

**2020/21 TO 2023/24 MEDIUM TERM FINANCIAL PLAN (MTFP)**

The council's Medium Term Financial Plan (MTFP) for the four financial years between 01 April 2019 and 31 March 2023 (2019/20 to 2022/23) was presented to Policy & Finance Committee on 21 February 2019 and approved by Council on 07 March 2019.

This document seeks to update the MTFP's assumptions on expenditure, income and financing for the four years between 2020/21 and 2023/24.

The main aims of the MTFP are to:

- a) deliver the council's Community Plan objectives over the life of the relevant Community Plan;
- b) clearly present the council's current predictions of its financial position between 2020/21 and 2023/24; and
- c) enable members to make decisions which ensure the council's future financial sustainability .

The MTFP tries to do this by:

- a) bringing together in one place all known factors which will affect the council's financial position; and
- b) matching how the council plans to spend to deliver its Community Plan objectives with the expected resources available to fund that spend.

**1.1 Financial Projections**

The table below shows high level budget projections for the next four years:

	<b>2020/21 (£m)</b>	<b>2021/22 (£m)</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>
Net Service Expenditure (less capital charges)	12.162	12.440	12.530	12.605
Total Other Expenditure	1.342	1.275	1.302	1.943
<b>Total Expenditure</b>	<b>13.504</b>	<b>13.715</b>	<b>13.832</b>	<b>14.548</b>
Total Business Rates	(7.724)	(5.316)	(5.379)	(5.435)
Council Tax	(7.018)	(7.245)	(7.484)	(7.729)
Other Grants	(0.122)	0.000	0.000	0.000
<b>Contribution (to) or from Reserves</b>	<b>(1.360)</b>	<b>1.154</b>	<b>0.969</b>	<b>1.384</b>

These assume the following increases in the rate of average band D council tax (excluding local precepts):

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Assumed council tax increase	£5.00	1.94%	1.94%	1.94%

## **1.2 Financial Landscape**

The government plans to reform the local government finance system. These reforms are mainly to increase the proportion of business rates (non-domestic rates (NDR)) retained locally; and to make fairer the government's annual funding allocations for local authorities.

The government previously intended for these reforms to take effect from 2020/21, though now intends for these reforms to take effect from 2021/22. In light of this one year delay, the government plans to roll forward the 2019/20 settlement for 2020/21.

The impact of this for the Council has been that anticipated Business Rates income has increased by circa £3m compared with the estimated income for 2020/21 in the MTFP approved on 7<sup>th</sup> March 2019. This includes an anticipated £0.915m in surplus generated from the Collection Fund at the 2019/20 year end, which was also not forecast at budget setting for 2019/20.

The government plans to carry out a multi-year Spending Review in 2020 to enable the reformed systems for business rates retention and annual funding allocations to be implemented from 2021/22.

As it is not known how exactly the local government finance system is expected to change nor from when these changes will take effect from, the council's current modelling for how much funding the council will receive in 2021/22 and future years is subject to higher levels of volatility. The Council continues to liaise with external consultants to support the forecasting of future funding levels.

It is expected, however, that the government's changes to the local government finance system will incorporate transitional arrangements where appropriate, and that changes will be made manageable for individual authorities or classes of authorities.

Throughout the remainder of 2019/20 and in 2020/21, officers will closely monitor the government's announcements relating to the local government finance system and assess the implications of these on the council's funding for 2021/22 and future years.

## **1.3 Fair Funding Review**

The government is reviewing how it assesses the relative needs and resources of English local authorities, so that it can distribute funding to councils based on a more robust and up-to-date approach. Its review (the Fair Funding Review) aims to address concerns that the current formula for determining each council's Baseline Funding Level (BFL) is unfair, out of date and overly complex.

The government now plans to use an updated approach to distributing funding to councils from 2021/22.

The review will broadly focus on three main areas:

- 1) relative needs;
- 2) relative resources, and
- 3) transitional arrangements.

Relative needs relates to the demand for particular council services, and relative resources to the ability for councils to raise their own income from sources such as council tax.

The assessment of relative needs for shire district councils is expected to be driven mainly by population. Put more simply, shire district councils with more people will be expected to receive more money from government, all other things being equal.

An Area Cost Adjustment (ACA) will be applied to the assessment of relative needs. Put more simply, the government's funding for councils will consider factors which affect how much councils must spend to deliver services, all other things being equal. The ACA is expected to include the following three factors:

- 1) Rates Cost Adjustment;
- 2) Labour Cost Adjustment; and
- 3) Remoteness Adjustment.

A Rates Cost Adjustment relates to how much councils spend on the premises they use to deliver services.

The Fair Funding Review is important because it will affect the amount of BFL the government will give the council in future years, and thus also the amount of business rates (non-domestic rates (NDR)) the council can retain. As per the table in section 1.1, business rates are expected to account for at least a third of the council's total expenditure (excluding capital charges) in each year of the council's MTFP.

### **1.4 Retained Business Rates**

The introduction of the current 50% business rates retention system in 2013/14 has allowed councils which have increased their locally raised business rates income since this time to benefit from the additional income generated.

The government plans to implement a reformed business rates retention system for 2021/22. The reforms aim to:

- give local authorities greater control over the money it raises;
- support local economic growth;
- update the balance of risk (of loss) and reward (for growth) in the system; and
- make the system simpler and income less volatile.

Two main changes have been proposed for the business rates retention system. These are:

- 1) to increase the proportion of business rates retained locally from 50% to 75%; and
- 2) to reset the Business Rates Baseline (BRB).

The BRB is the government's prediction of how much each council is able to raise locally in business rates.

As the government intends to reform the business rates retention system in a way which is fiscally neutral, councils currently benefitting from growth in locally raised business rates income could see some of this income transferred to councils with reduced Business Rates Baselines.

Nonetheless, the planned increase in proportion of locally retained business rates means that promoting economic growth and inward investment will become ever more crucial to ensuring the council's sustainability going forward.

The council's MTFP accounts for planned reforms to the business rates retention system, though amounts for 2021/22 and future years are subject to higher levels of volatility.

The government has proposed the following changes to the proportions of businesses' rateable values (RVs) payable as business rates in 2020/21:

- an increase in the provisional small business NDR multiplier from 49.1p to 49.9p;
- an increase in the provisional NDR multiplier from 50.4p to 51.2p;

The government has also proposed the following changes to business rate reliefs in 2020/21:

- an increase in the retail discount from one-third to 50% and extension of the retail discount to cinemas and music venues for eligible small businesses;
- a five-year extension of the £1,500 business rates discount for office space occupied by local newspapers (until 31 March 2025); and
- the introduction of a £1,000 business rates discount for eligible pubs, applicable in addition to the retail discount.

In accordance with section 31 (Power to pay grant) of the *Local Government Act 2003*, the government will fully fund local authorities for awarding these reliefs, and provide funding for the administrative and IT costs associated with implementing these new burdens.

The council expects to receive around £2.1m in section 31 grants in 2020/21 for its cost of administering statutory business rate reliefs.

Below are some of the key risks which could affect the amount of business rates income collected and thus retained in future years:

- slower than anticipated local economic growth, or local economic growth at a rate less than the change in Consumer Price Index (CPI) used to determine annual business rates payable;
- successful backdated appeals from businesses regarding the amounts of business rates payable in previous years;
- uncollectable debts which need to be written off; and
- unpredictable increases in the amounts of discretionary reliefs granted to businesses.

The total rateable value (RV) of all business premises within the district anticipated at the beginning of 2020/21 is £107.8m.

The council currently has 104 businesses with appeals outstanding regarding the RVs of their premises. The total reduction in RV it is estimated that these businesses are appealing for is £1.298m. If all of the appeals from these businesses are successful and backdated to the dates currently estimated, there would be an estimated total cost of £3.487m in settling these appeals.

These settlement payments would be a one-off, funded from a provision (currently £8.513m) which has been specifically set aside to pay for the cost of successful business rate appeals.

If any appeals the council has provided (set money aside) for are unsuccessful, or are successful but cost the council less than it has set aside for these appeals, the council will be able to release its surplus provisions back into the Collection Fund. The surplus provisions would then be re-distributed back to council and its preceptors.

## 1.5 Council Tax

Chapter IVA (Limitation of Council Tax and Precepts) of the *Local Government Finance Act 1992* requires billing authorities to hold referenda if their relevant basic amount of council tax for a financial year is in excess of a set of principles determined by the Secretary of State.

An authority's relevant basic amount of council tax is its average band D council tax excluding local precepts. The relevant basic amount of council tax for Newark & Sherwood District Council (NSDC) includes the levy that Internal Drainage Boards charge the Council. These are the Upper Witham Internal Drainage Board and the Trent Valley Internal Drainage Board.

Since 2016/17, shire district councils have been able to increase council tax by the greater of the core principle or £5 without holding referenda. For 2016/17 and 2017/18, the core principle was 2%, and for 2018/19 and 2019/20, the core principle was 3%.

The proposed core principle for 2020/21 is 2%. The government's proposed council tax referendum principle for shire district councils therefore permits increases in the council's **Error! Reference source not found.** relevant basic amount of council tax of up to (and including) the greater of 1.99% or £5.00 without holding a referendum.

Since 2016/17, Members have agreed annual council tax increases of 1.94%. The council's MTFP assumes a council tax increase of £5.00 in 2020/21, and subsequent annual increases of 1.94%.

The council calculates how much annual council tax income it can receive by multiplying the council tax base (CTB) by the average band D council tax rate. The council tax base is the total number of properties equivalent to band D which are liable for council tax after discounts, exemptions and premia.

The council's MTFP assumes that the **Error! Reference source not found.** CTB will be 1.36% higher than the 2019/20 CTB, based on the actual CTB in December 2019 being 1.36% more than the December 2018 CTB.

For subsequent years, it has been assumed that the CTB will change by the average annual change in CTB between the CTB used for the prior and three-year prior financial years. For example, the change in CTB assumed for 2021/22 is the average annual change in CTB between the CTBs for 2018/19 and 2020/21.

The table below shows the additional income the council would expect to receive over the four years of the MTFP, based on council tax increases of 1.94% and £5.00 in 2020/21, compared to if council tax was kept at 2019/20 levels:

Effect of council tax changes	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)	MTFP (£m)
Additional income from 1.94% increase in all years	0.132	0.137	0.141	0.146	<b>0.556</b>
Additional income from £5.00 increase in 2020/21 and 1.94% in subsequent years	0.196	0.203	0.210	0.216	<b>0.825</b>

### 1.6 New Homes Bonus (NHB)

New Homes Bonus (NHB) is a government grant paid to councils to incentivise local housing growth, based on the extra council tax income raised from new homes. NHB is paid to councils with growth in their housing stock above 0.4% of their existing council tax base.

From 2018/19 and onwards, NHB payments have been for the four years from the year for which the council was awarded NHB. In the provisional local government finance settlement for 2020/21, the government announced that it would continue to make payments for four years on allocations from previous years (2017/18, 2018/19 and 2019/20), but would not make multi-year payments on new allocations (2020/21). Details of the government's provisional NHB allocations for 2020/21 and future years are in the table below.

Year	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
2017/18	0.390			
2018/19	0.379	0.379		
2019/20	0.409	0.409	0.409	
2020/21	0.563			
<b>Total</b>	<b>1.741</b>	<b>0.788</b>	<b>0.409</b>	<b>0.000</b>

NHB is not ringfenced, and thus can be used to fund either revenue or capital expenditure. To-date, the council has not needed to budget to use NHB to fund its General Fund revenue expenditure, as budgeted funding from council tax, business rates and other sources has been sufficient.

In previous years, NHB has been used to fund key regeneration projects. This is expected to continue. As capital resources are scarce, the termination of multi-year payments on new NHB allocations will have significant impact on capital resources.

The 2019/20 to 2022/23 MTFP approved by Council on 09 March 2019 proposed to allocate 50% of NHB receipts for the capital financing of assets with lives of less than 10 years (short-life assets). It is intended that this policy will continue.

### 1.7 Income from Fees and Charges

The council's income from fees and charges for statutory and discretionary services is an essential part of the council's General Fund revenue budget. Section 93 (Power to charge for discretionary services) of the *Local Government Act 2003* requires charges to be set such that taking one financial year with another, the income from charges for a service does not exceed its costs of provision.

Discretionary services are those for which the council has the power, but not duty, to provide; though also include additions or enhancements to statutory services that the council provides above standards legislated for.

In accordance with the Commercial Strategy approved by Council on 10 October 2017 and the Fees and Charges Project report approved by Economic Development Committee on 20 November 2019, the council aims to set fees and charges for discretionary services at levels which balance commerciality and social impact. The council should ensure that fees and charges for discretionary services are set which:

- ensure the maximum revenues possible;
- are allowed by the council’s Corporate Fees and Charges Policy; and
- are socially and politically acceptable.

The table below shows how much fees and charges income the council:

- received in 2018/19;
- initially budgeted for 2019/20, as part of last year’s budget setting process;
- is currently budgeting to receive in 2019/20; and
- is proposing to budget for 2020/21.

	<b>2018/19 actuals (£m)</b>	<b>2019/20 initial budget (£m)</b>	<b>2019/20 revised budget (£m)</b>	<b>2020/21 base budget (£m)</b>
Fees & Charges	5.162	4.677	5.123	5.296

As mentioned in section 1.11, the fees and charges budgets proposed for 2020/21 are at levels considered achievable. Further details on the fees and charges budgets for 2020/21 can be found in the 2020/21 proposed General Fund revenue budget report.

### **1.8 Reserves and Balances**

Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council’s proposed budget and robustness of estimates made.

The council has reviewed the adequacy of its useable financial reserves to ensure that these are neither too low (imprudent) or too high (overprudent) based on their purpose and likely use.

Council’s generally hold useable reserves for three purposes:

- as a working balance, to mitigate the impact of uneven cash flows;
- as a contingency, to mitigate the impact of unexpected events or emergencies; and
- as earmarked reserves, to pay for known or predicted future requirements.

On 07 March 2019, Council approved a recommendation to change how the authority determines its level of General Fund balance. The council now has a fixed General Fund balance of £1.500m, rather than a variable amount based on 15% of the council’s net budget requirement (£1.737m as at 01 April 2018).

The £1.500m General Fund balance has been set aside to pay for exceptional items. Officers consistently review the appropriateness (prudence) of this amount in light of internal and external risks identified. For the council to maintain its current General Fund balance of £1.500m, it is intended that the General Fund balance will only be used to fund expenditure once other appropriate reserves have been fully utilised.

**Appendix B** shows the balances which comprised the council's total reserves at the end of 2018/19 and at the beginning of 2019/20. **Appendix B** also shows the balances expected to comprise the council's total reserves at the end of 2019/20 and 2020/21.

One of the most important principles used to prepare the MTFP is that council reserves and other one-off resources are not used to balance ongoing budget pressures: that all other mitigating actions are used before the use of one-off resources. Over the years, the council's reserves have been used, for reasons such as to: cover the cost of one-off events not budgeted for; support and improve service delivery; and offset declining levels of income.

Members and officers are required to ensure the council operates as a going concern: that the council will continue to fulfil its functions for the foreseeable future. If this were not the case, for example, because of an imprudent use of council reserves, the council's external auditors would be required to express a going concern opinion (GCO). A GCO would be the external auditor's way of expressing significant doubt on the council's ability to operate longer-term.

One of the council's largest revenue reserves is its repairs and renewals fund. This is for the future cost of repairing, maintaining and renewing property and equipment. Services set aside an amount of their revenue budget annually, so that they can pay for the costs of relevant repairs and renewals when these arise. This helps smooth the uneven timing of costs: a few years of higher costs offsetting a greater number of years with lower (or no) costs.

Proposed spend on repairs and renewals is scrutinised to ensure that it and the fund's balance are appropriate. This, for example, enables funding for works not necessary to be transferred to works which become necessary but are underfunded.

### **1.9 Assumptions made within the MTFP**

Finance officers and budget holders have developed detailed budgets for 2020/21 and future years. Officers have used the information available to them (past, present and future), and have made appropriate assumptions where the relevant information has been unavailable to them.

A 2% annual increase in basic pay has been assumed in each year of the council's MTFP. This is in line with the National Joint Council (NJC) for Local Government Services' two-year pay award for 2018/19 and 2019/20 for most council employees.

The NJC pay award for 2020/21 has not yet been finalised. The Joint Trade Union Side has rejected the National Employers for Local Government Services' proposal for a 2% increase in basic pay.

It is probable that the costs of the 2020/21 pay award will exceed the pay increases currently budgeted for. If the 2020/21 pay award is agreed at a higher rate than the 2% increase in basic pay, and if reductions in employee costs elsewhere cannot offset the increase in pay award costs,

the additional costs unbudgeted for will need to be funded from council reserves. Section 1.11 examines this in more detail.

Most income budgets and non-pay expenditure budgets have been uplifted by 3% in each year of the council's MTFP, in line with Retail Price Index (RPI) forecasts for future years by the government's Office for Budget Responsibility (OBR).

The council's General Fund revenue budget is charged for the purchase or creation of fixed assets where capital resources are unavailable at the time. These charges will be in line with the council's Minimum Revenue Provision (MRP) policy for 2020/21 to be approved by Council on 09 March 2020.

### 1.10 Proposed strategy for bridging the funding gap

The table below shows the contributions to and from reserves currently projected for each year of the council's MTFP, and the actions currently proposed to mitigate the annual contributions from reserves projected for 2021/22, 2022/23 and 2023/24:

	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
<b>Contribution (to) or from reserves</b>	<b>(1.360)</b>	<b>1.154</b>	<b>0.969</b>	<b>1.384</b>
Use of 2020/21 contribution to reserves to offset contributions from reserves in future years	1.360	(1.154)	(0.205)	-
Dividends from Arkwood Developments Ltd	-	-	(0.500)	(0.500)
Savings from service reviews	-	-	(0.100)	(0.100)
Savings/efficiencies from making business processes more efficient	-	-	-	(0.100)
Increased income from the council becoming more commercial	-	-	(0.100)	(0.100)
<b>Contribution (to) or from reserves, after proposed mitigations above</b>	<b>0.000</b>	<b>0.000</b>	<b>0.064</b>	<b>0.584</b>

During the Budget Monitoring process for the 2019/20 financial year the council expects to receive business rates income from the Nottinghamshire Business Rates Pool. It is not known how much this will be, as the performance of the pool depends on the performance of the pool's constituent authorities. Income received from the pool for 2019/20 will be transferred to the council's Medium Term Financial Position (MTFP) reserve, so that it can be used to pay for future years' deficits, in the event that a deficit remains after all other mitigating actions taken to offset future year deficits.

Each update to this MTFP will therefore report on progress against each of the headings in the table above, to ensure that each years' budget is balanced.

Since 2010, the council has made significant savings in line with government grant reductions. Though further savings may become harder to identify and deliver, particularly from spend not on employees (as mentioned in section 1.11), it is essential that the council continues to identify areas where spend can be reduced and/or income increased. This is so that the council can

continue to operate sustainably longer-term, and to minimise the council’s use of one-off resources (as mentioned in section 1.8).

The council’s total income will need to increase significantly, if it is to continue delivering and improving the services it currently provides and not use its reserves to cover the deficits currently anticipated for 2022/23 and 2023/24.

Councils are severely restricted in how much funding they can raise from council tax increases without holding referenda. As mentioned in sections 0 and 1.11, the council can increase council tax in 2020/21 by the greater of 1.99% or £5.00 without holding a referendum. A 1% increase in council tax is equivalent to £70,180 of net expenditure.

The council’s Commercial Strategy, approved by Policy & Finance Committee on 21 September 2017, aims to deliver positive financial returns to the General Fund. The council created a Commercial Projects Development Team (CPDT), now the Organisational Improvement and Development team, to achieve this aim. The council’s General Fund has begun to benefit from the projects the team has completed to date, and expects to increasingly do so over the years. The team’s work across the district (externally) and with services council-wide (internally) will be crucial to enabling the council’s future sustainability and growth. This is particularly as changes to the local government finance system increase the rewards for councils able to facilitate local economic growth, as mentioned in section 1.4.

The table below shows which areas have the biggest increases in expenditure budgets in each of the last three years of the council’s MTFP, compared to the equivalent budget in the year before:

<b>Pressures</b>	<b>Increase in 2021/22 budget, compared to 2020/21 budget (£m)</b>	<b>Increase in 2022/23 budget, compared to 2021/22 budget (£m)</b>	<b>Increase in 2023/24 budget, compared to 2022/23 budget (£m)</b>
Employees	0.305	0.287	0.288
Newark Town Council devolution grant	0.038	0.029	0.045
Internal Drainage Board Levies	0.030	0.031	0.033

**1.11 Risks Associated with the Budget Process**

Budgets are only as accurate as the data available at the time they are developed. There are therefore risks that the proposed budgets in the council’s MTFP will differ significantly from reality (actual expenditure and income). Some of the factors which could cause adverse variances are:

- higher than expected inflation and/or interest rates;
- the council receiving lower than expected amounts of grant funding;
- the future differing significantly from the initial budgets proposed at the time of developing the MTFP;
- volatility of certain budget lines between years;
- underachievement of expected savings and/or efficiencies;
- unforeseen events and emergencies;
- unforeseen insurance costs or legal claims;
- lower than expected business rates growth.

Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council's proposed budget and robustness of estimates made. This section fulfils that requirement.

In considering the council's proposed budget for 2020/21 and the sensitivity of expenditure and income to changes, it should be noted that:

- a) a 1% increase in Council Tax is equivalent to £70,180 of net expenditure; and
- b) a £1 increase in Council Tax is equivalent to £39,300 of net expenditure.

Various assumptions were required to be made when preparing the proposed MTFP budgets. The two areas where it seems that variations between the proposed budget and reality could be greatest are employee pay and income receivable. Further details on each of these are below.

### **Employee costs**

Employee costs form a significant proportion of all district council budgets. Employee costs comprise 59% of the council's proposed controllable expenditure budget for 2020/21 (total spend, excluding spend on capital costs, recharges and Housing Benefit payments).

This makes it less likely to achieve savings solely by reducing non-employee spend. It also means that the council would need to use a greater proportion of its reserves if the costs of future years' pay awards exceed the 2% annual pay increases currently budgeted for. For example, a 3% increase in basic pay for 2020/21 (1% more than currently budgeted for) would result in around £132,000 needing to be funded from reserves for 2020/21. Additional funding would also need to be found for subsequent years, as the higher than expected pay for 2020/21 would result in higher than expected pay in subsequent years.

### **Income**

A significant part of the council's annual net budget is dependent on income from rents; sales, fees and charges; and other receipts. Officers have reviewed the income that services have achieved against the current and previous years' budgets, and have considered factors expected to affect future income levels, to ensure the 2020/21 income budgets for services have been set at levels considered achievable.

Significant underperformance against budgeted income would increase the council's annual net expenditure, and thus place unbudgeted demand on council reserves. A 1% reduction in council income from fees and charges would cost around £0.530m in 2020/21.

### **Interest rates**

The proposed MTFP budgets include amounts for interest payable and interest receivable. This is because the council expects that it will both borrow money and lend money throughout the four years of the MTFP.

The council anticipates that it will use fixed interest rate loans when borrowing. This is so that the council knows exactly how much its loans will cost over their durations, and as this mitigates against the risk of interest rates and thus costs rising significantly over the loan period. As borrowing would be for longer than four years, the risk of the council being unable to borrow to repay existing debt (refinancing risk) does not apply.

The budgeted amounts have accounted for factors such as the amount of council funds expected to be available. The actual amounts of council interest payable and receivable for 2020/21 will likely differ from those budgeted.

The impact of a 1% change in interest rate would be insignificant on the council's overall budget.

## **Inflation**

Most income budgets and non-pay expenditure budgets have been uplifted by 3%, broadly in line with the Retail Price Index (RPI) forecast for 2020/21 by the government's Office for Budget Responsibility (OBR).

The most recent month for which inflation data was available at the time of writing, December 2019, had a 2.2% increase in inflation (RPI) over the 12 months of the 2019 calendar year.

The small differences anticipated between actual inflation rates and the 3% budgeted for are expected to have insignificant impact on the council's budget.

### **1.12 Capital Investment Programme and Funding**

The overall approved General Fund Capital Programme for the period from 2020/21 to 2023/24 totals £39.727m. £9.114m is financed by external grant funding for the Southern Link Road (SLR), Newark Buttermarket, Disabled Facilities Grant (DFG's) and a specific piece of work in relation to flood alleviation in Lowdham. The grants in relation to the SLR and the flooding alleviation scheme in Lowdham have already been received and are held on the Council's balance sheet as a conditional grant. The DFG funding is received via the Better Care Fund (BCF) and is subject to an annual bidding process.

Other external financing in the forms of contributions from external partners and S106 receipts amount to £3.906m. This relates to the project at Southwell Leisure Centre which includes £750k of Council expenditure in order to extend and improve facilities at the leisure centre to increase the membership base, and also an expectation of £3m of external financing towards the Castle Gatehouse project.

Council internal capital resources employed amount to £4.768m which relates to the build of a modular pool at Ollerton, new Temporary Accommodation in Newark, the match contribution to Southwell Leisure Centre (as described above) and replacing parts of the Council's refuse fleet and other equipment.

Borrowing is the balancing figure for the capital expenditure at £21.940m. This type of financing, attracts a charge to revenue called the Minimum Revenue Provision (MRP) calculated using the asset life method as approved by Council within the Treasury Management Strategy each year. The current method approved is the asset life method. This apportions notional borrowing

incurred over the life of the asset, which is in line with the timeline for receiving economic benefits generated by the asset.

The current Capital resources available for allocation to Capital schemes (before any allocation of New Homes Bonus (NHB) from 2020/21 as proposed in section 1.6) is detailed below:

Table 7

<b>Capital Available</b>	<b>Resources</b>	<b>Estimated balance as at 1 April 2020</b>	<b>2020/21 Commitments</b>	<b>2021/22-2023/24 Commitments</b>	<b>Closing Balance as at 31 March 2024</b>
Capital Provision	Financing	1,083,502	(1,020,090)	(4,000)	59,412
General Fund Receipts	Capital	957,709	(723,710)	(233,000)	999
Capital Contributions Unapplied *	Grants &	7,959,307	600,000	(314,779)	8,244,528
<b>Total available</b>	<b>resources</b>	<b>10,000,518</b>	<b>(1,143,800)</b>	<b>(551,779)</b>	<b>8,304,939</b>

\*£8.244m is the estimated balance at 2023/34 which relates to Community Infrastructure Levy (CIL) and is therefore ring fenced for schemes relating to infrastructure.

#### **Borrowing Requirements within Current Approved Capital Programme**

In order to fully finance the Capital Programme every year an element of borrowing is required where capital resources are not available. As above, the total borrowing over the life of this MTFP amounts to an estimated £21.940m within the current approved capital programme.