



**NOTTINGHAM CITY COUNCIL**  
**EXECUTIVE BOARD**

**Date:** Tuesday, 17 December 2019

**Time:** 2.00 pm

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

**Councillors are requested to attend the above meeting to transact the following business**

**Corporate Director for Strategy and Resources**

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

<b><u>AGENDA</u></b>	<b><u>Pages</u></b>
<b>1 APOLOGIES FOR ABSENCE</b>	
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<b>3 MINUTES</b> Last meeting held on 19 November (for confirmation)	3 - 14
<b>4 REVIEW OF 2019/20 REVENUE AND CAPITAL BUDGETS AT 30 SEPTEMBER 2019 (QUARTER 2)</b> Report of the Portfolio Holder for Finance, Growth and the City Centre	15 - 32
<b>5 COMPANY GOVERNANCE</b> Report of the Leader of the Council	33 - 38
<b>6 EXCLUSION OF THE PUBLIC</b> 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 in the public interest in disclosing the information	
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ALL ITEMS LISTED 'UNDER EXCLUSION OF THE PUBLIC' WILL BE HEARD IN PRIVATE FOR THE REASONS LISTED IN THE AGENDA PAPERS. THEY HAVE BEEN INCLUDED ON THE AGENDA AS NO REPRESENTATIONS AGAINST HEARING THE ITEMS IN PRIVATE WERE RECEIVED

IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE GOVERNANCE OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING

CITIZENS ATTENDING MEETINGS ARE ASKED TO ARRIVE AT LEAST 15 MINUTES BEFORE THE START OF THE MEETING TO BE ISSUED WITH VISITOR BADGES

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**NOTTINGHAM CITY COUNCIL**

**EXECUTIVE BOARD**

**MINUTES of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 19 November 2019 from 2.03 pm - 2.47 pm**

**Membership**

Present

Councillor David Mellen (Chair)  
Councillor Sally Longford (Vice Chair)  
Councillor Eunice Campbell-Clark  
Councillor Neghat Khan  
Councillor Dave Trimble  
Councillor Sam Webster  
Councillor Linda Woodings  
Councillor Kevin Clarke  
Councillor Andrew Rule

Absent

Councillor Cheryl Barnard  
Councillor Rebecca Langton  
Councillor Adele Williams

**Colleagues, partners and others in attendance:**

Councillor Kevin Clarke  
Councillor Andrew Rule

Candida Brudenell - Corporate Director for Strategy and Resources  
Clive Chambers - Head of Safeguarding and Quality Assurance  
Ian Curryer - Chief Executive  
Chris Henning - Corporate Director for Development and Growth  
David Hobbs - Selective Licensing Manager  
Laura Pattman - Strategic Director for Finance  
Malcolm Townroe - Director of Legal and Governance  
Catherine Underwood - Corporate Director for People  
Andy Vaughan - Corporate Director for Commercial and Operations  
Jane Garrard - Senior Governance Officer

**Call-in**

Unless stated otherwise, all decisions are subject to call-in. The last date for call-in is 29 November 2019. Decisions cannot be implemented until the working day after this date.

**47 APOLOGIES FOR ABSENCE**

Councillor Cheryl Barnard - Unwell  
Councillor Rebecca Langton – Personal  
Councillor Adele Williams – Other Council Business

#### **48 DECLARATIONS OF INTERESTS**

Councillor Neghat Khan declared an Other Interest in agenda item 17 Financing Arrangements (minute number 62). She left the room prior to discussion and voting on this item.

#### **49 MINUTES**

The Board confirmed the minutes of the meeting held on 22 October 2019 as a correct record and they were signed by the Chair.

#### **50 TREASURY MANAGEMENT 2019/20 HALF YEARLY UPDATE**

The Board considered the report of the Portfolio Holder for Finance, Growth and the City Centre on treasury management during 2019/20. The Portfolio Holder highlighted that:

- (a) the average interest rate payable on the debt portfolio has decreased from 3.359% at 31 March 2019 to 3.316% at 30 September 2019. This has enabled the Council to take advantage of historically low interest rates reducing the cost of long term borrowing;
- (b) the average return on investments to 30 September 2019 was 0.93% against a benchmark rate of 0.58% (7-day LIBID) so expectations are being outperformed;
- (c) the Public Works Loan Board standard interest rate on new loans has increased by 1% from 9 October 2019. This change was made without consultation with local authorities and is disappointing because it makes borrowing more expensive.

**RESOLVED to note the treasury management actions taken in 2019/20 to 30 September 2019.**

#### Reasons for decision

To ensure that councillors are informed of the actions that have been taken by the Chief Finance Officer (CFO) under delegated authority. The currently adopted Treasury Management Code of Practice requires the CFO to submit at least three reports on treasury management each year: a policy and strategy statement for the ensuing financial year; a 6-monthly progress report; and an outturn report after the end of the financial year. The Code also requires that the reports are considered by relevant scrutiny or executive committees, and that the City Council approves any changes to the treasury management strategy.

#### Other options considered

No other options were considered because the report is required by the Treasury Management Code of Practice.

**51 ACTION PLAN IN RESPONSE TO THE INDEPENDENT INQUIRY INTO CHILD SEXUAL ABUSE REPORT PUBLICATION**

This item does not contain any decisions eligible for call in.

The Board considered the report of the Leader of the Council setting out an action plan in response to the recommendations contained within the report of the Independent Inquiry into Child Sexual Abuse. The Leader of the Council informed the Board that progress on implementation of the action plan will be reported to the appropriate Council committees.

**RESOLVED to note**

- (1) the contents of the Action Plan as set out in appendix 1 of the report; and**
- (2) the costs associated with the actions set out in appendix 1 of the report and that there is no additional funding to support the actions required, the Council currently has an overspend position and that these costs will form part of the forecast which requires mitigating action.**

**52 APPROVAL TO ADOPT LOCAL PLAN DOCUMENTS**

The Board considered the report of the Portfolio Holder for Planning, Housing and Heritage proposing the adoption of the Provision of Open Space in New Residential and Commercial Development Supplementary Planning Document (SPD), the Management of Caves of Nottingham Supplementary Planning Document and the Statement of Community Involvement as part of the Council's planning policy framework. The Portfolio Holder highlighted that:

- (a) consultation had been carried out and a total of 72 submissions had been received which were generally supportive;
- (b) the Open Space SPD sets out expectations on how open spaces and green spaces will accompany new developments. This supports the Council's ambitions in relation to becoming carbon-neutral;
- (c) there are approximately 1000 caves in the City and it is important to protect this heritage through a SPD. A Cave Owners Guide has also been produced to support individuals and organisations in looking after caves that they own;
- (d) the Statement of Community Involvement sets out who the Council will consult on planning matters and how;
- (e) the Biodiversity SPD is still being developed and will come to a future Board meeting for adoption.

**RESOLVED to:**

- (1) adopt "The Provision of Open Space in New Residential and Commercial Development" Supplementary Planning Document, "Management of the**

**Caves of Nottingham” Supplementary Planning Document and the  
“Statement of Community Involvement”;** and

- (2) apply the Supplementary Planning Documents to all planning applications which are validated on or after 27 November 2019.**

Reasons for decision

The Supplementary Planning Documents will ensure that development meets the Council’s aspirations in terms of open space provision and contributions and the protection of the City’s caves. The new Statement of Community Involvement will ensure that the community is appropriately involved in the planning process.

Other options considered

Not adopting the Supplementary Planning Documents/ Statement of Community Involvement was rejected because it would have resulted in a lack of comprehensive planning guidance to underpin the Local Plan and the outdated Statement of Community Involvement would no longer comply with statutory guidance.

**53 REPORT ESPO FRAMEWORK FOR DIESEL FUEL SUPPLY**

The Board considered the report of the Portfolio Holder for Adult Care and Local Transport seeking approval for the local authority to purchase diesel over the next five years through the continued use of the ESPO framework. In the absence of the Portfolio Holder for Adult Care and Local Transport, the Portfolio Holder for Finance, Growth and the City Centre reported that while the Council is making good progress in moving towards an environmentally-friendly fleet in support of it’s ambitions to be carbon neutral by 2028, there is still currently a need to purchase diesel and this is the most cost-effective way of doing so.

**RESOLVED to**

- (1) approve the use of the ESPO framework for the supply of diesel to Fleet Services using the nominated regional supplier under the framework;**
- (2) approve the spend on diesel of £8,000,000 over the next five years; and**
- (3) delegate authority to the Head of Neighbourhood Services to award and sign the necessary contract(s) to the chosen supplier under the ESPO framework.**

Reasons for decision

The ESPO framework lists approved suppliers chosen through a qualitative and pricing competition which Nottingham City Council is permitted to access as a contracting authority. To obtain the pricing from the supplier, ESPO provides them with the volume of fuel used by customers in a region and the suppliers offer their best price based on these figures. The contract is awarded to the supplier who scores highest overall across quality and price. Continuing to use the ESPO framework means that investigation into the most competitive suppliers has been undertaken on behalf of the Council.

Other options considered

The Council could establish its own contract for the purchase of fuel with a supplier but this option was rejected because the ESPO framework provides a value for money arrangement due to the economies of scale in the volume of fuel being bought through the framework which is something, as an individual authority, the Council is not able to compete with in terms of securing a competitive price.

**54 LOAN TO NOTTINGHAM CITY HOMES LTD TO PURCHASE PROPERTIES FOR HOMELESSNESS TEMPORARY USE**

The Board considered a report of the Portfolio Holder for Planning, Housing and Heritage proposing loaning £9million to Nottingham City Homes for the purchase of 70 homes to use as temporary accommodation for homeless families. The Portfolio Holder reported that there had been an increase in the number of homeless households to 680, the majority of which are families, and therefore there is a need to make additional temporary accommodation available. This will be the fourth set of properties to be purchased for this purpose, bringing the total to 220.

The Portfolio Holder for Health, Equalities and HR highlighted the health benefits of decent housing.

**RESOLVED**

- (1) to formally request that Nottingham City Homes purchase 70 further properties for use as temporary accommodation by homeless families whose cases are being considered by Housing Aid;**
- (2) to make a loan to Nottingham City Homes Ltd of £9million to fund the purchase and refurbishment of the properties on the terms set out in the financial comments at section 4 of the report and to amend the Capital Programme accordingly; and**
- (3) that Nottingham City Homes lease the 70 properties to Nottingham City Homes Registered Provider in order to attract housing benefit at the 'exempt' rate for supported housing.**

Reasons for decision

The number of people approaching the Council as homeless is not reducing. The Council is still having to use expensive, nightly paid temporary accommodation in order to fulfil its duties and self-contained homes are a far more suitable way of delivering temporary accommodation. This has been adopted as Council policy in the Council Plan, which contains the objective: "provide self-contained homes as emergency accommodation for homeless families instead of bed and breakfast".

The financial viability of short-term, supported temporary housing is dependent on achieving 'exempt accommodation' status for housing benefit. This allows additional charges to be levied for "care, support and supervision" provided to residents and for increased costs incurred through higher turnover. Only Private Registered Providers of Social Housing can obtain 'exempt accommodation' status, so these homes will be leased by Nottingham City Homes to Nottingham City Homes Registered Provider.

Other options considered

Not asking Nottingham City Homes to deliver 70 more homes for temporary homeless use was rejected because the alternative would be to use more bed and breakfast accommodation and other nightly-paid accommodation instead and at far greater costs to the Council.

**55 SOCIAL HOUSING ENERGY RETROFIT (ENERGIESPRONG)**

The Leader of the Council agreed that this item, although not on the agenda, could be considered as a matter of urgency in accordance with Section 100B(4)(b) of the Local Government Act 1972 in order to meet externally imposed deadlines for accessing funding.

The Board considered the report of the Portfolio Holder for Energy, Environment and Democratic Services proposing a further rollout of the Energiesprong initiative, making whole house interventions to achieve net-zero carbon emission standards. The Portfolio Holder highlighted the following information:

- (a) the pilot scheme in Sneinton was very successful but small scale and therefore it is being extended to Radford and Clifton;
- (b) the initiative will be funded through the Housing Revenue Account and a £5.7million grant from Government;
- (c) 262 properties will be retro-fitted as part of the initiative and become carbon-neutral;
- (d) as the initiative expands, the costs of retro-fitting each home will reduce making the approach more affordable;
- (e) the initiative is developing cutting-edge expertise that will be of national benefit;
- (f) the initiative will create local construction jobs.

**RESOLVED to**

- (1) note the progress made on the Energiesprong project delivery and the impact made on both carbon reduction and fuel poverty;**
- (2) approve acceptance of grants totalling £5.7million, via the Department for Business, Energy and Industrial Strategy (BEIS) Whole House Retrofit and Interreg North West Europe MUSTBE0 and delegate authority to the Head of Energy Services to sign a contract with BEIS to accept the grant;**
- (3) include in the Public Sector Housing Capital Programme additional retrofit schemes to the value of £14.2million funded by grant and Major Repairs Reserve contributions from the Housing Revenue Account, subject to sign off by the Section 151 Officer of the business case as detailed in the financial comments at section 4 of the report;**



- (4) delegate authority to the Corporate Director for Commercial and Operations in consultation with the Corporate Director for Development and Growth and the Portfolio Holders with responsibility for housing and energy to agree the procurement route, and following that to appoint the principal contractor and other contracts as necessary, approving dispensation from financial regulations to negotiate and award contracts to specialist suppliers named in the report;**
- (5) approve the establishment of a multi-agency project board as set out in the report to lead the programme; and**
- (6) to agree the leaseholder expenditure as set out in the exempt appendix to the report.**

#### Reasons for decision

To meet its 2028 carbon neutral commitment, the Council has to make significant improvements to the majority of the domestic properties in the City. The current costs for achieving higher standards are prohibitive and therefore a Government grant has been provided. However, to ensure the initiative is scalable and can become an integral part of the City's carbon reduction programme the unit cost must be reduced and how this can be achieved is an essential part of this project.

The project will whole-house energy retrofit 262 properties. The precise measures used will be individual to each property. There will be a chance to develop and test new methodologies of getting to the same energy solutions, using similar measures and components.

Energiesprong is a model which focuses on achieving net zero energy retrofits through offsite manufacture, and driving innovation to reduce cost. It also has a business case which can be used to make the cost of delivering work self-financing. The model is new to the UK, and the initiative will test ways to adapt the model to achieve similar energy standards at lower cost. It should also be able to deliver measures incrementally on some properties, which would reduce cost. Opportunities for insourcing work, creating new jobs and training will be maximised.

#### Other options considered

The option to do nothing was rejected because the City has committed to being carbon neutral by 2028. The projects enable the Council to develop cost reduction strategies and asset management plans about how best to achieve this target, whilst ensuring tenants are protected from fuel poverty. Housing Revenue Account match funding has been allocated to this project and consideration was given to utilising this funding in a different way. This was rejected because the benefits are holistic, scalable and guarantee standards for 30 years.

The incremental approach to installing 'low hanging fruit' energy efficiency measures will not achieve zero carbon standards. This piecemeal approach costs the local authority or housing association more and leads to non-compatible solutions being procured separately and therefore was rejected.

Whilst the cost for each home as part of this initiative is currently high (approximately £55,000), the budget is funded with the following:

- money which is already allocated against those particular properties, within the 30 year Housing Revenue Account programme, with the cost of borrowing included on an 'invest to save' basis
- additional revenues which are generated through the solutions
- grant funding to bridge the gap between the total of the income and savings and the current cost.

As a result the project is cost neutral to the Housing Revenue Account. Increasing in scale of deployment will mean costs reduce therefore reducing the cost of delivering the same high levels of energy performance to all properties, meaning a reducing amount of grant will be required. Other projects using Housing Revenue Account funds will not provide the cost effectiveness and impact of the Deep Retrofit approaches. These will deliver 2050 standards now, achieving the highest carbon saving possible in a cost effective and efficient way.

**56 SCHEME OF SELECTIVE LICENSING FOR PRIVATELY RENTED HOUSES – REVIEW OF THE LICENSING OF BLOCK BUILDINGS AND REVISED FEE STRUCTURE 2019**

The Board considered the report of the Portfolio Holder for Planning, Housing and Heritage setting out the outcomes of a review of licensing Block Buildings within the Council's Selective Licensing Scheme and recommending a revised fee structure for the Scheme. The Portfolio Holder highlighted the following information:

- (a) the Selective Licensing Scheme must break even over the five year period so the fees charged have been reviewed to ensure that all associated costs are being taken into account;
- (b) the differing fee structures take into account the differing associated costs, including costs of enforcement;
- (c) the proposed increase in licence fee for Individual Property Licences will apply from 1 April 2020 rather than January 2020 as originally intended, as an incentive for landlords who are still not yet registered with the Scheme to come forward and be able to pay the current lower fee. As an additional incentive, if currently unregistered landlords come forward during this period to register they will not be fined. From April 2020 landlords registering will have to pay the higher fee and enforcement action may be taken against those landlords that the Council has to chase up;
- (d) it is proposed to add additional conditions on Block Building licences granted within the Scheme to ensure that management arrangements are in place for matters such as fire safety.

**RESOLVED to**

- (1) adopt the Policy document as set out in appendix 1 to the report, which sets out the Council's approach to the licensing of dwellings within the City under the Council's Selective Licensing Scheme;**

- (2) adopt the additional standard licence conditions as set out in appendix 2 to the report to apply to any Block Licences that the Council may, in its discretion, grant;**
- (3) adopt the revised fee structure as set out in appendix 3 to the report in relation to all new licensing applications submitted under the Selective Licensing Scheme; and**
- (4) apply the above resolutions from 1 December 2019 with the exception of the proposed licence fee increase for Individual Property Licences which will be applied from 1 April 2020.**

#### Reasons for decision

Since implementation of the Selective Licensing Scheme, the Council continues to review its operating model and in light of learning and developed knowledge it is appropriate to include the ability for an applicant to apply for a Block Licence, where certain conditions are met, within the Council's policy. Discretion to grant Block Licences offers the ability, where relevant, to include additional licence conditions particular to the management of Block Buildings.

As a result of operating and processing licensing applications over the past year, the Council is able to be more accurate in its assessment of resource implications and therefore it was appropriate to review the overall fee structure for the Selective Licensing Scheme. The Housing Act 2004 permits a local housing authority to require a licence application to be accompanied by a fee and, when fixing that fee, that fee may take into account all costs incurred by the authority in carrying out its functions, which permits the authority to operate the Scheme in a cost-neutral manner.

#### Other options considered

The option not to offer the ability to apply for Block Licences was rejected because the Council can now propose options to accommodate such applications and current records and future building development shows that there is a potential benefit in now offering this option. There may be additional benefits arising from more efficient administration arrangements and the ability to include additional licence conditions, where appropriate, particular to the management of Block Buildings.

The option not to review the fee structure was rejected because after a year of operating the Scheme, the Council has been able to develop its cost estimations of time for the actions contained within the licensing process. In addition, the availability of a Block Licence means that an associated proportionate fee for such a licence had to be calculated. Given the Scheme is operated on a cost neutral basis through the payment of licence fees, the Council is under a duty to keep under review the financial model for the Scheme.

The Council has reviewed Block Building Licence fee structures offered by other local authorities, some of which have adopted a similar flexible fee structure which results in a total fee which is proportionate to the size of the building. The Council does have the option of a flat fee structure for a Block Licence but this was rejected because it would seem unfair for a licence for a block of four self-contained flats to cost the same as a licence for a block of one hundred self-contained flats. The

Council needs to be mindful of the need to apply reasonable and proportionate fees for its licences.

It was also considered whether to apply a flexible fee structure to individual property licences where an applicant has more than one self-contained dwelling within a Block Building. This option was rejected because the Council's experience is that the wider management and enforcement costs it is permitted to reflect in the fee are similar per dwelling when viewed across the City. Some of the efficiencies in offering a Block Licence are gained due to the fact that the entire building is under common control and management. The Council also draws comparison with where an applicant may have a number of individually licensed properties across the City. In these circumstances the fairest and simplest way to calculate the fee is to divide it amongst the thousands of property licence holders. The current fee structure also provides for a discount for accredited landlords. Where landlords have become accredited, including those with large or multiple property portfolios and those who own an entire block of dwellings do benefit from a reduction in the licence fee.

#### **57 EXCLUSION OF THE PUBLIC**

**RESOLVED to exclude the public from the meeting during consideration of the remaining agenda items 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 outweighed the public interest in disclosing the information, as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.**

#### **58 EXEMPT MINUTES**

The Board confirmed the exempt minutes of the meeting held on 22 October 2019 as a correct record and they were signed by the Chair.

#### **59 SCHEME OF SELECTIVE LICENSING FOR PRIVATELY RENTED HOUSES - REVISED FEE STRUCTURE 2019 AND THE LICENSING OF BLOCK BUILDINGS - EXEMPT APPENDIX**

The Board considered and noted the information contained within the exempt appendix.

#### **60 SOCIAL HOUSING ENERGY RETROFIT (ENERGIESPRONG) - EXEMPT APPENDICES**

The Board considered and noted the information contained within the exempt appendix.

#### **61 ESTABLISHMENT OF COMMERCIAL WASTE COMPANY**

This item was withdrawn from the agenda and deferred to a future meeting.

## **62 FINANCING ARRANGEMENTS**

The Leader of the Council agreed that this item, although not on the agenda, could be considered as a matter of urgency in accordance with Section 100B(4)(b) of the Local Government Act 1972 because one of the Council's group companies required alternative financing arrangements prior to the end of the month and therefore it was not possible to wait until the next scheduled Executive Board meeting to consider this item. The Council was required to notify third parties of its intention to secure alternative financing arrangements by the end of November.

This decision is not subject to call in because the Chair of the Overview and Scrutiny Committee agreed that the decision is reasonable in all circumstances and should be treated as a matter of urgency because one of the Council's group companies required alternative financing arrangements prior to the end of the month and therefore it was not possible to wait until the next scheduled Executive Board meeting to consider this item. The Council was required to notify third parties of its intention to secure alternative financing arrangements by the end of November.

The Board considered a report about financing arrangements.

**RESOLVED to agree the recommendations as set out in the exempt minute.**

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<b>Subject:</b>	Review of 2019/20 Revenue and Capital Budgets at 30 September 2019 (Quarter 2)
<b>Corporate Director(s)/Director(s):</b>	Laura Pattman, Strategic Director of Finance
<b>Portfolio Holder(s):</b>	Councillor Sam Webster, Portfolio Holder for Finance, Growth and the City Centre
<b>Report author and contact details:</b>	Theresa Channell, Head of Strategic Finance & Deputy Section 151 Officer 0115 8763649 theresa.channell@nottinghamcity.gov.uk
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
<b>(a)</b>	<input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
<b>(b)</b>	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
<b>Total value of the decision:</b>	<b>£2.709m</b>
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	Throughout July – September 2019
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input checked="" type="checkbox"/>
Respect for Nottingham	<input checked="" type="checkbox"/>
Serving Nottingham Better	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>This report provides an up to date assessment of the Council's current and forecast year-end financial position for the General Fund revenue account, Capital Programme and the Housing Revenue Account (HRA) based on activity to the end of September 2019.</p> <p>The City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding because of austerity policies. Alongside this reduction in grant income, Nottingham has seen increased demand for a number of services, for example Adult Social Care and Children in Care. This has resulted in the Council having to make cumulative savings totalling <b>£271.4m</b> between 2010/11 and 2019/20.</p> <p>The 2019/20 draft outturn position is showing a net overspend of <b>£7.527m</b>. This follows overspends in 2016/17, 2017/18 and 2018/19 of <b>£2.522m</b>, <b>£4.215m</b> and <b>£1.681m</b> respectively. The majority of the <b>£7.527m</b> overspend is due to Children &amp; Young People (<b>£5.857m</b>); Early Years, Education &amp; Employment (<b>£1.032m</b>) and Companies (<b>£1.127m</b>). Reasons for these variances include overspends in Children in Care costs, increase in agency staff, unmet historical targets and other income reductions.</p> <p>Management is committed to delivering an on budget outturn however this is increasingly challenging given the sustained financial context within which the Council is operating. Management action is in place as detailed in <b>section 2.2</b> and a key priority of this is monthly monitoring of the outturn position to review progress on reducing the overspend, however further action may be required.</p>	
<b>Exempt information:</b>	<b>State 'None' or complete the following</b>
	None
<b>Recommendation(s):</b>	

- 1** To note:
- a) The overall current forecast net overspend of **£7.527m**, as set out in paragraph **2.2** and **Appendix A**. The Council is committed to delivering services on budget for 2019/20;
  - b) the forecast working balance of **£7.260m** on the HRA, as set out in paragraph **2.7**;
  - c) the forecast position on the Capital Programme, as set out in paragraph **2.9**;
  - d) the Capital Programme projections at Quarter 1, as set out in paragraph **2.9 (table 5)**;
  - e) the refreshed Capital Programme, including schemes in development, as set out in paragraph **2.9 (tables 6, 7 and 8)**.

- 2** To approve:
- a. The movements of resources set out in paragraph **2.6** and **Appendix D**.

- 3** To note and endorse the allocations from the corporate contingency as set out in paragraph **2.4**.

## **1 REASONS FOR RECOMMENDATIONS**

- 1.1 It enables formal monitoring of progress against the 2019/20 budget and the impact of actual and planned management action.
- 1.2 The approval for virement of budgets is required by corporate financial procedures.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 The 2019/20 revenue budget was approved by City Council in March 2019. This periodic report summarises the current assessment of the Council's forecast outturn of the General Fund and HRA. Some report tables may not sum exactly due to rounding.
- 2.2 Forecasting is risk-based, reflecting the diverse nature of the Council's activities and the wide range of issues impacting on the financial position. **Table 1** shows the current forecast overspend of **£7.527m** and is based on the ledger position as at 30 September 2019.

A range of management actions to address the forecast overspend have been introduced and communicated to colleagues, these include:

- Monthly monitoring reviewed by Corporate Leadership Team (CLT) and Executive Panel
- Vacancy freeze controls
- All but non-essential spend to cease
- Restrictions on travel and conference attendance to continue
- Stop all non-essential maintenance
- A review of earmarked reserves

A review of earmarked reserves has taken place and there is potential to release **£3.591m** to support the 2019/20 outturn position, which will therefore reduce the potential overspend to **£3.936m**. This decision is one-off in nature and reduces further budget flexibility. CLT and Executive Board are committed to delivering an on budget outturn for 2019/20 however this is increasingly challenging given the current financial climate in which the Council operates within.

Budget Managers and Senior Leaders are accountable for delivering services on budget including delivery of existing savings. To compensate for the overall overspend position it may be necessary to deliver alternative savings, however appropriate consultation will take place as required.



Following Executive Board in May, the portfolios have changed and the forecast outturn in **Table 1** below reflects the new portfolios. The 2018/19 outturn variance column has been restated as per the current portfolios.

**Appendix A** provides more detail and **Appendix B** explains the main variances.

<b>TABLE 1: CURRENT FORECAST OUTTURN AS AT 30.09.19 (Q2)</b>		
<b>OUTTURN VARIANCE 2018/19 £m</b>	<b>PORTFOLIO</b>	<b>FORECAST OUTTURN £m</b>
(1.593)	Adult Care & Local Transport	(1.767)
3.341	Children & Young People	5.857
(0.089)	Communities	0.018
0.933	Early Years, Education & Employment	1.032
1.277	Energy, Environment & Democratic Services	(0.504)
(0.034)	Finance, Growth & the City Centre	0.020
(0.346)	Health, HR & Equalities	0.001
(0.057)	Housing, Planning & Heritage	0.801
(0.326)	Leisure, Culture & IT	(0.366)
(0.715)	Regeneration, Safety & Communications	0.870
<b>2.391</b>	<b>TOTAL PORTFOLIOS</b>	<b>5.962</b>
0.083	Corporate budgets	0.438
1.276	Companies	1.127
<b>3.750</b>	<b>PRIOR TO CORPORATE MITIGATION</b>	<b>7.527</b>
(2.069)	Mitigation/ Managed Underspends	
<b>1.681</b>	<b>TOTAL</b>	<b>7.527</b>

### 2.3 General Reserves

These provide a financial safety net to cover above-budget costs during the year. Variations in forecast outturn will impact on general reserves. Underspends increase reserves and overspends decrease them. **Table 2** shows the general reserve.

<b>TABLE 2: THE GENERAL RESERVE</b>	
<b>ITEM</b>	<b>£m</b>
<b>Opening Balance at 01.04.19</b>	<b>9.643</b>
2019/20 MTFP Increase in General Reserve	1.000
2018/19 Outturn	(1.681)
<b>Revised Opening Balance</b>	<b>8.962</b>

The minimum level of opening reserves for 2019/20 was set at **£10.643m**. The impact of the outturn for 2018/19 as approved by Executive Board May 2019 was a reduction in the general fund balance of **£1.681m**. Management action is being undertaken to address the **£1.681m** 2018/19 overspend to ensure the general fund balance is restored to the required level.

### 2.4 Corporate Contingency

This enables management of the financial impact of issues that were not reflected when the budget was set. It is allocated under the delegated authority of the Strategic Director of Finance (SDF) using designated criteria. Services are required to accommodate unforeseen expenditure and/or income shortfalls from within their budgets, only seeking

allocations where this is proven impossible. Contingency is **£1.775m** in 2019/20. **Table 3** shows the allocations approved by the SDF up to the date of despatch of this report, which now require endorsement.

<b>TABLE 3: CONTINGENCY ALLOCATIONS REQUIRING ENDORSEMENT</b>	
<b>Item</b>	<b>Amount £m</b>
Midlands Engine Contribution	0.020
<b>TOTAL</b>	<b>0.020</b>

This leaves a remaining balance of **£1.584m**, although there are further pending applications, which will be reported as part of the next monitoring report. Forecast outturn assumes an underspend of **£0.500m** and this has been reflected within **Table 1** on the Corporate Budgets line. All future calls on this budget are being thoroughly scrutinised.

### 2.5 **Cost reductions and Potential Overspend Risks**

The 2019/20 budget includes new cost reductions of **£23.258m** and pressures of **£6.177m**. Any issues affecting the delivery of these are detailed in **Appendix B**.

### 2.6 **Movement of Resources**

Transfers of services between directorates and/or portfolios are reflected within the monitoring figures. These movements of resources now require approval and are detailed in **Appendix D**.

### 2.7 **Housing Revenue Account (HRA)**

The HRA budget was approved by the City Council in March 2019 and budgeted for a working balance of **£7.727m** at 31 March 2020. The working balance acts as a contingency to cover unexpected significant expenditure or loss of income. (During 2018-19 the Working Balance was increased from **£4.000m** to **£7.727m** to prepare for the impact of Universal Credit on arrears and bad debt). The latest forecast is a projected reduction of the working balance to **£7.260m**.

#### **Working Balance Brought Forward: Increase of £0.010m**

The actual position of the Working Balance carried forward from 2018-19 was **£7.737m**, which is an increase of **£0.010m** from that reported in the Budget. Details of variance were set out in the outturn report considered by Executive Board in May 2019.

#### **Retained Housing: Decrease of £0.477m**

Approval to commence pre-start investigation works for the HRA new build schemes has been given in Delegated Decision 3684 at Chingford, Beckhampton and Oakdene. These are revenue costs until these schemes complete the feasibility stage and are fully approved, when the costs can be classed as capital, and funded by capital resources. At that stage the costs will be transferred from the revenue account and the Working Balance will increase back to the level in the approved Budget.

**Table 4** below shows the revised working balance at 31 March 2020.

<b>TABLE 4: HRA WORKING BALANCE</b>	
	<b>£m</b>
<b>Estimated balance at 31 March 2020</b>	<b>7.727</b>
Working Balance brought forward 2018/19	0.010
Retained Housing – pre-start site investigations	(0.477)
<b>Revised working balance at 31 March 2020</b>	<b>7.260</b>

## 2.8 Debtors Monitoring (Appendix C)

### Housing Rents

The figure achieved for the end of Quarter 2 (**97.68%**) is slightly behind the position for the same period last year (**97.93%**). The performance is an improvement on last quarter, however is slightly short of the target (**98.50%**). Performance is being affected by the on-going roll out of Universal Credit, with an additional 60 – 70 NCH cases claiming each week. The average debt on these cases is much higher than all arrears cases because of the way in which Universal Credit is paid (one month in arrears). The Council is continuing to work closely with all tenants affected by Universal Credit and a new process is being launched this month. There are now over 2,600 tenants in receipt of Universal Credit and the Council continues with the “Rent First” message in order to maintain collection rates.

### Council Tax

Collection for Quarter 2 of 2019/20 was **50.53%**, which exceeds the monthly profiled target by **0.33%** and in percentage terms, is a small decrease of **0.26%** when compared to 2018/19. Collection amounted to **£71.6m** compared to collection of **£68.2m** for the same period in 2018/19. Net debt collectable over the two financial years has increased from **£134.1m** in 2018/19 to **£142.4m** in 2019/20.

### National Non- Domestic Rates (NNDR)

Collection for Quarter 2 of 2019/20 was **54.50%**, which is **1%** below the profiled target. However, collection amounted to **£78.4m**, compared to collection of **£78.3m** for the same period in 2018/19. Net debt collectable over the year has increased from **£141.8m** in 2018/19 to **£143.7m** in 2019/20.

### Sundry Income

The percentage of debts collected within 90 days in the 12 months to September 2019 is **83.20%**, which is above the corresponding figure for 2018/19 of **79.80%**.

The debtor day indicator (which shows how quickly debts are recovered) is currently **41** days, which is below target and slightly worse than the corresponding figure for 2018/19 of **36** days.

There is significant work underway 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 (FFtF) 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.

### Adult Residential Services

Quarter 2 collection is **96.90%** against a target of **97.50%**. The corresponding figure for 2018/19 Quarter 2 was **97.70%**.

Adult Residential Services has implemented new routines for debt recovery and this has increased recovery by **0.4%** since Quarter 1. Money Carers Foundation / Court of Protection cases continue to present challenges and dedicated resource is necessary for this. Work is also being undertaken to identify and present cases for legal action where Adult Residential Services has exhausted current available action including obtaining charging orders and securing debt against assets where possible to protect the council position in the future.

### Estates Rents

The collection rate of **98.05%** is above the set target of **97.50%**.

## 2.9 Capital Programme

The quarter 1 report approved an updated overall Capital Programme for 2019/20 of **£194.196m** for the approved (Category 1) General Fund Schemes and **£54.594m** for Public Sector Housing.

During quarter 2 the total 19/20 additions was **£24.961m**, while other scheme movements equate to **(£19.621m)**. These details are shown in **Table 5** below

<b>TABLE 5: REVISED CAPITAL PROGRAMME AND ACTUAL SPEND FOR QUARTER 2</b>						
	<b>19/20 Forecast Spend £m</b>	<b>19/20 Qtr2 Additions £m</b>	<b>Other Qtr2 Movements (Slippage / Reprofiling) £m</b>	<b>Projected Outturn at Qtr2 £m</b>	<b>Actual Spend Qtr2 £m</b>	<b>New Additions (Spend 20/21+) £m</b>
<b>Public Sector Housing</b>						
Category 1 (Approved Schemes)	54.594	5.938	(2.815)	<b>57.717</b>	15.598	45.017
Category 2 (Planned Schemes)	0.210	0.000	(0.160)	<b>0.050</b>	0.000	8.000
<b>Public Sector Housing Total</b>	<b>54.804</b>	<b>5.938</b>	<b>(2.975)</b>	<b>57.767</b>	<b>15.598</b>	<b>53.017</b>
<b>General Fund</b>						
Category 1 (Approved Schemes)						
Transport Schemes	31.087	0.000	(0.214)	<b>30.873</b>	3.670	0.000
Education / Schools	6.502	1.280	(0.327)	<b>7.455</b>	2.494	0.883
Other Services	156.607	17.743	(15.640)	<b>158.710</b>	26.842	14.522
Category 2 (Planned Schemes)	9.403	0.000	(0.465)	<b>8.938</b>	0.000	0.000
<b>General Fund Total</b>	<b>203.599</b>	<b>19.023</b>	<b>(16.646)</b>	<b>205.976</b>	<b>33.006</b>	<b>15.405</b>
<b>TOTAL</b>	<b>258.403</b>	<b>24.961</b>	<b>(19.621)</b>	<b>263.743</b>	<b>48.604</b>	<b>68.422</b>

### Approvals in Quarter 2

Scheme amendments and additions of **£24.961m** have been approved in quarter 2 where the capital spend is expected to be incurred during 2019/20. Details of approvals over the value of **£1.000m** in 2019/20 are listed below:

- **£11.476m**, Loan to Nottingham City Homes Enterprise Ltd – to enable the purchase of Market Rented Properties
- **£5.727m** Public Sector Housing Right to Buy Acquisitions (full scheme **£37.773m**). This project is for the Housing Revenue Account to increase housing stock by procuring houses
- **£2.193m**, Loan to Nottingham City Homes Enterprise Ltd – to enable the purchase of a new build development at Arkwright Walk Phase
- **£1.350m**, Replacement of Communication Equipment – replaces core IT infrastructure equipment that has reached the end of its life. This project is to be funded by the IT Efficiency Reserve
- **£1.280m**, Nethergate Academy Expansion (full scheme **£2.383m**)

Further details of all quarter 2 approvals are provided in **Appendix E**.

### Other Movements (Slippage / Reprofiting)

Scheme movements (slippages / reprofiling) in 2019/20 during quarter 2 is **(£19.621m)**. Schemes where slippage is over **£0.250m** are detailed below in **Table 6**.

<b>TABLE 6: QUARTER 2 MOVEMENTS (SLIPPAGES / REPROFITING)</b>			
<b>Scheme</b>	<b>2019/20 Forecast at Quarter 1 £m</b>	<b>2019/20 Scheme Forecast at Qtr2 £m</b>	<b>Movement £m</b>
<b>Public Sector Housing</b>			
High Rise Sprinkler Systems - FSW	1.197	0.597	(0.600)
Gas Safety Enhancements - FSW	0.250	0.000	(0.250)
EWI Schemes - CR&M	0.618	0.318	(0.300)
Knights Close - New Build	2.102	1.707	(0.395)
Tunstall Drive	1.181	0.800	(0.381)
Other Public Sector Housing Movements			(1.049)
<b>Total Public Sector Housing</b>			<b>(2.975)</b>
<b>General Fund</b>			
Other Services			
Solar Panels - Commercial PV Invest Prog	0.750	(0.061)	(0.811)
Nottingham Castle Transformation (HLF Scheme)	16.750	14.514	(2.236)
ERDF Axis 6 - Leen Park	1.989	0.000	(1.989)
Notts County Cricket Club - Loan 2	0.749	0.000	(0.749)
Loan - NCH Homeless	12.200	11.477	(0.723)
Loan - NCH-E Ltd Arboretum	3.000	0.395	(2.605)
Loan - NCHRP Radford Allotments	1.199	0.000	(1.199)
Exchange Bldgs Refurbishment Design	0.406	0.000	(0.406)
Broadmarsh - Car Park	30.158	22.500	(7.658)
Broadmarsh Centre - Shopping Centre	18.846	15.264	(3.582)
Other General Fund Movements			5.312
<b>Total General Fund</b>			<b>(16.646)</b>
<b>Scheme Movements at Quarter 2 - Total</b>			<b>(19.621)</b>

### Public Sector Housing (HRA) Capital Programme

The Public Sector Housing Capital Programme has been updated to reflect movements in quarter 2. **Table 7** below sets out the updated programme and resources:

<b>TABLE 7: PUBLIC SECTOR HOUSING (HRA) CAPITAL PROGRAMME</b>						
<b>Scheme</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>Total £m</b>
Category 1 - Approved Schemes	57.717	47.719	48.677	45.360	37.280	<b>236.753</b>
Category 2 - Planned Schemes	0.050	10.450	0.000	0.000	0.000	<b>10.500</b>
<b>Total Programme</b>	<b>57.767</b>	<b>58.169</b>	<b>48.677</b>	<b>45.360</b>	<b>37.280</b>	<b>247.253</b>
<b>Resources Available</b>						
Prudential Borrowing	(13.028)	(16.998)	(15.330)	(9.703)	(3.592)	<b>(58.651)</b>
Grants & Contributions	(3.909)	(1.319)	0.000	0.000	0.000	<b>(5.228)</b>
Major Repairs Reserve	(31.885)	(31.147)	(26.000)	(28.233)	(28.883)	<b>(146.148)</b>
Secured Capital Receipts	(8.945)	(4.124)	(3.989)	(3.989)	(0.506)	<b>(21.553)</b>
Unsecured Capital Receipts	0.000	(4.581)	(3.358)	(3.435)	(4.299)	<b>(15.673)</b>
<b>Total Resources</b>	<b>(57.767)</b>	<b>(58.169)</b>	<b>(48.677)</b>	<b>(45.360)</b>	<b>(37.280)</b>	<b>(247.253)</b>

## General Fund Capital Programme

The General Fund Capital Programme has been updated to reflect the movements in quarter 2. **Table 8** below sets out the updated programme and resources.

<b>TABLE 8: GENERAL FUND - CAPITAL PROGRAMME AND RESOURCES</b>						
<b>Scheme</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>Total £m</b>
<b>Approved Schemes</b>						
Transport Schemes	30.873	4.710	1.420	0.000	0.000	<b>37.003</b>
Education	7.455	0.883	0.000	0.000	0.000	<b>8.338</b>
Other Services	158.710	100.767	26.542	10.325	7.426	<b>303.770</b>
<b>Category 2 - Planned Schemes</b>	<b>8.938</b>	<b>24.163</b>	<b>12.423</b>	<b>5.682</b>	<b>5.900</b>	<b>57.106</b>
<b>Total Programme</b>	<b>205.976</b>	<b>130.523</b>	<b>40.385</b>	<b>16.007</b>	<b>13.326</b>	<b>406.217</b>
<b>Resources Available</b>						
Prudential Borrowing	(110.426)	(86.022)	(30.526)	(6.986)	(4.306)	<b>(238.266)</b>
Grants & Contributions	(73.550)	(30.864)	(5.793)	(8.076)	(8.077)	<b>(126.360)</b>
Internal Funds / Revenue	(8.340)	(3.617)	(0.830)	(0.195)	(0.195)	<b>(13.177)</b>
Secured Capital Receipts	(4.599)	0.000	0.000	0.000	0.000	<b>(4.599)</b>
Unsecured Capital Receipts	(9.061)	(10.020)	(3.236)	(0.750)	(0.748)	<b>(23.815)</b>
<b>Total Resources</b>	<b>(205.976)</b>	<b>(130.523)</b>	<b>(40.385)</b>	<b>(16.007)</b>	<b>(13.326)</b>	<b>(406.217)</b>

The general fund capital programme is predicated on receiving a significant amount of unsecured capital receipts (£23.815m) as detailed in **Table 8** above and c£35m relating to previous capital schemes.

Should capital receipts not be forthcoming the council would be required to temporarily fund this pressure by prudential borrowing, this temporary funding would lead to a budget pressure due to the costs of repaying debt.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 No other options were considered as the Council is required to ensure that, at a corporate level, expenditure and income are kept within approved budget levels and this report sets out how this is being managed.

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

- 4.1 Financial implications appear throughout the report.
- 4.2 The financial plans and budgets support delivery of the Council Plan. Monitoring the financial position in parallel with service plan activity helps to ensure the delivery of corporate priorities. The Council has developed a robust approach to providing value for money and efficiency savings to support the delivery of the Council Plan and the Medium Term Financial Strategy.

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

- 5.1 Continuous review and management of the budget and associated performance issues mitigate the risk of not achieving corporate priorities.

5.2 The five year proposed capital programme is ambitious and will require the Council to use much of its available resources. Substantial investment of this nature will result in the Council being exposed to additional risks as follows:

- a significant increase in the authority's borrowing over the next five years;
- exposure to interest rate changes; a 0.5% increase in interest rates will increase the general fund cost of borrowing on projected 2019/20 spend by **c£0.552m** per annum;
- major schemes have a long payback period which will require the use of reserves in the early years to fund short term deficits in business plans;
- the cost of feasibility studies are all undertaken at risk;
- Schemes may not cover their costs or make the desired return.

5.3 In order to manage these risks the following key principles will be adopted in managing the programme:

- new projects (unable to cover their costs) added to the programme, will result in an existing project being removed or amended;
- all projects must have a robust and viable full business case, which considers and includes whole life costing and revenue implications;
- all schemes will be subject to robust and deliverable business plans and models which demonstrate the necessary return on investment required;
- the decision to progress schemes will be dependent on securing the stated level of external funding or grant as appropriate;
- new projects will be considered where the Council can make a return on investment;
- where new sources of external funding/grants become available, the programme will be revisited;
- all schemes will be subject to an independent internal 'Gateway review process'

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

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

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

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

6.1 None

## **7 SOCIAL VALUE CONSIDERATIONS**

7.1 None.

## **8 REGARD TO THE NHS CONSTITUTION**

8.1 None.

**9 EQUALITY IMPACT ASSESSMENT (EIA)**

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

No

An EIA is not required because:

The report does not contain proposals for new or changing policies, services or functions

Yes

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

10.1 None.

**11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

11.1 Medium Term Financial Plan 2019/20 – 2021/22 – Executive Board 19 February 2019



## BUDGET MONITORING 2019/20 - Year to Period 6 (SEPTEMBER) £'m

Portfolio	Updated Estimate	Estimated Outturn	Variance (under)/over
Adult Care & Local Transport	99.544	97.777	(1.767)
Children & Young People	51.334	57.191	5.857
Communities	11.615	11.633	0.018
Early Years, Education & Employment	3.200	4.232	1.032
Energy, Environment & Democratic Services	22.773	22.269	(0.504)
Finance, Growth & the City Centre	10.941	10.961	0.020
Health, HR & Equalities	(5.778)	(5.777)	0.001
Housing, Planning & Heritage	6.353	7.154	0.801
Leisure, Culture & IT	11.880	11.514	(0.366)
Regeneration, Safety & Communications	(12.239)	(11.369)	0.870
<b>Total Portfolios</b>	<b>199.623</b>	<b>205.585</b>	<b>5.962</b>
Corporate Budgets	40.162	42.227	1.565
<b>Total General Fund</b>	<b>239.785</b>	<b>247.812</b>	<b>7.527</b>

**Portfolio Variances +/- £50k****Adult Care & Local Transport £1.767m favourable****Adult Social Care & Directorate £3.298m underspend**

The underspend contains the following variances:

- £0.632m underspend on package costs
- £0.634m staffing underspend
- £2.032m increase in income

**Traffic & Transport £0.125m overspend**

The overspend is a consequence of additional costs associated with a Debt Management system.

**Neighbourhood Services £0.161m overspend**

Overall the Neighbourhood Services directorate is projecting an underspend at outturn, but there is an adverse variance within this portfolio relating to the Parking, Transport & Fleet service, where there are pressures associated with fuel & parts and loss of grant income.

**Commercial & Infrastructure - £1.244m overspend**

This overspend reflects a reduction in income in Highways due to the review of the charging mechanism to the capital programme.

**Children & Young People £5.857m adverse****Children's Integrated Services £5.728m overspend**

The overspend is due to pressures in Children in Care costs, most notably the result of placement costs exceeding budget due to increased levels of complexity, and grant funding not covering all costs.

This position is net of **£0.699m** of in year mitigation reducing the gross position from **£6.427m**. The service is progressing on in-year mitigation through the following Big Ticket Programmes:

- Demand Management (cost avoidance)
- Restorative and Performance Approaches
- High Cost Placements
- Fostering
- Semi Independence
- Workforce

Progress of these programmes is being undertaken routinely and monitoring will be updated to reflect progress and achievement.

The pressures identified will impact on 2020/21+.

**Strategy & Policy £0.162m overspend**

Income shortfall within the Data Analysis & Insight for School Improvement Team.

**Communities £18k adverse****Commissioning & Procurement £50k overspend**

Contractual overspend on Financial Vulnerability services due to the demand from citizens.

## **Early Years, Education & Employment £1.032m adverse**

### **Education £1.032m overspend**

The overspend is due to unmet historical saving targets which contributed towards the statutory functions of the service. Wherever possible costs have been reduced to mitigate this budget gap. The pressures identified will impact on 2020/21+.

## **Energy, Environment & Democratic Services £0.504m favourable**

### **Energy Services £0.273m underspend**

The waste disposal and utilities budgets are forecasting in accordance with the planned expenditure of **£12.057m**. **£1.864m** of budget has been transferred from corporate pressures as agreed through the 2019/20+ budget process with any remaining pressure funded by corporate contingency as part of the outturn process, and the current forecast for this is **£0.377m**.

### **Civic & Coronial Services £0.435m overspend**

Overspend relates to the mortuary services contract price which is **£1.200m** more than previous years. This cost is split 50/50 with Nottinghamshire County Council creating an in year pressure of c. **£0.550m**. The forecast includes use of the provision created in previous years. This will impact on 2020/21+.

### **Legal & Democratic Services £0.242m underspend**

Overachievement of income across Legal services & the use of one-off grant income.

### **Neighbourhood Services £0.433m underspend**

Increased income growth & efficiencies within Commercial Waste and Facilities & Building Services.

## **Finance, Growth & the City Centre £20k adverse**

### **Commissioning & Procurement £0.220m underspend**

Staff vacancies and additional income.

### **Neighbourhood Services £88k underspend**

Increased income growth within Catering.

### **Strategy & Policy £52k overspend**

Management of non-essential spend and a delay in recruitment to vacancies are mitigating pressures relating to previous years' savings. Any ongoing savings will be captured as part of the 2020/21+ budget process.

### **Strategy & Resources Directorate £0.256m overspend**

Pressure relating to the achievement of a savings target.

## **Housing, Planning & Heritage £0.801m adverse**

### **Strategic Homelessness £0.801m overspend**

The short supply of affordable settled accommodation has resulted in a forecast overspend in nightly paid temporary accommodation and emergency use of Bed & Breakfast accommodation.

The gross homelessness overspend in this area is estimated to be c. £1.000m however mitigation would be from the application of specific grants.

### **Leisure, Culture & IT £0.366m favourable**

#### **Neighbourhood Services £0.079m underspend**

Income growth and efficiencies within the directorate.

#### **Sport & Culture £0.239m underspend**

Increased income growth across the directorate.

### **Regeneration, Safety & Communications £0.870m adverse**

#### **Strategic Assets & Property £0.780m overspend**

The current projected forecast for Strategic Assets & Property is **£0.780m** overspend.

This is due to:

- A refocus of strategic investment by the organisation, this has reduced the level of return from investing in rental properties and
- Other in-year pressures.

The service is progressing a disposal and investment strategy in order to mitigate this position but at this stage the specific properties and delivery plan for this mitigation have yet to be earmarked or realised and this remains a risk. This could impact on 2020/21+.

#### **Crime & Drugs Partnership £0.146m overspend**

Uncertainty over income and funding reduction from Police & Crime Commissioner.

### **Corporate Budgets £0.438m adverse**

#### **Contingency £0.500m favourable**

Managed underspend to support the outturn position.

#### **Other Corporate Items £0.938m adverse**

Slippage of corporate savings however mitigating action is being progressed for the remainder of the year.

### **Companies £1.127m adverse**

Relates predominately to a projected shortfall in dividend income.

<b>Debtors - Performance Review – Q2 2019/20</b>	<b>Q1 June</b>	<b>Q2 Sept</b>	<b>Q3 Dec</b>	<b>Q4 Mar</b>
<b>BVPI 66a - Housing Rent Collection (%)</b> <i>(cumulative - current tenants only)</i>				
<i>(arrears + debit)</i> Actual	96.80	97.68		
Target	98.50	98.50		
Last Year Actual 2018-19	97.09	97.93	98.55	98.26
<b>BVPI 9 - Council Tax Collection (%)</b>				
<i>(in year cumulative)</i> Actual	25.90	50.53		
Target	25.80	50.20		
Last Year Actual 2018-19	26.10	50.80	76.60	93.20
<b>BVPI 10 - NNDR Collection (%)</b>				
<i>(in year cumulative)</i> Actual	30.40	54.50		
Target	28.50	55.50		
Last Year Actual 2018-19	27.34	54.90	79.03	97.30
<b>Sundry Income Collection (%)</b>				
<i>(12 month rolling average)</i> Actual	79.50	83.20		
Target	99.00	99.00	99.00	99.00
Last Year Actual 2018-19	79.00	79.80	83.00	79.20
<b>Sundry Income Debtor Days – General</b>				
Actual	32.00	41.00		
<i>(12 month rolling average)</i> Target	32.30	32.30	32.30	32.30
Last Year Actual 2018-19	31.00	36.00	38.00	41.00
<b>Estates Rents Collection (%)</b>				
Actual	98.19	98.05		
<i>(12 month rolling average)</i> Target	97.50	97.50	97.50	97.50
Last Year Actual 2018-19	97.94	98.01	97.89	97.94
<b>Adult Residential Services Collection (%)</b>				
Actual	96.50	96.90		
<i>(12 month rolling average)</i> Target	97.50	97.50		
Last Year Actual 2018-19	97.90	97.70	97.50	96.80

VIREMENT 2019-20 REQUIRING EXECUTIVE BOARD APPROVAL

APPENDIX D

Details	Net Amount £m	Department		Portfolio		
		From	To	From	To	
Utilities Realignment	0.002	within CO		EE&DS	ACLT	
	0.004	CA	CO	ACLT	EE&DS	
	0.001	DG				
	0.003	within CO		EE&DS	COM	
	0.002	CA	CO		CYP	
	0.000	CO	CA		EY, E&E	
	0.000	CO	DG		FG&CC	
	0.001	DG	CO		L,C&IT	
	0.000	within CO			L,C&IT	
	0.001	CO	SR		R,S&C	
	0.007	CO	DG		CYP	
Pay Model Adjustments	0.003	CA	SR		EY, E&E	FG&CC
	0.003					
Commissioning & Procurement Realignment	0.055	within SR		ACLT	HPH	
	0.195					
	0.053			FG&CC	CYP	
Savings Realignment	0.300	CO	Corporate	COM	FG&CC	
	0.250	within CO		FG&CC	R,S&C	
	0.025	within DG			ACLT	
	0.050	within CO		COM	L,C&IT	
	0.048			R,S&C	COM	
Employee budget realignment b/t Streetscene and Waste	0.132	within CO		COM	EE&DS	
Rent budget realignment within services	0.090	within CA		CYP	EY, E&E	

Details	Net Amount £m	Department		Portfolio	
		From	To	From	To
Transitional relief adjustment on Business Rates	0.240	CO	Corporate	ACLT	FG&CC
	0.066			EE&DS	
	0.348			L,C&IT	
Commissioning realignment	0.227	CA	SR	ACLT	
Transfer of cultural grant	0.020	within CO		COM	L,C&IT
Digital Apprentice Role	0.021	within CO			FG&CC
HR realignment	0.009	within SR		H,HR&E	EE&DS
Levy Adjustment	0.050	within CO		R,S&C	FG&CC
Capital scheme funding	0.418	Corporate	DG	FG&CC	R,S&C
Operational realignment b/t Legal & IT	0.027	within SR		L,C&IT	EE&DS
Employee budget realignment b/t Leisure & IT	0.060	CO	SR	L,C&IT	
	<b>2.709</b>				

Department	Key
Children & Adults	CA
Commercial & Operations	CO
Development & Growth	DG
Strategy & Resources	SR

Portfolio	Key
Adult Care & Local Transport	ACLT
Communities	COM
Energy, Environment & Democratic Services	EE&DS
Children & Young People	CYP
Early Years, Education & Employment	EY,E&E
Finance, Growth & The City Centre	FG&CC
Housing, Planning & Heritage	HPH
Leisure, Culture & IT	L,C&IT
Regeneration, Safety & Communications	R,S&C
Health, HR & Equalities	H,HR&E

Scheme	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
<b>PUBLIC SECTOR HOUSING (APPROVED SCHEMES)</b>						
Rooftop Fan Project	0.211	0.000	0.000	0.000	0.000	<b>0.211</b>
Property Acquisition - RTB 1-4-1	5.727	6.732	8.729	8.729	0.000	<b>29.917</b>
Padstow Ridgeway New Build	0.000	0.000	4.893	4.893	4.893	<b>14.679</b>
Management Fee - Padstow	0.000	0.000	0.070	0.070	0.070	<b>0.210</b>
<b>TOTAL PUBLIC SECTOR HOUSING</b>	<b>5.938</b>	<b>6.732</b>	<b>13.692</b>	<b>13.692</b>	<b>4.963</b>	<b>45.017</b>
<b>GENERAL FUND (APPROVED SCHEMES)</b>						
<b>Education / Schools</b>						
Nethergate Academy Expansion	1.280	0.883	0.000	0.000	0.000	<b>2.163</b>
<b>Other Services</b>						
Alcohol Treatment Capital Fund	0.539	0.000	0.000	0.000	0.000	<b>0.539</b>
Beechdale Flood Alleviation	0.020	0.180	0.000	0.000	0.000	<b>0.200</b>
Control Centre Network Imps	0.021	0.000	0.000	0.000	0.000	<b>0.021</b>
Public Space CCTV	0.030	0.000	0.000	0.000	0.000	<b>0.030</b>
Opening Local Authority Transport Data	0.050	0.000	0.000	0.000	0.000	<b>0.050</b>
Colwick Marina pontoons	0.170	0.000	0.000	0.000	0.000	<b>0.170</b>
Harvey Hadden Track Improvements	0.108	0.000	0.000	0.000	0.000	<b>0.108</b>
14-22 Shakespeare Street	0.000	0.020	0.000	0.000	0.000	<b>0.020</b>
Southglade Park Improvements	0.000	0.004	0.000	0.000	0.000	<b>0.004</b>
Bilborough Park Improvements	0.000	0.021	0.000	0.000	0.000	<b>0.021</b>
Greens Mill Park	0.000	0.007	0.000	0.000	0.000	<b>0.007</b>
Whitemoor Park	0.000	0.014	0.000	0.000	0.000	<b>0.014</b>
Northern Cemetery	0.000	0.020	0.000	0.000	0.000	<b>0.020</b>
Greens Allotment & Marmion Park	0.000	0.029	0.000	0.000	0.000	<b>0.029</b>
Woodthorpe Park	0.000	0.106	0.000	0.000	0.000	<b>0.106</b>
Shipstone Street Play Area	0.000	0.017	0.000	0.000	0.000	<b>0.017</b>
Independent Street Park	0.000	0.027	0.000	0.000	0.000	<b>0.027</b>
Forest Recreation	0.000	0.006	0.000	0.000	0.000	<b>0.006</b>
Area 4 Trees (Bar 7)	0.000	0.044	0.000	0.000	0.000	<b>0.044</b>
Area 2 Trees (The Rowan)	0.000	0.061	0.000	0.000	0.000	<b>0.061</b>
Area 2 Trees (Nuthall)	0.000	0.005	0.000	0.000	0.000	<b>0.005</b>
Gabrielle Close Play Area Refurb	0.060	0.000	0.000	0.000	0.000	<b>0.060</b>
Sneinton Tenants Outreach Prog (Pocket Parks)	0.000	0.019	0.000	0.000	0.000	<b>0.019</b>
Dunkirk & Lenton CC (Pocket Park)	0.000	0.010	0.000	0.000	0.000	<b>0.010</b>
Colwick Country Park Footpath Imps	0.000	0.015	0.000	0.000	0.000	<b>0.015</b>
City Play Area Imps	0.000	0.010	0.000	0.000	0.000	<b>0.010</b>
Wollaton Hall Gallery (Stage 1)	0.932	0.688	0.466	0.000	0.000	<b>2.086</b>
Padstow Site Investigations	0.033	0.040	0.000	0.000	0.000	<b>0.073</b>
NCH E Loan - 100 Market Rented Properties	11.476	0.000	0.000	0.000	0.000	<b>11.476</b>
NCH E Loan - Forest Road	0.730	0.000	0.000	0.000	0.000	<b>0.730</b>
NCH E Loan - Arkwright Walk Ph1	2.193	0.000	0.000	0.000	0.000	<b>2.193</b>
NCH E Loan - Arkwright Walk Ph2	0.000	2.403	0.000	0.000	0.000	<b>2.403</b>
NCH E Loan - Clifton Triangle	0.000	3.284	0.000	0.000	0.000	<b>3.284</b>
NCH E Loan - Meadows Police Station	0.000	0.000	3.976	0.000	0.000	<b>3.976</b>
Replacement of Comms Infrastrucutre	1.350	0.000	0.000	0.000	0.000	<b>1.350</b>
Voice & Data Network	0.000	0.500	0.000	0.000	0.000	<b>0.500</b>
Heathcote Replacement Boilers	0.031	0.000	0.000	0.000	0.000	<b>0.031</b>
<b>TOTAL GENERAL FUND</b>	<b>19.023</b>	<b>8.413</b>	<b>4.442</b>	<b>0.000</b>	<b>0.000</b>	<b>31.878</b>
<b>TOTAL APPROVAL</b>	<b>24.961</b>	<b>15.145</b>	<b>18.134</b>	<b>13.692</b>	<b>4.963</b>	<b>76.895</b>



<b>Subject:</b>	Company Governance
<b>Corporate Director(s)/Director(s):</b>	Candida Brudenell – Corporate Director of Strategy and Resources Malcolm R. Townroe – Director of Legal and Governance
<b>Portfolio Holder(s):</b>	Councillor David Mellen, Leader of the Council
<b>Report author and contact details:</b>	Malcolm R. Townroe – Director of Legal and Governance
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
<b>(a)</b>	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
<b>(b)</b>	<input checked="" type="checkbox"/> Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital
<b>Total value of the decision:</b>	Nil
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	28 November 2019
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input type="checkbox"/>
Living in Nottingham	<input type="checkbox"/>
Growing Nottingham	x
Respect for Nottingham	<input type="checkbox"/>
Serving Nottingham Better	x
<b>Summary of issues (including benefits to citizens/service users):</b>	This report relates to the new arrangements that have been put into place in relation to Company Governance.
<b>Exempt information:</b>	None
<b>Recommendation(s):</b>	
<b>1</b>	To note and endorse the establishment by the Leader of the Companies Governance Executive Sub Committee and to endorse the terms of reference attached as Appendix A.
<b>2</b>	To note that meetings of the Companies Governance Executive Sub Committee will be quarterly or at such other frequency as shall be determined with the first meeting to be held at the rising of Executive Committee on 21 January 2020.
<b>3</b>	To endorse the approach regarding overall arrangements set out in paragraph 2.1 of this report.

**1    REASONS FOR RECOMMENDATION**

- 1.1 To formalise future arrangements for the governance of companies that are either wholly owned by the Council or where the Council has a controlling interest.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 In February 2019 Audit Committee considered a report regarding proposed arrangements for the governance of Council companies. Since then further work has been undertaken in order to finesse the proposals having regard to the changing landscape with regard to the number of companies that the Council either owns or has an interest in. The proposals now being put forward recognise that there is no “one size” fits all approach to company governance and that the Council’s engagement with each of its companies will need to be tailored to fit the individual circumstances.

The intention is to move to a position, whereby in relation to each company, the following arrangements are in place:-

- a) An appropriately tailored shareholder agreement or management agreement;
- b) A board structure that can best serve the needs and requirements of the individual companies having regard to the nature and remit of the particular company in question. This may include the appointment of independent board chairs, independent members and independent industry experts.
- c) An acceptance that the final decision on director appointments will sit with the Companies Governance Executive Sub Committee who in making any appointments will consider the potential for any conflicts of interest;
- d) A suitably qualified company secretary;
- e) An expectation that existing companies will actively and demonstrably consider utilising the Council’s back office services whenever and wherever possible. In relation to newly formed companies it is expected that this will happen as a matter of course;
- f) Provision of appropriate training for councillors appointed as directors to ensure that they fully understand the nature and extent of their duties and responsibilities;

## **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 To not establish the Companies Governance Executive Sub Committee – this option was rejected, as the Council needs to strengthen its company governance arrangements.

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

- 4.1 The arrangement proposed accords with best practice to ensure that the Council's strategic objectives are met across the group and to support the development of the Group in line with the Council's regulations and ambitions. Good governance guidance including the UK Corporate Governance Code and UK Stewardship Code recommend the above as good practice.
- 4.2 This action is also an important part of the Council's response to an external audit recommendation that it should ensure that a new group governance framework is in place.

Shail Shah, Head of Audit and Risk, 2 December 2019

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

- 5.1 There are no Crime and Disorder Act or Procurement implications arising out of the recommendations in this report. Any Legal implications are addressed in the body of the report.

Malcolm R Townroe, Director of Legal and Governance, 2 December 2019

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

- 6.1 There are no property implications arising out of the recommendations in this report.

**7 SOCIAL VALUE CONSIDERATIONS**

- 7.1 There are no social value considerations arising out of the recommendations in this report.

**8 REGARD TO THE NHS CONSTITUTION**

- 8.1 There are no health implications arising out of the proposals in this report.

**9 EQUALITY IMPACT ASSESSMENT (EIA)**

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

No

An EIA is not required because there are no equality impacts arising out of the proposals.

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

- 10.1 None

**11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

- 11.1 Report to Audit Committee – Governance of City Council Companies Update – 22 February 2019

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**Companies Governance Executive Sub Committee****Purpose**

To approve and oversee the Council's strategic objectives across the Nottingham City Council group of companies, and to support the development of the Group in line with the Council's regulations and ambitions.

**Responsibilities**

- To give direction to the Authority on the vision and ambition of the Council with reference to its commercial activities
- To review the implementation of the Council's commercial approach including its group companies in relation to the development of the companies and the group;
- To evaluate the impact of group companies and commercial activities on the achievement of the Council's strategic objectives;
- To approve group company structure proposals and other formal structures to protect the legal and commercial interests of the Council as shareholder, as identified for review in the annual work programme, and occasional urgent decisions not included in the work programme;
- To review, by exception, outcomes achieved and delivery against the Nottingham City Council company governance principles and approve measures taken to enable any deficiencies identified to be remedied;
- To take Key Decisions within its remit where appropriate.

**Accountability**

The Sub Committee is accountable to Executive Board.

**Frequency**

The Sub Committee will normally meet 6 times a year or at such other frequency as shall be determined.

**Composition**

Its membership comprises the Leader of the Council (who will act as chair), the Portfolioholder with responsibility for finance and 4 other Executive Councillors.

Standing invitations, with speaking but not voting rights, are made to the Chief Executive, the Monitoring Officer and the Strategic Director of Finance and representatives of the group companies.

The Sub Committee may invite any person it considers able to support its work to participate on a non-voting basis, either generally or in relation to specific strategies, projects and/or initiatives.

The quorum for this Committee has been fixed at 3.

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