Rushcliffe Borough Council

Council

1 March 2018

2018/19 Budget and Financial Strategy

Report of the Executive Manager – Finance and Corporate Services

1. Background

1.1 This report presents the detail of the 2018/19 budget, the 5 year Medium Term Financial Strategy (MTFS) from 2018/19 to 2022/23, which includes the revenue budget, the proposed capital programme, the Transformation Strategy and Programme and the Capital and Investment Strategy (with associated prudential indicators). The Transformation Strategy (also the Council's Efficiency Statement - see Section 7 of the MTFS) which we are required to produce to accord with the requirements of the four year financial settlement with the Government.

1.2 Cabinet have considered the attached budget and strategies, and recommended their acceptance by Council along with the resultant decisions regarding Rushcliffe's Band D Council Tax and Special Expenses for 2018/19. The Corporate Governance Group has also recommended the Capital and Investment Strategy for adoption by Full Council.

1.3 The final financial settlement has been received from Central Government with no significant changes from the draft settlement. The Capital Programme and the Capital and Investment Strategy have both been amended since Cabinet to reflect the positive news regarding the Council receiving £9.95m in Housing Infrastructure Grant for Fairham Pastures, to help facilitate much needed housing development.

2. Recommendations

It is RECOMMENDED that Council:

a) Accepts the report of the Council's Responsible Financial Officer on the robustness of the Council's budget and the adequacy of reserves (as detailed at **Annex A**);

b) Adopts the budget setting report and associated financial strategies 2018/19 to 2022/23 (attached **Annex B**) including the Transformation Strategy and Efficiency Statement (**Annex B, Appendix 3**) to deliver efficiencies over the five year period;

c) adopts the Capital Programme as set out in **Annex B, Appendix 4**.

d) adopts the Capital and Investment Strategy and associated prudential indicators at **Annex B, Appendix 5**.

e) sets Rushcliffe's 2018/19 Council Tax for a Band D property at £132.84 (increase from 2017/18 of £4.95 or 3.87%).

f) sets the Special Expenses for West Bridgford, Ruddington and Keyworth **(Annex B, Appendix 1)**, resulting in the following Band D Council tax levels for the Special Expense Areas:

   i) West Bridgford £48.51 (£52.35 in 2017/18)

   ii) Keyworth £1.46 (£1.46 in 2017/18)

   iii) Ruddington £3.40 (£3.46 in 2017/18)

g) with regards to 2e) and 2f) sets the associated Bands in accordance with the formula in section 36(1) of the Local Government Finance Act 1992; and

h) adopts the 2018/19 Pay Policy as detailed at **Annex B, Appendix 8.**

3. Reasons for Recommendation

3.1 To comply with the Local Government Act (1972) and ensuring the budget enables corporate objectives to be achieved. The Council is required to set a balanced budget and that it has adequate funds and reserves to address its risks.

4. Budget and Associated Strategies

4.1 The attached report (**Annex B**) and relevant appendices detail the following:

a) The anticipated changes in funding over the five year period.

b) The financial settlement for 2018/19 and the significant budget pressures the Council must address over the Medium Term.

c) The budget assumptions that have been used in developing the 2018/19 budget and MTFS.

d) The detailed budget proposals for 2018/19 including the Transformation Programme to deliver the anticipated efficiency and savings requirement. This constitutes the Council's Efficiency Statement a requirement of the 4-year settlement, of which 2018/19 is year 2.

e) The recommended levels of Council Tax for Band D properties for the Council and its special expense areas of West Bridgford, Ruddington and Keyworth.

f) The projected position with the Council's reserves over the medium term.

g) Risks associated with the budget and the MTFS.

h) The proposed capital programme.

i) The proposed Capital and Investment Strategy; and

j) The 2018/19 Pay Policy Statement.

4.2 The salient points within the MTFS are as follows (MTFS report (**Annex B**) references are in parenthesis):

a. It is proposed that Council Tax for 2018/19 will increase by £4.95 to £132.84 (3.87%). This still means that Rushcliffe's Council Tax remains the lowest in Nottinghamshire and amongst the lowest in the country (Section 3.4);

b. A combination of the special expenses of around £685k being less than last year (£731k) and the tax bases increasing has resulted in the Band D charges for West Bridgford and Ruddington special expense areas reducing. Keyworth remains unaltered (Section 3.5);

c. Business Rates (Section 3.3) are still subject to significant uncertainty given the national review of the localisation of business rates and the volatility created by the likely closure of Radcliffe-on-Soar power station in 2025. Compounded by the national revaluation of business rates from April 2017, subsequent appeals and changes to small business rates has made budgeting for this area particularly challenging. The Council is anticipating a £1.4m surplus with regards to its business rates collection fund position, and given the highlighted risks the most sensible financial strategy is to replenish the Organisation Stabilisation Reserve;

d. The Council's Revenue Support grant has reduced by 100% by 2019/20 and since 2013/14 will have reduced by £3.25m. As reported last year is expected to pay a tariff to central Government of £0.25m from 2019/20. This is subject to review and likely consultation in the Spring, a date is yet to be confirmed (Section 3.6);

e. A number of outcomes from the Member budget workshops are included in the Strategy including the proposal that car parking and green waste charges are reviewed every 4 years from 2020/21, that the Lutterell Hall and Julian Cahn facilities are reviewed, to maximise their use; and the empty homes premium is introduced ultimately at a rate of 200% of council tax to hopefully release such properties for use;

f. Previous Cabinet report recommendations with regards to additional revenue funding of £50,000 over 3 years for more trees and in the capital programme £500,000 for skateboard park enhancement is also included;

g. Taking into account resource predictions, spending plans and savings already identified there is a savings requirement of around £0.29m until 2020/21 this has reduced from £1m as a result of the Council identifying both efficiencies and income opportunities. **Importantly the Council is on track to be self-sufficient** (Section 7);

h. The Transformation Strategy continues to roll forward with an updated Programme to ensure the savings required can be achieved (Appendix

3). This also forms the Council's four year Efficiency Statement, albeit there are only two years remaining;

i. A crucial component in having a balanced budget and ensuring services are delivered is the Council's commitment to commercial investments with the asset investment fund rising to £20m. The Council's Capital and Investment Strategy (Appendix 5) now incorporates reporting on such commercial investments;

j. The Council has a number of earmarked reserves, their balance rising over 5 years from £3.6m to £5.1m (Section 6). The increase is linked to the earlier comments on business rates risk;

k. Other key risks to the MTFS are highlighted, including the potential impact of central government policy changes on Revenue Support Grant and New Homes Bonus and the volatility caused by the aforementioned various business rates issues (Section 8); and

l. The capital programme demonstrates the Council's commitment to deliver more efficient services, improve its leisure facilities, and to facilitate both economic development and housing growth. Spend over the 5 years is estimated at £40.95m, higher than reported to Cabinet due to the successful Housing Infrastructure Fund bid for £9.95m, in relation to Fairham Pastures. Capital resources are projected to increase slightly over the 5-year period as a result of the expected capital receipts in relation to Sharphill. By 2022/23 such resources is estimated to be at £7.6m (Section 9).

Conclusion

4.3 The MTFS has been developed at a time of significant financial challenge both nationally and locally. The process has been rigorous and thorough, with a Transformation Programme that takes into account both officers' and Members' views. Whilst the Council faces financial constraints both the revenue and capital budgets delicately balance the need for efficiency and economy with the desire for growth; and the aim of encouraging economic development in the borough.

5. Other Options Considered

5.1 There are other options in terms of increasing Council Tax by a lesser amount but this would put severe pressure on already stretched Council resources (see Section 11 of the Annex B).

6. Risk and uncertainties

6.1 Section 8 of Annex B covers key risks that may impact upon the MTFS and the main issues are highlighted above (paragraphs 4.2 (c) and (k)). Given there are two major reviews of the financial system and how local government is funded (ie the Fairer Funding and 100% Business Rates Retention reviews) and the impact of these will not be known until at least the 2019/20 budget round, longer term forecasting is subject to even more uncertainty.

7. Implications

7.1 Finance

These are detailed in the attached budget report. The Council is required to set a balanced budget for the 2018/19 financial year and the proposals present a balanced budget.

In the opinion of the S151 Officer, a positive assurance is given that the budget is balanced, robust and affordable. The Capital Programme is achievable, realistic and resourced, with funds and reserves, including the General Fund, adequate to address the risks within the budget.

7.2 Legal

None.

7.3 Corporate Priorities

The budget resources the Corporate Strategy to enable the corporate priorities to be met.

7.4 Other Implications

None

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Department for Communities and Local Government website, 2018/19 Financial settlement papers
List of Annexes and Appendices (if any):	**Annex A** Commentary of the Responsible Financial Officer **Annex B** Budget Setting Report 2018/19 **Appendix 1** Special Expenses **Appendix 2** Revenue Budget Service Summary **Appendix 3** Transformation Strategy (Efficiency Statement) and Programme 2018/19 – 2022/23 **Appendix 4** Capital Programme 2018/19 (including appraisals) **Appendix 5** Capital and Investment Strategy 2018/19 to 2022/23 **Appendix 6** Use of Earmarked Reserves 2018/19 **Appendix 7** Pay Policy Statement 2018/19

Annex A

Commentary of the Responsible Financial Officer

REPORT UNDER SECTION 25 OF LOCAL GOVERNMENT ACT 2003
(To be read in conjunction with the Council Budget Report and Annex B)

Purpose

The purpose of this report is to provide information on the robustness of the Council's budget and the adequacy of reserves so that Members have authoritative advice available when they take their budget and Council Tax decisions.

Background

Councils decide each year how much council tax they need to raise. The decision is based upon a budget that sets out estimates of what they plan to spend on each of their services.

The decision on the level of Council Tax is taken before the year begins and cannot be changed once set. It follows that an allowance for risks and uncertainties must be made by-

- making prudent allowance in the budget for each of the services, and in addition;

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

Section 25 of the Local Government Act 2003 requires that when it's considering its financial plans for the year ahead the Council's Responsible Finance Officer reports to the Authority on the robustness of the budget and the adequacy of the reserves so that Members have authoritative advice available to them when making their decisions.

Robustness of Estimates

I am content that the Council has followed a comprehensive and detailed budget process when preparing the budget for 2018/19, which complies with both statutory requirements and best practice principles.

The Council has taken effective steps to deal with the financial pressures caused by poor economic conditions and reductions in Council funding, particularly from central government. The Council's Transformation Strategy and Efficiency Statement are designed to meet the emerging financial challenges, The original four year plan and Transformation programme combined with effective financial management (resulting in previous budget savings) have ensured the Council has the capacity to use reserves, only if absolutely necessary. The use of reserves in support of on-going expenditure requirements remains a key policy decision, which is addressed later in this Annex.

The Authority has responded positively to the challenges that it faces in the medium term through the development, in conjunction with a series of Member budget workshops in the past few years, of a Transformation Programme (detailed at Annex

B, Appendix 3) that identifies the Council's approach to meeting its saving requirement, which the Council has managed to reduce. Last year we projected £1.04m of efficiencies were required by 2019/20 and due to a combination of cost control and income generation, this has reduced to £0.29m.

In developing such plans, the Council has recognised that future funding and service provision is uncertain and that risks, particularly financial risks (given the current reviews of both 100% business rates localisation and 'fairer funding'), remain high. The Medium Term Financial Strategy (MTFS) aims to mitigate and manage such risks going forward. Both the MTFS and the Transformation Strategy are iterative in their nature and will evolve over time to respond to, for example, changes in funding levels, the impact of the economic climate and developing corporate and service objectives.

Adequacy of Reserves

Reserves are held for two main purposes:

- a working balance to help cushion the impact of uneven cash flows and unexpected events or emergencies (General Fund balance); and

- to build up funds to meet known or predicted requirements (earmarked reserves).

Whilst there is no statutory guidance on reserves, the Chartered Institute of Public Finance and Accountancy recommends that each local authority should base its decisions on professional advice from its Responsible Finance Officer and its understanding of local circumstances.

Taking into account such considerations in October 2011 the Cabinet approved as part of its MTFS, the following guiding principle:

"General Fund Balance should not fall below £1.25m and overall revenue reserves should not fall below 20% of net revenue expenditure."

This remains a prudent position, which I do not recommend changing at this time.

I have previously commented that the settlement was unprecedented in terms of the changes (both actual and proposed) to the local government 'funding envelope', and involved the 'four year offer', which, as a Council, we have accepted. We know of the reductions in Central Government Revenue Support Grant, and have further clarity on the proposals for New Homes Bonus (NHB). Going forward there still remains uncertainty in terms of Business Rates (and the 100% localisation of business rates) and given the volatile nature of the business rates tax base, the prospective closure of Radcliffe-on-Soar power station (given it accounts for around one fifth of the tax base), is a risk to be managed. Consequently, the Council is actively looking at alternative uses for the site in the future. Positively the Council is forecasting an increase in business rates in 2018/19 and the most sensible and prudent financial strategy is that any such gain is used to insulate the Council against downside risks, particularly in relation to business rates. Thus, there is a planned increase in the Organisation Stabilisation Reserve.

There is also the ‘Fairer Funding’ review of local government finance which will determine how, with what is a smaller cake, the funding allocation is divided within the sector. The amount of Council Tax raised will, to a large extent, be dependent on the realisation of our Local Plan housing targets. The ultimate intention is to realise opportunities for growth in the Borough, in both the business and housing sectors, as we aim to deliver excellent value for money for the community. The Council’s positive actions to leverage external funding, examples being the Heritage Lottery Fund, and the Local Enterprise Partnership, and more recently £9.95m of Housing Infrastructure Fund grant for Fairham Pastures can only help us achieve our targets. **Annex B, Section 8** highlights key risks and with higher risk, there is still a necessity to retain reserves.

As detailed at **Annex B, Section 6,** the MTFS, which supports this budget, is predicated upon a significant use of reserves to support service expenditure and to deliver investment across the Borough. The Council remains committed to ‘grow the Borough’. A key element of this includes the use of the NHB Reserve, £1m per year over a period of at least 10 years is projected to support ‘internal borrowing’, including the Arena. This is subject to annual review and dependent upon the longevity of the NHB scheme, any other borrowing requirements and how much housing growth there is relative to other councils across the country, which will dictate the level of future NHB we receive.

Despite recent funding pressures Rushcliffe has maintained a stable financial base and, as a result, even once such demands have been met overall revenue reserves (excluding retained New Homes Bonus) are projected to rise to around £5.1m by the end of 2022/23 and with the General Fund balance of £2.6m, keeps the Council above the threshold established by Cabinet in October 2011. As well as the challenge of local government funding, opportunities that arise due to future Growth Deals and potential capital demands (for example arising from the Leisure Strategy) may put pressure on such balances in the future. These will be considered as the MTFS perennially evolves. As such the budget and MTFS represent a proportionate and balanced approach to meeting the financial challenges that face the Authority.

The Council has been moving towards greater self-sufficiency an inevitable consequence of reduced government funding. The Council no longer relies on a £300k annual commitment from the Organisation Stabilisation Reserve to support the budget. The budget is increasingly financed from Council Tax, Business Rates and rents, fees and charges; with central government grant reducing to zero by 2019/20. Last year we reported on the worsening position of the Council’s pensions’ fund, arising from the triennial review and the budget pressure this created. The base budget now incorporates the £1.164m required for the historic pension deficit position. We await the results of the next review in 2020/21(which remains a risk) and are working with the Corporate Governance Group, Nottinghamshire County Council and the pension fund actuary (Barnett-Waddingham) to manage the risk.

The delivery of the Transformation Strategy is critical as it reduces the level of reliance on reserves in the later years of the MTFS. One vital pillar of this is the Council’s commitment to commercial property investment and generating income returns. The proportionate governance and management of such investments both individually and collectively (against the Council’s overall investment portfolio) is covered from paragraph 65 of the new Capital and Investment Strategy (Annex B, Appendix 5). This is an evolving agenda as the Council implements both good practice and CIPFA’s Codes’ of Practice for capital and treasury management.

Previous achievements with regards to the four year plan and the Transformation Strategy provide reassurance that the budget requirement will be met in a sustainable manner.

In conclusion, therefore, it is my opinion that the budget proposed in this report, and the sundry strategies which support it, has been properly developed and provides an appropriate approach for meeting the financial challenges and funding risks facing the Authority at this time.

Peter Linfield
Executive Manager – Finance and Corporate Services and Section 151 Officer
February 2018

ANNEX B

RUSHCLIFFE BOROUGH COUNCIL

BUDGET SETTING REPORT
AND ASSOCIATED FINANCIAL STRATEGIES
2018/19-2022/23

Contents

APPENDICES:

1. EXECUTIVE SUMMARY AND INTRODUCTION

1.1 Introduction

Times continue to be tough for Councils across the country, as they play their part in assisting the national spending situation while the Government continues to reduce the overall budget deficit. The impact of the punitive reductions in Revenue Support Grant of around £3.25m (from 2013/14 to 2019/20) has meant the Council has to find significant efficiencies, maximise its income streams and be increasingly innovative and commercial. The Transformation Programme has delivered in excess of £4m in efficiencies and the Council's commitment to utilising its own resources to fund commercial property investments, along with other cost constraints and income generation, has meant that what was a £1m target by 2019/20, reported last year, has substantially reduced to £0.29m and **the Council is on-track to be self-sufficient** and not reliant upon Government grant. This is subject to the Council continuing to deliver on both its Asset Investment Strategy commitment and other areas of the Transformation Programme and the risks outlined below.

The uncertainty created by the Government's ongoing review of local government finance, compounded by the fact that what was a 'four year settlement' only has two years remaining, and the impact of BREXIT, makes projections beyond 2019/20 subject to heightened risk. In particular the proposed increase to Business Rates localisation makes financial planning beyond 2020 difficult and the Council still has business rates appeals risks, the major one being the Ratcliffe-on-Soar Power Station given its likely de-commissioning by 2025. We will continue to campaign to ensure that Rushcliffe does benefit from the proposed further repatriation of business rates from central to local government, which will be subject to future consultation; and we will continue to undertake work in relation to alternative uses for the power station site. Positively the Council in 2018/19 is forecasting an increase in business rates and the most sensible and prudent financial strategy for the Council is that any such gain is used to insulate the Council against downside risks (particularly the vagaries of business rates) and therefore replenish the Organisation Stabilisation Reserve.

In developing the Council's budget proposals for 2018/19, it continues to manage inflationary pressures on its operational costs (including pay inflation) and pressures on some areas of income collection. The Council is committed to delivering on services that supports the most vulnerable, encourages both business and housing growth and improves the environment. To this end there continues to be investment in homelessness service (with central government funding) and planning services (subject to 20% rise in statutory planning fees), various economic regeneration capital projects in and around the Borough (covering for example Bingham, Cotgrave and Clifton, including the recently announced Housing Infrastructure Fund allocation of £9.95m for Fairham Pastures); and previously approved actions by cabinet to increase investment in both the number of trees across the Borough and enhance its skateboard parks. To support the optimal use of housing, the long term empty homes premium will, from 1st April 2018, be 150% of standard council tax and increase to 200% when legistlation permits (likely to be from 1st April 2019).

To secure a medium term financial position the Council will maintain progress and focus on managing budget reductions where appropriate, whilst increasing income where we can, to deliver balanced budgets annually. Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. An important pillar of this is property investments with the Council's Asset Investment Fund rising to £20m. The Council's Capital and Investment Strategy now incorporates reporting on commercial investments (complying with professional recommended practice) governing the risk of such investments individually; and collectively in relation to the Council's other income streams. The Transformation Programme anticipates a further £300k in relation to such investments.

Whilst central government funding is reducing it is important the Borough continues to grow. Business rates, Council Tax and New Homes Bonus income streams will increase as we grow, although in the case of New Homes Bonus given the change in the allocation mechanism, not as much as we would like. At the same time we have to meet the cost pressures that arise from growth. For example with more houses more refuse collections are required. The Council is well placed to take advantage of such opportunities and remains committed to attracting businesses to the borough and enabling housing growth, encouraging both inward and outward investment. It is important that the Council continues to look at alternative methods in delivering services and attaining alternative income streams, via its Transformation Strategy. Members at the budget workshops supported the policy of cyclical increases in charges on the key income streams of green waste and car parking charges. It is proposed such increases will be on a four year cycle (from 2020/21).

In line with the Government's referendum principles, the budget for 2018/19 proposes an increase in Council Tax of 3.87% to £132.84 (the Council has the option of increasing Council Tax by up to £5, or 3%, whichever is the higher, with the recommended increase being £4.95). This will give an average band D Council Tax increase of 9 pence per week, ensuring Rushcliffe's Council Tax remains amongst the lowest in the country (and the lowest in Nottinghamshire). This budget and the associated financial strategies continue the progress made in recent years to ensure that the Council's financial plans are robust and deliverable given the uncertain financial and political environment we operate in and ensure that the best possible services continue to be provided to the residents of Rushcliffe.

1.2 ***Executive Summary***

This report outlines the Council's Medium Term Financial Strategy (MTFS) through to 2022/23 including the revenue and capital budgets, supported by a number of key associated financial policies alongside details of significant changes to fees and charges. Some of the key figures are as follows:

	2017/18	2018/19
RBC Precept	**£5,343k**	**£5,660k**
Council Tax Band D	**£127.89**	**£132.84**
Council Tax Increase	**4%**	**3.87%**
Revenue Support Grant	**£504k**	**£130k**
Retained Business Rates	**£2,561k**	**£2,990k**
New Homes Bonus	**£1,830k**	**£1,364k**
Reserves (at 31 March)	**£9,796k**	**£11,353k**
Capital Programme	**£15,128k**	**£11,906k**

Special Expenses	2017/18	2018/19
Total Special Expense Precept	**£731k**	**£685k**
West Bridgford	**£52.35**	**£48.51**
Keyworth	**£1.46**	**£1.46**
Ruddington	**£3.46**	**£3.40**

The Local Government Act 2003 introduced a requirement that the Chief Financial Officer reports on the robustness of the budget. The estimates have been prepared in a prudent manner, although it should be recognised that there are a number of elements outside of the Council's control. A number of risks have been identified in Section 8 of this report and these will be mitigated through the budget monitoring and risk management processes of the Council.

2. BUDGET ASSUMPTIONS

2.1 Table 1 - Statistical assumptions which influence the five year financial strategy

Assumption	Note	2018/19	2019/20	2020/21	2021/22	2022/23
Budgeted inflation	a	**0%**	0%	0%	0%	0%
Pay costs increase		**2%**	2%	2%	2%	2%
Employer's pension contribution rate	b	**14.6%**	14.6%	14.6%	14.6%	14.6%
Return on cash investments	c	**0.75%**	0.75%	0.75%	1.0%	1.0%
Tax base increase	d	**2.0%**	2.0%	2.0%	2.0%	2.0%

Notes to Assumptions

a) Whilst inflation does impact on services, the Council's managers are expected to deliver services within cash limited budgets which require them to absorb the cost of inflation. As such, the net effect of inflation is reduced to zero within the estimates which is the equivalent of a £270k (approx.) saving in the 2018/19 budget. Adjustments are made for contract inflation and areas of high risk such as utilities.

b) In 2017/18 the Council opted to make an 'upfront payment' in settlement of the deficit position on pensions. This payment amounts to £1.164m in each year from 2017/18 to 2019/20 (compared to £638k in 2016/17) and as it relates to existing liabilities, is unavoidable. The upfront payment has saved the council £286k over the three years (7.6%).

c) Cash investment returns are based on projections consistent with the Council's Capital and Investment Strategy.

d) Tax base increases reflect the anticipated growth in housing within the Borough in future years and is prudent given the difficulties in achieving housing development.

3. FINANCIAL RESOURCES

3.1 When setting its annual budget the Council has, traditionally, had certainty about the majority of resources it would receive each year. However the introduction of retained business rates from 1 April 2013 has exposed the Council to a greater level of variation in its income and, along with an anticipated continued decline in resources, has made the forecasting of spending plans more challenging. 2018/19 is the third year of the ‘four year offer’. Beyond 2019/20 there is uncertainty surrounding future Government funding levels exacerbated by both the Fairer Funding Review and further Business Rate Retention proposals being considered by the sector.

3.2 This section of the report outlines the resources available to the Council under six headings, Business Rates, Council Tax (RBC and Special Expenses), Revenue Support Grant, New Homes Bonus, Fees Charges and Rents, and Other Income.

3.3 <u>Business Rates</u>

Business Rate assumptions reflect experience to date with regard to the award of additional reliefs; successful ratings appeals and government policy changes. In the provisional settlement the Government has proposed that 75% of business rates will be retained by Councils by 2020, with proposals for a new funding system to be in place from 2020/21. Three yearly revaluation periods are to be introduced from 2020 to minimise the risk of significant property valuation fluctuation for the business community.

In March 2016, the Government announced it would make the exempting of small businesses from business rates permanent and that the thresholds would be increased meaning that more businesses would be eligible for small business rate relief. To offset this loss of income councils will receive a higher level of S31 grant. In the November 2017 budget the Government also announced that increases in business rates would be indexed to CPI instead of the higher RPI. Again, this loss of income to councils is offset by S31 grant.

There has also been a Government consultation around the methodology used to calculate the amount of S31 grant due to offset the most recent changes. It has now been confirmed that the revised methodology has been approved and will result in higher levels of S31 grant ‘on-account’ compensation. The council will therefore receive approximately £244k extra grant than previously budgeted (This figure could change depending on the amount of reliefs given).
.
Due to the extra grant, and some forecast growth in business rates in 2018/19 (linked to an improved position from 2017/18), the Council is forecasting a business rates surplus of £1,426k in 2018/19 and is able to budget at the business rates baseline instead of the safety net level as in previous years. This reflects the volatile nature of the business rates base. However the government is

making further changes regarding resetting the system in 2020/21 which will remove business rates growth; and existing risks remain in particular successful appeals and changes affecting the power station. Due to this the level of grant and the amount of business rates the Council can retain after 2019/20 could change (and such swings can be significant). The surplus has therefore been set aside to mitigate against both this uncertainty and other risks, and has been appropriated to the Organisational Stabilisation reserve.

The volatility detailed above has resulted in a prudent approach with future years' figures remaining at previously forecast levels, with 2019/20 at the estimated safety net position and thereafter a 2% increase. No increase is currently assumed as a result of the further repatriation of business rates from central government to local government. Further consultation by the Government is anticipated on what this may entail, for example how much district councils will receive as opposed to unitary or county councils and any proposed changes will be reflected in the future MTFS.

The impact in 2018/19 from the pooling of business rates within Nottinghamshire will be calculated once forecasts from the relevant authorities have been produced and assimilated into the pooling model.

The forecast position on business rates is shown below.

Table 2 Business Rates

£'000	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Retained Business Rates	**2,990**	2,701	2,755	2,810	2,866
Increase / -reduction	**429**	-289	54	55	56
Increase / -reduction (%)	**16.8%**	-9.7%	2%	2%	2%
Forecast Business Rates Surplus	**1,426**	0	0	0	0

3.4 Council Tax

As identified at Table 1 Rushcliffe's Council Tax base is estimated to increase by 2% each year as housing growth is anticipated in the borough.

As a result of reductions in funding in other income streams such as Revenue Support Grant, the Government has assumed in future funding projections that Councils will take up the offer of increasing their Council Tax by the higher of 3% or £5 for a Council Tax Band D. Given both funding and cost pressures the Council faces it is prudent to increase Council Tax by the higher amount of £4.95, the impact of not taking this offer is covered in Section 11. Based on the principle the Council is looking to stay in the lower quartile for Council tax charges we have assumed a £4.95 increase for next year and thereafter a 2% increase.

The Local Government Finance Act 2012 allows local authorities to set a Long-Term Empty Property Premium for properties that have been empty for at least 2 years. The premium is currently set at up to 50% of the normal Council Tax, which means that the overall charge is 150% of the standard Council Tax for the relevant Council Tax band. However, it was announced in the Budget on 22 November 2017 that the premium would increase to 100% of the normal Council Tax, which would mean that the overall charge could be up to 200% of the standard Council Tax for the relevant Council Tax band. Subsequently DCLG officials have highlighted a potential risk in relation to the government meeting the legislative timetable necessary for a 1 April 2018 implementation (i.e. the change may have to wait until 1 April 2019).

The movement in Council Tax, the tax base, precept and use in Council Tax Collection Fund surplus are shown in Table 3.

Table 3. Council Tax

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Council Tax Base (a)	41,776.7	**42,610.1**	43,460.1	44,327.1	45,211.4	46,113.4
Council Tax £:p (b)	£127.89	**£132.84**	£135.50	£138.21	£140.97	£143.79
£ Annual Increase	£4.95	**£4.95**	£2.66	£2.71	£2.76	£2.82
% increase	4.03%	**3.87%**	2%	2%	2%	2%
Gross Council Tax collected (a x b)	£5,342,822	**£5,660,325**	£5,888,844	£6,126,449	£6,373,451	£6,630,646
Increase in Precept	£307,250	**£317,503**	£228,519	£237,605	£247,002	£257,195
Council Tax Surplus/(Deficit)	(£18,000)	**(£37,400)**	0	0	0	0

3.5 Special Expenses

The Council sets a special expense to cover any expenditure it incurs in a part of the borough which elsewhere is undertaken by a town or parish council. These costs are then levied on the taxpayers of that area. As with 2017/18, special expenses will be levied in West Bridgford, Ruddington and Keyworth.

Appendix 1, summarised at Table 4, details the Band D element of the precepts for the special expense areas. Special expense Band D tax amounts have slightly fallen mainly because of larger tax bases and removal of an annuity charge regarding West Bridgford Town Centre pedestrianisation.

Table 4 Special Expenses

	2017/18		2018/19		
	Cost	**Band D**	**Cost**	**Band D**	**Band D**
	£	£	**£**	**£**	**% change**
West Bridgford	718,400	52.35	672,600	48.51	-7.34
Ruddington	9,070	3.46	9,100	3.40	-1.73
Keyworth	3,800	1.46	3,800	1.46	0.00
Total	**731,270**		**685,500**		

3.6 Revenue Support Grant (RSG)

As part of the 'four year offer' the Council has been provided with the profile of RSG reductions until 2019/20 which originally was more punative than anticipated. The table below shows that RSG will not only cease (since 2013/14 reducing by £3.25m), but because Rushcliffe collects more Council Tax income relative to many authorities, the Government have proposed the introduction of a tariff (or negative RSG) of £0.25m. We have assumed this remains up until 2022/23. The Government have committed to review this in the spring.

Table 5 Revenue Support Grant

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Revenue Support Grant (figures in brackets = a tariff payment to Government)	504	**130**	(250)	(250)	(250)	(250)
Reduction from previous year £'000	-560	**-374**	-380	0	0	0
Reduction from previous year (%)	-53%	**-74%**	-292%	0	0	0
Reduction from 2013/14 (%)	-84%	**-96%**	-100%	-100%	-100%	-100%

3.7 New Homes Bonus

The New Homes Bonus (NHB) was introduced in order to provide a clear incentive to local authorities to encourage housing growth in their areas. The Government then published a consultation paper in December 2015 “New Homes Bonus: Sharpening the Incentive” in order to make changes to the scheme from a system with no controls to one that is cash-limited each year. Key changes introduced from 2017/18 are as follows:

- A move to 5-year payments for both existing and future NHB allocations in 2017/18 and then to 4 years from 2018/19.
- Introduction of a national baseline of 0.4% of housing growth, for 2017/18, below which allocations will not be made.
- Government will also retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.
- Allocations will continue to be an un-ringfenced grant.

The projections below are subject to change dependent on what housing growth materialises within the Borough in future years and how this compares to housing growth nationally. The scheme has not altered further in 2018/19 but could change in the future as a result of the planned reviews of local government finance.

Table 6 – New Homes Bonus

	2017/18 £’000	**2018/19 £’000**	**2019/20 £’000**	**2020/21 £’000**	**2021/22 £’000**	**2022/23 £’000**
New Homes Bonus Received in Year	1,830	**1,364**	1,250	1,250	1,250	1,250

3.8 Fees, Charges and Rents

The Council is dependent on direct payment for many of its services. This income, from various fees, charges and rents, is a key element in recovering the costs of providing services which, in turn, assists in keeping the Council Tax at its current low level. This income is shown in Table 7.1.

Table 7.1 – Fees, Charges and Rental Income

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Car Parks	-770	**-773**	-773	-773	-773	-773
Licences	-241	**-260**	-260	-260	-260	-260
Non Sporting Facility Hire	-195	**-195**	-195	-195	-195	-195
Other Fees & Charges	-767	**-683**	-683	-683	-683	-683
Planning Fees	-938	**-938**	-938	-938	-938	-938
Rents	-1,065	**-1,740**	-1,923	-1,961	-1,995	-2,003
Green waste income	-1,148	**-1,148**	-1,148	-1,254	-1,254	-1,254
Service Charges	-360	**-359**	-359	-359	-359	-359
Total	**-5,484**	**-6,095**	**-6,279**	**-6,423**	**-6,457**	**-6,465**

Income assumptions are determined by a number of factors including current performance, decisions already taken and known risks. Examples of such adjustments include increases in charges for green waste, changes in investment property rents based on our knowledge of asset use, and additional planning income as new businesses and housing sites come to fruition. Recent budget workshops agreed that Green Waste and Car Parking be subject to increases on a 4 yearly basis (the next increase being 2020/21) to cover likely inflation pressures.

Except where current or previous decisions will affect future income yields, the MTFS does not make any provision for future inflationary increases in fees and charges. This could be an option for addressing future budget gaps and forms part of the Transformation Strategy; this includes anticipated income from commercial property investment.

3.9 Other income

In addition to fees and charges the Council also receives a range of other forms of income, the majority of which relates to Housing Benefit Subsidy (£17.4m) which is used to meet the costs of the national housing benefit scheme. These are shown in Table 8.

Table 8 – Other Income

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Costs Recovered	-121	**-248**	-248	-248	-248	-248
Housing Benefit Admin Grants	-268	**-257**	-236	-219	-203	-189
Interest on Investments	-272	**-271**	-244	-245	-286	-313
OLA's Contribution	-183	**-184**	-185	-186	-186	-186
Other Income	-277	**-283**	-257	-257	-257	-257
Recycling Credits	-130	**-130**	-130	-130	-130	-130
Other Government Grants	-129	**-160**	-137	-113	-113	-113
Sub Total	-1,380	**-1,533**	-1,437	-1,398	-1,423	-1,436
Housing Benefit Subsidy	-17,373	**-17,373**	-17,373	-17,373	-17,373	-17,373
Total Other Income	**-18,753**	**-18,906**	**-18,810**	**-18,771**	**-18,796**	**-18,809**

3.10. Summary

Table 9 – All sources of income

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Retained Business Rates	-2,561	**-2,990**	-2,701	-2,755	-2,810	-2,866
Revenue Support Grant	-504	**-130**	250	250	250	250
Other Grant Income*	0	**-139**	-12	0	0	0
New Homes Bonus	-1,830	**-1,364**	-1,250	-1,250	-1,250	-1,250
Council Tax (RBC)	-5,343	**-5,660**	-5,889	-6,126	-6,373	-6,631
Council Tax (Special Expenses)	-731	**-685**	-699	-713	-727	-741
Collection Fund Surplus	-18	**-1389**	0	0	0	0
Fees, charges and rental income	-5,484	**-6,095**	-6,279	-6,423	-6,457	-6,465
Other income	-18,753	**-18,906**	-18,810	-18,771	-18,796	-18,809
Net Transfer From Reserves	-27	**0**	0	0	0	0
Total Income	**-35,251**	**-37,358**	**-35,390**	**-35,788**	**-36,163**	**-36,512**

***Other grants commentary**

New burdens funding relates to :–

- Flexible Homelessness Support Grant £67k– to enable authorities to meet the new duties contained within the Homelessness Reduction Act with an increased focus on prevention and wider duties to provide personalised housing plans to anyone threatened with homelessness regardless of priority need. This funding totals £144k from 2017/18 to 2019/20 (£77k was received after last years financial settlement as S31 grant) and this will help to fund the wider duties that the Council is required to carry out by supporting two additional posts and a prevention fund. This will meet the statutory duties with the aim of reducing the number of accepted homelessness applications (there will be an overall increase in footfall at the advice stage as Councils will be required to be more prescriptive in their duties and assist a wider group of people). This is a potential budget pressure after 2019/20;

- Discretionary Housing Payment (DHP) Administration (including the ongoing costs of implementing welfare reform changes) £12k;
- Benefit Cap £5k to meet costs incurred by local authorities to administer the benefit cap (the limit on Housing Benefit payments than can be made to benefit claimants); and
- Business Rates – compensation for ‘under- indexing’ the business rates multiplier £53k as a result of moving from RPi to CPI for annual business rates increases.

4. 2018/19 SPENDING PLANS

4.1 The Council's spending plans for the next five years are shown in Table 10 and take into account the assumptions in Section 2. Going forward, as Transformation Programme savings are delivered (eg. from the Leisure Strategy, Bridgford Hall and property investment) the spending profile will change.

Table 10 – Spending Plans

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Employees	9,908	**10,201**	10,410	10,741	10,914	11,092
Premises	1,150	**1,257**	1,267	1,275	1,283	1,292
Transport	1,256	**1,696**	1,700	1,700	1,700	1,700
Supplies & Services	5,752	**5,920**	5,837	5,737	5,606	5,606
Transfer Payments	17,369	**17,299**	17,299	17,299	17,299	17,299
Capital Charges	1,587	**2,234**	2,234	2,234	2,234	2,234
Third Party	2,267	**2,265**	2,269	2,323	2,389	2,440
Net recharges	-3,609	**-3,989**	-3,984	-3,984	-3,984	-3,984
Gross Service Expenditure	**35,680**	**36,883**	**37,032**	**37,325**	**37,441**	**37,679**
Reversal of Capital Charges	-1,587	**-2,234**	-2,234	-2,234	-2,234	-2,234
Net Contribution to Reserves	0	**1,775**	142	191	290	290
Minimum Revenue Provision	1,000	**1,000**	1,000	1,000	1,000	1,000
Revenue Contribution to Capital	158	**129**	139	139	139	139
Overall Expenditure	**35,251**	**37,553**	**36,079**	**36,421**	**36,636**	**36,874**

4.2 Explanations for some of the main variances above are:

- Employee costs increase due to the inflationary increase in salary of 2%.
- Fuel budgets that are recharged to third parties are included within the Transport line, with the corresponding income included in the net recharges line.
- Capital accounting charges have increased to reflect the building of the Arena, new units at Cotgrave and continued investment in information technology. These are reversed out so as not to impact upon council tax.

4.3 The cabinet report of January 2018 agreed support for tree protection and promotion. The additional resources required are £50k over 3 years included within supplies and services.

4.4 In 2018/19 we are able to make a contribution to reserves mainly due to achieving a surplus in business rates income (Section 3.3); however government proposed changes in NNDR means this income stream is particularly volatile and uncertain, it would therefore be imprudent to budget at this level for future years.

5 BUDGET REQUIREMENT

5.1 The budget requirement is formed by combining the resource prediction and spending plans. **Appendix 2** gives further detail on the Council's five year Medium Term Financial Strategy.

Table 11 – Budget Requirement

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Retained Business Rates	-2,561	**-2,990**	-2,701	-2,755	-2,810	-2,866
Revenue Support Grant	-504	**-130**	250	250	250	250
Other Grant Income	0	**-139**	-12	0	0	0
New Homes Bonus	-1,830	**-1,364**	-1,250	-1,250	-1,250	-1,250
Council Tax (RBC)	-5,343	**-5,660**	-5,889	-6,126	-6,373	-6,631
Council Tax (Special Expenses)	-731	**-685**	-699	-713	-727	-741
Collection Fund Surplus	-18	**-1,389**	0	0	0	0
Fees, charges and rental income	-5,484	**-6,095**	-6,279	-6,423	-6,457	-6,465
Other income	-18,753	**-18,906**	-18,810	-18,771	-18,796	-18,809
Total Income	-35,251	**-37,358**	-35,390	-35,788	-36,163	-36,512
Gross Expenditure	35,251	**37,553**	36,079	36,421	36,636	36,874
New Savings Required (assumed on-going)	0	**195**	689	633	473	362
In Year Savings over the MTFS period	0	**195**	494	-56	-160	-111

5.2 Section 8 covers the Transformation Programme - including the use of reserves, balancing the budget for 2018/19 and future financial pressures.

6. RESERVES

6.1 In order to comply with the requirements of the Local Government Act 2003, a review has been undertaken of the Council's reserves, including a review of current and future risks. This has included an assessment of risk registers, pressures upon services, inflation and interest rates. In previous budgets, the Council has supported the controlled release of reserves to support service delivery. It is proposed that in 2018/19 a net £1.1m is transferred to the Organisation Stabilisation reserve to manage the impact of reduced government funding, future changes to the Business Rates Retention scheme and ongoing service stability. This is necessary as the reserves have been used in previous years (in 2015 the reserve was £2.45m) The resulting balance on the Organisation Stabilisation Reserve in 2022/23 will be £1.713m. The Council's strong financial management enables reserves to be used flexibly in this way.

6.2 Table 12 details the estimated balances on each of the council's specific reserves over the 5 year MTFS. **Appendix 6** details the movement in reserves for 2018/19 which also includes capital commitments. Reserve levels have increased reflecting the necessity to manage future risks. All of the reserves have specifically identified uses including some of which are held primarily for capital purposes namely the Council Assets and Service Delivery; Invest to Save; and Regeneration and Community Projects reserves.

6.3 Whilst we have mentioned that annual allocations of New Homes Bonus (NHB) will reduce the NHB Reserve will still be called upon in future years as major infrastructure projects come to bear as part of the Council's Asset Investment Strategy and the potential for investment in economic development through arrangements such as the 'Growth Deal'. The projections also reflect the allocation of £1m per annum from the New Homes Bonus Reserve to offset the minimum revenue provision arising from internal borrowing.

6.4 It should be noted that, in the professional opinion of the Council's Section 151 Officer, the General Fund Reserve position of £2.6m is adequate given the financial and operational challenges (and opportunities) the Council faces.

Table 12 – Specific Reserves

£000	Balance 31.03.18	Balance 31.03.19	Balance 31.03.20	Balance 31.03.21	Balance 31.03.22	Balance 31.03.23
Investment Reserves:						
Regeneration and Community Projects	1,220	1,222	1,304	1,386	1,468	1,550
Sinking Fund for property Investments	65	115	169	227	286	347
Council Assets and Service Delivery	274	274	274	274	274	274
Local Area Agreement	122	122	122	122	122	122
Invest to Save	150	150	150	150	150	150
Corporate Reserves:						
Organisation Stabilisation	841	1,953	1,810	1,713	1,713	1,713
Risk and Insurance	100	100	100	100	100	100
Planning Appeals	350	350	350	350	350	350
Elections	153	203	203	203	203	203
Operating Reserves:						
Planning	106	106	106	106	106	106
Leisure Centre Maintenance	116	116	116	116	116	116
Planned Maintenance	100	100	100	100	100	100
Total Excluding NHB Reserve	**3,597**	**4,810**	**4,804**	**4,847**	**4,989**	**5,131**
New Homes Bonus	6,199	6,543	6,273	6,503	6,733	6,963
Total Earmarked Reserves	**9,796**	**11,354**	**11,077**	**11,350**	**11,722**	**12,094**
General Fund Balance	2,604	2,604	2,604	2,604	2,604	2,604
TOTAL	**12,400**	**13,957**	**13,681**	**13,954**	**14,326**	**14,698**

7. THE TRANSFORMATION STRATEGY AND EFFICIENCY PLAN

7.1 For the past 3 years the Council has successfully introduced a Transformation Strategy and supporting Transformation Programme (This is the Council's efficiency strategy) This drives change and efficiency activity and is a vehicle to deal with the scale of the financial challenges the Council faces. An updated Transformation Strategy and Programme are provided in **Appendix 3,** this also includes a new Appendix on the Council's approach to commercialism. Alongside this work the Executive Management Team has undertaken a review of all Council budgets resulting in savings which have been fed into the MTFS. The Transformation Strategy focuses on the following themes:

(a) Service efficiencies and management challenge as an on-going quality assurance process;
(b) Areas of review arising from Member challenge; and
(c) Longer term reviews with further work being required and particularly impacting upon the Council's asset base.

7.2 This Programme will form the basis of how the Council meets the financial challenge summarised at Table 13.

Table 13 – Savings targets

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Gross Budget Deficit excluding Transformation Plan	**1,556**	2,229	2,355	2,229	2,126
Cumulative Savings in Transformation Plan	**1,361**	1,540	1,722	1,756	1,764
Gross Budget Deficit/(Surplus)	**195**	689	633	473	362
Additional Transformation Plan savings[1]	**-195**	-395	-395	-395	-395
Cumulative Transformation Target (Appendix 2)	**0**	294	238	78	-33

1 £100k Asset Investment Strategy (£300k from 19/20), £75k Planning Income, £15k Gresham 3G Pitch, £5k Arena Room Hire

7.3 In order to deliver a balanced budget for 2018/19 the Council has looked to constrain Council spend and increase income (particularly as it encourages growth). The Council continues to review how it delivers its services, (for example, further collaboration with partners such as the Building Control partnership with South Kesteven and Newark & Sherwood, and company activity such as Streetwise), to identify innovative ways of delivering its services more economically, efficiently and effectively.

7.4 Moving forward, this momentum must continue and the Council's key transformation projects need to be reviewed on an on-going annual basis. While the Council has identified a range of projects that can be used to deliver the anticipated savings required, this will still be a challenging exercise. As can be seen at Table 13 a further £294k is to be identified by 2019/20 with delivery of the Transformation Plan. The current transformation projects which will be worked upon for delivery from 2018/19 are given at **Appendix 3**.

8. RISK AND SENSITIVITY

8.1 The following table shows the key risks and how we intend to treat them through our risk management practices. Further commentary on the higher level risks is given below the table.

Table 14 - Key Risks

Risk	Likelihood	Impact	Action
Fluctuation in business rates linked to appeals and in particular the power station	High	High	Growth plans and accurate monitoring; lobbying central government, potential alternative use of the site
Central Government policy changes e.g. changes to NHB and 75% moving to 100% Business Rates transfer to local government	High	High	Engagement in consultation in policy creation and communicating to senior management and members the financial impact of changes via the MTFS. Budget at safety net position.
The Council does not achieve Council Tax income levels as projected in the MTFS and linked to Government referendum limits	Low	High	Continue to monitor Government Policy and lobbying. Budget workshops for members so they are clearly informed regarding the impact of alternative decisions.
Reductions in Government Funding	High	High	Lobbying and service transformation and budget planning
Inadequate capital resources	Medium	High	Proportionate spending and sale of surplus assets, maximising pooled funding opportunities e.g. DFGs; external funding such as for the Hall and Growth Deal Funding; managing the impact of reducing NHB and reporting of new schemes that may come to fruition.
Fee income volatility, for example number and size of planning applications	Medium	High	Engagement in consultation in policy creation. Ensure future changes are built into the MTFS.
Inflationary pressures, particularly utility costs	Medium	low	Budget reporting processes

Pensions triennial revaluation and the potential increase to pension contributions.	High	High	To be aware of actuaries report and implications. Risks affected by local demographics and the impact on interest rates and share prices of international economic conditions. Also the ability to influence central government policy on the Local Government scheme.
Increased demand for services particularly as housing and business growth develops in the Borough	Medium	Medium	A robust performance management framework
Failure to deliver the required Transformation Strategy and in particular projected savings/costs from larger projects such as the Arena	Low	High	Effective programme and project management
The impact of wider economic conditions on interest rates, the property market, impacting on investments and any future borrowing	Medium	High	Advice from the Council's treasury advisors, and more investment diversification with a wider range of institutions and property investment diversification. Monitoring borrowing rates.
The impact of changes to accounting standards upon council investments	High	Low	Monitor the impact of IFRS9 on council budgets and consider provision for default on investment debts.

8.2 The changing environment of local authority finance means that the Council is facing increasing risks and uncertainty in respect of available resources. While predicting and controlling the level of external funding resources remains a challenge, wherever possible the Council uses its budget management processes, reserves and general balances to mitigate these risks. Such pressures will also be mitigated through changes in service delivery and the use of assets. For example, the purchase of The Point not only delivers a rental income in excess of that available to the Council through treasury management investments, is an appreciating asset and, also facilitates economic growth in the borough. Whilst the Council has increased the number of property investments by diversifying, in terms of geographical location and asset use, this mitigates potential downside risk.

8.3 Whilst the MTFS presents a balanced budget for the five years from 2018/19 to 2022/23 it must be noted that this is based upon achieving challenging transformation strategy targets. It is also set against a background of an unprecedented level of funding uncertainty. In this regard it should be noted that particular risks exist with regards to:

- Revenue Support Grant whilst we have stated we now know the profile for RSG reductions the planned benefits from Business Rates repatriation to local government (i.e. 100% to local government) to help provide a buffer for these reductions is still unknown.

- Business Rates has a number of significant risks and is a highly volatile tax base. The likely de-commissioning of the power station, given it accounts for around one quarter of Business Rate income, potentially undermines any benefits the Council may gain in business rates from business growth.

- Businesses were revalued in 2017 and there were a number of statutory changes to the reliefs given. The upshot of this is that the business rate baseline has been reviewed and it makes a difficult to monitor this area of the budget; and

- New Homes Bonus. As identified at 3.7 and as stated last year the funding mechanism changes to NHB reducing allocations to the Council has materialised. Currently there is sufficient funding to cover payments with regards to the Arena project. In the future it may impact upon the Council's capacity to make discretionary investment in specific projects which will deliver social and economic benefits to the Borough. Contingency plans for the financing of the Arena redevelopment are in place such as the Council extending the repayment period and/or accessing Public Works Loan Board funding to finance the project.

9. CAPITAL PROGRAMME

9.1 Officers were asked to submit schemes to be included in a draft Capital Programme, which also includes on-going provisions to support Disabled Facilities Grants, investment in Social Housing, and Partnership Grants. This draft programme was then discussed by EMT along with supporting information and business cases where appropriate. Following these discussion the draft Capital Programme was further refined and supported by detailed appraisals as set out in the Council's Financial Regulations. These detailed appraisals are included at **Appendix 4.** along with the proposed five year capital programme and is summarised below.

Table 15 – Five year capital programme, funding and resource implications

	2018/19 Indicative Estimate £000	2019/20 Indicative Estimate £000	2020/21 Indicative Estimate £000	2021/22 Indicative Estimate £000	2022/23 Indicative Estimate £000	Total £000
EXPENDITURE SUMMARY						
Transformation & Innovation	3,168	16,990	4,336	280	230	25,004
Neighbourhoods	1,736	1,794	1,462	817	1,457	7,266
Communities	602	378	199	574	129	1,882
Finance & Corporate	6,400	100	100	100	100	6,800
Total	**11,906**	**19,262**	**6,097**	**1,771**	**1,916**	**40,952**
FUNDED BY						
Capital Receipts	-5,995	-3,197	-2,020	-1,150	-1,295	-13,657
Government Grants	-1,009	-14,378	-3,481	-571	-571	-20,010
Other Grants	0	0	0	0	0	0
Section 106 Monies	0	0	0	0	0	0
Reserves	-370	-550	-50	-50	-50	-1,070
Borrowing	-4,532	-1,137	-546	0	0	-6,215
Total	**-11,906**	**-19,262**	**-6,097**	**-1,771**	**-1,916**	**-40,952**
Capital Resources at start of Year	4,412	3,855	3,065	4,224	6,257	
Additions	6,818	17,334	6710	3,805	3,305	
Used (-)	-7,375	-18,124	-5,551	-1,772	-1,916	
Capital Resources at end of Year	3,855	3,065	4,224	6,257	7,646	

9.2 The Council's five year capital programme shows the Council's commitment to deliver more efficient services, improve its leisure facilities and enable economic development. The Programme is approved for the 5 year period and allows flexibility of investment between years as long as the value of the five year programme is not exceeded for each scheme. The programme is reviewed by Full Council as part of the budget setting process. The major projects in the 2018/19 Programme include:

- A total of £6.9m has been included in the programme for development of Chapel Lane, Bingham. This will include direct delivery of a 3 storey office block incorporating a business centre on top; sale of parcel of land for industrial unit development; and the potential for a long stay car park in the medium term with future redevelopment opportunities to be assessed.
- £2.5m has been included to support the relocation of the Council's Depot from the Abbey Road site. This is a strategic task with a view to redeveloping or disposal of the existing site to generate a capital receipt.
- Information Systems Strategy (£0.13m plus a four year rolling programme to give a total of £1.135m);
- On-going vehicle replacement programme (£2.7m over the next five years);
- Support for Registered Housing Providers (£0.25m and a further £0.5m over the next two years);
- Disabled Facilities Grants a provision of £0.447m has been provided each year but this is subject to change when the formal Better Care Funding allocations are approved.
- The programme contains provisions for Bingham Leisure Centre to support emergent capital expenditure. A feasibility study is currently being undertaken to look at the future of leisure provision in Bingham.
- Funds for the new initiative to replace/enhance existing skate parks in the Borough. A grant fund of £0.5m has been established. This is time limited and is to enable the Council to support the owners of existing skate parks and facilitate their redevelopment.
- Asset Investment Strategy £6.3m has been included to take the total provision allocated for investing activities to £20m. This sum is currently unallocated and will support emergent investment opportunities following detailed appraisal of business case(s) that come forward.
- A Contingency sum of £0.1m has been included in 2018/19 to give flexibility to delivery of the programme.

9.3 A new provision of £3.25m has been included in 2019/20 to support infrastructure and redevelopment costs on land South of Clifton together with Housing Infrastructure Funding of £9.995m. The aim of this is to accelerate development of the employment land and increase the affordable housing allocation. The 2020/21 programme contains £2.9m for the bridge over the A46 between Bingham and the future housing site at Newton. This scheme will be fully funded by a grant that has been secured from Highways England.

9.4 The Council's capital resources are slowly being replenished as potential receipts from the Overage Agreement for land at Sharphill are recognised. The Council's currently identified capital resources will be in the region of £7.6m at the end of the five year life of the Programme. This position must be viewed in the context of funding the recently completed Leisure Strategy project. This scheme was part funded by use of the Council's reserves and the remainder through internal borrowing. It is planned to repay this 'internal debt' from the future income stream provided by New Homes Bonus, subject to the risks highlighted in Sections 3.7 and 8.3. Going forward, part of the Asset Investment Strategy (£4.5m) and part of the Chapel Lane redevelopment costs (£1.7m) have been identified as potentially needing to be met by borrowing. If all expenditure in the proposed programme is achieved, including full commitment of the Asset Investment Strategy provisions, the Council may move into a position of taking out external borrowing. This would be done through loans from the Public Works Loan Board benefitting from a certainty rate of interest. Formal funding decisions are taken at the end of each financial year when the level of capital expenditure is assessed in line with the capital resources and usable reserves available.

9.5 The Council has previously allocated £15.5m to the Asset Investment Strategy. A further £4.5m has been included in the 2018/19 Capital Programme to bring the overall allocation to £20m to date, £2.7m has been agreed for the loan to Nottinghamshire County Cricket Club; £2.5m has been earmarked for Cotgrave Regeneration; £1.9m for Bardon (industrial unit), £1.75m Industrial units in Bingham and a balance of £11.15m to be allocated when schemes are identified.

9.6 The Capital Programme includes a total of £585k over the MTFS for Community Halls, which are subject to further review linked to the discussions at member budget workshops.

10. TREASURY MANAGEMENT

10.1 Attached at **Appendix 5** is the Capital and Investment Strategy (CIS) which integrates capital investment decisions with cash flow information and revenue budgets. The key assumptions in the CIS are summarised in the following table:

Table 16 – Treasury Assumptions

	2018/19 Estimate	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
Average Interest rate %	0.75	0.75	0.75	1.00	1.00
Expected interest from investments (£)	161,100	141,100	147,100	192,800	224,700
Other interest (£)	109,400	102,900	97,400	92,800	87,900
Total Interest (£)	**270,500**	**244,000**	**244,500**	**285,600**	**312,600**

10.2 The CIPFA Treasury Code has been updated to include assets held for financial returns. The CIS at paragraphs 65-78 covers the Council's approach and risk management with regards to such assets. It documents the spreading of risk across the size of individual investments and diversification in totality across different sectors. The Council's Asset Investment Strategy (which governs the Council's approach to Asset Investment) is also appended to the CIS.

11. OPTIONS

11.1 As part of its consideration of the budget, the Council is encouraged to consider the strategic aims contained within the Corporate Strategy and, in this context, to what extent they wish to maintain existing services, how services will be prioritised, and how future budget shortfalls will be addressed.

11.2 Instead of increasing its Council Tax by the higher of 3% or up to £5 the Council could freeze its Council Tax. Table 17 provides details of the impact on budgets of a tax freeze compared to a 2.99% increase and a £4.95 increase on a 2017/18 Band D Council Tax and 2% increase thereafter (the latter being the recommended option).

Table 17: Alternate Council Tax Levels

£'000	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	
Band D £127.89 Freeze in 2018/19						
Total CT Income	**5,449**	5,558	5,669	5,782	5,897	
Total for 2.99% increase (Band D £131.73)	**5,613**	5,897	6,195	6,508	6,837	
Total for £4.95 increase then 2% (Band D £132.89.4) – recommended option	**5,660**	5,947	6,247	6,563	6,894	
Difference (£'000)						**Total**
Freeze vs £4.95	**-211**	-389	-578	-781	-997	-2,956
2.99% vs £4.95	**-47**	-50	-52	-55	-57	-261

11.3 The above figures indicate that an increase of £4.95 in 2018/19 would result in either an additional £47k of income or £211k of income respectively against either a 2.99% increase or a tax freeze.

Over the five years, if the 2.99% option is chosen this would mean the Council would have to find another £0.261m. Alternatively if a freeze is chosen, the Council would have to find another £2.956m over the five years.

11.4 Other than the above options for Council Tax increases there are no alternate proposals concerning the Budget, Medium Term Financial Strategy or Transformation Strategy.

Appendix 1

Funding Analysis for Special Expense Areas

	2017/18 (£)	2018/19 (£)	% Change
West Bridgford			
Allotments	1,000	1,000	
Parks and Playing Fields	399,500	390,900	
West Bridgford Town Centre	46,800	46,800	
Community Halls	87,400	81,800	
Seats & Bins	300	300	
Contingency	25,000	0	
Previous Year Deficit	0	0	
Annuity Charges	108,400	76,800	
Revenue Contributions to Capital	50,000	75,000	
Total	**718,400**	**672,600**	
Tax Base	**13,724**	**13,865**	
Special Expense Tax	**52.35**	**48.51**	**-7.34%**
Keyworth			
Cemetery & Annuity Charges	3,800	3,800	
Total	**3,800**	**3,800**	
Tax Base	**2,594**	**2,604**	
Special Expense Tax	**1.46**	**1.46**	**0.00%**
Ruddington			
Cemetery & Annuity Charges	9,070	9,100	
Total	**9,070**	**9,100**	
Tax Base	**2,622**	**2,680**	
Special Expense Tax	**3.46**	**3.40**	**-1.73%**
TOTAL SPECIAL EXPENSES	**731,270**	**685,500**	

REVENUE BUDGET SERVICE SUMMARY

Appendix 2

	2017/18 ESTIMATE £	**2018/19 ESTIMATE £**	2019/20 ESTIMATE £	2020/21 ESTIMATE £	2021/22 ESTIMATE £	2022/23 ESTIMATE £
Communities	2,763,800	**2,751,600**	2,836,800	2,863,300	2,761,200	2,795,600
Finance and Corporate Services	3,732,400	**3,188,100**	3,262,300	3,422,900	3,450,300	3,486,500
Neighbourhoods	4,705,000	**5,959,900**	6,019,300	6,004,200	6,128,300	6,238,900
Transformation and Operations	241,700	**-18,300**	-176,300	-159,500	-151,300	-116,100
Net Service Expenditure	11,442,900	**11,881,300**	11,942,100	12,130,900	12,188,500	12,404,900
Capital Accounting Adjustments	-1,586,800	**-2,233,600**	-2,233,600	-2,233,600	-2,233,600	-2,233,600
Minimum Revenue Provision	1,000,000	**1,000,000**	1,000,000	1,000,000	1,000,000	1,000,000
Revenue Contribution to Capital	158,400	**129,100**	139,400	139,400	139,400	139,400
Transfer to/(from) Reserves	-27,400	**1,775,100**	142,200	190,500	289,700	290,100
Total Net Service Expenditure	10,987,100	**12,551,900**	10,990,100	11,227,200	11,384,000	11,600,800
Funding						
Central Government Grant	-504,000	**-130,000**	250,000	250,000	250,000	250,000
Other Grant Income	0	**-138,700**	-12,300	0	0	0
Localised Business Rates, includes SBRR	-2,561,000	**-2,989,800**	-2,701,000	-2,755,000	-2,810,100	-2,866,300
Collection Fund Surplus	-18,000	**-1,388,600**	0	0	0	0
Council Tax Income						
- Rushcliffe	-5,342,800	**-5,660,300**	-5,888,900	-6,126,500	-6,373,500	-6,630,600
- Special Expenses Areas	-731,300	**-685,500**	-698,800	-712,700	-727,000	-741,600
New Homes Bonus	-1,830,000	**-1,364,000**	-1,250,000	-1,250,000	-1,250,000	-1,250,000
Total Funding	**-10,987,100**	**-12,356,900**	**-10,301,000**	**-10,594,200**	**-10,910,600**	**-11,238,500**
Gross Budget Deficit / (surplus)	0	**195,000**	689,100	633,000	473,400	362,300
Additional Transformation Plan Savings	0	**-195,000**	-395,000	-395,000	-395,000	-395,000
Net Budget Deficit	**0**	**0**	**294,100**	**238,000**	**78,400**	**-32,700**
Annual (Savings) / Deficit	0	**0**	294,100	-56,100	-159,600	-111,100

Rushcliffe Borough Council

Transformation Strategy and Efficiency Plan 2018/19 – 2022/23

Introduction

In 2010, the Council adopted a 4 Year Plan, a planned and measured approach to meeting the emerging financial challenges. The plan was written to identify cost efficiencies, increase income opportunities and develop transformational alternatives for the future delivery of services. The adopted approach aimed to reduce overall expenditure by £2.8m over the life of the Plan. This approach was reinforced in 2012 with the publication of our Corporate Strategy subtitled 'Proactively Preparing for the Future'.

The original 4 Year Plan and Transformation Programme have successfully supported the delivery of over £7.2m in efficiencies. In making our savings, services to residents in some cases have been changed from universally free services towards chargeable choice based services. Other services have been streamlined, to be even more efficient and leaner. Costs have been reduced through rationalisation of assets and staff, with the sharing of both posts and key services. The Council also absorbs inflation increases across many areas except where there is contractual inflation or areas of higher risk. For 2018/19 this is estimated at £270k. Concurrently we have made it easier for customers to transact their business with us at a time and in a way that suits them. We have done all of this without significantly impacting on service quality or resident satisfaction. Our latest resident polling data shows us that 76% of residents are satisfied with the way the Council operates and 65% believe the Council provides value for money (2015).

This revised Transformation Strategy sets out the Council's approach to making further savings between now and 2022/23. It also explains our approach to identifying and working with partners, recognising and maximising opportunities, and leading the way in delivering high quality services that match the needs of residents. It is clear that as the organisation becomes leaner, it will become increasingly challenging to find further savings. Achieving the increased targets requires a bolder and more strategically focussed way of thinking.

Addressing the funding gap

While the Council has achieved significant savings via the 4 year plan and the first three years of the Transformation Programme, further savings are required to address the estimated funding gap. This revised Transformation Programme will form the basis of how the Council meets the financial challenge summarised in the table below.

Savings targets

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Gross Budget Deficit excluding Transformation Plan	1,556	2,229	2,355	2,229	2,126
Cumulative Savings in Transformation Plan	1,361	1,540	1,722	1,756	1,764
Gross Budget Deficit/(Surplus)	195	689	633	473	362
Additional Transformation Plan savings	-195	-395	-395	-395	-395
Additional Transfer to/from reserve	0	294	238	78	-33

In order to deliver a balanced budget for 2018/19 the Council has looked to constrain Council spend and increase income (particularly through commercialism and growth). The Council continues to review how it delivers its services and meet the funding gap. Other arrangements exist with neighbouring authorities such as the Building Control partnership with South Kesteven and Newark & Sherwood, and creating companies, such as Streetwise). The Council continues to identify innovative ways of delivering its services more economically, efficiently and effectively, including collaboration where a business case supports such an initiative.

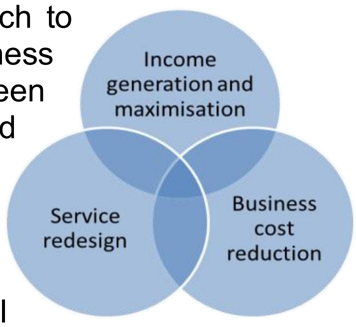
Moving forward, this momentum must continue and the Council's key transformation projects need to be reviewed on an on-going annual basis. While the Council has identified a range of projects that can be used to deliver the anticipated savings required, this remains a challenging exercise. The current transformation projects which will be worked upon for delivery from 2018/19 are given at **Appendix B**. Some of the more significant projects include:

- The Asset Investment Strategy;
- The relocation of the Council Depot;
- The continued activation of the Leisure Strategy focusing on the options for leisure provision in Bingham and surrounding area;
- Commercialisation – including joint ventures and site specific property companies with a view to both providing more housing in the Borough and an income stream for the Council;
- Cyclical reviews of all service areas; and
- Reviewing fees and charges.

It should be noted there is guidance on the capitalisation of transformation costs where an income stream is generated. It relates to set-up and implementation costs not on-going savings. These should be reported through this document. The Efficiency Strategy can be revised at any time by Full Council and as part of our Treasury Management Strategy reporting we must show the impact on our prudential indicators.

Rushcliffe's core operating principles

Rushcliffe has three core principles which underpin its approach to transformation – income generation and maximisation, business cost reduction and service redesign. Transformation has been achieved to date by focusing on a 'one' Council approach and great teamwork between Members and officers to limit the impact upon residents. However, we recognise to be successful in bridging the remaining funding gap it will be necessary to consider and implement large scale transformational change which can generate a large fiscal impact.



The Transformation Strategy is an evolving document and although it essentially covers the next five years it should not be bound by time or scope. To this end and within the emerging complex environment, three partnership models have been identified to provide a framework to generate further efficiencies. These are covered in more detail in **Appendix A**.

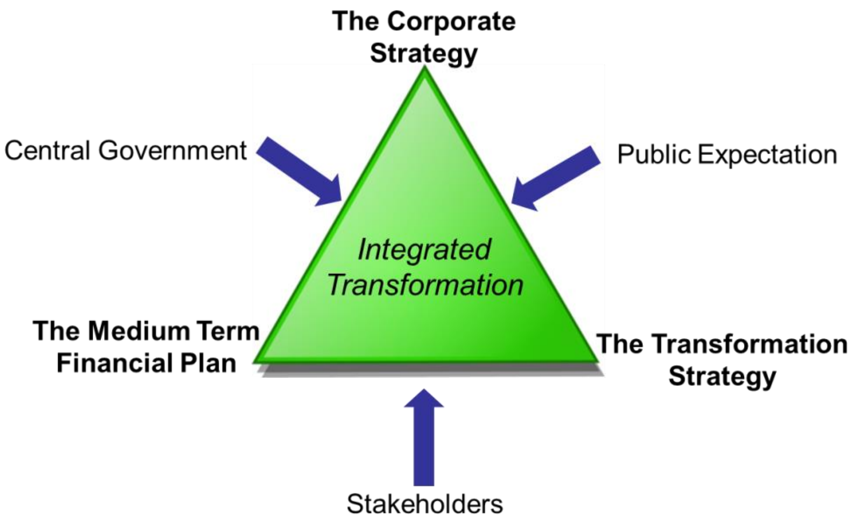
An Integrated Approach to Transformation

This Strategy formalises the Council's integrated approach to transformation. It highlights the work that has been done in the last five years to deliver over £4.2m in efficiencies and formalises the Council's principles of partnership working (detailed at **Appendix A**). At a strategic level it highlights the important relationship between:

- The Council's Corporate Strategy – which provides the overall direction of the Council, its core values and its three key priorities,

- The Medium Term Financial Plan – a defined plan of how the authority will work towards a balanced budget and maintain viability,

- The Transformation Strategy – a document providing direction in respect of the strategically focussed streams of work to meet the financial targets whilst fulfilling the Council's corporate priorities. As the Transformation Strategy evolves Commercialism is emerging as cross cutting strategy, detailed in **Appendix C**, to support the sustained delivery of the financial targets.



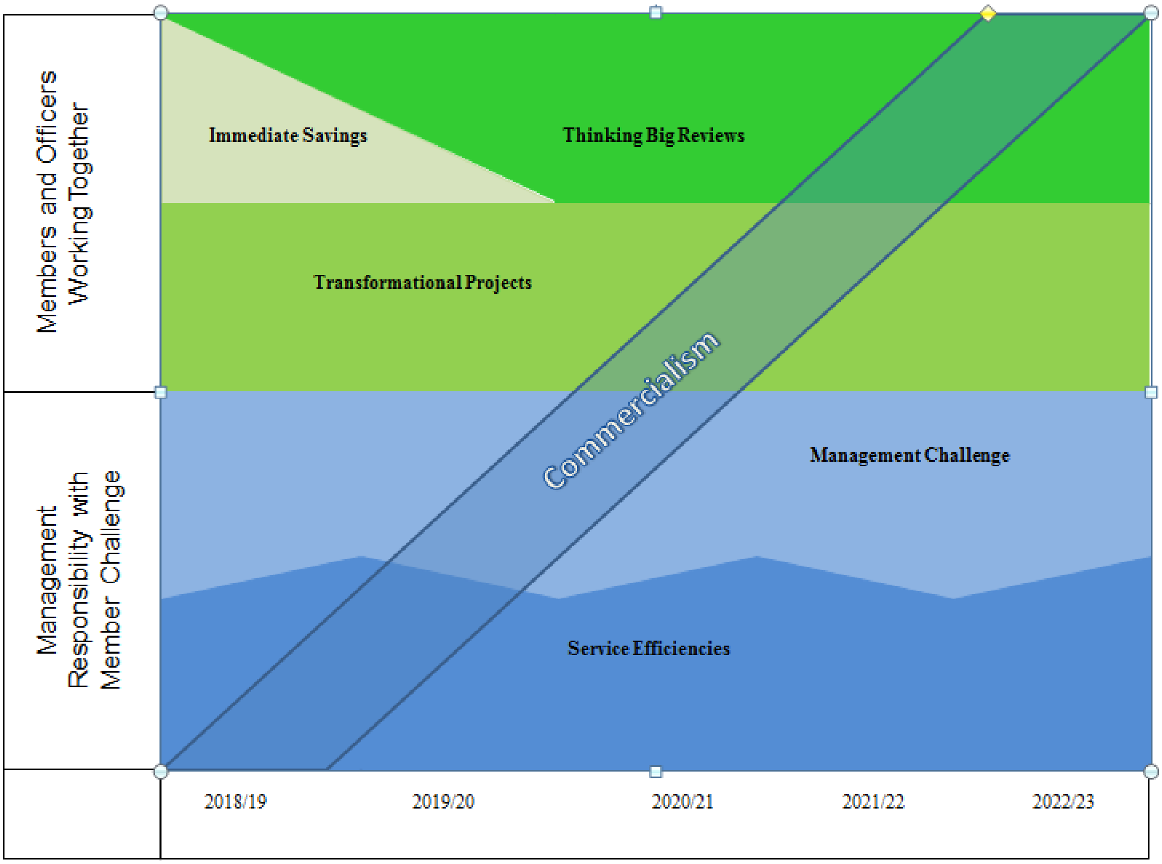
Rushcliffe's Integrated Approach to Transformation

The diagram above also shows how this trio of documents can be influenced by external factors such as central government, public expectation and other stakeholders.

The Transformation Strategy

This document details the different areas of work officers and Members will focus upon to meet the stretching financial targets set whilst continuing to fulfil our corporate priorities. The diagram below highlights the different work streams and shows how they fit together over the next five years. Underpinning the work streams is our approach to Commercialism as documented at **Appendix C**.

Management Responsibility with Member Challenge



Each year, officers undertake an internal programme of investigations looking specifically at improving efficiency through different ways of working. We also challenge our budgets every year to drive out further savings whist minimising the impact of front line services. We have a strong leadership focused on corporate priorities using regular performance clinics to manage performance and budgets. We also ensure that every large scale project (where there is deemed to be a significant impact on residents, staff or budgets) has its own project board and governance structure. Activities are challenged through Leader and Portfolio Holder briefings, and constituted and established processes such as Member Groups. Reports on policy changes are passed through the Cabinet, and our Performance Management Board and Corporate Governance Groups regularly scrutinise review findings.

Additional Member Groups are created by Cabinet where required. For example, a cross party Councillor working group undertook a strategic review of Edwalton Golf Course in 2017 and as part of the budget process this year sponsorship income and the use of the Council's Community assets has been reviewed.

Service Efficiencies

The culture at Rushcliffe has been to ensure different services are reviewed regularly to make sure they are as focused upon the customer and as streamlined as possible, any identified inefficiency removed from the system and where appropriate services are moved online. The way the service is delivered is also investigated and consideration is given to potential partnership opportunities or alternative methods of delivery to protect the services that residents value without a pre-determined view. Headline efficiency targets have been identified for each area of the Council and these are illustrated at **Appendix B**.

Management Challenge

The Service Efficiencies are strengthened by on-going management of the services through regular performance clinics and a management challenge as part of the annual budget setting process – each Executive Manager is charged with scrutinising their budget to identify and remove any additional savings or unused budget. Again, top level targets have been identified for each area of the Council and these are illustrated in the table at **Appendix B**.

Members and Officers Working Together

The upper area of the diagram above focuses on activities where Members and officers work together to identify further savings and different ways of working. These aspects of the Strategy have been arrived at through our budget proposals which have continued to be radical and challenging as we look at ways of bridging the financial gap by 2022/23. Budget workshops, incorporating Members from all political groups, have looked at what has been achieved so far, policy changes that can be made immediately to save money in the coming year, different ways of delivering services in the future, and more long-term at a set of 'Thinking Big' options that could significantly change the face of the Council and the services it delivers.

Immediate savings

Each year, Members are presented with a number of policy changes which hit one or more of our core principles of income generation and maximisation, business cost reduction or service redesign. These operational changes form part of the budget setting process each year and generally result in savings or additional income for the following year.

Thinking big reviews

As part of the budget setting process for 2018/19, Members discussed a number of potential 'Thinking Big' reviews. These will primarily focus on gathering information upon which Members can base decisions which could potentially change the face of the Borough in the future. These are the ideas that previously would not have been considered necessary and, therefore, would have been unlikely to have reached formal discussion. Members have indicated that they wish to fully establish the options with regard to a small number of selected key projects in an attempt to preserve the highly valued services our residents need. These 'Thinking Big' ideas have the potential to contribute significantly to bridging the funding gap we are experiencing without reducing frontline services but they are not decisions to be taken lightly which is why robust investigations are undertaken. Over the last year (2017/18) former "Big Thinking" initiatives; the refurbishment of Bridgford Hall and strategic review of Edwalton Golf Course have been completed. Members supported the establishment of the Asset Investment Strategy with associated capital funds to enable investment in properties where a business case exists that can demonstrate the generation of additional income alongside wider community benefits. Future initiatives being investigated also include the potential relocation of the Depot.

Transformational Projects 2018-2023

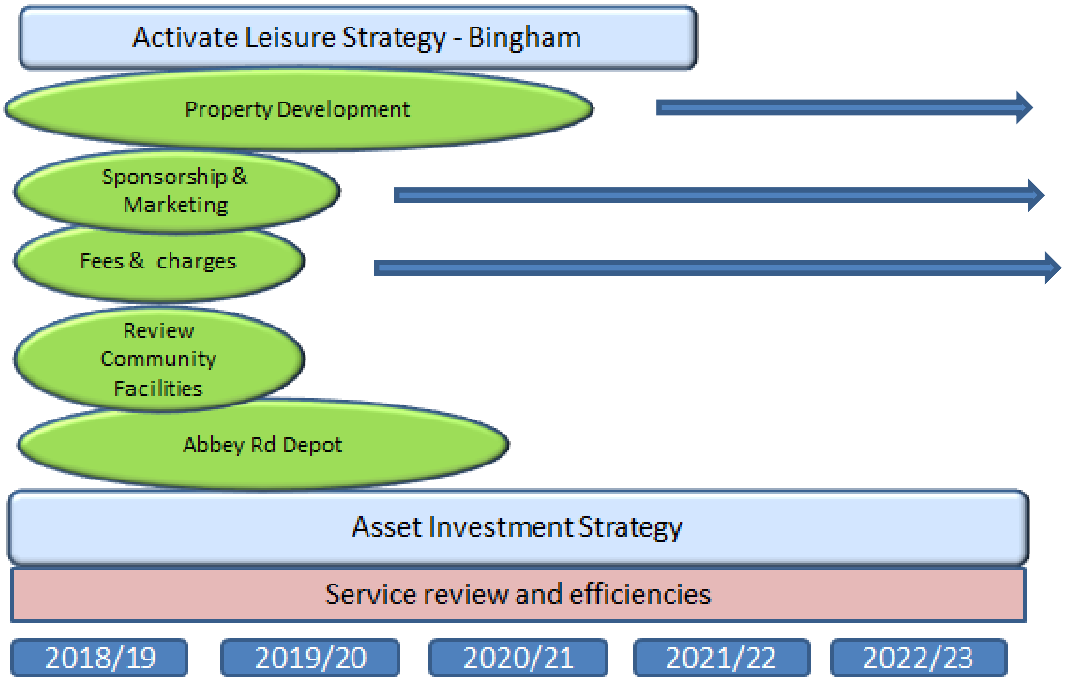
As has already been mentioned above, this Strategy is a continuation of the Council's original Transformation Programme and as a consequence a number of key projects which influence service delivery and finances over the next few years are already in progress. Good progress has been made with these legacy Transformational Projects with the completion of the new Civic Centre in December 2016 and the disposal of the old Civic Centre in May 2017.

Leisure Strategy Activation

Since 2006, the Council's Leisure Strategy has highlighted the authority's ambition to rationalise leisure facilities in West Bridgford to one site – Rushcliffe Arena and to consider the options for built leisure provision in the Bingham area. The new Arena leisure centre and Rushcliffe Borough Council's new offices successfully opened in January 2017. The next phase of the Leisure Strategy is to consider the options for Bingham leisure centre. External consultants have been commissioned to prepare an options appraisal which is anticipated to be completed in March 2018 and will inform the future delivery of the service.

Summary of the Transformation Strategy Work Programme

The diagram below summarises the Transformation Strategy Work Programme for the next five years and provides a framework within which the required efficiencies will be delivered.



Governance

The original version of this strategy (2013) established a framework and time frame for the individual projects within the programme. While in general these have been achieved, arrangements have been flexible to allow for unforeseen circumstances and to redirect resources to maximise opportunities as they have arisen. It is anticipated that these same principles of agile working will apply to the 2018-2023 rolling Transformation Programme.

Each project within the programme has appropriate governance arrangements depending on the size, complexity and risk. Overall, monitoring of the Strategy will take place quarterly by the Chief Executive and his Executive Management Team. Where it is required by individual projects, consultation and engagement with members of the public will take place.

The following risks have been identified and will be monitored accordingly.

Risk	Probability	Impact	Mitigation
Reviews do not achieve anticipated savings	Probable	>£250k	Individual reviews where there is underachievement may be offset by others with higher savings.
Programme slippage	Possible	>£250k	Monitoring of programme and taking early corrective action
Insufficient capacity	Possible	>£250k	Procure extra resources – i.e.

Risk	Probability	Impact	Mitigation
to undertake the programme			consultancy
Insufficient interest from alternative providers	Possible	Negative	Find appropriate savings from direct service provision by quality reduction (probably)

Conclusion

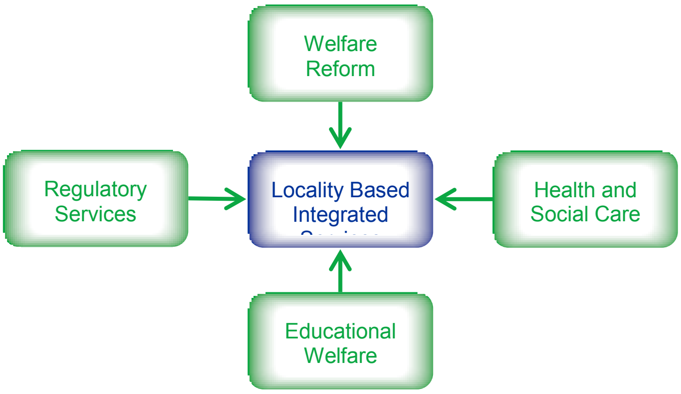
The above sets out Rushcliffe's plans over the next four years and the Council's commitment towards delivering these plans. This plan supports the Council's MTFS and is the vehicle upon which the Council will achieve a balanced budget.

Appendix A

Rushcliffe's Accepted Models of Partnership Working

1. Localised Integrated Working Partnerships

These types of integrated delivery partnerships involve working with other agencies and organisations whose services are delivered to Rushcliffe borough residents. These partnerships are aimed at improving the connectivity of public services, public regulation, reducing the need to cross-refer people and issues.
The Government has recognised and begun to embrace the value of partnerships of scope and is increasingly looking to realise both financial and customer benefits from these. Central Government policies around community safety, health outcomes, welfare reform and community budget pilots, all demonstrate recognition of the importance of different agencies working together in a single locality to benefit their residents.



Rushcliffe is a pioneer in this area. The successful development of the Rushcliffe Community Contact Centre bringing together joint customer services for the Police, Job Centre plus, voluntary sector, South Nottinghamshire College and other services has been recognised nationally. This approach has been supported by our ability to work in other locations on a remote access basis. The service has recently been expanded into Bingham where an integrated delivery service model has been deployed and is being delivered from the new Health Centre.

There are also a range of projects underway involving our locality partners, which embed these principles and take services out into the community, including Positive Futures, Sunday Funday, Lark in the Park and Business Partnership events.

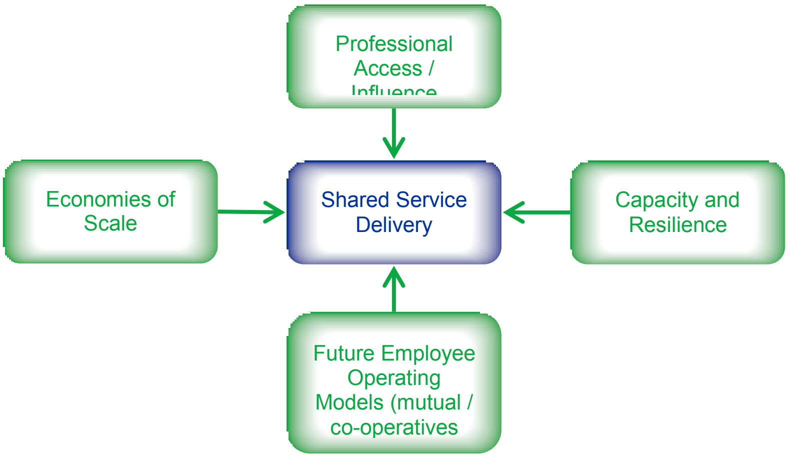
2. Partnerships of Scale

This term describes two or more organisations joining together largely to benefit from economies of scale. These partnerships can, like localised integrated working partnerships, drive efficiencies but unlike scope partnerships they may not, in themselves, directly improve the way in which the service is delivered to Rushcliffe Borough residents. Opportunities exist in this area to share back office services, reducing costs and removing duplication whilst maintaining and improving capacity and resilience.

If scale partnerships are to be successful, previous experience has shown that there is a greater chance for success if they cover a broad range of services but are focussed and aligned on a small number of culturally similar and willing partners. It is possible to develop these partnerships organically – that is, as opportunities arise – and this has been our approach to date following the unsuccessful attempt to enter a partnership with Liberata and Charnwood Borough Council.

As mentioned above, to date partnerships of scale have developed organically – the Council has been successful in developing a number of such partnerships, of which the following, mostly back office services, have come to fruition: payroll services (Gedling), ICT (Broxtowe, Newark & Sherwood), building control (South Kesteven, Newark & Sherwood), procurement (Gedling), homelessness (Gedling) and emergency planning (Nottinghamshire County Council).

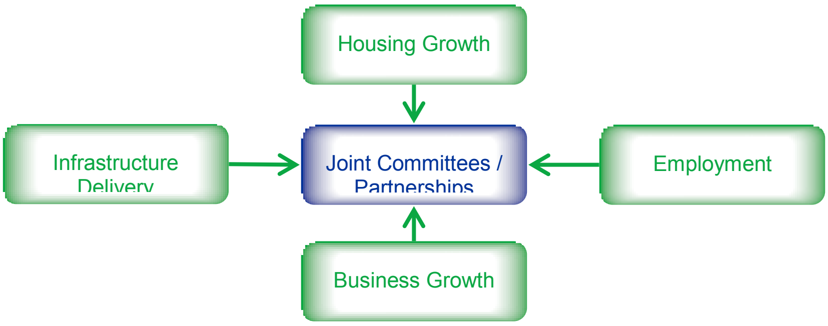
Following continued encouragement from Central Government, there has been an increased willingness and determination from the Leaders within Nottinghamshire to forge closer partnerships of scale (Waste Collection and Management).



3. Partnerships for Governance

There has been a growth of place-based and themed partnership arrangements. These have largely been designed to implement and administer arrangements within defined areas focussed upon common objectives including: The Joint Planning and Advisory Board (Nottingham City, Nottinghamshire County Council, Broxtowe BC, Gedling BC, Erewash DC and Rushcliffe BC).

However, the emergence and growth of other forums has restricted the representation and influencing role of individual districts. The Health and Wellbeing Boards and Local Enterprise Partnerships are prime examples where representation is restricted to one district or borough council.



Therefore, to combat this, it is likely there will be an increase in the number of joint committee arrangements. These will be focused upon agreeing joint objectives, allocating resources and monitoring outcomes which impact regionally and nationally. For example, in January 2014, the Cabinet supported the establishment of the City of Nottingham and Nottinghamshire Economic Prosperity Committee to drive future investment in growth and jobs in the City and County.

If these do grow, there will be an increasing reliance upon forging relationships which can influence outcomes for Rushcliffe residents; for example, agreeing key infrastructure requirements which benefit not only Rushcliffe but neighbouring boroughs and districts. These models of partnership working provide a framework within which officers can be swift to take advantage of opportunities as they arise. They build upon our existing core principles model highlighted above and provide a clear map for the future.

Appendix B

Transformation Programme 2018/19 - 2022/23	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Service Efficiencies & Management Challenge	1,721	1,717	1,748	1,746	1,746	1,746
Thematic Reviews - With Potential Savings						
Bridgford Hall	53	108	108	108	108	108
Council Publications and Promotion	9	9	9	9	9	9
Grants and Support	50	50	50	50	50	50
Leisure Strategy	332	424	457	457	457	457
Travel costs	35	56	56	56	56	56
Burial Provision	22.7	22.7	22.7	22.7	22.7	22.7
Printing for Member Meetings	5	5	5	5	5	5
Asset Investment Strategy	0	437	542	620	654	662
Total Thematic Reviews	**506.7**	**1111.7**	**1249.5**	**1327.5**	**1361.5**	**1369.5**
Income Reviews						
Wheeled bin charges for new houses	10	10	10	10	10	10
Fees and charges Generally	160	104	114	114	114	114
Street Trading Licenses	5	5	5	5	5	5
Planning pre-application advice	30	30	30	30	30	30
Car Park - Increase charges	174	174	174	174	174	174
RCP - compulsory charging	20	20	20	20	20	20
Increase charging on Green Bin	152	240	240	346	346	346
Total Income Reviews	**551**	**583**	**593**	**699**	**699**	**699**
Additional savings 2018/19						
Asset Investment Strategy	0	100	300	300	300	300
Planning Income	0	75	75	75	75	75
3G Pitch Income	0	15	15	15	15	15
Arena room hire	0	5	5	5	5	5
Total Savings	**2,779**	**3,411**	**3,591**	**3,773**	**3,807**	**3,815**
Difference to previous year	728.3	632.4	179.3	182.0	34.0	8.0
Cumulative Difference	728	1,361	1,540	1,722	1,756	1,764

Appendix B

Transformation Programme 2018/19 - 2022/23	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Gross budget deficit excluding Transformation Plan		1,556	2,229	2,355	2,229	2,126
Cumulative Savings in Transformation Plan	728	1,361	1,540	1,722	1,756	1,764
Gross Budget Deficit/(Surplus)	0	195.0	689.1	633.0	473.4	362.3
Additional Transformation Plan savings		-195.0	-395.0	-395.0	-395.0	-395.0
Additional Transfer (to)/from reserve	0	0	294	238	78	(33)

Potential Schemes – feasibility to be determined

Review Depot Location
Review of community facilities
Releasing council land for housing
West Bridgford commissioners report outcomes, e.g. retail development
Continued activation of the leisure strategy
Increased sponsorship and marketing
Green waste expansion
Council commercial company growth

Appendix C

Commercialisation of Rushcliffe - A balanced investment in our future

With reduction in and eventual removal of Government grants to Local Authorities there is a need for Rushcliffe Borough Council, like other authorities, to consider new opportunities to help ensure the sustainability of the services delivered. Merely cutting costs will, in the long term, not be sufficient to fill the funding black hole. Local Authorities need to explore options to operate in a more commercial manner than would be traditionally expected of them.

This does not mean taking unnecessary risks with public money. It means, in these challenging financial times, the opportunity to continue to deliver the excellent services that our residents depend upon and expect.

Commercialisation for Rushcliffe informs and is integral to the Transformation Plan and Efficiency Strategy. This document should be viewed alongside:

- Corporate Strategy
- Asset Investment Strategy
- Medium Term Financial Plan

Core principles

Commercialisation contributes towards the aims of the medium term financial strategy and the following strategic goals, contained with the Council's Corporate Strategy 2016-2020:

1. Supporting economic growth to ensure a sustainable, prosperous and thriving local economy
2. Maintaining and enhancing our residents' quality of life
3. Transforming the Council to enable the delivery of efficient, high quality services.

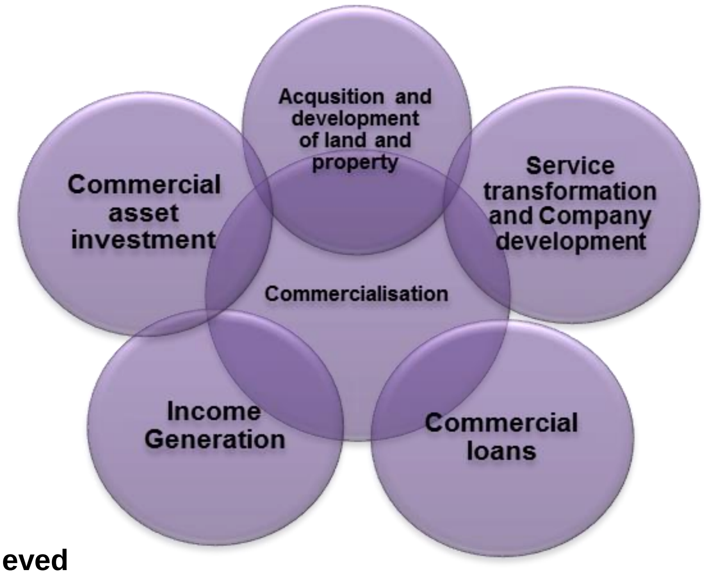
All decisions are considered against and aligned with these strategic goals as well as some core principles to ensure the Council is protecting the interests of our communities. Rushcliffe's core principles for commercialisation are:

- **Values –** commercial opportunities will align with the Council's values and enable the Borough Council to continue to deliver the vital services our communities rely on.
- **Broad/mixed approach** - It is not solely focused on income generation. It also focuses on deployment of resources and doing things differently.
- **Responsive** - be bold and opportunistic and prepared to think outside our comfort zone. This includes an acceptance that not all schemes will succeed but it is the value of the commercial programme as a whole that is critical.
- **Culture** – a strong organisational culture supported by a clear vision and good communication. Rushcliffe ensures that staff have the skills to deliver and where this is not possible external professional advice is sought.

- **Risk** - understand risk, this includes reputational risk, and be risk aware not risk adverse; the risk of doing nothing can sometimes be greater.

The Rushcliffe approach

Rushcliffe has embraced opportunities to operate in more commercial ways and has developed a strong programme of work across 5 key areas of commercialisation:



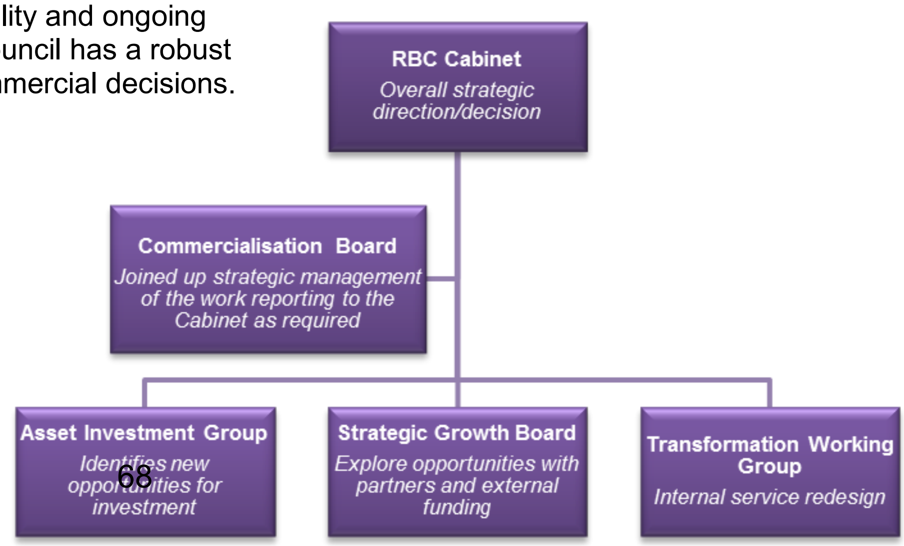
What we have already achieved

- Extending our property portfolio with the construction of 15 new industrial units in Cotgrave.
- Purchase of the Point office complex in the main town centre in the Borough
- Purchase of commercial land for development – Chapel Lane and Moorbridge Road
- Office move to the Arena which has meant the development of new more flexible ways of working and a digital transformation, with the council being a more responsive and leaner organisation.
- Acquisition of commercial property in the East Midlands region.
- Loan to Nottinghamshire County Cricket Club to secure the future of big sporting events including the Ashes in the Borough.
- Significant reviews of a range of services including collaboration in areas like Building Control and the creation of Streetwise Trading Company.
- Significant income generation for example through green waste.

Governance and monitoring

To ensure transparency, accountability and ongoing monitoring and management the Council has a robust structure in place to oversee all commercial decisions.

This work is led by a newly established Commercialisation Board empowering senior officers provide strategic leadership to the commercialisation agenda:



Appendix 4

CAPITAL PROGRAMME 2018/19

Ref	Scheme	2018/19 Latest Estimate	2019/20 Indicative Estimate	2020/21 Indicative Estimate	2021/22 Indicative Estimate	2022/23 Indicative Estimate	Total
		£000	£000	£000	£000	£000	£000
	Transformation						
	Highways England Footbridge A46	0	0	2,910	0	0	2,910
1	Chapel Lane Bingham	438	3,585	1,091	0	0	5,114
2	Depot Relocation	2,500	0	0	0	0	2,500
3	Manvers Business Park	100	0	0	0	0	100
4	Information Systems Strategy	130	160	335	280	230	1,135
5	Land South of Clifton	0	3,250	0	0	0	3,250
5a	Housing Infrastructure Fund	0	9,995	0	0	0	9,995
	Sub total	**3,168**	**16,990**	**4,336**	**280**	**230**	**25,004**
	Neighbourhoods						
6	Wheeled Bins	80	80	80	80	80	400
7	Vehicle Replacement	200	800	600	210	850	2,660
	Support for Registered Housing Providers	250	250	210	0	0	710
8	Hound Lodge	40	0	0	0	0	40
	Assistive Technology	13	13	13	13	13	65
	Discretionary Top Ups	57	57	57	57	57	285
	Disabled Facilities Grants	447	447	447	447	447	2,235
9	BLC Improvements	159	147	55	10	10	381
10	CLC Pool Handling Ventilation System	100	0	0	0	0	100
11	KLC Dry Change	30	0	0	0	0	30
12	KLC Filter Replacement	30	0	0	0	0	30
13	Car Park Improvements - Lighting	110	0	0	0	0	110
14	Car Park Resurfacing	220	0	0	0	0	220
	Sub total	**1,736**	**1,794**	**1,462**	**817**	**1,457**	**7,266**

Ref	Scheme	2018/19 Latest Estimate	2019/20 Indicative Estimate	2020/21 Indicative Estimate	2021/22 Indicative Estimate	2022/23 Indicative Estimate	Total
		£000	£000	£000	£000	£000	£000
	Communities						
	Capital Grant Funding	48	24	0	0	0	72
15	Play Areas - Special Expense	50	50	50	50	50	250
16	West Park Public Toilet Upgrade	20	0	0	0	0	20
17	West Park Sports Pavilion	40	0	0	0	0	40
18	West Park Julien Cahn Pavilion	40	0	0	75	0	115
19	Gresham Pavilion	35	0	0	100	25	160
20	Lutterell Hall	35	0	50	225	0	310
	Play Pitch Strategy	250	250	0	0	0	500
21	Gamston Community Centre	30	0	45	70	0	145
	Warm Homes on Prescription	54	54	54	54	54	270
	Sub total	**602**	**378**	**199**	**574**	**129**	**1,882**
	Finance and Corporate						
	Asset Investment Strategy	6,300	0	0	0	0	6,300
	Contingency	100	100	100	100	100	400
	Sub total	**6,400**	**100**	**100**	**100**	**100**	**6,800**
	PROGRAMME TOTAL	**11,906**	**19,262**	**6,097**	**1,771**	**1,916**	**40,952**

PROJECT APPRAISAL FORM

<table>
<tr><td>Project Name: Chapel Lane, Bingham</td><td>Cost Centre: 0314</td><td>Ref: 1</td></tr>
<tr><td colspan="3">Detailed Description:

In 2015 RBC was allocated £6.25m from the LEP for 3 projects:
• Cotgrave town centre regeneration - £1.2m
• Cotgrave employment land - £1.8m
• Land north of Bingham flood mitigation £2.5m (plus an additional £2.5m match funding from NHB)
• RAF Newton widening access road - £750,000

The funding originally allocated to RAF Newton: £750,000, is no longer required as the land owner is focussing on the housing and not the employment land. It has therefore been agreed with the LEP to explore alternatives uses for this funding and a request has been made to reallocate it to this scheme. It was agreed that the option to be progressed will include:
o Sale or rent of existing industrial unit
o Sale of parcel of land for industrial unit redevelopment
o Direct delivery of 3 storey office block – including business centre on the top floor – submitting funding application to Sustainable Urban Development (SUD) for approx. £1m to part fund this.
o A long stay car park on the road frontage for a period of 5 years with the long term plan to sell this piece of land for retail or leisure use e.g. trade counters, pub/restaurant.
o The total estimated cost of the whole scheme is £6.914m (this includes£1.8m for the acquisition and remediation of the land which is in the 2017/18 Capital Programme)
o Match funding of approx. £3.58m would be required from RBC
o Income from the scheme (land sales, rental income and residual value) is anticipated to be around - £8.89m</td></tr>
<tr><td>Location: Chapel Lane, Bingham</td><td colspan="2">Executive Manager: Transformation</td></tr>
<tr><td colspan="3">Contribution to the Council’s aims and objectives:
Corporate Themes:
• Delivering economic growth to ensure a sustainable prosperous and thriving local economy

Strategic Tasks:
• Contribute towards economic growth in the Borough, by:
o Facilitating the building of new industrial units
o Delivering the ‘Growth Deal’ projects
o Unlocking employment sites in the Borough
• Activate the Asset Investment Strategy to maximise the Council’s asset portfolio as the conditions prescribed in the Strategy arise
• Proactively engage with partnership activities to maximise the benefits of collaborative working for Rushcliffe residents and businesses</td></tr>
<tr><td colspan="3">Community Outcomes:

• New employment opportunities</td></tr>
<tr><td colspan="3">Other Options Rejected and Why:

This is to outline changes to the original allocation of growth deal funding. A long</td></tr>
</table>

list of options was presented to the LEP for consideration for this reallocation and through discussions this was narrowed down to the option listed for further work.			
Start Date: 2017/18		**Completion Date:** 2020/21	
Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	**Year 3: 20/21**
£6,914,000 (£1,800,000 in 2017/18 Capital Programme)	£438,000	£3,585,000	£1,091,000
		Includes SUD income of approx. £1m	
Capital Cost (Breakdown) £: To be determined			
Works	**Equipment**	**Other**	**Fees**
Revenue cost per annum:	**Year 1: 18/19**		**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**		**Year 5: 22/23**
Proposed Funding			
External: £750,000 GDF and £1,000,000 SUD		**Internal: Approx.** £3.481m Capital Receipts £1.683m internal borrowing	

Useful Economic Life (years): Various	**New/Replacement:** New
Depreciation per annum: To be determined	**Capital Financing Costs:** £26,100 on outlay from Capital Receipts
Residual Value: £2.08m for Chapel Lane	**Category of Asset:** Various

PROJECT APPRAISAL FORM

Project Name: Depot Relocation	Cost Centre: 0312	Ref: 2

Detailed Description:
The Council's Corporate Strategy 2016-2020 identifies the relocation of the Abbey Road Depot as a strategic task in order to 'develop the property portfolio to enhance the Council's financial position and deliver community outcomes'

The milestones within the strategic task are for the 'preferred site to be identified and the business case prepared by March 2018' and for the 'depot to be relocated by March 2020'

Subject to approval of Cabinet by March 2018, the project will be broken into phases which are broadly:
Transfer of green waste and Streetwise services to a re-converted industrial unit

Transfer of blue and grey waste to a temporary location

Decommissioning and re-development of the Abbey Road site

Location: New location still to be determined	**Executive Manager:** Transformation

Contribution to the Council's aims and objectives:
Corporate Theme: Transforming the Council to enable the delivery of efficient high quality services
Strategic Task: Continue to develop the Council's Property Portfolio to enhance the Council's financial position and deliver community outcomes, including: Relocate the Abbey Road Depot

Community Outcomes:
The current depot is located within a built up residential area. The functions of the depot are not in keeping with being a good neighbour and travel journeys of large refuse vehicles through busy relatively narrow residential streets.

Relocation would enable more suitable development of this site and improved quality of life for residents who live close to the current depot.

Other Options Rejected and Why:

a) Remain at the existing site – This has been discounted due to the incompatibility of the location within the local environment. Furthermore it would not enable a more appropriate use of the site or financially sustainable operating model to be developed.

Start Date: Phase I April 2018	**Completion Date:** Phase I December 2018

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
	£2.5m (note at time of writing a full cost estimate has not been undertaken)		

Capital Cost (Breakdown) £2.5m to be determined

Works £	**Equipment** £	**Other**	**Fees** £

Revenue cost per annum:	**Year 1: 18/19**	**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**	**Year 5: 22/23**

Proposed Funding	
External:	**Internal:** £2.5m capital receipts

Useful Economic Life (years):	**New/Replacement:**
Depreciation per annum: to be determined	**Capital Financing Costs:** Net Nil
Residual Value: N/A	**Category of Asset:** To be determined

PROJECT APPRAISAL FORM

Project Name: **Manvers Business Park – roof refurb to PH 1&2**	**Cost Centre: 0315**	**Ref: 3**

Detailed Description:
Existing roof coverings and rainwater goods are in excess of 20 yrs old and showing signs of aging. Proposal is to refurbish coverings and rainwater goods to extend life by application of accredited/warranted liquid roofing compounds.

Location: Manvers Business Park	**Executive Manager:** Transformation

Contribution to the Council's aims and objectives:
Corporate Themes:
- Deliver economic growth to ensure a sustainable, prosperous and thriving local economy.
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:
- Maintain commercial viability of existing business units and protect income stream.
- Examine the future viability of all Council owned assets including property and equipment.
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
- Improvement works will enhance customer experience/perception and minimise short term maintenance costs. The Borough is more prosperous if business units are well maintained helping to sustain on-going employment opportunities and protect thriving local businesses

Other Options Rejected and Why:
Do not carry out refurb works – this would result in further deterioration of the fabric and shortening of the life span of the roof covering to a point where wholesale replacement would become necessary. Visual impact of poorly maintained assets would reflect poorly on tenant/customer perception and ultimately rental yields.

Start Date: June 2018	**Completion Date:** Sept 2018

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£100,000	**£100,000**		

Capital Cost (Breakdown) £:

Works £90,000	**Equipment**	**Other**	**Fees £10,000**

Revenue cost per annum:	**Year 1: 18/19**	**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**	**Year 5: 22/23**

Proposed Funding

External:	**Internal:** Capital Receipts

Useful Economic Life (years): 15 years	**New/Replacement:** Replacement
Depreciation per annum: £6,700	**Capital Financing Costs:** £750 p.a.
Residual Value: N/A	**Category of Asset:** Investment Property

PROJECT APPRAISAL FORM

Project Name: Information Systems Strategy	**Cost Centre: 0596**	**Ref: 4**

Detailed Description:
Currently the organisation has an emerging ICT Strategy that embraces the wider ICT partnership established in July 2011 between Rushcliffe Borough Council, Broxtowe Borough Council and Newark and Sherwood District Council and includes the technical platforms and solutions designed and implemented to support the Fit for the Future programme at Rushcliffe Borough Council and the Moving Ahead programme at Newark and Sherwood District Council.
The new ICT Strategy is being developed along with a Technical Delivery Plan.

Location: Civic Centre/Arena	**Executive Manager:** Transformation

Contribution to the Council's aims and objectives:
Corporate Theme: Transforming the Council to enable the delivery of efficient high quality services.
Strategic Task: Develop the use of technology to improve customer access and reduce costs.

Community Outcomes:
Residents are able to readily access Council services and information from any location and at a time by using a method that suits them.

The ICT Strategy is closely aligned to the Council's "Four Year Plan" reviews and ICT will be instrumental in delivering the outcomes identified during these reviews. The Strategy will deliver:

- the implementation of tools to improve integration between front and back office systems
- IT solutions offering a wider choice of access channels that support improved standards of service for customers
- an improved ICT infrastructure that will deliver cost savings and reductions in energy usage
- improved information and support for Members through electronic channels
- efficiency savings, alignment of policies and technologies and a more resilient service through working in partnership with other authorities
- an agile approach in order to be responsive to emerging technologies
- a secure environment for customers' data

Other Options Rejected and Why:
Every project is the subject of a business case to be presented to, and approved by, the Executive Management Team (EMT) in order to ensure that the most appropriate IT solution is chosen, having due regard to the alignment of technologies across the partnership, value for money and resilience. The option of not doing so would lead to out dated or incompatible technology which would result in lower performance, higher maintenance costs and hinder the drive for greater efficiencies.

Start Date: On-going	**Completion Date:** On-going

Capital Cost (Total) :	**Year 1: 18/19**	**Year 2: 19/20**	
£290,000 (2 years)	£130,000	£160,000	

Capital Cost (Breakdown): To be determined

Works	**Equipment**	**Other**	**Fees**

Revenue cost per annum:	**Year 1: 18/19**	**Year 2: 19/20**

Proposed Funding	
External: N/A	**Internal:** Capital Receipts

Useful Economic Life (years): 3 years	**New/Replacement:** New and Replacement
Depreciation per annum: £43,300 year 1	**Capital Financing Costs:** £975 year 1
Residual Value: Nil	**Category of Asset:** to be determined

PROJECT APPRAISAL FORM

Project Name: Land South of Clifton	Cost Centre: 0372	Ref: 5

Detailed Description:

In 2015 RBC was allocated £6.25m from the LEP for 3 projects:

- Cotgrave town centre regeneration - £1.2m
- Cotgrave employment land - £1.8m
- Land north of Bingham flood mitigation £2.5m (plus an additional £2.5m match funding from NHB)
- RAF Newton widening access road - £750,000

The £2.5m allocated for Bingham is no longer required as the scheme is viable without this funding. It has therefore been agreed with the LEP to explore alternatives uses for this funding.

It was agreed that the option to be progressed is:

- £2.5m allocated to land south of Clifton
    - The detail for this has not been worked up but it is anticipated that this could contribute towards up front infrastructure costs to help accelerate development of the employment land and increase the affordable housing allocation.

Location: Land South of Clifton	**Executive Manager:** Transformation

Contribution to the Council's aims and objectives:
Corporate Themes:

- Delivering economic growth to ensure a sustainable prosperous and thriving local economy

Strategic Tasks:

- Contribute towards economic growth in the Borough, by:
    - Facilitating the building of new industrial units
    - Delivering the 'Growth Deal' projects
    - Unlocking employment sites in the Borough
- Activate the Asset Investment Strategy to maximise the Council's asset portfolio as the conditions prescribed in the Strategy arise
- Proactively engage with partnership activities to maximise the benefits of collaborative working for Rushcliffe residents and businesses

Community Outcomes:

- A wide variety of new employment opportunities
- Acceleration of delivery of housing including affordable homes in the Borough.

Other Options Rejected and Why:

This is to outline changes to the original allocation of growth deal funding. A long list of options was presented to the LEP for consideration for this reallocation and through discussions this was narrowed down to the option listed for further work.

Start Date: 2019/20		**Completion Date: 2020**	
Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
		£3.250m	

Capital Cost (Breakdown) £:

Works	Equipment	Other	Fees

£3.250m			

Revenue cost per annum:	**Year 1: 18/19**	**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**	**Year 5: 22/23**

Proposed Funding	
External: £2.5m GDF	**Internal:** £500,000 NHB; £250,000 Capital Receipts

Useful Economic Life (years): To be determined	**New/Replacement:** New
Depreciation per annum: To be determined	**Capital Financing Costs:** £5,600 p.a. on internal funding
Residual Value: N/A	**Category of Asset:** Various

PROJECT APPRAISAL FORM

<table>
<tr><td colspan="2">Project Name: Housing Infrastructure Funding</td><td colspan="2">Cost Centre:</td><td>Ref: 5A</td></tr>
<tr><td colspan="5">Detailed Description:

A funding application was submitted to the Homes and Communities Agency Housing Infrastructure Fund (HIF) to contribute towards the upfront infrastructure costs to accelerate delivery of development at land south of Clifton. The application was for £9,995,239 to pay for the spine road and access roads on the site.

If successful it is anticipated that spend would be in 2019/20</td></tr>
<tr><td colspan="2">Location:</td><td colspan="3">Executive Manager: Kath Marriott</td></tr>
<tr><td colspan="5">Contribution to the Council's aims and objectives:
Corporate Themes:
• Delivering economic growth to ensure a sustainable prosperous and thriving local economy

Strategic Tasks:
• Contribute towards economic growth in the Borough, by:
o Facilitating the building of new industrial units
o Delivering the 'Growth Deal' projects (A46 corridor: Cotgrave, Land North of Bingham, RAF Newton)
o Unlocking employment sites in the Borough

• Work with partners to progress infrastructure projects, including:
o Improvements to the A52
o Improvements to the rail connections between Nottingham and Grantham
o Feasibility of a fourth Trent crossing</td></tr>
<tr><td colspan="5">Community Outcomes:

• Acceleration of the delivery of new homes including affordable homes in the borough
• Delivery of new employment land resulting in local jobs opportunities.</td></tr>
<tr><td colspan="5">Other Options Rejected and Why:

There are currently no other suitable infrastructure projects that are at the right stage to submit for funding.</td></tr>
<tr><td colspan="5">Risk Rating High (H)/Medium (M)/ Low (L): H</td></tr>
<tr><td colspan="2">Start Date: 2019/20</td><td colspan="3">Completion Date: 2019/20</td></tr>
<tr><td>Capital Cost (Total) :</td><td>Year 1:18/19</td><td colspan="2">Year 2: 19/20</td><td></td></tr>
<tr><td>£9,995,239</td><td></td><td colspan="2">£9,995,239</td><td></td></tr>
<tr><td colspan="5">Capital Cost (Breakdown) £:</td></tr>
<tr><td>Works</td><td>Equipment</td><td colspan="2">Other</td><td>Fees</td></tr>
</table>

Revenue cost per annum:	**Year 1: 18/19**	**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**	**Year 5: 22/23**

Proposed Funding	
External: £9,995,239	**Internal: N/A**

Useful Economic Life (years):	**New/Replacement:**
Depreciation per annum:	**Capital Financing Costs:**
Residual Value:	**Category of Asset:**

PROJECT APPRAISAL FORM

Project Name: Wheeled Bins	Cost Centre: 0310	Ref: 6

Detailed Description:
This funding is used to facilitate the provision and replacement programme for domestic wheeled bins for all residents across the Borough. It is acknowledged that with the predicted property growth expenditure on the provision of wheeled bins may increase. All wheeled bins are fixed assets which have a finite lifespan and it is important that the Council maintains a programme which also deals with bins that become defective through accidental damage or loss.

Location: Central Works Depot/Borough	**Executive Manager:** Neighbourhoods

Contribution to the Council's aims and objectives:
Corporate Theme: Transforming the Council to enable the delivery of efficient high quality services.
Strategic Task: Examine the future viability of all Council owned property including equipment.

Community Outcomes:
Residents of the Borough continue to receive the council services they require.

Residents provided with wheeled bins that are in good repair and condition resulting in high standards of customer satisfaction.

Compliance with health and safety legislation as it is important that operatives do not empty bins that are damaged or defective.

Other Options Rejected and Why:
Failure to invest in new wheeled bins could give rise to health and safety issues for residents and staff. Customer satisfaction may be affected giving rise to additional complaints to the Council.

Start Date: Ongoing	**Completion Date:** Ongoing

Capital Cost (Total) :	Year 1: 18/19	Year 2: 19/20	
£160,000 (2 years)	£80,000	£80,000	

Capital Cost (Breakdown)

Works	Equipment	Other	Fees
£0	£160,000	£0	£0

Revenue cost per annum:	Year 1: 18/19	Year 2: 19/20
	£0	£0
Year 3: 20/21 £0	**Year 4: 21/22** £0	**Year 5: 22/23** £0

Proposed Funding

External: N/A	**Internal:** Capital Receipts

Useful Economic Life (years): 10	**New/Replacement:** New/Replacement
Depreciation per annum: £8,000	**Capital Financing Costs:** £600 p.a.
Residual Value: N/A	**Category of Asset:** Equipment

PROJECT APPRAISAL FORM

Project Name: Vehicle Replacement	**Cost Centre: 0680**	**Ref: 7**

Detailed Description:
The authority owns vehicles ranging from large refuse freighters to small vans and items of mechanical plant. As these vehicles and plant age and become uneconomic to maintain and run, they are replaced on a new for old basis. Although there is a programme for replacements for the next ten years, each vehicle or machine is assessed annually and the programme continually adjusted to take into account actual performance. This provision will be used to acquire new vehicles and plant, undertake refurbishments to extend vehicle life and value and to purchase second hand vehicles and plant as and when appropriate.

Location: Central Works Depot	**Executive Manager:** Neighbourhoods

Contribution to the Council's aims and objectives:
Corporate Theme: Transforming the Council to enable the delivery of efficient high quality services.
Strategic Task: Examine the future viability of all Council owned property including vehicles and plant to maximise the potential of the Council's portfolio. To work in close alignment with the Council's Transformation Programme in order to deliver services more efficiently.

To reduce waste and increasingly reuse and recycle to protect the environment for the future.

The replacement of vehicles is critical to the performance of the front line services. Regular vehicle and plant replacement with new updated engines helps to meet climate change and national indicator targets for emissions and helps maintain a cleaner air quality within the Borough.

Community Outcomes:
Property owned by the Council is utilised to its full potential.
The introduction of new euro standard engines will lower emissions. The new vehicles will also reduce maintenance costs on the vehicles they replace however it should be noted that the remainder of the fleet ages and therefore the fleet profile and maintenance costs overall remain stable.

Other Options Rejected and Why:
In 2004, the authority considered the leasing and hiring in of vehicles. Due to the level of capital resources it was concluded that it was uneconomical to do either of these two options but as resources reduce these options will be reconsidered. It is likely that this will be re-visited again. However, there are also distinct advantages in direct purchase:-
a) The authority has control over the maintenance of the vehicles.
b) It is difficult to change the terms and conditions of a lease.
c) High performing vehicles can have their lifespan lengthened.
d) Poor performing vehicles can have their lifespan shortened.
Not being tied in to lengthy lease/hire contracts means the service can react and adapt to change quickly.

The Council now actively looks at the possible purchase of 2nd hand vehicles and will refurbish vehicles to extend their life and value.

Start Date: Ongoing		**Completion Date:**	
Capital Cost (Total) :	**Year 1: 18/19**	**Year 2: 19/20**	
£1,000,000 (2 years)	£200,000	£800,000	

Capital Cost (Breakdown)			
Works £0	**Equipment** £1,000,000	**Other** £0	**Fees** £0
Revenue cost per annum :	**Year 1: 18/19** £0		**Year 2: 19/20** £0
Year 3: 20/21 £0	**Year 4: 21/22** £0		**Year 5: 22/23** £0
As each vehicle replaces an existing vehicle there is no increase in the overall, as whilst newer vehicles can lead to less expenditure on breakdown and repair, the overall fleet profile remains relatively constant and therefore service budgets remain the same.			
Proposed Funding:			
External: N/A		**Internal:** Capital Receipts	
Useful Economic Life (years): Various		**New/Replacements:** New and Replacements	
Depreciation per annum: Various		**Capital Financing Costs:** £1,500 year 1	
Residual Value: Various		**Category of Asset:** Vehicle and Plant	

PROJECT APPRAISAL FORM

Project Name: **Hound Lodge – Building Services Upgrade**	**Cost Centre: 0308**	**Ref: 8**

Detailed Description:
Upgrade to heating and domestic hot and cold water systems to include replacement boiler, calorifiers and cold water storage tanks, inclusive of associated controls and equipment. Existing Gas Fired boiler and calorifiers are approx. 20 yrs old, are inefficient and becoming problematic causing operation difficulties. Cold water storage arrangements need to be rationalised to maintain water safety.

Location: Hound Lodge	**Executive Manager:** Neighbourhoods

Contribution to the Council's aims and objectives:
Corporate Themes:

- Maintain and enhance our residents' quality of life.
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:

- Examine the future viability of all Council owned assets including property and equipment.
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
Upgrade works will enhance the efficiency of the facility, improving comfort for users and help to maximise use of resources.

Other Options Rejected and Why:
Do not upgrade the building systems – this would put at risk operational certainty for the facility [increased likelihood of breakdowns], negatively impact customer comfort and safety and fail to minimise operational costs.

Start Date: To be determined	**Completion Date:**

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£40,000	£40,000		

Capital Cost (Breakdown) £:

Works	**Equipment**	**Other**	**Fees**
£36,000			£4,000

Revenue cost per annum:	**Year 1: 18/19** **Not quantifiable at this stage, but should see revenue spend on gas and repairs reduce**	**Year 2: 19/20** **As for 18/19**
Year 3: 20/21 **As for 18/19**	**Year 4: 21/22** **As for 18/19**	**Year 5: 22/23** **As for 18/19**

Proposed Funding

External:	**Internal:** Capital Receipts

Useful Economic Life (years): 15 -20 years	**New/Replacement:** Replacement
Depreciation per annum: £2,700	**Capital Financing Costs:** £300
Residual Value: N/A	**Category of Asset:** Plant/Equipment

PROJECT APPRAISAL FORM

Project Name: Bingham Leisure Centre – Programme Maintenance Works	**Cost Centre: 0417**	**Ref: 9**

Detailed Description:
In order to ensure that the Bingham Leisure Centre building fabric and engineering services are maintained in a safe, compliant and commercially viable condition, the following discrete/localised works are required around the site: roof area re-covering/replacement; replacement rainwater goods; cladding and window replacement; internal/external door replacement; replacement floor coverings; replacement fire protection to structural framing; replacement of pumps and heat exchangers to the domestic water, heating and chemical dosing systems; replacement of AC systems; replacement of fans etc. to ventilation systems; refurbishment of main cold water storage tanks; replacement of electrical distribution boards; replacement of light fittings.
The future of Bingham Leisure Centre is the subject of a detailed feasibility study.

Location: Bingham	**Executive Manager:** Neighbourhoods

Contribution to the Council's aims and objectives:
Corporate Themes:

- Maintain and enhance our resident's quality of life.
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:

- Examine the future viability of all Council owned assets including property and equipment.
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
Completed works will ensure the facility remains safe for public use and operates more efficiently.

Other Options Rejected and Why:
Do not carry out programme works. This would potentially give rise to localised failure of building fabric/plant reducing customer experience and income generation and give rise to safety/security issues.

Start Date: April 2017	**Completion Date: March 2019**

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£306,000 (2 Years)	£159,000	£147,000	

Capital Cost (Breakdown) £: To be determined

Works	**Equipment**	**Other**	**Fees**

Revenue cost per annum:	**Year 1: 18/19**	**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**	**Year 5: 22/23**

Proposed Funding

External:	**Internal:** Capital Receipts
Useful Economic Life (years): 15 years	**New/Replacement: Replacement**
Depreciation per annum: N/A	**Capital Financing Costs:** £1,200 p.a.
Residual Value: N/A	**Category of Asset:** REFCUS

PROJECT APPRAISAL FORM

Project Name: CLC Pool Handling Ventilation System	**Cost Centre: 0343**	**Ref: 10**
Detailed Description: The current ventilation system is coming to the end of its life and needs replacing. The new units will maintain a better environment for the users; will be more economical with lower running and maintenance costs.		
Location: Cotgrave Leisure Centre	**Executive Manager:** Neighbourhoods	

Contribution to the Council's aims and objectives:

Corporate Themes:

- Maintaining and enhancing our residents' quality of life
- Transforming the Council to enable the delivery of efficient high quality services

Strategic Tasks:

- Activate the Leisure Strategy to best provide leisure facilities and activities as the conditions in the Strategy arise
- Facilitate activities for Children and Young People to enable them to reach their potential

Community Outcomes:

- Rushcliffe residents continue to be able to access a wide range of leisure facilities and activities helping them to maintain healthy and active lifestyles
- Young people living in the Borough are healthy, active, confident, and engaged in the communities they live in

Other Options Rejected and Why:
Failure to replace the ventilation system will result in a continued effect on the environment and may impact on customer use and loss of reputation for quality sporting facilities. It could also have health and safety implications.

Start Date: To be determined		**Completion Date:**	
Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£100,000	**£100,000**		

Capital Cost (Breakdown):

Works	**Equipment**	**Other**	**Fees**
	£100,000		

Revenue cost per annum:	**Year 1: 18/19** £0	**Year 2: 19/20** £0
Year 3: 20/21 £0	**Year 4: 21/22** £0	**Year 5: 22/23** £0

Proposed Funding

External:	**Internal:** Capital Receipts

Useful Economic Life (years): 20	**New/Replacement:** Replacement
Depreciation per annum: £5,000	**Capital Financing Costs:** £750 p.a.
Residual Value: Nil	**Category of Asset:** Equipment/Plant

PROJECT APPRAISAL FORM

Project Name: KLC Dry change upgrade	**Cost Centre: 0393**	**Ref: 11**

Detailed Description: The dry change areas at Keyworth leisure centre are joint use with Southwold Academy, who allow use out of school hours, weekends and holidays for Parkwood commercial use. The changing rooms are end of life, requiring new showers, new flooring, new bench seating and fittings. Southwold Academy seeks a capital contribution to carrying out these works. The sum requested reflects a 60% contribution to the total works which is the proportion of hours of community use to school use.

Location: Keyworth Leisure Centre	**Executive Manager:** Neighbourhoods

Contribution to the Council's aims and objectives:

Corporate Themes:

- Maintaining and enhancing the residents' quality of life

Strategic Tasks:

- Activate the Leisure Strategy to best provide leisure facilities and activities as the conditions in the Strategy arise
- Facilitate activities for Children and Young People to enable them to reach their potential

Community Outcomes:

- Rushcliffe residents continue to be able to access dry sport facilities such as studio, sports hall and pitch facilities helping them to maintain healthy and active lifestyles
- Young people living in the borough continue to have access to sport enabling them to become healthy, active, confident and engaged within the communities they live in.

Other Options Rejected and Why:
Don't upgrade or don't contribute to the cost. Failing to contribute is against the joint use agreement and may prompt the Academy to withdraw from the agreement resulting in loss of sporting facilities for the community. Failing to upgrade the facilities may result in loss of customers and loss of reputation for quality sporting facilities.

Start Date: Oct 2018	**Completion Date: Nov 2018**

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
	£30,000		

Capital Cost (Breakdown) £:

Works	**Equipment**	**Other**	**Fees**
		£30,000	

Revenue cost per annum:	**Year 1: 18/19** No impact	**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**	**Year 5: 22/23**

Proposed Funding

External:	**Internal:** £30,000 Capital Receipts (RBC's 60% contribution to £50k scheme)
Useful Economic Life (years): 15	**New/Replacement:** Replacement
Depreciation per annum: N/A	**Capital Financing Costs:** £225 p.a.
Residual Value: N/A	**Category of Asset:** REFCUS

PROJECT APPRAISAL FORM

Project Name: KLC Filter replacement	**Cost Centre: 0394**	**Ref: 12**

Detailed Description: The current filter at Keyworth leisure centre is coming to the end of its life and has been patched and repaired numerous times. If the filter fails, the pool will have to be closed until such time as it is replaced resulting in lost facilities for the community. New filtration provides opportunity to install UV filtration giving added protection for water quality particularly with regards to cryptosporidium.

Location: Keyworth Leisure Centre	**Executive Manager:** Neighbourhoods

Contribution to the Council's aims and objectives:
Corporate Themes:

- Maintaining and enhancing the residents quality of life

Strategic Tasks:

- Activate the Leisure Strategy to best provide leisure facilities and activities as the conditions in the Strategy arise
- Facilitate activities for Children and Young People to enable them to reach their potential

Community Outcomes:

- Rushcliffe residents continue to be able to access swimming facilities helping them to maintain healthy and active lifestyles
- Young people living in the borough continue to have access to swimming lessons and swimming activities enabling them to become healthy, active, confident and engaged within the communities they live in.

Other Options Rejected and Why:
Continue to patch repair. The internal wall of the filter is corroded due to the atmosphere created by the chemicals used to disinfect the pool. This reduces the thickness of the metal shell of the filters which have had to be repaired externally on a number of occasions already. Not replacing the filters heightens the chance that a filter will spring a leak or in the worst case a large hole will be blown in the filter leading to an unplanned period of closure and safety issues.

Start Date: Oct 2018	**Completion Date: Nov 2018**

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
	£30,000		

Capital Cost (Breakdown) £:

Works	**Equipment**	**Other**	**Fees**
	£30,000		

Revenue cost per annum:	**Year 1: 18/19** No impact	**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**	**Year 5: 22/23**

Proposed Funding

External:	**Internal:** Capital Receipts
Useful Economic Life (years): 25 - 30	**New/Replacement:** Replacement
Depreciation per annum: N/A	**Capital Financing Costs:** £225 p.a.
Residual Value: N/A	**Category of Asset:** REFCUS

PROJECT APPRAISAL FORM

<table>
<tr><td colspan="2">Project Name:
Car Park Improvements - Lighting</td><td colspan="2">Cost Centre: 0323</td><td>Ref: 13</td></tr>
<tr><td colspan="5">Detailed Description:
Upgrade of existing car park lighting to LED. Existing car park lighting is approx. 10 - 15yrs old and of low performance/efficiency type by current standards. Proposal is to upgrade by replacing existing discharge type lighting units with modern LED type, reducing maintenance frequencies, improving light distribution and reducing overall electricity consumption/cost.</td></tr>
<tr><td colspan="2">Location: Bingham, R-o-T, East Leake and Keyworth Car Parks</td><td colspan="3">Executive Manager: Neighbourhoods</td></tr>
<tr><td colspan="5">Contribution to the Council’s aims and objectives:
Corporate Themes:
• Transforming the Council to enable the delivery of high efficient high quality services.
• Maintaining and improving our residents’ quality of life.
Strategic Tasks:
• Examine the future viability of all Council owned assets including property and equipment.
• Improve efficiency and reliability of service and reduce operating costs.</td></tr>
<tr><td colspan="5">Community Outcomes:
Upgrade works will enhance the efficiency of the lighting to the car parks; enhance users feeling of safety and help to maximise use of resources by minimising spent of maintenance and power consumption.</td></tr>
<tr><td colspan="5">Other Options Rejected and Why:
Do not upgrade the lighting equipment – this would fail to enhance users perceived feeling of safety; fail to capitalise on operational cost savings derived from reduced power consumption and maintenance visits.</td></tr>
<tr><td colspan="2">Start Date: June 2018</td><td colspan="3">Completion Date: Sept 2018</td></tr>
<tr><td>Capital Cost (Total) :</td><td>Year 1:18/19</td><td colspan="2">Year 2: 19/20</td><td></td></tr>
<tr><td>£110,000</td><td>£110,000</td><td colspan="2"></td><td></td></tr>
<tr><td colspan="5">Capital Cost (Breakdown) £:</td></tr>
<tr><td>Works £100,000</td><td>Equipment</td><td colspan="2">Other</td><td>Fees £10,000</td></tr>
<tr><td>Revenue cost per annum:</td><td colspan="2">Year 1: 18/19
Not quantifiable at this stage, but should see revenue spend on electicity and repairs reduce</td><td colspan="2">Year 2: 19/20
As per 18/19</td></tr>
<tr><td>Year 3: 20/21
As per 18/19</td><td colspan="2">Year 4: 21/22
As per 18/19</td><td colspan="2">Year 5: 22/23
As per 18/19</td></tr>
<tr><td colspan="5">Proposed Funding</td></tr>
<tr><td colspan="2">External:</td><td colspan="3">Internal: Capital Receipts</td></tr>
<tr><td colspan="2">Useful Economic Life (years):
15 -20 years</td><td colspan="3">New/Replacement: Replacement</td></tr>
<tr><td colspan="2">Depreciation per annum: £7,300</td><td colspan="3">Capital Financing Costs: £825 p.a.</td></tr>
<tr><td colspan="2">Residual Value: N/A</td><td colspan="3">Category of Asset: Operational Land and Buildings - Equipment</td></tr>
</table>

PROJECT APPRAISAL FORM

Project Name: Car Parks Improvements - Resurfacing	**Cost Centre: 0325**	**Ref: 14**

Detailed Description:
Existing tarmacadam surfaces are approx. 15 yrs old and wearing course is failing; various holding repairs have been carried out to extend current life. Proposal is to plane-off and replace macadam finishes including replacement line markings to rejuvenate facilities.

Location: Bridgford Rd & Gordon Rd car parks	**Executive Manager:** Neighbourhoods

Contribution to the Council's aims and objectives:
Corporate Themes:

- Maintain and enhance our resident's quality of life.
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:

- Examine the future viability of all Council owned assets including property and equipment.
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
Improvement works will enhance customer experience/perception and minimise short term maintenance costs.

Other Options Rejected and Why:
Do not resurface the car parks – this would result in lower customer experience/perception of the facility and miss an opportunity to minimise operational costs.

Start Date: Sept 2018		**Completion Date: Feb 2019**	
Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£220,000	**£220,000**		

Capital Cost (Breakdown) £:

Works £200,000	**Equipment**	**Other**	**Fees £20,000**

Revenue cost per annum:	**Year 1: 18/19**	**Year 2: 19/20**
Year 3: 20/21	**Year 4: 21/22**	**Year 5: 22/23**

Proposed Funding

External:	**Internal:** Organisational Stabilisation Reserve
Useful Economic Life (years): 15 years	**New/Replacement:** Replacement
Depreciation per annum: £14,700	**Capital Financing Costs:** £1,650 p.a.
Residual Value: N/A	**Category of Asset:** Operational Land and Buildings - infrastructure

PROJECT APPRAISAL FORM

Project Name: Play Areas (Special Expense)	**Cost Centre: 0664**	**Ref: 15**

Detailed Description:

The priority project for 2018/19 remains the skate-park at the Hook. Whether an allocation is required from the 2018/19 budget to supplement the previous years' allocations to this project is subject to the outcome of a funding application to the Sport England Community Asset Fund. Therefore a degree of flexibility is required within the 2018/19 programme to accommodate this current uncertainty.

Location: West Bridgford	**Executive Manager:** Communities

Contribution to the Council's aims and objectives:
Corporate Theme: Maintaining and enhancing our residents' quality of life.
Strategic Task: a) Facilitate activities for Children and Young People to enable them to reach their potential.
b) Activate the Leisure Strategy to best provide leisure facilities and activities

Community Outcomes:
Residents continue to be able to access a wide range of leisure facilities and activities supporting them to lead healthy and active lifestyles.
Young people living in the Borough are healthy, active, confident, and engaged in the communities they live in.

Other Options Rejected and Why:
Doing nothing – however due to damage the existing skate-ramps were removed in 2017 so doing nothing would result in a long term removal of provision which would have a negative impact on the community of young people with associated reputational damage.

Start Date: Ongoing	**Completion Date:**

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
	£50,000	£50,000	

Capital Cost (Breakdown) £: To be determined

Works	**Equipment**	**Other**	**Fees**

Revenue cost per annum:	**Year 1: 18/19** £0	**Year 2: 19/20** £0
Year 3: 20/21 £0	**Year 4: 21/22** £0	**Year 5: 22/23** £0

Proposed Funding

External:	**Internal:** Regeneration and Community Projects Reserve (Special Expense)
Useful Economic Life (years): 15	**New/Replacement:** Replacement
Depreciation per annum: £3,300	**Capital Financing Costs:** £375 p.a.
Residual Value: Nil	**Category of Asset:** Infrastructure/equipment

PROJECT APPRAISAL FORM

Project Name: **West Park Sports Pavilion – Public Toilet Refurbishment (Special Expense)**	**Cost Centre: 0322**	**Ref: 16**

Detailed Description:
Upgrade to existing public toilet facility. Replacement of sanitary ware, fixtures, fittings and finishes. Existing facilities are approx. 15 yrs old and in need of upgrading to maintain good standard and minimise water and power consumption.

Location: West Park Sports Pavilion	**Executive Manager:** Communities

Contribution to the Council's aims and objectives:
Corporate Themes:
- Maintain and enhance our resident's quality of life.
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:
- Examine the future viability of all Council owned assets including property, equipment.
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
Upgrade works will enhance customer experience and improve efficiency of the facility.

Other Options Rejected and Why:
Do not upgrade the toilet facilities – this would result in lower customer experience/perceptions of the facility and miss an opportunity to minimise operational costs.

Start Date: June 2018	**Completion Date:** Sept 2018

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£20,000	**£20,000**		

Capital Cost (Breakdown) £:

Works £17,500	**Equipment**	**Other**	**Fees £2,500**

Revenue cost per annum:	**Year 1: 18/19** Not quantifiable at this stage, but should see revenue spend on gas and repairs reduce	**Year 2: 19/20** As for 18/19
Year 3: 20/2 As for 18/19	**Year 4: 21/22** As for 18/19	**Year 5: 22/23** As for 18/19

Proposed Funding

External:	**Internal:** Special Expense – Regeneration and Community Projects Reserve
Useful Economic Life (years): 15 years	**New/Replacement:** Replacement
Depreciation per annum: £1,300	**Capital Financing Costs:** £150 p.a.
Residual Value: N/A	**Category of Asset:** Operational Land and Buildings

PROJECT APPRAISAL FORM

Project Name: **West Park Sports Pavilion – Building Services Upgrade (Special Expense)**	**Cost Centre: 0321**	**Ref: 17**

Detailed Description:
Upgrade to heating and domestic hot and cold water systems to include replacement boiler, calorifiers and cold water storage tanks, inclusive of associated controls and equipment. Existing LPG boiler and calorifiers are approx. 15 yrs old, are inefficient and becoming problematic causing operation difficulties. Cold water storage arrangements need to be rationalised to maintain water safety.

Location: West Park Sports Pavilion	**Executive Manager:** Communities

Contribution to the Council's aims and objectives:

Corporate Themes:
- Maintain and enhance our resident's quality of life.
- Transforming the Council to enable the delivery of high efficient high quality services.
-

Strategic Tasks:
- Examine the future viability of all Council owned assets including property and equipment.
- Improve efficiency and reliability of service and reduce operating costs.
-

Community Outcomes:
Upgrade works will enhance the efficiency of the facility and enhance reliability of the plant whilst helping to minimise on-going maintenance and utility costs.

Other Options Rejected and Why:
Do not upgrade the building systems – this would put at risk operational certainty for the facility [increased likelihood of breakdowns], potentially negatively impact water safety and customer experience whilst missing an opportunity to minimise operational costs.

Start Date: June 2018	**Completion Date: Sept 2018**

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£40,000	**£40,000**		

Capital Cost (Breakdown) £:

Works £36,000	**Equipment**	**Other**	**Fees £4,000**

Revenue cost per annum:	**Year 1: 18/19** Not quantifiable at this stage, but should see revenue spend on gas and repairs reduce	**Year 2: 19/20** As for 18/19
Year 3: 20/21 As for 18/19	**Year 4: 21/22** As for 18/19	**Year 5: 22/23** As for 18/19

Proposed Funding	
External:	**Internal:** Special Expense – Regeneration and Community Projects Reserve

Useful Economic Life (years): 15 years	**New/Replacement:** Replacement
Depreciation per annum: £2,700	**Capital Financing Costs:** £300 p.a.
Residual Value: N/A	**Category of Asset:** Plant/Equipment

PROJECT APPRAISAL FORM

Project Name: **West Park - Julien Cahn Pavilion refurb toilets/bar and replace bay windows (Special Expense)**	**Cost Centre: 0320**	**Ref: 18**

Detailed Description:
Upgrade to existing toilets and bar area, including replacement of timber bay windows. Works to include replacement of sanitary ware, fixtures, fittings and finishes. Existing facilities and bay windows are approx. 15 yrs old and in need of upgrading to maintain good standard and minimise water and power consumption.

Location: West Park – Julien Cahn Pavilion	**Executive Manager:** Communities

Contribution to the Council's aims and objectives:
Corporate Themes:

- Maintain and enhance our resident's quality of life.
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:

- Examine the future viability of all Council owned assets including property and equipment.
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
Upgrade works will enhance customer experience and improve efficiency of the facility.

Other Options Rejected and Why:
Do not upgrade the toilet facilities – this would result in lower customer experience/perceptions of the facility and miss an opportunity to minimise operational costs.

Start Date: June 2018	**Completion Date:** Sept 2018

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£40,000	**£40,000**		

Capital Cost (Breakdown) £:

Works £36,000	**Equipment**	**Other**	**Fees £4,000**

Revenue cost per annum:	**Year 1: 18/19** Not quantifiable at this stage, but should see revenue spend on electricity and repairs reduce	**Year 2: 19/20** As for 18/19
Year 3: 20/21 As for 18/19	**Year 4: 21/22** As for 18/19	**Year 5: 22/23** As for 18/19

Proposed Funding

External:	**Internal:** Special Expense – Regeneration and Community Projects Reserve
Useful Economic Life (years): 15 years	**New/Replacement:** Replacement
Depreciation per annum: £2,700	**Capital Financing Costs:** £300 p.a.
Residual Value: N/A	**Category of Asset:** Operational Land and Buildings

PROJECT APPRAISAL FORM

Project Name: **Gresham Sports Pavilion – Building Services Upgrade**	**Cost Centre: 0324**	**Ref: 19**

Detailed Description:
Upgrade to domestic hot water heating system including associated circulation pumps and controls. Existing Gas Fired boilers are approx. 10 yrs old and are becoming inefficient and problematic resulting in operation difficulties. Repairs to the existing boilers will be expensive. Given the history of water safety problems with this site, it is essential that water temps are maintained.

Location: Gresham Sports Pavilion	**Executive Manager:** Communities

Contribution to the Council's aims and objectives:
Corporate Themes:
- Maintain and enhance our resident's quality of life.
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:
- Examine the future viability of all Council owned assets including property and equipment.
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
Upgrade works will enhance the efficiency of the facility and enhance reliability of the plant whilst helping to reduce on-going maintenance costs.

Other Options Rejected and Why:
Do not upgrade the building systems – this would put at risk operational certainty for the facility [increased likelihood of breakdowns], potentially negatively impact water safety and customer experience whilst missing an opportunity to minimise operational costs.

Start Date: June 2018	**Completion Date: Sept 2018**

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£35,000	**£35,000**		

Capital Cost (Breakdown) £:

Works £31,500	**Equipment**	**Other**	**Fees £3,500**

Revenue cost per annum:	**Year 1: 18/19** Not quantifiable at this stage, but should see revenue spend on gas and repairs reduce	**Year 2: 19/20** As for 18/19
Year 3: 20/21 As for 18/19	**Year 4: 21/22** As for 18/19	**Year 5: 22/23** As for 18/19

Proposed Funding

External:	**Internal:** Capital Receipts
Useful Economic Life (years): 15 years	**New/Replacement:** Replacement
Depreciation per annum: £2,300	**Capital Financing Costs:** £260 p.a.
Residual Value: N/A	**Category of Asset:** Plant/Equipment

PROJECT APPRAISAL FORM

Project Name: **Lutterell Hall – Building Services Upgrade (Special Expense)**	**Cost Centre: 0326**	**Ref: 20**

Detailed Description:
Upgrade to heating boiler, flue and associated circulation pumps and controls. Existing Hoval Gas Fired boiler is approx. 15-20 yrs old and is inefficient and becoming problematic resulting in operation difficulties. Repairs to the existing boiler will be expensive.

Location: Lutterell Hall	**Executive Manager:** Communities

Contribution to the Council's aims and objectives:
Corporate Themes:

- Maintain and enhance our resident's quality of life.
-
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:
- Examine the future viability of all Council owned assets including property and equipment.
-
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
Upgrade works will enhance the efficiency of the facility and enhance reliability of the plant whilst helping to minimise on-going maintenance and utility costs.

Other Options Rejected and Why:
Do not upgrade the building systems – this would put at risk operational certainty for the facility [increased likelihood of breakdowns], potentially negatively impact water safety and customer experience whilst missing an opportunity to minimise operational costs.

Start Date: June 2018	**Completion Date:** Sept 2018

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£35,000	**£35,000**		

Capital Cost (Breakdown) £:

Works	**Equipment**	**Other**	**Fees**
£31,500			£3,500

Revenue cost per annum:	**Year 1: 18/19** Not quantifiable at this stage, but should see revenue spend on gas and repairs reduce	**Year 2: 19/20** As for 18/19
Year 3: 20/21 As for 18/19	**Year 4: 21/22** As for 18/19	**Year 5: 22/23** As for 18/19

Proposed Funding	
External:	**Internal:** Special Expense funded initially from Capital Receipts repaid by annuity charges

Useful Economic Life (years): 15 years	**New/Replacement:** Replacement
Depreciation per annum: £2,300	**Capital Financing Costs:** £260 p.a.
Residual Value: N/A	**Category of Asset:** Plant/Equipment

PROJECT APPRAISAL FORM

Project Name: **Gamston Community Centre – Heating Upgrade (Special Expense)**	**Cost Centre: 0317**	**Ref: 21**

Detailed Description:
Upgrade to heating and domestic hot and cold water systems to include replacement boiler, calorifier and cold water storage tank, inclusive of associated controls and equipment. Existing Gas Fired boiler and calorifier are approx. 20 yrs old, are inefficient and becoming problematic causing operation difficulties. Cold water storage arrangements need to be rationalised to maintain water safety.

Location: Gamston Community Centre	**Executive Manager:** Communities

Contribution to the Council's aims and objectives:

Corporate Themes:

- Maintain and enhance our resident's quality of life.
- Transforming the Council to enable the delivery of high efficient high quality services.

Strategic Tasks:

- Examine the future viability of all Council owned assets including propert, equipment.
- Improve efficiency and reliability of service and reduce operating costs.

Community Outcomes:
Upgrade works will enhance the efficiency of the facility, improving comfort for users and help to maximise use of resources.

Other Options Rejected and Why:
Do not upgrade the building systems – this would put at risk operational certainty for the facility [increased likelihood of breakdowns], negatively impact customer comfort and safety and fail to minimise operational costs.

Start Date: June 2018	**Completion Date:** Sept 2018

Capital Cost (Total) :	**Year 1:18/19**	**Year 2: 19/20**	
£30,000	£30,000		

Capital Cost (Breakdown) £:

Works	**Equipment**	**Other**	**Fees**
£27,000			£3,000

Revenue cost per annum:	**Year 1: 18/19**	**Year 2: 19/20**
	Not quantifiable at this stage, but should see revenue spend on gas and repairs reduce	As for 18/19
Year 3: 20/21 As for 18/19	**Year 4: 21/22** As for 18/19	**Year 5: 22/23** As for 18/19

Proposed Funding

External:	**Internal:** Special Expense funded initially from Capital Receipts but repaid through annuity charges
Useful Economic Life (years): 15 -20 years	**New/Replacement:** Replacement
Depreciation per annum: £2,000	**Capital Financing Costs:** £225 p.a.
Residual Value: N/A	**Category of Asset:** Plant/Equipment

CAPITAL AND INVESTMENT STRATEGY 2018/19 – 2022/23

Introduction

1. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.

2. In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

3. The CLG consulted on a further revision to the guidance in November 2017, with a particular focus on:

   a) MRP and restrictions relating to its calculation
   b) Assets held by the organisation primarily for financial returns, such as investment property portfolios

   This revised Guidance is due to be issued early 2018. The Council's capital and Investment Strategy has been constructed in line with the 2018 Guidance, however, given the short timescales involved the Strategy will evolve.

4. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

5. Revisions to the strategy: In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly.

The Capital Strategy

6. The Council's capital expenditure plans are summarised below and forms the first of the prudential indicators. Capital expenditure needs to have regard to:

   - Corporate objectives (e.g. strategic planning);
   - Stewardship of assets (e.g. asset management planning);
   - Value for money (e.g. option appraisal);
   - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
   - Affordability (e.g. implications for council tax); and
   - Practicability (e.g. the achievability of the Corporate Plan)

7. Each year the Council will produce a Capital Programme to be approved by Full Council in March as part of the Council Tax setting.

8. Each scheme is supported by a detailed appraisal, as set out in the Council's Financial Regulations. The capital appraisals will address the following:

a) A detailed description of the project;
b) How the project contributes to the Council's aims and objectives;
c) Anticipated outcomes;
d) A consideration of alternative solutions;
e) An estimate of the capital costs and sources of funding;
f) An estimate of the revenue implications, including any savings and/or future income generation potential;
g) Any other aspects relevant to the appraisal of the scheme as the S151 Officer may determine.

The appraisal requirement applies to all schemes except where there is regular grant support.

9. From time to time unforeseen opportunities may arise, or new priorities may emerge, which will require swift action and inclusion in the Capital Programme. These schemes are still subject to the appraisal process and the Capital Programme will contain a contingency sum to allow such schemes to progress without disrupting other planned capital activity.

Capital Prudential Indicators

a) Capital Expenditure Estimates

10. Capital expenditure can be financed immediately through the application of capital resources, for example, capital receipts, capital grants or revenue resources. However, if these resources are insufficient or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need. Table 1 summarises the capital expenditure projections and anticipated financing.

Table1: Projected Capital Expenditure and Financing

	2017/18 Estimate £'000	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Capital Expenditure	15,128	22,148	11,906	19,262	6,097	1,771	1,916
Less Financing by:							
Capital Receipts	2,372	14,890	5,995	3,197	2,020	1,150	1,295
Capital Grants/ Contributions	4,642	3,886	1,009	14,378	3,481	571	571
Reserves	3,154	689	370	550	50	50	50
Underlying need to Borrow	**4,960**	**2,683**	**4,532**	**1,137**	**546**	**0**	**0**

11. The key risks to the capital expenditure plans are that the level of grants estimated is subject to change, anticipated capital receipts are not realised in the medium term and the impact of the changes to New Homes Bonus.

b) The Council's Underlying Need to Borrow and Investment position

12. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital expenditure. This underlying need to borrow will increase the CFR (i.e. the use of internal borrowing, which reduces our investment balance). This increase is offset by MRP raised through Council Tax, as a result of financing requirements in relation to the Arena development.

13. The Council also holds usable reserves and working capital which represent the underlying resources available for investment. The Council's current strategy is to use these resources to avoid borrowing, sometimes known as internal borrowing.

14. The table below summarises the overall position with regard to borrowing and available investments:

Table 2: CFR and Investment Resources

	31.3.18 Estimate £'000	31.3.19 Forecast £'000	31.3.20 Forecast £'000	31.3.21 Forecast £'000	31.3.22 Forecast £'000	31.3.23 Forecast £'000
Opening CFR	9,563	11,121	14,653	14,790	14,336	13,336
CFR in year	2,558	4,532	1,137	546	-	-
Less: MRP etc	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Closing CFR	**11,121**	**14,653**	**14,790**	**14,336**	**13,336**	**12,336**
Less: External Borrowing	-	-	-	-	-	-
Internal Borrowing	11,121	14,653	14,790	14,336	13,336	12,336
Less:						
Usable Reserves	(14,131)	(13,505)	(12,852)	(14,194)	(16,508)	(18,177)
Working Capital	(14,783)	(14,783)	(14,783)	(14,783)	(14,783)	(14,783)
Available for Investment(-)	(17,793)	(13,635)	(12,845)	(14,641)	(17,955)	(20,624)

15. The Council is currently debt free and its capital expenditure plans imply that there will be no need to externally borrow in the next 5 years, although the situation could fundamentally change if significant new capital investment is identified. Available resources (Usable reserves and working capital) are forecast to fall initially, as usable reserves are used to finance both capital and revenue expenditure over time.

16. The Authority is able to borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of their Authority's overall management of its treasury risks.

17. The total amount borrowed will not exceed the authorised borrowing limit of £25m. The maximum period between borrowing and expenditure is expected to be 2 years, although the Authority is not required to link particular loans with particular items of expenditure.

18. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the Authority expects to comply with this recommendation during 2018/19.

Minimum Revenue Provision Policy

19. Revised CLG Regulations have been issued which require the Corporate Governance Group to consider a Minimum Revenue Provision (MRP) Statement in advance of each year. Further commentary regarding financing of the debt is provided within the Treasury Management Strategy Statement (paragraphs 29-35). A variety of options are provided to Councils, so long as there is prudent provision. The Council has chosen the Asset Life Method (Option 3 within the Guidance) with the following recommended MRP Statement:

- *MRP will be based on the estimated life of the assets, in accordance with Option 3 of the regulations. Estimated life periods within this limit will be determined under delegated powers, subject to any statutory override. (Currently this is under consultation by DCLG with proposed asset lives of 40 and 50 years for property and land respectively)*

  As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

  This option provides for a reduction in the borrowing need over approximately the asset's life.

Treasury Management Strategy 2018/19 to 2022/23

20. The CIPFA Treasury Management Code defines treasury management activities 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.

    The code also covers non-cash investments which is covered at paragraph 65 below.

21. The CIPFA Code of Practice for Treasury Management in the Public Services (the "CIPFA Treasury Management Code") and the CIPFA Prudential Code require local authorities to produce a Treasury Management Strategy Statement on an annual basis.

22. This Strategy Statement includes those indicators that relate to the treasury management functions and help ensure that the Council's capital investment plans are affordable, prudent and sustainable, while giving priority to the security and liquidity of those investments.

The Current Economic Climate and Prospects for Interest Rates.

23. The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remains relatively robust, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

24. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ring-fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

25. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

26. The Bank of England base rate informs the rates than can be obtained on investments. Having recently been increased to 0.5%, the base rate is expected to remain at this level throughout 2018/19 and long term interest rates are also expected to remain low. The table below shows the assumed average interest that will be made over the next five years for budget setting purposes.

Table 3: Budgetary Impact of Assumed Interest Rate Going Forward

	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Anticipated Interest Rate (%)	0.75	0.75	0.75	1.00	1.00
Expected interest from investments (£)	161,100	141,100	147,100	192,800	224,700
Other interest (£)	109,400	102,900	97,400	92,800	87,900
Total Interest (£)	**270,500**	**244,000**	**244,500**	**285,600**	**312,600**

27. As previously reported in the event that a bank suffers a loss the Council could be subject to bail-in to assist with the recovery process. The impact of a bail-in

depends on the size of the loss incurred by the bank or building society, the amount of equity capital and junior bonds that can be absorbed first and the proportion of insured deposits, covered bonds and other liabilities that are exempt from bail-in.

28. The Council has managed bail-in risk by both reducing the amount that can be invested with each institution to £5 million and by investment diversification. There are also proposals for EU regulatory reform to Money Market Funds which could result in these funds moving to variable net asset value and losing their credit ratings. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important with these developments.

Borrowing Strategy 2018/19 to 2022/23

Prudential Indicators for External Debt

29. Table 2 above identifies that the Council will not need to externally borrow over the MTFS period. Short-term internal borrowing will therefore be used to finance the capital programme as short-term interest rates are currently much lower than long-term rates so it is likely to be more cost effective to use internal resources.

30. By doing this, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise.

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

- Internal borrowing
- Public Works Loan Board (or the body that will replace the PWLB in the future)
- Local authorities
- UK public and private sector pension funds
- Commercial banks
- Building Societies in the UK
- Money markets
- Leasing
- Capital market bond investors
- Special purpose companies created to enable local authority bond issue

a) Authorised Limit for External Debt

32. The authorised limit is the “affordable borrowing limit” required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and either cover temporary cash flow shortfalls or use for longer term capital investment.

Table 4: The Authorised Limit

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Authorised Limit	25,000	25,000	25,000	25,000	25,000	25,000

b) Operational Boundary for External Debt

33. The operational boundary is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or above the boundary subject to the authorised limit not being breached. The Operational Limit has been set at 0 as the Council is not expected to need to borrow over the period of the MTFS.

Table 5: The Operational Boundary

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Operational Boundary	0	0	0	0	0	0

Prudential Indicators for Affordability

34. Affordability indicators provide details of the impact of capital investment plans on the Council's overall finances.

a) Actual and estimates of the ratio of net financing costs to net revenue stream

35. This indicator identifies the trend in net financing costs (borrowing costs less investment income) against net revenue income. The purpose of the indicator is to show how the proportion of net income used to pay for financing costs (a credit indicates interest earned rather than cost) is changing over time. The trend below is consistent with the fact that our investments will decline due to the investment in the Arena Redevelopment and Asset Investment Strategy, as will the Councils net budget, but in the later years projected interest earned increases.

Table 6: Proportion of Financing Costs to Net Revenue Stream

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
General Fund	6.44%	6.79%	6.98%	6.91%	6.51%	6.15%

Investment Strategy 2018/19 to 2022/23

36. The movement in investments per Table 2 above are as follows:

Table 7: Investment Projections

£'000	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Investments at 31 March	17,793	13,635	12,845	14,641	17,955	20,624

37. Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return. 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 unsuitable low investment income. Accordingly, the Council ensures that robust due diligence procedures cover all external investment.

38. The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole of the Council's inflation exposures.

39. The Council may invest its surplus funds with the counterparties. Where appropriate, the Council is registered as a professional client (under “MIFID II”) with the counterparty limits shown below in Table 8 and counterparties included at Appendix A:

Table 8: Counterparty Details

Credit Rating	Banks* Unsecured	Banks* Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 Years	n/a	n/a
AAA	£3.0m 5 years	£5.0m 20 years	£5.0m 50 years	£3.0m 20 years	£3.0m 20 years
AA+	£3.0m 5 years	£5.0m 10 years	£5.0m 25 years	£3.0m 10 years	£3.0m 10 years
AA	£3.0m 4 years	£5.0m 5 years	£5.0m 15 years	£3.0m 5 years	£3.0m 10 years
AA-	£3.0m 3 years	£5.0m 4 years	£5.0m 10 years	£3.0m 4 years	£3.0m 10 years
A+	£3.0m 2 years	£5.0m 3 years	£5.0m 5 years	£3.0m 3 years	£3.0m 5 years
A	£3.0m 13 months	£5.0m 2 years	£5.0m 5 years	£3.0m 2 years	£3.0m 5 years
A-	£3.0m 6 months	£5.0m 13 months	£5.0m 5 years	£3.0m 2 years	£3.0m 5 years
None	£1.0m 6 months	n/a	£5.0m 25 years	£3.0m 5 years	£3.0m 5 years
Pooled Funds**	£5m per fund				

*Banks includes Banks and Building Societies.

**Pooled funds do not have a defined maturity date. Monies in Money Market Funds can be withdrawn on the same date; monies in other pooled funds can be withdrawn giving the requisite notice, generally between 1 and 7 days.

**Pooled funds includes monies in the CCLA Property Fund which can be withdrawn on each monthly redemption date, if required; it is the Council’s intention to hold its investment over a reasonable time frame for property investments, which is 5 years, subject to cash flow requirements.

40. Although the above table details the counterparties that the Council could invest funds with it would not invest funds with counterparties against the advice of Arlingclose even if they met the criteria above.

41. Changes to any of the above can be authorised by the Section 151 Officer or the Financial Services Manager and thereafter will be reported to the Corporate Governance Group. This is to cover exceptional circumstances so that instant

decisions can be made in an environment which is both fluid and subject to high risk.

42. The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2,000,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

43. Credit rating information is provided by Arlingclose on all active counterparties that comply with the criteria above. A counterparty list will be maintained from this information and any counterparty not meeting the criteria will be removed from the list.

44. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

Credit Risk

46. The CIPFA Treasury Management Code recommends that organisations should clearly specify the minimum acceptable credit quality of its counterparties; however they should not rely on credit ratings alone and should recognise their limitations. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantial doubts about its credit quality, even though it may meet the credit rating criteria.

47. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient

commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Current investments

48. The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium term financial plan and cash flow forecast.

49. Surplus funds are invested based on the most up to date forecasts of interest rates and in accordance with the Council’s cash flow requirements in order to gain the maximum benefit from the Council’s cash position throughout the year. Funds are separated between specified and non-specified investments as detailed below.

Specified investments

50. The CLG guidance defines specified investments as those:

- Denominated in pound sterling,
- Due to be repaid within 12 months of arrangements,
- Not defined as capital expenditure by legislation, and
- Invested with one of:
  - The UK Government
  - A UK local authority, parish council, or community council, or
  - A body or investment scheme of “high credit quality”

51. The Council now defines “high credit quality” organisations as those having a credit rating of A-and above.

Non-specified investments

52. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and scheme not meeting the definition on high credit quality. Limits on non-specified investments are shown in the following table:

Table 9: Non-specified Investment Limits

	Cash Limit
Total long-term investments	£15m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£3m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£3m
Total non-specified investments	£15m

Investment Limits

53. The Authority's revenue reserves available to cover investment losses are forecast to be £12.2 million on 31st March 2018. In order that no more than 40% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5.0 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 10: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£7.5m per manager
Negotiable instruments held in a broker's nominee account	£7.5m per broker
Foreign countries	£3m per country
Registered providers	£7.5m in total
Unsecured investments with building societies	£3m in total
Loans to unrated corporates	£3m in total
Money Market Funds	£25m in total

Treasury Management limits on activity

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

a) Interest Rate Exposures

55. This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net interest payable will be:

Table 11: Interest Rate Exposure

	2018/19	2019/20	2020/21	2021/22	2022/23
Upper Limit on fixed interest rate exposure	50%	50%	50%	50%	50%
Upper Limit on variable interest rate exposure	100%	100%	100%	100%	100%

56. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Principal Sums Invested over 1 year

57. This limit is intended to contain exposure to the possibility of any loss that may arise as a result of the Council having to seek early repayment of any investments made. The limits on the long term principle sum invested to final maturities beyond the period end are set at 50% of the sum available for investment (to the nearest £100k), as follows:

Table 12: Principal Sums Invested over 1 year

	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000
Limit on Principal invested beyond year end	16,200	14,200	14,200	14,900	15,700	16,500

Policy on the use of financial derivatives

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

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

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

Treasury Management Advisors

61. The Council uses Arlingclose as its treasury management advisors. The company provides a range of services which include:

- Technical support on treasury matters and capital finance issues
- Economic and interest rate analysis
- Generic investment advice on interest rates, timing and investment instruments; and
- Credit ratings/market information service comprising the three main credit rating agencies.

62. Whilst the treasury management advisors provide support to the internal treasury function, the current market rules and the CIPFA Treasury Management Code confirms that the final decision on treasury management matters rests with the Council. The service provided by the Council's treasury management advisors is subject to regular review.

Member and Officer Training

63. The increased member consideration of treasury management matters and the need to ensure that officers dealing with treasury management are trained and kept up to date requires a suitable training process for members and officers. In general, members training needs are reported through the Member Development Group, however, the Council will also specifically address this important issue by:

- Periodically facilitating workshops for members on finance issues;
- Interim reporting and advising members of Treasury issues via CGG;
- Identifying officer training needs on treasury management related issues through the Performance Development and Review appraisal process;

With regards to officers:

- Attendance at training events, seminars and workshops; and
- Support from the Council's treasury management advisors.

Other Options Considered

64. The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Executive Manager – Finance and Corporate Services, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Commercial Investments

65. The definition of investments in CIPFA's definition of treasury management activities above (paragraph 20) covers all financial assets of the organisation as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework, which is outlined below.

66. The Council is committed to becoming self-sustainable as Central Government funding reduces. This includes ensuring that the Council maximises any income from existing assets and, where there is a business case, invests in assets where there is a commercial return. The Council is holding significant capital funding resources which do not require the authority to undertake borrowing. These are invested with various financial institutions in line with the Treasury Management Strategy. However, other investments represent an opportunity to generate higher returns on these funds.

67. In recent years the Council identified specific sums for its Asset Investment Strategy within the Capital Programme which has totalled £15.5m. This is due to rise to £20m through further Capital Programme allocations and includes commercial investment in areas such as investment in property and subsidiaries, or loans that support service outcomes.

68. The Council will maintain a summary of current material investments, subsidiaries, joint ventures and liabilities, including financial guarantees and the organisation's risk exposure. The current summary is included at Appendix B.

69. Individual commercial investment proposals included within the Asset Investment Strategy (Appendix C) are subject to specific business appraisals. The

governance surrounding such decisions is included in the AIS. As well as considering the Net Present Value, Internal Rate of Return and impact on the General Fund of any commercial investment proposals, the decision to invest also takes into account the following assessment matrix:

ASSESSMENT CRITERIA	Excellent / very good	Good	Satisfactory	Marginal	Uncertain
Tenancy strength	Multiple tenants with strong financial covenant	Single tenant with strong financial covenant	Single or multiple tenants with good financial covenant	Tenants with average financial covenant	Tenants with poor financial covenant strength
Lease length and break (for main tenants/income)	>15 years	11 - 15 years	10 - 8 years (10 year lease)	7 - 5 years (5 year break)	<5 years or vacant (break Dec 2021 &
Rate of Return - % rent against capital	>8%	7%-8%	5%-7%	3%-5%	<3%
Portfolio mix (asset type is balanced in portfolio - no more than x% of	<50%	50%-60%	>60%-70%	70%-80%	>80% of portfolio
Property Sector & Risk	Industrial (lower risk)	Office (lower-mid risk)	Warehouse Retail (med risk)	Retail, Leisure (higher risk)	Residential (not part of investment strategy)
Void (after Lease end including marketing, fit out and rent free)	0-9 months	9-12 months	12-18 months	18-24 months	>24 months
Location	Prime	Not prime but in established location	Secondary	Remote from other developments	Isolated, undeveloped area, limited infrastructure links
Tenure	Freehold	Lease >200 years	Lease 100 - 199 years	Lease 75 - 99 years	Lease <75 years
Repairing terms links to Building quality	Full repairing & insuring	Interal repairing 100% recoverable	Internal repairing partially recoverable	Internal repairing non recoverable	Landlord
Building Quality/Age	<10 years	10-20 years	21-30	31-35	>35
Rental Growth	within 1 year	within 2-5 years	within 5-7 years	within 7-10 years	>10 years
Purchase Price	<£2m	Between £2m and £3m	Between £3m and £4m	Between £4m and £7m	>£7m
Proximity to Borough	within Borough	within Nottinghamshire	within East Midlands	within the Midlands	National
Energy Rating (2018 legislation can't let with F/G assessment)	A/B	C	D	E	F/G

70. To be considered for investment 50% of the criteria above must be excellent, good or satisfactory.

71. The matrix above is supplemented by additional contextual information covering resale opportunities (liquidity), location, risks, benefits and economic conditions.

72. The Government has issued revised guidance on Local Government Investments, effective from April 2018. This guidance introduces additional disclosure requirements some of which are specific to investments of a commercial nature. These disclosures and indicators cover items included in the Council's Asset Investment Strategy, as well as pre-existing commercial investments and are detailed below:

a. **Dependence on commercial income and contribution non-core investments make towards core functions**

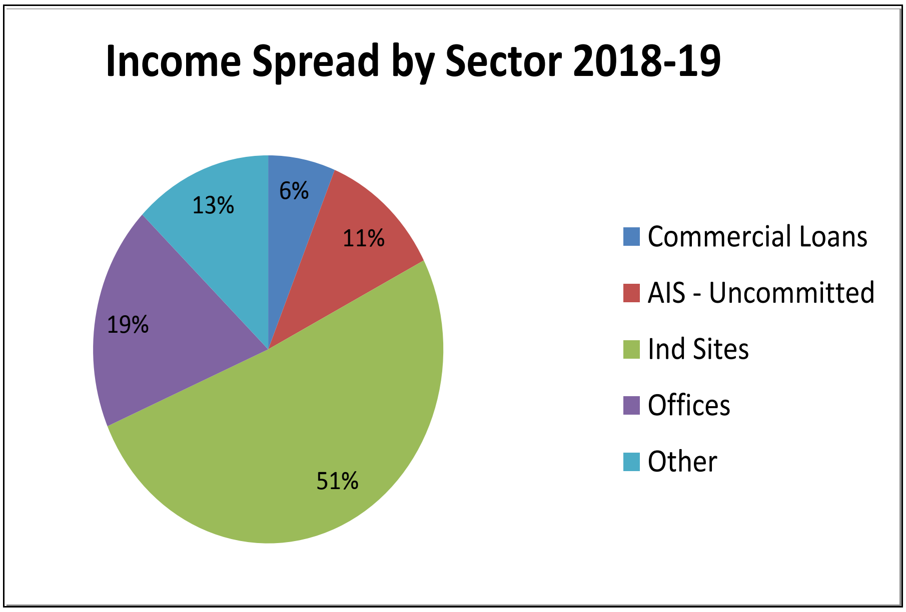
73. The expected contributions from commercial investments included in the Asset Investment Strategy are shown in Table 13. In order to manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. As shown below it is currently estimated to be around 25% each year. Our objective is that this ratio should not exceed 30%, subject to annual review.

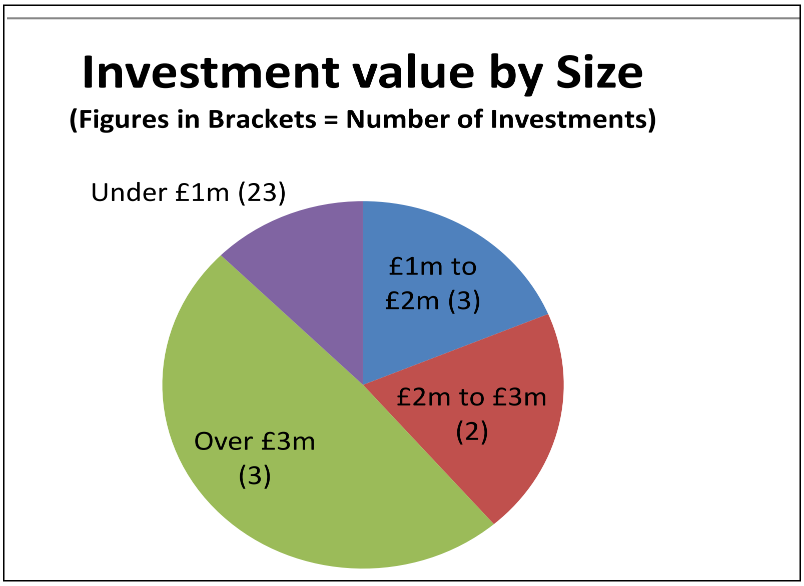
Table 13: Commercial Investment income and costs

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Commercial Property Income	(1,629)	(1,933)	(1,971)	(2,005)	(2,013)
Running Costs	314	326	326	326	326
Net Contribution to core functions	(1,315)	(1,607)	(1,645)	(1,679)	(1,687)
Interest from Commercial Loans	(108)	(116)	(116)	(116)	(116)
Total Contribution	(1,423)	(1,723)	(1,761)	(1,795)	(1,803)
Sensitivity:					
+/- 10% Commercial Property Income	163	193	197	201	201
Indicator:					
Investment Income as a % of total Council Income	22.5%	25.4%	25.2%	25.5%	25.6%

b) Risk Exposure Indicators

74. The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large scale investments. Generally there is a spread of investment across sectors. The Council's commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful.





c) Security and Liquidity

75. Commercial investments are held for longer term asset appreciation as well as yield. Investments or sales decisions will normally be planned as part of the consideration of the 5 year capital strategy to maximise the potential return. Nevertheless, the local and national markets are monitored to ensure any gains are maximised or losses minimised.

76. To help ensure asset values are maintained the assets are given quarterly inspections, together with a condition survey every 3 years. Any works required to maintain the value of the property will then form part of Council's spending plans.

77. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps these items under review with a view to maximising the potential liquidity and value of the property wherever possible.

78. The liquidity considerations for commercial investments are intrinsically linked to the level of cash and short term investments, which help manage and mitigate the Council's liquidity risk.

Appendix A

Counterparty Registrations under MIFID II

The Council is registered with the following regulated financials services organisations who may arrange investments with other counterparties with whom they have themselves registered:

- BGC Brokers LP
- Royal London Asset Management
- Tradition Uk Ltd
- King & Shaxson
- Standard Life Investments
- Aviva
- Institutional Cash Distributors Ltd
- Federated Investors (UK) LLP
- NEX Treasury
- Invesco Asset Management Ltd
- CCLA

Existing Material Investments

	Book Value £000
The Point Office Accommodation	2.600
Cotgrave, 15 Industrial Units	2.600
Bridgford Hall Aparthotel and Registry Office	2.600
Hollygate Lane, Cotgrave Industrial Units	2.200
Bardon Single Industrial Unit	1.800
Other Industrial Units and Land	2.500
TOTAL INVESTMENT PROPERTY*	**14.300**
Notts County Cricket Club Loan	2.700
TOTAL	**17.000**

Appendix C

Rushcliffe Borough Council – Asset Investment Strategy 2018-2023

1. Background

1.1 Asset investment contributes towards the aims of the medium term financial strategy and the following strategic goals, contained with the Council's Corporate Strategy 2016-2020:

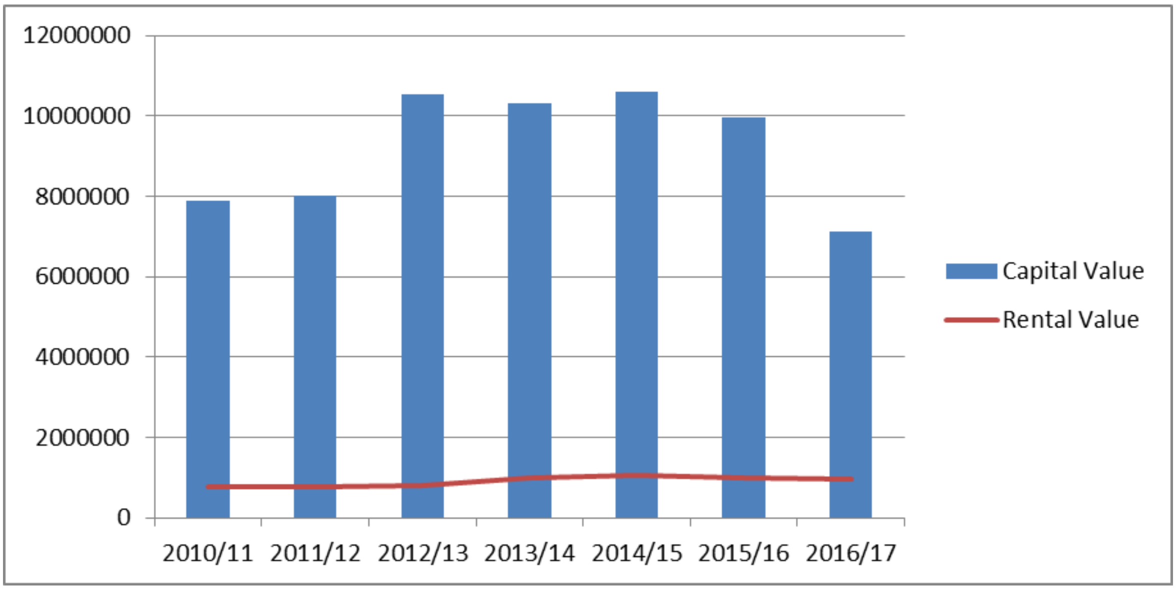
(a) Supporting economic growth to ensure a sustainable, prosperous and thriving local economy
(b) Maintaining and enhancing our residents' quality of life
(c) Transforming the Council to enable the delivery of efficient, high quality services.

1.2 The Council's Medium Term Financial Strategy included within the Capital programme initially up to £10.5m over the 5 year Strategy rising to £20m as part of the 2018/19 MTFS, to be invested in assets. This Strategy covers the rationale for such investments and the necessary governance arrangements. The expectation is that such investments will contribute positively towards balancing the medium term financial strategy, stimulate business growth and provide a range of economic and social benefits to the Borough.

1.3 Furthermore since the recession in 2008 and the drop in interest rates there has been further pressure on the Council's revenue budget. Whilst investment in property does present risks there are also potentially higher returns. This Strategy adds flexibility to enable the Council to maximise its investment returns through a 'mixed basket' approach.

2. Potential areas of activity and associated risks and benefits

2.1 The Council has a recent history of investing in assets the most recent example being The Point. The graph below shows the additional value to the investment portfolio. Investment income has also been increasing from £769k to £1.1m over 5 years.



2.2 Examples of activity where the Council could invest are depicted in the table below, along with their respective risks and benefits; however this is not an exhaustive list and should be reviewed through investment opportunity and experience.

Category	Basis of investment	Risks	Benefits
Industrial units e.g. Hollygate Lane; Cotgrave, Colliers Way; Bardon	Industrial Units are provided to enable local SME businesses to operate in a positive environment. Businesses can provide positive financial returns and contribute to the development of a vibrant local business community. This meets a gap in the market as the private sector will not build speculatively and the Council may access funding to do so.	1. Bad debt. 2. Business failure. 3. Changing nature of provision making units unsuitable for future needs.	1. Unit rental income exceeding financing and operating costs. 2. Low turnover and high occupancy leading to income certainty. 3. Potential external funding via Growth Deal and SUDs 4. Enhanced number of successful business start-ups and SMEs.
Offices/Leisure e.g. The Point and Bridgford Hall	The provision of office accommodation enables local SME businesses to operate in a positive environment that supports them as they develop and grow and provides a mechanism to attract other new or established businesses into Rushcliffe. The Point, new Offices at Cotgrave and Bridgford Hall demonstrate that there are opportunities for the provision of a range of office/Leisure accommodation suiting the needs of different businesses who wish to locate outside of	1. Bad debt. 2. Business failure. 3. Failure to let dependent on market	1. Unit rental income exceeding financing and operating costs. 2. Long term returns linked to occupancy. 3. Enhanced number of successful business start-ups and SMEs. 4. Development of Rushcliffe as an alternate business hub for Nottingham. 5. Long term leases

Category	Basis of investment	Risks	Benefits
	Nottingham. Also the Council can provide more flexibility in its arrangements (for example short term leases) than commercial providers		
Incubator Units	Incubator Units are provided to enable new and small businesses to operate in a positive environment that supports them as they develop and grow. Due to the nature of such businesses incubator units are unlikely to provide significant financial returns but instead over time contribute to the development of a vibrant local business community.	1. Bad debt. 2. Business failure. 3. High turnover leading to low rental yield and high refit costs. 4. Short term leases/licences	1. Unit rental income exceeding financing and operating costs. 2. Enhanced number of successful business start-ups. 3. Potential external funding via Growth Deal and SUDs 4. Businesses retained in Borough feeding into larger units. 5. Enhanced employment opportunities.
Commercial Loans allocation;, e.g. NCCC	By providing funding for local businesses the Council will help to develop and maintain the local economy maintaining and enhancing employment choices for residents.	1. Bad Debt, risk heightened where Council is sole / major funder or lender of last resort. 2. Repayments below Council borrowing costs – mitigated through fixing borrowing and lending rates at beginning of loan. 3. Investment maintaining poor	1. Positive cashflow generated that repayments set above borrowing costs incurred by the Council. 2. Businesses retained in Borough. 3. Increased visitor numbers and spend (NCCC loans). 4. Enhanced employment opportunities.

Category	Basis of investment	Risks	Benefits
		quality service providers.	
Residential Property e.g. Park Cottage	Intervention in the housing market could provide an opportunity to unblock developments, deliver affordable housing or enable the council to diversify its income streams through the direct or indirect letting of property on a commercial basis.	1. Bad debt. 2. Legislative change impacting on ability to operate in market. 3. Requirement to engage development partner 4. Right to buy. 5. Downturn in housing market.	1. Good capital and revenue returns on right developments. 2. Maximising value of land holdings. 3. Helping to address local housing needs.
Retail Units e.g. The Kiosk	A balanced retail offer has clear community benefits including the potential to help drive regeneration. Purchasing or developing retail units could be a route to influencing the mix of shops in major centres of the Borough and be a way of helping to sustain local independent retailers.	1. High risks of business failure for new and smaller retailers. 2. Lack of potential tenants 3. Changing nature of provision making units unsuitable for future needs.	1. Unit rental costs exceeding financing and operating costs. 2. Enhanced retail offer in key centres. 3. Enhanced number of successful business start-ups and SMEs.
Development Land (various plots)	The Council could purchase and improve sites prior to their disposal to other developers. This would provide some financial returns and may provide a mechanism through which the needs of more challenging sites could be met. Alternately desirable sites could be purchased and held until market requirements change.	1. Uncertainty of future receipts 2. Reliance on medium term market conditions. 3. Identification of suitable development partners. 4. Identifying an alternative site.	1. Difficult sites released. 2. Medium to long term capital receipts. 3. Potentially high capital receipts for low holding costs.
Other Investments – the Strategy will not be a bar to developing other commercial			

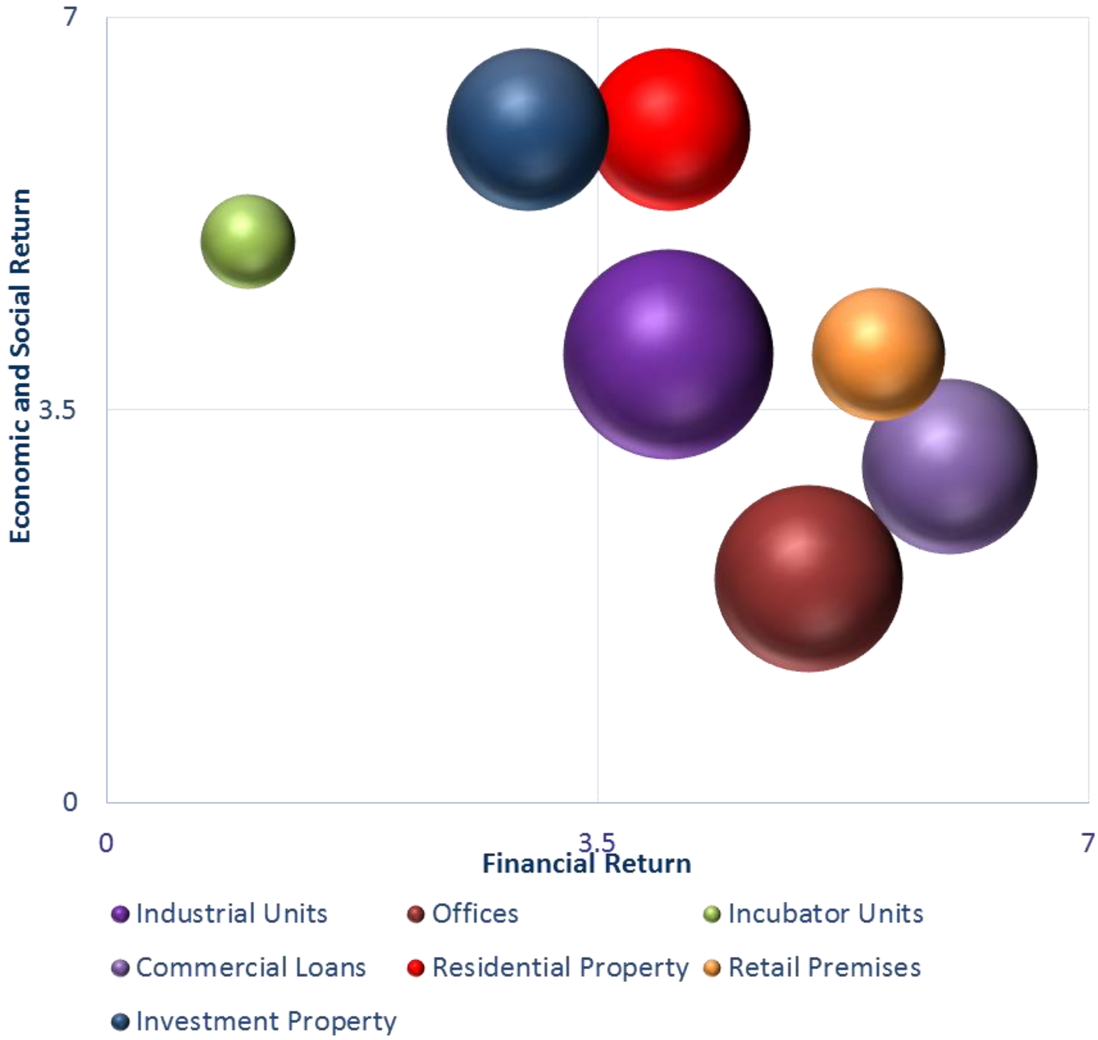
Category	Basis of investment	Risks	Benefits
opportunities that would bring a financial and social value to the borough.			

3. Balancing Risk and Reward

3.1 Different investments will bring a different range of risks and types of return. There are potentially economic and social returns as well as pure financial returns. Most asset investment decisions will bring in a range of returns and dependent on their risks, this will dictate the prospective levels of investment.

3.2 The other ways in which risks will be managed will be by a rigorous and independent appraisal process to ensure there is appropriate diversification, a balanced portfolio and appropriate clarity of objectives. There therefore is an expectation that there will be a spread of investments.

3.3 The diagram below depicts potentially how the different classification of investments sits in a spectrum. So for example incubator units give a lower level of financial return, but a perceived higher level of social and economic return. These will matched against the objectives of the growth objectives of the Borough. Each project will be measured on its own merits and as such may sit beyond the parameters shown in the diagram.



3.4 The Council's risk exposure for each of the categories is included in the Capital and Investment Strategy in the Commercial Investments section.

3.5 The Capital Programme initially allowed £10m for asset investment and £0.5m allotted to Funding Circle for business loans. Section 4 details the rationale for increasing the AIS fund to £20m.

3.6 Going forward it is anticipated opportunities will be identified from a number of sources such as:

- Market intelligence, including working with agents and all officers and members being aware of the intention of the Council to invest;
- Constantly revisiting the current asset base;
- Direct approaches with regards to either loans or property; and
- Commission business cases - dependent on strategic need identified and sanctioned by members of the Executive Management team, the Strategic Growth Board or formally by Cabinet.

4. Financial Strategy

4.1 The current financial position of the Council requires the bridging of at least a £1m financial gap. In terms of returns on investment the Council should be looking at 5% to 7%. An average return would be considered to be 6%, albeit the decision in taking investments also looks at other factors such as socio-economic benefits. In simple terms based on a 5% return £20m of investment is required. In calculating rates of return over the life span of an investment often rates of return rise as rental income increases over time (they can also reduce dependent on economic conditions). Assessing investments over time is difficult and the Council will look for positive Net Present Values and internal rates of return above 3.5% (which the Government use in their green book appraisals of projects).

4.2 Due to the relative low rates of investment in comparison with the cost of borrowing (and the likelihood that interest rates are not likely to rise significantly in the medium term); where possible the Council will look to utilise its own resources (for example internal borrowing via reducing cash balances, earmarked reserves such as New Homes Bonus and external grant funding). For example, if we assumed total borrowing to fund an acquisition we can assume 2% interest on the cost of borrowing and 2% Minimum Revenue Provision (MRP is a cost to the budget for the repayment of principal on borrowing) with a return of 7% on the investment the net return would be 3%.

4.3 The level of borrowing to the value of assets held is known as 'gearing', with the difference between the value and debt being the 'equity' held. Funds tend to be geared to improve the commercial revenue return. For example:

	'A' 50% Gearing		**'B' 67% Gearing**	
Value of assets / revenue return at 7%	£20m	£1.40m	£30m	£2.10m
Amount borrowed / cost @ 4%	£10m	£0.40m	£20m	£0.80m
Net value (equity) / net income	£10m	£1.00m (10.0%)	£10m	£1.30m (13.0%)

Gearing also amplifies the effect of capital returns. In the case of portfolio 'A' for a capital return of 7% there would be an increase in equity of £1m, whereas 'B' would have an increase of £1.3m. This is commonly referred to as 'Loan to Value' (LTV), for example banks tend not to lend in excess of 60% to 70% of value. This emphasises the importance of getting a balance between borrowing and the use of our own resources. Such ratios need to be monitored particularly when looking at the timing of the disposal of assets in the future.

4.4 The deferral of borrowing is continually under review due to the risks surrounding financial markets linked to issues such as BREXIT and national political uncertainty. Furthermore we have to consider any other demands on the capital programme and the financing of these.

4.5 The Council currently has a Treasury Management Strategy which is approved annually at Full Council as part of the budget setting process. Within the Strategy is the 'Authorised Limit' for borrowing which can change from year to year.

Currently this is £25m and any borrowing is therefore restricted to this level unless further approval is granted by Full Council.

4.6 The Capital Programme has been re-aligned to take account of the increase in the Asset Investment Strategy fund to £20m.

5. Business Case Approval and Governance

5.1 Any Business case in terms of the financial case will assume Public Works Loan Board (PWLB) borrowing and the costs of this to be assimilated within the business case itself, assuming borrowing applies. If internal resources are utilised the cost of lost interest will be applied (i.e. the interest that would otherwise have been earned on cash investments). The appraisal should follow a similar format to that specified by the Council's Financial Regulations which currently applies to Capital schemes. This includes:

- How the project contributes to the Council's aims and objectives;
- Anticipated outcomes; and
- Capital and revenue costs, including the impact of funding.

5.2 The Governance process is detailed at Appendix (i). It is proposed what was the AIS Group becomes the AIS Committee. This is to enable efficient, effective and accountable decisions to expedite commercial property investments. Any decisions made will require the minimum of 2 officers and 2 members from the following to approve the decision:

Officers	**Members**
Chief Executive	Leader
Section 151 Officer	Portfolio holder – Finance
Deputy Chief Executive	Portfolio holder - Economic and Business Growth

5.3 The 2016/17-2021/22 Capital Programme has been approved with access to £10.5m, £5.2m is already committed. As mentioned above this is likely to increase to £20m. The Strategy strikes a balance so that 'fleet of foot' decisions can be taken with regards to committing the AIS to various projects (via a business appraisal process); and that there is necessary accountability through either individual Cabinet reports on the project or retrospective Cabinet (and if necessary Full Council) endorsement via the normal budget monitoring process. The Council's standard governance processes prevail. The reporting to both Cabinet and the Corporate Governance Group, and ultimately changes to the Capital programme to Full Council, ensures there are checks and balances in the decision making process.

6. Risk Management

6.1 As discussed at Section 2.2 there are a number of risks associated with capital investment. In broad terms the main risks are as follows:

- Capital and rental values can fall as well as rise;

- Tenants can default;
- Financing costs can rise (and fall);
- The Council's position on reserves needs to be monitored, so they are adequate to manage any potential downturn in the property market or other adverse financial risks.
- The business appraisal process should ensure the risk of inappropriate projects being supported are minimised, and the project meets council corporate objectives; and
- A poor investment decision could lead to an increase in overheads and impact on the Council's reputation.

6.2 Risks will be balanced by portfolio diversification and balancing the security of property investments against financial return.

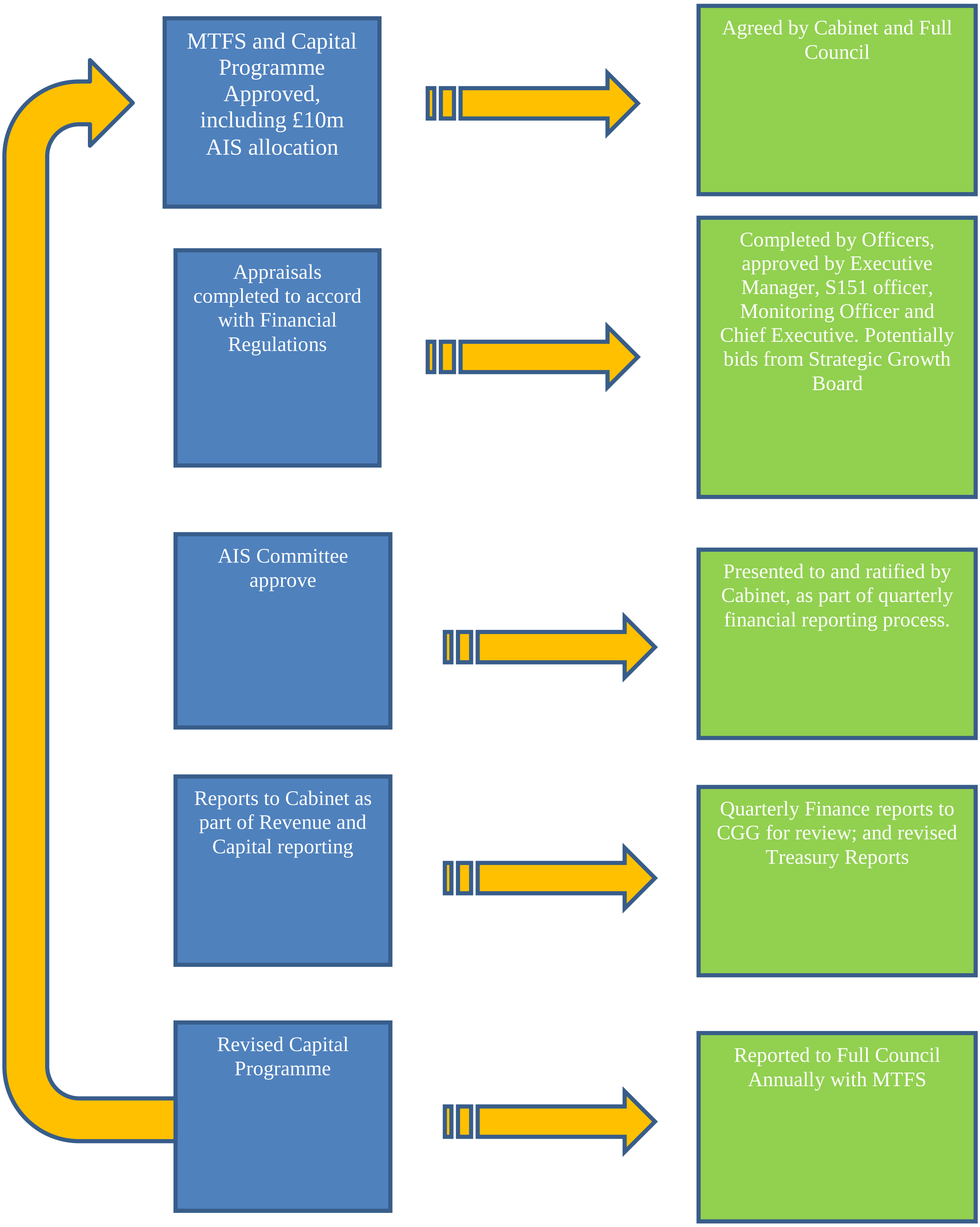
7. Conclusion

7.1 The strategy details the criteria required for future asset investment and the necessary supporting governance arrangements. Taking the correct property procurement decisions will help grow the Borough and ensure Corporate Objectives are met. It forms an important strand of the Council's Transformation agenda and enables a balanced budget to accord with the Council's Medium Term Financial Strategy.

Appendix (i) [to the Asset Investment Strategy]

Governance Arrangements for Asset Investment Strategy (AIS)

Decision | Officers/Members involved



APPENDIX 6

Use of Earmarked Reserves in 2018/19	Projected Opening Balance	Projected Income	Projected Expenditure		Net Change in Year	Projected Closing Balance
	£'000	£'000	£'000		£'000	£'000
Investment Reserves						
Regeneration and Community Projects	**1,220**	152	(150)	1	**2**	**1,222**
Sinking Fund – Investments	**65**	50	0	2	**50**	**115**
Councils assets and service delivery	**274**	0	0		**0**	**274**
Local Area Agreement	**122**	0	0		**0**	**122**
New Homes Bonus	**6,199**	1,364	(1,020)	3	**344**	**6,543**
Invest to Save	**150**	0	0		**0**	**150**
Corporate Reserves						
Organisational Stabilisation	**841**	1,628	(516)	4	**1,112**	**1,953**
Risk and Insurance	**100**	0	0		**0**	**100**
Planning Appeals	**350**	0	0		**0**	**350**
Elections	**153**	50	0	5	**50**	**203**
Operating Reserves						
Planning	**106**	0	0		**0**	**106**
Leisure Centre Maintenance	**116**	0			**0**	**116**
Planned Maintenance	**100**	0			**0**	**100**
	9,796	3,244	(1,686)		**1,558**	**11,354**

Notes:

1. Special Expenses £152k to support future spending requirements, £150k planned use in year (capital); 2. £50k from investment income to support future spending needs; 3. NHB receipts £1.364m, £1m Arena MRP and £20k Members Community Support Grants; 4. £1.612 NNDR Surplus plus £16k housing grants, £110k year 3 positive Futures grant, £16k year 3 ERDF IT Support grant, £220k for capital work to Car Parks, £150k to support the pension deficit, £20k for Tree Work. 5. £50k to top up the Elections Reserve.

Appendix 7

Rushcliffe Borough Council
Pay Policy Statement 2018/19

1. Introduction

1.1 This Statement sets out the Council's policies in relation to the pay of its workforce, particularly its Senior Officers, in line with Section 38 of the Localism Act 2011. The Statement is approved by full Council each year and published on the Council's website demonstrating an open and transparent approach to pay policy.

1.2 This Statement draws together the Council's policies relating to the payment of the workforce particularly:

- Senior Officers
- Its lowest paid employees; and
- The relationship between the pay of Senior Officers and the pay of other employees

1.3 For the purposes of this statement 'pay' includes basic salary, pension and all other allowances arising from employment.

2. Objectives of this Statement

2.1 This Statement sets out the Council's key policy principles in relation to pay evidencing a transparent and open process. It does not supersede the responsibilities and duties placed on the Council in its role as an employer and under employment law. These responsibilities and duties have been considered when formulating the Statement.

2.2 This Statement aims to ensure the Council's approach to pay attracts and retains a high performing workforce whilst ensuring value for money. It sits alongside the information on pay that the Council already publishes as part of its responsibilities under the Code of Practice for Local Authorities on Data Transparency. Further details of this information can be found on the Council's website at the following address: http://www.rushcliffe.gov.uk/councilanddemocracy/aboutthecouncil/seniorofficers/roleandremuneration/ -

3. Senior Officers

3.1 For the purposes of this Statement, Senior Officers are defined as those posts with a salary above £50,000 in line with the Local Government Transparency Code 2014. Using this definition Senior Officers within Rushcliffe currently consists of 11 posts out of an establishment of 274[1]. The posts are as follows:-:

- Chief Executive
- Executive Manager – Finance and Corporate Services (Section 151 Officer)
- Executive Manager - Operations and Transformation
- Executive Manager - Neighbourhoods
- Executive Manager - Communities
- Chief Information Officer [2]
- Monitoring Officer [3]
- Service Manager – Finance and Commercial
- Service Manager – Transformation
- Service Manager – Neighbourhoods
- Service Manager – Communities

4 The Policies

4.1 The Council consults when setting pay for all employees. The Council will meet or reimburse authorised travel, accommodation and subsistence costs for attendance at approved business meetings and training events. The Council does not regard such costs as remuneration but as non-pay operational costs.

5. Pay of the Council's Lowest Paid Employees

5.1 The total number of Council employees is presently 274 The Council has defined its lowest paid employees by taking the average salary of five permanent staff (employed on a part-time basis) on the lowest pay grade the Council operates, who are not undergoing an apprenticeship. On this basis the lowest paid full-time equivalent employee of the Council earned £15,450. The Council currently pays £8.00 per hour for its lowest paid employees; this is above the Governments National Living Wage which is currently £7.50 per hour for employees aged 25 or over and exceeds the National minimum wage maximum of £7.05 for employees aged 21-24.

6. Pay Relationships

6.1 The Localism Act 2011 requires the Council to set out its policy relating to the relationship between the pay of its Senior Officers and the pay of the rest of its

[1] Local Government Transparency Code (Oct 2014) requires inclusion of Senior Officers in receipt of salaries of £50,000+ (previously £58,200+). The current Senior Officer team therefore now includes 5 Service Managers with combined Lead Specialist roles; the average additional salary element associated with the Service Manager role is £11,000.

[2] This post is a shared post between Rushcliffe Borough Council, Newark and Sherwood District Council and Broxtowe Borough Council. The salary for this is shared between the Councils.

[3] This role is currently a part time temporary role

employees. This relationship is demonstrated by the Council's grading structure and the information is available from the Council's Website.

6.2 The Council does not explicitly set the pay of any individual or group of posts by reference to a pay multiple. The Council feels that pay multiples cannot capture the complexity of a dynamic and highly varied workforce in terms of job content, skills and experience required. In simple terms, the Council sets different levels of basic pay to reflect differences in levels of responsibility. Additionally the highest paid employee of the Council's salary does not exceed 10 times that of the lowest paid group of employees.

6.3 The Head of paid service, or his delegated representative, will give due regard to the published Pay Policy Statement before the appointment of any Officers. Full Council will have the opportunity to discuss any appointment exceeding £100,000 before an offer of appointment is made, in line with the Council's Officer Employment procedure rules within Part 4 of the Council's Constitution.

Appendix to the Pay Policy
Policies on other aspects of pay

Process for setting the pay of Senior Officers

The pay of the Chief Executive is based on an agreed pay scale which is agreed by Council prior to appointment. Changes to this are determined by the Leader, Deputy Leader and Leader of the Opposition, who are advised by an agreed external professional and the Strategic Human Resources Manager.

The pay of all Officers including Senior Officers is determined by levels of responsibility, job content and the skills and experience required. Consideration is also given to benchmarking against other similar roles, market forces and the challenges facing the authority at that time and to maximise efficiency. The pay of these posts is determined through the Chief Executive, or his nominated representative, in consultation with the Strategic Human Resources Manager and in line with the Council's pay scales and its agreed scheme of delegation.

The Council moved away from the national conditions of service in 1990 and pay scales are set locally.

As with all employees, the Council would look to appoint on the lowest point of the scale to secure the best candidate. However, there are factors that could influence the rate offered to an individual, including the relevant experience of the candidate, their current rate of pay and market forces.

All Senior Officers are expected to devote the whole of their service to the Authority and are excluded from taking up additional business, ad hoc services or additional appointments without consent as set out in the Councils code of conduct.

Terms and Conditions – All Employees

All employees are governed by the local terms and conditions as set out in the Employee handbook.

Local Government Pension Scheme

Every employee is automatically enrolled into the Local Government Pension Scheme. Employer and employee contributions are based on pensionable pay, which is salary plus, for example, shift allowances, bonuses, contractual overtime, statutory sick pay and maternity pay as relevant.

For more comprehensive details of the local government pension scheme see: www.lgps.org.uk and www.nottspf.org.uk

Neither the scheme nor the Council adopt different policies with regard to benefits for any category of employee and the same terms apply to all staff. It is not normal Council policy to enhance retirement benefits but there is flexibility contained within the policy for enhancement of benefits and the Council will consider each case on its merits.

Car Allowances

From 1 January 2017 the Council pays mileage rates at HMRC recommended rates.

Pay Increments

Where applicable pay increments for all employees are paid on an annual basis until the maximum of the scale is reached. The Chief Executive, or his nominated representative, has the discretion to award and remove increments of officers' dependant on satisfactory or unsatisfactory performance.

Relocation Allowance

Where it is necessary for a newly appointed employee to relocate to take up appointment, the Council may make a contribution towards relocation expenses. The same policy applies to Senior Officers and other employees. Payment will be made against a range of allowable costs for items necessarily incurred in selling and buying a property and moving into the area. The costs include estate agents fees, legal fees, stamp duty, storage and removal costs, carpeting and curtains, short term rental etc. The Council will pay 80% of some costs and 100% of others or make a fixed sum available. If an employee leaves within two years of first employment, they may be required to reimburse a proportion of any relocation expenses.

Professional fees

The Council currently meets the cost of professional fees and subscriptions for employees where it is a requirement of their employment or their contract. Only one professional fee or subscription is paid.

Returning Officer Payments

In accordance with the national agreement the Chief Executive is entitled to receive and retain the personal fees arising from performing the duties of returning officer, acting returning officer, deputy returning officer or deputy acting return officer and similar positions which he or she performs subject to the payment of pension contributions thereon, where appropriate.

Fees for returning officer and other electoral duties are identified and paid separately for local government elections, elections to the UK Parliament and EU Parliament and other electoral processes such as referenda. As these relate to performance and delivery of specific elections duties they are distinct from the process for the determination of pay for Senior Officers.

Managing Organisational Change Policy

The original Managing Organisation Change Policy was agreed by Council in March 2007 (revised 2010).The Council's policy on the payment of redundancy payments is set out in this policy. The redundancy payment is based on the length of continuous local government service which is used to determine a multiplier which is then applied to actual pay.

The policy provides discretion to enhance the redundancy and pension contribution of the individual and each case would be considered taking into account individual circumstances. Copies of the policy are available on the Council's website.

Payments on termination

The Council does not provide any further payment to employees leaving the Council's employment other than in respect of accrued leave which by agreement is untaken at the date of leaving or payments that are agreed or negotiated in line with current employment law practices.

Publication of information relating to remuneration of Senior Officers

The Pay Policy Statement will be published annually on the Council's website following its approval by full Council each year.