NEWARK & SHERWOOD
DISTRICT COUNCIL

Castle House
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Newark
NG24 1BY

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Tuesday, 18 June 2019

Chairman: Councillor D Lloyd
Vice-Chairman: Councillor K Girling

Members of the Committee:

Councillor B Clarke-Smith
Councillor R Jackson
Councillor P Peacock
Councillor T Wendels
Councillor R White

Substitute Members:

Councillor R Blaney
Councillor N Mison
Councillor N Mitchell

MEETING:	**Policy & Finance Committee**
DATE:	**Thursday, 27 June 2019 at 6.00 pm**
VENUE:	**Civic Suite, Castle House, Great North Road, Newark, Notts NG24 1BY**

You are hereby requested to attend the above Meeting to be held at the time/place and on the date mentioned above for the purpose of transacting the business on the Agenda as overleaf.

If you have any queries please contact Nigel Hill on nigel.hill@newark-sherwooddc.gov.uk.

AGENDA

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None		
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15.	Exclusion of the Press and Public	

To consider resolving that, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

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NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Policy & Finance Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts NG24 1BY on Thursday, 4 April 2019 at 6.00 pm.

PRESENT: Councillor D Lloyd (Chairman)
Councillor K Girling (Vice-Chairman)

Councillor R Jackson, Councillor B Laughton, Councillor P Peacock, Councillor D Staples and Councillor T Wendels

IN ATTENDANCE: Councillor Mrs B Brooks, Councillor Mrs C Brooks, Councillor Mrs M Dobson, Councillor J Lee, Councillor Mrs S Michael and Councillor Mrs L Tift

91 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

There were no declarations of interest.

92 DECLARATIONS OF INTENTION TO RECORD THE MEETING

The Chairman advised that the proceedings were being audio recorded by the Council.

Councillor J Lee also declared his intention to record the meeting.

93 MINUTES OF THE PREVIOUS MEETING

The minutes from the meeting held on 21 February 2019 were agreed as a correct record and signed by the Chairman.

94 FORWARD PLAN OF POLICY & FINANCE ITEMS

The Committee noted the Forward Plan items to be considered by the Committee over the next 12 months.

95 ANNUAL REVIEW OF EXEMPT REPORTS CONSIDERED BY THE POLICY & FINANCE COMMITTEE

The Committee considered a report which detailed the exempt business considered by the Committee from 15 May 2018 to date. The report identified which reports, in the opinion of report authors, could now be released into the public domain.

AGREED (unanimously) that the report be noted with those items which are no longer considered as exempt being released into the public domain.

Reason for Decision

To advise Members of the exempt business considered by the Policy & Finance Committee for the period 15 May 2018 to date and those items which could now be released into the public domain.

96 PARTNERSHIP FOR THE EAST MIDLANDS BUILDING CONSULTANCY

The Director – Growth & Regeneration presented a report which sought to extend the current contract for the provision of the Council's building control functions by the East Midlands Building Consultancy (EMBC) for a further 12 month period. The partnership ran for three years and was due to end in April 2019 but could be extended by agreement.

It was reported that following three years of operation EMBC had successfully arrested the previous financial decline of the service. The report demonstrated the reduction in the net costs of the service however the Director – Growth & Regeneration agreed to provide Members with a fuller explanation of the figures provided. EMBC had demonstrated success since its inception by increasing market share, fee income, staff resiliency, and reducing the level of deficit for all three partners. The forecast was that two of the partners would be in a position to clear any deficit within the 2018/19 financial year.

The report advised that the EMBC were turning their attention to future opportunities and on that basis a one year extension was recommended at this time. EMBC were to commission specialist advice for growth options which would be appraised in order to ensure they continued to meet the requirements of high quality, efficient service, reduce general fund contributions and generate profit. It was noted that the commission would broadly focus on two options (continue with the three way partnership and 'as is' and servicing other Councils or a company model as a wholly owned trading company) accepting that there was a third option to bring the service back in-house.

AGREED (unanimously) that:

(a) the existing contract with East Midlands Building Consultancy to continue to deliver Building Control Services in partnership with Rushcliffe Borough Council and South Kesteven District Council be extended until April 2020; and

(b) the commission to explore growth opportunities as detailed in paragraphs 3.3 – 3.5 of the report, and the intention to bring such options back to the Committee when complete, be noted.

Reason for Decision

To provide a sustainable Building Control service in partnership with neighbouring authorities.

97 HOUSING MANAGEMENT REVIEW

The Director – Governance & Organisational Development presented a report following the completion of the Strategic Housing Liaison Panel's (SHLP) review of the options for managing the Council's housing stock. At their meeting held on 29 November 2018, the Committee agreed to initiate a review of the housing management arrangements for the Council's housing stock and it tasked the Strategic Housing Liaison Panel to undertake the review looking at options to either retain the current arrangements whereby Newark & Sherwood Homes (NSH) manage and maintain the stock; or reintegrate the housing landlord service into the Council. To assist SHLP in its work the Council engaged specialist housing consultancy support (Savills) to assess and advise on the optimal way forward taking into account the Council's objectives for the review. The two options had been assessed against objectives which were grouped into four headings around tenants, operational, financial and reputational.

The report detailed the work undertaken by the SHLP and summarised the overall conclusions of the Savills report. It was noted that Savills had estimated that a minimum of £0.95m annually could be realised through the discontinuation of NSH and through the reintegration of landlord and the associated support services into the Council and further opportunities arose from the potential release of feed in tariff income up to £0.5m per annum from the HRA, which was currently 'pass ported' through to NSH.

The Committee considered the conclusions and recommendations which were set out in the report. The fundamental question was whether there was good reason to retain NSH given the scale of the efficiencies that could be released to the Housing Revenue Account through integrating the service within the Council, particularly given that the initial reason for setting up the Company, to access funding for the Decent Homes Programme, had now ended.

In respect of tenant consultation it was considered that tenants were key to the review process and one of the overriding factors on the future of the housing service must be the benefits provided to tenants. There was also a statutory requirement for tenants and leaseholders to be consulted on any proposal to re-integrate the housing service back into the Council and dissolve the Company as a consequence. The proposals for the wide ranging consultation exercise were detailed in the report. A letter addressed to the Leader of the Council from members of the Tenant Scrutiny Panel expressing concerns over a possible diluted housing service and the desire to be consulted in the process was circulated to the Committee.

During the debate Councillor D Staples proposed and Councillor P Peacock seconded slight amendments to remove the word 'independent' in recommendation (b) and add the wording 'if needed' at the beginning of recommendation (d). Both of these amendments were lost with 2 votes for and 5 against.

AGREED (unanimously) that:

(a) the Committee agree in principle to the decision to bring the housing management services in-house for direct service provision by the Council, such decision to involve the consequential winding up of Newark and Sherwood Homes Ltd (NSH);

(b) the Council undertake an independent consultation exercise with its tenants and leaseholders, (the cost of which is to be met from the Housing Revenue Account (HRA)), and a staff programme to take into account their views on the future of the housing service;

(c) the Chief Executive consider and design a revised management and staffing structure for the Council to incorporate the housing landlord service, and associated support services;

(d) temporary housing/project management resource and support be engaged to manage the period between now and the formal end of the contract with NSH to ensure the smoothest service transfer, the cost of which was to be met from the HRA;

(e) the temporary transition arrangements referred to in paragraph 8.4 of the report be put in place from the date of approval of this report;

(f) temporary HR resource be approved to provide the capacity to support the proposal as indicated in paragraph 8.3 of the report, the cost of which would be met from the HRA;

(g) new tenant arrangements be drawn up for their future input into the housing service; and

(h) a further report on the outcome of the consultations with tenants and staff be submitted to the Policy & Finance Committee for final consideration and determination.

Reason for Decision

To enable the Council to progress the optimum means of delivery of the Housing Management Services for its Council housing stock.

98 ESTATE REGENERATION - YORKE DRIVE ESTATE AND LINCOLN ROAD PLAYING FIELDS PROPOSAL

The Business Manager – Housing Strategy & Development presented a report which provided a progress update on the masterplan proposals developed for the Yorke Drive Estate and the Lincoln Road Playing Fields in Bridge Ward, Newark using funding secured from the Ministry of Housing, Communities & Local Government's (MHCLG) Estate Regeneration Programme.

The Business Manager – Housing Strategy & Development reported that outline planning application submitted for the masterplan proposal had been granted by the Planning Committee at their meeting held on 2 April 2019. The outline planning application had been submitted on the basis of delivering up to 320 homes, both market and affordable units.

In December 2018, all residents on the Yorke Drive Estate received a letter inviting comments on the regeneration proposals and formal planning application. The letter also contained details of the 'residents offer' for council tenants and homeowners whose homes were affected by the demolition and redevelopment. In addition, as part of the statutory process, all Council tenants affected by the proposed demolition had now been served with an 'Initial Demolition Notice' as prescribed under the Housing Act 1985. Consultation was undertaken with the Yorke Drive Resident Panel prior to this being hand delivered to each affected tenant.

It was reported to the Committee in November 2018 that Homes England had made a provisional funding offer to the Council of £2m under the Accelerated Construction Programme and subsequently further development appraisals had been submitted to Homes England as part of their technical due diligence process. Discussions continued with Homes England to gain further clarity on the detail of the programme so that all the necessary due diligence work was undertaken, which would then determine whether the funding conditions were acceptable to the Council. The report advised of the ongoing funding gap and set out proposed measures as to how the Council were to mitigate that risk.

AGREED (unanimously) that:

(a) the progress made with the masterplan proposals for the regeneration and development of the Yorke Drive Estate and the Lincoln Road Playing Fields in Bridge Ward, using funding from the Ministry of Housing, Communities & Local Government's Estate Regeneration Programme, be noted; and

(b) delegated authority be given to the Director - Governance & Organisational Development, in consultation with the Director - Resources, to enter into the Accelerated Construction Programme funding agreement with Homes England, subject to the satisfactory conclusion of all due diligence work.

Reason for Decision

To progress the 'transformational project, focussing on the regeneration of the Yorke Drive estate and Lincoln Road playing fields.

99 CCTV CAPITAL REPLACEMENT PROGRAMME

The Business Manager – Community Safety presented a report which sought approval for the establishment of a capital replacement programme for the Council's existing public space CCTV cameras. The Council's existing network of public space cameras dated back to 1999 with many cameras, situated in key locations, unable to be repaired give their age. In addition many cameras were approaching seven years old and these required upgrading to digital technology.

Currently cameras were replaced on an ad-hoc basis from funding within the CCTV budget and some repairs being covered by the maintenance contract held within the CCTV partnership. In addition to ongoing camera repairs, it was noted that the expansion to a wireless network when the control room was relocated had meant that the Council now had greater reliability on wireless transmission equipment such as dishes and routers which also required repair and replacement which had an impact on budget. There were also four redeployable cameras, used in areas where ASB emerges as a problem, which also required replacement.

The Committee noted that each time a camera was due to be replaced it was subject to a Camera Needs Assessment to determine if it was still needed in that location. In respect of the location of fixed cameras across the District it was considered that these were allocated dependent upon an evidence base and directions by the police. It was proposed that a capital replacement programme be set up for the cameras based on a seven year life span per unit. The full programme was set out in Appendix One to the report.

AGREED (unanimously) that the CCTV replacement programme budget be added to the Capital Programme as set out in the report and at Appendix One.

Reason for Decision

To allow for a capital replacement programme of the Councils CCTV cameras to be established thereby creating a planned and predictable expenditure budget for this area of work.

100 THE FORMER ROBIN HOOD HOTEL - JOINT VENTURE SCHEME WITH MF STRAWSON LIMITED

The Director - Resources / Deputy Chief Executive presented a report which informed Members of the joint venture agreement with MF Strawson Ltd for the redevelopment of the Robin Hood Hotel. Further to the decision of the Committee at their meeting held on 29 November 2019 and the delegation given to the Director – Resources / Deputy Chief Executive the Council had now: formed the joint venture company, RHH Newark Limited, with Newark & Sherwood District Council and MF Strawson Limited being equal shareholders, with each holding 500 Ordinary Shares of £1 each; agreed the Articles of Association; received the Letter of Commitment from MF Strawson; and agreed the Shareholders Agreement. The terms agreed in respect of the maximum capital contribution, onward sale and the retail / leisure units were summarised in the report.

AGREED (with 5 votes for and 2 against) that:

(a) the Articles of Association (Appendix A) be noted;

(b) the Shareholders Agreement (Exempt Appendix C) be noted; and

(c) the inclusion of £3.3m to the Council's Capital Programme, profiled over 2019/20 and 2020/21 be approved.

Reason for Decision

To keep Members informed of the progress of the redevelopment of the former Robin Hood Hotel and to establish the budget of £3.3m in the Council's Capital Programme.

101 EXCLUSION OF THE PRESS AND PUBLIC

That, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act.

102 CASTLE GATEHOUSE - DECISION ON WHETHER TO PROCEED TO HERITAGE LOTTERY FUND STAGE 2 SUBMISSION

The Committee considered the exempt report presented by the Director – Communities & Environment regarding the Castle Gatehouse.

(Summary provided in accordance with Section 100C(2) of the Local Government Act 1972).

103 LAND ON THE SOUTH SIDE OF MOOR LANE, SOUTH CLIFTON

The Committee considered the exempt report presented by the Director – Growth & Regeneration regarding land on the south side of Moor Lane, South Clifton.

(Summary provided in accordance with Section 100C(2) of the Local Government Act 1972).

Meeting closed at 8.12 pm.

Chairman

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

Document is Restricted

Forward Plan of Policy & Finance Committee Decisions from 1 July 2019 to 30 June 2020

This document records some of the items that will be submitted to the Policy & Finance Committee over the course of the next twelve months.

These committee meetings are open to the press and public.

Agenda papers for Policy & Finance Committee meetings are published on the Council's website 5 days before the meeting https://democracy.newark-sherwooddc.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1. Any items marked confidential or exempt will not be available for public inspection.

Meeting Date	Subject for Decision and Brief Description	Contact Officer Details
26 September 2019	Yorke Drive Estate Regeneration Scheme	rob.main@newark-sherwooddc.gov.uk
26 September 2019	London Road Car Park Extension Options Appraisal (EXEMPT)	Matt.Lamb@newark-sherwooddc.gov.uk
26 September 2019	Ollerton Hall Update	Matt.Lamb@newark-sherwooddc.gov.uk
26 September 2019	Newark Lorry Park: Update Following Completion of Extension (for note from ED)	Deborah.johnson@newark-sherwooddc.gov.uk
26 September 2019	Newark Lorry Park Five Year Business Plan (for note from ED)	Ella.brady@newark-sherwooddc.gov.uk

POLICY & FINANCE COMMITTEE
27 JUNE 2019

RECONSTITUTION OF WORKING PARTIES/TASK & FINISH GROUPS

1.0 Purpose of Report

1.1 To consider reconvening the Working Parties/Task & Finish Groups established by the Policy & Finance Committee.

2.0 Background Information

2.1 It is necessary to reconvene the Working Parties/Task & Finish Groups established by the Policy & Finance Committee that are still operational.

2.2 Details of these groups are attached as an **Appendix** to the report.

2.3 If Policy & Finance determine that the Working Party/Task & Finish Groups should be reconvened the membership of the Groups will require review.

3.0 Local Development Framework Task and Finish Group

3.1 In addition the Policy & Finance Committee has previously appointed a Member to the Local Development Framework Task Group and the Committee are invited to appoint a representative in anticipation that the Group will be reconvened by the Economic Development Committee.

4.0 RECOMMENDATIONS that:

(a) the Committee determine which Working Parties/Task & Finish Groups need to be reconvened and review the membership of those groups as required; and

(b) the Committee appoint representatives to the reconvened bodies and also one representative to the Local Development Framework Task Group.

Reason for Recommendations

To reconvene the appropriate Working Parties/Task & Finish Groups.

Background Papers

Nil

For further information please contact Nigel Hill, Business Manager – Elections & Democratic Services on Ext. 5243.

John Robinson
Chief Executive

APPENDIX

Working Party/Task & Finish Group	**Date First Established and last reconvened**	**Date of Last Meeting/ *(Next Scheduled Meeting)***	**Current Membership**	**Remit**
Member Development & Training Task Group ***Tracey Piper***	18 December 2006 (Policy Overview & Scrutiny Committee) 28 June 2018 (P&F reconvened)	29 January 2019 *(To be arranged)*	• Leaders of the 4 political groups on the Council • Additional 3 Members from the Conservative Group (to be appointed)	• To review the Member Induction Programme. • To produce a Member Training & Development Strategy for the life of the current Council and implement the same. • To work with officers to facilitate good citizenship/engagement in civic life as reflected in the community plan. • To support/facilitate digitalisation for Councillors. • To review/implement best practice as set out in the Member Development Charter.
Non Domestic Discretionary Rate Relief Review Panel ***Nick Wilson***	7 June 2007 (Cabinet) 28 June 2018 (P&F reconvened)	30 October 2012 *(when required)*	• Panel of three Members drawn from Policy & Finance Committee Note: Local Ward Members to be invited to attend if considered appropriate	• To hear appeals in respect of applications for Discretionary NNDR Relief
Strategic Housing Liaison Panel ***Karen White***	4 July 2013 (Policy Committee) 28 June 2018 (P&F reconvened)	4 March 2019 *(To be arranged)*	• Chairman, Vice-Chairman and Opposition Spokesman (Policy & Finance Committee) • Chairman & Opposition Spokesman (Homes & Communities Committee)	• To strengthen the relationship, joint working and common purpose and understanding between the Council and Newark and Sherwood Homes Limited (its wholly owned housing Company) • To discuss the Council's longer term strategic view and direction for the Company; • To develop the forward Delivery Plan; Key Performance Indicators and outcomes; • To review progress against the Delivery Plan at a strategic level.

POLICY & FINANCE COMMITTEE
27 JUNE 2019

HOUSING REVENUE ACCOUNT - FIRE DAMAGED PROPERTIES - FORSTER AVENUE, NEWARK

1.0 Purpose of Report

1.1 To seek Committee approval to redevelop the Housing Revenue Account site at 38 and 40 Forster Avenue, Newark further to significant fire damage to both properties.

2.0 Background Information

2.1 On Tuesday 9 October 2018 a fire broke out at 38 Forster Avenue, Newark. The fire caused significant structural damage to the property, including the collapse of the roof, and spread to the adjacent semi-detached property, 40 Forster Avenue. Both these properties are Council homes within the Housing Revenue Account (HRA), being 3 bed semi-detached houses.

2.2 Due to the scale of remedial works required to return the properties to a habitable condition the opportunity has been taken to identify other options available at this time, specifically:

a) Refurbishment of the existing two properties.
b) Demolition of the two existing properties and replacement on a like for like basis.
c) Demolition of the two existing properties and replacement with three two bed houses.

Affected Tenants

2.3 The Company have advised that the tenants of 40 Forster Avenue have been rehoused permanently and the tenants at 38 Forster Avenue are now in a suitable decant property, with the Company working with them to provide a permanent rehousing solution.

3.0 Options Appraisal

3.1 In respect of paragraph 2.2, Newark & Sherwood Homes have now undertaken an appraisal of each option as detailed below.

3.2 **Option 1** is the refurbishment of the properties on a like for like basis. The full cost of the works, estimated at £211,000, and the rent loss incurred whilst the works are being undertaken would be funded by the insurance company.

3.3 **Option 2** is the demolition of the existing fire damaged units and replacement with two semi-detached properties. *(The existing properties are of a Wimpy No Fines construction and date from 1953 with a low energy efficiency rating. At 66 years of age these units have already surpassed their predicted life cycle of post war system build housing.)*

3.4 For this option the Council's Insurance Company has indicated they would contribute an amount equivalent to the refurbishment costs and cover the rent loss incurred whilst the works are being undertaken. The cost model for this option is detailed below:

Description	Amount
Cost of 2, 3 bed new build properties	£317,845.30
Cost of refurbishment (met by insurers)	£211,000.00
Difference between cost of refurbishment and cost of two new builds to be met by the HRA.	**£106,845.30**

3.5 It may be possible to attract major works grant from Homes England for these properties; this would be at a lower value than the new build grant level for new homes. The insurance claim would have to be disclosed and Homes England may take the view that the two properties are not eligible for all or part of the grant.

3.6 Should grant be awarded this would have the potential to reduce the amount of capital investment required from the HRA by up to 50%.

3.7 **Option 3** is for the demolition of the existing fire damaged units and replacement with three, two bed homes. The cost model for this option is detailed below:

Description	Amount
Cost of new build properties 3, 2 bed units	£382,736.00
Cost of refurbishment (met by insurers)	£211,000.00
Amount of capital investment required from the HRA for 3 new build properties	**£171,736.00**

3.8 On the one additional new property, it would be possible to apply for Homes England grant at a level of approximately £38,000.

3.9 It may also be possible to attract major works grant from Homes England, for these properties as detailed at paragraph 3.5 above.

3.10 Should both these applications be successful then this will reduce the capital finance requirements of the HRA to support the build of the 3 new Council homes.

3.11 The Committee should note that there is a bidding process to secure Homes England grant and therefore no guarantee at this point that the Council would be successful in this respect.

3.12 In all of the options the insurance will pay for the rent loss covering the period of the works.

3.13 **Option 3** also provides the opportunity to increase income to the HRA by approximately £4,000 per annum through the addition of a property to the rent roll; this will need to be modelled through the HRA Business Plan. This option also presents a cost effective opportunity to create new homes to meet the evidenced housing need for the delivery 2 bed units.

Timescales

3.14 For **option 1** to refurbish the properties on a like for like basis is estimated to take between 8 and 10 months from commencement.

3.15 **Options 2** and **3** would require planning permission, estimated to be a 3 month process, with a build period of approximately 10 months in addition.

4.0 Proposal

4.1 Based on the options appraisal undertaken by the Company, which has been discussed and reviewed with Council officers, it is proposed that the Committee approve **option 3** seeing the demolition of the existing fire damaged units (*38 & 40 Forster Avenue*) and replacement with three, two bed Council homes (HRA).

4.2 It is the intention to deliver the proposal set out above through the 5 year HRA development programme and so will be delivered by the contractor Robert Woodhead. The additional HRA capital finance requirement of £171,736 would be allocated to the programme, set against the potential for this sum to reduce subject to being awarded Homes England grant funding.

4.3 The Company would project manage the development and follow the Council's Contract and Procedure Rules, liaising with the insurer.

4.4 The Committee should note the insurers are now looking at swift resolution to this matter.

5.0 Equalities Implications

5.1 There are no equality implications relevant to this proposal.

6.0 Impact on Budget/Policy Framework

6.1 Within the contents of the main report all the budgetary and policy framework requirements have been considered.

7.0 Financial Implications FIN19-20/4938

7.1 The cost of the scheme including the receipt from the Council's insurers has been modelled in the HRA Business Plan and is affordable.

7.2 The timings of this report would mean that the units could be added to phase 3 of the Housing Development Programme. Prior to any future grant bids, it would be prudent to add £386,736 to the phase 3 budget, to be financed by £211,000 from the Council's Insurers and the remaining £171,736 from other available HRA capital resources.

8.0 RECOMMENDATIONS that:

(a) the Committee approve Option 3 to demolish the fire damaged units at 38 and 40 Forster Avenue, Newark and replace these with three, two bed Council homes; and

(b) the 2019/20 Housing Development Programme Phase 3 capital budget be increased by £382,736, for the three new properties, with £211,000 to be financed by the insurers and the remaining budget to come from available Housing Revenue Account capital resources.

Reason for Recommendations

To replace two fire damaged Council homes deemed to be structurally unsound and meet the Council's objective within the Community Plan to 'Accelerate the supply of new homes including associated facilities'.

Background Papers

Nil

For further information please contact Rob Main, Business Manager – Housing Strategy and Development on Ext 5930 or Jill Sanderson, Housing Development Officer on Ext 5624.

Matt Lamb
Director Growth & Regeneration

POLICY & FINANCE COMMITTEE
27 JUNE 2019

HOUSING REVENUE ACCOUNT - EXTRA CARE SCHEME – BOUGHTON

1.0 Purpose of Report

1.1 To update the Committee on the progress to develop an extra care housing scheme (Housing Revenue Account) in Boughton and to seek approval to increase the capital budget to enable the scheme to be delivered.

2.0 Background Information

2.1 At its meeting on 28 June 2018 the Committee approved, in principle, the development of a new extra care scheme on the *allocated housing site in Boughton, to be delivered in partnership with Homes England, Newark and Sherwood Homes and Nottinghamshire County Council.

*(*Allocations & Development Management Development Plan Document - Policy OB/Ho/2 - Ollerton & Boughton - Housing Site 2)*

2.2 An indicative capital finance split was presented to Committee, as illustrated in the table below. The County Council are not making a capital contribution to the scheme, the reasons for which were cited in the 2018 report:

Funding Source	Capital Contribution
Homes England	30%
Newark & Sherwood District Council *(Through Housing Revenue Account (HRA) Balances And/or Borrowing).*	70%

2.3 In the approved capital programme a budget sum of £7.6m has been allocated to deliver the extra care scheme, covering pre-construction & design fees, the build contract, soft furnishings and a contingency. This sum includes the Homes England affordable homes grant funding recently secured of just over £2m.

2.4 The scheme was granted full planning permission on 6 December 2018, comprising 30 x 1 bed apartments in a main building and 10 x 2 bed bungalows on the remainder of the site, in addition to on-site communal facilities.

Nottinghamshire County Council

2.5 The Committee will note that the Council received a letter of support from Nottinghamshire County Council last year, stating:

"…….In respect of the above development, as proposed by Newark & Sherwood District Council, I can confirm that Nottinghamshire County Council will be seeking to agree nomination rights to a proportion of the new homes to be created for use as 'housing with care' for its service users as part of the implementation plan.

The County Council will meet all of the ongoing eligible social care needs of all the occupants living in the units that the County Council's has nomination rights for, as well as occupants living in the other units at the scheme where these individuals develop future needs that are assessed as eligible for social care support.

The care support contract will be funded from the County Council's ongoing revenue budget……"

2.6 Officers of the Council and Company are now in discussions with the County Council to confirm the above arrangements in order to draw up a nomination agreement. Amongst other things, this will stipulate that the County Council will cover the void rent loss for empty units after a qualifying period of time, therefore protecting rental income into the HRA Business Plan. This will be similar to the arrangement at Gladstone House.

2.7 Those units not nominated to the County Council would be let as general supported housing, with the Company providing the housing management and repairs service for the whole scheme.

HRA Revenue

2.8 All units will be charged at an affordable rent level, and have a service charge and provision of an intensive housing management service. (***NB:*** *An Affordable Rent is set at up to 80% of the market rent (i.e. the average rent for local private lettings) inclusive of any service charges.)*

2.9 For Committee information the current affordable rent and service charge levels for Gladstone House are £264.31pw for a two bedroom unit and £220.16pw for a one bedroom unit. It is anticipated that the rent and service charges for the Boughton scheme will be at a similar level inflated to reflect the indicative letting at 2020/21, which would provide an estimated charge of £233.57pw and £280.41pw for a one and two bedroom unit respectively. At Gladstone House the affordable rent and service charges are housing benefit eligible, with the exception to a proportion of the midday meal, TV licence and care line facility.

3.0 <u>Tendering Exercise</u>

3.1 Due to the specialist nature of the proposed scheme a procurement exercise has been undertaken outside of the existing approved 5 year HRA development programme that Robert Woodhead are contracted to deliver and therefore financed separately to this.

3.2 Newark and Sherwood Homes are project managing the development, in line with the agreed project management specification and fee schedule, and follow the Council's Contract and Procedure Rules.

3.3 A tendering process for the build contract has now been concluded and seven contractors had initially accepted to tender for this project.

3.4 However, due to the risks involved with working around the high voltage overhead cables that cross the site and run in close proximity to the build, three contractors withdrew during the process for this particular reason, two contractors withdrew early on in the process and one contractor withdrew due to being unable to tender within the timescales, leaving one contractor to tender for this project.

3.5 The submitted tender sum for the build contract is 23% higher than that originally estimated by the Company, which at that time was validated by an independent cost consultant.

3.6 Reasons for this include:

a) The original estimate was calculated 15 months ago during this time market conditions for the construction sector have continued to improve, along with demand on resources (*manpower & materials*) and evidenced by the single return received for the scheme.
b) The site is very complex, with significant changes in levels, restricted access and the high voltage power lines running across the site. *(In contrast to Gladstone House, which had no such constraints and the road infrastructure was in situ.)*
c) Such factors will have raised the preliminary and groundworks costs above those envisaged when estimating the scheme.

3.7 Subsequent to the receipt of the tender the Company and cost consultant have undertaken a value engineering exercise with the tenderer. This has resulted in a reduced tender sum, which is now 18% above the original estimated sum.

3.8 The value engineering exercise has seen savings generated in the following key areas:

a) Omission of a covered walkway connecting the bungalows and the main building, the purpose was predominantly an aesthetic one.
b) Reduced specification of the specialist toilets, this is based on feedback from Gladstone House.
c) Rationalisation of external hard and soft landscaping, street furniture and feature lighting.
d) Omission of white goods and appliances, this based on feedback from Gladstone House.
e) Alternative products and rationalisation of design.

3.9 The integrity of design of the extra care scheme remains so to uphold the same principles, standards and specification to that of Gladstone House.

3.10 The cost consultant has advised that:

'The package offer provides high cost certainty at the outset as all normal design and build risk is held by the Contractor………We consider the design and build package offer submitted to be bona fide and representing value for money and, as such, we recommend the acceptance of the revised tender sum….'

3.11 In addition the Company has advised the Council that through the evaluation process they are satisfied that the submitted tender bid satisfies all of the required criteria and is compliant.

4.0 Proposal

4.1 Based on the details and reasons set in section 3 it is proposed that the budget allocated to deliver the proposed new extra care housing scheme in Boughton is increased from £7,600,000 to £8,937,401.70. This sum includes all pre-construction & design fees, the build contract, soft furnishings and a contingency.

4.2 The scheme will be funded through the capital finances available within the HRA Business Plan and grant secured from Homes England, with the revised capital finance split detailed below:

Funding Source	Capital Contribution
Homes England	24%
Newark & Sherwood District Council *(Through Housing Revenue Account (HRA) Balances and/or Borrowing).*	76%

4.3 The Committee should note that discussions continue with the County Council to secure a nomination agreement for the scheme, which the County have accepted in principle.

4.4 Should the Committee approve the increased budget then the Company have advised that an October 2019 start on site is feasible, with an 18 month build programme.

5.0 Equalities Implications

5.1 As detailed in 28th June 2018 Committee report the proposed extra care scheme will meet evidenced housing, health and social need for the older population in Ollerton & Boughton.

6.0 Impact on Budget/Policy Framework

6.1 Within the contents of the main report all the budgetary and policy framework requirements have been considered.

7.0 Financial Implications FIN19-20/6743

7.1 The approved budget of £7.6m is included in the current Capital Programme profiled over 2019/20 and 2020/21.

7.2 The proposed option which has an additional increase in the budget required of £1.337m, has been modelled into the 30 year HRA business Plan and it has been identified that there is available HRA Capital resources to finance the additional budget requirement of £1.337m.

8.0 RECOMMENDATION

That the Committee approve an increase in budget of £1.337m for the extra care scheme in Boughton within the HRA 2019/20 capital programme, financed through available

Housing Revenue Account (HRA) capital resources within the HRA Business Plan, to enable delivery of the housing scheme.

<u>Reason for Recommendation</u>

To meet the Council's objectives within the Community Plan specifically to 'Accelerate the supply of new homes including associated facilities' and 'Improve the health and wellbeing of local residents, with a particular focus on narrowing the gap in healthy life expectancy and other health outcomes', set against the evidenced housing, health and social care need for this locality.

<u>Background Papers</u>

Nil

For further information please contact Rob Main, Business Manager – Housing Strategy & Development on Ext 5930 or Jill Sanderson, Housing Development Officer on Ext 5624.

Matt Lamb
Director - Growth & Regeneration

POLICY & FINANCE COMMITTEE
27 JUNE 2019

BLIDWORTH LEISURE CENTRE - STEAM & SAUNA PROPOSAL - ACTIVE4TODAY

1.0 Purpose of Report

1.1 To seek approval to grant permission to Active4Today (A4T), as per the terms and conditions of the current lease, to build an extension on Blidworth Leisure Centre to accommodate a steam and sauna facility.

2.0 Background Information

2.1 A4T is proposing a small extension to the Blidworth Leisure Centre to accommodate a steam and sauna facility. The proposal will improve the local offer for centre users and will be funded from a combination of A4T reserves and Section 106 monies secured from a housing development scheme (AG1040) for the improvement of leisure facilities in Blidworth. Currently the cost envelope for the proposed work is estimated to be £75,000 and £30,973.15 Section 106 has been committed and allocated to the project proposal.

2.2 However, the current lease does not make provision for A4T as tenant to extend the existing buildings therefore approval is sought to enable this investment in the centre and local offer to users to proceed. The business case for the proposal is outlined in the A4T report attached as Appendix A.

3.0 Proposal

3.1 That Policy & Finance Committee notes the recommendation of Leisure & Environment Committee that permission is granted to Active4Today (A4T), as per the terms and conditions of the current lease, to build an extension on Blidworth Leisure Centre to accommodate a steam and sauna facility.

3.2 That the Capital Programme includes a budget of £30,980 to make the transfer of Section 106 monies to A4T towards the work.

4.0 Equalities Implications

4.1 There are no equality implications in respect of the various protected characteristic groups in connection with this proposal. If approvals are secured as requested the leisure facilities provision will be enhanced for the benefit of the whole community. A4T offers leisure opportunities, on behalf of the District Council, to the whole community and it is anticipated that the investment in a sauna and steam facility will improve the existing leisure offer.

5.0 Impact on Budget/Policy Framework

5.1 A4T will be responsible for the ongoing operational costs of the new sauna and steam facility and this will be factored into the annual business case that is presented to Leisure and Environment for approval each year.

6.0 Comments of Business Manager – Financial Services (FIN19-20/8406)

6.1 The Section 106 money referred to in paragraph 2.1 has been received, therefore available to be committed subject to approval of this report.

7.0 RECOMMENDATIONS that:

(a) Active4Today be granted permission to extend Blidworth Leisure Centre for the purposes of a steam and sauna facility; and

(b) appropriate budget provision be made in the Council's Capital Programme, financed from the relevant Section 106 monies.

Reason for Recommendations

To enable Active4Today to deliver a steam and sauna facility at Blidworth Leisure Centre which will enhance the service offer to the community.

Background Papers

Active4Today Proposal Report

For further information please contact Andy Hardy, Senior Health and Community Relations Officer, on Ext 5708.

Matthew Finch
Director – Communities and Environment

APPENDIX A

LEISURE AND ENVIRONMENT COMMITTEE
MANAGEMENT REPORT

25th JUNE 2019

STEAM AND SAUNA FACILITY PROPOSAL BLIDWORTH LEISURE CENTRE

1. REPORT PURPOSE

1.1 To seek approval from Newark and Sherwood District Council, for the development and installation of a steam and sauna facility, at the Blidworth Leisure Centre.

2. BACKGROUND STEAM AND SAUNA PROPOSAL

2.1 Blidworth Leisure Centre opened during January 2009, after a refurbishment of the existing community centre on the site, by the District Council. This followed the Council's departure from Rainworth Leisure Centre, which was owned by Nottinghamshire County Council and operated by the District Council through a joint use agreement.

2.2 Blidworth Leisure Centre is the smallest site operated by A4T and as a consequence, has the smallest offer for the customers. The offer is ostensibly limited to a fitness suite and classes within the facility. However, customers who have an 'Activo' membership are able to use the other facilities of Newark, Southwell and Dukeries Leisure Centres, which does provide a greater offer of activities, for customers.

2.3 Whilst this is the case, the local offer is what initially attracts customers to the facility. It is the key factor when customers are assessing 'value for money' and comparing this to other offers within the area and which fit in with their circumstances. Through experience, customers in general, choose facilities initially based on location and value for money and once in the facility, it is the customer experience and continued value for money, which is the reason a customer will usually continue to stay with a facility/brand.

2.4 As a result of the relatively small membership base at the site, customer service at Blidworth is excellent, and customers receive 1-2-1 time by the dedicated and knowledgeable fitness team. This is reflected in the customer satisfaction feedback from members. From the automated customer surveys on our retention software system TRP (The Retention People), Blidworth is currently operating at 82% of satisfaction, compared to a national average of 52 (on 28th May 2019 due to scores changing daily). In addition, Blidworth has received a 'Platinum Medal Award' from TRP, for its continued high performance in customer satisfaction; this is a fantastic achievement for the staff at the site and for A4T in general.

3. CURRENT PERFORMANCE STEAM AND SAUNA PROPOSAL

3.1 The facility is open from 06:30 – 21:30 Monday to Thursday, 06:30 – 20:30 on Fridays and 08:00 – 18:00 Saturday and Sunday. The facility offers over 50 classes which include activities such as cycling, HiiTs, yoga, Pilates, boxing and kettlebells, which cover the offer of high intensity workouts, low intensity workouts and well-being for customers. In addition to this offer, the facility provides GP referrals and rehabilitation classes for recovering stroke and heart patients.

3.2 Although as stated above, Blidworth Leisure Centre has excellent customer satisfaction rates for customer services, feedback from customers state that Blidworth would benefit from increased activities and services, which would assist with increasing the current membership base, provide greater value for money at the site and retain existing members. Feedback from members identify a 'health suite' (sauna/steam) as a possible realistic option.

3.3 During 2017, as part of a development on Belle Vue Lane in Blidworth, Newark and Sherwood Homes and the District Council identified Blidworth Leisure Centre as the recipient of the 106 contribution. In 2019, confirmation from the Council was provided that there is £35,973.75 deposited with the Council awaiting drawn down by Active4Today, to support additional development or activity at the facility. However, from this amount, a £5,000 contribution has been identified to support the Blidworth Parish Council, with its plans to develop additional office space on the site; currently the Parish Council relies on hiring this from various organisations in the village. To date the Parish Council plans are in their infancy, however, discussions are taking place with Newark and Sherwood District Council (NSDC) regarding leases and location.

3.4 In view of the above, the remaining 106 finance is £30,973.75; however, in the event the plans for the Parish Council do not come to fruition, their contribution of £5,000 would be passed on to the leisure centre. As Members will be aware, Blidworth Leisure Centre is owned by NSDC, with a lease to A4T as the operator.

4. PROPOSAL STEAM AND SAUNA PROPOSAL

4.1 As a result of the above information, A4T are proposing to introduce a sauna and steam room to the Blidworth Leisure Centre, which would hopefully enhance the current offer to members and attract new customers to the facility. It is proposed that this facility would include a 6/8 person sauna and an 8 person steam room. The facility would be attached to the existing building and joined through the current changing rooms to extend the 'wetside' provision. In addition this would keep costs as low as possible, as drainage and water exist in this area.

4.2 To date the project has not been subject to detailed financial modelling; however, work has been undertaken by the Council's Asset Management team, who have provided 'ball park' estimate for a development, within a range between £70K and £75K. This includes planning, development, obtaining quotes, managing the project and the delivery of the scheme to opening. At this stage and subject to planning, it is expected that the scheme has a build time of approximately 12 weeks and it is hoped the proposed new development could be open by November 2019 (subject to the necessary approvals).

4.3 In the event the scheme can be delivered within the financial cost envelope set out above, it would leave a balance to be found after the 106 contribution (circa £31K), of between £39K and £44K. The Board of A4T have agreed to meet this differentiation between the 106 finance and the cost of the scheme, through the existing A4T's reserves.

4.4 Attached at appendices I – IV are various visuals which have been provided by the Council's Asset Management business team and comprise of; the existing building, a visual of the proposed extension to house the new development, a plan of the existing building showing the relationship between the proposed new development set against the whole site and a plan showing the layout of the proposed new development, adjacent to the current changing rooms.

4.5 It is proposed that the facility would be provided to Activo members and fitness suite pay and play customers only, who are over 16 (in line with the current regulations used by A4T). This approach would add additional value for money to the membership package and in turn allow for other members to use the facility, who may use our A4T sites, including Southwell Leisure Centre.

4.6 It is proposed that the Members of Newark and Sherwood District Council approve the installation of a sauna and steam facility, at the Blidworth Leisure Centre and subject to the costs being within the cost envelope set out above, Active4Today commence with the development of this project, in partnership with the Council's Asset Management team. It is proposed that once this facility is developed, this will form part of the existing operating agreement between the Company and the council.

5. <u>EQUALITY & DIVERSITY IMPLICATIONS</u>

5.1 In the event this proposal is approved, the facility can be used by all members across the A4T leisure centres and members of the Southwell Leisure Centre Trust. This would increase opportunities for members over the age of 16 and in addition be an additional resource for health and wellbeing within the group. All information will continue to be available in a number of formats in line with Active4Today's access requirements and those set out in the equalities and diversity policy.

For further information please contact Andy Carolan – Managing Director via email on andy.carolan@active4today.co.uk or via telephone by calling ext. 5704

POLICY & FINANCE COMMITTEE
27 JUNE 2019

FINANCIAL OUTTURN REPORT TO 31 MARCH 2019

1.0 Purpose of Report

1.1 To present to Members the 2018/19 financial outturn position on the Council's revenue and capital budgets, including:-

- General Fund Revenue
- Housing Revenue Account
- Capital Programme
- Provisions and Impaired Estimates on Debtors
- Usable Reserves
- Collection Fund
- Balance Sheet
- Treasury Management

1.2 This report provides Members with a summary of actual income and expenditure compared to the revised budget and how any surpluses/deficits have been allocated to/from reserves.

1.3 To seek Committee approval for the capital financing arrangements for 2018/19.

1.4 To seek Committee approval for the proposed capital programme.

1.5 To seek Committee approval for the 2018/19 carry forwards into 2019/20.

1.6 To seek Committee approval for the movement in Provisions and Impaired Estimates on Debtors, and the creation of additional Usable Reserves.

1.7 To seek Committee approval for the individual contributions to, and withdrawals from, Usable Reserves.

1.8 To present Members with the Annual Report on Treasury Management Activity for 2018/19 and to demonstrate how the Treasury Management activity links to the Treasury Management Strategy.

2.0 Background Information

Overview of General Fund Revenue Outturn for 2018/19

2.1 The accounts show an under spend of £0.323m on service budgets, with a total underspend variance of £1.957m shown as follows:-

	Budget £'m	Outturn £'m	Variance £'m
Economic Development	1.484	1.466	(0.018)
Homes & Communities	2.629	2.626	(0.003)
Leisure & Environment	6.281	6.095	(0.186)
Policy & Finance	4.868	4.752	(0.116)
Net Cost of Services	**15.262**	**14.939**	**(0.323)**
Other Operating Expenditure	3.744	3.720	(0.024)
Finance & Investment Inc & Exp	1.448	1.207	(0.241)
Taxation & Non Specific Grant Inc	(21.611)	(22.980)	(1.369)
Net Cost of Council Expenditure	**(1.157)**	**(3.114)**	**(1.957)**
Transfer to/-from Unusable Reserves	(136)	(261)	(125)
Transfer to/-from Usable Reserves	1,530	3,612	2,082
Transfer to/-from General Reserves	(237)	(237)	0

2.2 The actual outturn for the year (the 'Outturn' column in the table above) is a net transfer from the General Fund Reserve of £0.237m, which decreases the balance from £1.737m at 1 April 2018 to £1.500m at 31 March 2019. This is in accordance with the Medium Term Financial Plan approved on 7th March 2019.

2.3 The table above shows that actual transfers to Usable and General Reserves totalled **£3.375m**. This is broken down as follows:-

- Net Cost of Services £0.323m
- Additional Investment Interest £0.221m
- Business Rates Pool Unbudgeted Income £1.419m
- Additional Grant Income £0.046m
- Budgeted Movements in Reserves £1.925m
- Purchase of Buttermarket from Reserves (£0.559m)

2.4 As can be seen from the table above, there are significant variances in service areas and other budgets. Looking at the underlying trends, the net services favourable variances have not been achieved through reductions in service delivery. The level of underspending on Service Budgets managed by the Business Managers of £0.323m represents 2.12% of the total service budgets. **Appendix A** provides a commentary on the detailed variances that make up this net underspend including the main variances detailed above.

Carry Forwards

2.5 Previous years have seen officers requesting carry forwards of underspends that relate to the timing of payments that have extended past the year-end date of 31st March in year. Given the level of underspend achieved by the Council this year, £0.343m has been approved, by the s151 Officer, to be carried forward into 2019/20.

2.6 Any unspent grants are dealt with separately, and are transferred to the balance sheet for either repayment or expenditure in the following year dependent upon its terms and conditions.

Overview of Housing Revenue Account Outturn for 2018/19

2.7 With reference to the 'Variance' column in the table below, the accounts show an under spend variance against the approved budget of (£0.501m) for the HRA as follows:

	Budget £'m	Outturn £'m	Variance £'m
NSH Management Fee	8.725	8.653	(0.072)
Council Managed Expenditure	19.932	19.977	0.045
Income	(22.880)	(23.144)	(0.264)
Net Cost of HRA Services	**5.777**	**5.486**	**(0.291)**
Other Adjustments	2.078	1.868	(0.210)
(Surplus)/Deficit on HRA Services	**7.855**	**7.354**	**(0.501)**
Movements in Reserves			
Transfer to/from Usable Reserves	2.027	2.026	(0.001)
Transfer to/from Unusable Reserves	(17.854)	(17.812)	0.042
Transfer to Major Repairs Reserve	7.972	8.432	0.460
Total	**0**	**0**	**0**

2.8 A more detailed commentary of the variances is provided at **Appendix B**.

2.9 The actual outturn for the year (the 'Outturn' column in the table above) is a net transfer to the Major Repairs Reserve of (£8.432m), which increases the Reserve from that budgeted by £0.460m to £10.103m. The prudent level of reserve set on the HRA is still £2m.

Overview of Capital Outturn 2018/19

2.10 Policy and Finance Committee approves all variations to the Capital Programme and the revised budget of £26.425m was approved by Policy and Finance at the 21st February 2019 meeting.

2.11 In summary, the accounts show lower levels of expenditure of (£19.574m) or 26% below budget, when compared against the approved revised capital programme budget as follows:

	General Fund Programme	HRA Programme	REFCUS*	Total
	£m	**£m**	**£m**	**£m**
Approved Programme	9.294	19.857	3.332	32.483
Variations to Programme approved in Year on 21 February 2019	(4.737)	(0.858)	(0.463)	(6.058)
Revised Programme	**4.557**	**18.999**	**2.869**	**26.425**
Outturn	3.640	13.439	2.495	19.574
Variance overspend/(underspend)	**(0.917)**	**(5.560)**	**(0.374)**	**(6.851)**

*REFCUS relates to Revenue Expenditure funded from Capital under Statute i.e. expenditure on non-Council-owned assets e.g. disabled facilities grants.

2.12 Capital spending in the year totalled £19.574m, and this expenditure has been funded by a combination of borrowing, external grants and contributions, receipts, major repairs reserve and revenue contributions. The committee is requested to approve the capital financing proposals as outlined in **Appendix C** and summarised below:

	General Fund Programme £m	**HRA Programme £m**	**Total £m**
Borrowing	1.322	5.333	**6.655**
External Grants & Contributions	2.539	4.036	**6.575**
Capital Receipts	1.402	0.252	**1.654**
Revenue Contributions	0.813	3.877	**4.690**
Total	**6.076**	**13.498**	**19.574**

2.13 The pace of delivery on the Capital Programme has been maintained during the year, resulting in an achievement of 74% spend of the revised programme budget. However, as with all financial programmes, there will always be an element of variation on capital schemes at the end of the financial year, and the Committee is requested to approve the re-profiling of capital schemes totalling £5.614m as detailed in **Appendix D**. This is because the majority of the schemes are already committed, with the funding for these held in the Council's reserves. For clarity, where a scheme has been completed, the balance will not be carried forward.

Provisions against Future Events

2.14 Provisions are made when an event has taken place that gives the Council an obligation that probably requires settlement, can be reasonably estimated, but where the timing of the payment is uncertain. Good practice requires that any movements in a Provision should be approved separately by Committee. The provisions provided for are as follows:

Description	**Balance B/Fwd 1.4.18 £m**	**Movement in Year £m**	**Actual Balance 31.3.19 £m**
General Fund - Provisions			
Provision for Appeals – NNDR settled within 12 months	(1.524)	0.067	(1.457)
Provision for Appeals – NNDR settled after 12 months	(1.327)	(0.621)	(1.948)
Total:	**(2.851)**	**(0.554)**	**(3.405)**

The above provisions relate to appeals against Rateable Values allocated against properties liable for Business Rates. The amounts shown in the Statement of Accounts (and hence in the table above) relate to NSDC's element for the provision for appeals. During the year £0.860m was charged against the provision in relation to settled claims, of which 40% is applicable to NSDC.

2.15 The Council receive external advice (from Analyse Local) relating to the level of provision that should be held. The Advisors suggest that there is a risk of £3.870m which relates to the Rateable Value list which began in 2010. From the revaluation of the 2010 ratings list which occurred in 2017, there has been limited information relating to the levels of appeals due to the Governments new “Check, Challenge, Appeal” process. Due to this, it is difficult to forecast the level of provision needed for the 2017 ratings list. As Issues with appeals have been a national problem for Council’s, the Government made an allowance of 4.7% within the NNDR multiplier to compensate Council’s for the potential loss in Business Rates. Analyse Local have used their knowledge and understanding from a national perspective to estimate the total liability for the 2017 list which amounts to £4.642m. This gives a total provision at Collection Fund level of £8.512m of which this Council recognises 40% (£3.405m) due to its share of the overall NNDR income.

Impaired Estimates on Debtors

2.16 Impaired Estimates on Debtors is an estimation of the amount that will remain uncollectable after a certain time period and will require write off in the future accounts of the Council. They are calculated on the age and amounts of debt owed to the Council based on a hierarchical percentage i.e. the older the debt, the greater likelihood of non-collection. Good practice requires that movements in the Impaired Estimates on Debtors should be approved separately by Committee, and these are as follows:

Description	Balance B/Fwd 1.4.18 £m	Movement in Year £m	Actual Balance 31.3.19 £m
General Fund - Impaired Estimates on Debtors			
Sundry Debts	(0.463)	0.146	(0.317)
Council Tax Debts	(0.159)	(0.021)	(0.180)
Business Rates Debts	(0.190)	(0.025)	(0.215)
Total:	**(0.812)**	**0.100**	**(0.712)**
HRA - Impaired Estimates on Debtors			
Sundry Debts	(0)	(0.285)	(0.285)
Former Tenants	(0.207)	(0.035)	(0.242)
Current Tenants	(0.087)	(0.035)	(0.122)
Total:	**(0.294)**	**(0.355)**	**(0.649)**

Usable Capital Reserves

2.17 A Reserve is created for a specific future purpose or to cover contingencies. In accordance with the Code; these Usable Reserves must be separately identified between those that are retained for Capital purposes and those that are retained for Revenue purposes. Again, good practice dictates that any movements in existing reserves, or the creation of any new reserves, be approved by Committee.

2.18 Capital reserves are used to fund the approved capital programme within year, and the position as at 31 March 2019 is as follows:

Description	Balance B/Fwd 1.4.18 £m	Cont'n in Year £m	Use in Year £m	Actual Balance 31.3.19 £m	Committed to future Projects
Capital - General Fund					
Usable Capital Receipts	2.912	0.528	1.402	2.038	1.891
Capital Grants Unapplied	4.565	2.200	0.006	6.759	6.759
Capital - HRA					
Usable Capital Receipts - HRA	3.483	0.396	0.051	3.828	3.828
Usable Capital Receipts - RTB's	1.236	0.838	0.201	1.873	1.873
Capital Grants Unapplied	0.858	0.000	0.626	0.232	0.232
Major Repairs Reserve (MRR)*	6.572	8.433	4.898	10.107	10.107
Total:	**19.626**	**12.395**	**7.184**	**24.837**	**24.690**

* Resources will be added to the MRR to cover the budgeted commitments in the Capital Programme in addition to the above.

Usable Revenue Reserves

2.19 Revenue reserves are used to fund anything that is not capital in nature. They cover such areas as donations, external grants and contributions for future service provision, or specific sums of money held for a specific purpose. The movement on earmarked General Fund Reserves is as follows:

	Balance b/fwd £	Used in year £	Added to in year £	Balance at 31 Mar 2018 £
General Fund Reserves				
Investment Realisation Fund	(91,890)	0	0	(91,890)
Election Expenses Fund	(220,324)	70,000	0	(150,324)
Insurance Fund	(398,456)	61,823	0	(336,633)
Repairs And Renewals Fund	(2,411,187)	602,025	(571,066)	(2,380,228)
Land Charges	0	0	0	0
Building Control Surplus	7,077	0	(22,310)	(15,233)
Museum Purchases Fund	(11,414)	2,854	(2,854)	(11,414)
Training Provision	(152,182)	33,924	(33,924)	(152,182)
Community Safety Fund	(264,256)	264,256	(193,807)	(193,807)
Restructuring And Pay	(100,000)	0	0	(100,000)
Court Costs	(59,769)	4,012	(4,012)	(59,769)
Change/Capital Fund	(9,045,375)	894,898	(4,596,023)	(12,746,500)
Planning Costs Fund	(270,145)	135,145	(66,140)	(201,140)
Unlawful Occupation Of Land	(9,250)	9,250	(9,250)	(9,250)
Fly Tipping Fund	(100,000)	50,000	(5,000)	(55,000)
Homelessness Fund	(327,724)	36,846	(165,003)	(455,881)
Revenue Grants Unapplied	(185,230)	176,809	(283,688)	(292,109)
Fuel And Energy Reserve	(70,142)	6,440	(6,440)	(70,142)
Refuse Bin Purchase	(15,000)	0	0	(15,000)

Energy & Home Support Reserve	(116,580)	22,778	(27,778)	(121,580)
Growth And Prosperity Fund	(1,799,909)	1,404,653	(118,200)	(513,456)
WHOP Reserve	(110,849)	55,849	0	(55,000)
Emergency Planning Reserve	(50,000)	0	0	(50,000)
Other Earmarked Reserves	(25,774)	23,410	(23,410)	(25,774)
CSG/Enforcement Reserve	(0)	55,687	(150,687)	(95,000)
Management Carry Forwards	(224,268)	224,248	(343,424)	(343,444)
Development Company	(4,000,000)	0	0	(4,000,000)
Flood Defence Reserve	(0)	0	(250,000)	(250,000)
MTFP Reserve	(0)	0	(1,085,000)	(1,085,000)
Capital Financing Provision	(1,321,307)	210,235	0	(1,111,072)
Mansfield Crematorium	(140,215)	769	0	(139,446)
Gen Fund Bal Bfwd	(1,736,863)	236,863	0	(1,500,000)
Total General Fund	**(23,251,032)**	**4,582,776**	**(7,958,016)**	**(26,626,272)**
Revenue - HRA				
HRA - Working Balance	(2,000,000)	0	0	(2,000,000)
Total HRA	(2,000,000)	0	0	(2,000,000)

2.20 During the year three new reserves have been set up:

- The CSG/Enforcement Reserve £0.100m – This reserve was created during the budget setting process to fund activity in relation to the Cleaner, Safer and Greener agenda. It has contributed towards the days of action that have been held across the district.
- Flood Defence Reserve £0.250m – This reserve was created during the budget process to fund flood defence schemes across the district.
- MTFP Reserve £1.085m – This reserve was created in relation to the MTFP that was approved at Council 7 March 2019. The MTFP identified a funding gap of £0.880m during 2020/21 for which funding was to be set aside in order to contribute to building a balanced budget. Also identified through the budget monitoring process was a reduction in funding in relation to business rates income from renewable energy, for which 100% of the funding is retained by NSDC. This amounted to £0.205m, which will be a shortfall in funding during 2019/20 due to the accounting requirements for collection fund accounting. Hence this money has been set aside in order to fund the shortfall during 2019/20.

The Collection Fund 2018/19

2.21 The Collection Fund accounts for the income from the collection of Council Taxes and Business Rates, and their subsequent disbursement to local authority preceptors and central government.

2.22 The in-year surplus on the Council Tax account was £0.202m, which increased the overall balance from a surplus of £2.747m at 1 April 2018 to a surplus of £2.949m at 31 March 2019.

2.23 The Code prescribes that the Statement of Accounts only show the element of Council Tax that relates to Newark & Sherwood District Council. In this regard, the share of the Council Tax surplus of £2.949m that relates to Newark & Sherwood District Council as at 31 March 2019 is £0.363m.

2.24 During the year, the Business Rates collection fund has swung from a deficit as at 1 April 2018 of £0.756m to a surplus of £1.652m. There have been several large changes in the rating list during the current financial year, which has increased the rateable value of the rating list by almost £1.9m rateable value. The Council's external consultants advised that due to various building works on properties within the district £1,059,700 rateable value should be billed for, together with new properties amounting to £831,050 in rateable value.

2.25 The Code prescribes that the Statement of Accounts only show the element of business rates that relates to Newark & Sherwood District Council. In this regard, the share of the business rates deficit that relates to Newark & Sherwood District Council as at 31 March 2019 is £0.660m.

Pensions

2.26 The details regarding the Council's share of the Nottinghamshire County Council Pension Fund are provided for Members consideration at **Appendix E**.

2.27 Barnett Waddingham are the Pension Fund's appointed Actuary and their report sets out the assumptions used to prepare the IAS19 pension figures reported in the Council's accounts. It is best practice to consider these assumptions prior to agreeing their use and inclusion in the Statement of Accounts for 2018/19. For this reason, the Accounts & Audit Committee received and approved these assumptions at its meeting on 24 April 2019.

The Balance Sheet at 31 March 2019

2.28 Consideration of the Council's Balance Sheet does not feature significantly in budget setting and monitoring and yet, if not managed and reviewed correctly, a number of balances may be hidden that could have a major impact on the revenue outturn in any one year. Balance Sheet valuation and management is at the heart of the changes being driven by the International Financial Reporting Standards, and it is therefore important that in reviewing the Final Accounts, due consideration is given to the main features of the Balance Sheet and year to year changes as follows:

2.29 The significant movements on the Balance Sheet that are worthy of note are:

- Property, Plant & Equipment increased by £6.308m which relates in the main to in year Capital expenditure amounting to £17.039m, other movements related to revaluation movements, disposals and depreciation.
- The Pension liability, excluding the Councils portion of Mansfield Crematorium, decreased by £5.154m from £68.836m to £63.682m culminating mainly from a change in financial and demographic assumptions from 31st March 2018.
- Short Term Debtors has decreased from £12.190m to £7.987m (£4.203m) mainly relating to an invoice to Notts County Council for their contribution to Gladstone House (£3.200m) which was settled during 2018/19 but raised in 2017/18.
- Cash and Cash Equivalents have increased by £17.308m throughout the year to £32.538m which relates to the timing difference on receipts being received in the cash flow to the occurrence of the expenditure.

Treasury Management Outturn Report

2.30 Under the Treasury management Code of Practice, an annual outturn report is required to be presented to Council to explain activities in the year. The report is presented here for information at **Appendix F**, and it includes the Prudential Indicators that the Council is required to report and monitor.

2.31 The report confirms that the Council complied with its Prudential Indicators for the financial year 2018/19, as set within the Treasury Management Strategy approved at Council on 8 March 2018.

3.0 <u>Options, Risks and Reasons for Recommendations</u>

3.1 **Statement of Accounts 2018/19**

The unaudited Statement of Accounts for 2018/19 were presented to an informal meeting of the Accounts and Audit Committee on 5 June 2019 for consideration and onward submission to the external auditor (KPMG) for audit and certification. The Council must publish on its website prior to 31 May, its unaudited Statement of Accounts. The audited Statement of Accounts must then be approved by 31 July. There would be a serious impact on the council's accountability, reputation and standing nationally and locally if it were to miss this deadline.

3.2 **Revenue Expenditure 2018/19**

There are no options for Members to consider as the outturn represents the final position at the end of the financial year. Due consideration needs to be given to the ongoing effects of any reported in-year service overspends on the 2019/20 budgets, and early action is essential to mitigate further impacts on General Fund balances.

3.3 **Capital Expenditure and Financing 2018/19**

There are no options for Members to consider as the financing is in accordance with approvals already obtained. The reprofiling on the Capital Programme may present a challenge to the Council's capacity to deliver the full programme of planned works in 2019/20.

3.4 **Treasury Management 2018/19**

There are no options for members to consider at this stage since past performance is being reported. Treasury Management is an important Council function since it deals with large value money transactions. The potential risk in this area is very high, however the Council has in place sound systems of financial control to minimise these risks. These controls are reviewed on an annual basis in order to provide the assurance that risk is being minimised. Additionally, by monitoring the Prudential Indicators, this also serves to minimise the risk in this area.

4.0 <u>RECOMMENDATIONS</u> that:

(a) the final outturn of revenue and capital spending for 2018/19 be approved;

(b) the capital financing proposals as set out in Appendix C, that will be passed to the external auditors as part of the 2018/19 Statement of Accounts, be approved;

(c) **the net variations of £5.614m not spent in 2018/19 on the Capital Programme, be re-profiled and carried forward into 2019/20;**

(d) **the movement in Provisions and Impaired Estimates on Debtors be approved;**

(e) **the creations of the new reserves, as outlined in paragraph 2.19 to the report, be approved;**

(f) **the individual contributions to, and withdrawals from, the revenue and capital Usable Reserves be approved;**

(g) **the contents of the Pension Fund Actuary report and the proposed assumptions to be used in the IAS19 pensions report for inclusion in the 2018/19 Statement of Accounts be approved;**

(h) **the Policy & Finance Committee receives the Annual Report on Treasury Management Activity and comments as appropriate for referral onto the Council for information, as required by the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management; and**

(i) **the Committee note that the Treasury Management activities are consistent with the objectives identified in the Treasury Management Strategy for 2018/19.**

Reasons for Recommendations

To approve the Financial Outturn for the Council for the 2018/19 financial year.

Background Papers

Statement of Accounts files & working papers 2018/19
Capital Finance Accounts 2018/19 files
Housing Revenue Accounts 2018/19 files
Treasury Management Strategy and 2018/19 files

For further information please contact Nick Wilson - Business Manager – Financial Services on Ext 5317.

Sanjiv Kohli
Director – Resources / Deputy Chief Executive

APPENDIX A

GENERAL FUND REVENUE OUTTURN VARIANCES - 2018/19

Economic Development (£0.018m)	£m
Lorry parking income short of budgeted level	0.017
Car Park income in Newark higher than budgeted	-0.045
Development Company underspend due to timing difference	-0.093
Heritage, Culture and Visitors – Valuation Office have increased the rateable value of the NCWC	0.025
Spend on Local Development Framework	0.051
Other variances	0.027
Total	**-0.018**

Homes & Communities (£0.003m)	£m
ICT increased income, primarily from recharging service	-0.019
Other variances	0.016
Total	**-0.003**

Leisure & Environmental (£0.186m)	£m
Increase in Waste Collection income (incl. garden and trade waste)	-0.074
Increased income from Env. Health Fees & Charges and licences	-0.037
Increased income from Livestock market	-0.016
Other variances	-0.059
Total	**-0.186**

Policy & Finance (£0.116m)	£m
Council wide vacancy provision	0.320
Reduction in bank changes	-0.036
Savings within central telephones & postages	-0.022
Reduction in insurance premiums	-0.160
Costs in relation to rateable value increases in business rates	0.054
Net savings on Rent Allowances	-0.159
Net savings on Rent Rebates	-0.082
HB Admin reduced income and increased computer maintenance costs	0.034
Overall efficiencies from Castle House budgets	-0.063

Reduction in charge to capital for Asset Management service	0.070
Corporate printers contract tendered and reduced	-0.022
Other variances	-0.050
Total	**-0.116**
Grand Total	**-0.323**

APPENDIX B

HRA Accounts	**Budget 2018/19**	**Actual Accounts 2018/19**	**Variance 2018/19**
INCOME			
Dwelling Rent	(21,340,802)	(21,363,508)	(22,706)
Garages	(184,950)	(164,063)	20,887
Shops	(34,930)	(33,067)	1,863
Sub Total Gross Rental Income	**(21,560,682)**	**(21,560,638)**	**44**
Charges for Services and Facilities	(414,360)	(598,769)	(184,409)
Contributions towards Expenditure	(99,800)	(77,170)	22,630
Other Income	(805,404)	(907,460)	(102,056)
TOTAL INCOME	**(22,880,246)**	**(23,144,037)**	**(263,791)**
EXPENDITURE			
NSH Management Fee	8,724,945	8,652,505	(72,440)
Council Managed Expenditure			
Management	1,529,152	1,500,307	(28,845)
Revenue Expenditure Funded by Capital	58,847	92,946	34,099
Depreciation on dwellings	4,513,087	4,513,087	0
Depreciation on other HRA assets	407,128	407,128	0
Impairment of non current assets	92,495	92,495	0
Revaluations on dwellings	13,303,437	13,303,437	0
Revaluation on other HRA assets	(8,061)	(8,061)	0
Debt Management Expenses	35,820	75,505	39,685
NET COST OF HRA SERVICES	**5,776,604**	**5,485,312**	**(291,292)**
Other Adjustments			
Profit/Loss on sale of HRA fixed assets	1,084,257	1,042,357	(41,900)
Interest Paid and similar charges	4,081,720	3,811,637	(270,083)
Interest receivable/charges payable	(8,400)	(6,761)	1,639
S106 Capital Income	(1,383,800)	(1,383,834)	(34)
Capital Government Grant/Contribution	(2,023,800)	(2,023,773)	27
Capital Other Grant/Contribution	(1,800)	(1,799)	1
Provision for bad debt	284,724	384,706	99,982
Admin Fee on Council House sales	45,500	45,500	0
OTHER COMPREHENSIVE SERVICES	**2,078,401**	**1,868,033**	**(210,368)**
NET OPERATING EXPENDITURE	**7,855,005**	**7,353,345**	**(501,660)**
APPROPIATIONS			
Transfers to Usable Reserve			
Tfr Sale Proceeds from CIES	2,072,000	2,071,990	(10)
Tfr Admin Cost of Sales	(45,500)	(45,500)	0
	2,026,500	**2,026,490**	**(10)**
Transfers to Major Repairs Reserve (MRR)			
Revenue Contribution to MRR	3,825,505	3,511,825	(313,680)
Depreciation Charged to MRR	4,146,780	4,920,215	773,435
	7,972,285	**8,432,040**	**459,755**
Transfers to Unusable Reserves			
Employers Contribution to Pension	260,000	260,000	0
Depreciation Excluding HRA Dwellings	(407,128)	(407,128)	0
HRA Depreciation	(4,513,087)	(4,513,087)	0
Revaluation Movement on PPE Charged To Cies	(13,387,871)	(13,387,871)	0
Capital Grant & Contribution Applied	3,409,400	3,409,405	5
Refcus Expenditure To CAA	(58,847)	(58,847)	0
Assets Written Off Disposal	(3,156,257)	(3,114,347)	41,910
	(17,853,790)	**(17,811,875)**	**41,915**
(SURPLUS)/DEFICIT	**0**	**0**	**0**
HRA BALANCE AT 31.03			
(SURPLUS)/DEFICIT AT BEGINNING OF YEAR		**(2,000,000)**	**(2,000,000)**
(SURPLUS)/DEFICIT DURING YEAR		**0**	**0**
(SURPLUS)/DEFICIT AT END OF YEAR		**(2,000,000)**	**(2,000,000)**

Notes on major variances on HRA

Loan interest payable savings (£270k) due to efficient treasury management processes and the timing of borrowing required for capital financing.

Increase in provision for bad debt expenditure (£100k) for the anticipated impact of universal credit on rent collection.

Over achieved income on service charges (£185k) due to the impact of Gladstone House.

Over achieved on other income (£102k) due to income from leasehold flats and the administrative fee on Council House sales.

Transfer of depreciation to Major Repair reserves increased due to the increase of the value of Council Dwellings after a full revaluation during 2017/18.

CAPITAL PROGRAMME 2018/19 BUDGET MONITORING - POSITION AS AT 31 MARCH 2019 **APPENDIX C**

	SCHEME	Initial Budget	Variations to Budget Approved in Year	Revised Budget	Actual Outturn	Variance to Revised Budget	Comments	EU & Gov't Grants	3rd Party Contributions	Capital Reserve / RCCO	Major Receipts Reserve	Capital Receipts	Borrowing	Total 18/19
HOUSING REVENUE ACCOUNT														
	SUB TOTAL PROPERTY INVESTMENT	**5,167,800.00**	**0.00**	**5,167,800.00**	**5,042,966.82**	**-124,833.18**	Ongoing investment programme - no carry forward	**0.00**	**1,798.70**	**0.00**	**3,877,461.72**	**0.00**	**1,163,706.40**	**5,042,966.82**
AFFORDABLE HOUSING														
SA1013	25 supported dwellings - Bilsthorpe	0.00	42,302.00	42,302.00	0.00	-42,302.00	Scheme Complete							0.00
SA1016	Site A - Wolfit Avenue, Balderton	0.00	26,184.00	26,184.00	0.00	-26,184.00	Scheme Complete							0.00
SA1017	Site B - Wolfit Avenue, Balderton	0.00	24,931.00	24,931.00	0.00	-24,931.00	Scheme Complete							0.00
SA1018	Coronation Street/Grove View Rd, Balderton	0.00	46,118.00	46,118.00	0.00	-46,118.00	Scheme Complete							0.00
SA1019	Lilac Close	0.00	52,480.00	52,480.00	0.00	-52,480.00	Scheme Complete							0.00
SA1020	Second Avenue, Edwinstowe	0.00	46,553.00	46,553.00	0.00	-46,553.00	Scheme Complete							0.00
SA1023	Bowbridge Road	0.00	930,592.00	930,592.00	278,730.02	-651,861.98	Scheme Complete						278,730.02	278,730.02
SA1030	HRA Site Development	0.00	12,966.00	12,966.00	0.00	-12,966.00	Scheme Complete							0.00
SA1031	Site Acquisition (Incl RTB)	600,000.00	211,029.00	811,029.00	0.00	-811,029.00	Carry forward required							0.00
SA1033	Estate Regeneration	734,299.00	-734,299.00	0.00	626,422.70	626,422.70	Budget to be carried back	626,422.70						626,422.70
SA1034	Former ASRA Properties Purchase	0.00	588,970.89	588,970.89	0.00	-588,970.89	Carry forward required							0.00
SA1041	Phase 1 Cluster 1, Newark	166,668.00	288,173.00	454,841.00	418,385.54	-36,455.46	Scheme Complete	154,000.00					264,385.54	418,385.54
SA1042	Phase 1 Cluster 2, Farndon HCA	1,161,032.00	-52,832.00	1,108,200.00	1,045,451.17	-62,748.83	Scheme Complete	168,829.00					876,622.17	1,045,451.17
SA1043	Phase 1 Cluster 2, Farndon 1-4-1	72,361.00	-2,527.00	69,834.00	66,478.89	-3,355.11	Scheme Complete					19,943.67	46,535.22	66,478.89
SA1044	Phase 1 Cluster 3, West	1,851,362.00	302,359.00	2,153,721.00	2,150,977.88	-2,743.12	Scheme Complete	459,598.50	1,383,834.08		-0.08	51,252.99	256,292.39	2,150,977.88
SA1045	Phase 1 Cluster 4, Collingham	1,209,283.00	18,247.00	1,227,530.00	1,200,124.42	-27,405.58	Scheme Complete	288,375.21					911,749.21	1,200,124.42
SA1046	Phase 1 Cluster 5, Balderton	1,340,171.00	-141,571.00	1,198,600.00	1,200,580.29	1,980.29	Scheme Complete	179,166.92					1,021,413.37	1,200,580.29
SA1047	New Build Programme Contingency	437,722.00	-254,166.00	183,556.00	0.00	-183,556.00	Carry forward required							0.00
SA1050	Phase 2 Cluster 1 - Coddington	4,873,643.00	-4,055,992.00	817,651.00	210,134.27	-607,516.73	Carry forward required	210,134.27						210,134.27
SA1051	Phase 2 Cluster 1 - 1-4-1 Coddington	0.00	767,278.00	767,278.00	392,040.55	-375,237.45	Carry forward required					117,612.17	274,428.39	392,040.56
SA1052	Phase 2 Cluster 2 - Southwell	0.00	366,689.00	366,689.00	177,152.70	-189,536.30	Carry forward required	85,500.00					91,652.70	177,152.70
SA1053	Phase 2 Cluster 3 - Hawtonville	0.00	1,160,248.00	1,160,248.00	311,876.07	-848,371.93	Carry forward required	311,876.07						311,876.07
SA1054	Phase 2 Cluster 3 - 1-4-1 Hawtonville	0.00	811,899.00	811,899.00	210,163.70	-601,735.30	Carry forward required					63,049.11	147,114.59	210,163.70
SA1055	Phase 2 Cluster 4 - Sherwood	0.00	987,672.00	987,672.00	166,292.96	-821,379.04	Carry forward required	166,292.96						166,292.96
	SUB TOTAL AFFORDABLE HOUSING	**12,446,541.00**	**1,443,303.89**	**13,889,844.89**	**8,454,811.16**	**-5,435,033.73**		**2,650,195.63**	**1,383,834.08**	**0.00**	**-0.08**	**251,857.93**	**4,168,923.60**	**8,454,811.16**
	TOTAL HOUSING REVENUE ACCOUNT	**17,614,341.00**	**1,443,303.89**	**19,057,644.89**	**13,497,777.98**	**-5,559,866.91**		**2,650,195.63**	**1,385,632.78**	**0.00**	**3,877,461.64**	**251,857.93**	**5,332,630.00**	**13,497,777.98**
GENERAL FUND														
TA3286	Information Technology Investment	415,000.00	-223,730.00	191,270.00	158,591.00	-32,679.00	Carry forward required					158,591.00		158,591.00
TB6148	Lorry Carpark Extension	692,000.00	395,468.00	1,087,468.00	495,261.82	-592,206.18	Carry forward required						495,261.82	495,261.82
TB6149	Lorry Carpark H&S	0.00	48,344.00	48,344.00	48,343.75	-0.25	Scheme complete			35,000.00		13,343.75		48,343.75
TC1000	New Council Offices	159,280.00	-151,705.00	7,575.00	15,673.56	8,098.56	Budget to be carried back					15,673.56		15,673.56
TC3131	Extension to London Road Car Park	0.00	15,000.00	15,000.00	7,592.55	-7,407.45	Carry forward required					7,592.55		7,592.55
TC3134	Works to SFACC	0.00	50,000.00	50,000.00	27,528.68	-22,471.32	Carry forward required					27,528.68		27,528.68
TC3133	BIC Internal Reconfiguration	0.00	33,304.00	33,304.00	24,139.04	-9,164.96	Scheme complete		24,139.04					24,139.04
TC3135	Works to Buttermarket	0.00	50,000.00	50,000.00	0.00	-50,000.00	Carry forward required							0.00
TC3136	Solar Panels to Council Offices	0.00	30,000.00	30,000.00	0.00	-30,000.00	Carry forward required							0.00
	RESOURCES TOTAL	**1,266,280.00**	**246,681.00**	**1,512,961.00**	**777,130.40**	**-735,830.60**		**0.00**	**24,139.04**	**35,000.00**	**0.00**	**222,729.54**	**495,261.82**	**777,130.40**
TA1215	Extension to Newark Leisure Centre Car Park	0.00	205,500.00	205,500.00	190,908.78	-14,591.22	Carry forward required			190,908.78				190,908.78
TB2250	Vehicles & Plant (NSH)	675,000.00	-8,000.00	667,000.00	664,991.55	-2,008.45	Carry forward required					664,991.55		664,991.55
TB2253	Vehicles & Plant (NSDC)	404,245.00	30,600.00	434,845.00	420,098.25	-14,746.75	Carry forward required			8,800.00		411,298.25		420,098.25
TF3224	Seven Hills	0.00	10,211.00	10,211.00	0.00	-10,211.00	Scheme complete							0.00
TF3226	Southwell Flood Grant	0.00	0.00	0.00	0.00	0.00	Scheme complete							0.00
TF6011	Private Sector Disabled Facilities Grants	599,359.00	100,641.00	700,000.00	765,449.61	65,449.61	Budget to be carried back	765,449.61						765,449.61
TF6012	Discretionary DFG	0.00	148,791.00	148,791.00	67,664.90	-81,126.10	Carry forward required	67,664.90						67,664.90
TF6807	Warm Homes on Prescription	80,000.00	88,852.00	168,852.00	94,655.94	-74,196.06	Carry forward required	89,371.97	5,283.97					94,655.94
	COMMUNITIES & ENVIRONMENT TOTAL	**1,758,604.00**	**576,595.00**	**2,335,199.00**	**2,203,769.03**	**-131,429.97**		**922,486.48**	**5,283.97**	**199,708.78**	**0.00**	**1,076,289.80**	**0.00**	**2,203,769.03**
TB3158	Hawtonville School Playing Field	0.00	23,123.00	23,123.00	0.00	-23,123.00	Scheme complete							0.00
TB6145	Grant to Farndon Sports Pavilion	0.00	14,631.00	14,631.00	14,631.00	0.00	Scheme complete		14,630.38			0.62		14,631.00
TB6147	Contribution to Cycle Route Improvements	0.00	6,909.00	6,909.00	6,253.00	-656.00	Scheme complete		6,253.00					6,253.00
TB6153	Cricket Facilities Kelham Rd - S106	34,996.00	50,085.00	85,081.00	64,073.96	-21,007.04	Carry forward required		64,073.96					64,073.96
TB6154	S106 Community Facilities Provision Community & Activity Village	0.00	306,183.00	306,183.00	150,000.00	-156,183.00	Carry forward required		150,000.00					150,000.00
TB6155	S106 Off Site Sports Provision Community & Activity Village	0.00	166,068.49	166,068.49	166,068.49	0.00	Scheme complete		166,068.49					166,068.49
TB6157	Community & Activity Village NCC UU Payment	0.00	1,000,000.00	1,000,000.00	1,000,000.00	0.00	Scheme complete		1,000,000.00					1,000,000.00
TB6158	Ollerton & Boughton Play Facilities S106	0.00	110,000.00	110,000.00	110,000.00	0.00	Scheme complete		110,000.00					110,000.00
	COMMUNITY TOTAL	**34,996.00**	**1,676,999.49**	**1,711,995.49**	**1,511,026.45**	**-200,969.04**		**0.00**	**1,511,025.83**	**0.00**	**0.00**	**0.62**	**0.00**	**1,511,026.45**
TA3053	Museum Improvements	0.00	161,764.00	161,764.00	27,506.00	-134,258.00	Carry forward required					27,506.00		27,506.00
TB3154	Castle Gatehouse Project	37,600.00	145,647.00	183,247.00	148,251.67	-34,995.33	Carry forward required		75,888.86			72,362.81		148,251.67
TC2000	Land at Lowfield Lane, Balderton	0.00	827,060.00	827,060.00	826,854.00	-206.00	Scheme complete						826,854.00	826,854.00
TC2002	Purchase of Tarmac Land - S106	0.00	35,000.00	35,000.00	0.00	-35,000.00	Carry forward required							0.00
TC2003	Buttermarket lease buy out	0.00	575,000.00	575,000.00	558,995.80	-16,004.20	Scheme complete			558,995.80				558,995.80
TC3017	Workshop Frontage Improvements	0.00	5,619.00	5,619.00	2,861.44	-2,757.56	Scheme complete					2,861.44		2,861.44
TE3268	Southern Link Road Contribution	1,950,000.00	-1,950,000.00	0.00	0.00	0.00	Scheme complete							0.00
TF3225	Maps & Signage Newark Town Centre	0.00	19,133.00	19,133.00	19,325.81	192.81	Scheme complete			19,325.81				19,325.81
	GROWTH TOTAL	**1,987,600.00**	**-180,777.00**	**1,806,823.00**	**1,583,794.72**	**-223,028.28**		**0.00**	**75,888.86**	**578,321.61**	**0.00**	**102,730.25**	**826,854.00**	**1,583,794.72**
	TOTAL GENERAL FUND	**5,047,480.00**	**2,319,498.49**	**7,366,978.49**	**6,075,720.60**	**-1,291,257.89**		**922,486.48**	**1,616,337.70**	**813,030.39**	**0.00**	**1,401,750.21**	**1,322,115.82**	**6,075,720.60**
	TOTAL PROGRAMME	**22,661,821.00**	**3,762,802.38**	**26,424,623.38**	**19,573,498.58**	**-6,851,124.80**		**3,572,682.11**	**3,001,970.48**	**813,030.39**	**3,877,461.64**	**1,653,608.14**	**6,654,745.82**	**19,573,498.58**

CAPITAL CARRY FORWARD FROM 2018/19 INTO 2019/20 **APPENDIX D**

	Capital Scheme	Amount
AFFORDABLE HOUSING		
SA1031	Site Acquisition	811,029
SA1033	Estate Regeneration Scheme	(626,423)
SA1034	Former Asra Properties Purchase	588,971
SA1047	New Build Contingency	183,556
SA1050	Phase 2 Cluster 1 - Coddington	607,517
SA1051	Phase 2 Cluster 1 - 1-4-1 Coddington	375,237
SA1052	Phase 2 Cluster 2 - Southwell	189,536
SA1053	Phase 2 Cluster 3 - Hawtonville	848,372
SA1054	Phase 2 Cluster 3 - 1-4-1 Hawtonville	601,735
SA1055	Phase 2 Cluster 4 - Sherwood	821,379
	SUB TOTAL AFFORDABLE HOUSING	**4,400,909**
GENERAL FUND		

Newark & Sherwood District Council

Nottinghamshire County Council Pension Fund

Pension accounting disclosure as at 31 March 2019

Prepared in accordance with IAS19

Barnett Waddingham LLP

4 April 2019

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Introduction

We have been instructed by Nottinghamshire County Council, the administering authority to the Nottinghamshire County Council Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Newark & Sherwood District Council (the Employer) as at 31 March 2019. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the Employer and its advisers; in particular, this report is likely to be of relevance to the Employer's auditor.

These figures are prepared in accordance with our understanding of International Accounting Standard 19 (IAS19).

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The figures quoted will form the basis of the balance sheet and funding status disclosures to be made by the Employer as at 31 March 2019 in respect of its pension obligations under the LGPS. The projected pension expense calculations for the year to 31 March 2020 may be used for the purpose of any interim financial reporting during the year to 31 March 2020. However, it may subsequently be necessary to adjust these projections following the occurrence of any material events such as curtailments, settlements or the discontinuance of the Employer's participation in the Fund.

Please note that no allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. We continue to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the report no guidance or indication of the likely impact of this ruling has been provided to funds.

Please note we have not made any allowance for IFRIC14 in our calculations. We would be happy to speak to the Employer or their auditor if more information is required.

IAS19 also requires the disclosure of any other employer provided pension benefits which are not paid from the Fund itself: examples include additional pensions paid on retirement under the Discretionary Payment Regulations. We have only valued such additional liabilities, which would not be covered in the formal LGPS valuation, to the extent that they have been notified to us and are as disclosed in the Valuation data section of this report.

BARNETT WADDINGHAM
beyond the expected

Characteristics of defined benefit plans and associated risks

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet.

The administering authority for the Fund is Nottinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Nottinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Nottinghamshire County Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2018 IAS19 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2019;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2018 and 31 December 2018, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2019;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 March 2019; and
- Details of any new early retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Employer membership statistics

The table below summarises the membership data, as at 31 March 2016 for members receiving funded benefits, and as at 31 March 2016 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	344	8,119	47
Deferred pensioners	581	1,086	46
Pensioners	578	3,196	72
Unfunded pensioners	115	201	76

The service cost for the year ending 31 March 2019 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £8,885,000, as advised by the Employer. The projected service cost for the year ending 31 March 2020 has been calculated using an estimated payroll of £9,059,000, as advised by the Employer.

Scheduled contributions

The table below summarises the minimum employer contributions due from Newark & Sherwood District Council to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 14.5% of payroll p.a. The monetary amounts are due to be paid in monthly instalments.

Minimum employer contributions due for the period beginning	1 Apr 2017	1 Apr 2018	1 Apr 2019
Percent of payroll	14.5%	14.5%	14.5%
plus monetary amount (£000s)	1,299	1,330	1,362

Newark & Sherwood District Council may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by us.

Early retirements

We requested data on any early retirements in respect of the Employer from the administering authority for the year ending 31 March 2019.

We have been notified of two new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £48,100.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 10%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Newark & Sherwood District Council as at 31 March 2019 is as follows:

Asset breakdown	31 Mar 2019		31 Mar 2018	
	£000s	%	£000s	%
Equities	51,339	60%	51,544	66%
Gilts	2,454	3%	1,796	2%
Other bonds	8,502	10%	9,157	12%
Property	13,286	16%	9,847	13%
Cash	2,573	3%	1,549	2%
Inflation-linked pooled fund	3,090	4%	1,939	2%
Infrastructure	4,210	5%	2,558	3%
Total	**85,454**	**100%**	**78,390**	**100%**

We have estimated the bid values where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2019 is likely to be different from that shown due to estimation techniques.

Based on the above, the Employer's share of the assets of the Fund is approximately 2%.

We received the following information from the administering authority regarding the detail of their assets as at 31 December 2018, representing the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

Asset breakdown		31 Dec 2018	
		% Quoted	% Unquoted
Fixed Interest Government Securities			
	UK	2.9%	-
Corporate Bonds			
	UK	9.5%	-
	Overseas	0.4%	-
Equities			
	UK	23.2%	0.1%
	Overseas	34.2%	-
Property			
	All	-	15.5%
Others			
	Private Equity	-	2.5%
	Infrastructure	-	4.9%
	Inflation Linked	-	3.6%
	Cash/Temporary Investments	-	3.0%
Total		**70.3%**	**29.7%**

We do not have any further detail on the current asset allocation of the Fund; we suggest that if further information is required the administering authority is contacted in the first instance. Please note that as above, no adjustments for presentational purposes have been made to the percentages shown.

Actuarial methods and assumptions

Valuation approach

Valuation of the Employer's liabilities

To assess the value of the Employer's liabilities at 31 March 2019, we have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2019 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Valuation of the Employer's assets

To calculate the asset share we have rolled forward the assets allocated to the Employer at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The Employer currently participates in the Newark & Sherwood District Council pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2016 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their value of liabilities. The next reallocation will be carried out at the 2019 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found here.

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found here.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a..

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure in Appendix 3.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 Mar 2019	31 Mar 2018
Retiring today			
	Males	21.6	22.6
	Females	24.4	25.6
Retiring in 20 years			
	Males	23.3	24.8
	Females	26.2	27.9

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results are as follows:

Assumptions as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	% p.a.	% p.a.	% p.a.
Discount rate	2.40%	2.55%	2.70%
Pension increases	2.40%	2.30%	2.70%
Salary increases	3.90%	3.80%	4.20%

These assumptions are set with reference to market conditions at 31 March 2019.

Our estimate of the Employer's past service liability duration is 19 years.

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.4% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

We are not aware of any additional benefits which were granted over the year ending 31 March 2019.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that two former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £29,000. This figure has been included within the service cost in the statement of profit or loss.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

BARNETT WADDINGHAM
beyond the expected

Results and disclosures

We estimate that the value of the net liability as at 31 March 2019 is a liability of £63,682,000.

The results of our calculations for the year ended 31 March 2019 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2019;
- Appendix 2 sets out the Statement of profit and loss for the year ended 31 March 2019;
- Appendix 3 details a reconciliation of assets and liabilities during the year;
- Appendix 4 shows a sensitivity analysis on the major assumptions;
- Appendix 5 shows the Re-measurements in other comprehensive income for the year;
- Appendix 6 contains our estimates of the projected profit and loss account costs for the year ending 31 March 2020. Please note that no allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the value of liabilities. It is only an estimate so actual experience over the year is likely to differ. We have not provided balance sheet projections on the basis that they will depend upon market conditions and the asset value of the Fund at the end of the following year.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Barry McKay

Barry McKay FFA
Associate

Appendix 1 Statement of financial position as at 31 March 2019

Net pension asset as at	31 Mar 2019 £000s	31 Mar 2018 £000s	31 Mar 2017 £000s
Present value of the defined benefit obligation	146,262	144,173	146,163
Fair value of Fund assets (bid value)	85,454	78,390	77,461
Deficit / (Surplus)	**60,808**	**65,783**	**68,702**
Present value of unfunded obligation	2,874	3,053	3,224
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	**63,682**	**68,836**	**71,926**

Appendix 2 Statement of profit and loss for the year to 31 March 2019

The amounts recognised in the profit and loss statement are:	Year to 31 Mar 2019 £000s	Year to 31 Mar 2018 £000s
Service cost	3,325	3,461
Net interest on the defined liability (asset)	1,720	1,906
Administration expenses	29	30
Total loss (profit)	**5,074**	**5,397**

Appendix 3 Asset and benefit obligation reconciliation for the year to 31 March 2019

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2019 £000s	Year to 31 Mar 2018 £000s
Opening defined benefit obligation	**147,226**	**149,387**
Current service cost	3,296	3,397
Interest cost	3,710	3,983
Change in financial assumptions	6,734	(5,790)
Change in demographic assumptions	(8,325)	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(3,946)	(4,203)
Past service costs, including curtailments	29	64
Contributions by Scheme participants and other employers	586	567
Unfunded pension payments	(174)	(179)
Closing defined benefit obligation	**149,136**	**147,226**

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2019 £000s	Year to 31 Mar 2018 £000s
Opening fair value of Fund assets	**78,390**	**77,461**
Interest on assets	1,990	2,077
Return on assets less interest	5,832	(16)
Other actuarial gains/(losses)	-	-
Administration expenses	(29)	(30)
Contributions by employer including unfunded	2,805	2,713
Contributions by Scheme participants and other employers	586	567
Estimated benefits paid plus unfunded net of transfers in	(4,120)	(4,382)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**85,454**	**78,390**

The total return on the fund assets for the year to 31 March 2019 is £7,822,000.

Appendix 4 Sensitivity analysis

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	146,422	149,136	151,903
Projected service cost	3,275	3,356	3,439
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	149,385	149,136	148,889
Projected service cost	3,356	3,356	3,356
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	151,651	149,136	146,666
Projected service cost	3,439	3,356	3,275
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	154,843	149,136	143,646
Projected service cost	3,463	3,356	3,252

Appendix 5 Re-measurements in other comprehensive income

Remeasurement of the net assets / (defined liability)	Year to 31 Mar 2019 £000s	Year to 31 Mar 2018 £000s
Return on Fund assets in excess of interest	5,832	(16)
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	(6,734)	5,790
Change in demographic assumptions	8,325	-
Experience gain/(loss) on defined benefit obligation	-	-
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	**7,423**	**5,774**

Appendix 6 Projected pension expense for the year to 31 March 2020

Projections for the year to 31 March 2020	Year to 31 Mar 2020 £000s
Service cost	3,356
Net interest on the defined liability (asset)	1,494
Administration expenses	32
Total loss (profit)	**4,882**
Employer contributions	2,675

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2019. These projections are based on the assumptions as at 31 March 2019, as described in the main body of this report.

APPENDIX F

ANNUAL TREASURY REPORT 2018/19

1. Background

1.1. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ('the Code') which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. Scrutiny of treasury policy, strategy and activity is delegated to the Audit and Accounts Committee.

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

1.3. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management strategy.

2. Economic Background

2.1. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

2.2. After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

2.3. With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including shooting down Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

2.4. While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

2.6 **Financial markets:** December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

2.7 Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

2.8 Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

2.9 **Credit background:** Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

2.10 The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

2.11 In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

2.12 There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

3. Local Context

3.1. At 31/03/2019 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £129m, while usable reserves and working capital which are the underlying resources available for investment were £53.4m.

3.2. At 31/03/2019, the Council had £95m of borrowing and £41m of investments. The Council's current strategy is to maintain borrowing below the underlying level indicated by the CFR, and to use internal resources to cover the gap. This is referred to as internal borrowing.

3.3. The Council has an increasing CFR over the next 2 years of £8.57m, due to the borrowing requirement of £15.6m (GF £5.4m / HRA £10.2m) for financing the capital programme over the forecast period, if reserve levels permit internal borrowing will be considered. The CFR requirement reduces when minimum revenue provisions are made and the repayment of debt, over the forecast period there are four loans due for repayment with a combined total value of £6.0m.

4. Borrowing Strategy

4.1. Borrowing Activity in 2018/19

	Balance 1/4/18 £000	New Borrowing £000	Debt Maturing £000	Balance 31/3/19 £000
CFR	124,681			129,821
Short Term Borrowing	3,293	14,914	13,224	4,983
Long Term Borrowing	86,103	5,000	1,022	90,081
Total Borrowing	**89,396**	**19,914**	**14,246**	**95,064**
Other Long Term Liabilities	224	0	0	224
Total External Debt	**89,620**	**19,914**	**14,246**	**95,288**
Increase/(Decrease) in Borrowing £000				5,668

4.2. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

4.3. The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the Council's borrowing need based on realistic projections, it was decided to take a combination of medium-term borrowing and long-term borrowing maturity loans. The Council borrowed £5m medium/longer-term fixed rate loans, details of which are below. These loans provide some longer-term certainty and stability to the debt portfolio.

Long-dated Loans borrowed	Amount £000	Rate %	Period (Years)
PWLB Maturity Loan 1	3,000	2.04	10
PWLB Maturity Loan 2	1,000	2.34	15
PWLB Maturity Loan 3	1,000	2.53	30

4.4. **LOBOs**: The Council holds £3.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of the £3.5m of LOBOS had options during the year, none of which were exercised by the lender.

4.5. **Debt Rescheduling**: The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

5. Investment Activity

5.1. Investment Activity in 2018/19

	Balance 1/4/8 £000	New Investments £000	Investments Redeemed £000	Balance 31/3/19 £000
Short Term Investments	24,472	141,593	124,695	41,370
Long Term Investments	0	0	0	0
Total Investments	**24,472**	**141,593**	**124,695**	**41,370**
Increase/(Decrease) in Investments £000				16,898

5.2. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum 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 of receiving unsuitably low investment income. During 2018/19 the Council's investment balances have ranged between £22.6 and £51.1 million.

5.3. Security of capital remained the Council's main objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2018/19.

5.4. Counterparty credit quality is assessed and monitored by Arlingclose, the Council's treasury advisors, with reference to credit ratings; credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. Arlingclose provide recommendations for suitable counterparties and maximum investment periods.

5.5. Readiness for Brexit: With little by way of political clarity as to the exact date on whether there would be an agreed deal prior to leaving the EU and to be prepared for the outside chance of a particularly disruptive Brexit (such as last-minute no-deal) on 29th March, the Council ensured there were enough accounts open at UK domiciled banks and Money Market Funds to hold sufficient liquidity over the year end and that its account with the Debt Management Account Deposit Facility (DMADF) remained available for use in an emergency.

5.6. Also, during the financial year 2018/19 there was the introduction of International Financial Reporting Standard (IFRS) 9 – Financial Instruments. The new standard presented revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment.

6. Compliance with Prudential Indicators

6.1. The Council can confirm that it has complied with its Prudential Indicators for 2018/19, which were set on 8 March 2018 as part of the Council's Treasury Management Strategy Statement.

6.2. **Interest Rate Exposure:** These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates for both borrowing and investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Approved Limit for 2018/19 %	**Maximum during 2018/19 £m**
Fixed Rate		
Borrowing	100%	91%
Investments	75%	44%
Compliance with Limit		*Yes*
Variable Rate		
Borrowing	20%	9%
Investments	100%	56%
Compliance with Limit		*Yes*

6.3. **Maturity Structure of Fixed Rate Borrowing.** This indicator is to limit large concentrations of fixed rate debt and control the Council's exposure to refinancing risk.

	Upper Limit %	**Fixed Rate Borrowing 31/03/19 £m**	**Fixed Rate Borrowing 31/3/19 %**	**Compliance?**
Under 12 months	15%	7.007	7.4%	Yes
12 months to 2 years	15%	4.000	4.2%	Yes
2 years to 5 years	30%	16.976	17.9%	Yes
5 years to 10 years	100%	24.060	25.3%	Yes
10 years and above	100%	43.021	45.2%	Yes

6.4. **Principal Sums Invested for over 364 Days.** All investments were made on a short-term basis and there were no investments for more than 364 days.

6.5. **Authorised Limit and Operational Boundary for External Debt.** The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The s151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2018/19; borrowing at its peak was £96.1m.

	Approved Operational Boundary 2018/19 £m	**Authorised Limit 2018/19 £m**	**Actual External Debt 31/03/19 £m**
Borrowing	128.3	128.3	95.1
Other Long Term Liabilities	0.4	0.6	0.2
Total	**128.7**	**128.9**	**95.3**

6.6. In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary of the treasury management activity during 2018/19. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

6.7. The Council also confirms that during 2018/19 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

POLICY & FINANCE COMMITTEE
27 JUNE 2019

COUNCIL'S ANNUAL BUDGET 2020/21 – OVERALL CORPORATE STRATEGY

1.0 Purpose of Report

1.1 To set out the Budget Strategy for 2020/21 for consideration by Members before detailed work commences.

2.0 Introduction

2.1 The Council's Constitution sets out the process for developing the Council's Annual Budget.

2.2 The process requires that, each year, the Council's Section 151 Officer presents a report on the overall budget strategy for the forthcoming financial year, to the Policy & Finance Committee.

2.3 The Policy & Finance Committee is then required to consider the report of the S151 Officer and to approve the budget strategy for the forthcoming financial year.

3.0 Budget Proposals

3.1 Budget Presentation

3.1.1 The budget process will result in setting the budget and the Council Tax for 2020/21 and will be approved by Council at its meeting on 9 March 2020.

3.2 Financial Policies

3.2.1 The Council has agreed policies on Budgeting and Council Tax, Reserves and Provisions, Value for Money and also a set of Budget Principles which set out the approach to be taken to the budget process. These policies were reviewed by the Policy & Finance Committee in September 2018. The policies and principles have been reviewed and updated where necessary and are attached as **Appendices B(i) to B(v)**.

4.0 Budget Strategy

4.1 The current Medium Term Financial Plan (MTFP) was approved on 7 March 2019.

4.2 The table below sets out the summary of the financial forecast, identified within the current MTFP, assuming that Council Tax at average Band D will increase by the same rate as the previous three financial years, i.e. 1.94%:

	2019/20 £000	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**
Net Service Expenditure (less capital charges)	11,130	11,034	11,269	11,571
Total Other Expenditure	1,791	1,591	1,828	1,871
Total Expenditure	12,921	12,625	13,097	13,442
Total Business Rates	(6,952)	(4,660)	(4,741)	(4,815)
Council Tax	(6,729)	(6,946)	(7,167)	(7,397)
Other Grants	(120)	0	0	0
Allocation of previous year surplus	0	(880)	0	0

In-year savings and additional income generation		(139)	0	0
Conts (To)/ From Reserves	(880)	0	1,189	1,230

4.3 Whilst there is always a need to improve efficiency and review existing budgets, the Council's budget gap in future years means that, as well as further efficiencies, the Council needs to generate "new" revenue streams. This is the task of the recently created Commercialisation and Major Projects Business Unit. Working alongside the wider Corporate Projects Development Team, the business unit is working with a commercial focus to identify opportunities to increase income into the Council. Any opportunities that are identified and where approval is granted, will be fed into the MTFP and will accordingly be included in the base budget for all years going forward. Wider than the terms of reference of this group, it is important for budget managers to continue to scrutinise their budgets to ensure that services are delivered as efficiently as possible.

4.4 The national context around future local government funding is uncertain. The Comprehensive Spending Review is due during autumn 2019 which will set national control totals for government departments for the next 5 years. Due to the uncertainty and ministerial time spent on Brexit, this could potentially slip into next financial year.

4.5 The Comprehensive Spending Review is set in the context of two other large scale influences over local government finance with the Fair Funding Review looking to change how funding is allocated between authorities in order to make simpler the distribution of national totals and the impact of the implementation of 75% Business Rates retention. The latter will result in, potentially, a full reset of the business rates bases for each authority, meaning that growth generated since the last reset will then be redistributed to authorities with a greater need for funding. Officers liaise closely with external financial advisers in order to keep abreast of announcements and incorporate the latest modelling into the medium term projections.

4.6 The following underlying assumptions will be applied in compiling the draft budget for 2020/21:

4.3.1 Base Budget

The base budget for 2020/21 will be derived from the outturn position for the 2018/19 financial year adjusted for inflation. This will give a "tighter" budget position as it will be linked to actual spending patterns rather than historical budgets.

4.3.2 Staff Costs

The actual establishment, reconciled to the HR records, will be used to generate the starting point for employees' expenditure. It has been assumed that within the Service Unit budgets, the Council will employ 100% of the establishment throughout the year with the exception of known unfilled vacancies where salaries are budgeted to commence on the anticipated starting date.

A 2% increase in wages and salaries will be assumed for 2020/21. This is in line with the agreement which was reached in early April 2018 between the National Employers and the

NJC Trade Unions side on rates of pay applicable from 1 April 2018 and 1 April 2019. An agreement on the pay award applicable from 1 April 2020 is anticipated towards the end of this calendar year. In addition, increases in the National Living Wage will have a knock on impact on all salary pay grades of the Council. The financial implications of changes will be kept under constant review and the budget, if required, will be revised before presentation to Policy & Finance Committee on 20 February 2020.

A vacancy provision of 3.5% of the total salary budget for 2020/21 will be made to allow for natural savings being made from posts remaining vacant before being filled. As it is not possible to predict precisely which business units will experience vacancies in the year, an overall saving will be set aside. This provision will be determined once the total salary budget for 2020/21 has been calculated.

4.3.3 Employer's Superannuation

A triennial valuation of the pension scheme took place on 31 March 2019. The results of this review are unlikely to be received until towards the end of the calendar year and as such an assumption of the contribution level will be to keep this at the same percentage rate as the previous triennial review and the cash deficit payment will be uplifted by £200,000 (The increase for 2019/20 was £31,820 based on the triennial review as at 31 March 2016). Once the results are released, these will be fed into the budget and, if required, will be revised before presentation to Policy & Finance Committee on 20 February 2020.

4.3.4 Provision for Inflation

The budget will be prepared by applying forecast RPI increases to non-staff cost. In April 2019 RPI stood at 3%. This is forecast to drop below 3% to 2.6% by the end of 2019/20. During 2019/20 the forecast looks to hover around 3% until the end of 2022/23. An inflation rate, therefore, of 3% will be applied to non- salary costs, unless a different specific rate is specified in a contract for the supply of goods and services. For non-contractual supplies and services there will be a freeze on inflation.

4.3.5 Fees and Charges

The increase in fees and charges will be subject to specific, detailed review by business managers who will compare the Council's fees for discretionary services to other neighbouring and family group authorities that provide the same services. The business managers will also bench mark the fees with other commercial organisations where similar services are provided. Business managers will also assess and evaluate whether new fees and charges can be introduced for discretionary services that are not currently being charged for.

Where comparative benchmarking information is not available, an increase equivalent to inflation, **3%**, will be applied.

4.3.6 Interest Rate

The Council is proposing to borrow money from the PWLB in order to support its cash flow position. During the previous financial years, decisions regarding capital expenditure have been taken to utilise internal resources and maintain an under borrowed position against its Capital Financing Requirement. This is not uncommon across the Local Government sector, at a time when budgets have been squeezed, but reserves have existed. The Council is proposing to utilise elements of its reserves in the shape of various projects such as the Pool facility at Ollerton and the contribution to the Robin Hood Hotel. This has meant that cash backed by these reserves has been utilised, hence there is a need to borrow money to ensure that the Council has cash at hand to service its day to day costs. The timing of borrowing funds will be dictated by the Council's cash flow which forecasts daily expected income and expenditure over the next 3 years. Treasury Advisors Arlingclose will be consulted with prior to borrowing to ensure that the Council takes the most economic route, be that either a fixed or variable rate borrowing. Rates will be monitored over the coming months until such time that the borrowing is secured.

4.3.7 It will not be possible to finalise funding in the budget strategy until government announcements on future funding levels are published later in the year. Members are asked to approve the budget strategy as set out in this report, subject to future announcements; the impact of which will be reported to Policy & Finance Committee.

5.0 Risks in Preparation of the Budget

5.1 The budget strategy will deliver a balanced budget on the basis of information known at the moment; however, there are risks that may cause expenditure to increase or income to reduce. Consequently income and expenditure levels will be kept under review throughout the budget process.

5.2 It is essential to ensure that the strategic budget efficiencies and additional income are delivered as this is central to ensuring that the Council has a balanced budget. The delivery of the efficiencies and additional income will be kept under continuous review throughout the budget process.

6.0 Timetable

The Budget Timetable is dictated by the corporate timetable for Policy & Finance and operational Committees. The essential deadline is that the Council is able to set the level of Council Tax for 2020/2021 at its meeting on 9 March 2020. Working back from this date a timetable has been drawn up and is attached at **Appendix A.** This timetable enables sufficient time for the budget proposals to be considered by operational Committees, in the January cycle, and Policy & Finance Committee and also sufficient time for the work to be completed within the Financial Services and other Business Units.

7.0 Consultation

7.1. As in previous years, consultation on the budget will take place with the public and the Commercial Ratepayers.

7.2 The operational committees will have the opportunity during the budget process to make suggestions to Policy & Finance Committee prior to final budget approval by the Council. The date on which the draft budget proposals will be presented to the operational committees is set out in the timetable at **Appendix A**.

8.0 Capital Programme 2020/21 – 2023/24

8.1 Prioritisation for the General Fund Schemes

(a) When business cases for new schemes are brought to Committee, financing implications of capital expenditure are included in order to assess the viability of the scheme and to enable members to make informed decisions. Once the capital expenditure has been incurred, the financing of the Capital Programme as a whole is arranged by the Section 151 Officer, in line with the Council's Constitution. This may include use of internal resources, borrowing from internal resources or external borrowing from the PWLB. An appraisal of the most appropriate funding source will be included within the business case.

(b) Any new scheme will initially be commissioned by the Senior Leadership Team. It will then be assessed against the prioritisation criteria (see **Appendix D**). Based on this assessment a report will be prepared for submission to Policy and Finance Committee in December before final approval by Council.

(c) Council will consider all schemes and either: a) allocate resources to enable a scheme to be carried out; b) place it on the uncommitted list pending identification of resources; or c) reject it.

8.2 Prioritisation for the Housing Revenue Account Schemes

The Council's HRA investment programme is currently delivered by Newark and Sherwood Homes (NSH). The current programme reflects the latest available information agreed by NSH with the Council's Strategic Housing team. It comprises capital investment in the existing Council Housing stock and the continuation of a five year new build programme commenced in 2017/18. Resources for future years will reflect the ability of the Housing Revenue Account to support any necessary borrowing, and other funding opportunities which may arise. 2019/20 is the final year of the 1% per year rent reduction and from this point in time it is assumed that rents will rise by CPI plus 1%. Garages and shop rents, along with service charges collected by the HRA will rise by the Consumer Price Index (CPI) from September 2019.

9.0 RECOMMENDATIONS that:

(a) the overall budget strategy be approved;

(b) budget officers continue work on the assessment of various budget proposals affecting services for consideration in setting the Council's budget; and

(c) budget managers work with finance officers in identifying further efficiency savings, increasing income from fees and charges and in identifying new income.

Reason for Recommendations

To enable the Council's budget process to proceed encompassing agreed inflation and salaries and wages rates for 2019/20 to 2021/22

Background Paper

Nil

For further information please contact Nick Wilson, Business Manager – Financial Services on Ext 5317 or Sanjiv Kohli on Ext 5303.

Sanjiv Kohli
Director – Resources / Deputy Chief Executive

APPENDIX A

2020/21 REVENUE BUDGET TIMETABLE				
Action	**Base Budget & General Principles of Budget**	**Draft Budget**	**Draft Final Budget**	**Final Budget Approval & Council Tax Setting**
Base budget & general principles of budget	Policy & Finance 24 June 2019			
Support services – agree basis for charging		31 July 2019		
Working papers issued to budget officers		5 July 2019		
First draft of treasury estimates based on capital programme reported to September Policy & Finance Committee		13 September 2019		
Draft budgets complete – no support services allocated		20 September 2019		
Budgets uploaded onto eFinancials		27 September 2019		
Coordination & review of first draft budget		11 October 2019		
Draft budget to be reported to SLT		19 November 2019		
Support services allocated and uploaded to efinancials			31 October 2019	
Final committee budgets approved for consideration by Policy & Finance Committee on 20 February 2020			Homes & Communities 20 January 2020 Leisure & Environment 21 January 2020	

			Economic Development 15 January 2020 Policy & Finance 23 January 2020 (papers 02/01/20)	
Housing Revenue Account budget and rent setting report				Policy & Finance 23 January 2020 to refer to Council for approval on 11 February 2020 (papers 02/01/20)
Council Tax Discounts Scheme determined				Council 17 December 2019
Council Tax Base 2020/21				Officer decision – determined between 1 December 2019 and 31 January 2020
Revenue budget setting				Policy & Finance 20 February 2020 (papers 29/01/20)
Parish Council Precept information received			(up to) 28 February 2020	
Council Tax setting				Council 9 March 2020 (papers 28/02/20)

APPENDIX B(i)

Policy on Budgeting and Council Tax

Introduction

Each year the Council is required to set a Council Tax in accordance with the provisions of the Local Government Finance Act 1992. It is a requirement of the Act that the Council Tax must be set by 11 March each year.

The Council sets its Annual Revenue Budget in March each year in accordance with the provisions of the Budget Process, which forms part of the Council's Constitution.

The District Council is also responsible for collecting the Council Tax requirement (precepts) for Nottinghamshire County Council, Nottinghamshire Police & Crime Commissioner and Nottinghamshire Fire and Rescue Service and any precepts set by the Parish and Town Councils or Parish meetings within the District. All of these Councils are required to notify the District Council of their requirements before 1 March.

The District Council has no control over the level of Council Tax or precept set by the precepting bodies. This policy covers the District Council element of the Council Tax only. Nevertheless, it is recognised that public perception is influenced by the overall level of Council Tax and it can be difficult to appreciate that the requirements of the District Council form only a part of this. In fact, the District Council's spending requirements account for around 10% of the total Council Tax bill.

The Government has powers to require local authorities setting "excessive Council Tax increases" to hold a local referendum on the level of Council Tax. The level of excessiveness is set at 3% but may be different in subsequent years.

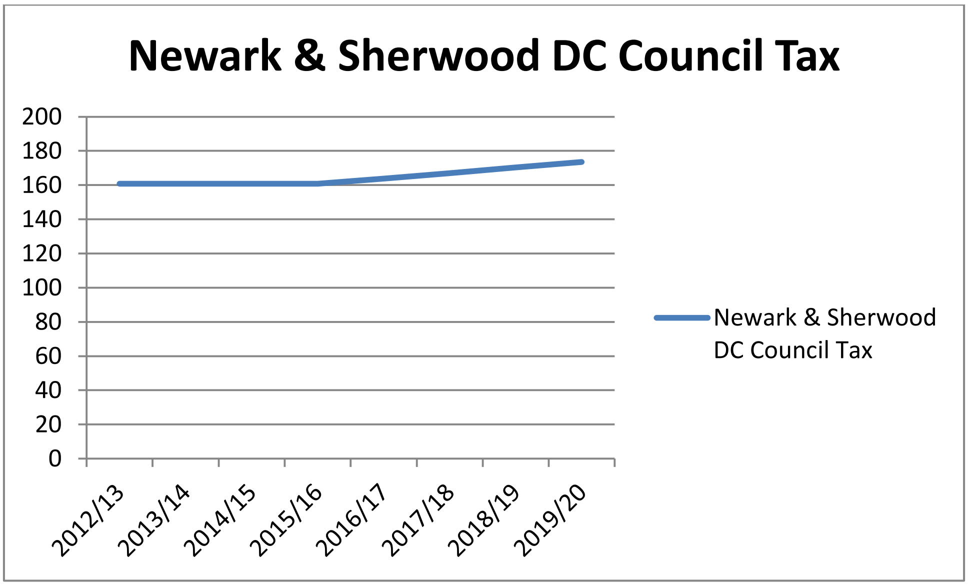
The District Council's spending requirement includes an amount levied upon it by other bodies. For this Council an annual levy is made by the Trent Valley and Upper Witham Internal Drainage Boards. Since 2014/15, if the levies set by the drainage boards cause the Council to have an excessive increase in Council Tax this would trigger a local referendum.

Current Level of District Council Tax

The District Council's level of Council Tax for 2019/2020 is £173.57 for a Band D property. This represents a 1.94% increase in council tax on 2018/2019. The total bill, including all major precepts, is £1,948.76 plus average Parish Precepts of £75.44.

Trends Over Time

Over time, the Council has had a policy of keeping the level of Council Tax to a minimum. The level of Council Tax for the Council is shown in the chart below:



Consultation

Newark and Sherwood District Council believes in the value of wide consultation on its budget proposals. As such, the Council will consult where there are financial decisions of public interest prior to setting the level of Council Tax. The Council will have regard to the results of any consultation. Consultation may include the following:

- Public
- Parish Councils
- Commercial Ratepayers
- Local Strategic Partnership
- Committees

Proposals

The absolute level of Council Tax, and any annual increase, will depend on the demands facing the District Council, external funding available, and the Council's assessment of the appropriate level of Council Tax. Whilst these factors will vary from year to year, the following criteria will be taken into account when considering the level of Council Tax:

- The Aims and Priorities of the Council
- Inflation
- Consultation Responses
- The level of Council Tax considered to be acceptable to the public
- Government views on grant levels and referendum criteria
- Service demands

Newark and Sherwood District Council aims to set the minimum level of Council Tax consistent with the achievement of its Aim and Priorities and other financial and service demands.

APPENDIX B(ii)

General Fund Balances and Reserves Policy

The Local Government Act 2003 requires all Councils to maintain adequate balances, reserves and provisions to help ensure that their activities are sustainable. This policy covers General Fund Balances and separate policies cover reserves and provisions and Housing Revenue Account balances.

The Council holds General Fund balances to ensure that it has sufficient funds to manage its day to day finances and to enable the Council's financial position to remain secure in the event of unforeseen circumstances.

Each year the Section 151 Officer of a local authority is required under Section 26 of the Local Government Act 2005 to review the amount of reserves and provisions that the authority holds. This review is carried out primarily to ensure that reserves and provisions are not allowed to be 'run down' to an imprudent low level, taking into account their purpose and likely use. In undertaking this review it is also necessary to ensure that amounts do not become over provided for. With this in mind, a review of reserves held by the Council has been undertaken and the movements in earmarked reserves and general fund balances contained in the forecasts for each year have been influenced by this review.

The MTFP, approved at Council 7 March 2019 recommended a General Fund Balance of £1.5m be maintained in order to mitigate against future unexpected liabilities. In order to maintain this level of balances in each year of the financial forecast, it has been assumed that all other earmarked reserves will be used in the first instance to fund any one-off costs arising and balances will only be used when these reserves have been fully utilised.

The Council also holds reserves for specific areas of expenditure. Each reserve has a specific purpose. They are subject to annual review by the Section 151 officer as part of the budget process and if no longer required they are re-assigned and are used for other purposes. It is proper accounting practice to maintain reserves for these purposes.

It is recommended that:

a) **Reserves should be subject to an annual review by the Section 151 officer;**
b) **Reserves should not be over-provided;**
c) **Reserves should be used for the purpose for which they are provided (subject to a and b above)**
d) **Reserves should not be used to support ongoing general fund expenditure (subject to recommendations a and b, above)**

Budgeting Principles

The Council will prepare its budget in accordance with the following principles:

Council Objectives:

The purpose of the budget is to enable the Council to achieve its objectives and meet its statutory duties. In setting the budget and Council Tax, the Council will also have regard to Government requirements, including the Local Government Finance Settlement and the latest Comprehensive Spending Review.

Balanced Budget:

The Council is required to set a “balanced budget” with sources of funding identified to cover all expenditure proposed.

Affordable Budget:

In setting the budget, the Council will consider the affordability of proposals and their impact on the level of Council Tax.

Inflation:

The Council will have regard to the level of inflation when considering budget proposals. It may consider different indices of inflation for different purposes. For example, the retail prices index (RPI) and the consumer prices index (CPI) do not always reflect the rate of inflation faced by the Council and this may be better measured by specific indices such as those widely available for construction costs or energy.

Sustainable Budget:

The Council will set a budget to be sustainable over time. This will be reflected in the Council’s Medium Term Financial Plan and Capital Programme. The budget will include an overall risk assessment and will incorporate appropriate sensitivity analysis in order to ensure a robust final budget.

Budget Demands:

Any developments in the Council’s revenue and capital budgets will be required to go through the Council’s formal bidding process. Only those items approved as part of this will be included in the final budget.

Use of 3rd Party Funding:

Where third party funding is used to contribute towards the Council’s budgets, a plan is required to ensure that this element of the budget is sustainable if and when the 3rd party funding ceases. Where appropriate, an exit strategy is required.

Adequate Reserves and Provisions:

The Council aims to have adequate, but not excessive, reserves to cover unforeseen expenditure. Specific provisions are also in place to cover items of expenditure that are certain but where their timing is not known. Further details are set out in the policy on balances and reserves.

Asset Management:

The Council aims to manage its assets efficiently in accordance with best practice. Full details are set out in the Asset Management Plan.

Council Tax Levels:

In accordance with this policy, the Council aims to set the minimum level of Council Tax possible consistent with the achievement of its Aim and Priorities and other financial and service demands.

Value for Money:

The Council aims to achieve value for money in the provision of all of its services. This is set out in the Council’s Value for Money Strategy.

Risk Assessment:

In accordance with section 25 of the Local Government Act 2004, the s151 officer will conduct an annual risk assessment of the robustness of the estimates made in the Council’s budget.

Sensitivity Analysis:

The s151 officer will carry out a review of the impact of variations to key elements of the proposed budget (a “sensitivity analysis”) on an annual basis.

APPENDIX B(iv)

NEWARK AND SHERWOOD DISTRICT COUNCIL

CORPORATE CHARGING POLICY

Revised: June 2019
Date of next revision: June 2020

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6. **Calculation of Charges**
7. **Concessionary Charges**
8. **Discounts**
9. **Use of Market Intelligence**
10. **Further Guidance**

1. **Introduction**

This Policy applies to external fees and charges other than those prescribed by the government. It provides a guide to internal charging arrangements but is subject to CIPFA's 'Service Reporting Code of Practice' and has regard to the Audit Commission's publication "*Positively Charged*".

It is not intended to apply to the disposal of Council assets, rents, internal charges or rechargeable works, nor will it apply where charges are governed by statutory regulation or guidance.

The Policy does apply if we have discretion, but not if there is a prescribed fixed charge.

Over the period of the Medium Term Financial Plan services will align their charges and processes with this policy.

This policy must be read in conjunction with the other related Council polices and strategies, including Financial Regulations, Equalities Policy, VFM Strategy, Corporate Plan.

If after reading this Code you require further guidance or clarification, or you are not sure how best to comply with the Policy then please contact your Business Manager or the Director of Resources.

2. **Purpose of the Policy**

To establish a policy within which fee and charge levels will support the Medium Term Financial Strategy and Corporate Plan; and,

To encourage a consistent approach to the setting and reviewing of charges for services provided by Newark and Sherwood District Council by:

- specifying the processes and frequencies for reviewing existing charging levels or introducing new charges for areas of the council's work for which charges could in principle be set;
- providing guidance on the factors that need to be taken into consideration when charges are reviewed on an annual basis;
- establishing parameters for calculating different levels of charges;
- recommending the criteria for applying concessions or discounted charges on a consistent council wide basis;
- requiring more active use of market intelligence relating to different services.

3. **Processes and Frequencies for Reviewing Charges**

The following arrangements for reviewing charges will be applied throughout all areas of the Council where charges for services already exist or could in principle be set:

- all discretionary charges will be considered and approved by Council as part of the Budget and Council Tax setting process in March of each year.
- during 2019/20 as part of the Commercial Projects Delivery Team, a project to review all discretionary fees and charges will commence, spanning all service areas to review the

appropriateness and level of each charge. This will not only look at existing charges but also any new opportunities to charge.

- a major review of each business unit's charging strategy will take place at least once every three years to ensure consistency with the council's priorities, policy framework, service aims, market sensitivity, customer preferences, and income generation needs, and the justification for any subsidy that the council as a whole makes to the service.
- annual reviews will be carried out for all of these services as part of the budget process, and shall have regard for the budget strategy approved in September each year.
- where fees are not to be increased or are proposed to be increased below inflation, this must be reported to SLT by the budget officer clearly stating the financial implications and budget shortfall before the deadline for completion of the revenue budget.
- these formal reviews will be overseen by the appropriate Director.
- where decisions on fees and charges, including any concessions or discounts, are taken outside the budget process approved by SLT and Policy and Finance Committee, any proposals must have due regard to the Medium Term Financial Plan.

4. Factors Relevant to the Annual Review of Charges

Annual reviews of charges will consider the following factors:

a. inflationary pressures generally and input costs specific to the service;
b. any statutory framework relating to the service
c. the actual or potential impact of any competition in terms of price or quality;
d. trends in user demand and the forecast effect of price changes;
e. equality and access to services;
f. customer survey results;
g. benchmarking results;
h. council wide and service budget targets;
i. cost structure implications arising from developments such as investments made in the service;
j. consistency with other charges;
k. alternative charging structures that could be more effective;
l. validity of continuing any concessions;
m. proposals for targeted promotions during the year, and evaluation of any that took place in the previous year;
n. where less than the full cost is being recovered (including nil charges), the justification for the decision is reviewed and documented to ensure that this decision remains valid and that significant income is not being lost.

5. Processes for Setting Charges for New Sources of Income

All Business Managers should explore new business opportunities with a view to generating additional income.

All guidance in this Policy must be considered when setting new fees and charges.

A business plan must be prepared.

Any potential new income streams will need to be approved by SLT and Policy and Finance Committee.

The setting of the fees and charges must be made in accordance with the current VAT regulations.

The proposed billing and recovery administrative process must be agreed with the S151 officer prior to the charges being implemented.

A central record will be maintained by the relevant Business Manager of any decisions made not to charge for a service where a charge could be made.

6. <u>Calculation of Charges</u>

Charges will apply to all users, and will be set at a level to maximise take-up and income targets and wherever possible covering or exceeding the full cost of providing the service in question.

It is the responsibility of the relavent Business Manager to ensure that the proposals comply with the appropriate legal framework and any legal restrictions. Advice should be taken from the Council's Legal Business Unit before any proposal is finalised.

This calculation of full cost should be based on the direct cost of service provision including staff, supplies and services, equipment, premise costs. Overheads and capital asset depreciation charges should be included but consideration may be given to a less than full cost recovery of these elements where inclusion would distort competition.

Where less than the full cost is being recovered, the justification for the decision must be documented and retained by the appropriate Business Manager and clearly state the financial implications and budget shortfall.

All fees and charges must be calculated in accordance with the current V.A.T. regulations.

7. <u>Concessionary Charges</u>

In some circumstances the Council will offer subsidies to all users or concessions to specific user groups where this is consistent with achieving its priorities.

Entitlement to concessionary charges must have regard to equalities legislation and is designed to reduce barriers to participation arising from:

- Age;
- Level of income;
- Family circumstances;
- Health
- Educational circumstances.

Concessions will not apply to retail sales from shops or cafes.

Concessionary charges may also be made available to organisations whose purpose is to assist the Council in meeting specific objectives in its priorities and policy framework, or which contribute to the aims of key local partnerships in which the Council has a leading role.

Concessionary charges should not normally apply to peak times or in situations that would result in the loss of income from customers paying standard charges. Neither would they normally be available to organisations that are based outside of the Council's area other than on a reciprocal basis.

Only one concession can be applied to the standard charge at any given time.

Services wishing to adopt a concessionary charging scheme must demonstrate the scheme is practicable in terms of assessment, collection and evidencing for audit purposes.

8. Discounts

For certain services it will be normal practice to set promotional discounts, frequent user discounts or group discounts.

Promotional discounts are defined as short-term charges that are targeted to increase take-up or awareness of the services that are available.

Frequent user discounts are to be used only for commercial reasons such as generating customer loyalty where alternative provision from competitors exists, and where market analysis shows a real risk of reduced income if they are not offered.

Group discounts are to be used to encourage take up by organisations able to block book and family discounts to encourage parents and children's take up.

Discounts can be applied to both the standard charge and the concessionary charge.

Discounts can only be applied where the Service has received prior approval of the principle to apply a discount to the charge for this service.

9. The Use of Market Intelligence

All managers of discretionary services for which a charge is made should take steps to identify competitors offering similar or related services, and make use of comprehensive and dynamic market intelligence in evaluating:

- their charging strategy;
- the range of services provided;
- the quality of services provided;
- their cost structure.

All managers of services for which a charge is made should consult with customers, relevant partners and stakeholders on the range, quality and cost of services provided prior to the triennial review.

Consultation should also take place with potential customers and target groups to determine improvements needed to encourage participation at least every five years.

Comprehensive and accurate usage statistics will be maintained for all services and at all facilities where charges are made, to enable analysis of usage, justification of any subsidy given by the Council, and accurate forecasting of the effect of price changes on usage.

Benchmarking should be undertaken at least annually with other Councils in the local area and with relevant national groupings of authorities, to ensure that charges are at comparable levels and that significant differences are understood and justified.

10. Further Guidance

Charges should be payable in advance wherever possible or collected by direct debit or through the corporate income system.

All fees/charges must be reported annually to the Financial Services Business Unit as part of the budget process for publishing in the annual budget book.

All fees/charges must be published on the Councils website.

NEWARK & SHERWOOD DISTRICT COUNCIL

Value for Money Strategy

Revised: July 2018

Next revision due: July 2020

Introduction

Newark & Sherwood District Council recognises its responsibility to achieve value for money from all its activities, however they may be funded.

The council is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate strategy. It will seek to achieve value for money in the pursuit of its objectives and in the delivery of all services.

The council has a neutral position on service delivery methodologies. It will consider all service delivery options, including in-house provision, partnerships with other public sector organisations (including shared services), partnerships with private sector organisations, and bought in services as appropriate for individual services or groups of services.

With the current focus on reducing the national deficit leading to reduced government funding, it is inevitable that the annual revenue and capital budget setting will be challenging each year. The council has a range of methodologies in place to ensure that its aims and priorities are delivered within an acceptable level of council tax. The Value for Money Strategy is a key element of this process.

Value for Money Principles

The principles involved in achieving value for money are:

Efficiency:	Considering the relationship between the amount of resources used (inputs) and the level of performance.
Effectiveness:	The ability to achieve stated goals or objectives, judged in terms of both output and impact.
Economy:	The acquisition or use of resources of an appropriate quality at minimum cost.

There are several aspects to be considered:

- Balancing effectiveness with efficiency
- Balancing efficiency with economy
- Sustaining the funding arrangement (where this is desirable)
- Demonstrating the most appropriate use of resources

Value for money can be defined as: **the use of available resources in an efficient and economical way to deliver effective services or achieve desired outcomes.**

The council is accountable for using resources efficiently to avoid wasting public funds, but this does not mean always seeking the lowest short-term cost. Waste occurs when a service – no matter how cheap or expensive – is ineffective. Effectiveness and efficiency needs to be balanced to achieve value for money.

The costs and benefits of each arrangement must be evaluated in terms of what the council seeks to achieve.

The council will manage any risks to its own interests, and use arrangements and processes such as monitoring, review and evaluation to demonstrate effectiveness and value for money.

At the planning stage, the council should be able to justify how it intends to apply its resources. After implementation it should be able to demonstrate that the policy is having the desired effects, and that the money is not going to waste. If there are unintended outcomes from its policies the council needs to adapt its funding arrangements to take them into account.

Objectives

To achieve value for money, the council will:

- target resources towards achieving the council's objectives and meeting the needs of local people;
- integrate VFM principles within existing planning, management and review processes;
- adopt recognised good practice as appropriate;
- analyse potential budget issues for the following financial year at an early stage and take a corporate approach to developing solutions;
- ensure that VFM principles are taken into account during the commissioning process;
- benchmark activities against other similar activities and organisations where appropriate;
- respond to opportunities to enhance the economy, efficiency and effectiveness of activities;
- promote a culture of continuous improvement;
- demonstrate actively to both internal and external stakeholders that the achievement of VFM is sought in all activities undertaken;
- ensure that all staff recognise their continuing obligation to seek VFM for the council as part of their activities;
- seek external funding where appropriate to support the council's services if the external funding assists the achievement of the council's objectives.

Methodologies for achieving VFM

The council has a number of different methodologies that contribute to the achievement of VFM.

These include:

- the Commissioning process;
- identification of growth and savings through the budget process;
- effective use of ICT (supported by the ICT Strategy);
- service reviews;
- scrutiny by service Committees;
- Audit & Accounts Committee;
- corporate procurement mechanisms (supported by the Procurement Strategy and policies);
- partnership working including consideration of shared services and public/private partnerships;
- customer feedback.

Responsibility for delivering VFM

The council is required to satisfy itself that VFM is being sought, and achieved from the use of public funds.

The responsibility for achieving VFM lies with all Members and staff and is not restricted to those with resource or financial responsibilities. All Members and staff should endeavour to seek and achieve VFM in all activities and to bring to management's attention any opportunities for improvement.

Managers have the responsibility to maintain an awareness of good practices in their own area of operation and ensure that these are followed appropriately.

The corporate management team will provide a corporate overview of VFM to ensure that initiatives are not restricted to individual service areas.

The council has an expectation that bodies with which the Council has partnership arrangements and organisations in receipt of grant aid from the council will follow VFM guidelines.

APPENDIX C

CAPITAL PROGRAMME TIMETABLE 2020-2024

Date	Corporate	Council/Policy & Finance Committee/Operational Committees
Continuous	Possible asset disposals are identified; the likely level of receipts and the revenue implications are estimated.	Approval by Policy & Finance Committee.
April - September	SLT approve the commissioning of new schemes.	Consultation with Policy & Finance Committee and operational Committees where relevant
April - September	Appraisal forms complete for all schemes to be considered in the Capital Programme process. The Key corporate priorities to be targeted with key service plans priorities and Smart Focus.	Consultation with Portfolio holder and relevant Committee.
By 30 September	Revenue implications of bids included in budget bids	
By 31 October	Existing schemes are revised for timing and, where relevant, whether they can now proceed e.g. if failed to get external finance allocation is lost	Report submitted to Policy & Finance Committee in December on changes to existing programme (if necessary)
By 31 October	Detailed appraisal using prioritisation scheme process and report produced for SLT on results of appraisal. SLT consider report and agree prioritisation it relevant	
December		Policy & Finance Committee consider draft programme based on prioritised schedule including revenue implications
By 31 January 2020	Revised estimates of resources available completed including levels of Borrowing, Revenue Contribution and Capital Receipts targets.	
By 31 January 2020	Prepare summary of comments from operational Committees for Policy & Finance Committee to consider. Includes clarification by Directors/Business Managers	
By 30 January 2020	Final report produced for Policy & Finance Committee including comments from operational Committees	
20 February 2020		Policy & Finance Committee consider revenue and capital budgets and financial implications and recommend programme to Council
9 March 2020		Council tax setting meeting.

APPENDIX D

NEWARK & SHERWOOD DISTRICT COUNCIL
CAPITAL PROGRAMME 2020 - 2024 PRIORITISATION SCHEME

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
1	**Key Priorities** Scheme must link to at least one of the Council's priorities and be an objective contained within a Service Plan.	If a scheme does not clearly relate to these areas it will not be considered further.	Each scheme to be marked as to how well it fits with the following- • Prosperity • People • Place • Public Service	**35%**
2	**Evidence of Need** Service Strategy National Strategy or Guidelines Statutory Obligation	In some cases local demands are in excess of national guidelines and strategies and this tries to acknowledge that the two must be balanced. This will cover Health and Safety related schemes.	The following factors will receive equal weighting :- • Statutory Obligation • National Strategy • Validity of consultation in relation to project. e.g. How specific to this project? Who was consulted, was this comprehensive? • Quality of evidence of need for project .e.g. size of sample base, date of evidence, format of evidence	**10%**
3	**Partnership** Eligibility under existing criteria can be demonstrated.	Show that work has been done to ensure that the obtaining of external finance is realistic. The degree to which the partnership will add value to the project.	The proportion of finance which will be met by third party. The likelihood of receiving support. Assessment of the value the partner will add to the project.	**15%**

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
4	**Outputs and Outcomes** These have been clearly identified and can be justified from supporting evidence. Specific comments should be made as to how the scheme represents value for money when compared to other options	This will enable the council to improve the way it reports its work and clearly show what is being achieved. The comments should refer to any performance indicators which the proposal is addressing specifying what the improvement target is.	Assessment then made on what the scheme will achieve.	**15%** Assessment of all factors or group of factors
5	**Financial** Capital costs have been based on internal or external professional advice Revenue implications have been properly developed	Capital costs include both works and land purchase and cover all associated costs. Try and avoid "guesstimates" which result in schemes requiring increased finance or having to be reduced to meet finance available.	Capital will be based on the quality of work which has been put into estimate. e.g. costed feasibility studies. Revenue will be based on whether the effect is positive, neutral or negative on the revenue budget. Positive effect scores 10 Neutral effect scores 3 Negative effect scores 0	**15%** Capital marked 1 to 5 Revenue marked 0 to 10
6	**Risk Assessment** Identify the level of risk in a project not being able to proceed. For example planning appeals, listed building consent. Over subscription of partnership funds	Try and ensure that not all schemes selected are high risk with the danger that there will be delays in delivery or no-delivery.	The following will all need to be considered:- Technical Issues Financial Uncertainty Partnership uncertainty Planning Issues Legal issues Timescale	**10%**

POLICY & FINANCE COMMITTEE
27 JUNE 2019

WRITE-OFF POLICY

1.0 Purpose of Report

1.1 To seek approval for the updated Write-off Policy detailed at Appendix A.

2.0 Introduction

2.1 The write off of bad debts is a necessary function of any organisation which deals with the collection of debt. Effective write off procedures contribute to the efficient management of debt.

2.2 The purpose of the Write-off Policy is to establish a framework to regulate the process under which Council debts should be submitted for write off. The policy is intended to ensure that the writing off of debts is conducted in a consistent and accountable manner.

3.0 Background Information

3.1 The Council is responsible for the collection of: Council Tax, Non Domestic Rates, Sundry Debts including Housing Benefit Overpayments and Rents (not covered by this Policy).

3.2 Under the Accounts and Audit Regulations 2003 (as amended by the 2006 and 2009 Regulations), bad debts should not be written off without approval of the responsible financial officer, or such member of staff as is nominated by him or her for this purpose. There are no equivalent rules for credit balances although it is prudent to have these written off on a regular basis.

3.3 The Council is prudent in managing bad debt and makes provision for them in its annual statement of accounts. This ensures that the writing off of bad debt has no detrimental effect on service provision or the council taxpayer.

3.4 The Council's policy is to pursue all debts where it is economic to do so, and a comprehensive debt recovery process is followed. Debts are only put forward for write-off when there is no other option.

3.5 Writing off irrecoverable items represents good financial management. It allows staff to concentrate on recoverable debts and ensures that the level of debtors / arrears within the accounts is accurate and represents a true and fair reflection of the Council's financial position.

4.0 Reasons for Write-Off

4.1 Every effort will be made to recover a debt owing to the Council before it is considered for write off. Only where all recovery action has failed, is a debt regarded as irrecoverable.

4.2 In cases where the debtor is jointly and severally liable for the debt with another party, recovery action will continue against all liable individuals and only if this action fails, will monies be recommended for write off.

4.3 The Write Off Policy at Appendix A sets out the procedure to be followed when writing off irrecoverable amounts (including credit balances) of Council Tax, Non-Domestic Rates, and Sundry Debts including Housing Benefit Overpayments.

4.4 The Council will update and review the policy in accordance with any changes in legislation relating to the collection of debt.

5.0 Equalities Implications

5.1 There are no equalities implications in the report.

6.0 Impact on Budget/Policy Framework

6.1 There will be no impact on the Council's budget. Money is set aside each year in the Council's accounts to cover losses due to debts that are unrecoverable.

7.0 RECOMMENDATION

That the updated Write-off Policy, as detailed at Appendix A to the report, be approved.

Reason for Recommendation

To ensure that only income which is collectible is included in the Council's accounts.

Background Papers

Nil

For further information please contact Phil Ward, Business Manager – Revenues and Benefits on Ext 5347.

Sanjiv Kohli
Director – Resources / Deputy Chief Executive

APPENDIX A

WRITE-OFF POLICY

REVENUES & BENEFITS BUSINESS UNIT

(COUNCIL TAX, BUSINESS RATES, HOUSING BENEFIT OVERPAYMENTS, SUNDRY DEBTORS)

SUMMARY OF POLICY

An integral part of debt recovery is the effective management of irrecoverable debts, to ensure that resources are applied to the collection of monies outstanding which can reasonably be expected to collect. Obviously every effort must be made to maximise the amount of income collected, however, it is bad practice and a failure to use resources to their maximum benefit if irrecoverable debts are not written off. There are a number of reasons why a debt becomes irrecoverable, these include

- Where the debtor has absconded and cannot be traced.
- Where the debtor has died and there are no funds available from the estate to clear the debt.
- Where the debt is too old to recover.
- Where the balance is small and the recovery costs would make the debt uneconomical to collect.
- On the grounds of hardship in the case of business rates.
- Where individuals or companies have become insolvent.
- Insufficient evidence available to support the claim
- Other / special circumstances

There are also cases where the Council actually owe a debtors/taxpayer an amount, but are unable to make payment because

- the chargepayer has absconded and cannot be traced.
- the chargepayer has deceased and we have been unable to trace the beneficiaries.

The intention of the policy is to ensure that there are consistent procedures to follow and that every effort is made to collect the debt, it also provides a framework to write off debts once these procedures have been exhausted.

If for any reason, i.e. new information, a debt which has previously been written off becomes collectable again recovery action is started and the debt is brought back as a live account.

Approval and Authorisation

The Business Manager Revenues and Benefits or the Senior Revenues Officer(s) must approve proposals for write off.

Authorisation for debts to be written off up to £10,000 is by the Section 151 Officer, over £10,000 by the Policy and Finance Committee.

BACKGROUND INFORMATION

Revenues & Benefits Write Off Policy & Procedures

In this document 'Full Checks' Means Checking

Where Applicable:

- Notepad entries
- Revenues and Benefits system
- DIP System
- All previous and linked addresses
- Reports from any external debt collection agency.
- CIS/Benefits Agency in respect of Benefit Overpayments
- Social Media sites
- Rents/Newark and Sherwood Homes
- Owner/Landlord/Letting Agent
- National Anti Fraud Network (NAFNA) searches
- Visits to the property
- Any other appropriate agencies e.g. other LA's
- Check Electoral Roll

Debit Balances

No Forwarding Addresses (NFAS)

These are all cases where the debtor has absconded and all attempts to locate their new address have been unsuccessful and the account has been marked as No Forwarding Address. In these cases there will have been a full check done and nothing found.

If we are unable to find the debtor then the debt may be written off after approval through the Section 151 Officer. Records are to be kept of all these cases for audit purposes for 6 years from the date of write-off.

In respect of any of these write offs, if a debtor is found later then the debt may be brought back, although we need to assess whether it is still recoverable at this stage.

Cases where the Debtor has Deceased

In cases where it has been established that there are no funds to clear the debt it will be submitted for write off. These will be listed and passed to the Section 151 Officer for approval.

Cases That Are Too Old to Recover

Case law has made it clear that if we do not try to collect charges as soon as practicable then they become irrecoverable. (case - Encon Insulation Ltd v Nottingham City Council 1999).

Each of these cases will be considered individually, where it is not in the interest of the Council to pursue further enforcement action through the Courts they will be submitted for write off.

As a general rule:-

1. Debts that are over 6 years old and have reached committal stage but have not been progressed should be considered for write off, especially so where the debtor is no longer living in the District.
2. Council Tax debts on previous accounts where the debtor has a deduction from Income Support or Jobseekers Allowance on their current account and the circumstances mean that it is very unlikely that we will ever be able to recover these old debts.

Uneconomical to proceed (unless it is in the public interest to pursue them)

1. Under £50 plus any costs outstanding. Where a liability order has been obtained for under £50 plus costs and there is no available information to seek an attachment and no arrangement has been made these amounts can be written off as it is not cost effective to recover.

2. Debts up to £100 returned from the debt collection agency (sundry debts).

3. Debts of any higher amount to be assessed on an individual basis having considered ability to pay, cost of collection and available recovery options

4. Under £5.00 Write off these very small balances periodically to tidy system up.

Hardships cases - Business Rates Only

Legislation only allows this discretion to be applied in Business Rates cases.

The Section 151 Officer has the delegated power to approve these cases that are considered individually. Cases are submitted on an ad-hoc basis.

(See appendix A of this Policy)

For Council Tax only the Magistrates are allowed to remit charges at committal stage.

Liquidations, Bankruptcies, Administration Orders and Voluntary Arrangements

Regardless of the amount once official notification of insolvency is received then a claim is submitted for the relevant debt to the Insolvency Practitioner, then the debt is written off. If any dividend is paid to the Council, this amount of the debt is raised to offset payment.

Insufficient evidence available to support the claim

Where it is considered that judgement would not be granted due to:-

- Debtor untitled
- Address insufficient
- Detail insufficient to support the detail of the original account raised

Other / special circumstances

- Where there may be a cause for write off of the debt on compassionate grounds, for example where illness or accident renders the debtor unable to pay.

Credit Balances

No Forwarding Addresses

Where the debtor has vacated and we do not have a forwarding address the credit may be written off without seeking approval. Records are to be kept of all these cases for audit purposes for 6 years in case there is any comeback from the taxpayer.

In respect of any of these write offs if the customer is found or contacts us later then the credit may be brought back and refunded.

Cases where the Taxpayer has Deceased

Where the customer has died more than 1 financial year ago and we do not have the address of the beneficiaries, then the credit may be written off without seeking approval. In respect of any of these write offs if the beneficiary is found or contacts us later, then the credit may be brought back and refunded.

1. **Consideration of applications for relief from Business Rates under Section 49 of the Local Government Finance Act 1988 (Hardship relief)**

2. **Notwithstanding the provisions of the scheme, each application must be considered on its own merits.**

3. **Any decision must be in the interest of the Council Taxpayers and other residents of the Newark and Sherwood District.**

4. **The last available accounts of the business will be used to evaluate hardship.**

5. **Items of account not directly relating to the running of the business shall be disregarded.**

6. **The obligation to show hardship lies with the ratepayer.**

7. **Normally no relief shall be given within one year of the commencement of the business i.e. before annual accounts can be produced.**

8. **Applications in respect of defunct businesses will be considered.**

9. **Applications will be effective from the Council's financial year in which the application is received or the date of occupation, whichever is the latest.**

10. **Approvals will be effective for one year only. If the organisation wishes to re-apply further annual accounts must be supplied.**

11. **Relief will be withdrawn on the sale of the business.**

NOTE

Applicants should note that appropriate action will be taken, if the application contains information found to be false and/or fraudulent.

POLICY & FINANCE COMMITTEE
27 JUNE 2019

ARKWOOD DEVELOPMENTS LIMITED – BOWBRIDGE ROAD DEVELOPMENT, NEWARK

1.0 Purpose of Report

1.1 To consider the recommendations from the Shareholder Committee that Policy & Finance approve the sale of the land at Bowbridge Road to the Council's Company, Arkwood Developments Limited (the Company), and the release of the equity to the Company to facilitate the commencement of the development of the Bowbridge Road site.

2.0 Background Information

2.1 The Shareholder Committee, at its meeting on 11 June 2019, considered and approved the business case for the Bowbridge Road development site that had been submitted by the Company.

2.2 The detailed business case is attached for Members as background information as an exempt appendix.

3.0 Proposals

3.1 The Shareholder Committee resolved to approve the business case for the Bowbridge Road development scheme and as a consequence requested the Policy & Finance Committee to approve the release of equity funding to the Company in the sum of £3,321,276. There is provision within the Council's approved capital programme of £4m in respect of equity funding for the Company.

3.2 The Council commissioned an external independent surveyor, HEB Chartered Surveyors, to undertake a viability appraisal of the proposed scheme and a valuation of the development land. The surveyor has advised a residual sum of £1,970,469 based upon the proposed scheme should be shown for land acquisition value.

3.3 However, HEB has advised that it would be prudent or the Council to include an 'overage' mechanism within the contract for sale whereby additional payments are released to the Authority should the Company improve upon the gross development value and as a result of the residual profit.

4.0 Equalities Implications

4.1 There are no adverse equalities implications arising from the report. The proposed development scheme as detailed in the Company's business case specifically includes provision of residential units for older persons, who are persons with protected characteristics within equalities legislation.

5.0 Financial Implications FIN19-20/8968

5.1 On 7 March 2019, the Council approved a capital programme which included £4m in respect of the equity funding for Arkwood. Should the business case be approved by this

Committee, this would allow the release of the equity funding to the Company in the sum of £3,321,276.

5.2 The further loan funding (at 75% of the gross development cost) will be calculated once the final design has been determined and, subject to the further report to be tabled at this Committee in the December cycle to identify the final gross development cost, will be added into the capital programme in order to be released when the cash flow for the total development has been received and approved.

5.3 From both of the viability appraisals the gross development profit, after accounting for overheads and contingencies would be between £1.89m and £2.90m meaning a profit on gross cost of between 14.23% and 21.74%, which is well in excess of the Council's 6% return, as set out in its approved Investment Plan. This would then be available for the Council as a dividend (subject to tax), or in order for the company to reinvest into the next development it is due to undertake.

5.4 As is common practice, within the housing market, the purchase of the land will be done on a deferred basis in order to assist with the most efficient cash flow analysis of the development site. The deferred HRA capital receipts will be finalised by a legal agreement and factored into the financing of future HRA capital projects. The agreement will also include interest payments on the deferred capital receipt, which will be additional income to the HRA.

6.0 Community Plan – Alignment to Objectives

6.1 The Company is referenced in the Community Plan under the objective of accelerating the supply of new homes by delivering 300 new homes by 2020/27.

7.0 RECOMMENDATIONS that:

(a) the sale of the land at Bowbridge Road to the Company for the sum of £1,970,469 be approved, and the Director – Governance and Organisational Development be given delegated authority to finalise the terms for the sale at this sum, to include deferred payment and provision for an overage agreement to provide the Council with additional sum(s) should the Scheme design be enhanced further and increased profitability achieved; and

(b) the equity funding of £3,321,276 be released to the Company to facilitate the development of the Bowbridge Road site.

Reason for Recommendations

To allow the first development by the Council's development company, at Bowbridge Road, Newark, to commence.

Background Papers

Report to Shareholder Committee (exempt)
HEB report (exempt)

For further information please contact Karen white on Ext 5240 or Nick Wilson on Ext 5317.

Karen White
Director – Governance &
Organisational Development

Nick Wilson
Business Manager – Financial Services

POLICY & FINANCE COMMITTEE
27 JUNE 2019

ANNUAL STANDARDS REPORT FOR THE PERIOD 1 APRIL 2018 – 31 MARCH 2019

1.0 Purpose of the Report

1.1 To consider the Annual Standards Report for the period 1 April 2018 to 31 March 2019.

2.0 Background

2.1 At its meeting on 10 March 2016 the Council deleted the Standards Committee from the committee structure with its remit being incorporated in to the Policy & Finance Committee. It was further agreed that the Annual Report relating to standards issues be brought to the Policy & Finance Committee.

3.0 Code of Conduct Complaints

3.1 The Monitoring Officer received five complaints within the period 1 April 2018 to 31 March 2019. Two complaints resulted in no further action being taken.

3.2 Three complaints are currently being investigated by the Monitoring Officer. These all relate to parish councillors, two being from the same parish.

4.0 Formal Investigation and Code of Conduct Hearing

4.1 There were no formal investigations or Code of Conduct Hearings required for the period 1 April 2018 to 31 March 2019.

5.0 Register of Members Interests

5.1 Register of Interests Forms for Newark & Sherwood District Council Members were issued to all Members following the District Council elections held on 2 May 2019. These were required to be completed and returned within 28 days of the election. These have been returned from all Members and are in the process of being published on the Council's website.

5.2 Newly elected Town and Parish Councillors are also required to complete a Register of Interest form within 28 days of the election. These are still being returned by parishes and will be published on the District Council's website in due course.

6.0 RECOMMENDATION

That the annual report be noted.

Reason for Recommendation

To provide Members with details of the standards complaints in 2018/19.

Background Papers

Nil

For further information please contact Nigel Hill, Business Manager – Elections & Democratic Services on Ext 5243.

Karen White
Director of Governance & Organisational Development and Monitoring Officer

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