



**Nottingham City Council  
Executive Board**

**Date:** Tuesday 20 July 2021

**Time:** 2:00pm

**Place:** The Ballroom, The Council House, Old Market Square, Nottingham, NG1 2DT

**Please see the information at the bottom of this agenda front sheet about the requirements for ensuring Covid-safety**

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

**Director for Legal and Governance**

**Governance Officer:** Adrian Mann

**Direct Dial:** 0115 8764468

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**All items listed under 'Exclusion of the Public' will be heard in private. These items have been included under this section of the agenda because no representations against hearing them in private were received.**

**Councillors, co-optees, colleagues and other participants must declare all disclosable pecuniary and other interests relating to any items of business to be discussed at the meeting. If you need any advice on declaring an interest in an item on the agenda, please contact the Governance Officer shown above before the day of the meeting, if possible.**

**In order to hold this meeting in as Covid-safe way as possible, all attendees are asked to follow current Government guidance and:**

- **remain seated and maintain distancing between seats through the meeting. Please also remember to maintain distancing while entering and leaving the room;**
- **wear face coverings throughout the meeting;**
- **make use of the hand sanitiser available and, when moving about the building, follow signs about traffic flows, lift capacities, etc.;**
- **comply with Test and Trace requirements by scanning the QR code at the entrance to the building and/or giving your name and contact details to the Governance Officer at the meeting.**

**Citizens attending the meeting should arrive at least 15 minutes before it starts, to be issued with visitor badges. Citizens are advised that this meeting may be recorded by members of the public. Any recording or reporting on this meeting should take place in accordance with the Council's policy on recording and reporting on public meetings, which is available at:**

**<https://www.nottinghamcity.gov.uk/your-council/about-the-council/council-meetings-decisions/recording-reporting-on-public-meetings>. Any person intending to record the meeting is requested to notify the Governance Officer shown above in advance.**

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## Nottingham City Council

### Executive Board

**Minutes of the meeting held at Tea Room - at the Council House on 22 June 2021 from 2.00 pm - 2.35 pm**

#### Membership

Present	Absent
Councillor David Mellen (Chair)	Councillor Sally Longford (Vice Chair)
Councillor Eunice Campbell-Clark	Councillor Cheryl Barnard
Councillor Neghat Khan	Councillor Rosemary Healy
Councillor Adele Williams	Councillor Rebecca Langton
Councillor Sam Webster	
Councillor Linda Woodings	

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

Councillor Kevin Clarke	
Councillor Andrew Rule	
Mel Barrett	- Chief Executive
Wayne Bexton	- Interim Corporate Director for Growth and City Development
Clive Heaphy	- Interim Corporate Director for Finance and Resources
Kate Morris	- Governance Officer

#### Call-in

Unless stated otherwise, all decisions are subject to call-in. The last date for call-in is 2 July 2021 Decisions cannot be implemented until the working day after this date.

### 8 Apologies for absence

Councillor Cheryl Barnard	- Leave
Councillor Rosemary Healy	- Personal
Councillor Rebecca Langton	- Work Commitments
Councillor Sally Longford	- Personal

Malcolm Townroe – Director of Legal and Governance

### 9 Declarations of interests

Councillors Eunice Campbell-Clark and Sam Webster declared an Other Disclosable Interest in agenda items 7 and 12, Benefits & Revenue Services for Nottingham (minute reference 14 and 19) because they are Council appointed Directors on the Board. They left the meeting prior to discussion and voting on these items.

In relation to agenda item 4 Eastside Draft Supplementary Planning Document, (minute reference 11), in the interests of transparency Councillor David Mellen stated that he was a Council appointed member of the Board of Blueprint, mentioned within the report, but this did not preclude him from speaking or voting on the item.

## **10 Minutes**

The minutes of the meeting held on 18 May 2021 were confirmed as a true record and were signed by the Chair.

## **11 Eastside Draft Supplementary Planning Document**

The Board considered the report of the Portfolio Holder for Housing, Planning and Heritage seeking approval to issue the Eastside Draft Supplementary Planning Document (SPD) for public consultation. The Portfolio Holder highlighted that the consultation period would be extended to 10 weeks to ensure that everyone who wanted to contribute to the consultation could do so, given that there are still Covid related restrictions in place. The following points were raised in discussion:

- (a) The SPD will allow the Council and developers to work together to protect the heritage of the area , as well as ensure that all new developments are environmentally sustainable;
- (b) The SPD will help to ensure developments maintain a mix of residential and student accommodation within the area, and, along with the Article 4 direction preventing conversion from residential to Houses of Multiple Occupancy, will protect the neighbouring areas of residential properties;
- (c) Street layout and public space will be enhanced with the use of section 106 monies from previous developments across the city. These payments are made at the end of the development and so section 106 monies from these developments will not be available at the time for the enhancements;

### **Resolved to:**

- (1) approve the Eastside Draft Planning Supplementary Planning document and to release it for a period of public consultation; and**
- (2) delegate authority to the Director of Planning and Regeneration to approve any minor changes (e.g typographical and grammatical) required to the Draft Supplementary Planning Document prior to consultation**

### **Reasons for decision**

The SPD provides planning guidance for the development of the Eastside area of the City. In line with planning regulations the document must be subject to public consultation for a period of no less than 4 weeks. The decision to extend the consultation period to 10 weeks will allow greater engagement whilst national restrictions are still in place.

The proposed SPD seeks to provide a range of good quality homes in the area with good connections to jobs and leisure whilst maintaining balance in the type of housing and ensuring high standards of environmental sustainability.

### **Other options considered**

Not producing the draft SPD was the only other option considered. This was rejected as it would lead to a lack of comprehensive planning guidance for the Eastside Area. It would fail to ensure the Council's development ambitions were met and without an SPD there is a danger that services and facilities would not meet the needs of citizens.

## **12 Disposal of the former Chingford Playing Field site, Bilborough for housing development - Key Decision**

The Board considered the report of the Portfolio Holder for Strategic Regeneration and Communications, and Leader of the Council seeking approval to declare surplus and sell on the open market the former Chingford Playing Field and the Housing Revenue account land previously occupied by 4 houses previously demolished as access to the site.

The Leader informed the Board that this land had previously been designated for building council homes, however this course of action was no longer suitable for the council to pursue and sale on the open market with capital receipt would better support Council plans.

The Portfolio Holder for Housing, Planning and Heritage highlighted that one third of the land will be maintained as public amenity and that any developer will be expected to enhance that offering.

### **Resolved to:**

- (1) declare surplus to operational requirements 0.173 acres (0.07 hectares) of HRA owned land on Chingford Road previously occupied by 4 houses which have now been demolished;**
- (2) agree the principle of selling Nottingham City Council's freehold interest in this site;**
- (3) delegate authority to the Corporate Director of Growth and City Development, in conjunction with the s151 officer and Director of Legal and Governance, in consultation with the Leader/Portfolio Holder for Strategic Regeneration, to agree the future Marketing Strategy and sale terms, including price; and**
- (4) delegate authority to the Corporate Director of Growth and City Development, in conjunction with the s151 officer and Director of Legal and Governance, in consultation with the Leader/Portfolio Holder for Strategic Regeneration, to approve any instructions and associated required expenditure prior to sale**

### **Reasons for decision**

This decision will ensure that the former playing field is brought back into use and contributes to the Council's plan to provide 4,000 new homes. Of the 150 new family homes provided 20% will be affordable homes.

This decision is in line with the Nottingham City Council Asset Management Strategy, aiming to dispose of surplus assets to generate capital receipt and reduce debt, in line with the Recovery and Improvement plan

### **Other options considered**

A number of different options have been considered and rejected. The first option was to develop the site directly. This was rejected due to constraints in the Council's current financial position and the need to obtain capital receipts for assets.

The second option was to do a procurement on the site. This approach is time intensive and would not be likely to maximise the capital receipt for the asset and so was rejected.

The last alternative option considered was to not sell the site. This would be a missed opportunity to contribute to the City's housing need and would mean forgoing capital receipt and so was rejected for those reasons.

## **13 Disposal of Haywood Playing Field - Key Decision**

The Board considered the report of the Portfolio Holder for Strategic Regeneration and Communications, and Leader of the Council, seeking approval to declare the former Haywood School Playing Field surplus and to make available for sale on the open market for residential development. The Leader highlighted that the site of the former school has already been developed and by making this land available for development the new houses would further contribute to the Council's plan to provide 4,000 new homes.

### **Resolved to:**

- (1) declare surplus to operational requirements 4.4 hectares of the former Haywood school playing fields west of Edwards Lane, Bestwood, which has been designated for residential development in the Local Plan Part 2 adopted in 2020;**
- (2) declare surplus for operational requirements Housing Revenue Account (HRA) land required to create vehicular access from Hartcroft Road as set out in the exempt appendix;**
- (3) accept the conditions of the Secretary of State for Education's consent to dispose of the freehold interest of the site and confirm compliance with the conditions as set out in the exempt appendix; and**
- (4) delegate to the Corporate Director of Growth and City Development, in conjunction with the s151 officer and Director of Legal and Governance, in consultation with the Leader/Portfolio Holder for Strategic Regeneration to agree the future Marketing Strategy and sale, including price.**

### **Reasons for decision**

The decision is in line with the Council's Asset Management Strategy and will generate a capital receipt to support the Council Capital Programme and reduce debt, both priorities of the Recovery and Improvement Plan.



The site will provide over 100 new homes of which 20% will be affordable housing. This will contribute to the Council Plan to provide more the 4,000 new homes for the city, and 1,000 affordable homes.

The delegations put in place will ensure that the terms of the sale can be agreed and the sale brought forward in a timely manner.

#### **Other options considered**

The other option considered was to not sell the site. This was rejected as it would be a missed opportunity to contribute to the city's housing needs and would mean forgoing a the capital receipt to be achieve on sale.

#### **14 Benefits & revenues services for Nottingham**

Councillors Eunice Campbell-Clarke and Sam Webster declared an Other Disclosable Interest in this item because they are Council appointed Directors of the company. They left the meeting prior to discussion and voting on this item.

The Board considered the report of the Leader of the Council, presented by the Portfolio Holder for Adults and Health seeking approval for a direct award of a contract to Nottingham Revenue and Benefits up to March 2025. This will allow the company to trade in a stable position until the review of the company is completed as set out by the Non Statutory Review. The following points were discussed:

- (a) There has been conflicting advice around the best options for the future of Nottingham Revenue and Benefits, with the Non Statutory review suggesting it should be brought in house and CIPFA indicating that it is appropriate to remain a separate company. The direct award of the contract for the period highlighted will allow the company to trade in a stable position and allow the Council room to make the decision about the future operating model;

#### **Resolved to:**

- (1) note the proposed review of NRB Ltd will be undertaken during Summer 2021 which will provide recommendations for the future operating model of the company;**
- (2) approve the direct award of a contract to NRB Ltd from 1November 2021 for a period of 17 months with the option to extend for 12 months (End March 2024) and then a further extension option of 12 months (End March 2025);**
- (3) note that performance measures of the existing contract will not be changed within the new contract award.**
- (4) delegate authority to the Corporate Director of Finance & Resources to award the contract between Nottingham City Council and Nottingham Revenues & Benefits Ltd on the basis that the criteria as laid out in Recommendation 1 are met.**

**(5) approve the financial inclusion of this decision in the budget process for 2021/22 and 2022/23.**

**Reasons for decision**

The award of the contract will ensure that vital services continue to be delivered to citizens of Nottingham without interruption. It also provides stability for the company in the short terms whilst giving the Council room to ensure that fully informed long-term decisions are made around its future operating model.

**Other options considered**

The first alternative option considered was to do nothing. This was rejected as it would result in the end of the contract and the need for Nottingham city Council to provide the services. This would have been led to disjointed and disrupted services for citizens as the service was moved in house. NRB would exist as a company but with no income and would significantly impact company staff.

The second option considered was to outsource the contract to the Market. This option will be considered as part of the long term review of the service but has been discounted at present. This option could not be realistically achieved by the end of the contract in October 2021 as the open tender process would be time intensive.

Councillors Eunice Campbell-Clarke and Sam Webster returned to the room.

**15 Enviroenergy Ltd - Options for continuation of the legal entity - Key Decision**

The Board considered the report of the Portfolio Holder for Energy, Environment and Waste Services, presented by the Portfolio Holder for Housing, Planning and Heritage in her absence. The report seeks a decision on the long term future of the legal entity, EnviroEnergy LTD, that facilitates district heating provision in the City. The following points were highlighted in discussion:

- (a) The Council have been the sole owner of EnviroEnergy LTD since 2001 and have provided low carbon, low cost energy and heating to some of the most deprived areas in Nottingham as well as to commercial customers since that time;
- (b) Although the company is a separate legal entity the Council own the district heating network and customer care is provided by the Council. The Council benefits from £5million savings per annum on waste disposal thanks to a competitive deal with FCC who run the incinerator;
- (c) The network is almost 50 years old and in need of major investment to update it. This needs to take place by 2030 and to ensure that this can happen EnviroEnergy needs to be brought in house. Removing the separate legal entity allows Nottingham City Council to invest in the network without risking partial VAT exemption penalties;
- (d) The removal of the separate legal entity will not impact on the service provided to customers.

**Resolved to:**

- (1) approve the transfer of all property, rights and liabilities in the Enviroenergy business to the City Council subject to the following conditions being met:**
  - a. A satisfactory outcome of the legal and financial due diligence which confirms that the business formerly operated by Enviroenergy can be operated by the City Council within the constraints of the MTFP**
  - b. Confirmation that the City Council is able to operate the business formerly operated by Enviroenergy, and**
  - c. Confirmation that following the transfer of assets and liabilities to the Council, that the company can be solvently liquidated.**
  
- (2) delegate authority to the Chief Executive in consultation with the Corporate Director for Finance and Resources and the Director for Legal and Governance to agree the contract to transfer the business of Enviroenergy to the City Council subject to the conditions above being met to their satisfaction.**
  
- (3) delegate authority to the Corporate Director for Finance and Resources to undertake a solvent liquidation of the Enviroenergy Company in consultation with the Portfolio Holder for Finance and Resources subject to a successful transfer as described above.**
  
- (4) approve the cost of £0.5m from funds earmarked for Transformation for the appointment of additional resources as set out in the report to undertake the due diligence and successfully transfer the business to the City Council.**

**Reasons for decision**

Following the statutory review as per the Recovery and Improvement Plan it has become apparent that the use of an arms length company to operate and manage the Council owned district heating System will not achieve best value for money and that alternative structures will maximise value without impacting on customers.

Professional, external advice recommends that in order to continue to benefit from the VAT recovery the Council is currently able to use the provision of activities provided by EnviroEnergy should be moved in house as a Council Service.

The managed closure of the legal entity will ensure continuity of service for customers. It will also ensure that final pressures on the company and subsequently the Council will be avoided as well as removing the risk of adverse impact on the recoverable VAT across Council services.

**Other Options Considered**

Doing nothing and continuing with EnviroEnergy as a separate legal entity was considered however this would not give best value for money, and would impact on VAT across the Council leading to financial pressures. For this reason this option was rejected

Another option considered was the transfer of district heating activities to the Council leaving the private wire network as a separate legal entity. Although this would help

with the short term VAT pressures it would fragment the business and impact on the potential for future investment and funding from government. It would duplicate costs for management of the separate services and for these reasons this option was rejected.

## **16 Exclusion of the public**

The Board decided to exclude the public from the meeting during consideration of this/ the remaining agenda 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 outweighed the public interest in disclosing the information, as defined in Paragraph(s) 3 and 5 of Part 1 of Schedule 12A to the Act

## **17 Disposal of the former Chingford Playing Field site, Bilborough for housing development - Exempt Appendix**

The Board considered the exempt appendix to the report on the Disposal of the former Chingford Playing Field Site for Housing development and noted its contents.

## **18 Disposal of Haywood Playing Field - Exempt Appendix**

The Board considered the exempt appendix to the report on the Disposal of the Haywood Playing Field and noted its contents.

## **19 Benefits & revenues services for Nottingham - Exempt Appendix**

Councillors Eunice Campbell-Clark and Sam Webster declared an Other Disclosable Interest in this item because they are Council appointed Directors of the company. They left the meeting prior to discussion.

The Board considered the exempt appendix to the report on Benefits and revenue services for Nottingham and noted its content.

Councillors Eunice Campbell-Clark and Sam Webster returned to the room.

## **20 Enviroenergy Ltd - Options for continuation of the legal entity - Exempt Appendices**

The Board considered the exempt appendices to the report on EnviroEnergy – Options for continuation of the legal entity. Following discussion detailed in the exempt minutes they noted their content.

**Executive Board  
20 July 2021**

<b>Subject:</b>	Treasury Management 2020/21 Annual Report
<b>Corporate Director(s)/Director(s):</b>	Clive Heaphy, Interim Corporate Director of Finance and Resources and Section 151 Officer
<b>Portfolio Holder(s):</b>	Sam Webster, Portfolio Holder for Finance and Resources
<b>Report author and contact details:</b>	Theresa Channell, Head of Strategic Finance and Deputy Section 151 Officer 0115 8764157, <a href="mailto:theresa.channell@nottinghamcity.gov.uk">theresa.channell@nottinghamcity.gov.uk</a> Glyn Daykin, Senior Accountant – Treasury Management 0115 8763724, <a href="mailto:glyn.daykin@nottinghamcity.gov.uk">glyn.daykin@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	Members of Treasury Management Panel: Clive Heaphy, Interim Corporate Director of Finance and Resources Theresa Channell, Head of Strategic Finance Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader Glyn Daykin, Senior Accountant – Treasury Management
<b>Subject to call-in:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>Key Decision:</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>Criteria for Key Decision:</b>	
(a) <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) 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 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> Throughout the year	
<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"/>

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

This report sets out the 2020/21 performance in respect of the management of the Council's external debt and investments (i.e., treasury management). The key issues are:

- the balance of external loan debt decreased by £141.8m to £932.7m, with a corresponding increase to the level of internal borrowing (see section 4.3);
- the average rate of interest payable on the debt portfolio increased from 3.138% at 31 March 2020 to 3.379% at 31 March 2021 (see section 4.3);
- the average rate of interest earned on short-term investments in 2020/21 was 0.383%. This is benchmarked against the 7-day London Inter-bank (LIBID) rate provided by the Bank of England, which averaged -0.071% for the same period (see section 4.7);
- the actual General Fund Treasury Management expenditure budget was £84.758m (see section 5.1);
- there were no breaches of the Prudential Indicators in 2020/21 (see section 4.9);
- PWLB rates reduced for new loans and the HM Treasury have published new PWLB lending arrangements which prohibit capital expenditure on 'debt for yield' schemes (see section 4.12.1);
- CIPFA released their proposed changes to the Prudential Code and Treasury Code for consultation with updated guidance expected to be issued by the end of 2021 (see section 4.12.2).

**Exempt information:** None

**Recommendation(s):**

- 1** To note the performance information in relation to Treasury Management for 2020/21.

## **1 Reasons for recommendations**

- 1.1 The treasury management function is governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the City Council must have regard to the CIPFA Prudential Code and the CIPFA Code of Practice. Under the latter Code, an annual report is required to be submitted to and considered by councillors.
- 1.2 The Council's Treasury Management Strategy for 2020/21 was approved by full Council on 9 March 2020.
- 1.3 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

## **2 Background (including outcomes of consultation)**

### **2.1 Treasury Management**

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure

this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising 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 the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined 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."

2.2 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead. Receipt by Executive Board of a Mid-year Review Report and an Annual Report, covering activities during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

2.3 This Annual report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the 2020/21 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, and prudential indicators;
- A review of the Council's investment portfolio for 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of any debt rescheduling undertaken during 2020/21;
- A review of compliance with Treasury and Prudential Limits for 2020/21.

### **3 Other options considered in making recommendations**

- 3.1 Options for management of the Council's debt and investment portfolio are continually reviewed. The overall aim is to minimise the net revenue costs of our debt whilst maintaining an even debt profile in future years and to maximise investment returns within stated security and liquidity guidelines.

### **4 Treasury Management Activity in 2020/21**

#### **4.1 The UK Economy, Growth, Monetary Policy and Inflation:**

- 4.1.1 The outbreak of the Coronavirus led to the first national lockdown in late March 2020 and resulted in an economic downturn that exceeded the one caused by the financial crisis of 2008/09. The advent of vaccines starting in November 2020 has laid the foundations hopefully to lead to a return to something approaching normal life during the second half of 2021. This has been instrumental in the reopening of the economy and for the UK economy be forecast to recover its pre-pandemic level of economic activity during quarter 1 of 2022.

The Monetary Policy Committee (MPC) cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn increase in the programme of quantitative easing QE (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields) which was again increased several times later in the year totalling £895bn by November. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; although this was firmly discounted at the February 2021 MPC meeting based on signs of a faster paced economic recovery.

Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but be a temporary short lived factor and so is not currently a concern to the MPC.

- 4.1.2 Government Support: The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures, and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit significantly increasing in 2020/21 and 2021/22 so that the Debt to GDP ratio is expected to reach around 100%.

**Appendix 3** shows the money market interest rates and the Public Works Loans Board (PWLb) borrowing rates for 2020/21.

#### **4.2 Local Context**

- 4.2.1 During 2020-21 the Government commissioned a non-statutory review of the Council with the findings published on the 17 December. The published review highlighted the level of risk and the 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; which directed a review of the 2021-22 Capital Strategy and Treasury Management Strategy 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 reduce the level of debt held by the Council. These strategies were approved by Full Council on 9 March 2021.

4.2.2 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no impact on the Council’s borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources based on robust financial modelling, the capital expenditure will give rise to a borrowing need, however this route is strictly limited by the Capital Strategy.

4.2.3 The CFR is a gauge of the Council’s indebtedness and results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2020/21 unfinanced capital expenditure, and prior years’ net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

At 31 March 2021 the Council’s underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £1,411.2m.

Table 1 below shows the original and the actual financing arrangements of the capital programme. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need will also be increased by maturing debt and other treasury requirements.

<b>TABLE 1: CAPITAL EXPENDITURE</b>	<b>2020/21 Original Estimate £m</b>	<b>2020/21 Mid-year Estimate £m</b>	<b>2020/21 Actual £m</b>
<b>Total capital expenditure</b>	<b>218.513</b>	<b>230.021</b>	<b>149.969</b>
<b>Financed by:</b>			
<b>Capital receipts</b>	<b>20.107</b>	<b>24.278</b>	<b>11.930</b>
<b>Capital grants &amp; Contributions</b>	<b>43.833</b>	<b>66.359</b>	<b>37.119</b>
<b>Internal Funds / Revenue (inc. Major Repairs Reserve)</b>	<b>37.902</b>	<b>31.907</b>	<b>19.168</b>
<b>Total financing</b>	<b>101.842</b>	<b>122.544</b>	<b>68.217</b>
<b>Borrowing requirement</b>	<b>116.671</b>	<b>107.477</b>	<b>81.752</b>

Note to table: Original estimate was Q3 2019/20 used for the 2020/21 Treasury Management Strategy Report.

As part of the Recovery & Improvement Plan the council undertook full review of its capital programme and the early impact of the review and the changes to the Capital Strategy including a Debt Reduction Policy are reflected in the table above.

The reduction in capital expenditure against previous estimates has multiple elements, a reduction of forecast spend due to the review of capital program including the delay/cancellation of some major schemes, slippage of planned 2020/21 expenditure into 2021/22 and an element of increased expenditure against the original forecast due to slippage on capital projects that had expenditure originally forecast to have been incurred in 2019/20. The associated financing of the slippage schemes that remained in the program has been moved from 2019/20 to the 2020/21 and from 2020/21 to 2021/22.

- 4.2.4 The Council's 2020/21 strategy was to maintain an under-borrowed position and continue to utilise short term loans at low interest rates. During 2020/21 the capital program was reviewed which led to major schemes being delayed or removed which is reflected in the capital spend for the year and the lower than forecast borrowing requirement for the year.

The 2020/21 cash position was higher than forecast on the receipt of Government Covid support grants and there was a major downward change in the economic forecast and forecast interest rates following the Covid 19 outbreak and so further long term borrowing was delayed whilst available cash balances were utilised.

### 4.3 **Borrowing**

- 4.3.1 To finance the CFR (the Capital Financing Requirement), the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing), utilising cash balances not immediately needed for services. The balance of external and internal borrowing is generally driven by market conditions.

- 4.3.2 During 2020-21, the Council published a Recovery & Improvement Plan (RIP) and completed a full review of the capital program and Capital Strategy with a view to reducing the CFR and debt balances going forwards. To support the aims of the RIP and as a response to the change in forecast interest rates maturing loans were repaid without replacement during the year and the existing under-borrowed position was increased. This meant that the capital borrowing need, was not fully funded with external loan debt. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

- 4.3.3 Total outstanding loans debt in 2020/21 decreased by £141.8m to £932.7m as at 31 March 2021. The total long term debt decreased by £26.3m and the temporary borrowing decreased by £115.5m as at 31 March 2021. The portfolio at April 2020 included short term loans taken to manage liquidity risk due to outbreak of Covid-19. These were repaid following the Covid-19-related Government support payments that removed the liquidity risk. The average rate of interest on total loan debt increased, from 3.138% at 31 March 2020 to 3.379% at 31 March 2021 due to repayment of the temporary borrowing element of the portfolio, at the same time the

long term debt average rate continued to decrease. **Table 2** below analyses the debt portfolio:

<b>TABLE 2: DEBT PORTFOLIO</b>					
	<b>01-Apr-20</b>		<b>31-Mar-21</b>		<b>Movement</b>
<b>DEBT</b>	<b>£m</b>	<b>Average Interest %</b>	<b>£m</b>	<b>Average Interest %</b>	<b>£m</b>
PWLB borrowing	892.8	3.399	866.5	3.387	-26.3
Market loans inc LOBO	49.0	4.348	49.0	4.348	0
Temporary borrowing & other	132.7	0.933	17.2	0.219	-115.5
<b>TOTAL LOANS DEBT</b>	<b>1074.5</b>	<b>3.137</b>	<b>932.7</b>	<b>3.379</b>	<b>-141.8</b>
Other inc PFI	191.4		181.3		-10.1
<b>TOTAL DEBT</b>	<b>1265.9</b>		<b>1114.0</b>		<b>-151.9</b>

4.3.4 In 2020/21 the Council did not take any further long term borrowing from the Public Works Loans Board (PWLB). The HRA borrowed a further £16m maturity loan for 30 years fixed at 2.55% from the General Fund.

4.3.5 Following the liquidity issues in February – April 2020, the local authority temporary loan market became extremely liquid and affordable as the Government Covid support packages were announced and cash was distributed to the local economy much of this via local authorities.

As a result the need for new borrowing was reduced. In 2020-21 £136.5m of new loans were borrowed at an average rate of 0.246% and an average life of 100 days this total includes the replacement of maturing loans. The Council's outstanding balance of temporary loans has decreased by £115.5m with the debt portfolio showing £17.2m outstanding as at 31 March 2021.

The reduction in temporary loans reflects the maturing loans being repaid without replacement during the second half of the year as Covid related cash flows including reductions in council income streams began to be clearer and forecasted for the coming months.

4.3.6 The Council's under-borrowed position has increased by £181.4m in 2020-21 as borrowing has been repaid upon maturity without replacement. The majority of this was the short-term term borrowing taken and used/held for liquidity at the end of the last financial year to mitigate liquidity risks caused by Covid-19.

The Internal Borrowing as at 31 March 2021 was £297m. This meant that c.24% of the overall capital borrowing need including prior year capital expenditure, but excluding PFI liabilities (known as the Underlying Borrowing Requirement or Loans Capital Financing Requirement), was not funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as a temporary measure. This strategy was prudent as new investment returns were extremely low and counterparty risk was still an issue that needed to be considered.

The strategy of using internal borrowing avoids interest payable on external borrowing in the short term until actual new borrowing is taken or the borrowing requirement reduces (reducing CFR) for example £300m borrowing would cost around £7m per year using an interest rate of 2.33% and a 25 year maturity loan profile (2.33% was average PWLB rate for 2020-21 for 25 years loans which broadly represents the debt portfolio's weighted average life).

4.3.7 **Appendix 3** shows the Money Market and borrowing interest rates during 2020/21. The global outlook for growth now also looks to be weakened but has started to recover as the long term economic impact of Covid-19 is beginning to unfold. Treasury yields fell sharply during 2020-21 and gilt yields / PWLB rates also fell and are expected to rise gradually in 2021-22.

4.3.8 The interest equalisation reserve has been maintained to mitigate the risk of unexpected rises in interest rates with c.£8.4m ring-fenced to smooth the impact of further increasing the proportion of fixed rate long term loans and/or reducing the internal borrowing position.

#### 4.4 **Lender Option Borrower Option (LOBOs)**

4.4.1 The Council holds £34.000m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £19.000m of these LOBO loans had options during the year, none have been exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

4.4.2 The council previously held LOBO loans with Barclays Bank, but in 2016/17 the Bank cancelled all the embedded options within the loans. This effectively converted the £15m of Barclays LOBO loans to fixed rate loans removing the uncertainty on both interest cost and maturity date.

#### 4.5 **Debt Rescheduling**

4.5.1 The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt made rescheduling unviable for the loans in the Council's portfolio. No rescheduling activity was undertaken as a consequence.

#### 4.6 **Housing Revenue Account (HRA) Borrowing**

4.6.1 From 1 April 2002, the Council's HRA was allocated a separate debt portfolio based on the appropriate proportion of the Councils existing debt at that time. Based on a forecast HRA CFR the HRA fixed £16m of new long term fixed rate borrowing from the General Fund. This loan is fixed for 30 years at 2.55% (based on the equivalent PWLB loan rate at 01 April 2020) with a full year interest cost of £0.408m per annum. By using long term fixed rate loans the HRA gains cost certainty and removes the exposure to increases in long term interest rates for the borrowing requirement in the HRA CFR.

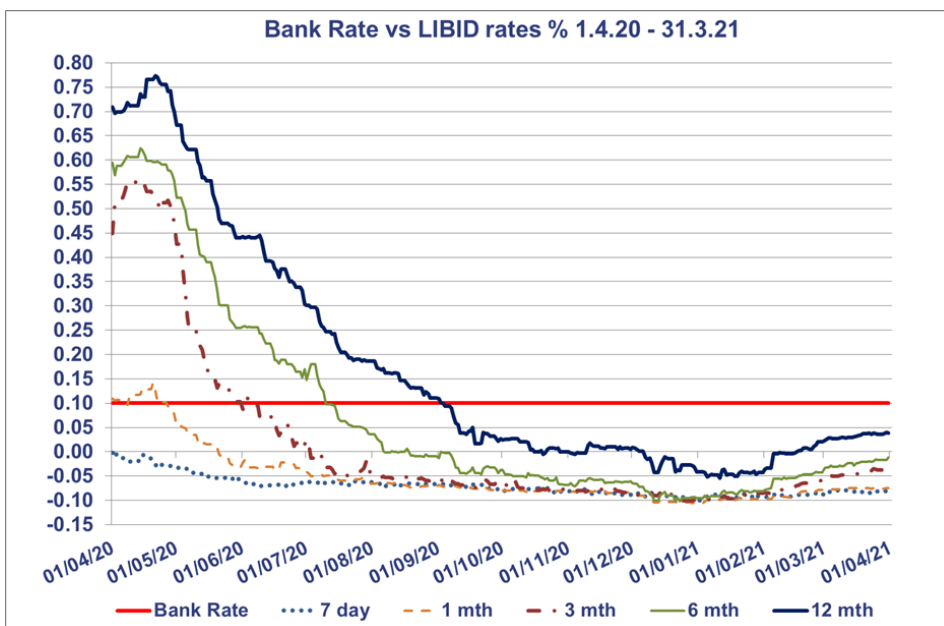
4.6.2 The HRA element of the CFR was £298.0m as at 31 March 2021 and is fully financed at an average rate of 4.49%. This includes £53.161m of long term fixed rate loans from the General Fund (known as internal loans). The HRA interest charge for 2020/21 was £13.4m.

4.6.3 In October 2018 the Government announced the HRA debt cap was to be abolished, but the now notional cap has been retained as a useful indicator shown in **Appendix 1**. Any capital expenditure financed by borrowing would need to comply with the requirements of the CIPFA prudential code including ensuring the scheme was affordable, sustainable and in proportion to the resources available.

#### 4.7 Investments

4.7.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

4.7.2 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.



4.7.3 The council has had increased cash and investment balances during 2020/21 averaging £135.6m as Covid related Government grants were received and used/distributed throughout the year.

The council has continued to limit its exposure to bank credit risk by using short term bank notice accounts and utilising highly diverse and liquid money market funds. During the year the investment portfolio benefited from existing longer term deposits placed with other local authorities prior to 2020/21 at fixed interest rates however these are gradually maturing during 2021/22 & 2022/23 with much lower rates now on offer.

4.7.4 The Council held £150.6m of investments as at 31 March 2021 (£129.0m at 31 March 2020) and the investment portfolio yield for the year was 0.383% against a benchmark (Average 7-day LIBID) of -0.071%. The negative average 7-day London interbank bid rate (LIBID) is a reflection of the recent fall into negative territory for very short term deposits. LIBID as benchmark is likely to be replaced with sterling overnight index average % (SONIA) in 2021 with details to be provided once they are available.

**Table 3** below summarises investment activity in 2020/21.

<b>Table 3 - Investment Activity for 2020/21</b>	Balance on 01/04/2020 £m	Balance on 31/03/2021 £m	Avg Rate / Yield (%) Avg days to maturity as at 31/03/2021
Short term Investments (call accounts, deposits)			
- Banks and Building Societies with ratings of A- or higher	20.0	20.0	0.28% / 109
- Local Authorities	25.0	85.0	0.22% / 83
Long term Investments	10.0	10.0	0.63% / 410
Money Market Funds	74.0	35.6	0.03% / 1
<b>TOTAL INVESTMENTS</b>	<b>129.0</b>	<b>150.6</b>	<b>0.21% / 89</b>
- Increase/ (Decrease) in Investments £m		21.6	

4.7.5 The council has retained its use of instant access money market funds with the dual benefit of increased diversity and a credit rating of AAAM.

4.7.6 The investment activity during the year remained within the approved limits in the Investment strategy for 2020/21.

4.7.7 **Appendix 2** provides details of the Council's external investments at 31 March 2021, analysed between investment type and individual counterparties showing the Fitch long-term credit rating.

#### 4.8 External advisors

4.8.1 External treasury management advisors are retained to provide additional input on treasury management matters. The service comprises economic and interest rate

forecasting, advice on strategy, portfolio structure, debt restructuring, investment policy and credit ratings and technical assistance on other matters, as required.

4.8.2 The council has retained Link Group as its treasury management advisors.

#### 4.9 Compliance with Prudential Indicators

4.9.1 The Council confirms compliance with its Prudential Indicators for 2020/21 set on 9 March 2020 as part of the Council's Treasury Management Strategy Statement. The Prudential Indicators can be found in **Appendix 1**.

4.9.2 The Council measures and manages its exposures to treasury management risks using the following indicators.

4.9.3 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The limits variable rate interest rate exposures are:

	2019/20 £m	2020/21 £m	2021/22 £m
Upper limit on variable interest rate exposure	300	350	300
Actual	168.9	48.1	

4.9.4 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper	Actual
Under 12 months	0%	25%	4%
12 months and within 24 months	0%	25%	3%
24 months and within 5 years	0%	25%	8%
5 years and within 10 years	0%	25%	16%
10 years and within 25 years	0%	50%	7%
25 years and within 40 years	0%	50%	31%
40 years and above	0%	50%	31%

4.9.5 **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2019/20 £m	2020/21 £m	2021/22 £m
Limit on principal invested beyond year end	100	100	100
Actual	10	10	

4.9.6 **Operational Boundary and Authorised Limit for External Debt:** The operational boundary is based on the Council’s estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	2020/21 Original Estimate £m	2020/21 Max Debt in year £m
Borrowing	1,112.8	1,074.5
Other Long-term Liabilities *	181.8	191.4
Total External Debt	1,294.6	1,265.9
Operational Boundary	1,521.9	
Authorised Limit	1,551.9	

\* Includes PFI and Leases liabilities

#### 4.10 Treasury Management Reserve

4.10.1 The Treasury Management Reserve is maintained to smooth the impact of any volatility in treasury management revenue charges in any one year including new technical accounting entries relating to IFRS 9 (which stipulates the treatment of expected loss model based impairments on Treasury related investments and capital investments such as loans to third parties and financial guarantees).

A reserve is maintained for interest equalisation specifically to balance the risk of having to secure new long term loans at higher interest rates than anticipated including the unwinding of internal borrowing position detailed in section 4.3.

There was a total of **£7.866m** of transfers to reserves relating to treasury management activity. The balance on these reserves at 31 March 2021 is **£20.163m**. There was **£4.024m** budget transfer to the MRP Transformation of Services reserve as part of the planned transfer as per the prior year decision to change MRP policy.

In 2020/21 further technical adjustments totalling £16.467m were made to account for the annual impairment review on non-treasury investments and financial guarantees as at 31 March 2021 under the IFRS 9 requirements.

There was no expected loss impairment made to treasury investments.

#### 4.11 Risk Management

4.11.1 Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury



management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is maintained for the treasury function.

4.11.2 The treasury management risk register's overall risk rating at 31 March 2021 was 6.58, Likelihood = possible, Impact = moderate is the same rating as at 31 March 2020 and remains over targeted risk rating. The risk rating reflects risks around the impacts of Covid-19, the working from home arrangements and the changes to the PWLB lending arrangements. The Treasury Management working group continue to manage this risk and take appropriate actions as required.

#### 4.12 Other Issues

4.12.1 HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019/20 without any prior warning. The first took place on 9 October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11 March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and 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)

There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

4.12.2 CIPFA have released proposed changes to the current Treasury Management Code and Prudential Code. Both sets of proposed changes were subject to a period of consultation which closed on 12 April 2021, with a planned publication of the revised guidance expected towards the end of 2021. 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 Finance colleague comments (including implications and value for money/VAT)**

### **5.1 General Fund Revenue Implications**

5.1.1 Revenue costs associated with borrowing and lending can be volatile, being affected by a number of factors including movements in interest rates, the timing of capital spending, the extent of reserves held and actual cash flows during the year.

5.1.2 The General Fund outturn in 2020/21 for treasury management costs was £84.758m comprising of interest charges less receipts, provisions for the repayment of debt, IFRS 9 expected loss allowances and PFI related expenditure. A proportion of the Council's debt relates to capital expenditure on council housing and £13.397m of these costs was charged to the HRA. The PFI expenditure accounted for £29.926m which includes the NET lines 1 & 2.

The General Fund costs of £84.758m gave a nil variance which is included within the General Fund Corporate Budget Outturn Report on this Executive Board agenda.

### **5.2 Value for Money**

5.2.1 Management of borrowing and investments is undertaken in conjunction with our appointed advisors, with the aim of minimising net revenue costs, maintaining an even debt maturity profile and ensuring the security and liquidity of investments.

Advice provided by Glyn Daykin and Sue Risdall, Technical Accounting, on 28 May 2021.

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

6.1 None.

## **7 Strategic Assets and Property colleague comments (for decisions relating to all property assets and associated infrastructure)**

7.1 Not applicable.

## **8 Social value considerations**

8.1 Not applicable.

## **9 Regard to the NHS Constitution**

9.1 Not applicable.

## **10 Equality Impact Assessment (EIA)**

10.1 A EIA is not required because the report contains no proposals for a new or changing policy, service or function.

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

11.1 None.

## **12 Published documents referred to in this report**

12.1 Treasury Management Strategy 2020/21 and Capital Investment Strategy 2020/21

12.2 Treasury Management Strategy 2021/22 and Capital Investment Strategy 2021/22

12.3 Nottingham City Council Recovery & Improvement Plan

12.4 Money Market and PWLB loan rates

12.5 Treasury Management in the Public Services Code of Practice 2017–CIPFA

12.6 Prudential Code 2017-CIPFA

12.7 Treasury Management in the Public Services Guidance Notes 2018 – CIPFA

12.8 Statutory guidance on local government investments 3rd Edition 2018

12.9 Statutory guidance on Minimum Revenue Provision (MRP) 2018

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PRUDENTIAL INDICATORS

Appendix 1

INDICATORS	2019/20 Actual	2020/21 Estimate	2020/21 Outturn
<b>1) Prudence indicators</b>		Per TMSS 20/21	
<b>i) Capital Expenditure</b>			
General Fund	£127.9m	£158.9m	£112.5m
HRA	£43.8m	£59.6m	£37.5m
	<b>£171.7m</b>	<b>£218.5m</b>	<b>£150.0m</b>
<b>ii) CFR at 31 March</b>			
General Fund	£898.1m	£1,027.3m	£931.9m
HRA	£292.5m	£312.8m	£298.0m
PFI notional 'debt'	£191.4m	£181.8m	£181.3m
	<b>£1382.0m</b>	<b>£1,521.9m</b>	<b>£1,411.2m</b>
<b>iii) External Debt at 31 March</b>			
Borrowing	£1,074.5m	£1,112.8m	£931.9m
PFI & leasing notional 'debt'	£191.4m	£181.8m	£181.3m
<b>Gross debt</b>	<b>£1,265.9m</b>	<b>£1,294.6m</b>	<b>£1,114.1m</b>
Less investments	£(129.0)m	£(71.9)m	£(150.6)m
<b>Net Debt</b>	<b>£1,136.9m</b>	<b>£1,133.4m</b>	<b>£963.5m</b>
<b>2) Affordability indicators</b>			
<b>i) Financing costs ratio</b>			
General Fund	16.66%	17.97%	17.63%
General Fund (Inc PFI costs)	25.81%		27.25%
HRA	13.60%	14.43%	14.06%
	<b>Max in year</b>		<b>Max in year</b>
<b>ii) Authorised limit for external debt</b>	£1,265.9m	£1,551.9m	£1,265.9m
<b>iii) Operational limit for ext. debt</b>	£1,265.9m	£1,521.9m	£1,265.9m
<b>iv) HRA limit on indebtedness</b>			
HRA Debt Cap (abolished)	£319.8m	£319.8m	£319.8m
HRA CFR	£292.5m	£312.8m	£298.0m
<b>3) Treasury Management indicators</b>			
<b>i) Limit on variable interest rates</b>	£168.9m	£350.0m	£48.1m
<b>ii) Fixed Debt maturity structure</b>			
- Under 12 months	14%	0-25%	4%
- 12 months to 2 years	2%	0-25%	3%
- 2 to 5 years	8%	0-25%	8%
- 5 to 10 years	14%	0-25%	16%
- 10 to 25 years	8%	0-50%	7%
- 25 to 40 years	23%	0-50%	31%
- 40 years and above	31%	0-50%	31%
	<b>Max in year</b>		<b>Max in year</b>
<b>iii) Max sum invested for &gt;365 days</b>	£0m	£100.0m	£10m

NOTES TO THE SCHEDULE OF PRUDENTIAL INDICATORS

## 1) **Prudence Indicators**

- i) *'Estimate of total capital expenditure'* – a “reasonable” estimate of total capital expenditure to be incurred, split between the General Fund and the HRA.
  - This estimate takes into account the current approved asset management and capital investment strategies.
- ii) *'Capital financing requirement' (CFR)* – this figure constitutes the aggregate amount of capital spending which has not yet been financed by capital receipts, capital grants or contributions from revenue, and represents the underlying need to borrow money long-term. An actual figure at 31 March each year is required.
  - This approximates to the previous Credit Ceiling calculation and provides an indication of the total long-term debt requirement.
  - The figure includes an estimation of the total debt brought 'on-balance sheet' in respect of PFI schemes and finance leases.
- iii) *'External debt'* - the actual level of gross borrowing (plus other long-term liabilities, including the notional debt relating to on-balance sheet PFI schemes and leases) calculated from the balance sheet.

## 2) **Affordability Indicators**

- i) *'Ratio of financing costs to net revenue stream'* – expresses the revenue costs of the Council's borrowing (interest payments and provision for repayment) as a percentage of 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 revenue raised from the Workplace Parking Levy.
  - These indicators show the impact of borrowing on the revenue accounts and enable a comparison between years to be made. The increase in the General Fund ratio reflects the falling grant from government and the impact of the extension of the NET capital scheme, funded from specific Government grant and the Workplace Parking Levy income streams.
- ii) *'Authorised limit for external debt'* – this represents the maximum amount that may be borrowed at any point during the year.
  - This figure allows for the possibility that borrowing for capital purposes may be undertaken early in the year, with a further sum to reflect any temporary borrowing as a result of adverse cash flow. This represents a 'worst case' scenario.
- iii) *'Operating boundary for external debt'* – this indicator is a working limit and represents the highest level of borrowing is expected to be reached at any time during the year - It is recognised that this operational boundary may be breached in exceptional circumstances.

- iv) *'HRA limit on indebtedness'* – from 1 April 2012, a separate debt portfolio has been established for the HRA. The MHCLG have now abolished the 'cap' on the maximum level of HRA debt, but this indicator shows the notional difference between this limit and the actual HRA CFR i.e. notional headroom available for future new borrowing.

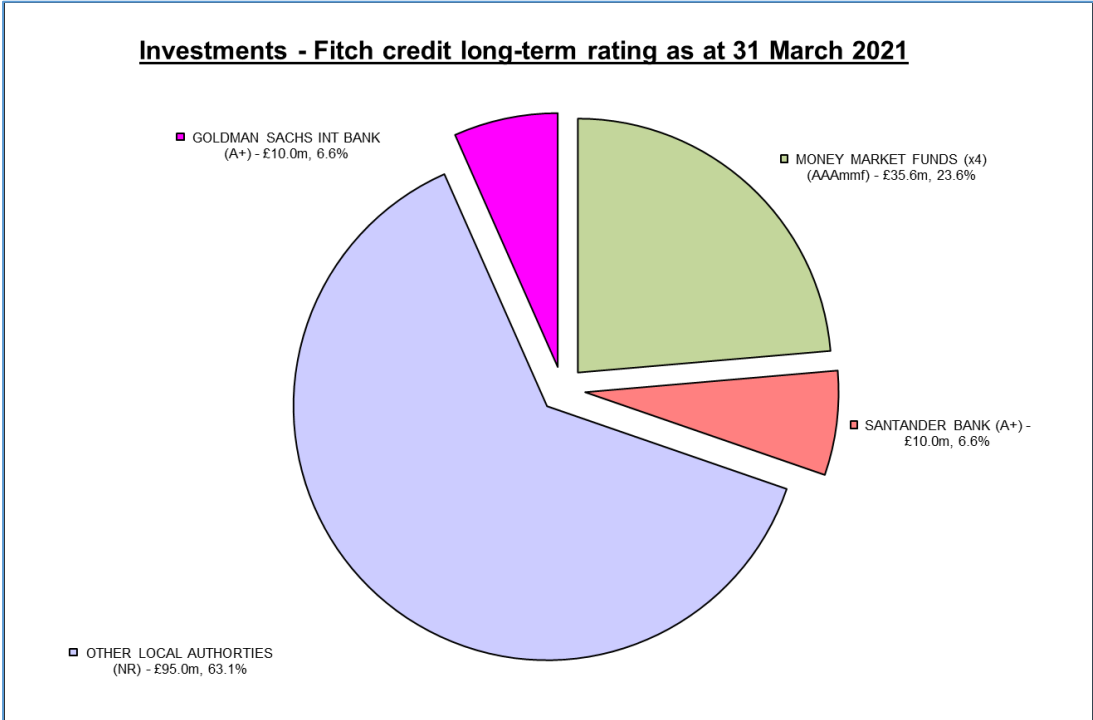
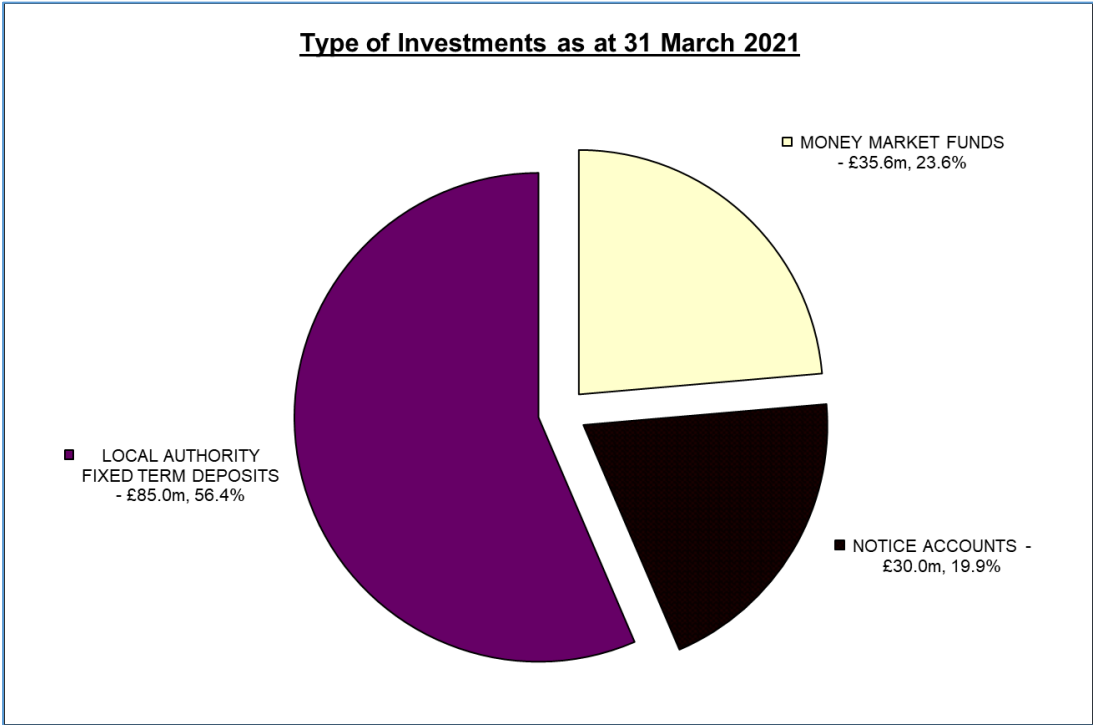
### 3) **Treasury Management Indicators**

- i) *'Upper limit on variable interest rate exposure'* - is set to control the Authority's exposure to interest rate risk. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed.
- 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.
- ii) *'Upper and lower limits with respect to the maturity structure of the authority's borrowing'* – this shows the amount of fixed rate borrowing maturing in each period, expressed as a percentage of total fixed rate borrowing.
- This indicator is designed to be a control over having large amounts of fixed rate debt falling to be replaced at the same time.
- iii) *'Total sums invested for periods of greater than 365 days'* – a limit on investments for periods longer than 1 year.
- This indicator is designed to protect the liquidity of investments, ensuring that large proportions of the cash reserves are not invested for long periods.

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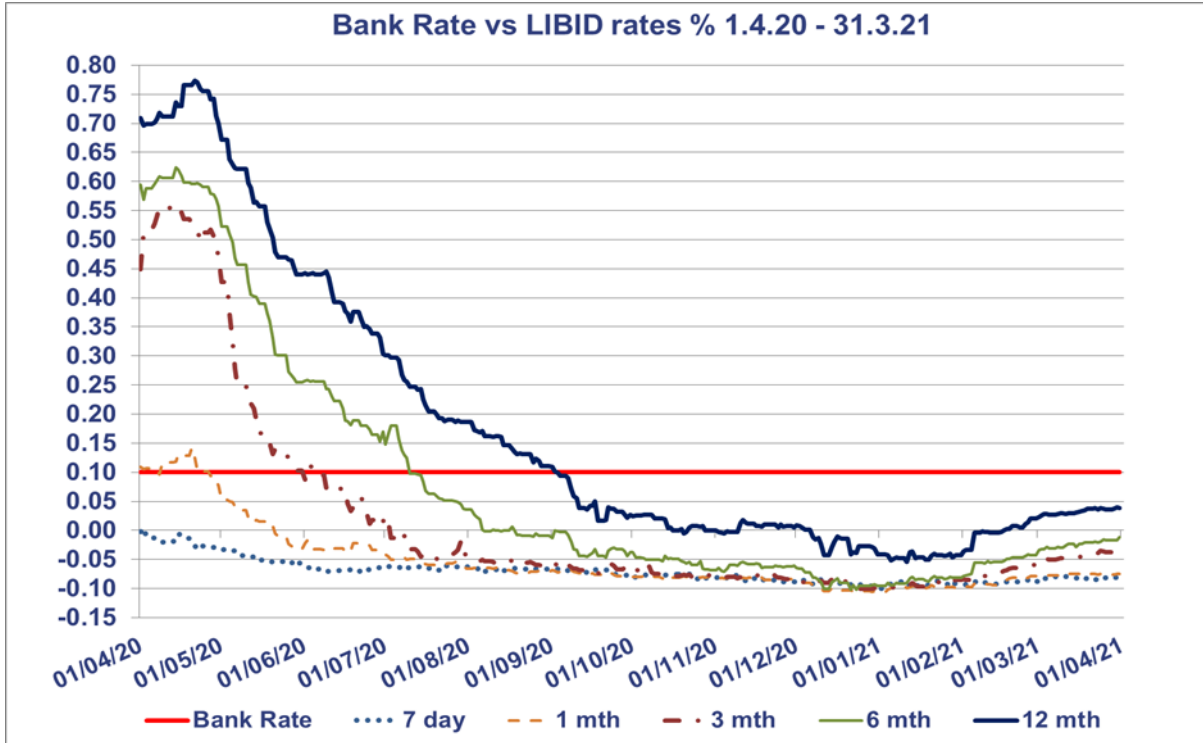


Investments Credit Risk



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Money Market Interest Rates, PWLB rates in 2020/21 & Forecast at 31/03/21



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
Low Date	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
Average	0.10	-0.07	-0.05	0.01	0.07	0.17
Spread	0.00	0.10	0.25	0.66	0.73	0.83

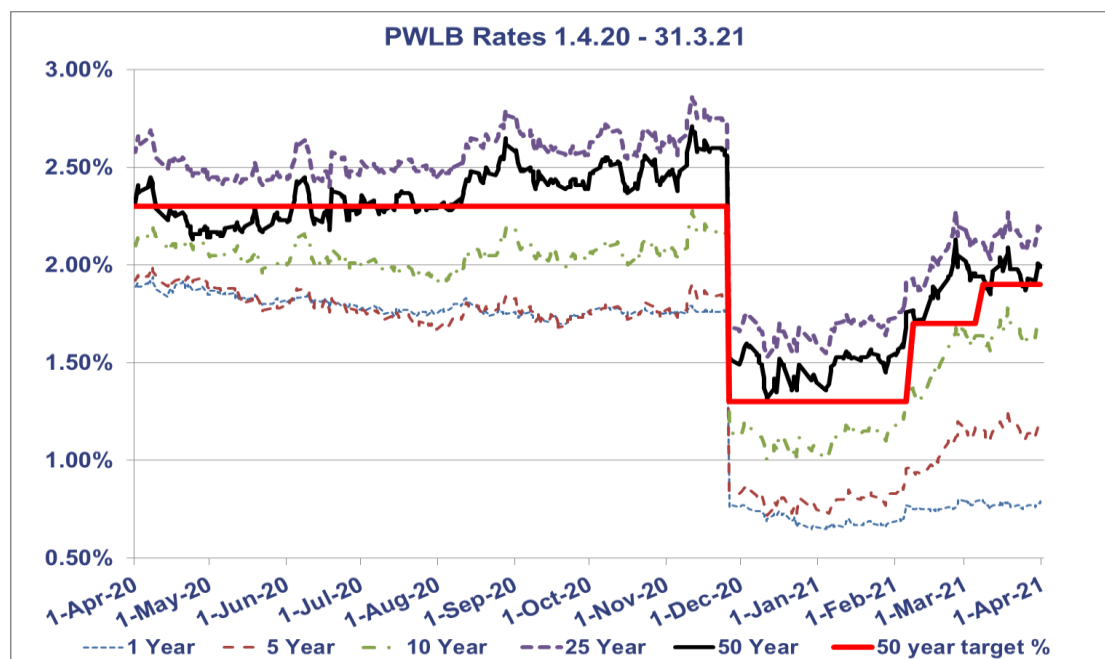
To show the change in market expectations the forecast outlook for money market interest rates and PWLB Certainty rates dated 31.01.2020 used in the Treasury Strategy for 2020-21 are shown below followed by the forecast at 31.03.2021. which show forecast rates have significantly reduced – Bank rate now 0.10%.

31.1.20

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80

Link Group Interest Rate View													
8.3.21													
	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	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

The graph and table below show the actual 2020/21 PWLB rates.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Low date	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
High date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.43%	1.50%	1.81%	2.33%	2.14%
Spread	1.29%	1.27%	1.28%	1.33%	1.39%

HM Treasury imposed **two changes of margins over gilt yields for PWLB rates in 2019/20** without any prior warning. The first took place on 9<sup>th</sup> October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11<sup>th</sup> March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and **on 25<sup>th</sup> 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)

<b>Subject:</b>	Pre-Audit Corporate Financial Outturn 2020/21
<b>Corporate Director(s)/Director(s):</b>	Clive Heaphy, Interim Corporate Director for Finance and Resources
<b>Portfolio Holder(s):</b>	Councillor Sam Webster, Portfolio Holder for Finance and Resources
<b>Report author and contact details:</b>	Theresa Channell – Head of Strategic Finance and Deputy Section 151 Officer <a href="mailto:theresa.channell@nottinghamcity.gov.uk">theresa.channell@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	Colleagues within Strategic Finance
<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 type="checkbox"/> Capital
<b>Total value of the decision:</b>	£77million
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	During April-June 2021
<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 sets out the Council's pre-audit revenue and capital outturn for its General Fund and Housing Revenue Account (HRA) for 2020/21.</p> <p>The Council's budget for 2020/21 was approved by Full Council in March 2020 prior to the Covid-19 pandemic. Subsequent events, most notably the decision to sell the customer book of Robin Hood Energy and the Covid-19 pandemic itself, which resulted in a significant financial impact to the Council and led to the then Section 151 Officer setting an Interim Budget for 2020/21, which was approved by Full Council in October 2021.</p> <p>Following the setting of the Interim Budget, the Council was subject both to a Public Interest Report (PIR) from its External Auditor and a Non-Statutory Review led by Max Caller on behalf of the Ministry of Housing, Communities and Local Government (MHCLG) ,after which it sought and was granted authorisation to capitalise <b>£35million</b> of costs, <b>£20million</b> of which related to</p>	

2020/21.

The Covid-19 pandemic resulted in deadlines for local authorities to produce their 2020/21 Statement of Accounts being extended and it is anticipated that the final Statement of Accounts will be presented to Audit Committee in the third quarter 2021/22 at the conclusion of the external audit.

Compared to the Interim Budget the outturn represents a positive variance of **£18.7million** due largely to a **£15.3million** positive variance within the Adult Services Care Purchasing budgets. After accounting for the benefits of **£20million** capitalisation, the positive variance on the General Fund increased to **£38.7million**.

The gross financial impact of Covid-19 in 2020/21 is **£66.5million** due to a combination of additional costs and lost income. This has been partially offset by un-ring-fenced Covid-19 grants and income compensation of **£50.1million**, leaving an unfunded Covid-19 gap of **£16.5million**. This is in addition to **£2.9million** in 2019/20. This takes the unfunded cost of Covid-19 from 2019/20-2020/21 to **£19.4million**.

Capital expenditure for 2020/21 at **£150.0million** was **£26.0million** below the quarter 3 forecast of **£176.0million**, the majority of which is due to slippage in the programme. There are additions to the capital programme of **£25.4million**, of which **£20.0million** is the capitalisation of 2020/21 as approved by the Secretary of State for Housing, Communities and Local Government.

The HRA returned a surplus of **£1.6million**, this is due mainly to an increase in income of **£1.0million** and a decrease in expenditure of **£0.6million** compared to the Qtr3 forecast. The increased income to forecast was due to reduced Right to Buy sales and therefore increased rental income. The outcome of the draft 2020/21 position is to increase the working balance from **£7.7million** to **£9.4million**.

**Exempt information:** None.

**Recommendation(s):**

**1** To note:

- a) The pre-audit revenue outturn positive variance of **£38.7million** for 2020/21 as set out in **Table 4** and **Appendix A**;
- b) The portfolio variances +/- £50,000 as set out in **Appendix B**;
- c) The financial impact of Covid-19 as set out in **Table 5**;
- d) The discretionary rate relief granted in 2020/21 detailed in paragraph **5.8**;
- e) The additions to the Capital programme, including planned and proposed as set out in paragraph **6.2** and **Table 12**;
- f) The refreshed Capital Programme, including planned and proposed as set out in paragraph **6.4** and **6.5 (Tables 13 to 14)**; and
- g) The HRA outturn for 2020/21 as set out in **Section 4**.

**2** To approve:

- a) The movements of resources set out in paragraph **3.19** and **Appendix D**;
- b) The net movement on earmarked reserves, as set out in paragraphs **3.10-3.12** and **Appendix E**;
- c) Capitalisation of **£20million** 2020/21 costs; and
- d) Write-offs in excess of £10,000, totalling **£0.808million** where all options for recovery have been exhausted, as set out in paragraph **5.7**.

## 1 Reasons for recommendations

- 1.1 This report forms a key part of formal revenue, capital and HRA monitoring against the 2020/21 budget and reports the financial impact of Covid for the Council in 2020/21.
- 1.2 The approval of virements of budgets and movement in reserves is required by corporate financial procedures.

## 2 Background (including outcomes of consultation)

### 2.1 Actual outturn variances since 2016/17

Long term reductions in Council funding have resulted in budgets being increasingly difficult to achieve and has led to consistent budget overspends for 2016/17 to 2019/20, 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.

In order to mitigate budget pressures as much as possible, 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. Such measures are not good practice and are not sustainable in the medium or longer term.

### 2.2 Original 2020/21 Budget – pre Covid

The 2020/21 Budget and Medium Term Financial Plan (MTFP) was approved by Full Council on 9 March 2020, prior to the Covid 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 has had on Councils across the country has been widely reported and this is no different for Nottingham City Council, in terms of increased expenditure, lost income and the impact on existing budget savings.

### Summary of 2020/21 financial impacts to the Council & Interim Budget

- 2.3 The emerging financial impacts of both Robin Hood Energy and Covid were reported to Executive Board in June and July 2020. On 21 July 2020 Executive Board 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.
- 2.4 **Robin Hood Energy & Public Interest Report (PIR)**

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 in the issuance of a Public Interest Report (PIR) in August 2021. The Council has accepted in full the

recommendations of 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/>

### Interim Budget 2020/21

- 2.5 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.
- 2.6 Key points from the Interim Budget (adjusted for additional Covid-19 funding) include:
1. Gross Covid impact of **£78.4m** offset by mitigations including:
    - Confirmed Government Funding for Covid of **£23.5m** and estimated Income Compensation Scheme relating to the loss of income as a result of Covid 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.
- 2.7 The Interim Budget was informed by the Period 4 2020/21 forecast. **Table 1** is taken from the Interim budget report and shows by Portfolio the impact of Covid, non-Covid variances and savings that due to the pandemic were no longer achievable.



<b>Table 1: General Fund Forecast Position at end of July 2020 by Portfolio (P4)</b>					
<b>Portfolio</b>	<b>20/21 Net Budget £m</b>	<b>Total Covid-19 Impact £m</b>	<b>Non Covid-19 related variance to budget £m</b>	<b>Un-achieved 20/21 Budget savings £m</b>	<b>Total P4 forecast £m</b>
Adult Care & Local Transport	102.123	14.325	(7.688)	1.801	<b>8.438</b>
Children & Young People	55.269	4.522	3.396	1.978	<b>9.896</b>
Communities, Highways & Strategic Transport	8.452	7.476	(0.308)	0.766	<b>7.934</b>
Employment & Community Protection	8.805	0.191	(0.300)	0.125	<b>0.016</b>
Energy, Environment & Democratic Services	20.959	3.392	(1.345)	0.513	<b>2.560</b>
Finance, Growth & the City Centre	9.513	4.115	0.225	1.676	<b>6.016</b>
Health, HR & Equalities	(6.817)	0.817	(0.469)	0.000	<b>0.348</b>
Housing, Planning & Heritage	6.335	1.117	0.302	0.030	<b>1.449</b>
Leisure, Culture & IT	11.899	10.687	0.168	0.481	<b>11.336</b>
Regeneration, Schools & Communications	(13.902)	7.934	0.209	0.156	<b>8.299</b>
<b>Total Portfolios</b>	<b>202.636</b>	<b>54.577</b>	<b>(5.811)</b>	<b>7.526</b>	<b>56.292</b>
Companies	(23.491)	5.950		0.075	<b>6.025</b>
<b>Total Portfolio &amp; Companies</b>	<b>179.145</b>	<b>60.527</b>	<b>(5.811)</b>	<b>7.601</b>	<b>62.317</b>
Corporate	68.915	6.690		0.090	<b>6.780</b>
New ERP System Delayed go-live		3.500			<b>3.500</b>
<b>Total Outturn Position</b>	<b>248.059</b>	<b>70.717</b>	<b>(5.811)</b>	<b>7.691</b>	<b>72.597</b>
Government Covid-19 Grant to date					(23.545)
Assumed Government Income Compensation					(16.277)
<b>2020/21 Forecast Outturn</b>					<b>32.775</b>
2019/20 overspend					6.754
<b>Net Revenue position (prior to reserve releases)</b>					<b>39.529</b>

2.8 The financial impact of Covid and the Government funding gap together with emerging risks from Robin Hood Energy led to an Interim budget strategy of releasing reserves and identification of new savings to balance the in year budget. **Table 2** below shows how the Interim Budget closed the budget gap for 2020/21.

<b>Table 2 : Period 4 Budget Monitoring 2020/21</b>	
<b>Budget item</b>	<b>£m</b>
Period 4 Covid-19 extra spend and lost income	70.717
Unachievable 2020/21 budget savings	7.691
<b>Gross Covid-19 Impact</b>	<b>78.408</b>
Government Covid-19 Grant - tranches 1, 2 & 3	(23.545)
Assumed Government Income Compensation	(16.277)
<b>Net Covid-19 Impact</b>	<b>38.585</b>
Business As Usual (BAU) forecast underspend	(5.811)
<b>2020/21 Forecast Outturn</b>	<b>32.775</b>
Carried over 2019/20 overspend	6.754
<b>Net Revenue position</b>	<b>39.529</b>
Savings and Efficiencies - Consultation Proposals	(12.505)
<b>Remaining Budget Gap updated for in year savings</b>	<b>27.024</b>
Robin Hood Energy	38.200
Companies Provision for Debt and other risks	6.000
<b>Updated gap for other risks</b>	<b>71.224</b>
Use of Earmarked Reserves	(38.718)
<b>Outstanding Gap before borrowing from reserves</b>	<b>32.506</b>
Borrow & Pay Back of Earmarked Reserves	(31.304)
<b>Outstanding gap after the use of Earmarked reserves</b>	<b>1.202</b>

The remaining gap of **£1.2m** was assumed to be funded from the General Fund balance

#### **Interim Budget - impact on reserves**

- 2.9 As part of the Interim Budget there was a thorough review of reserves to support the budget gap. The Interim Budget approved the permanent release of **£38.7m** of earmarked reserves and **£31.3m** of reserves to be borrowed and paid back in future years.
- 2.10 The Interim budget approved borrowing of **£31.3m** reserves (predominately from PFI reserves) and established an indicative payback profile over five years.
- 2.11 This left a balance on controllable reserves of **£77.5m** as at the 30 September 2020.
- 2.12 **Table 3** below summarises the net Interim budget movements; which include net Covid impact of **£38.6m**, non Covid BAU forecast underspend of **£5.8m**, new savings of **£12.5m** and other items including reserve movements and RHE of **£20.3m** to enable a balanced Interim Budget position which was approved by Full Council in October 2020.

**Table 3 : Portfolio Movements in Interim Budget**

<b>Portfolio</b>	<b>Net Covid Impact £m</b>	<b>Non-Covid BAU Forecast £m</b>	<b>Consultation Savings £m</b>	<b>Other Items + Reserves £m</b>	<b>Net Budget Moves £m</b>
Adult Care & Local Transport	2.662	(7.688)	(1.833)		(6.859)
Children & Young People	0.077	3.396	(0.245)		3.229
Communities, Highways & Strategic Transport	4.045	(0.308)	(0.988)		2.749
Employment & Community Protection	0.140	(0.300)	(0.521)		(0.681)
Energy Environment & Democratic Services	1.251	(1.345)	(0.598)		(0.692)
Finance Growth & the City Centre	2.324	0.225	(1.324)		1.225
Health, HR & Equalities	0.288	(0.469)	(0.448)		(0.629)
Housing, Planning & Heritage	0.152	0.302	(0.125)		0.329
Leisure, Culture & IT	4.259	0.168	(0.562)		3.866
Regeneration, Schools & Communications	7.082	0.209	(0.540)		6.750
<b>Portfolios</b>	<b>22.281</b>	<b>(5.811)</b>	<b>(7.182)</b>	<b>0.000</b>	<b>9.287</b>
Corporate RHE	16.305		(1.393)	6.754	21.667
Companies Provision for Debt and other risks				38.200	38.200
Earmarked Reserves	0.000		(3.930)	6.000	6.000
				(70.022)	(73.952)
<b>Period 4 Forecast</b>	<b>38.585</b>	<b>(5.811)</b>	<b>(12.505)</b>	<b>(19.068)</b>	<b>1.202</b>
General Reserves	0.000			(1.202)	(1.202)
<b>Total</b>	<b>38.585</b>	<b>(5.811)</b>	<b>(12.505)</b>	<b>(20.270)</b>	<b>0.000</b>

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

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>.

2.14 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.

### 2.15 Recovery & Improvement Programme

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>

2.16 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.

### 2.17 Request to Ministry of Housing Communities and Local Government (MHCLG) to capitalise revenue costs

In December 2020 the Council applied to MHCLG to treat **£35m** of its revenue costs as capital. This was not to balance the 2021/22 budget – but to spread out costs to limit the impact on reserves and to provide funding for a transformation programme. In response to this request the Secretary of State approved a total capitalisation of **£20m** in 2020/21 subject to following conditions:

- a) The Authority may only capitalise expenditure when it is incurred;
- b) Where expenditure is capitalised, that the Authority shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with relevant guidance;
- c) Where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing;
- d) The Authority continues to make good progress against its Recovery Plan, as assessed by the Improvement and Assurance Board in their regular reports to the Secretary of State.

2.18 With respect to 2021/22 the Secretary of State is minded to approve a capitalisation direction of a total not exceeding **£15m** which may be subject to conditions which would be set out in the capitalisation direction when issued. Executive Board on 12 March 2021 accepted the capitalisation package in the sum of **£35m**, noting that **£20m** for 2020/21 is on terms that are certain and that the balance of up to **£15m** will be subject to further confirmation from the Secretary of State, subject to demonstrating need and mutually agreeable terms.

## 3 General Fund Outturn

3.1 The reported 2020/21 budget variances are compared to the Interim Budget. **Table 4** below shows an overall favourable variance of **£18.7m** before capitalisation and **£38.7m** after **£20m** of capitalisation. It should be noted that the assumptions made in the Interim Budget did not take into account the impact of further multiple restrictions or furlough income. The portfolio variances represent the portfolio arrangements as they were in 2020/21.

<b>Table 4 : Draft Outturn as at 31 March 2021 compared to Qtr3 variance</b>		
<b>Portfolios</b>	<b>Forecast Outturn variances as at 31.12.20 (Q3) £m</b>	<b>Draft Outturn variances as at 31.03.21  £m</b>
Adult Care & Local Transport	(8.267)	(15.301)
Children & Young People	0.803	(0.063)
Communities, Highways & Strategic Transport	1.913	0.014
Employment & Community Protection	(0.324)	(1.636)
Energy, Environment & Democratic Services	0.618	(0.911)
Finance, Growth & the City Centre	0.496	(1.966)
Health, HR & Equalities	0.109	(0.098)
Housing, Planning & Heritage	(0.350)	(0.813)
Leisure, Culture & IT	(1.741)	(3.954)
Regeneration, Schools & Communications	0.188	(2.987)
<b>Total Portfolios</b>	<b>(6.555)</b>	<b>(27.714)</b>
Companies	1.503	4.088
Corporate	0.138	4.976
<b>Total prior to Capitalisation</b>		<b>(18.650)</b>
Capitalisation		(20.000)
<b>Total prior to additional funding</b>	<b>(4.914)</b>	
Covid-19 Grant (Tranche 4)	(10.712)	
Adj. Arts Council Grant	0.471	
<b>Total variance to Interim Budget</b>	<b>(15.155)</b>	<b>(38.650)</b>
Repayment of borrowed reserves		20.592
Repayment of general fund balance		1.202
Transformation/resilience reserve		16.856
<b>Balance</b>		<b>0.000</b>

### 3.2 Headline Portfolio Outturn variances

The significant Portfolio variances are driven by the following reasons:

- **Adult Care & Local Transport £15.3m**, favourable variance within Care Purchasing Budgets of **£18.7m** offset by adverse variances in external staffing **£1.2m**, additional support made available to care providers **£1.6m**, PPE and other costs **£1.4m**;
- **Leisure, Culture & IT £4.0m**, **£2.0m** underspend within Sports & Leisure due to uptake exceeding expectations and delays to repairs and maintenance, other favourable variances within Museums **£0.8m** due strong footfall, Theatre Royal and Concert Hall **£0.6m** due to extension of the Furlough scheme;

- **Regeneration, Schools & Communications £3.0m** driven by a **£2.9m** underspend within Strategic Assets & Property whereby rental income exceeded the interim budget forecast;
- **Finance, Growth & the City Centre £2.0m** underspend, **£2.2m** underspend within Commissioning & Procurement (largely PPE usage) is offset by **£0.8m** overspend in Nottingham Catering due to the impact of Covid on trading activity.
- **Employment & Community Protection £1.6m**, underspends within Community Protection of **£1.0m** due to maintaining vacancies, usage of Covid Compliance & Enforcement grants and delayed expenditure on security equipment/systems. Crimes & Drugs Partnership of **£0.5m** due to underspends in employees and running costs.

3.3 The adverse **£4.1m** Companies variance is due largely to the impact of Covid and reduced company returns, this includes an adverse variance from the National Ice Centre of **£1.5m**, Nottingham City Homes of **£1.5m** and Thomas Bow of **£1.3m**.

3.4 The Corporate adverse variance of **£5.0m** is driven by **£9.4m** costs for redundancy and pension strain costs associated with the recent voluntary redundancy programme. Underspending in relation to Treasury Management has been transferred to the risk reserve.

3.5 Government Tranche 4 funding of **£10.7m** was announced after the Interim Budget was approved and as part of outturn has been used to repay borrowed reserves therefore does not appear as an outturn variance.

3.6 **Appendix A** details the absolute budgets by Portfolio as per the Original budget, Interim budget and final outturn budgets together with variances to the Interim and Original budgets. **Appendix B** details services variances +/-£50k.

### **Cost of Covid**

3.7 The financial impact of Covid has been widespread across the Council departments. This include lost income from leisure centres, Theatre Royal / Concert Hall, parking income, Workplace Parking Levy and rental income from the Property Trading Account and also returns from Companies. In addition to lost income there has been increased expenditure as a result of the pandemic to support care providers and PPE. The Corporate budgets have also been negatively impacted due to the delayed implementation of the new Oracle Enterprise Resource Planning system which was due to go live in 2020/21 together with increases to bad debt provision and corporate impairments.

3.8 The Government has provided two forms of unring-fenced funding, Covid funding tranche payments and the income compensation scheme. The income compensation scheme provided losses for specific sales, fees and charges, with all relevant losses being compensated for 75p in the pound for losses above the first 5% of budgeted income.

3.9 **Table 5** below shows that the net financial impact of Covid after Government funding. The gross cost to the Council was **£66.5m**, reduced by unring-fenced funding of **£50.1m** resulting in an unfunded Covid gap of **£16.5m** in 2020/21.

This is in addition to **£2.9m** in 2019/20. This takes the unfunded cost of Covid from 2019/20-2020/21 to **£19.4m**.

<b>Table 5 : 2020/21 Net Financial Impact of Covid</b>	
<b>Item</b>	<b>£m</b>
Commercial & Operations	33.133
Development & Growth	6.604
Adults	4.776
Education	1.143
Public Health	0.000
Children's	6.318
Strategy & Resources	4.504
<b>Total Departments</b>	<b>56.479</b>
Companies	2.767
Corporate	7.300
<b>Gross cost of Covid</b>	<b>66.545</b>
Tranche 1-4	(34.258)
Income Compensation	(15.819)
<b>Total un ring-fenced funding</b>	<b>(50.077)</b>
<b>Net Impact</b>	<b>16.469</b>

### **Movements in Earmarked reserves**

3.10 Earmarked reserves are funds set aside for specific purposes (including Schools, Statutory reserves and Insurance and Private Finance Initiative (PFI) grants). In quarter 4 there has been a net increase of **£55.0m** (includes **£0.8m** direct revenue contributions to capital schemes) in earmarked reserves requiring approval, of which **£33.8m** is a movement on the collection fund and business rates reserve. This is due to receipt of the Government Covid Business Rates Relief Grant however the usage of this grant will be in 2021/22 in addition to 2020/21.

**Appendix E** provides more details of movements in reserves requiring approval.

The financial statement for 2020/21 is still being finalised which may result in additional reserve movements. These will be reported as part of Qtr 1 2021/22.

3.11 As previously documented earlier in the report the use of reserves has been an integral part of the strategy for the Interim budget and managing the financial impact of Covid. The Recovery and Improvement Plan includes the need for long term financial sustainability and the requirement for financial resilience. Following the Interim budget and reduction in reserves all reserves are deemed to be corporate and any movements require S151 / deputy S151 Officer approval.

3.12 **Table 6** below details the movement on earmarked reserves through 2020/21 separated by controllable and non-controllable reserves. The balance on controllable reserves on 31 March 2021 is in line with the balance at the start of 2020/21. However it's important to recognise that this includes a **£33.8m** positive movement on the Collection Fund and Business Rates reserve which is the balance of the Government Covid Business Rates relief grant which is expected to be fully utilised in 2021/22. Excluding the Collection Fund and Business Rates movement the year-end balance on controllable reserves would have been **£34.5m** lower than the 31 March 2020 position. A further

review of reserves which are classified as controllable, non-controllable and those with specific conditions will take place in early 2021/22.

<b>Table 6 : Balance on earmarked reserves from 31 March 2020 to 31 March 2021</b>			
	<b>Controllable</b>	<b>Non controllable</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>31 March 2020 balance</b>	<b>130.518</b>	<b>23.164</b>	<b>153.682</b>
MTFP movements	5.316	0.650	5.966
Permanently released	(38.068)	(0.650)	(38.718)
Borrowed and paid back	(31.304)		(31.304)
Other movement	11.056	(3.592)	7.464
<b>Balance after the Interim Budget</b>	<b>77.518</b>	<b>19.572</b>	<b>97.090</b>
Repayment of borrowed reserves (Tranche 4 funding)	10.712		10.712
Collection Fund & Business Rates (balance of Covid Business Rates relief grant to be utilised in 21/22)	33.791		33.791
Other movements	7.748	7.786	15.534
<b>31 March 2021 balance</b>	<b>129.769</b>	<b>27.359</b>	<b>157.129</b>

### **General Reserves**

- 3.13 These provide a financial safety net to cover the above budget costs during the year. The balance on the general fund reserves as at 1 April 2021 was **£11.6m** (4.7% of the budget requirement). The Interim Budget assumed a use of the general fund balance of **£1.2m**, the 2020/21 underspend **£18.7m** together with the **£20m** capitalisation increased the general fund balance to **£49.1m** on 31 March 2021.
- 3.14 It is recommended that **£20.6m** be used repay all the remaining borrowed from reserves as part of the Interim Budget, this together with the **£10.7m** from Tranche 4 funding actioned as part of the outturn process repays all of the prudently borrowed reserves.
- 3.15 It is also recommended that a resilience / transformation reserve of **£16.9m** is created to fund essential transformation and to manage any emerging risks that arise in year which are not able to be contained within departmental budgets. All movements in controllable reserves are subject to S151 / deputy S151 approval and enhanced processes were implemented following the Interim Budget following the required use of reserves to support the 2020/21 position.
- 3.16 **Table 7** shows the impact of the 2020/21 draft outturn on the general fund balance as at 31 March 2021 and the recommended movements on 1 April described above.



<b>Table 7 : The General Reserve</b>	
<b>Item</b>	<b>£m</b>
<b>Balance as at 1 April 2021</b>	<b>11.643</b>
Interim Budget assumption	(1.202)
Impact of the 2020/21 Outturn before capitalisation	18.650
Capitalisation	20.000
<b>Balance as at 31 March 2021</b>	<b>49.092</b>
Repayment of remaining borrowed reserves	(20.592)
Resilience/Transformation reserve	(16.856)
MTFP assumption	1.000
<b>Balance as at 1 April 2021</b>	<b>12.643</b>

3.17 As shown above in **Table 7** the outturn underspend has been included within the general fund balance at 31 March 2021, in 2021/22 an adjustment to the general fund balance is recommended to transfer the balances resulting from outturn to earmarked reserves. This will increase earmarked reserves to **£194.6m** of which **£167.2m** is controllable and **£27.4m** is held on behalf of others.

### 3.18 Corporate Contingency

The original budget for 2020/21 included a general corporate contingency of **£1.5m**, as part of the Interim Budget the remaining **£1.4m** 2020/21 balance as at September 2020 was put forward as a one off saving to balance the in-year position.

### 3.19 Movement in Resources

Budget transfers between Directorates and/or Portfolios are reflected within the Monitoring figures. These movements of resources now require approval and are detailed in **Appendix D**.

### 3.20 Carry Forwards and Traded Surplus Retentions

No requests for carry forwards or traded surplus retentions have been approved by the S151 Officer.

## 4 HRA Budget

4.1 The HRA budget was approved by the City Council in March 2020 and budgeted for a working balance of **£7.7m** at 31 March 2021. The working balance provides a contingency for any unexpected cost increases or reductions in income due to unforeseen circumstances. The main current issues are reported below.

4.2 The HRA Summary outturn for 2020/21 is shown in **Table 8** below and compares the pre-audit outturn to the original budget for 2020/21. The quarter 3 forecast outturn is shown for reference.

<b>Table 8: HRA Outturn 2020/21</b>				
<b>Description</b>	<b>Original Budget</b>	<b>Qtr3 Forecast</b>	<b>Pre-audit Outturn 2020/21</b>	<b>Variance to Original Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Income</b>				
Rent income	(94.202)	(94.064)	(95.666)	1.463
Service charges & other income	(11.278)	(11.496)	(10.822)	(0.456)
<b>Total Income</b>	<b>(105.480)</b>	<b>(105.560)</b>	<b>(106.487)</b>	<b>1.007</b>
<b>Expenditure</b>				
Repairs	26.884	26.884	26.884	0.000
Management (includes Retained)	33.525	33.727	32.898	0.627
Capital charges	44.671	44.755	44.682	(0.011)
Direct Revenue Financing	0.400	0.400	0.400	0.000
<b>Total Expenditure</b>	<b>105.480</b>	<b>105.766</b>	<b>104.864</b>	<b>0.616</b>
<b>Deficit / (Surplus)</b>	<b>0.000</b>	<b>0.206</b>	<b>(1.624)</b>	<b>1.624</b>
Working balance B/F	7.727	7.825	7.825	0.098
<b>Working balance C/F</b>	<b>7.727</b>	<b>7.618</b>	<b>9.448</b>	<b>1.721</b>

### **Working Balance increase of £1.7m**

The working balance has increased to **£9.4m** and is available to be carried forward into 2021/22.

### **Income**

#### **Rental Income increase of £1.5m**

There was additional rents from council houses due to less Right to Buy (RTB) sales than forecast (174 actual sales compared to 300 projected) and a reduction in the bad debt provision.

#### **Service Charges & other income, decrease of (£0.5m)**

The majority of this decrease is due to reduction in income from HRA garages.

### **Expenditure**

#### **Management, decrease of £0.6m**

Consisting of a number of underspend on retained council budgets including vacancies in retained housing teams, retained repairs and DHP.

## **5 Debtors Monitoring (Appendix C)**

### **5.1 Housing Rents**

The collection rate is marginally down on this point last year, actual rate of **97.4%** compared to **97.6%** in 2019/20. There has been a significant increase in tenants claiming Universal Credit and there has been an embargo on enforcement action and evictions. There are still restrictions on enforcement action and this is impacting on our ability to collect rent, however the Council has increased the amount of proactive contact with those struggling to pay their rent in an attempt to improve collection rates.

## 5.2 Council Tax

Collection at the end of the financial year 2020/21 was **94.0%**, which is **1.0%** above the profiled target. This is an increase of **1.0%** when compared to financial year 2019/20. Collection amounted to **£134.0m** in 2020/21 compared to collection of **£131.2m** 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.

## 5.3 National Non-Domestic Rates (NNDR)

Collection at the end of the financial year 2020/21 was **78.9%**, which is **18.5%** below the original profiled target (which was adopted pre-Covid and prior to announcements about extended business rates reliefs and holidays as a result of the pandemic). Collection amounted to **£62.7m**, compared to collection of **£138.2m** for financial year 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 **£79.5m** in 2020/21.

## 5.4 Sundry Income

The percentage of debts collected within 90 days in the 12 months to March 2021 is **80.3%**, which is below on the corresponding figure for 2019/20 of **82.4%**. The debtor day indicator (which shows how quickly debts are recovered) is currently **41** days, which is below the **32.3** day target but an improvement on the corresponding figure for 2019/20 of **46** 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 new Enterprise Resource Planning (ERP) system replacement which went live in April 2021. 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.

## 5.5 Estate Rents

The collection rate of **94.0%** is below the target of **97.5%**, (the target was set pre Covid), and is below the collection rate for the same period last year **98.0%**.

## 5.6 Adult Residential Services (ARS)

The ARS eventual collection rate for the year 2020/21 was **97.7%** and exceeds the target of **97.5%**. The service continues to make good progress with historical debts and all recoverable charges within Residential Services.

## 5.7 Written off debt

The S151 Officer has delegated authority to write off individual debts not exceeding £10,000. Any debts above this are subject to Portfolio or Executive Board decision. The debts included in this report relate to debt that has been pursued as far as is reasonably possible, and/or relate to businesses that have gone into liquidation or individuals that have gone bankrupt. The Council is therefore unable to obtain payment. Once it is clear that no further payments will be received against a debt, it is written out of the Council's accounts.

Adequate bad debt provision to accommodate this level of write off has been provided for. Approval is being sought to write off debts over £10,000 totalling **£0.8m** as summarised in **Table 9** below. These figures are subject to the finalisation of the NNDR year-end and other statutory returns.

<b>Table 9 : Write Offs over £10k in 2020/21</b>	
<b>Fund</b>	<b>£m</b>
General Fund	0.616
Collection Fund	0.192
<b>Total</b>	<b>0.808</b>

## 5.8 New Discretionary Rate Relief Granted in 2020/21

Details of new determinations of eligibility for Discretionary Relief since 1 April 2020 are shown in **Table 10**, of which the City share is 49%

<b>Table 10 : New Discretionary Rate Relief Granted in 2020/21</b>	
<b>Type of Relief</b>	<b>Amount of Relief £m</b>
Registered Charities which are in Receipt of 80% Mandatory Relief	0.005
<b>Total</b>	<b>0.005</b>

## 6 Capital Programme

The capital programme for 2020/21 was approved by the City Council in March 2020. Quarterly monitoring and forecasting reports have been and considered by Executive Board during 2020/21.

### 6.1 Capital Expenditure 2020/21

The capital expenditure in 2020/21 was **£150.0m**, representing a decrease of **£26.0m** (14.8%) from Quarter 3 projection. **Table 11** shows the position for each section of the Capital Programme.

<b>Table 11: Outturn Comparison to Quarter 3 Forecast</b>				
	<b>Projected Outturn Qtr3 £m</b>	<b>Pre-audit Outturn £m</b>	<b>Variance</b>	
			<b>£m</b>	<b>%</b>
<b>General Fund Expenditure</b>				
Transport Schemes	24.843	17.980	<b>(6.863)</b>	<b>(27.63%)</b>
Education	4.407	3.950	<b>(0.457)</b>	<b>(10.37%)</b>
Other Services	100.089	90.526	<b>(9.563)</b>	<b>(9.55%)</b>
<b>Subtotal General Fund Expenditure</b>	<b>129.339</b>	<b>112.456</b>	<b>(16.883)</b>	<b>(13.05%)</b>
<b>Public Sector Housing</b>				
Expenditure	46.619	37.513	<b>(9.106)</b>	<b>(19.53%)</b>
<b>Subtotal Public Sector Housing Expenditure</b>	<b>46.619</b>	<b>37.513</b>	<b>(9.106)</b>	<b>(19.53%)</b>
<b>Total Capital Expenditure 20/21</b>	<b>175.958</b>	<b>149.969</b>	<b>(25.989)</b>	<b>(14.77%)</b>
<b>Resources Applied</b>				
Prudential Borrowing	(87.155)	(81.752)	<b>5.403</b>	<b>(6.20%)</b>
Grants & Contributions	(48.228)	(37.119)	<b>11.109</b>	<b>(23.03%)</b>
Major Repairs Reserve	(22.325)	(18.705)	<b>3.620</b>	<b>(16.22%)</b>
Internal Funds / Revenue	(1.999)	(0.463)	<b>1.536</b>	<b>(76.84%)</b>
Capital Receipts	(10.092)	(7.476)	<b>2.616</b>	<b>(25.92%)</b>
Replacement Capital Receipts	(6.159)	(4.454)	<b>1.705</b>	<b>(27.68%)</b>
<b>Total Resources</b>	<b>(175.958)</b>	<b>(149.969)</b>	<b>25.989</b>	<b>(14.77%)</b>

## 6.2 Reasons for Variances

The City Council's capital monitoring identified variations from quarter 3 projections were due to:

- Changes in budgeted expenditure **£43.8m**, where the expenditure is still required but takes place later than originally intended (slippage) or earlier than originally intended (acceleration). Slippage does not result in resources being released; the resources and planned expenditure is carried forward into future years.
- Underspend and overspends **£2.4m**, represent a decrease or increase in the total capital cost of a project (which could potentially be over a number of years). Underspends may result in a saving which can be released to support the capital programme in future years. Majority of the saving in 2020/21 was a release of the NET 2 Land Acquisition provision **£2.0m**, this reduction has meant a reduced General Fund borrowing required as detailed in section 6.4.
- Quarter 4 additions of **£20.2m**, the capital programme had additional Capital Schemes that were not included within the Quarter 3 forecast and incurred expenditure in 2020/21. Detailed listing of all schemes added to the Capital programme during quarter 4 is detailed in **Table 12** below.

<b>Table 12 : Capital Programme Additions</b>				
<b>Scheme</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23- 2025/26 £m</b>	<b>Total £m</b>
<b>General Fund</b>				
Capitalisation	20.000	0.000	0.000	<b>20.000</b>
Emergency Active Travel Tranche 2	0.177	1.454	0.000	<b>1.631</b>
Income Management Enterprise Licence	0.000	0.175	0.000	<b>0.175</b>
Education S106 Projects	0.000	0.112	0.000	<b>0.112</b>
Public Sector Decarbonisation Scheme - Loxley House	0.000	0.986	0.000	<b>0.986</b>
Public Sector Decarbonisation Scheme - School	0.000	0.049	0.000	<b>0.049</b>
Temporary Sixth Form - Maid Marion Way	0.000	1.800	0.000	<b>1.800</b>
<b>Subtotal General Fund</b>	<b>20.177</b>	<b>4.576</b>	<b>0.000</b>	<b>24.753</b>
<b>Public Sector Housing</b>				
Green Homes Scheme	0.000	0.621	0.000	<b>0.621</b>
<b>Subtotal Public Sector Housing</b>	<b>0.000</b>	<b>0.621</b>	<b>0.000</b>	<b>0.621</b>
<b>TOTAL CAPITAL ADDITIONS QTR4</b>	<b>20.177</b>	<b>5.197</b>	<b>0.000</b>	<b>25.374</b>

### 6.3 Retrospective Approvals

Capital Outturn report details on project overspends, where a scheme expenditure exceeds budget by more than **£0.1m**. However, during 2020/21 total project overspend across the programme totalled under **£0.1m**. Therefore, all overspends have been funded from resources available in the capital programme.

### 6.4 Revised Capital Programme General Fund

The General Fund Programme has been updated for approvals in quarter 4 and the impact of the final outturn along with the associated funding. The General Fund capital programme is delivered from a diverse range of funding which includes:

#### **Prudential Borrowing**

At Executive Board (February 2021) and Full Council (March 2021) the Council approved the Capital Strategy and the Voluntary Debt Reduction Policy which capped the Council's borrowing in 2020/21 and 2021/22 to **£98.9m** (excluding **£20m** Capitalisation) and **£nil** borrowing from 1<sup>st</sup> April 2022. The forecast capital programme is **£96.5m** and **£2.4m** under the approved control total.

#### **Grants**

External reserves set aside, through relevant approval, for specific capital schemes. The forecast spend within the Local Transport Plan has been refreshed since February Executive Board following confirmation of 2021/22 grant allocation.

#### **Revenue Resources**

Earmarked reserves and revenue budget available, through relevant approval, for specific capital schemes.

## Capital Receipts

Receipts from the sale of surplus assets used as a corporate resource, allowing the Council to fund a range of projects for which there is no external funding, or other non-commercial scheme, which will not generate a return sufficient to cover their costs. Following the Recovery and Improvement Plan the Council is reviewing its assets within the Asset Rationalisation programme to identify suitable sites for disposal.

At 1<sup>st</sup> April 2021 the Council has committed to applying **£78.9m (£83.3m** Executive Board February 2021) of General Fund capital receipts, this can be broken down as follows:

- General Fund Capital Programme - **£45.1m**
- Replenish Capital Reserves - **£12.4m**
- Prior Capital Commitments (linked to sale of specific assets) - **£19.1m**
- Other commitments - **£2.3m**

**Table 13** below gives a breakdown of the five-year capital programme for approved and planned schemes.

<b>Table 13 : General Fund Outturn Position and Forecast 2021/22 to 2025/26</b>							
<b>2020/21 £m</b>	<b>Scheme</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Total £m</b>
	<b>Approved Schemes</b>						
17.980	Transport Schemes	63.882	48.891	11.317	0.000	0.000	<b>124.090</b>
3.948	Education	9.241	0.000	0.000	0.000	0.000	<b>9.241</b>
90.528	Other Services	78.125	9.652	12.249	7.694	7.885	<b>115.605</b>
0.000	<b>Category 2 - Planned Schemes</b>	6.630	17.821	11.790	7.709	7.390	<b>51.340</b>
<b>112.456</b>	<b>Total Programme</b>	<b>157.878</b>	<b>76.364</b>	<b>35.356</b>	<b>15.403</b>	<b>15.275</b>	<b>300.276</b>
	<b>Resources Available</b>						
(71.442)	Prudential Borrowing	(45.079)	0.000	0.000	0.000	0.000	<b>(45.079)</b>
(34.106)	Grants & Contributions	(98.231)	(59.312)	(23.907)	(8.901)	(8.899)	<b>(199.250)</b>
(0.063)	Internal Funds / Revenue	(8.146)	(1.678)	(0.477)	(0.396)	(0.175)	<b>(10.872)</b>
(6.845)	Secured Capital Receipts	(5.566)	0.000	0.000	0.000	0.000	<b>(5.566)</b>
0.000	Unsecured Capital Receipts	(0.856)	(15.374)	(10.972)	(6.106)	(6.201)	<b>(39.509)</b>
<b>(112.456)</b>	<b>Total Resources</b>	<b>(157.878)</b>	<b>(76.364)</b>	<b>(35.356)</b>	<b>(15.403)</b>	<b>(15.275)</b>	<b>(300.276)</b>

The programme is predicated on a number of planned schemes that are estimated and subject to change, therefore the current position is liable to change as projects progress and costs become more accurate. However any movements in costs and funding is required to remain within the control total as approved at Full Council March 2021.

### 6.5 Revised Capital Programme – Public Sector Housing

The Public Sector Housing Programme has been updated to reflect the net slippage between 2020/21 and 2021/22. **Table 14** sets out the updated programme and resources.

<b>Table 14 : Public Sector Housing Outturn Position and Forecast 2021/22 to 2025/26</b>							
<b>2020/21 £m</b>	<b>Scheme</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Total £m</b>
37.513	Category 1 - Approved Schemes	69.073	67.879	43.784	31.149	30.977	<b>242.862</b>
0.000	Category 2 - Planned Schemes	0.083	2.400	1.000	1.000	1.000	<b>5.483</b>
<b>37.513</b>	<b>Total Programme</b>	<b>69.156</b>	<b>70.279</b>	<b>44.784</b>	<b>32.149</b>	<b>31.977</b>	<b>248.345</b>
	<b>Resources Available</b>						
(10.310)	Prudential Borrowing	(14.390)	(11.351)	(6.714)	(1.489)	0.000	<b>(33.944)</b>
(3.013)	Grants & Contributions	(5.720)	(2.659)	(0.199)	0.000	0.000	<b>(8.578)</b>
(18.705)	Major Repairs Reserve	(39.391)	(43.530)	(32.282)	(29.632)	(31.942)	<b>(176.777)</b>
(0.400)	Revenue Resources	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
(0.631)	Capital Receipts - HRA	(0.398)	(3.472)	(0.602)	(0.035)	(0.035)	<b>(4.542)</b>
(4.454)	Replacement Capital Receipts	(9.257)	(9.267)	(4.987)	(0.993)	0.000	<b>(24.504)</b>
<b>(37.513)</b>	<b>Total Resources</b>	<b>(69.156)</b>	<b>(70.279)</b>	<b>(44.784)</b>	<b>(32.149)</b>	<b>(31.977)</b>	<b>(248.345)</b>

The Voluntary Debt Reduction policy approved at Executive Board (February 2021) and Full Council (March 2021) capped the Public Sector Housing prudential borrowing requirement over 2020/21-2025/26 at **£51.4m**. Due to changes regarding the replacement capital receipts that can be allocated to capital projects and the **£0.4m** of Revenue Resources allocated in 2020/21 the current borrowing forecast is **£44.3m**, **£7.1m** under the approved control total.

## 7 Other options considered in making recommendations

7.1 This report details the 2020/21 outturn and the recommendations in relation to the outturn strategy for reserves support the requirements of the Council's Recovery & Improvement Plan.

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

8.1 Financial implications appear throughout the report.

8.2 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.

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

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

9.2 The five year proposed capital programme requires 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:

- compliance with borrowing restrictions as defined in the Council's Voluntary Debt Reduction Policy;
- exposure to interest rate changes in 2021/22; a 0.5% increase in interest rates will increase the general fund cost of borrowing on projected 2021/22 spend by c£0.2m 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 Council's capital programme has a high reliance on capital receipts, should the required receipts not materialise schemes will be required be slipped until funding is secured;
- the cost of feasibility studies are all undertaken at risk;
- schemes may not cover their costs or make the desired return.

9.3 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'

9.4 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.

9.5 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.

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

10.1 Not applicable.

**11 Social value considerations**

11.1 Not applicable.

**12 Regard to the NHS Constitution**

12.1 Not applicable

**13 Equality Impact Assessment (EIA)**

13.1 An EIA is not required because the report does not contain proposals for new or changing policies, services or functions.

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

14.1 None.

**15 Published documents referred to in this report**

15.1 Request to the Ministry for Housing, Communities and Local Government (MHCLG) to capitalise revenue costs (capitalisation), 12 March 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8975>

Budget 2021/22, 8 March 2021 Full Council

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=155&MId=8633>

Budget 2021/22 and Medium Term Financial Outlook, 23 February 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8590>

Nottingham City Council Recovery and Implementation Plan, 19 January 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8589>

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>

## Pre-Audit Revenue Outturn 2020/21 by Portfolio

Portfolio	Original Budget £m	Interim Budget (P7) £m	Interim Budget at Outturn £m	Draft Outturn £m	Outturn Variance £m	Outturn Variance to original budget £m
Adult Care & Local Transport	102.295	94.855	94.530	79.229	(15.301)	(23.066)
Children & Young People	55.249	58.696	58.611	58.548	(0.063)	3.299
Communities, Highways & Strategic Transport	6.371	11.438	6.090	6.104	0.014	(0.267)
Employment & Community Protection	8.897	8.201	8.303	6.667	(1.636)	(2.230)
Energy, Environment & Democratic Services	20.951	23.114	23.218	22.307	(0.911)	1.356
Finance, Growth & the City Centre	9.040	22.117	22.266	20.300	(1.966)	11.260
Health, HR & Equalities	(6.817)	(7.269)	(7.884)	(7.983)	(0.098)	(1.166)
Housing, Planning & Heritage	6.562	6.982	5.592	4.779	(0.813)	(1.783)
Leisure, Culture & IT	11.447	16.826	18.164	14.210	(3.954)	2.763
Regeneration, Schools & Communications	(13.788)	3.271	(8.457)	(11.445)	(2.987)	2.343
<b>Total Portfolios</b>	<b>200.205</b>	<b>238.231</b>	<b>220.432</b>	<b>192.718</b>	<b>(27.714)</b>	<b>(7.486)</b>
Companies	(5.747)	(1.095)	(1.702)	2.386	4.088	8.133
Corporate	53.601	10.924	29.329	34.305	4.976	(19.296)
<b>Total prior to Capitalisation</b>	<b>248.059</b>	<b>248.059</b>	<b>248.059</b>	<b>229.409</b>	<b>(18.650)</b>	<b>(18.650)</b>
Capitalisation				(20.000)	(20.000)	(20.000)
<b>Total post Capitalisation</b>	<b>248.059</b>	<b>248.059</b>	<b>248.059</b>	<b>209.409</b>	<b>(38.650)</b>	<b>(38.650)</b>

**Adult Care & Local Transport Portfolio - £15.3m underspend**Adults - £15.4m underspend

Covid Impact – additional costs/lost income - £4.5m overspend

- Additional costs relating to the support made available to care providers £1.6m
- Additional external staffing costs £1.2m
- PPE & other costs £1.4m
- Lost income for fairer charging mainly due to day centre closures - £0.2m

Care purchasing budgets – £18.7m underspend

- Actual care packages information from

Staffing and internal provision – £1.4m underspend

- Various under and overspends across the ASC staffing and internal provision services.

Commercial & Operations - £0.2m overspend

Passenger Transport – £0.3m overspend

Overspend relates to a reduction in the level of internal services required due to reduced demand throughout the Covid-19 pandemic.

Workplace Parking Levy (WPL) – £0.1m underspend

The pandemic has resulted in fluctuations in commuter behaviour driven by external factors such as government policy & communications; public confidence in relation to the virus; and shifting home working policy within businesses. An increase in licences during the final period has contributed to the small favourable outturn against the interim budget which included an adjustment of £3.5m income reduction.

Development & Growth - £0.1m underspend

Transport Strategy – £0.1m underspend

Small operational underspend within the service.

**Communities, Highways & Strategic Transport Portfolio – overall on budget**Commercial & Operations - £0.9m overspend

Communities Directorate - £0.2m under budget

Structural changes and delays in recruitment.

Neighbourhoods & Community Engagement - £0.3m under budget

Underspends relating to vacancy levels and the utilisation of grants.

Uniformed Services – (Processing/Parking enforcement) - £0.2m under budget

Enforcement income higher than anticipated in the interim budget. This positive position is after a £0.2m budget adjustment to reduce income levels as a result of Covid 19.

Highways & Energy infrastructure - £0.1m under budget  
Reduced gritting costs due to the mild winter.

Parking - £1.6m over budget

This position is after allocating £4.7m as part of the interim budget adjustment due to the reduction in income as a result of Covid 19. The increased income gap is due to the impact of the 3<sup>rd</sup> lockdown in January 2021.

Neighbourhood Services Operational Hub - £0.1m over budget  
Impact of old stock write off associated with uniforms.

#### Development & Growth - £0.8m underspend

Traffic Safety - £0.8m underspend

The interim budget allocated £1.3m for reduced income however this was better than expected resulting in the underspend.

#### Strategy & Resources - £0.1m underspend

Finance - £0.1m underspend

Small operational underspend within the Welfare Rights service.

#### **Children & Young People Portfolio - £0.1m underspend**

##### Children's - £0.1m underspend

Children's Directorate - £0.1m overspend

Small operational overspend within the directorate.

Children's Integrated Services - £0.2m underspend

The outturn reflects additional costs associated with the Children Improvement Plan of £0.4m (£1.8m in total) but has been managed within the interim budget resources allocated of £9.7m.

#### **Employment & Community Protection Portfolio - £1.6m underspend**

##### Commercial & Operations - £1.0m underspend

Community Protection - £0.4m underspend

Underspend due to maintaining vacancies and utilising current staff to undertake work funded through the allocation of Covid-19 Compliance and Enforcement grant.

Security & Logistics - £0.5m underspend

Delayed expenditure due to slippage as a result of Covid-19 relating to security equipment/systems upgrades and delays in recruitment to align to the reduction in activity as a result of the pandemic restrictions.

##### Strategy & Resources - £0.7m underspend

Human Resources - £0.2m underspend

Underspend on Employability as a result of Covid-19 and the impact on recruitment.

Crime & Drugs Partnership - £0.5m underspend  
Favourable outturn due to underspends on employees & running costs.

### **Energy, Environment & Democratic Services - £0.9m underspend**

#### **Commercial & Operations - £0.5m underspend**

Energy Services – £0.2m overspend  
A project cancellation has impacted the outturn position for the service.

Utilities - £0.3m underspend  
A mild winter, limited additional usage due to Covid-19 and offices less used.

Waste Disposal – £0.2m underspend  
The interim budget was based on the waste arising during the initial lockdown which resulted in an increase of +14%, the actual outturn for February and March was less than January and saw a reduction of around £30k.  
Commercial recharges were better than forecast, generating an additional £0.1m.

#### **Strategy & Resources - £0.3m underspend**

Civic & Coronial - £0.2m underspend  
Improved position at outturn compared to the interim budget in respect of income losses within Registrars and mortuary contract costs within Coroners.

Customer Access Programme - £0.1m underspend  
A favourable outturn position within Customer Services due to Covid-19 related grants for Clinically Extremely Vulnerable being allocated to service rather than held corporately.  
Delays £0.2m in implementing a customer centric saving due to the impact of Covid-19 is covered within the service's interim budget.

### **Finance, Growth & the City Centre Portfolio - £2.0m underspend**

#### **Commercial & Operations - £0.7m overspend**

Nottingham Catering – £0.8m overspend

- School Catering – Covid-19 impact on school closures and partial closures being greater than originally assumed due to the third lockdown
- Commercial Catering – Covid-19 impact on Commercial Catering outlets, mitigated by the increased income from areas including Gedling and Woodthorpe Cafés due to better than expected take-away sales and reduction in employee costs due to vacancies.

#### **Development & Growth - £0.1m underspend**

Development & Growth Directorate / Commercialism Schemes - £0.1m underspend  
Small favourable outturn relating to recharges & running costs.

#### **Strategy & Resources - £2.6m underspend**

Commissioning & Procurement - £2.2m underspend  
Favourable outturn against the interim budget in relation to Covid-19 to cover PPE usage across the council & some providers/partners.

The service has also received a retrospective 1% income rebate on non-care contracts (£0.2m).

These forecast underspends are offset in part by a pressure relating to Public Health income (£0.4m) & an undelivered 20/21 corporate contracts saving due to the impact of Covid-19 in delaying tendering and distorting the market to offer value for money (£0.2m).

Finance - £0.4m underspend

Overall net underspend, largely the result of staffing.

### **Housing, Planning & Heritage Portfolio - £0.8m underspend**

Development & Growth - £0.7m underspend

Strategic Homelessness - £0.7m underspend.

Low volume of Bed & Breakfast usage (in the main due to lockdowns); NCH taking on leasing of nightly paid accommodation; additional DHP income & some costs being met from Housing Aid has resulted in this outturn position.

### **Health, HR & Equalities Portfolio - £0.1m underspend**

Strategy & Resources - £0.1m underspend

Human Resources - £0.3m underspend

Largely due to a £0.2m underspend within Works Perks

### **Leisure, Culture & IT Portfolio - £4.0m underspend**

Commercial & Operations - £4.0m underspend

Cemeteries & Crematoria - £0.1m underspend

Improved financial position, due to improved service performance. Additional sales in excess of forecast.

Events - £0.3m underspend

Underspend is due to reduced Marketing expenditure to reflect the continuing reduced Events programme.

Libraries – £0.3m underspend

Improved outturn due to continuing limited opening hours, leading to reduced staff costs in relation to casuals and overtime payments, and reduced expenditure on running costs including repairs and maintenance.

Museums - £0.8m underspend

Continuing strong footfall and ancillary spend at Wollaton Park and Newstead Abbey during the current lockdown has created the large increase on Parking and Catering

Markets – £0.1m overspend

The overspend is linked directly to the INTU Indoor Market Provision through a further reduction in income from stall holders selling non-essential goods due to lockdown. This is after an interim budget adjustment of £0.9m for reduced income.



Sport & Leisure – £2.0m underspend

This position is after interim budget adjustment of £5.1m to reflect the adverse impact on income as a result of Covid 19.

The underspend is due to the impact of Government's Job Retention Scheme (furlough) available to 31 March 2021, slippage in repairs and maintenance and operational expenditure, vacancy levels and income being above that expected.

TRCH - £0.6m underspend

Outturn position impacted by:

- The extension of the Government's Job Retention Scheme (furlough) available to 31 March 2021;
- Repairs and maintenance charges being £25k higher than forecast due to acceleration of works.
- £0.1m additional settlement show costs from 2019/20 following the impact of Covid-19 in March 2020.

This position was after an interim budget adjustment of £3.8m for lost income.

### **Regeneration, Schools & Communications Portfolio - £3.0m underspend**

#### **Commercial & Operations - £0.1m underspend**

Planned Maintenance £0.1m underspend

Small operational underspend.

#### **Development & Growth - £3.0m underspend**

Strategic Assets & Property - £2.9m underspend

The interim budget allocated £6.7m to support reduced income projections from property rental. The outturn position improved however this may be a consequence of the government support to businesses and will need to be reviewed as these schemes cease.

Major Projects - £0.1m underspend

Small operational underspend within the service

#### **Education - £0.2m overspend**

The outturn reflects the additional Covid-19 pressures relating to further income losses and additional High Needs transport provision due to Social Distancing measures.

#### **Strategy & Resources - £0.1m underspend**

Marketing & Communications - £0.1m underspend

Underspend due to maximisation of available grant funding.

#### **Companies - £4.1m overspend**

The adverse variance is due largely to the impact of Covid and reduced company returns, this includes an adverse variance from the National Ice Centre of **£1.5m**, Nottingham City Homes of **£1.5m** and Thomas Bow of **£1.3m**

#### **Corporate - £5.0m overspend**

The Corporate adverse variance of **£5.0m** is driven by redundancy and pension strain costs associated with the recent voluntary redundancy programme.

## Debtors Monitoring to 31 March 2021

Quarterly Performance Review – 2020-21	Q1	Q2	Q3	Q4
<b>BVPI 66a - Housing Rent Collection (%)</b> <i>(cumulative - current tenants only)</i>				
Actual ( <i>arrears + debit</i> )	98.80	96.91	97.72	97.38
Target	98.50	98.50	98.50	98.50
Last Year Actual 2019-20	96.80	97.68	98.08	97.55
<b>BVPI 9 - Council Tax Collection (%)</b>				
Actual ( <i>in year cumulative</i> )	25.80	50.71	76.68	93.96
Target	25.80	50.00	75.50	93.00
Last Year Actual 2019-20	25.90	50.53	76.20	93.00
<b>BVPI 10 - NNDR Collection (%)</b>				
Actual ( <i>in year cumulative</i> )	22.56	44.84	65.73	78.92
Target	28.50	55.50	80.50	97.40
Last Year Actual 2019-20	30.40	54.50	81.80	97.60
<b>Sundry Income Collection (%)</b>				
Actual ( <i>12 month rolling average</i> )	82.00	81.00	80.60	80.30
Target	99.00	99.00	99.00	99.00
Last Year Actual 2019-20	79.50	83.20	82.70	82.40
<b>Sundry Income Debtor Days -General</b>				
Actual ( <i>12 month rolling average</i> )	43.00	37.00	39.00	41.00
Target	32.30	32.30	32.30	32.30
Last Year Actual 2019-20	32.00	41.00	44.00	46.00
<b>Estates Rents Collection (%)</b>				
Actual ( <i>12 month rolling average</i> )	97.59	95.15	93.68	93.98
Target	97.50	97.50	97.50	97.50
Last Year Actual 2019-20	98.19	98.05	98.18	98.03
<b>Adult Residential Services Collection (%)</b>				
Actual ( <i>12 month rolling average</i> )	97.30	97.50	97.70	97.70
Target	97.50	97.50	97.50	97.50
Last Year Actual 2019-20	96.50	96.90	97.20	97.50

<b>Details</b>	<b>Net Amount £m</b>	<b>Department</b>		<b>Portfolio</b>	
		<b>Between</b>		<b>Between</b>	
Grant realignment	0.001	SR	CA	FG&CC	ACLT
Utilities realignment	0.006	within CO		CH&ST	FG&CC
Community Protection realignment as per MTFP	0.068	within CO		E&CP	CH&ST
	0.030			E&CP	FG&CC
Budget realignment Henry Whipple	0.066	DG	CA	R,S&C	CYP
Budget realignment in Uniformed Services	0.014	within CO		FG&CC	E&CP
Technical adjustment NNDR Transitional Relief	0.231	CORP		CO	FG&CC
	0.004	CO		CORP	EE&DS
	0.129	CORP		SR	FG&CC
	0.334	CORP		CO	FG&CC
	0.633	CORP		DG	FG&CC
SLMG savings	0.105	CA	CORP	ACLT	FG&CC
	0.127	CO	CORP	CH&ST	FG&CC
	0.043	SR	CORP	CH&ST	FG&CC
	0.027	CORP	CA	FG&CC	CYP
	0.082	SR	CORP	FG&CC	
	0.080	DG	CORP	R,Schools&C	FG&CC
Savings realignment	0.057	within CO		CH&ST	ACLT
	0.030	within CO		FG&CC	EE&DS

Details	Net Amount £m	Department Between		Portfolio Between	
Income Compensation	0.148	CA	CORP	ACLT	FG&CC
	0.249	CO	CORP	ACLT	FG&CC
	0.006	CORP	DG	CH&ST	FG&CC
	1.729	CORP	CO	CH&ST	FG&CC
	0.051	CA	CORP	CYP	FG&CC
	0.004	CORP	SR	FG&CC	CYP
	0.026	CO	CORP	E&CP	FG&CC
	0.028	CORP	CO	FG&CC	EE&DS
	0.169	SR	CORP	EE&DS	FG&CC
	0.412	CORP	CO	FG&CC	
	0.002	CORP	DG	HPH	FG&CC
	1.925	CORP	CO	FG&CC	LC&IT
	0.063	CA	CORP	R,Schools&C	FG&CC
	0.051	SR	CORP	R,Schools&C	FG&CC
	0.106	CORP	DG	FG&CC	R,Schools&C
	0.022	CX	CORP	H,HR&E	FG&CC
Cultural Grant realignment	0.020	within CO		CH&ST	LC&IT
Technical adjustment Prudential Borrowing	5.016	DG	CORP	CH&ST	FG&CC
	0.401	CORP	DG	FG&CC	
	0.669	CORP	SR	FG&CC	
	6.654	DG	CORP	R,Schools&C	FG&CC
Housing Aid realignment	0.023	DG	SR	R,Schools&C	EE&DS
	0.024	CA	DG	HPH	R,Schools&C
Improvement Board costs	0.071	CORP	SR	FG&CC	
Technical adjustment (contribution to loss allowance acct)	1.239	SR	CORP	FG&CC	
	<b>21.176</b>				

<b>Department</b>	<b>Key</b>	<b>Portfolio</b>	<b>Key</b>
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

Portfolio	Reserve	Transfer Details	Replenishment	Use of Reserve	Reserve to Capital	Reserve to Reserve	Contribution to Capital Scheme	Total
Adult Care & Local Transport	Direct Revenue Financing	Purchase of vehicles					(0.282)	<b>(0.282)</b>
	NET City Reserve Fund	20/21 Net expenditure		0.400				<b>0.400</b>
<b>Adult Care &amp; Local Transport Total</b>				<b>0.400</b>			(0.282)	<b>0.118</b>
Communities, Highways and Strategic Transport	Area Committees	20/21 Net expenditure	(0.041)					<b>(0.041)</b>
	Direct Revenue Financing	Contribution to capital schemes					(0.004)	<b>(0.004)</b>
	Street Lighting PFI	Contribution to future years costs	(0.266)					<b>(0.266)</b>
	Contingency Reserve	Domestic Waste additional resources	(0.110)					<b>(0.110)</b>
	Capital Reserves	20/21 Net expenditure	(0.027)	0.516				<b>0.489</b>
	Revenue Implications of Capital Schemes	20/21 expenditure		1.222				<b>1.222</b>
<b>Communities, Highways and Strategic Transport Total</b>			<b>(0.444)</b>	<b>1.738</b>			<b>(0.004)</b>	<b>1.290</b>
Corporate Page 71	Capital Reserves	20-21 Capital Funding Requirement			(1.392)			<b>(1.392)</b>
	Revenue Implications of Capital Schemes	Capital Programme				(0.620)		<b>(0.620)</b>
	Capital Reserves	Capital Programme				0.620		<b>0.620</b>
	IT Investment Fund	IT Capital Spend 20/21				1.171		<b>1.171</b>
	Treasury Management MRP Transformation of Services	Contribution to FFTF project costs				8.000		<b>8.000</b>
	Capital Reserves	IT Capital Spend 20/21				(1.171)		<b>(1.171)</b>
	Capital Reserves	Flexible Fitness Equipment				(0.032)		<b>(0.032)</b>
	Capital Reserves	Newstead Abbey				(0.028)		<b>(0.028)</b>
	Capital Reserves	2020/21 FFTF Capital Expenditure				(1.899)		<b>(1.899)</b>
	Capital Reserves	Capital Projects - Carrington Street				(0.068)		<b>(0.068)</b>
	Capital Reserves	Capital Scheme - BGI				(0.286)		<b>(0.286)</b>
	Capital Reserves	Capital Project - Old Market Square and Lace Market				(0.019)		<b>(0.019)</b>

Portfolio	Reserve	Transfer Details	Replenishment	Use of Reserve	Reserve to Capital	Reserve to Reserve	Contribution to Capital Scheme	Total
	Capital Reserves	Broadmarsh				(2.000)		<b>(2.000)</b>
	Flexible Fitness Equipment	20/21 Capital expenditure				0.032		<b>0.032</b>
	HAZ Delivery Plan	Capital Project - Old Market Square and Lace Market				0.019		<b>0.019</b>
	Fit For the Future	Capital expenditure / project costs				(6.101)		<b>(6.101)</b>
	Flood Risk Management	Capital Scheme - BGI				0.286		<b>0.286</b>
	Newstead Abbey Development Fund	Capital Project costs				0.028		<b>0.028</b>
	Carrington Townscape	Capital Project costs				0.068		<b>0.068</b>
	Capital Risk Reserve	Broadmarsh				2.000		<b>2.000</b>
<b>Corporate Total</b>						<b>(1.392)</b>	<b>0.000</b>	<b>(1.392)</b>
Energy, Environment & Democratic Services	Flood Risk Management	20/21 net movement	(0.126)	0.012				<b>(0.114)</b>
	Feasibility Schemes	Eastcroft Development		0.176				<b>0.176</b>
	SALIX - Energy Savings Fund	contribution to schemes	(0.289)					<b>(0.289)</b>
	Capital Reserves	contribution to schemes					(0.044)	<b>(0.044)</b>
<b>Energy, Environment &amp; Democratic Services Total</b>			<b>(0.415)</b>	<b>0.188</b>			<b>(0.044)</b>	<b>(0.271)</b>
Employment & Community Protection	Capital Reserves	20/21 contribution	(0.008)					<b>(0.008)</b>
<b>Employment &amp; Community Protection Total</b>			<b>(0.008)</b>					<b>(0.008)</b>
Finance, Growth & the City Centre	Systems Development Team	20/21 contribution	(0.731)					<b>(0.731)</b>
	Capital Program Departmental Prudential Borrowing	Net revenue contribution for financing costs	(0.032)					<b>(0.032)</b>
	Collection Fund & Business Rates	20/21 net replenishment	(33.791)					<b>(33.791)</b>
	East Midlands Councils	20/21 expenditure		0.056				<b>0.056</b>
	Fit For the Future	20/21 net expenditure	(3.321)	1.368				<b>(1.953)</b>
	Good to Great	20/21 expenditure		0.008				<b>0.008</b>



Portfolio	Reserve	Transfer Details	Replenishment	Use of Reserve	Reserve to Capital	Reserve to Reserve	Contribution to Capital Scheme	Total
	Hackney Carriages	20/21 expenditure		0.009				0.009
	Farnborough PFI Project	20/21 contribution	(0.439)					(0.439)
	Housing Benefits	20/21 expenditure		2.448				2.448
	Ice Centre Sinking Fund	20/21 contribution	(0.607)					(0.607)
	Investment Strategy	20/21 expenditure		0.325				0.325
	IT Investment Fund	20/21 contribution	(0.350)					(0.350)
	NET City Reserve Fund	20/21 contribution	(0.255)					(0.255)
	Pension Deficit	20/21 contribution	(1.531)					(1.531)
	Treasury Management	20/21 contribution	(9.414)					(9.414)
	Workforce Reserve	20/21 contribution	(0.697)					(0.697)
	Revenue Implications of Capital Schemes	20/21 expenditure		0.929				0.929
<b>Finance, Growth &amp; the City Centre Total</b>			<b>(51.168)</b>	<b>5.143</b>				<b>(46.025)</b>
Health, HR & Equalities	Contingency Reserve	20/21 expenditure		0.031				0.031
	Public Health Transition	20/21 contribution	(0.625)					(0.625)
<b>Health, HR &amp; Equalities Total</b>			<b>(0.625)</b>	<b>0.031</b>				<b>(0.594)</b>
Page 73 Housing, Planning & Heritage	Carrington Townscape	20/21 expenditure		0.027				0.027
	Civil Penalties	Penalties paid in year	(0.044)					(0.044)
	HMO - Discretionary	20/21 net movement	(0.168)	0.151				(0.017)
	HMO - Mandatory	20/21 net movement	(0.209)	0.184				(0.025)
	Additional Scheme (non-recoverable)	20/21 net movement	(0.045)					(0.045)
	Selective Fee Income	Licence fees to ensure affordability of scheme	(1.015)					(1.015)
	Selective Licensing-Non Recoverable Budget	Net movement on 5 year scheme	(0.352)					(0.352)
	HAZ Delivery Plan	20/21 expenditure			0.016			0.016
<b>Housing, Planning &amp; Heritage Total</b>			<b>(1.833)</b>	<b>0.378</b>				<b>(1.455)</b>
Leisure, Culture & IT	Allotment Improvements	20/21 contribution	(0.021)					(0.021)
	Castle Development	Net movement in year	(0.196)					(0.196)

Portfolio	Reserve	Transfer Details	Replenishment	Use of Reserve	Reserve to Capital	Reserve to Reserve	Contribution to Capital Scheme	Total
	Flexible Fitness Equipment	Leisure Development & Improvements	(0.348)					<b>(0.348)</b>
	Southglade Football Pitch	Annual funding contribution	(0.035)					<b>(0.035)</b>
	IT Investment Fund	20/21 expenditure	(0.575)	1.489				<b>0.914</b>
	Direct Revenue Financing	contribution to schemes					(0.495)	<b>(0.495)</b>
	LTA - Sinking Fund	Annual contribution	(0.120)					<b>(0.120)</b>
	Capital Reserves	Contribution to capital projects	(0.622)					<b>(0.622)</b>
<b>Leisure, Culture &amp; IT Total</b>			<b>(1.917)</b>	<b>1.489</b>			<b>(0.495)</b>	<b>(0.923)</b>
Page 74 Regeneration, Schools & Communications	Employer Hub Innovation Fund	20/21 expenditure		0.207				<b>0.207</b>
	Jobs Fund	Youth Employment Initiatives Projects		0.283				<b>0.283</b>
	Schools Building Maintenance	Expenditure on maintained schools		0.010				<b>0.010</b>
	Nottingham Growth Plan	20/21 Expenditure		0.096				<b>0.096</b>
	EIB Strategic Alliance	20/21 Expenditure		0.046				<b>0.046</b>
	ERDF Dakeyne Street	Contrib'n for future costs	(0.190)					<b>(0.190)</b>
	ERDF Sneinton Market	Contrib'n for future costs	(0.346)					<b>(0.346)</b>
	BSF Bigwood & Oakfield PFI	Transfer as per BSF Final Business Case	(0.176)					<b>(0.176)</b>
	Farnborough PFI Project	Transfer as per BSF Final Business Case	(0.249)					<b>(0.249)</b>
	Investment Property Maintenance Fund	Replenish previous drawdown	(0.614)					<b>(0.614)</b>
	PFI Life Cycle	Schools Maintenance	(0.282)					<b>(0.282)</b>
	Southglade Food Park Phase 2	Contribution for future repair costs	(0.101)					<b>(0.101)</b>
	Southglade Food Park Sinking Fund	Contribution for future repair costs	(0.194)					<b>(0.194)</b>
	Statutory Schools Reserves - Other Balances	20/21 net movement	(4.702)	0.407				<b>(4.295)</b>
Statutory Schools Reserves - School Balances	20/21 contribution	(1.291)					<b>(1.291)</b>	

Portfolio	Reserve	Transfer Details	Replenishment	Use of Reserve	Reserve to Capital	Reserve to Reserve	Contribution to Capital Scheme	Total
Page 75	NHS LIFT	Mary Potter	(0.507)					(0.507)
		Clifton Cornerstone	(0.135)					(0.135)
		Bulwell	(0.591)					(0.591)
	St Anns Valley JSC	20/21 net movement	(0.059)	0.009				(0.050)
	Revenue Implications of Capital Schemes	Bio-City 20/21 expenditure		0.338				0.338
		Broadmarsh Shopping Centre		0.706				0.706
		Crocus Place expenditure		0.047				0.047
		Science Park expenditure		0.290				0.290
	Capital Reserves	Transforming Cities		0.078				0.078
		Education - Feasibility Costs		0.016				0.016
		Property Revenue Repairs		0.197				0.197
		Angel Row Henry Boot Abortive Costs		0.149				0.149
		Loss of rental from 76-80 Lower Parliament Street		0.012				0.012
		SRB Topslice - GF		0.338				0.338
		Broadmarsh Holding Costs 20/21		0.336				0.336
		Church Square revenue costs		0.017				0.017
	Derby Road revenue costs		0.013				0.013	
	Guildhall Holding Costs		0.094				0.094	
<b>Regeneration, Schools &amp; Communications Total</b>			<b>(9.438)</b>	<b>3.689</b>				<b>(5.748)</b>
<b>Total</b>			<b>(65.847)</b>	<b>13.056</b>	<b>(1.392)</b>	<b>0</b>	<b>(0.825)</b>	<b>(55.008)</b>

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**Executive Board  
20 July 2021**

<b>Subject:</b>	Sustainable Warmth Competition
<b>Corporate Director(s)/Director(s):</b>	Wayne Bexton, Interim Corporate Director for Growth and City Development
<b>Portfolio Holder(s):</b>	Councillor Sally Longford, Deputy Leader and Portfolio Holder for Energy, Environment and Waste Services
<b>Report author and contact details:</b>	Michael Gallagher, Head of Midlands Energy Hub <a href="mailto:Michael.Gallagher@nottinghamcity.gov.uk">Michael.Gallagher@nottinghamcity.gov.uk</a> Ellen Cooper-Tydeman, Principal Fuel Poverty Project Officer <a href="mailto:Ellen.Cooper-Tydeman@nottinghamcity.gov.uk">Ellen.Cooper-Tydeman@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	Not applicable
<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>	
(a) <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) 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> Up to £140million	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> Not applicable	
<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 type="checkbox"/>

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

The Midlands Energy Hub (MEH) has received a total of £60.95million of Government funding as part of Phase 2 of the Local Authority Delivery (LAD) scheme, which will run from March 2021 to December 2021.

The latest Phase of the funding was launched on 16 June as a competition. The MEH are planning to submit a regional bid for the Sustainable Warmth Competition to access funding (£350million available across England) as part of Phase 3 of the LAD and Home Upgrade Grant (HUG), which will run from January 2022 to March 2023. As a result of feedback from Phase 1, some Local Authorities do not have the capacity to submit an individual bid for funding, particularly within the required timescales. Therefore, a regional submission with the Midlands Energy Hub as the Lead Authority offers an opportunity for all Local Authorities in the region to access the needed funding to support thousands of fuel poor households.

The current delivery model developed and implemented through Phase 2 offers an effective route for the delivery of LAD3 and HUG1 across the Midlands.

This decision will generate an additional £150,000 in management fees to contribute towards 2021/22 financial returns from the CRES Division, supporting the Medium-Term Financial Plan projections.

**Exempt information:** None

**Recommendation(s):**

- 1** To approve the submission of a bid to the Sustainable Warmth Competition for a grant allocation of up to £140million from the Department for Business, Energy and Industrial Strategy (BEIS) to support regional delivery through the Midlands Energy Hub.
- 2** To delegate authority to the Director of Carbon Reduction, Energy and Sustainability to accept the funding, subject to a business case being submitted and approved, and the funding conditions being approved, by the Director of Legal and Governance and the Corporate Director of Finance and Resources (Section 151 Officer).
- 3** To note that any spend of the funding received will require further approvals prior to allocation.

**1 Reasons for recommendations**

- 1.1 The primary driver for the Sustainable Warmth Competition and LAD scheme is to tackle Fuel Poverty. The project will target citizens on the lowest incomes, in the worst performing households, aiming to increase thermal comfort and well-being in the coldest and most vulnerable homes. This directly supports our 2018-25 Fuel Poverty Strategy and will see fuel bills reduce.

- 1.2 Additionally, the project will drive retrofit measures to improve building fabric, decarbonise heating systems and see more renewable energy in homes across the city and region, supporting our Carbon Neutral by 2028 aspiration and national carbon reduction targets.
- 1.3 The project is also intended to stimulate the supply chain and facilitate a green economic recovery from COVID-19. These funds will help bring forward a range of works that would not otherwise take place, enabling homes in fuel poverty to reduce energy costs and improve EPC, addressing challenging stock and creating local jobs through transferring central government funding to the private sector.
- 1.4 The scheme would be delivered through 100% grant funding. The Hub will use a proportion of the admin budget to support project delivery, and the project will be governed by existing structures, reporting to the LAD Programme Board and Hub board monthly. The Hub have an existing risk register for Phase 2 and this will be used to inform Phase 3 and HUG.

## **2 Background (including outcomes of consultation)**

- 2.1 The Council's Carbon Reduction, Energy and Sustainability division is the accountable body for the Midlands Energy Hub. BEIS commissioned the Midlands Energy Hub to deliver Phase 2 as set out in our commissioned sourcing strategy for this work (Delegated Decision 4034).
- 2.2 In February, a Leader's Key Decision ('Green Home Grants Local Authority Delivery (LAD) Phase 2', reference number 4116) was approved to accept funding from BEIS under the Green Homes Grant Local Authority Delivery (GHGLAD) Phase 2 programme, to a value of £60.95m, which will run from March 2021 to December 2021.
- 2.3 The Sustainable Warmth Competition is being launched to bring together two fuel poverty schemes (Local Authority Delivery Phase 3 and Home Upgrade Grant Phase 1) into a single funding opportunity. Both schemes aim to support low-income households in England, living in energy inefficient homes by installing energy efficiency and low carbon heating upgrades with a delivery timeframe of January 2022 to March 2023. Both on and off-gas grid properties are included under the schemes.
- 2.4 The bid will be for 100% of the funding required and would be via a Section 31 grant and associated Memorandum of Understanding. The funding will enable regional delivery helping thousands of fuel poor households across the Midlands and support the governments and the Council's carbon neutral target. Delivery will be supported through internal Council teams, including Energy Services, Procurement and Legal, with funding available for staffing as well as a management fee to the council as with the current funding through Phase 2. The MEH LAD 2 scheme has a team already in places to support regional delivery. Continuation of funding would enable extensions to existing fixed term contracts to April 2023.
- 2.5 LAD2 delivery has utilised regional energy hubs to use local knowledge and regional expertise to best identify households that are most likely to require support and would best benefit from energy efficiency upgrades. This is an effective delivery model as Local Authorities can benefit from continued support from the hub to ensure delivery is efficient

and achievable. Through the Hub's delivery model, citizens in the midlands can benefit from tailored customer journey support throughout the installation process. The customer journey support can also help with additional income maximisation measures such as energy tariff switching and information workshops about low carbon heating measures. This ensures citizens are able to understand and utilise home improvements to achieve maximum energy efficiency in the home and alleviate fuel poverty. The Hub have also set up two Dynamic Purchasing System (DPS) to help support Local Authorities procure accredited suppliers for delivery.

- 2.6 Regional delivery enables all Local Authorities in the region to access available funding, particularly those that do not have the capacity to bid and provides efficiencies through regional support. A regional application removes local competition to access funding and enable greater shared learning as more collaborative process helping to building capacity across the region both with regards Local Authorities sharing best practice, but also supporting the local supply chain by knowing the amount of funding available and available work in the area. The Hub approach offers a longer period of time for all Local Authorities in the region to develop their proposals and identify a pipeline for the schemes.
- 2.7 Existing contracts are in place to support regional delivery. Customer journey support was secured through an open tender in February. We will work with legal and procurement to compliantly extend our existing delivery model, including if successful providing award letters with terms and condition to each Local Authority within the consortium.
- 2.8 The final amount will be dependant of the scale of the submission. A proportional bid value would be around £70million. The Hub will work with all the Local Authorities to confirm the final value of the bid submitted to provide delivery assurance.

### **3 Other options considered in making recommendations**

- 3.1 To do nothing: this option was discounted due to the failure to secure benefits to citizens, including reduced fuel bills, decreased fuel poverty rates and reduction in carbon emissions.
- 3.2 To identify alternative funding: this option was discounted as alternative funding sources which provide such favourable terms or ability for the Hub to bid have not been identified.

### **4 Finance colleague comments (including implications and value for money/VAT)**

- 4.1 This decision aligns with the Council's 2018-25 Fuel Poverty Strategy and, if the grant bid/acceptance is successful, will see fuel bills reduce in fuel poor households across the region. The decision also supports national carbon reduction targets.
- 4.2 The Council will potentially be accepting this grant as part of its role as Lead Authority for the Midlands Energy Hub, with the Midlands Energy Hub distributing the grant to Local Authorities across the region.
- 4.3 Accepting this grant does not increase the Council's Capital Programme. Any grant allocated to the Council is required to obtain the necessary approval after



undergoing the Council's capital prioritisation process. Therefore, further approval is required before committing the Council to any projects.

- 4.4 If successful, the grant conditions allow the Council to recover a proportion of non-capital costs whilst acting in its Lead Authority role. The Director of Carbon Reduction, Energy and Sustainability is required to ensure all grant conditions are adhered to due to the Council's Lead Authority role, reducing the risk of any grant clawback.

Advice provided by Tania Clayton Pérez, Commercial Business Partner, on 30 June 2021.

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

### **Procurement Comments**

- 5.1 Procurement is supportive of this application for grant funding. The dynamic purchasing systems put in place for Phase 2 of LAD were set up with a view to further funding becoming available and can be used to deliver this scheme, and additional support can be made available if necessary.

Advice provided by Jonathan Whitmarsh, Lead Procurement Officer, on 28 June 2021.

### **Legal Comments**

- 5.2 Submission of the bid will seek to provide funding being available to the Council to be used across various projects and allocation routes, each focussed on addressing the Fuel Poverty concern in the city.
- 5.3 As is acknowledged within the report recommendations, a business case will be required prior to accepting any funding that can only be accepted in conjunction with the Director of Legal and Governance and the Section 151 Officer for approval. This will ensure that the use of the funding will be properly scrutinised prior to committing the Council to accepting any monies particularly in light of its role as Accountable Body for the Midlands Energy Hub.
- 5.4 Due to the potential scale of the funding, more detail will be required with respect to how the monies are proposed to be used upon receipt. This may be through procurement processes, grant awards or on internal spend. Legal, Finance and Procurement colleagues will need to review and advise upon the proposed allocation of the money to ensure scrutiny and compliance. Further approvals with more specific detail of proposed funding distribution will be required in due course.

Advice provided by Dionne Screatton, Senior Solicitor (Commercial, Employment and Education), on 1 July 2021.

## **6 Strategic Assets and Property colleague comments (for decisions relating to all property assets and associated infrastructure)**

6.1 Not applicable.

## **7 Social value considerations**

7.1 A series of contracts with option for extension have been procured and awarded as part of project delivery. All procurement exercises overseen by Council Procurement consider social value. This included job creation and Customer Journey Support offers, with added value services such as income maximisation, aiming to provide up to £4million in additional savings to residents through their support services.

## **8 Regard to the NHS Constitution**

8.1 Improving energy efficiency of homes is linked to a reduction in cold-related health concerns and associated hospital admissions.

## **9 Equality Impact Assessment (EIA)**

9.1 An EIA is not required because these proposals do not related to a new or changing policy, service or function.

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

10.1 Not applicable.

## **11 Published documents referred to in this report**

11.1 Not applicable.

**Executive Board  
20 July 2021**

<b>Subject:</b>	Victoria Embankment Memorial Gardens National Lottery Heritage Fund Restoration Project
<b>Corporate Director(s)/Director(s):</b>	David Murray, Interim Corporate Director of Resident Services Dave Halstead, Director of Neighbourhood Services
<b>Portfolio Holder(s):</b>	Councillor Rosemary Healy, Portfolio Holder for Highways, Transport and Cleansing Services
<b>Report author and contact details:</b>	Eddie Curry, Head of Public Realm <a href="mailto:eddie.curry@nottinghamcity.gov.uk">eddie.curry@nottinghamcity.gov.uk</a> 0115 8764982
<b>Other colleagues who have provided input:</b>	Ceri Walters, Head of Commercial Finance Meagan Milic, Commercial Finance Business Support Tom Straw, Senior Accountant – Capital Programmes Sarah O’Bradaigh, Senior Solicitor – Legal Services Pippa Hall, Interim Head of Corporate Property and Investment John West, Estate Surveyor – Estates Services Richard Becket, Head of Major Projects Nasreen Miah, Equality and Employability Consultant Hannah Gemmill, HR Business Lead – Residents
<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>	
(a) <input 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) 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> £1,284,000 Capital; £410,000 Revenue	
<b>Wards affected:</b> Bridge	
<b>Date of consultation with Portfolio Holder(s):</b>	
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input type="checkbox"/>
Respect for Nottingham	<input type="checkbox"/>
Serving Nottingham Better	<input type="checkbox"/>

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

This report provides details of the Victoria Embankment Memorial Gardens National Lottery Heritage Fund (NLHF) Restoration Project. The report seeks to approve the project and seeks approval to submit the stage two bid to the NLHF on 25 August 2021. The project will be assessed by the NLHF in December 2021. The report lays out proposals to secure additional external grant funding over the next 5 months in order that the project is 100% fully funded at the time of the NLHF grant decision in December. In the event that the additional funds are not secured, the project will be re-scoped, down-sized or it will not be delivered in its current form. Therefore, the project presents no risk to the Council's capital programme.

In the event that all the grants are approved, the report also seeks approval to accept the NLHF and other external grant funds in order to deliver the programme of capital works and revenue activities within the memorial gardens.

**Exempt information:** None

**Recommendation(s):**

1. To approve the project as detailed in the Victoria Embankment Memorial Gardens NLHF Restoration Project business plan (Appendix 1) subject to:
  - a. Capital Board endorsement and agreement to treat the project as an in-year addition to the capital programme;
  - b. confirmation that all sources of funding have been secured before any costs are incurred;
  - c. the Council's revenue expenditure being identified within existing budgets;
2. To approve the funding for the new permanent Victoria Embankment Team Leader post and fixed-term project work placements. The establishment of the posts is being approved as a non-executive decision by the Corporate Director of Resident Services under Delegation 16.
3. To approve the establishment of a sinking fund for the purpose of maintaining the site in good condition, funded from revenue surpluses in conjunction with the NLHF conditions;
4. To delegate the authority to the Corporate Director of Resident Services, in consultation with the Corporate Director of Finance and Resources and the relevant Portfolio Holder for Highways, Transport and Cleansing Services, to carry out procurement processes and enter into contracts relating to the project.

**1 Reasons for recommendations**

- 1.1 The Memorial Gardens located at Victoria Embankment is a Grade II listed Historic Parks and Garden. Over 100 years has passed since the garden was created in order to provide a living memorial to those who gave their lives in the two World Wars and to

provide a suitable place for contemplation and relaxation. Over the years, the gardens have fallen into a state of disrepair, albeit the infrastructure is mainly intact, some features within the garden require restoration, repair or replacement (e.g., the Queen Victoria statue and the gardens water fountain, which requires restoration, and the War Memorial and its under-croft, which require repairs and the replacement of the toilet facilities). The project will also improve the existing café to help increase revenue through a greater footfall and improved access and new toilets.

- 1.2 The project will also provide an extensive programme of activities that will be led by a new Team Leader. The post will help train new work placements in land-based skills, at the end of which the work placements will be skilled to be able to seek further job opportunities within street-scene and grounds maintenance teams.
- 1.3 The project has been designed to help improve the quality of the gardens and to activate the spaces through events, work placements and additional volunteers' time, and the financial profile is set out in Appendix 2.
- 1.4 NLHF funding would provide 68% of the total funding requirement, with the remaining funds to be secured from the War Memorial Trust Fomento de Construcciones y Contratas (FCC) and Section 106 contributions. The final portion of the funding contribution will be from the public realm service revenue budget and will be profiled over the ten years of the project's life. This is existing funding and its re-direction will have no impact on existing services.

## **2 Background (including outcomes of consultation)**

- 2.1 Following the centenary of the First World War in 2018 and the construction of the new WW1 Nottinghamshire War Memorial, a considerable increase in visitor numbers and interest in the memorial gardens has been recorded.
- 2.2 During the project development, many meetings have taken place with military associations and veterans' groups, from which discussions have taken place regarding the Council's work with the Armed Forces and our support for the delivery of the Armed Forces Community Covenant. These discussions have helped shape the project and, through the delivery of the new Team Leader and work placements alongside the continued support for Military Associations and veterans' groups, the project will help the Council to increase its contribution and commitment to delivery of the Armed Forces Community Covenant.
- 2.3 Following the stage one NLHF bid that was awarded in January 2019, the architectural details and the detailed planning and costings for this project have been worked up ready to submit to NLHF for final approval.
- 2.4 The heritage restoration work would help to fully repair and improve the infrastructure and facilities within the memorial gardens. The restoration would help to improve the maintenance and management of the gardens and it will help to accelerate restoration work that otherwise will cost the council considerable funds to repair at some point in the future. Please see Appendix 3 for the future buildings and structures repairs and restoration costs.

### **3 Other options considered in making recommendations**

- 3.1 Not to carry out the restoration work. This option has been rejected as there is no other viable option to drive forward the restoration and improvement of the gardens this option would not maximise use of the grounds, could lead to further disrepair and possible health and safety issues, loss of heritage, etc. Also, the opportunity would be lost to maximise income from café facilities and improve leisure facilities for citizens.
- 3.2 Reduce the scale of the restoration project. This option has been rejected as it will not help provide sufficient heritage restoration work needed to secure the grant from the NLHF or help to deliver the armed forces community covenant.

### **4 Finance colleague comments (including implications and value for money/VAT)**

- 4.1 A summary of the finance comments are set out below and are linked to the funding of the project as set out in Table 2, and the financial business case for future running costs and its assumptions captured in Appendix 2:
  - a) There is no impact financially to the capital programme as referenced in the report, as the capital element is funded through grant;
  - b) The revenue element of the project is being managed through match funding and current budget provision without impacting on other exiting services. No further financial requirements are anticipated;
  - c) The financial business case for future running costs are set out in Appendix 5, showing that over a 10-year term, based on a number of assumptions and the creation of a sinking fund, that the scheme can be funded if all grant funding is awarded;
  - d) The project will only commence once all sources of funding are secured, or be reshaped to manage within confirmed external funding sources;
  - e) Ongoing maintenance will be funded as business as usual within the Public Realm budget, without impacting on other services. The development of this site will mitigate the risk on this fund as maintenance of the current asset is more costly than the improvement proposed;
  - f) Monitoring of this project will form part of the normal forecasting processes;
  - g) Value for money will be achieved through procurement processes associated with the project and the use of external funding to support future maintenance pressures associated with the current asset;
  - h) Financial risks associated with this project are covered in Table 1 below, but are deemed low and further defined in section 4.3.

<b>Table 1: Project Risk and Mitigations</b>	
<b>Key Risk</b>	<b>Mitigations</b>
Capital funding not secured	If 100% of the match funding is not secured then the project will be either down sized or terminated before entering into any contracts.
Café rent not achieved	Rent negotiating have already started with the operator. The projected income is justifiable given the scale of investment and the potential increase in footfall post project completion. If the full amount of rent secured is less than expected, in year revenue spend will be diverted to make up the required deficit.
Charitable income not secured	The charitable donation level has been kept minimal in order to ensure that it is deliverable. A marketing campaign will be delivered to promote charitable giving to the project. If full amount of donations is less than expected in year revenue spend will be diverted to make up the required deficit.
Future salary costs	Post year 5 in the project, the costs of the Team Leader will be covered through in-year vacancy savings from within the Public Realm Service. Service planning will ensure that sufficient vacancies are held in preparation for this to be covered.

4.2 Table 2 below shows the one-off capital and revenue funding structure for the Victoria Embankment War Memorial Gardens restoration project and the position statement of the external funding.

<b>Table 2: Funding Detail</b>				
		<b>Revenue £m</b>	<b>Capital £m</b>	<b>Total £m</b>
Total Cost DELIVERY		0.410	1.284	1.694
Match funding - S106 secured	Secured		(0.321)	(0.321)
Match funding – Institute of Cemetery and Cremation Management (ICCM) Charitable Donation secured	Secured		(0.020)	(0.020)
This will be the funding of 1x grade F post from Parks & Street Scene Repairs & maintenance budgets	Internal	(0.008)		(0.008)
Match Funding - Environment Agency Funding secured	Secured		(0.025)	(0.025)
Match Funding – Area Capital secured	Secured		(0.010)	(0.010)
Match funding - volunteer time not yet delivered	TBC	(0.020)		(0.020)

Match funding - War Memorials Trust bid	Bid submitted – decision in August 2021		(0.030)	(0.030)
Match funding - FCC bid	Bid submitted – decision in September 2021		(0.100)	(0.100)
<b>Total Match Funding</b>		<b>(0.028)</b>	<b>(0.506)</b>	<b>(0.534)</b>
<b>NLHF grant request</b>		<b>(0.382)</b>	<b>(0.778)</b>	<b>(1.160)</b>

- 4.3 There are two stages to this project, 'Development' & 'Delivery' stage one. 'Development' has been completed and the grant monies were received from the NLHF. This first phase paved the way to understanding how the second phase will be delivered and all the associated costs of the project.
- 4.3.1 The total cost of stage two of the project is £1,284,000 capital and £410,000 revenue.
- 4.3.2 There is expected to be match funding to the value of £534,000, leaving an overall grant request from NLHF for stage two of £1,160,000 (as above).
- 4.3.3 This will cover both capital and revenue elements. The capital costs have been constructed via an external building company and verified internally by the quantity surveyor and project lead.
- 4.3.4 At this stage, not all match fund has been secured and work will not commence until all is confirmed. Any variation will result in the project being either terminated until an alternative funding package can be identified or redesigned within a funding envelope.
- 4.3.5 The 'Revenue Model' has been constructed by the Head of Service as a forecast for the next 10 years, summarised in Appendix 2. Assumptions have been challenged by Finance.
- 4.3.6 The current revenue model projects a surplus of £36,000 by year 5, at which point the NLHF funding ceases. Thereafter, the sinking fund surplus will be used to fund years 6-10, leaving a balance of £11,000. Prior to year 10, a decision will need to be taken regarding future funding and options for reducing costs or increasing income based on past trends.
- 4.3.7 The Council has obtained clear clarification from NLHF that they are able to carry forward a surplus balance on the project year on year, as long as it is used only for the project in future years however the approval of this will need to be undertaken by the Council and is captured in the recommendations of this report.
- 4.4 The financial risk is assessed by the Service as low, but should any risks materialise, the project may either need to cease or be reviewed reporting back to Corporate Leadership Team.



A summary of the risks are set out below:

- a) If the Council is unsuccessful in obtaining all grant monies, this project will either stop or be redesigned in accordance with funding received. Until all funding is secured, the Council will not enter into any contracts with developers. The opportunity of this funding is that it will reduce the burden on the current memorial site repairs and maintenance requirement, which is a limited fund with increasing pressures. This project has the potential to provide an accelerated repairs and maintenance programme at a much reduced cost to the council. Appendix 3 provides a detailed schedule of building repairs and associated costs.
- b) The Delivery Plan has a limited contingency budget. Any shortfall would require officers would need to find alternative sources of funding.
- c) Revenue budget risks relating to income generation, mainly through the fundraising contributions however relationships have already been built with local charities, etc., to help mitigate this pressure.
- d) Any ongoing costs exceeding current expectations would require the Directorate to re-prioritise other spending whilst finding a longer term solution.

Advice provided by Meagan Milic, Commercial Finance Business Partner, on 27/05/2021.

4.4.1 In addition to the above finance comments, it is to be noted that this project is currently outside of the Council's approved Capital Programme. However, as the capital element of the project is entirely funded by grant, it does not affect the capital programme control totals and therefore can be added to the Capital Programme pending approval and Capital Board endorsement.

4.4.2 The revenue income projected in the business case (as detailed in the attached appendix), includes unsecured revenue income which is a risk to the Council (around £11,000m per year). If the unsecured revenue income is not achieved as forecast, it will lead to a revenue pressure, so the Head of Public Realm Services has confirmed that any shortfall will be mitigated by diverting resources from other budgets within Public Realm to make up the required deficit.

4.4.3 Due to the capital element of this project being entirely funded from grant with no match funding from the Council, it is exempt from the additional approvals from the Section 151 Officer and the Chief Executive amended scheme of delegation. Should the capital funding mix of the project change, this stance may require further review.

Advice provided by Tom Straw, Senior Accountant – Capital Programmes, on 25/05/2021.

## **5 HR Comments**

- 5.1 The funding for new staff will be through the NLHF grant and through a contribution from the public realm service revenue budgets. The Council recruitment and redeployment process will need to be followed, including approval to authorise filling the vacancies.

Advice provided by Hannah Gemmill HR, Business Lead – Residents, on 26/05/21.

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

- 6.1 Any grant funding awarded to the Council from NLHF towards the cost of the project will be subject to grant conditions which if not met or breached, will be subject to clawback. The award of any external contracts for the provision of works and/or services relating to the project will need to comply with public contract procurement rules and the Council's Contract Procedure Rules. In addition, such external contracts must include provision requiring the providers to adhere to the grant conditions (and to indemnify the Council if by the providers' acts and/or omissions bring the Council into breach of the grant conditions), thus triggering the requirement for clawback of grant funding from the Council.

Advice provided by Sarah O'Bradaigh, Senior Solicitor, on 27/05/21.

## **7 Major Projects Colleague Comments**

- 7.1 The project has gone through the Council's project assurance process. The Review Team noted the work undertaken on the project to date and that the Council team working on it had a strong track record in delivering similar projects for this funder. No material concerns about the delivery of the project were raised during the review.

The report and recommendations from the Review Team are attached as Appendix 4 to this report and the Project Team are preparing an action plan to address these.

Advice provided by Richard Beckett, Head of Major Projects, on 25/05/21.

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

- 8.1 Careful consideration will need to be given to all Property aspects of this project and Officers will support the project team in this process as required.
- 8.2 A large area of Victoria Embankment, centred around the War Memorial, is subject to a Deed of Dedication to the Centenary Fields project of the Fields in Trust organisation. This is in recognition of its historic involvement with the efforts of World War One. The Deed is designed to protect the land for leisure and recreation and it is not believed that the recommendations in this report will not impede on the Dedication, or require the Trust's approval, but this will nevertheless need to be checked and confirmed by Legal Services.
- 8.3 Furthermore, there is a deed of covenant in place with the Environment Agency (EA) relating to the protection of the Flood Defence wall and gates, and the project team will

need to liaise with the EA to ensure the proposals will not adversely affect this asset. Property will support the project team in this as appropriate.

- 8.4 The Suspension Bridge Café is included in the project. There is a tenant currently occupying the café on a 10-year lease commencing from 2015. The project team have already been in discussion with the tenant about restructuring their lease to provide a more joint and flexible space, and that the tenant is receptive to this.
- 8.5 This will require a new letting to be undertaken, and Property will need to be issued with a further instruction on it, after which we will undertake a standard letting process including drafting heads of terms, obtaining approval as necessary and liaising with Legal Services over the drafting, but the proposal does not raise any significant concerns at this stage.
- 8.6 Colleagues will work closely with the project team to ensure this happens in a timely manner and in line with the project plan.

Advice provided by John West, Estates Surveyor, and Pippa Hall, Interim Head of Corporate Property and Investment, on 27/05/2021.

## **9 Social value considerations**

- 9.1 The project will seek to deliver the project with local contractors. The contractors will also be asked to confirm apprentice and work placement opportunities. The new posts will also seek to recruit from within the Nottingham Armed Forces and Veteran Communities.

## **10 Regard to the NHS Constitution**

- 10.1 The project will help to deliver a number of green space health and well-being activities. These will all take place outdoors and will involve physical and mental health and well-being activities all of which will help to deliver the objectives of the NHS Constitution.

## **11 Equality Impact Assessment (EIA)**

- 11.1 To demonstrate 'due regard' is to show that conscious consideration has been taken in making decisions in relation to our general equality duty. To do this, we must ensure that we eliminate discrimination, advance equality of opportunity and foster good relations when making decisions.
- 11.2 The EIA for 'Victoria Embankment Memorial Gardens National lottery heritage fund restoration project' (Appendix 5) has shown due regards throughout. As part of this assessment, it has been identified that there will not be any negative impact on protected groups as improvements are envisaged to improve accessibility for groups. Detailed surveys have taken place to identify improvements and public consultation will be taking place prior to any changes being implemented. It must be ensured that any new posts being created and targeted campaigns follow HR guidelines and procedures. This EIA will be reviewed throughout the duration of this project including at the start of recruitment as well as at the end of the project, I am therefore happy approving this EIA.

Advice provided by Nasreen Miah, Equality and Employability Consultant, on 25/05/2021.

**12. Details 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 Delegated Decision 3801: Parks Improvement Project Funding, February 2020  
(<https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=5137>)

13.2 Delegated Decision 3514: Acceptance of Government Funding for High Street Community Clean Ups, Park Improvements and Pocket Parks Plus Programme, May 2019  
(<https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=4844>)

13.3 Executive Decision Armed Forces Community Covenant, November 2020

Memorial Gardens Restoration Project  
Victoria Embankment - Nottingham  
BUSINESS PLAN

May 12th 2021

Nottingham City Council  
Public Realm Service



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## SUMMARY

The Business plan sets out the framework for the future sustainable management of the Memorial Gardens located at the Victoria Embankment, Nottingham.

The business plan will identify and develop the capital and revenue cost associated with capital restoration works, and day to day running / revenue implications of managing and maintaining the Memorial Gardens delivering the community engagement programme and the ongoing sustainability of running of the projects refurbished café.

The business plan will identify who is responsible for the projects delivery and future management.

The Business plan sets out how the project will be delivered, the principle milestones in the provision of the Garden restoration, community engagement programme and the future operating model for the refurbished café. The revenue and capital costs of restoring the buildings and managing the Garden assets. The business plan will identify the anticipated revenue and expenditure relating to the gardens over the first five years post construction.

It is against this background that the delivery and performance can be measured. It is intended that the plan will be constantly maintained. It will be updated, revised and periodically reviewed and rewritten in a formalised manner to coincide with the completion of the restoration works, and again in the 5<sup>th</sup> year post completion of restoration works.

## 1.0 INTRODUCTION

### 1.1 Purpose of Business Plan

The purpose of this Plan is to set out the framework for the future management and Maintenance of the Memorial Gardens its built infrastructure including listed historical monuments and garden features and the restoration and improvement of the Café. The intention of the Plan is to:

1. Set out what the aims and objectives of the Restoration Project;
2. Provide evidence for the need for the restoration of the Gardens;
3. Set out the structure of the delivery organisation and how the project links to corporate strategies.
4. Set out how the Gardens restoration will be delivered and managed through its construction phase and its future management and how it will be maintained, financed and sustained in the future.

### 1.2 Background to The Memorial Gardens

The Land was bought by Sir Jesse Boot, the founder of Boots the Chemist, whose home (the Plaisaunce) lay almost opposite the purchased land on the south bank of

the Trent. The land was sold to the Corporation of Nottingham in 1920 so that it could be preserved as open space and a memorial site in perpetuity.

The eastern edge of the site, overlooking the Victoria Embankment and River Trent, was laid out as the Memorial Gardens to commemorate those who had lost their lives in the First World War.

In 1926, the rock gardens in the north of the Memorial Gardens were considered to be sufficiently advanced to admit the public. The Arch's foundation stone was laid by the Prince of Wales 1st August 1923 and the gardens were officially opened on Armistice Day 1927.

The bandstand, terracing, and landscaping were added to the south extreme, and opened to the public on 12th May 1937, the Coronation day of King George VI.

The gardens have remained with little alteration for many years and whilst most of the features and monument are intact. The monuments and landscape infrastructure are in need of significant restoration work.

In 2018 the Bandstand suffered from an arson attack that left the building totally unusable. However with the councils insurance funding the building was fully restored and improved. The Bandstand was fully restored and opened in 2019?

In 2019 the gardens received a new monument dedicated to those who lost their lives in WW1. The project completely remodeled an area within the gardens to create a contemporary monument containing all the names of the 14,000+ Nottinghamshire People who gave their lives. The Monument was officially dedicated and opened to the public on the 28<sup>th</sup> June 2019 by the HRH Duke of Kent. Since this date the gardens have seen a considerable increase in visitor numbers. In fact it could be said that the development of this project helped generate the interest and need to restore the entire memorial gardens

### **1.3 Background to The Restoration Project / Project Need**

For over 15 years there has been local demand for the restoration of the Victoria Embankment and the Memorial Gardens. The site has had several improvements during this time that have included the major flood defense works, improved road resurfacing and lighting, A new sports pavilion and improvements to the play area and a fully restored Bandstand. The only part of the site that hadn't improved is the Memorial Gardens. However in 2016/17 plans come together to create a new permanent war memorial to dedicated to those from Nottinghamshire who lost their lives during world War 1. Following a major fund raising campaign the new memorial start construction in 2018 and was finally opened to the Public in June 2019. During the development of this project the Memorial Gardens received a considerable increase in public interest both to see the original war memorial and the ornamental gardens. This renewed interest in the site combined with the interest in the new WW1 memorial soon generated public support for a full restoration of the Grade II Historic Parks and Gardens. It was also noted that in order to support visitors to the gardens the site needed to improve its facilities such as the toilets and café.

In 2019 an application was made to the then Heritage Lottery Fund (HLF) for funding to restore the heritage of the designed landscape and buildings and



artefacts in the Memorial Gardens. In addition, the proposals incorporated the restoration of the Gardens main listed historic monuments, landscape features and the restoration and improvement of the adjacent Cafe. The proposal include fully restoring the historic features and transforming the appearance and quality of the existing café in order to create modern park facilities to provide a meeting point for visitors to the memorial gardens and also to provide the centre for historical interpretation about the memorial gardens and the war memorials contained within it.

The designs for the restorations of the Gardens and the new Café have now been developed to RIBA Stage 4. The project has been submitted for Planning approval ready for the stage 2 lottery bid to be submitted to the National Lottery Heritage Fund (NLHF) in May 2021.

## **2.0 CORPORATE PLAN & LOCAL STRATEGIC PLAN PRIORITIES**

The restoration of the Gardens will help to deliver the following corporate plan and local strategic plan priorities: -

### **Corporate Plan Priorities**

- The development of the WW1 memorial project and delivery of the Memorial Gardens Restoration Project
- To work with community groups to secure more Green Flag Awards than any other Local Authority
- To be the cleanest Big City in England
- CN28 – Biodiversity and Carbon Reduction objectives

### **Local Strategic Priorities**

- Breathing Space Open and Open Space strategy Objective to improve the quality of Nottingham's Parks and Open Spaces
- Nottingham Heritage Strategy objective to:- promoting an understanding, capitalising on heritage and celebrating the rich and varied historic environment of Nottingham.
- Trent River Park Regional strategy – Objective to improve the infrastructure and tourist potential of the River Corridor

### **Armed Forces Covenant**

- The project has been developed in close consultation with many local military organisation and will continue to support the City's delivery of the Armed Forces Covenant Objectives.

## **AIMS AND OBJECTIVES OF THE PROJECT**

The project objectives of the project are to deliver the nine outcomes listed within the funding bid to the National Lottery Heritage Fund (NLHF).

## **2.2 Project Benefits (Outcomes)**

### **2.2.1 A wider range of people will be involved in heritage**

Through the delivery of this project following the development of the new memorial, there will be a greater number of visitors to the site. There will also be a focus on encouraging people to the site especially via educational and volunteer programmes and partnerships with the military. This work will focus on informative, educational opportunities through the development of the café visitor centre and a volunteer programme at the site and partnerships with the military to focus on skills and training that prepares their personnel for civilian life.

### **2.2.3 Heritage will be in better condition**

The gardens and existing memorial features will be restored using industry experts and heritage advice.

### **2.2.4 Heritage will be identified and better explained**

The café visitor centre will offer Interpretation information & the volunteer programme will facilitate history sessions and there will be web based resources & through the introduction of a ranger / military partnerships, open days and annual events

### **2.2.5 People will have developed skills**

A volunteer training programme will include post-military skills development for those leaving the military (linked to armed forces covenant and possibly used as a pilot for the FPA fund) as well as engagement of the community in the day-to-day care of the site and leading walks and talks about its importance.

### **2.2.6 People will have learnt about heritage, leading to change in ideas and actions**

The restored gardens, café / visitor centre and new memorial will bring a new and wider range of audiences to the site who we will engage about its heritage.

### **2.2.7 People will have greater wellbeing**

Better facilities means people will stay in the park longer and become involved in a variety of ways, benefitting their mental well-being through the green space, hands-on work, learning and stimulation.

### **2.2.8 The funded organisation will be more resilient**

This project will link with NCC's FPA outcomes including the development of a charitable foundation as well as looking at future commercial opportunities on the site.

### **2.2.9 The local area will be a better place to live, work or visit**

The restored site will be a greatly improved place to visit, live nearby and work, not only due to the fabric repairs but also due to the increased number of visitors and volunteers.

### **2.2.10 The local economy will be boosted**

There will be an increased footfall on the site and a greater opportunity for secondary spend at the café. Both these events will increase the need for more employment and the introduction of skills and training sessions will provide further opportunities for local employment.

### **2.2.11. The Gardens will be better maintained and kept clean and Tidy in line with Green Flag Award criteria.**

As part of the restoration project additional staff and volunteer support will be provided. These additional resources will help ensure that the gardens are maintained to a high standard.

## 3.0 THE MEMORIAL GARDENS RESTORATION PROJECT PROPOSALS

This project concentrates on the Memorial Gardens and its surrounds at Victoria Embankment. It is a Grade II listed Historic Park & Garden entry number 1001506.

- Restoring the War Memorial & the undercroft including toilet provision.
- Site boundary works
- Depot screening & improvements
- Infrastructure upgrades and access improvements, footpaths, walkways, lighting, gates and main entrances & balustrades
- Restoration of the Queen Victoria Statue & landscaping setting
- Restoration of the ponds and fountain
- Planting & tree works
- Street furniture & interpretation / signage
- Rockery restoration
- Restoration and Improvement of the Existing Café to create a visitor centre
- Engagement Programme, including:
  - Volunteering
  - Events
  - Activities
  - Walks & talks
  - Work placements
  - Bandstand concerts
  - Corporate days
  - Public tours
  - Oral history projects

### 3.1 The Refurbished Café

The new area will be fully accessible for families, have a 'Contemporary Cafe' feel and will provide approximately 64 covers. These covers have been limited in line with Covid-19 distancing restrictions and will increase when lockdown restriction full lift. The covers will be split between a minimum of 16 internally and a minimum of 48 within the external deck area. A server, equipped kitchen, a cold store, general storage and staff office will utilise the rest of the available floor space.

#### 3.1.1 Multi Functional Café / Meeting Room

Within the refurbished café the operator and the parks team will be able to utilise the internal space for use as a meeting function, seminar / events venue. This space will also be used to display interpretation material about the gardens and the memorial. This will also include access to a digital portal from which the Nottinghamshire Roll of Honor records will be available.

#### 3.1.2 Catering Concession

As part of the heritage restoration of the Gardens will work with the existing Café / catering operator. The operator has run the Existing café for nearly 20 years and are very experienced and qualified operator and very capable of to managing and continuing to develop the potential of the refurbished café. The council will enter into a new long lease with the operator that will be more

specific in terms of service standards, operating hours and rental arrangements.

The intended outcomes from the refurbishment of the cafe are:-

- \* Increased visitor numbers
- \* Visible presence within the building
- \* Increased use of the Building by all sectors of the community
- \* Visible accessible and appealing family friendly facilities
- \* An experienced operator who can develop the potential and offer a high standard of service to customers
- \* Healthy menu options in a no smoking environment

The facilities to be available to the operator are as follows and can be seen on the attached plans in Appendix 1.

New café bar including

- Table/chairs – 64 covers
- Servery
- Kitchen
- Storage
- Access to toilets (male, female, disabled and baby changing)
- Access to multi-function room for seminars and functions

The operator will be required to provide a high quality café bar and catering service at the Café, during the following core hours:

**Winter**

Weekends and bank / school holidays 10.00 am – 4.00 pm

Mid-week 10.00 am – 3.00 pm

**Summer**

Weekends and bank / school holidays 10.00 am – 8.00 pm

Mid-week bank / school holidays 10.00 am – 5.00 pm

The service will be encouraged to extend to include additional hours by agreement.

The Cafe will be open to the public and for access to the multi-function room and toilets between 9.00 am and 10.00 pm, depending on the time of year and activities.

**Event Catering**

In addition to the café catering concession as the operators will be given the first right of refusal to supply additional catering and bar facilities as needed for these events in the form of mobile units placed within the events arena.

The client withholds the right to bring in other external caterers for these

events on the occasions when the operator is not capable and in addition to the café operator.

### **3.2 New Victoria Embankment Team Leader**

As part of the project a new Team Leader post will be created. This post will lead the existing site staff and will also organise and manage the recruitment and training of ex-service personnel or veterans. The project will provide 2 - 6 month placements per year for 3 years. During this time 6 ex-service personnel or veterans will be trained in a range of land based / Horticultural skills. The training will be on the job and will help with the upkeep and maintenance of the Gardens. At the end of the 6 month placements, opportunities will be identified to employ the newly trained ex-service personnel or veterans into vacancies within the Public Realm Service. The Team Leader will also staff the visitor hub.

The Team Leader will also lead a programme of Military and Environmental and Historic educational talks and information sessions within the gardens. These sessions will be delivered in partnership with volunteer tour leaders who are experts or have been trained in local history and military history.

It is hoped that the recruitment of the Team Leader can be ring-fenced for ex-service personnel or veterans. The recruitment of the 6 month placements will also be targeted at service personnel who are in a transitional period having recently left military service, rehabilitating and transitioning in to civilian life or they will be existing veterans who are looking for new career opportunities. In order to help identify suitable candidates for these positions the team will form partnerships with the Careers Transition service, and the Defence Transition Partnership as well as recruiting directly from local Royal Legion and Military Associations.

### **3.3 The Undercroft Meeting Room and Toilets**

As part of the project a new meeting room and toilets will be created within the Undercroft of the War Memorial. The space will also provide an office and toilets for volunteers and visitors to the gardens.

The new Team Leader duties will include providing a visible presence and supervision of the existing site based gardeners and provide training for the new job placements. The post will act as point of contact for visitors. They will encourage community use of the building's and the gardens. The Team Leader will manage the bookings for the volunteer sessions and ensure that the placements and the catering concession run smoothly at all times. In addition to the above the Team Leader will utilise the Café meeting room in order to deliver educational sessions and workshops to community groups.

### **3.4 Memorial Gardens Association (MEGA)**

The new Café meeting place for the MeGA, who will be involved in the future maintenance and management of the Memorial Gardens.

### **3.5 Military Associations**

Within the new Café space will be available for temporary exhibitions. Links have been made to local Military associations in order to help inform the content of this information.

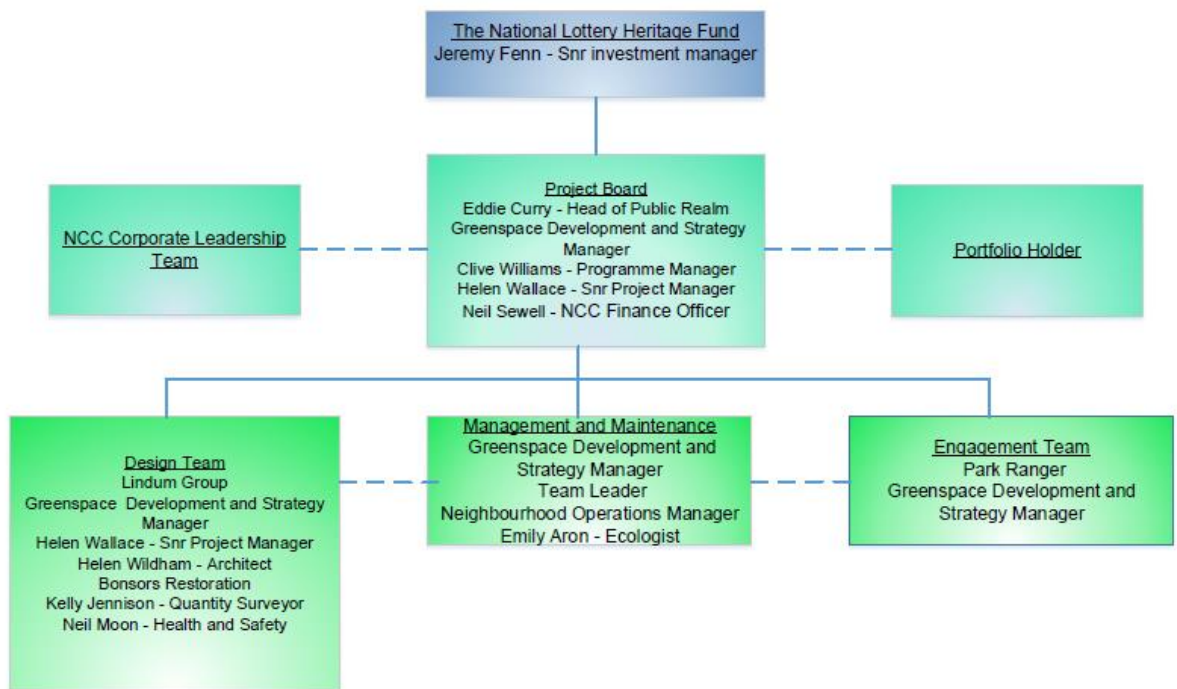
## 4.0 DELIVERY OF THE MEMORIAL GARDENS RESTORATION PROJECT

This section sets out how the Gardens Restoration Project will be delivered and managed through its construction phase through to its future management and maintenance. The section will also show how the Gardens and buildings will be financed and sustained. The section outlines who the Project Management Team are and project management arrangements, the Council’s track record for delivering similar projects and the project, marketing of the project.

### 4.1 Project Management Team

The Project Team for the Memorial Gardens Restoration Project draws particularly on staff from the Public Realm Team and the Councils Development major project team with support from staff in Finance as follows:

#### Victoria Embankment War Memorial Restoration Project



### 4.2 Project Management Arrangements.

Nottingham City Council have a project management team committed to the development of the scheme to submission of the bid stage. This team meets on a regular basis to produce the project proposals and strategy for successful delivery of the project.

### 4.3 Nottingham City Council Track Record of Successful Project Delivery.

Over the last 20 years the service has overseen and successfully delivered the following major restoration and Improvement projects.

- 2000 The Arboretum Heritage Restoration Project
- 2010 The Forest Recreation Ground Restoration Project
- 2012 St Ann's Allotment Restoration Project – Partnership Bid
- 2014 Forest Sports Zone Project
- 2015 Highfields Park Restoration Project
- 2018/19 WW1 Centenary Memorial Project
- 2019 Memorial Gardens Stage 1 development phase

### 4.4 Capital and Revenue Costs

The cost below are displayed in the context of the entire stage 2 National Lottery Heritage Fund bid.

#### Victoria Embankment Memorial Gardens

Cost Plan, March 2021

<b>Total Cost DEVELOPMENT</b>	<b>£137,900.00</b>
Match funding (NCC)	-£20,000.00
Match funding (in-kind)	-£6,000.00
Grant request	£111,900.00
Grant %	81%

<b>Total Cost DELIVERY (capital)</b>	<b>£1,283,486.57</b>
<b>Total Cost DELIVERY (revenue)</b>	<b>£410,105.00</b>
Match funding - SI06 secured	-£321,292.49
Match funding - ICCM charitable donation	-£20,000.00
Match funding - NCC (over 5 years)	-£8,499.08
Match funding - Environment Agency (held in NCC reserve)	-£25,000.00
Match funding - volunteer time	-£20,000.00
Match funding - Area Capital	-£10,000.00
Match funding - War Memorials Trust (tbc)	-£30,000.00
Match funding - FCC bid (tbc)	-£100,000.00

<b>Grant request from NLHF</b>	<b>£1,158,800.00</b>
<b>Grant %</b>	<b>68%</b>

<b>TOTAL COSTS</b>	<b>£1,831,491.57</b>
<i>Match funding</i>	<i>-£550,791.57</i>
<i>Grant request</i>	<i>£1,280,700.00</i>
<i>Grant %</i>	<i>70%</i>

## Victoria Embankment Memorial Gardens

### Cost Plan, March 2021

#### 4.4.1 Match Funding

The status of the total match funding to deliver both the capital and revenue costs are detailed above whilst the revenue contributions to the delivery of the activity plan are detailed in section 6.0

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#### 4.5 Project Plan

- Activity Plan developed – February 2021
- Maintenance and management plan refreshed – February 2021
- Design developed and costed – Mar 2021
- Executive Board approval to submit stage two bid – July 2021
- Stage two bid submitted – Aug 2021
- NLHF approval to proceed to development stage – Dec 2021
- Permission to start letter complete and returned – Jan 2021
- Contract preparation complete – Feb 2021
- Mobilisation – Mar 2022
- Works Commence – April 2022
- Works Complete – Sept 2022
- Activity Plan phase starts - April 2022
- Activity Plan End - March 2027





## 4.7 Delivery Programme

ID	Task Mode	Task Name	Duration	Start	Finish	Predecessor	Oct '19							04 Nov				
							T	W	T	F	S	S	M	T				
1		<b>Victoria Embankment War Memorial Restoration Project</b>	1 day	Mon 04/11/19	Mon 04/11/19													
2		<b>National Lottery Heritage Fund</b>	843 days	Wed 30/10/19	Wed 18/01/23													
3		Permission to Start	1 day	Mon 17/01/22	Mon 17/01/22													
4		Progress report	1 day	Mon 18/04/22	Mon 18/04/22													
5		Grant claim	1 day	Mon 18/04/22	Mon 18/04/22													
6		NLHF progress meeting	1 day	Mon 02/05/22	Mon 02/05/22													
7		Progress report	1 day	Mon 18/07/22	Mon 18/07/22													
8		Grant claim	1 day	Mon 18/07/22	Mon 18/07/22													
9		NLHF progress meeting	1 day	Mon 01/08/22	Mon 01/08/22													
10		Progress report	1 day	Wed 30/10/19	Wed 30/10/19													
11		Grant claim	1 day	Wed 30/10/19	Wed 30/10/19													
12		NLHF Progress meeting	1 day	Thu 03/11/22	Thu 03/11/22													
13		Progress report	1 day	Wed 18/01/23	Wed 18/01/23													
14		Grant claim	1 day	Wed 18/01/23	Wed 18/01/23													
15		<b>Appointments</b>	5 days	Tue 18/01/22	Mon 24/01/22													
16		Appointments of professional service	5 days	Tue 18/01/22	Mon 24/01/22	3												
17		<b>Legals</b>	20 days	Tue 18/01/22	Mon 14/02/22													
18		Complete contract documentation	20 days	Tue 18/01/22	Mon 14/02/22	3												
19		Execute contract	0 days	Mon 14/02/22	Mon 14/02/22	18												
20		<b>Construction</b>	159 days	Tue 15/02/22	Fri 23/09/22													
21		Set up on site	15 days	Tue 15/02/22	Mon 07/03/22	19												
22		Restoration of war memorial	100 days	Tue 08/03/22	Mon 25/07/22	21												

Project: Project3 Date: Tue 11/05/21	Task		Inactive Summary		External Tasks	
	Split		Manual Task		External Milestone	
	Milestone		Duration-only		Deadline	
	Summary		Manual Summary Rollup		Progress	
	Project Summary		Manual Summary		Manual Progress	
	Inactive Task		Start-only			
	Inactive Milestone		Finish-only			

Page 1

ID	Task Mode	Task Name	Duration	Start	Finish	Predecessors	Oct '19							04 Nov		
							T	W	T	F	S	S	M	T		
23		Restoration of undercroft	30 days	Tue 08/03/22	Mon 18/04/22											
24		Works to café	90 days	Tue 08/03/22	Mon 11/07/22	21										
25		Works to undercroft w.c.'s	70 days	Mon 18/04/22	Fri 22/07/22	36										
26		Restoration of Queen Victoria Statue	25 days	Mon 18/04/22	Fri 20/05/22											
27		Restoration of Ponds	25 days	Mon 23/05/22	Fri 24/06/22	26										
28		Memorial garden gravel paths	80 days	Mon 30/05/22	Fri 16/09/22	39										
29		Memorial gardens crazy paving and steps	30 days	Mon 28/02/22	Fri 08/04/22											
30		New tarmac pavings	15 days	Mon 04/04/22	Fri 22/04/22											
31		Bow top fencing	10 days	Mon 25/04/22	Fri 06/05/22											
32		Security fencing to wildlife garden	10 days	Mon 09/05/22	Fri 20/05/22											
33		Maintenance yard improvements	15 days	Mon 02/05/22	Fri 20/05/22											
34		Landscape wild garden	10 days	Mon 16/05/22	Fri 27/05/22											
35		Tree remedial works	10 days	Mon 07/03/22	Fri 18/03/22											
36		Arborticultural works	10 days	Mon 04/04/22	Fri 15/04/22											
37		Replanting of western border	10 days	Mon 30/05/22	Fri 10/06/22											
38		Signage and interpretation	15 days	Mon 30/05/22	Fri 17/06/22											
39		Drainage repairs	20 days	Mon 02/05/22	Fri 27/05/22											
40		Clear site	5 days	Mon 19/09/22	Fri 23/09/22	28										
41		Works complete on site	0 days	Fri 23/09/22	Fri 23/09/22	40,28										
42		<b>Design Review Meetings</b>	<b>180 days</b>	<b>Tue 18/01/22</b>	<b>Mon 26/09/22</b>											
43		Prestart meeting	1 day	Tue 18/01/22	Tue 18/01/22	3										
44		Design meeting	1 day	Thu 03/02/22	Thu 03/02/22											

Project: Project3 Date: Tue 11/05/21	Task		Inactive Summary		External Tasks
	Split		Manual Task		External Milestone
	Milestone		Duration-only		Deadline
	Summary		Manual Summary Rollup		Progress
	Project Summary		Manual Summary		Manual Progress
	Inactive Task		Start-only		
Inactive Milestone		Finish-only			

## 5.0 Marketing of The Memorial Gardens

The new facilities will be promoted as part of the marketing strategy for the entire Victoria Embankment and the Memorial Gardens .

As part of the marketing strategy, target customers have been identified and a range of marketing and communication objectives have been formulated to help maximize and sustain the use of the new pavilion.

The following marketing objectives have been set for Victoria Embankment and the Memorial Gardens

To promote Victoria Embankment and the Memorial Gardens:

- as a Regionally important events venue and as a tourist, cultural and historic asset;
- as desirable places for the community and visitors to Nottingham to spend their leisure time;
- as safe, quality open space that provide opportunities for lifelong learning and healthy lifestyle;
- as a landmark destination which provides a community facilities for sport recreation and enjoyment and leaning.
- To provide opportunities for Nottingham citizens and visitors to the city to enjoy the open space and historic features located within Victoria Embankment to the needs of the local and regional communities in the 21<sup>st</sup> century.
- To improve communications, consultation and marketing.

In order to develop the action plan for marketing, several consultations have been analysed to develop a full understanding of who are current customers, who the potential customers are and how we can attract them to use the new building and the pavilion.

**See Appendix 4**

## 6.0 Memorial Gardens 6 Year Revenue Income and Expenditure

10/05/2021

<b>Memorial Gardens Revenue Profile</b>										
<b>Income and Spending</b>										
<b>Income</b>	<b>year 1 2022</b>	<b>year 2 2023</b>	<b>year 3 2024</b>	<b>year 4 2025</b>	<b>year 5 2026</b>	<b>year 6 2027</b>	<b>year 7 2028</b>	<b>year 8 2029</b>	<b>year 9 2030</b>	<b>year 10 2031</b>
<b>Income Earned</b>										
additional Catering concession ground rent*1	2,000	2,000	4,000	4,000	6,500	6,500	6,500	6,500	6,500	6,500
Hire of Meeting Room	0	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Talks and Seminars	500	500	500	500	500	500	500	500	500	500
Sponsorship	0	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Charitable Donations *2	2,000	0	2,000	0	2,000	0	2,000	2,000	2,000	2,000
Major Event Support Income	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>Unearned income</b>										
NCC Revenue Parks Repairs Contributions *3	2,833	2,833	2,833							
NCC Staff Salary Contribution to match NHLF*4						34,048	34,048	34,048	34,048	34,048
Lottery Contribution to Revenue*5	75,771	75,771	75,771	73,604	73,604		0	0	0	0
Other income eg small grant income TBC *6	0	0	0	0	0	0	0	0	0	0
<b>Total Income (A)</b>	<b>£84,104</b>	<b>£83,604</b>	<b>£88,104</b>	<b>£82,104</b>	<b>£86,604</b>	<b>34,048</b>	<b>£47,048</b>	<b>£47,048</b>	<b>£47,048</b>	<b>£47,048</b>
<b>Spending Direct Operating Costs</b>										
Team Leader @ grade F *7	35,421	35,421	35,421	35,421	35,421	35,421	35,421	35,421	35,421	35,421
Work Placements 2x6month p/a @ grade C yrs 1-5 reducing to 1 6month placement yrs 6-10 -*8	24,000	24,000	24,000	24,000	24,000	12,000	12,000	12,000	12,000	12,000
Inflation @ 3%pa	0	1,783	1,783	1,783	1,783	1,423	1,423	1,423	1,423	1,423
Tools and Equipment	3,000	3,000	3,000	3,000	3,000	250	250	250	200	226
Training	4,500	4,500	4,500	4,500	4,500	1,000	1,000	1,000	1,000	1,000
Volunteer training	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0

Volunteer Expenses	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0
Small Scale Events / Military Events / Talks	1,500	1,500	1,500	1,500	1,500	200	200	200	200	200
Parklives Events	2,000	2,000	2,000	2,000	2,000	200	200	200	200	200
Marketing	2,000	2,000	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Website for RoH & MeGA	4,000	1,000	250	250	250	0	0	0	0	0
Oral history project	500	500	500	0	0	0	0	0	0	0
Tree trail	500	500	0	0	0	0	0	0	0	0
ICT/Phone /Laptop	2,000	500	250	250	250	100	100	100	100	100
<b>Total Spending (B)</b>	<b><u>£81,421</u></b>	<b><u>£78,704</u></b>	<b><u>£77,204</u></b>	<b><u>£75,704</u></b>	<b><u>£75,704</u></b>	<b><u>£51,594</u></b>	<b><u>£51,594</u></b>	<b><u>£51,594</u></b>	<b><u>£51,544</u></b>	<b><u>£51,570</u></b>
<b>Operating Surplus or deficit (C)</b>	2,683	4,900	10,900	6,400	10,900	-17,546	-4,546	-4,546	-4,496	-4,522
<b>Sinking Fund contribution *9</b>		2,683	7,582	18,482	24,883	35,783	18,238	13,692	9,146	4,651
<b>General Reserves carried forward*10</b>	<b><u>£2,683</u></b>	<b><u>£7,582</u></b>	<b><u>£18,482</u></b>	<b><u>£24,883</u></b>	<b><u>£35,783</u></b>	<b><u>£18,238</u></b>	<b><u>£13,692</u></b>	<b><u>£9,146</u></b>	<b><u>£4,651</u></b>	<b><u>£129</u></b>

## 6.1 Revenue Profile Assumptions

Assumption Ref No	Title	Narrative
*1	Additional Catering concession ground rent	The current catering operator of the embankment café pays a rent of £6,500p/a. The additional rent is modeled on a biannual increase of £2kp/a up to £13k. Additional % of turnover to be agreed in addition to the base rent.
*2	Charitable Donations	The achievement of charitable donations has been modelled on previous successful funding campaigns and whilst this will remain a risk we have both a track record and experience in attracting charitable donations to the site. A fundraising campaign will be promoted as part of the marketing plan and it will focus on sustaining the maintenance of the war memorials and the training plan for ex- service personal and veterans.
*3	NCC Revenue Contributions Repairs	The revenue contribution for the restoration project has been identified and can be sustained in years 1-10 by a direct contribution from within the Public Realm Services MTFP. The revenue contribution will be delivered from existing and future repairs spend .
*4	NCC Revenue Staff Salary Contributions	The revenue contributions will be covered by in year vacancy savings and future staff resource planning. It is anticipated that future vacancies will be managed in order to fund and sustain the new posts.
*5	Lottery Contribution to Revenue	The contribution has been included as part of the grant request and will help fund activities for 5 years post construction. After 5yrs the project activities will reduce but the core activity will be sustained through fund raising and NCC contributions
*6	Other income e.g. small grant income	The small grant income target has been purposely kept at £0 but any future small grant funds will be windfall if secured will be used to expand the post lottery activity programme. Grant funds to be targeted include:- Armed Forces Covenant Fund, Sport England Awards for All, and Seven Trent Funding etc. Future grants will be targeted but will act as additional benefits to the project.
*7	Team Leader @ Grade F	The costs of the Team Leader will be fully funded by the NHLF for the first 5years. After this time the post will be funded from directly from the Public Realm Budgets and or additional fundraising activity.
*8	Work Placements 2x6month per yr @ Grade C	The work placements will be fully funded by the NHLF for the first 5years. After this time the placements will be reduced down to 1 per year but continue to be funded by fundraising activity. It is proposed that following the 6month training programme the trainees will be job ready and able to

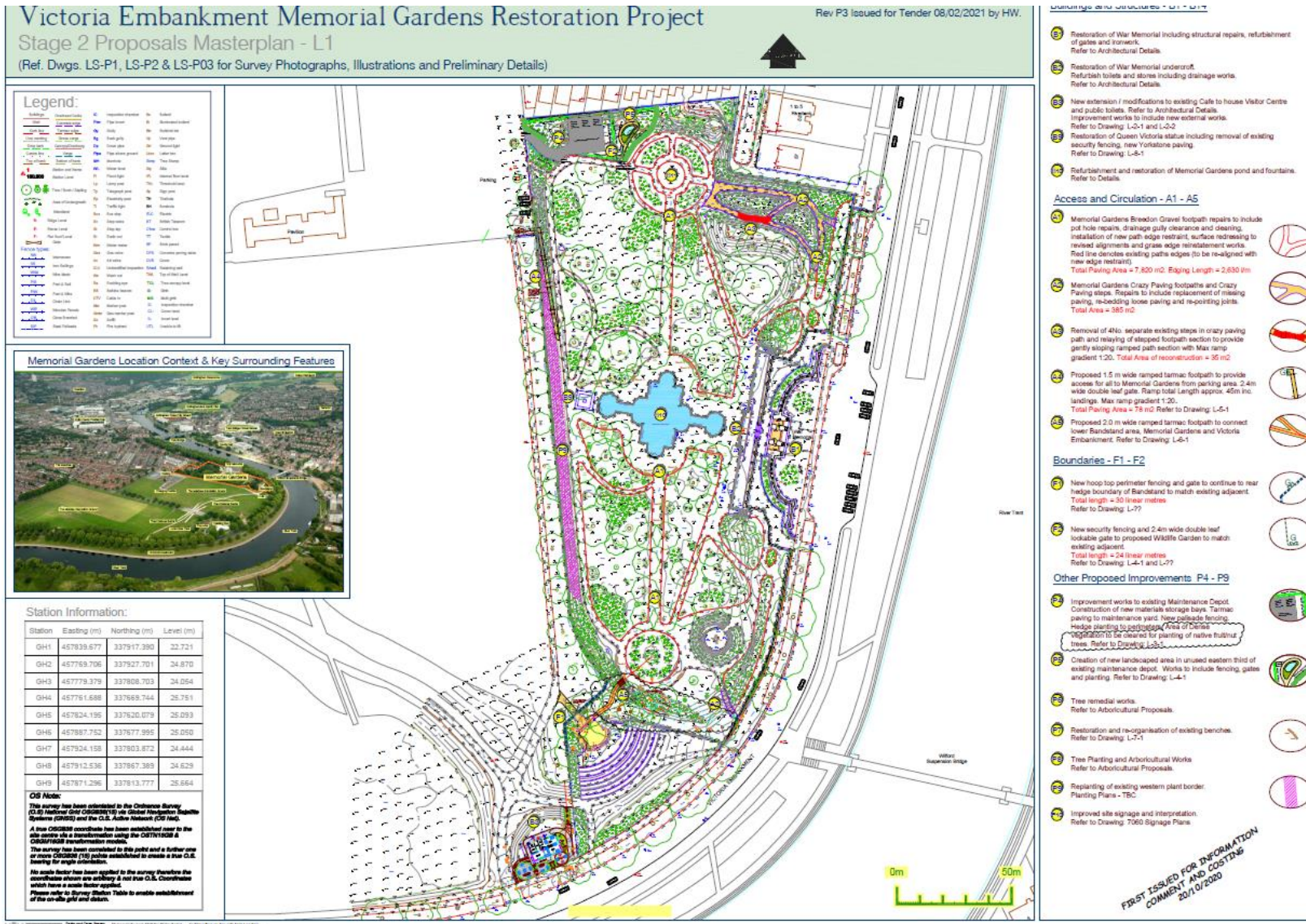
		secure jobs within the Public Realm Service.
<b>*9</b>	Sinking Fund contribution	The funding profile has identified annual surplus funding to be placed into a sinking fund. This funding will be held and drawn down when future capital / health and Safety works / repairs are needed.
<b>*10</b>	General Reserves carried forward	In addition to the sinking fund additional surplus funding is proposed to contribute and build an operating general reserve. The objective being to help sustain the activity programme's core functions and enable the project to continue contributing towards the sinking fund post the NLHF period.



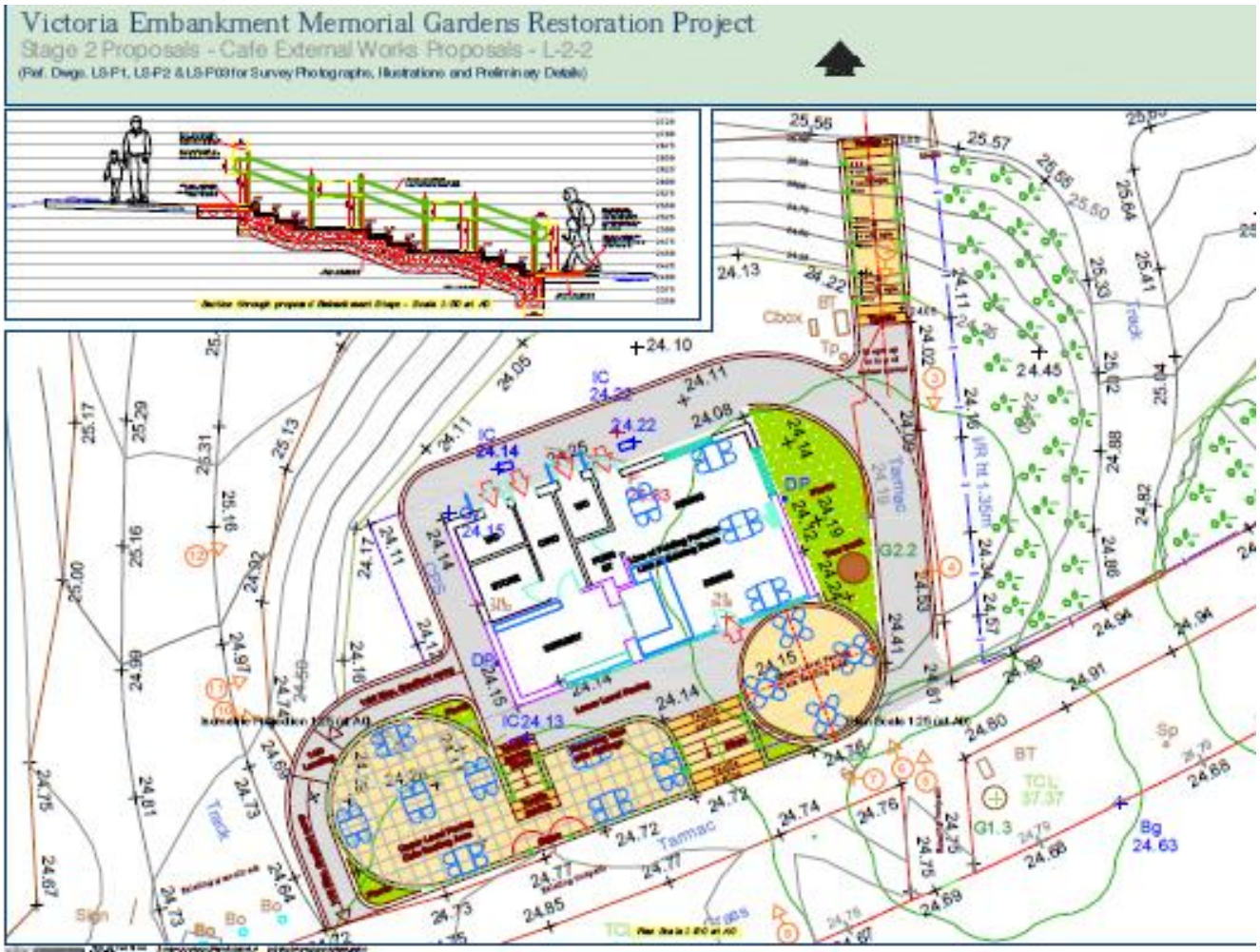
## Appendix 1 Memorial Gardens Location Plan



# Appendix 2 Memorial Gardens Restoration Masterplan



# Appendix 3 Victoria Embankment Café Proposal



## Appendix 4

# Memorial Gardens Restoration Project

## Marketing and Communications plan

<b>Business Objectives</b>	<p>The project objectives are to deliver the nine outcomes listed within the funding bid to the Heritage Lottery Fund (HLF)</p> <p>To obtain match funding of £500,000</p>
<b>Marketing Objectives</b>	<p>Primary objectives:</p> <ul style="list-style-type: none"> <li>➔ To maximize and sustain the use of the new visitor centre, café and gardens</li> <li>➔ To brand and launch website which will include the ROH which will include a Just Giving platform</li> </ul> <p>Secondary objectives:</p> <ul style="list-style-type: none"> <li>➔ Increase awareness of the restoration project to build volunteering elements</li> <li>➔ Promote the activities and events to the public primarily the Oral History Project and the Tree Trail</li> <li>➔ Promote corporate engagement and activity</li> <li>➔ Support with facilitating community engagement through consultation</li> <li>➔ To drive public and corporate donations and sponsorship</li> </ul>
<b>Key messages</b>	<ul style="list-style-type: none"> <li>➔ Regionally important events venue and as a tourist, cultural and historic asset</li> <li>➔ Desirable place for the community and visitors to Nottingham to spend time</li> <li>➔ A safe, quality open space that provide opportunities for lifelong learning and healthy lifestyle</li> <li>➔ A landmark destination which provides educational and community facilities</li> <li>➔ To provide opportunities for Nottingham citizens along with visitors to the city to enjoy the open space and historic features located within Victoria Embankment</li> </ul>
<b>Budget</b>	<p>£24,500</p>
<b>Key dates</b>	<ul style="list-style-type: none"> <li>➔ Ground Breaking</li> <li>➔ Work on site begins</li> <li>➔ Launch of Just Giving platform</li> <li>➔ Opening ceremony</li> <li>➔ The start of the Oral History Project</li> <li>➔ The start of the Tree Trails</li> </ul>
<b>Target audience</b>	<p>Nottingham city residents          Visitors to Nottingham          Local schools          Local Business          Local media          Local government and trade media          Armed Forces organisations</p> <p>The demographics of the audience;</p> <ul style="list-style-type: none"> <li>• Students</li> <li>• Families</li> </ul>

	<ul style="list-style-type: none"> <li>• Retired individuals/couples</li> <li>• Tourists</li> </ul>
<b>Monitoring &amp; Evaluation</b>	<ul style="list-style-type: none"> <li>➔ Monitor footfall figures.</li> <li>➔ Note key dates of marketing activity and cross reference with web page views and social media</li> <li>➔ Monitor social media level of reach and engagement</li> </ul>

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**APPENDIX 2 - FINANCIAL BUSINESS CASE PROFILE**

	year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10	TOTAL
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
<b>Income generated</b>	-5,500	-5,000	-9,500	-8,500	-13,000	-11,000	-13,000	-13,000	-	-	-104,500
<b>Contributions</b>											
NCC Revenue Parks Repairs Contributions - budget already available	-2,833	-2,833	-2,833								-8,499
NCC Staff Salary Contribution to match NHLF*4						-34,048	-34,048	-34,048	-	-	-170,240
Lottery Contribution to Revenue	-75,771	-75,771	-75,771	-73,604	-73,604		0	0	0	0	-374,521
<b>Total Income</b>	<b>-84,104</b>	<b>-83,604</b>	<b>-88,104</b>	<b>-82,104</b>	<b>-86,604</b>	<b>-45,048</b>	<b>-47,048</b>	<b>-47,048</b>	<b>-</b>	<b>-</b>	<b>-657,760</b>
<b>Operating Costs</b>	<b>81,421</b>	<b>78,704</b>	<b>77,204</b>	<b>75,704</b>	<b>75,704</b>	<b>51,594</b>	<b>51,594</b>	<b>51,594</b>	<b>51,544</b>	<b>51,570</b>	646,633
<b>Operating (surplus)/deficit</b>	-2,683	-4,900	-10,900	-6,400	-10,900	6,546	4,546	4,546	4,496	4,522	-11,127
<b>Sinking Fund contribution - (available balance)</b>	-2,683	-7,583	-18,483	-24,883	-35,783	-29,237	-24,691	-20,145	-	-	

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## Appendix 3 Future Buildings & Structures Repairs and Restoration Costs

Repair Items	Costs £
<b>Repair &amp; Restoration of War Memorial</b>	
Cleaning the existing structure including the curved walls to each side, Removing the paint from the existing gates and railings and preparing the surface for decoration, Carry out overhaul and repairs to the existing gates as per the original scope of works, Decoration to the gates and railings, Repair & Restoration to all the stone work where required on the main memorial high level and the curved walls, Replace Synthetic lead flashing detail to the curved walls cornice detail approx 110lm, Scaffold access to the gates to carry out the Repair to Gates MEWP access for cleaning.	131,492
Repair coat of arms and paint work Additional costs to dispose of lead based paint	9124
<b>Repair Works to Undercroft WC's and DDA WC</b>	
Demolition and internal strip	8,612
External doors	5,770
Windows	7,000
Internal walls and partitions 1	4,050
Internal doors	2,200
Fixtures and fittings	1,500
Internal finishes	27,367
Below ground drainage	3,750
Mechanical installation	32,453
Electrical installation	16,015
<b>Repair &amp; Restoration of Queen Victoria Statue</b>	
Scaffold to gain access to carry out the proposed works, Cleaning the monument to remove dirt and stains, Restoration pointing open joints to stone and repairs to the statue where damage has occurred	11,672
Remove Existing fencing 1 Item 2,000 2,000	2,000
Carry out Repairs Groundworks	3,500
Replace Yorkstone paving 33 m2 25	8,250
Repairs to Sculpture	5,000
<b>Repair &amp; Restoration of Ponds</b>	
Remove all existing electrical equipment from plant room and pool area	2,350
Testing of incoming electrical supply	690
New pump circulation system including: Pumps, Pipework, Prefabricated chamber, Controls, Distribution board, feeder pillar, isolator and nozzles	35,260
Drain existing ponds, relocate fish stock to temporary tank	6,125
Excavate for new cable ducting	3,000
Install new pump chamber	4,200
Core through existing pool wall and seal; 4nr balance pipes, 3nr delivery pipes and 1nr cable duct	3,100
New intake grill over balance pipe inlet	1,400
New feeder pillar adjacent to chamber and link with cable duct	1,375
Doff clean pool coping	2,900
Re Align existing copings	3,000
Repainting of failed areas of pool coping; horizontal and vertical	6,600
<b>Memorial Gardens Gravel Footpath</b>	
<b>Gravel footpath repairs</b> Grade & compact	16,813
Breedon gravel	1,500
Pothole repairs	2,500
Drainage gully clearance	
Tegular paving sett 2,630	52,311
Reinstate Grass	7,233
<b>Drainage repairs including pumping</b>	30,000

These costs are provided as examples of the repairs and works that will be required in order to repair and maintain and Gardens. Note these costs are provided as examples of work required and do not include design work, prelims and contract management fees.

All these works and additional improvements to access paths, Lighting & CCTV, Boundary repairs and improvements to the Café are included in the NLHF capital project costs.

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**Nottingham City Council  
Review of Victoria Embankment**

**Version status:** Final

**Review Date:** 4<sup>th</sup> March 2021

**Issued to the Senior Responsible Officer:** 16/03/21

**Attendees:**

Richard Beckett (Chair)

Thomas Straw

John Posaner

**Interviewees:**

Helen Wallace            Nottingham City Council

Eddie Curry              Nottingham City Council

## 1. Overall Assessment

- 1.1.1 The project will build on existing investment on or around the area to complement services available to citizens. It is also innovative and regenerative in nature while representing minimal capital fund risk when the anticipated third party funding is secured.
- 1.1.2 This project builds on previous successes with the HLF that were delivered to time and budget. The Council team overseeing this project is largely based on those previous successes so understand the relationships and processes required and have a good track record of delivery.
- 1.1.3 Longer term revenue implications need to be identified and a wider understanding around risk for internal and cafe partner resource and partnership is needed, particularly given the pandemic and the Council's Recovery and Improvement Programme.

## 2. Context

### 2.1 Review Status

2.1.1 This project will concentrate on the improvement and future sustainability of the Grade II listed Memorial Gardens and its surrounds at Victoria Embankment. It will deliver the following;

- A refurbished 64 cover cafe / meeting area
- Restore the War Memorial, the undercroft, including toilet provision.
- Upgrades and access improvements to footpaths, lighting, gates and main entrances.
- Restoration of the Queen Victoria Statue & the ponds and fountain
- Planting, tree works and street furniture
- Restoration and Improvement of the Existing Café to create a visitor centre
- Deliver and Engagement Programme to include volunteering, events, concerts, work placements, educational activities.

2.1.2 This will develop a popular visitor experience to increase visitor numbers and health and wellbeing and also provide volunteering and work-experience opportunities for citizens including military veterans

## 3. Panel Discussion

### 3.1 Strategy

3.1.1 Links with key internal partners have been identified as crucial to the overall success of the project and include, but are not limited to, Highways and Adult Social Care. Early discussions have already been held with appropriate contacts in these areas and more engagement is planned. Examples where dialogue will be crucial would include the closure of the embankment to vehicular traffic and increased footfall.

- 3.1.2 The Future Parks Accelerator Team have also been working with Adult Services and Public Health to secure funding based on improved wellbeing and health and deliver disability friendly access improvements. These will continue but care should be taken to consider any impact that the Recovery and Improvement Plan may have on resourcing going forward.
- 3.2 Programme
- 3.2.1 It is accepted that the project currently has a programme in place and that the document will require updating and refreshing at regular intervals, including post tender award.
- 3.2.2 However, certain inclusions, some of which will admittedly be indicative at the current time should be included as soon as is practicable to provide some clarity and assurance. This would include but not be limited to legal considerations and café fit out plans.
- 3.3 Legal
- 3.3.1 Appropriate legal and property plus resource should be secured and included within the programme, potentially even as a stand-alone workstream. Initial discussions with the leaseholder have been positive and a shared understanding of the project benefits (increased customer demand) clearly suggest that the café provision will progress positively.
- 3.3.2 The HLF obligations (including Compensation Events and Change Requests) will require other resources from the council. An NHLF Mentor and Support Officer to the project should allow appropriate response and engagement. It is also noted the project team contain appropriate levels of experience that understand the obligations of the funders and the levels of decisions they are allowed to make without recourse to explicit permissions. However, risk still exists around deliverability so mitigation should be developed through seeking agreement in writing with the HLF that commercial agreement consent will be assumed if no response within time is received, or alternatively a clause giving greater flexibility on response times to Compensation Events with the contractor should be considered..
- 3.4 Grant offer
- 3.4.1 Clarity around the current grant offer was provided confirming that project completion and full grant spend are required by September 2022. The project are currently confident these deliverables can be met and have provided an indicative programme to that effect (although a more detailed programme will be required – see earlier).
- 3.5 Procurement
- 3.5.1 Currently, only Lindums have been procured as the external contractor to deliver the project. All other resource is intended to be sought from in house provision. These will include QS, architects, CDM and Project Management. The NLHF will be required to approve these appointments as part of the grant condition process so care needs to be given to ensure procurement compliance and quality of that resource is in line with funder expectations.

### 3.6 Costs

- 3.6.1 Capital works cost have been monitored and tracked from the beginning of the project and this will need to continue, particularly given the council's current financial position. Initial tracking has been in place from both Lindums and in-house which has allowed budget to be tailored against projected available finance. Market testing has also taken place to ensure realistic costings are in mind prior to tender returns.
- 3.6.2 Tender returns are currently expected at the end of March. Certain assumptions have been included in the tender outlines re benches, CCTV, signage planting and lighting. Early indications are that the project will be affordable and are within expectations.
- 3.6.3 Contingency is set at 8% and equates to £64k. There is an additional inflationary allowance of £54k. It is noted that the funder do not allow above the line contingency which therefore requires all works to be included within the construction contract.
- 3.6.4 Although the scheme will be fully costed and scoped in line with the available funding there would be an additional opportunity to enter in to a value engineering exercise if the project was not affordable within the funded cost envelope. The project team have a full understanding of the current financial position of the council and the fact that there is no additional funding that would be made available to subsidise the project in the event of shortfall.
- 3.6.5 Lifecycle costs remain a consideration but the key risk is likely the ongoing revenue cost / funding model. The Project Team are confident (see section 3.7.7) that commitments can be met from budget. However it should be noted that the Council is about to undertake significant work on its MTFs, so no current certainty is in place that these assumptions hold definitively.
- 3.6.6 The Management and Maintenance Plan (currently in development) plan also intends that the Park Ranger role will attract volunteer roles to assist both management and maintenance of the site. This will provide a cost effective solution and result in a positive impact on future budget strain. It was also noted by the project that the do nothing option would likely incur council costs. The café is already contained within existing budgets so will not provide additional strain.

### 3.7 Funding

- 3.7.1 Initial review of the documentation found that it was not wholly clear what the current position of the project was in relation to all levels of funding. Consequently it is recommended that project documentation be updated to address this gap in understanding.
- 3.7.2 There is a risk of that if costs are over budget (or the unsecured funding isn't secured) that value engineering will be required (as per 3.6.4). This would require Lindums to complete a compensation event to remove work to make the scheme affordable.

- 3.7.3 The Review Team identified from the available information a worst case scenario of up to 55% of match funding not being available.
- 3.7.4 After clarification, this risk however is markedly reduced. Funding streams have been explained with secured S106 funding of £223k now in place, leaving a current shortfall of £46k. This amount is currently being discussed with planning to identify potential opportunities for additional S106 funding.
- 3.7.5 Further funding of £100k from an Armed Forces covenant and an £80k FCC bid are confidently predicted as being successful although failure to secure these totals could still result in a de scoping / value engineering exercise to ensure the council do not carry additional risk.
- 3.7.6 Council funding of £67k will be required over a five year period. This is already agreed and contained within existing wider budgetary provision. Additional funding is also being sought from a war memorial fund where an expression of interest has already been submitted.
- 3.7.7 The business case has completed a revenue projection exercise for the first 8 years. This modelling will continue to be assessed and revised accordingly both prior to completion and through café opening and beyond. The Review Team identified a need to consider inflation in modelling and whilst this isn't currently explicitly included the project team believe they have identified sufficient flexibility in both material and discretionary spends to incorporate inflation in calculations going forward.
- 3.7.8 It is, as yet, unclear if additional revenue costs funded from external grant / donations could be ring-fenced as capital and consequently may not allow revenue costs to be offset against them. The project team have planned to target grant funds specific to revenue activities e.g. awards for all, Sport England and Armed Forces Community Covenant funds. It is also intended to build in a year 3 and 6 review to allow for adjustments to be made in line with income achievement.
- 3.8 Service area considerations
- 3.8.1 Consideration is needed around the wider parks / spaces council provision, particularly around prioritisation, resourcing of upkeep and also funding. The financial position of the Council may require a contraction of non- statutory services in the future meaning that new projects should clearly demonstrate a strategic priority and a demonstrable business benefit.
- 3.8.2 The project identifies the embankment to be a key site of historic importance as well as being situated in an area that will generate high levels of citizen footfall. The specific employment of a Team Leader / ranger will result in a responsible resource being in place to deliver the activity plan that will both promote and upkeep the site.
- 3.8.3 Funding from 2027 remains undefined. It is understood that the HLF will expect the Council will be increasing its funding after Y5, and no activity would be removed. An

additional option remains (not recommended) that the activity programme from that date could be proportionately downsized if no council funding were available but that may go against HLF funding requirements and should be carefully considered if this approach were to be discussed.

### 3.9 Other

3.9.1 It is anticipated that given the high footfall there will be a high occupancy of the café provision throughout the year and full occupancy during the summer months. The location lends itself to high demand from both passing and sit down trade. Additional opportunities of educational and meeting events will also generate a market need for refreshments.

3.9.2 Café income targets are projected to be driven through increased rental achievement. However it is not yet clear whether there will be any measurable targets agreed in place re footfall and/or spend levels.

3.9.3 The additional benefits of the project will include providing support and job opportunities to army veterans through a rotational approach. Positive meetings have already been held with the careers transition service and defence transition partnership to further develop the offer. Also, key partners are in place including a WW2 roll of honour group and other Nottingham based military connected organisations.

3.9.4 Further engagement to continue to improve access and service delivery is planned with in house partners (including Highways and Social Care). Future resources of these areas may be limited, particularly given the council's current Recovery and Improvement programme. Therefore agreements for future partnership working should be confirmed and noted as far as is reasonable to do so.

## 4. Project Appraisal Group Recommendations

The Panel makes the following recommendations:

Ref No.	Recommendation	Critical / Essential / Recommended
1	Project documentation to be updated to more accurately reflect the current state of funding	Essential (within 2 months)
2	The programme be updated to incorporate the legal, commercial and fit out work required to ensure the café delivers to time and cost	Essential (within 2 months)
3	Clarity is provided to satisfy the Council that unsecured funding gaps are being addressed and mitigated. This should include a clearly outlined strategy	Essential (within 2 months)



4	Plans are in place to ensure that revenue considerations (including for example inflation) and risk is being analysed and mitigated and that this assurance will be presented to decision makers	Essential (within 4 months)
5	Confirmation in writing is shared with the HLF to seek agreement that commercial agreement consent will be assumed if no response to compensation events / contingency spend within time is received, or alternatively flexibility on response times is provided in the contract with Lindums.	Essential (within 4 months)
6	Agreements / links with both Highways and Social Care are agreed and minuted, particularly in light of Recovery and Improvement programme changes. Additionally, and for the same reasons confirmation around in house resource should be further confirmed.	Recommended

### Key

<b>Critical (Do Now)</b>	- To increase the likelihood of mitigating the risk profile to the Council that this investment exposes, it is of the greatest importance that action is taken immediately.
<b>Essential (Do By)</b>	- To increase the likelihood of understanding/mitigating the significant risks to the Council, action is taken prior to proceeding to Heads of Terms.
<b>Recommended</b>	- The decision should benefit from the update of this recommendation.

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## Equality Impact Assessment Form

### Appendix 5

#### [screentip-sectionA](#)

### 1. Document Control

**Control Details:**

Title:	Victoria Embankment Memorial Gardens National Lottery Heritage Fund Restoration Project.
Author:	Eddie Curry Head of Public Realm
Director:	Dave Halstead Director of Neighbourhood Services
Department:	Resident Services
Service Area:	Public Realm Service
Contact details:	<a href="mailto:eddie.curry@nottinghamcity.gov.uk">eddie.curry@nottinghamcity.gov.uk</a>
Strategic Budget EIA: Y/N (Does this EIA have an impact on the budget)  <b>If yes, please include the reference number</b>	N
Exempt from publication: Y/N (All EIA's are published on Nottingham Insight for public viewing unless specified. Exemption criteria is available on the EIA section on the Intranet)	N

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### 2. Document Amendment Record:

Version	Author	Date	Approved
V1	Eddie curry	04/04/2021	

**3. Contributors/Reviewers** (Anyone who has contributed to this document will need to be named):

Name	Position	Date
Nasreen Miah	Equality & Employability Consultant	04/05/2021

**4. Glossary of Terms**

Term	Description
NLHF	National Lottery Heritage Fund
DDA	Disabled and Discrimination Act

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[ScreenTip-sectionB](#)

**5. Summary**

(Please provide a brief description of proposal / policy / service being assessed)

The Memorial Gardens located at Victoria Embankment is a Grade II listed Historic Parks and Garden. Over 100 years has passed since the garden was created in order to provide a living memorial to those who gave their lives in the two World Wars and to provide suitable place for contemplation and relaxation for those visiting the memorial gardens. Over the years the gardens have fallen into a state of disrepair albeit the infrastructure is mainly intact some features within the garden require restoration / repair or replacement (e.g. the Queen Victoria statue and the gardens water fountain which require restoration and the War Memorial and it's undercroft require both repairs and the replacement of the toilet facilities including a changing place Toilet). The project will also improve the existing café to help increase revenue through a greater footfall and improved access and new toilets. The items that are being restored or improved have been identified following detailed condition surveys. These items have then been out to public consultation order to agree consensus and help shape the final priority works to be included in the project.

The project will also provide an extensive programme of activities that will be led by a new Team Leader. The post will also help train new work placements in land based skills at the end of which the work placement's will be skilled to be able to seek further job opportunities within streetscene and grounds maintenance teams. The new Team Leader will help to coordinate maintenance operations and will also arrange and deliver a programme of events and training sessions.

To complement the council's approach to recruiting on merit and attracting a wide candidate pool as part of the Equality, Diversity and Inclusion Strategy, the opportunities will be advertised using the Council's usual recruitment platforms. In addition, we will run a targeted campaign for the Armed Forces Community to attract ex-military and service personnel to these roles. The rationale for this targeted campaign is to support our aspirations to provide opportunities for this particular group and given the restoration is particularly linked to the Armed Forces history, it is considered appropriate as part of the Heritage Lottery funding bid that members of the Armed Forces Community have an opportunity to be engaged in this work, alongside the wider on-merit recruitment process.

The project has been designed to help improve the quality of the gardens, improve its accessibility and to activate the spaces through events, work placements and additional volunteers time.

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### [screentip-sectionC](#)

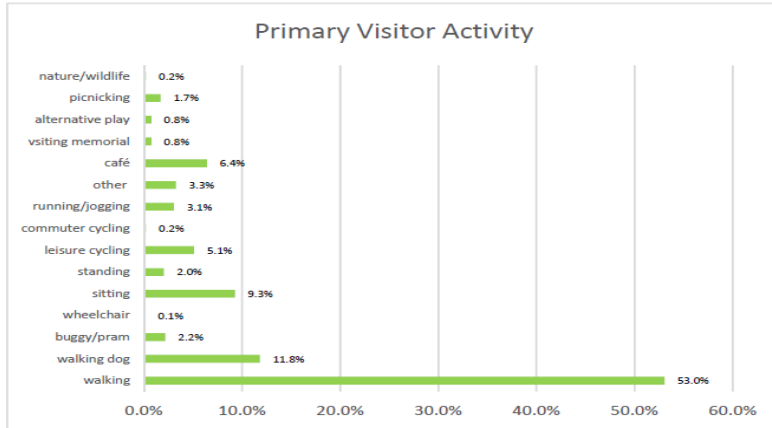
## **6. Information used to analyse the effects on equality:**

(Please include information about how you have consulted/ have data from the impacted groups)

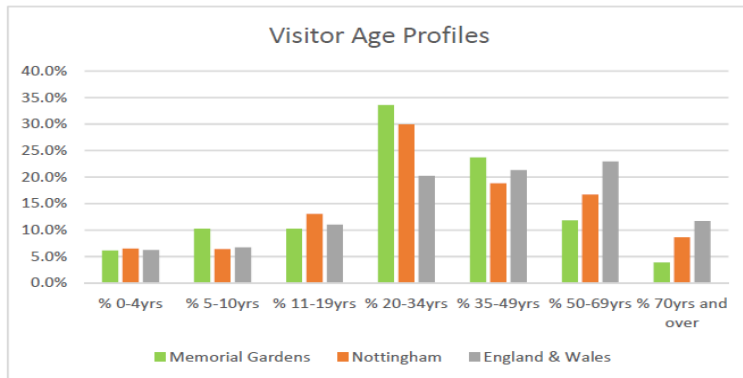
Visitor observation surveys were carried out over a total of 24 hours by volunteers from the Memorial Gardens Association (MeGA) in August, September and October 2020. These recorded the number of users in the gardens but also their age, gender, ethnic background, disability, whether they were in a group or alone and how they were using the site. a number of summaries are shown below:

- Total hours of visitor observation: 24
- Total number of visits observed: 1,465
- Weekend visits 56.2% / weekday visits 43.8%
- Male visitors 48% / female visitors 51% (Totals 99% as some data not recorded)

- 99% no observed disability / 1% observed disability

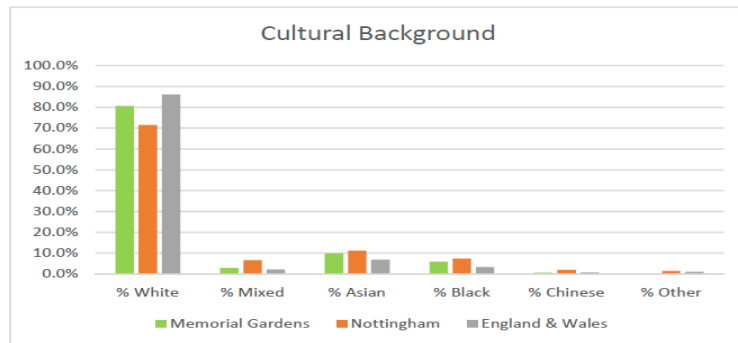


The primary visitor activity was walking (53%) with dog-walking (11.8%) and sitting (9.3%).



Most visitors fall into the 20-34 and 35-49 age brackets.

Significant differences to the Nottingham population profile were seen in the 5-10 category (higher than city) and 50+ categories (lower than City).



Most visitors (81%) are from white backgrounds with 10% Asian, 6% Black and 3% Mixed.

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The surveys have identified that there is a number of under represented groups currently visiting the gardens and these groups are predominantly middle to older aged people. Using this data the project has been developed in order to increase the cultural representation and to help support the increase of more visitors who may have disability or access limitation. To improve these the project will deliver improved access ramps into the gardens and it will provide both accessible and a changing places toilet facility. The project will also improve the café facilities and it will improve the staff presence within the gardens. The recruitment of the new staff will be targeted at ex military personnel and the veteran community. The recruitment will not be exclusively focused on these communities but given the links within the project to supporting the delivery of the Armed Forces Community Covenant applicants will be encouraged from these groups. The project will also deliver a programme of education and training sessions. These sessions will be promoted within the local community in order to help improve the number of visitors from the black and ethnic minority groups.

Ongoing consultation will be carried out as the project develops. This will include further engagement with park users and community groups within the local area.

**7. Impacts and Actions:**

<u>screeintip-sectionD</u>	Could particularly benefit X	May adversely impact X
People from different ethnic groups.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Men	<input type="checkbox"/>	<input type="checkbox"/>
Women	<input type="checkbox"/>	<input type="checkbox"/>
Trans	<input type="checkbox"/>	<input type="checkbox"/>
Disabled people or carers.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pregnancy/ Maternity	<input type="checkbox"/>	<input type="checkbox"/>
People of different faiths/ beliefs and those with none.	<input type="checkbox"/>	<input type="checkbox"/>
Lesbian, gay or bisexual people.	<input type="checkbox"/>	<input type="checkbox"/>
Older	<input type="checkbox"/>	<input type="checkbox"/>
Younger	<input type="checkbox"/>	<input type="checkbox"/>
<i>Please underline the group(s) /issue more adversely affected or which benefits.</i>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>How different groups could be affected</b> (Summary of impacts)</p>	<p><b>Details of actions to mitigate, remove or justify negative impact or increase positive impact</b> (or why action isn't possible)</p>
---	--



Provide details for impacts / benefits on people in different protected groups.

The project will deliver a range of access improvements to the gardens.

These will include new access ramps to the gardens.

Removal of steps within the rock garden area.

New accessible toilets and also a changing place toilet facility.

The existing café will have new access ramps created and will be refurbished so it is more attractive and open more regularly.

New staff will be recruited. These staff will work in the gardens. These staff will help improve the uniformed presence within the gardens and will help provide a reassuring presence and help to keep the gardens clean and tidy.

The new team leader will help coordinate the maintenance operations and will also lead a programme of education and training programmes. These sessions will be targeted at family audiences with a particular focus on veteran groups and the underrepresented black and ethnic minority groups identified during the consultation process. The consultation process has been carried out throughout 2020/21. Due to Covid restrictions the main focus group sessions have been carried out virtually online.

These improvements have been developed following a consultation with park users and local communities. In addition focus groups have also been carried out with the Disability Access Group and a number of veteran associations.

Consultation will continue with these groups throughout the construction phase of the project.

To promote the new facilities a full communication plan will be developed and delivered in order to ensure that the local communities and underrepresented groups are aware of the improved access and new toilet facilities.

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

**This EIA will be reviewed at the end of the projects construction period and before the project starts the recruitment of the new staff. This will take place no later than September 2022**

**9. Outcome(s) of equality impact assessment:**

<input checked="" type="checkbox"/>	No major change needed	<input type="checkbox"/>	Adjust the policy/proposal
<input type="checkbox"/>	Adverse impact but continue	<input type="checkbox"/>	Stop and remove the policy/proposal

**10. Approved by (manager signature) and Date sent to equality team for publishing:**

<p><b>Approving Manager: Eddie Curry</b>                  The assessment must be approved by the manager responsible for the service/proposal. Include a contact tel &amp; email to allow citizen/stakeholder feedback on proposals.</p>	<p><b>Date sent for advice: 4<sup>th</sup> May 2021</b>                  Send document or Link to:  <a href="mailto:equalities@nottinghamcity.gov.uk">equalities@nottinghamcity.gov.uk</a></p>
<p><b>Approving Manager Signature:</b>   <i>EA Curry</i>                  Head of Public Realm  <a href="mailto:eddie.curry@nottinghamcity.gov.uk">eddie.curry@nottinghamcity.gov.uk</a>  <u>Tel:- 07949061135</u></p>	<p><b>Date of final approval:</b>                   5<sup>th</sup> May 2021</p>

**Before you send your EIA to the Equality and Employability Team for advice, have you:**

1. Read the guidance and good practice EIA's  
<http://intranet.nottinghamcity.gov.uk/media/1924/simple-guide-to-eia.doc>
2. Clearly summarised your proposal/ policy/ service to be assessed.
3. Hyperlinked to the appropriate documents.
4. Written in clear user-friendly language, free from all jargon (spelling out acronyms).
5. Included appropriate data.
6. Consulted the relevant groups or citizens or stated clearly, when this is going to happen.
7. Clearly cross-referenced your impacts with SMART actions.

**PLEASE NOTE: FINAL VERSION MUST BE SENT TO EQUALITIES OTHERWISE RECORDS WILL REMAIN INCOMPLETE.**

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**Executive Board  
20 July 2021**

<b>Subject:</b>	Back2Work Project (part-funded by the European Social Fund)
<b>Corporate Director(s)/Director(s):</b>	Wayne Bexton, Interim Corporate Director of Growth and City Development
<b>Portfolio Holder(s):</b>	Rebecca Langton, Portfolio Holder for Skills, Growth and Economic Development
<b>Report author and contact details:</b>	Alex Reader, Project Manager – Employment and Skills <a href="mailto:alex.reader@nottinghamcity.gov.uk">alex.reader@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	Owen Harvey, Economic Strategy Manager
<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>	
(a) <input checked="" 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) 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 type="checkbox"/> Capital	
<b>Total value of the decision:</b> £3,997,278	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> 17 June 2021	
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input type="checkbox"/>
Growing Nottingham	<input type="checkbox"/>
Respect for Nottingham	<input type="checkbox"/>
Serving Nottingham Better	<input type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
This project application was submitted in response to the D2N2 Local Enterprise Partnership's call for projects to support unemployed residents' progress into employment following the Coronavirus pandemic and its impact on the local economy.	

**Exempt information:** None

**Recommendation(s):**

1) To approve the Council to act as the Accountable Body for D2N2 and accept European Social Fund (ESF) monies for the D2N2 Back2Work Project, to run between September 2021 and December 2023.

2) To authorise the allocation of budget for the Council project posts.

3) To delegate authority to the Corporate Director for Growth and City Development to enter into a funding agreement with the Department for Work and Pensions and collaboration agreements with delivery partners, to allocate funding to delivery partners, and to authorise Council project roles.

4) To create, and recruit to, 1 ESF Project Administrator post within the Council's Economic Development team to support the management of the project. The funding for the post is being approved as an executive decision, and the establishment of the post is being approved as a non-executive decision by the Corporate Director for Growth and City Development under Delegation 16.

## 1 Reasons for recommendations

1.1 Subject to a successful ESF application, a decision is required to set up and deliver the D2N2 Back2Work Project. This project is a pre-employment intervention and support programme for unemployed individuals across the D2N2 area, including Nottingham. The project is needed to reduce unemployment rates in Nottingham (7.8%), increase access to vocational skills and support employment sectors hardest hit by Covid-19 to recruit and recover.

1.2 The project will bring an additional £2million into D2N2 (the remainder being provided by local match funding) and will support 2211 individuals in D2N2, with at least 580 of these progressing into education, training or employment or gaining a qualification upon leaving the programme. The funding will ensure the continuation of the Nottingham Jobs Hub beyond March 2023, when its current funding runs out.

1.3 The project will directly contribute to the following Council Plan targets to:

- Support delivery of the Nottingham Economic Recovery and Renewal Plan;
- Support 1,000 Nottingham residents including disadvantaged groups into employment, education and training;
- Successfully deliver the Nottingham Kickstart programme supporting 400 young people into employment;
- Guarantee a job, training or further education place for every 18-24-year-old;
- Help 500 people who are over 50 into work or training;
- Continue to deliver the Nottingham Jobs Hub service;
- Work with businesses to deliver 500 new apprenticeships;

- Work with mass job sectors such as construction to connect local people to job opportunities and encourage them to pay at least the real living wage; and
- Deliver the Council apprenticeship and workforce diversity agenda.

## **2 Background (including outcomes of consultation)**

2.1 This is a revenue only project, which is applying to the ESF. The ESF will provide 50% funding with the remaining 50% match funding being provided by the project delivery partners, as outlined in the attached appendix.

2.2 Economic Development project costs (accountable body and delivery team) are met through ESF contributions, additional contributions from the delivery partners and the Council's Procurement Levy.

2.3 This includes covering all Economic Development costs that sit outside of the project (e.g., redundancy, pension deficit, Apprenticeship Levy). As per existing Council Procurement Levy policy, contractors are required to pay a 1% levy contribution back to the Council. This Levy income (£100,000 per year) can only be used to fund the delivery of Employment and Skills related activity within Nottingham. The Council's Children's Integrated Services costs are covered by matching to existing posts, with the funding providing additional capacity into the team to provide mentoring and employment support to female lone parents and young people.

2.4 The Council income that is generated from the partners is reliant on them meeting their contracted delivery obligations so that all of the maximum ESF allocated funds can be drawn down. This is a model that has been used with success in previous, and currently running, ESF projects. ESF funding is paid in quarterly arrears based on the submission of compliant quarterly claims. To minimise the impact on the Council, partners are paid project income once it has been received from the Managing Authority.

2.5 The local match contributions from delivery partners are in the form of the salaries paid to their existing staff. This levers in an equivalent amount of ESF funding, plus a contribution to the overheads of employing these staff. The Council uses a proportion of the partners' overheads to provide the local match for the employment of the 3 delivery roles and the provision of the Accountable Body function, i.e., the project management staff. The funds are secure in that both the Managing Authority and the partners commit and contract to provide the funds. However, the drawing down of both funding sources is subject to the successful delivery of the project in line with targeted outputs and activities, as well as the submission of compliant quarterly claims.

2.6 To minimise risk, officers have risk management plans, monitoring and clear escalation procedures in place to ensure all funding is received and any potential risks are identified and mitigated early. Partners are paid for the project once income is received from the Managing Authority.

## **3 Other options considered in making recommendations**

3.1 To not bid for the available ESF funding. This option was rejected because:

- D2N2 would lose the opportunity to secure £2million of European funding to support the most disadvantaged unemployed residents into employment at this vital time;
- D2N2 employers would not benefit from support activities worth £4million specifically designed to help them recover from Covid-19 by retraining and recruiting local residents;

- Much of the existing Nottingham Jobs activity will end in March 2023 and the impact of the service will be significantly reduced;
- The opportunity to increase skills and productivity in key sectors in Nottingham and across D2N2 would be lost; and
- Providing funding will increase sustainability of Back2Work Community Partners, ensuring residents continue to receive vital employment and skills support.

#### **4 Finance colleague comments (including implications and value for money/VAT)**

4.1 This decision seeks approval to receive and spend £3.9million in regards to the Back2Work project. The project is to be funded 50% from the ESF and 50% from local match contributions, provided by ten partner organisations and the Council.

4.2 The Council's match funding of £245,000 is in the form of 12.8 full-time equivalent posts from within the Children's Integrated Services department and the Economic Development department. The posts are to be funded from a combination of base budget and procurement levy. The service will need to monitor all funding sources effectively to ensure any potential risks to funding are identified and mitigated early on. Any changes to the establishment in regards to these posts should also consider the potential impact on achieving targeted outputs linked to external funding.

4.3 The Back2Work project is to be implemented in partnership with ten different partner organisations and requires the Council to take on the role of accountable body. The accountable body is required to receive and manage funds on behalf of the partnership but also to apply its own contract procedure rules and financial regulations to the project.

4.4 Receipt of all funding sources is largely dependent on the successful delivery of the project in line with the targeted outputs and activities, as well as the submission of compliant quarterly claims. Project Manager and Project Compliance Officer roles have been allocated into the accountable body resource requirements for the project. It is important these roles are able to take responsibility for ensuring the project is delivered within budget and within timescales to ensure that all conditions of the grant are adhered to and the risk of unfunded expenditure is mitigated. The roles should also ensure regular updates are provided to the Head of Service.

4.5 Acceptance of ESF funding requires the creation of one Project Administrator position. It is recommended the department refer to established internal processes to resource. The project is expected to start in September 2021 and to be completed by December 2023.

4.6 To mitigate the risk of unfunded staffing costs, this post will need to be appointed on a fixed term contract.

Advice provided by Michelle Pullen, Senior Commercial Business Partner – Growth and City Development, on 14/06/2021.

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

5.1 If the application for ESF funding is successful, the Council will act as the accountable body for the funding on behalf of all the delivery partners. If successful, the Council will be required to enter into a funding agreement with the Department for Work and Pensions which sets out the amount of funding and the terms and conditions of funding



including performance targets and that must be met. Failure to adhere to the funding conditions could result in clawback of the funding from the Council.

5.2 Accordingly, in order to protect the Council from the risk of clawback necessitated by any acts or omissions of delivery partners, the grant funding conditions must be included in legally binding contracts with the delivery partners in respect of the elements of the services that they will be providing. In addition, any procurement of goods/services/works must be in accordance with public contract regulations and the Council's Contract Procedure Rules.

Advice provided by Sarah O'Bradaigh, Senior Solicitor, on 17/06/2021.

## **6 HR colleague comments**

6.1 This decision relates to acceptance of funding from the ESF, and which would have to be matched by the Council. This funding will enable the project to support the employment of project management staff. If funding is accepted, management of the posts will remain with the Council, which will retain all employment liabilities including any exit payments that may be payable at the end of the funding period. Management should ensure a clear agreement is in-place to guarantee the funding for the proposed period, with all on-costs included in order that all salary-related costs are off-set by the funding.

6.2 At the end of the funding period, if this service does not transfer to another provider, the Council may need to delete the posts, in which case a redundancy consultation will be required. In this case, it is likely that the employees may be entitled to a redundancy payment due to the length of service accrued from commencing in the role. Management will need to ensure appropriate timelines for either scenario and budget for the exit payments if relevant.

6.3 Once the funding is approved and the posts are to be filled, a business case for recruitment is required with the support of the relevant Director and all requests should be submitted through the recruitment portal. All posts will be considered for redeployment and internal resource options should be considered first. Management should be aware that the selected candidate(s) should commence on a starting salary of Level One within the respective Grade, unless the appointed colleague is already in employment at the Council and on Level Two of the same grade, in which case the employee would be matched over at the rate of pay they currently receive.

6.4 There will need to be a support and development plan for the new post-holder once appointed in line with managing performance through the new probationary policy. As the post is initially temporary, provisionally until December 2023, an appropriate exit strategy must be in place in order to terminate the contract in line with Council guidance in the event that the post cannot be made permanent at the end of the fixed-term period. Management will need to ensure appropriate timelines are in place to notify the affected employee and give appropriate notice.

Advice provided by Marie Read, Senior HR Consultant, on 10/06/2021.

## **7 Social value considerations**

7.1 Not applicable.

## **8 Regard to the NHS Constitution**

8.1 Not applicable.

## **9 Equality Impact Assessment (EIA)**

9.1 An EIA is not required because the project has an existing Equality Policy and Implementation Plan, and specific targets relating to each of the Equality and Diversity priorities.

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

10.1 An appendix providing details of the Local Match is attached to this report.

## **11 Published documents referred to in this report**

11.1 None.

## Local Match Source:

The funding sources are:

- ESF = **£1,998,639**
- Local Match = **£1,998,639**
- This Local Match (LM) is to be provided by 10 partner organisations and 2 NCC directorates.
- The local match contributions provided by each of these organisations are given in the table below:

<b>Organisation</b>	<b>TOTAL</b>
Nottm City Council - Economic Development	£88,989.66
Academy Transformation Trust	£83,681.51
Princes Trust	£143,479.71
East Mids Chamber	£105,992.02
Nottm City Homes	£65,525.01
Nottingham City Council - Childrens Integrated Services	£156,103.86
Notts County Council (trading as Inspire)	£455,062.56
Community Training Portal	£289,926.83
Community Action Derby	£13,996.67
Futures	£407,512.14
Derby College	£72,403.21
The Bridges Community Trust	£115,965.64
<b>TOTAL PROJECT COST</b>	<b>£1,998,638.82</b>

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**Executive Board**  
**20 July 2021**

<b>Subject:</b>	Transformation and Improvement Update
<b>Corporate Director(s)/Director(s):</b>	Clive Heaphy, Interim Corporate Director of Finance and Resources Catherine Underwood, Corporate Director of People
<b>Portfolio Holder(s):</b>	Councillor David Mellen, Leader of the Council Councillor Rebecca Langton, Portfolio Holder for Skills, Growth and Economic Development Councillor Adele Williams, Portfolio Holder for Adults and Health
<b>Report author and contact details:</b>	Ceri Walters, Head of Commercial Finance <a href="mailto:ceri.walters@nottinghamcity.gov.uk">ceri.walters@nottinghamcity.gov.uk</a> 0115 8764128
<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>	
(a) <input checked="" 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) 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 type="checkbox"/> Capital	
<b>Total value of the decision:</b> £15million	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> 21 June 2021 - 8 July 2021	
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input type="checkbox"/>
Respect for Nottingham	<input checked="" type="checkbox"/>
Serving Nottingham Better	<input checked="" type="checkbox"/>

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

Nottingham City Council (NCC) is on a rapid journey of improvement as set out in the Recovery and Improvement Plan (R&IP) adopted at Full Council on 25 January 2021. Delivery of both the R&IP and organisational transformation requires significant financial investment - time, skills and technology - to ensure that its impacts are meaningful in operational and financial terms.

NCC has received support from Ministry of Housing, Communities and Local Government (MHCLG) in the form of a Capitalisation Direction in two tranches: £20million for 2020/21 and an in principal allocation of up to £15million in 2021/22 to support transformation, modernisation and an invest to save if required. NCC resources have been stretched to capacity during COVID and in order to deliver the transformation required, will require greater capacity through a blend of external specialist resource combined with the skills and experience of existing staff. Delivery is of a complex nature and additional resources will provide focus and a faster pace of change.

Organisational arrangements have been put in place involving both officers and members to drive this transformational activity as set out in Appendix A. Individual business cases will be developed and signed off through these arrangements.

£15million has been set aside to provide the necessary resource to support this investment. It is not set aside for business as usual (BAU) activity, but for **short term, highly targeted spend and technology investment**. The aim is to see work as 'task and finish' with the appropriate transfer of skills to NCC staff.

**Exempt information:** None.

**Recommendation(s):**

1. To note the **proposed governance of the transformation programme** as set out in **Appendix A**, including the proposed use of business cases to establish both investment needs and proposed savings over the medium term.
2. To approve a budget for Transformation and Improvement of up to £15million as set out in Section 4.1.
3. To delegate authority to the Chief Executive, in consultation with the Leader of the Council, to allocate the budget to support transformational and improvement activity. This will be reviewed at the end of March 2022.

## 1 Reasons for recommendations

- 1.1 The reasons for the recommendations are set out in the Summary and Background sections and are primarily to delivery on the council's rapid journey of improvement as set out in the Recovery and Improvement Plan (R&IP) adopted at Full Council on 25 January 2021.

## 2 Background (including outcomes of consultation)

2.1 The R&IP is captured over a number of themes. The aims of those themes are summarised below and support the outcomes required of additional resources to deliver:

- **Theme 1 - Medium Term Financial Strategy (MTFS)** - *This work-stream aims to deliver a balanced budget and MTFS for the period 2021/22 to 2025/26, funded by sustainable core income and stable revenue streams. Long-term financial management needs to improve without over-relying on income from unreliable sources.*
- **Theme 2- Asset Rationalisation** - *The Asset work-stream will review the Council's property portfolio with a view to disposing of under-utilised assets (land and buildings) and releasing capital receipts to support new capital spending on priority schemes. The aim is to generate at least £100m of asset sales within three years.*
- **Theme 3 - Companies** - *This work-stream will establish a Shareholder Unit and ensure each Council company is reviewed and restructured as appropriate within a properly governed and controlled group framework.*
- **Theme 4 - Capital Programme** - *The Capital Programme ensures that we can invest within our means, deliver value for money outcomes and pay down our debt. It means that we take a systematic approach to managing capital risk across the Council.*
- **Theme 5 - Governance & Constitution** - *The Constitution work-stream is focused on rewriting the council's constitution, financial regulations and scheme of delegations, making it much easier to understand, clarifying roles and responsibilities, and streamlining the decision-making processes.*
- **Theme 6 - Culture Change** - *This work-stream will establish clear goals at a top level and an effective performance management framework with suitable development opportunities for all. This work-stream will:*
  - *help create the conditions for a positive organisation where everyone can thrive ensuring that voices of all colleagues can be heard;*
  - *embracing and celebrating the strength of diversity and*
  - *ensuring there is real equality of opportunity for all.*
- **Theme 7 - Transformation** – *See Annex A re process of engagement*
- **Theme 8 - Council Plan** - *This is about developing a new outcome-focussed council plan setting out our vision and outcomes, and how we will deliver them. The new plan will be broader to reflect the wider range of*

*statutory functions and services we deliver for citizens. This will be supported by an overarching performance management framework providing a summary of the important things we measure as part of a well performing council.*

2.2 Transformation and service renewal describes the process of changing the Council's approach to focus on the outcomes that we are seeking to achieve and undertaking the essential service redesign to achieve those outcomes in a more effective and efficient manner and at lower cost. A number of discussions are taking place across the organisation as to how we can learn from others who have successfully trodden this path.

2.3 Transformation and renewal requires pump-prime funding and the piloting and testing of new approaches before scaling up, so that the council and key stakeholders are confident of the council's ability to continue to deliver for its citizens. £15m has been set aside for transformation and improvement with spending to be informed by robust business cases through a member led Board for transformation (as set out in **Annex A**).

2.4 The overriding principles applied to programme resourcing

- i. Work must align to the R&IP/Transformation plans;
- ii. We are not using transformation as an opportunity to backfill perceived BAU gaps;
- iii. Appointments will be for a fixed length and deliverables, activity and outputs will be agreed at the outset;
- iv. The aim is to provide capacity and to transfer skills and knowledge; Internal development wherever possible;
- v. We will seek to optimise the approvals process and HR & Procurement processes will be clear and communicated;
- vi. Critical success factors & performance measures identified and there will be a formal monitoring and reporting of the use of resources;
- vii. In the case of transformation, approvals will be via robust Business Cases submitted to the Transformation Executive Board and proposals delivering at least a 3:1 return on savings (i.e. £3 saved over a 3/4 maximum time horizon for every £1 invested).

### **3 Other options considered in making recommendations**

3.1 To do nothing: this risks the potential of non-delivery of the R&IP, and is rejected.

### **4 Finance colleague comments (including implications and value for money/VAT)**

4.1 This report estimates a requirement of up to £15m to support the delivery of the R&IP over the themes set out in section 2.1 which could span 3 financial years.



The allocation of spend to specific projects will be delegated to the Chief Executive, in consultation with the Leader, to allocate the budget to support transformational and improvement activity.

- 4.2 £2.2m has already been approved through delegated decisions or previous Executive Boards reports however these will be captured as part of the overall monitoring but does not require further approval.
- 4.3 The £15m will be funded from a number of sources: - capital receipts, base budget, reserves and if required, the Capitalisation Direction (as referred to in the Summary section) which has a principal allocation of up to £15m in 2021/22 to support transformation and modernisation.
- 4.4 To support the delegated authority requirement, set out in recommendation 3, a routine and robust process will be developed that allows informed decisions to be taken at pace.

Monitoring and reporting of this spend will be undertaken through normal budget monitoring processes supported by the appropriate professional internal support and captured within the formal budget monitoring Executive Board reports.

- 4.5 To ensure value for money is delivered on all external contracts, procurement processes will use existing frameworks; where this is not available then the appropriate procurement process will be required. Dispensation from contract procedure rules will only be given in exceptional circumstances.
- 4.6 Any transformation activity impacting on services and delivering savings will be captured as part of the budget process at which time, if required, an Equality Impact Assessments will be completed.

Advice provided by Phillip Gretton, Strategic Finance Business Partner, on 7 July 2021.

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

- 5.1 Procurement will provide support with any procurement activity required, ensuring full compliance with Contract Procedure Rules and UK Public Contract Regulations 2015. This will ensure value for money is secured from all external contracts sourced to deliver the programme. To ensure timely delivery of all projects Procurement will need to be involved from inception of the project, to advise on routes to market and the sourcing strategy.

Advice provided by Steve Oakley, Head of Contracting and Procurement, 7 July 2021.

- 5.2 The recommendations set out in the report raise no significant legal issues and are supported. Legal advice and assistance will be provided as and when required in order to support delivery of the programme. As with Procurement early engagement is recommended to ensure that appropriate resource can be allocated either through

the internal Legal Team or, if necessary, through other means procured by the Director of Legal and Governance.

Advice provided by Malcolm R. Townroe, Director of Legal and Governance, on 7 July 2021.

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

6.1 Not Applicable.

**7 Social value considerations**

7.1 NRB as a local company employ a significant number of staff from the local community.

**8 Regard to the NHS Constitution**

7.1 Not applicable.

**9 Equality Impact Assessment (EIA)**

9.1 An EIA is not required because the report does not propose a new or changing policy, service or function.

**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 Full Council – 25 January 2021 - Recovery & Improvement Plan

**Programme Management Structure and TORs:  
Recovery and Improvement Plan – Workstream 7 Delivery Options &  
Transformation Programme**

**Terms of Reference: Transformation and Renewal Board Governance**

**Background: Supporting improved outcomes and cost reductions**

As stated in the Recovery Plan the Council is in the process of refreshing its Strategic Council Plan, Service Plans and Medium Term Financial Plan for 2022/23 – 2025/26 which together set out how the Council wishes to make a difference to the lives of its citizens - remaining ambitious but ensuring that spending is delivered within a sustainable financial envelope.

The existing vision for the city of Nottingham is centred on creating a city that is Safe, Clean, Ambitious and Proud.

The draft Plan states that we want Nottingham to be a city where people feel safe to live and work, that is an exciting and welcoming place to play and visit, a city that it is clean and environmentally sustainable, where we are ambitious for Nottingham in terms of attracting businesses, investment, jobs and culture, and where local people are proud of their city, their neighbourhood and their local community.

Outcomes for Nottingham continue to be shaped based on the interventions that will have the most significant impact on the long term challenges the city faces and on the things that citizens tell us matter most to local people. The council is committed to delivering eleven outcomes within the funding and resources available to us:

1. Clean and Connected Communities.
2. Keeping Nottingham Working.
3. Carbon Neutral by 2028.
4. Safer Nottingham.
5. Child-Friendly Nottingham.
6. Healthy and Inclusive.
7. Keeping Nottingham Moving.
8. Improve the City Centre.
9. Better Housing.
10. Financial Stability.
11. Serving People Well.

Assurance that the plan is deliverable and affordable will be achieved through an integrated approach to service planning and development of the Medium-Term Financial Strategy and Plan (2022/23 – 2025/26) (MTFS/P). The purpose of the MTFP is to provide the strategic financial framework and a forward looking approach to achieving long term sustainability. Central to ensuring the delivery of the Council's outcomes is that we take this longer term perspective on our performance management, budgeting and forecasting and have plans in place to close funding gaps. Transformation and renewal is central to delivering this.

### Transformation and service renewal

The scale of financial challenge is such that we will need to undertake *significant* transformation and service renewal if we are to make a difference to the lives of our citizens in a manner which is sustainable and affordable. In order to deliver different outcomes, we have to do things differently.

Transformation and service renewal describes the process of changing the Council's approach to focus on the outcomes that we are seeking to achieve and undertaking the essential service redesign to achieve those outcomes in a more effective and efficient manner and at lower cost. A number of discussions are taking place across the organisation as to how we can learn from others who have successfully trodden this path.

Transformation and renewal requires pump-prime funding and the piloting and testing of new approaches before scaling up, so that the council and key stakeholders are confident of the council's ability to continue to deliver for its citizens. We are recommending the set aside of £15m for transformation and renewal activity – spending to be informed by robust business cases. Importantly the City Council has the support and oversight of the Improvement and Assurance Board as it makes progress on its Improvement and Recovery Plan.

This is the background to a programme management structure for transformation and renewal which will ensure good governance with Member and CLT oversight of the process at the highest level.

The aim of the governance and working arrangements set out below is to develop and agree a MTFS/P (2022/23 – 2025/26) for adoption by Full Council underpinned by a transformation programme. The development of the MTFP will be driven by the Strategic Council Plan in relation to the priority outcomes to be achieved and will be underpinned by a consistent and robust annual service planning process and a consistent approach to performance management across the organisation.

### **Transformation Governance - Structure and Groups**

#### **Transformation Executive Member Board**

A Transformation Executive Member Board consisting of the Leader, the portfolio holder for Finance Cllr Sam Webster and the Transformation Leads Cllr Rebecca Langton Cllr Adele Williams who will jointly chair the member board. This board will oversee the delivery of the programme and the achievement of its objectives. Where elements of other Recovery and Improvement Programme Workstreams involve transformational activity, those activities will link into the overall Transformation Programme.

The Executive Member Board will provide oversight and assurance to the Leadership in particular Theme Lead Accountable Portfolio Holders as to the timely delivery of the Transformation and Renewal Programme.

Frequency: Monthly

Purpose

The purpose of the Executive Member Board is to:

- Oversee and review, on an ongoing basis, the Transformation and Renewal Programme and the outcomes within it.
- Provide assurance around the performance and the pace of delivery of the Transformation Programme.
- Monitor progress towards achieving programme objectives
- Approve the initial programme and any additions to it (or deletions from it). Included in this is the approval of Project Identification Documents (PIDs)
- It is ***NOT*** to manage individual projects

Roles and Responsibilities

The Transformation Executive Member Board's objectives are to:

- Ensure that the outcomes within the Transformation programme are being delivered within the agreed time, cost and quality parameters.
- Ensure that the longer term objectives within the Transformation Programme are adequately defined and relevant to any changing policy environment.

To ensure that any change to the MTFP and transformation programme happen in a controlled and transparent way, and is in line with the overall objectives of the Recovery and Improvement Plan.

The Transformation Executive Member Board is responsible for providing assurance and adequate definition of the programme's progress and delivery throughout the programme.

To fulfil these responsibilities, the Executive Member Board will require the support of the Programme Board and CLT to define, deliver and monitor transformation projects, to ensure the pace and direction of the overall programme and to support progress by timely decision making. In particular the Corporate Director for People, the Director of Strategy and Policy and the Programme Director for Transformation will take a lead role.

To ensure that any change to the MTFP and transformation programme happen in a controlled and transparent way, and is in line with the overall objectives of the Recovery and Improvement Plan

The Board will be jointly chaired by the Transformation Portfolio Holders Cllrs Langton and Williams who take ultimate responsibility to inform and consult with all Executive members.

To fulfill these responsibilities the Executive Board will require the support of the Programme Board and CLT to define and monitor transformation projects to ensure the pace and direction of the overall programme. Timely decision- making by Executive Board will be an important support to progress.

**CLT**

CLT will convene fortnightly to review progress on the Programme and to ensure that issues and risks are addressed. CLT will manage by exception but may wish to review individual projects of interest or concern from time to time. CLT will report to the Executive Member Board.

Frequency: Fortnightly

**Purpose**

To approve the transformation projects and hold the Programme Board to account for delivery

**Roles and Responsibilities**

- To receive and review regular progress updates from the Programme Board
- To review and agree Outline Business Case (OBC) from project groups to determine those that will proceed to producing Project Initiation Documentation (PIDs)

**Programme Board**

This Board will be the engine room of the Programme, holding individual projects to account, assisting in mitigations and providing support and guidance as required, Programme Board will also provide the upward reporting to CLT and Executive Member Board to allow the active management of the programme to take place

The Board will be chaired by the Director of Strategy and Performance with the Corporate Director for Finance and Resources as vice Chair. The Board will be fully supported by the Transformation Programme Director and his team who will drive the overall delivery of the Transformation Programme. The Transformation Programme Director will have a direct dotted reporting line to the Chief Executive.

Frequency: Fortnightly

**Purpose**

The purpose of the Programme Board for Transformation and Renewal is to:

- Establish effective and efficient processes for the implementation of the Transformation Programme including; performance management, OBCs, PIDs, governance and decision making;
- Advise and support the Executive Member Board
- Collectively hold the Theme Lead Accountable Officers to account for the delivery of their workstreams and the Programme Management Office to account for ensuring that programme controls are in place.
- Liaise with the Improvement and Assurance Board, R&IP Panel and other relevant groups on the delivery of the Recovery and Improvement Plan
- Manage the overarching resourcing, cost and risk positions of the Transformation programme within the overall Recovery and Improvement Plan
- Manage change within the Recovery and Improvement Plan and the other initiatives that fall within its remit.
- Add and remove further initiatives as required over time to ensure that the objectives of the Recovery and Improvement Plan are met

**Roles and Responsibilities**

- Appointing a Programme Manager and Programme Director, if these roles are combined, agreeing remit and delegated authority
- Approving programme identification and definition, signing off relevant documentation, for example programme brief or programme definition
- Agreeing all major plans
- Confirming and communicating the programme vision
- Approving the programme blueprint (how the programme vision is to be achieved) and the means of achieving it
- Authorising any major deviations from the agreed programme stage (tranche) plans
- Signing off the completion of each tranche, including the deliverables, and giving approval to start the next stage
- Communicating information about the programme or projects to organisations and stakeholder groups
- Ensuring the required resources are available
- Resolving any conflicts escalated by the programme or project teams, client, supplier or delivery agent
- Agreeing programme or project tolerances for time, quality and cost
- Providing overall strategic direction for the programme
- Risks associated with the programme including those escalated from project level
- Quality assurance for the programme and its associated projects
- Approving end-project reports including lessons learned reports
- Approving plans for post-project reviews and overseeing these reviews within the programme
- Ensuring that a post-programme review is scheduled and takes place
- Resolving deviations from plans or escalating as necessary
- Resolving conflicts between programme and project teams, end users, suppliers and delivery agents or escalating as necessary
- Progress reporting to CLT and Executive Board
- Agreeing OBCs for sign off by CLT

### **Director Sponsored Working Groups**

Various working groups convened by Directors made up of Heads of Service (HoS) and other relevant officers within their Division and beyond (where appropriate). Directors will use their HoS structures in order to identify and define potential transformation projects for further consideration and development, working up ideas in consultation with relevant Portfolio Holders

Frequency: To be determined by Directors

#### Purpose

To carry out analysis on different models of service delivery based on best practice with a view to identifying potential areas of transformation. Any promising ideas will ultimately be given further consideration within individual project groups (see below).

#### Roles and Responsibilities

- To consider different operating models for their services taking account of best practice from elsewhere including the core cities and any other relevant comparator authorities
- To consider current delivery models in relation to cost comparators from other similar cities. This will entail knowing the comparative costs of the present service model, the cost centres involved in delivering that service, and putting forward ideas for redesign.
- Provide written assessment of best practice in relation to service delivery models compared to current delivery and highlight potential ideas for service transformation with a few to reducing operating costs whilst maintaining or improving outcomes for citizens
- Consider radical options such as stopping services and the implications or community led initiatives

### **Individual Project Groups**

Following the identification of potential transformation ideas, project groups will be formed to develop the proposals further. These groups will comprise nominated leads for the projects along with have a HR and Finance Business partner and support from Major Programmes.

Frequency: Weekly

#### **Purpose**

To assess the viability/feasibility of potential transformation projects with a view to establishing outline businesses cases (OBC) and project initiation documentation (PIDs) for consideration by the CLT Officer Board.

#### **Roles and Responsibilities**

- Assisting the programme or project manager to deliver programme or project objectives
- Carrying out the elements (within their technical expertise) of the programme or project they are tasked with
- Providing administrative support to the programme or project manager and
- Advising the programme or project manager if any risks arise that are likely to affect delivery of programme or project objectives and to be part of the risk reduction process
- Providing information for programme or project documentation
- Producing programme or project products as planned to the required level of quality and to timescales
- Submission of progress reports to the Programme Board, CLT and Executive Board
- Consulting with the relevant portfolio holder in the development of OBCs and PIDs (where agreed)

### **Key Personnel**

#### **Transformation Programme Director**

The programme director will manage, report and take a view of programme progress. This entails reporting to Executive Board, CLT Officer Board and IAB as required. The Programme Director will report to the Chief Executive

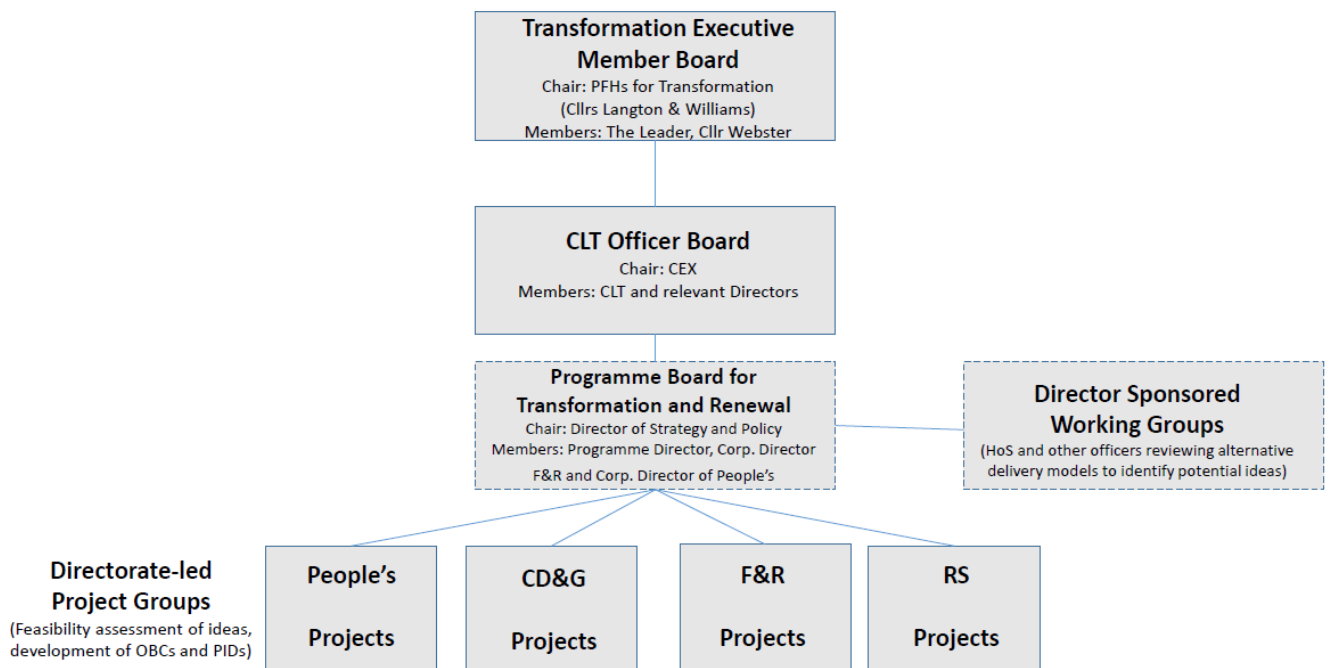


The programme director is responsible for:

- ensuring an appropriate programme or project management framework is in place,
- preparing the programme brief, project initiation documents or equivalent and business case among other documents
- appraising options and submitting for approval
- provide professional advice in the securing of resources and expertise from the client organisation as required.
- co-ordinating and directing end user input
- co-ordinating value management strategy
- controlling changes following approval
- determining and managing risks to the programme
- acting as a joint point of contact with Project sponsors with the project managers
- co-ordinating and fostering teamwork
- establishing formal reporting arrangements on programme or project progress
- defining criteria for control and management of the programme or project
- assisting the project managers in the resolution of problems
- receiving and reviewing detailed reports on the programme or project from the programme manager
- ensuring the programme manager receives decisions on time
- establishing, with the programme manager, a common approach to major issues that arise
- establishing a mechanism to ensure regular dialogue with contractors to promote problem solving, team working and risk sharing

See below for Figure One for Schematic Structure.

**Figure 1: Transformation Governance Structure**





**Executive Board  
20 July 2021**

<b>Subject:</b>	To declare the freehold interest in Waterway House, Waterway Street, Nottingham, NG2 3DY surplus to the requirements of the Trading Account and make the premises available to sell on the open market
<b>Corporate Director(s)/Director(s):</b>	Wayne Bexton, Interim Corporate Director of Growth and City Development
<b>Portfolio Holder(s):</b>	Councillor David Mellen, Portfolio Holder for Strategic Regeneration and Communications
<b>Report author and contact details:</b>	Jeremy Bryce, Estates Surveyor – Strategic Assets and Property 0115 8763082 <a href="mailto:jeremy.bryce@nottinghamcity.gov.uk">jeremy.bryce@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	None
<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>	
(a) <input 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) 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 type="checkbox"/> Capital	
<b>Total value of the decision:</b> See Exempt Appendix	
<b>Wards affected:</b> Meadows	
<b>Date of consultation with Portfolio Holder(s):</b> 10 June 2021	
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input type="checkbox"/>
Living in Nottingham	<input type="checkbox"/>
Growing Nottingham	<input checked="" type="checkbox"/>
Respect for Nottingham	<input type="checkbox"/>
Serving Nottingham Better	<input type="checkbox"/>

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

This report proposes the disposal of Waterway House, a void office building with a large on-site car park, forming a developable island site of approximately 0.621 acres. Sale of the property will make a revenue savings to the Council, whilst generating a capital receipt.

The receipt will be held as a Corporate Capital Receipt and used in accordance with the Capital Strategy.

**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 sale price of property 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 it includes internal valuation figures for the property and the estimated sales price which, if disclosed, will prejudice the Council's position in negotiations and/or selling price.

**Recommendation(s):**

- 1** To declare Waterway House, Waterway Street, Nottingham, NG2 3DY surplus to the requirements of the Trading Account and make the freehold available to the Corporate Director of Growth and City Development for sale. No alternative operational, regeneration, community or other requirements have been identified.
- 2** To delegate authority to the Corporate Director of Growth and City Development, in conjunction with the Director of Economic Development and Property, to agree the method and terms of sale for the freehold of the premises, including negotiating with any under-bidder if any purchase should not proceed, as set out in the Exempt Appendix.

**1 Reasons for recommendations**

- 1.1 This proposal supports the Recovery and Improvement Plan 2021-24 and current Asset Management regimes.
- 1.2 The building and associated site became vacant in 2019. Knowing that the revised Local Plan Part 2 was going to specifically include this site with planning guidance for redevelopment, the site has been held void. There has been a delay in marketing after the site was identified for a temporary Covid-19 Local Test Site. On 3 June 2021, the NHS demobilised this testing centre and this presents an opportunity to bring the site to market by way of informal tender.
- 1.3 Releasing this site for sale will support the recently adopted Local Plan Part 2 in aiding delivery of inner city regeneration projects, specifically the adjacent Crocus Street Site, and more widely, the Designated Strategic Regeneration Area 65 Canal Quarter – Arkwright Street East.

- 1.4 Revenue savings will be made in regard to void business rates (see Exempt Appendix), which will help relieve any in-year pressures on the Trading Account and will bring to an end various crime and anti-social behaviour issues linked to the site.
- 1.5 The expected capital receipt from this transaction will be available to support the financial position of the Council (see Exempt Appendix).
- 1.6 An open market sale will ensure that the Council receives best value as the site does lend itself to potential other uses, which would yield a better return for a developer.
- 1.7 An offer for sale by Informal Tender enables the Council to seek interest during a defined marketing period and allows the ability to negotiate with prospective purchasers to ensure the best onward redevelopment of the site, which will help maximise any capital receipt. If no interest is received in the property, an alternative method of sale will be reviewed and the property will be reoffered for sale by the most appropriate method decided at the time.

## **2 Background (including outcomes of consultation)**

- 2.1 Waterway House currently provides 756 square meters of vacant office space in a purpose built 1970s building over two floors. The building has been void since 2019. Until recently, the on-site car park provided space for the NHS as a Local Testing Site, which is in the process of being decommissioned at the request of the NHS.
- 2.2 The office building requires extensive investment in terms of repair and modernisation. The high cost of investment to make the building commercially viable and make the void building available for rent at higher market rents makes retention uneconomical.

## **3 Other options considered in making recommendations**

- 3.1 To retain the property and seek to let: the property requires significant capital investment to secure a future income stream. Therefore, this option was rejected.
- 3.2 Internal regeneration for social housing through Nottingham City Homes or development by Blueprint: the Head of Housing and Regeneration has stated that there is no internal regeneration interest and that the site can therefore be disposed of in the open market.

## **4 Finance colleague comments (including implications and value for money/VAT)**

- 4.1 Following declaring the site as surplus, the site disposal will be monitored and reported to the Asset Rationalisation Board. The disposal of this site is required to achieve value for money for the Council.
- 4.2 The anticipated receipt from the site as noted in the Exempt Appendix will be held corporately and applied in accordance with the Capital Strategy as approved at Full Council in March 2021.
- 4.3 The disposing of the site at Waterway Site has no revenue implications and will save the Council from potential unfunded holding costs / liabilities. The Council has no record of the site being opted to tax so VAT will not be chargeable to any potential buyer.

Advice provided by Tom Straw, Senior Accountant – Capital Programmes, on 08/06/2021.

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

- 5.1 The property to be offered for sale comprises part of a registered title owned by the Council.
- 5.2 Property colleagues have advised Legal Services that relevant colleagues and departments within the Council have been consulted in the processes surrounding the declaring of the land surplus, and that no concerns or issues have been raised with the disposal.
- 5.3 Property colleagues have previously asked Legal Services to undertake a report on title for the registered title to the property, and the contents of that report have been reviewed by them. Property colleagues will need to take into consideration the contents of that report on title, which highlights the rights, benefits and encumbrances the land is subject to and which may be pertinent in any sale of the land. Various covenants and matters affect the property but from review, none which we would anticipate would cause significant problems in or prevent a potential disposal.
- 5.4 We would recommend that if Property colleagues intend to settle broad commercial terms for the documentation to be entered into prior to settling upon a purchaser, by way of heads of terms for example, that they consider whether colleagues in Legal Services could assist, as we may be able to support with additional advice, drafting or suggesting provisions to incorporate within those draft heads of terms. Any disposal will be subject to contract and the drafting, agreement and completion of formal legal documentation. The Council will also have to adhere to the obligation to achieve 'best consideration' in any disposal pursuant to Section 123 of the Local Government Act 1972.
- 5.5 Legal Services understand that this will be a land sale only and as such there will be no compulsion or obligation on the purchaser to develop or deliver a specific scheme, therefore this should not raise any issues in relation to the procurement of a specified development. If a purchaser is to be obliged to develop out any specific development or scheme then procurement advice may be required to ensure the Council is compliant.

Advice provided by Mick Suggett, Solicitor – Team Leader: Conveyancing, on 03/06/2021.

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

- 6.1 The disposal of this site is supported by Strategic Assets and Property. The site is no longer required for Council use and its disposal will support the Asset Rationalisation Programme (ARP) by generating a substantial capital receipt.

6.2 The site will be disposed of by the Council's Development and Disposals Team, and the disposal process will see full exposure to the market to ensure best value is achieved.

6.3 The disposal of the site will be tracked and reported on via the ARP structure.

Advice provided by Beverley Gouveia, Team Leader – Development and Disposal Team, Strategic Assets and Property, on 07/06/2021.

## **7 Social value considerations**

7.1 Not applicable.

## **8 Regard to the NHS Constitution**

8.1 Not applicable.

## **9 Equality Impact Assessment (EIA)**

9.1 An EIA is not required because this report does not include proposals for a new or changing policy, service or function.

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

10.1 None.

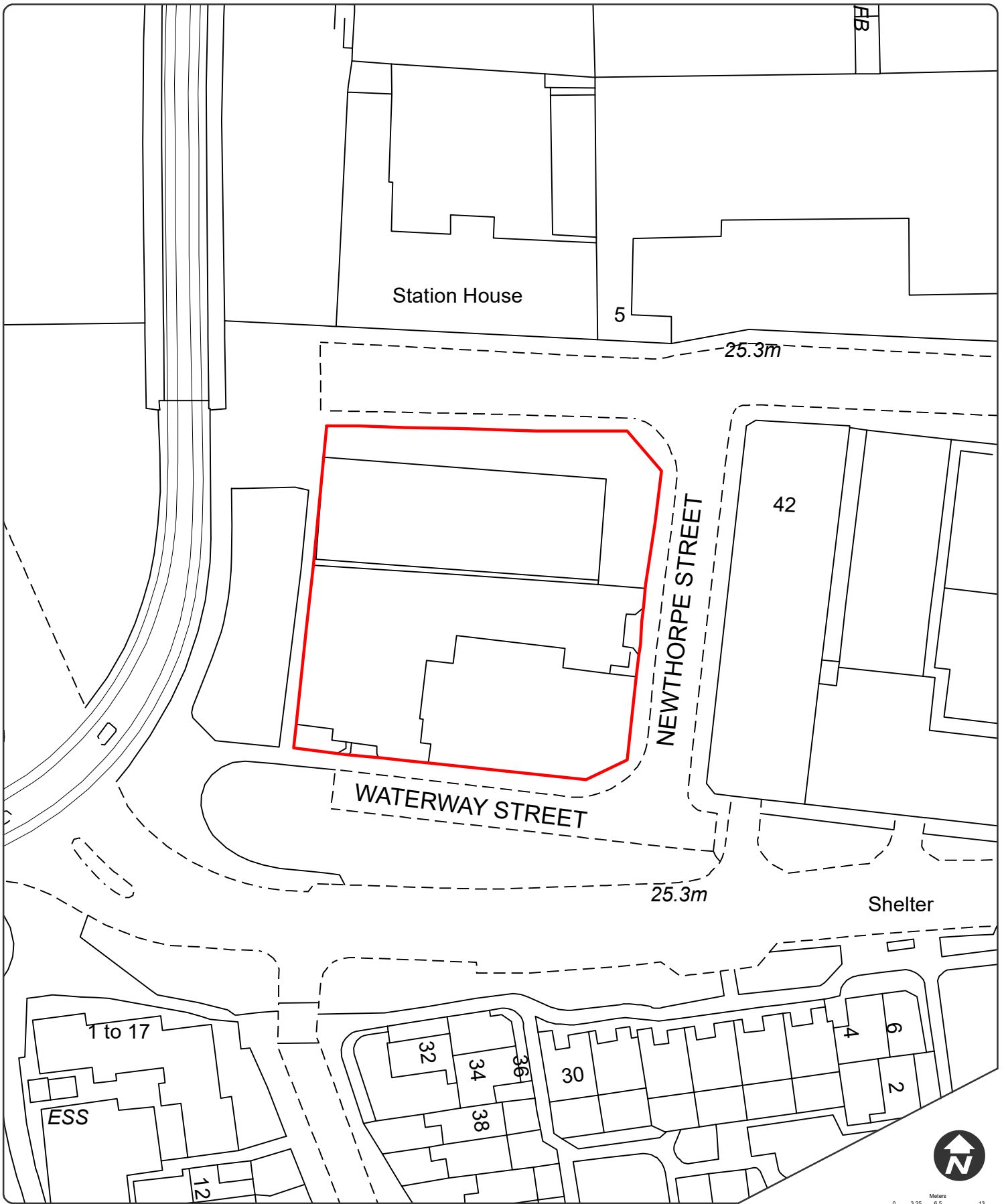
## **11 Published documents referred to in this report**

11.1 Designated Strategic Regeneration Area 65 Canal Quarter – Arkwright Street East.

11.2 Local Plan Part 2.

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Hiltons Site, Waterway Street West

Scale @ A4 = 1:750

The area edged Red = 2,459 sq m or thereabouts

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 Nikita Thakrar 02/02/2021

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**Executive Board**  
**20 July 2021**

<b>Subject:</b>	Loan to Nottingham City Homes Registered Provider to enable the acquisition of Laura Chambers Lodge, Clifton
<b>Corporate Director(s)/Director(s):</b>	Wayne Bexton, Corporate Director for Growth and City Development
<b>Portfolio Holder(s):</b>	Councillor Linda Woodings, Portfolio Holder for Housing, Planning and Heritage
<b>Report author and contact details:</b>	Margaret Coward, Senior Regeneration Officer <a href="mailto:margaretcoward@nottinghamcity.gov.uk">margaretcoward@nottinghamcity.gov.uk</a>
<b>Other colleagues who have provided input:</b>	Mark Lowe, Head of Housing and Regeneration
<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>	
(a) <input checked="" 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) 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 type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital	
<b>Total value of the decision:</b> See Exempt Appendix	
<b>Wards affected:</b> Clifton East	
<b>Date of consultation with Portfolio Holder(s):</b> 09/2/2021	
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input type="checkbox"/>
Respect for Nottingham	<input type="checkbox"/>
Serving Nottingham Better	<input type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
This report proposes the sale of Laura Chambers Lodge (LCL) to Nottingham City Homes Registered Provider (NCH RP) at market value (price detailed in the Exempt Appendix) for use as temporary accommodation for families, and the provision of a General Fund loan to finance this. The loan will be part asset-backed and part spend to save, based on the projections set out in the Exempt Appendix. Provision for this loan is part of the Capital Programme that was agreed by Executive Board on	

23/02/21.

**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 financial and business affairs of the Authority 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 a competitive tender process will be started shortly, and making public the budget could prejudice contractual negotiations.

**Recommendation(s):**

- 1** To delegate authority to the Corporate Director of Finance and Resources to approve a loan to NCH RP, subject to due diligence, as detailed in the Finance comments in the Exempt Appendix.
- 2** To sell the LCL to NCH RP at market value, at the price detailed in the Exempt Appendix.
- 3** To contribute £40,000 of Section 106 Affordable Housing Contribution to NCH RP to acquire the surrounding land at LCL, upon which to develop additional affordable housing units in the future.

## **1 Reasons for recommendations**

- 1.1 This proposal will allow NCH RP to provide much-needed support to the Council in meeting its duty to provide suitable accommodation for families who are classified as homeless, or in the process of applying for homelessness relief. Alongside providing well-managed and suitable facilities, there will be a financial saving to the Council by reducing the burden on the General Fund of providing Bed and Breakfast or Nightly Paid temporary accommodation. All referrals for the properties will be taken directly from Housing Aid.
- 1.2 Most other temporary accommodation facilities are in the central areas of the city, but this is often difficult for families from Clifton to access while retaining links to family support networks. This location will provide a more diverse geographical spread of temporary accommodation.
- 1.3 The need for temporary accommodation for families is projected to increase in the next year as the temporary ban on evictions due to the pandemic is lifted. Homeless applications are expected to increase due to a combination of greater number of evictions, a backlog of applications that have not come forward during the pandemic lockdown and the wider impacts of recession. It is expected that this would stabilise

in future years, but at the enhanced level requiring additional temporary accommodation to be available to meet the need.

- 1.4 The proposal will deliver a capital receipt to the Council, comparable with what would be achieved on the open market. It will also avoid the risk of abortive costs of work done to date, following a Leader's Key Decision in April 2020 to sell the site to NCH RP, which gave the assurance to carry out these works. The Council will need to reimburse NCH RP for these costs if the project did not proceed.
- 1.5 NCH RP need to access adequate finance to allow them to carry out the capital works to the building. This loan will be subject to Chief Finance Officer's approval following receipt of a satisfactory business case demonstrating the ability to repay the loan, supporting documentation and loan security. It will be paid back through rental payments from NCH, based on market-comparable interest rates which are State Aid compliant and fixed by the Chief Finance Officer at the time of the transaction.
- 1.6 NCH RP wish to acquire the land surrounding LCL and locate new affordable homes there in the future. There is £40,000 of Section 106 money available for the Council to grant to NCH RP to allow them to acquire the land. This is linked to planning application 13/01703/POUT, Woodhouse Park. The condition of this contribution was that it must be used "towards the provision of Affordable Housing within Nottingham City". The proposed usage is therefore eligible for this funding.

## **2 Background (including outcomes of consultation)**

- 2.1 LCL is a former purpose-built elderly persons' care home on Swansdowne Drive in Clifton. The building has been empty since 2016 and has been declared surplus to service requirements.
- 2.2 NCH RP have carried out early design and feasibility work. This shows that around 29 self-contained family units could be accommodated in the existing structure of the building. The units would be used to provide temporary accommodation for families. This loan will allow NCH RP to buy the site, and go out to market to tender the opportunity for a contractor for a JCT Design and Build contract.
- 2.3 There are currently 348 units available for the Council in which to place homeless families temporarily until their homeless applications are determined and more settled accommodation can be secured. This is a mix of hostel and leased dispersed accommodation. Although deemed highly unlikely, in the event of a radical reduction in homeless demand at some point in the future (e.g., due to legislative changes) then the exit strategy for the Council's supply of temporary accommodation means that a total of 308 leased units can either be quickly removed from the accommodation pool or phased out to reduce costs associated with over-supply. In the event that hostel accommodation was not needed for temporary accommodation, NCH RP would let this on an affordable rent basis to singles and couples on the waiting list.

### **3 Other options considered in making recommendations**

- 3.1 Reutilise the site as a care home. This option was discounted as there is not demand for this use and the Council's Better Lives, Better Outcomes strategy is to maximise the ability for older people to remain independent for longer.
- 3.2 Not to refurbish LCL for temporary accommodation. This would not help to alleviate the current pressures and projected increase in the need for temporary accommodation in Nottingham, so this option was rejected.
- 3.3 Sell the building on the open market. Based on the independent valuation figures set out in the exempt appendix, the Council does not expect to achieve a higher capital receipt through an alternative disposal for the site. This was rejected as the building is needed to provide temporary accommodation for families. Insufficient provision of temporary accommodation has a draining effect on the Council's revenue budgets.
- 3.4 Sell the site to another RP to deliver the provision. This was rejected as yet no other RP has indicated that they would be willing and able to provide a new hostel and the timescale for continuing to pursue this route would lead to an unacceptable delay in the provision.

### **4 Finance colleague comments (including implications and value for money/VAT)**

- 4.1 See Exempt Appendix.

### **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 provide a loan to NCH RP to provide temporary housing following redevelopment of the former LCL care home. The Council has power to lend money pursuant to Section 12 of the Local Government Act 2003 as the loan for the provision of temporary accommodation would be an investment for a purpose relevant to its function of providing accommodation for the homeless and/or affordable housing.
- 5.2 It is necessary to consider whether the loan to NCH RP provides a subsidy to NCH RP. As a consequence of the UK's Trade and Cooperation Agreement entered into with the European Union and given effect as domestic law by the European Union (Future Relationship) Act 2020, the UK is required to have a domestic subsidy control regime which, subject to certain transitional arrangements, replaces the previous rules on State Aid. The loan is potentially a subsidy if the interest rate and other terms are more advantageous than what would be available to NCH RP in the open market. However, as this loan is for the provision by NCH RP of temporary housing for homeless families, it is a permitted subsidy under the new regime as it is assistance for Services of Public Economic Interest (formerly SGEI under the previous state aid regime) and exempt from notification provided the subsidy to NCH RP is less than 750,000 SDR (approximately £790,000). A loan agreement should be entered into with NCH RP stating the purpose of the loan. Legal Services will discuss with the Development team as to whether security should be taken over the property as part security for the loan.

5.3 The report also seeks authority for the sale of additional land to NCH RP, which was previously authorised in Delegated Decision 3852 - the legal advice in that report is restated here as applicable to the revised sale.

5.4 The provision of the Section 106 funds to NCH RP should be documented in an agreement with NCH RP to ensure the funds are used for the purpose set out in the Section 106 Agreement.

Advice provided by Andrew James (Team Leader – Commercial, Employment and Education) on 27 May 2021.

## **6 Strategic Assets and Property colleague comments (for decisions relating to all property assets and associated infrastructure)**

6.1 It is recommended in this report that LCL is sold to NCH RP at market value, which has been negotiated and agreed with NCH RP by Property. The price agreed is supported by a valuation instructed by NCH RP and carried out by an independent firm of Chartered Surveyors as detailed in the Exempt Appendix.

Advice provided by Beverley Gouveia (Development and Disposals Manager, Property and Strategic Assets) on 23 June 2021.

## **7 Social value considerations**

7.1 The proposed development will contribute to meeting the need for temporary accommodation generally, but in particular for homeless families in the south of the city rooted in the community that may have children schooling in the area. It would also ensure a mix and balance of housing options across the city, rather than an over or under provision in certain areas.

## **8 Regard to the NHS Constitution**

8.1 Not applicable.

## **9 Equality Impact Assessment (EIA)**

9.1 An EIA is not required because the report does not contain proposals for a new or changing policy, service or function.

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

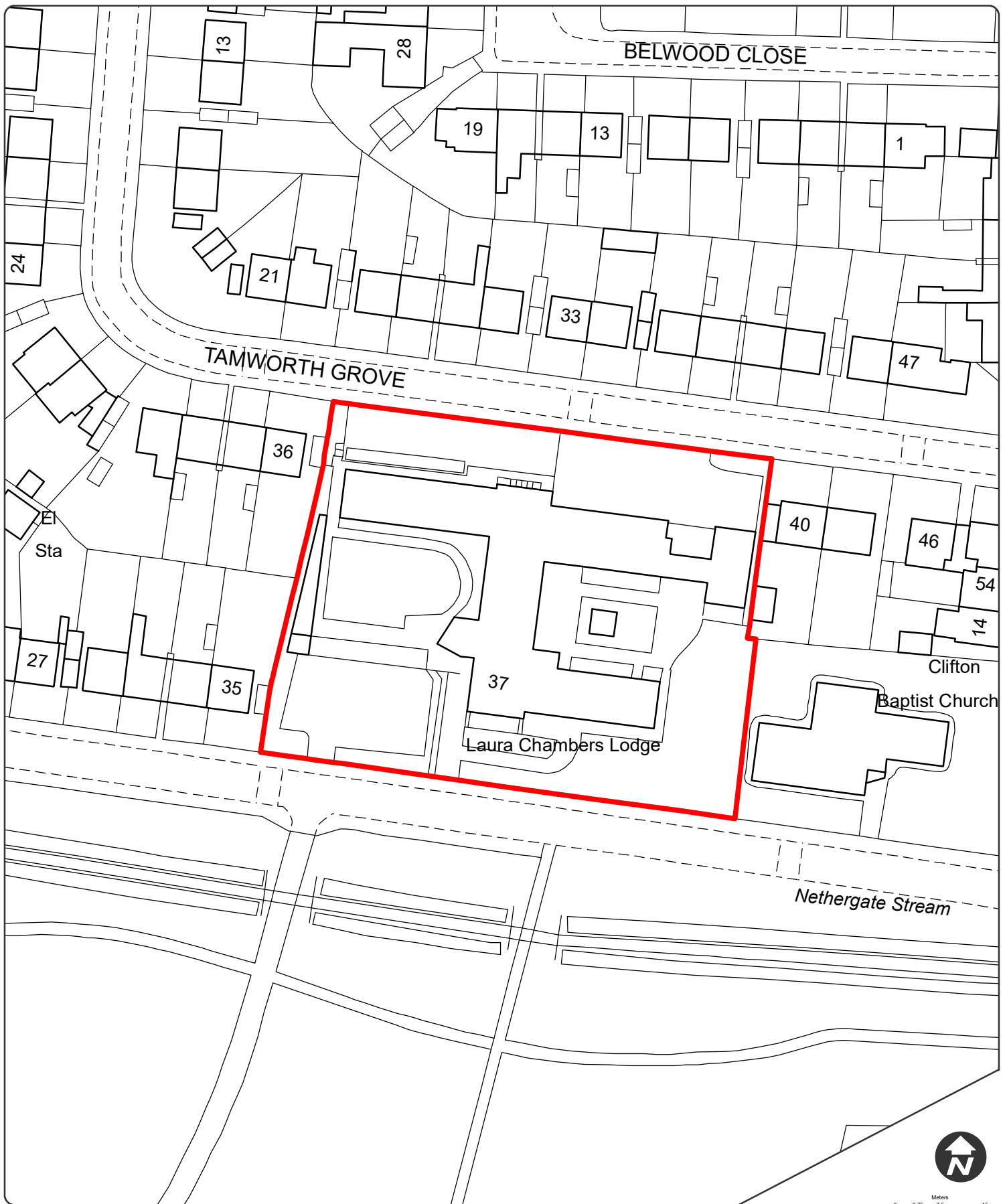
10.1 LCL Site Plan, including the extra land.

## **11 Published documents referred to in this report**

11.1 Delegated Decision 3852: Sale of Laura Chambers Lodge former care home, Clifton, April 2020 (<https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=5192>).

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Laura Chambers Lodge - Site Plan

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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