Public Document Pack

Nottingham City Council

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, 23 February 2021

Time: 2.00 pm

Place: Remote - To be held remotely via Zoom - https://www.youtube.com/user/NottCityCouncil

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

Agenda		Pages
5	**Budget 2021/22 and Medium Term Financial Outlook** Report of the Portfolio Holder for Finance, Growth and the City Centre	3 - 218
6	**Treasury Management Strategy 2021/22 & Capital and Investment Strategy 2021/22** Report of the Portfolio Holder for Finance, Growth and the City Centre	219 - 304
7	**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 regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information	
8	**Treasury Management Strategy 2021/22 & Capital and Investment Strategy 2021/22 - Exempt appendix** Report of the Portfolio Holder for Finance, Growth and the City Centre	305 - 308

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Executive Board – 23 February 2021

Subject:	Budget 2021/22 and Medium Term Financial Outlook
Corporate Director(s)/Director(s):	Clive Heaphy, Strategic Director of Finance & Section 151 Officer
Portfolio Holder(s):	Councillor Sam Webster, Portfolio Holder for Finance, Growth & the City Centre
Report author and contact details:	Theresa Channell, Head of Strategic Finance & Deputy Section 151 Officer theresa.channell@nottinghamcity.gov.uk
Other colleagues who have provided input:	Colleagues within Strategic Finance

Subject to call-in: ☒ Yes ☐ No In part exempt from call in, see summary of issues and recommendation 4 for details

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: £430.9m

Wards affected: All

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

Relevant Council Plan Key Theme:

Nottingham People	☒
Living in Nottingham	☒
Growing Nottingham	☒
Respect for Nottingham	☒
Serving Nottingham Better	☒

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

This report sets out the Council's revenue and capital budget proposals for the General Fund and Housing Revenue Account (HRA) and Schools Budget for 2021/22 within the context of a medium term outlook.

The report comprises 7 annexes as follows:

1. **Annex 1** – 2020/21 forecast budget outturn.
2. **Annex 2** – Budget 2021/22 & Medium Term Financial Outlook (MTFO)
3. **Annex 3** – Capital Strategy and Programme.
4. **Annex 4** – HRA revenue and capital budget.
5. **Annex 5** – Robustness of the budget, required under The Local Government Act 2003 (Pt II).
6. **Annex 6** – Budget Consultation 2021/22
7. **Annex 7** – Schools Budget 2021/22.

This information enables Executive Board to:

i. Make recommendations to City Council in respect of the budget for the capital programme and General Fund which includes setting the Council Tax

ii. Set HRA rent levels and service charges for 2021/22 and continue the tenant reward Scheme for 2021/22.

Whilst this report reflects the financial outlook for the next three years, the financial uncertainties associated with Covid-19 combined with actions arising from the emerging Recovery and Improvement Plan make forecasting beyond 2021/22 unrealistic at this stage. It is prudent therefore that the proposed budget reflects a one-year position only for 2021/22 and with a commitment to addressing the likely financial challenges to be addressed by the Council in the medium term.

A key part of the Recovery and Improvement Plan is the requirement to undertake financial planning on a medium term basis aligned to a refreshed Council Plan and to achieve this will require a revised process to be put in place for 2022/23 which links ambition with resource and enables a robust four year Medium Term Financial Strategy (MTFS) to be developed.

Although the proposals will lead to a balanced 2021/22 budget with reduced demands on reserves, the Council has applied to the Ministry of Housing, Communities and Local Government (MHCLG) for authorisation to capitalise **£35m** of costs. A decision is still awaited, and the budget forecast does not make any assumption that this request will be agreed. This authorisation is needed to spread costs over a number of years to avoid too great a call on reserves and to enable the costs of transforming the authority to be met.

Proposals take into account the final Local Government Finance Settlement as approved on 10 February 2021. As is usual, public consultation has been undertaken in relation to the budget proposals and will continue as appropriate until 8 March 2021. Feedback from the consultation process to date has been taken into account in making these recommendations to City Council.

This report should be read in conjunction with its Annexes and the Treasury Management Strategy report which is also on this agenda.

The Equality Impact Assessment is attached at Appendix **A.** This document provides an overview of equality issues associated with the Council's budget. It summarises the potential equality impacts and the steps taken to minimise impact on protected groups during the development of the plan.

The Chair of Overview and Scrutiny Committee has approved part of this report to be exempt from call in, specifically the approvals Executive Board requested to make within recommendation 4. This is due to the timing of Executive Board and the Housing Act 1985 which requires tenants to receive 28 days' notice of rent increases.

Recommendation(s):

1 2020/21 Forecast Outturn (Annex 1)

a) To note the current forecast outturn for 2020/21.

b) To approve budget virements and reserve movements set out in Appendices **B** and **C.**

c) To approve the proposal that underspends in 2020/21 are used to replenish reserves.

2 Revenue budget 2021/22 (Annex 2)

a) To recommend to City Council approval of the proposed General Fund revenue budget for 2021/22 with a net budget requirement of **£243.7m.**

b) To endorse proposals to set a Council Tax level (Band D) of **£1,898.55.**

3 Capital Programme 2021/22 to 2025/26 Element (Annex 3)

a) To recommend to City Council approval of the proposed Capital Programme for 2021/22 – 2025/26.

4 HRA budget 2021/22 (Annex 4) <u>Exempt from call in</u>

a) To recommend to City Council approval of the proposed HRA budget for 2021/22 as set out in Annex 4.

b) To approve the:

i. Proposed rent increase of **1.5%** for 2021/22.

ii. Continuation of the tenant incentive scheme in 2021/22 of up to **£100** per annum and its removal from the budget from 2022/23 onwards.

iii. Proposed increase in general service charges of **1.5%.**

iv. Proposed increase to garage rents of **0.5%.**

v. 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**.

5 Robustness of the Budget and medium term outlook (Annex 5)

To note the report of the Council's Section 151 Officer in respect of the robustness of the estimates within the budget and the adequacy of reserves.

6 Budget Consultation (Annex 6)

To note the outcomes of the budget consultation.

7 Schools Budgets (Annex 7)

a) To approve the in-year budget transfers and payments associated with the grant funding and the use of the reserve included in this report. This will not exceed the grant value.

b) To delegate the authority to the Portfolio Holder for Finance, Growth & the City Centre and the S151 Officer to approve any final budget adjustments in conjunction with the Portfolio holder for Regeneration, Schools & Communication and the Corporate Director (People).

1 Reasons for recommendations

1.1 This report seeks endorsement of the proposed 2021/22 budget to enable Executive Board to recommend approval by the City Council on 8 March 2021 and to approve HRA elements of the report.

1.2 Whilst this report is set in the context of a medium term plan, the ongoing uncertainty has meant that it is prudent to produce a one-year budget for 2021/22 rather a full medium term financial plan (MTFP). This provides the opportunity to review the Council's response to the recovery phase of the pandemic and also to consider the impacts of the Public Inspection Report (PIR) and non- Statutory Review (NSR) reports set out below and to prepare a full MTFP for the following four-year period.

1.3 Looking ahead, it is critical that the Council resets its vision through a new Council Plan which matches is ambitions with the likely resources available to it over the medium term. The Recovery and Improvement Plan, and particularly its transformation themes, will drive this process supported by the Improvement Board. This will enable the Council to move towards a long term sustainable financial position.

2 Background (including outcomes of consultation)

2.1 Reports previously presented to Executive Board have consistently highlighted the challenging financial environment in which Councils have operated, with reduced levels of Government funding since 2010, the effects of Covid-19 and the uncertainties of Brexit.

2.2 Additionally, Nottingham has had local challenges, not least a low tax base, persistent overspends, the underachievement of savings and Robin Hood Energy, all of which has been widely reported. The background in which the Council operates within together with these events have all had a significant impact on the assumptions and strategy for this budget process.

2.3 Over the period 2010/11 to 2019/20, the Council has had to make cumulative budget savings totalling **£271.4m**. The 2020/21 Budget and current MTFP was approved by Full Council on 9 March 2020, prior to the Covid-19 pandemic, and included new savings of **£15.6m**, existing savings plans of **£0.3m** and pressures of **£17.9m.**

2.4 The severe impacts of the Covid-19 pandemic on the City in 2020/21 will continue to have material financial consequences into the medium term. An event of this magnitude undoubtedly means that the Council will need to consider closely how its business and services should operate in the future. There remain potential longstanding impacts on Council income if working and spending patterns in the city continue to change. The significant pressures set out in this report reflect in large part the financial effects of the pandemic on the City.

2.5 Companies in which the Council has an interest are also suffering from the financial impacts of Covid-19 impacting upon current and projected returns from these companies and adding further pressures upon the City's finances.

2.6 In particular, the Council experienced significant financial exposure in respect of its interest in Robin Hood Energy which will crystallise late in 2021 following the company entering into administration.

Robin Hood Energy and Public Interest Report (PIR)

2.7 As a result of the Strategic Review of Robin Hood Energy (RHE), the decision was made by the Council to sell the customer base of the company to Centrica in September 2020 and the company entered into administration in January 2021. The strategic review undertaken by the External Auditor resulted the issuance of a Public Interest Report (PIR) in August 2021. The Council has fully accepted the PIR and has both developed and is implementing an Action Plan to improve the governance of its companies. This includes the role of a Company Governance sub-committee which, together with the Audit Committee and Overview & Scrutiny Committee, will monitor the

implementation of the recommendations arising from the PIR. The PIR can be found at https://www.nottinghamcity.gov.uk/public-interest-report/

Rapid Non-Statutory Review (NSR) into Nottingham City Council

2.8 Following issuance of the Auditor's PIR, the Secretary of State for Housing, Communities and Local Government appointed Max Caller CBE in late October 2020 to lead a rapid, non-statutory review at the Council. The purpose of the review was to provide assurance on the financial position of the Council, its governance arrangements and the commercial and investment issues identified by the Council's External Auditors, Grant Thornton, in the PIR published on 11 August 2020. This review involved providing the review team with a significant number of reports and interviews with senior colleagues and Councillors. The findings from the review were published in November 2020 and details can be found at.
https://www.gov.uk/government/publications/nottingham-city-council-rapid-review.

2.9 Arising from the NSR was the Secretary of State requirement to establish an Improvement Board under the leadership of Sir Tony Redmond and the development of a Recovery and Improvement Plan to address the issues raised in the Plan and accepted by the Council. The costs of this Improvement Board are to be funded from the Council's revenue budget and are provided for within the budget at an estimated cost of **£0.3m** pa for the next 3 years.

2.10 The NSR report highlights the need to move towards a medium term financial planning process to demonstrate how medium-long term financial stability will be achieved as well as the management of its capital programme and in particular, reducing external borrowing and generating more capital receipts. The report also requirement improvement in the governance and management of the companies in which it has an interest.

Recovery and Improvement Programme

2.11 The Recovery and Improvement Plan and programme will incorporate the Transformation Programme and will be a key driver for delivering a new affordable Council Plan and providing modern citizen-focussed services within an affordable cost envelope. This will also be a key area of work for the Improvement Board. Full Council approved the plan on 25 January 2021 and it can be found at.
https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=156&MId=8931

2.12 The Plan will set out a sustainable vision through a new Council plan which aligns its ambitions and its resources over the medium term. The council is committed to making the changes needed in response to PIR/NSR whilst recognising that its resource base will be impacted for some time to come on both its costs and its revenues. This is equally true of its companies where a significant reduction in dividends is forecast for the foreseeable future. The Council's leadership is determined to maintain the stability of services needed to support residents through extremely difficult circumstances but will need to make difficult choices.

2.13 Initiating and delivering a robust and ambitious transformation programme will become a key priority for the Council in 2021/22 to ensure the delivery of a balanced and sustainable long-term cost base for the Council.

2.14 Whilst recognising the journey that the Council is on to achieve medium term financial stability, the uncertainties in the current year and ahead mean that it is prudent only to produce a one year balanced budget for 2021/22 without significant recourse to reserves but not to see this as an MTFP. The Recovery plan journey will ensure that the Council fully embraces medium-long term financial planning to ensure that the Council remains financially sustainable.

2.15 The Council has applied to MHCLG to treat **£35m** of its revenue costs as capital. This is not to balance the 2021/22 budget – but to spread out costs to limit the impact on reserves and to provide funding to kick start a transformation programme. The Council has not, to date, received a decision from MHCLG and prudence dictates that the basis of the budget must be prepared with such an assumption.

2.16 Although this will not prevent the Council from setting a balanced budget for 2021/22, it will diminish its reserves still further and leave it in a weakened position to deal with future financial shocks. It will also leave it without the necessary resources to jump start a transformation programme essential to delivering the Recovery and Improvement Plan. The Council continues to work with MHCLG to seek the necessary authorisation.

2020/21

2.17 Annex 1 contains the forecast outturn report for 202021

2.18 Headlines include

1. An interim balanced budget for 2020/21 approved by Full Council, headlines of which were:

    - A forecast overspend of **£78.4m** arising from in-year overspends and Covid-19 impacts of offset by mitigations including
        - Confirmed Government Funding for Covid-19 of **£23.5m** and estimated Income Compensation Scheme relating to the loss of income as a result of Covid-19 of **£16.3m;**
        - **£12.5m** of new 2020/21 savings were identified and approved, of which £4.8m are ongoing into 2021/22.
        - Business as usual underspend of **£5.8m**, off-set by a carried over 2019/20 overspend of **£6.8m**.
        - A consequential funding gap of **£27.0m**.

2. An estimated **£38.2m** pressures relating to the decision to place Robin Hood Energy into administration plus **£6.0m** of provisions to cover the possibility of other council owned companies experiencing difficulties totalling **£44.2m** attributed to extraordinary events.

3. A total gap of **£71.2m** funded by the permanent release of **£38.7m** reserves and the use of a further **£31.3m** of reserves on a ‘borrow and pay back’ basis over 4 years to address the funding gap.

2.19 The 2020/21 Quarter 3 forecast impact of Covid-19 for the Council in 2020/21 is **£79.1m**, and with funding (Tranche 1-4 and Income Compensations Scheme) of **£50.0m**, this leaves an unfunded cost of **£29.0m**.

2.20 A revised forecast underspend of **£4.9m** for 2020/21 arising from an **£9.2m** favourable variance within Adults offset by a **£3.6m** negative variance within Commercial and Operations.

2.21 It is proposed that the net underspend is used to repay 'borrowed' reserves as identified in the Interim Budget. This, together with other minor movements, reduces the need to 'borrow' from reserves to **£17.4m**.

2.22 Robust spending controls remain in place to ensure only essential spend is incurred and any further favourable variances realised at outturn will be used to reduce the level of reserves to be borrowed and paid back.

3 Medium Term Financial Outlook

3.1 An assessment of the medium term financial outlook with detailed underlying assumptions is set out in Annex 2.

3.2 The outlook for the period to March 2024 remains uncertain. The long term impacts of Covid-19 both in terms of additional costs and lost income are difficult to predict but will impact both the Council and the trading prospects of its company interests (lost dividends and commercial income). Service pressures are expected in a number of key areas but in particular in Children's Services.

3.3 The Council will at the same time be embarking on an ambitious transformation programme to reform and modernise its services to live within a smaller funding envelope with less reliance on commercial and trading income to fund core services. The Recovery and Improvement Plan and the Transformation Programme will form the vehicle for delivering change and this in turn will feed into medium term financial forecasts.

3.4 Based on current estimates funding gaps of **£22.5m** for 2022/23 and **£25.0m** for 2023/24 are forecast but based on current and past experience, there is a significant risk that these funding gaps will grow.

3.5 The final local settlement has confirmed funding for one year only with a full Spending Review and the introduction of Fair Funding Review and 75% Rates Retention now delayed until 2022/23. In the absence of a robust multi-year settlement from the Government the draft budget assumes the current level of settlement funding for 2021/22 will continue for 2022/23+. No assumptions have been made for the likely impact on future settlement funding of Government policy due to a lack of clear exemplification of the options being currently considered.

3.6 The draft budget 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. This has enabled the 2021/22 budget to be balanced to fund provision of a wide range of services; many of them statutory. The size of the capital programme and the current debt levels means that, over the medium term, new borrowing has been minimised. The Treasury Management Strategy sets out new arrangements for a balanced approach to managing debt.

Revenue Budget 2021/22 (Annex 2)

3.7 The revenue budget proposals include a balanced budget for 2021/22. The budget strategy for driving longer term financial sustainability has been to reduce the Council's pay bill and assumes further savings and this together with a Transformation Programme are crucial in achieving this goal.

3.8 Below details some additional key assumptions and figures

- 2021/22 net revenue budget requirement of **£243.7m**
- Total savings of **£16.9m**, of which
  - **£10.5m** savings which required public consultation
  - **£1.7m** previously approved Voluntary Redundancy savings
  - **£4.7m** of workforce and other savings that don't require public consultation
- Pressures of **£32.3m**
- Use of **£2.1m** of reserves in 2021/22 in order to balance the 2021/22 budget
- A **4.99%** increase in council tax and a Band D council tax of **£1,898.55**

Capital Programme (Annex 3)

3.9 A review of the capital programme has been undertaken to stabilise the programme and put it on a sustainable footing for the longer term together with the implementation of a revised debt management strategy which aims to reduce debt levels.

3.10 An overall general fund programme of **£380.4m** of which **£116.9m** relates to 2021/22

- **£98.9m** from prudential borrowing
- **£219.4m** funded from specific grants and contributions
- **£62.1m** from capital receipts and other internal contributions

Public Sector Housing capital programme of **£285.4m**

HRA Revenue Budget (Annex 4)

3.11 An overall HRA of

- Total HRA expenditure budget **£107.2m** in 2021/22
- Increase in rents of **1.5%**
- A proposed increase in general service charges of **1.5%** in line with CPI
- Closing working balance of **£7.6m** in 2021/22

Reserves

3.12 Prior to the NSR, the Interim Budget had highlighted that the Council was carrying significant risk in relation to the low level of its unallocated and earmarked reserves in comparison to other similar sized Councils. The Interim Budget required both a significant permanent release of reserves in addition to borrowing and paying back of reserves. In fact, the interim budget required almost half of the Council's controllable reserves to be released to achieve a balanced position. The strategy at the time has had a significant impact on the Council's long-term sustainability as it reduced future flexibility.

3.13 A critical element of achieving long term financial sustainability is to ensure the Council has adequate reserves to manage any future risks and Annex 6 of this report is the Council's Chief Financial Officer (S151 Officer's) assessment of the robustness of the budget and adequacy of reserves statement and is a key part of the MTFP and includes a series of recommendations.

3.14 The Council's Section 151 Officer has concluded that whilst reserves are sufficient to support a one year budget, they may be insufficient to support longer term transformation.

3.15 Not having the necessary authorisation to capitalise will not impact the overall conclusions of the S151 officer in respect of the robustness of these proposals for 2021/22 but will place considerable additional pressure on the Council's already diminished reserves and leave it without the necessary resources to fund any more than the most basic level of resource to manage its critical transformation programme outlined in the NSR and cover redundancy costs in 2021/22

3.16 A lack of capitalisation will also jeopardise the Council's ability to manage the medium term risk and managing the gaps identified in 3.4 above. Inevitably closing these gaps will involve redundancy costs for which there is no current financial provision.

Robustness of the Budget and Adequacy of Reserves (Annex 5)

3.17 The statutory assessment of the Robustness of the Budget and Adequacy of reserves concludes that the budget is robust and that the level of reserves is adequate. However, it is important to note that the environment in which the Council operates has been challenging for a number of years as a result of the Government period of austerity and the impact this has had on the Councils funding position and the level of reserves which it holds.

3.18 The Council continues to prepare medium term financial plans in a period of extreme uncertainty. The need for longer term financial sustainability to move away from short term one off measures has been a repeated theme in the many reports to the Council.

3.19 The need to transform services is a key recommendation of the NSR and will be a key priority for the Council in 2021/22 to ensure the delivery of a balanced and sustainable long term cost base for the Council. However, without financial support from Government the Council would not be in a position to fund the transformation programme and maintain reserves to an adequate level to protect the Council against future risks.

3.20 Capitalisation remains critical for the Council to provide the necessary resources to effect change and deliver a sustainable financial envelope and without it, it is difficult to envisage how transformation can occur and how the identified medium term gaps can be closed.

3.21 Annex 5 includes a number of recommendations and these are summarised at the start of this report, implementation of these recommendations is crucial in helping the Council achieve the outcomes required as part of the Recovery and Improvement Plan.

4 2021/22 Budget Consultation (Annex 6)

4.1 The budget process is supported by extensive consultation and the Council is committed to maintaining and developing this participation. Due to the Covid-19 pandemic the usually pre budget consultation has not taken place and the manner in which we engage and consult has been adapted using online tools. Consultation has been undertaken from January 2021 with citizens, businesses, colleagues, community groups, and young people. A total of **219** on line and paper surveys have been received up until 17 February 2021. So far there have been no significant changes to the budget proposals published in January. The consultation period will continue to run until the 28 February 2021 or until appropriate consultation has been undertaken.

4.2 The 2021/22 Budget Consultation report was approved by Executive Board on 19 January 2021. The budget proposals were set in the context of assuming a proposed increase in basic council tax from April 2021 of **1.99%** and an additional increase of **3.00%** to fund pressures in Adult Social Care funding as permitted by Government for 2021/22. This results in a total proposed increase in Council Tax of **4.99%.**

4.3 The 2021/22 Budget Consultation report included proposals in the provisional settlement which had been announced and together with announcements from the Spending Review in November 2020 improved the funding assumptions from the MTFO refresh as part of the Interim Budget by **£18.2m.**

4.4 Cost pressures of **£36.0m** in 2021/22 rising to **£43.4m** in 2023/24 were identified and new savings of **£15.6m** for 2021/22 of which **£11.3m** were released for public consultation and **£4.4m** of savings not requiring public consultation were set out to help balance the budget in 2021/22 to support a sustainable financial footing amid the Covid-19 crisis.

Other options considered in making recommendations

4.5 Throughout the budget process a range of different options have been considered including various levels of council tax, investment and cost reductions. This is a complex process with many iterations and possibilities too numerous and detailed to present as discrete options here. This report presents the overall set of current draft proposals which together seek to balance levels of investment, income, cost reductions and an appropriate level of council tax.

5 Schools Budget 2021/22 (Annex 7)

5.1 This annex presents the Council's Schools Budgets for 2021/22 which has been prepared in line with the parameters agreed at Schools Forum and with the financial regulations issued by the Department for Education. Indicative budgets and guidance will be issued to schools by 28 February 2021.

Where applicable the Local Authority's (LA's) Medium Term Financial Plan (MTFP) incorporates the impact from the Dedicated Schools Grant.

The key points relating to the Schools budgets are:

- Total grant funding for Nottingham is **£310.7m**.
- This is **an increase of £22.5m (7.8%)** from 2020/21 indicative budget of which:
  - **£17.8m funds pupil growth**;
  - **£5.4m in increased High Needs** (HN) funding (if there was no cap this would have been £10.1m);
  - A **£2.0m reduction** in Central Expenditure which impacts on the LA as it is funding allocated to support organisational costs aligned to educational attainment. This has been captured in the MTFP.
- The High Needs block budget aligns to the Special Education Needs strategy.
- The figures are provisional and the grant will be amended throughout the year.
- Any unallocated balance will be transferred to the Statutory Schools Reserve.

6 Finance colleague comments (including implications and value for money/VAT)

6.1 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.

6.2 Reporting financial performance against budget is an integral part of the annual calendar and Executive Board will continue to receive quarterly monitoring reports in 2021/22. The Audit Committee has responsibility for the scrutiny and challenge of the financial and performance framework and its implementation.

6.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code in October 2019. This code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

7 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

7.1 The City Council is required to set a balanced budget for 2021/22 before 11 March 2021.

7.2 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**.

7.3 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.

8 Strategic Assets & Property colleague comments (for decisions relating to all property assets and associated infrastructure)

8.1 None

9 Social value considerations

9.1 None

10 Regard to the NHS Constitution

10.1 None

11 Equality Impact Assessment (EIA)

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

Yes ☒

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

12 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

12.1 None

13 Published documents referred to in this report

13.1 2021/22 Budget Consultation report, 19 January Executive Board
https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8589

Nottingham City Council Recovery and Implementation Plan, 19 January Executive Board
https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8589

Voluntary Redundancy Programme and Budget Proposals, 20 October Executive Board
https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8580

Voluntary Redundancy Programme, 15 December Executive Board
https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8587

Interim Budget 2020/21 – 5 October 2020 Full Council

https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=155&MId=8540

Interim Budget 2020/21, Medium Term Financial Outlook and Draft Strategy 2021/22 to 2023/24, 22 September Executive Board
https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8553

Public Interest Report
https://www.nottinghamcity.gov.uk/public-interest-report/.

Council Financial Position – 2020/21 Budget Update, 21 July 2020 Executive Board
https://committee.nottinghamcity.gov.uk/documents/s105034/Council%20Financial%20Position%20-%20202021%20Budget%20Update.pdf

Council Financial Position – Financial Risk Assessment, 29 June 2020 Executive Board
https://committee.nottinghamcity.gov.uk/documents/s104181/Council%20FInancial%20Position%20-%20Financial%20Risk%20Assessment.pdf

Medium Term Financial Plan (MTFP), 18 February 2020 Executive Board
https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=7979

Equality Impact Assessment Form

Appendix A

1. Document Control

Control Details:

Title: **If this is a budget EIA please ensure the title is the same as the title used within the budget booklet**	2021-22 Budget proposals Equality Impact Assessment
Author:	Saema Mohammad
Director:	Richard Henderson
Department:	Strategy & Resources
Service Area:	HR & Customer
Contact details:	saema.mohammad@nottinghamcity.gov.uk
Strategic Budget EIA: Y/N	Yes
Exempt from publication: Y/N	No

2. Glossary of Terms

Term	Description
VR	Voluntary Redundancy
DCR	Discretionary Compensation Regulations

3. Contributors / Reviewers

Name	Position	Date
Saema Mohammad	Equality, Diversity & Inclusion Lead	11 February 2021
Hannah Gemmill	HR Business Lead	12 February 2021
Jo Worster	Team Leader – Strategic Finance	16 February 2021

Summary

2021/22 Budget Proposals

This document provides an overview of equality issues associated with the Council's budget. It summarises the potential equality impacts and the steps taken to minimise impact on protected groups during the development of the plan.

The Budget Consultation 2021/22 report approved at January 2021 Executive Board contains details of savings proposals and the final list of savings that required public consultation are contained within Annex 2 of this report. These two reports form the basis of the budget and this assessment should be read in conjunction with those reports.

Public and colleague consultation commenced on 19 January 2021 and is ongoing, various meetings 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 8 March 2021 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 to view on Nottingham Insights (https://www.nottinghaminsight.org.uk/Document-Library/Document-Library/aAXJwUe) or copy can be provided on request.

For many of the proposals the Equality Impact Assessment will be an on-going process – particularly where there may be future decisions on what service models may look like, or more detailed proposals and that Exec Board will need to review the information at that stage too, in order to be able to demonstrate they have paid due regard at the time of any future decisions.

The Equality Duty 2010 is a continuing duty, therefore it will be necessary to monitor the effects of the decision after implementation.

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

Detail of affected posts

The budget proposals submitted to Executive Board on 19 January contain a range of savings proposals to address the above budget challenges. These proposals form the basis of the consultation process with Trade Unions and colleagues and more detailed documentation will be issued for each of those individual proposals.

The proposals submitted to Executive Board contain the deletion of **261.3** full time equivalent posts from the Council's establishment.

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
- utilised a voluntary redundancy process to achieve the proposals with staffing implications. Data from the VR scheme, including those interested and those making applications, utilised to assess the effects on equality and an on-going assessment of the data, throughout the consultation process.

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 mitigate, remove or justify negative impact or increase positive impact** (or why action isn't possible)
Workforce Impact Colleagues across a range of service areas will be affected by the budget proposals, as 261.7 FTE posts are proposed to be deleted. C.148FTE posts are believed to be occupied by colleagues. The council has a legal obligation to consult with both the affected colleagues and recognised trade union representatives regarding these proposals. Colleagues have been provided with the opportunity to express an interest in voluntary redundancy, as part of the Council's updated DCR Policy. The Council is seeking to avoid compulsory redundancies as part of the budget proposals and VR will be utilised to meet the savings put forward, wherever possible. The budget proposals have the potential to impact colleagues across all protected characteristics and this is indicated within this EIA. However, given the use of Voluntary Redundancy, the actual impact is currently unknown, as the Council seeks to avoid compulsory redundancies wherever possible. An early assessment of the expressions of interest received suggests that there may be a greater impact on colleagues aged 55 and over, as two thirds of the expressions of interest are aged 55 and over. This is likely due to the access to their pension. We	**Mitigating Impact on our Workforce** 1. Colleagues will be provided with relevant consultation documents, including the published budget proposals, so that they are fully informed of the proposals and their potential impact. This will take place w/c 18 January. 2. Consultation meetings with trade union colleagues and on-going meetings at Central Panel. In addition to this, managers will receive consultation documents from the HR team and will be asked to facilitate individual consultation meetings with affected employees. 3. Regular monitoring of the VR process will be implemented, with 4 review stages, as follows: Stage 1 – Launch of Consultation Stage 2 – Close of 'Expressions of Interest' window (w/c 8 Feb) Stage 3 – close of 'Application' window (26 Feb) Stage 4 – Close of consultation & VR 'Decisions' (5 March) An update of the equalities breakdown will be provided at stages 2-4. 4. A range of support mechanisms are already in place for colleagues who have expressed interest in VR, with details on our dedicated intranet page. This page contains specific support and information for colleagues in the affected group of ages 55+, including advice and support around Pensions, planning for retirement and financial planning.

have tried to balance this out by paying additional redundancy compensation to under 55s. Further monitoring of applications will be undertaken.	
Community Impact **Rationalisation of the LinkBus network** The main provisions are: (1) Withdrawal of five of the ten existing Locallink/Worklink services (2) The retention of five routes, with some changes to serve sections of withdrawn routes. (Details of the services contained in the individual EIA published on insights)	**Mitigating Community Impact** **Rationalisation of the LinkBus network** <u>Elderly</u> Locallink services carry a high proportion of elderly passengers, travelling with Elderly Persons' Concessionary Travel Permits <u>Disabled People or Carers</u> As they provide access close to the home, those with impaired mobility and those who travel with them also use Locallink services. <u>Women</u> Overall 60% of bus passengers are female. This percentage is even higher for Locallink services that are used largely by shoppers from older age groups and those accessing local services, including medical services. <u>Younger</u> Students travelling to the University of Nottingham normally use the L12 service. However, use has been particularly low throughout the Covid-pandemic. Alternative services are available by interchange. Subject to available budget, we aim to continue to provide services within 400m of Nottingham City residents where this is already the case. Alternative forms of provision may need to be investigated, including: • Provision of some routes by commercial operators where this is possible • demand responsive bus services • Provision of a service using the Easylink Dial-a-Ride operation. Provision of existing services but at a reduced frequency

	• Routes being merged together and diverted to serve other areas
Children's Integrated Services Savings – Reshaping Children's Centres Re-shape Children's Centre provision to enable service provision to the most vulnerable families to be maintained in the context of the reduced building and staffing infrastructure	**Children's Integrated Services Savings – Reshaping Children's Centres** <u>Young People and families</u> There will be significant reduction in universal early help provision, which could lead to escalating needs in families, resulting in increased demand for more specialist and statutory services. We will mitigate by reviewing and reshaping service delivery to ensure the families and young people most at risk are prioritised for early help services We will work with partners to reshape the Family Support Pathway to make best use of all resources available to support families.
Reduce the number of Council owned Community Centres Community Centres offer affordable space to hire for both regular and one off groups and hire. Hire can be diverse and range from health initiatives, training and education led activities through to private children's parties, councillor surgeries and information days. Many centres are also used for worship activities. Some centres have nursery and alternative education provision being delivered from within the setting and these will be considered as strong indicators for remaining operational. Until it is known which centres are included as part of the budgetary review process, it is difficult to present the details about which groups will be affected and to what degree.	**Reduce the number of Council owned Community Centres** A supplementary EIA will be undertaken for each site identified as a potential closure. The EIA will look at Ward statistics as well as environmental and geological boundaries that may be seen as barriers to relocation. The Voluntary Sector Sustainability Service will work with colleagues in Neighbourhood Services and Asset Management teams to identify alternative provision and space for hire. Consideration will be given to alternative management arrangements and partnership approaches where appropriate Displaced community groups of social value will be offered a time limited support package to enable relocation and establish service reinstatement. Any group that is currently operating in a centre chosen for closure will be given the following support: • Potential alternative community space will be identified and offered,

	preferably within the remaining NCC community space available in the locality • Liaison between new venue and user group by the communities' team • Financial support for a period up to 6 months, should there be a potential increase in costs of hire • Support to move items of equipment via NCC mobile team, paid for by NCC • Open meetings with users of the service if needed • For the management committees, we will provide guidance and support via NCVS as to the impact on any charitable organisational status and provide financial support to change any required charity commission documentation or submissions • We will work with the network of volunteers displaced to seek other opportunities to support other local centres that are remaining open
Reduce Area Based Grants by 10% & Reduce Community of Identity Grants by 10% This is a proposal to alter funding arrangements after the existing service level agreements are complete. This is a three year cycle and the stakeholders are aware that there will be changes. **Area Based Grants - £1,180,827** The funding is currently allocated on the basis of need as set out in the Indices of Multiple Deprivation (IMD) combined with population numbers to ensure the areas most in need get the most funding. This funding provides the core grant aid for many of the smaller organisations and community groups (more details can be viewed on EIA published on insights), and as it is 'clean grant aid' without any additional calls upon it, enables them to 'match' fund or use it to lever in additional grant aid and contract work to support their local citizens.	**Reduce Area Based Grants by 10% & Reduce Community of Identity Grants by 10%** Consultation with all affected stakeholders will be take place between April and September to enable a sensitive re-design of the funding that mitigates the impact of these cuts as much as possible on groups with protected characteristics. Actions to mitigate the impact of these cuts include efforts to secure alternative national grant funding and working with the Integrated Care Partnership and Employment and Skills teams to leverage relevant resources, which will reduce inequalities in both communities of geography and identity. The Community Partnerships service and Grants lead officer will work with affected organisations to implement the changes and to assess local need and other support options with Neighbourhood Development Officers and Area Partnerships. In 2019/20 the Cohesion Officers (4) brought £1million into local VCS

Communities of Identity Grants (COI) - £499,000 These grants are designed to support three specific community groups across the city who have additional and specific needs from experiencing disadvantage particular to them that cannot be met using the geographical approach utilised in the ABG contract.	groups around key targets such as ending youth violence, women's services support and refugee welcome and the remaining officers would seek to support these organsiations as well as delivering statutory duties. These officers will continue to support groups affected by the COI grant reduction in accessing other grants. These impacts will need to be considered alongside impacts of staffing changes in Community Partnerships and the proposals brought forward to look at removing some of NCC's provision of community centres. These changes may compound the impact rather than mitigate it.
Reduce Cllr Local Area Grants by 25% Reduce the amount each ward receives in local area grants by 25% in the new financial year April 2021.	**Reduce Cllr Local Area Grants by 25%** The changes will impact on all groups including: - people of all genders from different ethnic groups and backgrounds - people of all genders different faiths or no faith - people of all genders with disabilities including mental health - women - LGBT people of all genders - Carers of all genders - young people of all genders - people identifying as goths or with other alternative cultures - refugees and asylum seekers To mitigate the impact on groups, extra capacity and resources will be generated through better alignment of activities across the wider Community Partnerships team. This collaboration will enable the sharing of local intelligence, expertise and understanding of the needs of the community with all partners who deliver services and activities within the Area to identify immediate needs. For example, Community Development Officers working closely with NDOs to liaise with community groups to bring local communities and service providers together to work collaboratively across the Area to develop the city's recovery response, reframing the connections and relationships between statutory, voluntary and faith sectors. This will help to change the way services are operating by

	removing silo working, barriers and exploring opportunities for joint working, funding and collectively adding value. This will drive change and tackle inequality, identify and help with funding opportunities as well as working alongside targeted community groups to support them to become sustainable.
Create a new approach to Neighbourhood & Community Working To support the wider service area in its objectives of making efficiency savings in how neighbourhoods are supported and engaged with, this proposal seeks to align the Neighbourhood Development team to wider partnership boundaries, with the remained focus on place and geographical locations of services and enabling residents to connect to the services they need, and/or deliver services themselves to support their local neighbourhoods The new approach will enable a significant reduction in Neighbourhood Development Officer's (NDOs) day to day involvement with envirocrime issues and free up capacity to enhance the role of NDOs who are 'facilitators and tactical advisors' who connect communities with the Council and other community services.	**Create a new approach to Neighbourhood & Community Working** The changes below will impact on all groups including: - people of all genders from different ethnic groups and backgrounds - people of all genders different faiths or no faith - people of all genders with disabilities including mental health - women - LGBTQ+ people of all genders - Carers of all genders - young people of all genders - people identifying as goths or with other alternative cultures - refugees and asylum seekers There will be a shift from a ward based partnership to a wider partnership boundary, with the remained focus on place and geographical locations of services and enabling residents to connect to the services they need, and/or deliver services themselves to support their local neighbourhoods. NDOs will facilitate the development of Area Partnerships and community hubs. By working with, community groups, organisations local councillors and service providers they will collectively agree aspirations, vision and priorities aimed at maintaining the support for communities, especially the most vulnerable residents. Creating opportunities for the future that are owned and run by the community will require a move from a hierarchical, transactional relationship to a transformational relationship built on long-standing partnerships. Community Area Action plans will be developed to detail local needs, aspirations and will be outcome focused. The actions will be aligned to the

	Council Plan and will be supported by the use of Ward Members budget to help shape place, people and premises. NDOs will continue to add value by managing Councillor Ward Budgets and Area Capital funds to support locally based projects to capacity build groups to help themselves and regenerate neighbourhoods including resident parking schemes, gating & fencing schemes, parks and open spaces improvements, reinstate footpaths and reduce potholes etc to make communities a better place to live. Extra capacity and resources through better alignment of activities across the wider Community Partnerships team including Community Development Officers working closely with NDOs to liaise with community groups to drive change and tackle inequality, identify and help to apply for funding opportunities and work alongside targeted community groups to support them to become sustainable and events being managed through a dedicated Targeted Community Development Officer.
Reduction of Grant to Futures As part of this review, future funding allocations for the delivery of NEET (Not in Education, Employment or Training) Prevention services were reviewed. In order to address budgetary pressures the proposal will see the NEET Performance budget reduced by £150,000 over three years: *2021/22 £50,000 reduction 2022/23 £50,000 reduction, 2023/24 £50,000 reduction.*	**Reduction of Grant to Futures** The consequences of this budget reduction could result in: • NEET/Not Knowns rates increasing by a further 1.6% (102 young people) to 8.5%, based on the reduction of 7 staff. • The number of SEND young people supported on project will reduce by 15, to 45 **Mitigation** • The level of service that young people receive in terms of NEET prevention and SEND support would only be reduced dependant on the actions of NNYS to reduce costs. • NNYS could reduce Management Fees & Overheads rather than making redundancies, meaning level of support for young people remains unchanged. • No consultation because it is likely there will be no change to the

	delivery of the service as NNYS will absorb the cuts in overheads rather than cut deliver. If they chose to cut services, we would have to revisit it then but that's not case at the moment • Also there is no budget in either to initiative a formal consultation
Grant Funding to facilitate Green Homes Grant Programme Energy Services have recently extended their value of a Section 31 Agreement with the Department for Business Energy and Industrial Strategy (BEIS), under which they are the accountable body for the Midlands Energy Hub. This extension agreement endorsed acceptance of 100% grant funding totalling £7.5million. This funding will enable Energy Services (Midlands Energy Hub) to design and run a competition to award training contracts to training provider organisations. The aim of this will be to up-skill and re-skill people and businesses so that they can install energy efficiency measures and low carbon heating, in order to facilitate the recently announced Green Homes Grant Programme.	**Grant Funding to facilitate Green Homes Grant Programme** This proposal will particularly benefit people from Ethnic Minority Backgrounds. Included within the Scoring Matrix the following criteria that the assessors will need to score each application against: • Encourage a diverse supplier base - Support uptake from SME's and promote training to those with protected characteristics under the Equalities Act 2010.
Bulky Waste Charge for additional Bins The aim of this decision is to introduce a £10 fee to collect all **waste electrical and electronic equipment** (WEEE) commonly known as whitegoods in advance of or by 1st April 2021	**Bulky Waste Charge for additional Bins** A portion of disabled people who currently use the free service provided by the council, may indicate that they are unable to take items to Household Waste Recycling Centres (HWRCs) themselves. This could result in them being disadvantaged as they may have to rely on the proposed charged service from council. Some older people may not be able to take items to HWRC to take advantage of free service provided by these sites and may have to continue

	to rely on proposed charged service People who do not have access to a car may be disadvantaged as they may not be able to make use of free facilities at HWRC and may have to rely on proposed charged service All other citizens will be able to access all a free Bulky Waste collection of household waste (excluding WEEE) items. It is anticipated that that the upcycling, repairing and redirection of this waste stream will prolong the life of this WEEE items and benefit all. Service will offer advice that other family members, friends or neighbours may be able to assist in taking items to Household Waste Recycling Centres. Residents will be signposted via the Council Website, Contact Centre to other service providers such as Charities, who collect WEEE items for reuse. Or the local selling pages on social media Service will offer advice that other family members, friends or neighbours may be able to assist in taking items to HWRC's. Residents will be signposted via the Council Website, Contact Centre to other service providers such as Charities, who collect WEEE items for reuse. It is suggested that other family members, friends or neighbours may be able to assist in taking items to HWRC's. Residents will be signposted via the Council Website, Contact Centre to other service providers such as Charities, who collect WEEE items for reuse or the local selling pages on social media **Garden Waste Charge for residents second garden bin(s)**

Garden Waste Charge for residents second garden bin(s) We will continue to provide residents one free garden bin (240l bin) for approximately 15 garden waste collections between April and November each year and introduce a charge to residents for any additional garden bin(s) of £25 per bin. **Introduce a charge for use of city centre toilets** This report sets out the requirements to introduce a charging mechanism for public conveniences to offset the operating costs of the service.	Overall, it is not envisaged that the service change will have an adverse impact nor discriminate specifically against any of the equality groups. The Waste collection service is delivered universally to all households within the City (102,000 properties have access to this provision) It is anticipated that the changes will in fact affect all the identified groups equally. All residents will continue to access a kerbside garden waste collection of one 240l bin but a discretionary charge will apply to all residents who require any extra garden bin collection. Assisted collections are available for resident who are physically unable to put their bin out and have nobody else that can help them. Residents are also able to access the Household Waste Recycling Centres to dispose of waste for free. Site staff are available to assist at Household Waste & Recycling Centres with carrying or lifting of waste as needed In some cases, elderly residents have a lower income, meaning less availability for spending on non-essential items such as garden waste collections but they also can continue to use their 240l garden bin for free. Residents without access to a car (which is more common in elderly residents) will not be able to dispose of their garden waste for free unless they use a home compost but they also can continue to use their 240l garden bin for free. Residents without access to a car will not be able to dispose of their garden waste at the Household Waste and Recycling Centre but can continue to use their first free 240l garden bin. **Introduce a charge for use of city centre toilets** To mitigate the impact on service users, we will let citizens know approximately two months in advance to the 1st April 2021 go live date to enable users that a charge will be introduced to use the conveniences.

Review of Place Marketing Marketing Nottingham is the official place marketing organisation for the region, tasked with raising the profile of Nottingham and Nottinghamshire. Marketing Nottingham is here to help grow the economy of the region, increase employment, productivity and ultimately the quality of life for its residents. Comprised of Invest in Nottingham, Visit Nottinghamshire, Meet in Nottingham and Nottingham Partners, it provides a unified voice for businesses and partners across the region. As the official place marketing organisation and non-for-profit business, Marketing Nottingham have committed funding from Nottingham City Council. Additionally, funding support is provided by our strategic partners: University of Nottingham, Nottingham Trent University, Nottingham BID and Nottingham Forest Football Club. We also have funding from the European Regional Development Fund to support inward investment to the region. • Inward investment creates 1000 new jobs per year in Nottingham City • The Visitor Economy employs 7,700 in Nottingham City Nottingham City Council's core budget is under considerable strain due to the impact that COVID-19 has had on income generation and the delivery of core services. All departments are currently reviewing in-year and future budgets to identify potential savings.	We will use posters on or around the building, formatted in various languages to ensure as wide an audience know of the changes. We will ensure that we have a social media message (Twitter) posted weekly in differing languages starting February 2021. **Review of Place Marketing** The reduction in funding for Marketing Nottingham could have the following impacts • Reduce inward investment, limiting the number of new/existing businesses choosing to locate in Nottingham • Reduce place marketing activity, impacting businesses who rely on this activity to promote and secure new customers • This could have a disproportionate effect at a community level for all protected groups but particularly for those businesses within disadvantaged communities • However, to mitigate this, other projects in the City that support job creation (Nottingham Jobs) and business growth support (D2N2 Growth Hub) will remain unchanged and continue to support business growth in the City. These services will also monitor the impact on all protected groups to determine where additional intervention is required and report back to the Economic Growth for All theme of the Council's Equalities Board. • No consultation because other projects in the City that support job creation (Nottingham Jobs) and business growth support (D2N2 Growth Hub) will remain unchanged and continue to support business growth in the City • Also there is no budget in either to initiative a formal consultation

As part of this review, future funding allocations for the delivery of place marketing services were reviewed. In order to address budgetary pressures the proposal will see the Marketing Nottingham budget reduce by £150,000 over three years: 2021/22 £50,000 reduction, 2022/23 £50,000 reduction, 2023/24 £50,000 reduction. **Reduction in external grants to cultural partners** For the financial year 2021/22 a reduction to the City's Cultural Partners Grant Fund of 37% equating to £107,000 is being proposed. This reduction will be across all granted organisations across the portfolio these being: Nottingham Playhouse; New Art Exchange; Nottingham City Arts; Nottingham Contemporary and UNESCO City of Literature	**Reduction in external grants to cultural partners** The quality, diversity and range of activities, performances, exhibitions and events may be affected, as well as enjoyment by BME communities engaged in specific targeted cultural promotions and exhibitions delivered by New Art Exchange in particular. The smaller organisations may be more adversely impacted as they will have limited opportunity to source additional revenue or other grants to support their diverse programme and offset this reduction. ***Actions*** • Initial discussions have been initiated with the organisations, with a more formal communication, to confirm the reduction, to take place from January 2021 • Twice yearly review of Service Level Agreements and contracted delivery outputs with all City based arts organisations to take place to ensure grants/funding provided reflects appropriate expectation for delivery. • Ongoing support and information will be provided to all organisations that are funded by NCC. This includes strategic and network support in order to maintain a good understanding of national trends and funding streams that maybe available. Organisations also have access to NCC staff who are able to support to generate funds and develop their business. • The City Council will also continue to work in patnership with the organisations to promote and support diverse cultural activity across the City through its involvement and influence on the Strategic Cultural Partnership and Unesco City of Literature Board

Review the future of John Carroll Leisure Centre

Nottingham City Council currently operates 8 leisure centres across the city with a subsidy level of £3.694 million. Although there has been significant investment in the facilities over recent years and the subsidy levels have been halved, the service has now reached a position where it cannot grow income or reduce expenditure further from operations to match the Councils significant budget savings requirements.

The proposal is to look at alternative community provision or close John Carroll Leisure Centre based upon a rationale of:-

- Current subsidy
- Usage by the local community
- Locations of other provision locally

John Carroll Facts & Figures:
John Carroll Leisure Centre is located in the heart of Radford and is home to several local sports clubs and community groups

Attendance 2019-20: 146,936
Fitness Members: 567 * as at April 2020 Live Subscriptions
Swim School Members: 214 * as at April 2020 Live Subscriptions

Employees - FTE: 14.89 (9.68 FTE people in post – remaining FTE is vacancies)

Review the future of John Carroll Leisure Centre

Service Users –
Providing leisure centres and sports facilities (leisure facilities) is discretionary. Many councils choose to do so because ensuring that residents have access to appropriate and affordable facilities is a way of encouraging people to be physically active and thereby maintain and improve their fitness and health. Importantly we know that a large proportion across all demographics of our community see these services as important to them.

Children and young people **-** NCC's Swim school is predominantly used by children and young people (94% of live memberships are children aged 0-14 yrs). There over 214 swim school members at John Carroll Leisure Centre affected who would need to be transferred to a different site (access & availability to be looked at).
* as at April 2020 Live Subscriptions

Clubs based at John Carroll Leisure Centre
5 wet (swimming) clubs (1 specifically BME)
11 dry clubs (2 specific focus on BME and/or hard to reach)
Astro – 5 clubs (2 x hard to reach)

Staff
John Carroll operates with 14.89 FTE staff (9.68 FTE people in post with a headcount of 25 – breakdown by characteristic groups to be determined)

Actions:

1. Investigate options for community use / management of the building (January – September 2021)

	Progress discussions with the appropriate Community Associations on proposals for them to take on the John Carroll Centre building as a hub for targeted work in the community 2. Transition Plan (April - September 2021) A mitigation plan will be produced which will identify: • Alternative provision and programming for existing John Carroll Leisure Centre users • The locations of the alterative provision and transport routes to access these • Alternative provision for people with disabilities and any special needs • Alternative provision and additional capacity for Swim School and School Swimming • Alternatives sought for specific BME groups currently using John Carroll Leisure Centre **3**. Consultation and engagement Plan : (April – September 2021) Work will take place with identified groups using John Carroll Leisure Centre to define their needs to ensure that alternative provision can be accommodated and programmed at other sites. This will include: • Adequate notice to all users with a clear timetable for closure / transfer • Information on their continuation of the flexible fitness Direct Debit scheme and its use and availability at other centres • Alternative provision for clubs and groups and the scheduling of these Staff Consultation Formal staff consultation will follow the Council's established method of consultation. This will commence from 20 January 2021 with Voluntary Redundancy (VR) being the preferred option. With staff from other leisure

Exit College Street and release the building for sale The College Street Centre is a Victorian era built building that hosts a variety of users. Its primary function is as a base for performing arts; music, drama and dance for children, young people and adults. It also provides learning/classroom space for the NEST and IDEAL education services for young people who are refugees and asylum seekers or for who English is an additional language. The centre is the base for the fully traded theatre technical service and its store of theatre/performance equipment. Space is also used to provide office accommodation for NCC education directorate staff and a number of casual users who book space for the provision of community activities, including singing and yoga classes. None of the services provided are statutorily provided by the Council. The cost of maintaining the centre as a viable provision is significant and unsustainable and ensuring full disability access is challenging given the number of different levels and layout of the building. The proposal is to declare the building surplus to requirements and to seek full market value for the sale of the building. The intention will be to work with the current centre users to identify alternative venues from which they can continue to provide their services. Those staff directly employed in relation to facility management (4.0fte) will be placed at risk of redundancy. The Theatre Technical service (3.0fte) will be placed at risk of redundancy	centres also being offered VR there may be opportunities for staff currently working at John Carroll leisure Centre to transfer to other sites **Exit College Street and release the building for sale** The closure of the building will directly affect young people who are from different ethnic groups, as the majority of the young people who attend the NEST and IDEAL provision are from non-white ethnic groups. Many of the young people attending are also refugees or asylum seekers. Both provisions provide specific support in relation to improving students English language and literacy skills. Additionally staff are skilled in delivering trauma informed practice to underpin their teaching – as many of the young people have experienced trauma as part of their life history. The provision provides for a maximum of 60 young people, in any one academic year. The closure of the building may impact negatively the experience of : Young people – through the lack of access to rehearsal and performance space for drama and performing arts. The centre hosts the Nottingham Youth Theatre and the Attic Theatre Company. Disabled People – The centre hosts drama and performing arts groups for learning disabled young people and adults Older people – the centre hosts singing and choir rehearsal and meeting space for older people To mitigate the negative impact of the closure of the building by NCC, the education directorate are working to identify alternative premises that will meet the needs of the NEST/IDEAL provision. This may be through either relocation to an existing school site or by identifying suitable alternative premises that meet the needs of the service. Options are currently being scoped. In all cases additional users are either commercial tenants or voluntary/community user groups who rent space on an ad hoc basis. Support will be offered as part of a user consultation to identify

	and support all user groups to access alternative spaces including school premises and other city council premises where suitable
Reduce Corporate Campaign Budget There are four corporate campaigns per year: Clean, Safe, Proud and Ambitious. The objectives of the campaign vary each year depending upon the priorities of the organisation: Recently the objectives have included: 1. Clean – to encourage people to put their litter in the bin 2. Safe – to increase the proportion of people who know where to go for money help and advice 3. Proud – to promote the summer events offer 4. Ambitious – to promote the Council Plan and top priorities of the council. Reducing the funding available for these campaigns will only be possible through reducing the quantity of 'on-street' advertising space used, such as bus shelters, posters and banners. Although the cheaper digital channels including email, social media and digital screens will still be used, the reduction in 'on street' advertising will result in fewer people seeing council information.	**Reduce Corporate Campaign Budget** 1. Share digital campaign information as an email and through social media with the universities and colleges to help ensure it reaches 16-24 year olds who prefer these digital formats to printed leaflets. 2. Share digital campaign information as an email through Age Friendly Nottingham to help reach the 20% of people over 65 who prefer to receive an email newsletter. 3. Continue to promote online subscriptions to the Latest News email newsletter which promotes campaign information. NB: Since March 2020 we have seen a c.90% increase in subscriptions to our online City Council newsletter. 4. Include campaign information in the printed hard copies of Arrow which are distributed through a database of people who wish to receive the Arrow posted to them hard copy. This database is updated every Arrow is produce and based on certain criteria such as: a. Not having access to the internet b. Not being able to pick one up from the library etc Hard copy Arrows will also be available at libraries, Joint Service Centres and with Councillors. This will be promoted through all digital channels and in each edition of the Arrow.

Information and analysis of VR and potential workforce impact

		NCC workforce profile	VR expressions of interest up to 3rd February
BAME colleagues		25%	22%
Gender		61% F 39% M	54% F 46% M
Colleagues with a declared disability		6%	7%
Sexual Orientation (LGBT)		5%	6%
Age	16 – 24	5%	
	25 – 34	18%	
	35 – 44	21%	
	45 - 54	28%	
	55 +	28%	

Arrangements for future monitoring of equality impact of this proposal / policy / service:

The equality impact assessment will need to be reviewed on a regular basis as applications for VR are received. 3 x reviews will be undertaken during the consultation process, to monitor the number of VR expressions of interest, applications and decisions.

EIA's where there is a community impact should identify their own monitoring mechanisms appropriate to the particular proposal.

9. Outcome(s) of equality impact assessment:

☐	No major change needed	☐	Adjust the policy/proposal
☒	Adverse impact but continue	☐	Stop and remove the policy/proposal

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Annex 1

Forecast Outturn 2020/21

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Annex 1 - Forecast Outturn 2020/21

1 Introduction

1.1 This annex summarises the current position and forecast outturn for both the revenue and capital elements of the General Fund and Housing Revenue Account (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.

1.2 It is important to note the financial context that the Council operated within prior to the start of the Covid-19 pandemic. The Council had four consecutive overspend outturn positions, these being:

- 2016/17 **£2.5m**;
- 2017/18 **£4.2m**;
- 2018/19 **£1.7m**;
- 2019/20 **£6.8m**, of which **£2.9m** was directly attributable to Covid-19.

In order to mitigate as much as possible the prior year overspends a series of one-off measures, including the use of reserves and spending controls, have been utilised which has reduced the Council's future budget flexibility further. It should also be noted that the originally approved 2020/21 budget included **£8.8m** of one-off items.

1.3 The 2020/21 Budget and current Medium Term Financial Plan (MTFP) was approved by Full Council on 9 March 2020, prior to the Covid-19 pandemic, and included new savings of **£15.6m,** existing savings plans of **£0.3m** and pressures of **£17.9m** for 2020/21**.** Since the start of the pandemic the financial strain Covid-19 has had on Councils across the country has been widely reported and this is the same for Nottingham City Council, in terms of increased expenditure, lost income and the impact on existing budget savings.

1.4 Executive Board on 21 July 2020 approved the Council Financial Position – 2020/21 Budget Update report. This report considered the following:

- A budget gap at the time of **£62.3m** based on period 1 forecasting
- New in year savings proposals of **£12.5m**
- Update on funding from Government
- Continuation of spending controls including vacancy freeze.

1.5 In addition, the Council experienced significant financial exposures in respect of its interest in Robin Hood Energy and these will crystallise following the company entering into administration in January 2021. A number of other council owned companies have also experienced challenging trading conditions largely resulting from the effects of Covid-19.

1.6 The Council has responded to those challenges and has reported the financial impact on the 2020/21 budget to June and July Executive Boards. The scale of the impact and the statutory requirement to set a balanced budget led the then S151

Officer to recommend setting an Interim Budget for 2020/21. This was approved by September Executive Board and October Full Council.

1.7 Key points from the Interim Budget (adjusted for additional Covid-19 funding) include:

1. Gross Covid-19 impact of **£78.4m** offset by mitigations including:
   - Confirmed Government Funding for Covid-19 of **£23.5m** and estimated Income Compensation Scheme relating to the loss of income as a result of Covid-19 of **£16.3m;**
   - **£12.5m** of new 2020/21 savings were identified and approved, of which **£4.8m** are ongoing into 2021/22.
   - Business as usual underspend of **£5.8m,** off-set by a carried over 2019/20 overspend of **£6.8m.**
2. An estimated **£38.2m** pressure relating to the decision to place Robin Hood Energy into administration plus **£6.0m** of provisions to cover the possibility of other council owned companies experiencing difficulties totalling **£44.2m** attributed to extraordinary events.
3. A total gap of **£71.2m** funded by the permanent release of **£38.7m** reserves and the use of a further **£31.3m** of reserves on a 'borrow and pay back' basis over 4 years to address the funding gap.

1.8 The S151 Officer has required further and more stringent monthly financial monitoring since the outset of the pandemic to ensure financial assumptions are regularly reviewed. The 2021/22 Budget Consultation report as approved by January Executive Board included an update on the Period 7 2020/21 budget forecasting position. Period 7 (as at 31 October 2020) indicates a net reduction in costs of **£2.2m** from the Interim Budget position. This included a **£3.8m** favourable Portfolio variance, largely within the Adult Care and Local Transport Portfolio due to variances within Care Purchasing Budgets. There are additional overspends in relation to the Council's group companies mainly arising from the economic impact of Covid-19 on business models.

1.9 The announcement of the Tranche 4 Covid-19 funding of a further **£10.7m** post the Interim Budget, together with other movements, had reduced the requirement to borrow from reserves to **£20.1m**.

2 General Fund Revenue – Overview

2.1 Financial Impact of Covid-19 in 2020/21

Table 1 below shows the latest assessment of the Covid-19 funding gap at period 9 of **£79.1m**. This includes:

- Additional expenditure of **£35.2m** on areas such as purchase of PPE and supporting vulnerable citizens;
- The financial impact of Covid-19 on the Council's income-generating activities, which has been severe, with a current loss to the Council of **£25.5m** as a consequence of the closure of facilities like leisure centres, theatres and heritage attractions and loss of income from parking;

- The impact on the Council's "commercialisation" strategy has been profound and currently stands at **£18.3m** due to reductions in dividends, returns and income. In addition, some of the companies it owns have experienced financial difficulties and are looking to the Council to support them

2.2 The pandemic has necessitated a review of the previous budget savings assumed within the original budget for 2020/21. **£6.3m** of previously assumed savings are no longer achievable due to the changes in the operating environment.

2.3 The Government has provided the Council compensation of **£50.0m,** in the form of un-ring-fenced grants and income compensation, but this has left the Council with a shortfall on expenditure and loss of income of **c£29.0m** which has been funded from non-Covid underspends, in-year savings and reserves. The gross costs of Covid-19 remain largely in line with that assumed as part of the Interim Budget.

2.4 The Government has provided further specific grants of **£28.8m.** These grants are to cover specific activity and will be offset by additional costs. Further details of these grants are set out in **Section 3.**

Table 1 : Qtr3 2020/21 Impact of Covid-19 – increased expenditure and lost income

Portfolios	**Covid-19 – additional expenditure & lost income £m**	**Unachieved Savings from original 20/21 budget £m**	**Total Covid-19 Impact £m**
Adult Care & Local Transport	8.507	0.356	8.863
Children & Young People	4.640	1.978	6.618
Communities, Highways & Strategic Transport	15.569	0.766	16.335
Employment & Community Protection	0.171	0.125	0.296
Energy, Environment & Democratic Services	4.414	0.613	5.027
Finance, Growth & the City Centre	21.370	1.851	23.221
Health, HR & Equalities	0.614	0.000	0.614
Housing, Planning & Heritage	1.369	0.010	1.379
Leisure, Culture & IT	8.786	0.481	9.267
Regeneration, Schools & Communications	7.280	0.156	7.436
Total Covid-19 Impact prior to Govt. Funding	**72.720**	**6.336**	**79.057**
Tranche 1-4 funding			(34.257)
Assumed Income Compensation Funding (adjusted for Arts Council Grant)			(15.786)
Government Funding Assumptions			**(50.043)**
Net Impact of Covid-19 / Covid-19 Funding gap			**29.014**

2.5 Below are some of the significant areas of additional expenditure and lost income as a result of the Covid-19 pandemic:

- **Adult Care & Local Transport** – additional PPE expenditure and transport costs

- **Children & Young People** – increased Children in Care costs
- **Communities, Highways & Strategic Transport** – reductions in parking and Work Place Parking Levy income and increased costs from supporting the Shielding programme
- **Energy, Environment & Democratic Services** –and both increased costs and reduced income within waste management
- **Finance, Growth & the City Centre** – additional costs from having to delay the Enterprise Resource Planning (ERP) replacement project, reduced returns from Council companies and provision for bad debts.
- **Leisure, Culture & IT** – reductions in income from leisure centres, Theatre Royal & Concert Hall, cultural venues and open spaces. Increased cremation, cemetery and mortuary costs.
- **Regeneration, Schools & Communications** – lost income from commercial rents

2.6 The Interim Budget reset the 2020/21 budget in October 2020, to take into account the changing financial environment as a result of the pandemic. **Table 2** shows the current forecast outturn compared to the Interim Budget. This is based on the position as at 31 December 2020, updated for known future factors. It is important to note that the Interim Budget was set prior to the latest national lockdown restrictions and the forecast position includes an assumed impact of the latest restrictions on the 2020/21 outturn position.

2.7 The latest forecast shows a Portfolio favourable variance of **£6.6m**, this includes a favourable variance of **£8.3m** in the Adult Care & Local Transport portfolio due to variances in the care purchasing budgets. There are notable favourable variances of **£1.7m** in Leisure, Culture & IT due to an improved position for the Theatre Royal and Concert Hall and Sports & Leisure. This is offset by an adverse variance of **£1.9m** within Communities, Highways & Strategic Transport due to reduced parking income as a result of the latest national lockdown restrictions. The adverse position on companies of **£1.5m** is due to the continued impact of Covid-19 on company performance.

2.8 The net reduction in expenditure of **£4.9m** together with the additional funding reduces the dependency on reserves in 2020/21.

2.9 Whilst there is a balanced position for 2020/21 this still includes a significant dependency on the use of reserves and it is a critical part of the financial strategy to be able bring reserves back to an adequate level. Until this is achieved the spending controls will remain in place and are an important element of the Council's financial management. The measures include:

- Monthly monitoring to Corporate Leadership Team (CLT) & Executive Panel
- Vacancy freeze controls & cessation of all but non-essential spend
- Restrictions on travel and conference attendance to continue
- Stop all non-essential maintenance

2.10 In accordance with established trading account principles 50% of traded surplus may be retained for reinvestment in the service. Given the current size and scale of the

financial challenge faced by the Council, no traded surplus retention will be awarded in 2020/21. This is consistent with 2017/18, 2018/19 and 2019/20. Figures in brackets indicate an underspend.

Table 2 : Current Forecast Outturn as at 31 December 2020		
Interim Budget £m	**Portfolio**	**Forecast Outturn variances as at 31.12.20 (Q3) £m**
94.855	Adult Care & Local Transport	(8.267)
58.696	Children & Young People	0.803
11.640	Communities, Highways & Strategic Transport	1.913
8.201	Employment & Community Protection	(0.324)
23.114	Energy, Environment & Democratic Services	0.618
17.410	Finance, Growth & the City Centre	0.496
(7.269)	Health, HR & Equalities	0.109
7.069	Housing, Planning & Heritage	(0.350)
16.808	Leisure, Culture & IT	(1.741)
3.229	Regeneration, Schools & Communications	0.188
233.752	**Total Portfolios**	**(6.555)**
(1.095)	Companies	1.503
15.402	Corporate	0.138
248.059	**Total prior to additional funding**	**(4.914)**
	Covid-19 Grant (Tranche 4)	(10.712)
	Adj. Arts Council Grant	0.471
	Total variance to Interim Budget	**(15.155)**
	Repay reserves	15.155
	Balance	**0.000**

2.11 Variances - Headline Issues

The following sections describe the major issues impacting on the forecast outturn of which a majority are related to the further Covid-19 restrictions.

Where there are overspends the pressures identified may impact on 2021/22+ and any on-going saving resulting in 2020/21 underspends have been captured in the 2021/22+ budget process where appropriate.

Adult Care & Local Transport £8.3m favourable

Adults **£9.2m** underspend
The forecast is based on the latest social care package information for citizens and the agreed levels of health contributions.

Assumptions regarding demand on this service have been captured in the 2021/22+ budget process as have savings.

Transport & Fleet **£0.6m** overspend

- Fleet – **£0.2m** over budget – overspend reflects the increased vehicle costs due to the need to support social distancing of employees therefore vehicle usage increased, and reduced income from MOT testing associated with taxi's and external customers, both as a result of Covid-19.

- Passenger Transport – **£0.4m** over budget – Covid-19 has reduced the demand for this service and as a result has reduced income levels. It is not possible to furlough this service.

The impact of these overspends is not assumed to continue in 2021/22+.

Workplace Parking Levy **£0.4m** overspend
Further reductions in licences have occurred following the implementation of Tier 3 and subsequently national lockdown. No further significant reductions in licence numbers are expected in 2020/21 as the largest employers have already reduced licence levels significantly.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and how the economy recovers.

Children & Young People £0.8m adverse

Children's Integrated Services **£0.8m** overspend
The forecast reflects additional spend required on the Children's Improvement Plan of £0.4m (£1.8m in total); additional Covid-19 costs of £0.1m; an increase in Children in Care costs of £0.6m and a reduction in Early Intervention forecast due to a change in non-pay assumptions of £0.3m.

Any on-going pressure has been captured in the 2021/22+ budget process.

Commissioning & Procurement - **£0.1m** overspend
Pressure relating to a salary contribution in respect of D2N2.

This does not impact on 2021/22+.

Communities, Highways & Strategic Transport £1.9m adverse

Community Protection **£0.3m** over
Impact of the second lockdown on enforcement income projections for the remainder of the financial year. Other income losses relating to the inability to impound untaxed vehicles and from the sale of untaxed vehicles via auction or as scrap metal. This has been partly mitigated by holding vacancies and increase income from residential permits.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Neighbourhood Services Operational Hub **£0.1m** over
Write-off of obsolete stock of Community Protection uniforms.

This does not impact on 2021/22+.

Parking Services **£1.9m** over
Overspend due to updated income forecasts as a result of Covid-19 restrictions

Assumptions regarding this budget pressure have been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and how the economy recovers.

Traffic Safety **£0.4m** under
The forecast position for Bus Lane enforcement income and other budgeted fees, charges, permits and licences factored into the Interim Budget has improved.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Employment & Community Protection £0.3m favourable

HR & Transformation **£0.1m** under
Recruitment delays have contributed to this underspend.

Any on-going savings captured in the 2021/22+ budget process.

Community Protection (Uniformed Services) **£0.2m** under
Recruitment delays and realigning staff to undertake Covid-19 ring-fenced grant requirements.

Any on-going savings captured in the 2021/22+ budget process.

Energy, Environment & Democratic Services £0.6m adverse

Energy & Waste **£0.1m** over
Increased project management fees.

This does not impact on 2021/22+.

Facilities and Building Services **£0.2m** under
Recruitment delays and reduced running costs as a result of Covid-19.

Any on-going savings captured in the 2021/22+ budget process.

Waste Management **£0.7m** over
Increased cost of domestic waste disposal. Commercial Waste income has reduced and bad debt provision increased due to further Covid-19 restrictions and the impact on business trading. This is partly mitigated by the reduction in operational costs.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and how the economy recovers.

Finance, Growth & the City Centre £0.5m adverse

Finance - **£0.1m** over
Largely the result of savings unachieved due to Covid-19.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Commissioning & Procurement - **£1.4m** under
This underspend reflects the revised costs associated with PPE usage and undelivered savings on corporate contracts that have been unable to be retendered due to the impact of Covid-19 on the market.

This does not impact on 2021/22+.

Environmental Health & Licensing **£0.3m** over
The forecast overspend is as a result of the further Covid-19 restrictions resulting in a decrease in licence applications.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Nottingham Catering **£1.4m** over
The forecast overspend is as a result of the extended Covid-19 restrictions and the net impact from the Schools Catering service and the reduction in income.

Job Retention Scheme (Furlough) assumptions have also been removed as the service has been confirmed as not eligible.

Mitigation has arisen from increased sales in Commercial Catering from takeaways at park cafes.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and when schools reopen fully.

Health, HR & Equalities £0.1m adverse

HR & Transformation **£0.1m** over
The forecast overspend is as a result of a loss of income from Works Perks and additional expenses due to Covid-19.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and the workforce demands of this service.

Housing, Planning & Heritage £0.4m favourable

Strategic Homelessness **£0.6m** under

The forecast under spend is reflective of reduced Bed & Breakfast usage and Nottingham City Homes now leasing of nightly paid accommodation which has a lower cost.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and the impact on the economy and those requiring this service.

Planning **£0.1m** over
The forecast overspend is due to reduced levels of planning fee income.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and the recovery of the economy.

Strategic Assets & Property **£0.1m** over
The forecast overspend relates to income reductions, as a result of further Covid-19 restrictions, on the Adaptations & PAD service.

Overall the Strategic Assets & Property service is reporting a nil forecast variance from that captured in the interim budget however, variances do exist within specific portfolios.

This does not impact on 2021/22+.

Leisure, Culture & IT £1.7m favourable

Events - **£0.1m** under
The forecast underspend is associated with holding posts vacant, use of the furlough scheme and income from the Christmas at Wollaton 2020 event.

Assumptions regarding events budget pressures have been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and any further restrictions.

Libraries – **£0.1m** under
The forecast underspend is as a result of delayed recruitment to mitigate the loss of income.

Assumptions regarding this service and associated budget pressures have been captured in the 2021/22+ budget process as have any savings.

Museums - **£0.3m** under
The forecast underspend is materially due to the income generated from ancillary spend associated with the 'Winter at Wollaton' light display during December 2020.

Assumptions regarding this service and associated budget pressures have been captured in the 2021/22+ budget process as have any savings.

Markets – **£0.4m** over
The forecast overspend reflects a further reduction in income from stall holders not selling non-essential goods as a result of lockdown.

Assumptions regarding this service and associated budget pressures have been captured in the 2021/22+ budget process as have any savings.

Sport & Leisure – **£0.7m** under
The forecast underspend is based on the closure of leisure centres until 31 March 2021 due to the current lockdown and the net impact (after reduced expenditure) this will have.

The original estimates for this service, captured in the interim budget, were based on the industry forecasts, tailored to reflect the Council's offer and local economic conditions.

Assumptions regarding sport & leisure budget pressures have been captured in the 2021/22+ budget process, as have savings however, there is a risk associated with those assumptions and any further restrictions.

Theatre Royal & Concert Hall **£1.0m** under
The revised forecast underspend is as a result of the extension of the Job Retention Scheme (Furlough) being extended to 31 March 2021.

Assumptions regarding events budget pressures have been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and any further restrictions.

Regeneration, Schools & Communications £0.2m adverse

Economic Development **£0.1m** over
The forecast overspend is the contribution towards D2N2.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Strategic Assets & Property **£0.1m** under
The forecast underspend relates to recruitment delays.

Overall the Strategic Assets & Property service is reporting a nil forecast variance from that captured in the interim budget however, variances do exist within specific portfolios.

Any on-going savings captured in the 2021/22+ budget process.

Education **£0.3m** over
The forecast overspend relates to further income losses and increase in transport costs to accommodate social distancing measures.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Companies £1.5m adverse
Mainly arising from the economic impact of Covid-19 on business models.

Corporate Budgets £0.1m adverse
Slippage of corporate saving.

Covid-19 Grant (Tranche 4)
Since the writing of the Interim Budget report the Government announced Tranche 4 funding for the impact of Covid-19 and the Council received additional funding of **£10.7m**.

Adjustment Arts Council Grant
The Arts Council Grant award of **£0.9m** has necessitated a change in the level of Income Compensation the Council can claim.

2.12 Reserves
The Interim Budget assumed the use of **£71.2m** of reserves to balance in year:

- **£38.7m** to be permanently released and not replenished
- **£31.3m** to be borrowed from reserves (predominately contractual PFI reserves) to be paid back over a 5 year period and
- **£1.2m** use of un-earmarked reserves

The use of reserves in this way has had a significant impact on the Council's long-term financial sustainability and the ability to manage future risks, and future transformation activity.

The additional funding and the Portfolio favourable variances allows the Council to reduce the amount of reserves to be borrowed and paid back from an assumed **£31.3m** to **£17.4m** based on the Quarter 3 forecast. In addition the un-earmarked reserve is to be restored to the level prior to the Interim Budget at **£11.6m**.

2.13 External Financial Support
The Council is required to balance its budget in year and over the medium term. While it works to reshape its service offer and reduce costs, the Council is seeking a direction to capitalise **£35m** of revenue expenditure. This request was submitted to MHCLG on 23 December 2020 and at the time of writing this report, no decision has been made by the Secretary of State to grant the request. This is required to support the Council as it moves to a financial sustainable footing, to build sufficient resilience and to contribute the cost of transformation activity.

2.14 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.**

2.15 Movements in Earmarked Reserves
The significant reduction in the Council's reserves to support the in-year position has required the S151 Officer to implement a new process for managing the movement in reserves. The Council's controllable reserves will be held corporately and subject to a prioritisation process and approval from the S151 Officer or Deputy S151 Officer. Each application now requires a robust justification and will be assessed based on the financial situation of the Council at that time and may result in previous decisions for funding being refused. This reduction in reserves will have an impact on service delivery and the applications will need to be prioritised. Since the approval of the Interim Budget there has been a net use of reserves (excluding the tranche 4

funding) of **£4.0m**. This is primarily due establishing a workforce provision to fund redundancy and employment tribunal costs. Further movements will be reported at outturn. **Appendix C** provides more details of movement in reserves.

3 Grants received in 2020/21

3.1 Covid-19 specific grants

In addition to the business as usual specific grants there have been a number of additional grants as a result of Covid-19 that have been announced during 2020/21 which if not fully utilised can be carried forward into 2021/22.

A summary of the additional grants awarded during 2020/21 as a result of Covid-19, are set out in **Table 3** below showing those that will also be utilised in 2021/22.

Table 3: Covid-19 Grants Issued

Grant name	Amount £m	Utilised in 2021/22
Test and Trace Service Support Grant	3.127	Yes
Surge Funding / additional Contain Outbreak Management Fund (COMF)	4.280	Yes
Adult Social Care Infection Control Fund (ICF) (Rounds 1 and 2)	5.545	
Clinical Commissioning Group (CCG) funding for additional costs associated with COVID-19 including hospital discharge – estimated	7.858	
Asymptomatic testing based on £14 per test	TBC pending activity	
Rapid Testing Fund	0.639	
Clinically Extremely Vulnerable (CEV) Funding	0.157	
Local Authority Emergency Assistance Grant for Food and Essential Supplies	0.467	
COVID Winter Grant Scheme	1.414	
Compliance and Enforcement Grant	0.236	
Reopening High Streets Safely Fund	0.295	
Next Steps Accommodation Programme (NSAP)	0.269	
Provisional Rough Sleeping emergency funding	0.023	
Additional Home to School Transport	0.214	
Workforce Capacity Fund	0.775	
Emergency Active Travel Fund (Tranche 1 only)	0.570	
Emergency Active Travel Fund (Tranche 2 only)	2.039	Yes
Arts, culture & Heritage grant for Theatre Royal & Royal Concert Hall	0.851	Yes
Total	**28.759***	

**This does not capture any new burdens funding issued to administer any grants.*

3.2 In addition to the above there have been further grants to support both businesses and citizens that have been directly distributed, these are:

- Test & Trace isolation grant;
- Hardship fund;
- Business support grants
- Local Restriction Support grants for businesses and
- Business rate relief for the Retail, Hospitality and Leisure sectors.

It is assumed that as these grants cease the expenditure and activity will reduce accordingly.

3.3 Specific Grants for Business as Usual activity

The Medium Term Financial Plan is based on a number of assumptions regarding specific grants for business as usual activity, details of the assumptions for included for 2021/22+ are contained within the MTFP (Annex 2) part of this report. The material grants for 2020/21 are listed in the paragraphs below.

3.4 Improved Better Care Fund

This grant was initially awarded in 2017/18 with the purpose of contributing 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 2020/21 amount is **£16.1m** and reflects the roll-over of the 2019/20 allocation of **£14.6m** and the transfer of the previous **£1.6m** Winter Pressures grant.

3.5 Better Care Fund

It has been assumed that this grant will remain at 2019/20 values of **£24.7m** of which a minimum of **£14.5m** is assumed for allocation into the MTFP.

3.6 Additional funding for Social Care

The 2020/21 settlement confirmed an extra **£1bn** of social care grant funding in 2020/21 for all authorities with social care responsibilities. The 2020/21 allocation for Nottingham is **£9.8m**.

3.7 Disabled Facilities Grant

This 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 and the allocation for the Council in 2020/21 is **£2.8m**.

3.8 Former Independent Living Fund (ILF) Grant

The value of this grant in 2020/21 is **£0.7m.** The 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.

3.9 Social Care in Prisons Grant

This grant allocation for 2020/21 is **£0.1m**. The grant recognises changes introduced as part of the Care Act that established 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.

3.10 Local Reform & Community Voices Grant

The 2020/21 allocation is **£0.2m**, comprised of 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).

3.11 Public Health

Upper tier and unitary Councils are responsible for improving the health of their local population and reducing health inequalities and the 2020/21 grant for Nottingham to support this work is **£34.2m.**

3.12 Local Council Tax Support & Housing Benefit Administration Subsidy Grant

The Council will receive administration subsidy grants of **£1.9m** in 2020/21 and this is to fund the Council's statutory duty to administer and process Housing Benefit and directly related enquiries.

3.13 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 2020/21 DSG budget allocation for Nottingham is **£287.7m**.

4 Debtors Monitoring (Appendix D)

4.1 Housing Rents

The Quarter3 actual collection rate is **97.72%** (target **98.50%**) and **0.36%** below the same point last year. There are challenges arising from the Covid-19 pandemic and the continued roll out of Universal Credit (UC). There have been almost 30% more referrals made to our Tenancy Sustainment Team than at this point last year and 248 more UC claims (almost 12%) and reflects the financial pressure being placed on our tenants. There continues to be suspension of all evictions and although Court hearings are now taking place they are very limited and several initiatives are planned for the final quarter to increase income.

4.2 Council Tax

Collection for Quarter 3 was **76.68%**, which is **0.18%** above the profiled target. This is a small increase of **0.48%** when compared to the same period in 2019/20. Collection amounted to **£109.9m** compared to collection of **£107.7m** for the same period in 2019/20. Net debt collectable over the two financial years has increased from **£141.8m** in 2019/20 to **£143.4m** in 2020/21.

4.3 National Non- Domestic Rates (NNDR)

Collection for Quarter 3 was **65.73%,** which is **14.77%** below the original profiled target of **80.50%**. Collection amounted to **£52.5m** up to Qtr3 2020/21 compared to collection of **£116.4m** to Qtr3 in 2019/20. Net debt collectable for the year has decreased significantly (due to the award of Expanded Retail, Hospitality & Leisure Discount) from **£143.8m** in 2019/20 to **£79.9m** in 2020/21. In-year targets are subject to recalibration due to the Covid-19 pandemic given the impact on household incomes and businesses.

4.4 Sundry Income

The percentage of debts collected within 90 days in the 12 months to December 2020 is **80.60%,** which is below the corresponding figure for 2019/20 of **82.70%**.

The debtor day indicator (which shows how quickly debts are recovered) is currently **39** days, which is below the **32.30** day target but an improvement on the corresponding figure for 2019/20 of **44** days.

There is significant work on-going to improve debt collection rates in the Council's finance system, with particular focus on the implementation of Advanced Collections functionality as part of the Fit for the Future programme. Advanced Collections is a debt management tool that will provide vastly improved debt collection functionality, enabling tailored debt strategies to be built for different types of debt.

4.5 Estates Rents

The Covid-19 pandemic has impacted on the Estate Rents collection rate, the Quarter 3 actual of **93.68%** is below the set target of **97.50%** and also the collection rate for the same period last year **98.18%**.

4.6 Adult Residential Services

Quarter 3 collection is **97.70%** against a target of **95.90%** and is slightly higher than the corresponding figure for last year at **97.20%**. Adult Residential Services continue to progress with debt recovery, focussing resources on 'new debtors' and early intervention to resolve any potential long terms debtors early on. The service continues to make good progress with historical debt.

5 HRA – Revenue Overview

5.1 The latest forecast for the 2020/21 HRA outturn position is detailed within **Annex 4** of this report and shows a balanced position. The 2020/21 forecast outturn is largely in line with the original budget with income forecast to be **£105.6m**, original budget of **£105.5m**. Expenditure latest forecast of **£105.8m** compares to an original budget of **£105.5m**. The brought forward working balance of **£8.1m** is higher than the original budget therefore the closing working balance is forecast to be **£7.9m** which is slightly more than the original budget of **£7.7m**.

6 Capital Programme Overview

6.1 The non-statutory review of the Council in November 2020 with the findings being published in December highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the council and the reduction in the balances of reserves held which further reduces budget flexibility.

6.2 Following the review the council has published a Recovery & Improvement Plan 2021 – 2024. The Recovery and Improvement Plan acknowledges that a sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council and as such a revised Capital Strategy together with a Voluntary Debt Policy has been developed. These are important strategies and will support the delivery of the plan. Key activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities
- Revised Debt Management Strategy aligned with the Capital strategy with an aim paying down debt over time.
- Creating a revised Capital Strategy incorporating a prioritisation process.

- Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council

6.3 This report sets out the quarter 3 forecast outturn for the 2020/21 and the impact it has on the draft capital programme 2020/21 – 2025/26. 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. While ensuring the programme is affordable and the Council is in a position to reduce overall debt levels in accordance with revised policies.

As detailed in the Recovery and Improvement Plan 2021-2024 a review of the capital programme has been undertaken and completed in February 2021. Further details about the outcomes of this review can be found in **Annex 3**. The tables within this section incorporate the outcomes from this review which identified savings as follows:

- General Fund de-committed schemes of **c£14.7m**, and
- Public Sector Housing schemes to the value of **£19.4m** were removed.

6.4 The quarter 1 report approved an updated overall Capital Programme for 2020/21 of **£172.7m** for the General Fund and **£57.3m** for Public Sector Housing. During quarter 3 schemes to the value of **£8.5m** have been approved while slippage and other movements of approved schemes including the impact of the capital review equates to **(£62.6m).** Actual spend to the end of quarter 3 is **£84.3m.**

Table 4: 2020/21 Revised Capital Programme and Actual Spend for Quarter 3

	20/21 Forecast Spend at Qtr1 £m	20/21 Additions £m	Other Movements (Slippage / Reprofiling) £m	Projected Outturn at Qtr3 £m	Actual Spend to Qtr3 £m	New Additions (Spend 21/22+) £m
Public Sector Housing						
Category 1 (Approved Schemes)	53.910	0.890	(9.491)	45.309	11.143	18.655
Category 2 (Planned Schemes)	3.398	0.000	(2.088)	1.310	0.000	0.000
Public Sector Housing Total	**57.308**	**0.890**	**(11.579)**	**46.619**	**11.143**	**18.655**
General Fund						
Category 1 (Approved Schemes)						
Transport Schemes	37.844	2.900	(15.901)	24.843	11.315	1.643
Education / Schools	4.972	0.591	(1.156)	4.407	3.571	1.575
Other Services	125.897	4.122	(29.930)	100.089	58.263	1.990
Category 2 (Planned Schemes)	4.000	0.000	(4.000)	0.000	0.000	15.031
General Fund Total	**172.713**	**7.613**	**(50.987)**	**129.339**	**73.149**	**20.239**
TOTAL	**230.021**	**8.503**	**(62.566)**	**175.958**	**84.292**	**38.894**

6.5 Approvals in Quarter 3

Scheme amendments and additions of **£8.5m** have been approved in quarter 3 where the capital spend is expected to be incurred in 2020/21. Details of all quarter 3 approvals are set out in Appendix A and the schemes over £1m are set out below:

- **Additional Highways Maintenance Grant** (forecast **£1.8m** 2020/21, **£0.01m** 2021/22), this project has arisen due to additional grant being awarded by the DfT to maintain the Council's highway.
- **Southern Gateway** (forecast **£2.8m** 2020/21, **£1.0m** 2021/22), this project is bringing forward the redevelopment of the former intu Broadmarsh shopping centre.

Other Movements (Slippage / Reprofiling)

Scheme movements (slippages / reprofiling) in 2020/21 quarter 3 is **(£62.6m)**. Schemes where slippage is over **£0.5m** are detailed below in **Table 5.**

Table 5: Quarter 3 Movements (Slippages / Reprofiling)

Scheme	2020/21 Forecast at Quarter 1 £m	2020/21 Forecast at Quarter 3 £m	Movement £m
Public Sector Housing			
Modern Living	0.547	0.000	(0.547)
Nottingham Secure - Windows	1.750	1.045	(0.705)
Energiesprong	1.844	0.241	(1.603)
BEIS - Whole House Retrofit - Destination Zero	0.634	0.014	(0.620)
BEIS - Whole House Retrofit - Energiesprong	2.107	1.000	(1.107)
BEIS - Retrofit Project Level	0.700	0.075	(0.625)
Citywide Environmentals	1.000	0.246	(0.754)
Garage / Outbuilding Delivery	0.974	0.300	(0.674)
Property Acquisitions	12.229	10.198	(2.031)
Other Movements	2.913	0.000	(2.913)
Total Public Sector Housing			**(11.579)**
General Fund			
Transport Schemes			
Highway Maintenance Grant	2.010	1.446	(0.564)
Integrated Transport Block	3.752	2.812	(0.940)
Transforming Cities	18.280	6.585	(11.695)
Education / Schools			
Glade Hill Primary - Expansion	0.594	0.001	(0.593)
Other Services			
Solar Panels - Commercial PV Invest Prog	0.679	0.150	(0.529)
CleanMobilEnergy - Installation/Groundworks	1.493	0.000	(1.493)
NET Lines 2/3 - Quantative Risk Assessment	1.930	0.200	(1.730)
Vehicle Telematics System	0.900	0.000	(0.900)
Project Blaze	0.818	0.000	(0.818)
Nottingham Castle Transformation (HLF Scheme)	11.857	11.336	(0.521)
Wollaton Hall Gallery (Stage 1)	1.053	0.300	(0.753)
Loan - NCH-E Ltd Arboretum	3.176	0.000	(3.176)
Property Works	0.695	0.000	(0.695)
NCH E Loan - Meadows Police Station	3.976	0.000	(3.976)
IT - Replacement of Communication Infrastructure	1.000	0.200	(0.800)
NCHRP Loan - Move On Accommodation	0.734	0.200	(0.534)
Old Market Square / Lace Market - Conservation Area	0.831	0.187	(0.644)
Blueprint Third Party Loan	3.865	2.000	(1.865)
Blueprint Loan Note	2.600	1.000	(1.600)
Planned Schemes			
Central Library Fitout & Operation	4.000	0.000	(4.000)
Other Movements	13.161	0.000	(13.161)
Total General Fund			**(50.987)**
TOTAL Quarter 3 Movements			**(62.566)**

7 Public Sector Housing (HRA) Capital Programme

7.1 The Public Sector Housing Programme has been updated to reflect the outcome of the capital review, the requirement to reduce borrowing as set out in the Voluntary Debt Policy and movements in quarter 3, **Table 6** below sets out the updated programme and resources.

Table 6: Public Sector Housing – Capital Programme and Resources							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Category 1 - Approved Schemes	45.309	58.065	65.823	41.849	31.149	30.977	**273.172**
Category 2 - Planned Schemes	1.310	6.917	2.000	1.000	1.000	0.000	**12.227**
Total Programme	**46.619**	**64.982**	**67.823**	**42.849**	**32.149**	**30.977**	**285.399**
Resources Available							
Prudential Borrowing	(15.442)	(15.056)	(12.244)	(6.864)	(1.822)	0.000	**(51.428)**
Grants & Contributions	(1.542)	(5.326)	(3.185)	(0.157)	0.000	0.000	**(10.210)**
Major Repairs Reserve	(22.325)	(37.249)	(43.350)	(32.105)	(29.633)	(30.942)	**(195.604)**
Revenue Resources	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Capital Receipts - HRA	(1.151)	(0.850)	(2.874)	(0.690)	(0.035)	(0.035)	**(5.635)**
Replacement Capital Receipts	(6.159)	(6.501)	(6.170)	(3.033)	(0.659)	0.000	**(22.522)**
Total Resources	**(46.619)**	**(64.982)**	**(67.823)**	**(42.849)**	**(32.149)**	**(30.977)**	**(285.399)**
Pressure / (Available) Funding	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

8 General Fund Capital Programme

8.1 The General Fund Programme is updated to reflect the outcome of the capital review, the Voluntary Debt Policy and movements in quarter 3. **Table 7** below sets out the updated programme for which further details are included in Annex 3.

Table 7: General Fund – Capital Programme and Resources							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Approved Schemes							
Transport Schemes	24.843	57.715	41.235	7.581	0.000	0.000	**131.374**
Education	4.407	1.964	0.000	0.000	0.000	0.000	**6.371**
Other Services	100.089	41.273	9.162	8.688	7.694	7.885	**174.791**
Category 2 - Planned Schemes	0.000	15.907	21.193	15.700	7.709	7.390	**67.899**
Total Programme	**129.339**	**116.859**	**71.590**	**31.969**	**15.403**	**15.275**	**380.435**
Resources Available							
Prudential Borrowing	(71.713)	(27.234)	0.000	0.000	0.000	0.000	**(98.947)**
Grants & Contributions	(46.686)	(78.337)	(56.273)	(20.449)	(8.839)	(8.836)	**(219.420)**
Internal Funds / Revenue	(1.999)	(6.123)	(0.275)	(0.275)	(0.221)	0.000	**(8.893)**
Secured Capital Receipts	(7.199)	0.000	0.000	0.000	0.000	0.000	**(7.199)**
Unsecured Capital Receipts	(1.742)	(5.165)	(15.042)	(11.245)	(6.343)	(6.439)	**(45.976)**
Total Resources	**(129.339)**	**(116.859)**	**(71.590)**	**(31.969)**	**(15.403)**	**(15.275)**	**(380.435)**

General Fund Capital Programme Quarter 3 Approvals Appendix A

Scheme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Public Sector Housing						
Bespoke Accommodation	0.119	0.068	0.000	0.000	0.000	**0.187**
Beckhampton New Build	0.200	6.740	6.951	4.650	0.000	**18.541**
Woodlands Conversion	0.571	0.116	0.000	0.000	0.000	**0.687**
Woodview Extension	0.000	0.130	0.000	0.000	0.000	**0.130**
Public Sector Housing Total	**0.890**	**7.054**	**6.951**	**4.650**	**0.000**	**19.545**
Transport						
Additional Highways Maintenance Grant	1.805	0.012	0.000	0.000	0.000	**1.817**
Emergency Active Travel	0.334	1.631	0.000	0.000	0.000	**1.965**
Wireless Taxi Charging Points (OLEV)	0.761	0.000	0.000	0.000	0.000	**0.761**
Education						
Djanogly Strelley Special Provision	0.100	0.679	0.000	0.000	0.000	**0.779**
Other Education Under (£0.500m)	0.491	0.896	0.000	0.000	0.000	**1.387**
Other Services						
London Road Heat Station Repairs	0.460	0.000	0.000	0.000	0.000	**0.460**
Theatre Royal & Concert Hall - External Tiles	0.890	0.100	0.000	0.000	0.000	**0.990**
Parks & Open Spaces	0.000	0.581	0.000	0.000	0.000	**0.581**
Southern Gateway	2.772	1.033	0.000	0.000	0.000	**3.805**
Building 2 Woolsthorpe Depot	0.000	0.108	0.000	0.000	0.000	**0.108**
Dilapidations 24-32 Carlton Street	0.000	0.168	0.000	0.000	0.000	**0.168**
General Fund Total	**7.613**	**5.208**	**0.000**	**0.000**	**0.000**	**12.821**
Total Additions Quarter 1 to Quarter 3	**8.503**	**12.262**	**6.951**	**4.650**	**0.000**	**32.366**

Virements from the Interim Budget to Qtr3 2020/21 requiring Executive Board approval

Appendix B

Details	Net Amount £m	Department Between		Portfolio Between	
Pay Award (0.75% above 2% budgeted)	0.190	CORP	CA	FG&CC	AC&LT
	0.011		DG		
	0.029		CO		
	0.023		DG	FG&CC	CH&ST
	0.007		SR		
	0.138		CO		
	0.198		CA	FG&CC	CYP
	0.002		SR		
	0.005		SR	FG&CC	E&CP
	0.064		CO		
	0.051		SR	FG&CC	EE&DS
	0.109		CO		
	0.080		SR	within FG&CC	
	0.006		DG		
	0.063		CO		
	0.025		DG	FG&CC	HPH
	0.008		CA		
	0.009		CO		
	0.149		CO	FG&CC	LC&IT
	0.005		DG		
	0.032		SR		
	0.037		CA	FG&CC	R,Schools&C
	0.006		SR		
	0.035		DG		
	0.031		SR	FG&CC	H,HR&E
Savings realignment	0.053	DG	CORP	within FG&CC	
	0.018	within CO		LC&IT	CH&ST
	0.087	within DG		R,Schools&C	HPH
Budget realignment b/t Parks & Streetscene	0.010	within CO		LC&IT	CH&ST

Details	Net Amount £m	Department		Portfolio	
		Between		Between	
Budget realignment b/t Uniformed Services & Environmental Health	0.010	within CO		E&CP	CH&ST
	0.039	within CO		E&CP	FG&CC
Technical Adjustment within Commercial Finance	0.057	CORP	SR	within FG&CC	
Technical adjustment Prudential Borrowing	0.011	CO	CORP	AC&LT	FG&CC
	0.029	CO	CORP	EE&DS	FG&CC
	0.313	DG	CORP	R,Schools&C	FG&CC
Budget realignment within C&O finance support	0.075	CO	SR	CH&ST	FG&CC
Technical adjustment (Contingency)	2.714	CORP	CO	FG&CC	EE&DS
Utilities Realignment	0.002	within CO		EE&DS	CYP
Pay model adjustment	0.001	C&A	CORP	CYP	FG&CC
Reserve funding realignment	0.563	C&A	CO	AC&LT	LC&IT
	0.070		DG	AC&LT	
	0.200		SR	AC&LT	LC&IT
	0.223		CO		LC&IT
	0.100		CO		CH&ST
	0.051		CO		E&CP
Employee budget realignment b/t Uniformed Services & Licensing	0.021	within CO		FG&CC	E&CP
Budget realignment within C&O finance support	0.034	SR	CO	FG&CC	CH&ST
Budget realignment within Economic Development	0.001	within DG		FG&CC	R,Schools&C
Interim budget realignment between Corporate & Corporate Management	1.000	CORP	SR	FG&CC	
Employee budget realignment b/t ASB & Safer Housing	0.015	within CO		E&CP	HPH
	7.008				

Department	Key	Portfolio	Key
Children & Adults	CA	Adult Care & Local Transport	AC&LT
Commercial & Operations	CO	Communities, Highways and Strategic Transport	CH&ST
Chief Executive	CX	Energy, Environment & Democratic Services	EE&DS
Development & Growth	DG	Children & Young People	CYP
Strategy & Resources	SR	Employment & Community Protection	E&CP
Corporate	CORP	Finance, Growth & the City Centre	FG&CC
		Housing, Planning & Heritage	HPH
		Leisure, Culture & IT	LC&IT
		Regeneration, Schools & Communications	R,Schools&C
		Health, HR & Equalities	H,HR&E

Movements in Reserves requiring approval 2020/21 **Appendix C**

Reserve	Transfer Details	Replenishment £m	Use £m	Total £m
NET City Reserve Fund	Repay reserves borrowed	(5.000)		**(5.000)**
	In year movement	(0.197)		**(0.197)**
Treasury Management	Contributions in year	(2.379)		**(2.379)**
Workforce	Establish provision		6.831	**6.831**
Good to Great	In year expenditure		0.078	**0.078**
Nottingham Investment Fund	In year expenditure		0.045	**0.045**
BSF Bigwood & Oakfield PFI	Repay reserves borrowed	(3.701)		**(3.701)**
Farnborough PFI Project	Repay reserves borrowed	(1.541)		**(1.541)**
Capital Program Departmental Prudential Borrowing	Contributions in year	(1.204)		**(1.204)**
	prudential borrowing costs		0.120	**0.120**
Growth Fund	In year expenditure		0.517	**0.517**
Rev Reserves for Capital	In year expenditure		0.309	**0.309**
	Revenue Property Repairs		0.131	**0.131**
Schools - Other Balances	Early Years 2019/20 Funding adjustment	(0.245)		**(0.245)**
Total		**(14.267)**	**8.031**	**(6.236)**

Debtors Monitoring to 31 December 2020 **Appendix D**

Debtors - Performance Review – Q3 2020/21	**Q1 June**	**Q2 Sept**	**Q3 Dec**
BVPI 66a - Housing Rent Collection (%) *(cumulative - current tenants only)*			
Actual *(arrears + debit)*	98.80	96.91	97.72
Target	98.50	98.50	98.50
Last Year Actual 2019/20	96.80	97.68	98.08
BVPI 9 - Council Tax Collection (%)			
Actual *(in year cumulative)*	25.80	50.71	76.68
Target	26.10	50.50	76.00
Last Year Actual 2019/20	25.90	50.53	76.20
BVPI 10 - NNDR Collection (%)			
Actual *(in year cumulative)*	22.56	44.84	65.73
Target	28.50	55.50	80.50
Last Year Actual 2019/20	30.40	54.50	81.80
Sundry Income Collection (%)			
Actual *(12 month rolling average)*	82.00	81.00	80.60
Target	99.00	99.00	99.00
Last Year Actual 2019/20	79.50	83.20	82.70
Sundry Income Debtor Days – General			
Actual *(12 month rolling average)*	43.00	37.00	39.00
Target	32.30	32.30	32.30
Last Year Actual 2019/20	32.00	41.00	44.00
Estates Rents Collection (%)			
Actual *(12 month rolling average)*	97.59	95.15	93.68
Target	97.50	97.50	97.50
Last Year Actual 2019/20	98.19	98.05	98.18
Adult Residential Services Collection (%)			
Actual *(12 month rolling average)*	97.30	97.50	97.70
Target	95.90	95.90	95.90
Last Year Actual 2019/20	96.50	96.90	97.20

Annex 2

Budget 2021/22 & Medium Term Financial Outlook (MTFO)

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Appendices

1 Introduction

1.1 The plan has been produced against the backdrop of the ongoing Covid-19 pandemic and supports the Council in setting out new ways of working to take it forward. The ambition of the Council remains to produce a robust medium term plan to demonstrate financial sustainability but the ongoing uncertainties have meant that it is prudent to produce a one-year budget for 2021/22. This provides the opportunity to review the Council's response to the recovery phase of the pandemic and also to develop robust transformative plans to deliver the improvements identified in the PIR and NSR reports set out below.

1.2 The Council is committed to making the changes needed in response to the costs of Covid-19, demand on local services and the recent external review. The Council is also committed to maintain the stability of services needed to support residents in extremely difficult circumstances by the prudent management of the Council's finances and the strengthening of financial resilience through the controlled approach to borrowing, reducing the debt levels and the effective management of reserves.

2 Constructing the 2021/22 Budget

2.1 The 2021/22 budget is based on the need to find deliverable cost reductions in order to set a balanced budget in the context of the challenges posed by Covid-19 and following a year in which its reserves were severely depleted to meet overspends, unachieved savings and the costs of exiting Robin Hood Energy (RHE).

2.2 It does not change the authority's ambition to put in place a robust medium term financial plan to demonstrate how it intends to meet those challenges.

2.3 The revenue budget and the capital programme are intrinsically linked and the ongoing revenue impact, together with the requirement to reduce overall levels of debt, has been a key consideration when constructing the budget. The aim is to have a sustainable level of revenue and capital programme that is affordable, supports the delivery of the Council's priorities, meets the statutory requirements and demonstrates value for money.

3 Funding Overview

3.1 Significant uncertainty remains of the Council's resources, particularly beyond 2021/22. There are a number of Government policy announcements and decisions that are expected in the near future that create significant uncertainty over forecasting the level of resources over the medium term.

3.2 **Settlement Funding**

As part of the final Local Government Financial Settlement published on 4th February 2021 the Government confirmed 2021/22 grant funding. This announcement reflected a net increase of **£1.5m** in settlement funding above that previously assumed in the revised budget published as part of the Interim Budget reported to 22 September Executive Board.

The final settlement has confirmed funding for one year only with a full Spending Review and introduction of Fair Funding Review/75% Rates Retention now delayed until 2022/23.

In addition, the Government announced a further **£11.7m** un-ringfenced grant to meet the continued impact of Covid-19 into 2021/22, **£4.2m** grant to meet the additional cost of increased local council tax support and confirmed the extension of the sales, fees and charges income compensation scheme until June 2021.

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).

Table 1: Final Settlement	
Elements of the Settlement	**2021/22 £m**
Business Rates Baseline *(MHCLG estimate)*	67.995
Business Rates Top-up	28.584
Revenue Support Grant	25.887
Total	**122.466**

3.3 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 **£1.5m** higher than the forecast of retained business rates income as reported to MHCLG in the NNDR1 return and included in the budget.

In the absence of a robust multi-year settlement from the Government the budget assumes the City Council's settlement funding will increase by currently projected CPI inflation for 2022/23+. No assumptions have been made for the likely impact of previously announced Government policy for 'Fair Funding' or 75% local retention of Business Rates due to a lack of clear exemplification of the options being currently considered.

3.4 **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 published that Nottingham's overall increase in spending power will be **4.8%** or **£94** per dwelling in 2021/22 as set out in **Table 2**. However the estimates used for this calculation over projects for both business rates and council tax income. A more realistic increase based on the figures included in this report is closer to **2.1%** or **£41** per dwelling with **1.5%** being generated from increased council tax income.

Table 2: Core Spending Power		
Elements of MHCLG Core Spending Power	**MHCLG estimates**	
	Revised 2020/21 £m	**Final 2021/22 £m**
Settlement Funding Assessment	122.323	122.466
Compensation for lower BR multiplier *(MHCLG estimate)*	3.871	5.032
Council Tax requirement *(MHCLG estimate)*	121.808	130.529
Improved Better Care Fund	16.115	16.115
New Homes Bonus grant	4.432	4.013
Social Care Support Grant	9.793	12.840
Lower Tier Services Grant		0.683
Total	**278.342**	**291.677**
Increase		13.336
Increase by dwelling		£94
Annual % change		4.8%

3.5 **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 2021/22. 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 **£357.4m** (NNDR1 January 2021). 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.

3.6 **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. The City Council will receive **£28.6m** for 2021/22.

3.7 **Revenue Support Grant (RSG)**

Authorities currently continue to receive RSG from the Government in addition to their retained business rates. The City Council will receive £25.9m in 2021/22 representing an inflationary increase of **0.6%** or **£0.142m**.

3.8 **Lower Tier Services Grant**

This is a new grant included in the 2021/22 core spending power to ensure lower tier authorities have a minimum funding floor. It has allocated by using the 2013/14 settlement funding assessment (SFA) with the City Council receiving **£0.7m**.

3.9 **2021/22 Covid-19 Funding**

Alongside the final settlement the Government also confirmed the allocation of further Covid-19 related funding.

3.10 **Covid-19 Grant**

This un-ringfenced grant has been distributed using the Covid-19 Relative Needs Formula, as used during both the 3rd and 4th tranches of 2020/21 funding, reflecting underlying drivers of expenditure such as population, deprivation and the varying cost of delivering services across the country. The Government expects this funding to be focussed on a similar set of priority pressures as previously set out for 2020-21.

The City Council will receive **£11.7m** which will help cover the currently projected increased Covid-19 costs in 2021/22 as detailed in **Table 4** below.

3.11 **Local Council Tax Support Grant**

This new grant has been provided to local authorities in recognition of the anticipated extra cost of local council tax support as a result of the Covid-19 pandemic. This extra cost can materialise as either tax setting base reductions leading to less available council tax income in 2021/22 or a deficit on the collection fund at the end of 2021/22.

The City Council will receive **£4.2m** in 2021/22, of which, **£2.3m** will be used to support the budget for lost income resulting from the projected increase in required council tax support

reflected in the tax base calculations approved at January Executive Board. The remaining **£1.9m** will be transferred to the Collection Fund reserve so that it is available to address any deficit issues that might arise during the year if the level of council tax support varies from that currently assumed.

3.12 **Sales, Fees & Charges Scheme**

The Government will extend the Sales, Fees & Charges Scheme into the first three months of 2021/22. This scheme will operate on the same basis as the current 2020/21 scheme with local authorities continuing to absorb the first 5% of all relevant, irrecoverable income losses compared to budgets, on a pro rata basis, with the government compensating for 75 pence in every pound of loss thereafter.

Based on the City Council's projected Covid-19 pressures for lost income it is estimated that **circa £1.5m** compensation might be received in 2021/22 and has been provisionally reflected in the budget.

3.13 **Specific Grants outside the Settlement**

A number of other grants are received outside of the key settlement figures. The basis of distribution varies from grant to grant. This budget has again been constructed on the established basis that if specific grant funding reduces then the associated expenditure and activity will reduce accordingly.

3.14 **New Homes Bonus (NHB)**

The NHB rewards local authorities for increasing the number of new, occupied and affordable homes. The latest grant award was confirmed alongside the final settlement and will be **£4.0m** for 2021/22.

The Government has announced this will be the final set of allocations under the current approach and a consultation on the future of NHB or alternative incentive scheme has been recently published. Consequently no NHB grant or legacy payments has been assumed for 2022/23+.

3.15 **Improved Better Care Fund**

This grant was initially awarded in 2017/18 with the purpose of contributing towards the increased pressure of Adult Social Care needs aiming to reduce pressures in Health and ensure the Social Care market is provided for. It has been confirmed that the 2021/22 allocation will remain the same as the 2020/21 allocation of **£16.1m**.

3.16 **Better Care Fund**

It has been assumed that this grant will remain at 2019/20 values of **£24.7m** of which a minimum of **£14.5m** is assumed for allocation into the budget.

3.17 **Social Care Grant**

This grant, which cover both children's and adult's social care, was initially awarded in 2020/21 to upper tier authorities with social care responsibilities. The allocation methodology uses a combination of the Adults Relative Needs Formula (RNF) and an assessment of each Council's ability to raise funds via the social care precept.

The announced grant for 2021/22 of **£12.8m** reflects a **£3.0m** increase. Within the draft budget it has been allocated **£8.0m** to partially fund the significantly increased children in care pressures, with the remaining **£4.8m** allocated to adult social care to help fund national living wage and other cost pressures.

3.18 **Disabled Facilities Grant**

This grant allocation is still to be confirmed for 2021/22 however it has been assumed that the allocation for 2020/21 will continue at **£2.8m.** This 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.

3.19 **Former Independent Living Fund (ILF) Grant**

The value of this grant in 2021/22 is **£0.7m.** The 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.

3.20 **Social Care in Prisons Grant**

This grant allocation is still to be confirmed for 2021/22 however in 2020/21 it was **£0.1m**, recognising changes introduced as part of the Care Act that established 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.

3.21 **Local Reform & Community Voices Grant**

This grant allocation is still to be confirmed for 2021/22 however the 2020/21 allocation of **£0.2m** has been assumed, comprised of 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).

3.22 **Public Health**

The 2020/21 grant for Nottingham was **£34.2m,** this has been assumed for 2021/22 as no confirmation of the grant value has yet been received. Since 2015/16 and based on the grant allocation in 2019/20, the grant has reduced by **£4.3m** (11.2%).

3.23 **Local Council Tax Support & Housing Benefit Administration Subsidy Grant**

The City Council will receive administration subsidy grants of **£1.879m** in 2020/21 (this was **£1.919m** in 2019/20) to fund the Council's statutory duty to administer and process Housing Benefit and directly related enquiries. Until further confirmation it has been assumed at this level for 2021/22.

3.24 **Dedicated School Grant (DSG)**

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.

DSG funds educational establishments and specific services for Schools, Central Expenditure, Early Years and High Needs. The initial 2021/22 DSG budget allocation for Nottingham is **£310.745m** increasing by **£22.511m**. The material movements contributing to this increase are:

- An increase in school pupil numbers from 41,784 to 42,283 (499) **£17.316m**;

- Additional funding in High Needs of **£5.435m**

The Central Expenditure block which funds costs incurred by the Local Authority has been reduced by **£0.908m** in 2021/22; this in addition to the reduction of **£1.060m** in 2020/21.

4 Draft Budget 2021/22

4.1 This section provides an update to the draft budget report presented to January Executive Board to reflect latest assumptions, Government announcements and the final settlement.

The January Executive Board reported an outstanding 2020/21 budget funding gap of **£7.2m** which unless identified from further funding or savings, would need to be funded from diminishing reserves.

Since the January report, there has been a reduction in the proposed savings of **£1.3m** due to the timing of when some of the workforce related savings can be delivered and further savings of **£0.7m** not requiring public consultation have been identified. This has resulted in **£2.1m** now being required from reserves to balance the 2021/22 budget.

In total **£16.9m** of savings have been identified for 2021/22:

- **£1.7m** of previously approved voluntary redundancies
- **£10.5m** of portfolio savings included in public consultation and detailed in **Appendix A**
- **£4.7m** of savings not requiring public consultation

4.2 **Budget Overview and Headlines**

The draft budget has been constructed in accordance with all relevant corporate financial protocols. It is a balanced budget, policy-led, risk assessed and reflecting current Council Plan priorities and comprises:

- 2021/22 net General Fund revenue budget of **£243.7m**;
- council tax requirement of **£126.1m,** basic council tax increase of **1.99%** and an additional **3.00%** increase for the Adult Social Care precept
- total 2021/22 savings of **£16.9m**
- provision for pressures of **£32.3m** in 2021/22 – predominately driven by the longer term financial scarring from Covid-19 with **£27.0m** assumed increased expenditure or lost income, **£4.4m** due to reduced company returns and only **£0.9m** from business as usual pressures;
- general contingency of **£1.5m**
- Government's public sector 'pay freeze' will be reflected in local government with 2021/22 pay award assumed at £250 increase per FTE at grades with a salary less than £24,000 and zero pay award for all other grades

4.3 **General Fund Revenue Budget**

Table 3 summarises the changes required to update the 2020/21 base budget to refresh the starting point for the 2021/22 budget.

Table 3: Budget Refresh

Budget Item	2021/22 £m	2022/23 £m	2023/24 £m	Table(s)
Pressures	32.254	37.488	40.984	4 & 5
Pay / Inflation	3.983	9.038	14.093	6
Technical Adjustments / Specific Grants	(22.857)	0.355	1.412	7

Previously Agreed Savings	1.298	0.461	0.463	8 & 9
Total	**14.678**	**47.343**	**56.951**	

Budget assumptions are refreshed on an ongoing basis to reflect the Council's latest understanding in relation to inflation, corporate adjustments, previous budget proposals and emerging pressures/overspend risks.

4.4 **Pressures**

The Interim Budget included a refresh of the known cost pressures facing the Council in 2021/22 and future years. These have been subject to a further critical review and were reported in the 2021/22 Budget Consultation report and detailed in **Tables 4** and **5** below.

Many of the pressures are driven by the longer term impact of Covid-19 on lost income, continued extra costs and an assessment of which previously assumed savings are now unachievable in changed circumstances.

The Companies pressure is mainly arising from the assumed on-going economic impact of Covid-19 on business models and the removal of dividends in the budget. The latest national restrictions came after this critical review of the pressures work and therefore future monitoring reports will reflect whether any of these assumptions need updating based on the latest national or region situation.

Table 4: Summary of Pressures

Budget Item	2021/22 £m	2022/23 £m	2023/24 £m
Covid-19 reduced income	16.793	12.091	8.453
Covid-19 additional expenditure	10.217	9.159	8.748
Business as usual	0.870	10.348	18.298
Companies	4.374	5.891	5.485
Total	**32.254**	**37.488**	**40.984**

Table 5 below shows the pressures by Portfolio, Corporate and the Companies pressures.

Table 5: Pressures by Portfolio, Corporate & Companies

Budgeted Portfolio	2021/22 £m	2022/23 £m	2023/24 £m
Adult Care & Local Transport	(2.182)	1.961	7.922
Children & Young People	12.403	15.192	17.257
Communities, Highways & Strategic Transport	2.772	2.187	1.953
Employment & Community Protection	0.000	0.000	0.000
Energy, Environment & Democratic Services	1.464	0.801	0.801
Finance, Growth & the City Centre	1.543	1.019	(1.676)
Health, HR & Equalities	0.112	0.136	(0.764)
Housing, Planning & Heritage	0.937	0.691	0.395
Leisure, Culture & IT	4.390	2.518	2.518
Regeneration, Schools & Communications	6.442	7.093	7.093
Portfolios	**27.880**	**31.598**	**35.499**
Companies	4.374	5.891	5.485

Total	**32.254**	**37.488**	**40.984**

4.5 **Companies**

The Council has a range of companies in its ownership and some owned jointly with others that have developed over time. Many of these companies have experienced trading difficulties mainly arising from the ongoing economic impact of Covid-19 on business models. The budget includes a pressure of **£4.4m** in 2021/22 rising to **£5.9m** in 2022/23 in relation to group companies.

The Recovery and Improvement Plan includes a theme dedicated to the Council's companies. This theme seeks to reach a clear determination on the future and direction of each Council company within a coherent and effectively managed commercial strategy. It will do this by addressing the following key objectives:

- Provide greater visibility of company performance and risk profile of the wider City Council group.
- To reduce overall complexity and simplify the management and oversight of all core Council activities by reducing the number or alternative delivery vehicles.
- To strip out duplication of overhead and management costs by bringing core functions in house where there is no imperative to maintain externalised delivery vehicles.
- To identify opportunities to generate capital receipts to the Capital Programme through divestment of interests in profitable activities that are outside the City Council's core competence
- To establish robust shareholder controls and assurance mechanisms for those companies Nottingham City Council maintains.

The Recovery and Improvement Plan sets out a work programme with milestones as to how this will be achieved in 2020/21 and 2021/22.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has been engaged by the Council to undertake data-based review and diagnostic work on council-owned companies and those in which we have a substantial interest. The recommendations identified by CIPFA will feed into the recovery and improvement plan activities and inform the city councils future decisions on company holdings.

4.6 **Inflation**

Table 6 shows the pay, pension and specific inflation currently assumed for 2021/22 and subsequent years.

Table 6: Pay / Inflation			
Budget Item	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Employee Pay / Pension	3.983	9.038	14.093
General inflation	0.000	0.000	0.000
Total	**3.983**	**9.038**	**14.093**

The draft budget assumes a pay award for 2021/22 of £250 increase per FTE at grades with a salary less than £24,000 and zero pay award for all other grades.

At the time of writing the report the pay offer for 2021/22 has yet to be agreed, any variation to this assumption will need to be managed in year and may lead to more

savings being required. Future pay awards of **2.0% pa** have been assumed for 2022/23 and 2023/24.

For non-pay costs, the budget assumes no general inflation. Specific contractual inflation is reflected in the identified pressures as appropriate.

4.7 Corporate/Technical Adjustments

Table 7 summarises the corporate adjustments that include anticipated movements in the financing of the capital programme and debt portfolio, movements in reserves, net impact of changes in specific grants and various other changes.

- Provision has also previously been made in the base budget for the revenue implications of investment schemes within the capital programme.
- As detailed in the Forecast Outturn annex the 2020/21 budget currently balances by utilising **£17.4m** borrowed PFI, capital & treasury management reserves. These reserves will need to be paid back over 5 years, with the initial years of this profile reflected in the budget.
- A corporate decision has been made to temporarily reduce the contribution to the IT Investment Fund from **£2.7m** to **£1.2m** for the next two years.
- A review of the capital programme and lower interest rate environment has resulted in a significant reduction in projected financing costs of **£1.5m**.
- A provisional **£0.3m pa** budget for the costs of the Improvement Board has been included in the budget.

Table 7: Corporate/Technical Adjustments

Budget Item	2021/22 £m	2022/23 £m	2023/24 £m
Net movement in Reserves	**(1.317)**	**1.451**	**2.034**
Section 31 for rates under-indexing/reliefs (see 4.19)	0.422	0.282	0.120
Lower Tier Services (see 3.8)	(0.683)	(0.683)	(0.683)
Social Care (see 3.17)	(3.048)	(3.048)	(3.048)
New Homes Bonus (see 3.14)	0.420	4.432	4.432
2021/22 Covid-19 funding (see 3.10)	(11.681)		
2021/22 Local Council Tax Support (see 3.11)	(4.182)		
Assumed 3 month Income Compensation (see 3.12)	(1.500)		
Net movement in Specific Grants	**(20.251)**	**0.983**	**0.822**
Treasury Management review/ PFI	(1.588)	(2.379)	(1.744)
Improvement Board	0.300	0.300	0.300
Other	**(1.289)**	**(2.079)**	**(1.444)**
Total	**(22.857)**	**0.355**	**1.412**

4.8 General Reserves

The proposed level of general reserves for 2021/22 is **£12.6m**, this represents a **£1.0m** increase on the 2020/21 level and the draft budget assumes a further **£1.0m** pa increase in years 2 and 3 and is predicated on an on-budget outturn for 2020/21.

4.9 Previously Agreed Savings

Table 8 summarises the continuing impact on the 2021/22 budget of previously made saving decisions:

- original profiles of agreed savings from previous MTFPs – mostly notably one-off Adults savings in 2020/21 that are now falling out https://committee.nottinghamcity.gov.uk/documents/s100482/MEDIUM%20TERM%20FINANCIAL%20PLAN%20MTFP.pdf
- latest impact of previous savings which were assessed in the 2020/21 Interim Budget is longer achievable due to the impact of Covid-19 on the medium term – mostly notably in Children in Care, Parking Services, Waste Management, Sports & Leisure
- on-going profile of savings agreed as part of the 2020/21 Interim Budget https://committee.nottinghamcity.gov.uk/documents/s108164/Interim%20Budget_FINAL.pdf

Table 8: Summary of Previously Agreed Savings

Budget Item	2021/22 £m	2022/23 £m	2023/24 £m
Net profile of previous MTFP Savings	2.257	2.285	2.729
Unachieved Savings due to COVID	3.797	3.039	2.446
Profile of Interim Budget Savings	(4.756)	(4.863)	(4.713)
Total	**1.298**	**0.461**	**0.463**

Table 9 below shows the profile of these previously agreed savings across the budgeted portfolios.

Table 9: Previously Agreed Savings by Portfolio

Budgeted Portfolio	2021/22 £m	2022/23 £m	2023/24 £m
Adult Care & Local Transport	1.602	1.566	1.646
Children & Young People	1.479	1.315	1.315
Communities, Highways & Strategic Transport	(0.142)	(0.202)	(0.624)
Employment & Community Protection	(0.800)	(0.925)	(0.925)
Energy, Environment & Democratic Services	(0.805)	(0.795)	(0.795)
Finance, Growth & the City Centre	(0.025)	(0.365)	(0.365)
Health, HR & Equalities	(0.102)	(0.102)	(0.102)
Housing, Planning & Heritage	(0.250)	(0.250)	(0.250)
Leisure, Culture & IT	(0.020)	(0.185)	(0.285)
Regeneration, Schools & Communications	(0.098)	(0.086)	(0.086)
Portfolios	**0.840**	**(0.028)**	**(0.470)**
Corporate	0.100	0.100	0.100
Companies	0.358	0.389	0.833
Total	**1.298**	**0.461**	**0.463**

4.10 **Portfolio Savings**

During the budget process, colleagues and councillors work together to identify budget 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 demand management, service transformation and efficiencies.

In addition the budget strategy for 2021/22 included an additional target of a further **5%** pay bill reduction for 2021/22 rising to **10%** by year 3. The Council has initially identified **£4.1m** aligned to this strategic aim and it will continue to work towards this target.

The January Consultation Report included a total savings of **£17.5m** for 2021/22 (including the already approved Voluntary Redundancy proposals). A number of these proposals have been reduced by a total **£1.3m** to reflect the partial year impact of proposals. Since the January report was published, further savings to the value of **£0.7m** have also been identified.

A summary of all portfolio savings proposed for 2021/22 are included in **Table10** below.

Table 10: Summary of 2021/22 Proposals			
Budget Item	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Voluntary Redundancy	(1.730)	(2.109)	(2.084)
Consultation Proposals	(10.501)	(13.983)	(14.015)
Workforce & Other Savings	(3.997)	(3.631)	(3.561)
Amended Savings from January report	**(16.227)**	**(19.722)**	**(19.660)**
Workforce & Other Savings	(0.662)	(0.716)	(0.716)
Additional Savings	**(0.662)**	**(0.716)**	**(0.716)**
Total	**(16.889)**	**(20.438)**	**(20.376)**

4.11 **Voluntary Redundancies**

Table 11 summarises the 'Phase 2' Voluntary Redundancy savings already approved in the 20 October Executive Board report across the budgeted portfolios.

https://committee.nottinghamcity.gov.uk/documents/s108958/Voluntary%20Redundancy%20Programme%20and%20Budget%20Proposals.pdf

Table 11: Phase 2 Voluntary Redundancies by Portfolio			
Budgeted Portfolio	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Adult Care & Local Transport	(0.321)	(0.428)	(0.428)
Children & Young People	(0.148)	(0.186)	(0.186)
Communities, Highways & Strategic Transport	(0.372)	(0.388)	(0.388)
Employment & Community Protection	0.000	0.000	0.000
Energy, Environment & Democratic Services	(0.061)	(0.081)	(0.081)
Finance, Growth & the City Centre	(0.235)	(0.235)	(0.235)
Health, HR & Equalities	(0.025)	(0.034)	(0.034)
Housing, Planning & Heritage	(0.008)	(0.011)	(0.011)
Leisure, Culture & IT	(0.300)	(0.400)	(0.400)
Regeneration, Schools & Communications	(0.259)	(0.346)	(0.321)
Total	**(1.730)**	**(2.109)**	**(2.084)**

4.12 **Consultation Proposals**

Table 12 summarises the latest position for proposals approved for public consultation in the 19 January Executive Board report across the budgeted portfolios

https://committee.nottinghamcity.gov.uk/documents/s114403/Budget%20Consultation%20Report.pdf

Details of proposals can be found within **Appendix 1**

Table 12: Consultation Proposals by Portfolio			
Budgeted Portfolio	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Adult Care & Local Transport	(3.990)	(4.049)	(4.049)
Children & Young People	(1.144)	(1.848)	(1.848)
Communities, Highways & Strategic Transport	(0.495)	(1.106)	(1.106)
Employment & Community Protection	(1.129)	(1.354)	(1.354)
Energy, Environment & Democratic Services	(0.693)	(1.018)	(1.018)
Finance, Growth & the City Centre	(1.061)	(1.284)	(1.284)
Health, HR & Equalities	(0.221)	(0.252)	(0.252)
Housing, Planning & Heritage	0.000	0.000	0.000
Leisure, Culture & IT	(1.247)	(2.037)	(2.070)
Regeneration, Schools & Communications	(0.402)	(0.914)	(0.914)
Portfolios	**(10.381)**	**(13.863)**	**(13.895)**
Corporate	(0.120)	(0.120)	(0.120)
Total	**(10.501)**	**(13.983)**	**(14.015)**

4.13 **Workforce & Other Proposals**

Table 13 summarises the latest position for workforce and other proposals, both new and those approved in the 19 January Executive Board report across the budgeted portfolios.

These proposals do not require public consultation as they have minimal or no service impact but they will be subject to trade union and other internal colleague consultation processes.

Table 13: Workforce & Other Proposals by Portfolio			
Budgeted Portfolio	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Adult Care & Local Transport	(0.707)	(0.245)	(0.225)
Children & Young People	(0.722)	(0.771)	(0.791)
Communities, Highways & Strategic Transport	(0.591)	(0.647)	(0.577)
Employment & Community Protection	(0.062)	(0.062)	(0.062)
Energy, Environment & Democratic Services	(0.979)	(0.844)	(0.844)
Finance, Growth & the City Centre	(0.547)	(0.559)	(0.559)
Health, HR & Equalities	(0.204)	(0.231)	(0.231)
Housing, Planning & Heritage	(0.196)	(0.137)	(0.137)
Leisure, Culture & IT	(0.462)	(0.664)	(0.664)
Regeneration, Schools & Communications	(0.190)	(0.186)	(0.186)
Total	**(4.659)**	**(4.346)**	**(4.276)**

4.14 **Corporate proposals to balance the budget**

The Council currently proposes to balance the 2021/22 budget with the use of **£2.1m** of reserves as detailed in **Table 14**.

Table 14: Balancing the Budget			
Budget Item	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Use of Resilience reserve	(2.104)		
Outstanding Workforce Target (initial 5% pay bill)		(5.546)	(5.636)
Transformation and Further Workforce Target		(16.932)	(19.351)
Total	**(2.104)**	**(22.478)**	**(24.987)**

4.15 **Reserves**

In addition to meeting funding gaps, the Council's ability to mitigate risk has been impacted by the significant reduction in earmarked reserves as part of its strategy to balance 2020/21. This will severely impact on the ability to fund transformation activity and workforce reduction costs. The Council will need to make some further use of reserves in 2021/22 to fund redundancy costs, of c£7.2m, inherent in the savings plan and to pump prime the transformation programme to begin to make the necessary progress in delivering the Recovery and Improvement Programme. A critical element of achieving long term financial sustainability is to ensure the Council has adequate reserves to manage any future risks and the Council's Chief Financial Officer (Section 151) has a statutory duty to make an assessment of the robustness of the budget and adequacy of reserves.

4.16 **External Support**

The Non-Statutory Review (NSR) identified the likelihood of the need for 'external financial support' in order to balance the 2021/22 budget. This was not expected to be in the form of additional Government grant but rather permitting the Council to borrow to allow it to spread its costs over a number of years whilst it transforms itself, reduces debt levels and sells land and property to release funds.

This would ensure that the Council could adequately fund the transformation programme, exit costs of the workforce reductions and maintain its reserve levels to protect itself against future risks. The Improvement Board and the Recovery and Improvement Plan will focus on how the Council will achieve a longer term and sustainable financial outlook and the Transformation Programme is critical in achieving this. Ongoing engagement will continue with MHCLG to determine the extent of the support that is available from Government.

A request to fund **£35m** of revenue spend from capital resources was submitted to MHCLG on 23 December 2020. The outcomes of the discussions with MHCLG are not yet known.

Further details in relation to the adequacy of reserves are set out in **Annex 5**

4.17 **Transformation**

There remains significant gaps for 2022/23 of **£22.5m** rising to **£25.0m** in 2023/24. These gaps are to be met from a combination of further workforce reduction and transformation activity.

The need to transform the Council's services is a key finding of the NSR and the Improvement Board will oversee progress and report regularly to the Secretary of State. Initiating and delivering a robust and ambitious Transformation Programme will become a

key priority for the Council in 2021/22 to ensure the delivery of a balanced and sustainable long term cost base for the Council.

4.18 **Budget Requirement**

Table 15 shows the proposed draft net budget requirement for 2021/22 and the current budget projections for 2022/23 and 2023/24.

Table 15: Net Budget				
Budget Item	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Table**
2020/21 Budget Requirement	248.059	248.059	248.059	15
Budget Refresh	14.678	47.343	56.951	3
Sub-total	**262.737**	**295.402**	**305.010**	
21/22 Proposals	(16.889)	(20.438)	(20.376)	10
Balancing the Budget	(2.104)	(22.478)	(24.987)	14
Net Budget	**243.744**	**252.486**	**259.648**	

4.19 **Funding**

Retained Business Rate income carries significant risks for the Council. The assumed share of the business rate income is **£66.5m** in 2021/22**,** which is **£1.5m** below 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 2021 estimated the net rates as **£141.2m** after all reliefs, with **£3.0m** assumed for bad debts (2.1%) and **£4.0m** for appeals (2.8**%**) leaving total collectible rates for 2021/22 as **£134.1m**.

The Council in 2021/22 expects to receive **£8.8m** section 31 grant, this grant compensates 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 16** below.

Table 16: Section 31 Grants (Business Rates)	
Budget Item	**2021/22 £m**
Multiplier cap	(3.439)
Small business rates relief	(3.848)
Supporting Small Business Relief	(0.030)
Local newspaper	(0.001)
NNDR1 return	**(7.318)**
Under-indexing of Top-up Grant	(1.489)

Total	**(8.808)**

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 2021/22.

Table 17 sets out the overall funding assumed within the budget.

Table 17: Funding			
Budget Item	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Retained Business Rates	(66.476)	(67.539)	(68.755)
Top Up Grant	(28.584)	(29.041)	(29.564)
Revenue Support Grant	(25.887)	(26.301)	(26.775)
Net Position	**(120.946)**	**(122.882)**	**(125.093)**

The draft budget assumes that retained business rates, top-up grant and RSG grant will all increase by currently projected future CPI inflation.

4.20 **Collection Funds**

The collection funds are held separately from the General Fund and account for income collected from council tax and business rates. An annual review is undertaken to assess the estimated level of collection, the likely balance of the funds 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.

Covid-19 has had a significant detrimental impact on the collection of Council Tax and Business Rates in 2020/21.

The Government has announced a local tax income guarantee for 2020/21 which will cover 75% of any irrecoverable losses. However payments under this scheme are not being provided directly to meet estimated collection fund deficits but will be calculated at the end of the financial year based on final outturn figures and accounted for in the 2020/21 accounts. Based on current income projections the City Council may receive circa **£1.8m** which will be prudently allocated to the Collection Fund reserve previously created to protect against any future volatility in Council Tax or Business Rates income.

It is currently estimated that there will be a deficit on the council tax collection fund of **£3.0m** with the City Council share of this being **£2.5m**.

It is also estimated that there will be a deficit on the business rates collection fund of **£67.8m** with the City Council share of this being **£33.2m**. Much of this deficit has been caused by the Government's introduction of expanded retail reliefs to businesses in response to Covd-19. The City Council will receive section 31 grant funding to fully compensate for this element of the deficit leaving a net impact of **£3.3m**.

To help spread the impact of these deficits the Government has announced legislation to enable any in-year elements to be repaid over three financial years rather than the usual one year. This enables the combined declared deficit of **£5.8m** to be spread over the 3 years with a profile as shown in **Table 18** below.

Table 18: Collection Fund Deficit			
Budget Item	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
In-year spread over 3 years	0.779	0.779	0.779
Prior year	0.185		

Council Tax Deficit	**0.964**	**0.779**	**0.779**
In-year spread over 3 years S31 grant for reliefs Prior year	31.398 (30.915) 1.811	0.483	0.483
Business Rates Deficit	**2.294**	**0.483**	**0.483**
Net Position	**3.259**	**1.262**	**1.262**

4.21 **Council Tax Requirement**

Table 19 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 2021/22 will be **£126.1m**, equating to a Band D of **£1,898.55** and a Band A of **£1,265.70**. This represents a basic increase of **1.99%** and an adult social care precept of **3.00%**.

The draft statutory Band D Council Tax calculation that will form the basis of the March City Council budget report is detailed at **Appendix 2.** Precepts and detailed statutory calculations are still to be finalised.

Table 19: Amount to be raised by Council Tax in 2021/22	
Budget Item	**2021/22 £m**
Net Budget Requirement Funding Collection Fund Deficit	243.744 (120.946) 3.259
Council Tax Requirement	**126.056**

5 Budget summary & MTFO assumptions

5.1 In examining proposals for the 2021/22 budget, the Council considers both the immediate situation and the longer term outlook and assesses the impact of decisions accordingly.

Current budgets for 2021/22 through to 2023/24 assumes:

- Council tax increases of **4.99%** in 2021/22 (**1.99%** basic increase and **3.00%** adult Social care precept), **1.99%** Council Tax increase for 2022/23 and 2023/24
- 2021/22 council tax base as per January report with assumed future underlying growth of 600 pa Band D equivalents.
- Council Tax Support Scheme adjustment to tax base of **1,237** Band D equivalents for 2021/22 as per January report, reflecting an projected increase of **8.8%,** with assumed 3 year recovery to pre-COVID levels
- Confirmed settlement funding for 2021/22 only with a working assumption that future funding will increase by current CPI inflation projections.
- Settlement assumptions will further updated once more details and authority exemplifications are known for future Spending Reviews, Fair Funding Review and 75% Rates Retention.
- Future increases in Retained Business Rates and associated section 31 grants reflect only CPI inflation projections with working assumption of nil underlying growth.
- Pay award for 2021/22 assumes a £250 increase per FTE at grades with a salary less than £24,000 and zero pay award for all other grades. Pay award of **2.00%** per

annum for future of the plan. At the time of writing the report the pay offer for 2021/22 has yet to be agreed, any variation to this assumption will need to be managed in-year.

- Assumed no NHB grant or legacy payments for 2022/23+ to support budget
- Assumed that all other specific grants, except for 2021/22 Covid-19 funding, will continue at their current level for all future years.

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

5.2 **Table 20** includes the impact of the 2021/22 budget savings contained elsewhere in this report. In order to achieve this balanced position for future years **£12.0m** additional pay bill savings and **£10.4m** of Transformation Savings, with **£15.1m** and **£9.9m** respectively in 2023/24 would need to be achieved.

Table 20: Budget Summary & Medium Term Financial Outlook			
Budget Item	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
2020/21 Net Budget Requirement	248.059	248.059	248.059
Updated Budget Assumptions	14.678	47.343	56.951
Sub-Total	**262.737**	**295.402**	**305.010**
21/22 Proposals	(16.889)	(20.438)	(20.376)
Balancing the Budget	(2.104)	(22.478)	(24.987)
Assumed Net Budget	**243.744**	**252.486**	**259.648**
Retained Business Rates, Top-up & RSG	(120.946)	(122.882)	(125.093)
Council Tax	(126.056)	(130.867)	(135.817)
Collection Fund Deficit	3.259	1.262	1.262
Assumed Funding	**(243.744)**	**(252.486)**	**(259.648)**

6 Financial Stability & the Management of Risk

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

6.2 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.

6.3 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 opening balance for 2021/22 is **£12.6m** 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 his capacity as S151 officer.

6.4 **Historical freeze on incremental pay rises – Supreme Court ruling**

In November 2018, the Supreme Court refused the Council's application to appeal a previous judgement in relation to the historical freeze on incremental pay rises. The matter was returned to the Nottingham Employment Tribunal to assess the position of individual claimants and oversee the complex process of agreeing schedules of loss; this legal process is still ongoing. This ruling is likely to result in additional costs to the Council; however as yet this is unknown. The full financial implications won't be known until the Nottingham Employment Tribunal process has been concluded.

7 CIPFA Financial Management Code

7.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code in October 2019. This code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. **Annex 5** provides more detail on the Financial Management Code and the principles that the Council will need to adopt in order to be compliant.

8 Accountability

8.1 Portfolio pages are included below, providing an outline of the key responsibilities of each portfolio and the headline revenue budget. Portfolio Holders are expected to deliver the City's policies and priorities within the resources made available to them. The budgets set for 2021/22 form the basis by which performance management can take place.

8.2 A critical element to achieve long term financial sustainability is to ensure savings proposals included within the budget are delivered. To support this objective the S151 Officer has introduced Implementation Plans and these are required for all savings and require sign-off from the relevant Corporate Director and Portfolio Holder. These will then be reviewed as part of the in-year budget monitoring process with Budget Review meetings where Corporate Directors and Portfolio Holders will report progress.

8.3 In addition to the Budget Review process, regular monitoring of budgets will continue to take place at various management levels within the Council, including at monthly reports to CLT, Leadership and Executive Panel and 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.

8.4 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.

8.5 The Council is implementing a new Enterprise Resource Planning (ERP) system with a go live date for Finance of April 2021. The original go live date of April 2020 was delayed due to the impact of the pandemic. The new Oracle ERP Finance system has been designed on the continued principle of Budget Managers being accountable and responsible for completing monthly financial forecasts. Payroll is due to go live later in Qtr2 of 2021/22 and consequently there will be a mix of reporting at the start of the year from old and new systems. The implementation of the new system and staggered go live will impact on the financial reporting in the first quarter of 2021/22, it is expected that full reporting from the new system will be available from quarter two and that a mix of on and off system reporting will be required initially. It's important to note that during this transitional period all senior managers within the Council remain accountable to deliver within their budgets and to be responsible for meeting all corporate financial reporting requirements and adherence to financial regulations.

9. Portfolio Pages

Leader / Regeneration, Schools & Communications – Councillor David Mellen

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**
- **Metro Strategy**
- **Schools**
    - Education Improvement Board
    - Educational provision 3 – 16 including Academies and Free Schools
    - School re-organisation and governance
    - Attendance
    - Special Educational Needs – Special Education Schools
    - Pupil Referral Units
    - Virtual School for Children in Care
    - Services to schools
    - Schools catering
- **Communications and Marketing**

Revenue Budget 2021/22: Regeneration, Schools & Communications				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio Proposals £m**	**Net Budget £m**
Total	**(14.115)**	**6.395**	**(0.850)**	**(8.571)**

Deputy Leader / Energy, Environment and Democratic Services – Councillor Sally Longford

Broad Responsibilities:

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

- **Sustainability**
  - Climate change and Carbon Reduction
  - Nature Conservation - Strategy
- **Energy, energy bills, fuel poverty**
  - Energy from Waste including Enviroenergy (Waste Recycling Group)
  - Nottingham Energy Partnership
  - Waste disposal and waste collection
  - Clean air / Air quality
  - Emergency Planning
  - Flooding and flood risk
  - Robin Hood Energy
  - Smart Cities
- **Legal and Democratic Services**
  - Elections
  - Monitoring
  - Facility and Building Services
- **Customer Services and Customer Care**

Revenue Budget 2021/22: Energy, Environment and Democratic Services				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
Portfolio	23.644	0.874	(1.733)	22.785
Corporate item	0.090	0.000	0.000	0.090
Total	**23.734**	**0.874**	**(1.733)**	**22.875**

Adult Care & Local Transport – Councillor Adele Williams

Broad Responsibilities:

- **Adults**
  - Corporate Strategies for Older People and Vulnerable Adults
  - Championing Independent Living
    - telecare
    - catering
  - Adult Safeguarding
  - Lead on commissioning of Adults Services
  - Health and Social Care Integration (shared)
  - Meals at Home
  - Adult Passenger Transport
- **Neighbourhood Transport**
  - NET phase 1,2 and 3
  - Public Transport
  - Corporate Transport Fleet
  - Cycling
- **Local Transport Strategy**

Revenue Budget 2021/22: Adult Care & Local Transport				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio Proposals £m**	**Net Budget £m**
Total	**102.112**	**(0.626)**	**(5.018)**	**96.469**

Children & Young People – Councillor Cheryl Barnard

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 justice services
  - Children's Centres
  - Children's Disability
  - Children's Mental Health
  - Lead on commissioning of Children's Services
  - Early Years

Revenue Budget 2021/22: Children & Young People				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio Proposals £m**	**Net Budget £m**
Total	**55.269**	**11.416**	**(2.014)**	**64.672**

Communities, Highways & Strategic Transport – Councillor Rebecca Langton

Broad Responsibilities:

- **Neighbourhood Regeneration**
  - Neighbourhood Retail Management
  - Cleansing and Street Scene
- **Area Working**
  - Area committee highways work
  - Neighbourhood Management
  - Community Engagement
  - Neighbourhood communications
  - Welfare Rights
- **Partnerships – voluntary sector and faith**
  - Lead on refugees and asylum seekers
  - Community Sector and Volunteering
  - Community Centres
  - Community Cohesion
  - Equalities in the community
  - One Nottingham
  - Armed Forces Champion
- **Strategic Transport and Highways**
  - HS2
  - Road repairs and resurfacing
  - Traffic Management and Parking
  - Highways Design and Maintenance
  - Parking Enforcement
  - Street Lighting

Revenue Budget 2021/22: Communities, Highways & Strategic Transport				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio Proposals £m**	**Net Budget £m**
Total	**8.437**	**2.544**	**(1.458)**	**9.523**

Employment & Community Protection – Councillor Neghat Kahn

Broad Responsibilities:

- **Jobs and Skills**
  - Lead on skills and employment
  - Post 16 Training, FE and HE
  - Apprenticeships
  - 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
  - Employability in Schools
- **Community Safety**
- **Crime and Drugs Partnership**
  - Overview of the Council's Section 17 responsibilities
  - Public and Consumer Protection
  - Community Safety and Respect for Nottingham
  - Domestic Violence

Revenue Budget 2021/22: Employment & Community Protection				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio Proposals £m**	**Net Budget £m**
Total	**8.715**	**(0.850)**	**(1.190)**	**6.675**

Finance, Growth & the City Centre – Councillor Sam Webster

Broad Responsibilities:

- **Finance & Resources**
  - Finance
  - Health and Safety
  - Risk Management
  - Collection of Council Tax and NNDR
  - Housing and Council Tax Benefits
- **Income Generation and Commercialisation**
- **Commissioning and Procurement**
- **City Centre Management**
  - City Centre Retail Management
  - Licensing and Environmental Health
  - Trading Standards
  - Taxi Strategy
- **Business & Growth**
  - Growth Plan Delivery
  - Business Support, Development and Liaison
  - Inward Investment
  - Social Enterprise and Enterprise Development
- **Creative Quarter**

Revenue Budget 2021/22: Finance, Growth & the City Centre				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
Portfolio	9.301	2.705	(1.843)	10.163
Corporate items	45.718	(13.920)	(2.224)	29.575
Total	**55.019**	**(11.215)**	**(4.067)**	**39.737**

Health, HR & Equalities – Councillor Eunice Campbell-Clark

Broad Responsibilities:

- **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
  - Oral / Dental health
  - Wider Health Links
- **HR and Transformation**
  - Equalities within the Council
- **Health and Social Care Integration (shared)**

Revenue Budget 2021/22: Health, HR & Equalities				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio Proposals £m**	**Net Budget £m**
Total	**(6.828)**	**0.052**	**(0.449)**	**(7.225)**

Housing, Planning & 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
  - Temporary Accommodation commissioning
  - HiMOs
- **Heritage**
- **Homelessness and Housing Aid**
  - Policy and Operational

Revenue Budget 2021/22: Housing, Planning & Heritage				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio & Corporate Proposals £m**	**Net Budget £m**
Portfolio	6.577	0.807	(0.205)	7.179
Corporate item	(2.950)	0.786	0.000	(2.164)
Total	**3.627**	**1.593**	**(0.205)**	**5.015**

Leisure, Culture & IT – Councillor Dave Trimble

Broad Responsibilities:

- **Leisure and Culture**
  - Parks, allotments, open spaces and playgrounds
  - Street Parks (Play Zones)
  - Leisure Centres
  - 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**
  - Place Marketing Organisation
- **Markets, fairs and toilets**
- **Cemeteries and crematoriums**
- **Digital Inclusion and IT**
  - Information Management and Assurance
- **International and European Links**

Revenue Budget 2021/22: Leisure, Culture & IT				
	Base Budget £m	**Adjustments, Inflation & Previous Decisions £m**	**Portfolio Proposals £m**	**Net Budget £m**
Total	**12.088**	**4.495**	**(2.009)**	**14.574**

10 Tax Strategy and Policy – year ended 31 March 2022

10.1 Context

The purpose of this section is to set out the Council's (comprising the Council and its subsidiary companies) policy and approach to conducting its tax affairs and dealing with tax risk for year ended 31 March 2022. Organisations and groups with an annual turnover of £200m per annum are legally required to publish a tax strategy, for organisations with a lower turnover although not statutorily required to do so the adoption of a tax strategy is considered to be good practice. This document draws on the Council's current approach to Tax administration and follows best practice in the sector and from advisers.

The document will be reviewed annually by the Council's Section 151 Officer and any amendments will be presented to Executive Board for approval.

This document addresses the Council's:

a) Approach to risk management and governance arrangements
b) Attitude towards tax planning
c) Level of acceptable risk in relation to UK taxation
d) Approach to dealings with HM Revenue & Customs

10.2 Tax Policy

In line with the Council's commitment to adhere to the best ethical and professional standards, the Council commits to conduct its tax affairs in order to:-

a) Comply with all relevant tax laws, rules, regulations and reporting requirements wherever it operates
b) Ensure that the tax strategy is at all times consistent with the overall strategy, approach to risk and values of the Council.
c) Apply diligence and care to the management of risks associated with tax matters, and ensure that governance and assurance procedures are appropriate
d) Foster constructive, professional and transparent relationships with tax authorities, based on integrity, collaboration and mutual trust
e) The Council will use incentives and reliefs to minimise the tax costs of conducting its activities. The Council will not enter into transactions that have a main purpose of gaining a tax advantage or intentionally make interpretations of tax law that are opposed to the original intention of the legislation.

10.3 Risk Management and Governance

In accordance with the Council's Constitution, the Audit Committee has oversight of the governance of Council Affairs. The Council prepares an Annual Governance Statement in accordance with the Accounts and Audit (England) Regulations 2015 which is considered annually by the Audit Committee alongside the Statement of Accounts. The Council has adopted a Governance Framework that is consistent with the 2016 CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

10.4 Authority is delegated to officers for the day-to day operation of the Council's affairs in accordance with an agreed schedule of delegation. As head of paid service the Chief Executive is ultimately accountable to the Council for all aspects of operational management of Council affairs.

10.5 The Monitoring Officer and Section 151 Officer fulfil key roles in ensuring that the Council complies with all applicable statutes and regulations and maintains appropriate financial records and systems of control. The operational application of these roles is delegated to other officers within the Council establishment.

10.6 Personnel managing the Council's tax affairs are appropriately qualified and experienced; they are required to update their knowledge through Continuing Professional Development and liaising with colleagues within the sector through appropriate forums and informally to ensure that best practice is maintained.

When it is judged to be required the Council seeks advice from appropriately qualified external advisers.

The Council adopts appropriate risk management processes and controls to provide assurance that the Council is complying with the requirements of applicable statutes and the Tax Strategy. This includes consideration of reputational risk arising from the Council's approach to tax.

10.7 Attitude to Tax Planning

The Council's policy in relation to tax is to comply with its legal duty to account for and pay all tax due and recover all tax to which it is entitled.

The Council will use available incentives and reliefs to minimise the tax costs of conducting its activities, thereby retaining more funds available to maintain the delivery of services to citizens.

The Council aims to pay the amounts of tax legally due. There are likely to be circumstances where this amount may not be clearly defined, or where alternative interpretations or approaches might result in different tax outcomes. In these circumstances, the Council will use its best judgement to determine the appropriate course of action. This will usually involve seeking advice from external professional advisers and/or HMRC.
The Council will not enter into transactions that have a main purpose of gaining a tax advantage or intentionally make interpretations of tax law that are opposed to the original intentions of the legislation.

10.8 Level of Acceptable Risk

In accordance with generally accepted best practice, The Council's appetite to risk is determined on an activity basis such that risks are taken in a controlled manner within the overall governance framework set by Council with a generally cautious approach to risk. The Section 151 Officer will determine the degree of risk in any activity, consulting colleagues, members of Council and external advisers as appropriate.

10.9 Relationship with HM Revenue & Customs

It is the Council's intention to have constructive, professional and transparent relationships with tax authorities, based on concepts of integrity, collaboration and mutual trust. The Council's aim is to meet all its statutory and legislative tax requirements.

As part of this, personnel managing the Council's tax affairs will:

- Submit all statutorily required returns and payments in accordance with deadlines and respond to requests for information by tax authorities in a courteous and timely manner

- Conduct all dealings with tax authorities with openness and honesty, maintaining the Council's standard policies on integrity and ethics.
- Engage in open and early dialogue to discuss tax planning, strategy, risks and significant transactions
- Aim to minimise the risk of future challenge and gain certainty in our tax affairs by proactively entering into dialogue with HMRC in real time with regard to issues where the correct treatment is uncertain.
- Where disagreements arise, work together to resolve issues by agreement (where possible)
- Respond to Consultations as appropriate, either directly with HMRC or via appropriate representative groups.

10.10 Bodies covered by this Tax Strategy and Policy

The following bodies are covered by this strategy and policy:

- Enviroenergy Ltd
- Nottingham City Council
- Nottingham City Homes
- Nottingham City Transport
- Nottingham Ice Centre Limited
- Nottingham Revenues & Benefits Ltd
- Thomas Bow Ltd

Adult Care & Local Transport

Appendix 1a

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	People (Adults)	Health Integration	Commissioning review	A programme of strategic commissioning review and redesign to ensure the best value in adult social care commissioning spend. Savings based on service reconfiguration and contract reviews across community support, home care and residential care services	(3.000)	(3.000)	(3.000)
2	People (Adults)	Directorate	New health & social care operating model	To create a new target operating model for Adult Social Care and integrated health and care for the city. Review and reshape the Adult Social Care structure to deliver a more sustainable service model with NHS and communities	(0.100)	(0.100)	(0.100)
3	People (Adults)	Health Integration	Transform social care practice to deliver strengths-based approaches	Introduction of consistent strengths-based practice to reduce reliance on formal care services and to promote independence	(0.100)	(0.100)	(0.100)
4	C&O	Transport & Fleet	Renew fleet parts contract	Undertake retendering of existing parts contract for fleet services and secure 3% efficiency savings from Nov 21	(0.020)	(0.040)	(0.040)
5	C&O	Transport & Fleet	Service redesign of Fleet service	Restructure to reduce posts in fleet by July 2021 due to efficiency savings through introduction of new 'Fleet Wave' paperless IT system	(0.050)	(0.089)	(0.089)
6	C&O	Transport & Fleet	Staff MOT & Servicing offer	Launch of new staff competitive mot and servicing offer from 21/04/21, maximising capacity in light vehicle workshop	(0.020)	(0.020)	(0.020)
7	D&G	Concessionary Fares	Rationalisation of linkbus network	Rationalised linkbus feeder network and Medilink retained through Workplace Parking Levy funding	(0.700)	(0.700)	(0.700)
PORFOLIO TOTAL					**(3.990)**	**(4.049)**	**(4.049)**

Children & Young People

Appendix 1b

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	People (Children's)	Vulnerable Children & Families Directorate	Extend block contract for residential placements	Increase the block contract through a Procurement process	(0.126)	(0.380)	(0.380)
2	People (Children's)	Vulnerable Children & Families Directorate	Block contract for independent fostering	Commission bespoke small block independent fostering provider	(0.050)	(0.050)	(0.050)
3	People (Children's)	Vulnerable Children & Families Directorate	Semi Independence transformation	Establishing Gap home, supported lodgings and another transition house to provide different options for young people in semi-independence and leaving care	(0.100)	(0.200)	(0.200)
4	People (Children's)	Children's Social Care Directorate	Specialist intervention to avoid older children coming into care	Application of evidence-based Multi-Systemic Therapy team to reduce the numbers of teens going into care	(0.300)	(0.300)	(0.300)
5	People (Children's)	Vulnerable Children & Families Directorate	Rehabilitation service	Dedicated social work service to work on restoring children in care to their families of origin following intensive work and input	(0.300)	(0.300)	(0.300)
6	People (Children's)	Vulnerable Children & Families Directorate	Children's Centre offer	Children's Centre offer will become more targeted and available from fewer locations working with partners to redesign the universal offer	(0.234)	(0.418)	(0.418)
7	People (Children's)	Vulnerable Children & Families Directorate	Increase internal residential provision	Replicate our 4 bedded children's home to provide more internal residential care	(0.034)	(0.200)	(0.200)
PORTFOLIO TOTAL					**(1.144)**	**(1.848)**	**(1.848)**

Communities, Highways & Strategic Transport

Appendix 1c

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Community Centres	Reduce the number of Council owned Community Centres	Transfer/ Disposal of 3 Community Centres Review and identification of surplus community assets	(0.060)	(0.082)	(0.082)
2	C&O	Community Centres	Reduce Area Based Grants by 10%	Current contracts finish March 2022. Recommission service with a 10% funding cut from 2022 as part of tender process	0.000	(0.118)	(0.118)
3	C&O	Community Centres	Reduce Communities of Identify Grants by 10%	Current contracts finish March 2022. Recommission service with a 10% funding cut from 2022 as part of tender process	0.000	(0.049)	(0.049)
4	C&O	Neighbourhoods & Community Engagement	Reduce Cllr Local Area Grants by 25%	Reduce the amount each ward area receives in local area grants by 25%	(0.044)	(0.044)	(0.044)
5	C&O	Neighbourhoods & Community Engagement	Review unspent ward budgets	Review in-year unspent ward revenue budget	(0.050)	0.000	0.000
6	C&O	Neighbourhoods & Community Engagement	Create a new approach to Neighbourhood & Community Working	Changes to operating models to strengthen how communities are supported and broadening out the geography boundaries that are operating	(0.113)	(0.154)	(0.154)
7	C&O	Neighbourhoods & Community Engagement	Removal of Student Action Officer	Realignment of Student support activity enables efficiencies in how the Council support residents that are also students	(0.030)	(0.042)	(0.042)
8	C&O	NS Operational Hub	Reduce staff resources in the supported colleague hub.	Remove vacant posts (general operatives) within the supported employee team	(0.048)	(0.048)	(0.048)
9	C&O	Parking Services	New cashless parking scheme: Lenton Industrial estate	Introduce new on street cashless parking scheme by Nov 21	(0.020)	(0.050)	(0.050)
10	C&O	Parking Services	New cashless parking scheme: Queens drive industrial estate	Introduce new on street cashless parking scheme by Nov 21	(0.016)	(0.040)	(0.040)
11	C&O	Parking Services	New cashless parking scheme: Blenheim industrial estate	Introduce new on street cashless parking scheme by Nov 21	(0.012)	(0.030)	(0.030)
12	C&O	Parking Services	Off street car parks tariff review	Small increase in off street tariffs at MSCP and surface car parks from 01/04/21	(0.060)	(0.060)	(0.060)

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
13	C&O	Parking Services	Increased ULEV Framework sales	Promotion of the new ULEV vehicle purchasing framework to other local authorities to support them converting to ULEV vehicles. (NCC receive 1% commission on all vehicle sales through this new framework)	(0.005)	(0.005)	(0.005)
14	CEX	Commercial Finance	Welfare Rights	Amalgamation of 2 teams supporting the city	(0.036)	(0.050)	(0.050)
15	CEX	Commercial Finance	Welfare Advisory services	Review the offer in conjunction with other advisory services - Housing Aid, NCH advisors and CAB & make or buy	0.000	(0.335)	(0.335)
PORTFOLIO TOTAL					**(0.495)**	**(1.106)**	**(1.106)**

Employment & Community Protection

Appendix 1d

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Security & Logistics	Removal of 24/7 monitoring of Public Space CCTV Monitoring	Redesign of how Public Space CCTV is actively monitored across the City	(0.148)	(0.202)	(0.202)
2	C&O	Security & Logistics	Reduction of the Security offer for Loxley House	Loxley House Security reduced to Public opening hours plus 15mins each side	(0.050)	(0.050)	(0.050)
3	C&O	ASB	Reduction of ASB Enforcement Officers	Removal of ASB Enforcement Officer posts	(0.100)	(0.110)	(0.110)
4	C&O	Uniformed Services	Reduction of Community Protection Officers	Transformation to a response model of service delivery with a tighter focus on the statutory responsibilities of the service	(0.633)	(0.709)	(0.709)
5	C&O	Community Protection Directorate	Redesign of Tasking, Intelligence & Support function	Deletion of non-frontline business support post	(0.023)	(0.032)	(0.032)
6	S&R	Human Resources	Employability budget reduction	Maximise in house support and training for apprentices and work services across the council should enable us mitigate the impact of this proposal	(0.175)	(0.250)	(0.250)
PORTFOLIO TOTAL					**(1.129)**	**(1.354)**	**(1.354)**

Energy, Environment & Democratic Services

Appendix 1e

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Energy Services	BEIS grant funding to facilitate Green Homes Grant Programme	Energy Services have recently extended their value of a Section 31 Agreement with the Department for Business Energy and Industrial Strategy (BEIS)	(0.200)	(0.200)	(0.200)
2	C&O	Waste Management	Bulky Waste (White Goods) Charging Charge £10 per collection	Introduce a charge of £10 for the collection of 'large item white goods' (e.g. fridges, freezers, washing machines, tumble dryers)	(0.035)	(0.035)	(0.035)
3	C&O	Waste Management	Garden Waste Charge for additional bin(s)	Retain free garden waste service, and introduce a charge of £25 for households who have / request a second bin. £25 per additional garden waste bin.	(0.027)	(0.027)	(0.027)
4	C&O	Facilities & Building Services	Circa 10% reduction of internal cleaning spend to reflect building closure/under occupancy	Impacted by exit or reduced occupancy of satellite offices and depots	(0.050)	(0.100)	(0.100)
5	C&O	Waste Management	Waste Operations	Proposed to increase Bin Starter Packs to £35 for 2 x bins and £50 for 3 x bins (from £20/£35). Removal of RPI on green waste disposal charge	(0.035)	(0.035)	(0.035)
6	S&R (as lead)	Customer Services	Improving customer access to the council	Rationalisation of contact centres and incoming calls across the council to provide one customer focused entry point. 2 year programme - savings to mature in 22/23	(0.275)	(0.550)	(0.550)
7	CEX	Legal & Governance	Reduction of grade D post	Reduction of grade D post	(0.024)	(0.024)	(0.024)
8	CEX	Legal & Governance	Reduction of Area Committees and associated members allowance budget	Reduction of Area Committees and associated members allowance budget. 7 Area Committees @ £6,763 per chairs allowance.	(0.047)	(0.047)	(0.047)
PORTFOLIO TOTAL					**(0.693)**	**(1.018)**	**(1.018)**

Finance Growth & the City Centre

Appendix 1f

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Environmental Health & Licensing	Environmental Health, Trading Standards, Licensing.	Review of statutory functions, creating a new three stage operating model	(0.126)	(0.172)	(0.172)
2	C&O	Nottingham Catering	Reduction in commercial catering outlets & management cost	Commercial Catering services and sites have been significantly impacted by Covid. We will only retain the commercially viable operations, and this allows for a reduction in management costs by the release of a management post	(0.035)	(0.048)	(0.048)
3	D&G	Economic Development Business Growth	Grant income repurpose	Use new grant income to replace business growth components of economic development programme	(0.250)	0.000	0.000
4	S&R	Analysis & Insight	Deletion of PH Insight Specialist L1 role	Reduction in Public Health Insight Specialist capacity	(0.032)	(0.044)	(0.044)
5	CEX	Commercial Finance	Contract efficiencies	Review of non-pay budgets and external contracts	(0.200)	(0.200)	(0.200)
6	CEX	Commercial Finance	Removal of the Northgate contract	Top slice of funding removed as a result of removing the contract. Contract ends 1 October 2021	(0.146)	(0.292)	(0.292)
7	CEX	Commercial Finance	Commercial Finance	Removal of posts providing transactional activities to budget managers based on managers fully operating self-serve in relation to monitoring actual financial activity	(0.067)	(0.073)	(0.073)
8	CEX	EMSS	Review of internal contracts for delivery of financial function	Review of internal contracts/Service Level Agreement alignment of delivery of service	(0.020)	(0.200)	(0.200)
9	CEX	Corporate & Strategic Finance	Transactional Finance - realignment of functions & processes	Realignment of functions and processes within transactional finance, resulting in the deletion of 3.8 FTE posts of which 2 are vacant	(0.131)	(0.200)	(0.200)
10	CEX	Corporate & Strategic Finance	Review of HRA capital support	Full recharge of costs in relation to the HRA capital programme	(0.054)	(0.054)	(0.054)
PORTFOLIO TOTAL					**(1.061)**	**(1.284)**	**(1.284)**

Health, HR & Equalities

Appendix 1g

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	People (Public Health)	Public Health	Remove Dental Health Budget	Removal of the recurrent allocation to provide dental public health	(0.015)	(0.015)	(0.015)
2	People (Public Health)	Public Health	Reduce staffing related costs	Travel and training needs are removed due to current ways of working	(0.023)	(0.023)	(0.023)
3	People (Public Health)	Public Health	Maximise the Public Health Grant across NCC	Maximise use of the Public Health grant to support wider council functions which contribute towards improved health and wellbeing outcomes	(0.144)	(0.144)	(0.144)
4	People (Public Health)	Public Health	Health Check software	Negotiated reduction in software contract	(0.007)	(0.007)	(0.007)
5	People (Public Health)	Public Health	Integrated approach to public health service delivery	Working with the ICP to reshape how we deliver mandatory services. Progress opportunities for integrated commissioning with Health	0.000	(0.020)	(0.020)
6	S&R	Human Resources	Further reduction to corporate Development & Change Team	Further reduction to corporate Development & Change Team	(0.032)	(0.044)	(0.044)
PORTFOLIO TOTAL					**(0.221)**	**(0.252)**	**(0.252)**

Housing, Planning & Heritage

Appendix 1h

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
			None				
PORTFOLIO TOTAL					**0.000**	**0.000**	**0.000**

Leisure, Culture & IT **Appendix 1i**

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	C&O	Facilities & Building Services	Introduce a charge for use of city centre toilets	Introduce a user charge via contactless / cashless payment mechanism at the city centre Greyhound St toilets. Retain the single public toilet facility at Bulwell Bus Station as a free of charge facility	(0.045)	(0.045)	(0.045)
2	C&O	Museums	Reduction in external grants to cultural partners	Reduction on cultural organisation grants	(0.107)	(0.107)	(0.107)
3	C&O	Museums	Review of admission charges	Review of charges at heritage sites	(0.100)	(0.100)	(0.100)
4	C&O	Museums	Museum service efficiencies	Redesign of museum operations	(0.101)	(0.135)	(0.135)
5	C&O	Libraries	Commence Libraries needs assessment	Complete libraries needs assessment to support future library service efficiencies	(0.070)	(0.200)	(0.233)
6	C&O	Sport & Leisure	Review of Sport & Leisure service	Review the future of John Carroll Leisure Centre, including options which could include the transfer or closure of the building	(0.444)	(0.644)	(0.644)
7	C&O	Sport & Leisure	Review of Sport & Leisure service	Review the operation of the sport and leisure centre service	0.000	(0.289)	(0.289)
8	C&O	Events & Goose Fair	Redesign of event programme	Review programme of major events	(0.080)	(0.148)	(0.148)
9	C&O	Cemeteries & Crematoria	Business Plan Proposal	Including Fees and Charges - 3% on burials / cremations / misc. items	(0.060)	(0.060)	(0.060)
10	C&O	Parks & Open Spaces	Redesign of Parks & Open Spaces structures and budgets	Reorganisation of Parks & Open Spaces management duties to release posts; transfer of operational roles to Street Scene services. Associated reductions in supplies & services costs	(0.190)	(0.260)	(0.260)
11	D&G	Tourism	Review of place marketing	Gradual reduction of funding to allow for current review process on place marketing to conclude and strategy for attracting external income from business to be implemented'	(0.050)	(0.050)	(0.050)
PORTFOLIO TOTAL					**(1.247)**	**(2.037)**	**(2.070)**

Regeneration, Schools & Communications

Appendix 1j

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	People (Education)	Education Partnerships	ASC/SEND/Children's: Passenger & mainstream transport	Seeking further efficiency in sourcing/delivery and policy decisions across People's Services	(0.015)	(0.015)	(0.015)
2	People (Education)	Education Partnerships	Income generating services	Review of the existing income generating services and cease where they are not covering costs	(0.066)	(0.090)	(0.090)
3	People (Education)	Education Partnerships	Removal of services from College Street Centre	Exit College Street and release the building for sale	0.040	0.040	0.040
4	People (Education)	Education Partnerships	Increase income from traded services	Increase income from traded SEND services including Education Psychology, Learning Support, Autism and Sensory Services	(0.100)	(0.100)	(0.100)
5	D&G	Main Operational Buildings	Operational Property rationalisation	Reduce NCC occupancy in Loxley House & rent out space. Savings to start in year 2 given lag in rental income. Assumes c£0.4m costs to provide equipment for hybrid workers	0.000	(0.350)	(0.350)
6	D&G	Major Projects	Alternative funding for cross-Council PMO	Removal of remaining Major Projects revenue budget to be paid for from creation of cross-Council PMO funded by capital	(0.038)	(0.038)	(0.038)
7	D&G	Economic Development Partner & Policy	Reduction of grant to Futures	Reduce NEET grant to statutory minimum	(0.050)	(0.050)	(0.050)
8	S&R	Marketing & Communications	Reduction of corporate campaign budget	Reduce the corporate campaign budget	(0.040)	(0.040)	(0.040)
9	S&R	Marketing & Communications	Reduction to Arrow Magazine Budget	2 digital and 1 printed and posted	(0.076)	(0.076)	(0.076)
10	S&R	Marketing & Communications	Reduction of corporate communications budget	Reduce the corporate communications budget	(0.057)	(0.025)	(0.025)
11	S&R	Marketing & Communications	Review council communications & marketing services.	Review council communications and marketing services	0.000	(0.170)	(0.170)
PORTFOLIO TOTAL					**(0.402)**	**(0.914)**	**(0.914)**

Corporate Item

Appendix 1k

	Department	Service Area	Title of Proposal	Narrative	2021/22 £m	2022/23 £m	2023/24 £m
1	Corporate	Financing & Investment	Treasury Management	Treasury Management - saving generated from treasury management activity from work undertaken to reduce cost of borrowing / generate financial returns from use of resources. Includes the renegotiation of contract with external advisors	(0.120)	(0.120)	(0.120)
CORPORATE TOTAL					**(0.120)**	**(0.120)**	**(0.120)**

Appendix 2 - draft statutory calculations of 2021/22 Band D Council Tax

Extract from draft City Council Recommendations

2.1 (3) a council tax requirement of **£126,056,126** including the calculations required by Sections 30 to 36 of the Local Government Finance Act 1992 ("the Act"), as set out below:

(a) **£986,375,201** being the aggregate of the expenditure, allowances, reserves and amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;
(b) **£860,319,075** being the aggregate of the income and amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act;
(c) **£126,056,126** being the amount by which the aggregate at **2.1(3)(a)** above exceeds the aggregate at **2.1(3)(b)** above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year;

(4) a City Council Band D basic amount of council tax for 2021/22 of **£1,898.55** being the amount at **2.1(3)(c)** divided by the amount at **2.2(3)** below, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year

2.2 the following be noted:

(1) a Nottinghamshire and City of Nottingham Fire and Rescue Authority precept at Band D for 2021/22 of **£82.95**.
(2) a Nottinghamshire Police and Crime Commissioner precept at Band D for 2021/22 of **£244.26**.
(3) in January 2021, the City Council calculated the amount of **66,396** as its council tax base for the year 2021/22 in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

Background

The legislation governing the setting of council tax is contained in the Act. Section 31B(1) requires a billing authority to calculate the basic amount of its council tax, which in the City Council's case is that applicable to Band D dwellings in its area.

The calculation is made in accordance with a formula **R/T**

R is the amount calculated by the City Council as its council tax requirement for 2021/22, calculated in accordance with section 31A(4) of the Act. The Executive Board as its meeting on 23 February 2021 determined the council tax requirement to be **£126,056,126.**

T is the amount calculated by the City Council as its council tax base for 2021/22. In January 2020 the City Council calculated the amount of **66,396** as its council tax base for the year 2021/22 in accordance with Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

This tax base assumed the retention of the current Council Tax Support Scheme for financial year 2021/22, having regard to the Public Sector Equality Duty and noting that local circumstances have not changed sufficiently to warrant changes.

Application of the formula R/T thus gives a basic amount of council tax of:

$$\frac{£126{,}056{,}126}{66{,}396} = £1{,}898.55$$

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

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

Band	Factor	Basic amount of council tax
A	6/9	£1,265.70
B	7/9	£1,476.65
C	8/9	£1,687.60
D	9/9	**£1,898.55**
E	11/9	£2,320.45
F	13/9	£2,742.35
G	15/9	£3,164.25
H	18/9	£3,797.10

It should be noted that, for the financial year 2021/22, the Nottinghamshire Police and Crime Commissioner has issued the following amounts in precepts in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£162.84	£189.98	£217.12	£244.26	£298.54	£352.82	£407.10	£488.52

It should also be noted that, for the financial year 2021/22, the Nottinghamshire and City of Nottingham Fire and Rescue Authority has issued the following amounts in precepts in accordance with Section 40 of the Act for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£55.30	£64.52	£73.73	£82.95	£101.38	£119.82	£138.25	£165.90

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

The impact of the proposals in the council tax is provided below:

Band	City Council £	Police & Crime Commissioner £	Fire & Rescue Authority £	Aggregate Council Tax £
A	£1,265.70	£162.84	£55.30	£1,483.84
B	£1,476.65	£189.98	£64.52	£1,731.15
C	£1,687.60	£217.12	£73.73	£1,978.45
D	**£1,898.55**	**£244.26**	**£82.95**	**£2,225.76**
E	£2,320.45	£298.54	£101.38	£2,720.37
F	£2,742.35	£352.82	£119.82	£3,214.99
G	£3,164.25	£407.10	£138.25	£3,709.60
H	£3,797.10	£488.52	£165.90	£4,451.52

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Annex 3

Capital Programme

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Annex 3

Capital Programme

1. Introduction

1.1 The Government commissioned a non-statutory review of the Council in November 2020 with the findings being published in December. The published review highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the council and the reduction in the balances of reserves held which further reduces budget flexibility.

1.2 Following the review the council has published a Recovery & Improvement Plan 2021 – 2024. The Plan acknowledges that a sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council and as such a revised Capital Strategy together with a Voluntary Debt Reduction Policy has been developed. These are important strategies and will support the delivery of the plan. Key activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities
- Revised Debt Management Strategy aligned with the Capital Strategy with an aim paying down debt over time.
- Creating a revised Capital Strategy incorporating a prioritisation process.
- Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council

1.3 The implementation of the Capital Strategy will assist in the Council meeting its Recovery and Improvement Plan by ensuring:

- Capital investment is strictly prioritised and meets the Council's objectives within a set funding envelope.
- Investment meets the CIPFA criteria of being prudent, sustainable, affordable and value for money.
- The Council is appropriately responding to the recommendations raised in the non-statutory review.
- The Capital Programme does not include any schemes that meet HM Treasury's definition of debt to yield.
- Capital projects are delivered within budget and in a timely manner.
- Members and Senior Officers have a common understanding of the financial context the Council is operating in and the capital principles underpinning capital decisions within the Council.

1.4 **Annex 3** sets out the draft capital programme, incorporating the capital budget for 2020/21 – 2025/26. The capital budget is aligned to the Capital 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. While ensuring the programme is affordable and the Council is in a position to reduce overall debt levels in accordance with revised policies.

1.5 This draft capital programme has been amended in line with the non-statutory review regarding the level of debt within the Council and the level of unsecured capital receipts required to fund the Capital Programme. The Capital Programme has been reviewed and a number of schemes been removed or rephased. This review concluded in February 2021 and **c£14.7m** of General Fund schemes were de-committed and a further **£19.4m** of Public Sector Housing schemes were removed. Details of the schemes removed can be found in **Appendix E**.

1.6 The programme sets out investment of **£665.8m**, from 2020/21 to 2025/26, enabling substantial regeneration in and around the City and allowing the Council to deliver the capital requirements that have arisen from service needs. This includes**:**

- Investing in Council Housing through the HRA
- Homeless dispersed property purchases
- Investment in Disabled Facilities
- Regeneration of the Southside of the city
- Development of the Broadmarsh Carpark, Bus Station and library
- Transforming cities
- Local Transport Plan and Other Transport Schemes
- A vehicle replacement programme
- Nottingham Castle Transformation
- Education / School Schemes

1.7 The programme will be funded by **£229.6m** of grants and contributions, **£195.6m** from the Public Sector Housing Major Repairs Reserve and **£150.4m** of borrowing will be required to fund the programme as well as **£58.8m** of capital receipts, of which **£7.2m** are secured, 141 capital receipts of **£22.5m**, and revenue resources of **£8.9m**. The use of unsecured capital receipts represents a funding risk and this practice will be discontinued from April 2021. A full review of surplus assets is currently being undertaken as part of the disposal and reinvestment strategy and an asset rationalisation board has been established with a focus on realising capital receipts going forward. Plans are in place to realise receipts to support the capital programme, however this needs to be kept under review given the emerging picture regarding the economic impact of Covid-19.

2. Understanding the Capital Programme

The General Fund Capital Programme

2.1 The General Fund capital is broken down into the following section:

- 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

2.2 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 c25,300 dwellings. Legislation requires that the HRA is kept separate (ring-fenced) from the Council's other financial transactions.

2.3 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 undertaking project feasibility and development to identify if the project's objectives can be achieved within an affordable funding envelope

2.4 **Table 1** summarises the proposed capital programme, after the capital review and in accordance with the Councils revised capital strategy. The completed review sets the capital programme at **£665.8m**. **Appendix D** sets out the details.

Table 1: Total Capital Programme

Programme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
General Fund							
Category 1 - Approved Schemes	129.339	100.952	50.397	16.269	7.694	7.885	**312.536**
Category 2 - Planned Schemes	0.000	15.907	21.193	15.700	7.709	7.390	**67.899**
Total General Fund	**129.339**	**116.859**	**71.590**	**31.969**	**15.403**	**15.275**	**380.435**
Public Sector Housing							
Category 1 - Approved Schemes	45.309	58.065	65.823	41.849	31.149	30.977	**273.172**
Category 2 - Planned Schemes	1.310	6.917	2.000	1.000	1.000	0.000	**12.227**
Total Public Sector Housing	**46.619**	**64.982**	**67.823**	**42.849**	**32.149**	**30.977**	**285.399**
TOTAL PROGRAMME	**175.958**	**181.841**	**139.413**	**74.818**	**47.552**	**46.252**	**665.834**

2.5 Planned schemes for the General Fund include Education and Transport grants for future years which are expected but yet to be confirmed, Future High Street Fund schemes for which grant has been confirmed but the scheme is pending approval and the inclusion of the New Central Library completion and fit out. Public Sector Housing planned schemes include energy efficiency works which are pending grant confirmation and fire safety works which are pending approval.

2.6 **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
General Fund	380.435	(98.947)	(219.420)	(8.893)	0.000	(7.199)	(45.976)	**(380.435)**
Public Sector Housing	285.399	(51.428)	(10.210)	0.000	(195.604)	(20.925)	(7.232)	**(285.399)**
Total	**665.834**	**(150.375)**	**(229.630)**	**(8.893)**	**(195.604)**	**(28.124)**	**(53.208)**	**(665.834)**

2.7 The use of capital receipts has increased from **£18.9m** (Qtr1 2021) to the current forecast of **£53.2m.** This increase is largely due to the funding required to support the Council's debt policy as detailed in the revised Capital Strategy. The Council has initiated an accelerated programme of asset disposal to release resources. This will support the capital requirements, enabling schemes to be delivered whilst reducing the need for borrowing.

3. General Fund Capital Programme – excluding Transport Schemes

3.1 **Table 2** sets out the amendments to the General Fund approved capital programme since Quarter 1 (presented at Executive Board in September 2020). The table excludes Transport schemes of **£152.1m**, which are all funded by grant. Transport schemes are set out in section 6 and **Appendix C**.

Table 2: General Fund Programme (Excluding Transport) – Revisions Since Quarter 1

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
Qtr 1 Projections	134.869	38.824	13.244	9.794	11.253	0.000	**207.984**
Additions	4.713	3.565	0.000	0.000	0.000	7.885	**16.163**
Savings	(0.690)	(9.103)	(4.104)	0.000	(0.100)	(0.632)	**(14.629)**
Slippage / Reprofiling / Other	(30.396)	18.079	1.928	0.118	(2.235)	0.632	**(11.874)**
Movement with Category 2 Planned	(4.000)	7.779	14.115	9.304	1.313	2.218	**30.729**
Qtr 3 Projections	**104.496**	**59.144**	**25.183**	**19.216**	**10.231**	**10.103**	**228.373**

3.2 A significant element of the movement since quarter 1 is the **£14.6m** of savings identified as part of the Capital Review. A detailed breakdown of the identified savings is contained within **Appendix E**

3.3 Details of approved additions to the programme, of **£16.2**, are shown in **Appendix A and** include works to the Southern Gateway **£3.8m**, Education schemes **£2.2m** and the addition of **£7.9m** for the 2025/26 provision of rolling programme schemes. The details of the rolling programme are set out below.

3.4 There are a number of rolling schemes for which approval is requested for the additions of 2025/26 and for the profiling of expenditure. These include Eastcroft CAPEX, Vehicle Replacement Programme, Disabled Facility Grants, Integrated Community Equipment, 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 c500 vehicles that are to be replaced on a rolling basis in order to maintain an efficient and effective fleet and service. The programme for 2021/22 is **£3.000m** and is funded from prudential borrowing until 31st March 2022, then is funded from Unsecured Receipts in accordance with the Council's revised Capital Strategy. 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 2020/21 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 and Assistive Technology**
  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 domestic and commercial customers.

- **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. This is a reinstatement of the contribution previously removed. The value of the programme has now been amended to £0.3m pa and will be funded by capital receipts.

Table 3: Approval of Rolling Schemes

Scheme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Eastcroft Incinerator							
Fully Approved Position	1.621	1.123	1.548	0.773	2.972	0.000	**8.037**
Approval Required	0.000	0.054	0.450	0.778	(2.241)	1.145	**0.186**
Latest Position Quarter 3	**1.621**	**1.177**	**1.998**	**1.551**	**0.731**	**1.145**	**8.223**
Vehicle Replacement Programme							
Fully Approved Position	3.000	3.000	3.000	3.000	3.000	0.000	**15.000**
Approval Required	0.000	0.000	0.000	0.000	0.000	3.000	**3.000**
Latest Position Quarter 3	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**18.000**
Disabled Facilities Grant							
Fully Approved Position	1.955	1.955	1.955	1.955	1.955	0.000	**9.775**
Approval Required	0.000	0.000	0.000	0.000	0.000	1.955	**1.955**
Latest Position Quarter 3	**1.955**	**1.955**	**1.955**	**1.955**	**1.955**	**1.955**	**11.730**
Integrated Community Equipment Services (inc Assistive Technology)							
Fully Approved Position	0.336	0.336	0.336	0.336	0.336	0.000	**1.680**
Approval Required	0.100	0.100	0.100	0.100	0.100	0.436	**0.936**
Latest Position Quarter 3	**0.436**	**0.436**	**0.436**	**0.436**	**0.436**	**0.436**	**2.616**
Preventative Adaptations							
Fully Approved Position	0.049	0.049	0.049	0.049	0.049	0.000	**0.245**
Approval Required	0.000	0.000	0.000	0.000	0.000	0.049	**0.049**
Latest Position Quarter 3	**0.049**	**0.049**	**0.049**	**0.049**	**0.049**	**0.049**	**0.294**
District Heating Network							
Fully Approved Position	1.840	1.800	1.000	1.000	1.000	0.000	**6.640**
Approval Required	(0.382)	0.000	0.000	0.000	0.000	1.000	**0.618**
Latest Position Quarter 3	**1.458**	**1.800**	**1.000**	**1.000**	**1.000**	**1.000**	**7.258**
Area Capital Fund							
Fully Approved Position	0.750	0.000	0.000	0.000	0.000	0.000	**0.750**
Approval Required	0.000	0.300	0.300	0.300	0.300	0.300	**1.500**
Latest Position Quarter 3	**0.750**	**0.300**	**0.300**	**0.300**	**0.300**	**0.300**	**2.250**

General Fund Revised Capital Programme 2020/21 – 2025/26

3.2 **Table 4** presents the revised General Fund element of the capital programme post the capital review, 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							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Category 1 - Approved Schemes							
Transport Schemes	24.843	57.715	41.235	7.581	0.000	0.000	**131.374**
Education	4.407	1.964	0.000	0.000	0.000	0.000	**6.371**
Other Services	100.089	41.273	9.162	8.688	7.694	7.885	**174.791**
Total Approved Schemes	**129.339**	**100.952**	**50.397**	**16.269**	**7.694**	**7.885**	**312.536**
Category 2 - Planned Schemes							
Leisure & Culture	0.000	5.540	3.847	0.800	0.700	0.700	**11.587**
Education	0.000	5.018	1.224	1.224	1.224	1.224	**9.914**
Regeneration	0.000	2.500	5.371	3.910	0.000	0.000	**11.781**
Transport Schemes	0.000	0.000	5.172	5.172	5.172	5.172	**20.688**
Other Schemes in Development	0.000	2.849	5.579	4.594	0.613	0.294	**13.929**
Total Planned Schemes	**0.000**	**15.907**	**21.193**	**15.700**	**7.709**	**7.390**	**67.899**
Total Programme	**129.339**	**116.859**	**71.590**	**31.969**	**15.403**	**15.275**	**380.435**

4. Sources of Programme Funding – General Fund

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

Capital Receipts

4.2 The Council's land and property estate is managed through the Corporate Asset Management Plan and the Asset Rationalisation Programme, which manages the Council's property requirements. Where appropriate, properties are declared surplus to requirements and the Council will look to dispose of the asset. As detailed in the Council's Recovery Plan the Council is looking at accelerating the programme of disposal to meet the current capital requirement. This work stream has identified **£94m** of forecast capital receipts from land and property disposals, of which **£10.1m** further receipts are expected to be received in 2020/21 and **£52m** is forecast to be received in 2021/22. A further review of the assets is expected to see a further tranche of properties to be identified for disposal by the end of March 2021.

4.3 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. The general fund capital programme is predicated on **£45.9m** of Unsecured Capital Receipts being realised. In accordance with the revised policy, capital programme schemes will need to be removed or delayed if the receipts do not materialise. This is a significant departure from the way in which the programme has been previously managed.

Prudential Borrowing

4.4 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 criteria as set out in the Prudential Code and is affordable, sustainable, prudent and proportionate for the size of the authority. The use of borrowing is heavily regulated.

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4.5 The Council have relied significantly on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure and a relatively high level of debt servicing costs in proportion to the scale of its revenue account. Therefore, to mitigate this risk going forwards, the Council will seek to reduce its MRP costs and pay down debt over time, through a strict prioritisation of spending decisions and the accelerated generation of capital receipts subject to maintaining best value. The debt policy in respect of new capital expenditure is thus as follows:

- 2020/21 – ***To minimise spend and new borrowing subject to pre-existing capital commitments and expenditure already incurred within 2020/21***. The capital Programme has been reviewed and a number of schemes been removed or rephased. This review concluded in February 2021 and **c.£14.7m** of General Fund schemes were de-committed and a further **£19.4m** of Public Sector Housing schemes were removed.

- 2021/22 – ***To restrict new borrowing to no more than the level of the annual debt being repaid.*** (i.e. New borrowing no greater than the MRP repaid). The Capital Programme has been reduced to existing commitments.

- 2022/23- 2024/25 - Nil ***net new borrowing throughout the period***. This applies both to general fund and public sector housing debt – the latter managed on a cumulative basis over the period.

4.6 Within the General Fund **£98.9m** of additional borrowing will be required to support the programme all of which will be required in 2020/21 and 2021/22 mainly to support existing commitments. There is no new borrowing from 2022/23. The impact this debt policy has on the Council's capital programme is detailed in **Table 4a.**

4.7 During 2020/21 HM Treasury released new Prudential Borrowing guidance prohibiting the use of PWLB when the Capital Programme includes schemes meet the definition debt for yield. All schemes must align to the new PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope. Historic debt for yield schemes will be revisited in the light of emerging CIPFA/MHCLG guidance.

Grants

4.8 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. Grant funding, of **£219m**, is a significant element of funding within the general fund capital programme funding the following key areas:

- Education and School Investment, funded by DfE Basic Needs Grant and Capital Maintenance Grant,

- Local Transport Plan, funded by DfT Integrated Transport Block and Highway Maintenance Grant,
- Other Transport Schemes such as Transforming Cities and Future Transport Zone
- Disabled Adaptations via the Disabled Facilities Grant, and
- Regeneration and Cultural Schemes such as Southside Regeneration, Future High Street Fund and Nottingham Castle Transformation.

Reserves

4.9 Earmarked reserves set aside through Executive Board approval, for specific capital projects. These are essentially earmarked for IT Infrastructure and Hardware Investment, Property Maintenance, and New Central Library.

4.10 **Table 4a** below gives a further breakdown of how the General Fund capital programme will be funded which aligns to the Councils revised debt policy and demonstrates the impact in relation to the future use of borrowing to fund the programme.

Table 4a: General Fund Capital Programme

Scheme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Category 1 - Approved Schemes							
Prudential Borrowing	(71.713)	(27.234)	0.000	0.000	0.000	0.000	**(98.947)**
Grants & Contributions	(46.686)	(69.872)	(43.824)	(10.143)	(2.443)	(2.440)	**(175.408)**
Internal Funds / Revenue	(1.999)	(3.415)	(0.275)	(0.275)	(0.221)	0.000	**(6.185)**
Secured Capital Receipts	(7.199)	0.000	0.000	0.000	0.000	0.000	**(7.199)**
Unsecured Capital Receipts	(1.742)	(0.431)	(6.298)	(5.851)	(5.030)	(5.445)	**(24.797)**
Total Approved Schemes	**(129.339)**	**(100.952)**	**(50.397)**	**(16.269)**	**(7.694)**	**(7.885)**	**(312.536)**
Category 2 - Planned Schemes							
Prudential Borrowing	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Grants & Contributions	0.000	(8.465)	(12.449)	(10.306)	(6.396)	(6.396)	**(44.012)**
Internal Funds / Revenue	0.000	(2.708)	0.000	0.000	0.000	0.000	**(2.708)**
Secured Capital Receipts	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Unsecured Capital Receipts	0.000	(4.734)	(8.744)	(5.394)	(1.313)	(0.994)	**(21.179)**
Total Approved Schemes	**0.000**	**(15.907)**	**(21.193)**	**(15.700)**	**(7.709)**	**(7.390)**	**(67.899)**
Funding	**(129.339)**	**(116.859)**	**(71.590)**	**(31.969)**	**(15.403)**	**(15.275)**	**(380.435)**

4.12 **26.0%** of the value of capital schemes is proposed to be funded by prudential borrowing. **57.7%** of projects are funded by external grants and contributions, **16.3%** 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

5.1 The Council has adopted a new corporate process for developing a rolling multi-year capital programme. This will operate on an annual cycle with clear timescales, information requirements and evaluation criteria. The purpose of the new approach is to ensure that capital resources are directed towards supporting schemes that best meet corporate objectives and that capital projects are deliverable.

5.2 A new Capital Programme Board structure is currently being established and expected to be operational by February 2021. This Board will provide strategic oversight of the

implementation of the strengthened Governance and Control Framework. This will ensure that projects only commence once they have gone through the prioritisation process, and are then subject to a support, monitoring and assurance package to improve delivery. Controls will also extend to the management of benefits post-delivery to help inform ongoing performance and future investment decisions. The Board will also oversee the delivery of the actions and recommendation set out in the Recovery and Improvement Plan.

6. Transport Schemes

6.1 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 has been set for three years, however due to the delay in announcement no funding is included beyond 2021/22. The Transport Programme will be reviewed to ensure it is able to respond to any new requirements or priorities.

6.2 **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

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
Qtr 1 Projections	37.844	43.864	39.404	12.973	5.172	0.000	**139.257**
Additions	2.900	7.118	0.000	0.000	0.000	0.000	**10.018**
Slippage / Reprofiling / Other	(15.901)	11.905	7.003	(0.220)	0.000	0.000	**2.787**
Movement with Category 2 Planned	0.000	(5.172)	0.000	0.000	0.000	5.172	**0.000**
Qtr 3 Projections	**24.843**	**57.715**	**46.407**	**12.753**	**5.172**	**5.172**	**152.062**

7. Public Sector Housing Capital Programme

7.1 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. The Council is responsible for setting investment priorities as part of its strategic housing role. NCH is the delivery arm to achieve this. The full details in relation to this programme are contained within the separate Annex 4 for the Housing Revenue Account. However, the headlines for the next 5 years (excludes 2020//21) are set out below:

- An overall Public Sector Housing Programme of **£238.8m** for the next 5 years of which **£65.0m** relates to 2021/22.
- A budget of **£31.0m** is added in 2025/26 for continued maintenance of the housing stock.

- A new budget of **£1.0m** in 2021/22 is included to fund works identified in relation to the Building Safety Bill and Fire Safety Order Bill. A further **£3.0m** has been estimated over the rest of the programme, which is under Planned Schemes and will require the relevant approval to be used for specific works based on the results of surveys.
- An increase to the budget for Fire Damaged Properties to **£0.4m** p.a. and an increase to the Lift Replacement Programme of **£0.2m**
- A budget of **£31.0m** is added in 2025/26 for continued maintenance of the housing stock. The budgets are based on stock conditions surveys of the stock, asset management data or allocated amounts for certain budgets (e.g. major voids works).
- Removal of remainder of Property Acquisition (1-4-1) scheme at a saving of **£17.4m** in order to reduce the overall level of borrowing for the Council and within the HRA.
- **£56.3m** for 2021/22 has been specifically allocated to regeneration and new build (Building a Better Nottingham).
- **£13.4m** for 2021/22 has been specifically allocated to energy efficiency improvements.

7.2 Following the outcome of the Capital Review and incorporating the Councils debt policy the Public Sector Housing investment to 2025/26 is **£285.399m** as detailed in **Table 6**.

Table 6: Public Sector Housing – Capital Programme and Resources

Scheme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Category 1 - Approved Schemes	45.309	58.065	65.823	41.849	31.149	30.977	**273.172**
Category 2 - Planned Schemes	1.310	6.917	2.000	1.000	1.000	0.000	**12.227**
Total Programme	**46.619**	**64.982**	**67.823**	**42.849**	**32.149**	**30.977**	**285.399**
Resources Available							
Prudential Borrowing	(15.442)	(15.056)	(12.244)	(6.864)	(1.822)	0.000	**(51.428)**
Grants & Contributions	(1.542)	(5.326)	(3.185)	(0.157)	0.000	0.000	**(10.210)**
Major Repairs Reserve	(22.325)	(37.249)	(43.350)	(32.105)	(29.633)	(30.942)	**(195.604)**
Revenue Resources	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Capital Receipts - HRA	(1.151)	(0.850)	(2.874)	(0.690)	(0.035)	(0.035)	**(5.635)**
Replacement Capital Receipts	(6.159)	(6.501)	(6.170)	(3.033)	(0.659)	0.000	**(22.522)**
Total Resources	**(46.619)**	**(64.982)**	**(67.823)**	**(42.849)**	**(32.149)**	**(30.977)**	**(285.399)**

7.3 Further details of the Public Sector Housing capital programme can be found with **Appendix A** for approvals and **Appendix D** for the detailed capital programme.

7.4 HRA capital expenditure is financed from resources generated from rental income to directly finance capital expenditure or fund prudential borrowing. All borrowing must meet with the Prudential Code and the Council's Capital Strategy, including all investments generating sufficient income to fund repayment of debt including principal and interest and any early years' deficits being affordable

8. Risk Management & Governance

8.1 The proposed five-year programme will require the Council to use a high proportion of available resources but without recourse to any more borrowing than is necessary to meet existing commitments. Investment of this nature will result in the Council being exposed to additional risks as follows:

- the impact of Covid-19 on original capital business cases
- the impact of Brexit / Covid-19 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 management of risk will be overseen by the Capital Board

Capital Programme Quarter 3 Approvals Appendix A

Public Sector Housing Approvals						
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**Total £m**
Public Sector Housing - Category 1						
Bespoke Accommodation	0.119	0.068	0.000	0.000	0.000	**0.187**
Beckhampton New Build	0.200	6.740	6.951	4.650	0.000	**18.541**
Woodlands Conversion	0.571	0.116	0.000	0.000	0.000	**0.687**
Woodview Extension	0.000	0.130	0.000	0.000	0.000	**0.130**
Lift Replacement Programme	0.000	0.000	0.000	0.000	0.031	**0.031**
Sanctuary Project	0.000	0.000	0.000	0.000	0.035	**0.035**
Structural Surveys & Rectification Works	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	0.050	**0.050**
Preventive Adaptations For Older People - PAD	0.000	0.000	0.000	0.000	0.100	**0.100**
Adaptations For Disabled Persons - CR&M	0.000	0.000	0.000	0.000	0.200	**0.200**
Asbestos Works	0.000	0.000	0.000	0.000	0.280	**0.280**
Fire Alarm Installations	0.000	0.000	0.000	0.000	0.400	**0.400**
Fire Damaged Properties - CR&M	0.000	0.000	0.000	0.000	0.500	**0.500**
Paving Works	0.000	0.000	0.000	0.000	0.500	**0.500**
Garage / Outbuilding Delivery	0.000	0.000	0.000	0.000	0.731	**0.731**
Adaptations For Disabled Persons	0.000	0.000	0.000	0.000	1.000	**1.000**
City Wide Environmentals	0.000	0.000	0.000	0.000	1.016	**1.016**
City Wide CCTV / Door Entry Imp	0.000	0.000	0.000	0.000	1.269	**1.269**
Estate/Area Impact works	0.000	0.000	0.000	0.000	1.500	**1.500**
Major Void Works - CR&M	0.000	0.000	0.000	0.000	2.180	**2.180**
External Fabric	0.000	0.000	0.000	0.000	3.341	**3.341**
Modern Living	0.000	0.000	0.000	0.000	3.517	**3.517**
Roof & Chimney Replacement	0.000	0.000	0.000	0.000	4.470	**4.470**
Warmth for Nottingham - CR&M	0.000	0.000	0.000	0.000	8.628	**8.628**
Management Fee - Safe	0.000	0.000	0.000	0.000	0.081	**0.081**
Management Fee - Decent Neighbourhoods	0.000	0.000	0.000	0.000	0.175	**0.175**
Management Fee - Secure and Warm	0.000	0.000	0.000	0.000	0.923	**0.923**
Public Sector Housing Total	**0.890**	**7.054**	**6.951**	**4.650**	**30.977**	**50.522**

General Fund Approvals						
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**Total £m**
Transport - Category 1						
Additional Highways Maintenance Grant	1.805	0.012	0.000	0.000	0.000	**1.817**
Emergency Active Travel	0.334	1.631	0.000	0.000	0.000	**1.965**
Wireless Taxi Charging Points (OLEV)	0.761	0.000	0.000	0.000	0.000	**0.761**
Education - Category 1						
Djanogly Strelley Special Provision	0.100	0.679	0.000	0.000	0.000	**0.779**
Other Education Under (£0.500m)	0.491	0.896	0.000	0.000	0.000	**1.387**
Other Services - Category 1						
London Road Heat Station Repairs	0.460	0.000	0.000	0.000	0.000	**0.460**
Theatre Royal & Concert Hall - External Tiles	0.890	0.100	0.000	0.000	0.000	**0.990**
Parks & Open Spaces	0.000	0.581	0.000	0.000	0.000	**0.581**
Southern Gateway	2.772	1.033	0.000	0.000	0.000	**3.805**
Building 2 Woolsthorpe Depot	0.000	0.108	0.000	0.000	0.000	**0.108**
Dilapidations 24-32 Carlton Street	0.000	0.168	0.000	0.000	0.000	**0.168**
Eastcroft Incinerator	0.000	0.000	0.000	0.000	1.145	**1.145**
Vehicle Replacement Programme	0.000	0.000	0.000	0.000	3.000	**3.000**
Disabled Facilities Grant	0.000	0.000	0.000	0.000	1.955	**1.955**
Integrated Community Equipment Services (inc Assistive Technology)	0.000	0.000	0.000	0.000	0.436	**0.436**
Preventative Adaptations	0.000	0.000	0.000	0.000	0.049	**0.049**
District Heating Network	0.000	0.000	0.000	0.000	1.000	**1.000**
Area Capital Fund	0.000	0.000	0.000	0.000	0.300	**0.300**
General Fund Total Category 1 (Approved)	**7.613**	**5.208**	**0.000**	**0.000**	**7.885**	**20.706**
General Fund Total Category 2 (Planned)						
Future High Street Fund	0.000	2.500	5.371	3.910	0.000	**11.781**
New Secondary School	0.000	3.250	0.000	0.000	0.000	**3.250**
General Fund Total Category 2 (Planned)	**0.000**	**5.750**	**5.371**	**3.910**	**0.000**	**15.031**
Total Additions Quarter 1 to Quarter 3	**8.503**	**18.012**	**12.322**	**8.560**	**38.862**	**86.259**

Prudential Borrowing Schedule

Appendix B

Public Sector Housing Prudential Borrowing Schedule							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Public Sector Housing - Category 1							
Woodthorpe & Winchester - New Build	0.100	0.000	0.000	0.000	0.000	0.000	**0.100**
Property Acquisition - (Tranche 1 & 2)	7.164	0.000	0.000	0.000	0.000	0.000	**7.164**
Knights Close - New Build	1.450	0.000	0.000	0.000	0.000	0.000	**1.450**
Clifton Miners Welfare	0.481	0.000	0.000	0.000	0.000	0.000	**0.481**
Tunstall Drive	1.479	0.000	0.000	0.000	0.000	0.000	**1.479**
Marlstones	0.058	0.000	0.000	0.000	0.000	0.000	**0.058**
Sandfield	0.058	0.000	0.000	0.000	0.000	0.000	**0.058**
Southchurch pre-start fees	0.483	1.963	0.494	0.000	0.000	0.000	**2.940**
Eastglade New Build	2.075	5.268	3.037	0.000	0.000	0.000	**10.380**
Bespoke Accommodation	0.350	0.468	0.000	0.000	0.000	0.000	**0.818**
Woodyard Lane	0.225	0.055	0.000	0.000	0.000	0.000	**0.280**
Padstow Ridgeway New Build	0.000	1.798	3.596	3.595	1.797	0.000	**10.786**
Beckhampton Redevelopment	0.134	4.492	4.631	3.098	0.000	0.000	**12.355**
Woodlands Conversation	0.400	0.081	0.000	0.000	0.000	0.000	**0.481**
Management Fee - Regeneration Prog	0.353	0.776	0.437	0.122	0.000	0.000	**1.688**
Woodyard Lane NCH Fee	0.002	0.001	0.000	0.000	0.000	0.000	**0.003**
Management Fee - Padstow	0.000	0.024	0.049	0.049	0.025	0.000	**0.147**
Woodview Extension	0.000	0.124	0.000	0.000	0.000	0.000	**0.124**
NCH Management Fees - Joint	0.000	0.006	0.000	0.000	0.000	0.000	**0.006**
Public Sector Housing - Category 2							
Property Acquisition - Next Step Accommodation	0.630	0.000	0.000	0.000	0.000	0.000	**0.630**
Public Sector Housing Total	**15.442**	**15.056**	**12.244**	**6.864**	**1.822**	**0.000**	**51.428**

General Fund Prudential Borrowing Schedule

Scheme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Other Services - Category 1							
Eastcroft Combined Heat & Power Plant Works	1.621	1.177	0.000	0.000	0.000	0.000	**2.798**
District Heating - Replacement of Network	1.458	1.800	0.000	0.000	0.000	0.000	**3.258**
CleanMobilEnergy - Installation/Groundworks	0.000	1.595	0.000	0.000	0.000	0.000	**1.595**
London Road Heat Station Repairs	0.460	0.000	0.000	0.000	0.000	0.000	**0.460**
NET Lines 2/3 - Quantative Risk Assessment	0.200	1.730	0.000	0.000	0.000	0.000	**1.930**
NET Lines 2/3 - Land Acquisitions	5.226	0.000	0.000	0.000	0.000	0.000	**5.226**
Vehicle Acquisitions etc.	2.027	3.000	0.000	0.000	0.000	0.000	**5.027**
ULEV Service Centre	0.370	0.000	0.000	0.000	0.000	0.000	**0.370**
Nottingham Castle Transformation (HLF Scheme)	4.194	0.285	0.000	0.000	0.000	0.000	**4.479**
Car Parking Meters at Major Parks	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Joint Service Centre - St Anns	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
One Public Estate - Crocus Place (DD2826)	(0.122)	0.000	0.000	0.000	0.000	0.000	**(0.122)**
Loan - NCH Homeless	4.810	4.300	0.000	0.000	0.000	0.000	**9.110**
Loan - NCH-E Ltd Arboretum	0.000	3.225	0.000	0.000	0.000	0.000	**3.225**
Loxley House Workplace & Hub	0.006	0.000	0.000	0.000	0.000	0.000	**0.006**
Property Acq - Project Green	0.000	0.016	0.000	0.000	0.000	0.000	**0.016**
NCH E Loan - 100 Market Rented Properties	11.476	0.000	0.000	0.000	0.000	0.000	**11.476**
NCH E Loan - Forest Road	0.730	0.000	0.000	0.000	0.000	0.000	**0.730**
NCH E Loan - Arkwright Walk Ph1	1.992	0.000	0.000	0.000	0.000	0.000	**1.992**
NCH E Loan - Arkwright Walk Ph2	2.403	0.000	0.000	0.000	0.000	0.000	**2.403**
NCH E Loan - Clifton Triangle	3.228	0.000	0.000	0.000	0.000	0.000	**3.228**
NCH E Loan - Meadows Police Station	0.000	3.976	0.000	0.000	0.000	0.000	**3.976**
NCHRP Loan - Move On Accommodation	0.200	0.534	0.000	0.000	0.000	0.000	**0.734**
Nottingham College Skills Hub	5.457	0.000	0.000	0.000	0.000	0.000	**5.457**
Nottingham Science Park - Phase 2	0.410	0.000	0.000	0.000	0.000	0.000	**0.410**
Blueprint Third Party Loan	2.000	2.385	0.000	0.000	0.000	0.000	**4.385**
Broadmarsh - Car Park	29.897	0.707	0.000	0.000	0.000	0.000	**30.604**
Blueprint Loan Note	1.000	2.500	0.000	0.000	0.000	0.000	**3.500**
Southern Gateway	(7.330)	0.000	0.000	0.000	0.000	0.000	**(7.330)**
General Fund Total Category 1 (Approved)	**71.713**	**27.234**	**0.000**	**0.000**	**0.000**	**0.000**	**98.947**

Appendix C

Local Transport Plan Programme Overview

1. 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 to 2026 that outlines the long-term transport vision and strategy and the Implementation Plan that details 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 2021 to March 2024.

Notification of funding levels for 2021/22 is still awaited. However, indications suggest that 2020/21 funding levels will be maintained.

2. Total Transport Programme

Table 1 shows the total summary transport programme for 2021/22 of **£5.543m.** No funding is currently programmed for 2022/23 and 2023/24 as these are subject to future Government Spending Review announcements. Full details of the 2021/22 programme are shown in **Section 3.** In addition, elements of the 2020/21 programme are expected to roll forward into 2021/22.

TABLE 1: OVERALL SUMMARY TRANSPORT PROGRAMME					
Programme	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total £m**	**Funding Source**
Local Transport Programme	**5.543**	**0.000**	**0.000**	**5.543**	LTP Grant and Maintenance Incentive Fund

Local Transport Plan

The Local Transport Plan element of the programme is divided into a number of blocks that support local transport infrastructure and maintenance. It is funded specifically by LTP funding, made up of the Integrated Transport Block (ITB) and Maintenance Block (MB) from the Department for Transport.

The local transport block, maintenance block and associated block allocations are set out in **Table 2 below**. Anticipated scheme allocations for 2021/22 total **£5.543m** and are listed in **Section 1 - LTP Allocations**.

TABLE 2: LOCAL TRANSPORT PLAN PROGRAMME 2021/22 – 2023/24				
	2021/22	**2022/23**	**2023/24**	**Total**

	£m	£m*	£m*	£m
Neighbourhood Improvements	1.250	0.000	0.000	**1.250**
Supporting Economic Growth	1.140	0.000	0.000	**1.140**
Local Transport Improvement	0.800	0.000	0.000	**0.800**
Maintenance Schemes	1.782	0.000	0.000	**1.782**
Maintenance Incentive and Pothole Funding	0.371	0.000	0.000	**0.371**
Other Schemes – Monitoring & Evaluation	0.200	0.000	0.000	**0.200**
Total Local Transport	**5.543**	**0.000**	**0.000**	**5.543**
Grant Funding Anticipated				
Integrated Highways Block	3.390	0.000	0.000	**3.390**
Highways Capital Maintenance	1.782	0.000	0.000	**1.782**
Maintenance Incentive Fund	0.371	0.000	0.000	**0.371**
Total Transport Grant Funding	**5.543**	**0.000**	**0.000**	**5.543**

2021/22 Allocations are anticipated and await confirmation.
Future year *Allocations are shown as zero awaiting confirmation from Central Government. The mechanisms and allocations of any funding are subject to change. No guarantee of funding in future years.

3. Proposals

Although the LTP is generally 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 2020/21 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:

- **Support Covid recovery** through local transport measures that protect the public from the impacts of the pandemic and in the recovery from it;
- **Green restart** through pursuing an integrated transport system that encourages more people to walk and cycle, use public transport and support clean and efficient vehicle choices for fleets and buses and providing electric charging infrastructure to help improve air quality and reduce carbon emissions in line with the Council's Carbon Neutral 2028 Plan;
- **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 and other regeneration programmes);
- **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.

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 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 being 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.

Highways Capital Maintenance
This programme includes schemes for carriageway and structural maintenance. Priorities are determined through condition surveys, taking account of co-ordination with the integrated transport block programme and, in the case of residential roads informed by priorities of Ward councillors.

Significant schemes within this block for the 2021/22 financial year include:-

- Carriageway maintenance priorities, including resurfacing and surface dressing;
- 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;
- Trent Bridge footway reconstruction

More details regarding the maintenance programme can be found in **Section 1**. Detailed programmes for 2022/23 and 2023/24 will be determined over the coming year.

Maintenance Incentive Fund
The Incentive Fund is a measure that was first 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 pro forma
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

receives 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.

TABLE 3: MAINTENANCE INCENTIVE FUND				
Performance Band	**2021/22 £m**	**2022/23* £m**	**2023/24* £m**	**Total £m**
Band 3 (Highest Performing)	0.371	0.000	0.000	0.371
Band 2	0.111	0.000	0.000	0.111
Band 1 (Lowest Performing)	0.000	0.000	0.000	0.000

NOTE: Figures are not cumulative. Figures for 2022/23 and 2023/24 are subject to the Central Government spending review.

Based on the performance for 2020/21, the Council is currently scored as being on Band 3, and received £371,000 in 2020/21 through the Incentive Fund. Efforts are currently being made to maintain Band 3 for 2021/22. However, funding is not yet confirmed, and subject to change. It is presumed, that the authority will receive the band 3 allocation as previously. Details regarding the use of this funding can be found in **Section 1** as part of the maintenance allocations.

Pothole Fund and Additional Grant
From 2016/17 onwards, an additional allocation of funding from Central Government was made to support the repairs of potholes on local roads. In 2020/21, Additional Highway Grant was received for patching and resurfacing works. This funding totalled £1,817,000. Confirmation of 2021/22 funding is awaited.

Integrated Transport Block (ITB)
This programme comprises a wide range of projects to improve public transport, walking, cycling, and measures to influence travel behaviour and support the local economy. Significant 2021/22 schemes included here are:

- Programme of footway improvements, parking and traffic management improvements in neighbourhoods prioritised by Ward councillors and Areas (continuation of Area Capital Fund transport component);
- Traffic Management works within the City Centre (Clear Zone);
- A contribution towards major schemes.

Again the 2022/23 and 2023/24 programmes await funding confirmation. 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 2021/22 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, Areas, 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 in 2021/221 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 (latest mid-year population estimates) and deprivation (based on the index of Multiple Deprivation 2019 statistics).

The allocations for respective Areas and Wards are shown in **Section 2**. Allocations for 2022/23 and 2023/24 are shown as zero subject to any changes made to the LTP formula grant as part of the forthcoming spending review. Allocations are based on the Wards revised in 2019. Allocations to Wards have been provided to the nearest £100.

Contribution to Economic Development
In addition to the above the Local Transport Plan is also contributing **£0.300m** to Economic Development to support regeneration schemes for 2021/22.

It is likely that the next Government Spending Review will announce further funding streams for local transport measures. These are likely to be allocated through a combination of by formulae, performance and competitive bidding. 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.

4. 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.

2021/22 Transport Programme Tables

Section 1 - LTP Allocations

Project	Description	2021/22 £m	2022/23£m*	2023/24£m*	Total
Neighbourhood Improvements					
Area Capital Fund					
Area Capital Fund	Small-scale improvements through Areas, 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					
Major schemes contribution	Match contribution to major transport schemes	0.300	0.000	0.000	**0.300**
Supporting Regeneration					
Economic Development Fund Contribution	Funding to Economic Development	0.300	0.000	0.000	**0.300**
Total: Supporting Economic Growth		0.600	0.000	0.000	**0.600**

Local Transport Improvements					
Walking and Cycling					
City Wide General Improvements	Works to the rights of way network to maintain use for public.	0.250	0.000	0.000	**0.250**
Traffic and Safety					
City Centre Clear Zone	Traffic management measures within City Centre	0.700	0.000	0.000	**0.700**
Trent Bridge	Measures to complement maintenance scheme including vehicle mitigation measures.	0.350	0.000	0.000	**0.350**
Total: Local Transport Improvements		1.300	0.000	0.000	**1.300**

Other Schemes					
LTP Programme Coordination / Development	Staff Costs and advance design that will inform LTP programmes.	0.120	0.000	0.000	**0.120**

Local Transport Monitoring	Annual Monitoring of LTP Performance indicators.	0.120	0.000	0.000	**0.120**
Total: Other Schemes		0.240	0.000	0.000	**0.240**

Maintenance					
Streetscape Maintenance					
Streetscape Maintenance	Streetscape Maintenance	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 & Structures Asset Management	General & Principal Inspections of Railway Bridges & associated asset management	0.050	0.000	0.000	**0.050**
Bridge Maintenance	Maintenance works to protect highways bridges -prioritised based on bridge condition.	0.230	0.000	0.000	**0.230**
Road Maintenance					
Main Road Maintenance	Maintenance, resurfacing & surface dressing (to include street furniture, structural drainage, road markings and skid resistance) works as a priority from condition surveys and inspections	0.460	0.000	0.000	**0.460**
Residential Road Maintenance	Maintenance, resurfacing & surface dressing (to include street furniture, structural drainage, road markings and skid resistance) works as a priority from condition surveys and inspections	0.437	0.000	0.000	**0.437**
Trent Bridge Footway Reconstruction	Footway reconstruction works	0.200	0.000	0.000	**0.200**
Highways Asset Management &	Annual highway surveys & associated	0.085	0.000	0.000	**0.085**

Condition Surveys	asset management				
LTP Maintenance Programmes Coordination, Development & Monitoring	Staff Costs and advance design that will inform manage & monitor the LTP maintenance programme.	0.120	0.000	0.000	**0.120**
Total: Maintenance		1.782	0.000	0.000	**1.782**

Maintenance Incentive Fund and Pothole Fund					
Road Maintenance Programme	"Top-up" road maintenance allocation as a priority from condition surveys and inspections	0.371	0.000	0.000	**0.371**
Total: Maintenance Incentive Fund and Pothole Fund		0.371	0.000	0.000	**0.371**

*Allocations for 2021/22 and 2022/23 are shown as zero due to review of funding as part of the Central Government spending review.

Section 2 – Area Capital Fund Allocations

	2021/22 Allocation £m		2022/23 Allocation (Indicative) £m		2023/24 Allocation (Indicative) £m	
Ward	**Ward**	**Area**	**Ward**	**Area**	**Ward**	**Area**
Bulwell	0.0742		0.0000		0.0000	
Bulwell Forest	0.0551		0.0000		0.0000	
Bestwood	0.0693	**0.1986**	0.0000	**0.0000**	0.0000	**0.0000**
Basford	0.0634		0.0000		0.0000	
Berridge	0.0617		0.0000		0.0000	
Sherwood	0.0582	**0.1833**	0.0000	**0.0000**	0.0000	**0.0000**
Aspley	0.0784		0.0000		0.0000	
Bilborough	0.0730		0.0000		0.0000	
Leen Valley	0.0451	**0.1965**	0.0000	**0.0000**	0.0000	**0.0000**
Hyson Green & Arboretum	0.0772		0.0000		0.0000	
Radford	0.0615		0.0000		0.0000	
Castle	0.0461	**0.1848**	0.0000	**0.0000**	0.0000	**0.0000**
Mapperley	0.0610		0.0000		0.0000	
St Ann's	0.0762		0.0000		0.0000	
Dales	0.0660	**0.20325**	0.0000	**0.0000**	0.0000	**0.00000**
Wollaton West	0.0464		0.0000		0.0000	
Lenton & Wollaton East	0.0642		0.0000		0.0000	
Meadows	0.0585	**0.1691**	0.0000	**0.0000**	0.0000	**0.0000**
Clifton East	0.0643		0.0000		0.0000	
Clifton West	0.0502	**0.11445**	0.0000	**0.0000**	0.0000	**0.0000**
Total	**1.2500**	**1.2500**	**0.0000**	**0.0000**	**0.0000**	**0.0000**

*Allocations for 2022/23 and 2023/24 are shown as zero due to review of funding as part of the Central Government spending review

Section 3 Total Local Transport Plan and Resources Detail

Local Transport Schemes and Associated Funding												
	Transport Programme					Funding						
	2020//21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m	Prudential Borrowing £m	Local Growth Fund £m	WPL £m	TCF Grant £m	Other Funding £m	DfT Grant £m	Total Funding £m
Public Transport	0.000	0.000	0.000	0.000	**0.000**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
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**
Cycling Schemes	0.000	0.000	0.000	0.000	**0.000**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
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**
Traffic Management (Clear Zone)	0.750	0.000	0.000	0.000	**0.750**	0.000	0.000	0.000	0.000	0.000	0.750	**0.750**
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**
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**
Maintenance Incentive Fund	0.371	0.000	0.000	0.000	**0.371**	0.000	0.000	0.000	0.000	0.000	0.371	**0.371**
Pothole Fund	0.000	0.000	0.000	0.000	**0.000**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
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**
Other LTP Schemes	0.200	0.000	0.000	0.000	**0.200**	0.000	0.000	0.000	0.000	0.000	0.200	**0.200**
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**
Major Schemes - Match Funding	0.840	0.000	0.000	0.000	**0.840**	0.000	0.000	0.000	0.000	0.000	0.840	**0.840**
Total Local Transport Schemes	**5.543**	**0.000**	**0.000**	**0.000**	**5.543**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**5.543**	**5.543**

DETAILED CAPITAL PROGRAMME APPENDIX D

Public Sector Housing Detailed Capital Programme							
Project Title	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
SAFE							
City Wide CCTV / Door Entry Imp	0.121	0.757	0.806	0.806	0.806	1.016	**4.312**
Fire Alarm Installations	0.060	0.071	0.227	0.227	0.227	0.280	**1.092**
Asbestos Works	0.185	0.233	0.200	0.200	0.200	0.200	**1.218**
Lift Replacement Programme	0.069	0.200	0.000	0.000	0.000	0.031	**0.300**
Radon Awareness	0.000	0.074	0.000	0.000	0.000	0.000	**0.074**
Low Rise Sprinkler Systems	0.490	0.000	0.000	0.000	0.000	0.000	**0.490**
Structural Surveys & Rectification Works	0.070	0.050	0.050	0.050	0.050	0.050	**0.320**
Renew Bin Store/Refuse Chute	0.358	0.144	0.250	0.050	0.050	0.050	**0.902**
Management Fee - Safe	0.068	0.076	0.077	0.067	0.067	0.081	**0.436**
Intercom Systems - FSW	0.125	0.000	0.000	0.000	0.000	0.000	**0.125**
Public Address System - FSW	0.202	0.000	0.000	0.000	0.000	0.000	**0.202**
Fire Alarm Installations - FSW	0.004	0.000	0.000	0.000	0.000	0.000	**0.004**
High Rise Sprinkler Systems - FSW	0.300	0.000	0.000	0.000	0.000	0.000	**0.300**
High Rise Sprinkler Systems - FSW (CR&M)	0.914	0.000	0.000	0.000	0.000	0.000	**0.914**
Gas Safety Enhancements - FSW	0.027	0.000	0.000	0.000	0.000	0.000	**0.027**
Building Safety works - surveys / urgent	0.000	1.000	0.000	0.000	0.000	0.000	**1.000**
SAFE TOTAL	**2.993**	**2.605**	**1.610**	**1.400**	**1.400**	**1.708**	**11.716**
SECURE WARM & MODERN							
Nottingham Secure - Windows	1.045	1.990	2.100	1.670	0.500	0.000	**7.305**
Nottingham Secure - Doors	1.025	1.503	1.835	0.791	0.000	0.000	**5.154**
Modern Living	2.106	5.104	6.660	5.960	5.639	3.517	**28.986**
Warmth for Nottingham - CR&M	3.000	3.201	5.405	4.262	4.023	8.628	**28.519**
Roof & Chimney Replacement	1.500	2.247	3.631	4.470	4.470	4.470	**20.788**
External Fabric	3.228	1.870	3.341	3.341	3.341	3.341	**18.462**
Management Fee - Secure and Warm	0.520	0.729	1.074	0.950	0.824	0.923	**5.020**
SECURE WARM & MODERN TOTAL	**12.424**	**16.644**	**24.046**	**21.444**	**18.797**	**20.879**	**114.234**
ENERGY EFFICIENCY & TACKLING FUEL POVERTY							
No Fines/ Solid Wall Insulation Schemes	0.000	1.696	3.558	0.000	0.000	0.000	**5.254**
REMOURBAN	0.114	0.000	0.000	0.000	0.000	0.000	**0.114**
ERDF - Energiesprong Roll Out	0.241	1.829	3.523	0.000	0.000	0.000	**5.593**
Green Deal Communities Funding	0.035	0.000	0.000	0.000	0.000	0.000	**0.035**
LED Communal Lighting	0.025	0.000	0.000	0.000	0.000	0.000	**0.025**
Interreg - Must Be Zero - Energiesprong	0.014	0.000	0.000	0.000	0.000	0.000	**0.014**
BEIS - Whole House Retrofit - Destination Zero	1.000	1.427	1.000	0.000	0.000	0.000	**3.427**
BEIS - Whole House Retrofit - Energiesprong	0.075	2.366	2.000	0.000	0.000	0.000	**4.441**
Management Fee - Energy	0.075	0.554	0.326	0.000	0.000	0.000	**0.955**
ENERGY EFFICIENCY & TACKLING FUEL POVERTY TOTAL	**1.579**	**7.872**	**10.407**	**0.000**	**0.000**	**0.000**	**19.858**
MODERNISING HOUSING FOR OLDER PEOPLE							
Independent living Re-Design	0.491	0.000	0.000	0.000	0.000	0.000	**0.491**
Independent Living Re-Designation	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Mobile Scooter Stores	0.113	0.000	0.000	0.000	0.000	0.000	**0.113**
Refurbishment Of Sheltered Housing Scheme	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**

Public Sector Housing Detailed Capital Programme							
Project Title	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Management Fee - Older People	0.030	0.000	0.000	0.000	0.000	0.000	**0.030**
CAP SHELTERED ACC - DDA WORKS	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
MODERNISING HOUSING FOR OLDER PEOPLE TOTAL	**0.634**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.634**
DECENT NEIGHBOURHOODS							
City Wide Environmentals - AREA CAPITAL FUND	0.246	1.454	1.281	0.971	0.971	1.000	**5.923**
Estate/Area Impact works	0.919	1.000	1.200	1.231	1.440	1.500	**7.290**
Paving Works - AREAS SCHEMES	0.500	0.403	0.268	0.285	0.242	0.500	**2.198**
Garage / Outbuildings - CITYWIDE (Demo)	0.284	0.000	0.000	0.000	0.000	0.000	**0.284**
Garage / Outbuilding Delivery	0.300	0.500	0.925	0.925	0.925	0.500	**4.075**
Management Fee - Decent Neighbourhoods	0.112	0.168	0.184	0.171	0.179	0.175	**0.989**
DECENT NEIGHBOURHOODS TOTAL	**2.361**	**3.525**	**3.858**	**3.583**	**3.757**	**3.675**	**20.759**
EXISTING STOCK INVESTMENT							
Major Void Works - CR&M	1.850	2.180	2.180	2.180	2.180	2.180	**12.750**
Fire Damaged Properties - CR&M	0.504	0.400	0.400	0.400	0.400	0.400	**2.504**
Rooftop Fan Project	0.004	0.000	0.000	0.000	0.000	0.000	**0.004**
EXISTING STOCK INVESTMENT TOTAL	**2.358**	**2.580**	**2.580**	**2.580**	**2.580**	**2.580**	**15.258**
BUILDING A BETTER NOTTINGHAM							
Woodthorpe & Winchester - New Build	0.075	0.000	0.000	0.000	0.000	0.000	**0.075**
Property Acquisition (Tranche 1 & 2)	10.198	0.000	0.000	0.000	0.000	0.000	**10.198**
Disposal of HRA Assets	0.023	0.000	0.000	0.000	0.000	0.000	**0.023**
Knights Close - New Build	1.710	0.000	0.000	0.000	0.000	0.000	**1.710**
Clifton Miners Welfare	0.557	0.000	0.000	0.000	0.000	0.000	**0.557**
Tunstall Drive	2.027	0.000	0.000	0.000	0.000	0.000	**2.027**
Marlstones	0.083	0.000	0.000	0.000	0.000	0.000	**0.083**
Oakford Close - Highways Works	0.010	0.000	0.000	0.000	0.000	0.000	**0.010**
Oakdene - Demolition & New build	0.500	0.000	3.376	0.923	0.000	0.000	**4.799**
Sandfield	0.083	0.000	0.000	0.000	0.000	0.000	**0.083**
Southchurch pre-start fees	0.689	2.802	0.705	0.000	0.000	0.000	**4.196**
Southchurch Drive site Acquisition	0.200	0.000	0.000	0.000	0.000	0.000	**0.200**
Eastglade New Build	3.142	7.978	4.598	0.000	0.000	0.000	**15.718**
Bespoke Accommodation	0.500	0.669	0.000	0.000	0.000	0.000	**1.169**
Woodyard Lane	0.321	0.079	0.000	0.000	0.000	0.000	**0.400**
Padstow Ridgeway New Build	0.000	2.447	4.893	4.893	2.445	0.000	**14.678**
Beckhampton Redevelopment	0.200	6.740	6.951	4.650	0.000	0.000	**18.541**
Woodlands Conversation	0.571	0.116	0.000	0.000	0.000	0.000	**0.687**
Management Fee - Regeneration Prog	0.509	1.078	0.594	0.171	0.000	0.000	**2.352**
Woodyard Lane NCH Fee	0.003	0.001	0.000	0.000	0.000	0.000	**0.004**
Management Fee - Padstow	0.000	0.035	0.070	0.070	0.035	0.000	**0.210**
BUILDING A BETTER NOTTINGHAM TOTAL	**21.401**	**21.945**	**21.187**	**10.707**	**2.480**	**0.000**	**77.720**
JOINT NCC/NCH INVOLVEMENT							
Sanctuary Project	0.035	0.035	0.035	0.035	0.035	0.035	**0.210**
HRA Shop Investment Strategy	0.020	0.000	0.000	0.000	0.000	0.000	**0.020**
St Anns Estate - Stonebridge Park	0.000	0.239	0.000	0.000	0.000	0.000	**0.239**
IT Development Programme	0.081	0.000	0.000	0.000	0.000	0.000	**0.081**

Public Sector Housing Detailed Capital Programme							
Project Title	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Adaptations For Disabled Persons	0.638	0.731	0.731	0.731	0.731	0.731	**4.293**
Adaptations For Disabled Persons - CR&M	0.685	1.659	1.269	1.269	1.269	1.269	**7.420**
Preventive Adaptations For Older People - PAD	0.100	0.100	0.100	0.100	0.100	0.100	**0.600**
Woodview Extension	0.000	0.124	0.000	0.000	0.000	0.000	**0.124**
NCH Management Fees - Joint Schemes	0.000	0.006	0.000	0.000	0.000	0.000	**0.006**
JOINT NCC / NCH INVOLVEMENT TOTAL	**1.559**	**2.894**	**2.135**	**2.135**	**2.135**	**2.135**	**12.993**
Total Public Sector Housing - Category 1	**45.309**	**58.065**	**65.823**	**41.849**	**31.149**	**30.977**	**273.172**
CATEGORY 2 - PLANNED							
Colwick Woods Court	0.050	1.450	1.000	0.000	0.000	0.000	**2.500**
Property Acquisition - NEXT STEP ACCOMMODATION	1.260	0.000	0.000	0.000	0.000	0.000	**1.260**
Social Housing Decarbonisation Fund	0.000	5.467	0.000	0.000	0.000	0.000	**5.467**
Building Safety works (Building Safety Bill)	0.000	0.000	1.000	1.000	1.000	0.000	**3.000**
Total Public Sector Housing - Category 2	**1.310**	**6.917**	**2.000**	**1.000**	**1.000**	**0.000**	**12.227**
TOTAL PUBLIC SECTOR HOUSING CAPITAL PROGRAMME	**46.619**	**64.982**	**67.823**	**42.849**	**32.149**	**30.977**	**285.399**

Transport Schemes (Category 1)							
Project Title	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Local Transport Programme							
Highways Capital Maintenance							
HCM Additional	1.805	0.012	0.000	0.000	0.000	0.000	1.817
Main Road Resurfacing	0.203	0.800	0.000	0.000	0.000	0.000	1.003
Residential Road Resurfacing	0.228	0.553	0.000	0.000	0.000	0.000	0.781
Condition Surveys	0.080	0.030	0.000	0.000	0.000	0.000	0.110
Street Furniture	0.250	0.250	0.000	0.000	0.000	0.000	0.500
Bridges	0.281	0.385	0.000	0.000	0.000	0.000	0.666
Street Scape	0.100	0.100	0.000	0.000	0.000	0.000	0.200
Old Market Square	0.204	0.080	0.000	0.000	0.000	0.000	0.284
Cycle Infrastructure	0.100	0.100	0.000	0.000	0.000	0.000	0.200
Integrated Transport Block							
Area Capital Contribution	1.250	1.250	0.000	0.000	0.000	0.000	2.500
Walking Schemes	0.050	0.100	0.000	0.000	0.000	0.000	0.150
Cycling Schemes	0.010	0.000	0.000	0.000	0.000	0.000	0.010
Earmarked for Major Schemes	0.952	0.840	0.000	0.000	0.000	0.000	1.792
Supporting Economic Development	0.300	0.300	0.000	0.000	0.000	0.000	0.600
Traffic Management	0.050	1.350	0.000	0.000	0.000	0.000	1.400
Protecting Open Spaces	0.000	0.450	0.000	0.000	0.000	0.000	0.450
Programme Co-Ordination	0.150	0.150	0.000	0.000	0.000	0.000	0.300
Other LTP Schemes	0.050	0.100	0.000	0.000	0.000	0.000	0.150
Transport Other Grants							
Maintenance Incentive Fund	0.282	0.089	0.000	0.000	0.000	0.000	0.371
Total - Local Transport Plan	**6.345**	**6.939**	**0.000**	**0.000**	**0.000**	**0.000**	**13.284**
Other Transport Schemes							
Southside Enabling Works	8.150	9.350	4.780	0.000	0.000	0.000	22.280
Nottingham Enterprise Zone	0.115	0.000	0.000	0.000	0.000	0.000	0.115
Transforming Cities	6.586	34.433	30.475	2.621	0.000	0.000	74.115
Smart Ticketing Project	0.814	0.124	0.000	0.000	0.000	0.000	0.938
OLEV	0.355	0.000	0.000	0.000	0.000	0.000	0.355
Defra Clean Air Fund	0.147	0.108	0.000	0.000	0.000	0.000	0.255
Clean Bus Technology	0.289	0.000	0.000	0.000	0.000	0.000	0.289

Future Transport Zone	1.691	5.130	5.980	4.960	0.000	0.000	17.761
Emergency Travel	0.334	1.631	0.000	0.000	0.000	0.000	1.965
Open Data	0.017	0.000	0.000	0.000	0.000	0.000	0.017
Total - Other Transport Schemes	**18.498**	**50.776**	**41.235**	**7.581**	**0.000**	**0.000**	**118.090**
TOTAL TRANSPORT SCHEMES	**24.843**	**57.715**	**41.235**	**7.581**	**0.000**	**0.000**	**131.374**

Education Schemes (Category 1)							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Primary Health & Safety	0.033	0.020	0.000	0.000	0.000	0.000	0.053
Glade Hill Primary - Expansion	0.001	0.000	0.000	0.000	0.000	0.000	0.001
Middleton Primary - Expansion	0.058	0.000	0.000	0.000	0.000	0.000	0.058
Walter Halls (Boiler)	0.058	0.000	0.000	0.000	0.000	0.000	0.058
Claremont Primary (Heating)	0.201	0.000	0.000	0.000	0.000	0.000	0.201
Fernwood School Expansion	0.082	0.000	0.000	0.000	0.000	0.000	0.082
Berridge Primary Heating	0.162	0.070	0.000	0.000	0.000	0.000	0.232
Southglade Reception Extension	0.425	0.056	0.000	0.000	0.000	0.000	0.481
Bentinck Electrics & Ventilation System	0.075	0.000	0.000	0.000	0.000	0.000	0.075
Nethergate Academy Expansion	2.186	0.000	0.000	0.000	0.000	0.000	2.186
Fernwood Reconfiguration	0.012	0.000	0.000	0.000	0.000	0.000	0.012
Rosehill School Maintenance	0.017	0.000	0.000	0.000	0.000	0.000	0.017
Hempshill Hall - Structural	0.013	0.025	0.000	0.000	0.000	0.000	0.038
Cantrell Primary - Structural	0.013	0.000	0.000	0.000	0.000	0.000	0.013
Mellers Primary - Fire Alarm	0.015	0.000	0.000	0.000	0.000	0.000	0.015
Dunkirk Primary (Abbey) - Asbestos Removal	0.001	0.000	0.000	0.000	0.000	0.000	0.001
Henry Whipple - Boiler Replacement	0.023	0.020	0.000	0.000	0.000	0.000	0.043
Walter Halls Health & Safety Ramp	0.048	0.100	0.000	0.000	0.000	0.000	0.148
Bentinck Primary Goods Lift	0.000	0.023	0.000	0.000	0.000	0.000	0.023
Cantrell - Heating	0.100	0.000	0.000	0.000	0.000	0.000	0.100
Snapewood - Boiler Replacement	0.118	0.000	0.000	0.000	0.000	0.000	0.118
Fernwood - Roof	0.151	0.000	0.000	0.000	0.000	0.000	0.151
Rufford Primary Re-configuration	0.024	0.075	0.000	0.000	0.000	0.000	0.099
Nottm Nursery - Outdoor Safety	0.015	0.000	0.000	0.000	0.000	0.000	0.015
Glade Hill Primary - Leak	0.050	0.000	0.000	0.000	0.000	0.000	0.050
Robin Hood Primary - Roof	0.015	0.000	0.000	0.000	0.000	0.000	0.015
Melbury Primary - Boiler	0.010	0.000	0.000	0.000	0.000	0.000	0.010
Cantrell Primary - Asbestos	0.008	0.000	0.000	0.000	0.000	0.000	0.008
Rufford Primary - Asbestos	0.020	0.000	0.000	0.000	0.000	0.000	0.020
Greenfield Primary - Water Heater	0.003	0.000	0.000	0.000	0.000	0.000	0.003
Fernwood Primary Special - Expansion	0.075	0.372	0.000	0.000	0.000	0.000	0.447
Southglade Primary - Fire Alarm	0.020	0.050	0.000	0.000	0.000	0.000	0.070
Heathfield Primary - Boiler	0.055	0.000	0.000	0.000	0.000	0.000	0.055
Greenfield Primary - Boiler	0.055	0.000	0.000	0.000	0.000	0.000	0.055
Healthy Pupil Capital Fund	0.050	0.074	0.000	0.000	0.000	0.000	0.124
Djanogly Strelley Special Provision	0.100	0.679	0.000	0.000	0.000	0.000	0.779
Special Primary Provision	0.050	0.350	0.000	0.000	0.000	0.000	0.400
Temporary Sixth Form - Maid Marion Way	0.050	0.050	0.000	0.000	0.000	0.000	0.100
Forest Fields Primary Asbestos	0.015	0.000	0.000	0.000	0.000	0.000	0.015
Total Education	**4.407**	**1.964**	**0.000**	**0.000**	**0.000**	**0.000**	**6.371**

Other Services – Category 1							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Integrated Community Equipment Services	0.336	0.336	0.336	0.336	0.336	0.336	**2.016**
Assistive Technology - Health Wellbeing Board	0.100	0.100	0.100	0.100	0.100	0.100	**0.600**
Mapperley Park Flood Alleviation	0.000	0.040	0.000	0.000	0.000	0.000	**0.040**

Other Services – Category 1							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Markets & Clinton Street Upgrades	0.025	0.000	0.000	0.000	0.000	0.000	**0.025**
Wollaton Park Comm Centre (Roof & Lintels)	0.000	0.020	0.000	0.000	0.000	0.000	**0.020**
Area Based Capital Investment Plans	0.600	0.300	0.300	0.300	0.300	0.300	**2.100**
Beechdale Flood Alleviation	0.000	0.200	0.000	0.000	0.000	0.000	**0.200**
Pathfinder Short Breaks	0.027	0.000	0.000	0.000	0.000	0.000	**0.027**
2 Year Old Expansion Programme	0.023	0.023	0.023	0.000	0.000	0.000	**0.069**
Eastcroft Combined Heat & Power Plant Works	1.621	1.177	1.998	1.551	0.730	1.145	**8.222**
District Heating - Replacement of Network	1.458	1.800	1.000	1.000	1.000	1.000	**7.258**
Solar Panels - Commercial PV Invest Prog	0.150	0.529	0.000	0.000	0.000	0.000	**0.679**
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	1.493	0.000	0.000	0.000	0.000	**1.493**
CleanMobilEnergy - iEMS (Software)	0.024	0.113	0.000	0.000	0.000	0.000	**0.137**
London Road Heat Station Repairs	0.460	0.000	0.000	0.000	0.000	0.000	**0.460**
NET Lines 2/3 - Quantative Risk Assessment	0.200	1.730	0.000	0.000	0.000	0.000	**1.930**
NET Lines 2/3 - Land Acquisitions	5.226	0.000	0.000	0.000	0.000	0.000	**5.226**
Vehicle Acquisitions etc.	2.027	3.000	3.000	3.000	3.000	3.000	**17.027**
Waterside Spine Road	0.750	0.498	0.000	0.000	0.000	0.000	**1.248**
Skills Hub (Enabling)	0.550	0.000	0.000	0.000	0.000	0.000	**0.550**
ULEV Service Centre	0.370	0.000	0.000	0.000	0.000	0.000	**0.370**
Fruit Market Infrastructure	0.224	0.000	0.000	0.000	0.000	0.000	**0.224**
Tinkers Lane Aperture	0.001	0.000	0.000	0.000	0.000	0.000	**0.001**
ULEV for Nottm Business	2.035	0.655	0.000	0.000	0.000	0.000	**2.690**
Lace Market Car Park Electrical Works	0.210	0.000	0.000	0.000	0.000	0.000	**0.210**
Flexible Fitness - Equipment	0.000	0.050	0.000	0.000	0.000	0.000	**0.050**
Lincoln Street Park Improvements	0.000	0.003	0.000	0.000	0.000	0.000	**0.003**
Sycamore Park Improvements	0.000	0.006	0.000	0.000	0.000	0.000	**0.006**
Radford Recreation Ground	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
Nottingham Castle Transformation (HLF Scheme)	11.336	0.769	0.000	0.000	0.000	0.000	**12.105**
Sunrise Nature Reserve Imps	0.003	0.003	0.000	0.000	0.000	0.000	**0.006**
Lincoln St / Japonica Drive - Remove Playgrounds	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
Hucknall Walkway Improvements	0.002	0.000	0.000	0.000	0.000	0.000	**0.002**
Right Track CC - New Play Area	0.005	0.000	0.000	0.000	0.000	0.000	**0.005**
Melbourne Park Pavilion Imps	0.000	0.008	0.000	0.000	0.000	0.000	**0.008**
Highfields Park - Refurbishment	0.015	0.000	0.000	0.000	0.000	0.000	**0.015**
Car Parking Meters at Major Parks	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Hoylake Park	0.000	0.002	0.000	0.000	0.000	0.000	**0.002**
Victoria Park and St Mary's Rest Garden	0.000	0.002	0.000	0.000	0.000	0.000	**0.002**
King Edward Park Improvements	0.000	0.002	0.000	0.000	0.000	0.000	**0.002**
Coppice Park Improvements	0.000	0.002	0.000	0.000	0.000	0.000	**0.002**
Barker Gate Pocket Park	0.003	0.000	0.000	0.000	0.000	0.000	**0.003**
Neighbourhood Trees	0.058	0.000	0.000	0.000	0.000	0.000	**0.058**
Victoria Embankment Memorial Garden	0.078	0.000	0.000	0.000	0.000	0.000	**0.078**
Whitemoor Nature Reserve (S-106)	0.000	0.010	0.000	0.000	0.000	0.000	**0.010**
Stockhill Park (S-106)	0.000	0.010	0.000	0.000	0.000	0.000	**0.010**
Whitemoor & Bagthorpe Allotments (S-106)	0.027	0.000	0.000	0.000	0.000	0.000	**0.027**
ERDF Axis 6 - Colwick Park	0.024	0.000	0.000	0.000	0.000	0.000	**0.024**
ERDF Axis 6 - Daybrook Park	0.404	0.000	0.000	0.000	0.000	0.000	**0.404**
ERDF Axis 6 - Highfields Enhancement	0.009	0.000	0.000	0.000	0.000	0.000	**0.009**
The Green Play Area	0.001	0.006	0.006	0.006	0.000	0.000	**0.019**
Wollaton Park Trees	0.001	0.000	0.000	0.000	0.000	0.000	**0.001**
Wollaton Walled Garden	0.010	0.000	0.000	0.000	0.000	0.000	**0.010**
Grove Road Trees	0.000	0.018	0.000	0.000	0.000	0.000	**0.018**
Melbourne Park	0.000	0.008	0.000	0.000	0.000	0.000	**0.008**
Broxtowe CP & Strelley Rec	0.036	0.100	0.100	0.101	0.000	0.000	**0.337**

Other Services – Category 1							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Peggy's Park & Play Area	0.000	0.046	0.000	0.000	0.000	0.000	**0.046**
Queens Walk Rec	0.013	0.010	0.000	0.000	0.000	0.000	**0.023**
Valley Road Park & Play Area	0.000	0.054	0.000	0.000	0.000	0.000	**0.054**
Forest Rec Ground	0.000	0.064	0.000	0.000	0.000	0.000	**0.064**
Shipstone Street Park	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Torvill Drive Play Area	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Bilborough Park Play Area	0.027	0.005	0.005	0.005	0.005	0.000	**0.047**
Mill & Windmill Allotments	0.000	0.007	0.000	0.000	0.000	0.000	**0.007**
ERDF Axis 6 - Beeston Sidings	0.053	0.000	0.000	0.000	0.000	0.000	**0.053**
Central Library Fitout & Operation - BMCP	0.400	0.245	0.000	0.000	0.000	0.000	**0.645**
Bulwell Bogs - DD3276	0.000	0.006	0.000	0.000	0.000	0.000	**0.006**
Colwick Country Park - DD3276	0.000	0.035	0.000	0.000	0.000	0.000	**0.035**
Marmion Park - DD3276	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
Coppice Park - DD3276	0.000	0.065	0.000	0.000	0.000	0.000	**0.065**
Greenway Park (Tricketts Yard) - DD3276	0.000	0.009	0.000	0.000	0.000	0.000	**0.009**
Area 6 Trees & Parks - DD3276	0.000	0.011	0.000	0.000	0.000	0.000	**0.011**
Martins Pond Nature Reserve - DD3276	0.000	0.041	0.000	0.000	0.000	0.000	**0.041**
Victoria Embankment HLF - DD3276	0.000	0.110	0.000	0.000	0.000	0.000	**0.110**
Ruddington Lane Park - DD3276	0.000	0.008	0.000	0.000	0.000	0.000	**0.008**
Arkwright Walk Park - DD3276	0.002	0.000	0.000	0.000	0.000	0.000	**0.002**
Locksley Park - DD3276	0.000	0.002	0.000	0.000	0.000	0.000	**0.002**
Iremongers Pond - DD3276	0.001	0.000	0.000	0.000	0.000	0.000	**0.001**
Area 8 Trees & Parks - DD3276	0.000	0.020	0.020	0.015	0.000	0.000	**0.055**
Leisure Digital Infrastructure Improvements	0.050	0.430	0.000	0.000	0.000	0.000	**0.480**
Landscape Greenfield St & Highfield Road	0.019	0.000	0.000	0.000	0.000	0.000	**0.019**
Newstead Abbey West Wall & Canon Fort	0.000	0.106	0.000	0.000	0.000	0.000	**0.106**
Colwick Marina Pontoons - DD3587	0.170	0.000	0.000	0.000	0.000	0.000	**0.170**
Harvey Hadden Track Improvements - DD3576	0.098	0.000	0.000	0.000	0.000	0.000	**0.098**
14-22 Shakepeare Street - DD3577	0.000	0.020	0.000	0.000	0.000	0.000	**0.020**
Southglade Park Improvements - DD3577	0.003	0.001	0.000	0.000	0.000	0.000	**0.004**
Bilborough Park Improvements - DD3577	0.000	0.021	0.000	0.000	0.000	0.000	**0.021**
Greens Mill Park - DD3577	0.000	0.004	0.000	0.000	0.000	0.000	**0.004**
Whitemoor Park - DD3577	0.000	0.014	0.000	0.000	0.000	0.000	**0.014**
Northern Cemetery - DD3577	0.000	0.020	0.000	0.000	0.000	0.000	**0.020**
Greens Allotment & Marmion Park	0.000	0.029	0.000	0.000	0.000	0.000	**0.029**
Woodthorpe Park - DD3577	0.078	0.000	0.000	0.000	0.000	0.000	**0.078**
Shipstone Street Play Area - DD3577	0.000	0.017	0.000	0.000	0.000	0.000	**0.017**
Independent Street Park - DD3577	0.000	0.023	0.000	0.000	0.000	0.000	**0.023**
Forest Recreation - DD3577	0.000	0.012	0.000	0.000	0.000	0.000	**0.012**
Area 4 Trees (Bar 7)	0.000	0.044	0.000	0.000	0.000	0.000	**0.044**
Area 2 Trees (The Rowan)	0.000	0.061	0.000	0.000	0.000	0.000	**0.061**
Area 2 Trees (Nuthall)	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
Gabrielle Close Play Area Refurb - DD3577	0.060	0.000	0.000	0.000	0.000	0.000	**0.060**
Sneinton Tenants Outreach Prog (Pocket Parks) - DD3514	0.001	0.000	0.000	0.000	0.000	0.000	**0.001**
Colwick Country Park Footpath Imps - DD3514	0.015	0.000	0.000	0.000	0.000	0.000	**0.015**
City Play Area Imps - DD3514	0.007	0.000	0.000	0.000	0.000	0.000	**0.007**
Wollaton Hall Gallery (Stage 1)	0.300	0.026	0.000	0.000	0.000	0.000	**0.326**
Serenity Garden Highfields	0.120	0.000	0.000	0.000	0.000	0.000	**0.120**
Park Improvements , Crocus Fields	0.040	0.000	0.000	0.000	0.000	0.000	**0.040**
Make Tofu not War	0.064	0.000	0.000	0.000	0.000	0.000	**0.064**
Blue Green Infrastructure - Holme Sluices Fish Pass	0.000	0.475	0.000	0.000	0.000	0.000	**0.475**
Blue Green Infrastructure - Green Wall Lace Market Car Park	0.000	0.085	0.000	0.000	0.000	0.000	**0.085**
Theatre Royal & Concert Hall - Changing Places	0.040	0.000	0.000	0.000	0.000	0.000	**0.040**
Theatre Royal & Concert Hall - External Tiles	0.890	0.100	0.000	0.000	0.000	0.000	**0.990**

Other Services – Category 1							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Quarry Holes Nature Reserve - S106	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
Woodfield Road Park - S106	0.000	0.025	0.000	0.000	0.000	0.000	**0.025**
Amesbury Circus Play Area - S106	0.000	0.025	0.000	0.000	0.000	0.000	**0.025**
Tree Works (Aspley) - S106	0.000	0.020	0.000	0.000	0.000	0.000	**0.020**
Pirate Park - S106	0.000	0.017	0.000	0.000	0.000	0.000	**0.017**
Camelot Ave / Hood Street Play Area / Carrington Underpass	0.000	0.010	0.000	0.000	0.000	0.000	**0.010**
Lenton Rec Ground (S106)	0.000	0.033	0.000	0.000	0.000	0.000	**0.033**
Robin Hood Chase Gym - S106	0.000	0.015	0.000	0.000	0.000	0.000	**0.015**
Allotment Improvements - S106	0.000	0.020	0.000	0.000	0.000	0.000	**0.020**
St Anns Tree Works - S106	0.000	0.012	0.000	0.000	0.000	0.000	**0.012**
Ronald Street, Lenton Rec Ground & Radford - S106	0.000	0.136	0.000	0.000	0.000	0.000	**0.136**
Radford & Park - Tree Works - S106	0.000	0.007	0.000	0.000	0.000	0.000	**0.007**
John Carroll Open Space - S106	0.000	0.010	0.000	0.000	0.000	0.000	**0.010**
Sandpiper Way Park - S106	0.000	0.010	0.000	0.000	0.000	0.000	**0.010**
Arboretum - S106	0.000	0.020	0.000	0.000	0.000	0.000	**0.020**
Wallen Street - S106	0.000	0.020	0.000	0.000	0.000	0.000	**0.020**
Bobber's Mill Playground - S106	0.000	0.005	0.000	0.000	0.000	0.000	**0.005**
St Peter Churchyard - S106	0.000	0.006	0.000	0.000	0.000	0.000	**0.006**
Arboretum Tree Works - S106	0.000	0.012	0.000	0.000	0.000	0.000	**0.012**
Martin Pond Nature Reserve S106	0.000	0.173	0.000	0.000	0.000	0.000	**0.173**
Adaptations (DFG)	1.955	1.955	1.955	1.955	1.955	1.955	**11.730**
Regional Housing Board - Equity Loan Scheme	0.000	0.333	0.000	0.000	0.000	0.000	**0.333**
Preventative Adaptations	0.049	0.049	0.049	0.049	0.049	0.049	**0.294**
Stonebridge General Fund	0.000	0.034	0.000	0.000	0.000	0.000	**0.034**
S106 - Affordability Housing Dwelling (Basford) - DD3273	0.034	0.000	0.000	0.000	0.000	0.000	**0.034**
General Fund Chingford Access Point	0.426	0.000	0.000	0.000	0.000	0.000	**0.426**
S106 - Affordability Housing Nottm Framework	0.500	0.000	0.000	0.000	0.000	0.000	**0.500**
Joint Service Centre - Bulwell LIFT	0.000	0.060	0.000	0.000	0.000	0.000	**0.060**
NEZ - Boots Campus Infrastructure Works	1.391	0.400	0.000	0.000	0.000	0.000	**1.791**
IT - Service Improvement Prog - Server 2003	0.073	0.220	0.220	0.220	0.219	0.000	**0.952**
IT - Income Management Enterprise Licence	0.030	0.000	0.000	0.000	0.000	0.000	**0.030**
IT - PC Hardware Acquisitions (1617,1718)	1.231	0.370	0.000	0.000	0.000	0.000	**1.601**
Disposal of Angel Row Site (SDLT)	(0.138)	0.000	0.000	0.000	0.000	0.000	**(0.138)**
IT - Internet Extension & Purchase of Bearer (DD2752)	0.333	0.000	0.000	0.000	0.000	0.000	**0.333**
One Public Estate - Crocus Place (DD2826)	(0.122)	0.000	0.000	0.000	0.000	0.000	**(0.122)**
One Public Estate - Joint Service Centres (DD2826)	0.000	0.025	0.000	0.000	0.000	0.000	**0.025**
IT - Anti Virus (DD2844)	0.032	0.000	0.000	0.000	0.000	0.000	**0.032**
IT - Cisco Call Manager (DD2893)	0.060	0.008	0.000	0.000	0.000	0.000	**0.068**
IT - VOIP & LAN Contract	0.024	0.020	0.000	0.000	0.000	0.000	**0.044**
Loan - NCH Homeless	4.810	4.300	0.000	0.000	0.000	0.000	**9.110**
Loan - NCH-E Ltd Arboretum	0.000	3.225	0.000	0.000	0.000	0.000	**3.225**
Loxley House Workplace & Hub	0.006	0.000	0.000	0.000	0.000	0.000	**0.006**
Property Acq - Project Green	0.000	0.016	0.000	0.000	0.000	0.000	**0.016**
IT - Data Storage & Backup	0.710	0.000	0.000	0.000	0.000	0.000	**0.710**
NCH E Loan - 100 Market Rented Properties	11.476	0.000	0.000	0.000	0.000	0.000	**11.476**
NCH E Loan - Forest Road	0.730	0.000	0.000	0.000	0.000	0.000	**0.730**
NCH E Loan - Arkwright Walk Ph1	1.992	0.000	0.000	0.000	0.000	0.000	**1.992**
NCH E Loan - Arkwright Walk Ph2	2.403	0.000	0.000	0.000	0.000	0.000	**2.403**
NCH E Loan - Clifton Triangle	3.228	0.000	0.000	0.000	0.000	0.000	**3.228**
NCH E Loan - Meadows Police Station	0.000	3.976	0.000	0.000	0.000	0.000	**3.976**
IT - Replacement of Communication Infrastructure	0.200	1.050	0.050	0.050	0.000	0.000	**1.350**
Voice & Data Network Replacement	0.500	0.000	0.000	0.000	0.000	0.000	**0.500**

Other Services – Category 1							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
NCHRP Loan - Move On Accommodation	0.200	0.534	0.000	0.000	0.000	0.000	**0.734**
Property Management System	0.275	0.100	0.000	0.000	0.000	0.000	**0.375**
Property Acquisition - 12-16 Hartley Court	0.375	0.000	0.000	0.000	0.000	0.000	**0.375**
Data Connection	0.020	0.017	0.000	0.000	0.000	0.000	**0.037**
Carrington St Area Townscape Heritage Project	0.600	0.267	0.000	0.000	0.000	0.000	**0.867**
Land at Clifton - Clearance prior to sale	0.001	0.000	0.000	0.000	0.000	0.000	**0.001**
Nottingham College Skills Hub	7.042	0.000	0.000	0.000	0.000	0.000	**7.042**
Nottingham Science Park - Phase 2	0.398	0.000	0.000	0.000	0.000	0.000	**0.398**
Partial Demolition of Elms Primary	(0.003)	0.000	0.000	0.000	0.000	0.000	**(0.003)**
Sneinton Market in Partnership Scheme	0.000	0.359	0.000	0.000	0.000	0.000	**0.359**
Old Market Square / Lace Market - Conservation Area	0.187	0.447	0.000	0.000	0.000	0.000	**0.634**
Arnside Rd Collaboration	0.010	0.020	0.000	0.000	0.000	0.000	**0.030**
Blueprint Third Party Loan	2.000	2.385	0.000	0.000	0.000	0.000	**4.385**
Broadmarsh - Car Park	30.487	0.721	0.000	0.000	0.000	0.000	**31.208**
Blueprint Loan Note	1.000	2.500	0.000	0.000	0.000	0.000	**3.500**
Broadmarsh Centre - Shopping Centre	(8.464)	0.000	0.000	0.000	0.000	0.000	**(8.464)**
Southwell Road Shops Project (SMiPS)	0.200	0.296	0.000	0.000	0.000	0.000	**0.496**
Demo 135 to 137 Lower Parliament Street	0.051	0.000	0.000	0.000	0.000	0.000	**0.051**
Heathcote Replacement Boilers	0.009	0.000	0.000	0.000	0.000	0.000	**0.009**
30 Woolpack Lane Repair Works	0.035	0.000	0.000	0.000	0.000	0.000	**0.035**
1-4 Cheapside Repairs	0.006	0.000	0.000	0.000	0.000	0.000	**0.006**
Dolomite Avenue Refurb	0.030	0.000	0.000	0.000	0.000	0.000	**0.030**
19-29 Lister Gate Repairs	0.045	0.000	0.000	0.000	0.000	0.000	**0.045**
Southern Gateway	2.772	1.033	0.000	0.000	0.000	0.000	**3.805**
Building 2 Woolsthorpe Depot	0.000	0.111	0.000	0.000	0.000	0.000	**0.111**
Dilapidations 24-32 Carlton Street	0.000	0.168	0.000	0.000	0.000	0.000	**0.168**
Other Services - Total	**100.089**	**41.273**	**9.162**	**8.688**	**7.694**	**7.885**	**174.791**

General Fund Planned Schemes							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Central Library Fitout & Operation - BMCP	0.000	5.365	3.165	0.800	0.700	0.700	**10.730**
Spondon Street Development (inc Sherwood Library)	0.000	0.175	0.000	0.000	0.000	0.000	**0.175**
Wollaton Hall Gallery (Stage 2-4)	0.000	0.000	0.682	0.000	0.000	0.000	**0.682**
New Secondary School DfE	0.000	3.250	0.000	0.000	0.000	0.000	**3.250**
Indicative School Maintenance Grant	0.000	1.768	1.224	1.224	1.224	1.224	**6.664**
Indicative LTP Grant	0.000	0.000	5.172	5.172	5.172	5.172	**20.688**
Future High Street Fund	0.000	2.500	5.371	3.910	0.000	0.000	**11.781**
Projects in Development	0.000	2.849	5.579	4.594	0.613	0.294	**13.929**
Other Services - Total	**0.000**	**15.907**	**21.193**	**15.700**	**7.709**	**7.390**	**67.899**

Capital Programme Review Outcomes / Capital Savings Appendix E

Capital Programme Review Outcomes / Savings							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
General Fund							
Community Centres	(0.090)	(0.155)	0.000	0.000	0.000	0.000	**(0.245)**
Joint Service Centres	0.000	0.000	0.000	0.000	(0.100)	(0.632)	**(0.732)**
Loan - NCH-E Ltd Arboretum	0.000	(1.371)	(3.904)	0.000	0.000	0.000	**(5.275)**
One Public Estate	0.000	(0.177)	0.000	0.000	0.000	0.000	**(0.177)**
Loan Note	0.000	(1.800)	0.000	0.000	0.000	0.000	**(1.800)**
Vehicle / Fleet	(0.600)	(0.900)	0.000	0.000	0.000	0.000	**(1.500)**
Loan - NCH Homeless	0.000	(4.700)	0.000	0.000	0.000	0.000	**(4.700)**
Leisure Digital Infrastructure Improvements	0.000	0.000	(0.200)	0.000	0.000	0.000	**(0.200)**
Total General Fund	**(0.690)**	**(9.103)**	**(4.104)**	**0.000**	**(0.100)**	**(0.632)**	**(14.629)**
Public Sector Housing							
Property Acquisition - RTB 1-4-1 (Tranche 1 & 2)	(2.000)	(8.729)	(8.669)	0.000	0.000	0.000	**(19.398)**
Total Public Sector Housing	**(2.000)**	**(8.729)**	**(8.669)**	**0.000**	**0.000**	**0.000**	**(19.398)**

Annex 4

Housing Revenue Account

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Annex 4 - Housing Revenue Account (HRA)

1 Introduction

1.1 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.

1.2 The HRA stock at 1 April 2020 was **25,362** (excluding decommissioned properties). The change in stock during 2020/21 is estimated to be a net reduction of around **82** properties resulting from additional stock (118) and Right to Buy (RTB) sales (200).

1.3 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 2020/21 outturn will impact on the 2021/22 budget through the balance carried forward.

1.4 Nottingham City Homes (NCH) is responsible for the management and repairs of the housing stock under a refreshed Partnership Agreement with the Council signed in September 2020. This fee paid to NCH by the Council is a charge on the HRA.

1.5 The HRA is under considerable service and financial pressure as a result of national and local policy changes. The following are the key issues affecting the HRA budget in 2021/22:

- Rent and service charges increase of CPI **+ 1.0%**
- Stock movement reduction resulting from RTB and increase through new build and acquisition
- Impact of Covid-19 on housing management costs and rental income
- Continued roll out of Universal Credit
- Use of RTB Replacement (1-4-1) Receipts and impact on borrowing levels
- The requirement to reduce borrowing debt levels and the review of capital programme
- Impact of new regulatory requirement including the Building Safety Bill and energy efficiency

1.6 Since April 2020 the Council has been able to increase rents by up to CPI **+ 1.0%** in accordance with the relevant rules regarding rent setting (Direction of the rent standard 2019). This report recommends an increase of the maximum allowed based on the CPI

of **0.5%** giving a total increase of **1.5%**. The budget also takes into account the net reduction in stock.

1.7 Based on the experience of other Councils, Universal Credit results in a dramatic increase in arrears, however the impact is difficult to model due to the impact of Covid-19. It is anticipated that the HRA Working Balance is adequate to cover the effect of Universal Credit

1.8 The Coronavirus pandemic has led to increased management costs by NCH in relation to cleaning and PPE, which are included in the proposed Management Fee. This is funded from the Working Balance in 2021/22. The impact of the pandemic is also felt on the rental income of the HRA, through increased rent arrears and void periods, resulting in decreased income, and this risk is managed through the Bad Debt Provision and the Working Balance.

1.9 The use of RTB Replacement (1-4-1) Receipts to fund additions to the Council's stock requires additional borrowing to fund **70%** of the costs resulting in additional capital charges covering debt repayment and interest to the revenue account. The impact of schemes that have had Council approval to date are included in the budget proposals. Any unspent receipts need to be returned to MHCLG. The various restrictions due to Covid-19 have meant that the Public Sector Housing Capital Programme (PSHCP) has experienced delays and this will result in some 1-4-1 funding being returned to central government.

1.10 The Council has already completed a programme of fire safety works to high rise blocks following the Grenfell Tower fire in 2017. Further investment will be required when the Building Safety Bill and Fire Safety Bill that are going through the amendment stage in Parliament become law. A sum of **£1m** has been added in 2021/22 to the PSHCP for preliminary surveys and urgent works that are identified in light of these requirements. An additional provisional sum of **£3m** for the impact in future years has been included in planned schemes and the findings of the surveys will determine a programme of building safety works, which will be subject to the necessary approvals to amend the Capital Programme.

1.11 In November 2020 the government published its Social Housing White Paper which focuses on the key themes of safe homes, good quality homes and neighbourhoods, greater redress for tenants and publication of sector-wide performance information. This could result in increased regulatory responsibilities and involve a revised Decent Homes Standard, both of which could also have cost implications.

1.12 The HRA will need to contribute to the Government's aim of achieving net zero carbon emissions by 2050 both in new build and the retrofit of the current stock by directing appropriate funding to energy efficiency improvements needed to reduce fuel poverty and future proof in terms of regulatory requirements.

1.13 The financial impact of these changes where it can be quantified has been included in proposed budget for 2021/22 and incorporated into the Medium Term Financial Plan (2022/23 to 2024/25).

1.14 The changes affecting the HRA also need to be reflected in the HRA 30 Year Business Plan, which is currently being refreshed, to assess the impact on the continued sustainability and the long term financial plan of the housing service. This work is ongoing but will build upon the work already undertaken in producing a medium term financial plan. This work has been supported by the increase in future rental income by the implementation of the national rent policy, a focus on maximising collection of rents from tenants, reviewing the level of borrowing, rephrasing and reviewing existing capital commitments and maintaining adequate reserves.

1.15 The key headlines in the HRA budget for 2021/22 are as follows:

HRA Revenue

- For the purposes of rent setting, CPI is 0.5%
- An increase in rents of CPI + 1% **(total 1.5%)** for 2021/22
- Continuation of tenant incentive scheme of up to **£100** per annum for one year
- A proposed increase in service charges of CPI + 1% **(total of 1.5%)**
- A proposed increase in garage rents of CPI **0.5%**
- A working balance of **£7.6m** to provide for the effects of Covid-19, Universal Credit and early years' deficits of new build

HRA Capital

- The Council is responsible for setting investment priorities as part of its strategic housing role. NCH is the delivery arm to achieve this.
- An overall Public Sector Housing Capital Programme of **£238.8m** for the next 5 years of which **£65.0m** relates to 2021/22.
- A new budget of **£1.0m** in 2021/22 is included to fund works identified in relation to the Building Safety Bill and Fire Safety Order Bill. A further **£3.0m** has been estimated over the rest of the programme, which is under Planned Schemes and will require the relevant approval to be used for specific works based on the results of surveys.
- An increase to the budget for Fire Damaged Properties to **£0.4m** p.a. and an increase to the Lift Replacement Programme of **£0.2m**
- A budget of **£31.0m** is added in 2025/26 for continued maintenance of the housing stock. The budgets are based on stock conditions surveys of the stock, asset management data or allocated amounts for certain budgets (eg major voids works).
- Removal of remainder of Property Acquisition (1-4-1) scheme at a saving of **£17.4m** in order to reduce the overall level of borrowing for the Council and within the HRA.
- **£56.3m** for 2021/22 has been specifically allocated to regeneration and new build (Building a Better Nottingham)
- **£13.4m** for 2021/22 has been specifically allocated to energy efficiency improvements to reduce carbon emissions

2 HRA Forecast Outturn 2020/21

2.1 **Table 1** summarises the HRA budget and forecast outturn for 2020/21.

The key variances for 2020/21 from the budget are as follows:

- Income – reduced rents due to Covid-19 impact of **£0.1m** and increased service charge income of **£0.2m**
- Expenditure – adverse variance with Management which is largely due to Responsible Tenant Reward scheme **£0.2m**. Adverse Capital charges **£0.1m**.

Table 1: HRA Forecast Outturn 2020/21

Description	Original Budget £m	Estimated Outturn £m	Variance £m
Income			
Rent income	(94.202)	(94.064)	(0.139)
Service charges & other income	(11.278)	(11.496)	0.218
Total Income	**(105.480)**	**(105.560)**	**0.079**
Expenditure			
Repairs	26.884	26.884	0.000
Management (includes Retained)	33.525	33.727	(0.201)
Capital charges	44.671	44.755	(0.085)
Direct Revenue Financing	0.400	0.400	0.000
Total Expenditure	**105.480**	**105.766**	**(0.286)**
Deficit / (Surplus)	**0.000**	**0.206**	**(0.206)**
HRA Working balance B/F	7.727	8.077	0.350
HRA Working Balance C/F	**7.727**	**7.870**	**0.143**

3 HRA Budget 2021/22

3.1 The budget for 2021/22 has been refreshed to take account of the permitted increase in rents, increases in service charges, inflation, cost pressures, capital financing costs and changes to assumptions. **Table 2** below shows the summary of the 2021/22 budget and the movement from 2020/21 original budget.

3.2 Rent Income

Rent policy – The Government has issued a Direction to the Social Housing Regulator that from April 2020 Local Housing Authorities will fall under its Rent Standard. This replaces the previous regime where the government exercised control of rents using the Limit Rent.

The Government has announced that rents can be increased by up to CPI **+ 1%** annually from 2020/2021 for five years.

Applying the proposed rent increase and taking account of the estimated reduction in stock will increase rental income by **£1.1m** per annum. The reduction of council housing stock is due to council housing sales (mainly from Right to Buy) and off-set by addition of new build and acquired properties into stock. RTB numbers are assumed to be **250** p.a. if actual numbers are higher than estimated the rental income achieved will be reduced. Stock numbers are monitored proactively to identify if rental levels are adversely affected and to ensure the HRA stays in balance.

For comparison only, the estimated limit rent for 2021/22 based on an increase of CPI **+ 1%** would be **£77.23** per week (over 52 weeks). The proposed average rent of **£75.86** gives headroom of **£1.37** per week.

Table 2: HRA Budget 2021/22

NOTE	Description	2020/21 Original Budget £m	2021/22 Budget £m	Movement £m
	Income			
3.2	Rent income	(94.202)	(95.306)	1.103
3.3	Service charges & other income	(11.278)	(11.610)	0.333
	Total Income	**(105.480)**	**(106.916)**	**1.436**
	Expenditure			
3.4	Repairs	26.884	26.739	0.145
3.5	Management	33.525	34.162	(0.637)
3.6	Capital Charges	44.671	45.856	(1.185)
3.7	Direct Revenue Financing	0.400	0.400	0.000
	Total Expenditure	**105.480**	**107.157**	**(1.677)**
	Deficit / (Surplus)	**0.000**	**0.241**	**(0.241)**
	HRA Working balance B/F	**7.727**	**7.870**	**0.143**
3.8	**HRA Working Balance C/F**	**7.727**	**7.629**	**(0.098)**

Bad debt provision

Universal Credit (UC) was rolled out in Nottingham in October 2018 for all new claimants or those with a change in circumstance. As the Housing Benefit element of UC is not automatically paid to the landlord and UC is also paid in arrears, this causes an increased level of rent arrears. Evidence from the roll out so far has shown average tenants arrears are up to 50% greater for tenants on UC compared to the overall average arrears. Over 20% of tenants are in receipt of UC and this will continue to grow and impact on the 2021/22 budget and beyond. The contribution to the Bad Debt Provision was increased to **£2.2m** in 2020/21 and the level of contribution will be kept

at this higher level to reflect the increased risk of write offs occurring. The level of provision will be kept under review to ensure it is sufficient.

The Working Balance was increased to around **£7.7m** to provide flexibility regarding Universal Credit to help manage this risk. In the 2020/21 Budget it was proposed that **£4m** will be diverted to support the new build programme and fund early year deficits. In 2021/22 it is also expected that the Working Balance may be needed to tackle the impact of Covid-19. The Working Balance will decrease by **£0.2m** in 2021/22 due to a temporary increase in the Management Fee to NCH to fund costs associated with Covid-19.

Table 3: Impact of rent Income changes 2021/22	
Description	**£m**
Rent income – 1.5% increase	(1.441)
Rent income – net stock reduction	0.338
Rent income (net)	**(1.103)**

3.3 Service charges & other income

Where a direct service charge is levied, it will increase by **1.5%** (CPI September 2020) to support the recovery of associated costs. **Appendix A** gives details of the increases in service charges.

Garage rents not included as part of the rent of a dwelling will be increased by **0.5%** (CPI September 2020).

Table 4: Service Charges & Other Income 2021/22	
Description	**£m**
Service charges	(0.364)
Other income (including garage rents)	0.031
Service charges and other income	**(0.333)**

3.4 Repairs - net reduction of £0.1m

The housing repairs budget has been reduced to **£26.7m** as a consequence of applying reduction in the stock (**-£0.2m**), CCTV maintenance transferred to NCC **(-£0.1m**) and Retained land repairs transferred to NCH (**+£0.1m**).

3.5 Management - net increase £0.6m

<u>NCH Management Fee</u>

It is proposed that the Management Fee paid to NCH will increase to **£22.9m**, which comprises of a temporary increase for cost pressures Covid-19 (**+£0.2m**) and permanent Building Safety/Fire Safety Bill (**£0.1m**) an adjustment to reflect the declining volume of stock (**-£0.1m**).

Retained Housing - **£4.7m**

HRA budgets which are still managed by the Council are set in line with General Fund assumptions, i.e. pay award (0%) and general inflation (0%) and have been contained within existing resources. Changes to the Retained budget include a recharge for posts within the Council that provide tenancy sustainment services to tenants (and can be funded by the HRA) (**+£0.1m**) and a reduction for the transfer of a budget to NCH for repairs for HRA retained land (**-£0.1m**) so the effect due to the latter on the HRA is nil.

Furnished tenancies – in 2017 the Council introduced the option of furnished tenancies, with a budget approved via a Delegated Decision (D2847) for the purchase of furniture. The assumptions have been updated and are subject to submission of a business case and further approval. Tenants pay a service charge, which is used to recover the cost of the furniture, loss, damage and early termination of tenancies. This income is included in the budget for service charge income.

Public Realm & CCTV **£4.6m**

It is proposed that these recharges for services provided by the Council are increased by **£0.1m** to fund inflation and a budget formerly managed by NCH where the contract will be managed by NCC.

Responsible Tenant Reward scheme **£2.0m**

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 2020/21 was **£2.2m** with successful tenants receiving **£100** each. It is proposed to continue the scheme for a further year in 2021/22 with a budget of **£2.0m**. The provision has been removed from 2022/23 onwards subject to a value for money review.

3.6 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 2020/21 £m	Budget 2021/22 £m	Movement £m
Contribution to Major Repairs Reserve (depreciation)	29.499	29.554	0.055
Debt charges	15.172	16.302	1.130
Total	**44.671**	**45.856**	**1.185**

Contribution to Major Repairs Reserve (MRR) 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 contribution to the provision in 2021/22 budget is **£29.6m**.

Debt charges

The HRA continues to benefit from the historically low interest rates, with the estimated average rate to be applied in 2021/22 being **4.2%.** The increase in debt charges is due to the Prudential Borrowing taken out to fund new build and property acquisitions in the Building a Better Nottingham division of the Public Sector Housing Capital Programme. The budget of **£16.3m** includes the estimated interest and principal repayment, assuming schemes progress as planned. Over the life of the MTFP the long term average interest rates of between **3.5%** and **4.5%** are expected to be valid for the HRA 30 Year Business Plan.

The HRA, like the General Fund is subject to the Councils voluntary policy to freeze debt levels and to rely on internally generated funds and capital receipts to fund spending. A number of de-commitments have been made to achieve this and a further review will be needed to align the ambition of the Council in respect of stock investment, with available resources.

3.7 Direct Revenue Financing

Due to the need to fund certain schemes in the capital programme direct revenue financing is included at **£0.4m** in 2021/22. Together with the contributions to the MRR, this increases the resources available in the HRA to finance capital investment.

3.8 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. The Working Balance was increased to **£7.7m** to provide for the impact of Universal Credit (UC), however given the increase in the Bad Debt Provision and the impact of UC to date this has enabled the reserve to be reassessed and used to support the early years deficits from new build housing schemes and to cover the impact of Covid-19.

4 HRA Medium Term Financial Plan (MTFP) 2021/22 to 2024/25

4.1 The HRA MTFP 4 year projections have been updated to reflect the above changes. **Table 6** shows the HRA MTFP for 2021/22 to 2024/25. The future years' projections are based on information currently available but subject to ongoing review. The projections incorporate the following assumptions:

- Net rental income has been assumed to increase within the parameters set by the new rent regime (**1.5%** p.a. from 2021 to 2024). Net rental income reflect the net stock changes resulting from sales and new build
- As in the entire MTFP general inflation is not awarded and is only allowed for where appropriate. No inflation has been assumed for the Management Fee and Repairs budgets as this will form part of the contract negotiations for 2022/23; 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 in 2021/22 and is removed from 2022/23
- Working balance remains at least **£7.6m** as a safeguard during the rollout of Universal Credit, the impact of Covid-19, to fund the early years deficits resulting from investment in new council housing

Table 6: HRA – Medium Term Financial Plan (MTFP)

Description	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Rental Income	(97.519)	(98.237)	(98.903)	(100.015)
Provision for Bad Debts	2.213	2.213	2.213	2.213
Service charges	(8.889)	(8.889)	(8.889)	(8.889)
Other rents (inc garage)	(2.469)	(2.469)	(2.469)	(2.469)
Other income including interest	(0.253)	(0.253)	(0.253)	(0.253)
Total Income	**(106.916)**	**(107.634)**	**(108.300)**	**(109.412)**
Repairs to Dwellings	26.739	26.625	26.586	26.315
NCH Management Fee	22.852	22.515	22.427	22.198
Tenant incentive scheme	2.000	0.000	0.000	0.000
Public Realm	3.120	3.138	3.157	3.157
CCTV	1.460	1.468	1.477	1.477
Retained Housing	4.731	4.873	4.873	4.873
Depreciation (to Major Repairs)	29.554	31.169	31.792	32.415
Debt Charges	16.302	16.241	16.565	16.640
Direct Revenue Financing	0.400	0.400	0.400	0.400
Total Expenditure	**107.157**	**106.428**	**107.277**	**107.475**
Deficit / (Surplus)	**0.241**	**(1.206)**	**(1.023)**	**(1.937)**
Add Working Balance B/F	7.870	7.629	8.835	9.858
WORKING BALANCE C/F	**7.629**	**8.835**	**9.858**	**11.795**

5 Public Sector Housing Capital Programme

5.1 HRA capital expenditure is financed from resources generated from rental income to directly finance capital expenditure or fund prudential borrowing. All borrowing must comply with the Prudential Code and the Council's Capital Strategy, including all investments generating sufficient income to fund repayment of debt including principal and interest and any early years' deficits being affordable.

5.2 The Review into the Council's financial position had highlighted the need to reduce its borrowing to more sustainable levels. In light of this the Public Sector Housing Capital Programme has been revised to restrict additional borrowing, so that this does not increase beyond the level reached through committed expenditure. Details are given in "Amendments to the Programme" below.

5.3 The impact of an annual **1%** reduction to rents from 2016 until 2019, resulted in a revised Asset Management Plan (AMP) to ensure that the HRA 30 Year Business Plan continued to be sustainable. The HRA 30 Year Business Plan needs to be refreshed in the coming months to take into account new legislation on building safety and energy efficiency and ensure it remains viable whilst meeting the Council's statutory obligations and aspirations to provide new homes. As more information becomes available on these requirements, the business plan will need to be updated on an ongoing basis to ensure affordability.

5.4 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 2025/26 against the existing capital programme approved to 2024/25.

Table 7: Public Sector Housing Capital Programme 2020/21 – 2025/26

Programme Movement	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Existing programme	52.032	81.777	62.808	38.963	30.280	0.000	265.860
New/amended schemes	(5.414)	(16.795)	5.016	3.886	1.869	30.977	19.538
Total Programme	**46.619**	**64.982**	**67.823**	**42.849**	**32.149**	**30.977**	**285.399**
Funding							
Prudential Borrowing	(15.442)	(15.056)	(12.244)	(6.864)	(1.822)	0.000	**(51.428)**
Grants & Contributions	(1.542)	(5.326)	(3.185)	(0.157)	0.000	0.000	**(10.210)**
Major Repairs Reserve	(22.325)	(37.249)	(43.350)	(32.105)	(29.633)	(30.942)	**(195.604)**
Capital Receipts – HRA	(1.151)	(0.850)	(2.874)	(0.690)	(0.035)	(0.035)	**(5.635)**
Replacement Capital Receipts	(6.159)	(6.501)	(6.170)	(3.033)	(0.659)	0.000	**(22.522)**
Total Funding	**(46.619)**	**(64.982)**	**(67.823)**	**(42.849)**	**(32.149)**	**(30.977)**	**(285.399)**

5.5 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**.

5.6 Schemes within the programme, including Building a Better Nottingham and Energy Efficiency improvements, 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 the development of a business case to demonstrate affordability.

5.7 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.

5.8 The programme takes account of the NCH AMP (refreshed to 2025/26), known commitments from schemes in progress, health and safety issues (including the Building Safety Bill) 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**.

5.9 The summary HRA capital programme for 2021/22 is shown in **Table 8.**

Table 8: 2021/22 Summary Capital Programme	
Description	**£m**
Maintaining the Nottingham Decent Homes Standard	19.250
Additional tenant priorities:	
- City wide energy efficiency	13.339
- Additional improvements	8.998
Building a Better Nottingham	21.944
Planned (not approved)	1.450
Total	**64.982**

5.10 Amendments to the Programme

Additions are shown in Appendix B, these are mainly including one further year i.e. 2025/26 based on the Asset Management Plan. Specific changes needing approval are listed below.

A budget of **£31.0m** is added in 2025/26 for continued maintenance of the housing stock. The budgets are based on stock conditions surveys of the stock and asset management data or where part of the Asset Management Plan's annual managed budget (eg roofs and chimneys, major voids works). The 2025/26 budget consists of: Safe (**£1.7m**), Secure- Warm-Modern (**£20.9m**), Decent Neighbourhoods (**£2.7m**), Major Void Works (**£2.2m**), Fire damaged properties (**£0.4m**) and Adaptations **£2.1m**) and Sanctuary project (**£0.04m**).

5.11 In addition to this, there are some changes required to increase other years of the programme that reflect new information or revised demand, which are detailed below:

- A new Building Safety Compliance Policy was agreed in 2019 between NCH & NCC, to ensure all of the Council homes meet all current standards. Ongoing surveys will inform how the upcoming changes resulting from the Social Housing white paper, the Building Safety Bill and the Fire Safety Order Bill will affect the Council's homes, especially the high-rise. It is recommended that a budget of **£1.0m** is included in the 2021/22 PSHCP for Building safety works identified by the ongoing surveys, to enable urgent works to be completed without any delay that could put our residents at risk. A further **£1.0m** p.a. has been included in Planned Schemes, within the Programme and the use of this budget will be subject to the usual separate approvals.

- A recommended increase to the lift replacement programme budget of **£0.2m** due works required that had not been included when the budget was originally set.

- A recommended increase to the budget for fire damaged properties from **£0.1m** to **£0.4m** p.a. Over the last two years there has been an increased call on this budget due to amount of damage caused when compared to previous years.

5.12 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 **£110.5m** over 5 years to deliver the Nottingham Standard for decent homes.

5.13 Energy Efficiency and Tackling Fuel Poverty

Over the 5 years of the programme **£23.7m** is being invested in energy efficiency measures to reduce energy costs and improve living standards for tenants. New and on-going schemes will benefit around **430** council homes through the roll out of the innovative deep retro-fit solutions including "Energiesprong" to around 207 hard to treat homes (ie those where conventional external wall insulation is unsuitable) and Destination Zero to **223** homes. These investments will be supported by grants from DREeM/ERDF, BEIS Whole House Retrofit, the Social Housing Decarbonisation Fund Demonstrator and Green Homes Grant Local Authority Delivery (LAD1b). The current cost of the deep retrofit solutions are only affordable with Government subsidy and the roll out of such solutions to the remainder of the stock will be dependent on continued grant subsidy or equivalent cost decreases. All investment decisions require a full business case including cash flow forecast to demonstrate that they are affordable in the context of the 30 year business plan and the Major Repairs Reserve is maintained at an adequate level.

5.14 Building a Better Nottingham

The HRA's Public Sector Housing Capital Programme includes **£56.3m** for additional council housing, including Council developed new build and acquisitions. This

supports the aim of the Council Plan 2019-23 to build or buy 1,000 Council or social homes for rent in Nottingham.

The overall programme needs to be affordable and sustainable, with the early year deficits from schemes being funded from schemes with better financial profiles and through the Working Balance.

5.15 The new build programme is funded by use of Replacement ("1-4-1") Right to Buy capital receipts (see Table 12) with the balance financed from prudential borrowing Based on the review of the Council's financial position, the Council must reduce its borrowing level; to achieve this it is assumed that further capital receipts can be realised. In order to achieve this it is proposed that the Property Acquisition ("1-4-1") scheme will cease in 2021/22, with no further purchases being in undertaken from the remainder of 2020/21.

5.16 Covid-19 has resulted in significant delays to the housing development programme with many of the City Councils housing development sites being of a significant size with a development period over 12 months. The property acquisition programme was designed to enable the Council to provide social housing and help to meet the target for spending RTB Replacement ("1-4-1") Receipts in 2021/22. Removal of this scheme and the delays in new build due to Covid-19, may result receipts being repaid to central government plus interest (see paragraph 5.23). The surplus cash flows of purchase made through the scheme will no longer be available to offset the early-year deficits on new build schemes.

5.17 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.

Table 9: HRA RTB Capital Receipts

Projection	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
1-4-1 Receipts (Table 11)	3.931	4.200	4.200	4.200	4.200	4.200	**24.931**
To repay HRA debt	1.571	3.261	3.261	3.261	3.261	3.261	**17.879**
Total RTB receipts	**5.502**	**7.461**	**7.461**	**7.461**	**7.461**	**7.461**	**42.810**

5.18 Repayment of voluntary debt – as part of the self-financing introduced in 2012, Councils were able to borrow under the Prudential Borrowing rules for investment in their housing stock. Whilst for the General Fund, any such debt must have a compulsory set aside to towards the repayment of principal, within the HRA it is voluntary.

5.19 It is Council policy that RTB receipts available will be retained to voluntarily set aside against HRA debt. This keeps the level of capital charges below **12.5%** of the HRA turnover to ensure sustainability.

5.20 Due to the increase in new build housing and acquisitions to contribute to the Council Plan of **1,000** Council and social homes for rent, the ratio is projected to increase to **15.3**% by 2023/24. This results from the delay between borrowing and rental income being generated. As schemes are delivered the ratios should reduce, provided these

are delivered in budget. Due to the scale of the programme this ratio will be monitored to ensure the HRA remains viable at these higher levels of debt.

5.21 **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 the Public Sector Housing Capital Programme.

Table 10: HRA Other Capital Receipts

Projection	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
Housing land sales	**0.285**	**0.000**	**1.500**	**0.000**	**0.000**	**0.000**	**1.785**

5.22 RTB Replacement ("1-4-1") Receipts from additional Right to Buy (RTB) sales

From 1 April 2012, MHCLG introduced changes to the treatment of capital receipts arising from RTB sales. The requirement to pay over a portion of receipts to the MHCLG remains, but also a proportion of the receipts are made available to pay down housing debt in relation the properties sold through RTB.

Furthermore 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) to spend on replacement homes for those sold under the RTB. Funding must be spent on creating additional social housing (either new build or purchase of properties) and the Council must contribute at least 70% of the cost and must be spent within 3 years of receipt. These "1-4-1" receipts will be used to support the new build programme within the HRA.

5.23 **Table 11** shows the projected use of 1-4-1 receipts to finance expenditure on schemes to build or buy replacement housing within the capital programme. The amount required to fund approved schemes is **£22.5m** of 1-4-1 receipts. The Council currently has **£21.3m** of receipts available to spend, but due to the profile of the schemes it is estimated that in 2020/21 **£1.5m** and in 2021/22 is **£2m** will need to be returned to MHCLG. This leaves a balance of **£17.8m** available and a requirement to secure a further **£4.8m** in 1-4-1 receipts. The level of RTB sales is difficult to predict, but based on historic levels it is possible that this level will be reached. The projected receipts will need to be monitored an alternative funding put in place if they are not realised.

MHCLG has provided some relaxation to the deadlines to spend 1-4-1 receipts due to Covid-19, the effect of which is included in the projections. However the government will have to provide further flexibility if the Council are to retain the ability to use all of these receipts and this is not currently on offer.

Table 11: Projected Use Of 1-4-1 Receipts							
Projection	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**TOTAL £m**
Opening balance	18.989	13.599	5.098	(1.071)	(4.105)	(4.764)	
Add new 1-4-1 receipts	2.269						**2.269**
Less HRA use in year	(6.159)	(6.501)	(6.170)	(3.033)	(0.659)	0.000	**(22.523)**
Return to MHCLG	(1.500)	(2.000)					**(3.500)**
Available/(Shortfall)	**13.599**	**5.098**	**(1.071)**	**(4.105)**	**(4.764)**	**(4.764)**	

5.24 HRA Prudential Borrowing

The Council borrows to fund additional social housing stock either through new build or 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 "Treasury Management Strategy 2020/21" approved by the Executive Board in February 2020. All debt must be affordable and sustainable within the rental income of the HRA over the 30 year plan.

5.25 The revised Capital Strategy ensures that all projects are accounted for in the allocation of available resources over a medium term planning horizon. This will assist the immediate requirement to review the programme on the grounds of affordability. The draft capital programme has been amended in line with the non-statutory review regarding the level of debt within the Council and the level of unsecured capital receipts required to fund the Capital Programme. The programme has been reviewed and a number of schemes been removed or rephrased. This review concluded in February 2021 and **£19.4m** of Public Sector Housing schemes were removed from the programme. The level of additional borrowing within the programme will consistently reduce over the five year period, with no additional borrowing being taken in 2025/26.

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 2020	292.529
Add: borrowing proposed to be taken out 2020/21	15.442
Less: debt planned to be repaid in year	(3.611)
HRA CFR at 1 April 2021	**304.360**
Debt cap	**319.784**
Estimated headroom at 1 April 2021	**15.424**

5.26 The MTFP assumes the use of borrowing over the life of the plan to support investment in replacement 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 2021	304.360
Add: borrowing taken out over 5 year investment plan	35.986
Less: debt planned to be repaid over 5 years	(31.146)
HRA CFR at 1 April 2026	**309.200**
Debt cap	**319.784**
Estimated headroom at 1 April 2026	**10.584**

Appendix A – Service Charges Increases 2021/22

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 **1.5%** (1% + CPI September 2020).

Table 1: Weekly Service Charge				
Service	**Current 2020/21 £**	**Proposed 2021/22 £**	**Increase %**	**Increase £**
Caretaking	6.30	6.39	1.5	0.09
Cleaning Service	3.70	3.76	1.5	0.06
Communal lighting	0.66	0.67	1.5	0.01
Communal TV system	1.11	1.13	1.5	0.02
Homewatch	0.64	0.65	1.5	0.01
Security (CCTV)	5.85	5.94	1.5	0.09
Estate Maintenance	3.74	3.80	1.5	0.06
Block Maintenance	3.23	3.28	1.5	0.05

Furnished tenancy service charges will also increase by **1.5%**.

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 2020/21 £**	**Proposed 2021/22 £**	**Increase £**
Independent Living	3.39	3.44	0.05
Intensive Housing Management	11.45	11.62	0.17
Independent Living charge (no intensive HM)	3.57	3.62	0.05
Emergency Alarm	2.75	2.79	0.04
"I'm OK" system (eligible)	5.47	5.55	0.08
"I'm OK" system (ineligible)	1.50	1.52	0.02
Scooter storage	1.13	1.15	0.02
Laundry facilities	1.49	1.51	0.02
ILS Scheme Maintenance	1.35	1.37	0.02
ILS Grander Designs	1.25	1.27	0.02

It is proposed that the total Independent Living service charges are increased by **1.5%** - see **Table 2** above.

Scheme Charges

A number of schemes have specific charges, details are set out in **Table 3.** It is recommended that all charges are to be increased by **1.5%** in line with the other proposed service charge increases.

Table 3: Scheme Specific Charges			
Type	**Current 2020/21 £**	**Proposed 2021/22 £**	**Change £**
Foxton Gardens: Service Charges			
One bed	33.05	33.55	0.50
Two bed	34.80	35.32	0.52
Foxton Gardens: Water			
One bed	3.30	3.35	0.05
Two bed	4.58	4.65	0.07
Foxton Gardens: Heating			
One bed	16.08	16.32	0.24
Two bed	21.81	22.14	0.33
Winwood: Extra Care Charge	32.53	33.02	0.49
Communal Heating	4.07	4.13	0.06
Sutton House: Heating	7.55	7.66	0.11

Appendix B – HRA Capital Programme by Scheme 2020/21 – 2025/26

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Meeting the Nottingham Decent Homes Standard								
Safe								
City Wide CCTV / Door Entry Improvements	**NCH**	0.121	0.757	0.806	0.806	0.806	1.016	**4.312**
Building Safety Works - SURVEY / URGENT	**NCH**	0.000	1.000	0.000	0.000	0.000	0.000	**1.000**
Intercom Systems **– FSW**	**NCC**	0.125	0.000	0.000	0.000	0.000	0.000	**0.125**
Public Address System **– FSW**	**NCC**	0.202	0.000	0.000	0.000	0.000	0.000	**0.202**
Fire Alarm Installations	**NCH**	0.060	0.071	0.227	0.227	0.227	0.280	**1.092**
Fire Alarm Installations **– FSW**	**NCC**	0.004	0.000	0.000	0.000	0.000	0.000	**0.004**
Asbestos Works	**NCH**	0.185	0.233	0.200	0.200	0.200	0.200	**1.218**
Lift Replacement Programme	**NCH**	0.069	0.200	0.000	0.000	0.000	0.031	**0.300**
Radon Awareness	**NCH**	0.000	0.074	0.000	0.000	0.000	0.000	**0.074**
Low Rise Sprinkler Systems	**NCH**	0.490	0.000	0.000	0.000	0.000	0.000	**0.490**
High Rise Sprinkler Systems **- FSW**	**NCC**	0.300	0.000	0.000	0.000	0.000	0.000	**0.300**
High Rise Sprinkler Systems - **FSW** (CR&M)	**NCC**	0.914	0.000	0.000	0.000	0.000	0.000	**0.914**
Gas Safety Enhancements **- FSW**	**NCC**	0.027	0.000	0.000	0.000	0.000	0.000	**0.027**
Structural Surveys & Rectification Works	**NCH**	0.070	0.050	0.050	0.050	0.050	0.050	**0.320**
Renew Bin Store/Refuse Chute	**NCH**	0.358	0.144	0.250	0.050	0.050	0.050	**0.902**
Management Fee	**NCH**	0.068	0.076	0.077	0.067	0.067	0.081	**0.435**
Management Fee **- FSW**	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
		2.994	**2.606**	**1.609**	**1.400**	**1.400**	**1.708**	**11.717**

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/25 £m	Total £m
Secure Warm & Modern								
Nottingham Secure – Windows	**NCH**	1.045	1.990	2.100	1.670	0.500	0.000	**7.306**
Nottingham Secure – Doors	**NCH**	1.025	1.503	1.835	0.791	0.000	0.000	**5.154**
Modern Living	**NCH**	2.106	5.104	6.660	5.960	5.639	3.517	**28.986**
Warmth for Nottingham (CR&M)	**NCH**	3.000	3.201	5.405	4.262	4.023	8.628	**28.519**
Roof & Chimney Replacement	**NCH**	1.500	2.247	3.631	4.470	4.470	4.470	**20.789**
External Fabric	**NCH**	3.228	1.870	3.341	3.341	3.341	3.341	**18.462**
Management Fee	**NCH**	0.520	0.729	1.074	0.950	0.824	0.923	**5.019**
		12.425	**16.644**	**24.046**	**21.444**	**18.797**	**20.879**	**114.234**
Additional Tenant Priorities								
Energy Efficiency & Tackling Fuel Poverty								
No Fines/ Solid Wall Insulation Schemes	**NCC**	0.000	1.696	3.558	0.000	0.000	0.000	**5.254**
REMOURBAN & Domestic Energy Programme	**NCC**	0.114	0.000	0.000	0.000	0.000	0.000	**0.114**
Deep Innovative Retrofit – ERDF	**NCC**	0.220	1.749	3.523	0.000	0.000	0.000	**5.492**
Deep Innovative Retrofit – INTERREG	**NCC**	0.021	0.080	0.000	0.000	0.000	0.000	**0.101**
MUSTBE0 / Whole House Retrofit Schemes	**NCC**	1.089	3.793	3.000	0.000	0.000	0.000	**7.882**
Social Housing Decarbonisation Fund Demo (BEIS)	**NCC**	0.000	5.467	0.000	0.000	0.000	0.000	**5.467**
Green Deal Communities Funding	**NCC**	0.035	0.000	0.000	0.000	0.000	0.000	**0.035**
LED Communal Lighting	**NCH**	0.025	0.000	0.000	0.000	0.000	0.000	**0.025**
Management Fee	**NCH**	0.075	0.554	0.326	0.000	0.000	0.000	**0.956**
		1.579	**13.339**	**10.407**	**0.000**	**0.000**	**0.000**	**25.326**

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Modernising Housing For Older People								
Independent Living Re-Design	**NCH**	0.491	0.000	0.000	0.000	0.000	0.000	0.491
Mobile Scooter Stores	**NCH**	0.113	0.000	0.000	0.000	0.000	0.000	0.113
Management Fee	**NCH**	0.030	0.000	0.000	0.000	0.000	0.000	0.030
		0.634	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.634**
Decent Neighbourhoods								
City Wide Environmentals - Area Capital Fund	**NCH**	0.246	1.454	1.281	0.971	0.971	1.000	5.924
Estate/Area Impact works	**NCH**	0.919	1.000	1.200	1.231	1.440	1.500	7.290
Paving Works - Area Committee Schemes	**NCH**	0.500	0.403	0.268	0.285	0.242	0.500	2.197
Garage / Outbuildings - Citywide	**NCH**	0.300	0.500	0.925	0.925	0.925	0.500	4.074
Garage Demolition - Citywide	**NCH**	0.284	0.000	0.000	0.000	0.000	0.000	0.284
Management Fee	**NCH**	0.112	0.168	0.184	0.171	0.179	0.175	0.988
		2.362	**3.525**	**3.858**	**3.582**	**3.756**	**3.675**	**20.757**
Existing Stock Investment								
Major Void Works (CR&M)	**NCH**	1.850	2.180	2.180	2.180	2.180	2.180	12.750
Fire Damaged Properties (CR&M)	**NCH**	0.504	0.400	0.400	0.400	0.400	0.400	2.504
Rooftop Fan Project	**NCH**	0.004	0.000	0.000	0.000	0.000	0.000	0.004
Management Fee	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		2.358	**2.580**	**2.580**	**2.580**	**2.580**	**2.580**	**15.258**

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Building a Better Nottingham								
Oakford Close	**NCC**	0.010	0.000	0.000	0.000	0.000	0.000	0.010
Woodthorpe & Winchester - New Build	**NCC**	0.075	0.000	0.000	0.000	0.000	0.000	0.075
Property Acquisition – RTB 1-4-1	**NCC**	10.198	0.000	0.000	0.000	0.000	0.000	10.198
Property Acquisition – Next Steps Accommodation	**NCC**	1.260	0.000	0.000	0.000	0.000	0.000	1.260
Affordable Housing Acquisition - Sandfield Site	**NCC**	0.083	0.000	0.000	0.000	0.000	0.000	0.083
Affordable Housing Acquisition – Woodyard Lane	**NCC**	0.321	0.079	0.000	0.000	0.000	0.000	0.400
Acquisition Of Site – Southchurch Road	**NCC**	0.200	0.000	0.000	0.000	0.000	0.000	0.200
Disposal Of HRA Assets	**NCC**	0.023	0.000	0.000	0.000	0.000	0.000	0.023
Knights Close – New Build	**NCC**	1.710	0.000	0.000	0.000	0.000	0.000	1.710
Clifton Miners Welfare – New Build	**NCC**	0.557	0.000	0.000	0.000	0.000	0.000	0.557
Tunstall Drive – New Build	**NCC**	2.027	0.000	0.000	0.000	0.000	0.000	2.027
Marlstones – New Build	**NCC**	0.083	0.000	0.000	0.000	0.000	0.000	0.083
Woodlands Office Conversion	**NCC**	0.571	0.116	0.000	0.000	0.000	0.000	0.687
Affordable Housing Acquisition – Padstow	**NCC**	0.000	2.447	4.893	4.893	2.447	0.000	14.680
Eastglade - New Build	**NCC**	3.142	7.978	4.598	0.000	0.000	0.000	15.718
Southchurch – New Build	**NCC**	0.689	2.802	0.705	0.000	0.000	0.000	4.196
Development Of Bespoke Accomm'n – New Build	**NCC**	0.500	0.669	0.000	0.000	0.000	0.000	1.169
Oakdene – New Build	**NCC**	0.500	0.000	3.376	0.923	0.000	0.000	4.799
Beckhampton Road – New Build	**NCC**	0.200	6.740	6.952	4.650	0.000	0.000	18.541
Management Fee - General	**NCC**	0.504	1.079	0.594	0.174	0.000	0.000	2.350
Management Fee - Specific	**NCC**	0.003	0.036	0.070	0.070	0.035	0.000	0.213
		22.657	**21.944**	**21.189**	**10.709**	**2.482**	**0.000**	**78.980**

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Joint NCC / NCH Involvement								
Sanctuary Project	**NCC**	0.035	0.035	0.035	0.035	0.035	0.035	**0.210**
HRA Shop Investment	**NCC**	0.020	0.000	0.000	0.000	0.000	0.000	**0.020**
St Anns Estate Action - Stonebridge Pk (Ph 3 & 6)	**NCC**	0.000	0.239	0.000	0.000	0.000	0.000	**0.239**
HRA Off Street Drive-ways	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
IT Development Programme	**NCC**	0.081	0.000	0.000	0.000	0.000	0.000	**0.081**
Adaptations For Disabled Persons	**NCC**	0.638	0.731	0.731	0.731	0.731	0.731	**4.293**
Adaptations For Disabled Persons (CR&M)	**NCC**	0.685	1.659	1.269	1.269	1.269	1.269	**7.420**
Preventive Adaptations For Older People (PAD)	**NCC**	0.100	0.100	0.100	0.100	0.100	0.100	**0.600**
Improvements To Home Used By C&F	**NCC**	0.000	0.124	0.000	0.000	0.000	0.000	**0.124**
Improvements To Home Used By C&F - FIXED FEE	**NCC**	0.000	0.006	0.000	0.000	0.000	0.000	**0.006**
		1.560	**2.893**	**2.135**	**2.135**	**2.135**	**2.135**	**12.993**
Planned / subject to business case and approval								
Building safety works (Building Safety legislation)	**NCC**	0.000	0.000	1.000	1.000	1.000	0.000	**3.000**
Colwick Woods Court - Refurbishment	**NCC**	0.050	1.450	1.000	0.000	0.000	0.000	**2.500**
		0.050	**1.450**	**2.000**	**1.000**	**1.000**	**0.000**	**5.500**
Total		**46.619**	**64.982**	**67.823**	**42.849**	**32.149**	**30.977**	**285.399**

Appendix C – HRA Capital Programme Scheme Amendments for Approval 2020/21 – 2025/26

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £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	1.016	**1.016**
Building Safety Works - SURVEY / URGENT	**NCH**	0.000	1.000	0.000	0.000	0.000	0.000	**1.000**
Intercom Systems - FSW	**NCC**	0.114	0.000	0.000	0.000	0.000	0.000	**0.114**
Public Address System - FSW	**NCC**	0.021	0.000	0.000	0.000	0.000	0.000	**0.021**
Fire Alarm Installations	**NCH**	0.000	0.000	0.000	0.000	0.000	0.280	**0.280**
Fire Alarm Installations - FSW	**NCC**	0.004	0.000	0.000	0.000	0.000	0.000	**0.004**
Asbestos Works	**NCH**	0.000	0.000	0.000	0.000	0.000	0.200	**0.200**
Lift Replacement Programme	**NCH**	0.000	0.200	0.000	0.000	0.000	0.031	**0.231**
Radon Awareness	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Low Rise Sprinkler Systems	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
High Rise Sprinkler Systems - FSW	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
High Rise Sprinkler Systems - FSW (CR&M)	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Gas Safety Enhancements - FSW	**NCC**	(0.138)	0.000	0.000	0.000	0.000	0.000	**(0.138)**
Structural Surveys & Rectification Works	**NCH**	0.000	0.020	0.002	0.044	0.050	0.050	**0.166**
Renew Bin Store/Refuse Chute	**NCH**	(0.244)	(0.664)	(0.345)	(0.455)	(0.528)	0.050	**(2.186)**
Management Fee	**NCH**	(0.012)	(0.022)	(0.017)	(0.021)	(0.024)	0.081	**(0.015)**
Management Fee - FSW	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
		(0.255)	**0.534**	**(0.360)**	**(0.432)**	**(0.502)**	**1.708**	**0.693**

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/2 £m	2024/25 £m	Total £m
Secure Warm & Modern								
Nottingham Secure - Windows	**NCH**	(0.705)	(0.710)	0.235	1.170	0.000	0.000	**(0.010)**
Nottingham Secure - Doors	**NCH**	0.000	(0.004)	0.000	(0.198)	0.000	0.000	**(0.202)**
Modern Living	**NCH**	(0.445)	0.944	1.500	1.000	1.000	3.517	**7.516**
Warmth for Nottingham (CR&M)	**NCH**	0.000	(0.163)	0.000	0.000	0.000	8.628	**8.465**
Roof & Chimney Replacement	**NCH**	0.000	(1.556)	0.803	0.000	0.000	4.470	**3.717**
External Fabric	**NCH**	(0.319)	(1.189)	0.000	0.000	0.000	3.341	**1.833**
Management Fee	**NCH**	(0.073)	(0.126)	0.127	0.099	0.050	0.923	**0.999**
		(1.542)	**(2.803)**	**2.665**	**2.071**	**1.050**	**20.879**	**22.319**
Additional Tenant Priorities								
Energy Efficiency & Tackling Fuel Poverty								
No Fines/ Solid Wall Insulation Schemes	**NCC**	0.000	(2.665)	2.166	0.000	0.000	0.000	**(0.499)**
REMOURBAN & Domestic Energy Programme	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Deep Innovative Retrofit – ERDF	**NCC**	(1.523)	(2.000)	3.523	0.000	0.000	0.000	**0.000**
Deep Innovative Retrofit – INTERREG	**NCC**	(0.080)	0.080	0.000	0.000	0.000	0.000	**0.000**
MUSTBE0 / Whole House Retrofit Schemes	**NCC**	(1.898)	(1.268)	3.000	0.000	0.000	0.000	**(0.166)**
Social Housing Decarbonisation Fund Demo (BEIS)	**NCC**	0.000	5.467	0.000	0.000	0.000	0.000	**5.467**
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**
Management Fee	**NCH**	(0.178)	(0.227)	0.257	0.000	0.000	0.000	**(0.148)**
		(3.679)	**(0.613)**	**8.946**	**0.000**	**0.000**	**0.000**	**4.654**

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Modernising Housing For Older People								
Independent living Re-Design	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Mobile Scooter Stores	**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	0.000	0.000	**0.000**
		0.000	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Decent Neighbourhoods								
City Wide Environmentals – Area Capital	**NCH**	(0.254)	(0.046)	0.300	0.000	0.000	1.000	**1.000**
Estate/Area Impact works	**NCH**	0.000	(0.200)	0.200	0.000	0.000	1.500	**1.500**
Paving Works – Area Committee Schemes	**NCH**	0.000	0.000	0.000	0.000	0.000	0.500	**0.500**
Garage / Outbuildings - Citywide	**NCH**	0.000	(1.274)	(0.175)	(0.175)	(0.075)	0.500	**(1.200)**
Garage Demolition - Citywide	**NCH**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Management Fee	**NCH**	(0.013)	(0.076)	0.016	(0.009)	(0.004)	0.175	**0.090**
		(0.267)	**(1.596)**	**0.341**	**(0.184)**	**(0.079)**	**3.675**	**1.890**
Existing Stock Investment								
Major Void Works (CR&M)	**NCH**	0.000	(0.330)	0.000	0.000	0.000	2.180	**1.850**
Fire Damaged Properties (CR&M)	**NCH**	0.000	0.300	0.300	0.400	0.400	0.400	**1.800**
Rooftop Fan Project	**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	0.000	0.000	**0.000**
		0.000	**(0.030)**	**0.300**	**0.400**	**0.400**	**2.580**	**3.650**

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Building a Better Nottingham								
Oakford Close	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
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**	(2.031)	(8.729)	(7.898)	0.000	0.000	0.000	**(18.658)**
Property Acquisition – Next Steps Accommodation	**NCC**	1.260	0.000	0.000	0.000	0.000	0.000	**1.260**
Affordable Housing Acquisition - Sandfield Site	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Affordable Housing Acquisition - Woodyard Lane	**NCC**	0.321	(0.321)	0.000	0.000	0.000	0.000	**0.000**
Acquisition Of Site – Southchurch Rd	**NCC**	0.200	0.000	0.000	0.000	0.000	0.000	**0.200**
Disposal Of HRA Assets	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Knights Close – New Build	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Clifton Miners Welfare - New Build	**NCC**	0.000	0.000	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**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Woodlands Office Conversion	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Affordable Housing Acquisition – Padstow	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Eastglade – New Build	**NCC**	0.862	0.202	(3.376)	0.000	0.000	0.000	**(2.312)**
Southchurch – New Build	**NCC**	0.000	0.359	0.163	0.000	0.000	0.000	**0.522**
Development Of Bespoke Accommodation – New Build	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Oakdene – New Build	**NCC**	0.000	(3.376)	2.513	0.923	0.000	0.000	**0.060**
Beckhampton Road – New Build	**NCC**	0.030	0.303	(0.235)	0.114	0.000	0.000	**0.211**
Management Fee – General	**NCC**	0.045	0.043	(0.168)	(0.005)	0.000	0.000	**(0.085)**
Management Fee – Specific	**NCH**	0.003	(0.003)	0.000	0.000	0.000	0.000	**0.000**
		0.689	**(11.522)**	**(9.001)**	**1.031**	**0.000**	**0.000**	**(18.803)**

Programme and Scheme	Approval	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Joint NCC / NCH Involvement								
Sanctuary Project	**NCC**	0.000	0.000	0.000	0.000	0.000	0.035	0.035
HRA Shop Investment	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
St Anns Estate Action - Stonebridge Park (Ph 3 & 6)	**NCH**	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
IT Development Programme	**NCC**	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Adaptations For Disabled Persons (Contracted)	**NCC**	0.000	0.000	0.125	0.000	0.000	0.731	0.856
Adaptations For Disabled Persons (CR&M)	**NCH**	(0.230)	0.105	0.000	0.000	0.000	1.269	1.144
Preventive Adaptations For Older People – PAD	**NCC**	0.000	0.000	0.000	0.000	0.000	0.100	0.100
Improvements To Home Used By C&F	**NCC**	(0.124)	0.124	0.000	0.000	0.000	0.000	(0.000)
Improvements To Home Used By C&F – Fixed Fee	**NCC**	(0.006)	0.006	0.000	0.000	0.000	0.000	0.000
		(0.360)	**0.235**	**0.125**	**0.000**	**0.000**	**2.135**	**2.135**
Planned / subject to business case & approval								
Building safety works (Building Safety legislation)	**NCC**	0.000	0.000	1.000	1.000	1.000	0.000	3.000
Colwick Woods Court - Refurbishment	**NCC**	0.000	(1.000)	1.000	0.000	0.000	0.000	0.000
		0.000	**(1.000)**	**2.000**	**1.000**	**1.000**	**0.000**	**3.000**
Total		**(5.414)**	**(16.795)**	**5.015**	**3.886**	**1.869**	**30.977**	**19.538**

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Annex 5

Robustness of the 2021/22 Budget

Contents

Robustness of the Budget and Adequacy of Reserves

1 Introduction

1.1 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.

1.2 Conclusions of this review are shown in section 10 to this Annex

2 Overall Robustness of the Budget

2.1 The Medium Term Financial Plan (MTFP) forms 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 MTFP. This approach enables it to support delivery of the Council's priorities and services as detailed within the Council Plan.

2.2 In 2020 the financial planning context shifted considerably and the impact of Covid-19 pandemic led to the then S151 Officer implementing an Interim Budget which was approved by Full Council in October 2020 to ensure the Council had a balanced legal budget for the financial year 2020/21.

2.3 On 11th August 2020, the Council's external auditors, Grant Thornton, issued a Public Interest Report following the Council's decision not to continue to provide support to the company in the light of a deteriorating financial position. The Public Interest Report made a number of recommendations which the Council has accepted and is now implementing. https://www.nottinghamcity.gov.uk/public-interest-report/

2.4 Following issuance of the Auditor's Public Interest Report (PIR), the Secretary of State for Housing, Communities and Local Government (MHCLG) appointed Max Caller CBE in late October 2020 to lead a rapid, non-statutory review (NSR) at the Council. The purpose of the review was to provide assurance on the financial position of the Council, its governance arrangements and the commercial and investment issues identified by the Council's External Auditors, Grant Thornton, in the PIR published on 11 August 2020. The findings from the review were published in November 2020 and details can be found at https://www.gov.uk/government/publications/nottingham-city-council-rapid-review.

2.5 Key findings of the report include the need for a longer term financial planning horizon to ensure that the Council achieves financial sustainability over a 2-3 year recovery phase. Additionally, the report findings covered the Council's debt position, the lack of pace in releasing underutilised assets and governance matters for the Council and its companies.

2.6 After consideration of the report, the Secretary of State determined that the Council must produce a Recovery and Improvement Plan and that an independent Improvement Board would be put in place for a three year term to support the Council in its recovery journey, oversee the implementation of the Recovery and Improvement Plan and to provide assurance to the Secretary of State for Housing, Communities and Local Government (MHCLG) that the Council is making satisfactory progress at pace The Improvement Board

is Chaired by Sir Tony Redmond with three other independent sector expects and the Leader of the Council.

2.7 The Council duly developed a Recovery and Improvement Plan which was approved at Council on 25 January 2021 and can be found at https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=156&MId=8931

2.8 Central to the plan is a realignment of the Council's vision through a new Council Plan, which will align the Council's ambition to deliver modern citizen-centric services within a financial envelope which is affordable and sustainable over the medium term. This is a reforming agenda delivered with support from the Improvement Board again a clear plan.

2.9 The plan includes eight themes but four of these a directly relevant to this assessment:

- Theme one – MTFS (Medium term MTFS, a reforming transformation programme, strong spending controls and monitoring);
- Theme two – Asset Management (Asset Disposal Strategy, Operational and Community Asset Review);
- Theme three – Companies (Council Owned Company Review, Company Governance and Commercial Strategy);
- Theme four - Capital Programme (Capital Strategy, Debt Management Strategy, Review of Capital Schemes and Strengthened Programme Controls)

Each theme consists of a number of objectives, deliverables, activities, risks and actions/milestones with timescales for the actions.

2.10 The severe impacts of the Covid-19 pandemic on the City in 2020/21 will continue to have a fundamental financial impact for the medium term. An event of this magnitude undoubtedly means the Council will need to consider closely how its services should operate sustainably in the future. There remain the longstanding challenges to Council spending and revenues if citizen needs and working and spending patterns in the city continue to change. In this context it is essential that the Council deploys its resources efficiently so that it can continue providing its services to citizens, visitors, and partners.

2.11 The ongoing uncertainty of Covid-19 and the development of the Recovery and Improvement Plan has meant that it is prudent to produce only a one year budget for 2021/22 rather a medium term MTFP. This provides the opportunity to review the Council's response to the recovery phase of the pandemic, to develop a new reforming Council Plan with major service transformation and also for the findings of the PIR and NSR to be delivered and a full MTFP prepared for the period commencing April 2022.

2.12 This assessment of the robustness of the budget focuses on the likelihood that actual spending and income may vary from the 2021/22 budget, the long term financial sustainability of the Council, the impact on reserves of the current budget strategy and the subsequent impact on the financial health of the organisation. It will also include additional measures and actions implemented by the S151 Officer in response to current financial environment, recent NSR findings and Recovery and Improvement Plan.

2.13 The budget process is part of a continuous service planning and financial cycle. A wealth of knowledge and understanding of the local and national financial and economic environments is used to make informed assumptions and judgements about future financial planning. This activity seeks to establish a robust budget which is appropriate,

realistic and constructed having taken a practical and appropriate assessment of risk. The impact of the current operating context is more difficult to predict due to the unprecedented impact of the Covid-19 pandemic and related lockdown. This report sets out the direction and actions required over the coming months to ensure the financial sustainability of the Council from this point forward.

2.14 The focus for 2021/22 was to deliver a balanced 2021/22 budget in line with legal requirements rather than to deliver a medium term financial plan in the face of so much uncertainty. Following a period of intensive financial work, the Council is able to present a balanced budget for 2021/22 without significant recourse to reserves. The Recovery and Improvement programme and a refreshed Council plan will be the foundations for building medium term sustainable finances in the future.

2.15 In line with the non-Statutory Review findings, the Council is seeking Government authorisation to be able to capitalise **£35m** of revenue costs. This authorisation is not needed to balance the budget in 2021/22 but rather to:

a. Spread the costs of Covid-19, unachieved savings and Robin Hood Energy in 2020/21 over a number of years to reduce the impact on its diminishing reserves;

b. Create a Transformation Fund to enable the necessary transformation and reform to take place leading to improved service outcomes and long term financial sustainability.

2.16 The request to Government was submitted on 23rd December 2020 and at the time of writing this report, no decision has been made by the Secretary of State to grant this request. Acting prudently, the Council has therefore prepared this 2021/22 budget on the basis that consent has not yet been received for this request.

2.17 The Council will need to make some further use of reserves in 2021/22, namely

i. To balance the residual deficit on the General Fund (**£2.0m**)

ii. To fund redundancy costs inherent in the savings plan to achieve the budget proposals (**c£7.2m**)

iii. To pump prime the transformation programme to begin to make the necessary progress in delivering the Recovery and Improvement Programme

2.18 The impact of these measures, without capitalisation, would be a further depletion of its reserves and insufficient resources to meet the demands of transformation

2.19 Not having the necessary authorisation to capitalise will not impact the overall conclusions of the S151 Officer in respect of the robustness of these proposals for 2021/22 but will place considerable additional pressure on the Council's already diminished and leave it without the necessary resources to fund its critical transformation programme outlined in the NSR.

2.20 The Council will continue its discussions with Government to make the case for this necessary authorisation to be granted.

3 Financial Environment and Framework

3.1 The external framework in which the Council operates continues to be significantly challenging. The impact of Covid-19 will continue into the medium term and will lead to

additional costs and reduced income. This will also be true for council owned companies whose diminished profits will result in the cessation of dividends. Together with the uncertainty over the long term impacts of Brexit, the funding envelope for local government has never been under more pressure.

3.2 Whilst the government has provided significant additional funding to address the financial impacts of Covid-19, the local impact in Nottingham of the various packages will mitigate around **63%** of the actual financial impact in 2020/21. The City of Nottingham is not unique in this respect and the impacts of Covid-19 are expected to continue into 2021/22 and beyond until there is a sustainable long term solution to fund public bodies to an appropriate level. This will continue to impact not just on the City Council, but also in the many company entities in which it has an interest.

3.3 The following section details key elements that have shaped the construction of the 2021/22 budget.

Previous Financial Performance

3.4 In recent years, Nottingham has consistently overspent against is approved budgets as a result both of increasing cost pressures and the under delivery of savings proposals:

- 2016/17 **£2.5m** overspend
- 2017/18 **£4.2m** overspend
- 2018/19 **£1.7m** overspend
- 2019/20 **£6.8m**, overspend of which **£2.9m** was directly attributable to Covid-19.

3.5 In order to mitigate the overspend as much as possible the Council has in the past extensively used one off resources and has eaten deeply into its reserves. This has only served to reduce long term financial resilience and to reduce the future budget flexibility of the Council. Covid-19 has brought out the weaknesses of this approach for both the Council and its company interests and, together with the decision to withdraw from Robin Hood Energy (RHE), necessitated an Interim Budget in 2020/21 to balance the budget – requiring significant short term unplanned savings and a considerable draw on reserves.

3.6 The 2020/21 Interim Budget as approved by Full Council in October 2020 highlighted and addressed the combined impact of Covid-19 and specific issues in relation to the decision by the Council to terminate its interests in its wholly owned energy company – Robin Hood Energy. The Interim Budget needed to address both net Covid-19 costs of **£29m** and costs associated with RHE estimated at **£38m**. Further in-year savings of **£12.5m** were identified of which **£10.3m** were one-off items or one-year savings. At the time of the Interim Budget it was also necessary to use circa **£70m** of reserves amounting to **49%** of earmarked reserves.

3.7 It is recognised that this strategy of short term financial management is not sustainable in achieving a long term financial stable Council and that the Council no longer has the resources to follow such an approach. Change is an inevitability.

Impact of using one off measures

3.8 During the last 4 years, there has been a consistent use of one off measures and mitigating management actions to manage spending rather than a long term and

structured approach to financial management. The range of management actions required have included:

- reducing contingency balances
- extensive use of earmarked reserves
- reduced revenue contribution to support capital programme expenditure
- vacancy freeze controls
- cessation of non-essential spend
- reductions to maintenance spend and
- restrictions on travel and conferences

3.9 The continued use of reserves and one off measures to address budget shortfalls has had the impact of detracting from making the more significant transformational changes that are required to secure the City's medium-long term financial sustainability. Whilst government policy encourages councils to utilise reserves to help manage the financial impact of Covid-19, the excessive use of these resources on top of regular damaging short term savings presents a significant threat to Nottingham's overall financial health. It needs to be recognised there are significantly diminishing opportunities for the repeated use of one-off measures and the budget flexibility of the Council is now severely limited.

2018/19 External Audit – key issues and recommendation

3.10 The 2018/19 and 2019/20 external audits have not yet been concluded. However, the 2017/18 external Audit reports from KPMG details key issues and recommendations in relation to financial sustainability and the use of one off measures.

"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."

Demand led pressures, income generation and reduced flexibility within the budget

3.11 A significant component of previous budget strategies has been to maximise income via a commercial approach, whether that be from internally provided traded services or external companies in the Council's Group. Covid-19 has and will continue in the medium term to have a disproportionate impact on the financial health of the Council and its associated companies due to the previous reliance upon income as part of the Council's MTFP.

3.12 These income assumptions have been reviewed as part of the budget process and the draft budget includes income pressures direct resulting from Covid-19 of **£16.8m** in 2021/22. This reduces to **£8.5m** in 2023/24 but demonstrates that the impact of Covid-19 on the Council's income is forecast to be significant over the medium term.

CIPFA Financial Resilience Index

3.13 In response to the unprecedented financial challenges faced by local government, CIPFA has developed a Financial Resilience Index to act as an analytical tool for chief finance officers to support good financial management and shows the Council's position on a range of measures associated with financial risk.

3.14 The latest information includes data from the financial year 2018/19 and shows that Nottingham is carrying above average risks in the following areas:

- Has a high level of Interest Payable relative to the size of its budget.
- Has a high level of gross external debt.
- Spends a higher proportion of its budget on Social Care services compared with its peers.
- Has a limited ability to raise revenue from Council Tax when compared to others because it has a far higher proportion of Band A and B properties than its comparators (and thus a lower proportion of Band F, G and H)
- Has a low level of reserves relative to its budget in relation to comparators
- Has used its unallocated reserves more quickly than comparator groups.
- Has a higher proportionate spend on Children's Social Care services than others in the comparator groups
- Has a higher proportionate spend on Adults Social Care services than others in the comparator groups

3.15 The following areas are where the Council has been assessed at a lower degree of Financial Stress risk compared with its peers:

- Holds a number of earmarked reserves however this will be reduced in future years as a result of the approved Interim Budget
- Has a relatively high level of fees and charges to fund its revenue requirements.
- Carries significant earmarked reserves in relation to others (including PFI) – this will change in future results given the approved use of reserves in the Interim Budget.

3.16 The use of reserves to support the 2020/21 Interim budget has significantly reduced the Council's earmarked reserves and will therefore adversely impact on the CIPFA Financial Resilience Index in future benchmarking releases.

Symptoms of financial stress

3.17 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:

- 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

3.18 It is clear that Nottingham is experiencing all of the above to a greater of lesser degree and needs to address this through long term planning.

Public Accounts Committee

3.19 In March 2019 the Public Accounts Committee released a paper on Local Authority Financial Resilience. A key theme of the paper was the level of reserves and the unplanned use of the resourced by Local Authorities. The paper references the concerns over the uncertainty of future funding and that debates have been held whether there is sufficient funding to enable Local Authorities to discharge their statutory duties. It also had regard to media reports of financial difficulties of Local Authorities since the crisis of Northamptonshire County Council.

3.20 The paper makes it clear that the funding of local government is a key concern across the sector and the outcomes of the nation funding changes will be fundamental in ensuring that Authorities are financially sustainable.

Fair Funding Review and Business Rates Reform

3.21 The introduction of the Fair Funding Review and a standard 75% Rates Retention has now been further delayed due Covid-19, therefore funding for 2022/23+ is unknown and the MTFO assumes funding for 2021/22 will continue for 2022/23+. Each of these has the potential to benefit the city’s finances.

3.22 The final local government financial settlement has confirmed funding for 2021/22 only and no assumptions have been made for the likely impact on future settlement funding due to a lack of clear exemplifications of the Government policy options being currently considered.

4 Internal Measures to monitor the financial performance

4.1 The need for accurate, timely and robust financial monitoring is a key priority for the Council and a number of changes have been and will continue to be implemented as the Council progresses on its Recovery and Improvement Plan. These include:

- An enhanced regime of Director and Portfolio Holder accountability through monthly budget review meetings to ensure delivery of individual savings.
- Implementation Plans for all new 2021/22 savings – agreed and signed by Corporate Directors and Portfolio Holders.
- Enhanced monthly monitoring to Executive and the Corporate Leadership Team with a focus on the timeliness of reporting.
- Regular risk based assessment of the Council’s financial position.
- Development of a Transformation Programme structure to deliver new ways of working

- Budget Manager budget packs supported by Finance Business Partners

Budget Review Meetings

4.2 Monthly Budget Review Meetings will be established in 2021/22. These monthly meetings will be led by the Portfolio Holder for Finance and the S151 Officer and will require Corporate Directors and Portfolio Holders to present the financial performance of their services, identify key risk areas and report on the progress of delivery of savings against the Implementation Plans. Where savings plans are off target, mitigations will be sought. This is particularly important in highlighting areas of budget pressures as early as possible in the process, to enable appropriate management action to take place where necessary.

Implementation Plans for all new 2021/22 savings

4.3 Implementation Plans have been introduced as part of the 2021/22 MTFP process. No savings proposals has been included within the 2021/22 budget without a duly signed plan. These plans are to give the Council and the S151 Officer the necessary assurance that the savings included within the budget are robust, credible and deliverable. These plans will form part of the Corporate Directors accountability in achieving the commitments made as part of the budget process.

Enhanced monthly monitoring to CLT and Leadership

4.4 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.

Accountability Letters – Annual Budget Manager Budget packs

4.5 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. Budget Managers are supported throughout the year by Finance Business Partners and a suite of reporting.

A new Financial System – Oracle Fusion

4.6 A new Finance system was due to go live in April 2020, however due to the impact of Covid-19 the project has been delayed to April 2021. The Council will be moving to Oracle Fusion and part of this change includes the requirement for new accounting codes. Budget Managers have been supported through this transition with engagement sessions, training and budget packs. As part of this transition process Budget Managers will receive their annual budget pack presented in the new accounting codes and structure and also include a mapping from old to new codes. Oracle Payroll and HR will go live later in 2021/22 consequently there will be a short period when Finance and HR are on different systems, interim arrangements will be in place to support Budget Managers during this time.

4.7 The new Financial System in Oracle will give greater financial visibility to Budget Managers and support senior managers within the Council deliver on their budget accountability. The new system has greater integration between the Finance and HR systems however in the short term the gap in go lives will require interim reporting arrangements for the first quarter in 2021/22, Budget Managers will remain full accountable for their budgets in the interim phase.

5 Constructing the 2021/22 budget, transformational programme and financial position

Constructing the 2021/22 budget

5.1 The environment and framework described above has significantly influenced the construction and governance around of the latest budget proposals. Throughout the process there has been effective and extensive engagement by Senior Colleagues, Finance Colleagues and Executive Councillors.

5.2 Given the factors outlined in the report including uncertainties about the future operating and financial environment, it has not been position to develop a Medium Term Financial Strategy. Rather this year represents a one year budget for 2021/22 with a financial outlook for future years but without proposing specific solutions for funding gaps beyond 2021/22. The Recovery and Improvement Plan will build towards long term financial planning through programmes of transformation and reform and through a radically different approach to capital planning and management.

Assumptions

5.3 Underlying assumptions have been reviewed by the Council's S151 Officer and found to be satisfactory as follows:

- The budget has been prepared without an assumption that the Council's capitalisation request will be granted
- The provision for inflation and other grants and income 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 – the impact of Covid-19 however presents a significant forecasting challenge and will be kept under constant review.
- 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.
- There are appropriate bad debt provisions in place, however the impact of Covid-19 represents a significant challenge in determining appropriate levels of bad debt provision and will be kept under constant review
- 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. However, the impact of Covid-19 is challenging to quantify and will be kept under constant review

Integrated Transformational Programme

5.4 A robust transformation programme is key in achieving the long term financial sustainability. Fundamental service reform and changing to modern efficient business models of delivery for the Council to avoid further damaging one off service cuts. The Recovery and Improvement Plan will form the vehicle for delivering change. Theme one of the plan is the MTFS work stream, this will create an Integrated Transformational Programme and develop a long term funding envelope for core services and reduce the reliance on commercialism, therefore setting the affordability envelope.

5.5 The Integrated Transformation Programme will oversee and drive the key areas of service reform required across the organisation, and align outcomes to budgets to ensure that Council's objectives are met within the parameters of that envelope. The Programme Management Office (PMO) will ensure that the programme delivers in an efficient and effective way and all projects will be required to develop and deliver to Project Management Plans and Business Cases and be subject to the overall monitoring and governance regime set out as part of the wider Recovery Programme.

Current Financial Position - General Fund Revenue

5.6 The Quarter 3 2020/21 monitoring reports variances to the Interim Budget and prior to the additional Tranche 4 funding which was announced after the setting of the Interim Budget is **£4.9m** favourable, this is largely driven by favourable Care Purchasing budgets within the Adult Care and Transport portfolio. This has been offset by the impact of the latest lockdown and difficult trading environment with the Council's companies. The additional Tranche 4 funding of **£10.7m** has enabled a repayment to reserves, this will then reduce the level of reserves to be borrowed.

5.7 The Interim Budget assumed **£31.3m** of reserves would be borrowed and paid back, this is now assumed to be **£17.4m** and the consequently reduction in the repayment schedule has been assumed within the 2021/22 budget.

5.8 Spending controls remain in place for 2020/21 to ensure only essential spend is incurred. Full details of the latest position are in Annex 1 of this MTFP report.

5.9 The capitalisation request to MHCLG is intended to obviate the needs to borrow from reserves. The Council, if granted authorisation, would capitalise **£17.4m** and reserves would therefore benefit from this change. As this request has not yet been confirmed, the 2021/22 budget reflects the need to borrow from reserves with the first repayment starting in 2021/22 adding further pressures.

Current Financial Position - HRA Revenue

5.10 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 2020/21 budget increased the working balance to **£7.7m** (from **£4.0m** in 2017/18)**.** The opening working balance for 2020/21 was **£7.9m** however this is expected to be reduced by **£0.3m** by the end of 2020/21 to **£7.6m**. This will provide additional support to mitigate potential financial impact of Universal Credit on the HRA and provide additional one-off funding to cover the early years impact on the new build and

acquisition programme. The impact of Covid-19 on the HRA remains challenging to forecast and will be kept under constant review.

6 Capital Programme Risk Management & Governance

6.1 The Council has developed a Recovery and Improvement Plan in response to the findings of the NSR. The report acknowledges that a sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council.

6.2 It recommends a review of the capital programme which will look to stabilise the current programme and put it on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework will support the Council in achieving this. Implementation of the Plan will be a key priority of the Council and the Capital Strategy will be an important document to support the delivery of the plan.

6.3 Key activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities
- Revised Debt Management Strategy align with Capital strategy with an aim paying down debt over time.
- Creating a revised Capital Strategy incorporating a prioritisation process.
- Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

6.4 The implementation of this strategy will assist in the Council meeting its Recovery and Improvement Plan by ensuring that:

- Capital investment is strictly prioritised and meets the Council's objectives within a set funding envelope.
- Investment meets the CIPFA criteria of being prudent, sustainable, affordable and value for money.
- The Council is appropriately responding to the recommendations raised in the non-statutory review.
- The Capital Programme does not include any schemes that meet HM Treasury's definition of debt to yield.
- Capital projects are delivered within budget and in a timely manner.

6.5 The Council have significantly relied on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure. To mitigate this risk going forwards the Council will seek to pay down debt, through a strict prioritisation of spending decisions and the acceleration of generating capital receipts subject to maintaining best value.

6.6 A revised debt policy is now being put in place in respect of new capital expenditure is thus as follows:

- 2020/21 – To minimise spend and borrowing subject to pre-existing capital commitments and expenditure already incurred within 2020/21. The capital Programme has been

reviewed and a number of schemes been removed or rephrased. This review concluded in February 2021 and **c14.7m** of General Fund schemes were de-committed and a further **£19.4m** of Public Sector Housing schemes were removed.

- 2021/22 - To restrict new borrowing to the level of the annual debt being repaid. (i.e. New borrowing no greater than the MRP repaid). The Capital Programme has been reduced to existing commitments.
- 2022/23- 2024/25 - Nil new borrowing throughout the period. This applies both to general fund and public sector housing debt – the latter managed on a cumulative basis over the period.

6.7 The Council has adopted a new corporate process for developing a rolling multi-year capital programme. This will operate on an annual cycle with clear timescales, clear information requirements and clear evaluation criteria. The purpose of the new approach is to ensure that capital resources are directed towards supporting schemes that best meet corporate objectives and that capital projects are deliverable.

6.8 A new Capital Programme Board structure is currently being established and expected to be operational by February 2021. This Board will provide strategic oversight of the implementation of the strengthened Governance and Control Framework. This will ensure that projects only commence once they have gone through the prioritisation process, and are then subject to a support, monitoring and assurance package to improve delivery. Controls will also extend to the management of benefits post-delivery to help inform ongoing performance and future investment decisions. The Board will also oversee the delivery of the actions and recommendation set out in the Recovery and Improvement Plan

6.9 The draft 2021/22 capital budget is based on this new Capital Strategy and debt policy

Capital Programme – Current Position

6.10 General Fund – Current forecast spend, including schemes in development, is **£380.4m** and is fully funded.

6.11 **£219.4m** of grants and contributions and **£98.9m** of borrowing will be required to fund the programme as well as **£53.2m** of capital receipts, of which **£7.2m** are unsecured and revenue resources of **£8.9m**. This represents a funding risk and this practice will be discontinued from April 2021. A full review of surplus assets is currently being undertaken as part of the disposal and reinvestment strategy and an asset rationalisation board has been established with a focus on realising capital receipts going forward. Plans are in place to realise receipts to support the capital programme, however this needs to be kept under review given the emerging picture regarding the economic impact of Covid-19.

6.12 Public Sector Housing - The forecast spend to 2025/26 is **£285.4m**.

Capital Programme Risk

6.13 The proposed five-year programme will require the Council to use a high proportion of available resources but without recourse to any more borrowing than is necessary to meet existing commitments. Investment of this nature will result in the Council being exposed to additional risks as follows:

- the impact of Covid-19 on original capital business cases – in particular the Broadmarsh Shopping centre and Car Park projects

- the impact of Brexit / Covid-19 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

6.14 The management of risk will be overseen by the Capital Board.

7 Companies

7.1 The Council has a range of companies in its ownership and some owned jointly with others that have developed over time. Many of these companies have experienced trading difficulties mainly arising from the ongoing economic impact of Covid-19 on business models. The MTFP includes a pressure of **£4.4m** in 2021/22 rising to **£5.9m** in 2022/23 in relation to group companies.

7.2 The Recovery and Improvement Plan includes a theme dedicated to the Council's companies. This theme seeks to reach a clear determination on the future and direction of each Council company within a coherent and effectively managed commercial strategy. It will do this by addressing the following key objectives:

- Provide greater visibility of company performance and risk profile of the wider City Council group.
- To reduce overall complexity and simplify the management and oversight of all core Council activities by reducing the number or alternative delivery vehicles.
- To strip out duplication of overhead and management costs by bringing core functions in house where there is no imperative to maintain externalised delivery vehicles.
- To identify opportunities to generate capital receipts to the Capital Programme through divestment of interests in profitable activities that are outside the City Council's core competence
- To establish robust shareholder controls and assurance mechanisms for those companies Nottingham City Council maintains.

7.3 The Recovery and Improvement Plan sets out a work programme with milestones as to how this will be achieved in 2020/21 and 2021/22.

7.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) has been engaged by the Council to undertake data-based review and diagnostic work on council-owned companies and those in which we have a substantial interest. The recommendations identified by CIPFA will feed into the recovery and improvement plan activities and inform the City Councils future decisions on company holdings.

8 CIPFA Financial Management Code

8.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code in October 2019. This code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental

weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.

8.2 Nottingham City Council will fully adopt the code which applies a principle-based approach and these principles together with the CIPFA Financial Management Standards are illustrated in **Diagram 1** below

Diagram 1: CIPFA Financial Management Code Principles & Financial Management

8.3 Throughout the Code there are several references that demonstrating compliance is the collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team.

8.4 Local authorities are required to apply the requirements of the Code with effect from 1 April 2020 and CIPFA considers that the implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the Code. The first full year of mandatory compliance will therefore be 2021/22.

8.5 The Council will continue to assess its compliance with the new Code, many of the principles within the code have been referred to in the Interim Budget and Recovery and Improvement Plan. The paragraphs below identify the sub sections within each principle and an assessment of the Council's progress towards these requirements.

8.6 The section 151 Officer will be undertaking rigorous training for elected members, senior managers and heads of service on the implications and actions needed to meet the requirements of the code as part of a programme to enhance financial management skills and accountabilities across the organisation.

9 Adequacy of Reserves and Risk Assessment

9.1 The assessment of reserves is important in the context of the sustained cuts in funding and depletion of reserves. It is important to acknowledge that reserves are 'one off' funds and are therefore suitable for funding 'one off' or unexpected costs. The use of reserves to fund ongoing expenditure or a failure to achieve budgeted savings is never advised, except in emergencies and/or to enable transition to new ways of working. Whilst the use of reserves to date has been deemed to be affordable, they are now at a level whereby any significant further use would leave the Council exposed to risk and unable to manage potential risks.

9.2 Taken together, reserves, contingencies and the processes within the financial framework provide capacity to deal with the changes arising from external forces. This will include, for example: continued financial impact of the Covid-19 pandemic, increased demand for services from citizens, changes in legislation, guidance from central government, economic changes, interest rate changes, national emergency incidents 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.

9.3 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. This assessment is made on the basis that the Recovery and Improvement Plan and the themes and actions arising from the programme ensure that the Council can achieve long term financial sustainability.

9.4 **Table 1** shows the estimated Net Revenue Expenditure (NRE) and Unallocated Reserves for Nottingham compared with other Core Cities. The data is taken from the most recent CIPFA financial resilience index and derives from 2019/20 RO returns, demonstrating Nottingham's reserve position is lower relative to similar councils.

The Council's reported figure in the RO is prior to the actions taken in 2020/21 to restore the General Fund balance to **£11.6m or 4.8% of net revenue expenditure**.

Table 1 : Comparison of Reserves with Core Cities			
Authority	**Net Revenue Expenditure £m**	**Estimated unallocated financial reserves level at 31 March £m**	**Estimated Unallocated Reserves as % of NRE**
Birmingham	854.2	133.0	15.6%
Leeds	546.4	31.5	5.8%
Bristol	365.5	17.0	4.7%
Sheffield	394.9	13.2	3.3%
Manchester	482.3	21.3	4.4%
Newcastle	236.4	10.1	4.3%
Liverpool	507.4	5.7	1.1%
Nottingham (See Paragraph 9.9)	**240.8**	**2.2***	**0.9%**

***£2.2m as reported within the RO returns and represents the opening general fund balance of £11.6m less the 2019/20 overspend of £6.8m and £1.7m element of the 2018/19 overspend and before the additional £1.0m increase to the general fund balance**

9.5 This assessment 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 Implementation Plans introduced for the 2021/22 budget and subsequent Budget Review meetings will support this activity.

9.6 At the time of writing this report there are national restrictions in place, and there continues to be exceptional demands upon the Council for services and it continues to be challenging for the Council to deliver services to the same level and standard. The Council's Leadership continues to lobby Government for additional financial support from central government to bridge the unfunded Covid-19 funding gap.

General Fund Balance

9.7 Previous financial plans have established a target opening balance (unearmarked reserves) on the general fund to be between **2%** and **4%** of the total net general fund revenue budget.

9.8 The level of general fund balance is expected to be sufficient to support financial risks in a single year budget. However, recent events have demonstrated that circumstances can arise which, if they occurred, could exceed the un-earmarked reserves and require further action. The most pressing issue in relation to this is the longer term financial 'scarring' from the Covid-19 pandemic over and above what has been factored into the 2021/22 budget.

9.9 The general fund balance has been informed by the detailed risk assessment undertaken as part of the budget process. The Interim Budget addressed the 2019/20 overspend of **£6.8m** to

restore the general fund balance to the level assumed in the February 2020 approved MTFP of **£11.6m (4.8%)** and this represented a **£1.0m** increase from 2019/20 in light of the additional risks. The 2021/22 budget assumes an increase of **£1.0m** pa for the duration of the budget, which would increase the opening general fund balance to **£12.6m** (**5%)** of the general fund budget.

General Contingency Budget

9.10 The MTFS provides for a central contingency value of between **0.4%** and **0.9%** of the previous year's net revenue budget (NRB). The proposed level for 2021/22 is **£1.5m** (i.e. **0.6%)** 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.

Earmarked Reserves

9.11 Earmarked Reserves are funds set aside to provide for specific future expenditure plans. The Council held balances of **£153.7m** in earmarked reserves at 31 March 2020 which includes schools budget balances of **£14.2m**. 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.

9.12 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

9.13 The Interim Budget approved the permanent release of reserves of **£38.7m** and together with other movements represented a **49%** reduction in the total of earmarked reserves. The Interim Budget further approved the borrowing of **£31.3m** of reserves to deal with the in-year budget situation. The announcement of the Tranche 4 Government funding for Covid-19 together with the Qtr3 forecast reduces this borrowing requirement to **£17.4m**. These are to be repaid back over the period at which liabilities become due.

9.14 The amount of reserves to be borrowed and paid back has reduced however remains significant and will have a range of significant impacts including, but not limited to:

- Significantly reduced balance sheet position
- Significantly reduced financial flexibility
- Future years impact on the MTFO due to the repayment of reserves
- Reduced ability to deal with unexpected or emergency situations in the future

9.15 Should the Council's request for capitalisation be granted, this would eliminate the need to borrow from reserves and allow the Council to spread these costs over a longer period of time.

S151 Officer approval for all movements within controllable Earmarked reserves

9.16 Earmarked reserves include reserves held on behalf of other organisations, for example Schools, and therefore outside of the definition of controllable reserves. In response to the depletion of controllable earmarked reserves as part of the Interim Budget since September 2020 all movements in reserves require S151 / deputy S151 Officer approval and no decisions around the usage of reserves can be taken without this prior approval.

9.17 The need for long term financial sustainability and the need to replenish reserves has led to the need for further changes in how controllable earmarked reserves will be managed from 1 April 2021. From this date, with the exception of specific risk reserves the remaining balances on the controllable reserves will be amalgamated and any movements from this balance will be subject to a prioritisation process and all previous decisions on the use of reserves will need to be reviewed and any short term pressures arising from this change in policy will need to be reviewed as part of the 2021/22 budget monitoring. Each drawdown request from the amalgamated balance will need a justification as to why the resources cannot be found from existing departmental budgets.

Housing Revenue Account (HRA)

9.18 The MTFS requires the 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 opening balance for 2020/21 is **£7.7m (7%)** however this is expected to be **£7.9m (7%)** by the end of 2020/21.

10 Conclusions

10.1 The environment in which the Council operates continues be one of unprecedented financial challenges arising from the pandemic, demand pressures and weak commercial trading conditions The outlook beyond 2021/22 remains uncertain and during this period, the Council will need to undergo significant reform to ensure that its ambitions are matched by its available resources.

10.2 A number of events have occurred in 2020/21 all of which have informed the assessment of the robustness of the budget and adequacy of reserves. The findings in the reports consistently point to areas of improvement which are within the Council's control have been documented throughout this report and its supporting annexes. These include:

- Public Interest Report (PIR) published in August 2020
- Interim Budget approved by Full Council in October 2020
- Rapid Non Statutory Review (NSR), results published in November 2020
- Capitalisation request to Government in December 2020
- Recovery and Improvement Plan approved by Full Council in January 2021 and establishment of the Improvement Board

10.3 Setting a balanced budget prior to Covid-19 was already challenging in the context of long term government funding reductions and the Council's proclivity to short term savings, a reliance on commercialisation and the overuse of reserves. Covid-19 has merely enhanced cost/income pressures and exposed weakness in the Council's strategy in the face of a severe event such as a global pandemic.

10.4 The focus for 2021/22 was to deliver a balanced budget in line with legal requirements rather than to deliver a medium term plan in the face of so much uncertainty. Following a period of intensive financial work, the Council is able to present a balanced budget for 2021/22 with significantly less recourse to reserves than in previous years. The Recovery and Improvement programme and a refreshed Council plan will be the foundations for building medium term sustainable finances in the future. The Improvement Board will provide support and guidance to the Council as well as assurance to the Secretary of State.

10.5 In line with the non-Statutory Review findings, the Council is seeking Government authorisation to be able to capitalise **£35m** of revenue costs. This authorisation is not needed to balance the budget in 2021/22 but rather to:

a. Spread the costs of Covid-19, unachieved savings and Robin Hood Energy in 2020/21 over a number of years to reduce the impact on its reserves;

b. Create a Transformation Fund to enable the necessary transformation and reform to take place leading to improved service outcomes and long term financial sustainability.

10.6 The request to Government was submitted on 23rd December 2020 and at the time of writing this report, no decision has been made by the Secretary of State to grant this request. Acting prudently, the Council has therefore prepared this 2021/22 budget on the basis that consent has not yet been received for this request.

10.7 As set out in paragraphs 2.16 and 2.17, the Council will need to make use of c£11.2m of reserves in 2021/22. The impact of these measures, without capitalisation, would be a further depletion of its reserves and insufficient resources to meet the demands of transformation

10.8 Not having the necessary authorisation to capitalise will not impact the overall conclusions of the S151 Officer in respect of the robustness of these proposals for 2021/22 but will place considerable additional pressure on the Council's already diminished and leave it without the necessary resources to fund its critical transformation programme outlined in the NSR.

10.9 The Council will continue its discussions with Government to make the case for this necessary authorisation to be granted.

10109 The contingencies and reserves at the level set out here and in the overall budget report, the CFO considers that the Budget for 2021/22 is robust and that the level of reserves is sufficient but close to being inadequate. That said the medium term remains extremely difficult and gaining cashable savings from the Transformation Programme and wider Recovery and Improvement Plan will be critical for the long term financial sustainability for the Council.

10.11 Whilst the revenue budget for 2021/22 is balanced, the position from 2022/23 onwards is not and in order to present a balanced position further savings from the Transformation Programme and workforce savings of **£22.5m** in 2022/23 rising to **£25.0m** in 2023/24 are required. Without capitalisation, the Council would be poorly placed to undertake the necessary transformation to be able to tackle the identified gaps in future years or meet the expected costs of redundancies beyond 2021/22.

10.12 In concluding that the budget being proposed is robust and that the level of reserves is adequate for 2021/22, this statement is predicated on a series of recommendations and actions, these being:

- Align the future MTFP to the new Council Plan work streams and to the themes identified within the Recovery and Improvement Plan. This is required to achieve long term financial sustainability.
- Update the budget proposals should a positive the decision be obtained from Government regarding the **£35m** Capitalisation request.
- Amalgamation of all remaining non risk controllable earmarked reserves from the start of 1 April 2021, any movements of this reserve to be subject to S151/ Deputy S151 Officer approval and subject to a prioritisation process and to replenish the resilience reserve.
- Replenishment of the resilience reserve in order to balance any future risks associated with having a budget assessed by the CIPFA Resilience Index of having a little budget flexibility.
- Increase the general fund balance to **£12.6m** from April 2021 and to increase by **£1.0m** pa for the period of the MTFP.
- Review and update the current MTFP practices as necessary to align with CIPFA Financial Management Code

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

Clive Heaphy
Strategic Director of Finance and Section 151 Officer
Nottingham City Council

February 2021

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Annex 6 Budget Consultation 2021/22

Contents	
Section	**Page**

Appendices	
Appendix Number and Title	

1 Summary and background

1.1 Nottingham City Council is setting next year's budget and is facing challenges shared by most councils, including the long-term impacts of reductions in Government funding and the impact of Covid-19. The budget proposals were discussed at Executive Board on Tuesday 19 January 2021 and this report details the changes to proposed savings since that report.

1.2 The Council has had to make cumulative budget savings of **£271.4m** between 2010/11 and 2019/20, and the Covid-19 pandemic has had and continues to have a significant financial impact on the Council. Despite this, the council has worked hard to protect frontline services that people have valued so much during the pandemic.

1.3 It is however clear from recent events and well publicised reports that the Councils financial position, in spite of the savings made to date, remains weak and that short term actions and an over reliance on commercialism will not be sufficient to deliver long term sustainability. The council will need to undertake further reforms in order to match its ambitions with the available resources and this will mean delivering services at lower cost in the future. This includes making further savings to help balance the budget for 2021/22 as it establishes a sustainable financial footing amid the Covid-19 crisis.

1.4 Proposals to balance the forthcoming budget include some service changes, as well as a workforce reduction of **262** full-time equivalent posts – **114** of which are vacancies. A **1.99%** basic council tax increase is proposed. In addition, the council will implement the Government's proposed **3%** Adult social care precept towards the rising costs of care services for elderly and vulnerable adults. There will be an impact on council employees and the scale of the financial challenge means that this year's budget proposals include a reduction in staffing across the council.

1.5 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 12 February 2021.

1.6 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.

1.7 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.

2 The consultation

2.1 The Council are currently consulting on the draft budget proposals agreed at Executive Board on 19 January 2021. A consultation form is available online and a

hard copy on request to enable everyone to have their say, as of 12 February 2021 there have been **79** responses. Consultation remains open until 28th February 2021.

2.2 Due to the Covid-19 pandemic the usually pre budget consultation has not taken place and the manner in which we engage and consult has been adapted using online tools.

2.3 Face to face events have not been possible due to the Covid-19 pandemic, therefore we have had to undertake online events. Below are a list of online events undertaken in February 2021:

- Youth Council Event – 3 February 2021
- External citizen events –10 and 12 February 2021
- Nottingham Partners Event – 11 February 2021
- One Nottingham and NCVS Event – 19 February 2021
- Staff Engagement sessions

2.4 Councillors and Officers have also received specific responses from the public through email and letter.

- Proposals on John Carrol leisure centre
- Reduction to the Playhouse and Arts
- Sector Link Bus Service
- Charges for Public Toilets
- Missing Children's Team

3 Results and feedback from the consultation

3.1 As of 12 February 2021, there had been **79** responses to the online feedback form, these responses contain comments on proposals and have been categorised into themes.

3.2 Consultation remains open until 28 February 2021 and the Council will be considering in full its response and any changes at the meeting of Full Council on 8 March 2021.

Table 1 shows the feedback to date from respondents about specific proposals in the Executive Board report. Appendix A represents the demographic statistics of the data comments received to date.

Table 1 : Number of mentions from proposals	
Theme	**Mentions**
Leisure Centres	14
Community grants and support	14
Council Tax	11
Robin Hood Energy	9
General Comments on council/councillor responsibilities	8
Community Protection	7
Cultural and Arts Offer	7
Adult Social Care	6
Framework	6
Layers of management/wages review	5
Public Toilet charges	5
Children's centres	4
Close buildings/review uses/merge buildings	4
College Street	3
Fines/charges increase	3
Community Centres	3
Events	2
Employment	2
Specific Staff posts mentioned	2
Transport	2
Support Businesses	1
Under occupancy	1
Staff work less hours	1
Green initiatives	1
Parks	1
Arrow	1
Street Lights	1
Broadmarsh	1
Area committees	1

4 Feedback from Events

4.1 **Youth Cabinet**: 03/02/2021 - 5:30-6:30pm

Summary:

Councillor Sam Webster joined the youth cabinet on Microsoft teams to speak to 12 young delegates about the ongoing budget consultation. The cabinet had several questions for Councillor Webster, most notably around youth services.

Main areas of feedback:

- Youth services – can we better utilise the various voluntary organisations providing youth services with little to no funding?
- Broadmarsh – How are we going to ensure that work that is carried out is of the highest quality and not outsourced to people that don't know Nottingham?

- Finances – If 22,000 households in Nottingham receive Council tax support, who is actually paying

4.2 Nottingham Partners Event: 11/02/2021 - 8:30am

Summary:

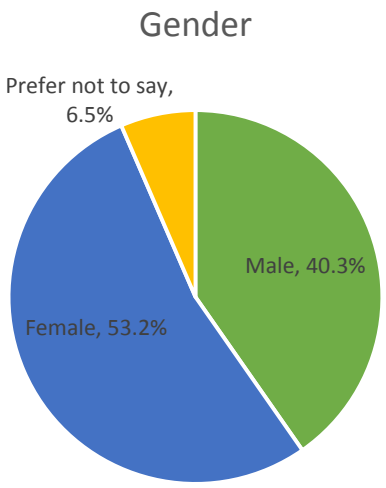
The Leader of the council David Mellen and Councillor Sam Webster joined by business in the city to discuss the budget for 2021/22.

Main areas of feedback

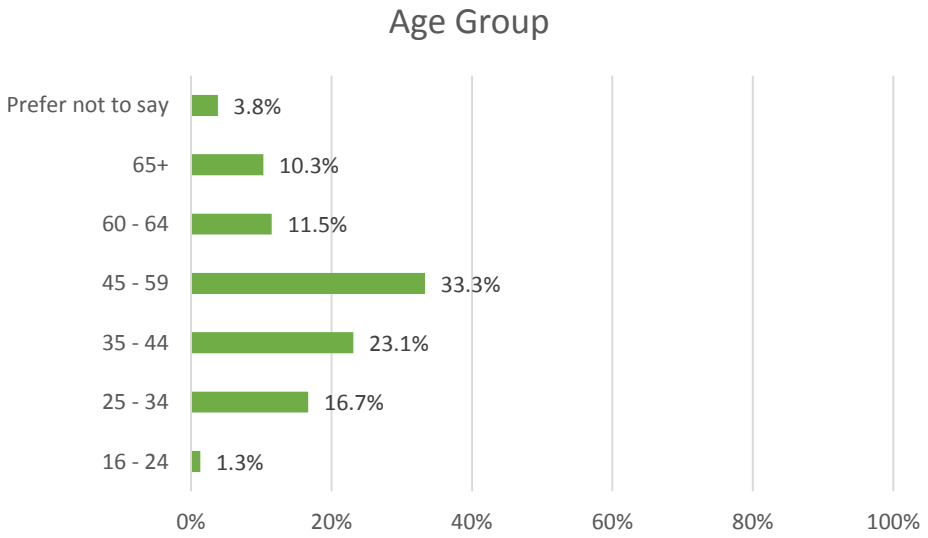
- The support in for businesses ongoing throughout the COVID Pandemic
- The Future of Broadmarsh
- How the City Council can push for funding

Appendix A – Demographics

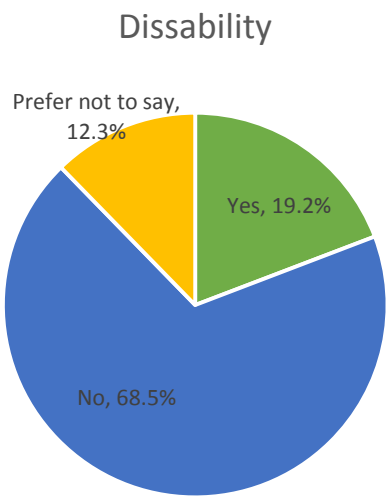
1. Gender



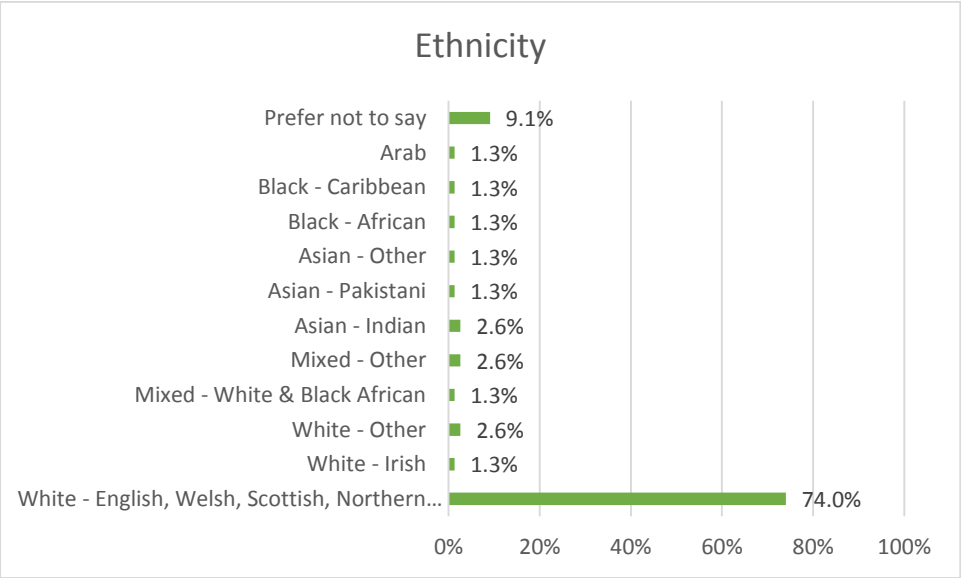
2. Age



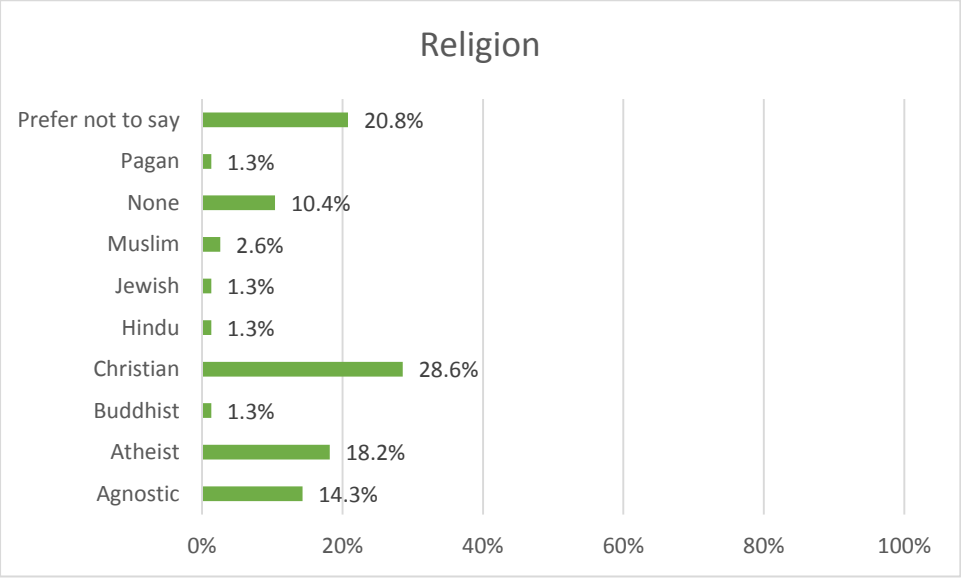
3. Disability



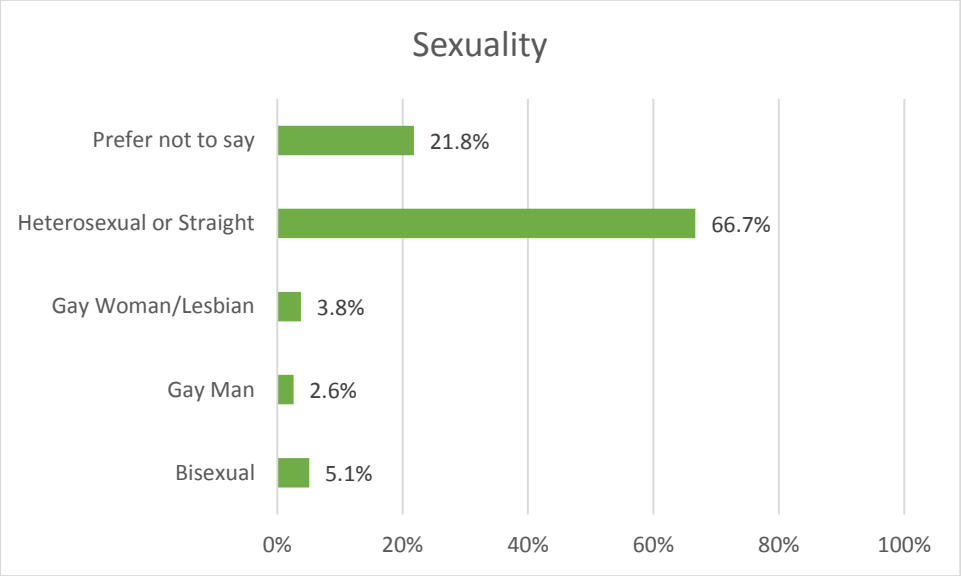
4. Ethnicity



5. Religion



6. Sexuality



Annex 7

Schools Budget 2021/22

Contents

Tables

Appendices

Annex 7 – Schools Budget 2021/22

1 Introduction

1.1 This annex sets out:

a) The construction of Dedicated Schools Grant (DSG) totalling **£310.2m** for 2021/22;

b) Material changes that have arisen since 2020/21 and

c) The basis of its distribution to both educational settings and the Local Authority (LA) totalling **£310.7m**.

1.2 The distribution of funds is in accordance with Schools and Early Years Finance Regulations (England) 2020 within statutory timelines and any updates of new legislation.

1.3 The formulation of the budget is also aligned with government guidance and the necessary approvals required from Schools Forum (SF), these are documented in **section 6**.

1.4 Any links with the LA's budget are captured within the 2021/22 Medium Term Financial Plan.

2 Construction of the 2021/22 budget

2.1 Overview

Funding for Schools budgets comprises:

a) Dedicated Schools Grant (DSG) - this is the main funding stream allocated to schools by the LA;

b) Pupil Premium Grant – this is distributed by the Council to maintained schools only. The allocation is set out by the Education and Skills Funding Agency (ESFA) with academies receiving this funding direct.

In accordance with regulations approvals are required from SF for specific items. A summary of those approvals gained is set out in **Table 1** below:

Table 1: Analysis Of Approvals		
	Status	**Date**
De-delegated budgets		
Trade union representative cover	Approved	1 Dec 2020
Central budgets		
Schools	Approved	1 Dec 2020
SEN Transport	Approved	1 Dec 2020
Early Years	Approved	1 Dec 2020
Copyright Licensing Agreements / Music Publishing Association licences	Education Skills Funding Agency	
Pupil Growth Contingency Fund	Approved	1 Dec 2020

DSG allocation is updated throughout the year as pupil numbers are confirmed. During this process any unallocated balance it is put to the Statutory School Reserve (SSR). Any spend from this reserve is in accordance with the Schools and Early Years Finance Regulations (England) 2020.

Elements of the DSG contribute to LA services, any reduction in those values are captured within the LA's budget setting process.

2.2 Funding received

In conjunction with the National Funding Formula (NFF) the DSG funding is allocated over four blocks and the **indicative total is £310.2m**, this is an **increase of £22.5m** (7.8%) from 2020/21.

Table 2 sets out how the £310.2m is allocated and provides a comparison against 2020/21.

Table 2: Summary of DSG Funding received			
		2020/21 £m	**2021/22 £m**
1	Schools Block – section 2.3	219.8	237.0
2	Central School Services Block – section 2.4	6.0	5.2
3	Early Years Block – section 2.5	22.4	23.1
4	High Needs Block – section 2.6	39.5	44.9
Total DSG		**287.7**	**310.2**
Growth		**22.5 (7.8%)**	

Appendix A provides further budget detail for each of the blocks.

The material movements that make up the growth of £22.5m are set out in **Table 3** below and are split between the Early Years (EY), Schools and High Needs (HN) blocks. Elements of the increase are due to changes in the budget allocation throughout 2020/21 (shown separately).

Table 3: Growth Analysis	
2020/21	**£m**
EY – 3 & 4 year olds universal allocation updated to reflect the January 2020 census.	0.2
EY – 3 & 4 year olds additional 15 hours allocation updated to reflect the January 2020 census.	0.3
2021/22	
Schools – Increased pupil numbers and the impact of the changes to the NFF (41,784 in 2020/21 to 42,283 in 2021/22)	17.3
Pupil growth contingency fund	(0.2)
Historic commitments allocation	(0.9)
Ongoing commitments allocation Teachers Pension Grant (TPG) and Teachers Pension Employers Contribution Grant (TPECG) funding for centrally retained teachers	0.1
EY – Impact of the EY National Funding Formula (EY NFF) 6p/hour increase on 3 & 4 year old funding	0.2
EY – Impact of the EY NFF 8p/hour increase on 2 year old funding	0.1
HN –TPG and TPECG funding for High needs settings	0.6
HN – 8% Hospital education funding uplift	0.2
HN – NFF 12% per head funding increase per head of population	4.6
Total Increase	**22.5**

2.3 **Schools Block**

Funding of **£237.0m** includes £5.8m for in year pupil growth and premises costs.

The allocation method for this block is based on a Pupil-led and School-led funding basis and is based on the October 2020 census pupil data.

New changes to this allocation in 2021/22 now incorporates funding for the TPG and TPECG.

The rates for each education sector are as follows:

- £4,878.35 per primary pupil and
- £6,466.61 per secondary pupil.

2.4 Central School Services Block (CSSB)

The CSSB is made up of two categories, historic and ongoing commitments with funding totalling **£5.2m** for 2021/22.

a) Historic commitments

The 2021/22 allocation is £3.6m and funds a mixture of historic schools' decisions and contributions to LA services that align to educational attainment. The NFF reduces funding to this block by 20% on an annual basis until it funds only employment termination and prudential borrowing costs. Over the last two financial years this funding has reduced by £79.4m nationally.

In 2020/21 Nottingham's reduction was **£1.1m** and a further reduction of **£0.9m** in 2021/22. **The total funding reduction to date is £2.0m**. This and the forecast impact of future reductions has been captured in the LA's 2021/22+ MTFP.

Table 4 shows the categorisation of historic commitment budgets.

Table 4: Historic Commitments

Commitment	2021/22 Allocation £m
CERA	**0.2**
Prudential borrowing	**0.2**
Termination of employment costs	**1.6**
Contribution to combined budgets	**1.6**
Total	**3.6**

b) On-going commitments

LA's are funded based on the National Funding Formula (NFF) distributed 90% on a per-pupil factor and 10% on a deprivation factor. The 2021/22 allocation of £1.6m funds ongoing central costs relating to schools' settings and are shown in Table 5.

For 2021/22 the funding allocation for Nottingham City is **£37.53** per pupil, which represents an increase of £2.39 (6.8%) over the 2020/21 level of £35.14. The Department for Education (DfE) undertakes annual reviews of these rates and any changes will reflect amendments to legal obligations.

This increase includes £2.28 per pupil for additional costs associated with LA employed teachers and associated TPG and TPECG and represents a real increase of 11p (0.31%) per pupil. This is the first increase since the introduction of the NFF.

Table 5 shows the categorisation of on-going commitment budgets.

Table 5: On Going Commitments	
Commitment	**2021/22 Allocation £m**
Admissions service	**0.6**
Copyright licences	**0.2**
Schools Forum servicing (£35k)	**0.0**
Retained duties – LA's legal obligations	**0.7**
TPG and TPECG for centrally employed teachers	**0.1**
Total	**1.6**

2.5 **Early Years (EY) Block**

The provisional EY block allocation, as announced on 17 December 2020, is **£23.1m.** The EY block allocation is based on the EY National Funding Formula (EYNFF) which was introduced in April 2017.

This is a provisional allocation (based on January 2020 pupil numbers) includes funding for:

a. 3 & 4 year old universal entitlement (£14.7m)

b. 3 & 4 year old extended entitlement (£4.2m)

c. 2 year old funding (£3.8m) and

d. EY Pupil Premium (EYPP) (£0.2m)

e. EY disability access fund (£0.1m).

f. Maintained Nursery Supplementary (MNS) funding (£0.1m)

In 2021/22, the hourly rate that Nottingham receives for **3 & 4 year olds** will increase by £0.06p (1.2%) from £5.00 per hour to **£5.06 per hour.**

Separate funding is received for **2 year olds.** This will increase by £0.08p (1.5%) from £5.31 per hour to **£5.39 per hour**.

2.6 **High Needs (HN) Block**

The provisional HN block allocation is based on the HN National Funding Formula (HN NFF) introduced in April 2018. 2021/22 allocations were as announced on 17 December 2020.

For 2021/22 Nottingham will receive **£44.9m** per head of 2-18 population which represents a **£5.4m (13.7%) increase** over the latest published 2020/21 allocation of £39.5m. This incorporates the maximum 12% increase along with changes in population estimates.

The allocations are based on the latest mid-2020 ONS population estimate for Nottingham of 67,156. This is 1% higher than last year's estimate. The HN

allocation for 2021/22 will be finalised in June 2021 taking into account the Spring 2020 pupil numbers.

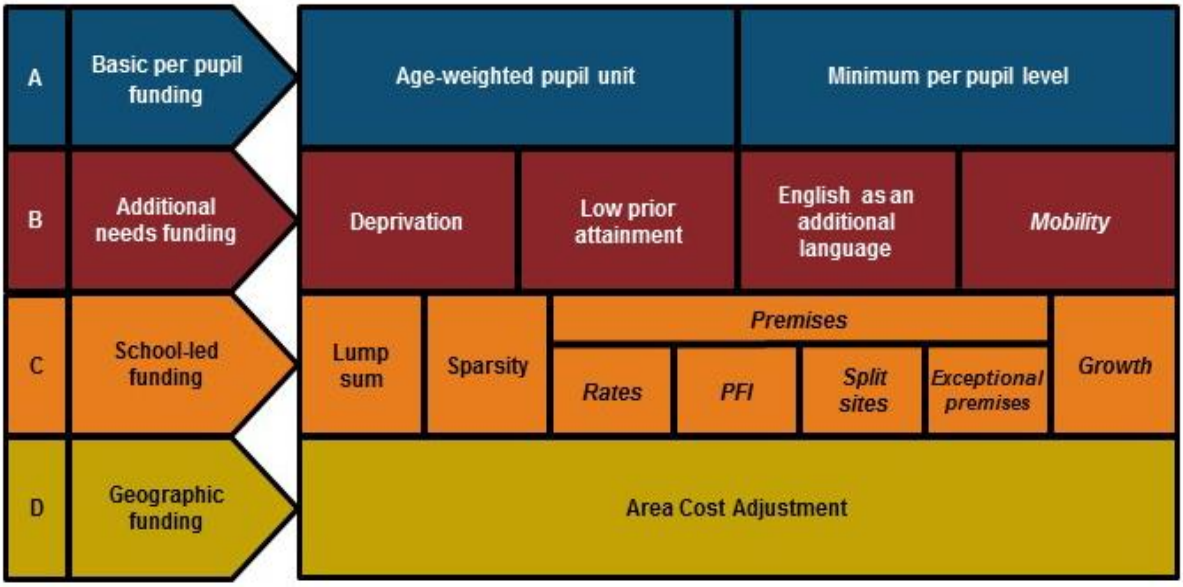
3 Allocation of the 2021/22 budget

This section details how the funding is allocated out to educational settings and central expenditure services for each block. **Appendix A** provides a summary of this section.

3.1 Distribution of Schools Block Funding

The schools block is £237.4m and is funded by DSG £237.0m (as per **Table 2**) and reimbursement of costs from academies of £0.4m.

The distribution of the £237.4m to each education setting is based on the following factors aligned to the NFF.



Key points are:

- The maximum minimum funding guarantee (MFG) is in place at +2% ensuring every school has a budget increase in 2021/22. 80 of the 93 schools budgets have this adjustment.

- The level of MFG protection has fallen to £7.6m in 2021/22 (from £7.8m in 2020/21) This is mainly due to the increase in the core factor rates and the increase in the minimum funding per pupil.

- The maximum amount of funding has been distributed to schools

- The unallocated balance of £0.1m has been aligned to the pupil growth budget as approved by the Schools Forum on 1 December 2020.

- Any further unallocated balances as a result of in year changes will be allocated to the SSR.

- The Age Weighted Pupil Unit has increased by 3% from 2020/21.

3.2 Distribution of Central School Services Block (CSSB)

The CSSB funding has been allocated in full as shown in section 2.4.

3.3 Distribution of Early Years (EY) Block Funding

All increases in funding are being fully distributed to schools and providers of early years services increasing the base rate to providers by 0.06p per hour from April 2021 for 3 & 4 year olds.

Table 6 below shows the indicative distribution of this funding with 95% and 98.3% being allocated directly to 3 & 4 year old and 2 year old providers respectively.

Table 6: EY Indicative Budget £m

ELEMENT	3 & 4 Year Old	2 Year Old	Disability Living Allowance cohort	EY Pupil Premium	TOTAL £m
Base rate/hour Base rate total (£m)	*£4.59* 16.6	*£5.24* 3.7		*£0.53* 0.2	20.5
Supplements *-Deprivation/hour* *-Flexibility/hour* *DLA/annum* Supplements total (£m)	*£1.00* *£0.10* 0.7		*£615* 0.1		0.8
Maintained Nursery Supplement (£m)	0.3				0.3
Special Education Needs inclusion fund (£m)	0.1	0.1			0.2
Contingency (£m)	0.3	0.0			0.3
TOTAL PROVIDERS (£m)	**18.0**	**3.8**	**0.1**	**0.2**	**22.1**
Central Expenditure (£m)	**1.0**	**0.1**			**1.0**
GRAND TOTAL (£m)	**19.0**	**3.8**	**0.1**	**0.2**	**23.1**
Pass-through %	**95.0%**	**98.3%**			

3.4 Distribution of High Needs (HN) Block Funding

This indicative funding allocation of £44.9m is distributed £40.3m for HN provisions and £4.6m for central services.

These figures capture the increased costs associated with High Level Needs (HLN) and align to the 2018-23 SEND strategy.

The key strategic priority to be addressed for 2021/22 is the implementation of the revised HLN system for mainstream schools.

4 Pupil Premium

Pupil Premium (PP) is allocated to the LA to distribute directly to educational settings.

4.1 The PP allocated to schools is made up of 3 of elements, funding for free school meal pupils (Ever6), service children and post looked after children. Each element has a different pupil rate as set out in **Table 7** below. The annual value changes dependent on child numbers.

TABLE 7: Pupil Premium Comparison				
	FSM EVER6			
	Primary £	**Secondary £**	**Service Child £**	**Post Looked after Child* £**
2020/21 & 2021/22	1,345	955	310	2,345

. *Looked after Children and eligible pupils who have been adopted from care or leaving care under a special guardianship or a child arrangements order (previously known as a residence order).

5 Reserves

SSR can only be allocated in accordance with the Schools and Early Years Finance Regulations (England) 2020.

5.1 The statutory schools reserve (ring fenced for schools) has an **unearmarked balance of £2.2m** after all formally approved commitments. This is set out in **Table 8** however at this point it is based on a forecast full spend.

TABLE 8: Reserve summary	
	Actual £m
Opening balance as at 1 April 2020	**7.3**
Less: Approved commitments	(5.1)
Uncommitted Balance as at a 31 March 2021	**2.2**

5.2 The uncommitted element of the SSR is 0.7% of the DSG budget; this was 0.8% as at 31 March 2020. There is no statutory requirement for the levels of this reserve however its adequacy should align to any in year risks.

HN's and exclusions form the main historic risk but funding increases in this block and the exclusions strategy respectively have materially mitigated the risk.

Throughout 2021/22 this risk will be regularly reviewed to ensure that the uncommitted balance remains adequate considering risks such as COVID 19 and the full roll out of the exclusions strategy.

6 Published documents supporting this report

The development of the schools budget is predicated on specific guidance and statutory requirements, the list below shows all documents required to ensure a robust, compliant and accurate budget.

6.1 Schools Forum – Central Expenditure Budget 2021/22 – Historic Commitments – 1 December 2020

6.2 Schools Forum – Central Expenditure Budget 2021/22 – Ongoing Commitments – 1 December 2020

6.3 Schools Forum - De-delegation of funding for trade union time off for senior representatives – 1 December 2020

6.4 Schools Forum - Early Years Central Expenditure 2021/22 – 1 December 2020

6.5 DfE – The Schools and Early Years Finance (England) Regulations 2020

6.6 DfE – The national funding formulae for schools and high needs – 2021 – 2022 - Policy document – July 2020

6.7 DfE – Schools block national funding formula: technical note – July 2020

6.8 DfE –Central school services block national funding formula: technical note – July 2020

6.9 DfE – High needs block national funding formula: technical note – July 2020

6.10 ESFA – Schools revenue funding 2021 to 2022 – Operational guide – July 2020

6.11 ESFA – High needs funding 2021 to 2022 – Operational guide September 2020

6.12 DfE – Dedicated schools grant – Conditions of grant 2021 to 2022 – 17 December 2020

6.13 DfE – Dedicated schools grant – Technical note 2021 to 2022 – 17 December 2020

6.14 DfE – Schools Forum - Operational and good practice guide – September 2018

6.15 Schools Forum – Schools Budget 2021/22 – 25 January 2021

Elements	Schools Block £m	Central Schools Services Block £m	Early Years Block £m	High Needs Block £m	Total DSG £m
Educational settings	236.029	-	22.141	40.332	298.502
Pupil Growth	1.383	-	-	-	1.383
Central Expenditure	-	5.218	1.008	4.573	10.799
De-delegated	0.061	-	-	-	0.061
BLOCK TOTAL	237.473	5.218	23.149	44.905	310.745
2021/22 DSG Settlement	237.015	5.218	23.149	44.905	310.287
Reimbursement from ESFA 2021/22	0.458	-	-	-	0.458
TOTAL FUNDING	237.473	5.218	23.149	44.905	310.745
VARIANCE	0	0	0	0	0

Executive Board – 23 February 2021

Subject:	Treasury Management Strategy 2021/22 and Capital Strategy 2021/22
Corporate Director(s)/Director(s):	Clive Heaphy, Strategic Director of Finance and S151 Officer
Portfolio Holder(s):	Sam Webster, Portfolio Holder for Finance, Growth and the City Centre
Report author and contact details:	Theresa Channell, Head of Strategic Finance and Deputy S151 Officer Tel: 0115 8764157 Email : theresa.channell@nottinghamcity.gov.uk
Other colleagues who have provided input:	Members of Treasury Management Panel: Clive Heaphy, Strategic Director of Finance Theresa Channell, Head of Strategic Finance Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader Glyn Daykin, Senior Accountant – Treasury Management

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:

Nottingham People	☒
Living in Nottingham	☒
Growing Nottingham	☒
Respect for Nottingham	☒
Serving Nottingham Better	☒

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

This report covers the Treasury Management Strategy Statement 2021/22 and the Capital Strategy for 2021/22.

The Treasury Management Strategy Statement (TMSS) sets out the Treasury Management, Treasury Investment, Borrowing and Debt Repayment strategies for 2021/22 and includes the associated Prudential Indicators, Debt Policy and Treasury Management 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 and includes the voluntary Debt Reduction Policy Statement.

Exempt information:
An appendix to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the Register of service and commercial investments and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because the register shown in Appendix A contains commercially sensitive information that maybe used by competitors and harm future negotiations.
Recommendation(s):
1 To recommend for approval by City Council at its meeting on 8 March 2021 the overall Treasury Management Strategy for 2021/22 (Appendix 1), and, in particular: **a.** the strategy for debt repayment (Minimum Revenue Provision Statement) in 2021/22 (section 5.2); **b.** the Borrowing Strategy including the Debt Policy (section 3.4); **c.** the Investment Strategy for 2021/22 (section 4); **d.** the Prudential Indicators and Limits for 2021/22 to 2023/24 (section 5.1); **e.** adopt the current Treasury Management Policy Statement (section 5.3).
2 To recommend for approval by City Council at its meeting on 8 March 2021 the Capital Strategy 2021/22 (Appendix 2) including the Voluntary Debt Reduction Policy Statement (Appendix B).

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 approval of a Capital Strategy is required 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 The Government commissioned a non-statutory review of the Council in November 2020 with the findings being published in December. The published review highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the Council and the reduction in the balances of reserves held which further reduces budget flexibility.

2.2 Following the review the council has published the Nottingham City Council Recovery & Improvement Plan 2021 – 2024 and as a part of this the Capital Strategy and this Treasury Strategy have been reviewed with the aim to support the Council returning to financial and operational stability. The Council's capital financing requirement is forecast to reduce by **£188m** in the period 2020/21 to 2025/26 as covered by these strategies.

2.3 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.

2.4 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 2021/22, the Debt Repayment Strategy, the Prudential Indicators and the associated treasury policies.

2.5 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 and includes the Voluntary Debt Reduction Policy Statement. This strategy requires approval by Full Council.

2.6 The Recovery and Improvement Plan acknowledges that a sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council and as such a revised Capital Strategy together with a Voluntary Debt Reduction Policy has been developed. These are important strategies and will support the delivery of the plan. Key activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities
- Revised Debt Management Strategy aligned with the Capital strategy with an aim paying down debt over time.
- Creating a revised Capital Strategy incorporating a prioritisation process.
- Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

2.7 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.

2.8 The Treasury Management Strategy and the Capital Strategy will be considered by Audit Committee on 26 February 2021, 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 Ministry of Housing, Communities & Local Government (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 Housing Revenue Account (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 2020/21 is reflected within the Corporate Budget report on this agenda. The budget for 2021/22 is based on the financial implications of the various proposed strategies, as detailed in Appendix 1. The budget estimate of £56.150m is included within the 2021/22 budget and Medium Term Financial Outlook (MTFO).

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 Management 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 27 January 2021.

5 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

5.1 This report seeks authority to agree the Treasury Management Strategy Statement 2021/22 and the Capital Strategy for 2021/22 for approval by Full Council. The City Council has power in accordance with section 12 of the Local Government Act 2003 ('the Act').

Section 12 provides a power for local authorities to invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. "Investment" also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture or to a third party. In accordance with section 15 of the Act, local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”. Statutory guidance on local authority investments has been issued by the Secretary of State.
That guidance sets out key principles to be followed by Local Authorities. One such key principle is transparency and which requires the publication of the Local Authority’s Investment Strategy. The Investment Strategy is required to be approved by Full Council hence the requirement for this report. In addition Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] as amended.

Comments provided by Andrew James – Team Leader, Commercial, Employment and Education 22nd February 2021

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 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 2019-2023
11.10 Nottingham City Council Recovery & Improvement Plan 2021 – 2024
11.11 Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on behalf of MHCLG

Appendix 1

Nottingham City Council

Treasury Management Strategy 2021/22

INDEX

1. Introduction

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. The debt portfolio is actively managed including considering of new or replacement loans with durations that seek to match the future years forecast for optimal levels of debt. 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 non-treasury 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."*

The Government commissioned a non-statutory review of the Council in November 2020 with the findings published on the 17th December. The published review highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the Council and the reduction in the balances of reserves held which further reduces budget flexibility.

Following the review, the Council has published the Nottingham City Council Recovery & Improvement Plan 2021 – 2024; as part of this the Capital Strategy and this Treasury Strategy have been reviewed with the aim to support the Council returning to financial and operational stability. The borrowing and debt management strategies are to reduce the Council's future requirement to borrow, known as the Capital Financing Requirement (CFR)

and to reduce the level of debt held by the Council. The CFR is forecast to reduce by around £188m in the period 2020/21 to 2025/26 as covered by these strategies.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare 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 forms the foundation of the Council's long-term planning and delivery of its capital investment. It sets the parameters for the capital programme, which will be updated each year will help to ensure that capital resources are used efficiently to achieve the best possible outcomes within constrained budgets.

A sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council. The Recovery and Improvement Plan recommends a review of the capital programme, which will look to stabilise the current programme and put it on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework will support the Council in achieving this. Implementation of the Plan will be a key priority of the Council and the Capital Strategy will be an important document to support the delivery of the plan. The implementation of the Capital Strategy will assist in the Council meeting its Recovery and Improvement Plan objectives.

Key activities include -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities.
- Producing a revised Debt Management Strategy aligned with the Capital strategy with an aim of paying down debt over time.
- Creating a revised Capital Strategy incorporating a prioritisation process.
- Delivering a strengthened Governance and Control Framework and ensuring that it put into practice across the Council.

The Recovery and Improvement Plan was approved at Council on 25 January 2021 and can be found at
https://www.mynottinghamnews.co.uk/wp-content/uploads/2021/01/Improvement-Plan-New-Version-v-6.3.pdf

The Capital Strategy is reported individually, but alongside the Treasury Management Strategy Statement at Audit Committee, Executive Board and Full Council; non-treasury 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;
- The service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

If any existing non-treasury 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 planned treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

1.2.2 Treasury Management reporting

The Council (delegated to Executive Board except the approval of a new strategy) is 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 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 2021/22

The strategy for 2021/22 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 including debt management;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- investment policy including creditworthiness; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Communities and Local Government, [MHCLG] MRP Guidance, the CIPFA Treasury Management Code and the 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. The Audit Committee received a Treasury Management training session delivered by Link Group on 27 November 2020. Further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management advisors

The Council uses Link Group, Treasury solutions 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 the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 The Capital Prudential Indicators 2020/21 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans.

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	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	120.605	101.500	99.607	71.590	31.969	15.403	15.275
Commercial Activities / Non-financial investments *	7.331	27.839	17.252	-	-	-	-
General Fund Total	**127.936**	**129.339**	**116.859**	**71.590**	**31.969**	**15.403**	**15.275**
HRA	43.805	46.619	64.982	67.823	42.849	32.149	30.977
TOTAL	**171.741**	**175.958**	**181.841**	**139.413**	**74.818**	**47.552**	**46.252**

* *Commercial activities / non-financial investments relate to areas including capital expenditure on loans to third parties to deliver on Council service objectives.*

The above capital expenditure figures reflect the reviewed 2021/22 Capital Strategy, which seeks to use effective prioritisation to deliver an affordable capital program by limiting expenditure and increasing capital receipts to align the capital plans to the financial context of the Council. This review is ongoing.

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	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Receipts	15.874	16.251	12.516	24.086	14.968	7.037	6.474
Capital Grants & Contributions	69.546	48.228	83.663	59.458	20.606	8.839	8.836
Capital Reserves (MRR)	25.902	22.325	37.249	43.350	32.105	29.633	30.942
Revenue Resources	0.467	1.999	6.123	0.275	0.275	0.221	-
Capital expenditure to be financed by borrowing	**59.952**	**87.155**	**42.290**	**12.244**	**6.864**	**1.822**	**0.000**
TOTAL	**171.741**	**175.958**	**181.841**	**139.413**	**74.818**	**47.552**	**46.252**

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

Commercial activities / capital investments £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure	7.331	27.839	17.252	-	-	-	-
Commercial activity financed by borrowing	**7.331**	**27.839**	**17.252**	**-**	**-**	**-**	**-**
Overall Capital expenditure to be financed by borrowing	**59.952**	**87.155**	**42.290**	**12.244**	**6.864**	**1.822**	**0.000**
Percentage of total net financing need %	**12%**	**32%**	**41%**	**0%**	**0%**	**0%**	**0%**

The table above shows in 2021/22 that 41% of the overall capital expenditure financed by borrowing is forecast to be for commercial/non-financial investments. These mainly relate

to loans to 3rd parties, primarily for housing needs, to achieve priority service objectives of the Council. Commercial activity in the above table has been reviewed to ensure it remains supportable expenditure in line with HM Treasury's revised PWLB lending arrangements.

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 i.e. the 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 has £181.8m of such schemes within the CFR as at 31 March 2021.

The CFR projections are shown below:

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Financing Requirement (£m)							
CFR – General Fund	1,089.445	1,119.085	1,101.154	1,053.515	1,000.481	941.006	885.114
CFR – HRA	292.530	304.360	314.049	319.050	319.865	315.466	309.200
Total CFR	**1,381.975**	**1,423.445**	**1,415.203**	**1,372.565**	**1,320.346**	**1,256.472**	**1,194.314**
Movement in CFR		**41.470**	**(8.243)**	**(42.638)**	**(52.219)**	**(63.874)**	**(62.158)**

Movement in CFR represented by (£m)							
Net financing need for the year (above)	59.952	87.155	42.290	12.244	6.864	1.822	0.000
Less MRP/VRP and other financing movements		45.685	50.533	54.882	59.083	65.696	62.158
Movement in CFR		**41.470**	**(8.243)**	**(42.638)**	**(52.219)**	**(63.874)**	**(62.158)**

Note: the MRP / VRP will include PFI / finance lease annual principal payments and a known increase of £4.7m in MRP from 2023/24 as part of a previous decision to change the MRP Policy.

The recent review of the capital programme and the 2021/22 Capital Strategy support the objectives in the Council's recovery & improvement plans including limiting expenditure financed by borrowing and increase capital receipts to reduce the Council's forecast requirement to borrow. This has resulted in a reduction in debt levels and will support achieving long-term financial stability. There is a forecast £188m overall reduction in the Council's requirement to borrow, known as the CFR, from 2020/21 to 2025/26 which is the sum of the 'Movement in CFR' in the table above and reflects decisions made to date towards the debt reduction objectives within the Debt Policy shown in section 3.4.

A key aspect of the regulatory and professional guidance is that elected councillors are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in 2.1 and the details above

demonstrate the scope of this activity and 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 Treasury Management 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 2020 and for the position as at 31 December 2020 are shown below for both borrowing and investments.

Treasury Portfolio				
	actual	actual	current	current
	31.3.20	**31.3.20**	**31.12.20**	**31.12.20**
Treasury investments	£m	%	£m	%
banks	20.000	16%	20.000	16%
local authorities	35.000	27%	65.000	53%
DMADF (H.M.Treasury)	0	0%	0	0%
money market funds	74.000	57%	36.600	30%
Total treasury investments	**129.000**	**100%**	**121.600**	**100%**
Treasury external borrowing				
local authorities	132.500	12%	30.000	3%
PWLB	892.773	83%	876.039	92%
market loans inc LOBOs	49.000	5%	49.000	5%
other	0.236	0%	0.234	0%
Total external borrowing	**1,074.509**	**100%**	**955.273**	**100%**
Net treasury investments / (borrowing)	**(945.509)**		**(833.673)**	

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, as 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	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt at 1 April	953.2	1,074.5	981.6	992.0	988.2	956.8	929.4
Expected change in Debt	121.3	(92.9)	10.4	(3.8)	(31.4)	(27.4)	(18.9)
Other long-term liabilities inc PFI	201.0	191.4	181.8	170.7	158.7	146.7	133.9
Expected change in OLTL *	(9.6)	(9.6)	(11.1)	(12.0)	(12.0)	(12.8)	(13.6)
Gross debt at 31 March	**1,265.9**	**1,163.4**	**1,162.7**	**1,146.9**	**1,103.5**	**1,063.2**	**1,030.7**
Capital Financing Requirement (CFR)	**1,382.0**	**1,423.4**	**1,415.2**	**1,372.6**	**1,320.3**	**1,256.5**	**1,194.3**
Under / (over) borrowing	**116.1**	**260.1**	**252.5**	**225.6**	**216.9**	**193.2**	**163.6**

* (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 2021/22 and the following two financial years.

The Council complied with this prudential indicator in the current year and expects to remain compliant against the future estimates below. This view takes into account current commitments, existing plans, and the proposals in this report and the Capital Strategy for 2021/22.

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.

£m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Operational boundary	1,423.4	1,415.2	1,372.6	1,320.3	1,256.5	1,194.3

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.

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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Authorised limit	1,453.4	1,445.2	1,402.6	1,350.3	1,286.5	1,224.3

Abolition of HRA debt cap. Separately, the Council was also limited to a maximum HRA CFR through the HRA self-financing regime. (*) In October 2018 Prime Minister Theresa May announced a policy change of abolition of the HRA debt cap.

Any new HRA borrowing should be compliant with the Prudential Code i.e. prudent, affordable, sustainable and in proportion with the available resources. The Council's

plans are reflected in the housing sections of the Capital Strategy, which is again limiting future capital expenditure financed by borrowing in line with the objectives in the Council's Recovery & Improvement Plan.

The planned HRA borrowing is shown below against the now abolished debt cap:

HRA Debt Indicator £m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA debt cap (abolished)	319.8	319.8	319.8	319.8	319.8	319.8	319.8
HRA CFR	292.5	304.4	314.0	319.0	319.9	315.5	309.2
Difference to notional cap	27.3	15.4	5.8	0.8	(0.1)	4.3	10.6

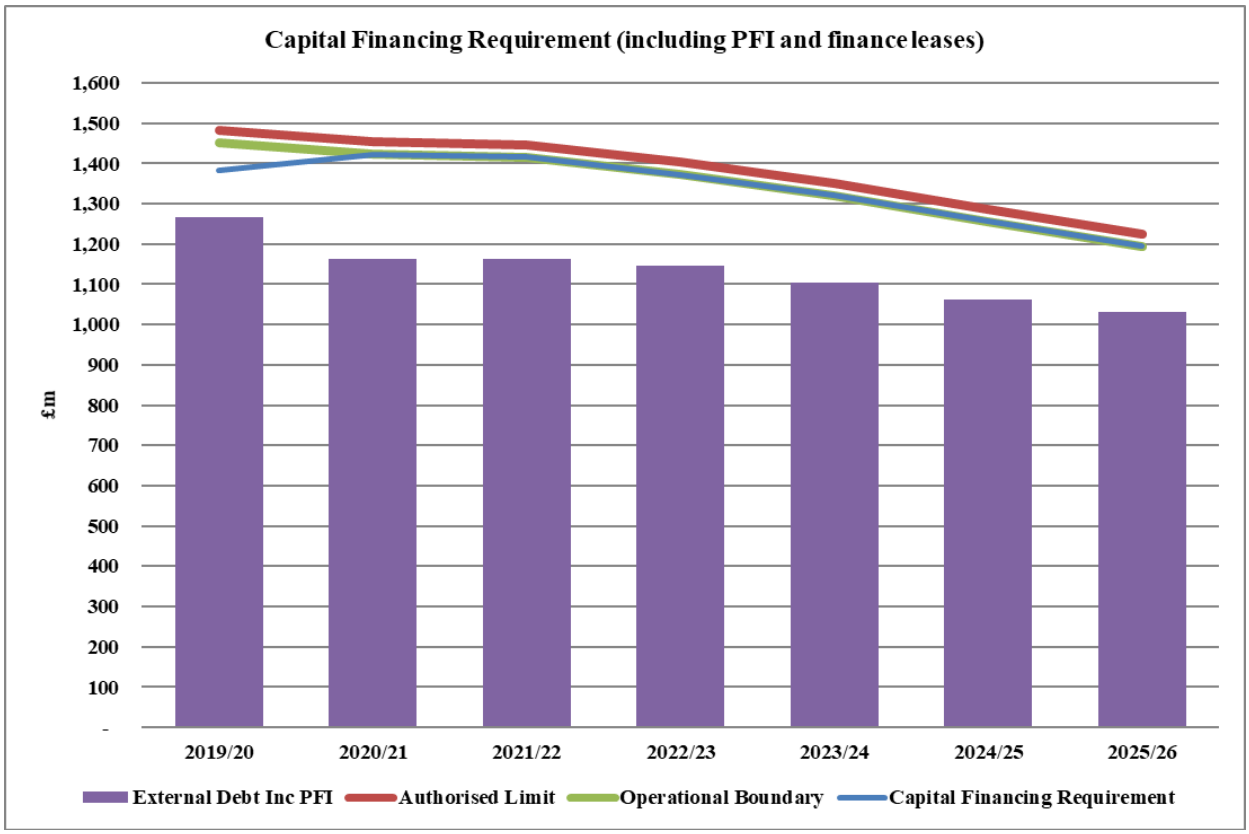
The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next five 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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Variable rate debt	300.0	300.0	300.0	300.0	300.0	300.0

The level of variable rate debt as at 31 December 2020 was £75.1m.

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 which is cost efficient, but does increase the Council's exposure to interest rates.

Capital Financing Requirement (including PFI and finance leases)							
	Actual 2019/20 £m	**Est 2020/21 £m**	**Est 2021/22 £m**	**Est 2022/23 £m**	**Est 2023/24 £m**	**Est 2024/25 £m**	**Est 2025/26 £m**
HRA CFR	292.5	304.4	314.0	319.0	319.9	315.5	309.2
General Fund CFR	1,089.4	1,119.1	1,101.2	1,053.5	1,000.5	941.0	885.1
Total CFR	**1,382.0**	**1,423.4**	**1,415.2**	**1,372.6**	**1,320.3**	**1,256.5**	**1,194.3**
External Borrowing	1,074.5	981.6	992.0	988.2	956.8	929.4	910.4
Other long term liabilities	191.4	181.8	170.7	158.7	146.7	133.9	120.3
Total Debt	**1,265.9**	**1,163.4**	**1,162.7**	**1,146.9**	**1,103.5**	**1,063.2**	**1,030.7**
Authorised Limit	1,482.7	1,453.4	1,445.2	1,402.6	1,350.3	1,286.5	1,224.3
Operational Boundary	1,452.7	1,423.4	1,415.2	1,372.6	1,320.3	1,256.5	1,194.3


Capital Financing Requirement (including PFI and finance leases)
£m
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
100
-
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
2025/26
External Debt Inc PFI
Authorised Limit
Operational Boundary
Capital Financing Requirement

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts, however, following the conclusion of the review of PWLB margins over gilt yields on 25 November 2020, all forecasts are now based on gilt yields plus 80bps:. The Interest rate forecast below should be considered alongside the detailed economic background and forecast commentary provided in section 5.4.

Link Group Interest Rate View	8.2.21												
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.90	0.90	0.90	0.90	1.00	1.00	1.10	1.10	1.10	1.20	1.20	1.20	1.20
10 yr PWLB	1.30	1.30	1.30	1.30	1.40	1.40	1.50	1.50	1.50	1.60	1.60	1.60	1.60
25 yr PWLB	1.90	1.90	1.90	1.90	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20	2.20
50 yr PWLB	1.70	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00

The above forecasts for 3-12 month average earnings previously had been referenced to the London Inter-bank Offered Rates (LIBOR), however LIBOR is likely to be replaced during 2021, when full financial market agreement is reached. The replacement is likely to be linked to the Sterling Overnight Index Average (SONIA). Updates on this issue will be reported within the next planned treasury management update report to councillors.

Investment and borrowing rates

- Investment returns are likely to remain low during the whole forecast period due to the huge level of damage done to the UK and economies around the world since the outbreak of the coronavirus. In response the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%. The Bank Rate has since been left unchanged, although some forecasters had suggested that a cut into negative territory could happen.

- Borrowing interest rates were already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. Since then gilts have fallen further to historically low levels and as the Bank of England increased its quantitative easing operations and gilt yields up to 6 years duration were negative during most of the first half of 2020/21.

- On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- Borrowing for capital expenditure. As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods to reduce total interest costs, although longer-term borrowing could be undertaken for the purpose of cost certainty.

- The cost of carry (the difference between higher borrowing costs and lower investment returns) will be considered alongside the mitigation of interest rate risk on any new long or medium-term borrowing decision that cause a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy including debt management

The Council's policy on borrowing is to limit planned expenditure financed by borrowing and to seek to reduce the level of debt held by the Council in line with the objectives in the published Recovery & Improvement Plan 2021-2024.

The Capital Strategy includes the Voluntary Debt Reduction Policy Statement (Appendix B) including a debt policy in respect of new capital expenditure. The debt policy section is shown below:

- 2020/21 - ***To minimise spend and borrowing subject to pre-existing capital commitments and expenditure already incurred within 2020/21***. The capital Programme has been reviewed and a number of schemes been removed or rephrased. This review concluded in February 2021 and **c.£14.7m** of General Fund schemes were de-committed and a further **£19.4m** of Public Sector Housing schemes were removed.

- 2021/22 - ***To restrict new borrowing to the level of the annual debt being repaid.*** (i.e. New borrowing no greater than the MRP repaid). The Capital Programme has been reduced to existing commitments.

- 2022/23 - 2024/25 - ***Nil new borrowing throughout the period***. This applies both to general fund and public sector housing debt – the latter managed on a cumulative basis over the period.

Nothing in this policy shall prevent the Council from exercising normal day to day management of its borrowings through Treasury Management activities and/or the use of internal borrowing.

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 2021/22 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 much sharper RISE in borrowing 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.

The current central case forecast shows short-term interest rates remaining very low for the whole forecast period and very limited increases in longer-term PWLB interest rates. On this basis, the Council will look to fully utilise the available under-borrowed position and supplement with short-term loans at very low interest rates whilst retaining some flexibility to take fixed rate funding to reduce the overall interest rate exposure if appropriate.

The Councils longer-term requirement for borrowing, known as the CFR will be a key consideration when taking on new or replacement borrowing, the shorter periods are likely to be more appropriate. Where cash flow requirements permit some debt upon maturity will be repaid without replacement to bring the overall level of debt down and reducing the Council's cost of financing.

However, to manage interest rate risk this strategy includes the option to pre-fund future years' borrowing requirements including maturing loans or to reduce the level of internal borrowing providing this does not exceed the authorised limit for borrowing.

Any borrowing will be subject to the Council's borrowing limits, maturity limits and the limits on the exposure to variable interest rates shown in section 3.2 to comply with the Prudential Indicators in section 5, and will be reported to the Executive Board and Audit Committee at the next available opportunity following its action.

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)
- Insurance and Assurance companies
- 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

Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The Council's policy is to borrow to meet its forecast Capital Financing Requirement (CFR), including an allowance (currently £30m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme, to replace maturing loans, or to meet other expected cash flows.

3.6 Debt rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

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).

All rescheduling will be reported to the Executive Board and Audit Committee, at the earliest meeting following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and Non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)

With support from our treasury management advisors we will keep informed as to the relative merits of each of these alternative funding sources.

4 Annual Treasury Investment Strategy

4.1 Treasury Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This 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 investment policy 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 Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

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 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 financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two categories '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 or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by councillors and officers 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 4.4).

6. **Approved Counterparties and limits**, (amounts and maturity), for each type of counterparty will be set through applying the matrix table 1 in section 4.4.

7. **Investment limits** are set for each type of investment in table 3 in section 4.5.

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 4.6.

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see section 4.4 – 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.**

12. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23.

This authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.7). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are unchanged from last year except a minor change to 4, to allow non-specified investments that are of high credit quality but originally had a >12 month duration to become specified once their maturity date is < 12 months.

4.2 Investment strategy

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. For liquidity purposes investment balances are expected to be maintained above £30m but balances available for investment are expected to reduce as the under-borrowing capacity is utilised in the forthcoming year.

Strategy: Investments will be made with reference to the forecast core cash balances, cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While cash balances are required in order to manage the ups and downs of the known cash flow cycle, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed and considered.

- 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.

4.3 Investment returns expectations

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long term forecast is for periods over 10 years in the future):

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by the deal the UK agreed as part of Brexit.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment rates

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided

financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Fund managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surplus of money in the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and some MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

4.4 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
Money Market Funds (AAA or equivalent)	£10m per fund		
Ultra-Short Dated Bond Funds (AAA or equivalent)	£10m per fund		

** Includes other UK Local Authorities – limit per Authority*
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 not 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.

Money Market Funds: A highly rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. The Money Market Fund definition and limit includes Cash and Cash-plus funds both are highly regulated and have to operate within minimum credit quality and diversification requirements as set out by rating agencies to maintain an AAA money market fund rating. These are used as an alternative to short term deposits and instant access bank accounts.

Ultra-Short Dated Bond Funds: A pooled fund designed to produce an enhanced return over and above a Money Market Fund. The fund manager may use different counterparties and instruments as well as longer dated investments to offer enhanced returns over the longer term, but are more volatile in the short term. These allow diversification into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but offer withdrawal after a notice period, their performance and continued suitability will be monitored regularly. Funds will only be considered if they have an AAA bond fund credit rating.

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.

Specified Investments: The MHCLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months,
- 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 in 12 months or longer. The limits for non-specified investments are shown in **table 2** below.

Table 2: Non-Specified Investment Limit	
	Cash limit
Unsecured Bank Investments > 365 days *	£0m
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.

4.5 Investment Limits

In order to limit the amount of available reserves 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 (AAA or equivalent *)	£80m in total
Ultra-short dated bond funds (AAA or equivalent *)	£20m in total

***** Money market fund "fund" ratings are different to individual counterparty ratings, coming under either specific "MMF" or "Bond Fund" rating criteria.

4.6 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	**2021/22**	**2022/23**	**2023/24**
Principal sums invested for longer than 365 days	£100m	£100m	£100m
Current investments as at 31.12.20 in excess of 1 year maturing in each year	£10m	£0m	£0m

4.7 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

The Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation and will report back to councillors accordingly.

4.8 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.

4.8.1 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.

4.8.2 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.

4.8.3 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.

4.8.4 Policy on Council Subsidiary Deposit Facility:

The Council has a number of subsidiary companies within the group organisation, as such the it may provide a safe haven deposit facility for surplus cash balances held by these

companies. These funds are available on request subject to minimum notice period and balances would attract interest at a rate agreed at the time of the request.

4.8.5 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 an overview is reported to Audit Committee as part of the Treasury Management reporting.

4.8.6 Proposed changes to the CIPFA Treasury Management Code and Prudential Code:
CIPFA have released proposed changes to the current Treasury Management Code and Prudential Code. Both sets of proposed changes are in a consultation period due to close on 12th April 2021, with a planned publication of the revised guidance expected towards the end of 2021/22. There will be a requirement to apply the principles from the publication date with full adoption expected from 2022/23.

The Treasury Management Code key proposals – update to the Treasury management practices (TMP) TMP10 training requirements; TMP 12 Corporate Governance; TMP13 Environmental, Social and Governance and amendments to Maturity Structure of Borrowing indicator.

The Prudential Code key proposals – revision to Borrowing in Advance of Need criteria, including in respect of primarily yield generating investments; inclusion of proportionality in key capital expenditure objectives; process and governance sections to incorporate further changes in respect of commercial activity; three new prudential indicators – External Debt to Net Revenue Stream (NRS), Income from Commercial and Service Investment to NRS, Liability Benchmark; Proposal to abolish Gross Debt to Capital Financing Requirement indicator.

The implications of the revised guidance once published will be reported to councillors at the next opportunity.

5 Appendices

5.1 The Capital Prudential And Treasury Indicators

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 The Authorised limit for external debt and the operational boundary

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.

£m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Operational boundary	1,423.4	1,415.2	1,372.6	1,320.3	1,256.5	1,194.3

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.

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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Authorised limit	1,453.4	1,445.2	1,402.6	1,350.3	1,286.5	1,224.3

5.1.3 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.

These indicators reflect decisions on future capital plans and policies detailed in the Capital & Strategy with the objective to reduce the forecast cost of financing and support the Council returning to financial and operational stability.

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.

%	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
General Fund	16.66%	17.87%	18.17%	17.36%	17.13%
HRA	13.60%	14.14%	15.29%	15.10%	15.30%

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.

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
HRA debt £m	292.530	304.360	314.049	319.050	319.865
HRA debt cap £m (abolished)	319.784	319.784	319.784	319.784	319.784
HRA revenues £m	103.333	104.989	106.694	107.670	108.601
Ratio of debt to revenues %	**2.8**	**2.9**	**2.9**	**3.0**	**2.9**

The second indicator shows the HRA debt per dwelling based on the forecast debt level.

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
HRA debt £m	292.530	304.360	314.049	319.050	319.865
Number of HRA dwellings	25,388	25,280	25,181	25,049	24,906
Debt per dwelling £'s	**11,522**	**12,040**	**12,472**	**12,737**	**12,843**

5.1.4 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 2021/22		
	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%

Please note that the maturity date is deemed to be the next call date.

5.1.5 Control of interest rate exposure

Please see paragraphs 3.2.

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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Variable rate debt	300.0	300.0	300.0	300.0	300.0	300.0

The level of variable rate debt as at 31 December 2020 was £75.1m.

5.2 Annual Minimum Revenue Provision Statement 2021/22

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 to 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 2021 the total VRP overpayments are expected to be £3.259m.

Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23.

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
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.

1 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 and forecast commentary

The Bank of England's Monetary Policy Committee (MPC) kept **Bank Rate** and quantitative easing (QE) unchanged on 4th February. However, it revised its economic forecasts to take account of a third national lockdown which started on 5th January, which is obviously going to delay economic recovery and do further damage to the economy. Moreover, it had already decided in November to undertake a further tranche of QE of £150bn, to start in January when the previous programme of £300bn of QE, announced in March to June 2020, finished. As only about £16bn of the latest £150bn tranche had been used towards the end of January, it felt that there was already sufficient provision for QE - which would be made to last to the end of 2021. This implied that the current rate of purchases of £4.4bn per week would be slowed during the year.

Although its short-term forecasts were cut for 2021, the medium-term forecasts were more optimistic than in November, based on an assumption that the current lockdown will be gradually eased after Q1 as vaccines are gradually rolled out and life can then start to go back to some sort of normality. The Bank's main assumptions were:

- The economy would start to **recover strongly** from Q3 2021.
- **£125bn of savings** made by consumers during the pandemic will give a big boost to the pace of economic recovery once lockdown restrictions are eased and consumers can resume high street shopping, going to pubs and restaurants and taking holidays.
- The economy would still recover to reach its **pre-pandemic level** by Q1 2022 despite a long lockdown in Q1 2021.
- **Spare capacity** in the economy would be eliminated in Q1 2022.
- The Bank also expects there to be **excess demand** in the economy by Q4 2022.
- **Unemployment** will peak at around 7.5% during late 2021 and then fall to about 4.2% by the end of 2022. This forecast implies that 0.5m foreign workers will have been lost from the UK workforce by their returning home.
- **CPI inflation** was forecast to rise quite sharply towards the 2% target in Q1 2021 due to some temporary factors, (e.g. the reduction in VAT for certain services comes to an end) and given developments in energy prices. CPI inflation was projected to be close to 2% in 2022 and 2023.
- The Monetary Policy Report acknowledged that there were **downside risks** to their forecasts e.g. from virus mutations, will vaccines be fully effective, how soon can tweaked vaccines be devised and administered to deal with mutations? There are also issues around achieving herd immunity around the world from this virus so that a proliferation of mutations does not occur which prolong the time it takes for the global economy to fully recover.
- The Report also mentioned a potential **upside risk** as an assumption had been made that consumers would only spend £6bn of their savings of £125bn once restrictions were eased. However, there is a risk that consumers could spend a lot more and more quickly.
- The Bank of England also removed **negative interest rates** as a possibility for at least six months as financial institutions are not ready to implement them. As in six months' time the economy should be starting to grow strongly, this effectively means that negative rates occurring are only a slim possibility in the current downturn. However, financial institutions have been requested to prepare for them so that, at a future time, this could be used as a monetary policy tool if deemed appropriate. (**Gilt**

yields and PWLB rates jumped upwards after the removal of negative rates as a key risk in the short-term.)

- Prior to 4th February, the **MPC's forward guidance** outlined that the sequencing of a withdrawal of monetary policy support would be that Bank Rate would be increased first: and only once it had reached a certain level, 'around 1.5%', before a start would be made on winding down the stock of asset purchases made under QE. However, the MPC decided at the February meeting that this policy should be reviewed as to whether a start should be made first on **winding down QE** rather than raising Bank Rate.
- The MPC reiterated its previous guidance that Bank Rate would not rise until inflation was sustainably above 2%. This means that it will tolerate inflation running above 2% from time to time to balance out periods during which inflation was below 2%. This is termed **average inflation targeting.**

- **There are two views in respect of Bank Rate beyond our three-year time horizon:**
    - The MPC will be keen to raise Bank Rate as soon as possible in order for it to be a usable tool when the next economic downturn comes along. This is in line with thinking on Bank Rate over the last 20 years.

    - Conversely, that we need to adjust to the new post-pandemic era that we are now in. In this new era, the shift to average inflation targeting has set a high bar for raising Bank Rate i.e. only when inflation is demonstrably sustainably above 2%. In addition, many governments around the world have been saddled with high levels of debt. When central bank rates are low, and below the average GDP growth rate, the debt to GDP ratio will gradually fall each year without having to use fiscal tools such as raising taxes or austerity programmes, (which would depress economic growth and recovery). This could therefore result in governments revising the setting of mandates to their national central banks to allow a higher rate of inflation linked to other economic targets. This is the Capital Economics view – that Bank Rate will not rise for the next five years and will probably then struggle to get to 1% within 10 years.

- **Public borrowing** was forecast in November 2020 by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery. It is now likely that total borrowing will

probably reach around £420bn due to further Government support measures introduced as a result of the third national lockdown.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. While the one month second national lockdown that started on 5th November caused a further contraction of 5.7% m/m in November, this was much better than had been feared and showed that the economy is adapting to new ways of working. This left the economy 'only' 8.6% below the pre-crisis level. However, a strong recovery in the second half of 2021 is likely to mean that the economy recovers to its pre-pandemic level during Q1 2022.

- **Brexit.** The final agreement of a trade deal on 24.12.20 has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts. However, it is evident from problems with trade flows at ports in January and February, that work needs to be done to smooth out the issues and problems that have been created by complex customs paperwork to deal with bottle necks currently being caused.

- **Fiscal policy.** In December, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3 March 2021 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6 August 2020 revised down the expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

Interest rate forecast

Link Group Interest Rate View	8.2.21												
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.90	0.90	0.90	0.90	1.00	1.00	1.10	1.10	1.10	1.20	1.20	1.20	1.20
10 yr PWLB	1.30	1.30	1.30	1.30	1.40	1.40	1.50	1.50	1.50	1.60	1.60	1.60	1.60
25 yr PWLB	1.90	1.90	1.90	1.90	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20	2.20
50 yr PWLB	1.70	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is now probably more to the upside but is subject to major uncertainty due to the virus - both domestically and its potential effects worldwide.
- There is relatively little domestic risk of increases or decreases in Bank Rate in the near-term, nor significant changes in shorter-term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates anytime soon but increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates).

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions.
- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand and the pace of recovery of the economy.
- **UK - 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.
- **UK / EU trade arrangements** – if there was a major impact on trade flows due to complications with customs paperwork or lack of co-operation in sorting out significant issues. A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** 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. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.

- **Other minority EU governments.** Italy, Spain, Austria, Sweden, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- 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 rapid series of increases in Bank Rate to stifle inflation.

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 non-treasury 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 non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making*

in relation to non-treasury 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 non-treasury investments will be arranged.*

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1. Introduction

1.1 Purpose of the Capital Strategy

This capital strategy forms the foundation of the Council's long-term planning and delivery of its capital investment. It sets the parameters for the capital programme, which will be updated each year and will help to ensure that capital resources are used efficiently to achieve the best possible outcomes within constrained budgets.

Local authorities continue to operate in an extremely challenging financial environment with reduced levels of Government funding since 2010, the effects of Covid-19 and the uncertainties of Brexit. The severe impacts of the Covid-19 pandemic on the City in 2020/21 will continue to have a financial impact for the medium term and the Council will need to consider how its business and services will operate in the future. How capital resources are acquired, deployed, and managed is a key part of the Council's strategic response.

The Prudential Code for Capital Finance in Local Authorities ('the Code') sets a framework to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable. The Code, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA), has legislative backing. As part of the prudential approach the Code requires authorities to have in place a capital strategy. It says:

> '*In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.*'

In addition to the Code, CIPFA has published 'Capital Strategies and Programming', which considers in more detail the practical issues involved in capital planning and delivery. This strategy has been prepared considering the guidance in both these publications.

The approval and implementation of this strategy will ensure that:

- Capital investment is targeted towards supporting the Council's corporate objectives.
- Capital investment complements revenue spend on services.
- the stewardship of assets is properly considered in capital planning.
- capital investment is prudent, sustainable, affordable and provides value for

money.

- Members and senior officers have a common understanding of the long-term context in which investment decisions are made and all the financial risks to which the Council is exposed.
- capital projects are delivered on time and within budget.
- There is improved transparency at programme level along with a clear process for member engagement.
- The Council is seen as an exemplar of good practice in its capital planning.

1.2 Local Context

Capital Ambition

Nottingham City Council has taken bold capital investment decisions over the last decade to improve its neighbourhoods and city centre environment, improve housing stock, build new libraries, a leisure centre and invest in public spaces. Nottingham has also invested in commercial properties in order to generate ongoing revenue returns. But the governance of the programme and particularly the borrowing implication of investments has not been as transparent as it needs to be, leaving the City with a high cost of servicing this debt and a high level of financial risk.

Following the election of a new political leadership in 2019, the Council has embarked on a series of significant changes to strengthen both the governance and financial stability of the Council. This has included establishing the Companies Governance Executive Sub-Committee and launching a Strategic Review of Robin Hood Energy which has resulted in a decision to transfer customers to an existing energy supplier and to progress the orderly winding up of the company.

Rapid Non-Statutory Review (NSR) into Nottingham City Council

Following issuance of the Auditor's PIR, a rapid, non-statutory review at the Council was conducted. The purpose of the review was to provide assurance on the financial position of the Council, its governance arrangements and the commercial and investment issues identified by the Council's External Auditors.

Key findings of the report include the need for longer term financial planning horizon to ensure the Council achieves financial sustainability over a 2–3-year recovery phase and other matters in relation to governance for the Council and its group companies. Additionally, the report findings identified several risks and themes in relation to the management of assets, the governance and control of the capital programme and the high level of borrowing.

The Capital Programme principles have been reviewed and amended and a voluntary debt reduction policy put in place to support the reduction of debt servicing costs and ultimately to reduce the Council's debt.

Recovery and Improvement Plan 2021 - 2025

The Council has developed a Recovery and Improvement Plan in response to the findings of the NSR and will be working with the Improvement Board, chaired by Sir Tony Redmond, to deliver it.

The report acknowledged that a well-managed capital programme, is a critical contributor to the overall financial recovery of the City Council and recommends a review of the capital programme which will look to stabilise the current programme and put it on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework will support the Council in achieving this. Implementation of the Plan will be a key priority of the Council and the Capital Strategy will be an important document to support the delivery of the plan.

Key activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities (for example around EnviroEnergy and the former Broadmarsh Shopping Centre).
- Revised Debt Management Strategy align with Capital strategy with an aim paying down debt over time.
- Creating a revised Capital Strategy incorporating a prioritisation process.
- Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

The Recovery and Improvement Plan was approved at Council on 25 January 2021 and can be found at:
https://committee.nottinghamcity.gov.uk/documents/s114407/Enc.%203%20for%20Nottingham%20City%20Council%20Recovery%20and%20Improvement%20Plan.pdf

The implementation of this strategy will assist in the Council meeting its Recovery and Improvement Plan by ensuring:

- Capital investment is strictly prioritised and meets the Council's objectives within a set funding envelope.
- Investment meets the CIPFA criteria of being prudent, sustainable, affordable and value for money.
- The Council is appropriately responding to the recommendations raised in the non-statutory review.
- The Capital Programme does not include any schemes that meet HM Treasury's definition of debt to yield.
- Capital projects are delivered within budget and in a timely manner.
- Members and Senior Officers have a common understanding of the financial context the Council is operating in and the capital principles underpinning capital decisions within the Council.

1.3 Executive Summary

The capital strategy forms the foundation for the long-term planning of capital investment based on clear capital investment principles, sound asset management and effective resource planning.

The Council will deliver its capital programme through effective and coherent processes for:

- formulating the capital programme with clear criteria to ensure that capital investment continues to be directed towards meeting corporate objectives.
- approving and amending the capital programme and for scrutinising decisions relating to capital planning.
- Managing its resources holistically to support spending priorities with regard to long term sustainability.

The annual cycle for formulating a rolling multi-year capital programme will be overseen by a new Capital Board. Executive Board will recommend the programme for approval each year in line with the Medium Term Financial Strategy (MTFS) approvals process. To successfully deliver the programme, the Council will:

- continue to ensure it has the skills, and expertise needed.
- further strengthen the corporate programme management function.
- streamline governance, monitoring and reporting processes.
- ensure the sound financial position is maintained through sustainable deployment of resources.

The Council will maintain a measured approach to risk, particularly in relation to:

- the use of alternative models for the delivery of capital investment
- the incurring of other long-term liabilities
- capital investment for commercial return.

Such proposals will, as far as practicable, be subject to the same evaluation process as for capital schemes.

Projects will be managed via a clear gateway process to progress through various stages starting with an outline project brief and finishing with a lesson learned report, with on- going cycle of review outcome testing.

2. Aims & Objectives of the Capital Investment

2.1 Definition of capital expenditure

Capital expenditure is spending on assets that will provide a benefit beyond the current financial year. The Council defines both capital and revenue expenditure in its financial statements as follows:

Capital Expenditure (Capital Investment)
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.

Revenue Expenditure
Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.'

Nottingham City Council – Financial Statements 2019/20

As detailed in the Councils Accounting Policies the Council has the discretion to capitalise (i.e. recognise) all capital expenditure but has set de minimis levels as set out in the Council's Financial Statements - typically expenditure below £10k.

The Council has no authority to capitalise revenue expenditure without the express approval of the Secretary of State.

2.2 The Importance of asset planning

Capital expenditure is about investment in assets and therefore it is important that decisions should be based on sound asset planning principles. It is only by understanding the Council's asset requirements that efficient decisions can be made about prioritising both capital investment and a comprehensive disposal strategy. It is critical that asset plans and the capital programme are aligned to enable effective decision making.

Effective asset planning should assist the Council is realising its objectives and meeting its statutory duties. This is constrained by the financial context the Council is currently operating within with available capital and revenue resources reduced.

The Council's assets consist of:

- Property Assets (e.g. Operational / Investment and Community)
- Dwellings
- Infrastructure (e.g. roads)
- ICT Assets (hardware and software)
- Vehicles and other equipment

2.3 Property Asset - Strategy

The Council's approved Corporate Asset Management Plan (CAMP) confirms its 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 aims to dispose of these sites, providing alternative solutions for citizens colleagues (i.e. operational property rationalisation).

To maximise resources for maintaining operational assets, financial models will follow best practice and include whole life costing that is sufficient to fund future repair liabilities. The CAMP also provides the framework for which non-operational assets are managed.

The key components of the Property Asset Strategy, which are relevant to the capital strategy, are set out below:

- continual review of the portfolio to identify assets that can be released with the capital receipts used to support capital programme expenditure.
- lower the operating costs of the property portfolio through release of poorly performing or surplus assets
- support the provision of integrated access to public services through joint working with partners to create multi-agency service facilities
- identify and exploit the latent value of the estate with emphasis on site utilisation or where opportunities to generate income/ value from alternative uses can be realised
- minimise future liabilities to the Council by reducing the backlog maintenance or lowering its overall carbon footprint by releasing buildings which are poorly performing in terms of CO2 emissions or maintenance unless they are service critical; to improve their sustainability
- challenge utilisation and use of the portfolio, including buildings let on concessionary terms to occupiers.

The Property Asset Strategy will set out the requirement for a comprehensive review of property assets overseen by a new Strategic Property Board. The outcome of the review will be a key factor that is considered in capital planning. The Asset Management and Disposal Board is responsible for the Property Asset Strategy and for ensuring that it is complied with.

The prioritisation of capital investment will reflect the requirements of the Property Asset Strategy and this will be overseen by the Capital Board,

Property Asset – Disposal

The Council is undergoing an Asset Rationalisation Programme (ARP) which is currently governed by the Asset Rationalisation Board. The aim of the programme is to review the Councils Operational and non-operational assets, identifying any assets for potential disposal.

Any available capital receipt generated from the ARP will be used to offset the Council's current **£53.1m** commitment, further details can be found in section 5.1. Investment property is also being reviewed with a view to liquidating those assets that do not provide the required return or carry represent a current or future risk to the Council

The Council's disposals policy is set out the Property Asset Strategy. Asset Management and Disposal board will be responsible for ensuring that assets that are surplus to requirements in accordance with the criteria set out in that policy are identified and presented to Capital Programme Officer Group.

Detailed processes will be set out in a disposal manual, which it is recommended should be developed as part of the plan of action.

The Council will dispose of assets at best value (usually market value) to maximise the capital receipts. It may wish to transfer some heritage buildings to trusts to achieve a service objective. A clear options appraisal would need to be undertaken to ensure best consideration.

Public Sector Housing - Dwelling Strategy

The condition of the Council's dwelling stock is contained within the Dwelling Asset Management Plan. This asset management plan contains all the maintenance elements with stock conditions updated periodically following stock surveys. The data produced by the Dwelling Asset Management Plan is then fed into the 30 Year Plan to ensure stock maintenance is managed in an affordable manner.

2.4 Capital Investment Objectives

The aim of capital investment is to ensure the Council has the assets required to meet corporate objectives. This includes fulfilling our statutory duties and pursuing priorities set out in the Council Plan in accordance with current Council policies. Capital investment must be responsive to economic, legislative and demographic changes.

The process for prioritising projects in accordance with the corporate objectives and the funding policy is described in Section 3.4. Ensuring that the evaluation criteria reflects those objectives is a key part of the prioritisation process.

Statutory duties

It is essential that the Council can fulfil its statutory duties as a unitary authority. This requires ongoing capital investment both to maintain existing assets and to meet changing needs. This statutory requirement is a key consideration in the prioritisation process.

Corporate Priorities / Plans

The Council Plan is a key driver in Council's service provision and its capital investment requirements. To reflect the Council's corporate priorities, the Capital Strategy is driven by the Council Plan 2019-2023, which is founded on the following five key objectives:

- Build or buy 1,000 Council or social homes for rent
- Create 15,000 new jobs for Nottingham people
- Build a new Central Library, making it the best children's library in the UK
- Cut crime, and reduce anti-social behaviour by a quarter

- Ensure Nottingham is the cleanest big city in England and keep neighbourhoods as clean as the city centre

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.

However, considering the Council's current position, the Council Plan and the affordability of these ambitions will be re-visited in early 2021 to ensure that these objective can be delivered affordably.

Other Council policies

The Council has also made a commitment to become the first carbon neutral city in the country, reaching this target by 2028. This has involved the creation of Nottingham's 2028 Carbon Neutral Charter.

External Requirements: Economic / Legislative, Demographic, and other changes

There any many other changes within the city that could create a need for the Council to invest capital in new or existing assets, examples are the need for school places, provision of affordable housing and transport infrastructure. This could include external factors such as

- Changes in legislation,
- Central Government initiatives (normally in the form of grant)
- Events, such as the Grenfell fire.

The Council must manage its Capital Programme with a degree of flexibility to enable it to react to external factors while still delivering its statutory duties / council policies in an affordable manner.

The overriding need to reduce the Councils borrowing requirement and debt will be critical in determining the size and scale of the capital programme. The prioritisation process will support this work.

2.5 Capital Investment Principles

The capital strategy requires that all projects are fully accounted for and funded, assisting the immediate requirement to review the existing programme for affordability and providing a framework for schemes going forward.

The principles of the strategy are as follows:

- Current approved (or committed) schemes will be supported subject to sufficient resources being identified to enable them to proceed or complete up to the approved level of expenditure**.**
- New schemes funded by borrowing will be severely limited by the criteria set out in the Voluntary Debt Reduction Policy. This is to reduce the Council's current unsustainable level of debt and will require a review of the existing capital schemes**.**

- All schemes will be subject to a strict objective prioritisation process, which will include a robust business case including whole life costing.
- All schemes must align to the new PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope. Historic debt for yield schemes will be revisited in the light of emerging CIPFA/MHCLG guidance.
- Capital receipts are a central resource and not generally linked to specific schemes including assets identified for disposal as part of the Asset Rationalisation Programme. Permissible exceptions are:
  - School Sites ring-fenced by the Secretary of State for education purposes.
  - Sites identified as part of the Loxley House Acquisition.
  - Commitments of capital receipts from prior decisions (including repayment of outstanding debt).
- From 2020/21 only secured capital receipts will be considered in decisions to fund capital schemes (i.e. no capital receipt-funded scheme to commence until sufficient receipts are banked).
- Revenue implications of schemes are fully reflected in the MTFP and affordable within services in most circumstances.
- The capital budget approved by Full Council is a control total and no further schemes will be included in the programme unless existing schemes are removed or delayed - unless the schemes are fully funded by external resources.
- 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
  - Education based grants
  - Disabled Facilities Grant
- If the financial models for approved schemes move adversely during the pre-contract stage by the lower of £1.000m or 20% (either cash or NPV), further approval will be required including a revised business case.
- The level of debt within the General Fund and Public Sector Housing Capital Programmes is within the parameters set out in section 5.1 and the Voluntary Debt Reduction Policy.

The Voluntary Debt Reduction Policy is set out in **Appendix B**.

3. Governance and Control

3.1 Capital Investment Delivery

To enable the delivery of capital investment in accordance with the Councils objectives the Council will:

- Establish a robust governance framework
- Establish a process for formulating, approving, amending, and monitoring the Capital Programme
- Establish a prioritisation process to enable individual projects to progress
- Ensure officers and Councillors have the appropriate knowledge and skills to deliver the Programme
- Managing risks and mitigating where possible
- Consideration of alternative delivery options

3.2 Capital Programme Board

The Council is establishing a Capital Board with a new corporate process for developing a rolling multi-year capital programme. This will operate on an annual cycle with clear timescales, clear information requirements and clear evaluation criteria. The purpose of the new approach is to ensure that capital resources are directed towards supporting schemes that best meet corporate objectives and that capital projects are deliverable.

A Capital Programme Board structure is currently being established and expected to be operational by February 2021. This Board will provide strategic oversight of the strengthened Governance and Control Framework. This will ensure that projects only commence once they have gone through the prioritisation process, and are then subject to a support, monitoring and assurance package to improve delivery. Controls will also extend to the management of benefits post-delivery to help inform ongoing performance and future investment decisions. The Board will also oversee the delivery of the actions and recommendation set out in the Recovery and Improvement Plan.

The Capital Programme Board will be chaired by the Leader of the Council and the S151 Officer will chair the Capital Programme Officer Group. This group will be supported by input from Corporate Directors who will oversee their departmental capital requirements via their departmental leadership teams and carrying out an initial sift of schemes to put forward into the prioritisation process. This will be done with knowledge of the prioritisation criteria set out in the following sections. Departments will also be required to have long term strategies for the capital requirements for their areas to help ensure that investment is only being proposed where it is needed and proposals are not put forward in areas where the longer term plan does not support this. Taking these measures together which will reduce the number of project proposals that are considered by the Capital Board.

The Capital Programme Officer Group supports the Capital Programme Board and will in turn be supported by officer groups covering the following thematic areas.

- Capital Programme Financial Monitoring
- Capital Programme Management and Benefits Realisation

- Asset Management and Disposal
- Capital Strategy and Programme Review

Capital Board may also delegate to the relevant programme board responsibility for further consideration of project proposals against a block allocation, particularly where capital resources are ring- fenced or it is considered desirable to treat them as ring-fenced. The capital programme high level terms of reference is set out in **Appendix A**.

3.3 Formulation and Approval of the Capital Programme

The annual cycle for the capital programme will align with the Medium-Term Financial Plan timelines and cumulate in a capital programme that is approved March Council.

An indicative annual cycle is set out below:

- **March** – Parameters for are agreed by Capital Board
  - Timetable for the cycle including deadlines for submissions
  - Indication of overall level of resources expected to be available to allocate
  - Standard information that must be submitted for each project proposal
  - Evaluation criteria that will be used to prioritise projects

- **April to Mid May** – Corporate Directors via their departmental leadership teams consider outline project briefs and shortlist those to be submitted into the prioritisation process

- **End of May** – Outline project briefs are reviewed and challenged by a team nominated by the Capital Programme Officer Group; further information / clarifications are requested as appropriate

- **June** – Prioritisation takes place against pre-agreed criteria by a subgroup of officers nominated by the Capital Programme Board. This group will recommend which projects should go forward to the next stage, which should be put on a reserve list and which rejected to the Capital Programme Officer Group and then to the Capital Programme Board.

- **July to October** – feasibility studies commissioned and initial business cases developed by project teams for projects that have been recommended to progress. Business Cases will follow Treasury Green Book principles using a five-case model. This will require them to include options appraisals, outline procurement strategies and affordability projections amongst other items.

- **July to October** – feasibility studies commissioned and initial business cases developed by project teams for projects that have been recommended to progress. Business Cases will follow Treasury Green Book principles using a five-

case model. This will require them to include options appraisals, outline procurement strategies and affordability projections amongst other items

- **November –** Business cases are the subject to a gateway style assurance review.

- **December –** Capital Programme Officer Group and the Capital Programme Board receive recommendations from the reconvened prioritisation panel, which will have considered each scheme's progress since July and the recommendations of the gateway style review. Capital Programme Board to recommend to Executive Board which projects should be included in the capital programme

- **February** – Executive Board to approve the capital programme for the following and subsequent financial years.

- **March** – Council approve MTFS including Capital Programme. The first annual cycle will commence in March 2021 with an invitation to submit proposals for new projects to be included in the revised multi-year programme to be approved by Executive Board in February 2022.

- **April – May –** updates / reviews on the previous year's projects will be received by the group undertaking the initial prioritisation process. This will be done to assess the progress being made and the accuracy of previous of assumptions. This will create the potential for projects that have not progressed as expected to be slipped / removed should other higher-ranking priorities emerge in this round of prioritisation. Reflection on assumptions made by projects in previous years at this stage will also help to inform how confident the group carrying out prioritisation can be in future year scheme projections.

- **December** – A repeat of the above stage before the Capital Programme Board makes its final recommendations for the future capital programme.

In the meantime, requests for new project proposals to be progressed in advance of this cycle will be considered in accordance with the process set out below under the heading 'Amendments to the programme'. This system will also be used for ad hoc requests coming into the programme part way through the year. These requests should be the exception rather than the rule and would apply to schemes such as emergency health and safety works or where a funding opportunity has arisen at short notice.

The standard templates for this process, along with guidance notes and wider supporting information on project management will be kept on the intranet and regularly reviewed to ensure it is kept up to date. The link to this information is: http://intranet.nottinghamcity.gov.uk/major-projects/major-projects-centre-of-excellence/corporate-reporting/

3.4 Prioritisation, Appraisal and Evaluation of Project Proposals

The Council will use evaluation criteria to determine in principle whether a project should be prioritised. Given the financial context and the limited resources available,

there will be little flexibility for schemes to progress or current uncommitted schemes to continue without meeting a strict prioritisation criteria.

Schemes will be strictly prioritised based on the following:

- Projects that enable compliance with legal or statutory duties (e.g. Health and Safety)
- Schemes that meet service objectives and are 100% funded by external resources
- Schemes attracting significant (majority) third party or match funding to the City
- Failure to provide would result in significant impact on service delivery
- Schemes that support the Council Plan and funding is available
- Invest to save – assist the delivery of budget decisions

Projects where the primary purpose is to generate a surplus will not be permitted under any circumstance. The judgement of the Section 151 officer is final in determining if a proposal breaches this criterion.

The Capital Board will review all schemes within the capital programme between March and June 2021 against the prioritisation criteria. This will set a baseline for the capital programme and will ensure that the capital programme is contained within the revised funding envelope.

The Officer Group will update its project gateway process for approval by April 2021. This will include a Gate 1 to filter project proposals and reduce the number that are submitted to Capital Board. This will avoid effort being wasted on developing low priority projects.

The criteria will be used to provide an indication of the contribution a proposed project is expected to make to meeting Council priorities. The criteria will be continually reviewed and amended as appropriate to reflect lessons learned from applying it in practice, as well as changing priorities and external factors.

At Gate 1 the relevant project board will also check that the proposal meets the definition of capital expenditure, is consistent with the Council's policy on capitalisation and has gone through a Gateway 0 by going through a Project Assurance Group review.

In addition to the evaluation criteria, Capital Programme Board, in evaluating project proposals, will consider:

- The whole life cost implications of the proposed scheme, including those arising from ongoing maintenance requirements, both capital and revenue

- How the investment will play a part in the managing the medium to long term demand for Council Services
- How the investment will be made to maximise the benefits for the Council across a range of its priorities and objectives
- Ability to deliver so that projects accepted into the programme can realistically be delivered in accordance with the timescales indicated by the phasing of the project within the multi-year programme.

3.5 Formal approval of the capital programme

The Capital Programme, Capital Strategy and the Treasury Management Strategy are intrinsic parts of a Medium Term Financial strategy. Executive Board is required to approve the rolling multi-year capital programme at the same meeting each year when it recommends the revenue budget to full Council for the following financial year. This will ensure that the revenue implications of the capital programme are reflected in the revenue budget.

For 2021/22 to 2025/26 this programme consists mainly of previously approved projects, which will take up a substantial proportion of the available resources. A revised programme, with projects prioritised under the first annual cycle will be approved in February 2022.

Where individual schemes are formally approved for acceptance into the capital programme, the capital budgets for the relevant financial years will also be deemed to have been approved. However, where a block allocation is approved as part of the programme, then a further decision may be required, in accordance with the scheme of delegation, to approve the capital budgets for individual schemes.

Amendments to the programme will require approval in accordance with the scheme of delegation. In exceptional circumstances a new scheme may need to be progressed outside the normal annual cycle and the decision to allow the scheme to be considered is delegated to the Capital Board.

3.6 Amendments to the Programme

There will be occasions where amendments to the Capital Programme will be required. These are likely to fall into two main categories:

- Variations to scheme costs / outcomes / risk / timelines – whilst it is essential that projects are scoped within a fully affordable cost envelope together with an appropriate contingency representing the assessed risks, variation on projects is likely to happen. These variations will be picked up through the monitoring of the programme (3.7) with formal amendments requiring approval as set out within the Council's Scheme of Delegation.
- Ad hoc additions to the capital programme – The capital programme should be capable of being planned within the cycle set out in Section 3.4.
- However, there may be a small number of exceptions to this, for example emergency health and safety work. These requests should be raised to the Capital Programme Officer Group as soon as they become known using the

appropriate template. The Capital Programme Officer Group will consider the request, including the implications for the wider capital programme, for example does it require match funding, is there sufficient funding in the programme to meet the request and or amendment to the programme are required.

- A recommendation will then be made to the Capital Programme Board as to how to proceed, including what action needs to be taken on other schemes to accommodate the request. If the Capital Programme Board endorses the request then the project will need to seek formal approval, develop its business case, and go through the standard approval and monitoring processes that apply to all schemes within the capital programme.

3.7 Monitoring of the Programme

The S151 Officer is responsible for ensuring that there is an effective system for capital monitoring. This will ensure that capital investment is delivered on time and within allocated resources, whilst meeting the objectives and outcomes. Capital programme monitoring will be undertaken monthly and reported to the Capital Board and Executive Board.

A review of the format of the monitoring will be undertaken by September 2021 to ensure that it delivers the required outcomes.

Schemes with a value greater than the Council's de minimis level are required to undertake a monthly monitoring return to the PMO to ensure that progress to milestones and project risks are recognised at a corporate level.

Monitoring templates are available on the Councils intranet.

3.8 Assurance Process

In order to have been accepted into the Capital Programme either through the annual cycle (3.3) or as a programme amendment (3.6) all projects will have needed to have completed an initial brief (Gateway 0) form, which will have been assessed by officers nominated by the Capital Programme Officer Group.

Thereafter the prioritisation process requires initial business cases to be reviewed in November by a group of officers not involved with the project (Gateway 1). The recommendations from this review are fed into the prioritisation process to inform decision making on which projects to proceed with and any actions / risks that need consideration for approved projects.

Once a scheme is approved for entry into the capital programme it will then be the subject of regular monitoring by the Council's Programme Management Office (PMO) who will report back on progress to the Capital Programme Officer Group (3.6). The PMO's regular dialogue with projects will also be used to spread

relevant lessons learned between schemes to ensure that best practice is being adopted.

Further assurance reviews may also be required depending on the size and nature of the project. Projects may also require a review of their final business case if they are particularly complex (Gateway 2). A further assurance review should also be undertaken when a project undertakes procurement (Gateway 3) and is therefore near to delivery. Once a project is complete and in operation, a 'lessons learned' review should also be undertaken. For certain projects these will be facilitated by the PMO, but the lessons from all projects should be fed back to the PMO where they can be analysed for future application, reported, and disseminated as appropriate.

Recommendations arising from these Gateways and the outcomes of the Lessons Learned exercises will be reported back to the Capital Programme Officer Group and Capital Programme Board

Further information on the Assurance process can be found in **Appendix C**.

3.9 Facilitating Delivery

Robust processes for approving, monitoring and scrutiny of the capital programme are needed, but should be designed and administered in a way that facilitates, rather than hinders, project delivery. Monitoring and reporting requirements should be robust and comprehensive but not onerous in order that delivery teams can focus their efforts on the activities required to deliver projects.

To facilitate delivery, the Council will introduce new, robust governance processes and will

- standardise the formats of reports, while allowing the detail provided to vary depending on the size and complexity of different projects
- avoid duplication of effort in providing thme information more than once
- ensure corporate documents are well thought through and written in plain English
- ensure that the scheme of delegation, financial regulations and procurement rules are consistent with each other and are clearly communicated across the organisation
- ensure there is good communication between delivery teams and those responsible for determining and administering the approvals process
- ensure those responsible for determining and administering the approvals process have a good understanding of the specific requirements of capital projects and works contracts.

3.10 Knowledge and skills required to deliver Capital Programme

To ensure that capital projects are delivered efficiently meeting the Councils objectives and that the Capital and Treasury functions have the necessary skills. The Council ensures that its staff delivering the projects, the Capital and Treasury Management teams have their training needs assessed as part of the staff appraisal process with staff attending seminars / conferences and training courses where necessary.

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 are engaged where required so that the Council can access specialist skills and resources whilst the responsibility for every decision always remains with the Council, ensuring that undue reliance is not placed upon our external advisers.

A project's readiness to deliver will be considered as part of its business case, which will be reviewed during the prioritisation process. Part of this review will consider whether the project team identified to deliver the scheme is appropriate in terms of their skills and experience.

4. Risk and Mitigation

4.1 Capital expenditure can broadly be categories into three types

- **Existing Assets Expenditure** on existing assets to ensure they meet the requirements of service delivery, are fit for purpose, meet health and safety guidance, and reduce future costs.
- **Specific projects or non-treasury investments** to meet strategic aims. Non treasury investment to meet service or Council obligations could include loans or equity towards capital expenditure incurred by external bodies, Council subsidiaries or joint ventures.
- **Expenditure on non-treasury investments** purely to maximise financial return on assets and generate revenue income. Examples of this are the purchase of commercial investment property, or to provide loans to others at commercial rates

In the current financial circumstances, the Council recognises that achieving these aims will require consideration of alternative delivery structures and of all forms of funding including the acceleration and use of capital receipts with a clear understanding how the affordability of such expenditure can be managed over the longer term supported by robust due diligence, business cases, risk management and monitoring.

The Council's policy is to minimise risk, but it recognises that there is a trade-off between risk and reward and that the potential reward may sometimes justify incurring a higher risk. The types of scheme where this is most likely to be the case are:

- invest to save schemes where there is uncertainty about the exact level of savings that will be achieved
- investment designed to stimulate regeneration and growth, including the provision of new infrastructure.

To ensure that risks are understood and that it has access to knowledge and skills commensurate with its risk appetite the Council will:

- make the consideration of risk a key part of the remit of the Capital Programme Board
- require business cases to set out potential risks in an appropriate level of detail depending on the size and complexity of the proposal
- where innovative schemes, alternative delivery models or commercial activities are proposed, require business cases to set out how the Council will source any specialist knowledge and skills that may be required
- require risk registers to be maintained for approved projects and for these to be used to actively manage risks
- ensure that relevant staff receive training in how to manage risk, e.g. as part of a recognised project management course
- where appropriate enable staff to develop knowledge of alternative delivery models through research and training.

4.2 Expenditure on Non treasury investment

In recent years, local authorities have exploited increased powers to engage in commercial activities although these are now being significantly curtailed to reflect the excessive risks that some authorities have entered and subsequent failures. Local authorities will now need to proceed with much more caution and Nottingham will need to significantly reduce its reliance on commercial activity to fund core spending.

Commercial activities that involve capital expenditure and the incurring of other long-term debt and liabilities are no longer permissible without risking access to the whole of the Council's access to PWLB. Existing debt-funded Commercial activities will be reviewed as guidance/regulation develops. This excludes investment of short-term cash surpluses as part of day-to-day treasury management activity and investments whose primary purpose is to achieve a service objective.

The Council holds service and commercial investments as follows:

- Service Investments – investments held clearly and explicitly for the provision of operational services, including regeneration
- Commercial Investment – investments undertaken primarily for financial reasons including:
  - holding shares in companies for a financial return
  - commercial loans to companies and other organisations

- holding property for a financial return.

4.3 Service Investments

Loans and Investments are assessed based on the delivery of the Council's strategic objectives and any benefits from the investment will be received by the Council and its residents in the short, medium, or long term.

Each Service Investment is scrutinised giving due regard to the formal approval. This scrutiny includes an appropriate level of due diligence reflecting the level of additional risk which ensures that the Council has the appropriate level of, security, liquidity, and yield.

4.4 Commercial Investments

The most significant commercial Investments that the Council has undertaken to date are in relation to property acquisitions. The net value of the commercial investments as at 31 March 2020 is **£236.0m**. This investment has been funded by **£5.7m** of the Councils own resources and **£230.2m** of Unsupported Borrowing (net of MRP)

The forecast net revenue to the general fund for 2020/21 from the above investments is estimated to be **(£5.7m)**. The average yield generated from the Commercial Investments is **2.39%** (based on net income and unsupported borrowing net of MRP and interest).

All Commercial Investments are reviewed on an on-going basis. These reviews support good estate management principles and ensure that the Council's risk and returns are appropriately managed. The gross commercial investment made by the Council of **£239.4m** (excluding MRP payments to 31st March 20), leaves the Council open to Property Market downturn including increased voids / tenant lease breaking and any other risks including the impact of Covid-19. The pandemic has had a significant impact on the level of risk and the expected returns for 2020/21 and its effects are likely to be felt for several years. The Council is considering its investments strategy in the light of new CIPFA guidance.

A sinking fund is 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. However, this is likely to be insufficient due to the impact of Covid-19.

Appendix D contains service and commercial investments split between capital and revenue.

Non-Treasury investments are analysed periodically to ensure that the fair value / carrying value of each investment is appropriate as required under the relevant Accounting Standard (Service Investments – IFRS9, Commercial Investments – IAS40).

5 Capital Funding and Financial Policies / Strategies

5.1 Funding the Capital Programme

Capital Programme Structure

The Council's Capital Programme consists of:

- 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.

Current Capital Programme

The Capital Programme is based on the resources that the Council has available with schemes prioritised as detailed in Section 3.

As part of the annual process of approving capital projects the Capital Board will identify resources available, this will help reduce officer time and council resources being wasted on schemes that have no chance of being approved.

Key requirements of the NSR and the Recovery and Improvement Plan were to undertake a review of the current capital programme to identify schemes which can be paused, delayed or stopped in order to achieve immediate saving and to ensure that debt levels were reduced. The programmes set out below reflects the outcomes of the review:

Table 1: General Fund Capital Programme at Quarter 3							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Approved Schemes							
Transport Schemes	24.843	57.715	41.235	7.581	0.000	0.000	**131.374**
Education	4.407	1.964	0.000	0.000	0.000	0.000	**6.371**
Other Services	100.089	41.273	9.162	8.688	7.694	7.885	**174.791**
Category 2 - Planned Schemes	0.000	15.907	21.193	15.700	7.709	7.390	**67.899**
Total Programme	**129.339**	**116.859**	**71.590**	**31.969**	**15.403**	**15.275**	**380.435**
Resources Available							
Prudential Borrowing	(71.713)	(27.234)	0.000	0.000	0.000	0.000	**(98.947)**
Grants & Contributions	(46.686)	(78.337)	(56.273)	(20.449)	(8.839)	(8.836)	**(219.420)**
Internal Funds / Revenue	(1.999)	(6.123)	(0.275)	(0.275)	(0.221)	0.000	**(8.893)**
Secured Capital Receipts	(7.199)	0.000	0.000	0.000	0.000	0.000	**(7.199)**
Unsecured Capital Receipts	(1.742)	(5.165)	(15.042)	(11.245)	(6.343)	(6.439)	**(45.976)**
Total Resources	**(129.339)**	**(116.859)**	**(71.590)**	**(31.969)**	**(15.403)**	**(15.275)**	**(380.435)**
Pressure / (Available) Funding	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Table 2: Public Sector Housing (PSH) Capital Programme at Quarter 3							
Scheme	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Category 1 - Approved Schemes	45.309	58.065	65.823	41.849	31.149	30.977	**273.172**
Category 2 - Planned Schemes	1.310	6.917	2.000	1.000	1.000	0.000	**12.227**
Total Programme	**46.619**	**64.982**	**67.823**	**42.849**	**32.149**	**30.977**	**285.399**
Resources Available							
Prudential Borrowing	(15.442)	(15.056)	(12.244)	(6.864)	(1.822)	0.000	**(51.428)**
Grants & Contributions	(1.542)	(5.326)	(3.185)	(0.157)	0.000	0.000	**(10.210)**
Major Repairs Reserve	(22.325)	(37.249)	(43.350)	(32.105)	(29.633)	(30.942)	**(195.604)**
Revenue Resources	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Capital Receipts - HRA	(1.151)	(0.850)	(2.874)	(0.690)	(0.035)	(0.035)	**(5.635)**
Replacement Capital Receipts	(6.159)	(6.501)	(6.170)	(3.033)	(0.659)	0.000	**(22.522)**
Total Resources	**(46.619)**	**(64.982)**	**(67.823)**	**(42.849)**	**(32.149)**	**(30.977)**	**(285.399)**
Pressure / (Available) Funding	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Sources of funding

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.

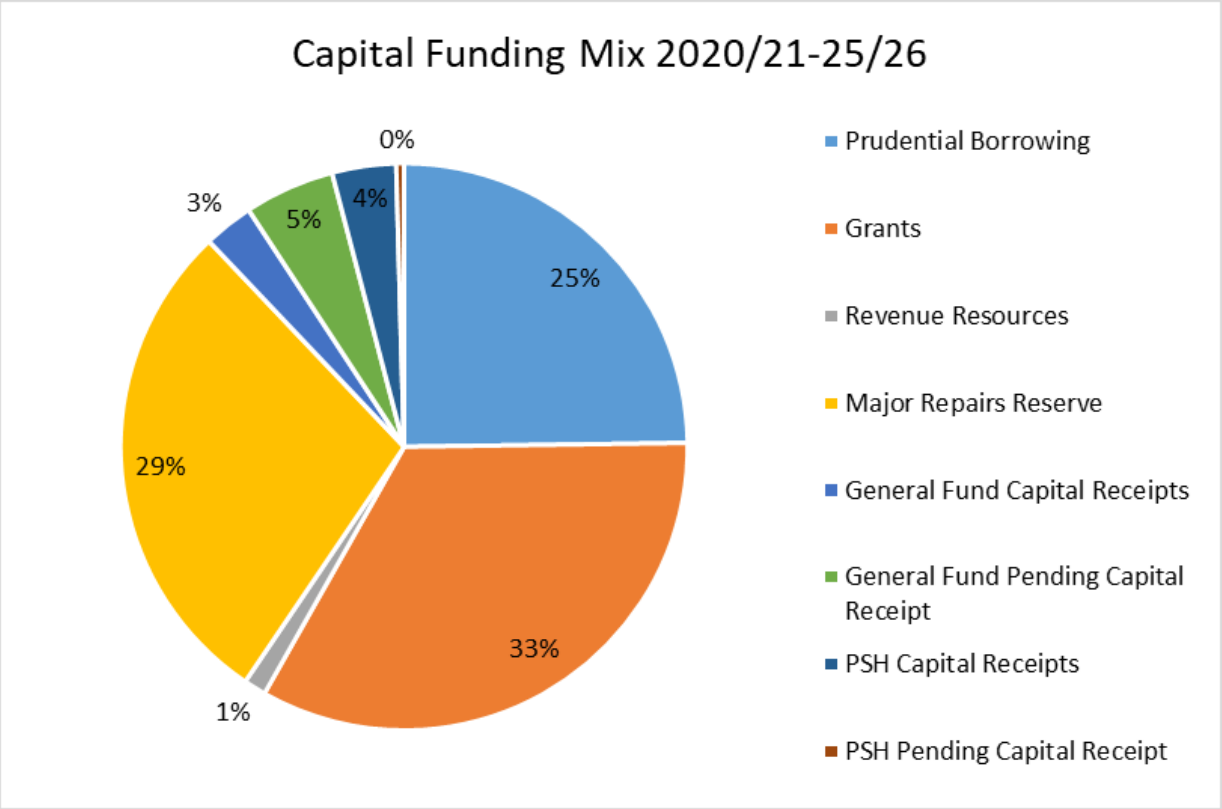
The strategy is intended to maximise the financial resources available for investment in service provision and improvement within the MTFO. At the same time, it seeks to

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 consists of:

- Capital Receipts
- Government and contributions
- Revenue Resources
- Borrowing
- Other Long-Term Liabilities (i.e. Leasing / Private Finance Initiatives (PFI))

The Council's current forecast of resources to fund the capital programme over the 5-year programme are set out below:



Key funding risks and strategies are detailed below

Capital Receipts

Local authorities may use capital receipts to fund capital expenditure. Receipts from sales of council housing (HRA receipts) may only be used to fund HRA capital expenditure, but other receipts (general fund receipts) may be used to fund any general fund capital expenditure. In addition, under the government's flexible use of capital receipts policy (currently to March 2022), general fund capital receipts may in some circumstances be used to fund revenue expenditure e.g. transformation

The Council's land and property estate is managed through the CAMP and the Asset Rationalisation Programme, 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. The Council has identified **£94.9m** of surplus assets which will generate a capital receipt. This programme is currently being accelerated and extended and it is anticipated that further receipts can be identified.

In 2020/21 **£7.2m** of General Fund capital receipts are secured (up to December 2020), but a minimum of **£29.1m** is required to March 2023 based on the current programme with a further **£24.0m** of unsecured receipts required to March 2026. However, the Council has previously committed unsecured capital receipts of **£30.1m. £17.2m** is in relation to previous capital programme commitments and **£12.9m** outside the programme. The over committed receipt position is a significant risk to the Council as if there is receipt slippage then the Council may have insufficient resources to offset in year commitments.

The indicative programme, including both General Fund and Public Sector Housing, for 2020/21 to 2025/26 currently shows that capital receipts will constitute **c£81.3m** or **12.2%** of the Council's total capital resources, with a significant proportion relating to investment in social/affordable housing and housing for homeless people.

The Council may need to utilise the flexible use of capital receipts to fund transformation in the financial year 2021/22. Although the expenditure to be funded from this source is revenue expenditure, proposals for projects to receive this funding will be considered alongside capital project proposals to ensure that there is an integrated approach to determining priorities for the use of capital receipts and other capital funding.

The Capital Financing Policies have been amended so that no capital receipts can be committed until all the existing commitments have been resolved, this aligns with the recommendation made in the NSR.

Grants and Contributions

The Council receives capital grants from the government for various services. Any grant that the Council receives for housing (HRA grant) is ring-fenced. Grants have been an important source of funding for the Council's capital expenditure in recent years and it is expected that the following will continue:

- 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).

An element of the non-ringfenced grant might be flexible, but there is a risk that if the grant is not spent as intended by the grant awarding body any future allocation

maybe reduced (e.g. Transport Grants / Education Grants). As supported by the Councils Capital Principles.

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 full consideration must be given if the match funding resources could be better utilised in delivering corporate objectives.

Section 106 contributions are ring-fenced to fund investment related to the specific development from which the contribution has been derived, but CIL contributions are pooled and may be used to fund investment related to any of the developments from which the contributions have been derived.

The indicative programme for 2020/21 to 2025/26 shows that grants and contributions will constitute **c£229.6m** or **34.5%** of the Council's total capital resources.

A corporate process to monitor such grants and reporting to the Capital Board will be established to ensure that appropriate use is made of specific grants.

Revenue Resources

In the current financial climate, and with increasing revenue pressures within Council finances, the extent to which this may be used to fund capital expenditure is significantly reduced. This is expected to remain the case for the foreseeable future.

In relation to the Housing Revenue Account there is a revenue available in the Major Repairs Reserve which is a specific reserve ring fenced for repairs and maintenance of the Council's housing stock.

The indicative programme for 2020/21 to 2025/26 shows that revenue contributions will constitute about **£8.9m** or **1.3%** of the Council's total capital resources.

Borrowing

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

Scheme affordability can be measured across several key indicators within the financial model including surplus cash position, surplus Net Present Value, early year deficits affordable and mitigated. Affordability can be considered at an individual project level or across the wider programme.

HM Treasury have published revised lending terms for the PWLB as from 26th November 2020, which makes PWLB unavailable for all authorities that have debt to yield schemes within their capital plans.

As a condition of accessing the PWLB, the Council will be required to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. This will include categorising spend based on the Section 151 Officers professional judgement as to the primary objective for the scheme. The supported categories are:

- Service spending
- Housing
- Regeneration
- Preventative action
- Treasury management

As detailed in the NSR, the Council have significantly relied on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure. Therefore, to mitigate this risk going forwards the Council will seek to pay down debt, through the acceleration of capital receipts, in accordance with a revised MRP and the Voluntary Debt Reduction Policy Statement. The debt policy is set out in **Appendix B**.

Other long-term liabilities

The Council has the option to lease assets, however with the advent of unsupported borrowing, this source of financing has become less attractive. The Council's Vehicle Replacement Scheme demonstrates this development has been funded by borrowing for several years. 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 as they are not financed by capital resources. However, the long-term affordability of the PFI schemes at the Council is being closely managed. The Nottingham Tram PFI is currently is currently forecasting a temporary deficit from 2033/34. This is mainly due to the reduction in Workplace Parking Levy income, which is used to fund the Tram model, due to Covid – 19.

There are certain schemes where the Council has an option to purchase at the end of the agreement, but no monies have been set aside. Therefore, a business case will need to be established to identify whether acquiring the site at agreement termination is value for money.

Under the Prudential Code authorities are required to treat other long-term liabilities as part of their debt, along with borrowing, and to apply the same robust decision-making processes to ensure that all debt is affordable, prudent, and

sustainable. Furthermore, authorities are required to ensure that the financial risks are identified and quantified when decisions are taken to enter long-term liabilities.

Other long-term liabilities are relevant to the capital strategy not only because they come within the definition of debt, but also because the purpose of entering them is to deliver capital investment.

The Council keeps a register of loans and investments on its treasury management system. As part of the implementation of the financial reporting standard IRSF9 this will be extended to cover financial guarantees.

The Council recognises that there may be special risks associated with entering other long-term liabilities. It will require proposals to enter into other long-term liabilities to be subject to the same evaluation. This should ensure that:

- all the Council's debt is affordable, prudent and sustainable
- there is a common process for prioritising capital investment proposals
- the Council properly considers the risks associated with long-term liabilities and the cumulative impact on its overall level of debt.

The Chief Finance Officer keeps long-term liabilities under constant review.

5.2 Capital Financing Policies

The financing policies as detailed in the following table sets out how the Council ensures its investment decisions are consistent with its capital principles and the MTFP:

Table 3: Financing Policies	
Principle	**Detail**
Match Funding	If a scheme requires match funding to lever in external grant, any match will have to be identified from savings within the approved Capital Programme until debt has been reduced and the capital receipt pressure mitigated
Council Resources	Due to over commitment of capital resources (e.g. Capital Receipts, Revenue Resources), any additional scheme increasing this pressure will be required to make savings in the approved Capital Programme at least to the value of the resources required. **No further commitments in excess of the current Capital Programme**
Prudential Borrowing Level	A prudential borrowing cap and policy is in place for both the General Fund and Public Sector Housing (as detailed in the Voluntary Debt Reduction Policy – **Appendix B**), with schemes prioritised accordingly to remain within borrowing cap. Schemes currently in the Capital Programme can be substituted based on priority and impact on the MTFS.
Invest to Save, Invest for Service or Regeneration Objectives	➢ Increased income / cost reductions must exceed the financing costs (including sensitivity analysis for optimism bias) ➢ In most circumstances the first call on income is to repay financing costs where financing is from reserves ➢ Due to the uncertain nature of business rates these any potential benefit is excluded from financial models ➢ Financial model (including payback) is required to include the

	opportunity cost of using council resources.
Availability of Capital Receipt	The first call on any secured receipt is for any grant clawback provision or to repay any outstanding debt on that specific asset.
Project Underspend	Any resources available from project underspends are released into the Capital Programme to fund other capital commitments. Should the Project Sponsor of an underspending project wish to change the project via either enhancement or amended specification, further approval is required.
Debt to Yield	Any projects that breach the debt to yield parameters as set out by MHLCG are strictly prohibited, irrespective of the funding envelope.

5.3 Managing the Council's Debt Position & Debt Indicators

Treasury Management and the Repayment of Debt

The council's requirement to borrow is driven by prior year capital expenditure and future capital plans as outlined within the Capital Strategy. The method and timing of financing this borrowing requirement and managing the associated risks of these financing decisions are covered within Council's borrowing strategy. This includes strategies to manage the overall level of debt and to manage the timing and profile that debt is repaid so no one year has large amounts of debt to be refinanced/repaid and that the balance of debt outstanding is appropriate for the forecast CFR which reduces over the useful life of the assets financed by borrowing.

The Council's current and forecast debt positions and the borrowing strategy are reported and approved within the annual Treasury Management Strategy (TMS) received by Full Council prior to the financial year that it applies to. The TMS sets several Prudential Indicators as prescribed by the CIPFA Treasury Management Code of Practice. These include a projection of capital expenditure, external debt and use of internal borrowing 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".

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 useful life of the assets being created/purchased that were financed by borrowing.

Public Sector Housing

The Council's requirement to borrow for the Housing is driven by the HRA's capital expenditure plans as outlined within the Capital Strategy. The method and timing of financing this borrowing requirement is largely driven by the HRA 30-year business plan and a strategy of fully financing the HRA CFR with long term, fixed rate borrowing to provide cost certainty for the HRA.

Prudential Indicators

The Capital Expenditure prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. These are shown in **section 2** of the Treasury Management Strategy 2021/22.

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 the underlying need to borrowing. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. The CFR projections are shown below:

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Financing Requirement (£m)							
CFR – General Fund	1,089.445	1,119.085	1,101.154	1,053.515	1,000.481	941.006	885.114
CFR – HRA	292.530	304.360	314.049	319.050	319.865	315.466	309.200
Total CFR	**1,381.975**	**1,423.445**	**1,415.203**	**1,372.565**	**1,320.346**	**1,256.472**	**1,194.314**
Movement in CFR		**41.470**	**(8.243)**	**(42.638)**	**(52.219)**	**(63.874)**	**(62.158)**
Movement in CFR represented by (£m)							
Net financing need for the year (above)	59.952	87.155	42.290	12.244	6.864	1.822	0.000
Less MRP/VRP and other financing movements		45.685	50.533	54.882	59.083	65.696	62.158
Movement in CFR		**41.470**	**(8.243)**	**(42.638)**	**(52.219)**	**(63.874)**	**(62.158)**

The operational boundary for external debt

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.

£m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Operational boundary	1,423.4	1,415.2	1,372.6	1,320.3	1,256.5	1,194.3

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.

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	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Authorised limit	1,453.4	1,445.2	1,402.6	1,350.3	1,286.5	1,224.3

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

%	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
General Fund	16.66%	17.87%	18.17%	17.36%	17.13%
HRA	13.60%	14.14%	15.29%	15.10%	15.30%

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. 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 show the ratio debt to revenue showing the sustainability of the debt load over the forecast period.

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
HRA debt £m	292.530	304.360	314.049	319.050	319.865
HRA debt cap £m (abolished)	319.784	319.784	319.784	319.784	319.784
HRA revenues £m	103.333	104.989	106.694	107.670	108.601
Ratio of debt to revenues %	**2.8**	**2.9**	**2.9**	**3.0**	**2.9**

The second indicator shows the HRA debt per dwelling based on the forecast debt level.

	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
HRA debt £m	292.530	304.360	314.049	319.050	319.865
Number of HRA dwellings	25,388	25,280	25,181	25,049	24,906
Debt per dwelling £'s	**11,522**	**12,040**	**12,472**	**12,737**	**12,843**

6 Revenue implications of Capital Expenditure

6.1 Overview

The revenue implications of capital expenditure need to be considered both when:

- determining the overall size of the capital programme and how it is to be financed, particularly the amount of prudential borrowing that should be undertaken
- evaluating individual projects.

In addition, as part of the asset planning process the running costs of existing assets need to be considered to determine priorities for maintenance, enhancement, and replacement of assets and, accordingly, for the development of suitable capital investment proposals.

The key constraint on the Council's ability to fund capital expenditure is its ongoing revenue budget position. In considering how much capital investment it can afford, therefore, the Council will estimate the overall impact on future revenue budgets and exercise prudence to ensure that the level of capital investment is sustainable.

The Chief Finance Officer will advise members on the overall size and financing of capital expenditure as part of the report to Executive Board in February each year asking it to approve the rolling multi-year capital programme. Decisions on the revenue budget and the capital programme will be taken at the same time to ensure they are joined up.

When individual project proposals are being evaluated, it is essential that the revenue implications are fully understood so that the aggregate revenue effect of projects accepted into the capital programme matches what has been assumed in determining the overall size of the programme and its funding

6.2 Costs of prudential borrowing

Where the Council undertakes prudential borrowing, it incurs debt charges in the form of repayments of principal and interest payments, which depend on the terms of the loan. As part of its treasury management function the Council takes out loans on the best terms available to meet its overall prudential borrowing requirement rather than loans related to specific projects. A common interest rate, reflecting the overall cost of borrowing and standard repayment periods, depending on the type of asset, is therefore used to assess the financing costs of proposed projects.

6.3 Feasibility costs

The costs of developing a proposed capital project must be charged to revenue until it is assessed that there is a high degree of certainty that an economic benefit will flow from the new asset. All such costs are therefore chargeable to revenue where the project does not go ahead. Where the project does go ahead, any costs incurred in financial periods prior to the commencement of the project, for which the accounts have been closed, must also remain charged to revenue.

Such costs depend on the size and complexity of the proposed project and how far the proposal is developed before a decision is taken not to proceed. Increasing costs are committed at the following stages:

- engagement of a project manager
- engagement of specialist external advisers
- commissioning of feasibility study
- commissioning of further work in advance of the main procurement process, e.g. ground investigation, outline design, enabling works
- commencement of main procurement process
- entering a contract.

Appendix A – Capital Programme – High Level Terms of Reference

Capital Programme –High-level ToR

Appendix B Voluntary Debt Reduction Policy Statement

Nottingham City Council

Debt Reduction Policy Statement

Investment in the city's infrastructure is an important part of the Council's role but the Council also recognises that with limited resources, expenditure on servicing debt to fund capital investments is money not spent on providing day to day services to it's citizens. Its future priorities will be determined though an emphasis on the new 'strategic Council Plan which will reconcile its ambitions with the resources available to support those ambitions.

The City Council also recognises that its absolute level of external debt remains high in comparison with its peer group and is driven largely by past investment to enhance the city rather than current capital spending decisions.

Prudential Code

The Council is committed to the principles of the Prudential Code:

- Affordable
- Sustainable
- Prudent
- Proportionate for the size of the authority

Investment Strategy

The Council's capital strategy ensures that all the projects are accounted for in the allocation of any available resources over a medium term planning horizon. This will assist the immediate requirement to review the exiting programme on the grounds of affordability and provide a framework for schemes going forward. The principles of the strategy are as follows:

- Current approved (or committed) schemes will be supported subject to sufficient resources being identified to enable them to proceed or complete up to the approved level of expenditure**.**
- New schemes funded by borrowing will be severely limited by the criteria set out in the debt policy. This is to reduce the Council's current unsustainable level of debt and will require a review of the existing capital schemes.
- All schemes will be subject to a strict objective prioritisation process, which will include a robust business case including whole life costing.
- All schemes must align to the new PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope. Historic debt for yield schemes will be revisited in the light of emerging CIPFA/MHCLG guidance.

- Capital receipts are a central resource and not generally linked to specific schemes including assets identified for disposal as part of the Asset Rationalisation Programme. Permissible exceptions are:
  - School Sites ring-fenced by the Secretary of State for education purposes.
  - Sites identified as part of the Loxley House Acquisition.
  - Commitments of capital receipts from prior decisions (including repayment of outstanding debt).
- From 2020/21 only secured capital receipts will be considered in decisions to fund capital schemes. (i.e. no capital receipt-funded scheme to commence until sufficient receipts are banked).
- Revenue implications of schemes must be fully reflected in the MTFP and affordable within services. (affordability needs to be demonstrated).
- The capital budget approved by Full Council is a control total and no further schemes will be included in the programme unless existing schemes are removed or delayed - unless the new schemes in question are fully funded by external resources.
- The Council will consider the removal of ring-fencing (*where permissible*) from certain grant allocations to assist in the achievement of the Council's priorities and objectives. All uncommitted non ring-fenced capital funding will form part of corporate capital resources. Non ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives:
  - Transport grant funding
  - Education based grants
  - Disabled Facilities Grant
- If the financial projections for approved schemes move adversely during the pre-contract stage by the lower of £1.0m or 20% (either cash or NPV), further approval will be required including a revised business case.

Debt Policy

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 criteria as set out in the Prudential Code and is affordable, sustainable, prudent and proportionate for the size of the authority.

HM Treasury have published revised lending terms for the PWLB as from 26th November 2020, which makes PWLB unavailable for all authorities that have debt to yield schemes within their capital plans.

The Council have relied significantly on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure and a relatively high level of debt servicing costs in proportion to the scale of its revenue account. Therefore, to mitigate this risk going forwards, the Council will seek to reduce is MRP costs and pay down debt over time, through a

strict prioritisation of spending decisions and the accelerated generation of capital receipts subject to maintaining best value.

The debt policy in respect of new capital expenditure is thus as follows:

- 2020/21 - ***To minimise spend and new borrowing subject to pre-existing capital commitments and expenditure already incurred within 2020/21***. The capital Programme has been reviewed and a number of schemes been removed or rephrased. This review concluded in February 2021 and **c14.7m** of General Fund schemes were de-committed and a further **£19.4m** of Public Sector Housing schemes were removed.

- 2021/22 - ***To restrict new borrowing to no more than the level of the annual debt being repaid.*** (i.e. New borrowing no greater than the MRP repaid). The Capital Programme has been reduced to existing commitments.

- 2022/23-2024/25 - ***Nil net new borrowing throughout the period***. This applies both to general fund and public sector housing debt.

Nothing in this policy shall prevent the council from exercising normal day to day management of its borrowings through Treasury Management activities and/or the use of internal borrowing.

Impacts of the Policy

The Council will exert control on debt, primarily through controlling the revenue impacts of borrowing (MRP) rather than through seeking to repay external debt. This is because external debt is often heavily weighted towards fixed rate debt with maturity period up to 60 years and where redemption would often carry significant penalties.

The forecast impact on budgeted borrowing levels would be:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
MRP Repaid	-36.1	-40.4	-43.9	-48.1	-53.9
GF new Borrowing	91.7	27.2	0.0	0.0	0.0
HRA new Borrowing	15.4	15.1	12.2	6.9	1.8

The forecast impact on external debt is set out in the table below. The revised forecast external debt takes into account the revised debt policy together with activities associated with the normal Treasury Management activities.

	Current/ forecast external borrowing £m	Revised forecast External Borrowing £m	Decrease £m
1 April 2020	1,074.5		
2020/21 forecast closing	1.052.5	981.6	-70.9
Forecast 2021/22	1,056.2	991.0	-65.2
Forecast 2022/23	1,043.9	986.2	-57.7
Forecast 2023/24	1,012.6	954.8	-57.8
Forecast 2024/25	985.1	927.4	-57.8

Notes to table:

- *the previous strategy (2020/21) was approved by Full Council on 9 March 2020.*

Appendix C – Assurance Process

Gate	Required information	Outcome if project passes this gate	Indicative timing for annual cycle
0	**Outline project brief** including all the information required to determine whether the proposal meets the Council's evaluation criteria	Confirmation that the proposal may proceed following approval at the Capital Programme Board	Outline project brief submitted for evaluation in mid-May for review and consideration within the prioritisation process in June
1	Initial Business case on the standard template, following Treasury Green Book Five Case Principles	Confirmation that the project will be recommended for inclusion in the capital programme	Initial Business Cases subjected to assurance review in November with final prioritisation recommendations made to and then by the Capital Programme Board in December
2	**Final Business Case** In some cases, due to the complexity of a project or its timeframes, the Initial Business Case that got a scheme into the capital programme may have needed significant further work to reach a final business case stage. Where required this would again be on the standard template and follow Treasury Green Book principles based on a five-case model	At this point the project will already be in the Capital Programme, however it will still need approval to progress via DDM / Executive Board. The review should take place prior to this decision with the recommendations being made available to decision makers / Capital Programme Board	Not applicable – post cycle
3	**Tender evaluation report** with details of tenders received, the evaluation process and why it is recommended that the preferred tender should be accepted should be subject to an assurance review, unless it has been determined that it would be more	Contract may be awarded to the preferred tenderer	Report to be submitted to the relevant decision maker as soon as possible after tenders have been received. Outcome of the assurance review and recommendations made available to the Capital Programme Officer Group and Capital

	beneficial to do this earlier in the procurement process, for example to inform procurement routes, scopes, risk allocations etc.		Programme Board as appropriate.
Further Assurance Processes			
	Lessons learned report following post-project review (Note – lessons learned activity should take place throughout the project and new lessons learned should be flagged up within the monthly monitoring reports)	Confirmation that lessons learned report is satisfactory and no further information is required. Lessons learned are provided to the PMO who will analyse, report and disseminate them to the appropriate audiences and projects to ensure best practice continues to be developed and is adhered to.	Not applicable
	Monitoring Regular monitoring of projects on standard templates to be undertaken by the PMO to the timelines set out in this Capital Strategy.	Monitoring information tested and triangulated through ongoing dialogue with projects so progress can be assured. Reports up to the Capital Programme Officer Group and Capital Programme Board as required, generally expected to be on an exception basis.	Not applicable

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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