0.000	0.000	0.000	0.000	**0.100**
Cycling Schemes	0.509	0.000	0.000	0.000	0.000	0.000	**0.509**
Major Schemes - Match Funding	0.120	0.000	0.000	0.000	0.000	0.000	**0.120**
Supporting Economic Growth	0.300	0.300	0.000	0.000	0.000	0.000	**0.600**
Traffic and Safety	0.350	0.160	0.000	0.000	0.000	0.000	**0.510**
Protecting Open Spaces	0.225	0.500	0.000	0.000	0.000	0.000	**0.725**
Programme Co-Ordination	0.100	0.100	0.000	0.000	0.000	0.000	**0.200**
Other LTP Schemes	0.100	0.100	0.000	0.000	0.000	0.000	**0.200**
Total - Local Transport Programme Schemes	**5.411**	**4.279**	**0.000**	**0.000**	**0.000**	**0.000**	**9.690**

Other Transport Schemes - Capital Programme							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Cycle Ambition	0.012	0.000	0.000	0.000	0.000	0.000	**0.012**
Southside Transport Strategy - Broadmarsh Public Realm	3.765	3.802	0.000	0.000	0.000	0.000	**7.567**
Nottingham Enterprise Zone	5.272	0.000	0.000	0.000	0.000	0.000	**5.272**
Southern Growth Corridor	0.385	0.000	0.000	0.000	0.000	0.000	**0.385**
Smart Ticketing Project	1.700	1.700	0.000	0.000	0.000	0.000	**3.400**
Better Bus Area	(0.133)	0.000	0.000	0.000	0.000	0.000	**(0.133)**
Office for Low Emission Vehicles (OLEV) - Go Ultra Low City Bid	0.400	0.707	0.000	0.000	0.000	0.000	**1.107**
OLEV - Taxi Infrastructure	0.344	0.344	0.000	0.000	0.000	0.000	**0.688**
OLEV - Public Charging Infrastructure	1.000	1.000	0.000	0.000	0.000	0.000	**2.000**
Clean Air Zone	0.625	0.375	0.000	0.000	0.000	0.000	**1.000**
Clean Bus Technology	0.915	1.781	0.000	0.000	0.000	0.000	**2.696**
Total - Local Transport Programme Schemes	**14.285**	**9.709**	**0.000**	**0.000**	**0.000**	**0.000**	**23.994**

General Fund: Children's Services / Schools							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Contingency for Residual balances payable	0.000	0.007	0.000	0.000	0.000	0.000	**0.007**
Haydn Primary - Annexe Roof	0.000	0.019	0.000	0.000	0.000	0.000	**0.019**
Berridge Primary - Roof / Chimney Imps	0.010	0.000	0.000	0.000	0.000	0.000	**0.010**
Primary Health & Safety	0.044	0.050	0.000	0.000	0.000	0.000	**0.094**
Westbury Special School	0.392	0.000	0.000	0.000	0.000	0.000	**0.392**
Dovecote Primary Heating - Phase 3	0.226	0.000	0.000	0.000	0.000	0.000	**0.226**
Claremont Primary - Heating	0.015	0.000	0.000	0.000	0.000	0.000	**0.015**
Glade Hill Primary - Expansion	1.817	0.250	0.000	0.000	0.000	0.000	**2.067**
Middleton Primary - Expansion	2.811	1.500	0.000	0.000	0.000	0.000	**4.311**
CAP Southwold/Stanstead	0.063	0.000	0.000	0.000	0.000	0.000	**0.063**
Dunkirk Primary (Roof)	0.200	0.000	0.000	0.000	0.000	0.000	**0.200**
South Wilford (Drainage)	0.061	0.000	0.000	0.000	0.000	0.000	**0.061**
Walter Halls (Boiler)	0.070	0.030	0.000	0.000	0.000	0.000	**0.100**
Southwold Primary (Structural Repairs)	0.011	0.000	0.000	0.000	0.000	0.000	**0.011**
Claremont Primary (Heating)	0.010	0.240	0.000	0.000	0.000	0.000	**0.250**
Greenfields Primary (Roof)	0.005	0.120	0.000	0.000	0.000	0.000	**0.125**
Rufford Primary (Asbestos)	0.200	0.000	0.000	0.000	0.000	0.000	**0.200**
Stanstead Remedial	0.036	0.000	0.000	0.000	0.000	0.000	**0.036**
Melbury Primary Fire Safety	0.028	0.000	0.000	0.000	0.000	0.000	**0.028**
Welbeck Primary Playground	0.040	0.000	0.000	0.000	0.000	0.000	**0.040**
NNSTC Doors	0.010	0.000	0.000	0.000	0.000	0.000	**0.010**
Crabtree Farm Boiler	0.100	0.000	0.000	0.000	0.000	0.000	**0.100**
Fernwood School Expansion	0.263	0.736	0.000	0.000	0.000	0.000	**0.999**
Estate Review Schools	0.080	0.040	0.000	0.000	0.000	0.000	**0.120**
Welbeck Primary Roof	0.170	0.000	0.000	0.000	0.000	0.000	**0.170**
Hempshill Hall	0.100	0.000	0.000	0.000	0.000	0.000	**0.100**
Henry Whipple Roof	0.100	0.000	0.000	0.000	0.000	0.000	**0.100**
Robin Hood Primary Fence	0.055	0.000	0.000	0.000	0.000	0.000	**0.055**
Claremont Primary Fire Door	0.025	0.000	0.000	0.000	0.000	0.000	**0.025**
Rise Park Primary Asbestos	0.120	0.000	0.000	0.000	0.000	0.000	**0.120**
Rufford Primary Roof	0.308	0.000	0.000	0.000	0.000	0.000	**0.308**
Cantrell Primary Water Leak / Asbestos	0.000	0.025	0.000	0.000	0.000	0.000	**0.025**
Haydn Primary Water Leak / Asbestos	0.025	0.000	0.000	0.000	0.000	0.000	**0.025**
Bentinick Heating	0.020	0.000	0.000	0.000	0.000	0.000	**0.020**
Berridge Primary Heating	0.008	0.000	0.000	0.000	0.000	0.000	**0.008**
Southglade Reception Extension	0.030	0.000	0.000	0.000	0.000	0.000	**0.030**
Southwold Asbestos	0.015	0.000	0.000	0.000	0.000	0.000	**0.015**

Rosehill School Maintenance	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**

General Fund: Children's Services / Schools – Continued

Scheme	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Forest Fields Asbestos	0.000	0.015	0.000	0.000	0.000	0.000	**0.015**
Bentinck Primary - Electrics & Ventilation System	0.000	0.013	0.000	0.000	0.000	0.000	**0.013**
Mellers Primary - Expansion (inc early design)	0.038	0.000	0.000	0.000	0.000	0.000	**0.038**
Fernwood Infants & Juniors - Expansion (inc Early Work)	(0.003)	0.000	0.000	0.000	0.000	0.000	**(0.003)**
Total - General Fund: Children's Services - Schools	**7.503**	**3.045**	**0.000**	**0.000**	**0.000**	**0.000**	**10.548**

General Fund: Other Services

Scheme	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Adults Health & Community Sector							
Oakdene Closure and Security	0.010	0.000	0.000	0.000	0.000	0.000	**0.010**
Integrated Community Equipment Services	0.336	0.336	0.336	0.336	0.336	0.336	**2.016**
Assistive Technology - Just Checking Units	0.011	0.000	0.000	0.000	0.000	0.000	**0.011**
The Oaks - Refurbishment - Phase 2	0.013	0.000	0.000	0.000	0.000	0.000	**0.013**
Barkla Close Refurb	0.157	0.000	0.000	0.000	0.000	0.000	**0.157**
Long Meadow - Externals / Internals / Branding	0.020	0.000	0.000	0.000	0.000	0.000	**0.020**
Total - Adults Health & Community Sector	**0.547**	**0.336**	**0.336**	**0.336**	**0.336**	**0.336**	**2.227**
Community Services							
Woolsington Close Flood Alleviation	0.108	0.000	0.000	0.000	0.000	0.000	**0.108**
Top Valley Flood Alleviation	0.192	0.000	0.000	0.000	0.000	0.000	**0.192**
Flood Alleviation of Citizens Properties	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Neighbourhood Improvement Prog	1.000	0.000	0.000	0.000	0.000	0.000	**1.000**
Community Protection Replacement Vehicles	0.032	0.000	0.000	0.000	0.000	0.000	**0.032**
Top Valley Flood Alleviation	0.112	0.000	0.000	0.000	0.000	0.000	**0.112**
Mapperley Park Flood Alleviation	0.040	0.000	0.000	0.000	0.000	0.000	**0.040**
Selective Licensing Accommodation at Isabella	0.060	0.000	0.000	0.000	0.000	0.000	**0.060**
Markets & Clinton Street Upgrades	0.041	0.000	0.000	0.000	0.000	0.000	**0.041**
Area Based Capital Investment Plans	0.480	0.750	0.750	0.750	0.750	0.750	**4.230**
Total - Community Services	**2.065**	**0.750**	**0.750**	**0.750**	**0.750**	**0.750**	**5.815**

General Fund: Other Services – Continued							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Early Intervention & Early Years							
Pathfinder Short Breaks	0.053	0.000	0.000	0.000	0.000	0.000	**0.053**
MALT 3 (CAHMS) - Henry Whipple site	0.004	0.000	0.000	0.000	0.000	0.000	**0.004**
My Place - Castle Gate Purchase / Improvements	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
2 Year Old Expansion Programme	0.031	0.207	0.000	0.000	0.000	0.000	**0.238**
The Ridge Adventure Playground	0.100	0.132	0.000	0.000	0.000	0.000	**0.232**
Foster Carers Property Extension	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Foster Carers Building Work	0.030	0.000	0.000	0.000	0.000	0.000	**0.030**
Total - Early Intervention & Early Years	**0.218**	**0.339**	**0.000**	**0.000**	**0.000**	**0.000**	**0.557**
Energy and Sustainability							
Eastcroft Combined Heat & Power Plant Works	2.766	1.822	1.632	0.848	0.955	0.306	**8.329**
District Heating - Replacement of Network	1.540	2.740	1.840	1.800	1.000	1.000	**9.920**
Solar Panels - Commercial PV Invest Prog	0.000	0.230	0.005	0.005	0.005	0.005	**0.250**
DEFRA Air Quality	0.114	0.000	0.000	0.000	0.000	0.000	**0.114**
CleanMobilEnergy - Solar PV	0.131	0.071	0.000	0.000	0.000	0.000	**0.202**
CleanMobilEnergy - Stationary Battery Storage	0.000	0.272	0.000	0.000	0.000	0.000	**0.272**
CleanMobilEnergy - Vehicle2Grid Chargers	0.000	0.150	0.000	0.000	0.000	0.000	**0.150**
CleanMobilEnergy - Installation/Groundworks	0.000	0.180	0.000	0.000	0.000	0.000	**0.180**
CleanMobilEnergy - Electric Vehicles	0.800	0.000	0.000	0.000	0.000	0.000	**0.800**
CleanMobilEnergy - iEMS (Software)	0.000	0.137	0.000	0.000	0.000	0.000	**0.137**
Total - Energy and Sustainability	**5.351**	**5.602**	**3.477**	**2.653**	**1.960**	**1.311**	**20.354**
Jobs and Growth							
NET Lines 2/3 - Quantative Risk Assessment	0.020	2.986	2.986	0.000	0.000	0.000	**5.992**
NET Lines 2/3 - Land Acquisitions	2.039	0.000	0.000	0.000	0.000	0.000	**2.039**
Vehicle Acquisitions etc	5.038	3.000	3.000	3.000	3.000	3.000	**20.038**
Replacement of Pay on Foot Equipment	0.000	0.013	0.000	0.000	0.000	0.000	**0.013**
Carrington St Area Townscape Heritage Project	0.000	0.697	0.300	0.200	0.042	0.000	**1.239**
Waterside Spine Road	0.000	0.624	0.623	0.000	0.000	0.000	**1.247**
CCTV Control Room Upgrade	0.146	0.000	0.000	0.000	0.000	0.000	**0.146**

Scheme	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Low Emission Fleet Project	1.315	1.500	0.000	0.000	0.000	0.000	**2.815**
General Fund: Other Services – Continued							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Low Emission Taxis	0.177	0.000	0.000	0.000	0.000	0.000	**0.177**
Skills Hub (Enabling)	0.961	0.300	0.000	0.000	0.000	0.000	**1.261**
Vehicle Telematcis System	0.500	0.000	0.000	0.000	0.000	0.000	**0.500**
NET 2&3 LA Fees	0.017	0.000	0.000	0.000	0.000	0.000	**0.017**
Total - Jobs and Growth	**10.213**	**9.120**	**6.909**	**3.200**	**3.042**	**3.000**	**35.484**
Leisure and Culture							
Flexible Fitness - Equipment	0.256	0.000	0.000	0.000	0.000	0.000	**0.256**
Mountfield Drive / Hazel Hill Park Imps	0.034	0.000	0.000	0.000	0.000	0.000	**0.034**
Lincoln Street Park Improvements	0.000	0.003	0.000	0.000	0.000	0.000	**0.003**
Arboretum Café Development	0.105	0.000	0.000	0.000	0.000	0.000	**0.105**
Sycamore Park Improvements	0.000	0.007	0.000	0.000	0.000	0.000	**0.007**
Rocket Park / Jersey Gardens Improvements	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Harvey Hadden Sports Centre	(0.097)	0.000	0.000	0.000	0.000	0.000	**(0.097)**
Victoria Leisure Centre Scheme	0.136	0.000	0.000	0.000	0.000	0.000	**0.136**
Radford Recreation Ground	0.000	0.008	0.000	0.000	0.000	0.000	**0.008**
Nottingham Castle Transformation (HLF Scheme)	3.693	19.736	5.500	0.200	0.000	0.000	**29.129**
Astley Drive Playground	0.000	0.001	0.000	0.000	0.000	0.000	**0.001**
Forest Sports Zone (Project Complete)	0.007	0.000	0.000	0.000	0.000	0.000	**0.007**
Sunrise Nature Reserve Imps	0.000	0.008	0.000	0.000	0.000	0.000	**0.008**
Lincoln St / Japonica Drive - Remove Playgrounds	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Stockhill Lane Park - Pavilion Imps	(0.012)	0.000	0.000	0.000	0.000	0.000	**(0.012)**
Hucknall Walkway Improvements	0.000	0.002	0.000	0.000	0.000	0.000	**0.002**
Right Track CC - New Play Area	0.000	0.003	0.000	0.000	0.000	0.000	**0.003**
Melbourne Park Pavilion Imps	0.000	0.008	0.000	0.000	0.000	0.000	**0.008**
Highfields Park - Refurbishment	1.422	0.000	0.000	0.000	0.000	0.000	**1.422**
Concert Hall Seats / Theatre FOH Lift	0.000	0.095	0.000	0.000	0.000	0.000	**0.095**
Car Parking Meters at Major Parks	0.000	0.008	0.000	0.000	0.000	0.000	**0.008**
Newstead Abbey - Vision for the Future	0.000	0.092	0.000	0.000	0.000	0.000	**0.092**
Hoylake Park	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Victoria Park and St Mary's Rest Garden	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Victoria Embankment/Meadows Recreation Ground	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
Sneinton Dales JSC (Lib)	0.102	0.000	0.000	0.000	0.000	0.000	**0.102**
Peggy's Park Play Area	0.000	0.001	0.000	0.000	0.000	0.000	**0.001**
King Edward Park Improvements	0.000	0.002	0.000	0.000	0.000	0.000	**0.002**

Royal Centre Transformation Project	0.195	0.000	0.000	0.000	0.000	0.000	**0.195**

General Fund: Other Services – Continued

Scheme	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Barker Gate Pocket Park	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
Forest Recreation Ground - Play Area	(0.005)	0.000	0.000	0.000	0.000	0.000	**(0.005)**
Neighbourhood Trees	0.129	0.000	0.000	0.000	0.000	0.000	**0.129**
Hucknall Road Gateway Imps	0.001	0.000	0.000	0.000	0.000	0.000	**0.001**
CAP-Imps to Highbank Community Centre	0.000	0.042	0.000	0.000	0.000	0.000	**0.042**
CAP-Imps to Wollaton Vale Community Centre	0.000	0.061	0.000	0.000	0.000	0.000	**0.061**
Priory Park	0.024	0.000	0.000	0.000	0.000	0.000	**0.024**
Clifton Park Improvements	0.001	0.003	0.000	0.000	0.000	0.000	**0.004**
Victoria Embankment Memorial Garden	0.043	0.052	0.000	0.000	0.000	0.000	**0.095**
Whitemoor Nature Reserve (S-106)	0.000	0.014	0.000	0.000	0.000	0.000	**0.014**
Stockhill Park (S-106)	0.000	0.022	0.000	0.000	0.000	0.000	**0.022**
Stockhill Circus Allotments (S-106)	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Whitemoor & Bagthorpe Allotments (S-106)	0.000	0.027	0.000	0.000	0.000	0.000	**0.027**
ERDF Axis 6 - Colwick Park	0.050	0.007	0.000	0.000	0.000	0.000	**0.057**
ERDF Axis 6 - Highfields Enhancement	0.050	0.150	0.000	0.000	0.000	0.000	**0.200**
ERDF Axis 6 - Leen Park	0.000	1.989	0.000	0.000	0.000	0.000	**1.989**
Wollaton Park Pavillion Café & Play Area	0.000	0.010	0.000	0.000	0.000	0.000	**0.010**
Greens Mill Park	(0.001)	0.000	0.000	0.000	0.000	0.000	**(0.001)**
The Green Play Area	0.004	0.005	0.005	0.005	0.005	0.005	**0.029**
Wollaton Park Trees	0.000	0.015	0.000	0.000	0.000	0.000	**0.015**
Wollaton Walled Garden	0.010	0.000	0.000	0.000	0.000	0.000	**0.010**
Grove Road Trees	0.022	0.000	0.000	0.000	0.000	0.000	**0.022**
Radio Parks / Parking	0.020	0.000	0.000	0.000	0.000	0.000	**0.020**
Melbourne Park	0.000	0.009	0.000	0.000	0.000	0.000	**0.009**
Broxtowe CP & Strelly Rec	0.000	0.058	0.000	0.000	0.000	0.000	**0.058**
Moorfield Allotment	0.000	0.001	0.000	0.000	0.000	0.000	**0.001**
Peggy's Park & Play Area	0.000	0.075	0.000	0.000	0.000	0.000	**0.075**
Queens Walk Rec	0.032	0.000	0.000	0.000	0.000	0.000	**0.032**
Trafford Gardens Play Area	0.053	0.000	0.000	0.000	0.000	0.000	**0.053**
Valley Road Park & Play Area	0.010	0.089	0.000	0.000	0.000	0.000	**0.099**
Bulwell Hall Golf Course	0.019	0.000	0.000	0.000	0.000	0.000	**0.019**
Colville Street Play Area	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Forest Rec Ground	0.168	0.033	0.000	0.000	0.000	0.000	**0.201**
Notts County Cricket Club - Loan 2	1.444	0.821	0.000	0.000	0.000	0.000	**2.265**
Stirling Grove Park	(0.048)	0.000	0.000	0.000	0.000	0.000	**(0.048)**
Shipstone Street Park	0.005	0.000	0.000	0.000	0.000	0.000	**0.005**
Torvill Drive Play Area	0.061	0.000	0.000	0.000	0.000	0.000	**0.061**

Scheme	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Bilborough Park Play Area	0.142	0.020	0.010	0.010	0.005	0.000	**0.187**
General Fund: Other Services – Continued							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Mill & Windmill Allotments	0.000	0.015	0.000	0.000	0.000	0.000	**0.015**
Nottm WW1 ROH Memorial	0.320	0.000	0.000	0.000	0.000	0.000	**0.320**
ERDF Axis 6 - River Leen Multi Path	0.395	0.000	0.000	0.000	0.000	0.000	**0.395**
ERDF Axis 6 - Daybrook Park	0.250	1.900	0.000	0.000	0.000	0.000	**2.150**
ERDF Axis 6 - Beeston Sidings	0.100	0.080	0.000	0.000	0.000	0.000	**0.180**
Bulwell Bogs	0.082	0.010	0.000	0.000	0.000	0.000	**0.092**
Colwick Country Park	0.000	0.035	0.000	0.000	0.000	0.000	**0.035**
Marmion Park	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
Coppice Park	0.000	0.065	0.000	0.000	0.000	0.000	**0.065**
Greenway Park (Tricketts Yard)	0.000	0.060	0.000	0.000	0.000	0.000	**0.060**
Area 6 Trees & Parks	0.011	0.000	0.000	0.000	0.000	0.000	**0.011**
Martins Pond Nature Reserve	0.000	0.050	0.000	0.000	0.000	0.000	**0.050**
Victoria Embankment HLF	0.000	0.100	0.000	0.000	0.000	0.000	**0.100**
Ruddington Lane Park	0.000	0.110	0.000	0.000	0.000	0.000	**0.110**
Arkwright Walk Park	0.002	0.000	0.000	0.000	0.000	0.000	**0.002**
Locksley Park	0.000	0.002	0.000	0.000	0.000	0.000	**0.002**
Iremongers Pond	0.002	0.000	0.000	0.000	0.000	0.000	**0.002**
Area 8 Trees & Parks	0.000	0.060	0.000	0.000	0.000	0.000	**0.060**
New Burial System at Wilford Hill	0.020	0.000	0.000	0.000	0.000	0.000	**0.020**
Total - Leisure and Culture	**9.257**	**25.999**	**5.515**	**0.215**	**0.010**	**0.005**	**41.001**
Planning and Housing							
Adaptations (DFG)	1.776	1.825	1.825	1.825	1.825	1.825	**10.901**
Regional Housing Board - Equity Loan Scheme	0.632	0.000	0.000	0.000	0.000	0.000	**0.632**
Affordable Homes for Homeless	0.046	0.000	0.000	0.000	0.000	0.000	**0.046**
NCH Radford Allotments	0.108	0.000	0.000	0.000	0.000	0.000	**0.108**
Stonebridge General Fund	0.205	0.005	0.000	0.000	0.000	0.000	**0.210**
Preventative Adaptations	0.049	0.000	0.000	0.000	0.000	0.000	**0.049**
S106 - Affordability Housing Dwelling (Basford)	0.040	0.000	0.000	0.000	0.000	0.000	**0.040**
General Fund Chingford Access Point	0.481	0.000	0.000	0.000	0.000	0.000	**0.481**
Arkwright Walk & Blackstone Walk Redev	(0.001)	0.000	0.000	0.000	0.000	0.000	**(0.001)**
Total - Planning and Housing	**3.336**	**1.830**	**1.825**	**1.825**	**1.825**	**1.825**	**12.466**
Resources and Neighbourhood Regeneration							
Joint Service Centre - Bulwell LIFT	0.025	0.200	0.000	0.000	0.000	0.000	**0.225**
Joint Service Centre - St Anns	0.045	0.050	0.060	0.096	0.534	0.000	**0.785**
Growing Places - Loan No.2	1.000	3.539	0.000	0.000	0.000	0.000	**4.539**
IT - Childrens and Adults Social Care Project	0.000	0.215	0.000	0.000	0.000	0.000	**0.215**
IT - Project Evolution	0.000	0.543	0.000	0.000	0.000	0.000	**0.543**

General Fund: Other Services – Continued							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
IT - Service Improvement Prog - New Tools	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
IT - Service Improvement Prog - Server 2003	0.103	0.100	0.100	0.100	0.100	0.100	**0.603**
IT - Upgrade Delphi and One World	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
IT - Income Management Enterprise Licence	0.035	0.034	0.000	0.000	0.000	0.000	**0.069**
IT - Microsoft Licenses - 3yrs (1617, 1718, 1819)	2.027	0.500	1.300	1.300	0.000	0.000	**5.127**
IT - PC Hardware Acquisitions (1617,1718)	1.192	1.205	1.205	0.000	0.000	0.000	**3.602**
Disposal of Angel Row Site (SDLT)	0.000	0.000	0.586	0.000	0.000	0.000	**0.586**
IT - CUBE and SIP Upgrade	0.040	0.020	0.008	0.000	0.000	0.000	**0.068**
IT - Internet Extension & Purchase of Bearer	0.000	0.130	0.000	0.000	0.000	0.000	**0.130**
One Public Estate - Loxley	0.015	0.000	0.000	0.000	0.000	0.000	**0.015**
One Public Estate - Crocus Place	0.135	1.000	0.807	0.000	0.000	0.000	**1.942**
One Public Estate - Joint Service Centres	0.005	0.000	0.000	0.000	0.000	0.000	**0.005**
IT - Update Cisco	0.005	0.008	0.008	0.008	0.004	0.000	**0.033**
IT - Anti Virus	0.012	0.000	0.046	0.000	0.000	0.000	**0.058**
IT - Cisco Call Manager	0.288	0.106	0.000	0.000	0.000	0.000	**0.394**
IT - Nexus Switches	0.225	0.000	0.000	0.000	0.000	0.000	**0.225**
IT - Woodthorpe Network Link	0.064	0.000	0.000	0.000	0.000	0.000	**0.064**
IT - Brocade Fibre Chan Switches	0.023	0.004	0.000	0.000	0.000	0.000	**0.027**
IT - Software AM System	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
IT - VOIP & LAN Contract	0.036	0.044	0.000	0.000	0.000	0.000	**0.080**
IT - Capital One Grants Software	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Loan - NCH Homeless	6.000	0.000	0.000	0.000	0.000	0.000	**6.000**
Loan - NCH-E Ltd Arboretum	0.000	4.000	4.500	0.000	0.000	0.000	**8.500**
IT - Learning Zone	0.021	0.018	0.000	0.000	0.000	0.000	**0.039**
Loan - NCH RP, Church Square	2.230	0.000	0.000	0.000	0.000	0.000	**2.230**
Investment Property	41.729	0.000	0.000	0.000	0.000	0.000	**41.729**
IT - Confirm Enterprise Licence	0.081	0.000	0.000	0.000	0.000	0.000	**0.081**
Loxley House Workplace & Hub	0.100	1.723	0.000	0.000	0.000	0.000	**1.823**
Joint Service Centre - Strelley Road	(0.038)	0.000	0.000	0.000	0.000	0.000	**(0.038)**
Loan - NCHRP Radford Allotments	1.199	0.000	0.000	0.000	0.000	0.000	**1.199**
IT - Microsoft Upgrade	0.002	0.005	0.000	0.000	0.000	0.000	**0.007**
LH - Structured Cabling	(0.003)	0.000	0.000	0.000	0.000	0.000	**(0.003)**
CAP VOIP Phase 3	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Joint Service Centre - Strelley Road	0.006	0.000	0.000	0.000	0.000	0.000	**0.006**
Total - Resources and Neighbourhood Regeneration	**56.602**	**13.444**	**8.620**	**1.504**	**0.638**	**0.100**	**80.908**

General Fund: Other Services – Continued							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Strategic Regeneration & Development							
Southglade Food Park - Phase 2	(0.193)	0.000	0.000	0.000	0.000	0.000	**(0.193)**
Expansion of Bio City	(0.002)	0.076	0.000	0.000	0.000	0.000	**0.074**
Acq of Offices - Castlebridge Road	0.008	0.000	0.000	0.000	0.000	0.000	**0.008**
Demolition of Denewood Centre	0.035	0.000	0.000	0.000	0.000	0.000	**0.035**
Byron House Refurbishment Works	0.006	0.000	0.000	0.000	0.000	0.000	**0.006**
Island Site Development - Fees for Stat Processes	0.000	0.038	0.000	0.000	0.000	0.000	**0.038**
Land at Clifton - Clearance prior to sale	0.020	0.000	0.000	0.000	0.000	0.000	**0.020**
IT - Property Asset Management System	0.038	0.050	0.000	0.000	0.000	0.000	**0.088**
Exchange Bldgs Refurbishment Design	0.000	0.406	2.000	1.000	0.000	0.000	**3.406**
Unit 19 Salisbury Sq Roof	0.004	0.000	0.000	0.000	0.000	0.000	**0.004**
Nottingham College Skills Hub	0.000	6.000	6.000	7.600	0.000	0.000	**19.600**
Nottingham Science Park – Phase 2	0.604	8.260	0.000	0.000	0.000	0.000	**8.864**
Feasibility Council House / Exchange Buildings	0.006	0.000	0.000	0.000	0.000	0.000	**0.006**
Partial Demolition of Elms Primary	(0.173)	0.000	0.000	0.000	0.000	0.000	**(0.173)**
Milton Chambers - Replacement Lift	0.072	0.000	0.000	0.000	0.000	0.000	**0.072**
Demo Fairham College	0.258	0.000	0.000	0.000	0.000	0.000	**0.258**
Sneinton Market in Partnership Scheme	0.000	0.759	0.045	0.045	0.045	0.000	**0.894**
Island Site Cap Park (BMCP)	0.037	0.000	0.000	0.000	0.000	0.000	**0.037**
BM Caves Entrance	0.100	0.100	0.000	0.000	0.000	0.000	**0.200**
Old Market Square / Lace Market - Conservation Area	0.000	0.929	0.000	0.000	0.000	0.000	**0.929**
Arnside Rd Collaboration	0.000	0.030	0.000	0.000	0.000	0.000	**0.030**
Blueprint	2.000	3.000	0.000	0.000	0.000	0.000	**5.000**
Handel Street Dilpad	0.151	0.000	0.000	0.000	0.000	0.000	**0.151**
Southern Gateway Phase 1	3.000	35.800	14.882	0.000	0.000	0.000	**53.682**
Chase Farm Demolition	0.108	0.000	0.000	0.000	0.000	0.000	**0.108**
Blueprint	1.500	1.000	0.000	0.000	0.000	0.000	**2.500**
Roof Replacement Garnet Court	0.235	0.000	0.000	0.000	0.000	0.000	**0.235**
Southern Gateway Phase 2	1.237	21.491	21.492	0.000	0.000	0.000	**44.220**
Roof Replacement Clarence Court	0.315	0.000	0.000	0.000	0.000	0.000	**0.315**
Unlocking Loxley House	(0.036)	0.000	0.000	0.000	0.000	0.000	**(0.036)**
Demolition of Beechdale Baths	(0.002)	0.000	0.000	0.000	0.000	0.000	**(0.002)**

General Fund: Other Services – Continued							
Scheme	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
Tollerton New Settlement	0.004	0.000	0.000	0.000	0.000	0.000	**0.004**
Total - Strategic Regeneration & Development	**9.332**	**77.939**	**44.419**	**8.645**	**0.045**	**0.000**	**140.380**
TOTAL - Other Services	**96.921**	**135.359**	**71.851**	**19.128**	**8.606**	**7.327**	**339.192**

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ANNEX 4

HOUSING REVENUE ACCOUNT

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Annex 4 - Housing Revenue Account (HRA)

Introduction

This Annex sets out the detail for both the revenue and capital elements of the 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 HRA stock at 1 April 2018 was 25,808 (excluding decommissioned properties). The change in stock during 2018/19 is estimated to be a net reduction of around 311 properties resulting from new build stock, acquisitions and Right to Buy (RTB) sales.

The HRA has to be kept in balance, achieved through raising sufficient income from tenant rents to fund the investment needed to maintain the stock. A working balance is also maintained to deal with emerging pressures. Any balance on the HRA, either positive or negative, has to be carried forward to the following year. This means, for example, that the 2018/19 outturn will impact on the 2019/20 budget through the balance carried forward.

Nottingham City Homes Limited (NCH) is responsible for the management of the housing stock under a partnering agreement with the Council completed in 2011, for which a management fee is paid to cover some of the services provided. This fee paid to NCH by the Council is a charge on the HRA. NCH is also responsible, under a separate agreement that commenced in April 2014, for repairs to the stock through a series of budgets delegated to it from the Council.

The following are the key issues affecting the HRA budget in 2019/20:

- Reduction of social housing rents by 1%
- Stock reduction resulting from RTB and increase through new build and acquisition
- Roll out of Universal Credit from October 2018
- Impact of fire at Grenfell

The Welfare Reform & Work Act 2016 requires all social housing rents are reduced by 1% each year from 2016 to 2019. The effect of this is included within the budget and MTFP. The budget also takes into account the net reduction in stock.

Based on the experience of other Councils, Universal Credit results in a dramatic increase in arrears. In anticipation the HRA Working Balance was increased to a higher level to provide for the anticipated increase in write offs.

The tragic fire at Grenfell Tower will have a significant and longstanding impact on the social housing sector. The Council has approved a £8.4m programme of fire safety works to high rise blocks and is seeking financial support from the Government to fund these works.

In addition during 2018 the government made announcements in relation to council housing:

- Abolished the HRA Borrowing cap
- Issued a consultation on social housing including that social landlords would be able to increase rents again after 2020 by up to CPI plus 1% (2% assumed in MTFP from 2020)
- Social Housing Green Paper covering consideration of the quality, role, economic importance, management and tenants' rights in the social housing sector

Other issues that continue to have an impact include:

- Changes to welfare benefit eligibility including changes to Tax Credits and the benefits cap, with resulting impacts on household income
- Enhanced Right to Buy (RTB) discount criteria leading to increased RTB sales over predicted levels and consequential reduction in stock levels
- Use of RTB Replacement Receipts (1-4-1) and impact on borrowing levels
- Bedroom Tax and the cost of topping up Discretionary Housing Payments

The financial impact of these changes where it can be quantified has been included in proposed budget for 2019/20 and incorporated into the Medium Term Financial Plan (2019/20 to 2022/23). The changes affecting the HRA are also updated in the HRA Business Plan to assess the impact on its financial sustainability and develop plans to ensure it remains in balance.

The key headlines in the HRA budget for 2019/20 are as follows:

HRA Revenue

- A required decrease in rents of **1.0%** for 2020/21
- Continuation of tenant incentive scheme of up to £100 per annum
- Introduction of a **10%** administration charge for selected service charges
- A proposed increase in general service charges of **2.4%**
- Proposed increase to estate & block maintenance service charges **£0.68/week**
- A working balance of **£7.727m** to provide for the effects of Universal Credit**.**

HRA Capital

- An overall Public Sector Housing Programme of **£196.420m** for the next 5 years of which **£54.862m** relates to 2019/20.
- **£12.043m** for 2019/20 has been specifically allocated to regeneration and new build (Building a Better Nottingham)**.**

HRA Forecast Outturn 2018/19

Table 1 summarises the HRA budget and forecast outturn for 2018/19.

TABLE 1: HRA FORECAST OUTTURN 2018/19			
DESCRIPTION	**ORIGINAL BUDGET £m**	**ESTIMATED OUTTURN £m**	**VARIANCE £m**
INCOME			
Rent income	(95.295)	(95.295)	0.000
Service charges & other income	(10.340)	(10.340)	0.000
TOTAL INCOME	**(105.635)**	**(105.635)**	**0.000**
EXPENDITURE			
Repairs	27.167	27.167	0.000
Management (includes Retained)	33.167	32.926	(0.241)
Capital charges	41.575	41.859	0.284
Direct Revenue Financing	0.000	0.000	0.000
TOTAL EXPENDITURE	**101.909**	**101.952**	**0.043**
DEFICIT / (SURPLUS)	**(3.727)**	**(3.684)**	**0.043**
Working balance B/F	(4.000)	(4.043)	(0.043)
WORKING BALANCE C/F	**(7.727)**	**(7.727)**	**(0.000)**

The key variances for 2018/19 from the budget are as follows:

- Capital charges – increased depreciation charges by £0.401m and reduced interest charges of £0.117m
- Management – underspends including revenue costs in relation to capital schemes £0.241m

Further details of the variances and the reasons for them are provided in **Annex 1**.

HRA Budget 2019/20

The budget for 2019/20 has been refreshed to take account of the required reduction in rents, increases in service charges, inflation, cost pressures, capital financing costs and changes to assumptions.

Table 2 shows the summary of the 2019/20 budget and the movement from 2018/19 original budget.

TABLE 2: HRA BUDGET 2019/20				
NOTE	**DESCRIPTION**	**2018-19 BUDGET £m**	**2019-20 BUDGET £m**	**MOVEMENT £m**
	INCOME			
1	Rent income (Table 3)	(95.295)	(91.857)	3.438
2	Service charges & other income (Table 4)	(10.340)	(11.008)	(0.668)
	TOTAL INCOME	**(105.635)**	**(102.865)**	**2.770**
	EXPENDITURE			
3	Repairs	27.167	26.899	(0.268)
4	Management	33.167	33.143	(0.024)
5	Capital Charges (Table 5)	41.575	42.424	0.849
6	Direct Revenue Financing	0.000	0.400	0.400
	TOTAL EXPENDITURE	**101.909**	**102.865**	**0.957**
	Deficit / (Surplus)	**(3.727)**	**(0.000)**	**3.727**
7	HRA Working Balance	(7.727)	(7.727)	(0.000)

1. Rent Income

Rent policy – The Welfare Reform and Work Act 2016 requires that social and affordable rents are reduced by 1% per annum for four years from 2016, with 2019 being the fourth and final year the Council has had to reduce rents.

The Government exercises control over local rents by charging the Council for the housing benefit costs where the average rent has exceeded the limit rent (every £1 rent charged above limit rent requires £0.66 of the increase to be paid back to Government to pay for the increased cost of Housing Benefit). Following the introduction of the Act the limit rent will decrease by 1% in 2019/20 and is estimated to be £74.09 per week (over 52 weeks). The proposed average rent of £71.91 gives headroom of £2.18 per week. Applying the proposed rent and taking account of the estimated reduction in stock will reduce rental income by **£2.738m** per annum. The reduction of council housing stock is due to council housing sales (from Right to Buy and sales of non-standard “corporate” stock) and off-set by addition of new build and acquired properties into stock.

Bad debt provision - Part of the reforms introduced by Universal Credit includes payment of housing benefit direct to the tenant monthly in arrears (currently housing benefit is received directly by the landlord). The new system was rolled out in Nottingham in October 2018 for all new claimants or those with a change in circumstance, so the impact will be increasingly felt within the 2019/20 budget. Evidence from other authorities suggests that arrears increase as much as fourfold, so the bad debt provision has been increased by £0.700m, giving a provision of £1.9m in 2019/20. In 2020/21 it will be increased by a further £0.300m to £2.2m as the proportion of tenants in receipt of UC increases.

As the impact of UC is hard to estimate and to provide flexibility in 2018/19 the working balance was increased from £4.000m to £7.727m, to help manage the risk and develop a robust future strategy. For 2019/20 it will be maintained at this higher level to manage the pressure and uncertainty on the HRA.

TABLE 3: RENT INCOME CHANGES 2019/20	
DESCRIPTION	**£m**
Rent income - 1% reduction	0.965
Rent income - net stock reduction	1.773
Rent income - bad debt provision	0.700
Rent income (net)	**3.438**

2. Service charges & other income

Where a direct service charge is levied, it will increase by **2.4%** (CPI September 2018), to support the recovery of associated costs. In addition, where applicable an administration charge of **10%** has been added to recover overheads. The estate maintenance charge will increase by **£0.68** per week to recover of additional public realm costs from tenants. The Block Maintenance service charge will increase by **£0.68** per week to pay for additional safety compliance checks and systems to protect residents. **Appendix A** gives details of the increases in service charges and new service charges.

Other income will be reduced due to the loss of income from the Highwood House emergency hostel, that has been leased to NCH RP Ltd (£0.229m); this loss of income is fully offset by reduced costs paid to NCH in the management fee. Other changes to assumptions include less bank interest received (£0.070m) as the Major Repairs Reserve reduces.

Garage rents not included as part of the rent of a dwelling will be increased by inflation. Based on the pattern in recent years any increase in rent is usually offset by reduced income as the number of garages let continues to decline, so no additional income has been allowed for.

TABLE 4: SERVICE CHARGES & OTHER INCOME CHANGES 2019/20	
DESCRIPTION	**£m**
Service charges	(1.009)
Other income (including garage rents)	0.341
Service charges and other income	**(0.668)**

3. Repairs (net reduction £0.268m)
The housing repairs budget has been reduced to £26.899m as a consequence of applying reduction in the stock.

4. Management (net reduction £0.024m)
NCH Management Fee £23.125m – It is proposed that the Management Fee paid to NCH will decrease to £22.300m, which comprises of an increase for cost pressures such as resources on Universal Credit, increase in rents and fire safety compliance activities **(+£0.778m**) and an adjustment to reflect the declining volume of stock and as well as savings to be delivered **(-£1.603m**).

Retained Housing £4.471m – The HRA budgets still managed by the Council are set in line with General Fund assumptions, i.e. pay award (2%) and general inflation (0%) and have been contained within existing resources. There is an increase for Corporate & Democratic Core costs **(£0.500m**).

Public Realm & CCTV £4.072m – it is proposed that these recharges for services provided by the Council are increased by **£0.300m** to recover their costs.

Responsible Tenant Reward scheme £2.000m - The scheme rewards tenants who pay rent on time, behave responsibly and show respect to their neighbours and NCH staff. The cost of the scheme in 2018/19 was £2.1m with successful tenants receiving £100 each. It is proposed to continue the scheme for a further year in 2019/20 with a budget of £2.000m. The reduction will be achieved by modifying the eligibility criteria relating to rent payments.

Joint working / cost saving initiatives - The City Council and NCH continue to work together to review costs for services and ensuring fair costs for renting Council owned properties.

It is proposed elsewhere in this report that the City Council will require NCH to return a proportion of any surplus generated from trading activity. This proposal has no direct impact upon the HRA.

5. Capital charges
The introduction of self-financing of the HRA requires the HRA to generate sufficient resources to finance the capital investment to maintain the existing housing stock and tenant priorities.

TABLE 5: CAPITAL FINANCING COSTS			
DESCRIPTION	**Original Budget 2018/19 £m**	**Budget 2019/20 £m**	**Movement £m**
Depreciation	27.989	28.391	0.401
Debt charges	13.586	14.033	0.447
TOTAL	**41.575**	**42.424**	**0.849**

<u>Contribution to Major Repairs Reserve (MRR)</u> The sum that accumulates in the Major Repairs Reserve is based on the depreciation charge and is only available for investment in major repairs of the stock and cannot be used to support the overall rent level. The value of the depreciation provision in 2019/20 budget is £28.391m.

<u>Debt charges</u> - The HRA continues to benefit from the historically low short term interest rates, with the estimated average rate to be applied in 2019/20 being **4.51%.** All borrowing is currently at fixed interest rates to remove interest rate risk from the HRA. Over the life of the MTFP the long term average interest rates of between 4.00% and 4.50% are still expected to be valid for the HRA business plan.

6. Direct Revenue Financing

Due to the need to fund certain schemes in the capital programme direct revenue financing has been included at **£0.400m** in 2019/20. Together with the contributions to the MRR, this increases the resources available in the HRA to finance capital investment.

7. HRA Working Balance

Under HRA self-financing the Council has taken on new risks arising from the HRA being dependent upon rental income to sustain future investment in the housing stock. The working balance acts as a contingency to cover unexpected significant expenditure or unplanned major additional expenditure. Given the economic climate and uncertainty over the impact of welfare reform it is prudent to maintain the HRA working balance at **£7.727m**.

HRA Medium Term Financial Plan 2019/20 to 2022/23

The HRA MTFP 4 year projections have been updated to reflect the above changes. **Table 6** shows the HRA MTFP for 2019/20 to 2022/23. The future years' projections are based on information currently available but subject to ongoing review. Projections for 2020/21 to 2022/23 incorporate the following assumptions:

- The inflation indicators are consistent with those used throughout the entire MTFP, these will be reviewed as part of the 2020/21 budget process.
- Rent levels have been assumed to increase within the parameters set by the proposed new rent regime (2% p.a. from 2020 to 2025). The rent level reflects the net stock changes resulting from sales and new build.
- No inflation has been assumed for the Management Fee and Repairs budgets as this will form part of the contract negotiations for 2020/21; the fees have been adjusted for projected stock movements

- Financing costs take account of the existing and projected borrowing required.
- Depreciation charges are based on asset life spans and replacement costs data provided by NCH.
- The Tenant Incentive Scheme continues and remains unchanged
- Working balance remains at around £8m as a safeguard during the initial stages of Universal Credit.

TABLE 6: HRA – MEDIUM TERM FINANCIAL PLAN				
DESCRIPTION	**BUDGET 2019/20 £m**	**BUDGET 2020/21 £m**	**BUDGET 2021/22 £m**	**BUDGET 2022/23 £m**
Rental Income	(93.770)	(94.557)	(95.357)	(96.093)
Provision for Bad Debts	1.913	2.213	2.213	2.213
Service charges	(8.215)	(8.215)	(8.215)	(8.215)
Other rents (inc garage)	(2.537)	(2.537)	(2.537)	(2.537)
Other income including interest	(0.257)	(0.257)	(0.257)	(0.257)
TOTAL	**(102.865)**	**(103.352)**	**(104.152)**	**(104.888)**
Repairs to Dwellings	26.899	26.582	26.258	25.982
NCH Management Fee	22.300	22.037	21.769	21.540
Tenant incentive scheme	2.000	2.000	2.000	2.000
Public Realm	3.014	3.038	3.061	3.097
CCTV	1.358	1.369	1.379	1.395
Retained Housing	4.471	4.471	4.471	4.471
Depreciation (to Major Repairs)	28.391	28.858	29.312	29.762
Debt Charges	14.033	14.598	15.503	16.241
Direct Revenue Financing	0.400	0.400	0.400	0.400
TOTAL EXPENDITURE	**102.865**	**103.352**	**104.152**	**104.888**
Deficit / (Surplus)	**0.000**	**0.000**	**0.000**	**0.000**
Add Working Balance B/F	7.727	7.727	7.727	7.727
WORKING BALANCE C/F	**7.727**	**7.727**	**7.727**	**7.727**

PUBLIC SECTOR HOUSING CAPITAL PROGRAMME

Context

HRA capital expenditure is financed from resources generated from rental income to directly finance capital expenditure or fund prudential borrowing subject to the debt cap limit for the HRA.

The Welfare Reform & Work Act 2016 requires an annual 1% reduction to rents from 2016 until 2019. The HRA 30 year Business Plan was refreshed to assess the impact of the revised rent policy, showing the current levels of capital expenditure are unaffordable.

An interim review of the Asset Management Plan (AMP) for the next 5 years has been undertaken to inform the revised capital programme and options have been developed to provide a sustainable the 30 year Business Plan.

The Programme

The Public Sector Housing Capital Programme sets out the five year investment in the housing stock. Management of the stock was transferred to NCH under a management agreement but the Council retains ownership. The allocation of these funds to individual schemes is agreed between the Council and NCH. **Table 7** shows the level of investment to 2023/24 against the existing capital programme approved to 2022/23.

TABLE 7: PUBLIC SECTOR HOUSING CAPITAL PROGRAMME							
PROGRAMME MOVEMENT	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**TOTAL £m**
Existing programme	51.301	58.265	35.910	35.947	36.569	0.000	217.992
New/amended schemes	(2.371)	(3.403)	11.593	(6.485)	(4.795)	32.819	27.358
TOTAL PROGRAMME	**48.930**	**54.862**	**47.503**	**29.462**	**31.774**	**32.819**	**245.350**

The detailed programme is shown in **Appendix B** and is based on existing approved commitments, new projects and amendments to existing schemes. **Appendix C** sets out those new/amended schemes recommended for inclusion within the programme. The schemes/programmes shown as requiring NCH approval are delegated to NCH to award contracts up to the value of the scheme/programme shown in **Appendix B**.

Schemes within the programme, including Building a Better Nottingham, will require further approval within the Council, at either Portfolio Holder or Executive Board level (depending on the value) as these are aspirational projects requiring further refinement and development of a business case.

The Public Sector Housing capital programme supports delivery of the Transforming Nottingham's Neighbourhoods priorities within the Housing Nottingham Plan and Council Plan, supporting delivery of the following key themes:

- The standard of existing homes – ensuring existing housing stock remains well maintained, well managed and energy efficient;
- The supply of new homes – maximising funding to deliver new homes across all tenures; and
- Meeting specialist housing need – supporting vulnerable groups by prioritising and using prevention and early intervention measures to the full.

The programme takes account of the NCH AMP (refreshed to 2023/24), known commitments from schemes in progress, health and safety issues (including fire safety works to high rise blocks) and other service investment needs. The AMP has been reviewed and works have been profiled to match resource availability. For a summary resources identified to support the programme see Annexe 3 Table 6. There is a shortfall of resources compared to investment needed which consists of the fire safety works to high rise blocks referred to earlier in the report (£8.086m). If additional funding is not provided by the Government then other non-essential schemes may need to be deferred to ensure the programme can be fully resourced.

The financing of the capital programme is shown in **Appendix D**. The summary HRA capital programme for 2019/20 is shown in **Table 8.**

TABLE 8: 2019/20 SUMMARY CAPITAL PROGRAMME	
DESCRIPTION	**£m**
Maintaining the Nottingham Decent Homes Standard	22.071
Additional tenant priorities:	
- City wide energy efficiency	10.972
- Additional improvements	9.776
Building a Better Nottingham	12.043
TOTAL	**54.862**

Maintaining the Nottingham Decent Homes Standard

Nottingham City Council, through its delivery agent NCH, has achieved the Decent Homes standard in the council's housing stock. We are committed to Maintaining Decency and have developed a programme which invests **£105.967m** over 5 years to deliver the Nottingham Standard for decent homes.

Energy Efficiency and Tackling Fuel Poverty

Over the 5 years of the programme **£17.729m** is being invested in energy efficiency measures including external wall insulation and LED lighting to reduce energy costs and improve living standards for tenants. The costs to the Council are reduced by EU funding that will benefit over 300 council homes in Sneinton (Remo-Urban). The roll out of the innovative deep retro-fit solution known as "Energiesprong" to 155 hard to treat homes (ie those where conventional external wall insulation is unsuitable) will be supported by grants from Interreg and DREaM/ERDF. Further grants will be required to support roll out Energiesprong or alternative solutions to other council properties identified as hard to treat. All investment decisions require a full business case including cash flow forecast and demonstrating that they are affordable in the context of the 30 year business plan.

Building a Better Nottingham

The HRA's Capital Programme for Public Sector Housing includes **£24.188m** for additional council housing, including council developed new build and, acquisitions from developers. This supports the aim of the Council Plan 2015-19 for 2,500 new homes that Nottingham people can afford to rent or buy. The programme also includes a proportion of acquisitions of former RTB properties, which has been introduced to accelerate the pace of provision of social rented housing in Nottingham to reflect increased demand.

The new build programme is funded by use of Replacement ("1-4-1") Right to Buy capital receipts (see Table 11) with the balance financed from prudential borrowing.

HRA Capital Receipts

Table 9 shows the estimated capital receipts from RTB sales based on updated assumptions after applying the pooling requirement and costs of disposal. Currently the balance of RTB receipts available are used to support the private sector housing programme in the 'All Other Services' programme in the General Fund.

TABLE 9: HRA RTB CAPITAL RECEIPTS							
PROJECTION	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**TOTAL £m**
1-4-1 Receipts (Table 11)	7.799	7.409	4.894	4.875	4.387	3.900	**33.264**
To repay HRA debt	5.396	5.129	2.323	3.622	2.977	2.331	**21.778**
To Gen Fund Capital Prog	2.850	2.600	2.075	0.750	0.750	0.750	**9.775**
Total RTB receipts	16.045	15.139	9.292	9.247	8.114	6.981	**64.818**

It is Council policy that an element of future receipts will be retained to voluntarily set aside against HRA debt. This is to ensure that the level of capital charges is no more than 12.5% of the HRA turnover to ensure sustainability.

Table 10 shows the profile of capital receipts (excluding 1-4-1 receipts), that can be used up to the values stated and may be used to finance capital expenditure in accordance with capital finance and accounting regulations. Previously approved Council policy on the allocation of capital receipts will require these sums to be used for Public Sector Housing. Executive Board approved the disposal of non-purpose built council houses (known as 'corporates') on 20 October 2009.

TABLE 10: HRA CAPITAL RECEIPTS							
PROJECTION	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**TOTAL £m**
Corporates	0.000	0.640	0.640	0.000	0.000	0.000	1.280
Housing land sales	0.147	0.150	0.150	0.150	0.141	0.000	0.738
Total	0.147	0.790	0.790	0.150	0.141	0.000	**2.018**

<u>RTB Replacement ("1-4-1") Receipts from additional Right to Buy (RTB) sales</u>

From 1 April 2012, MHCLG introduced changes to the treatment of capital receipts under the RTB. The changes require a proportion of the receipt to be used to repay housing debt. The requirement to pay over to the MHCLG 75% of RTB sales receipts remains, but this has been modified to take account of the need to reduce the level of debt. Overall the stated national policy is to use part of the receipts in future to provide replacement homes for those sold under the RTB. These additional retained RTB sales will be used to support the new build programme within the HRA.

Where RTB sales exceed the sales predicted prior to the government's reinvigoration of RTB, the Council may keep an additional proportion of the receipt (known as the "1-4-1" receipt) for spend on new build. Funding must be spent on creating additional social housing (either new build or purchase of properties), the Council must contribute at least 70% of the cost and must be spent within 3 years of the related RTB sale. Any receipt unspent within the timeframe must be returned to the MHCLG.

Table 11 shows the projected 1-4-1 receipts and the use to finance expenditure on schemes that meet the eligibility criteria within the capital programme. The available receipts are those currently without a scheme in the capital programme and if suitable schemes are not identified will need to be repaid to central government.

TABLE 11 : PROJECTED 1-4-1 RECEIPTS							
PROJECTION	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**TOTAL £m**
Opening balance	0.000	0.485	7.894	12.788	17.663	22.050	
Add new 1-4-1 receipts	7.799	7.409	4.894	4.875	4.387	3.900	**33.264**
Less HRA use in year	(7.314)	0.000	0.000	0.000	0.000	0.000	**(7.314)**
Available	**0.485**	**7.894**	**12.788**	**17.663**	**22.050**	**25.950**	

<u>HRA Prudential Borrowing</u>

The council borrows to fund increasing its social housing stock either through new build or through acquisitions. Until October 2018 the amount of borrowing was limited to the HRA Debt Cap, which was a specific maximum amount of borrowing that a council was permitted. This was abolished by the government to allow councils to increase house building. Although there is no longer a limit on borrowing, as all council house building is partly funded from Prudential Borrowing, all schemes still need to comply with the principals of the Prudential Code, including the forthcoming revisions (see separate report “Treasury Management Strategy 2019/20” to Executive Board). All debt must be affordable and sustainable within the rental income of the HRA over the 30 year plan.

As a reference the headroom to the Debt Cap is shown in **Table 12** below, this being the gap between the previously permitted and projected level of debt. The planned repayment is the repayment of the principal associated with the HRA share of annuity loans, thereby reducing the Capital Financing Requirement (CFR) in year:-

TABLE 12: HRA DEBT POSITION	
DESCRIPTION	**£m**
HRA CFR at 1 April 2018	294.703
Add: borrowing proposed to be taken out 2018/19	7.795
Less: debt planned to be repaid in year	(13.281)
HRA CFR at 1 April 2019	289.217
Debt cap	**319.784**
Estimated headroom at 1 April 2019	**30.567**

The MTFP assumes the use of borrowing over the life of the plan primarily to support investment in new social housing – see **Table 13** for impact on the debt cap. Currently the business plan is in balance such that any additional borrowing would need to generate sufficient revenue resources to fund the repayment of the borrowing and interest.

TABLE 13: HRA DEBT POSITION - PROJECTED	
DESCRIPTION	**£m**
HRA CFR at 1 April 2019	289.217
Add: borrowing taken out over 5 year investment plan	16.931
Less: debt planned to be repaid over 5 years	(8.631)
HRA CFR at 1 April 2024	297.517
Debt cap	**319.784**
Estimated headroom at 1 April 2024	**22.267**

APPENDIX A – SERVICE CHARGES INCREASES 2018/19

Service charges (over 50 weeks)

Table 1 lists the range of services provided to specific groups of tenants. It is proposed that service charges are increased by **2.4%** (CPI September 2018) plus a further **10%** where an admin charge has been applied. Estate and Block maintenance are increased to cover increased costs as outlined in the. Applying the revised rates would produce additional annual income of **£0.950m**.

TABLE 1: WEEKLY SERVICE CHARGE				
SERVICE	**CURRENT 2018/19 (£)**	**PROPOSED 2019/20 (£)**	**INCREASE %**	**INCREASE (£)**
Caretaking	5.51	6.19	12.4	0.68
Cleaning Service	3.24	3.64	12.4	0.40
Communal lighting	0.58	0.65	12.4	0.07
Communal TV system	0.97	1.09	12.4	0.12
Homewatch	0.56	0.63	12.4	0.07
Security (CCTV)	5.75	5.75	0.0	0.00
Estate Maintenance	3.00	3.68		0.68
Block Maintenance	2.50	3.18		0.68

Furnished tenancy service charges will also increase by **2.4%**.

Independent Living Charges

Tenants in Independent Living schemes pay additional charges for services that are necessary to assist tenants in retaining their independence

In schemes where tenants are charged for block maintenance, this has been separated into two components – Independent Living Scheme Maintenance and Grander Designs. The Grander Designs service charge pays for the upgrading and future maintenance of the communal areas of Independent Living schemes.

TABLE 2: INDEPENDENT LIVING CHARGES			
CHARGE	**CURRENT 2018/19 £**	**PROPOSED 2019/20 £**	**INCREASE £**
Independent Living	3.25	3.33	0.08
Intensive Housing Management	11.00	11.26	0.26
Independent Living charge (no intensive HM)	3.43	3.51	0.08
Emergency Alarm	2.64	2.70	0.06
Scooter storage	1.08	1.11	0.03
Laundry facilities	1.44	1.47	0.03
ILS Scheme Maintenance	1.30	1.33	0.03
ILS Grander Designs	1.20	1.23	0.03

It is proposed that the total Independent Living service charges are increased by **2.4%** to support the recovery of associated costs - see **Table 2** above. Applying the revised rates would produce additional annual income of **£0.059m.**

Scheme Charges

A number of schemes have specific charges, details are set out in **Table 3.**

At the Foxton Gardens scheme charges for heat and water are recommended to be increased by **2.4%** in line with other recommended service charge increases, whilst following a review the main service charge this is proposed to be unchanged.

The Communal Heating service charge has been introduced in new build Independent Living scheme rents so the costs of heating communal areas is recovered. This charge is eligible for Housing Benefit.

Winwood Heights will be the Council's first Extra Care scheme. There are additional costs in delivering extra care, most notably extended hours of service provision, so a specific service charge is proposed to cover these costs. This charge will be eligible for Housing Benefit.

TABLE 3: SCHEME SPECIFIC CHARGES			
TYPE	**CURRENT 2018/19 £**	**PROPOSED 2019/20 £**	**CHANGE (£)**
FOXTON GARDENS:SERVICE CHARGES			
One bed	32.50	32.50	0.00
Two bed	34.22	34.22	0.00
FOXTON GARDENS: WATER			
One bed	3.16	3.24	0.08
Two bed	4.39	4.50	0.11
FOXTON GARDENS: HEATING			
One bed	15.44	15.81	0.37
Two bed	20.95	21.45	0.50
COMMUNAL HEATING	4.00	4.00	0.00
SUTTON HOUSE: HEATING	7.25	7.42	0.17
WINWOOD: EXTRA CARE CHARGE	new	27.12	27.12

Sutton House is an independent living scheme purchased by the Council in January 2017 which has its own service charges. It is proposed that these increase by **2.4%** in line with all other service charges.

APPENDIX B - CAPITAL PROGRAMME BY SCHEME 2018/19 – 2023/24

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Meeting the Nottingham Decent Homes Standard								
Safe								
City Wide CCTV / Door Entry Imp	**NCH**	0.122	0.201	0.111	0.409	0.291	0.685	1.819
Intercom Systems **- FSW**	**NCC**	0.405	0.165	0.000	0.000	0.000	0.000	0.569
Public Address System **- FSW**	**NCC**	0.689	0.332	0.000	0.000	0.000	0.000	1.021
Fire Alarm Installations	**NCH**	0.099	0.090	0.069	0.071	0.518	0.411	1.258
Fire Alarm Installations **- FSW**	**NCC**	0.100	0.100	0.000	0.000	0.000	0.000	0.200
Asbestos Works	**NCH**	0.336	0.200	0.200	0.200	0.190	0.000	1.127
Lift Replacement Programme	**NCH**	1.483	0.612	0.000	0.000	0.000	0.000	2.095
Radon Awareness	**NCH**	0.060	0.051	0.000	0.000	0.000	0.000	0.111
Water Infrastructure Managed Supplies	**NCH**	0.010	0.000	0.000	0.000	0.000	0.000	0.010
Low Rise Sprinkler Systems	**NCH**	0.090	0.400	0.000	0.000	0.000	0.000	0.490
High Rise Sprinkler Systems **- FSW**	**NCC**	1.356	2.582	0.000	0.000	0.000	0.000	3.938
High Rise Sprinkler Systems - **FSW** (CR&M)	**NCC**	1.150	0.781	0.000	0.000	0.000	0.000	1.931
Gas Safety Enhancements **- FSW**	**NCC**	0.050	0.200	0.000	0.000	0.000	0.000	0.250
Structural Surveys & Rectification Works	**NCH**	0.050	0.050	0.050	0.050	0.048	0.050	0.297
Renew Bin Store/Refuse Chute	**NCH**	0.049	0.464	0.468	0.500	0.000	1.201	2.682
Management Fee	**NCH**	0.115	0.103	0.045	0.062	0.052	0.117	0.494
Management Fee **- FSW**	**NCC**	0.111	0.065	0.000	0.000	0.000	0.000	0.176
		6.275	**6.396**	**0.943**	**1.292**	**1.100**	**2.464**	**18.469**

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Secure Warm & Modern								
Nottingham Secure - Windows	**NCH**	1.835	2.396	2.692	0.029	0.057	0.100	7.110
Nottingham Secure - Doors	**NCH**	0.776	0.267	0.551	2.007	1.835	0.989	6.426
Modern Living	**NCH**	2.740	3.818	4.000	5.498	6.584	5.752	28.392
Warmth for Nottingham	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Warmth for Nottingham - CR&M	**NCH**	2.800	3.247	3.100	3.100	5.645	4.288	22.180
Roof & Chimney Replacement	**NCH**	1.522	1.533	2.000	3.403	2.237	4.470	15.165
External Fabric	**NCH**	3.113	3.823	4.000	4.000	3.810	5.000	23.746
Management Fee	**NCH**	0.499	0.592	0.662	0.747	0.726	0.816	4.042
		13.286	**15.675**	**17.005**	**18.784**	**20.894**	**21.415**	**107.059**
Additional Tenant Priorities								
Energy Efficiency & Tackling Fuel Poverty								
No Fines/ Solid Wall Insulation Schemes	**NCC**	0.000	2.768	0.000	0.973	1.553	0.000	5.294
REMOURBAN & Domestic Energy Programme	**NCC**	3.566	0.000	0.000	0.000	0.000	0.000	3.566
ERDF Deep Innovative Retrofit	**NCC**	2.432	6.456	1.910	0.000	0.000	0.000	10.798
EWI Schemes - CR&M	**NCC**	0.100	0.725	0.000	0.000	0.000	0.000	0.825
Green Deal Communities Funding	**NCC**	0.041	0.000	0.000	0.000	0.000	0.000	0.041
LED Communal Lighting	**NCH**	0.304	0.000	0.000	0.000	0.000	0.000	0.304
Woodthorpe & Winchester - CHP	**NCC**	2.156	0.000	0.000	0.000	0.000	0.000	2.156
Colwick Woods Court	**NCC**	0.000	0.500	2.000	0.000	0.000	0.000	2.500
Management Fee	**NCH**	0.430	0.522	0.195	0.049	0.078	0.000	1.274
		9.030	**10.972**	**4.105**	**1.022**	**1.631**	**0.000**	**26.759**

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Modernising Housing For Older People								
Independent living Re-Design	**NCH**	0.606	0.269	0.100	0.100	0.100	0.100	1.275
Mobile Scooter Stores	**NCH**	0.181	0.104	0.000	0.000	0.000	0.000	0.285
Refurbishment Of Sheltered Housing Scheme	**NCH**	0.154	0.000	0.000	0.000	0.000	0.000	0.154
Management Fee	**NCH**	0.047	0.019	0.005	0.005	0.005	0.005	0.086
		0.988	**0.392**	**0.105**	**0.105**	**0.105**	**0.105**	**1.800**
Decent Neighbourhoods								
City Wide Environmentals - AREA CAPITAL FUND	**NCH**	1.356	1.000	1.000	1.000	0.952	1.000	6.308
Estate/Area Impact works	**NCH**	1.015	1.000	1.000	1.000	1.000	1.640	6.655
Paving Works - AREA COMMITTEE SCHEMES	**NCH**	0.360	0.360	0.360	0.360	0.343	0.360	2.143
Garage / Outbuildings - CITYWIDE	**NCH**	0.100	1.028	0.438	1.166	0.952	1.000	4.685
Management Fee	**NCH**	0.142	0.169	0.140	0.176	0.162	0.200	0.990
		2.972	**3.557**	**2.938**	**3.702**	**3.410**	**4.200**	**20.780**
Existing Stock Investment								
Major Void Works - DLO	**NCH**	1.950	2.611	2.400	2.400	2.400	2.400	14.161
Fire Damaged Properties - DLO	**NCH**	0.246	0.300	0.100	0.023	0.100	0.100	0.869
Victoria Centre Roof	**NCH**	0.117	0.000	0.000	0.000	0.000	0.000	0.117
Victoria Centre External Refurbishment	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Rooftop Fan Project	**NCH**	0.144	0.224	0.000	0.000	0.000	0.000	0.368
Management Fee	**NCH**	0.013	0.011	0.000	0.000	0.000	0.000	0.024
		2.470	**3.146**	**2.500**	**2.423**	**2.500**	**2.500**	**15.539**

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Building a Better Nottingham								
Lenton - Decom, Demo & New Build	**NCC**	0.302	0.000	0.000	0.000	0.000	0.000	0.302
Meadows Q Blocks - Decom, Demo & New Build	**NCC**	0.142	0.000	0.000	0.000	0.000	0.000	0.142
Demolition	**NCC**	0.013	0.000	0.000	0.000	0.000	0.000	0.013
Stepney Court & LIbrary - Decom, Demo & New Build	**NCC**	2.322	0.000	0.000	0.000	0.000	0.000	2.322
Affordable Homes - Infill Sites - Decom, Demo & New Build	**NCC**	0.801	0.000	0.000	0.000	0.000	0.000	0.801
New Build Phase 1 - UNALLOCATED	**NCC**	0.010	0.000	0.000	0.000	0.000	0.000	0.010
New Build Phase 2 - UNALLOCATED	**NCC**	0.000	0.000	9.338	0.000	0.000	0.000	9.338
Acquisition	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Woodthorpe & Winchester - New Build	**NCC**	3.541	0.000	0.000	0.000	0.000	0.000	3.541
Property Acquisition - RTB 1-4-1	**NCC**	2.665	2.503	1.997	0.000	0.000	0.000	7.165
Disposal Of HRA Assets	**NCC**	0.175	0.000	0.000	0.000	0.000	0.000	0.175
Knights Close - Decom, Demo & New Build	**NCC**	0.188	2.822	0.327	0.000	0.000	0.000	3.337
Clifton Miners Welfare - New Build	**NCC**	0.350	2.625	0.000	0.000	0.000	0.000	2.974
Tunstall Drive - New Build	**NCC**	0.000	2.057	0.000	0.000	0.000	0.000	2.057
Marlstones - New Build	**NCC**	0.514	1.582	0.000	0.000	0.000	0.000	2.096
Management Fee	**NCH**	0.405	0.454	0.483	0.000	0.000	0.000	1.343
		11.428	**12.043**	**12.145**	**0.000**	**0.000**	**0.000**	**35.616**

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
<u>Joint NCC / NCH Involvement</u>								
Sanctuary Project	**NCC**	0.035	0.035	0.035	0.035	0.035	0.035	0.210
HRA Shop Investment	**NCC**	0.045	0.000	0.000	0.000	0.000	0.000	0.045
St Anns Estate Action - Stonebridge Park (Phase 3 & 6)	**NCC**	0.190	0.147	0.000	0.000	0.000	0.000	0.337
HRA Off Street Drive-ways	**NCC**	0.065	0.000	0.000	0.000	0.000	0.000	0.065
Acquisition Woodborough Road Flat	**NCC**	0.065	0.000	0.000	0.000	0.000	0.000	0.065
Office Improvements	**NCC**	0.030	0.000	0.000	0.000	0.000	0.000	0.030
IT Development Programme	**NCC**	0.017	0.000	0.000	0.000	0.000	0.000	0.017
PV Installation Programme	**NCC**	0.000	0.000	5.627	0.000	0.000	0.000	5.627
Adaptations For Disabled Persons	**NCC**	0.848	0.731	0.731	0.731	0.731	0.731	4.503
Adaptations For Disabled Persons **- CR&M**	**NCC**	1.086	1.667	1.269	1.269	1.269	1.269	7.829
Preventive Adaptations For Older People **– PAD**	**NCC**	0.100	0.100	0.100	0.100	0.100	0.100	0.600
		2.481	**2.680**	**7.762**	**2.135**	**2.135**	**2.135**	**19.328**
TOTAL		**48.930**	**54.862**	**47.503**	**29.462**	**31.774**	**32.819**	**245.350**

APPENDIX C - CAPITAL PROGRAMME SCHEME AMENDMENTS FOR APPROVAL 2018/19 – 2023/24

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Meeting the Nottingham Decent Homes Standard								
Safe								
City Wide CCTV / Door Entry Imp	**NCH**	0.000	0.000	0.000	0.000	0.000	(0.685)	(0.685)
Intercom Systems - FSW	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Public Address System - FSW	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Fire Alarm Installations	**NCH**	0.000	0.000	0.000	0.000	0.000	(0.411)	(0.411)
Fire Alarm Installations - FSW	**NCC**	0.034	(0.034)	0.000	0.000	0.000	0.000	0.000
Asbestos Works	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Lift Replacement Programme	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Radon Awareness	**NCH**	0.051	(0.051)	0.000	0.000	0.000	0.000	0.000
Water Infrastructure Managed Supplies	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Low Rise Sprinkler Systems	**NCH**	0.400	(0.400)	0.000	0.000	0.000	0.000	0.000
High Rise Sprinkler Systems - FSW	**NCC**	0.500	(0.500)	0.000	0.000	0.000	0.000	0.000
High Rise Sprinkler Systems - FSW (CR&M)	**NCC**	0.781	(0.781)	0.000	0.000	0.000	0.000	0.000
Gas Safety Enhancements - FSW	**NCC**	0.108	(0.108)	0.000	0.000	0.000	0.000	0.000
Structural Surveys & Rectification Works	**NCH**	0.000	0.000	0.000	0.000	0.000	(0.050)	(0.050)
Renew Bin Store/Refuse Chute	**NCH**	0.000	0.000	0.000	0.000	0.000	(1.201)	(1.201)
Management Fee	**NCH**	0.023	(0.023)	0.000	0.000	0.000	(0.117)	(0.117)
Management Fee - FSW	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		1.897	**(1.897)**	**0.000**	**0.000**	**0.000**	**(2.464)**	**(2.464)**

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Secure Warm & Modern								
Nottingham Secure - Windows	**NCH**	0.000	0.000	0.000	0.000	0.000	(0.100)	(0.100)
Nottingham Secure - Doors	**NCH**	0.000	0.000	0.000	0.000	0.000	(0.989)	(0.989)
Modern Living	**NCH**	0.029	(0.029)	0.000	0.000	0.000	(5.752)	(5.752)
Warmth for Nottingham	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Warmth for Nottingham - CR&M	**NCH**	0.200	(0.200)	0.000	0.000	0.000	(4.288)	(4.288)
Roof & Chimney Replacement	**NCH**	0.000	0.000	0.000	0.000	0.000	(4.470)	(4.470)
External Fabric	**NCH**	0.644	(0.276)	0.000	0.000	0.000	(5.000)	(4.632)
Management Fee	**NCH**	0.034	(0.015)	0.000	0.000	0.000	(0.816)	(0.797)
		0.644	**(0.276)**	**0.000**	**0.000**	**0.000**	**(5.000)**	**(21.028)**
Additional Tenant Priorities								
Energy Efficiency & Tackling Fuel Poverty								
No Fines/ Solid Wall Insulation Schemes	**NCC**	1.258	0.040	0.000	0.000	0.000	0.000	1.298
REMOURBAN & Domestic Energy Programme	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ERDF Deep Innovative Retrofit	**NCC**	(2.190)	(1.727)	2.619	0.000	0.000	0.000	(1.298)
EWI Schemes - CR&M	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Green Deal Communities Funding	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LED Communal Lighting	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Woodthorpe & Winchester - CHP	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Colwick Woods Court	**NCC**	0.000	2.000	(2.000)	0.000	0.000	0.000	0.000
Management Fee	**NCH**	(0.047)	0.016	0.031	0.000	0.000	0.000	0.000
		(0.979)	**0.328**	**0.650**	**0.000**	**0.000**	**0.000**	**0.000**

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Modernising Housing For Older People								
Independent living Re-Design	**NCH**	0.000	0.000	0.000	0.000	(0.100)	(0.100)	(0.200)
Mobile Scooter Stores	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Refurbishment Of Sheltered Housing Scheme	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Management Fee	**NCH**	0.000	0.000	0.000	0.000	(0.005)	(0.005)	(0.010)
		0.000	**0.000**	**0.000**	**0.000**	**(0.105)**	**(0.105)**	**(0.210)**
Decent Neighbourhoods								
City Wide Environmentals - AREA CAPITAL FUND	**NCH**	0.000	0.000	0.000	0.000	0.000	(1.000)	(1.000)
Estate/Area Impact works	**NCH**	0.000	0.000	0.000	0.000	0.000	(1.640)	(1.640)
Paving Works - AREA COMMITTEE SCHEMES	**NCH**	0.000	0.000	0.000	0.000	0.000	(0.360)	(0.360)
Garage / Outbuildings - CITYWIDE	**NCH**	0.235	0.000	(0.235)	0.000	0.000	(1.000)	(1.000)
Management Fee	**NCH**	0.015	0.000	(0.012)	0.000	0.000	(0.200)	(0.197)
		0.250	**0.000**	**(0.247)**	**0.000**	**0.000**	**(4.200)**	**(4.197)**
Existing Stock Investment								
Major Void Works **-** DLO	**NCH**	0.350	0.176	0.000	0.000	0.000	(2.400)	(1.874)
Fire Damaged Properties **-** DLO	**NCH**	(0.026)	(0.200)	0.000	0.000	(0.100)	(0.100)	(0.426)
Victoria Centre Roof	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Victoria Centre External Refurbishment	**NCC**	0.000	3.000	5.000	1.600	0.000	0.000	9.600
Rooftop Fan Project	**NCH**	(0.144)	(0.224)	0.000	0.000	0.000	0.000	(0.368)
Management Fee	**NCH**	(0.007)	0.139	0.250	0.080	0.000	0.000	0.462
		0.173	**2.891**	**5.250**	**1.680**	**(0.100)**	**(2.500)**	**7.394**

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
Building a Better Nottingham								
Lenton - Decom, Demo & New Build	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Meadows Q Blocks - Decom, Demo & New Build	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Demolition	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Stepney Court & LIbrary - Decom, Demo & New Build	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Affordable Homes - Infill Sites - Decom, Demo & New Build	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Build Phase 1 - UNALLOCATED	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Build Phase 2 - UNALLOCATED	**NCC**	0.000	0.000	(9.338)	4.576	4.762	0.000	(0.000)
Acquisition	**NCC**	0.037	0.000	0.000	0.000	0.000	0.000	0.037
Woodthorpe & Winchester - New Build	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Property Acquisition - RTB 1-4-1	**NCC**	(1.638)	(1.365)	(1.997)	0.000	0.000	0.000	(5.000)
Disposal Of HRA Assets	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Knights Close - Decom, Demo & New Build	**NCC**	0.597	(0.474)	0.173	0.000	0.000	0.000	0.296
Clifton Miners Welfare - New Build	**NCC**	0.462	(0.462)	0.000	0.000	0.000	0.000	(0.000)
Tunstall Drive - New Build	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Marlstones - New Build	**NCC**	0.267	(0.267)	0.000	0.000	0.000	0.000	0.000
Management Fee	**NCC**	0.066	(0.060)	(0.458)	0.229	0.238	0.000	0.015
		(0.209)	**(2.628)**	**(11.620)**	**4.805**	**5.000**	**0.000**	**(4.652)**

PROGRAMME AND SCHEME	Approval	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	TOTAL £m
<u>Joint NCC / NCH Involvement</u>								
Sanctuary Project	**NCC**	0.000	0.000	0.000	0.000	0.000	(0.035)	(0.035)
HRA Shop Investment Strategy	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
St Anns Estate Action - Stonebridge Park (PHASE 3 & 6)	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
HRA Off Street Drive-ways	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Acq Woodborough Road Flat	**NCC**	(0.065)	0.000	0.000	0.000	0.000	0.000	(0.065)
Office Improvements	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
IT Development Programme	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PV Installation Programme	**NCC**	0.000	5.627	(5.627)	0.000	0.000	0.000	0.000
Adaptations For Disabled Persons	**NCC**	0.000	0.000	0.000	0.000	0.000	(0.731)	(0.731)
Adaptations For Disabled Persons **- DLO**	**NCC**	0.398	(0.398)	0.000	0.000	0.000	(1.269)	(1.269)
Preventive Adaptations For Older People **– PAD**	**NCC**	0.000	0.000	0.000	0.000	0.000	(0.100)	(0.100)
		0.333	**5.229**	**(5.627)**	**0.000**	**0.000**	**(2.135)**	**(2.200)**
TOTAL		**2.108**	**3.648**	**(11.593)**	**6.485**	**4.795**	**(16.404)**	**(27.358)**

ANNEX 5

ROBUSTNESS OF THE BUDGET

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APPENDICES

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A	General Fund Risk Assessment
B	Housing Revenue Account Risk Assessment

Robustness of the Budget and Adequacy of Reserves

1. Introduction

The Local Government Act (Part II) 2003 requires a council's Chief Finance Officer (CFO) to report to councillors on the robustness of budget estimates and the adequacy of that council's financial reserves. The City Council's CFO (also known as the Section 151 officer) holds the post of Strategic Director of Finance. A summary of this evaluation is set out below.

2. Overall Robustness of the Budget

The City Council's annual budget is constructed in order to deliver the Council Plan. The Medium Term Financial Strategy (MTFS) is the overarching framework within which the Council's financial planning and management activity takes place. The annual budget is an integral part of the rolling multi-year Medium Term Financial Plan (MTFP). This approach enables it to support delivery of the Council's priorities and services. It provides the means by which planned spending may be controlled within available resources. Therefore, this assessment of the robustness of the budget focuses on the likelihood that actual spending will vary from the budget and the subsequent impact on the financial health of the organisation.

The Council is a going concern and the budget process is part of a continuous service planning and financial cycle. Therefore, a wealth of knowledge and understanding of the previous and current local and national financial and economic environments is used to make informed assumptions and judgements about the future. This activity seeks to establish a robust budget which is appropriate, realistic and constructed having taken a practical and appropriate assessment of risk.

Many of the details used to inform this assessment are set out in the other Annexes of this report and are therefore not replicated here.

<u>2a. Financial environment and framework</u>

The external framework in which the Council operates continues to be significantly challenging. There have been well documented and growing examples of Public Sector bodies experiencing financial difficulties and this is expected to continue into 2019/20 and beyond until there is a sustainable long term solution to fund public bodies to an appropriate level. The full consequences of Brexit are unknown and likely to influence the imminent and longer term funding for Local Government. The following section details key elements that have influenced and been noted in the construction of the MTFP.

Previous Financial Performance

Over previous financial years during the period of austerity the Council has been able to deliver outturns under budget for the years 2012/13 to 2015/16, however as with many other Councils in the previous two years (2016/17 and 2017/18) the Council has been over budget. The impact of this has been to reduce to the general fund balance which has been noted in the CIPFA Financial Resilience Index assessment.

There continues to be pressures on the 2018/19 budget however the MTFP assumes an on budget 2018/19 outturn position which is recognised to be a challenge. Any overspend from the final 2018/19 outturn position will need to be managed during 2019/20 in order to restore the reduced General Fund balance.

Use of one off measures

The monitoring reports throughout 2017/18 referenced the use of one off measures in order to manage the projected overspend. The range of management actions required included reducing contingency balances, a review of earmarked reserves and a reduced revenue contribution to the capital programme along with a range of spending controls. It is anticipated that further one off measures will be required again as part of the 2018/19 monitoring process however it needs to be recognised there are diminishing options on the use of one off measures. This is due to actions previously taken as part of the 2017/18 process and as highlighted in the CIPFA Financial Resilience Index Nottingham has a high ratio of total spending on Adults Social Care, Children's Social Care and debt interest to net revenue expenditure which results in reduced budget flexibility.

2017/18 External Audit – key issues and recommendations

The external Audit report for 2017/18 from KPMG details key issues and recommendations, issue one within Appendix 1 states:

"Sustainable Financial Budget

The Authority has highlighted a number of risks regarding its ability to deliver a self-sufficient and sustainable financial budget in the medium term. Many of these risks are not specific to the Authority but to the sector as a whole, underpinned by reduced central funding and increasing demand for social care services.

The Authority's outturn for 2017/18 and 2016/17 has been overspend against budget. For 2017/18 the Authority has relied on a number of non-recurrent measures to help reduce the in-year overspend. Despite setting a balanced budget for 2018/19, it is likely that there will be emerging financial pressures that will require co-ordinated action by CLT."

Recommendation

CLT needs to monitor the financial position within 2018/19 and work together to deliver solutions to any issues that arise. Wherever non-recurrent measures are used to address recurrent issues there should be a clear plan as to the proposed solution for the future.

Demand led pressures and reduced flexibility within the budget

The CIPFA Financial Resilience Index together with other benchmarking data shows the Council has a higher financial risk from the high local demands for the Council's Childrens and Adult Services. These demand led services account for an increasing percentage of the overall net budget requirement and therefore it reduces the Council's net budget for other areas. This in turn impacts on the Council's ability and flexibility to make future savings, at a time when there are significant gaps in the budget for 2020/21 onwards.

Symptoms of financial stress

In addition to the financial resilience index CIPFA has also provided guidance to public bodies regarding the signs that an organisation is suffering from financial stress indicators. This is summarised below:

- **Running down reserves or a rapid decline in reserves**
    - using up reserves to avoid cuts can only provide temporary relief

- **Failure to plan and deliver savings** to ensure the council lives within its resources
- **Shortening medium-term financial planning horizons**
    - could indicate a lack of strategic thinking and an unwillingness to confront tough decisions
- **Greater "still to be found" gaps in saving plans**
- Growing tendency for **unplanned overspends and/or carrying forward undelivered savings** into the following year
    - sign an authority is struggling to translate its policy decisions into actions

As can be seen from the results of the resilience index Nottingham is beginning to experience some of the above such as depletion of reserves and unplanned overspends.

CIPFA Financial Resilience Index

In response to the unprecedented financial challenges faced by local Government, CIPFA released an initial Financial Resilience Index in December 2018. This Index is an initial version, further development of the model is underway and as such the model has been released on a confidential basis. The model shows that Nottingham is carrying risks in the following areas:

- **Council Budget Flexibility** – ratio of total spending on Adults Social Care, Children's Social Care and debt interest to net revenue expenditure. Nottingham has reduced budget flexibility
- **Change in unallocated Reserves** – the % change in unallocated reserves over the past three years. Nottingham has used it's unallocated reserves more quickly than comparator groups
- **Unallocated Reserves** – the ratio of unallocated reserves to net revenue expenditure. Nottingham has a low level of reserves in relation to comparators
- **Grants to Expenditure ratio** – the proportion of net revenue expenditure funded by central Government grants. Nottingham faces risks if grants are not maintained
- **Council Tax Requirement / Net Revenue Expenditure** – a low Council Tax ratio and therefore a higher dependency on grants may suggest future financial difficulties as grants diminish further. Nottingham has a limited ability to raise revenue from Council Tax when compared to others
- **Children's Social Care ratio** – ratio of spending on Childrens Social Care to net revenue expenditure. Nottingham has a higher proportionate spend on Childrens services than others in the comparator groups

The following areas are where the Council has been assessed at a lower degree of Financial Stress risk:

- **Earmarked reserves** - the ratio of earmarked reserves excluding Public Health and Schools to net revenue expenditure. Nottingham carries significant earmarked reserves in relation to others (including PFI)
- **Level of reserves** – the ratio of useable reserves excluding Public Health and Schools to net revenue expenditure. Nottingham holds a number of earmarked reserves
- **Retained Income from Rate Retention / Net Expenditure** – as locally raised business rates becomes an increasing percentage of income a higher ratio is seen has having less financial stress for the Council

Four indicators where the Council was neither at the higher or lower end of financial stress risk are:

- reserve depletion time
- changes in reserves
- changes in earmarked reserves
- Adults Social Care Ratio

Medium Term Financial Outlook - Fair Funding Review
2019/20 represents the final year of the four year settlement and consequently there is uncertainty on the longer term Government funding. Indications are that the results of the Fair Funding Review may not be published until later in 2019 which will impact on the 2020/21 budget process adding further uncertainty to longer term financial process.
Consultation is ongoing however the notable point for Nottingham is that deprivation is expected to be excluded from the main foundation formula which would negatively impact on Nottingham's funding.

2b. Internal Measures to monitor the financial performance

Monitoring the financial results and forecasts of the Council in the short and medium term remains a priority and a number of improvements to the process have been implemented within 2018/19 as a direct result of the on-going external framework in which the Council operates, these include:

- Enhanced monthly monitoring to CLT
- Annual and monthly Budget Manager budget packs
- State of the nation paper – a periodic briefing looking at the authority's overall financial position, including reserve, capital, borrowing levels and financial risk analysis

Enhanced monthly monitoring to CLT and Leadership
The Council's financial controls are set out within financial regulations, allowing significant assurance of the strength of financial management and control throughout the Council. Given the current climate this process has been reviewed with improvements made to give CLT a comprehensive monthly pack. This details the forecasted outturn, variance commentary together with more detailed information by department. Regular updates are also provided to Leadership and Executive with a quarterly report presented to Executive Board.
The 'Intensive Care' process has continued into 2018/19, whereby services that are forecasting an overspend position meet with the Council's Leadership on a monthly basis to discuss the financial position and actions required to mitigate the overspend.

Annual and monthly Budget Manager budget packs
Budget Managers are accountable for delivering their services within budget and are required to forecast the outturn position at regular intervals within the financial year, typically monthly. To support Budget Managers with this requirement an annual budget pack is issued prior to the start of the new financial year including the detailed pay budgets, together with non pay budgets and a statement of the new year budget savings or funded pressures. A monthly budget pack of information showing the latest budget and year to date actuals is issued directly to Budget Managers each month, this is a new process that commenced in 2018/19.

State of the nation paper
At the start of the 2018/19 financial year a report was presented to CLT outlining the 2017/18 outturn, financial outlook and risks and issues for 2018-2022. The purpose of this report was to bring together the current financial outlook for the Council and describe the associated financial risks and the resulting impact on the financial sustainability of service delivery. This paper has been updated and refreshed then subsequently been used as part of the 2019/20 budget strategy.

Constructing the MTFP
The environment and framework described above has significantly influenced the construction and governance around of the latest MTFP. Throughout the process there

has been good and extensive engagement by Senior Colleagues, Finance Colleagues and Executive Councillors.

Assumptions

Underlying assumptions have been examined and found to be satisfactory as follows:

- The funding for inflation is considered to be appropriate, being consistent with known trends and reasonable forecasts.
- The income aspects of the overall budget are calculated based on previous and current trends, known influences and identified risks.
- There are appropriate bad debt provisions in place.
- Other known trends and potential overspends (e.g. demographic changes, new legislation, etc.) have been evaluated, subjected to various peer reviews and professional challenge and adequately provided for.
- The organisational and financial frameworks and processes required in order to operate within the proposed budget are practical and adequately planned.
- Capital receipts used in the funding of the capital programme have been based on professional estimates both of timing and value with a specific risk assessment applied to determine likelihood of receipt.

Current Financial Position

General Fund Revenue

Current monitoring indicates that the forecast General Fund outturn for 2018/19 will show an overspend of **£3.277m** prior to management action, the overspends are largely within Childrens Integrated Services. Management action is in place to address the overspend as outlined in Annex 1 and the Council is committed to delivering an on budget outturn for 2018/19 and the 2019/20 MTFP is predicated on this assumption.

HRA Revenue

The City Council is required to periodically review the HRA to ensure that it does not move into deficit. In order to allow for unforeseen expenditure or loss of income, a working balance is needed. The 2018/19 budget increased the working balance from **£4.000m** in 2017/18 to **£7.727m** due to the potential financial impact of Universal Credit on the HRA. Current monitoring indicates that the HRA is projecting a balanced position for 2018/19.

3. Capital Programme Risk Management & Governance

Capital programme schemes often span a number of years, so it is essential that a longer term view is taken on programming and resourcing.

Capital Programme – Current Position

- General Fund
  The forecast spend over the capital programme, including schemes in development, is **£454.314m** and is balanced. The resources to fund the capital programme includes **£39.020m** of capital receipts, of which **£30.101m** are unsecured.

- Public Sector Housing
  The forecast spend to 2023/24 is **£237.264m** which represents a shortfall in funding of **£8.086m**.

Capital Programme Risk

The proposed five-year programme is ambitious and will require the Council to use a high proportion of available resources. Substantial investment of this nature will result in the Council being exposed to additional risks as follows:

- a significant increase in the authority's borrowing over the next five years;
- the impact of Brexit on construction costs;
- the ability to generate capital receipts to fund the programme;
- major schemes have a long pay-back period, which will require the use of reserves in the early years to fund short term deficits in business plans;
- the cost of feasibility studies are all undertaken at risk;
- schemes may not cover their costs or make the desired return.

In order to manage these risks the following key principles will be 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'.

The Medium Term Financial Strategy includes the following requirements for consideration of the funding of the capital programme:

- 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 and compliant with the Prudential Code
- 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.

The City Council recognises the importance of individual and collective accountability and requires managers to formally acknowledge their responsibilities. Financial management is an integral aspect of effective leadership and good management, relevant councillors and managers are required to participate fully in all aspects of capital investment plans.

Corporate Directors will be accountable for the success and deliverability of all capital projects within their remit; including:

- Ownership of business cases and any subsequent changes to them.
- Ensuring that capital projects are delivered in line with agreed targets and resources.
- The successful outcome and benefits realisation of capital projects.

4. Adequacy of Reserves and Risk Assessment

National decisions regarding public funding and expenditure have been taken by Central Government to support their stated intention to reduce the national deficit. The four year settlement confirmed continued reduction in funding in the medium term. This has again resulted in a significant reduction in the level of funding available to the City Council. Although this has been met with a robust and detailed approach to the identification and delivery of the savings required as a consequence, this level of cost reduction attracts a heightened degree of risk associated with its delivery. Whilst the current proposed budget fairly represents sufficient resourcing for current planned activity, this risk cannot be ignored and the levels of contingency included within the budget reflect these risks.

The assessment of reserves is even more important in the context of the sustained cuts in funding. It is important to acknowledge that reserves are 'one off' funds and are therefore more suitable for funding 'one off' or unexpected costs. The use of reserves to fund ongoing expenditure is generally not advised, except in emergencies and/or to enable transition to new ways of working.

Taken together, reserves, contingencies and the processes within the financial framework provide capacity to deal with the changes arising form external forces. This will include, for example: increased demand for services from citizens, changes in legislation and guidance from central government, economic changes, interest rate changes and employee relations. This list is indicative rather than exhaustive. The localisation of both Business Rates and Council Tax Support increases the significance of Council reserve levels as these are significant variables on both income and expenditure.

In recommending an adequate level of reserves, the CFO considers and monitors the opportunity costs of maintaining particular levels of reserves. This opportunity cost may be the lost opportunity of investing those funds in service improvement and/or spending on alternative activities. There is a balance to be struck between setting prudent levels of contingencies and reserves considered to be an adequate 'safety net' to ensure the Council can operate successfully in a very challenging environment and ensuring sufficient funds are in place for service provision and other Council activities. The levels recommended here are considered to have achieved that balance.

Table 1 shows the estimated Net Revenue Expenditure (NRE) and Unallocated Reserves for Nottingham compared with core cities. The data is taken from 2018/19 RA returns demonstrating Nottingham's reserve position is lower relative to similar councils.

TABLE 1 : COMPARISION OF RESERVES WITH CORE CITIES			
Authority	**Net Revenue Expenditure £m**	**Estimated Unallocated Reserves as at 1 April 2018 £m**	**Estimated Unallocated Reserves as % of NRE**
Birmingham	923.2	167.0	18.1%
Newcastle	229.8	14.1	6.1%
Bristol	338.3	20.0	5.9%
Leeds	528.8	25.9	4.9%
Manchester	501.7	21.3	4.2%
Nottingham	**245.7**	**9.6**	**3.9%**
Liverpool	458.6	16.3	3.6%
Sheffield	390.8	11.1	2.8%

This decision is supported by a comprehensive risk assessment to ensure that the level of reserves represents an appropriately robust financial safety net for the organisation. In assessing these risks the CFO has consulted with relevant colleagues and stakeholders to ensure all risks have been identified. The importance of this work, its depth and accuracy, is further enhanced as a number of the proposals included within the budget plans involve significant changes to ways of working, systems and processes, they involve higher levels of risk than those which broadly maintain current arrangements. At the most practical level those risks begin with the possibility of slippage and disruption in the transition from old to new arrangements. The CFO has sought to ensure that issues of this type and their potential budgetary implications are appreciated by relevant colleagues and Portfolio Holders.

Given the level of savings included in this MTFP the CFO has undertaken an assessment of their deliverability and set out clearly the implications and contingency plans which apply where savings are not delivered as planned. Robust and timely monitoring of savings delivery plans with ongoing contingency planning will be critically important throughout the year.

<u>General Fund</u>
The MTFS requires the opening balance on the general fund to be between 2% and 4% of the total net general fund revenue budget.

The 2017/18 **£4.215m** overspend at outturn reduced the general fund from **£9.643m** to **£5.428m**, in order to restore the balance back to **£9.643m** a review of earmarked reserves has been carried out during 2018/19. The Corporate Leadership team are committed to delivering an on budget 2018/19 Outturn and therefore maintaining the current level of general fund balance. The general fund balance has been informed by the detailed risk assessment undertaken as part of the budget process. These are shown in **Appendix A.** This requirement will be reviewed during 2019/20 and adjusted accordingly based on any significant change to the risk profile. The proposed general fund balance for 2019/20 is **£9.643m** which is **4.0%** of the general fund budget. The MTFP assumes an increase of **£1.000m** in light of the additional risks as detailed in **Appendix 1**, this together with contingency balance is deemed appropriate.

Appendix A details individual risks and the level of un-earmarked reserves is expected to be sufficient in all but the most unusual and serious combination of possible events and provides an optimum balance between risk management and opportunity cost.

The MTFS provides for a central contingency value of between 0.4% and 0.9% of the previous years net revenue budget (NRB). The proposed level is **£1.800m** (i.e. **0.7%)** and takes account of the significant savings package and challenging future financial outlook. In light of the financial operating context the central contingency value will be reviewed during the next financial year and may be reduced, in order to increase the general fund balance.

<u>Housing Revenue Account (HRA)</u>
The MTFS requires the City Council to establish opening HRA reserves of between 2% and 3% of the gross HRA spend (capital and revenue) the precise level within this range being informed by the risk assessment with no opening working balance ever being set below the 2% threshold in an individual year. The working balance for 2019/20 will remain at the same level as 2018/19 at **£7.727m**. The 2018/19 budget increased the working balance from **£4.000m** in 2017/18 to **£7.727m** due to risks associated with the introduction of Universal Credit and the potential risk of increased bad debt. The full risk assessment is detailed in **Appendix B**.

<u>Earmarked Reserves</u>
Earmarked Reserves are funds set aside to provide for specific future expenditure plans. The Council held balances of **£154.584m** in earmarked reserves at 31 March 2018 which includes schools budget balances of **£16.456m**. A review of these earmarked balances has been performed to establish the purpose of the reserves and the likely timescale that these reserves will be utilised.

The main categories of earmarked reserves that the Council holds:

- Sums set aside for major schemes, including Private Finance Initiatives, capital developments, or to fund transition and transformation
- Potential Liabilities
- School Balances
- Insurance and risk management
- Traded surpluses

The draft MTFP assumes a net use of earmarked reserves totalling **£4.293m** in 2019/20. A further review of reserves will be undertaken as part of the 2018/19 closedown process.

<u>Conclusions</u>
In conclusion the environment in which the Council operates in continues to see unprecedented financial challenges both in terms of the reductions in funding together with increased demand and uncertainty in the funding beyond 2019/20. There is a growing pattern of Public Sector organisations experiencing financial stress and the latest CIPFA Financial Resilience Index highlights areas of risk for Nottingham. The challenge in setting a balanced budget increases each year, however through extensive

consultation with Senior Colleagues, Finance Colleagues and Executive Councillors the Council is presenting a balanced budget for 2019/20. The budget for 2019/20 contains risks as detailed in Appendix A however with contingencies and reserves at the level set out here and in the overall budget report, the CFO considers that the proposed budget for 2019/20 is robust and that the level of reserves is adequate.

It should be noted that there remains significant budget gaps for years 2020/21 and 2021/22 which will require a thorough transformation plan and strategy in order to balance the medium term financial position and this will include a full review of the 2019/20 budget after the first quarter.

This statement has been prepared in good faith and having made best endeavours to take into account all known prevailing relevant issues.

Laura Pattman
Strategic Director of Finance
Chief Finance Officer
Nottingham City Council

February 2019

GENERAL FUND- RISK ASSESSMENT APPENDIX A			
DEPARTMENT/ POTENTIAL RISK	**WORST CASE £m**	**ASSESSEMENT OF RISK £m**	**ESTIMATED EXPOSURE £m**
CORPORATE RISK			
Companies - Risk that companies do not meet the planned trading position and require one-off investments	4.300	High	3.870
Cost overrun on Capital Schemes - The Council has an ambitious investment strategy, 5% cost overrun on Capital Programme in 2019/20 - £167m	8.350	Low	2.088
Customer bad debts - Increased customer bad debts also impacted by the introduction of universal credit (bad debt provision has been increased therefore the risk is assessed as low)	1.000	Low	0.250
Treasury Management – additional borrowing due to accelerated use of reserves and changes in interest rates on variable loans	4.000	Medium	2.000
TOTAL CORPORATE RISK			**8.208**

DEPARTMENT/ POTENTIAL RISK	WORST CASE £m	ASSESSMENT OF RISK	ESTIMATED EXPOSURE £m
CHILDREN AND ADULTS RISK			
Children's Demand - Assumptions for 2019/20 are predicated on mitigating action which at risk of achievement if delivery is not achieved due to changes in complexity.	2.843	Medium	1.422
Children's Integrated Service Achievement of 2019/20 MTFP assumptions - In addition to the above there are significant savings predicated in the 2019/20 MTFP. These savings are based on the further growth of the principles included in the above risk.	1.775	Medium	0.888
Children's Integrated Service Grant Funding - The priority families grant ceases in 2018/19, there is currently published replacement funding from Central Government. This funding supports the MTFP (£0.693m) and the delivery of services which can impact on the reduction of crime, Children in Care (CiC) and Education. The estimated impact on CiC is a possible increase in care costs of c£0.612m	0.653	Medium	0.327
Education Services Achievement of 2019/20 MTFP assumptions - The savings predicated in the 2019/20 MTFP are at risk of achievement if income levels continue to fall and if there is slippage in implementing the savings.	0.693	Medium	0.347
Adults Transforming Care - Increase spend on care placements for citizens with a learning disability or ASD through discharging citizens in specialised commissioning (NHSE) or CCG hospital placements.	0.262	Medium	0.131
Adults Provider Fees (NLW) - Delivery of the 2019/20 saving.	0.800	Medium	0.400
Adults Achievement of 2019/20 MTFP assumptions - Delivery of the 2019/20 savings which are predicated on a number of factors regarding citizens care packages	1.065	Medium	0.533
TOTAL CHILDREN AND ADULTS RISK			**4.048**

DEPARTMENT/ POTENTIAL RISK	WORST CASE £m	ASSESSMENT OF RISK £m	ESTIMATED EXPOSURE £m
COMMERCIAL AND OPERATIONS RISK			
Traded Services - A range of trading activities have trading surplus targets; a consequence of under achievement of the target could be an increase to the net charge to the general fund	2.100	Low	0.525
Energy Services Incinerator closedown - Diversion of waste disposal if the incinerator is closed for more than 4 weeks	0.950	Medium	0.475
Energy Services Contractual Increases - Contractual increases for waste and energy are being managed within budget for 2018/19 through other departmental underspends; this cost will continue into 2019/20 and it is assumed will be managed within the department. The increase for 2019/20 forms part of the MTFP.	1.100	Low	0.275
TOTAL COMMERCIAL AND OPERATIONS RISK			**1.275**

DEPARTMENT/ POTENTIAL RISK	WORST CASE £m	ASSESSMENT OF RISK £m	ESTIMATED EXPOSURE £m
DEVELOPMENT & GROWTH RISK			
Economic conditions on the property trading account - Impact on target income	1.000	Medium	0.500
Income to department from Capital schemes - Risk of reduced income to revenue budgets due to any delays / changes to the capital programme	0.500	Medium	0.250
Increase in volume & cost of homelessness - National-level policy changes have led to increases in homelessness around the country, including Nottingham; Additional grants have been given and internal actions taken however there is a risk that numbers continue to grow even with interventions in place.	0.400	Medium	0.200
TOTAL DEVELOPMENT AND GROWTH RISKS			**0.950**
STRATEGY AND RESOURCES RISK			
Achievement of 2019/20 MTFP assumptions	1.000	Low	0.250
Increased demand to support projects within the organisation	0.500	Medium	0.250
TOTAL STRATEGY AND RESOURCES RISK			**0.500**
TOTAL POTENTIAL RISK			**14.981**

HRA – RISK ASSESMENT			
POTENTIAL RISK	**WORST CASE £m**	**ASSESSMENT OF RISK £m**	**ESTIMATED EXPOSURE £m**
HRA Risk			
Universal Credit Increase in bad debt levels due to payment of rent direct to tenant	4.000	High	3.600
Uncertainty of Government Policy Rent policy after 31 March 2020 will be subject to new Regulator and legislation (instead of guidance) reducing flexibility in rent setting	3.000	Low	0.750
Capital programme funding Shortfall in external funding or capital receipts creating pressure for additional funding from the HRA	1.500	Medium	0.750
Capital programme costs increase Costs of new build projects exceed budgets	2.500	Medium	1.250
More Right to Buy sales Reduced rental income to cover fixed costs of managing and maintaining the council's housing stock	1.000	Medium	0.500
TOTAL - HRA			**6.850**

ANNEX 6

BUDGET CONSULTATION 2019/20

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Results and feedback from the consultation	4
Conclusions	7

APPENDICES	
APPENDIX NUMBER AND TITLE	
A	Your City Your Services 2018 Data Report

ANNEX 6: BUDGET CONSULTATION 2019/20

SUMMARY

Nottingham City Council has seen further reductions in Government funding and faces uncertainty over future levels of funding. Even with additional money for Adult Social Care the council must make difficult decisions about some services and levels of Council Tax.

In line with the Council's commitment to citizen involvement, a full programme of consultation has been undertaken to support construction of the Council's Medium Term Financial Plan (MTFP). This report details the results of that consultation and includes responses received up to and including 4 February 2019.

1. BACKGROUND

<u>Context</u>

There are a number of practical difficulties to be faced when undertaking budget consultation. A unitary authority such as Nottingham City Council provides an enormous number of services and this creates a complex picture with many proposals to consult on.

<u>Impact of Consultation</u>

Nottingham City Council has a long term commitment to incorporate the views of citizens into the processes of policy making and service improvement. This helps the Council to understand the issues and services that matter to local communities. Budget consultation ensures that citizens' priorities guide the Executive Board in developing the budget proposals.

The Council has been guided by the following principles:

- Address demographic and service pressures;
- 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;
- Minimise the impact of service reductions and changes on vulnerable citizens by protecting frontline services;
- To pursue commercialisation opportunities to generate income for the Council.

2. THE CONSULTATION

How we consulted

Consultation on the budget was conducted in two phases:

Pre-budget

Before the budget settlement for 2019/20 was announced in December, pre-budget consultation was carried out during October and November 2018. This gathered views through a survey, available both on-line and through the October edition of the Council' Arrow magazine. Citizens were asked:

- Which services are important;
- Issues of concern in the current economic climate;
- How the Council could make further savings or generate additional income;

Following this process, the Executive Board approved draft budget proposals for consultation on 18 December 2018.

Consultation on budget proposals

The Council are currently consulting on the draft budget proposals agreed from 18 December 2018. A consultation form is available online and in hard copy to enable everyone to have their say, as of 4 February 2019 there have been 39 responses.

As part of the consultation, events were arranged across the City, which have been publicised locally by neighbourhood management teams. Attendees were invited to provide feedback via the consultation form and verbal feedback from these events has been recorded and collated. Although a consultation event with businesses was set up for 29 January 2019, there were no attendees. One Nottingham partners and the voluntary and community sector were invited to a meeting on 29 January 2019 and young people's views were sought via a discussion at Youth Cabinet. A session has been arranged for Colleagues in February 2019.

The consultation events

The local public consultation events provided the opportunity for citizens to engage directly with members of the Council's Executive Board and ask them about the proposals. The Council's neighbourhood management teams arranged five 'drop-in' sessions, in each of the Joint Service Centres throughout January 2019. At each event a presentation was available, providing background to the budget and information about the proposals. In addition, agenda items on the budget consultation were added to some pre-existing meetings.

Members of the local business community were invited to attend a breakfast briefing. This meeting was cancelled due to no attendees. There was also an event for voluntary and community groups and One Nottingham. There was formal presentation from Councillor Chapman followed by a Q&A session.

The views of young people in the City were also sought via a session at a Youth Cabinet meeting. Councillor Mellen introduced the young people to the budget and fielded questions and encouraged discussion about the proposals and the budget as a whole.

3 RESULTS AND FEEDBACK FROM THE CONSULTATION

Pre-budget consultation

The Your City Your Services consultation was undertaken in October and November 2018, in total there were 2,187 responses were received, 821 online and 1,366 received through the paper questionnaire printed in the October edition of the Council's Arrow magazine.

Respondents were asked to rate a cross section of 24 council services / functions on a scale of 1 (Not important) to 5 (Very important). For each service a mean average has been calculated out of 5. The services rated as the most important by respondents were:

1. Tackling Crime and Anti-Social behaviour
2. Services to Elderly and Vulnerable People
3. Refuse Collection
4. Child Protection
5. Public Health
6. Public Transport

The services rated as the most important by respondents in 2018 remain consistent, and they are the same as those identified in the 2017 and 2016 survey. However, Services to the elderly has moved up the priority list, as has Child Protection.

The full results of the survey are in **Appendix A** to this report.

Consultation on the budget proposals

Responses via the budget consultation form

39 online and paper survey submissions have been received to date. This is a significantly lower response at this stage of the consultation than in 2017/18.

Feedback

Respondents were asked to feedback their comments relating to budget proposals, some of these comments didn't define the exact proposal the respondent was referring to and some comments did not reference a proposal at all. In total there are 25 comments, these do not fit directly into themes, some of the comments talk about the following concerns:

- There are significant concerns about reductions in funding for youth services and a number of concerns about the impact on safety for children and young people.
- Council tax increase is a concern, people are worried that wages are not increasing, but council tax is and state they will struggle paying bills. The awareness of what council tax pays for is evident. People still only attribute this to paying for bins.
- More information needed on the link buses and a suggestion these could be kept if the charges were increased in line with other operators charges or that the free buses could charge as well.
- Concerns on the money spent on selective licensing.
- More money needs to be spent attracting inward investment and the perception that Nottingham city council is not anti business.
- Comment that cutting area based grants and councillor budgets will be detrimental as they fund small local projects that help support vulnerable people.
- Using the fleet of vehicles in Eastcroft to deliver services for other local authorities.
- A suggestion to look at less postal correspondence and more electronic methods.
- Ideas for saving money in Loxley through more awareness of turning lights off, switching off screens and so on.

Respondents were also asked if they had any general comments or suggestions about the Council's budget proposals as a whole. There were twelve comments received which are not specific to individual budget proposals or fit into any themes. Some of the comments, as examples are:

- Although the City Council is trying to protect the vulnerable, I do feel that children and young people are losing out. You cannot expect the voluntary sector to take up the slack. Personally, I would like to see less street cleaning and emphasis on tidiness and more emphasis on supporting needy people.
- We need to be kept safe and keep on top of crime and anti-social behaviour
- I appreciate the Council is having to be careful with spending and therefore I think the cuts suggested are reasonable in the current economic climate.

The above is based on data received up to 4 February 2019.

Discussions with One Nottingham Partners and Voluntary and Community Sector

A joint Voluntary Sector and One Nottingham Budget meeting was held on 29 January 2019 at the NCVS.
Discussions covered a range of topics including:

- How the voluntary sector can help support and share resources in areas where funding is being reduced to council services
- Concerns that the grant funding situation has not been resolved and notice has been given to staff
- Concerns about the effects of Brexit on the tendering and commissioning processes

Feedback from the Youth Cabinet

Youth Cabinet met with Councillor Mellen on 16 January 2019. The main areas of concern/interest were:

- Proposed reduction in Youth Service posts - counter-intuitive to be reducing posts while knife crime and other public safety issues on rise
- There should be more initiatives in schools and extra-curricular settings to address the issue of knife crime
- Creating more opportunities for young entrepreneurs
- Improving information on pathways to training and good jobs
- The commercial and shared use potential of Council assets to offset losses in Government revenue - getting young people's ideas

4. CONCLUSIONS

Throughout the consultation to date, feedback has been received from a wide-ranging group of respondents and this information has been fed into the decision-making process.

Overall, there is recognition of the difficult position the Council is in, regarding the scale of savings that have to be made.

The results from the ‘2018 Your City Your Services’ survey undertaken of the consultation shows that Citizens’ top service priorities have remained the same when compared to previous years. There have been small changes in the overall ranking of services important to citizens. For example ‘Tackling crime and antisocial behaviour’ has risen in the rankings since last 2017.

The feedback we have received via the survey and at events has been around the long-term effects of the proposals and how reductions will affect public services, there are concerns about safety for children and young people. Respondents are concerned there continues to be both a financial and health strain on local people most especially with council tax.

There is a continuing and growing understanding and concern amongst citizens and organisations within the city about the more long term issues such as funding for social care and how the funding reductions are unfair on the council however there is still a feeling that the Council could do more to protect services.

Additionally, there has been increased concern about Brexit and how leaving Europe will affect businesses, the voluntary sector and citizens.

Appendix A: Your City Your Services 2018 Data Report

1.0 Methodology

1.1 This report highlights the final results for the Your City, Your Services consultation.

1.2 Households in Nottingham City received the council's Arrow magazine in October 2018; the questionnaire was included as an insert in the magazine and allowed respondents to have their say on what they feel is most important to them as a resident, and for them to express any concerns and comments.

1.3 The survey was also available online and was promoted through the engage hub.

2.0 Responses

2.1 In total 2,187 responses were received, 821 online and 1,366 received through the post.

2.2 This report outlines the final results for the 2,187 responses received, please note that this is statistically significant and representative of the population. Albeit comparisons based on ward may not be.

3.0 Importance of services

3.1 Respondents were asked to rate a list of 26 council services on a scale of 1 to 5 where one is not important and five is very important. Figure 1 shows the breakdown of respondents opinion.

3.2 Figure 2 breaks down the data further to provide a clearer view of the most important services, by calculating the average score from 1 to 5.

3.3 The top most important services rated by respondents are:

- Tackling Crime and Anti-Social behaviour – 82.4% rate this as important (av 4.32)
- Services to Elderly and Vulnerable People – 81% rate this as important (av 4.26)
- Refuse Collection – 80.9% rate this as important (av 4.26)
- Child Protection – 76.1% rate this as important (av 4.17)
- Public Health – 76.3% rate this as important (av 4.14)
- Public Transport – 76.8% rate this as important (av 4.12)

3.4 Please note that the most important services have been defined as those with the highest average score between 1 to 5 and those who have the highest percentage of respondents rating them as important or very important.

3.5 The least important services, rated by respondents are:

- Events – 27.6% rate this as important (av 2.82)
- Museums – 37.1% rate this as important (av 3.10)

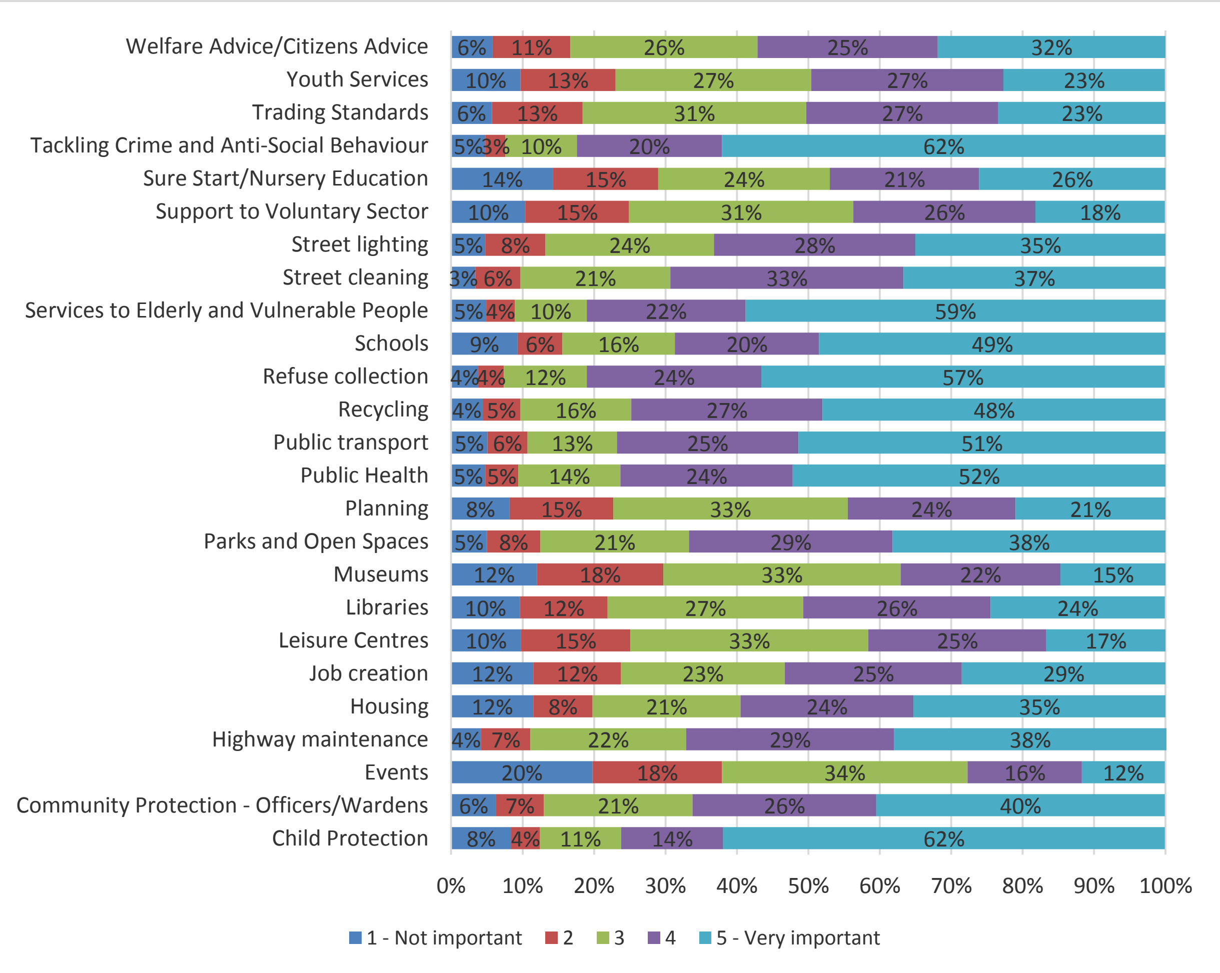

Figure 1. Respondents rating of importance for council services % (2,187 responses)

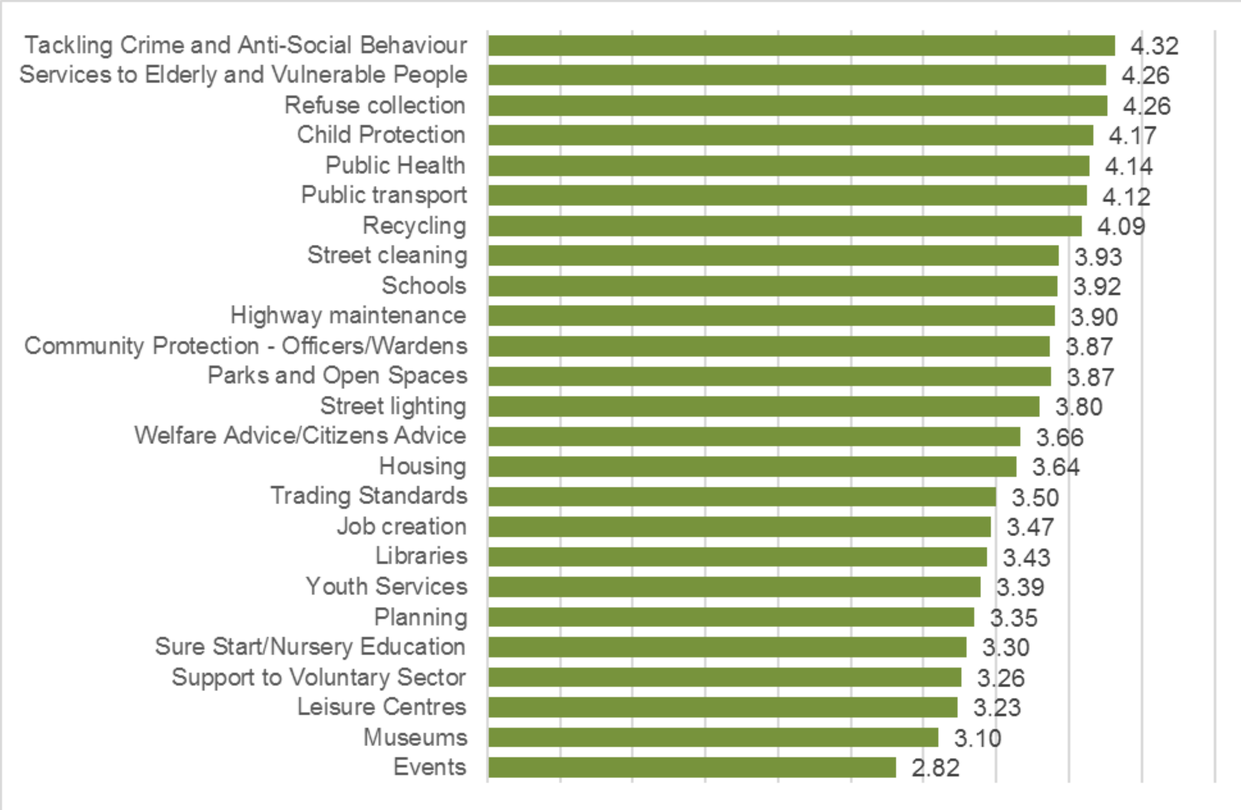

Figure 2. Respondents rating of importance for council services – average (2,187 responses)

4.0 Areas of Concern

4.1 Respondents were asked to rate how concerned they were with a number of areas that may affect them, due to the economic climate. A significant number of respondents (64.6%) are very concerned about cuts to public services and 28.9% are concerned. 41.6% of respondents are very concerned and 30.1% are concerned about the impact on their health. See figure 3.

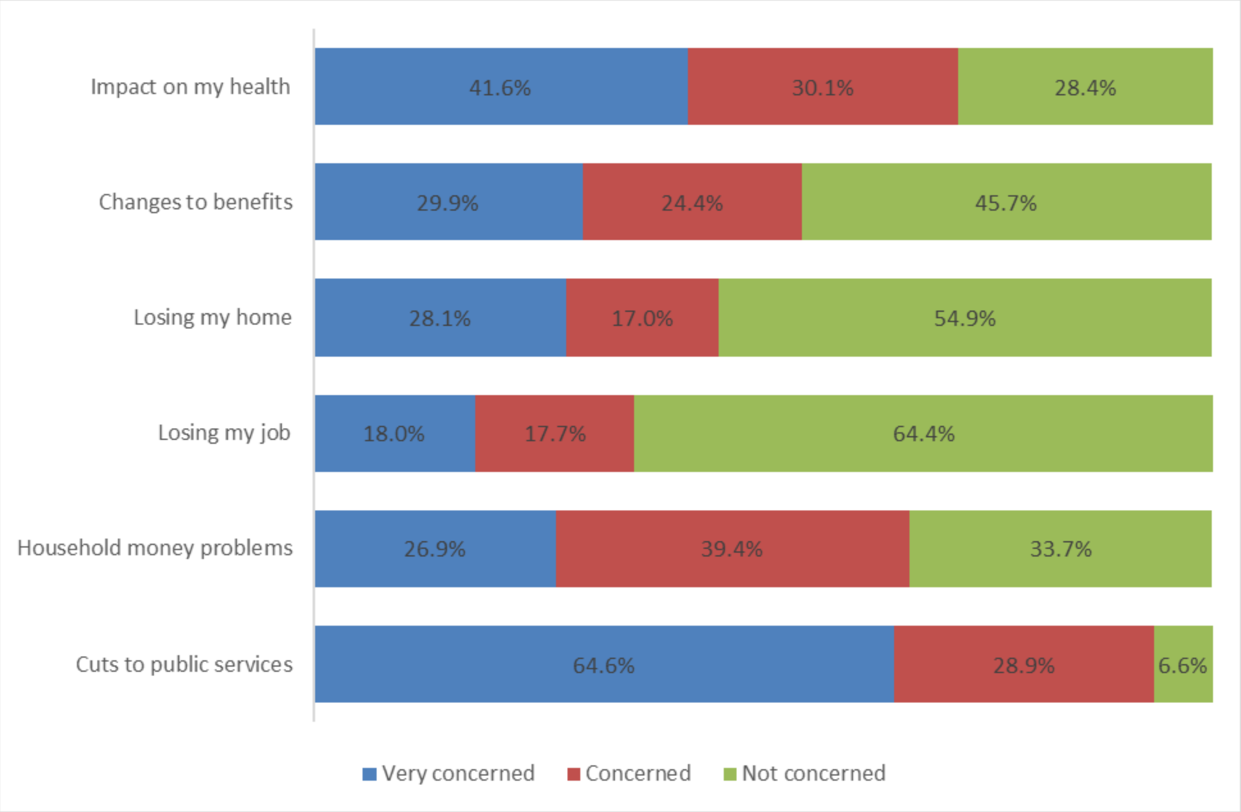

Figure 3. Respondents rating of concern % (2,187 responses)

5.0 Comments

5.1 791 respondents made comments about other areas of concern to them. There were a varied number of comments made. Figure 4 shows an illustration using a word cloud, which carries out a count of the main words respondents used. Some of the main themes of these comments were:

- Reductions to public services such as local government, the NHS, mental health services
- Safety and increase in crime due to reductions in the police service causing antisocial behaviour
- State of highways including roads and gardens
- Littering causing vermin in garden
- Not enough jobs for local people
- Not being able to afford rent if it increases
- Rise in homelessness
- Worried for the younger generation
- Effect on pensions
- Nottingham is too student focused
- Effects of the universal credit system and reductions in benefits
- Concerns over services to older people
- Concerns about the future after Brexit

Source: concerns
Question: "Q2g"
Filter: 100 most frequent words

Figure 4. Comments about other concerns

5.2 Respondents were asked if they had any suggestions on how the Council could make further savings or generate additional income, 984 respondents made a comment or suggestion. Figure 5 shows an illustration using a word cloud, which carries out a count of the main words respondents used. There were comments made on ideas for saving money and a number of comments gave ideas on where income could be generated.

Ideas for saving money

- Less frequent bin emptying for smaller households
- Use NCH workers instead of contractors
- Better communication
- Means test bus passes
- Reduce frequency of street cleaning
- Convert council vehicles to electric
- Make people more responsible for their community
- Cut back on grass cutting
- Share office suppliers with other council
- Use volunteers more
- Turn off alternate street lights in less used areas
- Stop publishing the arrow
- Do repair jobs correct first time

Ideas for generating income

- Community charity shops
- City lottery
- More fines for littering
- Increase council tax
- Charge for currently 'free' attractions and events
- Make universities pay the council tax for students
- Make students/student landlords pay council tax
- Schools grow their own vegetables and sell the surplus to the public
- Plant fruit trees in the parks and sell to the public
- Charge tradespeople to get rid of rubbish
- Set up a council skip hire service
- Charge for collection of bulky waste
- Speed cameras on A610
- Sell off unused buildings
- Allow council property to be used for private functions when not in use
- Higher council tax for the wealthy
- Charge for parking around schools
- Increase dog fouling fines and enforce them
- Make employees pay for their own business trips when earning over £45,000

Source: suggestions
Question: Q3
Filter: 100 most frequent words

Figure 5. Comments and suggestions to save money

6.0 Who responded?

6.1 This section highlights the demographics of respondents to the Your City Your Services survey. There were respondents who declined to give this information.

6.2 Table 1 shows the gender of respondents, 55.4% female and 42.2% male. Comparing to the city population females are over represented in the responses.

	Survey responses		City Profile*	
	count	%	Count	%
Male	871	42.2	153,777	50.3
Female	1145	55.4	151,903	49.7
Prefer not say	49	2.4		
Total	2065	100.0	305,680	100.0

Table 1. Gender of respondents comparison city profile* ONS Census key statistics 2011

6.3 Table 2 shows the representation of respondents by age. Over half of respondents are age 60 and over (54.6%) with just 1.6% from those under the age of 24. Looking at responses compared to the city profile, older respondents are over represented whilst those under 24 are highly unrepresented.

	Survey responses		City Profile*	
	Count	%	Count	%
15 and under	1	0.1	55576	18.2
16 - 24	31	1.5	66,497	21.8
25 - 44	390	18.7	87,751	28.7
45 - 59	529	12.1	47,678	15.6
60 - 64	250	11.9	12,626	4.1
65+	894	42.7	35,552	11.6
Total	2095	100.0	305,680	100.0

Table 2. Age of respondents comparison city profile* ONS Census key statistics 2011

6.4 Table 3 shows the respondents who consider they have a long-standing illness or disability, 33.2% feel this applies to them. Comparing to the city profile, those with a disability are over represented in the responses.

	Survey responses		City Profile*	
	Count	%	Count	%
Yes	787	38.4	55382	17.6
No	1262	61.6	250298	82.4
Total	2049	100	305680	100

Table 3. Respondents with a long standing illness or disability comparison city profile* ONS Census key statistics 2011

6.5 The majority of respondents (86.3%) are from a white background. Table 4 shows the ethnicity breakdown of respondents. Looking at the city profile White respondents are over represented.

	Survey responses		City Profile*	
	Count	**%**	**Count**	**%**
White	1764	87.3	218698	71.5
Black	79	3.9	22185	7.3
Asian	52	2.6	34051	11.1
Mixed	32	1.6	20265	6.6
Chinese	13	0.6	5988	2.0
Any other ethnic group			4493	1.5
Prefer not to say	81	4		
Total	2021	100	305680	100.0

Table 4. Ethnicity of respondents comparison city profile* ONS Census key statistics 2011

Respondents were asked to provide a postcode to identify the area they live in. 13 of the responses were from outside Nottingham and are not included in the ward analysis in table 5 below. The largest response from those living in Nottingham is from people who live in Sherwood (7.9%) and Wollaton West (9.6%). Responses are not representative of the city profile by wards.

	Survey responses		City Profile*	
	count	**%**	**count**	**%**
Arboretum	39	2.1%	13,321	4.4
Aspley	56	3.0%	17,622	5.8
Basford	100	5.3%	16,207	5.3
Berridge	106	5.6%	18,651	6.1
Bestwood	104	5.5%	16,753	5.5
Bilborough	117	6.2%	16,792	5.5
Bridge	106	5.6%	14,669	4.8
Bulwell	86	4.5%	16,157	5.3
Bulwell Forest	106	5.6%	13,614	4.5
Clifton North	76	4.0%	12,888	4.2
Clifton South	98	5.2%	13,947	4.6
Dales	108	5.7%	16,754	5.5
Dunkirk and Lenton	27	1.4%	10,920	3.6
Leen Valley	77	4.1%	10,702	3.5
Mapperley	138	7.3%	15,846	5.2
Radford and Park	84	4.4%	21,414	7.0
Sherwood	150	7.9%	15,414	5.0
St Ann's	90	4.7%	19,316	6.3
Wollaton East and Lenton Abbey	47	2.5%	9,952	3.3
Wollaton West	182	9.6%	14,741	4.8
Total	1897	100.0%	305680.0	100.0

Table 5. Ward Area of respondents comparison city profile* ONS Census key statistics 2011

Annex Report Information

Report authors and contact details:
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<u>LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION</u>

Your City Your Services Arrow and Online Survey October to December 2018

Comments on budget proposals: 18 December 2018 - 5 February 2019

Notes of consultation meetings: January 2019

<u>PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS ANNEX REPORT</u>

None

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EXECUTIVE BOARD – 19 FEBRUARY 2019

Subject:	TREASURY MANAGEMENT STRATEGY 2019/20 AND CAPITAL & INVESTMENT STRATEGY 2019/20
Corporate Director(s)/Director(s):	Laura Pattman, Strategic Director for Finance
Portfolio Holder(s):	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration
Report author and contact details:	Theresa Channell, Head of Strategic Finance tel:01158763649 email:theresa.channell@nottinghamcity.gov.uk

Subject to call-in: ☒ Yes ☐ No

Key Decision: ☐Yes ☒ No

Criteria for Key Decision:

(a) ☐ Expenditure ☐ Income ☐ Savings of £1,000,000 or more taking account of the overall impact of the decision

and/or

(b) Significant impact on communities living or working in two or more wards in the City
☐ Yes ☐ No

Type of expenditure: ☐ Revenue ☐ Capital

Total value of the decision: Nil

Wards affected: All

Date of consultation with Portfolio Holder(s): Throughout the budget process

Relevant Council Plan Key Theme:

Strategic Regeneration and Development	☒
Schools	☒
Planning and Housing	☒
Community Services	☒
Energy, Sustainability and Customer	☒
Jobs, Growth and Transport	☒
Adults, Health and Community Sector	☒
Children, Early Intervention and Early Years	☒
Leisure and Culture	☒
Resources and Neighbourhood Regeneration	☒

Summary of issues (including benefits to citizens/service users):

This report covers the Treasury Management Strategy Statement 2019/20 and the Capital Strategy for 2019/20.

The Treasury Management Strategy Statement (TMSS) sets out the Treasury Management, Treasury Investment and Debt Repayment strategies for 2019/20 and includes the associated Prudential Indicators and Policy Statement.

The Capital Strategy sets out the framework for the council's capital investment and financing decisions aligned to the City Council's corporate priorities over the medium term.

Exempt information: Appendix A, Register of service and commercial investments.

Recommendation(s):

1 To endorse and recommend for approval by the City Council at its meeting on 4 March 2019 the overall Treasury Management Strategy for 2019/20 **(Appendix 1)**, and, in particular:

a. the strategy for debt repayment (Minimum Revenue Provision) in 2019/20 **(section 5.2)**;
b. the Investment Strategy for 2019/20 **(section 4)**;
c. the prudential indicators and limits for 2019/20 to 2021/22 **(section 5.1)**;
d. adopt the current Treasury Management Policy Statement **(section 5.3)**.

2	To endorse and recommend for approval by the City Council at its meeting on 4 March 2019 the Capital & Investment Strategy 2019/20 (**Appendix 2**).

1 REASONS FOR RECOMMENDATIONS

1.1 Approval of a Treasury Management Strategy is a legal requirement, to comply with:

* Financial Regulations and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management by submitting a policy and strategy statement for the ensuing financial year;
* guidance issued by the Secretary of State under section 15(1) (a) of the Local Government Act 2003 in approving, at Council, an Annual Investment Strategy before 1 April;
* guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 which requires the preparation of an annual statement of the Council's policy on making a Minimum Revenue Provision (MRP) for the repayment of debt.

1.2 The Capital Strategy is a new requirement for Nottingham City Council, the strategy has to comply with:

* The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the Code of Practice on Treasury Management;
* regulations requiring the Council to have regard to the Code are issued under section 1 of the Local Government Act 2003.
* guidance issued by the Secretary of State under section 15(1) (a) of the Local Government Act 2003 in approving, at Council, an Annual Investment Strategy before 1 April;

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 Treasury management is a term used to describe the management of an organisation's borrowing, investments and other financial instruments, their associated risks and the pursuit of optimum performance or return consistent with those risks.

2.2 The Treasury Management Strategy Statement (TMSS) sets the strategic context, within the Council's planning cycle, for how treasury management activity will take place. The various aspects of the strategy require approval by Full Council these include the Treasury Management and Treasury Investment strategies for 2019/20, the Debt Repayment Strategy, the Prudential Indicators and the associated treasury policies.

2.3 The Capital Strategy provides the council with a framework in which capital investment and financing decisions can be aligned with the Council's corporate priorities over the medium term. This strategy requires approval by Full Council.

2.2 The treasury management and capital functions are governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the Council must have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council formally adopts the current requirements of these codes as part of its Treasury Management Policy Statement and its Capital Strategy.

2.3 The Treasury Management Strategy and the Capital Strategy will be considered by Audit Committee on 22 February 2019, as part of the scrutiny process required by the CIPFA Code of Practice.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

3.1 The approval of a Treasury Management Strategy and Capital Strategy is a requirement of the CIPFA code. The MHCLG Guidance and the CIPFA Code do not prescribe any particular strategies for local authorities to adopt. The Chief Financial Officer, having consulted the portfolio holder, believes that the proposed strategies represent an appropriate balance between risk management and cost effectiveness.

4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

4.1 Net treasury management expenditure comprises interest charges, interest receipts and a revenue provision for debt repayment. A proportion of the Council's debt relates to capital expenditure on council housing and from 1 April 2012 separate arrangements have been established for the HRA. The remaining costs are included within the treasury management section of the General Fund budget, although there remain a number of recharges between the General Fund and the HRA

4.2 The Treasury Management forecast outturn for 2018/19 is reflected within the Corporate Budget report elsewhere on this agenda. The budget for 2019/20 is based on the financial implications of the various proposed strategies, as detailed in Appendix 1. The budget estimate of £54.610m is included within the Medium Term Financial Plan (MTFP).

4.3 The financial implications of the two strategies are intrinsically linked, as the Capital Strategy defines the capital expenditure plans of the council including the element that is to be financed by borrowing. The Treasury Strategy defines how the associated cash flows from this borrowing requirement are to be managed.
Comments provided by Glyn Daykin, Senior Accountant Treasury Management, dated 31 January 2019.

5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

5.1 None other than those set out in the body of the report. Comments provided by Malcolm Townroe, Director of Legal & Governance, dated 9 February 2019.

6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

6.1 None.

7 SOCIAL VALUE CONSIDERATIONS

7.1 N/A

8 REGARD TO THE NHS CONSTITUTION

8.1 N/A

9 EQUALITY IMPACT ASSESSMENT (EIA)

9.1 Has the equality impact of the proposals in this report been assessed?

No ☒
An EIA is not required because:
An EIA is not needed as the report does not contain proposals for new or changing policies, services, or functions.

10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

10.1 PWLB records, working papers
10.2 Nottingham City Council Project Management Handbook

11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

11.1 Money Market and PWLB loan rates
11.2 Treasury Management in the Public Services Code of Practice 2017–CIPFA
11.3 Prudential Code 2017-CIPFA
11.4 Treasury Management in the Public Services Guidance Notes 2018 - CIPFA
11.5 Statutory guidance on local government investments 3rd Edition 2018
11.6 Statutory guidance on Minimum Revenue Provision (MRP) 2018
11.7 Treasury Green Book
11.8 Corporate Asset Management Plan
11.9 The Council Plan 2015-2019

Appendix 1

Nottingham City Council

Treasury Management Strategy 2019/20

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1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as capital strategy activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

1.2 Reporting requirements

1.2.1 Capital and Investment Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected councillors on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; capital investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity;
- The payback period;
- For non-loan type investments, the cost against the current market value;
- The risks associated with these activities.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

If any capital investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the capital operations, high-level comparators are shown within this report.

1.2.2 Treasury Management reporting

The Council or delegated body are currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how financial investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update councillors on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee.

1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that councillors with responsibility for treasury management receive adequate training in treasury management. This especially applies to councillors responsible for scrutiny. A training session was held for the Audit Committee on the 28 September 2018 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and their value will be assessed and subjected to regular review.

2 THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans. These indicators show the previous years actual expenditure and reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and the following two financial years as required by the CIPFA Prudential Code. The Capital and Investment Strategy will provide forecasts for the council's capital plans up to 2023/24.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
General Fund	49.991	73.003	142.408	68.401	11.528
Commercial Activities / Non-financial investments *	116.819	70.367	24.286	33.216	15.172
General Fund Total	**166.810**	**143.370**	**166.694**	**101.617**	**26.700**
HRA	53.396	48.930	54.862	47.503	29.462
TOTAL	**220.206**	**192.300**	**221.556**	**149.120**	**56.162**

* Commercial activities / non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc. This does not include regeneration schemes.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of Capital Expenditure £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Receipts	15.462	16.971	21.470	18.392	4.939
Capital Grants	37.280	47.654	68.057	12.640	2.543
Capital Reserves	29.854	31.629	37.042	28.685	27.340
Revenue	4.520	1.079	0.977	0.449	0.026
Capital expenditure to be financed by borrowing	**133.090**	**94.967**	**94.010**	**88.954**	**21.314**
TOTAL	**220.206**	**192.300**	**221.556**	**149.120**	**56.162**

The net financing need for commercial activities / capital investments included in the above table against expenditure is shown below:

Commercial activities / capital investments £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Expenditure	116.819	70.367	24.286	33.216	15.172
Commercial activity financed by borrowing	**114.777**	**69.416**	**14.331**	**10.010**	**6.980**
Overall Capital expenditure to be financed by borrowing	**133.090**	**94.967**	**94.010**	**88.954**	**21.314**
Percentage of total net financing need %	**86%**	**73%**	**15%**	**11%**	**33%**

The table above shows in 2018/19 that 73% of the overall capital expenditure financed by borrowing is forecast to be for commercial/non-financial investments.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £201m of such schemes within the CFR.

The CFR projections are shown below:

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement (£m)					
CFR – General Fund	1,075.13	1,133.38	1,175.13	1,199.54	1,168.68
CFR – HRA	294.703	289.200	295.877	310.765	309.039
Total CFR	**1,369.830**	**1,422.584**	**1,471.006**	**1,510.306**	**1,477.714**
Movement in CFR		**52.754**	**48.422**	**39.300**	**(32.592)**
Movement in CFR represented by (£m)					
Net financing need for the year (above)	133.090	94.967	94.010	88.954	21.314
Less MRP/VRP and other financing movements		50.215	45.588	49.654	53.906
Movement in CFR		**52.754**	**48.422**	**39.300**	**(32.592)**

A key aspect of the regulatory and professional guidance is that councillors are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity as show the scale proportionate to the council's remaining activity.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2018 and for the position as at 31 December 2018 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.18	**31.3.18**	**31.12.18**	**31.12.18**
Treasury investments	£000	%	£000	%
banks	0	0%	30,000	29%
local authorities	10,000	32%	47,000	45%
DMADF (H.M.Treasury)	0	0%	0	0%
money market funds	21,300	68%	26,900	26%
Total treasury investments	**31,300**	**100%**	**103,900**	**100%**
Treasury external borrowing				
local authorities	28,500	3%	47,500	5%
PWLB	787,254	91%	861,008	90%
market loans inc LOBOs	49,000	6%	49,000	5%
stock & other	814	0%	814	0%
Total external borrowing	**865,568**	**100%**	**958,322**	**100%**
Net treasury investments / (borrowing)	**(834,268)**		**(854,422)**	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

It should be noted that the forecast under borrowing position is supported by the council balance sheet i.e. reserves and working capital balances, should these balances reduce further borrowing will be required and additional costs of financing will be incurred. This should be seen in context of the council's overall budget position and current level of budget flexibility.

£m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Debt at 1 April	788.9	865.6	934.2	992.7	1,039.0
Expected change in Debt	76.7	68.6	58.5	46.3	(16.8)
Other long-term liabilities inc PFI	226.0	208.0	201.0	191.4	181.8
Expected change in OLTL *	(18.0)	(7.0)	(9.6)	(9.6)	(11.1)
Gross debt at 31 March	**1,073.6**	**1,135.2**	**1,184.1**	**1,220.8**	**1,192.8**
Capital Financing Requirement (CFR)	**1,369.8**	**1,422.6**	**1,471.0**	**1,510.3**	**1,477.7**
Under / (over) borrowing	**296.2**	**287.4**	**286.9**	**289.6**	**284.9**

* (OLTL) – Other Long Term Liabilities

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. This boundary will be used as a management tool for ongoing monitoring of external debt, and may be breached temporarily due to unusual cash flow movements. However a sustained or regular trend above the operational boundary should trigger a review of both the operational boundary and the authorised limit.

(£m)	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Operational boundary	1,313.8	1,421.0	1,460.3	1,427.7

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

(£m)	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Authorised limit	1,353.8	1,471.0	1,510.3	1,477.7

Separately, the Council was also limited to a maximum HRA CFR through the HRA self-financing regime. Any new HRA borrowing should be compliant with the Prudential Code i.e. prudent, affordable, sustainable and in proportion with the available resources. This limit is currently:

HRA Debt Limit £m	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt cap *	319.8	319.8	319.8	319.8
HRA CFR	289.2	295.9	310.8	309.0
HRA headroom	30.6	23.9	9.0	10.8

**** Abolition of HRA debt cap.** In October 2018 Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap.*

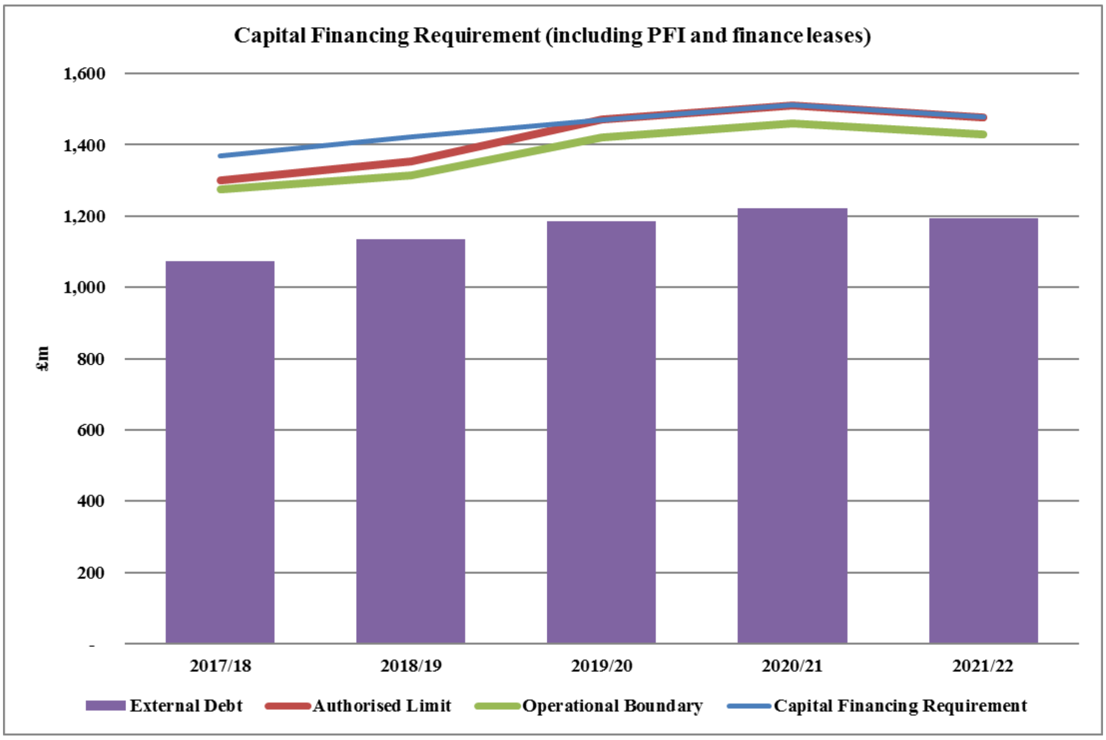
The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next three financial years. A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt.

(£m)	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Variable rate debt	300.0	300.0	300.0	300.0

The level of variable rate debt as at 31 December 2018 was £148.6m.

Debt limits against the CFR: - The following table and graph discloses how the indicators on the limits to borrowing compare to actual external debt and the forecast capital financing requirement (CFR). The difference between the CFR and the forecast external debt represents the level of under borrowing expected over the forecast period.

CAPITAL FINANCING REQUIREMENT (including PFI and finance leases)					
	Actual	**Est**	**Est**	**Est**	**Est**
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£m	**£m**	**£m**	**£m**	**£m**
HRA CFR	294.7	289.2	295.9	310.8	309.0
General Fund CFR	1,075.1	1,133.4	1,175.1	1,199.5	1,168.7
Total CFR	**1,369.8**	**1,422.6**	**1,471.0**	**1,510.3**	**1,477.7**
External Borrowing	865.6	934.2	992.7	1,039.0	1,022.1
Other long term liabilities	208.0	201.0	191.4	181.8	170.7
Total Debt	**1,073.6**	**1,135.2**	**1,184.1**	**1,220.8**	**1,192.8**
Authorised Limit	1,300.0	1,353.8	1,471.0	1,510.3	1,477.7
Operational Boundary	1,275.0	1,313.8	1,421.0	1,460.3	1,427.7



3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view. The Interest rate forecast below should be considered alongside the detailed economic background and forecast commentary provided in sections 5.4.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

PWLB rate forecasts shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

- Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have fallen significantly since then. The policy of under borrowing has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. Interest rates are closely monitored in financial markets and a pragmatic approach to changing circumstances will be taken:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Based on the current central case forecast the Council will look to maintain the under-borrowed position and continue to utilise short term loans at low interest rates whilst allowing flexibility to take advantage of longer term funding opportunities to fix the interest rate and so reduce the overall level of interest rate exposure. Any borrowing will be subject to the Council's limits on the exposure to variable interest rates shown in section 3.2 and the maturity limits shown in the Prudential Indicators shown in section 5.1.3.

The benefits of short-term borrowing and/or maintaining an under-borrowed position will be monitored regularly against the potential for incurring additional costs by deferring fixing this borrowing into future years when long-term borrowing rates are forecast to rise modestly. Our treasury advisors will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. This may include to pre-fund future years' requirements, to reduce the level of internal borrowing or for additional capital schemes that are not yet in the approved capital program providing this does not exceed the authorised limit for borrowing of £1,471.0 million.

The Council may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Nottinghamshire County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to the Executive Board, at the earliest meeting following its action.

3.7 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investments – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This section of the report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's treasury investment strategy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the long-term credit ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** can be those with less high credit quality, or investments for periods in excess of one year, and/or are more complex instruments which require greater consideration before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments (see table 2 in section 4.2).

6. **Approved Counterparties and limits**, (amounts and maturity), for each type of counterparty will be set through applying the matrix table 1 in section 4.2.

7. **Investment limits** are set for each type of investment in table 3 in section 4.2.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, shown in table 4 in section 4.2.

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see section 4.2 – specified investments).

10. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

4.2 Investment strategy

Context: The Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £27m and £104m. Investment balances are expected to be maintained at a balance of around £30m in the forthcoming year, based on central case borrowing strategy in section 3.4.

Objectives: Both the CIPFA Code and the MHCLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims primarily to avoid credit risk by holding a minimum level of investments for cash flow liquidity purposes only. The majority of the Council's surplus cash is currently invested in highly liquid short-term unsecured bank deposits, short-term deposits with other local authorities and money market funds.

Should investment balances increase and are forecast to be available for a sustained period the Council will aim to diversify further into secured asset classes and look to invest for longer periods. The value to be obtained from longer term investments will be carefully assessed against the forecast for the Money Market Interest rates.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
On the assumption that the UK and EU agree a Brexit deal in spring 2019, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

Approved Counterparties: The Council may invest its surplus funds with any of the counterparty types in table 1 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 1: Approved Investment Counterparties and Limits			
Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£10m 5 years	£10m 20 years	£10m 50 years
AA+	£10m 2 years	£10m 10 years	£10m 25 years
AA	£10m 2 years	£10m 5 years	£10m 15 years
AA-	£10m 2 years	£10m 4 years	£10m 10 years
A+	£10m 2 years	£10m 3 years	£10m 5 years
A	£10m 13 months	£10m 2 years	£10m 5 years
A-	£10m 6 months	£10m 13 months	£10m 5 years
None	n/a	n/a	£10m 5 years
Pooled funds	£10m per fund		

This table must be read in conjunction with the notes below:-

Lloyds Bank: The Council's own bank, will be subject to the limits in table 1 for investment balances, but also accommodate necessary short-term cash management balances within its bank accounts for periods of up to 4 days with no maximum sum.

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus corporate bonds, commercial paper, equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.
Short-term Money Market Funds that offer same-day liquidity and very low or no volatility (CNAV/LVNAV funds) will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices (VNAV funds) and/or have a notice period will be used for longer investment periods.

Risk Assessment and Credit Ratings:
Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and

reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The MHCLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of AAA from at least one of the main credit rating agencies.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any financial investments (treasury management investments) denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified treasury investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement. The limits for non-specified investments is shown in table 3 below.

Table 2: Non-Specified Investment Limit	
	Cash limit
Unsecured Bank Investments > 365 days *	£10m
Secured Bank Investments > 365 days *	£40m
Government Investments > 365 days (inc Local Authorities) *	£100m
Total non-specified investments	**£100m**

*** The table above shows the non-specified investment limits by the investment type. The investment limits in Table 1 & 3 also apply.**

Investment Limits: The Council's revenue reserves available to cover investment losses are forecast to be c.£105 million on 31st March 2019. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment Limits	
	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£50m per broker
Foreign countries	£20m per country
Money Market Funds (CNAV/LVNAV)	£75m in total
Other Pooled Funds (VNAV)	£20m in total

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end including the flexibility to accelerate borrowing to manage interest rate risk as detailed in section 3.4.

Table 4: Upper limit for principal sums invested for longer than 365 days			
£m	**2019/20**	**2020/21**	**2021/22**
Principal sums invested for longer than 365 days	£100m	£100m	£50m
Current investments as at 31.12.18 in excess of 1 year maturing in each year	£0m	£0m	£0m

4.3 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Benchmarks will be reported against, in the mid-year or Annual Report.

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £0m
- Liquid short term deposits of at least £30m available with a week's notice.

Yield - local measures of yield benchmarks are:

- Investments – returns above the 7 day LIBID rate

4.4 Other Items

There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

Liquidity Management: The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the HRA: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the average 3 month UK Government Treasury Bill interest rate to reflect a credit risk free return.

Management of treasury risk: Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. Details of the specific risks identified in respect of treasury management within the Council are adopted to form a Risk Management Action Plan. This Plan is reviewed at regular intervals at meetings of the Treasury Management Panel and is reported to Audit Committee for scrutiny as part of the Treasury Management Strategy Report.

UK banks – ring fencing: The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure.
The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans.

5.1.1 Capital expenditure & the Capital Financing Requirement

See paragraphs 2.1 & 2.2

5.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

%	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
General Fund	12.90%	16.46%	16.89%	18.27%	19.19%
HRA	12.41%	12.90%	13.17%	13.48%	13.64%

The estimates of financing costs include current commitments and the proposals in this report. The net revenue stream is shown as the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes ring-fenced NET (tram) government grant and revenue raised from the Workplace Parking Levy.

b. HRA ratios

The first of two local HRA indicators below shows the ratio debt to revenue showing the sustainability of the debt load over the forecast period.

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt £m	294.703	289.200	295.877	310.765	309.039
HRA debt cap £m	319.784	319.784	319.784	319.784	319.784
HRA revenues £m	103.777	105.161	102.519	103.200	104.152
Ratio of debt to revenues %	**2.8**	**2.8**	**2.9**	**3.0**	**3.0**

The second indicator shows the HRA debt per dwelling based on the forecast debt level.

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
HRA debt £m	294.703	289.200	295.877	310.765	309.039
Number of HRA dwellings	25,808	25,504	25,193	24,988	24,746
Debt per dwelling £'s	**£11,419**	**£11,339**	**£11,744**	**£12,437**	**£12,488**

5.1.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2019/20		
	Lower	**Upper**
Under 12 months	0%	25%
12 months to 2 years	0%	25%
2 years to 5 years	0%	25%
5 years to 10 years	0%	25%
10 years to 25 years	0%	50%
25 years to 40 years	0%	50%
40 years and above	0%	50%

5.1.4 Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.2.

5.2 Annual Minimum Revenue Provision Statement 2019/20

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year.

The following statement only incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 2007/08, and for supported capital expenditure incurred on or after that date, the MRP policy will be to charge an amount per Schedule A below. This charge is based on the principle of repaying the outstanding balance as 31 March 2016 over a 50 year period (2066/67) as per profile approved in 2017/18.

- For unsupported capital expenditure incurred after 2007/08, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments *or* as the principal repayment on an annuity, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3 in the guidance)*

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where loans are made to other bodies for their capital expenditure, MRP will be charged or reduce the outstanding debt in line with the principal repayment profile in the 3rd party agreement.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.

- Voluntary MRP may be made at the discretion of the Director of Finance.

- Capital receipts maybe voluntarily set-aside to clear debt and replaced with future prudential borrowing to temporarily reduce the MRP charge. This use of capital receipts will be at the discretion of the Director of Finance.

- MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total VRP overpayments were £0.726m.

Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

Schedule A - MRP profile for outstanding Supported Borrowing

Supported Borrowing is capital expenditure incurred before 2007/08, and for supported capital expenditure incurred on or after that date.

	Year	MRP Payment	Supported Borrowing Balance
3	2019/20	76,894	204,810,349
4	2020/21	76,894	204,733,455
5	2021/22	76,894	204,656,561
6	2022/23	76,894	204,579,667
7	2023/24	76,893	204,502,774
8	2024/25	4,755,878	199,746,895
9	2025/26	4,755,878	194,991,017
10	2026/27	4,755,878	190,235,138
11	2027/28	4,755,878	185,479,260
12	2028/29	4,755,878	180,723,381
13	2029/30	4,755,878	175,967,503
14	2030/31	4,755,878	171,211,624
15	2031/32	4,755,878	166,455,746
16	2032/33	4,755,878	161,699,867
17	2033/34	4,755,878	156,943,989
18	2034/35	4,755,878	152,188,111
19	2035/36	4,755,878	147,432,232
20	2036/37	4,755,878	142,676,354
21	2037/38	4,755,878	137,920,475
22	2038/39	4,755,878	133,164,597
23	2039/40	4,755,878	128,408,718
24	2040/41	4,755,878	123,652,840
25	2041/42	4,755,878	118,896,961
26	2042/43	4,755,878	114,141,083
27	2043/44	4,755,878	109,385,204
28	2044/45	4,755,878	104,629,326
29	2045/46	4,755,878	99,873,448
30	2046/47	4,755,878	95,117,569
31	2047/48	4,755,878	90,361,691
32	2048/49	4,755,878	85,605,812
33	2049/50	4,755,878	80,849,934
34	2050/51	4,755,878	76,094,055
35	2051/52	4,755,878	71,338,177
36	2052/53	4,755,878	66,582,298
37	2053/54	4,755,878	61,826,420
38	2054/55	4,755,878	57,070,541
39	2055/56	4,755,878	52,314,663
40	2056/57	4,755,878	47,558,785
41	2057/58	4,755,878	42,802,906
42	2058/59	4,755,878	38,047,028
43	2059/60	4,755,878	33,291,149
44	2060/61	4,755,878	28,535,271
45	2061/62	4,755,878	23,779,392
46	2062/63	4,755,878	19,023,514
47	2063/64	4,755,878	14,267,635
48	2064/65	4,755,878	9,511,757
49	2065/66	4,755,878	4,755,878
50	2066/67	4,755,878	-

5.3 NOTTINGHAM CITY COUNCIL TREASURY MANAGEMENT POLICY STATEMENT

The following treasury management policy statement is required to be adopted annually by Full Council as part Treasury Management Strategy.

INTRODUCTION AND BACKGROUND

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices, activities and the annual treasury management strategy in advance of the year in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Executive Board. Executive Board will receive reports as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs. The Council delegates responsibility for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2 POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES

2.1 The Council defines its treasury management activities as:

"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

2.4 The Council's borrowing will be affordable, sustainable, prudent and proportionate with its financial resources and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to financial investments remains the security of capital. The liquidity or accessibility of the Council's financial investments followed by the yield earned on these investments remain important but are secondary considerations.

5.4 ECONOMIC BACKGROUND & FORECAST COMMENTARY

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is now probably unlikely to make a start on raising rates in 2019.

KEY RISKS - central bank monetary policy measures
Looking back on more than ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), also reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a significant risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we did, indeed, see a sharp fall in equity values in the last quarter of 2018 and into early 2019. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.** It is particularly notable that, at its 30 January 2019 meeting, the Fed dropped its previous words around expecting further increases in interest rates; it merely said it would be "patient".

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. 2018 was a year which started with weak growth of only 0.1% in quarter 1. However, quarter 2 rebounded to 0.4% in quarter 2 followed by quarter 3 being exceptionally strong at +0.6%. Quarter 4 though, was depressed by the cumulative weight of Brexit

uncertainty and came in at only +0.2%. Growth is likely to continue being weak until the Brexit fog clears.
The MPC has stated that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they have given a figure for this of around 2.5% in ten years' time but have declined to give a medium term forecast. However, with so much uncertainty around Brexit, the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, the MPC could also raise Bank Rate in the same scenario if there was a boost to inflation from increases in import prices, devaluation of sterling, and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could provide fiscal stimulus to boost growth.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the February Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead given a scenario of minimal increases in Bank Rate.

The **labour market** figures in November were particularly strong with an emphatic increase in total employment of 141,000 over the previous three months, unemployment at 4.0%, a 43 year low on the Independent Labour Organisation measure, and job vacancies hitting an all-time high, indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation continued at its high point of 3.3%, (3 month average regular pay, excluding bonuses). This means that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, the Brexit deal put forward by the Conservative minority government was defeated on 15 January. Prime Minister May is currently, (mid-February), seeking some form of modification or clarification from the EU of the Irish border backstop issue.
However, our central position is that the Government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get full agreement by the UK and EU before 29 March 2019, in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate) in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and an unemployment rate of 4.0%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in December. However, CPI inflation overall fell to 1.9% in December and looks to be on a falling trend to continue below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, which was the fifth increase in 2018 and the ninth in this cycle. However, they dropped any specific reference to expecting further increases at their January 30 meeting. The last increase in

December compounded investor fears that the Fed could overdo the speed and level of increases in rates in 2019 and so cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow. Since the more reassuring words of the Fed in January, equity values have recovered somewhat.

The tariff war between the US and China generated a lot of heat during 2018; it could significantly damage world growth if an agreement is not reached during the current three month truce declared by President Trump to hold off from further tariff increases.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. Current forward indicators for economic growth and inflation have now been on a downward trend for a significant period which will make if difficult for the ECB to make any start on increasing rates until 2020 at the earliest. Indeed, the issue now is rather whether the ECB will have to resort to new measures to boost liquidity in the economy in order to support growth. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. In its January meeting, it made a point of underlining that it will be fully reinvesting all maturing debt for an extended period of time past the date at which it starts raising the key ECB interest rates.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 and below are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.**

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%
3 Month LIBID	0.70%	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.80%	0.90%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.00%	1.10%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%
25yr PWLB Rate	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%

PWLB forecasts shown above include the 20 basis point certainty rate reduction.

On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has now substantially diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March 2018 of a government which has made a lot of anti-austerity noise. The EU rejected the original proposed Italian budget and demanded cuts in government spending. The Italian government nominally complied with this rebuttal – but only by delaying into a later year the planned increases in expenditure. This particular can has therefore only been kicked down the road. The rating agencies have downgraded Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen sharply – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some **European banks**. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- **Other minority EU governments.** Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. Elections to the EU parliament are due in May/June 2019.

- The increases in interest rates in the US during 2018, combined with a potential trade war between the USA and China, sparked major volatility in equity markets during the final quarter of 2018 and into 2019. Some **emerging market countries** which have borrowed heavily in dollar denominated debt, could be particularly exposed to investor flight from equities to safe havens, typically US treasuries, German bunds and UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

5.5 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to councillors of a schedule of all capital investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that councillors are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material capital investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of capital investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to capital investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to capital investments will be arranged.*

Nottingham City Council Capital & Investment Strategy

Nottingham City Council Capital and Investment Strategy 2019/20 – 2023/24

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Section One – Introduction

Aims of the Capital and Investment Strategy and its links to the Council Plan

The Capital Strategy forms a key part of the City Council's overall Corporate Planning Framework by which capital and investment decisions will be made.

The overarching aim of the 2019/20 to 2023/24 Capital Strategy is to provide a framework within which the Council's capital investment and financing decisions can be aligned with the Council's corporate priorities and objectives over the medium term. The Strategy recognises uncertainties, especially in relation to funding in later years.

In order to reflect the Council's corporate priorities the Capital Strategy is driven by the Council Plan 2015-2019, which is founded on a number key objectives:

- Ensuring every child in Nottingham is taught in a school 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 place for every 18 to 24 year old

These objectives reflect an on-going commitment to the City Council's core aim to "put citizens at the heart of everything we do". This is central to the Council's priorities, decision making and service delivery.

Further details regarding how the Council Plan has influenced the capital projects include regeneration and transport priorities further details can be found in Section 2 (Council's Priority Areas for Capital Investment).

This strategy sets the framework for all aspects of the Council's capital and investment expenditure including planning, prioritisation, management, funding and monitoring. The strategy forms a key part of the Council's Medium Term Financial Strategy.

Section Two – Capital Strategy Aims, Objectives, Principals and Priorities

Aims & Objectives of the Capital and Investment Strategy

The Capital and Investment Strategy aims to:

- Provide a clear set of objectives and a framework, compliant with the CIPFA guidance and legislation, by which new projects are evaluated.

- Ensure projects meet the Council's Priorities and are fully funded by means of whole life project costing.

- Prioritise projects that meet the following criteria:
  - Deliver Council Plan / Council Objectives
  - Invest to Save – assist the delivery of budget decisions
  - Commercialism – projects that generate a revenue surplus
  - Attract significant third party or match funding to the City
  - Deliver wider economic or service objectives e.g. regeneration / job growth

- Set out how the City Council identifies, programmes and prioritises funding requirements and proposals arising from a project gateway process. This involves a Full Financial Appraisal, Full Business Case and a review by the Project Assurance Group.

- Aid decision making regarding use of funding, resources availability and how these might be maximised to deliver the Council's priorities.

- Ensure the capital programme maintains an overall balance of risk over the strategy period and provides insight into the funding envelopes and rates of return.

- Establish effective arrangements for the management of expenditure including the assessment of project spend, budget forecasting, contractual commitments, revenue impact (in year and projected over the Medium Term Financial Outlook (MTFO)), value for money, opportunity cost and debt exposure.

Capital Investment Principles and Priorities

Principles

The Council's capital strategy ensures that all the projects are accounted for in the allocation of any available resources. The principles of the strategy are as follows:

- Current approved (or contractually committed) schemes will be supported and sufficient resources will be provided to enable them to proceed or complete up to the approved level of expenditure.

- Capital Project Sponsors and Managers must demonstrate that a rigorous process of options appraisal has been followed, requiring assessment of Council priorities, cost, risk, project deliverables and methods of financing. The Project Assurance Group has a clear role in ensuring all key questions have been asked prior to the scheme receiving formal approval.

- Any costs incurred on options not progressed will be abortive costs that do not meet the criteria for capitalisation.

- All capital investments are required to make reference to Council objectives and will only be considered for resource allocation once this has been demonstrated.

- There will be no ring-fencing of capital receipts to specific projects, with the exception of:
    - School Sites ring-fenced by the Secretary of State for education purposes
    - Sites identified as part of the Loxley House Business Case
    - Property Trading Assets: Sites whose sale generates a revenue pressure will be assessed to identify how much the Council needs to reinvest to cover lost income

- The Council supports the implementation of the Property Investment Policy, allocating funding to facilitate property acquisitions that provide a sustainable income stream to support the Council's revenue budget.

- The Council will consider the removal of ring-fencing from certain grant allocations to assist in the achievement of the Council's priorities and objectives. All uncommitted non ring-fenced capital funding will be reviewed.

  Non ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives.

    - Transport grant funding

    - Basic Needs Government Funding, due to the current pressure on school places
    - Disabled Facilities Grant

- It is assumed that all resources that were not applied during the previous financial year remain fully committed and carried forward into the current year, as they are required to meet commitments within the Capital Programme.

- Future funding opportunities may arise for which the Council may wish to submit bids. The Council will respond in a manner it considers appropriate to bidding opportunities, ensuring that bids are submitted which align with its objectives and capital investment priorities. Match funding requirements are considered on a scheme-by-scheme basis with resourcing requirements prioritised accordingly.

- Business Cases and Financial Assessments (Section 3), adopt the prudent principle regarding the asset value at the end of the financial mode, the normal assumption is the asset has £nil realisable value. Although this will be considered on a case by case basis.

- In accordance with CIPFA guidance the Council defines Capital Expenditure as:

  ‘Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.’
  Nottingham City Council Statement of Accounts 2017/18

  Any expenditure that does not meet the above definition is charged directly to revenue, for example:
    - Routine repairs and maintenance of fixed assets
    - Feasibility and Development costs of options and schemes not progressed
    - Communications and Marketing
    - Expenditure not necessary to bring the asset into use

Council's Priority Areas for Capital Investment

The Capital and Investment Strategy recognises the constraints imposed by a significant reduction in financial resources. Nottingham City Council must therefore rely on both internal and external capital resources and evaluate projects to ensure all investment decisions can be no less than financially self-sustaining whilst still meeting priorities.

As well as the Council prioritising projects individually, the Council also considers the Capital Programme collectively in terms of how associated risk is managed, the cash flow implications and the implications for future financial sustainability.

The Corporate Asset Management Plan (CAMP) confirms the Council's commitment to provide good quality, sustainable and accessible accommodation for staff and citizens. However, the Council still owns Operational Assets that do not meet modern standards and the aim is to dispose of these sites, providing more effective accommodation for colleagues and an improved experience for citizens (i.e. Operational Property Rationalisation). To ensure resources are available for maintaining operational assets all financial models will include a sinking fund that is envisaged to fund future repair liabilities.

The Council's Capital Investment priorities for the period 2018/19-2023/24 are covered below. These projects will be progressed subject to the availability of resources and the approval of a full business case.

Existing Projects:
There is a commitment to continued funding within the existing programme that covers the following priority areas:

- District Heating / Incinerator Works
- Nottingham Castle Transformation
- Southern Gateway Improvements
- Royal Centre Modernisation
- Council wide IT Schemes
- Vehicle Replacement Programme
- Low Carbon and Energy Efficiency Initiatives
- Parks and Open Spaces Improvements
- City Regeneration Schemes
- Housing Initiatives
- Property Repairs and Investments
- Transport Repairs and Improvements
- School Condition Works
- Invest to Save or Commercialisation
- Operational Property Rationalisation
- Delivery of key regeneration priorities

- Supporting strategic transport priorities such as maximising the benefits of HS2 and improving connectivity to East Midlands Airport
- Delivery of Local Transport Plan projects and infrastructure to support economic development
- Supporting Local Plan housing delivery

New and Emerging Projects

In addition to the projects specifically referred to above, the following is a list of priority projects that have not had the full business case approved:

- Fit-out and operation of the new Central Library
- School Investment / Pupil Pressures
- Other Regeneration Schemes

Non-Treasury Investments

Nottingham City Council invests in other financial assets (i.e. loans and investment properties), which are not part of treasury management activity. These other investments fall within two areas:

- **Service Investments** – investments held clearly and explicitly for the provision of operational services, including regeneration
- **Commercial Investment** – investments undertaken primarily for financial reasons

A register of service and commercial investments held by the Council is listed in Appendix A.

Service Investments
Service investments made by the Council are largely loans to third parties ranging from short-term to longer-term loans linked to assets or investments in group organisations. Following a detailed assessment, each loan will have an interest rate applied which reflects any appropriate legislation (e.g. State Aid). Scrutiny for Service Investments is undertaken by officers within the Council giving due regard to the relevant formal approval. This scrutiny will include a due diligence assessment to ensure that the Council has the appropriate level of:

- Security – due diligence is carried out on the loan counterparty to assess their credit strength and ability to make loan repayments. Security is also achieved by obtaining charges on assets, but could also include guarantees (e.g. Parent Company Guarantee)
- Liquidity – third party business cases to be critically assessed to identify financial performance including if the scheme has early year deficits
- Yield – reflecting market risk / return and the opportunity cost to the Council of not being able to use those funds elsewhere

Commercial Investment
Commercial Investments that the Council has undertaken to date are property investment acquisitions. As at the 31st March 2018 the total invested is as follows:

Table 1: Commercial Investments and contribution to Budget at 31st March 2018	
	£m
Gross Commercial Investment Minimum Revenue Provision incurred	197.574 (1.046)
Net Commercial Investments	**196.528**
Funding Council Resources Unsupported Borrowing (net of MRP paid to 31st March 2018)	 (2.000) (194.528)
Total Funding	**(196.528)**
Annual Net income to the General Fund 1st April 2018 (*)	**(4.769)**

(*) Net of financing costs, operating costs and contribution to a sinking fund.

The Council's Investment Panel will review new investment proposals at various key stages. This panel consists of internal experts across the Finance and Property Sections of the Council. Following due diligence the Commercial Investment is considered by the relevant Portfolio Holder and the Strategic Director of Property prior to entering into negotiations. If the negotiations are successfully concluded the Commercial Investment will follow the Council's current approval procedures.

All Commercial Investments are reviewed post-acquisition. These reviews support good estate management principles and ensure that the Council's risk and returns are appropriately managed. The investments are managed on an ongoing basis, reviewing the actual performance to the original financial model, paying particular attention to key events such as rent reviews.

The gross commercial investment made by the Council of £197.574m (excluding MRP payments to 31st March), plus the forecast £105.323m leaves the Council open to the following risks:

- Voids due to economic downturn / tenant breaks
- Property Market downturn

These risks have been mitigated by investing in a diverse property portfolio and the properties are transferred as a going concern by having a tenant with a strong covenant in occupation. A sinking fund is also set aside for the commercial investments based on rental level received. This reserve is available to smooth out void periods (in year deficits) if they cannot be absorbed elsewhere within Property Services.

No commercial investments generated a revenue pressure during financial year 2017/18.

The Council continues to operate in a challenging financial environment of reduced levels of Government funding due to austerity policies. This level of commercial investment has been undertaken as part of the council's commercialisation policy, which seeks to address the funding gap and protect key services.

Capitalisation Flexibilities

In December 2017 the Secretary of State announced that the capital receipt flexibility programme will be extended until 31st March 2022. This flexibility gives the Council the freedom to use non-Public Sector Housing capital receipts to fund the revenue costs of transformation projects and release savings.

As detailed within Section 3 the Council is not intending to use this flexibility due to all forecast receipts from property disposal (secured and unsecured) in the medium term being earmarked to fund the Council's ambitious capital programme. Receipts from principal loan repayments are earmarked to repayment of underlying debt.

Section Three – Capital Programme Structure, Resourcing Strategy

Capital Programme Structure

The Council's Capital Programme is split into three sections:

- Approved Projects – Projects that have been formally approved and have a funding package that is deemed affordable
- Planned Projects – Projects that have been agreed in principal and the Council is undergoing project feasibility and development to identify if the project's objectives can be achieved within an affordable funding envelope
- Potential Projects – Projects that are at the beginning of the scoping and development process and therefore are not included in the Council's borrowing forecasts

As projects progress through the above stages they will go through a gateway process to challenge the project team and provide assurance that the project is best use of public funds and will assist the Council in meeting its priorities.

Each of the three Capital Programme areas include a variety of capital projects, with each section divided into sub-sections as follows:

- Council Priorities / Service Delivery (including Regeneration Schemes)
- Asset Investments
- Third Party Loans
- Revenue Generating Investments (Invest to Save or Commercialism)
- Grants
- Revenue Expenditure Financed by Capital Under Statute (REFCUS)

Capital Programme – General Fund
Table 2 below is a snapshot of the Capital Programme at 31st December 2018.

The funding is showing a balanced budget within **Table 2** assuming all forecast grants are received as expected and the pressure on the unsecured capital receipts as highlighted within **Table 5** is resolved.

Table 2: General Fund - Capital Programme and Resources							
2018/19 £m	**Scheme**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
	Category 1 (Approved Schemes)						
19.696	Transport Schemes (*)	13.988	0.000	0.000	0.000	0.000	**33.684**
7.503	Education / Schools	3.045	0.000	0.000	0.000	0.000	**10.548**
96.921	Other Services	135.359	71.851	19.128	8.606	7.327	**339.192**
19.250	**Category 2 (Planned Schemes)**	14.302	29.766	7.572	0.000	0.000	**70.890**
143.370	**Total Programme**	**166.694**	**101.617**	**26.700**	**8.606**	**7.327**	**454.314**
	Resources						
83.311	Prudential Borrowing	81.382	72.340	21.314	5.425	4.306	**268.078**
43.860	Grants & Contributions	65.501	11.890	2.543	2.309	2.168	**128.271**
5.810	Internal Funds / Revenue	6.670	4.785	1.464	0.113	0.103	**18.945**
8.919	Secured Capital Receipts	0.000	0.000	0.000	0.000	0.000	**8.919**
1.470	Unsecured Capital Receipts	13.141	12.602	1.379	0.759	0.750	**30.101**
143.370	**Resourcing Subtotal**	**166.694**	**101.617**	**26.700**	**8.606**	**7.327**	**454.314**

(*) Traditionally the Local Transport Plan is set for three years, however due to the 2019 Spending Review no funding is programmed for 2020/21 and 2021/22. Once the outcome of the spending review has been completed the Transport Programme will be reviewed to ensure it is able to respond to any new requirements or priorities.

Capital Programme – Public Sector Housing

Table 3 is a snapshot of the Public Sector Housing Programme. The programme currently shows a resourcing shortfall due to additional capital projects being required following the Grenfell incident. If external grant cannot be identified, savings will need to be made elsewhere within the Public Sector Housing Programme to offset the forecast funding shortfall.

Table 3: Public Sector Housing - Capital Programme and Resources							
2018/19 £m	**Scheme**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**
48.930	Category 1 (Approved Schemes)	54.362	36.165	29.462	31.774	32.819	**233.512**
0.000	Category 2 (Planned Schemes)	0.500	11.338	0.000	0.000	0.000	**11.838**
48.930	**Total Programme**	**54.862**	**47.503**	**29.462**	**31.774**	**32.819**	**245.350**
	Resources						
7.795	Prudential Borrowing	8.403	16.614	0.000	0.000	0.000	**32.812**
3.794	Grants & contributions	2.556	0.750	0.000	0.000	0.000	**7.100**
0.000	Internal Funds / Revenue	0.000	0.000	0.000	0.000	0.000	**0.000**
26.898	Major Repairs Reserve	31.349	24.349	25.902	28.137	29.182	**165.817**
6.582	Secured Capital Receipts	8.329	2.661	0.000	0.000	0.000	**17.572**
0.000	Capital Receipts Unsecured	0.000	3.129	3.560	3.637	3.637	**13.963**
45.069	**Total Resources**	**50.637**	**47.503**	**29.462**	**31.774**	**32.819**	**237.264**
3.861	**Cumulative (Surplus)/Shortfall**	**8.086**	**8.086**	**8.086**	**8.086**	**8.086**	**8.086**

Capital Resourcing Approach

The Council's capital investment is governed by the 'Prudential Code for Capital Finance in Local Authorities' (Prudential Code). The Prudential Code provides the Council with a regulatory framework within which the Council has discretion over the funding of capital expenditure and the level of borrowing the Council wishes to undertake to deliver capital plans and programmes.

The strategy is intended to maximise the financial resources available for investment in service provision and improvement within the MTFO. At the same time it seeks to ensure that each business case has a robust self-sustainable financial model that delivers the Council's objectives.

The funding available to Nottingham City Council is split into six main categories:

1. Government grants and non-government grant and contributions
2. Unsupported borrowing
3. Funds and reserves
4. Direct revenue financing
5. Capital receipts
6. Leasing / Private Finance Initiatives (PFI)

1. Government Grants and Non-Government Grant and Contributions

These can be split into three sub categories:

- Ring-fenced grants and contributions (Reserved for a particular purpose and have a restricted use);
- Non-ring-fenced grants and contributions (Grant given with conditions which Projects are required to meet);
- Section 106 agreements (Planning obligations generally subject to conditions of use).

Where there is a requirement to make an application to an external body for funding and commit Council resources as match funding for any part of any bid, a business case and paper needs to be approved per the Council's current approval procedures (e.g. DDM, Leaders Key Decision, or Executive Board Report).

2. Unsupported Borrowing (Prudential Borrowing)

As detailed above the Council has the discretion to undertake borrowing on capital schemes (General Fund and Public Sector Housing) if the borrowing is deemed Value for Money and meets the following criteria as set out in the Prudential Code:

- **Affordable**
- **Sustainable**
- **Prudent**

- **Proportionate for the size of the authority**.

For any borrowing undertaken a full appraisal will take place to ensure that sufficient revenue returns are generated to cover the cost of borrowing, for example 'invest to save' or schemes which meet the Council's 'commercialisation agenda'.

To be deemed affordable, sustainable and prudent a full business case is carried out and schemes have to provide a surplus Net Present Value (NPV) to the Council over the life of the project.

Prudential Borrowing Loan repayments are spread over an asset's useful life, this means that for the longer term Capital Schemes (i.e. Land and Buildings) the borrowing term can be significant.

Where it is considered that prudential borrowing is the appropriate method of funding, the additional revenue costs related to debt repayment will be built into the service budget. When projects are approved, details of how any potential revenue impact will be managed must be included (e.g. early year deficits).

Housing Revenue Account (HRA)

The HRA has no statutory requirement to make Minimum Revenue Provision (MRP) contributions unlike unsupported borrowing within the General Fund. The Council uses the HRA 30 year business plan as a way of managing its debt position by making voluntary provisions / voluntary set aside as appropriate. Prudential Borrowing for Housing Revenue Account Projects is required to meet the same Prudential Code criteria as set out above (e.g. full financial appraisal, debt repaid over asset life, early year deficit impact).

Forecast Borrowing General Fund and Housing Revenue Account

As at quarter 3 the forecast borrowing for the Council is as follows:

Table 4: Unsupported Borrowing Forecast Period 8

Area and Category	**Forecast Borrowing Requirement**					
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
General Fund						
Category 1 - Approved Schemes	(71.061)	(72.017)	(45.574)	(13.742)	(5.425)	(4.306)
Category 2 - Planned Projects	(12.250)	(9.365)	(26.766)	(7.572)	0.000	0.000
TOTAL General Fund	**(83.311)**	**(81.382)**	**(72.340)**	**(21.314)**	**(5.425)**	**(4.306)**
Public Sector Housing						
Category 1 - Approved Schemes	(7.795)	(8.403)	(7.276)	0.000	0.000	0.000
Category 2 - Planned Projects	0.000	0.000	(9.338)	0.000	0.000	0.000
TOTAL Public Sector Housing	**(7.795)**	**(8.403)**	**(16.614)**	**0.000**	**0.000**	**0.000**

TOTAL Forecast Borrowing Requirement	**(91.106)**	**(89.785)**	**(88.954)**	**(21.314)**	**(5.425)**	**(4.306)**

3. Capital Receipts

The Council's land and property estate is managed through the CAMP, which identifies the Council's property requirements. Where appropriate, properties are declared surplus to requirements and the Council will look to dispose of the asset.

Capital receipts generated from disposal of Council assets represent a finite funding source, therefore the Council is required to plan disposals to support its priorities.

Capital Receipts will also be a key source of capital funding for projects that meet the Council's strategic aims / objectives but make insufficient financial return to cover the costs of borrowing.

Nottingham City Council has a strategy of not ring-fencing the use of specific Corporate Capital Receipts to fund specific schemes or service areas unless a suitable business case is created and approved.

All receipts are reviewed to see if there are any restrictions on the receipt (e.g. Secretary of State), or whether the asset had any clawback provision or debt outstanding as these have first call on the capital receipt. The remaining balance of general fund capital receipts is allocated between reinvestment in Property Income Generation and Corporate Capital Receipts:

- Property Income Generation Receipt – receipts on assets that provide a return to the Property Trading Account (PTA) can be reinvested within PTA.
- Corporate Capital Receipts – are non-income generating receipts that are allocated in accordance with the Councils aims / priorities and used to assist the Council's long term financial position, which could include:
  - Repayment of existing debt under the Prudential Framework,
  - Financing new capital investment,
  - Financing transitional costs of change.

A forecast of receipts to be received over the current period and the next 5 years has been collated and each receipt has been revised to reflect a risk factor providing the Council with a strategic programme of sales. **Table 5** below shows the position at period 9. As receipts are secured the pressure identified below will decrease subject to the value of the receipt being in excess of the receipt net of risk. These receipts require close monitoring to ensure the capital programme can be funded in line with approvals.

Table 5: General Fund Capital Receipt Analysis						
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Capital Receipts Brought Forward	**(1.954)**	**(6.228)**	**(0.443)**	**9.324**	**8.383**	**7.602**
Receipts in year						
Secured Capital Receipts	(8.919)	0.000	0.000	0.000	0.000	0.000
Unsecured Capital Receipts	(21.652)	(7.758)	(2.835)	(2.320)	(1.540)	0.000
Total Available	**(32.525)**	**(13.986)**	**(3.278)**	**7.004**	**6.843**	**7.602**
Commitments						
Capital Programme Commitments (Approved Schemes)	8.389	13.141	9.602	1.379	0.759	0.750
Capital Programme Commitments (Planned Schemes)	2.000	0.000	3.000	0.000	0.000	0.000
Other Commitments	15.919	0.402	0.000	0.000	0.000	0.000
Total Commitments	**26.308**	**13.543**	**12.602**	**1.379**	**0.759**	**0.750**
(Surplus) / Pressure Capital Receipts	**(6.217)**	**(0.443)**	**9.324**	**8.383**	**7.602**	**8.352**

The **£8.363m** pressure identified within Table 5 is in accordance with the Southside Regeneration Executive Board approved December 2018 that committed **£8.250m** of receipts to be identified. As these receipts are identified, they will offset the above pressure.

Within the above table there is a risk that the unsecured receipts expected in 2018/19 slip into 2019/20. If this happens there is a risk that alternative funding will need to be identified in lieu of the Capital Receipt.

Housing Revenue Account (HRA) – Capital Receipts
The HRA capital receipts are sub-categorised as follows:

- General HRA Receipts – The receipt is ringfenced for reinvestment within the Public Sector Housing Capital Programme.
- Right-to-Buy (RTB) Receipts – Are accounted for as stipulated in the Local Government Act, with elements of the receipt:
    - Repaid to Central Government,
    - Earmarked for reinvestment in Housing Stock (1-4-1),
    - To repay debt via a MRP provision (i.e. Voluntary Set-aside),
    - Reinvest in the Capital Programme

4. Revenue Funding

Capital Expenditure can be funded directly from revenue resources. The sources of revenue funding can be split into two clear categories:

- Funds and Reserves – specific reserves set aside for Capital purposes
- Direct Revenue Funding (DRF) – using revenue budget surpluses for capital purposes if it can be demonstrated that the funding is unfettered.

However, in the current economic climate and with increasing revenue pressure within Council finances, the extent to which this may be used to fund capital expenditure is significantly reduced.

Housing Revenue Account (HRA)
The HRA has a Major Repairs Reserve which is a specific reserve ringfenced for repairs and maintenance of the Council's housing stock.

5. Leasing / Private Finance Initiatives (PFI)
The Council does have the option to lease assets, however with the advent of Unsupported Borrowing this source of financing is becoming less attractive and the Council's Vehicle Replacement Scheme demonstrates this development. There may however be instances where leasing could offer value for money and it will remain a consideration when options are being appraised.

PFI schemes are not shown within the Capital Programme due to not being financed by capital resources.

When the Council identifies a service requirement all financing options are considered as part of the business case / feasibility. Where appropriate this will include the potential creation of a liability via a leasing or similar arrangement (e.g. PFI). Prior to entering into these agreements, a formal decision will need to follow the Council's standard approval process.

Leases and contracts entered into by the Council are periodically reviewed to identify all lease and embedded lease arrangements entered into that may create a potential liability for the Council.

Resourcing Allocation Strategy and Procedures

Resources Allocation Strategy

Each project or programme is subject to a gateway review / approval process that includes a full business case.

Projects / programmes that do not have a full funding package and require Council Resources (including schemes which have deficits in early years i.e. Medium Term Financial Plan (MTFP) Deficit), will be appraised using the following criteria should funding become available:

- Alignment to the Council Plan;
- Consequences of Exclusion (i.e. not providing Corporate Resource);
- Project Funding Package;
- Whether Project generates an income / reduces costs (including Invest to Save);
- Any preconditions;
- Impact on the environment;
- Effect on regeneration.

Internal Guidance / Business Case Considerations / Gateway Reviews

Internal Guidance

Project Management Handbook

The Project Management Handbook is a best practice document for project delivery. This section of the intranet also includes standardised templates that accompany the Project Management Handbook.

The link to the handbook is set out below:

http://intranet.nottinghamcity.gov.uk/major-projects/project-management/project-management-handbook/

Accounting Handbook

The Accounting Handbook has a section regarding fixed assets and capital investment, this section includes information about:

- Fixed Assets
- Capital Expenditure Coding
- Capital Accruals
- Capital Funding
- Revenue Expenditure Funded from Capital Under Statute (REFCUS)
- Lease Accounting

As part of the capital monitoring exercise project managers are also sent guidance regarding expenditure capitalisation rules to assist them in their understanding of the revenue / capital split.

The link to the handbook is set out below:

http://intranet.nottinghamcity.gov.uk/finance/statutory-information/

Gateway Review

The gateway review process is a series of independent peer reviews at key stages of a programme or project lifecycle, aimed at supporting decision making and ensuring successful delivery.

Business case and financial assessment are evaluated at a Project Assurance Group (PAG). The PAG is a panel who are not involved in the project's development and are tasked with reviewing and challenging the project and the decisions made.

Business Case

A business case is a formal document which explains the case for the investment in a project or programme of work. The areas covered by a business case vary depending on whether it is an outline or full business case. An outline business case is used at the start of the planning process to obtain ‘approval in principle’ to proceed. A full business case is prepared after ‘approval in principle’ and is expected to cover the following areas:

1) The background to the business case - i.e. the reason for the project being put forward – in order to give context to the project;
2) Objectives
    a. The overall objectives of the project, and
    b. How the project will contribute to the achievement of corporate priorities;
3) Overview of options considered with a brief summary of why options were rejected;
4) Detailed explanation of the option accepted and why it was accepted;
5) Procurement details, including (but not limited to);
    a. details of tender process (when applicable)
    b. analysis of shortlisted tenders
    c. preferred supplier with explanation for decision
6) Financial appraisal of the scheme, including;
    a. profile of capital expenditure
    b. profile of funding broken down by funding source
    c. revenue implications (including the impact on the MTFO and any early year deficit)
7) Other advice required (as appropriate) per the standard approvals process;
    a. Legal
    b. Human Resources
    c. Procurement
    d. Property
8) Business Cases contain an inherent risk regarding the assumptions, in particular the likelihood of the revenue assumptions being achieved. This risk is amplified on the longer term business cases due to the uncertainty of predicting future cash flows / behaviours. This should be addressed through sensitivity and risk analysis.

Financial Appraisal

The purpose of any financial appraisal is to evaluate the viability of a project by assessing the net cash flows that result from financial models, how it meets the requirements of the Prudential Code and provides an assessment of Value for Money.

All capital projects are required to undertake a financial appraisal if they have either:

- An element of borrowing within the project's funding envelope, or
- A revenue impact on service delivery

Principles of the financial appraisal are:

- Full life project costing – For projects that are expected to create an asset with a long useful life the financial appraisal has an inherent risk due to uncertainty of cash flows in the longer term. A provision for a sinking fund to protect the Council from future liabilities should be included
- Revenue assumptions are required to have assumption owners who are either appropriately qualified Council officers or are specialist external advisors
- Revenue assumptions will be assessed to determine whether they should be subject to inflation at an appropriate rate
- Inclusion of a risk register including financial implications for both internal and external risks
- Optimism Bias is considered within all financial models by evaluating financial and service delivery inputs and including contingencies as appropriate, reducing the risk of over-optimistic assumptions locking the Council into undeliverable targets
- All financial models have the same prudent assumption that the residual value of assets at the end of the financial model is £nil
- A Financial Assessment which will include:
    - Cash flow assessment, identifying any early years deficit and impact on the MTFO
    - Net Present Value (NPV) assessment, the cash flow being discounted using the rates recommended as a base in the Treasury Green Book plus additional percentage points for interest and project risk. The affordability requirement is that the project has to produce a surplus NPV
    - Payback Period, this is the year in which the project forecasts a cumulative surplus position
    - Sensitivity Analysis, testing the key assumptions in the model to identify the financial impact if the approved base financial assumptions were not achieved
    - Opportunity Cost, if the Council is using non ring-fenced grant / capital receipts or a revenue source of funding there is an opportunity cost to the Council of not being able to use those funds elsewhere.

Section Four – Monitoring and Measuring the Performance of the Council's Debt Position and the Capital Programme

Monitoring and Measuring the Council's Debt Position

The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in it's Treasury Management Practices document (TMP).

Within the report, the Council defines its treasury management activities as: "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Nottingham City Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The annual Treasury Management Strategy is approved by Full Council. This includes details regarding the Council's operational boundary and Prudential Indicators as prescribed by the CIPFA Treasury Management Code of Practice. These include a projection of external debt and use of internal borrowing to support capital expenditure and the council's overall borrowing requirement, which is known as the Capital Financing Requirement (CFR). The Prudential Indicators include the operational boundary and the authorised limit for external debt which is the statutory limit determined under Section 3(1) of the Local Government Act 2003: "A local authority shall determine and keep under review how much money it can afford to borrow".

An appendix to the Treasury Management Strategy is the Treasury Policy. This policy document sets out the parameters under which the Treasury function operates, including the key delegations. The Treasury Policy also stipulates that the Audit Committee is responsible for the scrutiny of the Treasury Management function.

The annual Treasury Management Strategy includes the policy for the repayment of debt known as Minimum Revenue Provision (MRP). The Council adopts the principle of making revenue provision for the repayment of debt over the life of the underlying debt by making reference to the useful life of the assets being created/purchased that were financed by borrowing.

Annual Assessment of Non-Financial Investments

As stipulated in CIPFA’s Practitioners’ Guide and International Financial Reporting Standards (IFRS), all investments that satisfy the non-financial investment criteria require an annual Fair Value assessment. Where the Fair Value of a non-financial investment is insufficient to provide the required security for the outstanding debt, then as part of the Capital Outturn Report a paper will be presented to Executive Board proposing mitigating actions to protect the capital invested and any revenue consequences.

Monitoring the Capital Programme

Corporate Leadership Team are provided with a Capital Programme Report on a quarterly basis. This report breaks down the programme into the following areas:

- Approved Schemes (Split between General Fund, Local Transport Plan, Other Transport Schemes and Public Sector Housing)
- Planned Schemes
- Potential Schemes

Each scheme (or group of schemes) are then reported on the following basis:

- Full Project Cost
- Forecast Costs – current financial year plus 4 years
- Uncommitted Expenditure – current financial year plus 4 years
- Funding Breakdown
- Financing Costs
- Opportunity Cost
- Current Year Cash Impact
- MTFO Impact

This report is produced on a monthly basis.

Detailed Programme

Project managers must provide an update for every live project detailing the following:

- Forecasting of expenditure (including overspend or slippage)
- Scheme status and whether it has reached completion
- Amount contractually committed

Any variance, change in funding or slippage will be reported to the Executive Board as part of the quarterly monitoring / capital outturn.

It is important to manage significant slippage against the planned Capital Programme as it may be possible to re-prioritise capital funding streams to the advantage of the Council. Advance notice of slippage also assists the Council's Treasury Management function by supporting improved cash flow management and funding decisions.

If an approved Capital Project underspends on its current approval, the funding is released back into the Capital Programme to fund other capital commitments. Enhancement or amended specification will further approval is required.

The funding of Capital Projects is monitored to ensure that:

- Grants and contributions are received in a timely manner and any receipt is consistent with the approval

- Capital Receipts are monitored to ensure the Council has enough resources to fund the capital programme
- Revenue Funding / Resources are transferred to either capital reserves or drawdown direct to capital in-year
-

Live / Completed Projects
The actual financial performance of projects is monitored against the original and latest business case and material variance is reported to the CLT.

The Capital Programme is also measured by the Prudential Indicators, which are reported to Council as part of the Treasury Management Strategy, and by the post year-end review.

Review and Evaluation

Once a scheme is complete it is necessary to undertake an evaluation to compare the financial outturn against the approved financial appraisal and to assess the outcomes of the scheme against the deliverables in the full business case.

The extent of this evaluation process depends on the size and complexity of the project.

Knowledge and Skills

The training needs of the Council's Capital and Treasury Management teams are assessed as part of the staff appraisal process. These staff periodically attend training courses, seminars and conferences provided by external advisors and CIPFA. Staff are also encouraged to study appropriate professional qualifications.

The CIPFA Code requires the responsible officer to ensure that councillors with responsibility for treasury management receive adequate training. This especially applies to councillors responsible for scrutiny. Appropriate training is provided periodically to councillors and other relevant staff that are charged with governance.

External advisers

As detailed within Section Three (Financial Model), external advisors are engaged where appropriate by the Council to support staff regarding the financial assumptions and modelling.

The Council uses Link Asset Services as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

These Capital and Treasury external advisers are engaged so that the Council can access specialist skills and resources whilst the responsibility for every decision remains with the Council at all times, ensuring that undue reliance is not placed upon our external advisers.

EXEMPT

EXEMPT

Capital Programme – Risk Register (independent of Project Risk Registers and Non Treasury Investments) **Appendix B**

Ref	Risk	Detail	Mitigation
A) Approval & Expenditure			
A1	Expenditure classification	Revenue expenditure is incorrectly allocated to capital	Project managers are instructed to review transactions during the capital monitoring process The Technical Team also periodically review items charged to capital and challenge project managers with transactions that are considered revenue
A2	Project Overspend	Capital project spends more than its approval and there may be no additional funding forthcoming leading to a pressure within Capital resourcing	Project managers receive regular forecast information to enable budget management. Should a scheme overspend and no additional funding is identified, the Technical Team will close the project to mitigate the overspend pending further authorisation
B) Funding			
B1	Proposed grants are not awarded	When capital projects are approved it can include an element of grant that is not yet approved, therefore within that approval there is a risk that the grant is not awarded	Project should not incur costs prior to grants being awarded. The project manager will then be required to amend the scheme accordingly
B2	Awarded grant is less than anticipated	Risk of awarded grant being less than the approval	Where a funding shortfall is identified. The project manager is advised to find alternative funding or reduce the capital project accordingly
B3	Interest Rates increase	A number of capital schemes contain assumptions around interest rates (current year and future years). If the interest rate increases unexpectedly this could affect scheme affordability	The interest rate used within financial models includes a risk element to protect the Council from rate increases External advice is used to forecast potential increases and all projects being planned or

			proposed have the interest rate updated as per external advice
B4	Revenue resources shortfall	Due to increasing revenue pressures resources are not available when required to fund the Capital Programme	When new approvals are identified as per section A3, all revenue funds are immediately committed / drawn down to ensure resources are available for the Capital Programme as detailed in the approvals
B5	Capital receipt shortfall	Unsecured capital receipts may be realised at a value less than anticipated, or in year receipts may slip into following financial years, leading to a funding shortfall. This could lead to alternative funding needing to be identified to temporarily fund the capital programme until sufficient receipts are realised	Unsecured capital receipts are closely monitored by Finance and Property Service, all forecast receipts are subject to a risk factor which discounts the forecast receipt, this discount is to mitigate against slippage and receipt shortfall If during the monitoring cycle a capital receipt shortfall is anticipated at year end then alternative temporary funding options are considered to enable the programme to be fully funded.
C) Project Specific			
C1	Revenue assumptions not achieved	Capital projects include revenue assumptions for the construction period and as an operational asset. There are financial implications if the revenue assumptions may not be achieved	Financial models include assumptions which are prudent and agreed by Senior Officers. The projects are regularly monitored and if a revenue pressure is generated the Project Sponsor and Budget Manager are required to manage any pressure within the budget process.
C2	Project dependencies do not progress as desired	The Capital Programme consists of a number of projects that have interdependencies, the financial implications of the chain breaking require identification	Where a specific project has key interdependencies the approval of that project should detail the links and make the approver aware of the financial and non-financial impact should the chain break. This may include an alternative financing option.

C3	Project manager not engaged in Capital monitoring	Project manager does not engage in capital monitoring therefore lack of visibility / project oversight	If a project manager does not respond to consecutive capital monitoring they are contacted by Technical Finance to identify the reason for lack of engagement and if there is anything Technical Finance can do to support the project manager.

Glossary of Financial Terms

Appendix C

Capital Expenditure
Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

Capital Receipt
Money received from the disposal of land and other **assets**, and from the repayment of capital grants and loans made by the Council.

Corporate Asset Management Plan (CAMP)
Is a plan that ensures that the land and buildings, or the asset base of the Council is optimally structured in the Corporate interest.

Debt Exposure
The cost of the debt and interest on the project / programme.

Embedded Leases
An embedded lease exists if there is an explicit or implicit identified asset within a contract and the recipient obtains control of the assets via the contracted terms.

Fair Value
The fair value of an asset is the price at which assets or liabilities could be exchanged between market participants at the measurement date under current market conditions.

Housing Revenue Account (HRA)
Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

Medium Term Financial Outlook (MTFO)
A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFO currently covers three years.

Minimum Revenue Provision (MRP)
The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

Operational Assets
Assets held by the Council for the purpose of the direct delivery of services for which the Council has either a statutory or a discretionary responsibility.

Optimism Bias
Officers involved in appraising projects have a tendency to be over optimistic. Which may lead to assumptions (both financial and non-financial) proving to be unachievable.

Private Finance Initiative (PFI)
A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

Project Assurance Group (PAG)
A group of senior officers at the Council (larger projects can include external representatives), who are tasked with reviewing and challenging the project and the decisions made.

Prudential Code
The Prudential Code ensures, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable.

Revenue Expenditure Financed by Capital Under Statute (REFCUS)
This is expenditure that legislation allows to be funded from capital resources that does not result in an asset to the Council (e.g. Housing improvement grants). This expenditure is written off to the Income and Expenditure Account in the year it is incurred.

State Aid
An advantage granted by public authorities through state resources on a selective basis to any organisation that could distort competition and trade.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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