Public Document Pack

Nottingham City Council
Executive Board

Date: Tuesday, 16 November 2021

Time: 2.00 pm

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

Please see the information at the bottom of this agenda front sheet about the measures 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, Governance Officer **Direct Dial:** 0115 8764468

Agenda		Pages
1	**Apologies for Absence**	
2	**Declarations of Interests**	
3	**Minutes** Minutes of the meeting held on 19 October 2021, for confirmation	3 - 6
4	**Treasury Management 2021/22 Half-Yearly Update** Report of the Portfolio Holder for Finance and Resources	7 - 30
5	**Conversion of Current Temporary Homecare Team to Permanent Staffing** Report of the Portfolio Holder for Adults and Health	31 - 46
6	**EnviroEnergy Limited - Transfer of Business to Nottingham City Council** Report of the Portfolio Holder for Energy, Environment and Waste Services	47 - 52
7	**Exclusion of the Public** To consider excluding the public from the meeting during consideration	

of the remaining items in accordance with Section 100A of the Local Government Act 1972, under Schedule 12A, Part 1, Paragraphs 3 and 5, on the basis that, having regard to all the circumstances, the public interest in maintaining an exemption outweighs the public interest in disclosing the information

8	**EnviroEnergy Limited - Transfer of Business to Nottingham City Council - Exempt Appendices** Report of the Portfolio Holder for Energy, Environment and Waste Services	53 - 72
9	**Continuity of Waste and Steam Supply for the Operation of the District Heating Scheme** Report of the Portfolio Holder for Energy, Environment and Waste Services	73 - 158

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 a way as possible, all attendees are:

- **asked to maintain a sensible level of social distancing from others as far as practically possible when moving around the building and when entering and leaving the meeting room. As far as possible, please remain seated and maintain distancing between seats throughout the meeting;**
- **strongly encouraged to wear a face covering when entering and leaving the meeting room and throughout the meeting, unless you need to remove it while speaking to enable others to hear you. This does not apply to anyone exempt from wearing a face covering;**
- **asked to make use of the hand sanitiser available and, when moving about the building, follow signs about traffic flows, lift capacities, etc.**

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.

Nottingham City Council
Executive Board

Minutes of the meeting held in the Ground Floor Committee Room, Loxley House, Station Street, Nottingham, NG2 3NG on 19 October 2021 from 2:00pm to 2:10pm

Membership

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

Colleagues, partners and others in attendance:
Councillor Kevin Clarke
Councillor Andrew Rule

Mel Barrett	-	Chief Executive
Beth Brown	-	Head of Legal and Governance
Robert Dixon	-	Head of Business Growth
Lucy Hubber	-	Director of Public Health
Frank Jordan	-	Corporate Director for Resident Services
Adrian Mann	-	Governance Officer
Sajeeda Rose	-	Corporate Director for Growth and City Development

Call-in
Unless stated otherwise, all decisions made by the Executive Board are subject to call-in. The last date for call-in is **Wednesday 27 October 2021**. Decisions cannot be implemented until the next working day following this date.

60 Apologies for Absence

Councillor Eunice Campbell-Clark	-	unwell
Councillor Rebecca Langton	-	personal reasons
Councillor Sally Longford	-	on leave
Councillor Adele Williams	-	on leave
Malcolm Townroe	-	Director of Legal and Governance
Catherine Underwood	-	Corporate Director for People

61 Declarations of Interests

None.

62 Minutes

The Committee confirmed the minutes of the meeting held on 21 September 2021 as a correct record and they were signed by the Chair.

63 Additional Restrictions Grant - Discretionary Grant Framework

The Portfolio Holder for Strategic Regeneration and Communications presented a report on the Additional Restrictions Grant (ARG) allocation to the Council, to support businesses impacted by the Coronavirus pandemic. The following points were discussed:

(a) the report sets out a framework for the deployment of the £1.8 million ARG, which is funding provided by central Government that can be allocated by the Council to meet targeted local business needs. The ARG forms part of a much larger context of economic support funding and is not intended as a wage supplement, as this is provided by other schemes, and it will be used to assist businesses with the additional costs that they have incurred as a result of the Coronavirus pandemic and its knock-on impacts to the local economy;

(b) consultation has been carried out with businesses on their support needs, with the key issues identified being: reduced custom in the retail and hospitality businesses; ongoing low footfall within the Victoria Centre Market; taxi drivers continuing to experience a reduction in business, but an increase in operating costs; high levels of vacancy of business within the city centre, particularly surrounding the Broadmarsh area; low rates of new business start-ups within the city; and businesses experiencing significant recruitment and skills problems;

(c) a key aim for the ARG is to support new start-ups and develop employment skills, to ensure that the workforce can meet the needs of economic recovery. The Coronavirus pandemic has represented a challenging time for businesses, which have had to show strong resilience, and the Council is seeking to support their recovery process as much as possible. Support grants have been made available to community centres during the pandemic, and it will be possible to allocate funding from the ARG to community centres that deliver employment and skills training;

(d) the Board thanked officers in the Economic Development team for their hard work in supporting the city's businesses and economy during the unprecedented time of the Coronavirus pandemic.

Resolved:

(1) to accept the allocation of the £1,836,957 Additional Restrictions Grant from central Government to support businesses adversely affected by the Coronavirus pandemic;

(2) to approve the framework to inform the distribution of business grants through the Additional Restrictions Grant, as outlined in the report.

- **Reasons for the decision**

The Council has been allocated £1,836,957 of ARG by central Government, to support businesses impacted by the Coronavirus pandemic. The ARG is specifically available for local authorities to provide additional support to impacted businesses

with local discretion. The proposals as set out in the report are intended to provide a framework for the distribution of the remaining ARG allocation, to enable the Council to continue to remove barriers to business survival and growth, safeguard jobs and support the local economy.

- **Other options considered**

To refuse the funding: this option was rejected as the funding will directly support businesses to recover from this difficult period and will positively impact upon the ability of the local economy to recover post Covid-19.

To add to the funding to create a larger fund: this option was rejected as there is no obvious source of extra grant funding available.

64 Exclusion of the Public

The Board resolved to exclude the public from the meeting during consideration of the remaining items in accordance with Section 100A of the Local Government Act 1972, under Schedule 12A, Part 1, Paragraph 3, on the basis that, having regard to all the circumstances, the public interest in maintaining an exemption outweighs the public interest in disclosing the information.

65 Exempt Minutes

The Committee confirmed the exempt minutes of the meeting held on 21 September 2021 as a correct record and they were signed by the Chair.

This page is intentionally left blank

Executive Board
16 November 2021

Subject:	Treasury Management 2021/22 Half-Yearly Update
Corporate Director(s)/Director(s):	Clive Heaphy, Interim Corporate Director for Finance and Resources and Section 151 Officer
Portfolio Holder(s):	Sam Webster, Portfolio Holder for Finance and Resources
Report author and contact details:	Glyn Daykin, Senior Accountant – Treasury Management 0115 8763724, glyn.daykin@nottinghamcity.gov.uk
Other colleagues who have provided input:	Members of the Treasury Management Panel: Clive Heaphy, Interim Corporate Director of Finance and Resources Lisa Kitto, Deputy Section 151 Officer and Finance Strategic Lead Susan Risdall, Technical Team Leader Jo Worster, Strategic Finance Team Leader Glyn Daykin, Senior Accountant – Treasury Management

Subject to call-in: ☐ Yes ☒ No

Key Decision: ☐ Yes ☒ No

Criteria for Key Decision:

(a) ☐ Expenditure ☐ Income ☐ Savings of £750,000 or more taking account of the overall impact of the decision

and/or

(b) Significant impact on communities living or working in two or more wards in the City

☐ Yes ☒ No

Type of expenditure: ☐ Revenue ☐ Capital

Total value of the decision: Nil

Wards affected: All

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

Relevant Council Plan Key Outcome:

Clean and Connected Communities	☒
Keeping Nottingham Working	☒
Carbon Neutral by 2028	☒
Safer Nottingham	☒
Child-Friendly Nottingham	☒
Healthy and Inclusive	☒
Keeping Nottingham Moving	☒
Improve the City Centre	☒

Better Housing	☒
Financial Stability	☒
Serving People Well	☒

Summary of issues (including benefits to citizens/service users):
This report sets out the details of treasury management actions and performance from 1 April 2021 to 30 September 2021. In summary:

- No new long-term borrowing has been undertaken in the period to 30 September 2021, and the balance of external loans debt has decreased by £22.814 million and is below the forecast within the Voluntary Debt Reduction Policy (section 4.3).
- The average interest rate payable on the debt portfolio increased from 3.379% at 31 March 2021 to 3.433% at 30 September 2021 (section 4.3).
- No debt rescheduling had been undertaken to 30 September 2021 (section 4.4).
- The average return on investments to 30 September 2021 was 0.147% against a benchmark rate of -0.08% (7-day LIBID) (section 4.7).
- There has been compliance with Prudential Indicators for 1 April to 30 September 2021 (section 4.8).
- CIPFA released the stage 2 consultation on proposed changes to the Prudential Code and Treasury Management Code, with the final updated guidance expected to be issued by the end of 2021 (see section 4.11.1).

Does this report contain any information that is exempt from publication?
No.

Recommendation(s):

1. To note the treasury management actions taken in 2021/22 to 30 September 2021.

1. Reasons for recommendations

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

2. Background (including outcomes of consultation)

2.1 **Capital Strategy**
In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities have been required to prepare a Capital Strategy that is to provide the following:

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

2.2 **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."

2.3 This report has been written in accordance with the requirements of the 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.

2.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- an economic update for the first part of the 2021/22 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 2021/22;

- a review of the Council's borrowing strategy for 2021/22;
- a review of any debt rescheduling undertaken during 2021/22; and
- a review of compliance with Treasury and Prudential Limits for 2021/22.

3. Other options considered in making recommendations

3.1 This report is required by the Treasury Management Code of Practice.

4. Treasury Management Activity to 30 September 2021

4.1 The Economy and Interest Rates During 2021/22

Growth and Inflation
The recent product and labour shortages appears to be holding back activity which may prevent GDP from returning to its pre-pandemic peak until next year and is adding to the upwards pressure on inflation.

The Monetary Policy Committee (MPC) expect inflation to rise to 4% at the close of 2021. Although it is expected that most of the shortages are to be temporary there is concern that underlying price pressures in the economy are looking more likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

The Monetary Policy Committee (MPC) kept Bank Rate unchanged at 0.10% and made no changes to the quantitative easing (QE) programme due to finish this year at a total of £895 billion. The MPC agreed that "some modest tightening of monetary policy over the forecast period was likely to be necessary to be consistent with meeting the inflation target sustainably in the medium term".

The Consumer Price Index inflation % (CPI) has increased 2.30% to 3.00% in the 6 months to 30 September 2021.

Forecast Interest rates
The Council's treasury advisor, Link Group, has provided the following forecast. (PWLB rates are certainty rates):

Link Group Interest Rate View 29.9.21										
	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	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*

Appendix B shows the money market interest rates, the PWLB borrowing rates for the half-year to 30 September 2021 and a forward view for PWLB loan rates.

4.2 Local Context

4.2.1 The Treasury Management Strategy Statement (TMSS), for 2021/22 was approved by Full Council on 8 March 2021. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved as at 30 September 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 resultant 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.

4.2.3 At 31/03/2021 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £1,411.6 million. The CFR is forecast to decrease by £8.9 million to £1,402.7 million by 31/03/2022 against the original CFR estimate for 31/03/2022 of £1,415.2 million with reductions due to slippage and the Voluntary Debt Reduction Policy (VDRP) review of the capital program which included the delay/cancellation of some major schemes.

Table 1 below shows the original and expected 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 borrowing need may also be supplemented for maturing debt and other treasury requirements.

TABLE 1: CAPITAL EXPENDITURE	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
Total capital expenditure	181.841	173.11
Financed by:		
Capital receipts	12.516	10.866
Capital grants & Contributions	83.663	85.303
Internal Funds / Revenue (inc. Major Repairs Reserve)	43.372	35.859
Total financing	139.551	132.028
Borrowing requirement	42.290	41.082

Note to table: Original estimate was Q3 2020/21 used for the 2021/22 Treasury Management Strategy Report.

4.2.4 The decrease in estimated capital expenditure is due to slippage on capital projects, including expenditure originally forecast to have been incurred in 2020/21. The associated financing of these schemes has also moved to the same forecast period as the expenditure.

4.3 Borrowing

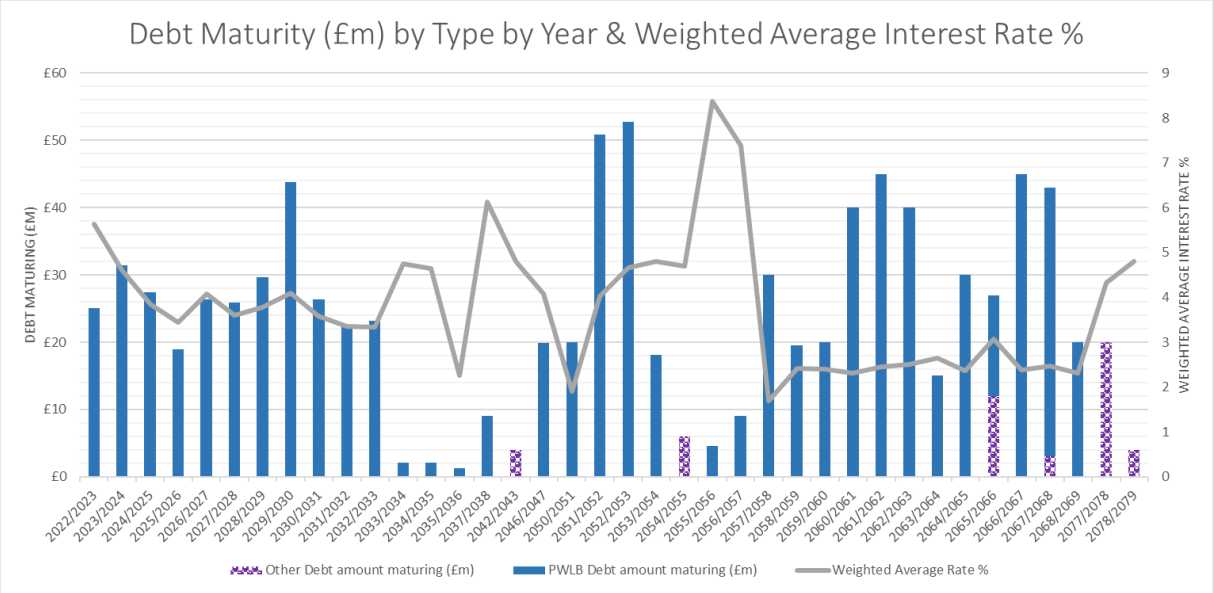
4.3.1 To finance the CFR, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

4.3.2 At 30/9/2021 the Council has reduced the balance of external loans by £22.8 million since the balance at 31/3/2021 due to loans being repaid on maturity without replacement. The Council does not expect to increase borrowing in the second half of 2021/22 based on the revised capital program and forecast cash flow requirements. As described in the Voluntary Debt Reduction Policy, the level of external loans is expected to continue to reduce as existing loans mature without replacement. The CFR reduces due to the reductions in the capital program and as the Council makes its approved minimum revenue provision (MRP) against prior years capital expenditure financed by borrowing.

4.3.3 **Table 2** summarises the Council's outstanding external debt at 30 September 2021 showing the value of debt and the average interest rate payable on the debt.

TABLE 2: DEBT PORTFOLIO					
	01-Apr-21		30-Sep-21		Change
DEBT	**£m**	**Average Interest %**	**£m**	**Average Interest %**	**£m**
PWLB borrowing	866.5	3.387	858.7	3.390	-7.8
Market loans inc LOBO	49.0	4.348	49.0	4.348	0
Temporary borrowing	17.2	0.219	2.2	0.100	-15.0
TOTAL LOANS DEBT	**932.7**	**3.379**	**909.9**	**3.433**	**-22.8**
Other inc PFI	181.3		175.7		-5.6
TOTAL DEBT	**1,114.0**		**1,085.6**		**-28.4**

The graph below shows the debt portfolio's maturity profile by loan type and the weighted average interest rates that are associated with the maturities in each period. This maturity profile is summarised in the Prudential Indicator for the Maturity Structure for Borrowing table shown in **section 4.8.3**.



4.3.4 At 30/09/2021, the Council had £1,085.6 million of external borrowing including £175.7 million of Private Finance Initiative (PFI) and lease liabilities. The Council continues to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of around £30 million.

The Council's internal borrowing position at 31 March 2021 was £297.5 million. This meant that around 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.

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. For example, £300 million borrowing would cost around £7 million 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).

The Council expects to retain this internal borrowing position as a prudent and cost-effective approach in view of the reducing CFR and the current economic climate, but will continue to monitor this against the upside risk to gilt yields. An approximately £10 million reserve is maintained to smooth the impact of reducing the internal borrowing position should this be required to mitigate the risk of unexpected increases to interest rates.

The continuation of this existing strategy will further support managing the Council's cost of financing in the coming years and supports the aims of the VDRP in reducing the Council's debt levels.

4.3.5 **Compliance with the Voluntary Debt Reduction Policy**

Table 3 below reflects the reductions in capital expenditure financed by borrowing and the capital receipt strategy in the forecast Capital Financing Requirement and external loans debt in the medium term.

Table 3: VDRP Forecast Refresh			
Debt Measurement	**VDRP Original Forecast £m**	**Qtr2 Actual & Forecast £m**	**Movement (Under) / Over £m**
CFR			
2020/21	1,443.50	1,411.60	**(31.90)**
2021/22	1,434.20	1,402.84	**(31.37)**
2022/23	1,390.60	1,350.56	**(40.04)**
2023/24	1,337.30	1,305.31	**(31.99)**
2024/25	1,272.50	1,243.92	**(28.58)**
External Debt			
2020/21	981.60	932.80	**(48.80)**
2021/22	991.00	900.94	**(90.06)**
2022/23	986.20	887.54	**(98.66)**
2023/24	954.80	864.46	**(90.34)**
2024/25	927.40	840.01	**(87.40)**

4.4 **Debt rescheduling**

Debt rescheduling opportunities have been very limited in the current economic climate given 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 remained relatively expensive for the loans in the debt portfolio and therefore unattractive for debt rescheduling activity. Market Loan rescheduling opportunities are very limited and unattractive due to the premiums chargeable on early repayments. No debt rescheduling has therefore been undertaken to date in the current financial year.

4.5 **Lender's Option Borrower's Options (LOBO) Loans**

The Council holds £34 million 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. £14 million of these LOBO loans have 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.

4.6 **Housing Revenue Account (HRA) Treasury Management Strategy**

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.

4.6.2 No further HRA loans have been taken in the first half of 2021/22. The HRA element of the CFR was £298 million as at 31 March 2021 and was fully financed at an average rate of 4.49%. This includes £53.161 million of long term fixed rate loans from the General Fund (known as internal loans). The HRA CFR is forecast to be £303.3 million by 31 March 2022 and the HRA interest charge for 2021/22 is expected to be around £13.076 million.

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. 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. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also where cash flow forecasts permit to seek out value available in longer periods with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

4.7.2 As shown by the interest rate forecasts in section 4.1, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020 until the MPC meeting on 24 September 2021 when 6 and 12 month rates rose in anticipation of Bank Rate going up in 2022. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before mid-2023, investment returns are expected to remain low.

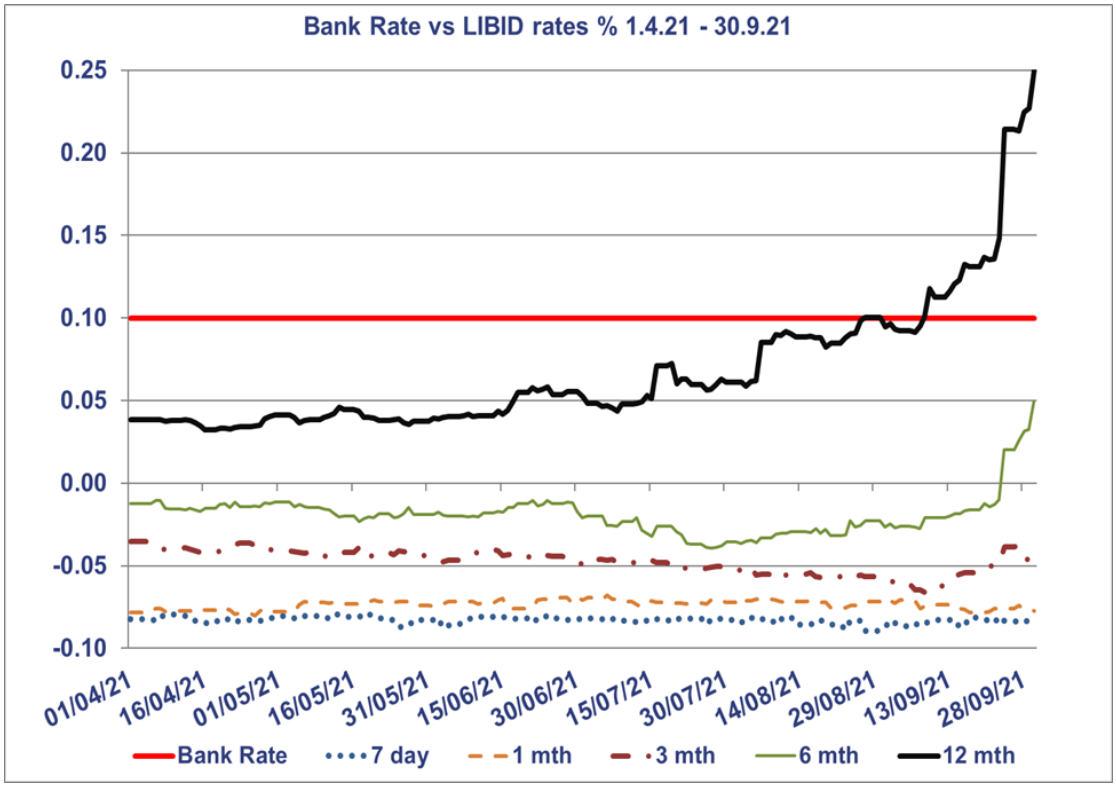
4.7.3 **Creditworthiness**: Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Credit Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Credit Outlooks being reversed.

Although CDS prices (these are market indicators of credit risk) for banks (including those from the UK) spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

The current investment counterparty criteria selection (including minimum long-term counterparty credit rating of A- across rating agencies Fitch, S&P and Moody's) approved in the TMSS is meeting the requirement of the treasury management function.

4.7.4 **Investment balances:** The average level of funds available for investment purposes during the first half of 2021/22 was £230.9 million. This was significantly higher than anticipated but is expected to fall in the next 6 months. The increased investment balances has been seen across most local authorities and in part was due to Covid-related Government Grants and receipts of upfront funding for schemes with other cash balances being mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

4.7.5 **Investment rates during half year ended 30th September 2021:** As shown below the rates use the traditional market method for calculating LIBID period % rates and given the ultra-low levels this year, this produces negative rates across some periods.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	-0.08	-0.07	-0.04	0.05	0.25
High Date	01/04/2021	09/04/2021	06/07/2021	01/04/2021	30/09/2021	30/09/2021
Low	0.10	-0.09	-0.08	-0.07	-0.04	0.03
Low Date	01/04/2021	27/08/2021	26/04/2021	08/09/2021	27/07/2021	16/04/2021
Average	0.10	-0.08	-0.07	-0.05	-0.02	0.07
Spread	0.00	0.01	0.01	0.03	0.09	0.22

4.7.6 **Investment performance year to date as at 30th September:** The Council held £246.7 million of investments as at 30 September 2021 (£150.6 million at 31 March 2021) and the investment portfolio yield for the half year was 0.145% against a benchmark (Average 7-day LIBID) of -0.08%.

The Council outperformed the benchmark by 22 bps. The budgeted investment return for 2021/22 is £0.133 million, and performance for the year to date is £0.109 million above budget mainly due to the higher than expected balances available for

investment. These balances are expected to reduce significantly by the end of 2021/22.

LIBID as benchmark is likely to be replaced with sterling overnight index average % (SONIA) in 2022 with details to be provided once they are available.

4.7.7 **Appendix A** provides details of the Council's external investments at 30 September 2021, analysed between investment type and individual counterparties showing the current Fitch long-term credit rating.

Table 4 below summarises investment activity by type in 2021/22.

Table 4: Investment Portfolio	Balance on 01/04/2021 £m	Balance on 30/09/2021 £m	Avg Rate / Yield (%) Avg days to maturity as at 30/09/2021
Short term Investments (call accounts, deposits)			
- Banks and Building Societies with ratings of A- or higher	20.0	89.8	0.19% / 126
- Local Authorities	85.0	79.0	0.18% / 151
Long term Investments	10.0	9.9	0.37% / 651
Money Market Funds	35.6	68.0	0.02% / 1
Total Investments	**150.6**	**246.7**	**0.15% / 122**
- Increase/ (Decrease) in Investments £m		96.065	

4.7.8 **Approved limits**: The approved limits within the Annual Investment Strategy have not been breached during the first 6 months of 2021/22.

4.8 **Compliance with Prudential Indicators**

4.8.1 This report confirms compliance with the Prudential Indicators for 2021/22 set on 8 March 2021 as part of the Council's Treasury Management Strategy Statement.

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

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

	2020/21 £m	2021/22 £m	2022/23 £m
Upper limit on variable interest rate exposure	350	300	300
Actual	48.1	33.0	

4.8.3 **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%	1%
12 months and within 24 months	0%	25%	3%
24 months and within 5 years	0%	25%	9%
5 years and within 10 years	0%	25%	17%
10 years and within 25 years	0%	50%	7%
25 years and within 40 years	0%	50%	32%
40 years and above	0%	50%	31%

4.8.4 **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:

	2020/21 £m	2021/22 £m	2022/23 £m
Limit on principal invested beyond year end	100	100	100
Actual	10	10	

4.8.5 **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.

The table below shows the expected debt position during 2021/22.

	2021/22 Original Estimate £m	**Current Position £m**	**2021/22 Revised Estimate £m**
Borrowing	992.0	909.9	900.9
Other long term liabilities*	170.7	175.7	170.7
Total debt (year end position)	**1,162.7**	**1,085.6**	**1,071.6**
Operational Boundary for external debt	**1,415.2**	**1,415.2**	**1,415.2**
Authorised limit for external debt	**1,445.2**	**1,445.2**	**1,445.2**

*Includes PFI and Leases liabilities

4.9 **Treasury Management Reserve**

4.9.1 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 the internal borrowing position detailed in section 4.3.

The balance on these reserves at 30 September 2021 is **£22.163 million**. There is a **£4.024 million** budget transfer to the MRP Transformation of Services reserve as part of the planned 2021/22 transfer as per the prior year decision to change MRP policy.

Based on the 6 months to 30 September 2021 there are no expected loss impairments expected in 2021/22 in relation to treasury investments.

4.10 **Risk Management**

4.10.1 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.

4.10.2 The treasury management risk register's overall risk rating at 30 September 2021 was 5.33, Likelihood = unlikely, Impact = moderate is a reduced rating against the 31 March 2020 rating, but remains over the targeted risk rating. The risk rating reflects risks around not achieving the aims in the Voluntary Debt Reduction Policy, 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.

4.11 **Other Issues**

4.11.1 CIPFA have released proposed changes to the current Treasury Management Code and Prudential Code. Both sets of proposed changes are now in stage 2 period of consultation which closes on 16 November 2021, with a planned publication of the revised guidance expected by 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; and amendments to Maturity Structure of Borrowing indicator. To introduce Investment Management Practices (IMPs) for reporting on investments which are not for treasury management purposes.

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. Consideration of Risk

5.1 The consideration of risk is covered throughout the report.

6. Finance colleague comments

6.1 Treasury management payments comprise interest charges and receipts and provision for repayment of debt. A proportion of the Council's debt relates to capital expenditure on Council housing and this is charged to the Housing Revenue Account. The remaining costs are included within the treasury management section of the General Fund budget. The General Fund Treasury Management budget is £56.150 million for 2021/22.

6.2 An estimated outturn for 2021/22 is included in the quarter 2 revenue monitoring report on this Executive Board agenda. The budget is monitored throughout the year and is currently forecast to be underspent by £2.8 million due to reduced debt servicing costs. This is largely driven by lower than anticipated external borrowing as a result of the Council's debt reduction policy which is being successfully implemented and also capital receipts. As a result of these measures, the level of external loan debt and capital expenditure financed by borrowing has reduced. The budget for 2022/23 will be submitted with the 2022/23 treasury management strategy, in February 2022.

6.3 Value for Money: the 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 Susan Risdall (Technical Accounting) on 14 October 2021.

7. Legal colleague comments

7.1 It is understood that the Council's Chief Financial Officer is required to provide the details contained within this report in accordance with the adopted Treasury Management Code of Practice. The Executive should consider the actions taken and the impact of such in determining the Council's financial and strategic position and associated risks.

Advice provided by Dionne Screaton (Senior Solicitor) on 21 October 2021.

8. Equality Impact Assessment (EIA)

8.1 An EIA is not required because the report does not represent proposals for a new or changing policy, service or function.

9. Data Protection Impact Assessment (DPIA)

9.1 Not applicable.

10. Carbon Impact Assessment (CIA)

10.1 Not applicable.

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 2021/22 and Capital Investment Strategy 2021/22 (including the Voluntary Debt Reduction Policy)

12.2 Nottingham City Council Recovery and Improvement Plan

12.3 Money Market and PWLB loan rates

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

12.5 Prudential Code 2017-CIPFA

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

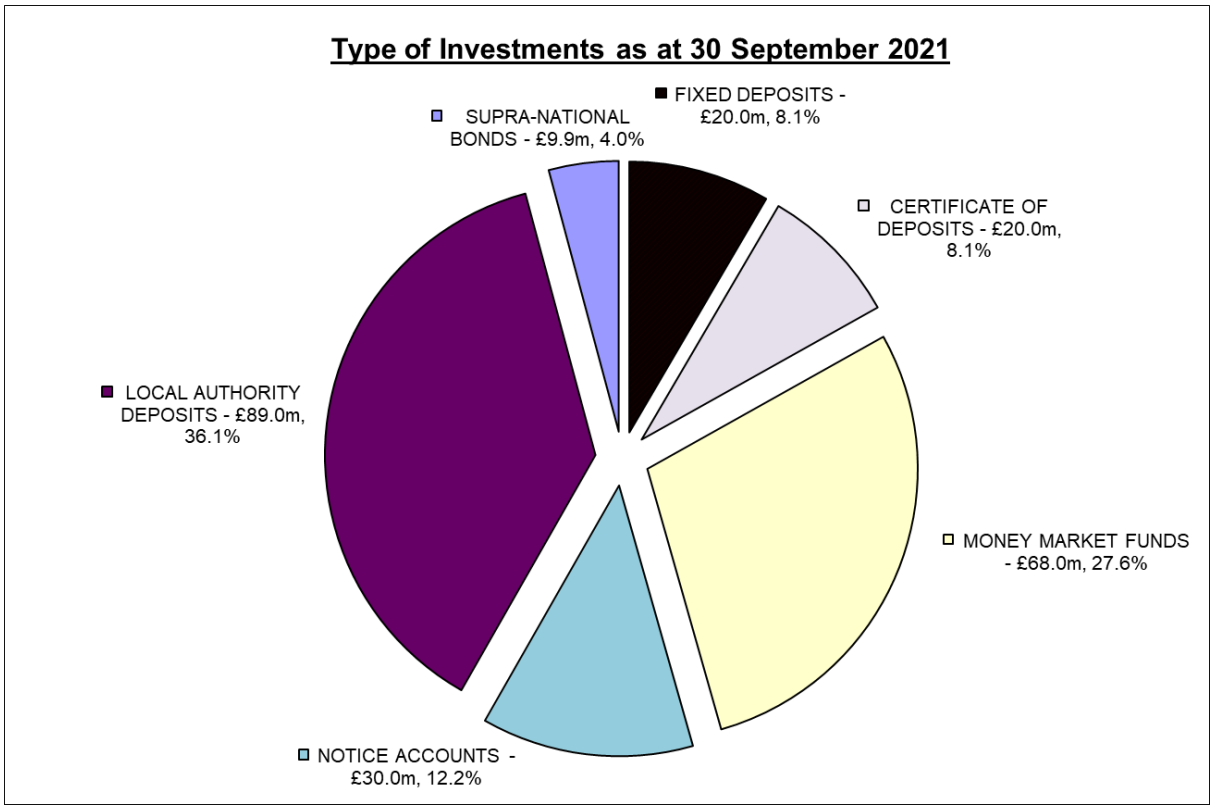
12.7 Statutory guidance on local government investments 3rd Edition 2018

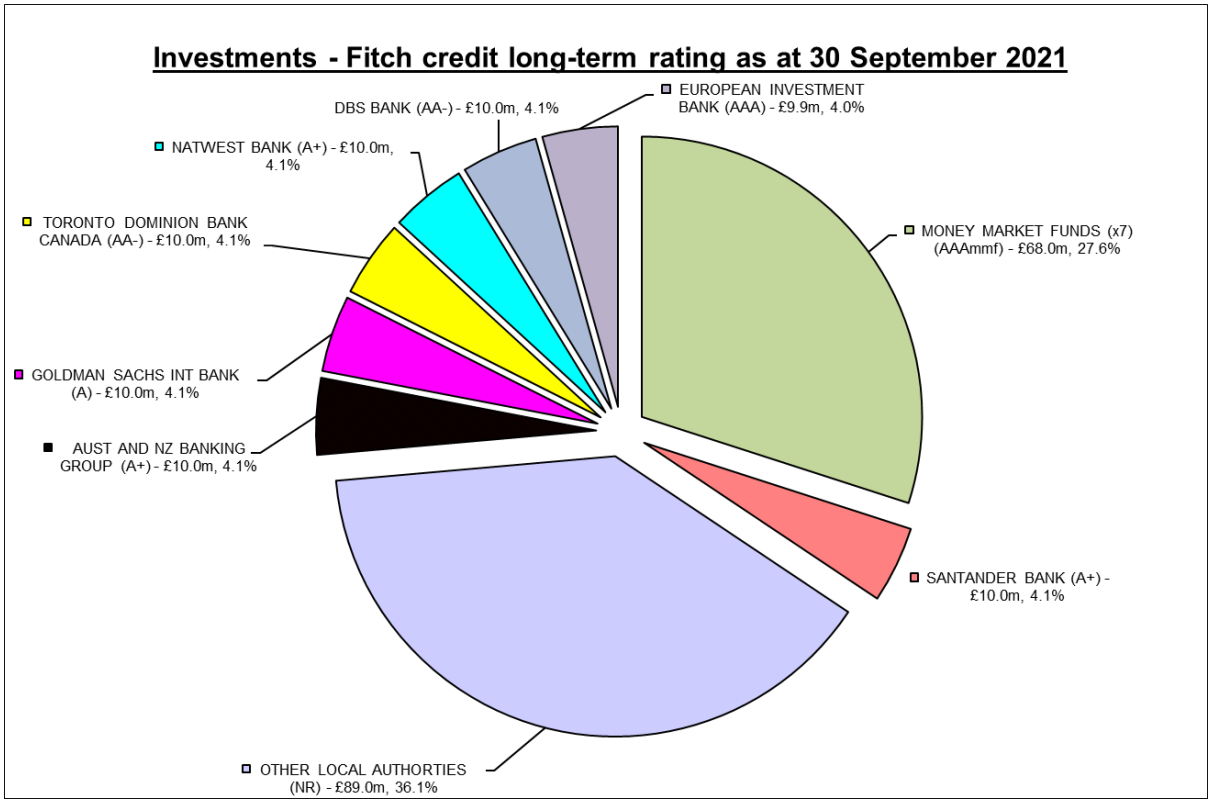
12.8 Statutory guidance on Minimum Revenue Provision (MRP) 2018

This page is intentionally left blank

Appendix A

The charts below provide details of the Council's external investments at 30 September 2021, analysed between investment type and individual counterparties showing the current Fitch long-term credit rating.



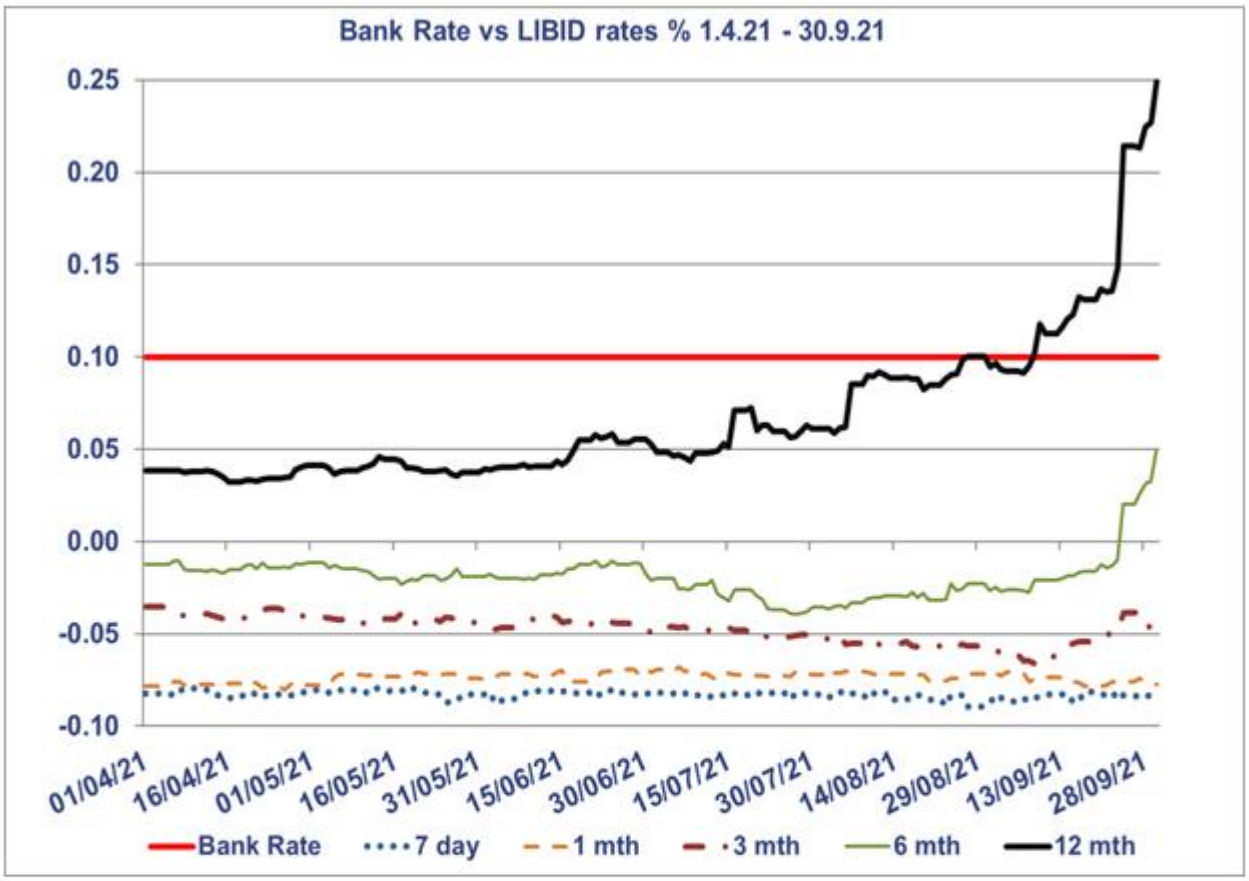


This page is intentionally left blank

APPENDIX B

Money Market Data, PWLB Rates and an Economic Update

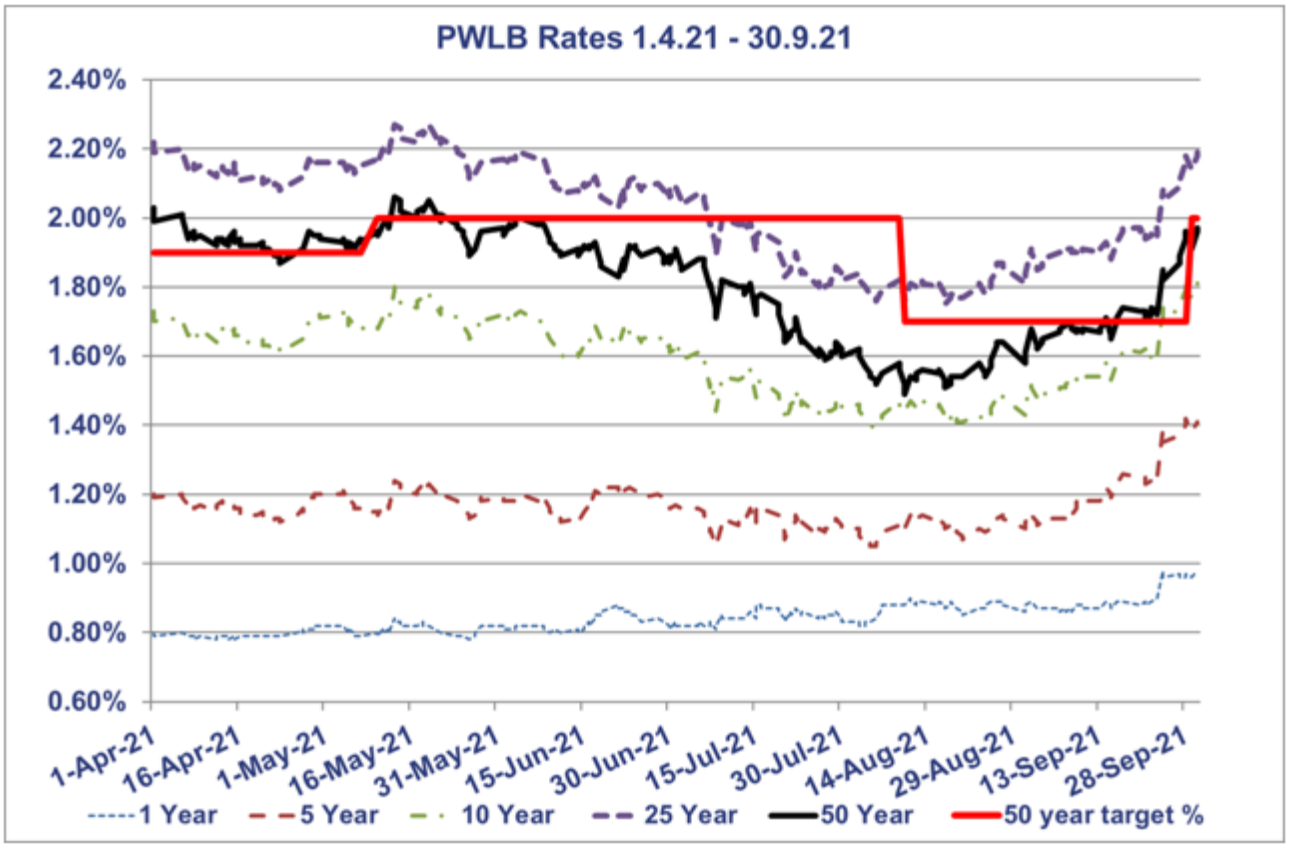
The table and graph below shows the UK Bank of England Bank Rate and benchmark rates within the short term money markets for the last 6 months.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	-0.08	-0.07	-0.04	0.05	0.25
High Date	01/04/2021	09/04/2021	06/07/2021	01/04/2021	30/09/2021	30/09/2021
Low	0.10	-0.09	-0.08	-0.07	-0.04	0.03
Low Date	01/04/2021	27/08/2021	26/04/2021	08/09/2021	27/07/2021	16/04/2021
Average	0.10	-0.08	-0.07	-0.05	-0.02	0.07
Spread	0.00	0.01	0.01	0.03	0.09	0.22

PWLB certainty rates 1 April 2020 to 30 September 2020

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.78%	1.05%	1.39%	1.75%	1.49%
Date	08/04/2021	08/07/2021	05/08/2021	17/08/2021	10/08/2021
High	0.98%	1.42%	1.81%	2.27%	2.06%
Date	24/09/2021	28/09/2021	28/09/2021	13/05/2021	13/05/2021
Average	0.84%	1.16%	1.60%	2.02%	1.81%
Spread	0.20%	0.37%	0.42%	0.52%	0.57%

Economics update and Interest Rate Forecast

Monetary Policy Committee

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    1. Placing the focus on raising Bank Rate as "the active instrument in most circumstances".
    2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
    3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.

Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 29th September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View 29.9.21										
	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	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*

The balance of risks to the UK economy: -

The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.
There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?
- The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

Gilt and treasury yields

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's determination to push through a $1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the $900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

- A fast vaccination programme has enabled a rapid opening up of the economy.
- The economy had already been growing strongly during 2021.
- It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
- And the Fed was still providing monetary stimulus through monthly QE purchases.

- These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of "substantial further progress towards the goal of reaching full employment". However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the

concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. **As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

- There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.

The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.

The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.

Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.

Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Executive Board
16 November 2021

Subject:	Conversion of Current Temporary Homecare Team to Permanent Staffing
Corporate Director(s)/Director(s):	Catherine Underwood, Corporate Director for People Sara Storey, Director for Adult Health and Social Care
Portfolio Holder(s):	Adele Williams, Portfolio Holder for Adults and Health
Report author and contact details:	Matthew Jones, Service Provision Manager – Nottingham Homecare matthew.jones@nottinghamcity.gov.uk, 07720041520
Other colleagues who have provided input:	Paul Haigh, Head of Social Care Provision – Adults Mandy Oliver, Service Provision Manager

Subject to call-in: ☒ Yes ☐ No

Key Decision: ☒ Yes ☐ No

Criteria for Key Decision:

(a) ☒ Expenditure ☒ Income ☐ Savings of £750,000 or more taking account of the overall impact of the decision

and/or

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

Type of expenditure: ☒ Revenue ☐ Capital

Total value of the decision: £1,326,000 (funding allocation provided by the Nottingham and Nottinghamshire Clinical Commissioning Group)

Wards affected: All

Date of consultation with Portfolio Holder(s): 23/09/2021

Relevant Council Plan Key Outcome:

Clean and Connected Communities	☐
Keeping Nottingham Working	☐
Carbon Neutral by 2028	☐
Safer Nottingham	☐
Child-Friendly Nottingham	☐
Healthy and Inclusive	☐
Keeping Nottingham Moving	☐
Improve the City Centre	☐
Better Housing	☐
Financial Stability	☐
Serving People Well	☒

Summary of issues (including benefits to citizens/service users): Nottingham City Council's Adult Health and Social Care team has been working collaboratively with the Nottingham and Nottinghamshire Integrated Care System (ICS) in order to proactively plan for and respond to health and care system pressures and workforce challenges. In particular, an increase in demand for homecare support and reduced capacity in social care front line roles has been identified as a key priority for the system to address, in order to maintain transfer flows between hospital and home, and reduce risks to individuals from extended (avoidable) hospital stays and avoidable hospital and care home admissions.
Exempt information: None.
Recommendation(s):
1 To note the positive collaborative approaches developed through health and care system partnerships, and the subsequent positive outcomes for Nottingham citizens as a result of an increased shared understanding of health and care system priorities and operating context.
2 To approve the receipt of £1,326,000 from the Nottingham and Nottinghamshire Clinical Commissioning Group, and the associated expenditure in relation to the staffing arrangements outlined in this report.
3 To agree to convert the current 47.67 full-time equivalent Temporary Emergency Support Team posts to permanent.

1 Reasons for recommendations

1.1 The recommendation to permanently establish the current temporary homecare service is to mitigate the pressures from current increased demand and reduced capacity in homecare capacity. Establishing the TEST posts within the team as permanent will improve the prospects of successful recruitment and retention leading to more efficient and effective service delivery. Leaving gaps in the team's rotas as people leave and/or not making posts permanent means the service is less efficient and a lower proportion of contact time can be delivered.

2 Background (including outcomes of consultation)

2.1 A key decision was taken in June 2020 to establish the TEST in response to the Covid-19 pandemic, funded temporarily by Discharge to Assess (D2A) funding. The pressures on the NHS and Social Care system require the homecare system in particular being adequately staffed to assist the NHS with hospital avoidance and timely hospital discharges which is a primary function of this temporary team.

2.2 The pressures experienced since the onset of the pandemic have however continued with high demand across the health and social care system – this increase in demand is reflected nationally. The resource that existed up to the onset of the pandemic is insufficient to safely manage current demand, a situation that is further exacerbated by a shortfall in capacity across almost all health and social care roles. The negative impact for people in Nottingham of insufficient resource are delays in getting home from hospital; delays in accessing the right level of support and for some people, an increase in both short and long term needs due to those delays. As a result of the system pressures, the subsequent impacts are increased delays for access to urgent and emergency care, for example ambulance responses.

2.3 The current temporary additional capacity is due to end on 31 March 2022. While these positions remain temporary, it is difficult to recruit and retain a sustainable, effective and efficient workforce that will enable the team to meet the demands to support the gap in homecare capacity. The high turnover rates across the independent sector and the difficulties in recruiting new people into care roles mean that it is crucial that we seek to retain as many people as we can in the sector, in particular any existing trained and experienced care workers. There is an imminent risk that colleagues currently undertaking temporary roles will leave not just the service but the sector, reducing the current capacity still further, if their posts are not made permanent.

2.4 This additional capacity is currently supporting around 60 citizens receiving homecare support, at any one time, who would otherwise be delayed in the social care reablement service, and without this service being continued there would be a significant risk to our ability to continue to support these people or maintain capacity to respond to new referrals. The benefits for people of continuing this service are that the personal care needs will be met at the right time and the right level; to ensure that people can return home from hospital promptly; to support people to maximise and maintain their independence; and avoid unnecessary hospital and care home admission.

2.5 The Nottingham and Nottinghamshire Clinical Commissioning Group (CCG) has now committed to continue to meet this cost on a recurring basis, and this has now been approved by the CCG Board.

The posts to be established are outlined below.

Title	Grade	FTE
Care Worker Level 2	NCC_D_D2	37.91
Care Team Leaders	NCC_G_G2	6.00
Care Worker Level 3	NCC_E_E2	1.76
Coordinators	NCC_D_D2	2.00
		47.67

3 Other options considered in making recommendations

3.1 Redeployment of other Council staff: during the pandemic, the service was able to increase its staffing through the re-deployment of other Council staff. However, this is no longer a viable option as these staff have had to return to their substantive posts.

3.2 Commissioning staff externally: there is also an agreement to at the same time further increase capacity by commissioning increased external services through a block contract arrangement, also funded by D2A funding to date. Consideration has been given to the potential to also commission the resource that this paper refers to from the independent sector. This option is thought not to be practically viable, due to the existing challenges in workforce recruitment and retention. The Council is not currently able to commission sufficient homecare hours to meet the balance of long term care demand, let alone commission this capacity on top of the current provision. It is unlikely that colleagues currently working for the Council in temporary posts would transfer to independent providers under different terms and conditions. We would therefore likely lose them completely from the sector.

3.3 The reablement service and the temporary additional capacity can deliver specific outcomes that are not currently commissioned externally (for example, by extending the period of reablement) by ensuring that all staff are trained and supported in enabling approaches and offers a strategic advantage as it often operates as a 'provider of last resort' when no other support can be found.

3.4 Ensuring a balance of both in-house and independently commissioned provision supports the Council to deliver its statutory duties to manage a diverse market with a range of providers. This decision, in terms of the option to deliver in house rather than commission externally, is taken based on the current set of operational and market conditions. These market conditions have changed rapidly over the last 18 months, but the sector was not wholly resilient prior to the Covid-19 pandemic. Increased demands, system risks, and reduced workforce capacity have further destabilised the market. The procurement strategy and approach toward ensuring sufficient homecare capacity is available to meet the needs of people in Nottingham should remain under review, in order to take account of changing market conditions and respond flexibly to shifts in demand and capacity.

3.5 It is clear that nationally, a long term sustainable funding model is required to ensure that all of the care workforce, sector wide, can benefit from equitable career development opportunities, terms and conditions and pay, issues that are not wholly within the Council's control unless it directly employs care workers. Work is on-going across the sector to develop ways to achieve consistent improved benefits. Until this is achieved, a focus on retaining existing workforce in current roles is essential, reducing turnover and maintaining consistency for people who receive support.

3.6 Consideration of procurement strategy options that have informed this recommendation:

- The recommendation to make these posts permanent is given with assurance that the in-house provider service can deliver the outcomes required in a way that is aligned to the values of the Council and ensures the Council can meet its statutory duties.
- The service is resilient and overseen by experienced and established management, with a well-established quality assurance framework.
- The service is registered with the Care Quality Commission and meets the legal requirements of registration.
- It is possible that if this service could be commissioned externally, it may be at an overall lower unit cost, offering better value. Because the capacity is not available externally however, the comparable costs cannot be evaluated, and this is currently the best value option available. Future review of the commissioning and procurement

strategy should take account of changing unit costs, and the impact of National Living Wage increases, plus the investment that may be required into workforce development in order to increase whole sector capacity.

4 Consideration of Risk

4.1 See sections 5-7.

5. Finance colleague comments

5.1 The total value of the decision to change the Temporary Emergency Support Team from temporary to permanent is £1.326 million per annum, including on-costs (based on 2021/22 pay scales and the structure outlined by the report author based on 47.67 full-time equivalent posts). These costs are to be met in full from additional recurrent Health funding, to enable safe and timely hospital discharge. Any shortfall in funding received would impact upon the Medium Term Financial Plan and create a budget pressure. It is therefore essential that the costs are proactively managed and aligned to the current and future funding requirements. The department will need develop a strategy to manage the numerous risks linked to this arrangement, but will also need to consider all potential changes that could have a financial impact, including but not limited to the following:

- **Changes to the pay structure, such as annual pay awards** – agreement by the awarding body to fund any increase in costs on an annual basis should be sought in advance and made transparent to protect the authority from any future pressures as a result of this decision.

- **Future amendments to the team establishment impacting on the costs** – this would also need to be agreed with the funding authority in advance to reduce the risk of an unfunded pressure.

- **Reductions in the Health funding received** – this would need to be managed with consideration given to the impact on service levels where any reduction made with any exit costs (where appropriate) to be managed by the service.

- **Any changes in activity may have an impact on the level of funding and resource required** – the process for seeking approval for any changes to that initially agreed will need to go through an established and approved governance framework, which is in the process of being agreed under the D2A commissioning and planning group, however this will also need to include the details pertaining to the approval processes.

- **A strategy will need to be developed and agreed to manage transition/exit costs** (where appropriate) in the event of the funding being withdrawn/reduced.

- **The Council MTFP position includes an assumption relating to this income being received in 2022/23+**, which results in a reduced budget requirement for external homecare. Any changes to the level of service provided by this team could impact upon the external homecare budget and therefore the assumptions included when rebasing the MTFP requirement for future years.

5.2 The total decision cost outlined above is based on staffing costs **only** and does not include any provision for non-staffing related expenditure, such as mileage, IT equipment etc. It would be expected for these costs to be managed within the total value of this decision through underspends created via staff turnover etc.

5.3 Enabling the positions to become permanent in the Council establishment will ensure all staff are trained to the standards required by the Authority. The staff would be employed under the Council's terms and conditions, this will help to ensure the team are appropriately skilled but also performance managed and supported to ensure they are able to provide the level of service required in line with the Council's objectives, therefore ensuring that the needs of citizens are met and that value for money is achieved for the organisation.

5.4 As part of this process, this arrangement should continuously be reviewed by both parties to ensure that it still meets the original objectives set and provides the most effective and efficient service in this ever changing landscape.

5.5 The costs associated with this decision will need to be robustly monitored by the service. If costs exceed that outlined/agreed via this report, further approval will be required through the corporate process with additional funding to be identified and agreed with Health via any governance process established.

5.6 As briefly referred to by the report author, the additional recurrent Health funding relating to the block homecare contracts will be subject to a separate report/approval process.

Advice provided by Hayley Mason (Finance Team Leader – Training and Improvement) on 20/10/2021.

6 Legal colleague comments

6.1 If the recommendation to permanently establish the current Temporary Homecare Service Team (TEST) is approved then, as part of the implementation process, individual employees in the TEST should be approached in order to ascertain whether they would agree to their fixed-term contracts of employment being made permanent. For those that agree, permanent contracts of employment should be drawn up which incorporate the terms and conditions given to permanent employees of Nottingham City Council. In particular, the levels of pay to be offered should be consistent with the pay scales and policies of the Council. With regards to individual employees who do not agree their contracts of employment will end in accordance with the fixed-term provisions of their contract of employment and the appropriate exit plan should be determined and utilised.

6.2 In so far as this recommendation could lead to any new posts or vacancies being created, any appointment to these new roles should be based on merit. Furthermore, the level of pay attached to those new roles should reflect a level that is consistent with the pay scales and policies of Nottingham City Council.

Advice provided by Aman Patel (Solicitor – Commercial, Employment and Education Team) on 12/10/2021.

7 Human Resources colleague comments

7.1 The total full-time equivalent (FTE) of the decision to change the Temporary Emergency Support Team (TEST) from temporary to permanent is based on 47.67 FTE as outlined by the report author. These posts are existing posts occupied on a fixed-term contracts basis as part of the original set up of the TEST team.

7.2 Recruitment to these posts has been undertaken under the Council's on-merit approach so it is therefore appropriate that the occupants in these posts should be consulted to change the nature of their role from fixed-term to permanent. The report author should discuss these proposed changes with Trade Union colleagues at the next Adults Joint Negotiating Consultative Committee (JCNC).

7.3 As part of the Council's pay structure, any colleague that has been in post (on a fixed-term or permanent contract) should advance to level two of the grade providing they have successfully completed their probationary period. This will need to be factored into the costs as outlined by finance colleagues and the appropriate transactional process followed to ensure colleagues advance to level two of the grade at their one-year anniversary.

7.4 Should there be any changes in funding arrangements, the report author will need to consider the impacts on the permanent workforce and ensure appropriate exit strategies are in place, and any redundancy and pension strain is accounted for as part of this decision.

7.5 If there are any further vacancies arising from this decision in the TEST team, they should be considered for redeployment opportunities as a first priority, supporting alternative opportunities for those colleagues who are adversely impacted by the vaccination regulations in care homes. After redeployment has been exhausted, the report author should develop a recruitment campaign that is attractive to Nottingham's diverse communities and develops a selection process that supports on-merit principles.

Advice provided by Rachael Morris (HR Business Lead – People) on 20/10/2021.

8 Social value considerations

8.1 Social care is an important economic sector in the City and this service will provide permanent employment opportunities to Nottingham citizens, improving the economic profile.

9 Equality Impact Assessment (EIA)

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

10 Data Protection Impact Assessment (DPIA)

10.1 Not applicable.

11 Carbon Impact Assessment (CIA)

11.1 Not applicable.

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

12.1 None.

13 Published documents referred to in this report

13.1 Delegated Decision 4109: Adult Social Care Workforce requirements due to Covid-19 Pandemic (https://committee.nottinghamcity.gov.uk/ieDecisionDetails.aspx?ID=5455)

Equality Impact Assessment Form

screentip-sectionA

1. Document Control

1. Control Details

Title:	Establish a homecare Interim Team
Author (assigned to Pentana):	Paul Haigh
Director:	Sara Storey
Department:	Children & Adults
Service Area:	Adult Provision
Contact details:	paul.haigh@nottinghamcity.gov.uk
Strategic Budget EIA: Y/N	N
Exempt from publication Y/N	N

2. Document Amendment Record

Version	Author	Date	Approved
1	Paul Haigh	24.9.2021	

3. Contributors/Reviewers

Name	Position	Date
Matthew Jones	Service Provision Manager	24.9.2021
Mandy Oliver	Service Provision Manager	24.9.2021
Rosey Donovan	Equality and Employability Consultant	07.10.2021

4. Glossary of Terms

Term	Description
ASC	Adult Social Care

screentip-sectionB

2. Assessment

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

Increase capacity in Adult provision as a direct response to COVID-19 demand.
Recruit to 80 fixed-term care worker contracts and 8 admin support/management fixed-term contracts from the current workforce/casual workforce available. Recruit to the permanent vacancies available in social care reablement.

screentip-sectionC

2. Information used to analyse the effects on equality:

Monitoring of applications and outcomes of the interview process for ASC casual roles and temporary contracts issued.
Initial screening of applicants in April 2020 showed
46% of applicants for casual roles were BAME
3%of applicants for casual roles were disabled
8% of applicants for casual roles were LGB
49% of applicants for casual roles were aged 18-34

70% of applicants for casual roles were Women

3. Impacts and Actions:

screentip-sectionD	Could particularly benefit X	May adversely impact X
People from different ethnic groups.	☐	
Men	X	
Women	X	☐
Trans	X	☐
Disabled people or carers.	X	
Pregnancy/ Maternity	☐	
People of different faiths/ beliefs and those with none.	☐	☐
Lesbian, gay or bisexual people.	☐	☐
Older	X	
Younger	☐	☐
Other (e.g. marriage/ civil partnership, looked after children, cohesion/ good relations, vulnerable children/ adults). ***Please underline the group(s) /issue more adversely affected or which benefits.***	☐	☐

screentip-sectionE **How different groups could be affected** (Summary of impacts)	screentip-sectionF **Details of actions to reduce negative or increase positive impact** (or why action isn't possible)
Provide details for impacts / benefits on people in different protected groups. Note: the level of detail should be proportionate to the potential impact of the proposal / policy / service. Continue on separate sheet if needed (click and type to delete this note) **Citizens:** The implications of this decision not being agreed would impact citizens who need support from the social care reablement service to support them after discharge from the hospital or the community, this decision supports the recruitment of staff to deliver essential services to older and vulnerable people in the city • The impact of increased staffing may result in the additional exposure to the virus and the risk of spreading the virus among citizens that are clinically extremely vulnerable or clinically vulnerable and in other higher risk groups (BAME, obese etc.) • The benefits of recruiting to an additional workforce would be an opportunity to generate interest for future carers in Nottingham, from different age ranges and different backgrounds, providing more diversity in the council's workforce, caring for a diverse Nottingham	1 **Actions will need to be uploaded on Pentana.** Continue on separate sheet if needed (click and type to delete this note) • Health and wellbeing checks for the workforce will be in place as well as clear guidance on self-isolation on those staff who are symptomatic and those contacted via test and trace • Appropriate PPE for personal care will be provided as per government guidelines for the workforce to undertake their role • Hospitals and the community sector are now testing citizens before they leave their care, ensuring that the COVID-19 status of the citizens we support is known to

community. **Applicants / the workforce** • This decision presents an opportunity for Nottingham citizens to commence work with the council through a casual basis initially as part of a 'work trial' and then the opportunity to secure a fixed-term contract for 6 months with the council. This could also lead to permanent work as the social care reablement service continually has turnover opportunities. It will benefit all aspects of the Nottingham community. • There are higher risks for some communities and colleagues if they identify from a BAME background, or if they have underlying health conditions.	us before we start caring for them in the social care reablement service. • The applicant pool is particularly strong with younger people. The workforce in social care reablement is female dominated and over 55, meaning opportunities for longer-term work are possible for the younger workforce following this recruitment process. This will support a more diverse and future-proofed workforce in the future. • A transparent recruitment process is taking place for all citizens to secure casual contracts with the council by means of a telephone assessment against marked criteria. Positive action in recruitment under the Equality Act 2010 will take place to support a younger and more diverse workforce. • A transparent 'on the job' process testing abilities, aptitudes and skill will also take place to convert the casual workforce to fixed-term contracts. This will allow the new casual worker to assess whether the role is right for them, and for the council to assess if they are the right person for the role(s). Positive action in recruitment under the Equality Act 2010 will take place to support a younger and more diverse workforce, as we are under-represented in these areas. • All colleagues will have a line manager who will hold regular supervision with the workforce. During these conversations, there will be a health and wellbeing discussion and if they colleague has an underlying health condition or other factors that impact providing personal care to citizens that haven't been picked up by the interview/pre-employment process, a discussion will

	take place as to the safe practice of care and options will be discussed. This will also apply to colleagues who are from a BAME background. Appropriate mitigation will be in place to ensure the colleague is as safe as they can be, and individual risks assessments will be in place if necessary.

4. Outcome(s) of equality impact assessment:

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

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

Continuous applicant monitoring, understanding the flow of the workforce into fixed-term contracts

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

Approving Manager: The assessment must be approved by the manager responsible for the service/proposal. Include a contact tel & email to allow citizen/stakeholder feedback on proposals.	**Date sent for scrutiny:** Send document or Link to: equalityanddiversityteam@nottinghamcity.gov.uk
SRO Approval: Sara Storey	**Date of final approval:** **Rosey Donavan**

Before you send your EIA to the Equality and Community Relations Team for scrutiny, 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.

This page is intentionally left blank

Executive Board
16 November 2021

Subject:	EnviroEnergy Limited – Transfer of Business to Nottingham City Council
Corporate Director(s)/Director(s):	Wayne Bexton, Director of Carbon Reduction, Energy and Sustainability Clive Heaphy, Interim Corporate Director for Finance and Resources
Portfolio Holder(s):	Councillor Sally Longford, Portfolio Holder for Energy, Environment and Waste Services
Report author and contact details:	Ian Edward, Strategic Advisor on Companies ian.edward@nottinghamcity.gov.uk

Subject to call-in: ☒ Yes ☐ No

Key Decision: ☒ Yes ☐ No
Criteria for Key Decision:
(a) ☒ Expenditure ☒ Income ☐ Savings of £750,000 or more taking account of the overall impact of the decision
and/or
(b) Significant impact on communities living or working in two or more wards in the City
☐ Yes ☒ No

Type of expenditure: ☒ Revenue ☐ Capital

Total value of the decision: See Exempt Appendix 1

Wards affected: All

Date of consultation with Portfolio Holder(s):

Relevant Council Plan Key Outcome:

Clean and Connected Communities	☐
Keeping Nottingham Working	☐
Carbon Neutral by 2028	☒
Safer Nottingham	☐
Child-Friendly Nottingham	☐
Healthy and Inclusive	☐
Keeping Nottingham Moving	☐
Improve the City Centre	☐
Better Housing	☐
Financial Stability	☐
Serving People Well	☒

Summary of issues (including benefits to citizens/service users):
The Council considered the options for the long-term future of the legal entity that facilitates district heating provision in the city and took the decision on 22 June 2021 to bring the operation in-house. This report recommends the transfer of Enviroenergy's assets and liabilities to the Council, and a managed closure of the commercial entity. To enable the ongoing operation of the in-house service without disruption, this report recommends the transfer of supply contracts formerly held by Enviroenergy with appropriate exemptions from procurement procedures.

Exempt information:
Appendix 1 of this report is exempt from publication under Paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains sensitive commercial information and, having regard to all of the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because the appendix contains sensitive commercial information that, if published, would prejudice the Council's commercial relationships with third parties.

Appendix 2 of this report is exempt from publication under Paragraph 5 of Schedule 12A to the Local Government Act 1972 because it contains information that is subject to privileged legal professional advice and, having regard to all of 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 is subject to privileged legal professional advice that, if published, would prejudice the Council's ability to consider and manage the related issues effectively.

Recommendation(s):

1 To approve the transfer of all property, rights and liabilities in the Enviroenergy business to Nottingham City Council, as it is now confirmed that the following conditions can be met:
   a. the business formerly operated by Enviroenergy can be operated by the Council within the constraints of the Medium Term Financial Plan;
   b. the Council is able to legally operate the business formerly operated by Enviroenergy; and
   c. following the transfer of assets and liabilities to the Council, Enviroenergy can be liquidated whilst solvent.

2 To note the novation of the specific contracts identified in Exempt Appendix 2, as allowed within the UK Public Contract Regulations 2015.

3 To approve the direct award of the specific contracts identified in Exempt Appendix 2, which are necessary for the continuation of the service but cannot be novated, and to note that the appropriate exemptions from procurement procedures have been granted.

1 Reasons for recommendations

1.1 Enviroenergy Ltd was taken over by the Council in 2001 as operator of last resort following the departure of Dalkia, who previously operated the system under a joint ownership arrangement with the Council.

1.2 The company provides heating to approximately 5,000 homes and 70 commercial premises, and underpins the Council's strategic aspirations for Carbon Neutral 2028, Fuel Poverty Strategy, Clean Industrial Growth Strategy and Energy Self-Sufficiency and Security. The company has consistently provided good service to customers, equally as one of the largest district heating schemes in the United Kingdom, and is a provider of renewable energy. The service is also valued by central Government. The Council is committed to achieve a resilient and carbon neutral Nottingham by 2028 through Carbon Reduction Measures, Carbon Removal, Resilience and Adaption, Ecology and Biodiversity.

1.3 The use of waste to generate steam also supports the Council waste disposal obligations, the process of incinerating non-recyclable waste, and avoids the requirement to landfill this waste, which benefits the Council by approximately £5 million annually. This is in addition to the benefits identified at paragraph 1.2.

1.4 The Executive Board report of 22 June 2021 identified that there are structures that will achieve better value for money without impact to customers and recommended that the service should be brought in-house.

1.5 Work has been ongoing to organise the matters necessary for a legal transfer of the company to bring it in-house. Critically, the permits and licences necessary to give legal entitlement to operate the service are prepared for transfer to the Council from the company on 1 December 2021.

1.6 In addition, the supplier and services contracts on which the company relies to deliver safely to its customers are also prepared for the Council's in-house delivery model. To enable those contracts to operate directly between the Council and those suppliers, there are two steps. Firstly, those contracts that can be legally transferred within the powers available to the Council under the UK Public Contract Regulations 2015 shall be transferred. Secondly, those which cannot transfer under those powers are requested to be established through a short-term direct award of contracts to those suppliers, in order that operations can transfer without disruption. Each contract let through a direct award will be at a value below the thresholds of the UK Public Contract Regulations 2015. After the transfer, all contracts will be reviewed and formal procurement processes implemented to secure longer-term contracts beyond the dates outlined in the Exempt Appendices.

1.7 The Council has reviewed the expenditure requirements against both groups of contracts identified in paragraph 1.6, the financial provision for which is already contained in the Council's Medium Term Financial Plan (MTFP) and approved Capital Programme.

1.8 Investments in the district heating pipe network have been identified and included in the Council's approved capital programme. In addition, the revenue budget for the

newly established in house trading operation can be accommodated with the Council's MTFP without adverse impact.

1.9 The Council is content that the three conditions precedent to the exercise of a decision of the Chief Officers to enter and execute the legal transfer agreement have been confirmed. Accordingly, the Council shall execute the legal transfer agreement on 1 December 2021.

1.10 In parallel, a project to review the options to continue strategic waste and district heating, and to continue the return of the business to an in-house setting, does not preclude the options under review.

1.11 Following transfer, the business shall be operated and managed within the Carbon Reduction, Energy and Sustainability Division to ensure continued successful operation and oversight of significant planned infrastructure investments.

2 Background (including outcomes of consultation)

2.1 As part of the Council's Recovery and Improvement Plan, the Council is undertaking a review of strategic waste and district heating options to ensure alignment with Carbon Neutral 2028 objectives and a sustainable long term future, including:

- a detailed appraisal of the range of options available to it for the long-term supply of heat and power to domestic and commercial customers at lowest risk/cost commensurate with the appropriate security of supply; and
- an aligned strategic review of waste disposal and district heating activity, to include recognition of legislative changes and management of short and long term costs and risks.

3 Other options considered in making recommendations

3.1 To do nothing and continue with a separate legal entity for both district heating and the sale of electricity to customers via the private wire network: adverse VAT impacts across the Council would be inevitable and financial pressures on a separate legal entity (which is in essence a core function of the Council) will occur. As such, this option is not considered viable.

3.2 To carry out a partial transfer of district heating activities to the Council, leaving the private wire network in the separate legal entity. This would alleviate the majority of the short term VAT impact, however, it fragments the business and may therefore impact on the ability to gain future investment from Government. It is not considered justifiable to maintain a separate legal entity and associated costs (additional year end accounting costs, year-end audit costs, duplicated systems and ways of working).

4 Consideration of Risk

4.1 The Council has established a structured project to plan and expedite the activities required to achieve the business transfer. The project risk register considered the key risks to achieving the three requirements set out in this report at recommendation 1 and has managed the mitigation of each.

5 Finance colleague comments

5.1 See Exempt Appendix 1.

Advice provided by Gary Robbins (Senior Accountant – Taxation) on 20 October 2021.

6 Legal colleague comments

6.1 See Exempt Appendix 2.

Advice provided by Naomi Vass (Team Leader – Commercial, Employment and Education) on 13 October 2021.

7 Procurement colleague comments

7.1 Procurement has supported the project to date and advised on the proposed handling of contracts, as outlined in the Exempt Appendices. It is critical to the safe functioning of the District Heating network that the arrangements for supply of goods, services and works are maintained after transition. It is not possible, for those contracts outlined in the Exempt Appendix 2 for direct award, to complete tenders or quotation processes for the 1 November 2021 and, therefore, the direct award of contracts is supported. The novation of the group of contracts outlined in Exempt Appendix 2 will be in line with the original contract clauses and will be compliant with UK Public Contract Regulations 2015.

7.2 Once the transition is complete then Procurement will work with the relevant colleagues to review the contracts and identify the best option for securing longer-term arrangements as needed. Where possible contracts will be commissioned as part of a wider contract held by the Council. These arrangements will be included in the procurement plan after transition.

Advice provided by Steve Oakely (Head of Contracting and Procurement) on 13 October 2021.

8 Strategic Assets and Property colleague comments

8.1 There are two lease agreements in place between the Council and Enviroenergy Limited (EE) for the Heat Station on London Road, the associated pipe network and a number of sub-stations. The leases are for a period of 20 years from 1 April 1995 and have currently expired. However, EE is currently holding over on the terms of those leases. Although the terms of the leases have expired, they continue to be adhered to by both parties.

8.2 All sites covered by the leases will need to be investigated to ensure they are still operational and valid.

8.3 EE is currently invoiced £100,000 per annum and the income is received by the General Fund. There are no rent arrears. The repairing liability sits wholly with EE as tenant.

8.4 Property Services will need to work with the Conveyancing Team in Legal Services to surrender the leases and any rights or interest EE has in the respective premises to leave

the Council with clean ownership as part of the Hive Up. Repair responsibilities and associated budgets will need to sit with the new team and the rental budgets that sit with the Property Trading Account adjusted downwards.

8.5 Property Service has no objection to the decision being made in this Executive Board report.

Advice provided by John West (Estates Surveyor) on 27 May 2021 (reviewed and updated on 2 November 2021).

9 Social value considerations

9.1 Enviroenergy provides low carbon heating to some of the most deprived parts of the city. Its ability to operate effectively is a critical part of the Council's Carbon Neutral Action Plan and other policies.

10 Equality Impact Assessment (EIA)

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

11 Data Protection Impact Assessment (DPIA)

11.1 The Data Protection Impact Assessment re the transfer of EE to the Council identified a number of data protection related risks. The Data Protection Impact Assessment was completed on the 1.11.2021and is currently under review by the Data Protection Officer. Some of the risks identified in the DPIA have been mitigated and actions are being put in place to try and resolve any further risks identified in the DPIA.

Advice provided by Naomi Matthews, Solicitor, on 4 November 2021.

12 Carbon Impact Assessment (CIA)

12.2 The ability to operate district heating provision effectively is a critical part of the Council's Carbon Neutral Action Plan and other policies.

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

13.1 None.

14 Published documents referred to in this report

14.1 Nottingham City Council Recovery and Improvement Plan
https://committee.nottinghamcity.gov.uk/documents/s114407/Enc.%203%20for%20Nottingham%20City%20Council%20Recovery%20and%20Improvement%20Plan.pdf

14.2 Nottingham City Council Carbon Neutral Action Plan
https://www.nottinghamcity.gov.uk/media/2619917/2028-carbon-neutral-action-plan-v2-160620.pdf

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank