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You are hereby summoned to attend a meeting of **City Council**
at the Council Chamber, Council House, Old Market Square, Nottingham
on Monday 7 March 2022 at 2.00pm to transact the following business

15 Committee membership changes
To note that Councillor Maria Joannou has been removed as a member of the Planning Committee.

16 Dates of future meetings
1) To agree to hold the Annual General Meeting on Monday 9 May 2022 at 2pm; and

2) To note the proposal to meet at 2pm on the following Mondays:
- 11 July 2022
- 12 September 2022
- 14 November 2022
- 9 January 2023
- 6 March 2023

Please note that questions to Council are received after the agenda has been published. Questions will be published as a supplementary agenda by 5pm on Friday 4 March 2022.

In order to hold this meeting in as Covid-safe 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.
- 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.
- make use of the hand sanitiser available and, when moving about the building follow signs about traffic flows, lift capacities etc

If you need any advice on declaring an interest in any item on the agenda, please contact the Governance Officer for the meeting, if possible before the day of the meeting

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 www.nottinghamcity.gov.uk. Individuals intending to record the meeting are asked to notify the governance officer shown above in advance.

Dated: 25 February 2022
Director for Legal and Governance
To: All Councillors of Nottingham City Council

Minutes of the meeting of the City Council (Extraordinary)

held at the Council Chamber, Council House, Old Market Square, Nottingham

on 4 January 2022 from 5.00 pm - 5.38 pm

Attendances:

✓ Councillor Dave Trimble (Lord Mayor)

	Councillor Hassan Ahmed		Councillor Pavlos Kotsonis
	Councillor Leslie Ayoola		Councillor Rebecca Langton
	Councillor Cheryl Barnard		Councillor Jane Lakey
✓	Councillor Steve Battlemuch		Councillor Dave Liversidge
✓	Councillor Merlita Bryan	✓	Councillor Sally Longford
	Councillor Eunice Campbell-Clark		Councillor AJ Matsiko
✓	Councillor Graham Chapman	✓	Councillor Carole McCulloch
✓	Councillor Azad Choudhry	✓	Councillor David Mellen
✓	Councillor Kevin Clarke		Councillor Sajid Mohammed
	Councillor Audrey Dinnall	✓	Councillor Salma Mumtaz
✓	Councillor Michael Edwards	✓	Councillor Toby Neal
	Councillor Samuel Gardiner	✓	Councillor Nayab Patel
✓	Councillor Jay Hayes		Councillor Anne Peach
	Councillor Rosemary Healy		Councillor Georgia Power
	Councillor Nicola Heaton	✓	Councillor Shuguftah Quddoos
	Councillor Patience Ifediora		Councillor Ethan Radford
	Councillor Phil Jackson	✓	Councillor Nick Raine
✓	Councillor Corall Jenkins	✓	Councillor Angharad Roberts
✓	Councillor Maria Joannou	✓	Councillor Andrew Rule
	Councillor Sue Johnson	✓	Councillor Mohammed Saghir
	Councillor Kirsty Jones		Councillor Wendy Smith
	Councillor Angela Kandola	✓	Councillor Roger Steel
	Councillor Jawaid Khalil	✓	Councillor Maria Watson
✓	Councillor Gul Nawaz Khan		Councillor Sam Webster
	Councillor Neghat Khan	✓	Councillor Adele Williams
	Councillor Zafran Khan	✓	Councillor Linda Woodings
			Councillor Cate Woodward
			Councillor Audra Wynter

✓ Indicates present at meeting

1 Apologies for absence

Councillor Hassan Ahmed - leave
Councillor Leslie Ayoola – personal
Councillor Cheryl Barnard – personal
Councillor Eunice Campbell-Clark – leave
Councillor Audrey Dinnall – leave
Councillor Sam Gardiner – leave

Councillor Rosemary Healy – personal
Councillor Nicola Heaton – personal
Councillor Patience Ifediora – Interest*
Councillor Phil Jackson – leave
Councillor Kirsty Jones – personal
Councillor Angela Kandola – leave
Councillor Jawaid Khalil – personal
Councillor Neghat Khan – Interest*
Councillor Zafran Khan - personal
Councillor Pavlos Kotsonis – personal
Councillor Rebecca Langton – personal
Councillor Jane Lakey – personal
Councillor Dave Liversidge – personal
Councillor AJ Matsiko –personal
Councillor Sajid Mohammed – leave
Councillor Anne Peach – Interest*
Councillor Georgia Power – Interest*
Councillor Ethan Radford – Interest*
Councillor Wendy Smith – personal
Councillor Sam Webster – leave
Councillor Cate Woodward – leave
Councillor Audra Wynter - leave

*Prior to the meeting, these councillors were advised by the Council's Monitoring Officer that, because they are either a current or former member of the Nottingham City Homes Board they were likely to have an Other Registerable Interest in the single item on the agenda (Item 4 Consideration of and Response to Section 114 Report and Section 5 Report dated 15 December 2021) that would require them to withdraw from the meeting and therefore they did not attend.

2 Declarations of Interests

None

3 To receive official communications and announcements from the Leader of the Council and/or the Chief Executive

The Chief Executive made an announcement about the recent publication of a Section 114 Notice and Section 5 Notice by the Council's Chief Finance Officer/ Section 151 Officer and Monitoring Officer respectively. He highlighted the following information:

a) The Council has identified that it has acted unlawfully in relation to funds received for its Housing Revenue Account (HRA) being applied to the Council's General Fund. As a result, the Council's statutory Chief Finance Officer, the Section 151 Officer, has served a Section 114 Notice and the Council's Monitoring Officer has served a Section 5 Notice. Those Notices required a Council meeting to be held within 21 days to consider the substance of those Notices, and therefore today's meeting was called.
b) Section 114 Notices and Section 5 Notices are extremely rare and usually served to prevent an unlawful act. In this case, the Notices were served after the occurrence of the unlawful act.

c) The issuing of a Section 114 Notice or a Section 5 Notice are events which, of themselves, can be a trigger for statutory intervention and the appointment by Government of commissioners to run a local authority.
d) The Council's current position is that, following completion of a Non-Statutory Review of the Council in November 2020, Government appointed an Improvement and Assurance Board to support the Council in delivery of a comprehensive improvement programme, with a particular emphasis on improving strategic financial management and governance, together with a number of other matters. This was a positive alternative to a Best Value Inspection and the appointment of Commissioners.
e) In this context of seeking to demonstrate that significant improvement is being made in strategic financial management and governance, the identification in the CIPFA report, following concerns raised, of illegitimate payments from the HRA into the General Fund is a significant setback. The issue, and the Council's response to the issue represents a material consideration both for the Improvement and Assurance Board and the Department for Levelling Up, Communities and Housing (DLUCH) in considering whether further statutory intervention into Nottingham City Council is required.
f) Appropriate briefings on the matter have been provided to the Improvement and Assurance Board and senior civil servants at DLUCH, both of whom will be providing advice to Ministers.
g) My advice is that the best position for the Council to adopt in terms of the issue itself, and in managing important relationships with the Improvement and Assurance Board and the Government, is to demonstrate that it understands and owns the issue, and demonstrates that action will be taken at pace to resolve it, and to take steps to ensure that this cannot happen again.
h) I have commissioned an independent investigation through the Local Government Association to look into this matter and provide a report. The Terms of Reference for this investigation have been circulated to councillors for information and any councillor who can add to the sum of knowledge on this matter should speak to the Independent Investigator.

4 Consideration of and response to Section 114 report and Section 5 report dated 15th December 2021

The Leader of the Council, Councillor David Mellen, presented the report recommending that Council gives due and proper consideration to the Section 114 report which was served by the Council's Section 151 Officer on 15 December 2021; and that it endorses the views contained in the report, accepts the recommendations contained within the report from both the Section 151 Officer and those made by the Chartered Institute of Public Finance Accounting (CIPFA) and approves the proposed response. He highlighted the following points:

a) The issuing of a Section 114 notice and a Section 5 notice is a serious situation.
b) The Chartered Institute of Public Finance Accountancy (CIPFA) has made a number of recommendations which it is proposed to accept in full.
c) Immediate steps are being undertaken to cease the inappropriate action and refund the full amount to the Housing Revenue Account (HRA) from the Council's General Fund reserves. The repayment to the HRA requires approval from the Department for Levelling Up, Communities and Housing and

officers have been asked to obtain this permission so that the money can be refunded as soon as possible.

d) While councillors set strategic policy, officers manage the day-to-day running of the Council. The Council's accounts are also audited every year by external auditors. However, it was not until 2021 that the Council's current Chief Finance Officer/ Section 151 Officer alerted the Council to this issue and at that point external advice was sought from CIPFA to review the situation.

e) The Council has now commissioned an investigation to understand how this situation occurred and to ensure that processes and systems are put in place to prevent this ever happening again.

The report was seconded by Councillor Sally Longford.

Councillors discussed the content of the report and proposed response.

Resolved to:

(1) endorse the views contained within the Section 114 Notice;

(2) approve the following actions:

a. set aside £14,366,500 in the General Fund reserves to repay the Housing Revenue Account in respect of financial years 2014/15 – 2019/20 (net of 2b). Interest to be added to bring the payment to 2021/22 prices and repayment made as soon as the sum for each individual year is validated following further detailed work.

b. amend the Council's draft published accounts for financial year 2020/21 by £1,492,000 to remove the 'management fee rebate' from being recognised within the General Fund and not raise an invoice.

c. no 'management fee rebate' will be due from Nottingham City Homes and Nottingham City Homes' management fee will be adjusted by a correspondence amount for financial year 2021/22.

d. from financial year 2022/23 onwards, set the management fee at the correct level to deliver the Council's required specification, and any small surplus made by Nottingham City Homes can be retained for investment in Housing Revenue Account services. A genuine rebate will only be permissible retrospectively and if Nottingham City Homes does not perform a function for which it has been contracted and paid. Such a rebate will be to the benefit of the Housing Revenue Account and not the General Fund. It will never be budgeted for.

e. carry out a review of the processes and systems that failed to prevent the unlawful breaches to ensure that they cannot be repeated. This will include a review process in respect of 'novel' proposals by appropriately trained and experienced staff. Further training of councillors and officers in relation to the Housing

Revenue Account and housing management functions will take place.

f. In addition to commissioning legal advice on the lawfulness of the transactions, in consultation with the Department for Levelling Up, Housing and Communities, the Improvement and Assurance Board and the Council's auditor, and subject to that legal advice, consider what further actions are necessary.

g. examine in detail the chronology of events in relation to the payments Nottingham City Homes has made to the Council including who conceived the payment, the accounting transaction detail, who authorised it, who knew about it, how challenges to the legitimacy of the payment were dealt with and by who and any other facts that can provide insight into how the situation came to be.

h. in the event that the Section 151 Officer considers that the General Fund is required to repay the Housing Revenue Account and Nottingham City Homes, consider how the Housing Revenue Account or Nottingham City Homes should be additionally recompensed to reflect the opportunity cost of not having access to funds they may have been entitled to.

i. as a consequence of the concerns raised by the Section 151 Officer and the work undertaken and conclusions drawn by CIPFA, examine and resolve other potential breaches of the Housing Revenue Account ring-fence.

j. further analyse the finances of the Nottingham City Homes Group to provide assurance that Housing Revenue Account funds have been properly applied and not used inappropriately to fund non-Housing Revenue Account activities undertaken by Nottingham City Homes, which could potentially breach the integrity of the Housing Revenue Account ring-fence. This will involve a forensic financial examination of:
   i. transactions for services flowing between the Council and Nottingham City Homes; and
   ii. transactions for services flowing between Nottingham City Homes and its subsidiaries.

k. review the adequacy of the Housing Revenue Account client function in order to assess whether it is sufficient to properly scrutinise the activities of Nottingham City Homes and provide the proper strategic direction, controls and assurance on behalf of the Council as the Local Housing Authority.

l. consequential to CIPFA's work and in light of the changes that have taken place in how Local Housing Authorities provide housing management since the end of the Decent Homes Programme, commission a review of the Council/ Nottingham City

Homes Group relationship and future operating model to include the purpose, structure, finances and governance in relation to the housing management function as set out in the Recovery and Improvement Plan.

(3) note that, until the review as agreed in (2)l has concluded, management controls are being applied prohibiting the Council entering new agreements and spending commitments with Nottingham City Homes unless expressly approved in writing by the Section 151 Officer in consultation with the Head of Paid Service (Chief Executive) and Monitoring Officer, as appropriate.

(4) approve the response to the Section 114 Notice and Section 5 Notice as set out in Appendix C to the report.

The Meeting concluded at 5.38 pm

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Minutes of the meeting of the City Council

held at the Council Chamber, Council House, Old Market Square

on 10 January 2022 from 2.00 pm - 4.55 pm

Attendances:

✓ Councillor Dave Trimble (Lord Mayor)

✓ Councillor Hassan Ahmed	✓ Councillor Pavlos Kotsonis
✓ Councillor Leslie Ayoola	Councillor Rebecca Langton
✓ Councillor Cheryl Barnard	✓ Councillor Jane Lakey
✓ Councillor Steve Battlemuch	Councillor Dave Liversidge
✓ Councillor Merlita Bryan	✓ Councillor Sally Longford
✓ Councillor Eunice Campbell-Clark	✓ Councillor AJ Matsiko
✓ Councillor Graham Chapman	✓ Councillor Carole McCulloch
✓ Councillor Azad Choudhry	✓ Councillor David Mellen
✓ Councillor Kevin Clarke	Councillor Sajid Mohammed
✓ Councillor Audrey Dinnall	✓ Councillor Salma Mumtaz
✓ Councillor Michael Edwards	✓ Councillor Toby Neal
✓ Councillor Samuel Gardiner	✓ Councillor Nayab Patel
✓ Councillor Jay Hayes	✓ Councillor Anne Peach
Councillor Rosemary Healy	✓ Councillor Georgia Power
✓ Councillor Nicola Heaton	✓ Councillor Shuguftah Quddoos
✓ Councillor Patience Uloma Ifediora	✓ Councillor Ethan Radford
Councillor Phil Jackson	✓ Councillor Nick Raine
✓ Councillor Corall Jenkins	✓ Councillor Angharad Roberts
✓ Councillor Maria Joannou	✓ Councillor Andrew Rule
✓ Councillor Sue Johnson	✓ Councillor Mohammed Saghir
✓ Councillor Kirsty Jones	✓ Councillor Wendy Smith
✓ Councillor Angela Kandola	✓ Councillor Roger Steel
✓ Councillor Jawaid Khalil	✓ Councillor Maria Watson
✓ Councillor Gul Nawaz Khan	✓ Councillor Sam Webster
✓ Councillor Neghat Khan	✓ Councillor Adele Williams
✓ Councillor Zafran Nawaz Khan	✓ Councillor Linda Woodings
	✓ Councillor Cate Woodward
	✓ Councillor Audra Wynter

✓ Indicates present at meeting

55 Apologies for absence

Councillor Rosemary Healy – unwell
Councillor Phil Jackson – unwell
Councillor Rebecca Langton – personal
Councillor Dave Liversidge – personal
Councillor Sajid Mohammed - unwell

56 Declarations of Interests

None

57 Questions from citizens

Clifton

JC asked the following question of the Leader of the Council:
In 2019, the Leader of the Council responded to a question from a member of the public who was concerned that the Leader of the Opposition had described the Clifton area as being in a state of 'demise'. Now, with almost three-years having passed since this question was asked, would the Leader of the Council please provide an update regarding the work that he and the Council as a whole have undertaken to ensure the success of Clifton — in spite of the pandemic — and advance the interests of its citizens?

Councillor David Mellen replied as follows:
I am grateful for the citizen's question and the opportunity to talk about this Council's commitment to investment and regeneration across our neighbourhoods. Firstly, let me say that Nottingham City Council has invested significantly in Clifton, in the face of disproportionate Government cuts to Council funding over the last ten years. Like all our neighbourhoods, we're committed to making it a desirable place in which to live, learn, work and play. Whether that's through retrofitting energy efficient provision in housing stock, or delivering the obvious benefits of having the tram serving the area, providing a vital link to the city centre, the Queens Medical Centre, the north and the west of the city, and attracting fresh investment into Clifton. We've continued with our commitment to improve and maintain the housing stock in Clifton with approximately £5m spent on maintenance since 2019, which includes £1.4million spent on 25,000 repairs, £1million on boiler installations, £208,000 on housing adaptations and £200,000 spent on a sprinkler system for Southchurch Court. Through the Decent Neighbourhood Programme, within Clifton alone we've repaired footpaths to Homewell Walk, Bramford Avenue, Ridgmont Walk, Dungannon Road and Wilkin Gardens, with additional car parking refurbishments at Barkla Close, South Church and Fleming Gardens. The Council is also investing £6.39million in the development of 36 new homes at the newly built Keiron Hill Court due for completion in October this year.

Clifton remains one of the priority areas and we will continue to look for opportunities to enhance the local area and create jobs. Clifton's commercial retail centres are currently in a very healthy condition. Following a comprehensive survey in the late summer of last year there was only one single vacant unit in the three main shopping parades of Varney Road, Central shops and Holy Trinity. There are two units available on the newly developed Clifton Triangle site but there is currently commercial interest in both units from new businesses wanting to come into the area. Covid restrictions over the last two years have been a major disruptor as staff from the Economic Development team working in the Clifton area were diverted to lead on the processing and payment of approximately £100 million of much needed grants to businesses in the retail, hospitality and leisure sectors. This helped thousands of businesses across the city area, including many in Clifton, survive during this very difficult period. This process has had to be repeated several times during the various lockdowns and the numerous grants that have been available at various stages through the pandemic. The process has just started again with the grants now being made available for hospitality and leisure businesses most impacted by Omicron. Economic Development and the Markets and Fairs teams are always looking at ways to improve the Clifton outdoor traditional market on a Friday and Saturday but the varying restrictions over the last two years have made it difficult to implement. However, unlike many markets across the country, we kept Clifton market running to make sure the traders' businesses survived. We followed guidance and allowed essential and non-essential retailers to trade when the varying restrictions permitted. We are currently exploring interest from new potential traders to create a vibrant market that offers a balanced retail mix.

Economic development, through Nottingham Jobs, continue to run jobs fairs in the area and held a well-attended Jobs Fair on 18 November 2021 at the Highbank Community Centre in the southern part of the estate to help Clifton residents look for work or training. Nottingham City Council has expanded the Nethergate Academy in Clifton by 48 extra places for additional provision for young people with special needs or disabilities across the city. This involved an approximately £2.5m investment that was completed in September 2020.

The Public Realm and Park Service has had a long standing programme of park and play area improvements within both the Clifton wards. Our programme of improvement since 2019 has continued but this should also be viewed in line with the improvements that have also been carried out within the Clifton wards over the last 10 years, for example since 2010 every play area within the Clifton area has been completely refurbished. Since 2019 there have been smaller capital works which have included the Ruddington Lane play area improvements, benches and picnic tables at Ironmongers Pond along with additional signage, and railing painting and improved signage at Clifton central park.

Of course, our commitment to regenerating communities applies to the city as a whole with the following council housing schemes having been delivered:

- Marlstones, Bulwell – 13 homes;
- Tunstall Drive, Basford - 17 homes; and
- Knights Close, Top Valley - 20 homes.

Currently on site at Eastglade, at the Woodlands Office in Radford, and 21 apartments at the former Meadows Police Station. Additional schemes in the pipeline in the Bestwood area include the Padstowe and Beckhampton schemes. Finally, I'm pleased to say that through our neighbourhood regeneration schemes we've also achieved many other successful developments, whether it's working with Blueprint, other developers or in partnership with registered providers to provide new housing in Colwick, the Meadows, Lenton, Bilborough and Mapperley; securing new funds for schools in Colwick and at the former Clarendon College site; or the prospect of the new library in Sherwood, positive change and improvement have been seen across Nottingham

So, whilst people will often see the cranes in the city centre delivering flagship infrastructure for future generations to enjoy, such as the Castle, the College Hub or the new Bus Station and Car Park and the Island Quarter, we are proud that we can also deliver real and lasting change in our neighbourhoods in Nottingham, including Clifton, which has seen significant investment from this Labour Council. Far from being in a state of demise, this area of the city has seen significant investment and improvement. Thank you.

John Carroll Leisure Centre

DC asked the following question of the Portfolio Holder for Leisure, Culture and Schools:

I understand that the popular ‘The One Show’ on BBC1 recently filmed footage at Mellers Primary School for possible broadcast over the coming days. I have spoken to some of the parents and teachers at the School, which used to walk their pupils to John Carroll but now have to hire a rickety old double-decker bus, adding to their costs, to drive their pupils on a 10-mile round journey to Harvey Hadden Leisure Centre instead. Swim England’s usage data supplied to me over spring 2021 showed that figures for the swimming pool at John Carroll (at 95% capacity) were very good considering its imminent closure, and the subsequent knock-on effect on Djanogly (the closest Leisure Centre to John Carroll) means that the swimming pool there is now effectively operating at saturation point, which is probably why Mellers School now has to use Harvey Hadden. How does the situation affecting Mellers School, Swim England’s Primary School of the Year 2021, align with the Council’s oft-cited green credentials?

Councillor Eunice Campbell-Clark replied as follows:

Firstly, I would like to congratulate the Mellers School for their Swim England award this year and also congratulate the City Council’s own team who deliver school swimming who were awarded School Swimming Lesson Provider of the Year 2021. These awards show the strength of commitment and quality in the city for teaching children to swim. With regard to Mellers, it was their decision where they wanted to swim once the decision to close John Carroll was made and actually worked well for the school as the larger shallower water space offered by Harvey Hadden and longer lesson time has led to a better overall experience for the children to learn to swim. Our figures show that the pool has never operated at 96% capacity during the past 5 years. The new timing we have been able to put in place, with more classes sharing a bus, has kept the number of journeys to a minimum, which supports the Council’s carbon neutral agenda. So I would like to welcome this decision and hope that the school will continue to show that swimming is important to the health and wellbeing of the children who attend Mellers Primary School. Thank you Lord Mayor.

John Carroll Leisure Centre

DC asked the following question of the Portfolio Holder for Leisure, Culture and Schools:

John Carroll was initially created as a partial community centre. It was a place where seniors suffering from loneliness remained rooted in their community, and where young people, who have had opportunities stripped away after a decade of austerity, were supported by community groups to build their skills, maintain their confidence and help to avoid the risks of an alternative life of crime. This crucial community cohesion role of the leisure centre was not taken into account by Nottingham City Council. The closure of John Carroll along with cuts to other local facilities has led to an increased sense of abandonment and social isolation within the community. Can the Council now commit to undertake a genuine equality impact assessment taking into account the disproportionate impact of the closure including on community cohesion, health inequality, loneliness, ethnic minorities, disabled citizens and anti-social behaviour.

Councillor Eunice Campbell-Clark replied as follows:
Thank you again Lord Mayor. As the citizen mentioned in their question, the original design of John Carroll Leisure Centre did include a community centre. This closed many years ago and the area was converted in to a fitness studio. As part of the consideration of closure of the leisure centre, an equality impact assessment was completed which took into consideration the impact of closure would have on the wide range of citizens. During last year's consultation process we worked hard with sports and community organisations to explore alternative options but unfortunately these were unsuccessful. However, whilst John Carroll Leisure Centre was the Council's lowest attended leisure centre facility, I am pleased to say that the vast majority of its citizens and users have been able to move to other facilities to continue their activities. Thank you.

58 Petitions from councillors on behalf of citizens

Councillor Cheryl Barnard presented a petition on behalf of citizens regarding proposed alterations to Old Edna's shop at 129 Bannerman Road.

59 To confirm the Minutes of the last Ordinary meeting of Council held on 8 November 2021

The minutes of the meeting held on 8 November 2021 were confirmed as an accurate record and signed by the Chair.

60 To receive official communications and announcements from the Leader of the Council and/or the Chief Executive

The Chief Executive reported the following:

I would like to start by extending my congratulations to all those citizens recognised in the Queen's New Year's Honours List, including Mark Fowles, John Buckley, Professor Anthony Avery, Professor Robert Mokaya, Amanda Smith and John Clarke.

I am pleased to report that the City's digital campaign, led by the Council's Communications Team, to encourage Covid vaccination take up particularly by those from ethnic minorities and younger age groups who might be hesitant about the vaccine or not normally see Council communication channels won Gold at the Public Service Communications Awards.

I am also pleased to report that the Education Services' School Swimming Service won School Swimming Lesson Provider of the Year at the recent Swim England Awards for their provision of a comprehensive swimming experience for primary school children in the City. I would also like to congratulate Mellers Primary School in Radford on being awarded Swim England Primary School of the Year for its commitment to swimming and water safety.

I am sad to report the death of former employee Karl White from Covid-19. Karl worked in the Youth Services Team for 32 years prior to his retirement, including running the Meadows Youth Centre. He has always put the needs of his local Meadows community first and has most recently been organising football for local children, having previously established local team FC Cavaliers. My thoughts are with his family, friends and all those who feel his loss.

It is with sadness that I also report to Council the passing of Kristian Murden, a much liked and respected Area Housing Manager at Nottingham City Homes. Kristian worked across Nottingham, particularly in Aspley, Strelley, Arboretum and Broxtowe, as Housing Patch Manager and Area Housing Manager. He was well regarded by colleagues, partners and councillors alike. I would also like to report the passing of another very popular colleague, Simon Forrester, who was one of Nottingham City Homes' Estate Caretakers who sadly passed away shortly before Christmas. We remember both of their lives and contributions to public service this afternoon.

Councillor Wendy Smith spoke in tribute to Kristian Murden and Simon Forrester.

Councillor Michael Edwards spoke in tribute to Karl White.

A minute's silence was held.

61 Questions from councillors - to the City Council's lead councillor on the Nottinghamshire and City of Nottingham Fire and Rescue Authority

None

62 Questions from councillors - to a member of Executive Board, the chair of a Committee and the chair of any other City Council Body

Community Centres
Councillor Kevin Clarke asked the following question of the Portfolio Holder for Neighbourhoods, Safety and Inclusion:
It has come to our attention that there is a proposal for a significant increase in the rent charged by the Council for Nottingham's Community Centres, including Highbank Community Centre in Clifton. Can the Portfolio Holder inform us whether it is true that the Council is proposing this policy to hugely increase the rents charged to Nottingham's few remaining Community Centres, and if so, how does she expect them to continue to operate under these conditions?

Councillor Neghat Khan replied as follows:
Thank you Lord Mayor and can I thank Councillor Clarke for his question. The Council has a number of properties that are let to community groups for minimal rents, often where this is the case without the renting organisation being responsible for either building liabilities or associated community outputs. As part of the Together for Nottingham Plan, previously known as the Recovery and Improvement Plan, which councillors will see later on today's agenda, we are changing our approach to community asset leases to ensure asset values are maintained and community assets fully utilised. This will include consideration of transferring full repairing and insuring leases as standard and consideration of applying fair market rate to community asset leases. Historically, our community centres have been on extremely low rents, resulting in them being propped up and subsidised by the Council. Colleagues are aware of the significant challenges officers are facing to ensure that

we have a balanced budget. Unfortunately, we will need to have a broader vision which looks at how we use our non-essential services to support the core essential services. While I appreciate that some financial changes will impact on centres such as Highbank, I must be clear that we are in a very difficult financial position and we can no longer sustain a blanket approach for all community centres meaning that we must start making our assets pay for themselves and not remain empty and unused at significant cost to the tax payer. Councillor Clarke, you make reference to Highbank Community Centre in Clifton where the current management committee has made the Council aware it wishes to dissolve and hand the keys back to the Council. This is not due to rent, as Councillor Clarke is aware. The group currently pay £10 a year and have paid that figure for over 30 years without any inflation cost. Currently only one group is using the building. With any new group taking over this, they will need a new lease as we cannot just carry over the old lease. We are applying fair market rates, however if a group can demonstrate outputs that benefit the community then the Council could consider reductions based on community outputs that groups would deliver. This Council has always been committed to sustainable community led initiatives and that will not change, but what I can say is that must balance with our drive to bring about financial stability to this Council. Its what council tax payers across the city will expect from a sustainable Council. Thank you Lord Mayor.

Youth Services

Councillor Maria Watson asked the following question of the Portfolio Holder for Children and Young People:

While the precarious nature of this Authority's finances is clear, it is with sadness that we see the proposals to cut youth services in the city. These services are essential for the wellbeing and development of thousands of young people across Nottingham and we firmly believe that we should be investing in youth, not stripping them of yet further resources. Can the Portfolio Holder give details on how the City proposes to meet the very real needs of its young people in the face of such drastic cuts?

Councillor Cheryl Barnard replied as follows:

Thank you Lord Mayor, and thank you Councillor Watson for asking this question. Putting forward a proposal to make reductions in our play and youth services has been a very difficult decision and, like Councillor Watson, I do believe that we should be investing in the wellbeing and development of our children and young people. However, this work is not valued or funded by our Government and is not a statutory service. Given the very real pressure on the budget for Children's Integrated Services and the need to balance the Medium Term Financial Plan, the proposed reductions have gone forward for consultation. Going forward, the Youth Service will be made up of a small team of experienced, qualified, and skilled Youth Practitioners. The 13 full time staff will include an Operational Manager, two Youth Work Specialists, four Youth Development Workers and six detached Youth Workers. This team will be based together at Bulwell Riverside and will coordinate and deliver services across the city. Sessions will be targeted and themed to ensure that issues like child criminal exploitation, child sexual exploitation and serious youth violence are addressed with vulnerable young people. Sessions will be delivered in locations around the city depending on identified needs. The team will be agile enough to respond and be deployed when there's been a serious incident or there are local concerns or risk issues are being displayed. A key part of the team's role will be working with partners from the community, voluntary and faith sector and with schools. We will also strengthen our work with recipients of our Area Based Grant funding to ensure that delivery is aligned to the Council's funding objectives and priorities. The lead roles and responsibilities within the team include researching and developing alternative funding opportunities alongside partners as we recognise the potential for our partners to access funding streams that are not open to statutory bodies. The aim is to support and build capacity of the voluntary and community sector to ensure that resources to deliver youth work are maximised and effectively coordinated thereby mitigating any loss of service across the city. The service will also work with colleagues in strategic assets and properties to enable partners who express an interest to take over the running of sites currently being used to deliver services. Where there are suitable partners available to take up this opportunity we will work with them to develop and deliver their services.

Green Lane, Clifton
Councillor Kirsty Jones asked the following question of the Portfolio Holder for Highways, Transport and Cleansing Services:
At the Full Council meeting in July, we asked a question of the Portfolio Holder regarding Clifton's Green Lane and its level of traffic. The Portfolio Holder committed that we as a Council could undertake a new traffic survey once the expected powers to enforce moving traffic offences are granted to Local Authorities. With these powers expected to be implemented shortly, can we get confirmation from the Portfolio Holder that she will support this move?

In Councillor Healy's absence, Councillor David Mellen replied as follows:
Thank you Lord Mayor. Can I thank Councillor Jones for her question that I'm answering in Councillor Healy's absence. My understanding is that the main concern for the residents on Green Lane is the number of heavy goods vehicles that travel along that road rather than general traffic flows in that area. The latest update from the Department of Transport indicates that the new moving traffic enforcement powers are planned to be put in before Parliament in late January this year, to then come in force by the end of March 2022. We do know, however, that plans from Government in relation to dates of expected legislation are often moved back. So it might be that you need to address your question to the Ministers in the Conservative Government because we are limited by what happens there in terms of those powers being implemented here in Nottingham. They're not automatically transferred to local authorities at that stage. This is because there is a complex application process that must be completed along with a set of prerequisite conditions that have to be met in order for the official powers in the form of a Designation Order to be issued. The Department for Transport is expected to receive applications from some authorities as early as February this year in preparation of Designation Orders being approved by April. Nottingham City Council is currently developing its moving transport enforcement policy and strategy documentation for approval at Full Council, ahead of the required public consultation and communication process. The other preconditions would then be completed ahead of our application to the Department for Transport. We are currently programmed to make our application by 1 July this year. Subject to approval, we would then expect the new powers to be available from September. Traffic management options could then be considered to help restrict the movement of heavy goods vehicles along Green Lane by enforcing any new restrictions with CCTV enforcement cameras in conjunction with the new moving traffic enforcement powers. However, I would expect that local budgets will be called upon for that to take place and I look forward to the Independent Group confirming that they would be

willing to put money from their budgets into this work if it is seen as a local priority. The traffic survey could then be commissioned to determine if these new restrictions are having the desired effect in reducing the number of heavy goods vehicles traveling along Green Lane.

Central Library
Councillor Kevin Clarke asked the following question of the Leader of the Council:
Can the Leader of the Council provide an update on the progress of Nottingham Central Library? Can he provide a firm opening date and if not, can he inform us when he expects to be able to?

Councillor David Mellen replied as follows:
Thank you Lord Mayor and can I thank Councillor Clarke for his question. Firstly, I want to reiterate that the delivery of a new Central Library still remains a key priority for this Council, and its development remains part of the City Council's capital programme moving forwards. The building which will house the new Central Library is there for all to see, as part of the building which houses the Broadmarsh car park, which opened a few weeks ago, and the new bus station which should open in the next few months. As I outlined in my response to you Councillor Clarke in July, this Council believes very strongly in the role and work of libraries, and it is important to ensure that this project is completed. After the closure of Angel Row it is vital that we have a replacement Central Library as soon as is possible. To this end, I am pleased to report that at the moment specialist fit out contractor Overbury is working with Morgan Sandall on market testing construction prices for the replacement Central Library fit-out and will be producing a contractor programme to complete the necessary fit-out works required. These prices, along with their programme is expected to be provided back to the Council in late February this year, and at this point the level of finance needed for the scheme will be considered against the capital programme. As I stated in July, this scheme will, of course, need to be delivered within our current expenditure constraints. I remain proud of the continued commitment that we have to be able to make over the last decade, to improve library provision in Nottingham and our ambition around this provision of a new Central Library remains undiminished. Alongside the new Central Library we are also working with Hockley Developments to deliver a new library for the Sherwood area where work is progressing and plans for the new building to be handed back to the Council for final fit-out later this year are on track.

Councillor Andrew Rule asked the following question of the Leader of the Council:
The Leader of the Council will recall that, at the Extraordinary Council meeting last week I called for a forensic analysis into the transactions between the Council owned companies and the Council to ensure that there had been no misapplication of capital spend to supplement revenue spend, together with providing reassurance that value for money has been achieved. Can he confirm when this will be carried out?

Councillor David Mellen replied as follows:
Thank you Lord Mayor and can I thank Councillor Rule for his question. The responsibilities of the Section151 Officer include ensuring the proper administration of the financial affairs of the Council and its controlled companies, and this is kept under ongoing review. The Annual Governance Statement confirms that the Council's affairs are in good order and partial focus will be given in the current year to ensuring that transactions are in line with legal and accounting requirements and Council

policies. The Council, at its meeting on 4 January which Councillor Rule referred to, agreed specifically that further detailed analysis into both the transactions between Nottingham City Council and Nottingham City Homes and transactions within the Nottingham City Homes group is undertaken and this work is expected to be completed by the end of next month.

Broadmarsh
Councillor Andrew Rule asked the following question of the Leader of the Council:
Given the scale of what is proposed for Broadmarsh and given the strains on the Council's capital budget, if sufficient external funding cannot be sourced does the Leader of the Council agree that the Council further approaches to (or indeed from) a private delivery should not be ruled out?

Councillor David Mellen replied as follows:
Thank you Lord Mayor and can I thank Councillor Rule for his second question. The redevelopment of the Broadmarsh is a complex and long-term project that will require significant investment and we, as a Council, have always been clear that we would not be able to deliver the full extent of this project and its benefits for the city without additional external funding from either the public sector or from the private sector. Following the receipt of the advice from the Advisory Group on the proposed vision and delivery strategy for the wider Broadmarsh, we are now undertaking our own due diligence on the advice received to ensure that we consider all options the Council has to deliver the vision. Primary consideration is whether the vision is viable and deliverable, and extensive work is being undertaken to develop a plan for a viable business case for the entire site. As part of this all options for delivery will be considered including sources of expertise and funding from the public sector and to decide how we should engage with the private sector on this project and when it would be best to do so. Evidence from direct conversations with other local authorities like Sheffield City Council, who have been through a very similar large scale redevelopment plan, suggests that the key lesson to learn is to ensure that the Council understands fully what it wants to deliver before contracting with a private sector delivery company. It is therefore important for the Council to undertake its own due diligence on the proposed master plan before approaching a private sector funder or the developer market at the appropriate time. We haven't ruled out any funding option and will be actively reviewing delivery options that will include funding and investment partners.

Special Educational Needs and/or Disabilities (SEND) Inspection
Councillor Jay Hayes asked the following question of the Portfolio Holder for Children and Young People:
Would the Portfolio Holder for Children and Young People like to comment on the recent SEND inspection?

Councillor Cheryl Barnard replied as follows:
Thank you Lord Mayor and thank you Councillor Hayes for asking this question. The joint Ofsted and Care Quality Commission local area inspection of Nottingham City's implementation of the Special Educational Needs and/or Disabilities Reforms took place between 8–12 November 2021. The five day inspection involved speaking to children and young people with SEND, parents and carers, the City Council and local NHS officers. The inspection team also visited mainstream and special schools and analysed a large range of local area data. Inspectors concluded that education,

health and social care leaders and professionals share a common ambition for Nottingham to be a truly inclusive place to live. They recognised the efforts in Nottingham to improve support for people with special educational needs or disabilities. They found local leaders were quick to respond to SEND reforms, undertaking significant and timely actions when they were introduced and putting an appropriate strategy in place to improve outcomes for children and young people with SEND. Inspectors found a coherent plan had been developed to support children and young people with SEND to prepare for adulthood, identifying what should happen at each stage of a young child or young person's school life. This includes a partnership with 'Futures' which strongly supports young people with SEND to transfer from schools into further education, employment or training. The joint inspection report also highlights that:

- Professionals work together effectively across services to identify the needs of children and young people with SEND. This effective work continued during the pandemic.
- Early years provision for children with SEND is strong.
- Children and young people with complex needs benefit from early identification of their needs.
- The 'Small Steps, Big Changes' team supports families and helps children with SEND to develop their communication skills and understand their emotions and behaviour.
- Children and young people with SEND have access to a variety of health services, including the school nurse 'Text Health' text service for 11- to 19-year-olds.
- The introduction of the 'Routes to Inclusion' initiative and the work of the Intensive Support Team is having a positive impact on supporting schools and colleges to reduce the use of exclusions.
- There is good partnership working across schools and early years.
- The Virtual School carefully oversees children and young people with SEND who are also in the care of the local authority.
- There is wide-ranging support for children and young people's social and emotional well-being and mental health needs, as well as for parents and professionals working with the family.

The inspection report also identified areas for improvement such as communicating the support services available and plans in place to parents, carers and children and young people. Inspectors also noted that some children and young people with SEND wait too long for assessments to identify possible autism spectrum disorder, and that there is no collaborative and consistent quality assurance process for education, health and care plans. They also found that social and recreational opportunities in the community are limited and there are gaps in provision for short breaks. Those issues will be addressed in a plan going forward. The inspection did not identify any significant weaknesses in Nottingham City that would require them to issue a written statement of action. In contrast, 80% of all inspections that took place in 2021 have resulted in a written statement of action so I think we need to be proud of the work we are doing in Nottingham. Leaders in the local area will take on board the areas for development and we will work with our partners to further strengthen the support in place for children and young people with SEND and their families and carers. The SEND work remains vital to maintaining an inclusive, early help City and to the ongoing commitment to improve outcomes for children and young people with SEND up to age 25.

Covid Vaccinations

Councillor Angharad Roberts asked the following question of the Portfolio Holder for Adults and Health:

Can the Portfolio Holder for Adults and Health provide an update on the progress of vaccination rollout in the City (including take up of booster jabs), availability of tests, preparedness of Nottingham University Hospitals for any potential surge in hospitalisations due to Omicron and action being taken by the Council with partners in relation to these aspects of managing the continuing COVID pandemic?

Councillor Adele Williams replied as follows:

Thank you Lord Mayor. Thank you for your question Councillor Roberts, which is a really important set of questions that I am sure people will certainly want to know the answers to. It's really helpful to get this information out there because we all know that we don't just get vaccinated to protect ourselves, we get vaccinated to reduce the transmission through the community. So it's absolutely critical that people get vaccinated for themselves, for their families, for their community and for the wider city and also to protect the NHS and social care system.

I've got quite a lot of detail in this answer. We've got very high case rates nationally and locally and vaccination obviously continues to be extremely important. Current vaccination uptake data tells us that:

- 71% of adults and 40% of children have had their first dose
- 66% of adults and 25% of children have had their second dose
- 40% of all adults in the city have had their third/ booster dose – so that's 60% of those who have received a second dose and are therefore eligible to go on to that for a 3rd/booster.

Positively, we've recently seen a real uptick, from people of all ages, coming forward for their first and second vaccination doses, and that's really, really welcome. Approximately 2,000 people over the Christmas and New Year period took up that opportunity, and it's important to stress that it is never too late. You can also step into one of the walk in centres and just have a conversation if you've got concerns. They'd be really happy to talk to people, and there is no obligation to have a jab before you leave. It's a good opportunity for you to speak to someone and get some advice. However, it's really critically important that we continue to do everything that we can to increase uptake and get more people in our city protected. Vaccination is currently available to everyone over 12, and we would like to ask for everyone's help here, and I am sure everyone is willing to support this, to get the information out there about how people can get vaccinated. We have been working with the school age immunisation service to improve the offer there, and there's a new roll out in the start of this spring term to get more vaccinations out to that cohort in school. But 12-15 year olds can also attend walk in centres and book through the national booking service - there's a walk in centre at the Forest Recreation ground every Monday and Wednesday from 4.30pm-7.30pm. I really encourage people to get that information out into their communities. For 16 plus boosters, so the sort of adult service, people can still walk in, book through the national booking service, and, importantly for our citizens, there is still that 119 offer. So if people are not able to get on to the internet to book a jab, they can arrange their vaccination through the 119 phone line as well.

In terms of what support we are offering to the wider system: we are supporting with an ongoing communications campaign. We have already heard about the success of our communication teams in getting the information out there in new and innovative ways through social media and really imaginative communication campaigns that has really reached out through the community. We are going to be supporting with research on vaccine hesitancy to inform our future approach to make sure that we are really understanding what the barriers are to vaccination and how we can address those for people, so they feel confident to get their vaccination. We are liaising and working hard with schools to make sure we maximise the opportunities for parents to consent to their kids getting vaccinated, and we are developing specific programmes for different parts of our population who may need particular ways of working to enable them to access the vaccine. We are working on a comprehensive free transport offer so that this isn’t a barrier to anyone getting protected, and we are also working with local communities via a Communities Vaccine Champions programme that we are developing to help us roll out further into the community and understand and address those barriers.

In terms of availability of testing, we know that there have been issues with that over Christmas. The PCR testing programme is the responsibility of the UK Health Security Agency. We have reasonable coverage across the city, but laboratory capacity has been a bit of an issue. We appreciate that it’s frustrating, but public health colleagues are advising to pass on the advice that you must isolate if you have any symptoms and until you are able to access a PCR Test and it’s important to keep checking throughout the day whether there is availability as slots are opened up throughout the day. We, as a City Council, have led on the provision of lateral flow testing. Over Christmas I had horrible memories of the personal protection equipment crisis but also remembered that as a local system we worked really well together to keep access to that going, and we have done that again on the lateral flow tests. There has been good availability through the City Council facilities. We know that there have been some issues with pharmacies, but we’ve written out to pharmacies to advise them how they can let our citizens know of other ways they can access. We got 100,000 Lateral Flow Tests out through local authority testing sites in the week commencing 27 December.

In terms of the hospitals, this is something that we work with health and care partners through the Local Resilience Forum on but obviously its primarily the responsibility of heath partners. We do know that there are increasing admissions locally and nationally and we know that the system is in under significant pressure. So the key things we can do at this time include encouraging people to think about how they use health services, only visiting Accident and Emergency if they really really have to and its an emergency, calling 111 if they are unsure which service you require; getting a vaccine and a booster vaccine; wearing a face covering when required and takinge all of the precautions we are used to taking to keep each other safe; and taking regular Lateral Flow Tests, especially when meeting with other people, like we are today. So, I’d like to thank everyone in the health and care system for working so hard to keep us safe and to all those people in the community that are looking after each other and doing the right thing.

Levelling Up

Councillor Georgia Power asked the following question of the Portfolio Holder for Finance and Resources:

Given the ongoing squeeze on people's incomes and the continuing austerity in local government due to Government cuts, what is the Portfolio Holder for Finance and Resources' assessment of the Government's levelling up agenda?

Councillor Sam Webster replied as follows:
Thank you Lord Mayor, it's been more than two years now since Boris Johnson first introduced us to yet another one of his soundbite straplines "Levelling Up". His Levelling Up ambition came with a promise to bridge the UK's stark geographic divide, yet it can come as no surprise to people that two years on we are still waiting for him to tell us more about exactly what levelling up means and how he plans to do it. Those of us who have been following this issue were hoping to get some answers in the much delayed Levelling Up White Paper, but we know that when it comes to funding for the UKs poorest communities they are rarely the people that matter to this Government. Let's not forget that this is the same Conservative Government that now speaks of Levelling Up that have, for the previous 9 years, instigated the biggest austerity agenda in living memory. To date, I'd argue that the most notable achievement of the undefined Levelling Up slogan has been to get itself officially attached to a Government Department title - the newish Department for Levelling Up, Housing and Communities. A party political policy thrust into the name of a Government Department. I guess this sets a precedent which makes me wonder when other Government Departments will be re badged: the Department for Higher Energy Bills perhaps, or the Department for Private Landlords, maybe even a very busy Department for Conservative Party Donor Contracts. This politicisation sets the tone as to how the Government makes decisions: not based on evidence, the needs of particular areas or communities, or in fact, not based on whether money allocated will make a difference. Funding decisions made very much, I fear, on what suits the Conservative Party and Conservative MPs' election prospects. Let's look at the £3.6billion granted through the Towns Fund and the Community Renewal Fund. There are no published criteria funnily enough for selections, in which Ministers took a suspiciously close interest. Remarkably, of the 45 towns that received funding, 40 have Conservative MPs. Cheadle, just south of Manchester, fulfils nobody's idea of deprivation but it's on the list. And again suspiciously the local Tory MP won the seat in 2019 with a majority of just over 2,000. Richmondshire in North Yorkshire is one of the least deprived areas in the country, yet it received money through the grant. Hull however, the fourth most deprived place in the country did not. Is it just a coincidence that Richmondshire happens to be the Chancellor's constituency? It's highly concerning that Government decisions are not based on outcomes. The Head of the National Audit Office, Gareth Davis, said recently "What we have found by auditing Government work is that many of the interventions carried out are either not evaluated robustly or not evaluated at all. This means government is not learning from its successes or failures, and has little information in most policy areas on what difference is made by the billions of pounds being spent." That's the National Audit Office. I'd ask Council to note that the total levelling up funding pot of £4.8billion, is £100million less than the £4.9billion of tax payers' money that Government Ministers handed out to fraudsters by not properly checking the status of applicants for the Covid Bounce Back Loan Scheme, of which the National Audit Office said "The scheme had no credit checks on borrowers which made it vulnerable to fraud and losses." A headline I am yet to see, but one which is true: Government Ministers gave more tax payers' money away to fraudsters than they are going to invest in Levelling Up". Almost five thousand, million pounds handed out to fraudsters, one of the biggest and most expensive cock-ups in British political history. We were promised a

serious plan to meet the challenges faced and to begin to reverse a decade of Tory cuts and under investment, and nothing less will do. But scratching beneath the Levelling Up slogan after almost 12 years of Conservative Government, what are people really now faced with? Households face a combination of significantly higher taxes and higher living costs over the coming months on top of the big Universal Credit cuts that we, in Nottingham Labour, lobbied so hard against. Over £1,000 per year taken away from 46,000 Nottingham adults and 38,000 of Nottingham's poorest children. As I outlined here in November, a big National Insurance increase from April so that a low paid working person in Nottingham earning £20,000 per year will pay £130 more each year, an effective tax increase of 10% on the amount of National Insurance paid. Are real people in real places noticing a real difference? Well, yes, they are noticing a difference. But that difference is higher energy bills, higher costs at the supermarket checkout, the highest ever costs at the petrol station, and we know that many of the people we represent are faced with increased rents, having to make choices right now this winter about whether to prioritise heating or eating, and we know that food bank use is at a record high. As you say Councillor Power, austerity is still very much with us, as councils across the country are continuing to have to make significant cuts to local services and also increasing council tax at the same time. A striking contrast last year with an average 4.4% council tax increase in England and a 0% council tax increase in Scotland. The pledge to level up the UK was one of the cornerstones of the 2019 Conservative Party manifesto. It promised to unite and level up, spreading opportunity across the country. But, unsurprisingly, it was light on detail and fundamental questions remain unanswered: what measures will be used to judge success; and plans to reconcile tensions between policies focused on bolstering the performance of specific places and those focused on improving opportunities for disadvantaged people wherever they live? Nothing in the two years since we were flashed a shiny new slogan has moved us any closer to answering those questions, in fact my belief is that Conservative policies are having the opposite effect: on wealth, opportunity, health, even life expectancy in this country inequality is rising. Slogans won't deliver for people, only political policies, progressive Labour policies, in my opinion, backed up by a plan will deliver for people. Thank you.

Covid communication and messaging
Councillor Sam Gardiner asked the following question of the Portfolio Holder for Adult and Health:
How does the Portfolio Holder for Adults and Health feel about the Government holding a Christmas Party at Number 10 Downing Street when the rest of the country was told to stay at home, protect the NHS and Save Lives and what can we do as a city to strengthen the public messaging when the government has undermined itself? Is the Government's internal investigation satisfactory when other residents got taken to court, prosecuted and order to pay £10,000?

Councillor Adele Williams replied as follows:
Thank you Lord Mayor and thank you Councillor Gardiner. It's difficult to respond, I mean there's almost no words, but they partied, all this time they've partied, whilst our kids, our parents have had to stand in line for food banks to feed their children. They have overseen an historic drop in living standards, and wages of a magnitude not seen since the Napoleonic era. I can't believe that anyone sees the Prime Minister as a role model but undoubtedly that mixed messaging is extremely

unhelpful and it will leave people with the impression, not unreasonably, that there is one rule for them and one rule for us, as though if the wine is fine then it really can't be a party. I don't think that people in our city will be comfortable with that. The third part of question: is the internal investigation satisfactory? It's in a sense outside my remit, but as all of us would say, representing people in Nottingham, what would people in Nottingham say to us? Well, I don't know how many people have mentioned this to me over the period since it got into the news and I can say very clearly from those voxpops that people think the way the investigation is being approach is very much not acceptable. It is absolutely the case that many people made huge sacrifices, people who worked in our key services put themselves out there to support vulnerable people, risking their own health and wellbeing, working tremendously hard to keep each other safe. We know that families missed out on really crucial time with loved ones at really terrible moments, and I don't need to tell people how many lives were lost over that time period we are talking about and the number of people that were finding themselves in hospitals on ventilators and so on. It's absolutely appalling behaviour from the prime minster. I don't think there will be many people in Nottingham that will see him as a role model but I think the mixed messaging is extremely unhelpful. So what can we do as a City Council, as councillors and linking up with people in our communities? I think it's very important that we are all sharing accurate information about the public health measures we need to take to keep each other safe. We, as a City Council, will continue to work, as I mentioned in my previous answer, on the sorts of programmes that are encouraging new people to get vaccinated, and it is down to us to be doing the right thing ourselves as sadly members of the Government appear not have done. I don't think, given what we have seen, and we have seen significant hypocrisy from the current Government, it's not out of character, is it? It is almost difficult to do justice to the level of hypocrisy that has been show by this Government. Thank you.

63 Refresh of the Nottingham City Council Recovery and Improvement Plan

The Leader of the Council, Councillor David Mellen, presented the report proposing approval of a refresh of the Council's Recovery and Improvement Plan, to be known going forward as the Together for Nottingham Plan, and incorporation of the Plan into the Council's Policy Framework. The report was seconded by Councillor Sally Longford.

Resolved to:

(1) approve the refreshed Together for Nottingham Plan (formerly the Recovery and Improvement Plan) as set out as Appendix 1 to the report; and

(2) include the Together for Nottingham Plan as part of the Council's Policy Framework.

64 Decisions taken under Urgency Procedures

The Leader of the Council, Councillor David Mellen, presented the report detailing urgent decisions that the Council is required to note, which have been taken under provisions within the Overview and Scrutiny Procedure Rules and Access to Information Rules. The report was seconded by Councillor Sally Longford.

Resolved to note the following decisions taken under the Call-in and Urgency provisions of the Overview and Scrutiny Procedure Rules:

Decision Reference	Subject	Decision Taker	Reason for Urgency
DD4428	**Disposal of Sneinton Hermitage Community Centre**	**Portfolio Holder for Neighbourhoods, Safety and Inclusion**	**To enable market preparations to be completed in time to enter the property into the December 2021 auction, rather than be delayed until the next auction in February 2022. A delay would have incurred additional costs for maintenance and security and the property would have remained unoccupied with potential risks from anti-social behaviour or vandalism, which could give rise to additional costs for repairs and/or affect the sale price.**
Minute Ref: 69	**Medium Term Financial Plan 2022/23 to 2025/26**	**Executive Board**	**To enable public consultation to commence immediately and enable as long a consultation period as possible.**

65 Retender of External Audit for 2023/24 to 2027/28

The Chair of the Audit Committee, Councillor Audra Wynter, presented proposals for appointing the external auditor to the Council for the accounts for the five year period from 2023/24, as recommended by the Audit Committee. The report was seconded by Councillor Michael Edwards.

Resolved to accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for the five financial years from 1 April 2023.

66 Motion in the name of Councillor Graham Chapman

Councillor Graham Chapman proposed the following motion, which was seconded by Councillor Adele Williams:

This Council expresses its deep disappointment at the Government's response to the social care crisis in that:

- the amount of additional funding, both in the short and long term, will not 'fix the problem';
- a number of care homes risk closure and there is nothing in the recent announcement to recognise the problem;
- the Government will continue to rely on regressive council tax increases to plug gaps;
- there is no long-term strategy for training, recruiting, sustainable wage growth, and professionalising the sector; and
- the increase in National Insurance contributions, which was introduced as a solution, will actually make the problem worse.

It calls on the Government to:

- provide a properly funded comprehensive approach, if necessary via a levy on wealth; and
- ensure that there is no further call on the council tax to fund increases in social care funding

Resolved to carry the motion.

67 Committee membership

The following committee membership changes were noted:

(1) Councillor Ethan Radford has been removed as a member of the Overview and Scrutiny Committee
(2) Councillor Ethan Radford has been appointed to a vacant seat on the Children and Young People Scrutiny Committee
(3) Councillor Nayab Patel has been appointed to a vacant seat on the Children and Young People Scrutiny Committee
(4) Councillor Nayab Patel has been appointed to a vacant seat on the Health and Adult Social Care Scrutiny Committee
(5) Councillor Corall Jenkins has been appointed to a vacant seat on the Overview and Scrutiny Committee
(6) Councillor Corall Jenkins has been appointed to a vacant seat on the Regulatory and Appeals Committee

The Meeting concluded at 4.55 pm

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Response to questions from Councillors requiring a written response

WQ1

Question asked by Councillor Maria Watson of the Portfolio Holder for Neighbourhoods, Safety and Inclusion at the meeting of the City Council held on 10 January 2022

Can the Portfolio Holder clarify whether already approved and committed funds from Ward Budgets are able to be spent or if the Council's current situation means that they are unable to be accessed despite existing approval?

Councillor Neghat Khan replied as follows:

Already approved and committed expenditure from ward budgets can be spent within the existing enhanced financial control regime.

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City Council - 7 March 2022

Report of the Portfolio Holder for Finance and Resources

Corporate Director:
Clive Heaphy, Interim Corporate Director of Finance and Resources

Report Author and Contact Details:
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Title: Treasury Management Strategy 2022/23 and Capital Strategy 2022/23

Does the report form part of the Budget or Policy Framework?
☒ Yes ☐ No

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

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	☒

1. Summary

1.1 This report seeks approval for a series of strategies relating to treasury management and capital investment in 2022/23. The strategies were considered as part of a number of reports on the 2022/23 budget process. They were submitted for endorsement to Executive Board on 22 February 2022.

1.2 The Treasury Management Strategy 2022/23 and Capital Strategy 2022/23 are attached as appendices 1 and 2 respectively. A document relating to the Capital Strategy that is exempt from publication can be viewed in the Executive Board papers. Full details of the strategies and other material referred to below are shown within those documents. The specific strategies included are:

- the overall Treasury Management Strategy for 2022/23 (Appendix 1);
- the Debt Repayment Strategy (Minimum Revenue Provision Statement) in 2022/23 (Appendix 1, section 5.2);
- the Treasury Management Investment Strategy for 2022/23 (Appendix 1, section 4)

- the Borrowing Strategy for 2022/23 (Appendix 1, section 3)
- the Treasury Management Policy Statement (Appendix 1, section 5.3)
- the Capital Strategy for 2022/23 (Appendix 2) including the Voluntary Debt Reduction Policy Statement and Debt Policy (Appendix B).

1.3 Approval is also required for the Prudential Indicators and limits from 2022/23 to 2024/25 (Appendix 1, section 5.1)

2. **Recommendations**

2.1 To approve the 2022/23 Treasury Management Strategy document, including the borrowing strategy, the debt repayment strategy (Minimum Revenue Provision Statement) and the investment strategy, as detailed in Appendix 1.

2.2 To approve the Prudential Indicators and limits from 2022/23 to 2024/25, as detailed in Appendix 1, section 5.1.

2.3 To adopt the current Treasury Management Policy Statement, as detailed in Appendix 1, section 5.3.

2.4 To approve the 2022/23 Capital Strategy document including the Voluntary Debt Reduction Policy Statement, as detailed in Appendix 2 and Appendix B of the Capital Strategy.

3. **Reasons for recommendations**

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

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

3.2 The Capital Strategy is a requirement to comply with:

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

4. **Other options considered in making recommendations**

4.1 To do nothing: the approval of a Treasury Management Strategy and Capital Strategy is a requirement of the CIPFA code, so this option is rejected. The Department of

Levelling Up, Housing and Communities (DLUHC) formerly known as The Ministry of Housing, Communities and Local Government (MHCLG) Guidance and the CIPFA Code do not prescribe any particular strategies for local authorities to adopt. The Chief Financial Officer, having consulted the Portfolio Holder, believes that the proposed strategies represent an appropriate balance between risk management and cost effectiveness.

5. Consideration of Risk

5.1 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.

5.2 Risks inherent in the capital programme are mitigated through the strict implementation of the Capital Strategy, the Voluntary Debt Reduction Policy and the governance from the Capital Board. A key example of this is the capital principle that the Council will not commit to schemes until the resources such as capital receipt have been secured.

6. Background (including outcomes of consultation)

6.1 The Government commissioned a non-statutory review of the Council in November 2020 with the findings being published on the 17th December 2020. The published review highlighted the level of risk and planned further borrowing within the capital Programme, the high level of debt held by the council and the reduction in the balances of reserves held which further reduces budget flexibility.

6.2 Following the review the Council published the Nottingham City Council Recovery and Improvement Plan 2021 – 2024. This plan has now been refreshed, renamed as the Together for Nottingham plan, and was approved at a meeting of Full Council on the 10 January 2022. As part of this plan the Capital Strategy and this Treasury Management Strategy continue with the aim to support the Council returning to financial and operational stability.

6.3 The borrowing and debt management strategies intend to provide a sound framework for managing debt, to reduce the Council’s future overall borrowing requirement (known as the Capital Financing Requirement (CFR)) and to reduce the level of debt held by the Council. The CFR is forecast to reduce by around £248m in the period 2022/23 to 2026/27 as covered by these strategies. This represents an improved position against the original forecast in debt reduction policy reported 12 months ago.

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

6.5 The Treasury Management Strategy (TMS) as set out in **Appendix 1** sets the strategic context, within the Council’s planning cycle, for how treasury management activity will take place. The various aspects of the strategy require approval by Full Council these include the Treasury Management and Treasury Investment strategies for 2022/23, the Debt Repayment Strategy, the Borrowing Strategy, the Prudential Indicators and the associated treasury policies.

6.6 The Investment Strategy for 2022/23 includes some changes to counterparty and investment limits as detailed in section 4.1 of Appendix 1.

6.7 The Capital Strategy as set out in **Appendix 2** provides the Council with a framework in which capital investment and financing decisions can be aligned with the Council's corporate priorities over the medium term and includes the Voluntary Debt Reduction Policy Statement. This strategy requires approval by Full Council.

6.8 The Together for Nottingham plan acknowledges that a well-managed capital programme is a critical contributor to the overall financial recovery of the City Council and recommends a review of the capital programme which will look to stabilise the current programme and put it on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework supports the Council in achieving this. Implementation of the Plan is a key priority of the Council and the Capital Strategy forms a key component part.

Key continuing activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities (for example around EnviroEnergy and the former Broadmarsh Shopping Centre).
- Compliance with the Council's Debt Reduction Policy to reduce Council debt to a sustainable level.
- A maturing of the capital prioritisation process and the separation of spending and funding decisions.
- Providing a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

6.9 The treasury management and capital functions are governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the Council must have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council formally adopts the requirements of these codes (as updated in 2017) as part of its Treasury Management Policy Statement and its Capital Strategy. The update to the codes released in December 2021 will be formally adopted before the commencement of financial year 2023/24 as required by the guidance.

6.10 The Treasury Management Strategy and the Capital Strategy were considered by Audit Committee on 25 February 2022, as part of the scrutiny process required by the CIPFA Code of Practice.

7. Finance colleague comments (including implications and value for money)

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

7.2 The Treasury Management forecast outturn for 2021/22 is reflected within the Corporate Budget report on this agenda. The budget for 2022/23 is based on the financial implications of the various proposed strategies, as detailed in Appendix 1. The budget estimate of £53.953m is included within the 2022/23 budget and Medium Term Financial Outlook (MTFO).

7.3 The financial implications of the two strategies are intrinsically linked, as the Capital Strategy defines the capital expenditure plans of the Council including the element that is to be financed by borrowing. The Treasury Management Strategy defines how the associated cash flows from this borrowing requirement are to be managed.

Comments provided by Sue Risdall, Team Leader – Technical Accounting 31 January 2022

8. **Legal colleague comments**

8.1 This report seeks authority to approve the Treasury Management Strategy Statement 2022/23 and the Capital Strategy for 2022/23 for approval by Full Council.

8.2 The City Council has power to invest in accordance with section 12 of the Local Government Act 2003 ('the Act').

8.3 Section 12 provides a power for Local Authorities to invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. "Investment" also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture or to a third party.

8.4 In accordance with section 15 of the Act, Local Authorities are required to "have regard" to "such guidance as the Secretary of State may issue". Statutory guidance on local authority investments has been issued by the Secretary of State in accordance with this provision.

8.5 That guidance sets out key principles to be followed by Local Authorities. One such key principle is transparency and which requires the publication of the Local Authority's Investment Strategy. The Investment Strategy is required to be approved by Full Council hence the requirement for this report. In addition Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] as amended.

Advice provided by Dionne Screaton, Senior Solicitor, Contracts and Commercial 23 February 2022.

9. **Other relevant comments**

9.1 None

10. **Crime and Disorder Implications (If Applicable)**

10.1 Not applicable

11. **Social value considerations (If Applicable)**

11.1 Not applicable

12. **Regard to the NHS Constitution (If Applicable)**

12.1 Not applicable

13. **Equality Impact Assessment (EIA)**

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

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

14. **Data Protection Impact Assessment (DPIA)**

14.1 Has the data protection impact of the proposals in this report been assessed?

No ☒
A DPIA is not required because the strategies within this decision do not themselves require a Data Protection Impact Assessment. Capital projects within the Capital Programme will be individually assessed as appropriate.

15. **Carbon Impact Assessment (CIA)**

15.1 Has the carbon impact of the proposals in this report been assessed?

No ☒
A CIA is not required because the Capital Plan includes the Council's target of being Carbon Neutral by 2028, however when individual projects are developed and approved these project will be subject to CIAs.

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

16.1 None.

17. **Published documents referred to in this report**

10.1 Executive Board Report dated 22 February 2022 – Treasury Management Strategy 2022/23 and Capital Strategy 2022/23

10.2 Money Market and PWLB loan rates

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

10.4 Prudential Code 2017-CIPFA

10.5 Treasury Management in the Public Services Guidance Notes 2018 - CIPFA

10.6 Statutory guidance on local government investments 3rd Edition 2018

10.7 Statutory guidance on Minimum Revenue Provision (MRP) 2018

10.8 Treasury Green Book

10.9 Corporate Asset Management Plan

10.10 The Strategic Council Plan 2021-2023

10.11 The Together for Nottingham plan

10.12 Non-Statutory Review of Nottingham City Council, led by Max Caller CBE, on behalf of MHCLG/DLUHC

Councillor Sam Webster
Portfolio Holder for Finance and Resources

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Appendix 1

Nottingham City Council

Treasury Management Strategy 2022/23

INDEX

1. Introduction

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future Treasury Management Strategy reports and the risk management framework.

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy which are taken to Full Council for approval and for related monitoring reports during the financial year.

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

As this Treasury Management Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as non-treasury investments including investments in commercial property have implications for cash balances managed by the treasury team, a high level summary of the impact that these investments have, or may have, within the 5 year time horizon of this report will be incorporated in future reports.

Councillors will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

1.1 Background

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

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

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

CIPFA define treasury management as:

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

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

The Government commissioned a non-statutory review of the Council in November 2020 with the findings published on the 17th December 2020. The published review highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the Council and the reduction in the balances of reserves held which further reduces budget flexibility.

Following the review, the Council published the Nottingham City Council Recovery & Improvement Plan 2021 – 2024. This plan has now been refreshed, renamed as the '*Together for Nottingham'* plan and was approved at a meeting of Full Council on the 10 January 2022. As part of this plan the Capital Strategy and this Treasury Management Strategy continue with the aim to support the Council returning to financial and operational stability. The borrowing and debt management strategies are to reduce the Council's future requirement to borrow, known as the Capital Financing Requirement (CFR) and to reduce the level of debt held by the Council. The CFR is forecast to reduce by around £248m in the period 2022/23 to 2026/27 as covered by these strategies. This represents an improved position against the original forecast in debt reduction policy reported 12 months ago.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

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

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

The Capital Strategy is reported individually, but alongside the Treasury Management Strategy Statement at Audit Committee, Executive Board and Full Council; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:

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

If any existing non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

1.2.2 Treasury Management reporting

The Council (delegated to Executive Board except the approval of a new strategy) is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

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

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

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

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Executive Board and/or Full Council. The mid-year report and the annual report are taken to Executive Board and the Treasury Strategy report is taken to Executive Board and Full Council. This scrutiny role is undertaken by the Audit Committee.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

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

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that councillors with responsibility for treasury management receive adequate training in treasury management. This especially applies to councillors responsible for scrutiny. The Audit Committee received a Treasury Management training session delivered by Link Group on 2 December 2021. Further training will be arranged as required. The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management advisors

The Council uses Link Treasury Solutions (part of the Link Group) as its external treasury management advisor. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and ensures that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

2 The Capital Prudential Indicators 2021/22 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans.

2.1 Capital expenditure

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

Capital Expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	112.456	74.953	152.729	57.574	17.210	16.326	14.581
HRA	37.513	44.050	71.003	54.264	44.642	31.099	29.882
TOTAL	**149.969**	**119.003**	**223.732**	**111.838**	**61.852**	**47.425**	**44.463**

The above capital expenditure figures reflect the 2022/23 Capital Strategy, which seeks to use effective prioritisation to deliver an affordable capital program by limiting expenditure and increasing capital receipts to align the capital plans to the financial context of the Council.

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

Financing of Capital Expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Receipts	11.930	7.643	27.241	26.051	11.746	7.151	5.703
Capital Grants & Contributions	37.518	61.371	113.655	38.919	9.836	8.975	8.913
Capital Reserves (MRR)	18.706	27.816	40.885	37.563	33.061	31.064	29.847
Revenue Resources	0.063	1.167	7.138	1.901	0.286	0.235	-
Capital expenditure to be financed by borrowing	**81.752**	**21.006**	**34.813**	**7.404**	**6.923**	**-**	**-**
TOTAL	**149.969**	**119.003**	**223.732**	**111.838**	**61.852**	**47.425**	**44.463**

As explained in the Capital Strategy the General Fund has forecast expenditure finance by borrowing relating to existing residual commitments in 2022/23 with no further borrowing forecast in years 2023/24 onwards, with the balance of borrowing attributed to Housing capital expenditure as shown in the table below.

Split of Capital expenditure to be financed by borrowing £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	71.442	13.003	22.698	-	-	-	-
HRA	10.310	8.003	12.115	7.404	6.923	-	-
TOTAL	**81.752**	**21.006**	**34.813**	**7.404**	**6.923**	**-**	**-**

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

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

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

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI/lease provider and so the Council is not required to separately borrow for these schemes. The Council has £170.2m of such schemes within the CFR as at 31 March 2022.

The CFR projections are shown below:

	2020/21 Actual	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
Capital Financing Requirement (£m)							
CFR – General Fund	1,113.563	1,082.112	1,057.744	1,002.608	943.444	889.508	836.840
CFR – HRA	298.047	300.767	307.399	309.017	309.969	303.825	297.681
Total CFR	**1,411.610**	**1,382.879**	**1,365.143**	**1,311.625**	**1,253.413**	**1,193.333**	**1,134.521**
Movement in CFR		**(28.731)**	**(17.736)**	**(53.518)**	**(58.212)**	**(60.080)**	**(58.812)**

Movement in CFR represented by (£m)							
Net financing need for the year (above)	81.752	21.006	34.813	7.404	6.923	0.000	0.000
Less MRP/VRP and other financing movements		49.737	52.549	60.922	65.135	60.080	58.812
Movement in CFR		**(28.731)**	**(17.736)**	**(53.518)**	**(58.212)**	**(60.080)**	**(58.812)**

Note: the MRP / VRP will include PFI / finance lease annual principal payments and a known increase of £4.7m in MRP from 2024/25 as part of a previous decision to change the MRP Policy.

The capital programme and the 2022/23 Capital Strategy support the objectives in the Council's *Together for Nottingham* plan including limiting expenditure financed by borrowing and the increase in capital receipts to reduce the Council's forecast requirement to borrow. This has resulted in a reduction in debt levels and will support achieving long-term financial stability. There is a forecast £248.4m overall reduction in the Council's requirement to borrow, known as the CFR, from 2021/22 to 2026/27 which is the sum of the 'Movement in CFR' in the table above and reflects decisions made to date towards the debt reduction objectives within the Debt Policy shown in section 3.4.

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for resources and anticipated day-to-day cash flow balances.

Year End Resources £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Total core funds inc reserves, capital receipts & provisions	**278.6**	**350.4**	**332.3**	**317.7**	**326.3**
Working capital*	**178.4**	**200.0**	**120.0**	**80.0**	**60.0**
Under/(over) borrowing	297.5	311.7	318.9	301.4	276.5
Expected investments	**159.5**	**238.6**	**133.5**	**96.3**	**109.8**

*Working capital balances shown are estimated year-end; these may be higher mid-year and balances include Government Grants received in advance and so balances held will reduce as expenditure occurs.

3 Borrowing

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

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2021 and for the position as at 31 December 2021 are shown below for both borrowing and investments.

Treasury Portfolio				
	actual	actual	current	current
	31.3.21	**31.3.21**	**31.12.21**	**31.12.21**
Treasury investments	£m	Ave rate %	£m	Ave rate %
banks	20.000	0.28%	119.783	0.25%
local authorities	95.000	0.26%	99.000	0.16%
DMADF (H.M.Treasury)	-	-	20.000	0.05%
money market funds	35.600	0.03%	71.700	0.06%
Total treasury investments	**150.600**	**0.21%**	**310.483**	**0.16%**
Treasury external borrowing				
local authorities	17.000	0.22%	2.000	0.25%
PWLB	866.549	3.39%	850.157	3.38%
market loans inc LOBOs	49.000	4.35%	49.000	4.35%
other	0.233	0.33%	0.233	0.47%
Total external borrowing	**932.782**	**3.38%**	**901.390**	**3.43%**
Net treasury investments / (borrowing)	**(782.182)**		**(590.907)**	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt and other long-term liabilities (PFI & lease liabilities) against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

It should be noted that the forecast under borrowing position is supported by the Council balance sheet i.e. reserves and working capital balances, as these balances reduce further borrowing will be required and additional costs of financing will be incurred. This should be seen in context of the Council's overall budget position and current level of budget flexibility.

£m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt at 1 April	1,074.5	932.8	900.9	888.0	864.0	843.5	824.6
Expected change in Debt	(141.7)	(31.8)	(12.9)	(24.0)	(20.5)	(18.9)	(26.4)
Other long-term liabilities inc PFI	191.4	181.3	170.2	158.3	146.2	133.4	119.8
Expected change in OLTL *	(10.0)	(11.1)	(12.0)	(12.0)	(12.8)	(13.6)	(12.0)
Gross debt at 31 March	**1,114.1**	**1,071.2**	**1,046.3**	**1,010.2**	**976.9**	**944.4**	**906.0**
Capital Financing Requirement (CFR)	**1,411.6**	**1,382.9**	**1,365.1**	**1,311.6**	**1,253.4**	**1,193.3**	**1,134.5**
Under / (over) borrowing	**297.5**	**311.7**	**318.9**	**301.4**	**276.5**	**248.9**	**228.5**

* (OLTL) – Other Long Term Liabilities

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and expects to remain compliant against the future estimates below. This view takes into account current commitments, existing plans, and the proposals in this report and the Capital Strategy for 2022/23.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt		1,206.9	1,165.4	1,120.0	1,073.5	1,026.7
Other long-term liabilities (Inc PFI)		158.3	146.2	133.4	119.8	107.8
Total	**1,415.2**	**1,365.1**	**1,311.6**	**1,253.4**	**1,193.3**	**1,134.5**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit £m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt		1,236.9	1,195.4	1,150.0	1,103.5	1,056.7
Other long-term liabilities (Inc PFI)		158.3	146.2	133.4	119.8	107.8
Total	**1,445.2**	**1,395.1**	**1,341.6**	**1,283.4**	**1,223.3**	**1,164.5**

Abolition of HRA debt cap. Separately, the Council was also limited to a maximum HRA CFR through the HRA self-financing regime. (*) In October 2018, the Government announced a policy change of abolition of the HRA debt cap.

Following this change, any new HRA borrowing should now be compliant with the Prudential Code i.e. prudent, affordable, sustainable and in proportion with the available resources. The Council's plans are reflected in the housing sections of the Capital Strategy, which is again limiting future capital expenditure financed by borrowing in line with the objectives in the Council's *Together for Nottingham* plan.

The planned HRA borrowing is shown below against the now abolished debt cap:

HRA Debt Indicator £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA debt cap (abolished)	319.8	319.8	319.8	319.8	319.8	319.8
HRA CFR	300.8	307.4	309.0	310.0	303.8	297.7
Difference to notional cap	19.0	12.4	10.8	9.8	16.0	22.1

The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next five financial years. A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt**.**

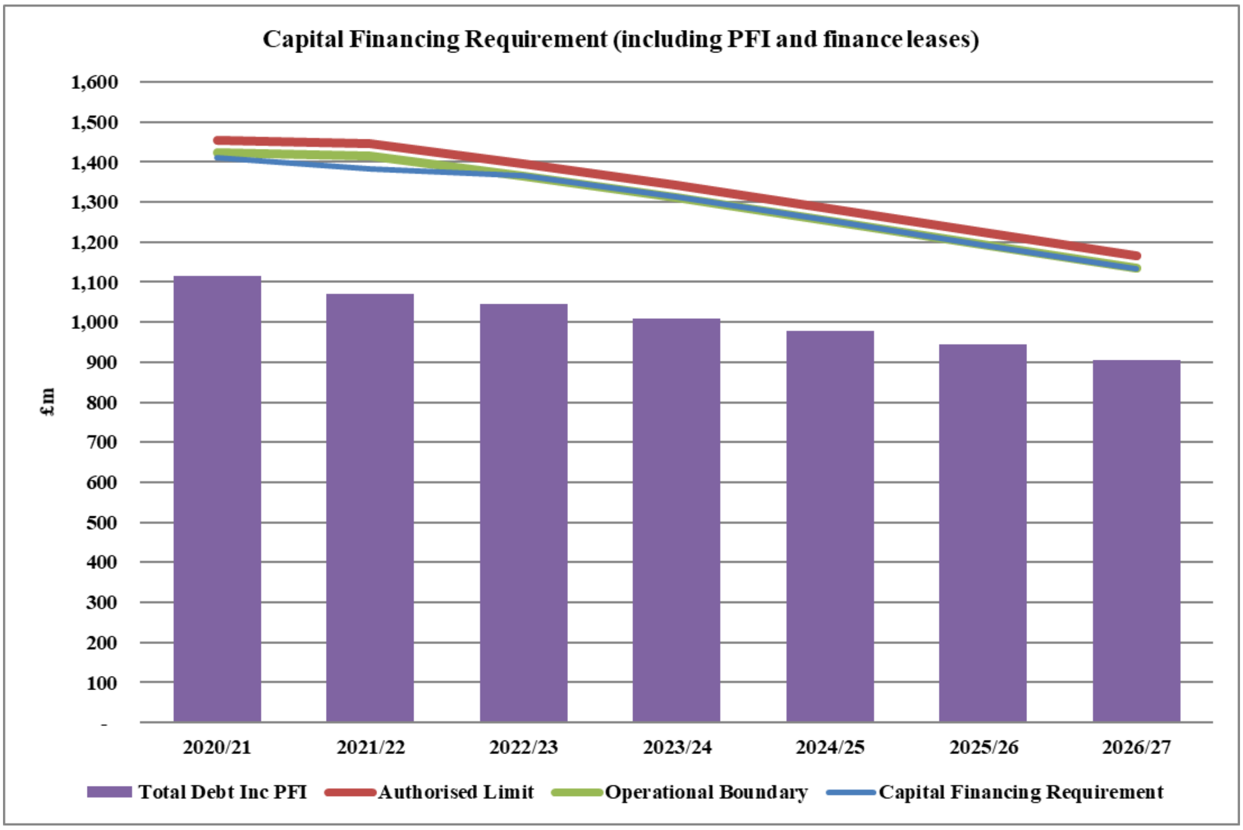
£m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Variable rate debt	300.0	200.0	200.0	200.0	200.0	200.0

The level of variable rate debt as at 31 December 2021 was £41.3m.

Debt limits against the CFR: - The following table and graph discloses how the indicators on the limits to borrowing compare to actual external debt and the forecast capital financing requirement (CFR). The difference between the CFR and the forecast total debt represents the level of under borrowing expected over the forecast period which is cost efficient, but does increase the Council's exposure to interest rates.

Capital Financing Requirement (including PFI and finance leases)							
	Actual 2020/21	**Est 2021/22**	**Est 2022/23**	**Est 2023/24**	**Est 2024/25**	**Est 2025/26**	**Est 2026/27**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
HRA CFR	298.0	300.8	307.4	309.0	310.0	303.8	297.7
General Fund CFR	1,113.6	1,082.1	1,057.7	1,002.6	943.4	889.5	836.8

Total CFR	**1,411.6**	**1,382.9**	**1,365.1**	**1,311.6**	**1,253.4**	**1,193.3**	**1,134.5**
External Borrowing	932.8	900.9	888.0	864.0	843.5	824.6	798.2
Other long term liabilities	181.3	170.2	158.3	146.2	133.4	119.8	107.8
Total Debt	**1,114.1**	**1,071.2**	**1,046.3**	**1,010.2**	**976.9**	**944.4**	**906.0**
Under/(over) borrowing	**297.5**	**311.7**	**318.9**	**301.4**	**276.5**	**248.9**	**228.5**
Authorised Limit	1,453.4	1,445.2	1,395.1	1,341.6	1,283.4	1,223.3	1,164.5
Operational Boundary	1,423.4	1,415.2	1,365.1	1,311.6	1,253.4	1,193.3	1,134.5



3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 7th February 2022. These are forecasts for certainty rates, gilt yields plus 80 bps. The Interest rate forecast below should be considered alongside the detailed economic background and forecast commentary provided in section 5.4.

Link Group Interest Rate View 7.2.22	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

The above forecasts for 3-12 month average earnings previously had been referenced to the London Inter-Bank Offered Rates (LIBOR), however LIBOR and LIBID rates ceased from the end of 2021 and replaced with a rate linked to the Sterling Overnight Index Average (SONIA). The forecasts are now based on expected average earnings by local authorities for 3 to 12 months.

Investment and borrowing rates

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021 and again to 0.50% at its meeting on 3rd February 2022.

- Investment returns are linked to the short term rates shown in the forecast table above, shows Bank Rate now at 0.50% with the forecast for further increases, one by March 2022 to 0.75%, then by June 2022 to 1.00% and finally by December 2022 to 1.25%. The expected duration for the Bank Rate increases has shortened due to the MPC currently focusing on combating inflation which is forecast to peak at 7.25% in April 2022.

- Borrowing interest rates are shown in the interest rate forecast table for PWLB certainty rates above. 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 are significant upward risk exposure to the forecasts for long term PWLB rates detailed in section 5.4.

- On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)

- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- Borrowing for capital expenditure. Link Group's long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

- The cost of carry (the difference between higher borrowing costs and lower investment returns) will be considered alongside the mitigation of interest rate risk on any new long or medium-term borrowing decision that cause a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy including debt management

The Council's policy on borrowing is to limit planned expenditure financed by borrowing and to seek to reduce the level of debt held by the Council in line with the objectives in the published Together for Nottingham plan.

The Capital Strategy includes the Voluntary Debt Reduction Policy Statement (Appendix B) including a debt policy in respect of new capital expenditure. The debt policy section is shown below:

- 2021/22 - ***To restrict new borrowing to no more than the level of the annual debt being repaid.*** (i.e. No new schemes financed by borrowing). The Capital Programme has been reduced to existing commitments and no schemes added funded by borrowing.
- 2022/23 - 2026/27 - ***Nil new borrowing throughout the period***. No new schemes financed by borrowing to be added to the Capital Programme, unless the scheme is required to enable compliance with legal or statutory duties (e.g. Health and Safety). Whereby any borrowing will be capped by the forecast headroom as indicated (including updates reported as necessary) within the CFR / external as shown below, this headroom will be restricted to measurement with the least headroom. This applies both to general fund and public sector housing debt.

Debt Measurement	VDRP Original Forecast (Approved: March 21) £m	Debt / VDRP Qtr3 Actual & Forecast £m	Movement (Under) / Over £m
CFR			
2020/21	1,443.5	1,411.6	**(31.9)**
2021/22	1,434.2	1,382.9	**(51.3)**
2022/23	1,390.6	1,365.1	**(25.5)**
2023/24	1,337.3	1,311.6	**(25.7)**
2024/25	1,272.5	1,253.4	**(19.1)**
External Debt			
2020/21	981.6	932.8	**(48.8)**
2021/22	991	900.9	**(90.1)**
2022/23	986.2	888.0	**(98.2)**
2023/24	954.8	864.0	**(90.8)**

2024/25	927.4	843.5	**(83.9)**

The policy also states that “Nothing in this policy shall prevent the Council from exercising normal day-to-day management of its borrowings through Treasury Management activities and/or the use of internal borrowing.”

Borrowing Strategy: The Council is currently maintaining an under-borrowed position and does not expect to require new borrowing for the General Fund in the forecast period.

This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk remains a significant consideration.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. Interest rates are closely monitored in financial markets and a pragmatic approach to changing circumstances will be taken:

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised.*

The Councils longer-term requirement for borrowing, known as the CFR will be a key consideration before taking on new or replacement borrowing, where cash flow permits debt upon maturity will be repaid without replacement to bring the overall level of debt down and reduce the Council’s cost of financing.

However, to manage interest rate risk this strategy includes the option to fund future years’ borrowing requirements including maturing loans or to reduce the level of internal borrowing providing this does not exceed the authorised limit for borrowing.

Any borrowing will be subject to the Council’s borrowing limits, maturity limits and the limits on the exposure to variable interest rates shown in section 3.2 to comply with the Prudential Indicators in section 5, and will be reported to the Executive Board and Audit Committee at the next available opportunity following its action.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Nottinghamshire County Council Pension Fund)
- Insurance and Assurance companies
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- finance leases
- Private Finance Initiative
- sale and leaseback

3.5 Policy on borrowing in advance of need

Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The Council's policy is to borrow to meet its forecast Capital Financing Requirement (CFR), including an allowance (currently £30m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme, to replace maturing loans, or to meet other expected cash flows.

3.6 Debt rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. This is currently unlikely to occur as there is still a very large difference between the PWLB premature redemption rates and new borrowing rates.

Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile).

All rescheduling will be reported to the Executive Board and Audit Committee, at the earliest meeting following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and Non-HRA borrowing. Although significant new borrowing is very unlikely in the forecast period, consideration may still need to be given to alternative funding sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)

With support from our treasury management advisors we will keep informed as to the relative merits of each of these alternative funding sources.

4 Annual Treasury Investment Strategy

4.1 Treasury Management Investment policy – management of risk

The Department for Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- DLUHC 's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep the majority of investments short term laddering maturities to benefit from anticipated increases to short term interest rates and to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 5 years with high credit rated financial institutions, as well as wider range fund options on the basis the medium term cash flow forecast permits this.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two categories of investment: 'specified' and 'non-specified'.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by councillors and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments (see table 2 in section 4.4).

6. **Approved Counterparties and limits**, (amounts and maturity), for each type of counterparty will be set through applying the matrix table 1 in section 4.4.

7. **Investment limits** are set for each type of investment in table 3 in section 4.5.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, shown in table 4 in section 4.6.

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see section 4.4 – specified investments).

10. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

12. As a result of the change in accounting standards for 2020/21 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23.

This authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.7). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

- The counterparty limits have increased from £10m to £20m for higher credit rated organisations.
- Increase from £10m to £30m for each Money Market Fund (MMF) with maximum of £120m across all MMF's.

- Removal of the limit per custodian account. These are required to hold tradable instruments such as Treasury Bills and Certificates of Deposit. The limits on the individual investment counterparties will remain.

The changes are supported by internal analysis and external advice on appropriate limits based on similar size councils and to facilitate forecast investment balances in the period covered by this investment strategy.

These changes will allow the higher balances of surplus cash to be invested across the higher credit quality counterparties whilst maintaining a good level of diversification across the portfolio. The remaining criteria are unchanged from last year.

4.2 Investment strategy

Objectives: Both the CIPFA Code and the DLUHC Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income. For liquidity purposes investment balances are expected to be maintained above £30m.

Strategy: Investments will be made with reference to the forecast core cash balances, cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While cash balances are required in order to manage the ups and downs of the known cash flow cycle, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed and considered.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

4.3 Investment returns expectations

The current forecast shown in paragraph 3.3, includes a forecast for a further increases in Bank Rate in 2022/23.

The suggested investment earnings rates for returns on new investments placed for periods up to about three months during each financial year are as follows:

Average % for new investments in each year	
2022/23	1.00%
2023/24	1.25%
2024/25	1.25%
2025/26	1.25%
Long term later years	2.00%

4.4 Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in table 1 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 1: Approved Investment Counterparties and Limits			
Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£20m 12 months	£20m 10 years	£20m 10 years
AA+	£20m 12 months	£20m 5 years	£20m 10 years
AA	£20m 12 months	£20m 5 years	£20m 10 years
AA-	£20m 12 months	£20m 2 years	£20m 5 years
A+	£20m 12 months	£20m 2 years	£20m 5 years
A	£20m 12 months	£20m 2 years	£20m 5 years
A-	£10m 6 months	£20m 13 months	£20m 5 years
None	n/a	n/a	£20m * 5 years
Money Market Funds (AAA or equivalent)	£30m per fund		
Strategic pooled funds (AAA or equivalent)	£20m per fund		

** Includes other UK Local Authorities – limit per Authority*
This table must be read in conjunction with the notes below: -

Lloyds Bank: The Council's current provider of banking services, will be subject to the limits in table 1 for investment balances, but also accommodate necessary short-term cash management balances within its bank accounts for periods of up to 4 days with no maximum sum.

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are not made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Debt Management Office deposits, loans, bonds and bills issued or guaranteed by national governments, regional and local authorities, supranational banks and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Money Market Funds: A highly rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments and offer same-day or short notice liquidity and very low or no price volatility. The Money Market Fund definition and limit includes CNAV, LVNAV and VNAV Cash and Cash-plus funds. All are highly regulated and have to operate within minimum credit quality and diversification requirements as set out by rating agencies to maintain an AAA money market fund rating. These are used as an alternative to short term deposits and instant access bank accounts.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly. Funds will only be considered if they have an AAA fund credit rating.

Risk Assessment and Credit Ratings:
Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Specified Investments: The DLUHC Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months,
- not defined as capital expenditure by legislation, and
- invested with one of:

- the UK Government,
- a UK local authority, parish council or community council, or
- a body or investment scheme of “high credit quality”.

The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of AAA from at least one of the main credit rating agencies.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any financial investments (treasury management investments) denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified treasury investments will therefore be limited to long-term investments, i.e. those that are due to mature in 12 months or longer. The limits for non-specified investments are shown in **table 2** below.

Table 2: Non-Specified Investment Limit	
	Cash limit
Unsecured Bank Investments > 365 days *	£0m
Secured Bank Investments > 365 days *	£40m
Government Investments > 365 days (inc Local Authorities) *	£100m
Total non-specified investments	**£100m**

* The table above shows the non-specified investment limits by the investment type. The investment limits in Table 1 & 3 also apply.

4.5 Investment Limits

In order to limit the amount of available reserves put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government and Money Market Funds) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on Money Market Funds, foreign countries and industry sectors as below. Investments in Money Market Funds & Strategic Pooled Funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment Limits	**Cash limit**
Any single organisation, except the UK Central Government and Money Market Funds	£20m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£20m per group
Foreign countries	£40m per country
Money Market Funds (AAA or equivalent *)	£30m per fund & £120m in total
Strategic Pooled Funds (AAA or equivalent *)	£20m per fund & £40m in total

***** Money market fund “fund” ratings are different to individual counterparty ratings, coming under either specific “MMF” or “Bond Fund” rating criteria.

4.6 Investment treasury indicators

The Council measures and manages its exposures to treasury management risks using the following indicators. These voluntary indicators are a guide to risk levels and they may be breached from time to time, depending on movements in interest rates and counterparty criteria. These will be reported against, in the mid-year or Annual Report.

Security
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

- Target portfolio average credit rating = A

Liquidity
The Council balances not keeping excessive amounts of cash in call accounts to reduce the cost of carrying excess cash against the liquidity risk of not having cash available to meet unexpected payments. To mitigate the liquidity risk the Council has access to borrow additional, same day, cash from other local authorities and seeks to maintain:

- Liquid short term deposits of at least £30m available within a week’s notice.
- Bank overdraft - £0m

Yield
The Council has adopted a voluntary measure of yield against industry benchmark rates

- Average Investment return against the 7-day SONIA rate

Interest Rate Exposures
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 reflect the forecast cash balances after each year-end plus headroom to accelerate borrowing to manage interest rate risk as detailed in section 3.4. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 4: Upper limit for principal sums invested for longer than 365 days

£m	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	£100m	£100m	£100m
Current investments as at 31.12.21 in excess of 1 year maturing in each year	£10.0m	£9.9m	£0m

4.7 Other Items

There are additional items that the Council is obliged to include in its Treasury Management Strategy in line with CIPFA or DLUHC guidance.

4.7.1 Liquidity Management:

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

4.8.2 Policy on Use of Financial Derivatives:

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

4.8.3 Policy on Apportioning Interest to the HRA:

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the average 3 month UK Government Treasury Bill interest rate to reflect a credit risk free return.

4.8.4 Policy on Council Subsidiary Deposit Facility:

The Council has a number of subsidiary companies within the group organisation, as such the it may provide a safe haven deposit facility for surplus cash balances held by these companies. These funds are available on request subject to minimum notice period and balances would attract interest at a rate agreed at the time of the request.

4.8.5 Management of treasury risk:

Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. Details of the specific risks identified in respect of treasury management within the Council are adopted to form a Risk Management Action Plan. This

Plan is reviewed at regular intervals at meetings of the Treasury Management Panel and an overview is reported to Audit Committee as part of the Treasury Management reporting.

5 Appendices

5.1 The Capital Prudential and Treasury Indicators

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans.

5.1.1 Capital expenditure & the Capital Financing Requirement

See paragraphs 2.1 & 2.2

5.1.2 The Authorised limit for external debt and the operational boundary

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt		1,206.9	1,165.4	1,120.0	1,073.5	1,026.7
Other long-term liabilities (Inc PFI)		158.3	146.2	133.4	119.8	107.8
Total	**1,415.2**	**1,365.1**	**1,311.6**	**1,253.4**	**1,193.3**	**1,134.5**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit £m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt		1,236.9	1,195.4	1,150.0	1,103.5	1,056.7
Other long-term liabilities (Inc PFI)		158.3	146.2	133.4	119.8	107.8
Total	**1,445.2**	**1,395.1**	**1,341.6**	**1,283.4**	**1,223.3**	**1,164.5**

5.1.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

These indicators reflect decisions on future capital plans and policies detailed in the Capital & Strategy with the objective to reduce the forecast cost of financing and support the Council returning to financial and operational stability.

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
General Fund	17.63%	17.67%	17.40%	16.30%	16.29%
HRA	14.06%	15.29%	15.61%	15.87%	15.94%

The estimates of financing costs include current commitments and the proposals in this report. The net revenue stream is shown as the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes ring-fenced NET (tram) government grant and revenue raised from the Workplace Parking Levy.

b. HRA ratios

The first of two local HRA indicators below shows the ratio debt to revenue showing the sustainability of the debt load over the forecast period.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £m	298.047	300.767	307.399	309.017	309.969
HRA debt cap £m (abolished)	319.800	319.800	319.800	319.800	319.800
HRA revenues £m	106.254	106.663	106.636	106.873	106.873
Ratio of debt to revenues %	**2.8**	**2.8**	**2.9**	**2.9**	**2.9**

The second indicator shows the HRA debt per dwelling based on the forecast debt level.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £m	298.047	300.767	307.399	309.017	309.969
Number of HRA dwellings	25,284	25,149	25,099	24,715	24,531
Debt per dwelling £'s	**11,788**	**11,959**	**12,247**	**12,503**	**12,636**

5.1.4 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2022/23			
	Lower	**Upper**	**Actual at 30.09.2021**
Under 12 months	0%	15%	3%
12 months to 2 years	0%	15%	4%
2 years to 5 years	0%	15%	10%
5 years to 10 years	0%	20%	17%
10 years to 25 years	0%	20%	7%
25 years to 40 years	20%	40%	31%
40 years and above	20%	40%	29%

Please note that the maturity date is deemed to be the next call date.

5.1.5 Control of interest rate exposure

Please see paragraphs 3.2.

The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next three financial years. A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt**.**

£m	2021/22	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Variable rate debt	300.0	200.0	200.0	200.0	200.0	200.0

The level of variable rate debt as at 31 December 2021 was £41.3m.

5.2 Annual Minimum Revenue Provision Statement 2022/23

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG (now DLUHC) regulations were issued on 2 February 2018 which require the Council to approve an MRP statement in advance of each year.

The following statement only incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 2007/08, and for supported capital expenditure (defined as a borrowing allocation financed by Government grant) incurred on or after that date, the MRP policy will be to charge an amount per Schedule A below. This charge is based on the principle of repaying the outstanding balance as 31 March 2016 over a 50 year period (2066/67) as per profile approved in 2017/18.

- For unsupported capital expenditure incurred after 2007/08, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments *or* as the principal repayment on an annuity, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3 in the guidance)*

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability, to reflect accounting changes under IFRS16. The Section 151 Officer will determine the appropriate treatment, having regard to the MRP Guidance, in complex cases.

- Where loans are made to other bodies for their capital expenditure, No MRP will be charged, but instead will apply the capital receipts arising from principal repayments to reduce the outstanding debt in the capital financing requirement. The principal repayment profile is as shown in 3rd party loan agreements and where principal repayments are not broadly spread over the life of the loan or there is an anticipated expected loss on the loan, the Section 151 Officer may determine that MRP be made for reasons of prudence.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.

- Voluntary MRP may be made at the discretion of the Section 151 Officer.

- Capital receipts maybe voluntarily set-aside to clear debt or reduce the CFR.

- MRP Overpayments - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2022 the total VRP overpayments are expected to be £5.283m.

Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

<u>Schedule A - MRP profile for outstanding Supported Borrowing</u>

Supported Borrowing is capital expenditure incurred before 2007/08, and for supported capital expenditure incurred on or after that date.

	Year	MRP Payment	Supported Borrowing Balance
6	2022/23	76,894	204,579,667
7	2023/24	76,893	204,502,774
8	2024/25	4,755,878	199,746,895
9	2025/26	4,755,878	194,991,017
10	2026/27	4,755,878	190,235,138
11	2027/28	4,755,878	185,479,260
12	2028/29	4,755,878	180,723,381
13	2029/30	4,755,878	175,967,503
14	2030/31	4,755,878	171,211,624
15	2031/32	4,755,878	166,455,746
16	2032/33	4,755,878	161,699,867
17	2033/34	4,755,878	156,943,989
18	2034/35	4,755,878	152,188,111
19	2035/36	4,755,878	147,432,232
20	2036/37	4,755,878	142,676,354
21	2037/38	4,755,878	137,920,475
22	2038/39	4,755,878	133,164,597
23	2039/40	4,755,878	128,408,718
24	2040/41	4,755,878	123,652,840
25	2041/42	4,755,878	118,896,961
26	2042/43	4,755,878	114,141,083
27	2043/44	4,755,878	109,385,204
28	2044/45	4,755,878	104,629,326
29	2045/46	4,755,878	99,873,448
30	2046/47	4,755,878	95,117,569
31	2047/48	4,755,878	90,361,691
32	2048/49	4,755,878	85,605,812
33	2049/50	4,755,878	80,849,934
34	2050/51	4,755,878	76,094,055
35	2051/52	4,755,878	71,338,177
36	2052/53	4,755,878	66,582,298
37	2053/54	4,755,878	61,826,420
38	2054/55	4,755,878	57,070,541
39	2055/56	4,755,878	52,314,663
40	2056/57	4,755,878	47,558,785
41	2057/58	4,755,878	42,802,906
42	2058/59	4,755,878	38,047,028
43	2059/60	4,755,878	33,291,149
44	2060/61	4,755,878	28,535,271
45	2061/62	4,755,878	23,779,392
46	2062/63	4,755,878	19,023,514
47	2063/64	4,755,878	14,267,635
48	2064/65	4,755,878	9,511,757
49	2065/66	4,755,878	4,755,878
50	2066/67	4,755,878	-

5.3 Nottingham City Council Treasury Management Policy Statement

The following treasury management policy statement is required to be adopted annually by Full Council as part the Treasury Management Strategy.

1 Introduction and Background

1.1 The Council has adopted in full the recommendations of CIPFA's Treasury Management in the Public Services (as issued in 2017): Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-

- *A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities*
- *Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.*

1.3 The Council via Full Council, will receive reports on its treasury management policies, practices, activities and the annual treasury management strategy in advance of the year in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Executive Board. Executive Board will receive reports as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.5 The Council delegates responsibility for the execution and administration of treasury management decisions to the Chief Financial Officer (Section 151 Officer), who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.6 The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2 Policies and Objectives of Treasury Management Activities

2.1 The Council defines its treasury management activities as:

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

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities *will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.*

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

2.4 The Council's borrowing will be affordable, sustainable, prudent and proportionate with its financial resources and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's objectives, in relation to financial investments, in order of importance, remains

- *a. the preservation (security) of capital value*
- *b. The liquidity or accessibility of the Council's financial investments*
- *c. the yield earned on these investments*

5.4 Economic background and forecast commentary

The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn at the meeting on 16th December 2021.

On 03 February 2022 the MPC voted by a majority of 5-4 to increase Bank Rate by 0.25 percentage points, to 0.5%. with the 4 members in the minority preferring to increase Bank Rate by 0.5 percentage points, to 0.75%. The Committee also voted unanimously for the Bank of England to begin to reduce the stock of UK government bond purchases by ceasing to reinvest maturing assets.

These are forecasts for the short term money market rates and PWLB borrowing at certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 7.2.22	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

Recent UK Economic Data Releases

On 10th December there was 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 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.

5.5 The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to councillors of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that councillors are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following *: -*
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*

    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that* *appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

1. Introduction

1.1 Purpose of the Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which forms the foundation of the Council's long-term planning and delivery of its capital investment. It sets the parameters for the capital programme, which will be updated each year and will help to ensure that capital resources are used efficiently to achieve the best possible outcomes within constrained budgets.

Local authorities continue to operate in an extremely challenging financial environment with reduced levels of Government funding since 2010, the effects of Covid-19 and the uncertainties of Brexit. The severe impacts of the Covid-19 pandemic on the City will continue to have a financial impact for the medium term and the Council will need to consider how its business and services will operate in the future. How capital resources are acquired, deployed, and managed is a key part of the Council's strategic response.

The Prudential Code for Capital Finance in Local Authorities ('the Code') sets a framework to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable. The Code, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA), has legislative backing. As part of the prudential approach the Code requires authorities to have in place a capital strategy. It says:

'*In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.'*

In addition to the Code, CIPFA has published 'Capital Strategies and Programming', which considers in more detail the practical issues involved in capital planning and delivery. This strategy has been prepared considering the guidance in both these publications.

The approval and implementation of this strategy ensures that:

- Capital investment is targeted towards supporting the Council's corporate objectives
- Capital investment complements revenue spend on services.
- Stewardship of assets is properly considered in capital planning.
- Capital investment is prudent, sustainable, affordable, provides Value

for Money and does not meet the definition of a debt to yield or commercial investment.

- Members and senior officers have a common understanding of the long-term context in which investment decisions are made and all the financial risks to which the Council is exposed.
- Capital projects are delivered on time and within budget.
- There is improved transparency at programme level along with a clear process for member engagement.
- The Council is seen as an exemplar of good practice in its capital planning.

1.2 Local Context

Capital Ambition

Nottingham City Council has taken capital investment decisions over the last decade to improve its neighbourhoods and city centre environment, improve housing stock, build new libraries, a leisure centre and invest in public spaces. Nottingham has also invested in commercial properties in order to generate ongoing revenue returns. But the governance of the programme and particularly the borrowing implication of investments has not been as transparent as it needs to be, leaving the City with a high cost of servicing its debt and a high level of financial risk.

Following the election of a new political leadership in 2019, the Council has embarked on a series of significant changes to strengthen both the governance and financial stability of the Council.

The Council's Non-Statutory Review (NSR) and the Together for Nottingham Plan

During 2020/21 following a Public Interest Report (PIR) published on Council's by its external auditors (published 11 August 2020), a NSR was commissioned by the [then] MHCLG in October 2020 led by Max Caller CBE to provide assurance of the Council's financial position.

The key findings of the NSR in relation to capital expenditure and financing included recommendations on the governance and control of the capital programme, reducing high level of borrowing and the management of assets and their disposal.

The Council has developed the *Together for Nottingham Plan* in response to the findings of the NSR and is working with the Improvement and Assurance Board, chaired by Sir Tony Redmond, to deliver it.

The report acknowledged that a well-managed capital programme, is a critical contributor to the overall financial recovery of the City Council and recommends a review of the capital programme which will look to stabilise the current programme and put it on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework supports the Council in achieving this. Implementation of the Plan is a key priority of the Council and the Capital Strategy forms a key component part.

Key continuing activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities (for example around EnviroEnergy and the former Broadmarsh Shopping Centre).
- Compliance with the Council's Debt Reduction Policy to reduce Council debt to a sustainable level.
- A maturing of the capital prioritisation process and the separation of spending and funding decisions.
- Providing a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

The *Together for Nottingham Plan* was approved at Full Council on 10 January 2022, updating the previous Recovery and Improvement Plan and can be found at:

https://committee.nottinghamcity.gov.uk/documents/s130208/Nottingham%20Economic%20Recovery%20and%20Renewal%20Plan.pdf

The implementation of this strategy will assist in the Council meeting its *Together for Nottingham* Plan by ensuring:

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

1.3 Executive Summary

The capital strategy forms the foundation for the long-term planning of capital investment based on clear capital investment principles, sound asset management and effective resource planning.

The Council will deliver its capital programme through effective and coherent processes for:

a. Formulating the capital programme with clear criteria to ensure that capital investment continues to be directed towards meeting corporate objectives.

b. Approving and amending the capital programme and for scrutinising decisions relating to capital planning.

c. Managing its resources holistically to support spending priorities with regard to long term sustainability.

The annual cycle for formulating a rolling multi-year capital programme will be overseen by the Capital Board. Executive Board will recommend the programme for approval each year in line with the Medium Term Financial Strategy (MTFS) approvals process. To successfully deliver the programme, the Council will:

d. Continue to ensure it has the skills, and expertise needed.

e. Further strengthen the corporate programme management function.

f. Streamline governance, monitoring and reporting processes.

g. Ensure the sound financial position is maintained through sustainable deployment of resources.

The Council will maintain a measured approach to risk, particularly in relation to:

h. the use of alternative models for the delivery of capital investment

i. the incurring of other long-term liabilities

j. capital investment which generates return on the basis it does not meet the debt for yield criteria.

Such proposals will, as far as practicable, be subject to the same evaluation process as for capital schemes.

Projects will be managed via a clear gateway process to progress through various stages starting with an outline project brief and finishing with a lessons learned report with on- going cycle of review outcome testing.

2. Aims & Objectives of the Capital Investment

2.1 Definition of capital expenditure

Capital expenditure is spending on assets that will provide a benefit beyond the current financial year and is defined expenditure in its financial statements as:

Capital Expenditure (Capital Investment)
Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant, and equipment.
Nottingham City Council – Financial Statements 2020/21

As detailed in the Council's Accounting Policies the Section 151 officer has the discretion to capitalise (i.e. recognise) all capital expenditure but has set its policy de minimis levels in the Council's Financial Statements as expenditure below £10k.

The Council has no authority to capitalise revenue expenditure without the express approval of the Secretary of State.

2.2 The Importance of asset planning

Capital expenditure represents investment in assets and therefore it is important that decisions should be based on sound asset planning principles. It is only by understanding the Council's asset requirements that efficient decisions can be made about prioritising both capital investment and a comprehensive disposal strategy. It is critical that asset plans and the capital programme are aligned to enable effective decision making.

Effective asset planning should assist the Council is realising its objectives and meeting its statutory duties. This is constrained by the financial context the Council is currently operating within with available capital and revenue resources reduced.

The Council's assets consist of:

a. Property Assets (e.g. Operational / Investment and Community)
b. Dwellings
c. Infrastructure (e.g. roads)
d. ICT Assets (hardware and software)
e. Vehicles and other equipment

2.3 Property Asset - Strategy

It is recognised that there is a need for a more sustainable and long term strategic approach to the management of the Council's property assets. Following an independent review of how the Council manages its property assets, recommendations are being taken forward to move towards a Corporate Landlord approach. This will result in a more joined up corporate approach to asset and property management.

A Corporate Asset Management Plan is being produced - the key components of which, relevant to the Capital Strategy, are:

a. regular review of the portfolio to identify assets that can be released with the capital receipts used to support capital programme expenditure.
b. lower the operating costs of the property portfolio through release of poorly performing or surplus assets
c. support the provision of integrated access to public services through joint working with partners to create multi-agency service facilities
d. identify and exploit the latent value of the estate with emphasis on site

utilisation or where opportunities to generate income/ value from alternative uses can be realised

e. minimise future liabilities to the Council by reducing the backlog maintenance and/or lowering its overall carbon footprint by releasing buildings which are poorly performing in terms of CO2 emissions or maintenance unless they are service critical; to improve their sustainability
f. challenge utilisation and use of the portfolio, including buildings let on concessionary terms to occupiers.

A comprehensive review of the Council's commercial property assets overseen by the Asset Rationalisation Board, is also being undertaken.

The prioritisation of capital investment will reflect the requirements of the Corporate Asset Management Plan and this will be overseen by the Capital Board.

Property Asset – Disposal

The Council maintains an Asset Rationalisation Programme (ARP) which is governed by the Asset Rationalisation Board. The aim of the programme is to review the Council's operational and non-operational assets, identifying any assetsfor potential disposal. The work of this Board is an integral input into the remit of the Capital Board.

Any available capital receipts generated from the ARP will be pooled and used to meet the Council's current commitments including debt reduction and the repayment of reserves. Capital receipts will not generally be hypothecated against individual projects and only then, with the express consent of the Section 151 officer. Further details can be found in section 5.1.

The investment property portfolio is also being reviewed with a view to liquidating those assets that do not provide the required return or carry an unacceptable current or future risk to the Council

The Council's has a disposals policy which provides the framework for asset disposals and confirms the Council policy to dispose of assets at best consideration (usually market value) to maximise the capital receipts. It will also consider other forms of asset management (such as the transfer some heritage buildings to trusts to achieve a service objective) but a robust and comprehensive options appraisal is required to ensure best consideration.

Public Sector Housing - Dwelling Strategy

The condition of the Council's dwelling stock is contained within the Dwelling Asset Management Plan. This asset management plan contains all the maintenance elements with stock conditions updated periodically following stock surveys. The data produced by the Dwelling Asset Management Plan forms a key component of the 30 Year Plan to ensure that stock is managed and maintained in an effective and affordable manner.

2.4 Capital Investment Objectives

The aim of capital investment is to ensure the Council has the assets required to meet corporate objectives as set out in the Council Plan. This includes fulfilling our statutory duties and pursuing priorities set out in the Council Plan in accordance with current Council policies. Capital investment must be responsive to economic, legislative and demographic changes.

The process for prioritising projects in accordance with the corporate objectives and the funding policy is described in Section 3.4. Ensuring that the evaluation criteria reflects those objectives is a key part of the prioritisation process.

Statutory duties

It is essential that the Council can fulfil its statutory duties as a unitary authority. This requires ongoing capital investment both to maintain existing assets and to meet changing needs. This statutory requirement is a key consideration in the prioritisation process.

Corporate Priorities / Plans

The Council Plan is a key driver in Council's service provision and its capital investment requirements. To reflect the Council's corporate priorities, the Capital Strategy is driven by the refreshed Strategic Council Plan 2021-2023, which is founded on a number of key objectives a summary is provided below:

- Increase the number of social, affordable homes and homes for homeless by 1,000.
- Help local people into good quality employment.
- The fit out of a new Central Library, with a particular focus on the offer to children and young people.
- Becoming the first carbon neutral city in the country, aiming to reach this target by 2028. This involved the creation of Nottingham's 2028 Carbon Neutral Charter.
- Make Nottingham a safer city by reducing crime and anti-social behaviour.
- Achieve a sustainable financial plan which supports the achievement of the Council's objectives in each year for the period 2022/23 to 2025/26.

These objectives reflect an on-going commitment to the City Council's core aim to "put citizens at the heart of everything we do". This is central to the Council's priorities, decision making and service delivery.

A copy of the Council plan can be found on the following link:

https://www.nottinghamcity.gov.uk/media/3371718/strategic_councill_plan_2021.pdf

External Requirements: Economic / Legislative, Demographic, and other changes

There any many other changes within the city that could create a need for the

Council to invest capital in new or existing assets, examples are the need for school places, provision of affordable housing and transport infrastructure. This could include external factors such as

- Changes in legislation,
- Central Government initiatives (normally in the form of grant)
- Changing external economic forecasts
- The consequences of events such as the Grenfell fire.

The Council must manage its Capital Programme with a high degree of flexibility to enable it to react to external factors while still delivering its statutory duties / council policies in an affordable manner.

The overriding need to reduce the Council's borrowing requirement and debt will be critical in determining the size and scale of the capital programme. The prioritisation process will support this work.

2.5 Capital Investment Principles

The capital strategy requires that all projects are fully accounted for and funded, assisting the immediate requirement to review the existing programme for affordability and providing a framework for schemes going forward.

The principles of the strategy are as follows:

a. Current approved (or committed) schemes will be supported in line with prioritisation criteria subject to sufficient resources being identified to enable them to proceed or complete up to the approved level of expenditure**.**

b. New schemes funded by borrowing will not be considered as a result of the Voluntary Debt Reduction Policy and the parameters as detailed in section 5.1. The Voluntary Debt Reduction Policy is set out in **Appendix B**. New schemes with prudential borrowing will only be considered once the Council's debt is considered to be at a sustainable level.

c. All new schemes will be subject to a strict objective prioritisation process, which will include a robust business case including whole life costing.

d. All new schemes must align to the new PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope.

e. Capital receipts are a central resource and not generally linked to specific schemes including assets identified for disposal as part of the Asset Rationalisation Programme. Permissible exceptions are:

   - School Sites ring-fenced by the Secretary of State for education purposes.
   - Sites identified as part of the Loxley House Acquisition.
   - Commitments of capital receipts from prior decisions (including repayment of outstanding debt).

   Outside these criteria, the express agreement of the Section 151 Officer is required in order to link a capital scheme (all or part) to a specific capital receipt.

f. Only secured capital receipts will be considered in decisions to fund capital schemes (i.e. no capital receipt-funded scheme to commence until sufficient receipts are banked).

g. Revenue implications of schemes are fully reflected in the MTFP and affordable within services.

h. The capital budget approved by Full Council is a key control total and no further schemes (other than those fully funded by external resources with a manageable revenue impact), will be included in the programme unless an existing scheme(s) is removed or deferred.

i. All uncommitted non ring-fenced capital funding will be reviewed. Non ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives:

   - Transport grant funding
   - Education based grants
   - Disabled Facilities Grant

   If the financial models for approved schemes move adversely during the pre- contract stage by the lower of £1.000m or 20% either cash or NPV (if applicable), further approval will be required including a revised business case.

3. Governance and Control

3.1 Capital Investment Delivery

To enable the delivery of capital investment in accordance with the Council's objectives the Council will:

a. Continue the robust governance framework.

b. Maintain the process for formulating, approving, amending, and monitoring the Capital Programme.

c. Prioritise and challenge individual projects prior to inclusion in the Capital Programme.

d. Ensure officers and Councillors have the appropriate knowledge and skills to deliver the Programme.

e. Managing risks and mitigating where possible.

f. Consideration of alternative delivery options.

3.2 Capital Programme Board

The Council has established a Capital Board with robust processes for developing a rolling multi-year capital programme, operating on an annual cycle with clear timescales, clear information requirements and clear evaluation criteria. This approach ensures that capital resources are directed towards supporting schemes that best meet corporate objectives and that capital projects are deliverable.

This Board provides strategic oversight of the strengthened Governance and Control Framework. This will ensure that projects only commence once they have gone through the prioritisation process, and are thensubject to a support, monitoring and assurance package to improve delivery. Controls will also extend to the management of benefits post-delivery to help inform ongoing performance and future investment decisions.

The Capital Programme Board is chaired by the Leader of the Council and the S151 Officer chairs the Capital Programme Officer Group. This group is supported by input from Corporate Directors who will oversee their departmental capital requirements via their departmental leadership teams and carrying out an initial sift of schemes to put forward into the prioritisation process. This is done with knowledge of the prioritisation criteria set out in the following sections. Departments will also be required to have long term strategies for the capital requirements for their areas to help ensure that investment is only being proposed where it is needed and proposals are not put forward in areas where the longer term plan does not support this. Taking these measures together which will reduce the number of project proposals that are considered by the Capital Board.

The Capital Programme Officer Group supports the Capital Programme Board and willin turn be supported by officer groups covering the following thematic areas.

a. Capital Programme Financial Monitoring
b. Capital Programme Management and Benefits Realisation
c. Asset Management and Disposal
d. Capital Strategy and Programme Review

Capital Board may also delegate to the relevant programme board responsibility for further consideration of project proposals against a block allocation, particularly where capital resources are ring- fenced or it is considered desirable to treat them as ring-fenced. The capital programme high level terms of reference is set out in **Appendix A**.

3.3 Formulation and Approval of the Capital Programme

The annual cycle for the capital programme will align with the Medium-Term Financial Plan timelines and cumulate in a capital programme that is approved March Council.

An indicative annual cycle is set out below:

- **March** – Parameters for are agreed by Capital Board
    - Timetable for the cycle including deadlines for submissions
    - Indication of overall level of resources expected to be available to

allocate

- ➢ Standard information that must be submitted for each project proposal
- ➢ Evaluation criteria that will be used to prioritise projects

- ❖ **April to Mid May** – Corporate Directors via their departmental leadership teams consider outline project briefs and shortlist those to be submitted into the prioritisation process

- ❖ **End of May** – Outline project briefs are reviewed and challenged by a team nominated by the Capital Programme Officer Group; further information / clarifications are requested as appropriate

- ❖ **June** – Prioritisation takes place against pre-agreed criteria by a subgroup of officers nominated by the Capital Programme Board. This group will recommend which projects should go forward to the next stage, which should be put on a reserve list and which rejected to the Capital Programme Officer Group and thento the Capital Programme Board.

- ❖ **July to October** – feasibility studies commissioned and initial business cases developed by project teams for projects that have been recommended to progress. Business Cases will follow Treasury Green Book principles using a five- case model. This will require them to include options appraisals, outline procurement strategies and affordability projections amongst other items.

- ❖ **July to October** – feasibility studies commissioned and initial business cases developed by project teams for projects that have been recommended to progress. Business Cases will follow Treasury Green Book principles using a five case model. This will require them to include options appraisals, outline procurement strategies and affordability projections amongst other items.

- ❖ **November –** Business cases are the subject to a gateway style assurance review.

- ❖ **December –** Capital Programme Officer Group and the Capital Programme Board receive recommendations from the reconvened prioritisation panel, which will have considered each scheme’s progress since July and the recommendations of the gateway style review. Capital Programme Board to recommend to Executive Board which projects should be included in the capital programme.

- ❖ **January –** Draft Capital Programme and Capital Strategy endorsed by the Capital Board.

- ❖ **February** – Executive Board to approve the capital programme for the following and subsequent financial years.

- **March** – Council approve MTFS including Capital Programme. The annual cycle will commence in March with an invitation to submit proposals for new projects to be included in the revised multi-year programme to be approved by Executive Board the following February.

- **April – May –** updates / reviews on the previous year's projects will be received by the group undertaking the initial prioritisation process. This will be done to assess the progress being made and the accuracy of previous of assumptions. This will create the potential for projects that have not progressed as expected to be slipped / removed should other higher-ranking priorities emerge in this round of prioritisation. Reflection on assumptions made by projects in previous years at this stage will also help to inform how confident the group carrying out prioritisation can be in future year scheme projections.

- **December** – A repeat of the above stage before the Capital Programme Board makes its final recommendations for the future capital programme.

Requests for new project proposals to be progressed in advance of this cycle will be considered in accordance with the process set out below under the heading 'Amendments to the programme'. This approach will also be used for ad hoc requests coming into the programme part way through the year. These requests should be the exception rather than the rule and would generally apply to schemes such as emergency health and safety works or where a funding opportunity has arisen at short notice.

The standard templates for this process, along with guidance notes and wider supporting information on project management will be kept on the intranet and regularly reviewed to ensure it is kept up to date. The link to this information is: http://intranet.nottinghamcity.gov.uk/major-projects/major-projects-centre-of- excellence/corporate-reporting/

3.4 Prioritisation, Appraisal and Evaluation of Project Proposals

The Council will use evaluation criteria to determine in principle whether a project should be prioritised. Given the financial context and the limited resources available, there will be little flexibility for schemes to progress or current uncommitted schemes to continue without meeting the strict prioritisation criteria.

Capital schemes will be strictly prioritised based on the following:

a. Schemes entirely funded by external grant and with £nil revenue impact
b. Approved Projects that enable compliance with legal or statutory duties (e.g. Health and Safety)
c. Planned Projects that enable compliance with legal or statutory duties (e.g. Health and Safety)

d. Legal or Statutory Schemes in the following financial year
e. Transformation commitments in accordance with the Capitalisation Directive
f. Replenishment of Reserves temporarily used for prior capital decisions (until this is fully repaid)
g. Schemes that support key Council Priorities
h. Repayment of debt where the Council has borrowed in lieu of secured funding (until this is fully repaid)
i. Other commitments outside the Capital Programme
j. Other schemes

Projects where the primary purpose is to generate a surplus will not be permitted under any circumstance. The judgement of the Section 151 officer is final in determining if a proposal breaches this criterion.

The criteria will be continually reviewed and amended as appropriate to reflect lessons learned from applying it in practice, as well as changing priorities and external factors.

At Gate 1 the relevant project board will also check that the proposal meets the definition of capital expenditure, is consistent with the Council's policy on capitalisation and has gone through a Gateway 0 by going through a Project Assurance Group review.

In addition to the evaluation criteria, Capital Programme Board, in evaluating project proposals, will consider:

- The whole life cost implications of the proposed scheme, including thosearising from ongoing maintenance requirements, both capital and revenue
- How the investment will play a part in the managing the medium to long term demand for Council Services
- How the investment will be made to maximise the benefits for the Council across a range of its priorities and objectives
- Ability to deliver so that projects accepted into the programme can realistically be delivered in accordance with the timescales indicated bythe phasing of the project within the multi-year programme.

3.5 Formal approval of the capital programme

The Capital Programme, Capital Strategy and the Treasury Management Strategy are intrinsic parts of a Medium Term Financial strategy. Executive Board is required to approve the rolling multi-year capital programme at the same meeting each year when it recommends the revenue budget to full Council for the following financial year. This will ensure that the revenue implications of the capital programme are reflected in the revenue budget.

Where individual schemes are formally approved for acceptance into the capital programme, the capital budgets for the relevant financial years will also be deemed to have been approved. However, where a block allocation is approved as part of the programme, then a further decision may be required, in accordance with the scheme of delegation, to approve the capital budgets for individual schemes.

Amendments to the programme will require approval in accordance with the scheme of delegation. In exceptional circumstances a new scheme may need to be progressed outside the normal annual cycle and the decision to allow the scheme to be considered is delegated to the Capital Board.

3.6 Amendments to the Programme

There will be occasions where amendments to the Capital Programme will be required. These are likely to fall into two main categories:

a. Variations to scheme costs / outcomes / risk / timelines – whilst it is essential that projects are scoped within a fully affordable cost envelope together with an appropriate contingency representing the assessed risks, variation on projects is likely to happen. These variations will be picked up through the monitoring of the programme (3.7) with formal amendments requiring approval as set out within the Council's Scheme of Delegation.

b. Ad hoc additions to the capital programme – The capital programme should be capable of being planned within the cycle set out in Section 3.4.

c. However, there may be a small number of exceptions to this, for example emergency health and safety work. These requests should be raised to the Capital Programme Officer Group as soon as they become known using the appropriate template. The Capital Programme Officer Group will consider the requests, including the implications for the wider capital programme, for example does it require match funding, is there sufficient funding in the programme to meet the request and or amendment to the programme are required.

d. A recommendation will then be made to the Capital Programme Board as to how to proceed, including what action needs to be taken on other schemes to accommodate the request. If the Capital Programme Board endorses the request then the project will need to seek formal approval, develop its business case, and go through the standard approval and monitoring processes that apply to all schemes within the capital programme.

3.7 Monitoring of the Programme

The S151 Officer is responsible for ensuring that there is an effective system for capital monitoring. This will ensure that capital investment is delivered on time and within allocated resources, whilst meeting the objectives and outcomes. Capital programme monitoring will be undertaken monthly and reported to the Capital Board and Executive Board.

Schemes with a value greater than the Council's de minimis level are required to undertake a monthly monitoring return to the PMO to ensure that progress to milestones and project risks are recognised at a corporate level.

Monitoring templates are available on the Councils intranet.

3.8 Assurance Process

In order to have been accepted into the Capital Programme either through the annual cycle (3.3) or as a programme amendment (3.6) all projects will have needed to have completed an initial brief (Gateway 0) form, which will have been assessed by officers nominated by the Capital Programme Officer Group.

Thereafter the prioritisation process requires initial business cases to be reviewed by a group of officers not involved with the project (Gateway 1). The recommendations from this review are fed into the prioritisation process to inform decision making on which projects to proceed with and any actions / risks that need consideration for approved projects.

Once a scheme is approved for entry into the capital programme it will then be the subject of regular monitoring by the Council's Programme Management Office (PMO) who will report back on progress to the Capital Programme Officer Group (3.6). The PMO's regular dialogue with projects will also be used to spread relevant lessons learned between schemes to ensure that best practice is being adopted.

Further assurance reviews may also be required depending on the size and nature of the project. Projects may also require a review of their final business case if they are particularly complex (Gateway 2). A further assurance review should also be undertaken when a project undertakes procurement (Gateway 3) and is therefore near to delivery. Once a project is complete and in operation, a 'lessons learned' review should also be undertaken. For certain projects these will be facilitated by the PMO, but the lessons from all projects should be fed back to the PMO where they can be analysed for future application, reported, and disseminated as appropriate.

Recommendations arising from these Gateways and the outcomes of the Lessons Learned exercises will be reported back to the Capital Programme Officer Group and Capital Programme Board

Further information on the Assurance process can be found in **Appendix C**.

3.9 Facilitating Delivery

Robust processes for approving, monitoring and scrutiny of the capital programme are needed, but should be designed and administered in a way that facilitates, rather than hinders, project delivery. Monitoring and reporting requirements should be robust and comprehensive but not onerous in order that delivery teams can focus their efforts on the activities required to deliver projects.

To facilitate delivery, the Council has introduced new, robust governance processes and has

a. standardised the formats of reports, while allowing the detail provided to vary depending on the size and complexity of different projects
b. avoided duplication of effort in providing the information more than once
c. ensuring corporate documents are well thought through and written in plain English
d. ensuring that the scheme of delegation, financial regulations and procurement rules are consistent with each other and are clearly communicated across the organisation
e. ensuring there is good communication between delivery teams and those responsible for determining and administering the approvals process
f. ensuring those responsible for determining and administering the approvals process have a good understanding of the specific requirements of capital projects and works contracts.

3.10 Knowledge and skills required to deliver Capital Programme

To ensure that capital projects are delivered efficiently meeting the Councils objectives and that the Capital and Treasury functions have the necessary skills. The Council ensures that its staff delivering the projects, the Capital and Treasury Management teams have their training needs assessed as part of the staff appraisal process with staff attending seminars / conferences and training courses where necessary.

The CIPFA Code requires the responsible officer to ensure that Councillors with responsibility for treasury management receive adequate training. This especially applies to Councillors responsible for scrutiny. Appropriate training is provided periodically to Councillors and other relevant staff that are charged with governance.

External advisers are engaged where required so that the Council can access specialist skills and resources whilst the responsibility for every decision always remains with the Council, ensuring that undue reliance is not placed upon our external advisers.

A project's readiness to deliver will be considered as part of its business case, which will be reviewed during the prioritisation process. Part of this review will consider whether the project team identified to deliver the scheme is appropriate in terms of their skills and experience.

4. Risk and Mitigation

4.1 As defined in the prudential code capital expenditure can broadly be categories into two categories types

a. **Service Delivery Investments,** held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure), and

b. **Investment for Commercial return,** held primarily for financial return with no treasury management or direct service purpose.

In the current financial circumstances, the Council recognises that achieving its aims will require consideration of alternative delivery structures and of all forms of funding including the acceleration and use of capital receipts with a clear understanding how the affordability of such expenditure can be managed over the longer term supported by robust due diligence, business cases, risk management and monitoring.

The Council's policy is to minimise risk, but it recognises that there is a trade-off between risk and reward and that the potential reward may sometimes justify incurring a higher risk. The types of service delivery schemes where this is most likely to be the case are:

c. invest to save schemes where there is uncertainty about the exact level of savings that will be achieved

d. investment designed to stimulate regeneration and growth, including the provision of new infrastructure.

To ensure that risks are understood and that it has access to knowledge and skills commensurate with its risk appetite the Council will:

e. make the consideration of risk a key part of the remit of the Capital Programme Board

f. require business cases to set out potential risks in an appropriate level of detail depending on the size and complexity of the proposal

g. where innovative schemes, alternative delivery models or commercial activities are proposed, require business cases to set out how the Council will source any specialist knowledge and skills that may be required

h. require risk registers to be maintained for approved projects and for these to be used to actively manage risks

i. ensure that relevant staff receive training in how to manage risk, e.g. as part of a recognised project management course

j. where appropriate enable staff to develop knowledge of alternative delivery models through research and training.

4.2 Expenditure on Non treasury investment

In recent years, local authorities have exploited increased powers to engage in commercial activities although these are now being significantly curtailed to reflect the excessive risks that some authorities have entered and subsequent failures. Local authorities will now need to proceed with much more caution and Nottingham will need to significantly reduce its reliance on commercial activity to fund core spending.

Commercial activities that involve capital expenditure and the incurring of other long-term debt and liabilities are no longer permissible without risking access to the whole of the Council's access to PWLB. Existing debt-funded Commercial activities will be reviewed as guidance/regulation develops. This excludes investment of short- term cash surpluses as part of day-to-day treasury management activity and investments whose primary purpose is to achieve a service objective.

The Council holds service and commercial investments as follows:

a. Service Investments – investments held clearly and explicitly for the provision of operational services, including regeneration, such investments include:
b. loans to external organisations that are delivering the Council's strategic objectives
c. shareholding in companies that support service provision
d. Commercial Investment – investments undertaken primarily for financial reasons including:
    - commercial loans to companies and other organisations
    - holding property for a financial return
    - The principles within this Capital Strategy prohibit the Council from including any schemes that meet the Commercial Investment definition within its Capital Strategy.

4.3 Service Investments

Loans and Investments are assessed based on the delivery of the Council's strategic objectives and any benefits from the investment will be received by the Council and its residents in the short, medium, or long term. The Council also hold shares in companies that support service provision.

The most significant service investments that the Council has undertaken to date are loans to 3rd parties to support the delivery of objectives that align to the council plan, these comprise of capital and revenue loans totalling **£124.4m** at 31 March 2021. Between the 1 April and the 31 December 2021 a further **£1.4m** of Revenue and Capital loans have issued and **£4.2m** have been repaid, therefore the value of service investments at the 31 December is **£121.6m**. The forecast interest receivable from the loans for 2022/23 is **£3.3m** and the average rate on these loans is **3.64%**.

Each Service Investment is scrutinised giving due regard to the formal approval. This scrutiny includes an appropriate level of due diligence reflecting the level of additional risk which ensures that the Council has the appropriate level of, security, liquidity, and yield.

4.4 Commercial Investments

The most significant commercial Investments that the Council has undertaken to date are in relation to property acquisitions. The net value of the commercial investments as at 31 March 2021 is **£193.4m** and will be revalued at 31 March 2022 as part of the Councils 2022/23 Financial Accounts. These investments have been funded by **£5.7m** of the Councils own resources and **£225.8m** of Unsupported Borrowing (net of MRP).

The forecast net revenue to the general fund for 2021/22 from the above investments is estimated to be **(£7.0m)**. The average yield generated from the Commercial Investments is **3.02%** (based on net income and unsupported borrowing net of MRP and interest).

All Commercial Property Investments are reviewed on an on-going basis. These reviews support good estate management principles and ensure that the Council's risk and returns are appropriately managed. The gross commercial investment made by the Council of **£238.1m** (excluding MRP payments to 31st March 21), leaves the Council open to Property Market downturn including increased voids / tenant lease breaking and any other risks including the impact and recovery from Covid-19. The pandemic has had a significant impact on the level of risk and the expected returns for 2021/22 and its effects are likely to be felt for several years. The Council is considering its investments strategy in the light of new CIPFA guidance.

A sinking fund is set aside for the commercial investments based on rental level received. This reserve is available to smooth out void periods (in-year deficits) if they cannot be absorbed elsewhere within Property Services. However, this is likely to be insufficient due to the impact of Covid-19. The risk around the commercial investment sinking fund is incorporated in the Council's MTFS.

Appendix D contains service and commercial investments split between capital andrevenue.

Non-Treasury investments are analysed periodically to ensure that the fair value / carrying value of each investment is appropriate as required under the relevant Accounting Standard (Service Investments – IFRS9, Commercial Investments – IAS40).

5 Capital Funding and Financial Policies / Strategies

5.1 Funding the Capital Programme

Capital Programme Structure

The Council's Capital Programme consists of:

a. Approved Projects – Projects that have been formally approved and have a funding package that is deemed affordable

b. Planned Projects – Projects that have been agreed in principal and the Council is undergoing project feasibility and development to identify if the project's objectives can be achieved within an affordable funding envelope

As projects progress through the two stages they will go through a gateway process to challenge the project team and provide assurance that the project is best use of public funds and will assist the Council in meeting its priorities.

Current Capital Programme

The Capital Programme is based on the resources that the Council has available with schemes prioritised as detailed in Section 3.

As part of the annual process of approving capital projects the Capital Board will identify resources available, this will help reduce officer time and council resources being wasted on schemes that have no chance of being approved.

The capital programmes set out below reflects the outcomes of the prioritisation process in financial year 2021/22:

Table 1: General Fund Capital Programme at Quarter 3

Scheme	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Approved Schemes							
Transport Schemes	30.196	76.810	14.045	0.710	0.000	0.000	**121.761**
Education	7.388	1.841	0.000	0.000	0.000	0.000	**9.229**
Other Services	37.255	63.671	30.463	8.813	8.882	8.437	**157.521**
Category 2 - Planned Schemes	0.088	11.569	13.482	7.687	7.444	6.144	**46.414**
Total Programme	**74.927**	**153.891**	**57.990**	**17.210**	**16.326**	**14.581**	**334.925**
Resources Available							
Prudential Borrowing	(13.003)	(22.698)	0.000	0.000	0.000	0.000	**(35.701)**
Grants & Contributions	(58.620)	(106.739)	(38.728)	(9.686)	(8.975)	(8.913)	**(231.661)**
Internal Funds / Revenue	(1.167)	(7.138)	(2.237)	(0.286)	(0.235)	0.000	**(11.063)**
Secured Capital Receipts	(2.137)	(14.107)	0.000	0.000	0.000	0.000	**(16.244)**
Unsecured Capital Receipts	0.000	(3.209)	(17.025)	(7.238)	(7.116)	(5.668)	**(40.256)**
Total Resources	**(74.927)**	**(153.891)**	**(57.990)**	**(17.210)**	**(16.326)**	**(14.581)**	**(334.925)**

Table 2: Public Sector Housing (PSH) Capital Programme at Quarter 3

Scheme	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Category 1 - Approved Schemes	44.050	68.168	54.264	44.642	31.099	29.882	**272.105**
Category 2 - Planned Schemes	0.000	2.835	0.000	0.000	0.000	0.000	**2.835**
Total Programme	**44.050**	**71.003**	**54.264**	**44.642**	**31.099**	**29.882**	**274.940**
Resources Available							
Prudential Borrowing	(8.003)	(12.115)	(7.404)	(6.923)	0.000	0.000	**(34.445)**
Grants & Contributions	(2.726)	(8.158)	(0.191)	(0.150)	0.000	0.000	**(11.225)**

Major Repairs Reserve	(27.816)	(40.885)	(37.563)	(33.061)	(31.064)	(29.847)	**(200.236)**
Revenue Resources	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Capital Receipts - HRA	(0.294)	(1.670)	(2.503)	(0.703)	(0.035)	(0.035)	**(5.240)**
Replacement Capital Receipts	(5.211)	(8.175)	(6.603)	(3.805)	0.000	0.000	**(23.794)**
Total Resources	**(44.050)**	**(71.003)**	**(54.264)**	**(44.642)**	**(31.099)**	**(29.882)**	**(274.940)**

Sources of funding

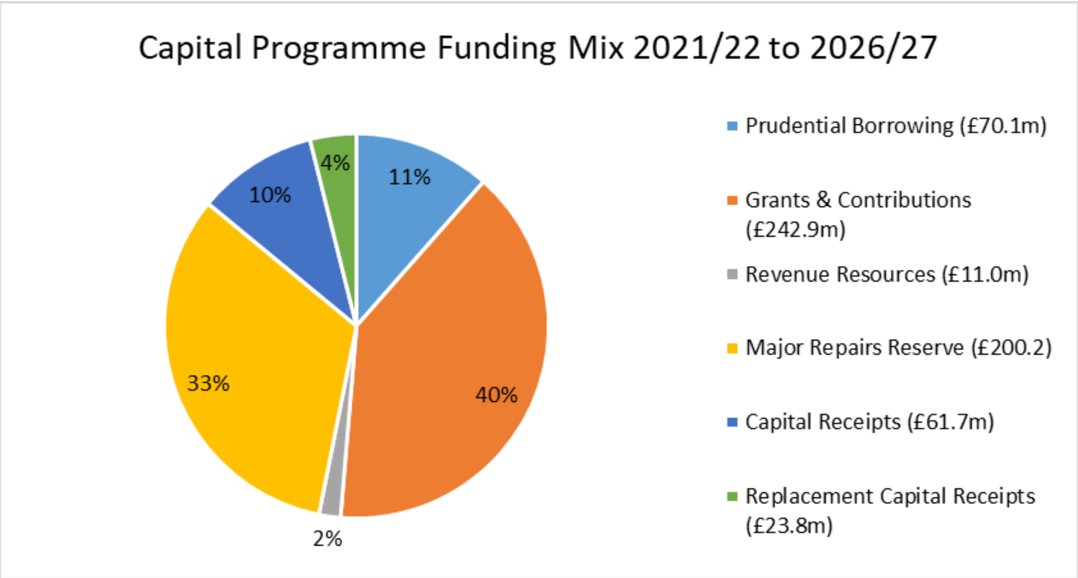
The Council's capital investment is governed by the 'Prudential Code for Capital Finance in Local Authorities' (Prudential Code). The Prudential Code provides the Council with a regulatory framework within which the Council has discretion over the funding of capital expenditure and the level of borrowing the Council wishes to undertake to deliver capital plans and programmes.

The strategy is intended to maximise the financial resources available for investment in service provision and improvement within the MTFO. At the same time, it seeks to ensure that each business case has a robust self-sustainable financial model that delivers the Council's objectives.

The funding available to Nottingham City Council consists of:

a. Capital Receipts
b. Government and contributions
c. Revenue Resources
d. Borrowing
e. Other Long-Term Liabilities (i.e. Leasing / Private Finance Initiatives (PFI))

The Council's current forecast of resources to fund the capital programme over the 5 year programme are set out below:



Key funding risks and strategies are detailed below

Capital Receipts

Local authorities may use capital receipts to fund capital expenditure or to fund certain transformation related activities under the flexible use of capital receipts direction. Receipts from sales of council housing (HRA receipts) may only be used to fund HRA capital expenditure, but other receipts (general fund receipts) may be used to fund any general fund capital expenditure. In addition, under the government's flexible use of capital receipts policy (currently to March 2022, but extension expected), general fund capital receipts may in some circumstances be used to fund revenue expenditure e.g. transformation related costs.

The Council's land and property estate is managed through the Disposal Strategy and the Asset Rationalisation Programme, which identifies the Council's property requirements. Where appropriate, properties are declared surplus to requirements and the Council will look to dispose of the asset. This programme is currently being accelerated and scope extended.

In 2021/22 **£20.8m** of General Fund capital receipts are secured (up to December 2021), a minimum of **£56.5m** is required to fund the Capital Programme to March 2027 (planned schemes make up **£14.4m** of the Capital Programme commitment).

However, the Council has committed to use currently unsecured capital receipts of **£63.8m** in relation to prior capital decisions**. £31.5m** is in relation to the replenishment of reserves and repayment of debt from previous capital decisions commitments, **£30.0m** set aside for Transformation Costs and **£2.3m** other commitments. The Capital Programme is underpinned by the principle that the Council commits to projects once the receipt has been secured and banked and the commitments from prior capital decisions is included within the capital prioritisation.

The indicative programme, including both General Fund and Public Sector Housing, for 2021/22 to 2026/27 currently shows that capital receipts will constitute **c£61.7m** or **10%** of the Council's total capital resources, with a significant proportion relating to investment in social/affordable housing and housing for homeless people.

The Capital Financing Policies have been amended so that no capital receipts can be committed until all the existing commitments have been resolved, this aligns withthe recommendation made in the NSR.

Grants and Contributions

The Council receives capital grants from the government for various services. Any grant that the Council receives for housing (HRA grant) is ring-fenced. Grants have been an important source of funding for the Council's capital expenditure in recent years and it is expected that the following will continue:

a. Ring-fenced grants and contributions (reserved for a particular purpose andhave a restricted use).

b. Non-ring-fenced grants and contributions (grant given with conditions which Projects are required to meet).

c. Section 106 agreements (planning obligations generally subject to conditions of use).

An element of the non-ringfenced grant might be flexible, but there is a risk that if the grant is not spent as intended by the grant awarding body any future allocation maybe reduced (e.g. Transport Grants / Education Grants). As supported by the Councils Capital Principles.

Where there is a requirement to make an application to an external body for funding and commit Council resources as match funding for any part of any bid full consideration must be given if the match funding resources could be better utilised in delivering corporate objectives.

Section 106 contributions are ring-fenced to fund investment related to the specific development from which the contribution has been derived.

The indicative programme for 2021/22 to 2026/27 shows that grants and contributions will constitute **£242.9m** or **40%** of the Council's total capital resources.

A corporate process for monitoring grants and reporting finds to the Capital Board has been established to ensure that appropriate use is made of specific grants.

Revenue Resources

In the current financial climate, and with increasing revenue pressures within Council finances, the extent to which this may be used to fund capital expenditure is significantly reduced. This is expected to remain the case for the foreseeable future.

In relation to the Housing Revenue Account there is a revenue available in the Major Repairs Reserve which is a specific reserve ring fenced for repairs and maintenance of the Council's housing stock.

The indicative programme for 2021/22 to 2026/27 shows that revenue contributions will constitute about **£11.0m** or **2%** of the Council's total capital resources.

Borrowing

Councils have discretion to undertake borrowing on capital schemes (General Fund and Public Sector Housing) if the borrowing is deemed Value for Money and meets the following criteria as set out in the Prudential Code:

a. Affordable

b. Sustainable

c. Prudent
d. Proportionate for the size of the authority

Scheme affordability can be measured across several key indicators within the financial model including surplus cash position, surplus Net Present Value, early year deficits affordable and mitigated. Affordability can be considered at an individual project level or across the wider programme.

As detailed in the NSR, Nottingham City Council have over-relied on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure when measured in terms of debt servicing costs as a proportion of net revenue expenditure. Therefore, to mitigate this risk going forwards the Council is paying down debt in accordance with a revised MRP and the Voluntary Debt Reduction Policy Statement. The debt policy is set out in **Appendix B**.

Other long-term liabilities

The Council has the option to lease assets, however with the advent of unsupported borrowing and availability of other capital funding, this source of financing has become less attractive. The Council's Vehicle Replacement Scheme demonstrates this development and up to March 2022 has been funded by borrowing, from April this expenditure is to be funded from secured capital receipts. There may however be instances where leasing could offer value for money and it will remain a consideration when options are being appraised.

PFI schemes are not shown within the Capital Programme as they are not financed by capital resources. However, the long-term affordability of the PFI schemes at the Council is being closely managed. The Nottingham Tram PFI is currently forecasting a temporary deficit from 2033/34. This is mainly due to the reduction in Workplace Parking Levy income, which is used to fund the Tram model, due to Covid – 19. Further analysis of the financial position is underway to determine the extent of any risks and more information will be available early in 2022/23.

There are certain schemes where the Council has an option to purchase at the end of the agreement, but no monies have been set aside. Therefore, a business case will need to be established to identify whether acquiring the site at agreement termination is value for money.

Under the Prudential Code authorities are required to treat other long-term liabilities as part of their debt, along with borrowing, and to apply the same robust decision-making processes to ensure that all debt is affordable, prudent, and sustainable. Furthermore, authorities are required to ensure that the financial risksare identified and quantified when decisions are taken to enter long-term liabilities.

Other long-term liabilities are relevant to the capital strategy not only because they come within the definition of debt, but also because the purpose of entering them isto deliver capital investment.

The Council keeps a register of loans and investments on its treasury management system. As part of the implementation of the financial reporting standard IRSF9 this will be extended to cover financial guarantees.

The Council recognises that there may be special risks associated with entering otherlong-term liabilities. It will require proposals to enter into other long-term liabilities to be subject to the same evaluation. This should ensure that:

a. all the Council's debt is affordable, prudent and sustainable
b. there is a common process for prioritising capital investment proposals
c. the Council properly considers the risks associated with long-term liabilitiesand the cumulative impact on its overall level of debt.

The Chief Finance Officer keeps long-term liabilities under constant review.

5.2 Capital Financing Policies

The financing policies as detailed in the following table sets out how the Council ensures its investment decisions are consistent with its capital principles and the MTFP:

Table 3: Financing Policies

Principle	Detail
Match Funding	If a scheme requires match funding to lever in external grant, any match willhave to be identified from savings within the approved Capital Programme until debt has been reduced and the capital receipt pressure mitigated
Council Resources	Due to the current commitment of Council Resources (e.g. Capital Receipts, Revenue Resources), no further schemes will be included in the programme unless it can be managed within the approved control totals or an existing scheme is removed / deferred. The opportunity cost of using Council Resources is to be calculated and reported within the approval using the underlying borrowing rate at the time of the decision, if the capital investment is in the medium to long term then a forecast borrowing rate at the time the project commences will be used.
Prudential Borrowing Level	A prudential borrowing cap and policy is in place for both the General Fund and Public Sector Housing (as detailed in the Voluntary Debt Reduction Policy – **Appendix B**), with schemes prioritised accordingly to remain within the borrowing cap. Schemes currently in the Capital Programme can besubstituted based on priority and impact on the MTFS.
Invest to Save, Invest for Service orRegeneration Objectives	➢ Increased income / cost reductions must exceed the financing costs(including sensitivity analysis for optimism bias) ➢ In most circumstances the first call on income is to repay financingcosts where financing is from reserves ➢ Due to the uncertain nature of business rates these any potentialbenefit is excluded from financial models ➢ Financial model (including payback) is required to include the

	opportunity cost of using council resources
Availability of Capital Receipt	The first call on any secured receipt is for any grant clawback provision or to repay any outstanding debt on that specific asset.
Project Underspend	Any resources available from project underspends are released into the Capital Programme to fund other capital commitments. Should the Project Sponsor of an underspending project wish to change the project via either enhancement or amended specification, further approval is required.
Debt to Yield / Commercial Investment	Any projects that breach the debt to yield parameters as set out by MHLCG and/or classified as a commercial investment are strictly prohibited, irrespective of the funding envelope.

5.3 Managing the Council's Debt Position & Debt Indicators

Treasury Management and the Repayment of Debt

The council's requirement to borrow is driven by prior year capital expenditure and future capital plans as outlined within the Capital Strategy. The method and timing of financing this borrowing requirement and managing the associated risks of these financing decisions are covered within Council's borrowing strategy. This includes strategies to manage the overall level of debt and to manage the timing and profile that debt is repaid so no one year has large amounts of debt to be refinanced/repaid and that the balance of debt outstanding is appropriate for the forecast CFR which reduces over the useful life of the assets financed by borrowing.

The Council's current and forecast debt positions and the borrowing strategy are reported and approved within the annual Treasury Management Strategy (TMS) received by Full Council prior to the financial year that it applies to. The TMS sets several Prudential Indicators as prescribed by the CIPFA Treasury Management Code of Practice. These include a projection of capital expenditure, external debt and use of internal borrowing and the council's overall borrowing requirement, which is known as the Capital Financing Requirement (CFR). The Prudential Indicators include the operational boundary and the authorised limit for external debt which is the statutory limit determined under Section 3(1) of the Local Government Act 2003: "A local authority shall determine and keep under review how much money it can afford to borrow".

The annual Treasury Management Strategy includes the policy for the repayment of debt known as Minimum Revenue Provision (MRP). The Council adopts the principle of making revenue provision for the repayment of debt over the useful life of the assets being created/purchased that were financed by borrowing.

Public Sector Housing
The Council's requirement to borrow for the Housing is driven by the HRA's capital expenditure plans as outlined within the Capital Strategy. The method and timing of financing this borrowing requirement is largely driven by the HRA 30-year business plan and a strategy of fully financing the HRA CFR with long term, fixed rate borrowing to provide cost certainty for the HRA.

Prudential Indicators
Details of the Council's prudential indicators can be found within Section 5 of the Treasury Management Strategy 2022/23.

6 Revenue implications of Capital Expenditure

6.1 Overview

The revenue implications of capital expenditure need to be considered both when:

- determining the overall size of the capital programme and how it is to be financed, particularly the amount of prudential borrowing that should be undertaken
- evaluating individual projects.

In addition, as part of the asset planning process the running costs of existing assets need to be considered to determine priorities for maintenance, enhancement, and replacement of assets and, accordingly, for the development of suitable capital investment proposals.

The key constraint on the Council's ability to fund capital expenditure is its ongoing revenue budget position. In considering how much capital investment it can afford, therefore, the Council will estimate the overall impact on future revenue budgets and exercise prudence to ensure that the level of capital investment is sustainable.

The Chief Finance Officer will advise members on the overall size and financing of capital expenditure as part of the report to Executive Board in February each year asking it to approve the rolling multi-year capital programme. Decisions on the revenue budget and the capital programme will be taken at the same time to ensure they are joined up.

When individual project proposals are being evaluated, it is essential that the revenue implications are fully understood so that the aggregate revenue effect of projects accepted into the capital programme matches what has been assumed in determining the overall size of the programme and its funding

6.2 Costs of prudential borrowing

Where the Council undertakes prudential borrowing, it incurs debt charges in the form of repayments of principal and interest payments, which depend on the terms of the loan. As part of its treasury management function the Council takes out loans on the best terms available to meet its overall prudential borrowing requirement rather than loans related to specific projects. A common interest rate, reflecting the overall cost of borrowing and standard repayment periods, depending on the type of asset, is therefore used to assess the financing costs of proposed projects.

6.3 Feasibility costs

The costs of developing a proposed capital project must be charged to revenue until it is assessed that there is a high degree of certainty that an economic benefit will flow from the new asset. All such costs are therefore chargeable to revenue where the project does not go ahead. Where the project does go ahead, any costs incurred in financial periods prior to the commencement of the project, for which the accounts have been closed, must also remain charged to revenue.

Such costs depend on the size and complexity of the proposed project and how far the proposal is developed before a decision is taken not to proceed. Increasing costs are committed at the following stages:

- engagement of a project manager
- engagement of specialist external advisers
- commissioning of feasibility study
- commissioning of further work in advance of the main procurement process, e.g. ground investigation, outline design, enabling works
- commencement of main procurement process entering a contract.

Appendix A – Capital Programme – High Level Terms of Reference

Capital Programme –High-level ToR

Appendix B Voluntary Debt Reduction Policy Statement

Nottingham City Council Debt Reduction Policy Statement

Investment in the city's infrastructure is an important part of the Council's role but the Council also recognises that with limited resources, expenditure on servicing debt to fund capital investments is money not spent on providing day to day services to it's citizens. Its future priorities will be determined though an emphasis on the new 'strategic Council Plan which will reconcile its ambitions with the resources available to support those ambitions.

The City Council also recognises that its absolute level of external debt remains high in comparison with its peer group and is driven largely by past investment to enhance the city rather than current capital spending decisions.

Prudential Code

The Council is committed to the principles of the Prudential Code:

- Affordable
- Sustainable
- Prudent
- Proportionate for the size of the authority

Investment Strategy

The Council's capital strategy ensures that all the projects are accounted for in the allocation of any available resources over a medium term planning horizon. This will assist the immediate requirement to review the exiting programme on the grounds of affordability and provide a framework for schemes going forward. The principles of the strategy are as follows:

- Current approved (or committed) schemes will be supported subject to sufficient resources being identified to enable them to proceed or complete up to the approved level of expenditure**.**
- <u>New schemes funded by borrowing will be severely limited by the criteria set out in the debt policy.</u> This is to reduce the Council's current unsustainable level of debt and will require a review of the existing capital schemes.
- All schemes will be subject to a strict objective prioritisation process, which will include a robust business case including whole life costing.
- All schemes must align to the new PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope. Historic debt for yield schemes will be revisited in the light of emerging CIPFA/MHCLG guidance.
- Capital receipts are a central resource and not generally linked to specific schemes including assets identified for disposal as part of the Asset Rationalisation Programme. Permissible exceptions are:
  - School Sites ring-fenced by the Secretary of State for education purposes.

    - Sites identified as part of the Loxley House Acquisition.
    - Commitments of capital receipts from prior decisions (including repayment of outstanding debt).
- Only secured capital receipts will be considered in decisions to fund capital schemes (i.e. no capital receipt-funded scheme to commence until sufficient receipts are banked).
- Revenue implications of schemes must be fully reflected in the MTFP and affordable withinservices, (affordability needs to be demonstrated using prudent assumptions taking account of optimism bias).
- The capital budget approved by Full Council is a control total and no further schemes will be included in the programme unless existing schemes are removed or delayed - unless thenew schemes in question are fully funded by external resources.
- The Council will consider the removal of ring-fencing (*where permissible*) from certain grant allocations to assist in the achievement of the Council's priorities and objectives. All uncommitted non ring-fenced capital funding will form part of corporate capital resources. Non ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives:
    - Transport grant funding
    - Education based grants
    - Disabled Facilities Grant
- If the financial projections for approved schemes move adversely during the pre-contract stage by the lower of **£1.0m** or **20%** (either cash or NPV), further approval will be required including a revised business case.

Debt Policy

The Council has the discretion to undertake borrowing on capital schemes (General Fund and Public Sector Housing) if the borrowing is deemed Value for Money and meets the criteria as set out in the Prudential Code and is affordable, sustainable, prudent and proportionate for the size of the authority.

HM Treasury have published revised lending terms for the PWLB as from 26th November 2020, which makes PWLB unavailable for all authorities that have debt to yield schemes within their capital plans.

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

The debt policy in respect of new capital expenditure is thus as follows:

- 2021/22 - ***To restrict new borrowing to no more than the level of the annual debt being repaid.*** (i.e. No new schemes financed by borrowing). The Capital Programme has been reduced to existing commitments and no schemes added funded by borrowing.

- 2022/23-2026/27 - ***Nil net new borrowing throughout the period***. No new schemes financed by borrowing to be added to the Capital Programme, unless the scheme is required to enable compliance with legal or statutory duties (e.g. Health and Safety). Whereby any borrowing will be capped by the forecast headroom as indicated below (including updates reported as necessary) within the CFR / external as shown below, this headroom will be restricted to measurement with the least headroom. This applies both to general fund and public sector housing debt with all borrowing meeting the criteria as set out in the Prudential Code, any decision regarding this is at the discretion of the S151 Officer.

The forecast prudential borrowing in the Capital Programme is required to remain within the approved control totals.

Nothing in this policy shall prevent the council from exercising normal day to day management of its borrowings through Treasury Management activities and/or the use of internal borrowing.

Impacts of the Policy

The Council will exert control on debt, primarily through controlling the revenue impacts of borrowing (MRP) rather than through seeking to repay external debt. This is because external debt is often heavily weighted towards fixed rate debt with maturity period up to 60 years and where redemption would often carry significant penalties.

The forecast impact on budgeted borrowing levels would be:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
MRP Repaid	49.737	52.549	60.922	65.135	60.080	58.812
GF new Borrowing	13.003	22.698	-	-	-	-
HRA new Borrowing	8.003	12.115	7.404	6.923	-	-

The forecast impact on external debt is set out in the table below. The revised forecast externaldebt takes into account the revised debt policy together with activities associated with the normal Treasury Management activities.

Debt Measurement	VDRP Original Forecast (Approved: Full Council March 2021) £m	Debt / VDRP Qtr3 Actual & Forecast £m	Movement (Under) / Over £m
CFR			
2020/21	1,443.5	1,411.6	**(31.9)**
2021/22	1,434.2	1,382.9	**(51.3)**
2022/23	1,390.6	1,365.1	**(25.5)**
2023/24	1,337.3	1,311.6	**(25.7)**
2024/25	1,272.5	1,253.4	**(19.1)**
External Debt			
2020/21	981.6	932.8	**(48.8)**
2021/22	991	900.9	**(90.1)**
2022/23	986.2	888.0	**(98.2)**
2023/24	954.8	864.0	**(90.8)**
2024/25	927.4	843.5	**(83.9)**

Appendix C – Assurance Process

Gate	Required information	Outcome if project passes this gate	Indicative timing for annual cycle
0	**Outline project brief** including all the information required to determine whether the proposal meets the Council's evaluation criteria	Confirmation that the proposal may proceed following approval at the Capital Programme Board	Outline project brief submitted for evaluation in mid-May for review and consideration within the prioritisation process in June
1	Initial Business case on the standard template, following Treasury Green Book Five Case Principles	Confirmation that the project will be recommended for inclusion in the capital programme	Initial Business Cases subjected to assurance review in November with final prioritisation recommendations made to and then by the Capital Programme Board in December
2	**Final Business Case** In some cases, due to the complexity of a project or its timeframes, the Initial Business Case that got a scheme into the capital programme may have needed significant further work to reach a final business case stage. Where required this would again be on the standard template and follow Treasury Green Book principles based on a five-case model	At this point the project will already be in the Capital Programme, however it will still need approval to progress via DDM / Executive Board. The review should take place prior to this decision with the recommendations being made available to decision makers / Capital Programme Board	Not applicable – post cycle

3	**Tender evaluation report** with details of tenders received, the evaluation process and why it is recommended that the preferred tender should be accepted should be subject to an assurance review, unless it has been determined that it would be more	Contract may be awarded to the preferred tenderer	Report to be submitted to the relevant decision maker as soon as possible after tenders have been received. Outcome of the assurance review and recommendations made available to the Capital Programme Officer Group and Capital

	beneficial to do this earlier in the procurement process, for example to inform procurement routes, scopes, risk allocations etc.		Programme Board as appropriate.
Further Assurance Processes			
	Lessons learned report following post-project review (Note – lessons learned activity should take place throughout the project and new lessons learned should be flagged up within the monthly monitoring reports)	Confirmation that lessons learned report is satisfactory and no further information is required. Lessons learned are provided to the PMO who will analyse, report and disseminate them to the appropriate audiences and projects to ensure best practice continues to be developed and is adhered to.	Not applicable
	Monitoring Regular monitoring of projects on standard templates to be undertaken by the PMO to the timelines set out in this Capital Strategy.	Monitoring information tested and triangulated through ongoing dialogue with projects so progress can be assured. Reports up to the Capital Programme Officer Group and Capital Programme Board as required, generally expected to be on an exception basis.	Not applicable

City Council – 7 March 2022

Report of the Portfolio Holder for Finance and Resources

Corporate Director/Director:
Clive Heaphy, Interim Corporate Director of Finance and Resources

Report Author and Contact Details:
Lisa Kitto, Interim Deputy Section 151 Officer and Strategic Finance Lead
lisa.kitto@nottinghamcity.gov.uk

Title: Budget 2022/23

Does the report form part of the Budget or Policy Framework?
☒ Yes ☐ No

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

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	☒

1. Summary

1.1 This report seeks approval of the Medium Term Financial Plan 2022/23 to 2025/26 recommended by Executive Board on 22 February 2022 and sets out, in a layout governed by statute, the council tax calculations for 2022/23 that will result in the City Council element of Band D increasing by a general increase of **1.99%** and an Adult Social Care (ASC) precept of **1.00%**.

1.2 It should be read in conjunction with the contents of the report considered by the Executive Board, which included annexes detailing the 2021/22 forecast budget outturn, General Fund Revenue Medium Term Financial Plan 2022/23 to 2025/26, General Fund Capital Strategy and programme, Housing Revenue Account (HRA) revenue and capital budget, Robustness of the Budget and Adequacy of Reserves, Budget Consultation 2022/23, Schools Budget 2022/23 and Transformation programme.

2. Recommendations

2.1 To approve the Medium Term Financial Plan 2022/23 to 2025/26, incorporating the revenue budget for 2022/23 and the recommendations contained therein;

2.2 To note the recommendations of the Interim Corporate Director of Finance and Resources in respect of the robustness of the estimates made for the purpose of the budget calculations and the adequacy of reserves;

2.3 To delegate authority to the Interim Corporate Director of Finance and Resources to finalise the 2022/23 revenue budget for publication;

2.4 To approve the capital programme 2022/23 to 2026/27, noting the revenue implications of the capital programme;

2.5 To note the authority's council tax base of **67,540** for 2022/23, calculated in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, as approved by Executive Board on 18 January 2022.

2.6 To approve a council tax requirement of **£132,062,312** including the calculations required by Sections 30 to 36 of the Local Government Finance Act 1992 ("the Act"), as set out below:

(a) **£1,027,753,083** being the aggregate of the expenditure, allowances, reserves and amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;

(b) **£895,690,771** being the aggregate of the income and amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act;

(c) **£132,062,312** being the amount by which the aggregate at 2.6(a) above exceeds the aggregate at 2.6(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year;

2.7 To approve a City Council Band D basic amount of council tax for 2022/23 of **£1,955.32** being the amount at 2.6(c) divided by the amount at 2.5, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (as set out in section 6 of this report);

2.8 To note a Nottinghamshire Police and Crime Commissioner precept at Band D for 2022/23 of **£254.25**.

2.9 To note a Nottinghamshire and City of Nottingham Fire and Rescue Authority precept at Band D for 2022/23 of **£84.57**.

2.10 To approve the setting of the amounts of council tax for 2022/23 at the levels described in section 6.6 of this report;

2.11 To approve the retention of the Council Tax Support Scheme currently in operation, amended to disregard the Government's £150 Energy Rebate Scheme payments for the financial year 2022/23 as required by The Council Tax (Demand Notices and Reduction Schemes) (England) (Amendment) Regulations 2022;

2.12 To approve the making of the Members' Allowances Scheme for 2022/23 in the terms of the previously adopted and amended Scheme, except for adjustments to mirror nationally determined rates for pay awards and travel and subsistence (as applicable to officers) and for carers allowances.

3. **Reasons for recommendations**

Medium Term Financial Plan

3.1 The Medium Term Financial Plan has been constructed to align with the City Council priorities as set out in the Together for Nottingham plan and is provisionally balanced, in the context of continued service pressures and uncertainty with regard to future funding, in all years from 2022/23 to 2025/26 based on the City Council's stated aim of two years' firm budgets and two further years' indicative.

3.2 To achieve longer term financial sustainability whilst maintaining services to residents the City Council has commenced an ambitious Transformation Programme to deliver new service delivery models and sustainable on-going savings. Wave 1 and 2 will contribute to balancing the budget from 2022/23 and it is assumed that Wave 3 will deliver savings from 2024/25 onwards thereby ensuring that budgets are balanced over the 4 year period.

Council Tax

3.3 The City Council is required by Section 30 of the Local Government Finance Act 1992 to set its council tax for each year on or before 11 March in the preceding financial year. In order to do so, it must calculate its council tax requirement in accordance with the Act as detailed below including taking into account its estimated forthcoming spending requirements and ensuring that there are adequate reserves to draw on in the event that these estimates turn out to be insufficient.

3.4 The City Council must also take into account the report of its Chief Financial Officer (set out at Annex 5 to the Medium Term Financial Plan 2022/23 to 2025/26 report) on the robustness of these estimates and the adequacy of the proposed reserves.

3.5 The total council tax being set also includes the precepted requirements of the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire and City of Nottingham Fire and Rescue Authority.

3.6 Under Section 52 of the Local Government Finance Act 1992 each authority must determine whether its council tax for a financial year is excessive, as defined by a set of principles determined by the Secretary of State, and whether a referendum must be held.

3.7 The council tax increases proposed in this report will not require a referendum as they do not exceed the qualifying criteria as set out in The Referendums Relating to Council Tax Increases (Principles) (England) Report 2022/23.

Council Tax Support Scheme

3.8 The City Council is required by Schedule 1A to the Local Government Finance Act 1992 to consider whether to revise or to replace its Council Tax Support Scheme. Any revisions must be made no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

3.9 The recent Council Tax (Demand Notices and Reduction Schemes) (England) (Amendment) Regulations 2022 amended the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 to require that from 1 April 2022 all local council tax support schemes (including those for persons of working age as well as those of pension age) must disregard Energy Bills Rebate payments in determining a person's eligibility for a council tax reduction and the amount of any such reduction.

3.10 The City Council proposes to retain its current scheme, other than amending for the above regulation change required by Government with regard to its Energy Rebate Scheme.

Members' Allowance Scheme 2022/23

3.11 This report recommends the adoption of the Scheme for 2022/23 without changes, except for adjustments to mirror nationally determined rates for pay awards and travel and subsistence (as applicable to officers) and for carers' allowances. A copy of the current Scheme can be viewed within the City Council's Constitution at Part 7 or by using the following hyperlink to the document published online at: https://www.nottinghamcity.gov.uk/your-council/about-the-council/nottingham-city-councils-constitution

4. Other options considered in making recommendations

4.1 None

5. Consideration of Risk

5.1 These have been considered in the Medium Term Financial Plan 2022/23 to 2025/26 report to Executive Board on 22 February 2022.

6. Background (including outcomes of consultation)

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

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

6.2 **R** is the amount calculated by the City Council as its council tax requirement for 2022/23, calculated in accordance with section 31A(4) of the Act. The Executive Board at its meeting on 22 February 2022 determined the council tax requirement to be **£132,062,312.**

T is the amount calculated by the City Council as its council tax base for 2022/23. In January 2022 the City Council approved the amount of **67,540** as its council tax base for the year 2022/23 in accordance with Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

This tax base assumed the retention of the current Council Tax Support Scheme for financial year 2022/23, having regard to the Public Sector Equality Duty and noting that local circumstances have not changed sufficiently to warrant changes.

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

$$\frac{\pounds 132{,}062{,}312}{67{,}540} = \pounds 1{,}955.32$$

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

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

Band	Factor	Basic amount of council tax
A	6/9	£1,303.55
B	7/9	£1,520.80
C	8/9	£1,738.06
D	9/9	**£1,955.32**
E	11/9	£2,389.84
F	13/9	£2,824.35
G	15/9	£3,258.87
H	18/9	£3,910.64

6.4 It should be noted that, for the financial year 2022/23, the Nottinghamshire Police and Crime Commissioner has issued the following amounts in precepts in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£169.50	£197.75	£226.00	£254.25	£310.75	£367.25	£423.75	£508.50

6.5 It should also be noted that, for the financial year 2022/23, the Nottinghamshire and City of Nottingham Fire and Rescue Authority has issued the following amounts in precepts in accordance with Section 40 of the Act for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£56.38	£65.78	£75.17	£84.57	£103.36	£122.16	£140.95	£169.14

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

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

Band	City Council £	Police & Crime Commissioner £	Fire & Rescue Authority £	Aggregate Council Tax £
A	£1,303.55	£169.50	£56.38	£1,529.43
B	£1,520.80	£197.75	£65.78	£1,784.33
C	£1,738.06	£226.00	£75.17	£2,039.23
D	**£1,955.32**	**£254.25**	**£84.57**	**£2,294.14**
E	£2,389.84	£310.75	£103.36	£2,803.95
F	£2,824.35	£367.25	£122.16	£3,313.76
G	£3,258.87	£423.75	£140.95	£3,823.57
H	£3,910.64	£508.50	£169.14	£4,588.28

Budget Consultation

6.7 In line with the Council's commitment to citizen involvement the budget process is supported by public consultation and the City Council is committed to maintaining and developing this participation.

6.8 An 8 week consultation on the proposals approved by Executive Board on 16 November 2021 closed on 10 January 2022 with consultation taking place via on-line survey and a range of targeted and general engagement events. The results from this budget consultation are contained within Annex 6 of the Medium Term Financial Plan 2022/23 to 2025/26 report.

6.9 Appropriate action has been taken in relation to any representations made and feedback from the consultation has been taken into account in finalising the proposals within this report.

7. Finance colleague comments (including implications and value for money)

7.1 These have been considered in the Medium Term Financial Plan 2022/23 to 2025/26 report to Executive Board on 22 February 2022.

8. Legal colleague comments

8.1 These have been considered in the Medium Term Financial Plan 2022/23 to 2025/26 report to Executive Board on 22 February 2022.

8.2 The recommendations within this report fall within the City Council's functions under the Act, the Local Government Act 1972 and other enabling legislation.

9. Other relevant comments

9.1 None

10. Crime and Disorder Implications (If Applicable)

10.1 Not applicable

11. Social value considerations (If Applicable)

11.1 Not applicable

12. Regard to the NHS Constitution (If Applicable)

12.1 Not applicable

13. Equality Impact Assessment (EIA)

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

No ☐

Yes ☒

An EIA has been carried out and was detailed in Appendix A of the Medium Term Financial Plan 2022/23 to 2025/26 report to Executive Board on 22 February 2022. Due regard has been given to the equality implications identified in the EIA.

14. **Data Protection Impact Assessment (DPIA)**

14.1 Has the data protection impact of the proposals in this report been assessed?

No ☒
A DPIA is not required because it is not applicable

15. **Carbon Impact Assessment (CIA)**

15.1 Has the carbon impact of the proposals in this report been assessed?

No ☒
A CIA is not required because it is not applicable

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

16.1 Budget working papers

17. **Published documents referred to in this report**

17.1 Previously published documents are available on the dedicated consultation page

https://www.nottinghamcity.gov.uk/engage-nottingham-hub/budget-202223-consultation-page/

and the council meeting pages

https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=9111

https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=9114

Councillor Sam Webster
Portfolio Holder for Finance and Resources

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City Council – 7 March 2022

Report of the Leader of the Council

Corporate Director/ Director:
Director of Legal and Governance

Report Author:
Jane Garrard, Senior Governance Officer
jane.garrard@nottinghamcity.gov.uk
0115 8764315

Title: Decisions taken under Urgency Procedures

Does the report form part of the Budget or Policy Framework?
☐ Yes ☒ No

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

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	☒

1. Summary

1.1 As required by the Council's Constitution, this report informs Council of urgent decisions taken under provisions within the Overview and Scrutiny Procedure Rules (Article 11) and Access to Information Procedure Rules (Article 13).

2. Recommendations

2.1 To note the urgent decisions taken in accordance with requirements of the Council's Constitution, as detailed in the appendices.

3. Reasons for recommendations

3.1 To ensure compliance with requirements of the Council's Constitution.

4. **Other options considered in making recommendations**

4.1 None. It is a Constitutional requirement that Council is informed of urgent decisions taken under provisions within the Overview and Scrutiny Procedure Rules (Article 11) and Access to Information Procedure Rules (Article 13).

5. **Consideration of Risk**

5.1 Consideration of the risks associated with the decisions referred to in this report were published as part of each of those decisions.

6. **Background (including outcomes of consultation)**

6.1 Decisions taken under the Call-in and Urgency provisions of the Overview and Scrutiny Procedure Rules

The Call-in procedure set out in Article 11 of the Council's Constitution does not apply where the decision taken is urgent. A decision is urgent if any delay likely to be caused by the Call-in process would seriously prejudice the Council's or the public's interests. The urgency provisions require the Chair of the Overview and Scrutiny Committee (or in the absence of the Chair, one of the Vice-Chairs; or in the absence of all three, the Chief Executive) to agree that the decision proposed is reasonable in all the circumstances and that the reasons for urgency are valid. The Constitution requires that decisions taken under these urgency provisions are reported to the next meeting of the Standards and Governance Committee and Full Council.

6.2 Decisions taken under the Special Urgency provisions of the Access to Information Procedure Rules

Where it is impracticable to give at least five clear working days notice that a Key Decision is going to be made, a Key Decision may only be made in accordance with the Special Urgency provisions set out in the Access to Information Procedure Rules (Article 13 of the Council's Constitution). The Special Urgency provisions require agreement from the Chair of the Overview and Scrutiny Committee (or in the absence of the Chair, the Lord Mayor as Chair of Council; or in the absence of both, the Sheriff as Vice Chair of Council) that the decision is urgent and cannot reasonably be deferred. The Constitution requires that decisions taken under these urgency provisions are reported to the Standards and Governance Committee and Full Council.

7. **Finance colleague comments (including implications and value for money)**

7.1 Comments from Finance colleagues in relation to the decisions referred to in this report were published as part of each of those decisions.

8. **Legal colleague comments**

8.1 Comments from Legal colleagues in relation to the decisions referred to in this report were published as part of each of those decisions.

9. **Other relevant comments**

9.1 None

10. **Crime and Disorder Implications (If Applicable)**

10.1 Where applicable, details of the crime and disorder implications of the decisions referred to in this report were published as part of each of those decisions.

11. **Social value considerations (If Applicable)**

11.1 Where applicable, details of the social value considerations of the decisions referred to in this report were published as part of each of those decisions.

12. **Regard to the NHS Constitution (If Applicable)**

12.1 Where applicable, details of the social value considerations of the decisions referred to in this report were published as part of each of those decisions.

13. **Equality Impact Assessment (EIA)**

13.1 Where required, Equality Impact Assessments were published alongside each decision referred to in the report.

14. **Data Protection Impact Assessment (DPIA)**

14.1 Where required, the data protection impact of the decisions referred to in this report was assessed and, where appropriate, details published as part of each of those decisions.

15. **Carbon Impact Assessment (CIA)**

15.1 Where required, the carbon impact of the decisions referred to in this report was assessed and, where appropriate, details published as part of each of those decisions.

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

16.1 None

17. **Published documents referred to in this report**

17.1 Nottingham City Council Constitution

17.2 The committee reports and minutes, and delegated decisions referred to in this report, as published on the Nottingham City Council website.

Councillor David Mellen
Leader of the Council

Appendix 1 - Decisions taken under the Call-in and Urgency provisions of the Overview and Scrutiny Procedure Rules

Decision Reference	Date of Decision	Subject	Decision Taker	Consultee on Urgency	Reason for Urgency
DD4512	25 January 2022	Enviro Energy Capital Works	Leader of the Council	Chair of Overview and Scrutiny Committee	To enable statutory health and safety obligations to be met within the required timescales.
Executive Board Minute Ref: 107	22 February 2022	Medium Term Financial Plan 2022/23 to 2025/26 – element of decision relating to the Housing Revenue Account only	Executive Board	Chair of Overview and Scrutiny Committee	To meet the requirement of the Housing Act 1985 that tenants must receive 28 days notice of a proposed rent increase.

Appendix 2 – Key Decisions taken under the Special Urgency provisions of the Access to Information Procedure Rules

Decision reference	Date of Decision	Subject	Decision Taker	Consultee on Urgency	Reason for Special Urgency
DD4512	25 January 2022	Enviro Energy Capital Works	Leader of the Council	Chair of Overview and Scrutiny Committee	To enable statutory health and safety obligations to be met within the required timescales.

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City Council - 7 March 2022

Report of the Chair of Audit Committee

Corporate Director/ Director:
Clive Heaphy, Interim Corporate Director of Finance and Resources

Report Author and Contact Details:
John Slater, Internal Audit john.slater@nottinghamcity.gov.uk

Title: Audit Committee Annual Report 2020/2021

Does the report form part of the Budget or Policy Framework?
☐ Yes ☒ No

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

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	☒

1. Summary

1.1 This report summarises the work undertaken by the Audit Committee over the year 2020/21, and explains how the Committee has filled its designated role within the Constitution and how this work relates to its core responsibilities.

2. Recommendations

2.1 To note the work undertaken by the Audit Committee during 2020/21.

2.2 To accept the Audit Committee Annual Report 2020/21, as set out at Appendix 1.

3. Reasons for recommendations

3.1 The Audit Committee is accountable to Council and the report is brought in accordance with Article 9 of the Constitution.

4. Other options considered in making recommendations

4.1 None. The report is required as set out in the Constitution.

5. **Consideration of Risk**

5.1 The purpose of the Audit Committee is expanded in Appendix 1, but includes to:

- provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment;
- provide independent review of the Council's governance, risk management and control frameworks; and
- consider related assurances.

6. **Background (including outcomes of consultation)**

6.1 The Committee is a key component of corporate governance. CIPFA guidance for audit committees states that:

'The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.'

Meaning that taking actions towards this purpose helps fulfil the statutory obligations of the Council under the Accounts and Audit Regulations 2015 and section 151 of the Local Government Act 1972.

6.2 The overall aim of good governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

6.3 The Audit Committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.

6.4 Whilst the Audit Committee exists partly to oversee proposed and actual changes to the Council's policies and procedures pertaining to governance, the Executive and senior management have responsibility for implementing these arrangements. In order to support this the Committee has approved a strategy, clear frameworks and processes for managing risk.

6.5 Good governance maintains and increases public confidence in the objectivity and fairness of financial and other reporting, and service planning, delivery, and improvement. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.

6.6 An effective Audit Committee both supports and challenges, and in doing so helps to raise the profile and effectiveness of internal control, risk management and financial reporting within the Council and should enhance public trust and confidence in the governance of the Council.

6.7 In order to demonstrate the effectiveness of the Committee and develop public trust, the Chair has produced this annual report in respect of its activities in 2020/21. It aims to develop the Council's commitment to improving corporate governance.

6.8 The report at Appendix 1 summarises the work undertaken by the Committee during 2020/21, shows the topics it discussed and uses its Terms of Reference to demonstrate how it met its objectives and responsibilities. The report recognises the positive contributions of councillors and colleagues in the deliberations of the Committee and the positive effect the Committee has had on the Council's governance arrangements. The report categorises the work under the broad themes below:

- Assurance Statements and Governance;
- Risk Management;
- Performance Management and Value for Money;
- External Audit, Inspection and Assurance;
- Internal Audit and Counter Fraud; and
- Financial Reporting.

It also comments on the Committee's:

- independence; and
- training and Development.

6.9 The work undertaken is crosscutting, however, and the work covered in each theme is complimentary to that reported in the other themes.

6.10 CIPFA guidance referred to in this paper and its Appendix is the guidance which was current in 2020/21 as shown below.

7. Finance colleague comments (including implications and value for money)

7.1 Any financial impact as a direct or indirect result of the work undertaken by the Audit Committee has been included in the Medium Term Financial Plan at the appropriate time, either in-year or in future years.

Phil Gretton, Strategic Finance Business Partner 15/02/2022

8. Legal colleague comments

8.1 Audit committees are a key component of corporate governance.

8.2 They provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.

8.3 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require the Council to make arrangements for the proper administration of their financial affairs.

8.4 The authority must ensure that it has a sound system of internal control which—
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the authority is effective; and
(c) includes effective arrangements for the management of risk.

8.5 The Audit Committee is a committee of Council. The Committee terms of reference are set out at Article 9 of the Council Constitution. This report fulfils the requirement to report annually to Council on the work of the Committee.

Beth Brown, Head of Legal and Governance 24/02/2022

9. **Other relevant comments**

9.1 Not Applicable

10. **Crime and Disorder Implications (If Applicable)**

10.1 Not Applicable

11. **Social value considerations (If Applicable)**

11.1 Not Applicable

12. **Regard to the NHS Constitution (If Applicable)**

12.1 Not Applicable

13. **Equality Impact Assessment (EIA)**

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

No ☒
An EIA is not required because no proposals are made in this report and no equalities or diversity issues arise from the report.

14. **Data Protection Impact Assessment (DPIA)**

14.1 Has the data protection impact of the proposals in this report been assessed?

No ☒
A DPIA is not required because no proposals are made in this report and no personal data has been used in preparing the report.

15. **Carbon Impact Assessment (CIA)**

15.1 Has the carbon impact of the proposals in this report been assessed?

No ☒
A CIA is not required because no proposals are made in this report.

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

16.1 None

17. **Published documents referred to in this report**

17.1 Accounts and Audit Regulations 2015

17.2 CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018

17.3 CIPFA Delivering Good Governance in Local Government – Guidance Notes for English Authorities 2016 Edition

17.4 Nottingham City Council Constitution Version 8

Councillor Audra Wynter
Chair of Audit Committee

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Audit Committee
Annual Report
2020-21

Contents

Foreword by the Chair

I am pleased to provide the Audit Committee's Annual Report for the municipal year 2020 / 2021. The Council is requested to take note of the work conducted by the Audit Committee in improving and further enhancing the governance arrangements throughout the Council. The report illustrates how the Audit Committee has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti-fraud; external audit; and financial reporting. The Committee continues to be well supported by officers, providing a high standard of reports and presentations, and officers have taken on suggestions to make sure the benefits of this Committee are passed onto our citizens. I would like to thank the Internal Audit and the External Audit teams for their input. I should also like to take this opportunity to give my personal thanks to all the officers, and without exception, all fellow Committee members who have contributed and supported the work of the Committee in such a meaningful and positive way throughout the past year. Audit Committee Members have supported and challenged officers to ensure our risk, control and governance processes are effective, open, and transparent.

During 2020/21, the Council received two very significant reports which impacted the committee's activity:

- The external auditor's Report in the Public Interest.
- The Non-Statutory Review by Max Caller which was commissioned by the Secretary of State.

Taking these reports into account, this year has been unlike any other in more recent times. The capability of all our Council officers to make sure that services are continually delivered for the communities we serve shows the strength of the Council as a whole. I have welcomed the Audit Committee's continued support for officers and look forward to the work being carried out over the next 12 months. Going forward, 2021 / 2022 will continue to a testing time for all Councils with the resources available becoming more important. How we risk manage our priorities, resources and partnerships will be vital, notwithstanding the risk of fraud. The Audit Committee holds a distinctive position to challenge and scrutinise the activities of the Council, with the support of Officers and my fellow Councillors, long may this continue.

Introduction

The following report summarises the work performed over the year 2020-2021 and describes how the committee has contributed to the effectiveness of the Council by the work it has done including:

- Assurance Statements and Governance
    - Scrutinising non-executive amendments to the Constitution
    - Monitoring and approving the Annual Governance Statement and associated activity
    - Monitoring and approving Partnerships governance arrangements
    - Receiving and making recommendations in respect of Annual Assurance Reports from key corporate specialisms
- Risk Management
    - Reviewing the mechanisms for the assessment and management of risk and thereby developing the Council's ability to respond to known and emerging risks and considering key risks
    - Overseeing the Council's Treasury Management arrangements
- Performance Management, Quality Management and Value for Money
    - Reviewing assurances provided
- External Audit, Inspection and Assurance
    - Managing a good working relationship with the external auditor, ensuring appropriate action is taken on its recommendations
    - Receiving cross-cutting external inspections and assurance reports, ensuring appropriate action is taken on their recommendations
- Internal Audit and Counter Fraud
    - Approving arrangements and monitoring performance of Internal Audit and Counter Fraud
    - Ensuring internal audit independence and that findings are actioned by managers and consequently help to improve the Council's effectiveness and governance arrangements;
- Financial Reporting
    - Monitoring of, and contribution to, the development of the Council's Statement of Accounts

The Purpose of Audit Committees

The Audit Committee operates in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high - level resource to support good governance and strong public financial management.
2. The purpose of an Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

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By overseeing internal and external audit, it makes a significant contribution to ensuring that effective assurance arrangements are in place.

Terms of Reference

The Council reviewed and updated the Audit Committee's terms of reference in 2021 as required by the Report in the Public Interest. As part of this process, CIPFA was engaged to review these terms of reference and suggest improvements. CIPFA provided the committee with assurance that the terms are appropriate and more extensive that comparator authorities, including detailed functions within them to support compliance with the Public Sector Internal Audit Standards. The Council has delegated some of its non-executive functions to the Audit Committee. These are defined in the committee's terms of reference.

Good governance is ultimately the responsibility of those charged with governance, as well as those with leadership roles and statutory responsibilities in the organisation, including the Chief Executive, Corporate Directors, the Chief Financial Officer and the Monitoring Officer. The Audit Committee plays a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and risk management and financial reporting.

Good corporate governance requires the Council to undertake its functions with integrity and in a way that is accountable to the people of Nottingham, transparent, effective and inclusive. My role as the Chair of the Audit Committee is to drive forward improvements on corporate governance. This means I must:

- Consider the reports of external audit and inspection agencies;
- Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors and gain assurance that recommended improvements meet the needs identified and are being delivered to an appropriate timescale;
- Support the committee in reviewing the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to the issues raised by external audit;
- Support the committee in reviewing the Council's integrated planning and performance framework;
- Support consideration of the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- Lead the committee to be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Lead approval of the Internal Audit's strategy, plan and monitor performance.
- Support Internal Audit and contribute to Peer Review
- Support the review of the summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted; and
- Lead the Audit committee in procuring external audit if required.

Committee Aims

In summary, the committee's role is to challenge, assess and gather assurance from within the Council and from external agencies, on the level and quality of the internal control and risk management processes in place to ensure that Council objectives are met. As part of this role it approves Audit Plans, the Statement of Accounts, and Annual Governance Statement and monitors the robustness of performance management systems. The benefits gained from operating an effective committee are that it:

- contributes to the development of an effective control environment including arrangements for management of risk;
- increases stakeholder confidence in the objectivity and fairness of financial and other reporting by promoting transparency and accountability;
- reinforces the importance and independence of internal and external audit and any other similar review process (e.g. providing a view on the AGS) and the implementation of audit recommendations;
- advises on the adequacy of the assurance framework and considers whether assurance is deployed efficiently and effectively to give assurance that business objectives are met;
- helps the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption

Membership

The Audit Committee was made up of 9 non-executive councillors appointed to reflect the political balance of the Council. The members of the committee for 2020/2021 were:

Councillor Audra Wynter (Chair)
Councillor Leslie Ayoola (Vice Chair)
Councillor Graham Chapman
Councillor Michael Edwards
Councillor Jay Hayes
Councillor Jane Lakey
Councillor Sajid Mohammed
Councillor Anne Peach
Councillor Andrew Rule

Work Undertaken

The work is reflective of the committee's terms of reference shown at **Appendix A** which is addressed via an annual work programme endorsed by the committee and cross-referenced to the elements of the annual work programme. The analysis has been derived from the reports and presentations set before the committee in the period, which are shown in **Appendix B**.

<u>Assurance Statements and Governance</u>
The Audit Committee Work Programme shown in **Appendix A** reflects the many subject areas and sources of information that the committee considers in its

deliberations about corporate governance. The information assimilated allows members of the committee to understand governance issues and determine their opinion about the overall state of corporate governance in the Council. In addition the Audit Committee formed informal working groups to help the committee to better understand and consider the following areas:

Capital
Companies
Fraud (Anti-fraud, anti-bribery, and anti-corruption)
Risk & Assurance

Reports on the following areas were considered by the committee during the year:

- Annual Governance Statement (AGS)
- Governance of Group Companies
- Information Technology and Information Governance (IT)
- Counter Fraud Strategy and Whistleblowing Policy
- Risk Management
- Annual Report of Health and Safety
- Annual Human Resources Assurance report.
- Report on Culture & Ethics
- Treasury Management
- Performance Management
- External Audit
- Local Government and Social Care Ombudsman – Complaints Annual Assurance 2018-19 & Public Interest Report
- Internal Audit and Counter Fraud
- Financial Reporting
- Statement of Accounts (SOA)
- Role of the Audit Committee and Annual Work Programme

The Committee considered these reports and made resolutions in respect of each as set out in Appendix C.

Looking Forward

The Audit Committee will amongst other activities

- continue to seek assurance on the implementation of the Recovery and Improvement Plan including theme milestones and outcomes
- monitor progress in bringing the Council's external audit's up to date and ensuring future external audit cycles progress smoothly and on time
- have oversight of the Corporate Risk Register and associated management assurance frameworks including examination of key risks as needed
- provide challenge to the executive and senior officers to encourage implementation of improvements and delivering best value

Independence

The key criterion in assessing the independence of the committee is that its members are non-executives and their conduct on the committee is independent of political allegiances. Councillors have sought advice from legal and governance officers to achieve this requirement, and made declarations or have left the meeting where a conflict of interest was apparent, as appropriate. We accept the observations of the external auditor about the conflicts of interest that arise when councillors act as directors on council owned companies and the Council continues to make appropriate arrangements including for councillors on the Audit Committee as part of the Constitution theme of its Recovery and Improvement Plan. The Audit Committee terms of reference now allow for 2 independent members.

Training & Development

Training has been provided to committee members during the year on:

- the Role of the Audit Committee and its members (CIPFA – March 2021)
- Risk management (Zurich – March 2021)
- Financial statements (Director of Strategic Finance – September 2020)
- Treasury Management (Link Asset Management – November 2020)

Conclusion

Having considered the available guidance, the terms of reference and duties of the Audit Committee, and the work undertaken over the period since the last annual report, it is my assessment that the committee has carried out its roles effectively during 2020/21, subject to the issues noted in the external auditor's Report in the Public Interest, and the Non-Statutory Review. The committee has made several changes to its activity during 2020/21 to improve its effectiveness and will aim to complete improvements during 2021/22.

Appendix A - Analysis of Audit Committee Work Programme

Description	Report	Meeting
(a) Main Purposes:		
1. The Audit Committee is a key component of Nottingham City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.	Annual Audit Committee Report	SEP
2. Provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment.	External Audit reports, Annual Audit Committee Report, Annual Governance Statement (AGS) reports	JUN JUL SEP NOV FEB MAR MAY
3. Provide independent review of the Council's governance, risk management and control frameworks.	AGS & External Audit reports	JUN JUL SEP NOV FEB MAR MAY
4. Oversee the financial reporting and annual governance processes.	Budget, Statement of Accounts, Accounting Policies & AGS reports	JUL SEP FEB MAR
5. Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.	Annual IA Plan and updates & EA Updates	JUN JUL SEP NOV FEB MAR
6. Scrutinise the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.	Budget, Statement of Accounts, EA Updates, IICSA, OFSTED, Ombudsman, Companies, Assurance & Corporate Risk reports and presentations	JUN JUL SEP NOV FEB MAR MAY

Description	Report	Meeting
7. Oversee proposed and actual changes to the Council's policies and procedures pertaining to governance.	Audit Committee Terms of Reference, Public Interest Report, Companies Governance, Councillor Directors, Non-Statutory Review and Recovery & Improvement Plan, Interim AGS & Governance Updates connected to Action Plans	SEP NOV DEC FEB MAR MAY
(B) Main Functions:		
Governance, Risk & Control		
1. Review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.	AGS reports	JUL SEP MAR
2. Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.	AGS	JUL SEP MAR
3. Consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.	Annual Audit Letter & VfM Report	MAR MAY
4. Consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.	Assurance Reports (H&S, ITG, Complaints, HR)	SEP MAR MAY
5. Receive and consider the results of reports from external inspectors, Ombudsman and similar bodies and from statutory officers.	Budget, Annual summary of External Assurances, IICSA, OFSTED, Complaints & LG Ombudsman,	JUN JUL SEP FEB

Description	Report	Meeting
6. Monitor the effective development and operation of risk management in the council.	Risk Management Reports, Brexit, Covid-19 & Emergency Planning	JUL DEC MAR MAY
7. Monitor progress in addressing risk-related issues reported to the committee.	IICSA, Ofsted, Budget, Risk Management Updates, External Audit updates, Corporate Action Plans, Companies & Brexit	JUN JUL SEP NOV DEC FEB MAR MAY
8. Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.	IA Progress Updates & Service presentations, Companies reports	JUN SEP FEB MAY
9. Review the assessment of fraud risks and potential harm to the Council from fraud and corruption.	Annual IA Report & Annual Audit Letter	SEP MAY
10. Monitor the counter fraud strategy, actions and resources.	Annual IA Report & progress update	SEP FEB
11. Review the governance and assurance arrangements for significant partnerships or collaborations, including the Partnership Governance Framework, annual health checks and the Register of Significant Partnerships.	Audit Committee Terms of Reference	JUN FEB MAY
12. Commission work from internal and external audit.	Culture & Ethics	MAY
13. Consider arrangements for and the merits of operating quality assurance and performance management processes.	Customer Experience, EMSS	SEP
14. Consider the exercise of officers' statutory responsibilities and of functions delegated to officers.	e.g. S114A & S5A reports	Not applicable in 2020/21
15. Effectively scrutinise, review and monitor treasury management strategies and policies in accordance with guidance issued to local authorities, and make appropriate recommendations to the responsible body.	TM 2019/20 Annual Report, TM Strategy and Capital Strategy, TM Half-Yearly update	JUL FEB

Description	Report	Meeting
16. Consider any appeals made by an employee against decisions made by the Appointments and Conditions of Service Committee relating to a grievance made against the Chief Executive. Members involved in considering these will not be able to participate in any further consideration of the matter at other committees.	[Audit Committee will be advised by officers if/when it is required to carry out this role]	Not applicable in 2020/21
Financial Reporting		
17. Review the Annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.	Statement of Accounts	JUL SEP MAR
18. Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	Audit Findings Report, Auditor's Report to members of NCC (both with Statement of Accounts), Public Interest Report	JUL SEP MAR
19. Approve the Council's Statement of Accounts and associated governance and accounting policy documents	Accounting Policies, Statement of Accounts, external audit outcome and Public Interest reports & Annual Governance reports	JUL SEP FEB MAR
External Audit		
20. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.	Annual Audit Letter	JUL MAR
21. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	Annual Audit Letter	JUN JUL SEP NOV FEB MAR MAY
22. Consider specific reports as agreed with the external auditor.	Public Interest Report	SEP

Description	Report	Meeting			
23. Comment on the scope and depth of external audit work and to ensure it gives value for money.	EA reports	JUN	JUL	SEP	NOV
			FEB	MAR	MAY
24. Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	Annual Audit Committee Report			SEP	
Internal Audit					
25. Undertake the duties of the Board mandated by PSIAS as identified in Appendix 2.	PSIAS duties are listed below			SEP	
26. Consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services.	IA Progress Reports			SEP	
			FEB		
27. Consider the head of internal audit's annual report.	Annual IA Report			SEP	
28. Consider summaries of specific internal audit reports as requested.	IA Progress Reports			SEP	
			FEB		
Accountability Arrangements					
29. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.	Annual Audit Committee Report			SEP	
30. Report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.	Annual Audit Committee Report			SEP	
31. Publish an annual report on the work of the committee.	Annual Audit Committee Report			SEP	
PSIAS Duty of the Board					

Description	Report	Meeting
1. Approve the Internal Audit Charter	Annual IA Report	SEP
2. Approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	Annual IA Report	SEP
3. Approve decisions relating to the appointment and removal of the Chief Audit Executive	[If required the S151 Officer will provide a report]	Not applicable in 2020/21
4. Receive an annual confirmation from the Chief Audit Executive with regard to the organisational independence of the internal audit activity	Annual IA Report	SEP
5. Make appropriate enquiries of the management and the Chief Audit Executive to determine whether there are inappropriate scope or resource limitations	Annual IA Report	SEP
6. The Chair to provide feedback for the Chief Audit Executive's performance appraisal	Annual Audit Committee Report	SEP
7. Provide free and unfettered access to the Audit Committee Chair for the head of internal audit, including the opportunity for a private meeting with the committee.	Annual IA Report	SEP
8. Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.	Annual IA Report	SEP
9. Approve significant additional consulting services agreed during the year and not already included in the audit plan, before the engagement is accepted	IA Progress Reports	SEP FEB
10. Contribute to the QAIP and in particular, to oversee the external quality assessment of internal audit that takes place at least once every five years.	Annual IA Report	SEP

Description	Report	Meeting
11. Receive the results of the Quality Assurance and Improvement Programme from the Chief Audit Executive	Annual IA Report	SEP
12. Receive communications from the Chief Audit Executive on internal audit's audit plan and resource requirements including the approach to using other sources of assurance, the impact of any resource limitations and other matters	Annual IA Report	
13. Receive communications from the Chief Audit Executive on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.	Annual IA Report	SEP FEB
14. Receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	Annual IA Report	SEP

Appendix B – List of Reports to Audit Committee by Date

26 Jun 2020

Independent Inquiry into Child Sexual Abuse
Report of the Corporate Director for People

Children's Integrated Services Ofsted Focussed Visit and Improvement Programme
Report of the Corporate Director for People

Audit Committee Terms of Reference and Annual Work Programme
Report of the Director of Strategic Finance

External Audit Plan Update
Report of the External Auditor

31 Jul 2020

Budget Update
Report of the Strategic Director of Finance

Treasury Management 2019/20 Annual Report
Report of the Strategic Director of Finance

Statement of Accounts 2018/19
Report of the Strategic Director of Finance

External Audit report 2018/19
Report of the External Auditor

Annual Governance Statement 2018/19
Report of the Interim Chief Executive

Risk Management and Corporate Risk Register Update
Report of the Interim Chief Executive

Work Programme
Report of the Director of Strategic Finance

25 Sep 2020

Draft Statement of Accounts 2019/20
Update by the Head of Strategic Finance

Draft Annual Governance Statement 2019/20
Report of the Chief Executive

External Audit Reports

Public Interest Report
Report of the Director of Legal and Governance

Audit Committee Annual Report 2019/2020
Report of the Chair of the Audit Committee

Internal Audit Annual Report 2019/20
Report of the Head of Audit and Risk

Customer Experience/Complaints and Ombudsman Annual Assurance 2020
Report of the Director of HR & Customer

East Midlands Shared Services Annual Report 2019/20
Report of the Head of East Midlands Shared Services

30 Nov 2020

Update on Report in the Public Interest Action Plan

MHCLG Non Statutory Review

External Audit update

Audit Committee Working Groups

Companies Risk Management Review
Report of the Strategic Director of Finance

18 Dec2020

'No Deal' Brexit Planning (End of the EU Transition Period)

Report in the Public Interest - Appointment of Councillor Directors
Report of the Director of Legal and Governance

26 Feb 2021

Local Government Ombudsman's Report in the Public Interest following Investigation Reference 18 018 188
Report of the Corporate Director for People

Treasury Management Strategy 2021/22 & Capital and Investment Strategy 2021/22, and Treasury Management
Report of the Strategic Director of Finance

Review of Accounting Policies 2020/21
Report of the Strategic Director of Finance

Audit Committee Terms of Reference
Report of the Strategic Director of Finance

External Audit Update
Verbal update from Grant Thornton, External Auditors

Internal Audit Progress Report Q1-Q3 2020/21
Report of the Strategic Director of Finance

Control Environment and key risks for City Council controlled companies
Presentation by the Strategic Advisor on Companies

26 Mar 2021

Recovery and Improvement Plan Implementation – Process and Controls
Report of the Strategic Director of Finance

Statement of Accounts 2018/19 and Addendum to Annual Governance Statement
Report of the Strategic Director of Finance

Annual Governance Statement - Process for Producing 2020/21 Statement
Report of the Strategic Director of Finance

Risk Management and Corporate Risk Register Update
Report of the Chief Executive and Strategic Director for Resources

Information Compliance Annual Assurance Report
Report of the Director of Legal and Governance

28 May 2021

Annual Audit Letter 2018/19
Report from Grant Thornton , External Auditors

External Audit Update 2019/20
Verbal update from Grant Thornton , External Auditors

Annual Report of Health & Safety
Report of the Director of Legal & Governance

Covid-19 and Emergency Planning
Report of the Director of Legal & Governance

Culture & Ethics
Report of the Interim Corporate Director Finance & Resources

HR Annual Assurance
Report of the Interim Corporate Director Finance & Resources

Audit Committee Terms of Reference
Report of the Strategic Director of Finance

Report of the Interim Corporate Director Finance & Resources

Companies Governance Update
Report of the Interim Corporate Director Finance & Resources

Appendix C – Resolutions Made by Audit Committee

26 Jun 2020

Independent Inquiry into Child Sexual Abuse
(1) To note the progress made with the IICSA Action Plan

Children's Integrated Services Ofsted Focussed Visit and Improvement Programme
(1) Note the outcome of the Focused Visit; and
(2) Note and support the actions being undertaken to address the two priority actions, including the establishment of a Children's Services Improvement Board, commitment to an improvement fund and the contribution of the wider Council

Audit Committee Terms of Reference and Annual Work Programme
(1) Note the role and function of the audit committee, which comply with best practice in 2018 revision of the CIPFA guidance on Audit Committees, including the additional elements prescribed by the Public Sector Internal Audit Standards (PSIAS)
(2) Endorse the outline work programme

External Audit Plan Update
(1) Note the update to the External Audit Plan.

31 Jul 2020

Budget Update
(1) To note the update

Treasury Management 2019/20 Annual Report
(1) To note the performance information in relation to Treasury Management for 2019/20

Statement of Accounts 2018/19 & External Audit report 2018/19
(1) Consider the external Auditors' Audit Finding Report (attached to the report published with the agenda) to those charged with governance
(2) Approve for publication the Audited Statement of Accounts (attached to the report published with the agenda) and authorise the Chair of Audit Committee to sign them on the Committee's behalf
(3) Approve the Draft Management Representation letter (attached to the report published with the agenda) for signature by the Chair of Audit Committee
(4) Delegate authority to the Chair of the Audit committee and the Strategic Director of Finance to approve any subsequent necessary amendments to the Statement of Accounts.

Annual Governance Statement 2018/19
(1) Approve the Revised Annual Governance Statement 2018/19 as published with the agenda
(2) Note the late availability of the report
(3) Note that the Draft Annual Governance Statement 2019/20 is to be presented at the September Audit Committee;
(4) Ensure that a timescale for each action be presented in the Draft Annual Governance Statement 2019/20 at the September 2020 Audit Committee and that timing for each of those to be integrated into the Audit Committee work plan;
(5) Consider whether further items of learning need to be considered as actions to be embraced in the Draft Annual Governance Statement 2019/20, particularly around culture, as well as learning around Robin Hood Energy and the Capital Programme.

Risk Management and Corporate Risk Register Update
(1) Note the risks identified on the high level Corporate Risk Register.
(2) Identify any risks requiring additional assurance for review with the risk lead at a future Audit Committee
(3) Note the progress made to review existing processes and embed Risk Management across the Council.

Work Programme
(1) To note the work programme and that it was subject to revision following earlier discussions

25 Sep 2020

Draft Statement of Accounts 2019/20
(1) To note the update provided

Draft Annual Governance Statement 2019/20
(1) Require a coversheet for the next edition of the Annual Governance Statement presented to the Audit Committee that acknowledges every observation and suggestion made at the September Audit Committee and reports whether the Annual Governance Statement has been changed as a result of each observation; and
(2) Note the Draft Annual Governance Statement 2019/20 set out in Appendix 1 of the published report.

External Audit Reports
(1) To note the update provided

Public Interest Report
(1) To note the presentation and points made in the discussion that followed it

Audit Committee Annual Report 2019/2020
(1) Note the work undertaken and approve the report published with the agenda at Appendix 1;

Internal Audit Annual Report 2019/20
(1) Add the following items to the newly established action plan:

- **Set up a working group to look at increasing income by reducing fraud.**
- **To update the whistleblowing policy to install an obligation to report.**
- **Set up a working group to look at the Capital Programme;**

(2) Note the following as detailed in Appendix 1 of the published report:

- **The audit work completed during the year including the use of other sources of assurance and reliance upon those other sources**
- **The Head of Audit and Risk's annual opinion**
- **The proposed Audit Plan for 2020/21**

(3) Approve the internal Audit Charter in Appendix 2 of the published report;
(4) Note the Counter Fraud Strategy in Appendix 3 of the published report;
(5) Note the Whistleblowing Policy in Appendix 4 of the published report.

Customer Experience/Complaints and Ombudsman Annual Assurance 2020
(1) To note the contents of the report

East Midlands Shared Services Annual Report 2019/20
(1) To note the contents of the report

30 Nov 2020

Update on Report in the Public Interest Action Plan
(1) To note the work undertaken to date and progress towards implementation of the action plan.

MHCLG Non Statutory Review
(1) To note the report and information on the MHCLG rapid non-statutory review and that a report with the outcome will come to a future meeting of this Committee.

External Audit update
(1) To note the content of the update from the External Auditor

Audit Committee Working Groups
Resolved to establish the following working groups and membership:

Capital and Commercial:
- **Cllr Leslie Ayoola**
- **Cllr Graham Chapman**
- **Cllr Jane Lakey**
- **Cllr Andrew Rule**

o **Cllr Audra Wynter**
o **Cllr Michael Edwards**

Anti-fraud, anti-bribery, and anti-corruption:
o **Cllr Graham Chapman**
o **Cllr Jay Hayes**
o **Cllr Andrew Rule**
o **Cllr Audra Wynter**

Risk and Assurance
o **Cllr Graham Chapman**
o **Cllr Michael Edwards**
o **Cllr Sajid Mohammed**
o **Cllr Audra Wynter**
o **Cllr Anne Peach**

Companies Risk Management Review
(1) Note the use of the Companies Financial Governance Framework to support its risk management of the group companies; and
(2) Note the Group Risk Register and its connection to the City Council Finance Risk Register.
(3) Note the External Audit Findings reports for the companies.

18 Dec2020

'No Deal' Brexit Planning (End of the EU Transition Period)
(1) To note the risks and mitigating action identified.

Report in the Public Interest - Appointment of Councillor Directors
1) Approve the following for inclusion in the comments to accompany the report to Council:

- **Executive Board members should not serve as a member of a Board which are overseen by their remit as Portfolio Holders.**
- **Members of the Companies Governance Executive Sub Committee should not serve as Directors on any council-owned company (as this Committee directly oversees the activities and performance of all such companies.)**
- **The role of the Portfolio Holder needs to be defined in relation to the company within their remit. There needs to be regular meetings with the shareholder representative, Portfolio Holder and the company to allow detailed conversations.**

2) Note the work undertaken so far on the review of the use of Councillors on Company Boards.

26 Feb 2021

Local Government Ombudsman's Report in the Public Interest following Investigation Reference 18 018 188
(1) Note the Local Government Ombudsman's Report in the Public Interest following Investigation Reference 18 018 188 and be assured that all recommendations contained within have been fully enacted; and
(2) Receive an annual monitoring report to ensure that new procedures and improved management oversight are effective in ensuing learning from the Local Government Ombudsman's Report in the Public Interest are embedded and effective in the experience of applicants for SEND travel assistance. On receipt of a report in 12 months' time the committee could consider if further monitoring reports should come back.

Treasury Management Strategy 2021/22 & Capital and Investment Strategy 2021/22,
(1) To note the Treasury Management Strategy for 2021/22, attached as Appendix 1 to the published report, and, in particular:

- **the Strategy for Debt Repayment (Minimum Revenue Provision Statement) in 2021/22**
- **the Borrowing Strategy including the Debt Policy**
- **the Treasury Management Investment Strategy for 2021/22;**
- **the Prudential Indicators and limits for 2021/22 to 2023/24; and**
- **the Treasury Management Policy Statement**

(2) Note the Capital Strategy 2020/21 including the Voluntary Debt Reduction Policy Statement.
(3) Note the content of the exempt appendix

Treasury Management 2020/21 Half Yearly Update
(1) Note the treasury management actions taken in the first half of 2020/21

Review of Accounting Policies 2020/21
(1) Agree the Statement of Accounting Policies for inclusion in the 2020/21 annual accounts; and
(2) Agree the proposals where International Financial Reporting Standards allow a degree of choice.

Audit Committee Terms of Reference
(1) Recommend to Council that it approves the adoption of a revised Terms of Reference for the Audit Committee and amends the Constitution accordingly
(2) Note the outcome of the review by CIPFA; and
(3) Note the end of Audit Committee oversight of the Partnership Governance Framework, including annual Health Checks and the Register of Significant Partnerships and the associated workstream.

Internal Audit Progress Report Q1-Q3 2020/21
(1) Note the performance of Internal Audit during the period and the effect of Covid 19; and
(2) Note the proposed approach to the Public Sector Audit Standards compliance review i.e a Core Cities peer review

Control Environment and key risks for City Council controlled companies
(1) Note the content of the report

26 Mar 2021

Recovery and Improvement Plan Implementation – Process and Controls
(1) Agree that arrangements are in place for the management of the Recovery and Improvement Plan;
(2) Receive additional risk information identified by the Programme Management Office to the Risk Working Group, this information will be fed into the corporate risk register and outcome orientated and further reported back to the Audit Committee; and
(3) Establish a way to feedback, critique, observations and recommendations on recommendations made by the Improvement Board to the Council, to the Improvement Board;

Statement of Accounts 2018/19 and Addendum to Annual Governance Statement
(1) Consider the external Audit finding for Nottingham City Council and Value for Money and going concern Report;
(2) Note the changes to the statement of Accounts from the version presented to the Committee in July 2020; and
(3) Note the Addendum to the Annual Governance Statement 2018/19.

Annual Governance Statement - Process for Producing 2020/21 Statement
(1) Note the process and timetable for compiling and completing the 2020/21 Annual Governance Statement.

Risk Management and Corporate Risk Register Update
(1) Note the refreshed Risk Management Framework and provide views and feedback on the framework and implementation plan
(2) Note the progress made to review existing processes and embed Risk Management across the Council
(3) Note that the High Level Corporate Risk Register has been reviewed by the Risk Working Group on the 16 March 2021 and a number of suggestions made to refine the information have been presented to risk owners and feedback is awaited;

Information Compliance Annual Assurance Report
(1) To accept the contents of the report

28 May 2021

Annual Report of Health & Safety
(1) Require all Corporate Directors ensure their departmental colleagues can demonstrate up to date training in the mandatory health and safety courses, and where appropriate, asbestos management by Friday 30 July 2021;

(2) Require all Corporate Directors ensure that all outstanding Accident/Violence/Audit recommendation are completed and recorded on the corporate system by Friday 30 Jul 2021
(3) Note the absence of any Health and Safety Executive intervention in the Council in the past three years
(4) Ask that the Risk and Assurance working group review updated figures after 30 July 2021

Covid-19 and Emergency Planning
(1) To confirm assurance that specific and generic plans and arrangements were in place to deal with a pandemic emergency prior to the outbreak of Covid-19
(2) To acknowledge that the early reviews of both the Council's and the Local Resilience Forum's (LRF) Pandemic Flu plans showed they provided effective templates for the response phase;
(3) To note that an interim debrief of the response phase was held and arrangements adjusted but that a full debrief is yet to be held whilst the pandemic is ongoing, and
(4) That, on conclusion of any full debrief, the recommendations relevant to the Council be shared with this Committee for consideration

Culture & Ethics
(1) require the findings of this report be used:
a. As a framework for monitoring progress in rectifying the failures highlighted, particularly in paragraph 1.5 and 1.7 of the published appendix
b. As a basis for training and information to support the necessary change in culture
(2) refer the report to both the Chairs of the Standards Committee and Overview and Scrutiny Committee and to Executive Panel to consider further action.

HR Annual Assurance
(1) Note the work being done within the division to ensure the Council's statutory and non-statutory obligations relating to people management and equalities are being met and / or progressed.

Companies Governance Update
(1) Note the report on progress against the Recovery and Improvement Plan

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City Council - 7 March 2022

Report of the Chair of the Appointments and Conditions of Service Committee

Corporate Director:
Clive Heaphy, Interim Corporate Director for Finance and Resources

Report Author and Contact Details:
Elaine Harrison, Employee Relations Consultant, elaine.harrison@nottinghamcity.gov.uk
0115 876 2766

Title: Pay Policy Statement 2022 - 2023

Does the report form part of the Budget or Policy Framework?
☐ Yes ☒ No

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

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	☒

1. Summary

1.1 This report sets out the Council's pay policy statement for 2022-23 as required by the Localism Act 2011. The Statement sets out information on pay and conditions for Chief Officers in comparison to the bulk of the workforce employed on 'Local Government Scheme" (LGS) terms and conditions. The statement must be annually approved by the Full Council before 31 March 2022.

2. Recommendations

2.1 To consider and approve the Council's pay policy statement for 2022-23 as attached at Appendix A.

2.2 To note that the statement may need to be amended in-year for any necessary changes the Council may wish to adopt. Any such changes will be presented to Full Council for approval.

3. Reasons for recommendations

3.1 The Pay Policy Statement is a statutory requirement under the Localism Act and is being presented to Full Council in order to demonstrate that decisions on pay and reward packages for Chief Executives and Chief Officers are made in an open and accountable way.

4. Other options considered in making recommendations

4.1 As the production of a Pay Policy Statement is a requirement under the Localism Act, no other options were considered.

5. Consideration of Risk

5.1 None

6. Background (including outcomes of consultation)

6.1 The Localism Act requires local authorities to prepare and publish an annual Pay Policy Statement.

6.2 The Act requires that the statement must be approved formally by the Council meeting itself (it cannot be delegated to a sub-committee); must be approved by the end of March each year and must be published on the Council's website. "Chief Officer" is widely defined in the Local Government and Housing Act 1989.

6.3 Matters which must be included in the statutory Pay Policy Statement are as follows:

- the Council's policy on the level and elements of remuneration for Chief Officers;
- the Council's policy on the remuneration of its lowest-paid employees (together with its definition of "lowest-paid employees" and its reasons for adopting that definition);
- the Council's policy on the relationship between the remuneration of its Chief Officers and other Officers;
- the Council's policy on other specific aspects of Chief Officers' remuneration, such as remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.

6.4 The Act defines remuneration widely, to include not just pay, but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements, and termination payments.

6.5 The pay multiple of the average Chief Officer's pay (£90,431) to that of the non-Chief Officer average earner (£27,262) including guaranteed payments is 3.32:1. The relationship between the Chief Executive's pay (£179,813) to that of the Council's non-Chief Officer average earner excluding allowances (£26,797) is a pay multiple of 6.71:1.

6.6 The total sum of additional payments claimed by the Council's Chief Officers from 1 April 2021 to 31 October 2021 was £32,933. These related to claims for travel, additional responsibilities, standby session, Market Supplements, mileage and Pay Protection.

6.7 As at 31 October 2021, it was not Council policy to make bonus payments, performance related pay and other pay enhancements such as overtime, weekend, evening, night working, etc to Chief Officers.

6.8 Annual pay awards are negotiated nationally with the trade unions. Pay negotiations for 2021/22 are still ongoing and trade unions are currently balloting members for industrial action. This pay statement therefore is based on pre-pay award salaries.

6.9 In light of this, the current pay differential is 6.71:1.

6.10 The Council introduced a new pay model and terms and conditions for SLMG with effect from 1 October 2018, which is referred to within the Pay Policy Statement.

7. Finance colleague comments (including implications and value for money)

7.1 The average and median pay figures included in the report are based on data for 2021/22 up to 31 October 2021 increased to an annual figure.

Jo Worster, Team Leader Strategic Finance, 20 January 2022

8. Legal colleague comments

8.1 Under Section 38 of the Localism Act 2011, for each financial year, the Council is required to prepare a pay policy statement relating to the following:

- the remuneration of its chief officers,
- the remuneration of its lowest-paid employees, and
- the relationship between—
    - the remuneration of its chief officers, and
    - the remuneration of its employees who are not chief officers.

8.2 The statement must also state:

- the definition of “lowest-paid employees” adopted by the Council for the purposes of the statement, and
- the authority's reasons for adopting that definition.

8.3 The statement must also include the Council's policies relating to—

- the level and elements of remuneration for each chief officer,
- remuneration of chief officers on recruitment,
- increases and additions to remuneration for each chief officer,
- the use of performance-related pay for chief officers,
- the use of bonuses for chief officers,
- the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and
- the publication of and access to information relating to remuneration of chief officers.

8.4 A pay policy statement for a financial year may also set out the Council's policies for the financial year relating to the other terms and conditions applying to the Council's chief officers.

8.5 Under Section 39 of the Localism Act 2011, the pay policy statement must be approved by Full Council before it comes into effect. The statement must be approved by 31 March 2022 for the forthcoming financial year.

Beth Brown, Head of Legal and Governance, 21 January 2022

9. **Other relevant comments**

9.1 **HR**
The Localism Act requires local authorities to prepare and publish a pay policy statement.

The Act requires that the statement must be approved formally by Full Council itself (it cannot be delegated to a sub-committee). The statement must be approved by the end of March each year and must be approved and published by 31 March each year.

10. **Crime and Disorder Implications (If Applicable)**

10.1 Not applicable

11. **Social value considerations (If Applicable)**

11.1 Not applicable

12. **Regard to the NHS Constitution (If Applicable)**

12.1 Not applicable

13. **Equality Impact Assessment (EIA)**

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

No ☒
An EIA is not required because the report does not contain proposals or financial decisions.

14. **Data Protection Impact Assessment (DPIA)**

14.1 Has the data protection impact of the proposals in this report been assessed?

No ☒
A DPIA is not required because the report is produced in accordance with the Localism Act 2011.

15. **Carbon Impact Assessment (CIA)**

15.1 Has the carbon impact of the proposals in this report been assessed?

No ☒
A CIA is not required because the report does not contain proposals or financial decisions.

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

16.1 Local Government Association and Association of Local Authority Chief Executives (ALACE), Localism Act: Pay Policy Statement Guidance for Local Authority Chief Executives.

17. **Published documents referred to in this report**

17.1 Communities and Local Government, Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act.

17.2 Department for Communities and Local Government, 2013. Openness and Accountability in Local Pay: Guidance under section 40 of the Localism Act 2011. Supplementary Guidance. London

Councillor Dave Liversidge
Chair of the Appointments and Conditions of Service Committee

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Nottingham City Council

Pay Policy Statement 2022-2023

Safer, cleaner, ambitious
Nottingham
A city we're all proud of

Nottingham City Council

CONTENTS

Foreword

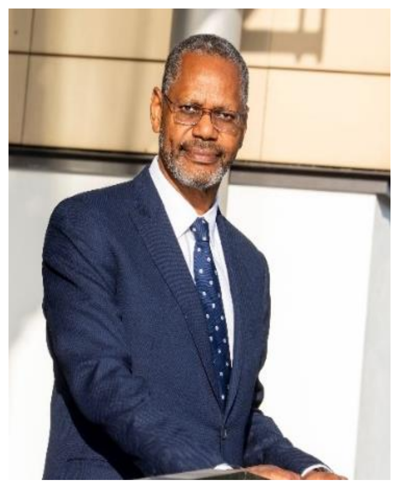
Welcome to Nottingham City Council's annual Pay Policy Statement. The statement sets out the Council's approach to setting pay and conditions for its employees, including Chief Officers, and demonstrates our commitment to openness and transparency about pay and allowances..

Last year's Pay Policy Statement noted the Government's intention to implement a cap on public sector exit payments. These reforms duly became law on 4 November 2021, however, they were subsequently repealed by Government. Further proposals may be brought forward in 2022.

Despite a difficult financial environment, the Council is committed to providing fair pay to all our employees. During 2021 the Council published pay gap reports in relation to gender, race and disability, on the basis that pay gap data is an important indicator to facilitate the council's commitment to be an employer that promotes equalities, diversity and inclusion within the workplace.

Cllr David Mellen
Leader of the Council

Mel Barrett
Chief Executive



1 BACKGROUND

1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for each financial year (since 2012/13).

1.2 Pay Policy Statements must articulate the Council's own policies on a range of issues relating to the pay of its workforce, particularly its senior employees (or 'Chief Officers' as defined by the Local Government and Housing Act 1989) and its lowest paid employees.

1.3 The Act requires the Statement to be considered by a meeting of Full Council and cannot be delegated to any sub-committee. All decisions on pay and reward made in 2022/23 must comply with the Pay Policy Statement. The statement may be amended in year but must be agreed again by a meeting of Full Council.

1.4 This Pay Policy Statement provides information on Nottingham City Council's pay, terms and conditions for Chief Officers in comparison to the bulk of the workforce employed on 'Local Government Scheme' (LGS) terms and conditions. It also sets out the approach that will be taken during 2022/23.

1.5 Sections 2, 4 and 7 and Appendix 4 use retrospective pay information. The same reporting period has been used as last year.

1.6 The data presented in this statement is based on the Council structure in October 2021 which consisted of four main departments; People, Growth & City Development, Resident Services and Finance & Resources. Each department delivers distinct and specific functions for Nottingham's citizens. These departments have been in place since 1st November 2020, following changes to the Council's Senior Management Structure which resulted in a more streamlined Chief Officer structure within the Council.

2 DEFINITIONS AND SCOPE

2.1 <u>Definition of Statutory Chief Officer</u>

The Localism Act 2011 Section 43 (2)(a) defines 'Chief Officers' as follows:

'(a) the head of its paid service designated under section 4(1) of the Local Government and Housing Act 1989;

(b) its monitoring officer designated under section 5(1) of that Act;

(c) a statutory chief officer mentioned in section 2(6) of that Act;

(d) a non-statutory chief officer mentioned in section 2(7) of that Act;

(e) a deputy chief officer mentioned in section 2(8) of that Act'.

The designation of Chief Officers and Deputy Chief Officers, are established in accordance with the Local Government and Housing Act 1989 as follows;

Section 2 (6) defines the following posts as Statutory Chief Officers:
'(a) Head of Paid Service
(b) Chief Finance Officer.
(c) Director of Children's Services (appointed under section 18 of Children's Act 2004)
(d) Director of Adult Social Services (appointed under section 6 of Local Authority Social Services Act 1970)
(e) the director of public health appointed under section 73A(1) *of the National Health Service Act 2006'*

Section 2 (7) defines the following posts as Chief Officers (non-Statutory):
'(a) *a person for whom the head of the authority's paid service is directly responsible;*
(b) a person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the head of the authority's paid service; and
(c) any person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority'.

Section 2 (8) defines a Deputy Chief Officer as being:
'a person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to one or more of the statutory or non-statutory chief officers'.

Appendix 1 provides a structure chart of all the Chief Officers, as defined by the Local Government and Housing Act 1989, employed at the Council as at 31 October 2021.

2.2 <u>'Lowest Paid' Employee</u>

The majority of the workforce is employed on Local Government Service (LGS) terms and conditions. The 'lowest paid employee is on Nottingham City Council (NCC) Grade A, Level 1, equating to a basic salary of £17,842.

This is the lowest pay point and salary offered for a substantive post at the Council excluding Level 2 apprentices.

2.3 In accordance with the Localism Act 2011, the Pay Policy Statement excludes:

- Apprentices;
- Colleagues on NHS terms and conditions;

- Colleagues on East Midlands Council's terms and conditions;
- Colleagues on protected terms and conditions under TUPE;
- Colleagues on Teachers' terms and conditions;
- Non Chief Officer Heads of Services and managers on Senior Leadership Management Group (SLMG) terms and conditions; and
- Colleagues on Soulbury and Hay terms and conditions;
- Colleagues on the House Agreement for the Theatre Royal and Royal Concert Hall (TRCH).

The reason for excluding these groups is because apprentices are not on permanent contracts, the majority of Heads of Services are not Chief Officers as defined by the Local Government and Housing Act, and there are a very small number of colleagues employed on the other types of terms and conditions.

2.4 Schools' Employees

As specified in the Localism Act, the Pay Policy statement does not include information on, or apply to, Chief Officers and employees based in schools.

3 HOW PAY AND CONDITIONS ARE AGREED FOR CHIEF OFFICERS

3.1 Chief Officers' pay and conditions are ratified by the Council's remuneration committee, Appointment and Conditions of Service (ACOS). The responsibility for this function is set out in Part 2 of the Council's Constitution.

4 PAY, TERMS AND CONDITIONS AT NOTTINGHAM CITY COUNCIL

4.1 The majority of Chief Officers working at Nottingham City Council belong to a group referred to internally as the 'Senior Leadership Management Group (SLMG)'. Colleagues employed as Heads of Services and other senior managers are also part of SLMG and its associated terms and conditions, however, the majority are not Chief Officers as defined by the Local Government and Housing Act.

4.2 The Matrix of Terms & Conditions (Appendix 4) provides a comprehensive breakdown of all the terms and conditions offered to the Council's various groups of Chief Officers in comparison to LGS employees as at 31 October 2021, including pay range, allowances, fees and other benefits in kind. The table also outlines contractual and non-contractual pay and conditions for the different groups. The table highlights that many of the terms and conditions offered to LGS employees, such as overtime, travel expenses within the County of Nottinghamshire, weekend allowances etc. are not available to the Council's Chief Officers

4.3 The Chief Executive is paid on an all-inclusive fixed spot salary of £179,813. Corporate Directors and Strategic Directors are also paid on all-inclusive fixed spot salaries drawn from the respective salary ranges.

4.4 Continuing the single status journey for the council, looking ahead, a review will be undertaken during 2022/23 to ensure that the grading structure for Chief Executive, Corporate Director and Strategic Director roles remain fit for purpose.

4.5 The total additional payments made to the Council's Chief Officers between 1 April 2021 and 31 October 2021 are listed in the table below:

Payment Element	Amount
Additional Responsibility	£10,298
Protected Pay NC	£5,490
Market Supplement	£15,463
Mileage Net	£13
Standby Payment	£89
Standby Sessions NR	£1,580
Total for Chief Officers*	**£32,933**

*** as defined by the Local Government and Housing Act 1989**

5 ELECTION DUTY PAYMENTS

5.1 The Returning Officer's fee is a payment made to a nominated Chief Officer (at Nottingham City Council, this is the Chief Executive) for being responsible for the proper conduct and administration of relevant elections in accordance with all statutory and other requirements. the running of Local, Local Police & Crime Commissioner and Parliamentary elections in addition to any National Referenda.

5.2 The Parliamentary elections and elections for the Police & Crime Commissioner and any national referenda are funded and paid for by central government and are, therefore, not related to Nottingham City Council's terms and conditions. The Council does not set the fee payable to the Chief Executive for these elections and the Chief Executive retains any fee paid to them for these duties.

5.3 The Police & Crime Commissioner election took place during the 2021-22 reporting period. This was rescheduled from 2020 due to the Covid-19 pandemic. The Chief Executive received an additional fee as local returning officer, but as outlined in para 5.2, this will have been a separate payment, not funded by the City Council and as such does not form part of Nottingham City Council's terms and conditions.

5.4 The funding for local elections comes from local authority funds. The Chief Executive is responsible for the proper conduct and administration of local elections in accordance with all statutory and other requirements. The Chief Executive is not contractually entitled to a payment for local elections. A single by-election took place during the reporting period for which the Chief Executive did not receive a Returning Officer fee.

6 MONITORING OFFICER

6.1 The Monitoring Officer has the specific duty to ensure Nottingham City Council, its officers, and its elected Councillors maintain the highest standards in all they do. The Monitoring Officer's role is derived from Section 5 of the Local Government and Housing Act 1989, and includes the following: -

- To report on matters they believe are, or are likely to be, illegal or amount to maladministration or breach of statutory code under Sections 5 and 5A of the Local Government and Housing Act 1989.
- Investigating any matter where there is reason to believe it may constitute, or where they have received an allegation that a matter may constitute, a reportable incident under Sections 5 and 5A of the Local Government and Housing Act 1989.
- Maintaining the Council's Constitution.
- Maintaining the Constitution
- Ensuring Lawfulness and Fairness of Decision Making
- Supporting the Standards Committee
- Conducting Investigations in relation to the Councillors' Code of Conduct
- Proper Officer for Access to Information
- Advising Whether Cabinet Decisions are within the Budget and Policy Framework
- Providing Advice
- Maintaining and updating the register of Councillors' interests

6.2 The Monitoring Officer has a duty to report to Full Council if they consider any proposal, decision, or omission made by the Council, or on behalf of the Council, is illegal or would be illegal. The duty is a personal duty and the Monitoring Officer cannot delegate it to someone else unless they are ill or away, in which case a Deputy Monitoring Officer can take over the role.

6.3 The Monitoring Officer responsibility falls within the remit of the Director of Legal and Governance who is paid an all-inclusive fixed spot salary drawn from the SDIR salary range.

7 PAY RELATIONSHIPS

Without Allowances

7.1 The relationship between the Chief Executive's basic pay (£179,813) to that of the Council's non Chief Officer[1] average earner, excluding allowances (£26,797) is a pay multiple of 6.71:1.

7.2 The pay multiple of the Chief Executive's basic pay (£179,813) to that of the Council's non Chief Officer median earner excluding allowances (£23,541) is 7.64:1. In the 2020/21 reporting cycle, the pay multiple for the Chief Executive basic pay ratio to that of the median earner was 7.64:1. This compared well with figures reported by the Core Cities where pay multiples ranged between 5.73:1 to 8.04:1.

With Guaranteed Payments[2]

7.3 The relationship between the average Chief Officer's pay including guaranteed payments (£90,431) and to that of the Council's non Chief Officer average earner including guaranteed payments (£27,262) is 3.32:1.

7.4 The relationship between the median pay of Chief Officers including guaranteed payments (£92,828) and to that of the Council's non Chief Officer median earner including guaranteed payments (£23,554) is 3.94:1.

7.5 The relationship between the average Chief Officer's pay excluding guaranteed payments (£89,284) and that of the Council's (non-Chief Officer) average earner excluding guaranteed payments (£26,797) is 3.31:1.

7.6 The relationship between the median Chief Officer's pay excluding guaranteed payments (£89,369) and that of the Council's (non-Chief Officer) median earner excluding guaranteed payments (£26,797) is 3.33:1.

7.7 The Councils 2020 Gender Pay Gap report showed an average pay gap of 2.9% (and 32.7% for the gender bonus gap). This means that on average women earned just over 97 pence for every pound earned by men.

[1] The definition of 'non-Chief Officer' in section 7 includes colleagues on Greater London Provincial Council (GLPC), non -Chief Officers on Senior Leadership Management Group (SLMG) pay scales and Local Government Service (LGS) pay scales. It excludes the Chief Executive (CEX) and Corporate Directors' (CDIR). The ratio has been calculated using basic FTE pay, not actual pay.

[2] Includes basic FTE salary, pension – employer contribution on FTE basic pay, salary protection, market supplements, allowances and enhancements paid between 01/04/2021 to 31/10/2021.

8 THE COUNCIL'S STATEMENT ON PAY AND CONDITIONS FOR CHIEF OFFICERS FOR 2022/23

This section sets out the Council's approach to determining pay and conditions for Chief Officers for 2022/23.

8.1 Remuneration of Chief Officers on recruitment

The basic all-inclusive pay for Chief Officers (Corporate Directors and Strategic Directors) fall within the bandings for their job as set out below (salaries are as applicable at 31 October 2021). The Chief Executive and Chief Officers roles are paid on a fixed spot salary drawn from the respective salary range (Refer to Appendix 4 - Matrix of Terms and Conditions).

As outlined in 4.4, a review will be undertaken during 2022/23 to ensure that the grading structure for Chief Executive, Corporate Director and Strategic Director, roles remain fit for purpose.

Posts falling within the statutory definition for Chief Officers of the Local Government and Housing Act 1989, which covers the Statutory Officers and those others that report to the Chief Executive, are set out in section 2.1 above.

The Appointment and Conditions of Service Committee (ACOS) is responsible for carrying out the recruitment and appointment of the Head of Paid Service and a number of Chief Officer roles as set out in the Constitution.

8.2 The level and elements of remuneration for each Chief Officer

All changes or amendments to SLMG pay grading are subject to consultation with Chief Officers, their trade union representatives and formal ratification by ACOS. Any decision to pay market supplements or acting up allowances to Chief Officers are subject to a business case being put forward to the Director of HR and EDI for approval in accordance with section 9 of the Council's Pay Policy.

8.3 Increases and additions to remuneration for each Chief Officer

The Council's 'chief officer' cohort comprises of three staff categories - Corporate Directors, Strategic Directors and SLMG. Differences in Pay, Terms and Conditions for these three categories are contained in Appendix 4. Prior to October 2018, all three categories were paid on all-inclusive fixed spot salary points; following a review and effective from 1st October 2018, a two-point progression grading structure was introduced for the SLMG category only. Corporate Directors and Strategic Directors have remained on all-inclusive fixed spot salaries.

Nottingham City Council

Annual pay awards are negotiated nationally with the trade unions. Pay negotiations for 2021/22 are still ongoing and trade unions are currently balloting members for industrial action. This pay statement therefore is based on pre-pay award salaries.

8.4 The use of performance related pay for Chief Officers

The Council does not offer performance related pay to Chief Officers.

8.5 The use of bonuses for Chief Officers

The Council does not offer bonus payments to Chief Officers.

8.6 Earn-Back Pay

At the time of writing, the Council is not intending to introduce the policy of 'earn back pay' which requires Chief Officers to have an element of pay 'at risk' to be earned back each year through meeting pre-agreed objectives.

The Council's Performance Appraisal system requires a number of mandatory competencies and objectives (team and individual) to be met which are reviewed throughout the year. In addition to this, Chief Officers are not excluded from the application of the Council's formal policies on Performance Management and Discipline, and will be managed under the appropriate procedures should there be sufficient underperformance or misconduct concerns, up to and including dismissal, should this be necessary.

8.7 The payment of Chief Officers on their ceasing to hold office or to be employed by the Council

The Council's payment to Chief Officers leaving the Council under the following types of termination is set out below:

- **Redundancy Dismissal** – Contractual notice and redundancy pay as set out in the Council's Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (DCR Policy).
  - **Efficiency** - Efficiency payment as set out in the Council's Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (DCR Policy).

    In accordance with the Local Government Pension Scheme regulations, employees aged 55 or over who are members of the local government pension scheme with at least two years qualifying membership in the pension scheme or transferred pension rights from another scheme, are also entitled to receive and must take immediate payment of an unreduced pension if they are dismissed by reason of redundancy or business efficiency, or if their employment is terminated by mutual consent on grounds of business efficiency.

- **Retirement** – Under pension regulations, anyone can access their pension benefits from age 55 when they leave employment. The early payment of pension will be actuarially reduced if taken before normal pension age.

- **Early Retirement** – Under pension regulations anyone can access their pension benefits from age 55 when they leave employment. Under the council's Pension Discretions Statement of Policy, the council will not exercise the discretion to waive actuarial reductions or to "switch on" the 85-year rule.

- **Flexible Retirement** – Officers of the Council may apply to access their pension from age 55 but remain working at the Council either under reduced pay or reduced hours. Any flexible requirement requests for Officers in the councils Tier 1 and Tier 2 workforce (Chief Executive, Corporate Director, Strategic Director, SLMG1 and SLMG2) would need to be approved by ACOS.

  All flexible retirement requests are subject to the consent of the City Council and there is a requirement to produce a business case before any request can be approved.

- The Council will not award additional pension to Officers in the SLMG pay profile who are dismissed by reason of redundancy or efficiency.

The Government cap on Public Sector exit payments came into force on 4 November 2020 and was formally revoked on 19 March 2021 via The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021. The pay cap, when in place, reduced both redundancy dismissal and efficiency pension benefits where the Officer was aged 55 and over, where the overall cost of termination exceeded £95,000 including pension strain costs. Following revocation, employers have been encouraged to pay the additional sums that would have paid to ex-employees who exited organisations between 4 November and 11 February 2021 whilst the cap was in place. Employers were also advised to review other termination payments that may have been restricted due to the exit cap in line with their internal policies, for example, discretionary compensation pay. It should be noted that the Council did not make any such payments and, therefore, did not have to reimburse additional sums.

The government has indicated that it intends to bring back future legislation at some point, and these requirements will be incorporated into this statement at the appropriate time.

8.8 Re-employment of former Chief Officers

Nottingham City Council

Former Chief Officers are permitted to apply for vacancies at the Council via the normal competitive recruitment process.

Where former Chief Officers are applying for work under a contract for services with the Council (e.g. as a Consultant or casual worker), the Leader of the Council along with the Director of HR and EDI will scrutinise and decide whether to approve such requests following a consideration of the skills required and an assessment of value for money.

8.9 The appointment of former Chief Officers in receipt of a pension (pension abatement)

The Council is not in a position to abate pension payments (the act of reducing or suspending pension payments) if a Chief Officer is re-engaged or re-employed. The Council's pension fund is administered by Nottinghamshire County Council who set the rules for employers to follow on abatement.

Therefore, until the policy is amended by Nottinghamshire County Council, the City Council cannot enforce pension abatement for current or former employees.

8.10 Tax Avoidance

The Council takes its obligations for ensuring compliance with relevant taxation legislation very seriously and does not actively engage in or endorse any form of tax avoidance. Therefore, the Council has policies and procedures in place to ensure that the correct amount of taxes is accounted for and paid at the correct time.

All individuals employed or engaged by the Council are treated equally and the level of seniority does not allow for differential treatment in the engagement process, or in the method of remuneration.

The Council recognises that by paying employees through private companies it allows the individual to manage their own tax arrangements and potentially reduce the amount of tax and national insurance they are obliged to pay thus implicating the Council in tax avoidance schemes. Therefore, the Council does not and will not remunerate any employee at any level through a private company; all payments will be made through the Council payroll system and PAYE applied accordingly.

In addition, the Council has processes and policies in place in order to check the employment status of individuals who are engaged by the Council, ensuring that all such engagements, whether direct or through an intermediary are compliant with the off payroll rules (also known as IR35) for the public sector introduced in April 2017. This ensures that the Council is meeting its obligations in regard to Employment Tax as established by HMRC and, thereby reducing the risk of potential tax avoidance. All deemed contracts of employments as per HMRC regulations will be remunerated through the payroll system and the required deductions for Income Tax and National Insurance made and paid over to HMRC.

8.11 Shared Senior Management

Currently, the Council has no shared management arrangements with other organisations.

8.12 Pay and Conditions of Lowest Paid Employees

The pay and conditions of lowest paid employees are set out in the Council's Pay Policy (Appendix 3). The Council's lowest rate of hourly pay exceeds the National Minimum and Living wage rate.

8.13 Local Government National Pay Award

The National Pay negotiations for 2021/22 that cover local government staff is still ongoing and not concluded. This pay statement is, therefore, based on pre-pay award salaries.

9 PUBLISHED DOCUMENTS AND PAPERS REFERRED TO IN THE PAY POLICY STATEMENT

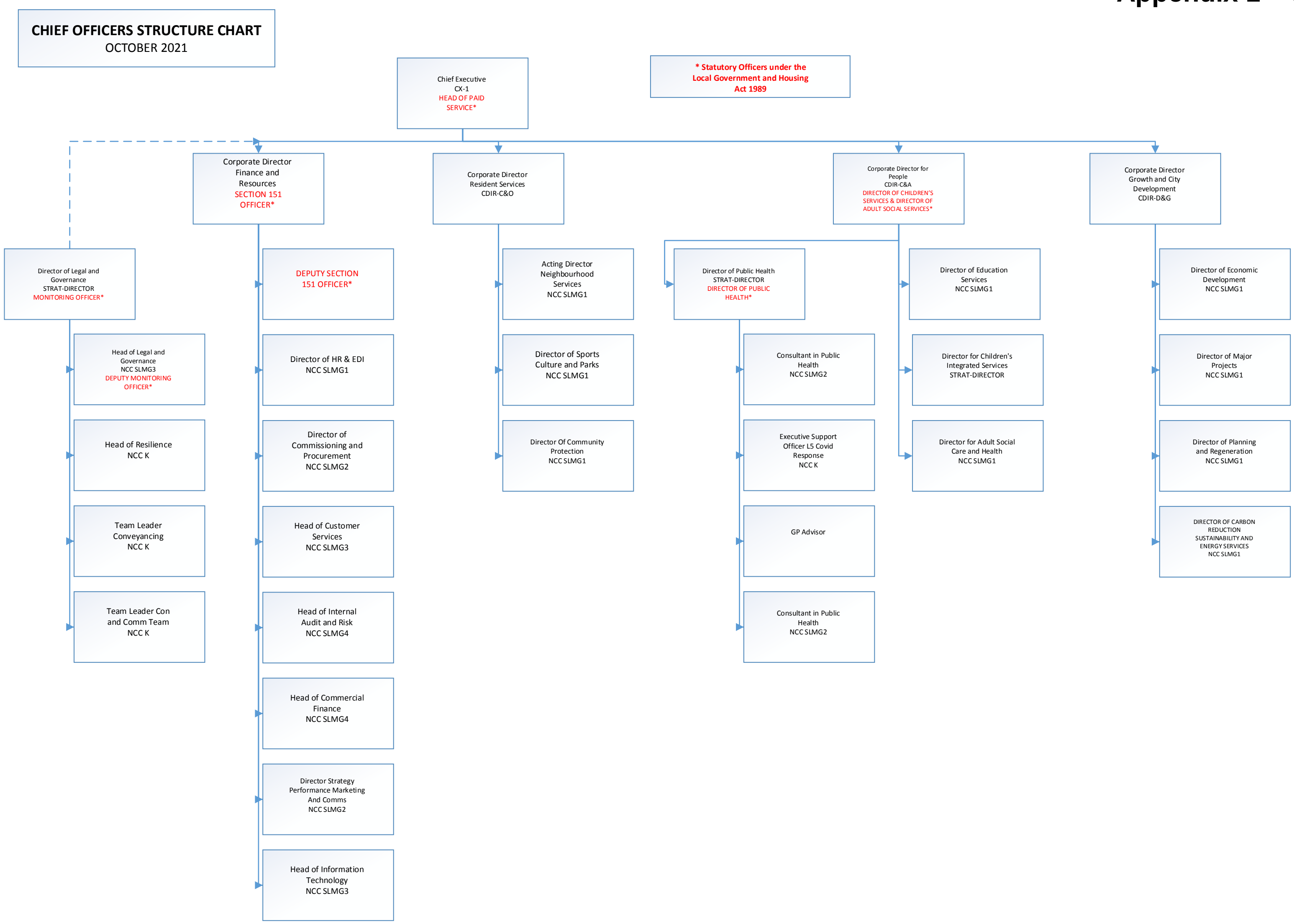
9.1 Communities and Local Government, 2012. *Openness and accountability in local pay: Guidance under section 40 of the Localism Act.* London

9.2 Department for Communities and Local Government, 2013. *Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011. Supplementary Guidance.* London

9.3 Local Government Association and Association of Local Authority Chief Executives (ALACE), *Localism Act: Pay Policy Statement Guidance for Local Authority Chief Executives*

APPENDICES

Appendix 1 – Structure chart



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Appendix 2 – Pay Scales

Pay Scales 2020

Tier	Grade	Level	Apr-19 Salary	Apr-19 Hourly Rate	Apr-20 Salary	Apr-20 Hourly Rate
6	A	1	£17,364	£9.00	£17,842	£9.25
		2	£17,460	£9.05	£17,940	£9.30
	B	1	£17,711	£9.18	£18,198	£9.43
		2	£18,065	£9.36	£18,562	£9.62
	C	1	£18,426	£9.55	£18,933	£9.81
		2	£18,795	£9.74	£19,312	£10.01
	D	1	£19,171	£9.94	£19,698	£10.21
		2	£19,945	£10.34	£20,493	£10.62
	E	1	£21,589	£11.19	£22,183	£11.50
		2	£22,911	£11.88	£23,541	£12.20
	F	1	£25,295	£13.11	£25,991	£13.47
		2	£26,999	£13.99	£27,741	£14.38
5	G	1	£28,785	£14.92	£29,577	£15.33
		2	£30,507	£15.81	£31,346	£16.25
	H	1	£32,878	£17.04	£33,782	£17.51
		2	£34,788	£18.03	£35,745	£18.53
	I	1	£37,849	£19.62	£38,890	£20.16
		2	£39,782	£20.62	£40,876	£21.19
4	J	1	£42,683	£22.12	£43,857	£22.73
		2	£44,632	£23.13	£45,859	£23.77
	K	1	£47,540	£24.63	£48,847	£25.32
		2	£49,482	£25.65	£50,843	£26.35
3	SLMG5	1	£51,963	£26.93	£53,392	£27.67
		2	£53,478	£27.72	£54,949	£28.48
	SLMG4	1	£54,996	£28.51	£56,508	£29.29
		2	£58,504	£30.32	£60,113	£31.16
	SLMG3	1	£62,016	£32.14	£63,721	£33.03
		2	£67,144	£34.80	£68,990	£35.76
2	SLMG2	1	£72,276	£37.46	£74,264	£38.49
		2	£78,298	£40.58	£80,451	£41.70
	SLMG1	1	£84,324	£43.71	£86,643	£44.91
		2	£90,344	£46.83	£92,828	£48.12
1*	SDIR	Min	£100,676	£52.18	£103,445	£53.62
		Max	£111,385	£57.73	£114,448	£59.32
	CDIR	Min	£127,357	£66.01	£130,860	£67.83
		Max	£148,583	£77.01	£153,669	£79.65
	CX	Min	£165,000	£85.52	£169,537	£87.88
		Max	£185,000	£95.89	£190,087	£98.53

*Paid as all-inclusive spot salaries drawn from the respective salary ranges

Updated 26 August 2020

Nottingham City Council

PAY POLICY

Appendix 3

Table of Contents

PAY POLICY

Paragraphs (3) (7) (8) and (10) of this Pay Policy are, where applicable, incorporated into individual employees' contracts of employment.

1. Who this policy applies to

1.1 This Policy applies to all employees whose terms and conditions are governed by the National Joint Council for Local Government Services (the 'Green Book') as supplemented and/or amended by the policies and provisions of the Council's People Management Handbook. It does not apply to employees directly employed by schools.

1.2 Paragraphs (2), (6.2) and (9-12) of this Policy will also apply to employees covered by the Soulbury Committee – Inspectors, Organisers and Advisory Officers of Local Education Authorities.

1.3 Paragraphs (2-4), (6) and (9-12) of this Policy will also apply to employees within the Strategic Leadership Management Group (SLMG).

2. Principles

2.1 The purpose of this Policy is to ensure a fair, transparent and equitable pay system that is free from unlawful discrimination. All decisions made in respect of the Policy will be based on these principles.

2.2 The Policy will be applied in accordance with the roles and responsibilities of officers as set out in the Council's Constitution.

2.3 The Council will act in accordance with the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002. Managers should ensure fixed-term employees receive no difference in treatment to permanent employees regarding pay.

3. Pay System

3.1 The Council uses the Greater London Provincial Council (GLPC) system as its method to value all jobs covered by the Green Book, and a bespoke system to evaluate SLMG jobs below the level of Strategic Director. Both systems measure all jobs on a systematic basis against a set number of factors. All relevant jobs are evaluated under these systems, and the job evaluation score then determines which pay grade and tier a job is assigned to.

3.2 The pay and grade structure is set out in the table below:

Tier	Grade	Entry Point	Progression Point
6	A	A1	A2
6	B	B1	B2
6	C	C1	C2
6	D	D1	D2
6	E	E1	E2
6	F	F1	F2
5	G	G1	G2
5	H	H1	H2
5	I	I1	I2
4	J	J1	J2
4	K	K1	K2
3	SLMG5	Level 1	Level 2
3	SLMG4	Level 1	Level 2
3	SLMG3	Level 1	Level 2
2	SLMG2	Level 1	Level 2
2	SLMG1	Level 1	Level 2

3.3 All grades A – K are assigned to one of three tiers: 4, 5 or 6. SLMG grades are assigned to Tiers 2 and 3, and Tier 1 is reserved for Strategic Directors, Corporate Directors and the Chief Executive.

3.4 Each grade (A – SLMG1) consists of Levels 1 and 2, which define the minimum and maximum pay for each grade. The values of each level are available on the intranet.

3.5 Level 1 is a probationary point and Level 2 is a non-probationary point. Progression to Level 2 will be subject to successful completion of a six-month probationary period for new starters or six month pay review period for existing employees. GLPC colleagues will progress on their one-year anniversary in their job and SLMG colleagues will progress on their two-year anniversary.

3.6 The table below outlines the circumstances in which employees could move to a new grade, including where there may be exceptions to 3.5 above, to allow commencement at Level 2.

	Reason for commencing in grade	Starting point	Timescale for and condition of progression to Level 2
A	External appointment	Level 1	Successful completion of six month probationary period; progress on first year anniversary.
B	Internal (voluntary) appointment to higher grade	Level 1	Successful completion of six month pay review period; progress on first year anniversary.
C	Internal (voluntary) appointment to same grade (probation not completed)	Level 1	The remainder of the probationary period will be continued into the new job. Progress on first year anniversary subject to successful completion of probationary period.
D	Internal (voluntary) appointment to same grade (probation completed but less than a year in grade)	Level 1	Automatic progression to Level 2 in the new job a year after the start of the original probationary period.
E	Internal (voluntary) appointment to same grade	Level 2	Remain on Level 2
F	Move to same grade via internal processes (e.g. restructure, redeployment)	Grade level as already attained.	N/A if already on Level 2. If on Level 1; as per C - E above, as appropriate.
G	Move to lower grade via internal processes (e.g. restructure, redeployment)	Level 2 (pay protection if applicable).	N/A
H	Move to higher grade via internal processes (e.g. restructure, redeployment)	Level 1	Automatic progression to Level 2 on first year anniversary (no probation or pay review required).

I	Job re-graded and back-dated by less than 12 months.	Level 1	Pay progression period to start from back-dated start date.
J	Job re-graded and back-dated by 12 months or more.	Level 2	N/A

4. Pay Levels – terms of use

4.1 All jobs will be advertised on the salary for Level 1 only and starting salaries will not be open to negotiation. New starters to the Council must not be placed on Level 2 as a way of offering a higher rate of pay. Where a manager is not able to recruit and needs to offer a higher salary to attract external candidates this will need to be detailed and approved in a business case requesting a market supplement or material factor payment. A record of all such decisions will be kept and periodically presented at Central Panel. Please see section 9 of this policy, and the associated Special Payment Guidance document, which contains advice on how to request market supplements and material factor payments.

4.2 No employee will be allowed to receive more than the Level 2 payment for their grade unless approval is obtained for a Market Supplement, Material Factor or Additional Payment (see Section 9).

4.3 Where a job is re-graded, the employee will be placed on Level 1 if the effective date of the re-grade is back-dated by less than twelve months. The elapsed period since the effective start date of the re-grade will be considered to count towards the period for progression to Level 2. The employee will move to Level 2 twelve months from the effective date of the re-grade, even if this is back-dated.

If the re-grade is back-dated by more than twelve months, the employee will be placed on Level 2.

5. Living Wage and the Nottingham Living Wage Supplement

5.1 The Government has set a National Living Wage, and it is unlawful for employers to pay less than this amount per hour to employees aged 25 and over.

5.2 The Living Wage Foundation is an independent collective which, in partnership with the Centre for Research in Social Policy at Loughborough University, calculates what a reasonable Living Wage should be every year, based on the estimated needs of average family 'types' in order to maintain a reasonable standard of living. This is normally a higher rate than the Living Wage set by the Government and is a voluntary rate of pay.

5.3 Nottingham City Council aspires to be a voluntary Living Wage Foundation employer and to pay the rates suggested by the Living Wage Foundation.

5.4 The Council will regularly review the minimum rate paid to its employees and the knock on effect to the levels of pay above, but this will have to be balanced against the Council's financial situation.

6. Grading of jobs

6.1 All jobs are assigned to a grade following a job evaluation.

6.2 Where there is a business need to create a new role or to fill a vacancy that has been empty for a significant period, the line manager will initially consult the Job Evaluation Analyst in the Business Operations Team, who will advise whether there is an appropriate generic job description for the role available. If not, the manager will draft a new job description, and submit it to for evaluation, together with other relevant documents, to job.evaluation@nottinghamcity.gov.uk. More details of the Job Evaluation process can be found on the Job Evaluation pages of the intranet.

6.3 Where a re-grade of an existing job is considered necessary, the revised job description, together with a summary of what changes have occurred to the job, should be sent to the Job Evaluation team via the email address above.

6.4 It is the Council's intention to move to a job family system of job evaluation. Once this comes into force, this policy will be amended to reflect this.

7. Overtime and Allowances

7.1 Employees will receive plain time for all hours worked except in the circumstances outlined below.

7.2 Overtime

7.2.1 Where overtime is offered, compensation of either Time Off In Lieu (TOIL) or payment will be given in line with each service's normal practice. Employees above Grade F in particular should normally be compensated by TOIL and should only be paid for overtime where there is exceptional business need.

7.2.2 Where payment is to be made for overtime in place of TOIL, the following payments can be made:

For employees at grade F and below	• Plain time to be paid for all hours worked up to and including 42 hours per week (i.e. the first 5

	hours of overtime above 37 hours are paid at plain time). • Any overtime hours worked beyond 42 hours per week to be paid at time and a half.
For employees above grade F	• Plain time rates for all additional hours worked.

7.2.3 Overtime worked on a public holiday will be paid at double time for all hours worked.

7.3 Public Holidays

7.3.1 There are eight public holidays each year. More information about public holidays can be found in the Public Holidays policy within the People Management Handbook. All provisions below relate to public holidays that are worked as part of an employee's normal working week.

7.3.2 Employees who are required to work on a public holiday will be paid at double time for all hours worked on that day.

7.3.3 Employees who are due to work on a public holiday but are absent on sick leave will only receive basic sick pay for that day.

7.3.4 Employees who are required to work on a public holiday will also receive paid time off in lieu (TOIL) as follows:

- Time worked less than half the normal working hours on that day – half a day
- Time worked more than half the normal working hours on that day – full day.

7.4 Night working

7.4.1 Employees who work at night as part of their normal working week will receive an enhancement of time and one third for all hours worked between 11.00pm and 6.00am.

7.5 Sleep-in Duty

7.5.1 Employees who are required to sleep-in on the premises shall receive the nationally agreed rate set by the National Joint Council from time to time. This allowance covers the requirement to sleep-in and up to 30 minutes' call out per night, after which plain time will apply.

7.5.2 Currently, the Council pays a rate of £39.53 per sleep-in session, as this is a rate historically paid prior to becoming a Unitary Authority. An agreement has been made with our Trade Unions that this rate will continue until such time as the nationally-agreed amount overtakes it, after which the nationally-agreed rate will apply.

7.5.3 Where any working time undertaken whilst sleeping-in prevents the employee taking any of the rest periods outlined in 7.6.5 below, compensatory unpaid time off will be provided.

7.6 **Standby Duty**

7.6.1 On call to go into work

The nationally agreed stand-by rate per session will be paid to employees who are on a standby duty rota to provide services out of hours. A session equates to any period of 24 hours or less. Employees on standby to go into work must:

- be directly contactable;
- remain fit and capable to go into work to undertake duties required;
- be immediately available to go into work; and
- be able to arrive at work within 45 minutes of being notified.

7.6.2 The session payment covers the period of standby only. If an employee is called into work as a result of being on standby, they will be reimbursed for any time worked as per section 7.7 below. If called into work, the standby payment will still apply, regardless of the length of time the employee was actually on standby prior to being called into work.

7.6.3 **On call to provide telephone support**

The nationally agreed standby rate per session will be paid to employees on a standby duty rota to provide telephone support out of hours. A session equates to any period of 24 hours or less. Employees on call to provide telephone support must:

- be directly contactable; and
- remain fit and capable to undertake the duties required.

7.6.4 The session payment covers the period on call and any calls amounting to less than one hour. Any calls in excess of one hour should be recorded as working time and claimed in accordance with section 7.7 below. Should a call result in a requirement to go into work, the principles outlined in 7.7 below will also apply.

7.6.5 Under the Working Time Directive, employees are entitled to statutory unpaid rest periods of:

- eleven consecutive hours in any 24-hour period;
- a 20-minute rest break if the working day is longer than six hours;
- one day off each week.

7.6.6 Where any working time undertaken whilst on call prevents the employee taking any of the rest periods outlined above, compensatory unpaid time off will be provided.

7.7 **Payment for work undertaken as a result of standby**

7.7.1 If an employee on standby is required to go into work, or undertakes telephone work in excess of one hour they will receive either time off in lieu (TOIL) or payment, as appropriate to business need, and in accordance with Section 7.2 above, for the actual time spent working.

7.7.2 For employees receiving payment, a minimum of two hours' payment at plain time will be made for any period they are required to go into work.

7.7.3 For employees who are required to physically go into work, TOIL or payment will include travel time.

7.7.4 Where any working time undertaken whilst on call prevents the employee taking any of the rest periods outlined in 7.6.5 above, compensatory unpaid time off will be provided.

7.8 **Client Holidays**

7.8.1 An allowance of £50 per day will be paid to employees accompanying clients on holiday. This payment will be made in replacement of all other allowances that might otherwise apply to the time worked during the client holiday.

7.9 **Lunchtimes/Provision of Meals**

7.9.1 All lunchtimes will be unpaid unless a business case exists for employees to eat with clients sufficient to provide a Material Factor Defence for the payment and such activities have received prior approval from the employee's manager.

7.9.2 Meals will not be provided to any employee unless a clear business case exists for the employee to eat a meal with the client sufficient to provide a Material Factor Defence for the provision of the meal and such activities have received prior approval from the employee's manager

7.10**.** **Governance of Allowances**

7.10.1 No other allowances apart from those listed above will be paid to employees covered by the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service (Green Book).

7.10.2 Allowances will not be payable for periods of sickness absence. However, allowances will be taken into account when calculating holiday pay. See Section 8 for more details.

7.10.3 In the event that more than one allowance could be applied, then it is only the highest allowance that applies. This is with the exception of Standby and Recall to Work, which may both apply alongside each other.

8. Holiday Pay and Allowances

8.1 The Council makes payment for the first twenty days of annual leave, by taking into account the following qualifying allowances and payments:

- Sleep in duty allowances
- Standby duty allowances
- Public Holiday Payments
- Non-guaranteed overtime payments
- Night working enhancements

9. Special Payments

9.1 The Council is a large organisation which contains a diverse range of services and jobs. As such, whilst ensuring equal pay principles are adhered to, it is also recognised that a single approach to pay may not always be suitable for the business needs of all services, particularly in areas where there are recruitment and retention issues (including national skills shortages), strong commercialisation priorities, or exceptional work conditions/demands.

9.2 Where there are specific business needs that our pay system does not accommodate, managers may consider Special Payments such as Market Supplements, Material Factor payments or Additional Payments in order to offer appropriate levels of remuneration to ensure their services can operate successfully.

9.3 Further details of what these payments are and the governance processes to be followed in order to put these types of payment in place are contained in a separate Special Payment Guidance document.

9.4 A full list of all agreed Market Supplements and Material Factor payments can be found in the People Management Handbook under Pay and Benefits. The list of Market Supplements will be updated periodically when payments are reviewed, added or removed.

10. Pay Protection

10.1 Employees who are redeployed into a lower graded job as a result of a formal restructuring or because they are at risk of redundancy may receive pay protection for a period of not more than one year (the ‘protection period’). Pay protection will only apply where the employee is redeployed into a job not more than two grades below the employee’s previous grade.

10.2 Employees will be moved to the maximum level of their new grade and will receive the difference in salary between the two jobs as a protected element in addition to their new basic salary. Employees will receive pay awards on their new basic salary but not on the protected element, and any increase to basic salary will be offset against the protected element in order to maintain the protected level of pay.

10.3 Pay protection will be calculated on contracted hours. Where an employee's normal working hours are decreased during the protection period, the pay protection element will be pro-rated accordingly.

10.4 If an employee reduces their hours during the pay protection period, the pay protection will reduce in line with the reduction in hours (e.g. if hours are halved, the pay protection amount will also be halved).

10.5 If, after reducing their hours as above, the employee increases them back again during the pay protection period, the pay protection will increase in line with the increase to hours, but will not exceed the original protected salary. Such cases may include situations where a woman returning from maternity leave wishes to return on reduced hours temporarily and gradually increase her hours over a defined period.

10.6 If an employee increases their hours during the protection period without having previously reduced them, there will be no increase to the pay protection. The pay protection amount will be reduced to offset the increase in hours and maintain the protected salary.

10.7 If the increase in hours restores the employee's basic salary to the protected salary or above, the pay protection will cease.

10.8 Where an employee is promoted to a higher grade during the protection period the employee shall be placed on Level 1 of the new grade, and pay protection will cease if the new salary is equal to or higher than the protected salary. If Level 1 of the new grade is lower than the protected salary the pay protection element will be amended to accommodate the difference between the new Level 1 salary and the protected salary for the remainder of the protection period.

10.9 Pay protection will cease automatically when the protection period ends. If pay protection is continued beyond the protection period in error, the Council reserves the right to recover any overpayment made in accordance with Section 11 of this policy.

10.10 Where an employee on pay protection undertakes additional duties and responsibilities over and above their new grade, but not higher than their protected salary, they will not be entitled to receive an Additional Payment. If undertaking duties at a higher salary than their protected salary, any additional payment must be offset against the pay protection.

10.11 Only an employee's basic salary will be protected. An employee's previous terms and conditions including any contractual allowances, additional payments, material factor payments and market supplementation payments, will not be protected. Similarly, an employee's previous hours will not be protected. Where an employee is redeployed into a lower-graded job which carries more hours, protection will not apply where the increase in hours enables the employee to maintain their former basic salary.

10.12 Where an employee is redeployed because they are unable to fulfil the duties of their existing job because they are disabled within the meaning of the Equality Act 2010 (and any reasonable adjustments have been considered), they will be treated no less favourably in terms of the pay protection than employees who are redeployed because they are at risk of redundancy.

10.13 Pay protection will not apply where an employee is downgraded due to misconduct or capability.

10.14 Nothing in this Policy shall entitle an employee to receive any pay protection which amounts to a sum greater than their actual financial loss.

11. Overpayments

11.1 On occasion, overpayments of salary or expenses may occur as a result of administrative oversight, error or late notification of payroll changes. After an investigation of the facts, recovery of the overpayment will be the normal approach taken where an overpayment of salary or expenses is discovered.

11.2 **Is the overpayment recoverable?**

Under the Employment Rights Act 1996, an employer is entitled to deduct from an employee's wages (even without the consent of the employee) an overpayment of wages made to the employee as long as recovery is lawful under general legal principles. In order to decide whether recovery is lawful there needs to be an investigation of the cause and surrounding circumstances of the overpayment including the wording of any contractual documentation.

11.3 **Guidelines for recovery**

11.3.1 Recovery of overpayments will be the normal approach in the majority of cases. There may be circumstances when partial repayment or writing off the overpayment is considered. In such cases, the process outlined at 11.4 should be followed.

11.3.2 However an overpayment comes to light, the payroll provider (East Midlands Shared Service or EMSS) must be notified as a matter of priority. EMSS will write to the employee, copying in their manager, with an explanation of the overpayment which will detail:

- how the overpayment occurred
- the net amount to be repaid once deductions for tax and NI are taken into account.

An Overpayment Recovery Option (ORO) Form will also be enclosed with the letter. If the employee is a leaver, an invoice will be sent under separate cover.

11.3.3 The employee's manager should meet with the employee to discuss the overpayment and how this is to be resolved. An employee may choose to be accompanied at this meeting by a trade union representative or a work colleague if they wish. If necessary, the manager may seek advice from the HR Casework team prior to the discussion taking place.

11.3.4 The method of recovery of the overpayment could be decided at this meeting having regard to the options which are:

(a) a one-off payment for the full amount via salary deduction; or
(b) in regular instalments via salary deduction.

11.3.5 In discussing the options with the employee, managers should have regard to good financial practices. The maximum recovery period for overpayments should not exceed 12 months unless the Chief Finance Officer has agreed an extended period in exceptional circumstances.

11.3.6 The employee should return the ORO Form to the Employee Service Centre (ESC) with their preferred recovery method. Although the employee's written consent to the recovery of the overpayment is not legally required, it is good practice to try and obtain written agreement for overpayments. Where the employee does not return their ORO Form or indicate their preferred recovery method within the timescales specified, recovery of the overpayment will proceed on a default basis. The default recovery method is option (b). The ESC will in all events write to the employee to confirm the method of recovery that will be taken.

11.3.7 In implementing an overpayment recovery arrangement, Nottingham City Council will act reasonably and in all cases of recovery, the amount being repaid must not result in the employee's basic hourly rate falling below the national minimum wage.

11.3.8 It is important that overpayments are handled fairly and consistently to avoid any hint of inequality or unlawful discrimination. Managers should not allow employees to work additional hours and receive paid overtime as a way of 'paying off' the overpayment. If overtime is necessary and approved this is a separate matter and should not be used to offset the amount owed by the employee who has been overpaid.

11.4 **Guidelines for requesting that an overpayment be written off**

11.4.1 Overpayments are normally recoverable. There may be circumstances where the Council considers writing off an overpayment, but these will be rare and, as a minimum, the following would need to apply:

- The employer has led the employee to believe that he or she is entitled to treat the money as his/her own, **and**
- The employee has, in good faith, changed his or her position (e.g. spent the money believing it to be his or her own), **and**
- The overpayment was not caused primarily by the fault of the employee, and the employee can demonstrate that they could not know, nor could reasonably have known, that an overpayment had occurred.

11.4.2 An example might be where an employee has queried their pay with EMSS and been assured that the calculation is correct and the money is due to the employee. Another example where the employee may have acted 'in good faith' is where an overpayment is made consistently over a substantial period, and the amount overpaid each month is a relatively small amount and not reasonably identifiable to the employee as an overpayment.

11.4.3 If the manager wishes to consider writing off the overpayment, s/he should discuss the reasons for non-recovery with the HR Casework advisor dealing with the case and prepare a business case outlining the rationale for the write-off, using the appropriate template which can be found on the Pay pages of the People Management Handbook. The manager should return the completed business case to their HR advisor, who will forward the business case through the appropriate channels for consideration by the Chief Finance Officer.

11.4.4 If there is a request for a write-off, the manager must ensure EMSS are advised that this is in progress and instructed not to pursue the overpayment until the business case has been considered and a decision made.

11.5 **Overpayment Disputes**

11.5.1 Where an employee disputes the overpayment or the proposed recovery arrangement, legal advice may be sought on the matter.

11.6 **Overpayments where the employee is no longer employed or is on notice**

11.6.1 If an employee leaves the employment of the Council within the period of an overpayment recovery arrangement, any outstanding balance will be deducted from their final pay. Where final pay is not enough to cover the amount of the overpayment, then the outstanding amount will be due to be repaid to the Council within one month after termination of employment and, if not repaid, will be dealt with as a sundry debt.

11.6.2 Where an employee has been overpaid and has subsequently left the employment of the City Council, any outstanding balance will be dealt with as a sundry debt.

11.7 **Confidentiality**

11.7.1 The confidentiality of employees will be strictly preserved in any overpayment situation and the details of the overpayment and the recovery arrangement will be released on a strict need-to-know basis.

12. Responsibilities in applying the pay policy

12.1 **Directors and Heads of Service**

The day to day operational management of pay rests with Directors and or Heads of Service who are accountable for their budgets. It is therefore their responsibility to ensure that all pay decisions are equitable, reasonable, and affordable, within the existing budget and within Nottingham City Council's Pay Policy.

12.2 **Managers**

Managers must apply the pay policy in all cases and must not make payments that do not accord with the policy or with Equal Pay legislation. Managers are expected to be accountable and take full responsibility for any decisions they make regarding pay, and to ensure these go through the proper approval channels. Any manager wishing to make payments outside of this policy must seek advice from the Employee Relations Team in HR.

12.3 **HR and OD**

The HR and OD service will support and advise managers in application of this policy. The Employee Relations team and Job Evaluation function will undertake monitoring activities and ensure that appropriate records are kept, as appropriate and as highlighted in this policy. The Employee Relations team will ensure this policy is updated when necessary, in consultation with the relevant Trade Unions.

12.4 **The Employee Service Centre**

The ESC will not make payments that are not in accordance with this policy without first referring the situation to an appropriate HR and OD colleague for advice.

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Terms and Conditions (as at 31 October 2021)	Chief Executive	Chief Officers			LGS Employee
		Corporate Director	Strategic Director	SLMG	
Basic Pay[3]	✓ Contractual Fixed Spot salary point £179,813 Range £169,537 - £190,087	✓ Contractual Fixed Spot Salary point Range £130,860 - £153,669	✓ Contractual Fixed Spot Salary point Range £103,445 - £114,448	✓ Contractual Two point grades £53,392 - £92,828	✓ Contractual Two point grades Range £17,842 - £50,843
Performance Related Pay	x	x	x	x	x
Incremental progression (one pay increase available after one year in grade, conditional on successful completion of six month review period, or after two years in grade for SLMG (excludes Corporate Director and Strategic Director roles))	x	x	x	✓	✓
Annual cost of living increase (nationally negotiated). Pay award for 2021-22 still in negotiation at time of writing.	✓	✓	✓	✓	✓
Market Supplement Payment (Restricted - based on business case requiring evidence).	✓ Nil in operation	✓ Nil in operation	✓ Nil in operation	✓ As at 31 Oct 2021 Paid only to certain roles on approval of a business case - four Chief Officer roles have attracted a payment	✓ Paid only to certain roles on approval of a business case. Full list available at appendix 7.
Overtime and night working payments	x	x	x	x	✓ Contractual
Evening and weekend payments	x	x	x	x	x
Out of hours, recall to work, standby payments, critical incidents, sleep in duty, shift working, client holidays payments	x	x	x	x	✓ Contractual

[3] See Appendix 2 for pay bandings

Terms and Conditions (as at 31 October 2021)	Chief Executive	Chief Officers			LGS Employee
		Corporate Director	Strategic Director	SLMG	
Acting up allowances, honoraria and ex gratia payments	x	x	x	✓ Nil in operation	✓
Monitoring Officer Payment (statutory duty)	x	x	No additional payment. Is part of the all-inclusive fixed salary of the Director of Legal and Governance.	x	x
Returning/Counting Officer Payment (to run elections)[4] or Election Duty Payments	✓ Payment made for a Police & Crime Commissioner election – but not paid by NCC	x	x	✓ If acting as deputy, this payment is paid out of the Returning Officer's personal fee	✓ If working on elections
Bonus payments	x	x	x	x	x
Redundancy Payment (same multiplier criteria used for all groups)	✓	✓	✓	✓	✓
Efficiency Payment (same criteria used for all groups)[5]	✓	✓	✓	✓	✓
Relocation Payments	x	x	x	x	x
Essential Car User Allowance (The Council removed ECU in September 2014 so this is no longer available to any colleagues)	x	x	x	x	x
Company Car	x	x	x	x	x
Car Parking Allowances (restricted and dependant on role; the majority of employees pay for their own parking)	x	x	x	x Other than Authorised Business Users. Nil allowances paid as at 31 Oct 2021.	✓ Authorised Business Users Only[6]
Travel expenses within County of Nottinghamshire	x	x	x	x	✓

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[4] This is a bulk payment made to a nominated chief officer to fulfil the duties of running National Referendum, Local, European or Parliamentary elections.
[5] This is covered in the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (DCR) Policy.
[6] Authorised Business Users are job roles for whom it is essential to have a car to discharge their role.

Terms and Conditions (as at 31 October 2021)	Chief Executive	Chief Officers			LGS Employee
		Corporate Director	Strategic Director	SLMG	
Travel expenses outside of County of Nottinghamshire (Must use standard rail fare. mileage capped at 40p per mile for 10,000 miles and 25p per mile thereafter)[7]	✓	✓	✓	✓ As at 31 Oct 2021, 1 Chief Officer received a payment of £13.50	✓
Disturbance Allowance (paid up to one year for significant changes to work location)	x	x	x	x	✓
Payment for home telephone line for work purposes	x	x	x	x	✓ Only for posts where a clear business case has been identified
Reimbursement of reasonable expenditure (limits apply equally to all groups and receipts must be provided)[8]	✓ Nil expenses claimed as at 31 Oct 21	✓ Nil expenses claimed as at 31 Oct 21	✓ Nil expenses claimed as at 31 Oct 21	✓ Nil expenses claimed as at 31 Oct 21	✓
Sickness Pay entitlement linked to length of service – applied equally to all groups	✓ Contractual	✓ Contractual	✓ Contractual	✓ Contractual	✓ Contractual
Notice Period	✓ Contractual 3 months	✓ Contractual 3 months	✓ Contractual 3 months	✓ Contractual 3 months	✓ Contractual 1-2 months
Payment of Membership Fees	x	x	x	x Paid only to certain roles on application	x Paid only to certain roles on application
Access to the Local Government Pension Scheme – employer and employee contribution (Employer rate contribution equal for all groups)	✓ Contractual Employee rate: 12.5%	✓ Contractual Employee rate: 12.5%	✓ Contractual Employee rate: 12.5%	✓ Contractual Employee rate: 8.5-11.4%	✓ Contractual Employee rate: 5.8-8.5%
Discretion to enhance pension entitlements	x	x	x	x	x

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[7] See Appendix 5 for details of the Council's Business Travel Scheme
[8] See appendix 6 for details of the Reimbursement of Expenditure Policy

Terms and Conditions (as at 31 October 2021)	Chief Executive	Chief Officers			LGS Employee
		Corporate Director	Strategic Director	SLMG	
Salary Sacrifice Benefits allowing NI and Tax relief (purchase of annual leave, bike, childcare, mobile phones etc)	✓	✓	✓	✓	✓
Other employee discounts through works perks (e.g. retail discounts etc) applies to all groups equally	✓	✓	✓	✓	✓

Appendix 5

BUSINESS TRAVEL SCHEME

1. Who this policy applies to

1.1 This policy applies to all employees of the City Council on permanent or temporary contracts, apart from those employed within schools. The general principles also apply to casual workers, consultants, agency workers or any other workers who are undertaking work on behalf of the Council.

2. Travel options

2.1 This scheme aims to encourage the most cost-effective solutions when travelling for work purposes whilst reducing the impact of Nottingham City Council business travel on the environment. The choices available are illustrated on the Business Travel pages on the Intranet.

2.2 Business travel is defined as any travel undertaken for work purposes, which excludes commuting.

2.3 If you travel for work purposes you should consider whether you need to travel compared with other more sustainable options, including telephone calls or video-conferencing SKYPE or face time, without conflicting with the delivery of Nottingham City Council's business aims. Further guidance can be found on the Business Travel pages.

2.4 Rail, fleet cars or car share should be the preferred method for any long distance journeys within mainland UK and where Eurostar could be used for travel to mainland Europe. Flights can be booked if this is the most economic and efficient method of travel. Information on fleet car hire and on flight, Eurostar, rail and hotel booking can be found on the Business Travel pages.

2.5 For local trips, walking and cycling are encouraged. Using public transport i.e. bus or tram should be used instead of taxis in all but limited circumstances i.e. a small number of business-critical cases related to safety, time, cost or logistical implications, or the need to carry bulky or heavy loads (this does not include items such as briefcases etc. which can be easily carried on public transport). Taxis should be booked through the Business Travel pages.

2.6 If you have a disability and you are unable to drive you may use approved taxis for journeys for business use.

3. Responsibilities

3.1 Managers are responsible for:

- Making decisions regarding business travel using the most sustainable option balanced with personal safety and time considerations;
- Undertaking lone person risk assessments if necessary;
- Authorising payments in a timely manner.

3.2 Colleagues are responsible for:

- Choosing the most sustainable travel option balancing personal safety and time considerations;
- Ensuring all City Council documentation and equipment is protected and secure when using public transport;
- When driving on council business, reading, understanding and complying with the policies concerning driving, including the Driver's License Checking

Procedure. These can be found in The Authorised Driver's Handbook (available from Fleet Management)*;*
- Ensuring you have adequate insurance cover for business use;
- Submitting payments in a timely manner on Oracle (in the month after the travel).

4. Expenses

4.1 If you travel for work the following costs will be paid:
- Bus and tram by using the Robin Hood card
- In exceptional circumstances where the Robin Hood card cannot be used reimbursement of actual public transport fares through Oracle
- Standard rail fare through Click travel;
- Mileage allowance payments (where an employee is authorised to use their own vehicle for work purposes);
- Cycle rate (when use own cycle or pool bike/citycard cycle)
- Taxi fares only where a suitable alternative (including public transport) is not available or where para 2.5 applies.

4.2 If you have purchased a Robin Hood Card, tram or train pass for home to work and other non-business travel purposes and this pass can also be used during working hours for business journeys you are encouraged to use this card or pass for business travel as no reimbursement of costs will be necessary. These can be purchased through salary sacrifice here.

5. Authorised Business Travel

5.1 National Conditions of Service state that 'employees required to use their motor vehicles for the efficient performance of their duties will receive allowances for the use of their motor vehicles on business only after being so authorised by the local authority'

5.2 You may be authorised to use your own car for work purposes where it is required for the effective performance of your duties and where the use of public transport alternatives is not available or would add significantly to the cost of travel or travelling time.

6. Journeys to and from work

6.1 Expenses will only be paid for journeys that form part of an employee's employment duties (e.g. journeys between clients' premises or attendance at meetings). Journeys to and from an employee's normal place of work and their home are not covered. Where an employee travels to an alternative work base direct from or to home (e.g. to attend a meeting or meet with a client), only the travel that is in excess of what would normally be incurred (i.e. between the employee's home and normal place of work) may be claimed.

6.2 The following exceptions will apply:
- An employee who is at home on standby to be recalled to work will be eligible to claim for their mileage if they are called out, e.g. an engineer called out at night to attend to a breakdown.
- Where an employee is required to attend to an emergency, an official meeting or other approved official business from home outside of their normal working hours, the maximum mileage that will be reimbursed will be 20 miles per return journey.

6.3 Where an employee's place of work changes the new place of work will be regarded as their normal place of work after four weeks have elapsed.

7. Mileage allowance payments

7.1 If you are authorised to use your own vehicle for work purposes, mileage allowance payments (MAPs) may be claimed in accordance with the rules and rates determined by the HMRC from time to time. Current rates are shown in the table below:

Tax – Rates per business mile		
Type of vehicle	**First 10,000 miles**	**Above 10,000**
Cars and vans	45p	25p
Motorcycles	24p	24p
Cycles	20p	20p

7.2 You should claim your mileage using iexpenses on Oracle and this will be approved by your manager. For tax and audit purposes original receipts are required for reimbursement of expenses. You will be informed of any additional documentation required from time to time.

7.3 You will need to submit a VAT receipt (or receipts) with your mileage claim. It does not matter if you purchased fuel for both private and business use; what does matter is that the total on the VAT receipt/s covers the cost of fuel used for the claim. A rough calculation would be to submit VAT receipt/s of at least £10 for every 100 miles of business travel claimed. Managers must only approve mileage claims where a valid VAT petrol receipt is submitted.

7.4 Colleagues who have acquired a car through the City Council's 'carplus' scheme and use this car for business travel purposes, will be entitled to claim for mileage in line with HRMC rates. However, as this vehicle has been acquired through a salary sacrifice scheme it has attracted a tax benefit (Benefit in Kind as defined by HMRC) and therefore, for the purposes of business mileage claims, is viewed as a company car (as it is a lease agreement entered into by the employer). This means that any claims are at a lower rate than those above, as it also does not provide for wear and tear (as the colleague will be driving a brand new car with all motoring costs included in the monthly salary sacrifice deduction.)

7..5 Colleagues claiming mileage as part of Business Travel will be eligible to claim the lowest HMRC rate, irrespective of engine size of fuel type. Advisory Fuel Rates can be found on the HMRC website or by clicking on this link- https://www.gov.uk/government/publications/advisory-fuel-rates/advisory-fuel-rates-from-1-march-2016 . It should be noted that they vary from time to time.

7.6 Colleagues must ensure that their claims are recorded correctly by submitting the information through the iexpenses process. When colleagues provide additional information on each of the listed mileage claims, they should select the "Details" button next to each of their mileage claim entries first. They should then ensure that they select the "Lease" option in the "Type of User" field as selecting any other option will result in an incorrect mileage rate being applied.

8. Car Parking Fees

8.1 If you have to pay to park on City Council business actual expenses will be reimbursed provided that they have been reasonably incurred. There is no reimbursement for parking in the City Council boundary as the Workplace Parking Charging Policy applies. You will need to provide a receipt to claim your car parking fees through Oracle. More information about the Workplace Parking Charge can be found here.

9. Former essential car users

9.1 Those employees who were in receipt of the Essential User Car allowance on 31 August 2014 will be able to apply for a loan to purchase a car in accordance with NCC's Assisted Car Purchase Scheme. NCC's Insurance Section will be able to supply details of how the scheme operates.

10. No Claims Bonus Scheme

10.1 NCC operates a No Claims Bonus Scheme to provide a measure of compensation for loss of bonus or payment of excess or both if you use your vehicle for work. The scheme does not give cover for journeys to and from the work base. For information about the No Claims Bonus Scheme please refer to the 'Guide to Insurances' document, which can be obtained from Insurance & Risk.

11. SLMG employees

11.1 Travel expenses will be paid in accordance with this scheme for authorised travel outside of the County boundary only.

REIMBURSEMENT OF EXPENDITURE

1. Who this policy applies to

1.1 This policy applies to all employees of the City Council on permanent or temporary contracts, apart from those employed within schools. This policy does not apply to casual workers, consultants, agency workers or any other workers who are not actual employees of the Council.

2 Travel

2.1 If you travel because of work you will be reimbursed in accordance with the Business Travel Scheme.

3. Meals

3.1 You are entitled to be reimbursed additional expenditure in the course of your work. Meals will be reimbursed as detailed in paragraph 3.4, subject to receipts being produced. (In exceptional circumstances small sums may be reimbursed without receipts provided there is other evidence of the expenditure and you can explain why it was not possible to obtain a receipt.)

3.2 If you fraudulently submit a claim for reimbursement of expenditure this will be treated as gross misconduct.

3.3 It is the settled policy of the Council that expenses payable to colleagues should not exceed those available to Councillors.

3.4 The allowances set out below are the maximum amount which can be claimed in respect of any expenditure. Amounts claimed within these limits will still have to be justified and approved as set out in section 3 below.

Breakfast (before 11am)	Maximum £5.00 Vat Included
Lunch (12noon - 2pm)	Maximum £5.00 Vat Included
Evening Meal (After 5pm)	Maximum £10.00 Vat Included

3.5 These amounts will be updated periodically in line with the provisions for Councillors.

4. Submitting a claim

4.1 If you have access to Oracle Self Service you will be required to claim online and this will be authorised online by your line manager. Colleagues without access to Oracle Self Service will be required to submit expenses using paper forms which must be completed and signed by the colleague and then approved by their manager. Claim forms are available from the Employee Service Centre (ESC).

4.2 In order for claims to be approved, you must provide a receipt and the expenditure must be necessary and additional to your ordinary expenditure on a meal or travel at the relevant time.

4.3 You should deduct £1.00 for breakfast and lunch and £2.00 for an evening meal from all claims in respect of a meal taken at that time in order to take account of ordinary expenditure. Colleagues and managers must ensure these deductions are made prior to claiming online or on the paper form.

5. Overnight Accommodation

5.1 Overnight accommodation should be booked directly using Click Travel Limited. Only where this has not been possible should a retrospective expenses claim be submitted.

5.2 Should a retrospective claim be necessary, the cost claimed for overnight accommodation should be contained within the following limits:

Outside Central London	£80 (including breakfast) Vat Inclusive
Central London	£140 (including breakfast) Vat Inclusive

5.3 If accommodation is not available within these limits then the actual cost will be met provided it is reasonable. Where attendance at a conference or similar event necessities an overnight stay, accommodation at the conference hotel or a hotel of an equivalent standard will be arranged and paid for by the Council. For meals taken in connection with the event, the reasonable actual cost will be reimbursed, or paid in accordance with the subsistence rates set out above, subject to production of a receipt to your manager.

6. Expenses incurred whilst attending training

6.1 Guidance on the reimbursement of expenses linked to training (other than in respect of meals, travel and accommodation) is set out in the 'Colleague qualification and training support' document on the Development and Change pages on the intranet.

Approved Market Supplements and Material Factor Payments

In certain circumstances, the Council will agree a variation to the above policy for certain groups of employees (see Special payments guidance document). These variations will be shared with Central Panel or such other body as agreed. They must comply with Equal Pay law and have no taint of discrimination for the basis of them or their application.

All requests for any variations to the policy must have a full business case provided and have been agreed by the Director of HR and EDI.

The current agreed variations are:

Directorate	Title	Review date
Resident Services	Public Realm Operatives Level 3 – Driver Labourer	24/11/2021
	HGV Mechanic	30/04/2022
	Light Vehicle Mechanic	30/04/2022
	Workshop Controller	30/04/2022
	Vehicle Services Supervisor	30/04/2022
	Aerobics Instructor	31/03/2022
	Head Activity Leader & School Swimming Instructor	31/03/2022
	Project Director Nottingham Castle	31/03/2022
Peoples	Advanced Practitioner - EDT	30/11/2021
	SW Team Manager - EDT	30/11/2021
	Head of Children in Care	31/05/2022
	Court Officer - Youth Justice Service Case Manager	31/03/2022
	Service Manager - Mental Health Support Teams	31/01/2022
	Principal Social Worker	01/11/2021
	Supervising Social Worker, SW Level 3, Fostering Teams	30/11/2021
	Consultant in Public Health	31/03/2022
	Director for Adult Social Care & Health	31/03/2022
Finance & Resources	Occupational Health Advisor	31/03/2022
	Development & Change Consultant	31/09/2022
	Director of Strategy Performance Marketing & Communications	31/03/2022
Growth & City Development	Programme Manager - Specialist and Programme Manager	01/03/2022
	Director of Major Projects	01/03/2022