

Executive Board – 19 December 2023

Subject:	Budget Strategy and Medium Term Financial Plan (MTFP) 2024/25 to 2027/28
Corporate Director(s)/Director(s):	Ross Brown, Corporate Director for Finance and Resources
Portfolio Holder(s):	Councillor Audra Wynter, Deputy Leader and Portfolio Holder for Finance and HR
Report author and contact details:	Shabana Kausar, Director of Finance (Deputy s151) shabana.kausar@nottinghamcity.gov.uk
Other colleagues who have provided input:	Corporate Leadership Team Colleagues within Technical, Strategic and Commercial Finance Teams
Subject to call-in:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The report does not contain any decisions that are eligible for call in
Key Decision:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Criteria for Key Decision:	
(a)	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date:
Total value of the decision:	Nil
Wards affected:	All
Date of consultation with Portfolio Holder(s):	Throughout
Relevant Council Plan Key Outcome:	
Clean and Connected Communities	<input checked="" type="checkbox"/>
Keeping Nottingham Working	<input checked="" type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input checked="" type="checkbox"/>
Child-Friendly Nottingham	<input checked="" type="checkbox"/>
Healthy and Inclusive	<input checked="" type="checkbox"/>
Keeping Nottingham Moving	<input checked="" type="checkbox"/>
Improve the City Centre	<input checked="" type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
<p>The Council in March 2023 approved a balanced 4-year Medium Term Financial Plan (MTFP) based on the best available information at the time. However, the environment within which the Council is operating is constantly evolving and continues to present significant financial challenges both in the current year of 2023/24 and through into 2024/25.</p> <p>The Council faces significant budget pressures and uncertainty, including not just the increased demand for services, the long-term impact of COVID-19 and the current backdrop of economic uncertainty and inflation, but also from the current level of financial support from Central Government over the medium term.</p>	

It should be noted that the Chief Finance Officer issued a s114(3) report for 2023/24 financial year that highlights the scale of financial challenges faced and the availability of deployable resources and it very much frames the incredibly difficult circumstances the Council has to contend with.

An initial refresh of the potential MTFP position for the 4-year period 2024/25 to 2027/28 and a proposed budget strategy was reported to 18 July 2023 Executive Board.

This report further updates Members on the latest 2024/25 indicative budget gap and progress in delivering a credible medium term financial strategy able to ensure the Council is in a position to meet its statutory legal requirement to set a balanced 2024/25 General Fund Budget by 11 March 2024 and continues to address IAB instructions with regard to demonstrating Best Value.

As part of delivering this financial strategy this report seeks approval to enter into public and staff consultation on an initial range of new saving proposals.

However, after taking these new savings into account the current MTFP forecast still remains unbalanced in 2024/25 and over its 4-year period and as such further work is urgently being undertaken over the coming months to identify further budget proposals so to try and ensure a balanced final budget and MTFP can be reported to Executive Board and approved at Full Council in late February 2024.

The MTFP forecast is predicated on a number of assumptions that are subject to change prior to final budget setting. For example, the announcement of the provisional Local Government Finance Settlement is expected the week commencing 18 December 2023. Once known any variation in assumptions will be reflected in the MTFP forecast and appropriately reported in future updates.

Does this report contain any information that is exempt from publication?

No

Recommendation(s):

- 1 To note the latest indicative budget gap for 2024/25 of £33.215m.(Para 6.5)
- 2 To note the officer developed savings proposals totalling £35.553m using the Duties and Powers framework that will be used to undertake the necessary consultation (Para 6.2).
- 3 To note the details of all proposals contained within Appendix 1 and 2.
- 4 To authorise the Corporate Director or Director(s) with responsibility for each proposal to carry out all necessary steps required in relation to each proposal, including undertaking any further consultation in accordance with the Council's legal duties and responsibilities.
- 5 To approve, where any staffing reductions result from the savings proposals set out in this report, the reductions be supported through a targeted voluntary redundancy approach and that redundancy compensation be in accordance with the Council's agreed Discretionary Compensation Regulations Policy provisions for voluntary redundancies.
- 6 To note that the Council is operating in a dynamic environment that could lead to further growth requirements in key demand led areas that may result in increasing the indicative budget gap.
- 7 To note that further work is continuing to identify ways in which a balanced budget for 2024/25 and a robust MTFP can be achieved, and that these will form part of future reports to Executive Board as appropriate.

1. **Reasons for recommendations**

- 1.1 This report is part of the Council's continuing budget planning process and builds on existing MTFP decisions previously approved and considered by Full Council on 6 March 2023 and Executive Board on 18 July 2023 respectively.
- 1.2 It primarily sets out the assumptions made for the General Fund revenue element of the draft budget and MTFP and sets out the saving proposals developed by officers for 2024/25 to 2027/28 using the Duties and Powers framework to undertake the budget consultation. The proposed budget consultation will run for a four-week period between 19 December 2023 to 16 January 2024. The responses to the proposed budget consultation and any proposed changes will be considered and agreed by the Executive Board and Full Council respectively in February 2024.
- 1.3 The overarching objective of the Councils budget strategy is to try to deliver a balanced budget by deploying a framework which allows the Council to resize to a scale that matches its financial envelope and is financially sustainable on a continued basis. That framework is the Duties and Powers approach (equivalent to legal minimum), that has been deployed and utilised to articulate the minimum cost of service provision against the Council's legal obligations as set out in legislation and guidance. The Council will need to both transform the way in which it delivers its services and what it is able to deliver. Fundamental change to its operating base is required to ensure that the Council is on a firm financial footing and is able to live within the resources available to be deployed.
- 1.4 It must be recognised that due to the ongoing volatility of the operating environment as articulated through the continued pressures seen in-year across council's demand-led services, there is high probability that the current indicative budget gap may increase, beyond that currently stated. Corporate Leadership Team (CLT) are currently undertaking detailed work for their respective demand led areas which will feed into the updated MTFP position alongside the impact of the Local Government Finance Settlement and collectively will be presented to the Executive in the new year.
- 1.5 Overall, the officer developed saving proposals set out within this report contribute towards reducing the indicative budget gap for 2024/25 to 2027/28. In few cases such as those which set out policy direction, detailed implications will only begin to emerge as preparatory work commences following the budget consultation and subject to budget approval. Where this is the case, the final decision whether or not to implement the proposal will only be undertaken once full implications are known and mitigated, including whether or not a proposal should be amended prior to implementation. Where proposals, when considered in more detail result in a lower financial saving, it will be the responsibility of the relevant Corporate Directors to find alternative savings to the equivalent value to replace the reduced amount. Where required and in accordance with the Council's legal duties and responsibilities, respective departments may undertake additional targeted consultation in relation to specific proposals.
- 1.6 Proposals that include workforce reductions will be subject to collective consultation with Trade Unions and affected colleagues in line with established policy and procedures. Details of proposals may be amended during the

consultation and consequently alter the way in which the identified proposals will be delivered.

2. Background (including outcomes of consultation)

2.1 The Council continues to face significant budget pressures in future years and uncertainty, including the continuing level of support from Central Government, over the medium term. Due to an increased demand for services, the long-term impact of the pandemic, alongside the backdrop of the cost-of-living crisis including most notably the rising inflation and energy prices, council services continue to operate in a challenging resource environment where demand change can lead to material budget variances.

3. Section 114(3) Report Impact

3.1 On 29 November 2023, the S151 Officer issued a report to all councillors under section 114(3) of the Local Government Finance Act 1988 (the Act). The purpose of the report was for the S151 Officer to formally notify the Council that in his professional opinion, the Council is unable to meet its statutory requirement to deliver a balanced budget for 2023/24, as the expenditure of the Council incurred (including expenditure it proposes to incur) in the 2023/24 financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure.

3.2 From the date of issuance until the day after the Council meeting, a Prohibition Period that legally stops all new agreements that may incur expenditure (at any time) has been implemented. During this time, no new agreement that might incur expenditure can be entered into without the explicit written authority of the S151 Officer.

3.3 To ensure compliance with the Policy, the S151 Officer has implemented a Spend Control Policy and issued council-wide instruction regarding new requests to spend. A Spend Control Board, chaired by the S151 Officer, meets regularly to review, and consider spend over this period. Any spend decisions made without the authorisation of the S151 officer during this period will be deemed ultra vires and will be reviewed as a disciplinary matter.

4. Financial Context and Overview

4.1 Autumn Budget Statement 2023

4.1.1 On 22 November 2023, the Chancellor of the Exchequer presented his Autumn Statement to the House of Commons, with a focus on economic growth, low taxation and productivity.

4.1.2 No new funding was announced for councils and prospects for future finance settlements in the next Spending Review period look very tight. The Government confirmed the future path of departmental spending will remain unchanged from that announced at the Spring Budget Statement 2023, with an overall increase of 1% in real terms to government's Resource Departmental Expenditure Limit (RDEL). With some departments 'protected' such as Health and/or Defence, this is likely to mean real-terms cuts for unprotected services over the next parliament, including most of

local government, with a 0.5% annual productivity target required to deliver improvements across the public sector.

4.1.3 Set out below are other key announcements relevant to Local Government:

a) Business Rates

- Extension of the 75% Business Rates discount for retail, hospitality and leisure sites for another year.
- Small business multiplier will be frozen for a fourth consecutive year whereas the standard multiplier will be uprated in line with September Consumer Price index (CPI) inflation. This is the first time that the two multipliers have had different increases applied to them, the finer details of how this will operate in practice and its impact on business rates income will not be known until the publication of the Local Government Finance Settlement.

b) Housing and Planning

- £450m for a third round of the Local Authority Housing Fund to deliver 2,400 new housing units to house Afghan refugees and ease wider housing and homelessness pressures.
- £120m funding for the devolved administrations and councils in England to invest in homelessness prevention, including support to Ukrainian households who can no longer remain in sponsorship. Details of whether this is new funding and how it will be distributed is not yet known.
- Extension of the Homes for Ukraine ‘thank you’ payments scheme into a third year.
- Extension of the discounted PWLB policy margin to June 2025, supporting councils borrowing for the Housing Revenue Accounts (HRA) to invest in social housing.
- Introduction of a new “premium planning service” for major planning applications, which will allow councils to charge higher fees to recover their full costs. Guaranteed and accelerated timescales will have to be accepted by the local planning authority (LPA). If the Council fails to deliver on time, then it will have to refund the entire planning fee.
- £5m additional funding for DLUHC’s Planning Skills Delivery Fund for LPA to target application backlogs.
- £110m will be made available through the Local Nutrient Mitigation Fund. This will support LPA’s affected by nutrient neutrality rules to deliver high-quality local nutrient offsetting schemes, unlocking up to 40,000 homes over the next five years.
- Consultation on new ‘Permitted Development Right’ for subdividing houses into two flats without changing the façade, is planned to be implemented in 2024 following consultation early in the New Year.

c) Employment and Welfare

- The local housing allowance rate is being increased to the 30th percentile of local market rent for the next financial year but will be frozen again in 2025/26. This decision will increase the housing benefit that tenants can claim. There is no direct impact on councils but indirectly it is expected to reduce the pressure on temporary accommodation and homelessness.
- National Living Wage (NLW) to rise by 9.8% from £10.42 to £11.44 per hour from April 2024 (for those aged 21 and over).

d) Levelling Up and Devolution

- New investment zones have been announced, including one in the East Midlands focussed on advanced manufacturing and green industries across Nottinghamshire, Derby and Derbyshire.
 - New devolution deals:
 - Level 3 mayoral deals in Greater Lincolnshire and Hull and East Yorkshire.
 - Level 2 non-mayoral deals in Lancashire, Cornwall and Surrey.
 - Level 4 framework to extend “deeper devolution” to existing Level 3 Mayoral Combined Authorities. Arrangements will be based on the trailblazer deals negotiated in Greater Manchester and West Midlands
- e) Other
- Announcement of a new Funding Simplification Plan to be delivered over three phases:
 - i) Immediate simplification of existing funding and communication to councils from Department of Levelling Up, Housing and Communities (DLUHC). This will include
 - A new ‘Simplification Pathfinder Pilot’ to test the streamlined delivery of capital funding for a small group of councils.
 - Amendment to the Levelling Up, Town Deals and Future High Streets Funds, providing councils more flexibility in changing projects.
 - ii) Establishment of a new ‘Funding Simplification Doctrine’ to streamline the way in which government departments deliver funding to councils, proposed to be implemented in January 2024.
 - iii) Reforms to be implemented at the next Spending Review, including multi-year, single departmental-style funding settlements for the trailblazer Mayoral Combined Authorities.
 - Extension of UK Emissions Trading Scheme (ETS) to cover emissions from energy from waste in 2028. Details of funding and impact not yet known.

4.1.4 Since the announcement of the Autumn Budget Statement 2023, the government issued a policy statement on Local Government Finance on 5 December 2023, reiterating the key messages as set out in the Autumn Budget Statement with the only additionality being confirmation of the Council Tax increase proposed for next year of 5% (3% core council tax element and 2% adult social care precept).

4.2 Economic Growth

4.2.1 The UK economy has performed better than was forecast this year, but growth remains sluggish and there are fears that the economy could slip into a shallow recession next year, comparable to Institute for Fiscal Studies forecast which shows the UK economy falling into recession in 2024.

4.2.2 The Office of Budget Responsibility have also reduced their growth forecasts for future years and now assumes growth will be 0.7% and 1.4% in 2024 and 2025 respectively, both 1.1% lower than previously projected at the March 2023 Budget.

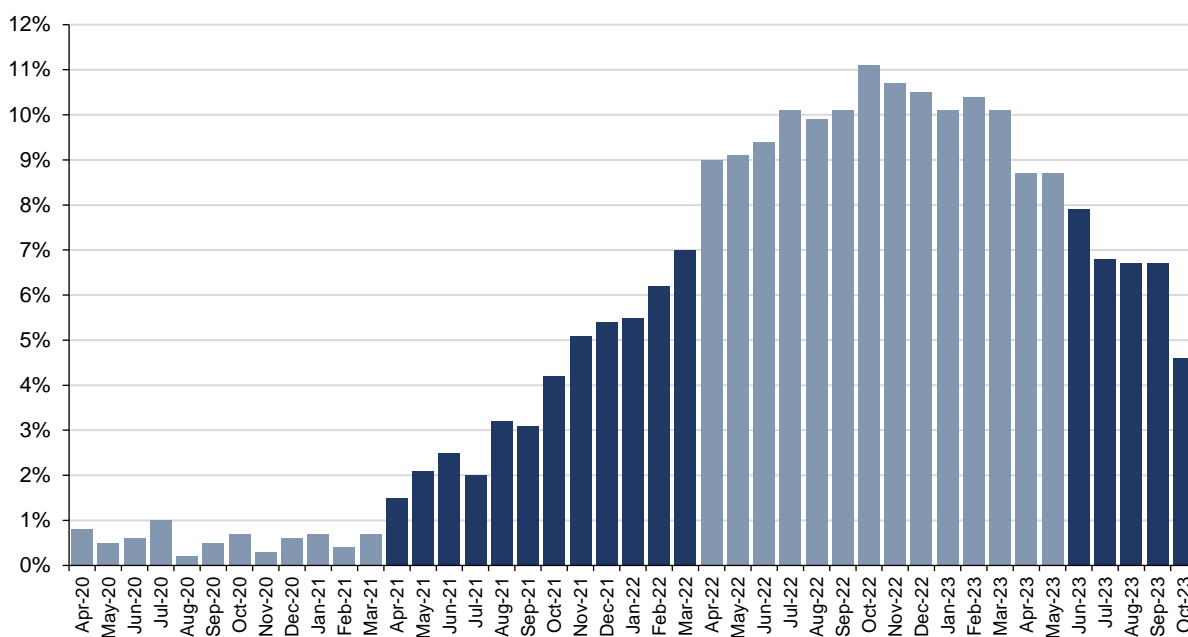
4.3 Inflation

4.3.1 Currently inflation stands at 4.6% (Consumer Price Index (CPI) October 2023) which is still 2.6% above the Bank of England inflation target rate of 2%. Although current inflation rate is lower than October 2022 when it peaked at 11.1%, the highest rate

since the last 40 years, it continues to be relatively high. The Office for Budget Responsibility is currently forecasting CPI inflation to fall to an average 3.0% for 2024/25, a slightly slower reduction than previously predicted, and will only reach the Bank of England target of 2% by the second quarter of 2025.

4.3.2 The chart below illustrates the high levels of monthly CPI inflation across recent years. As a result of the recent inflation volatility, it is hard to predict with any certainty the future impact on council services and therefore on the MTFP.

Chart 1: Consumer Price Index (CPI) Monthly Rate (April 2020 to October 2023)



Source: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23>

4.3.3 Continued high inflation has significantly impacted both the local and national economy. Below is list of service areas or contracts which continue to be impacted by the economic context. In many cases the increases in prices are exacerbated by increases in demand due both to demographic changes, government policy changes and the cost-of-living crisis.

- a) Social care (adults and children) – expect increased costs in relation to higher fees to care providers to offset their rising costs. This is made worse by continued demographic demand pressures and market capacity including shortages in both the labour and placement markets.
- b) Home to school transport – cost increases driven by rising fuel prices and increases in demographic growth.
- c) Construction - the soaring cost of construction materials and labour shortages means the viability of capital projects is at risk and will impact both the General Fund and Housing Revenue Account (HRA) programmes.
- d) Private sector rental market/ homelessness/ loss of housing benefit subsidy – the availability of affordable private rented properties and the impact of the cost-of-living crisis on households and landlords (repayment of mortgages) could lead to increased homelessness caseload requiring temporary

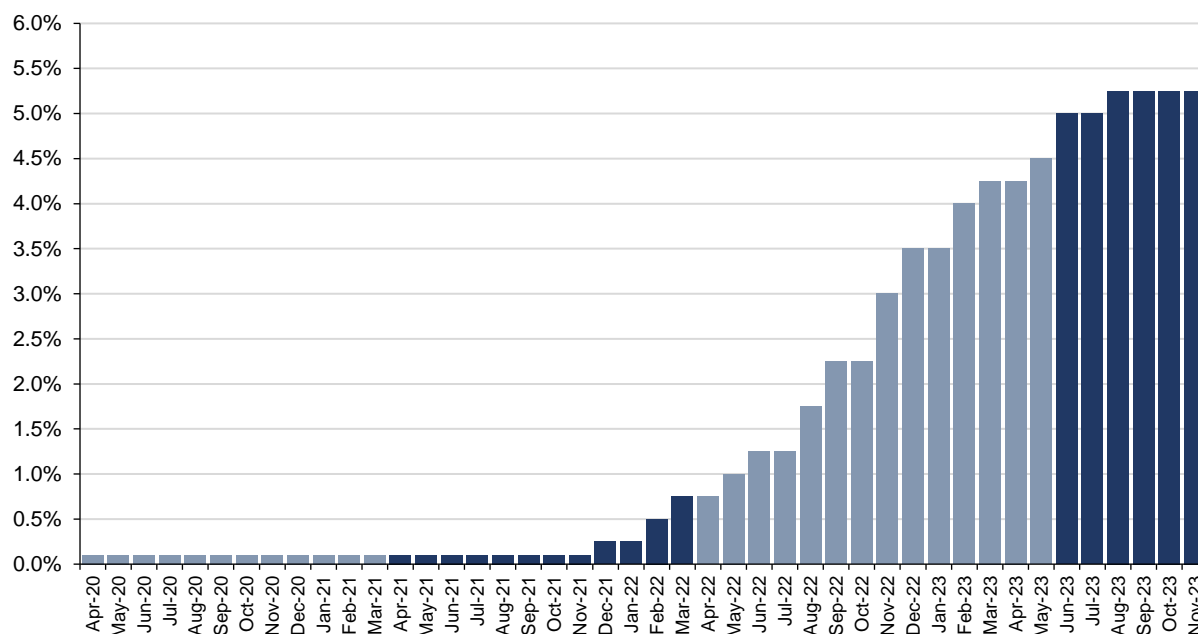
accommodation and use of bed and breakfast. If the Local Housing Allowance does not rise in line with inflation this could impact council budgets due to the differential between the rent income from housing benefits and cost of property lease in relation to temporary accommodation.

- e) Pay inflation – as part of the 2023/24 pay award review the National Joint Committee (NJC) on 1 November 2023 agreed, with effect from 1 April 2023:
- an increase of £1,925 on all NJC pay points (pro rata for part-time and term-time employees)
 - an increase of 3.5% for Chief Executives
 - an increase of 3.5% for Chief Officers was previously agreed in May 2023
 - There has been no indication of the pay deal expected for 2024/25.

4.4 Interest Rates

- 4.4.1 Since December 2021, the Bank of England has increased interest rates from 0.10% in November 2021 to an unchanged 5.25% as at November 2023. The Monetary Policy Committee will review this next on 14 December 2023.

Chart 2: Bank of England Official Bank Rate (April 2020 to November 2023)



Source: <https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate>

4.5 Local Government Funding

Challenging landscape for local government

- 4.5.1 The financial landscape facing the sector including the Council is becoming increasingly challenging with 2023 seeing an increasing number of councils, including noticeably those with social care responsibilities, give warnings about their ability to balance their 2023/24 budgetary positions and beyond.
- 4.5.2 Many of the sectoral bodies (Local Government Association, County Councils Network, Society of County Treasurers and Special Interest Group of Municipal Authorities) have recently published warnings illustrating the current local government finance system is failing to tackle issues around social care funding

(including children's), plus the continued impact of high inflation, have put many councils in a perilous financial position with many S151 Officers considering issuing of S114 reports for not being able to balance their budget for the coming year. In a briefing from the Institute of Government published on 9 October 2023 there is an increasing incidence of councils issuing Section 114 reports due to significant financial viability issues.

Funding and relative needs

- 4.5.3 The balance of overall funding has altered in recent years with a greater proportion coming from Council Tax and specific Social Care funding with significantly less coming from Revenue Support Grant (RSG). Whilst the RSG received by Nottingham has reduced by £97m (or 76%) between 2013/14 and 2023/24, the overall 'Core Spending Power' measure as utilised by DLUHC has increased by £52m (or 18%).
- 4.5.4 Notwithstanding the recent acute inflationary and service pressures on councils there are also longstanding issues with how the current local government finance system recognises the funding needs of authorities, such as Nottingham, with significant deprivation and associated high relative needs.
- 4.5.5 The Institute for Fiscal Studies (IFS) published a report on the 15 August 2023 titled 'How much public spending does each area receive? Local authority level estimates of health, police, school and local government spending'. The report's analysis found that while more deprived areas receive more funding, they do not receive as high a share of the national funding pot as the formulae used in official spending needs assessments suggest they should. The data that accompanies the IFS report shows that in their assessment, the funding position for local government services in Nottingham is £916 per person (compared to the national average of £865 per person). The equivalent estimated need per person in Nottingham is £1,033 (compared to the national average of £865 per person). This gives a gap between the funding per person and the estimated need per person, of (£117) or (11.3%). This gap, between the estimated need and the funding per person, places Nottingham towards the lower end of the range quoted in the report (117 lowest out of 150), meaning that the council has a larger gap per person compared to many other local authorities.

Local Government Financial Settlement

- 4.5.6 It is important to note that much uncertainty remains regarding the resources that will be available to the Council. Consequently, the updated MTFP has been completed without any confirmation of potential 2024/25 funding other than the broad guidelines previously issued by the Government alongside the last settlement where it indicated that we could expect only a one-year rolled-over settlement following the same principles as 2023/24:

- Indicating core council tax referendum principles of 2.99% core Band D threshold and a further 2% adult social care precept
- Revenue Support Grant will be uplifted in line with the September CPI and Base Funding Level will increase in line with the business rate multiplier, with any under-indexing fully funded via the cap compensation grants
- Social Care Grant and other social care grants will increase as set out at the Autumn Statement

4.5.7 As set out above there was little further information on local government funding announced in the Autumn 2023 Budget Statement. This means that specific details for local government funding, including councils' allocation will not be known until the publication of the provisional Local Government Finance Settlement and accompanying technical consultation later this month. This is not expected until week commencing 18 December 2023. The final MTFP reported to Executive Board in February 2024 will fully reflect any funding announcements known at the time.

4.5.8 It should be noted there are several long-standing funding issues that remain unresolved by central government:

- Details and revised timeline of the 'Fair Funding Review' and Business Rates baseline reset.
- Future of the New Homes Bonus grant scheme
- Long-term funding arrangements for Social Care
- Impact and funding of implementing new waste recycling legislation schemes (Deposit Return Scheme and Extended Producer Responsibility).

4.5.9 This continued lack of clarity regarding multi-year settlements makes budget planning, particularly in the current environment unnecessarily complex and challenging.

4.6 **Business Rates**

4.6.1 As set out above, the Autumn Statement 2023 announced the following with effect from 1 April 2024:

- small business multiplier will be frozen at 49.9p
- standard multiplier will be updated in April by September's CPI figure (6.7%), increasing the multiplier from 51.2p to 54.6p
- 2023/24 Retail, Hospitality and Leisure (RHL) scheme will be extended into 2024/25, retaining the existing scope and providing eligible properties with 75% relief, up to a cap of £110,000 per business
- Councils are expected to be fully compensated for the loss of income, due to these business rates measures and will receive new burdens funding for administrative and IT costs

4.6.2 Confirmation of the decoupling of the standard and small business multipliers means that the layout and the level of detail required for completing the 2024/25 NNDR1 business rates return due in late January 2024 will significantly change. Detailed technical changes will not be known until the publication of the provisional financial settlement and technical consultation which impact council's ability to fully complete the NNDR1 return as the Council will be heavily dependent on our revenue system provider's ability to update their software in time.

4.6.3 The business rates projections drawn from the NNDR1 return will be those required to be reflected in 2024/25 budget reported to the February 2024 Executive Board.

5. Approach to Budget Setting

5.1 Budget Strategy

5.1.1 The budget strategy for the 2024/25 budget process was set out in the report to Executive Board in July 2023, focussing on delivering saving proposals through the Duties and Powers Framework (equivalent to legal minimum) alongside the following budget strands:

- Transformation including Best Value reviews and service redesign
- Efficiency
- Asset
- Income and Debt
- Technical Review

5.1.2 The combined outcomes of these budget strands were required to several objectives:

- Set and deliver a balanced budget.
- Establish financial resilience to ensure council's long term financial health and viability is sound on a continued basis.
- Maximise the 'One Council' as a vehicle to transform the way in which it delivers its services and what it can deliver.
- Address emerging pressures that are unavoidable.

5.1.3 These key objectives were to be met first before any new investment growth is considered for delivering Strategic Council Plan priorities.

5.2 Progress Towards Delivering the Budget Strategy

5.2.1 In recognition of the financial challenge, the Council adopted the Duties and Powers framework (equivalent to legal minimum) to develop saving proposals and set a balanced budget for 2024/25. The process included two key stages with the first being the mapping of general fund budgets against legal duties and powers and the second being to develop proposals. The second stage of the process has involved various challenge sessions, with the CLT and members, of officer proposals. Officers have made iterations throughout this process before consolidating into this report.

6. Medium Term Financial Plan (MTFP) 2024/25 to 2027/28

6.1 2024/25 Budget and MTFP as at July 2023

6.1.1 By necessity, the MTFP and financial strategy is being compiled in a period of unprecedented financial uncertainty and requires continued refinement to reflect changing circumstances, updated priorities, the latest financial situation, and external factors such as continued uncertainty regarding the government funding.

6.1.2 Table 1 summarises the various elements of the previous MTFP refresh reported to the July 2023 Executive Board. These initial projections, based on the best service and national information available at the time and previously approved savings,

indicated the likely size and scale of the financial challenge facing the authority was £50.903m in 2024/25 rising to a cumulative £58.714m by 2027/28.

- 6.1.3 The proposed mitigations and options to begin addressing these gaps was initially scoped as likely to provide £34.689m in 2024/25, including council tax which is subject to approval by Council, resulting in an outstanding gap of £16.213m to be balanced with further options being developed by the CLT.

Table 1: 2024/25 - 2027/28 MTFP Update including Options as at July 2023 (incremental figures)					
Budget Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Cumulative £m
Demographic/Service Growth	39.326	5.374	15.048	3.353	63.101
Pay Inflation	23.672	7.747	9.000	9.000	49.419
Contractual Inflation	8.822	8.217	8.741	2.211	27.991
Reserve & Technical Movements	13.886	(11.831)	(3.719)	0.013	(1.651)
Grants & Contributions	(13.492)	(2.324)	(7.094)	(0.738)	(23.648)
Previous Income & Savings	(10.459)	(12.416)	(12.672)	(0.278)	(35.825)
Net Budget Requirement	61.757	(5.233)	9.304	13.561	79.388
Assumed Funding (Settlement & Council Tax)	(10.854)	(3.220)	(3.274)	(3.326)	(20.674)
Indicative Gross Budget Gap (+) / Surplus (-) as at July 2023	50.903	(8.453)	6.030	10.235	58.714
Technical Reviews	(10.951)	11.709	3.732	0.000	4.489
Capping Growth Assumptions	(7.684)	(0.476)	(1.739)	(1.230)	(11.129)
High Value Best Value Reviews	(8.985)	0.000	0.000	0.000	(8.985)
Subtotal: Mitigations and Options	(27.620)	11.233	1.992	(1.230)	(15.625)
4.99% increase in 2024/25 Council Tax (Subject to Member Approval)	(7.069)	(0.030)	(0.030)	(0.030)	(7.159)
Indicative Net Budget Gap (+) / Surplus (-) as at July 2023	16.213	2.750	7.992	8.976	35.930

6.2 Officer Developed Saving Proposals

- 6.2.1 The tables below summarises the officer saving proposals proposed in this report to begin closing the indicative 2024/25 and MTFP budget gaps.

Table 2: Officer Developed Saving Proposals (incremental figures)					
Officer Developed Saving Proposals	Manage Demand £m	Charge More £m	Reduce Costs £m	Cease/ Stop £m	Total £m
Adults	0.000	(0.477)	(6.389)	(0.401)	(7.267)
Children's	(1.300)	0.000	(2.712)	0.000	(4.012)
Commissioning & Partnership	0.000	0.000	(0.449)	0.000	(0.449)
Education	0.000	(0.024)	(1.273)	(0.126)	(1.423)
Total Peoples Directorate	(1.300)	(0.501)	(10.823)	(0.527)	(13.151)
Community, Environment and Resident Services	(0.702)	(1.884)	(5.691)	(4.117)	(12.394)
Growth and City Development	0.000	(1.129)	(2.912)	(0.053)	(4.094)
Finance and Resources Services	0.000	0.000	(3.340)	(1.801)	(5.140)

Table 2: Officer Developed Saving Proposals (incremental figures)					
Officer Developed Saving Proposals	Manage Demand £m	Charge More £m	Reduce Costs £m	Cease/ Stop £m	Total £m
Chief Executive	0.000	0.000	(0.686)	(0.087)	(0.773)
Total	(2.002)	(3.514)	(23.453)	(6.585)	(35.553)
	5.63%	9.88%	65.97%	18.52%	100.00%

6.2.2 Detail of the savings proposals are set out in Appendix 1 and 2. Proposals which have been endorsed by the Executive Board have been shaded in grey with the remaining proposals under consideration left unshaded.

Proposals Requiring Public Consultation

6.2.3 The table below summarises the £14.947m of saving proposals developed by officers which require public consultation.

Table 3: Officer Developed Saving Proposals for Public Consultation (incremental figures)					
Officer Developed Saving Proposals - Public Consultation	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total
Adults	(0.933)	(1.764)	0.000	(0.313)	(3.011)
Children's	(0.145)	(0.073)	0.000	0.000	(0.218)
Commissioning & Partnership	0.000	0.000	0.000	0.000	0.000
Education	(0.095)	(0.032)	0.000	0.000	(0.126)
Total Peoples Directorate	(1.173)	(1.869)	0.000	(0.313)	(3.355)
Community, Environment and Resident Services	(6.531)	(2.005)	0.000	0.000	(8.536)
Growth and City Development	(0.805)	(1.159)	0.000	0.000	(1.964)
Finance and Resources Services	(0.728)	(0.364)	0.000	0.000	(1.092)
Chief Executive	0.000	0.000	0.000	0.000	0.000
Total	(9.237)	(5.397)	0.000	(0.313)	(14.947)
	25.98%	15.18%	0.00%	0.88%	42.04%

Proposals Not Requiring Public Consultation

6.2.4 The table below summarises the £20.606m of saving proposals developed by officers which do not require public consultation.

Table 4: Officer Developed Saving Proposals not for Public Consultation (incremental figures)					
Officer Developed Saving Proposals - Public Consultation	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total
Adults	(0.861)	(3.396)	0.000	(0.000)	(4.257)
Children's	(1.124)	(2.670)	0.000	0.000	(3.794)
Commissioning & Partnership	(0.355)	(0.095)	0.000	0.000	(0.449)
Education	(0.952)	(0.305)	(0.039)	0.000	(1.297)
Total Peoples Directorate	(3.292)	(6.466)	(0.039)	(0.000)	(9.797)
Community, Environment and Resident Services	(3.846)	(0.012)	0.000	0.000	(3.858)

Table 4: Officer Developed Saving Proposals not for Public Consultation (incremental figures)					
Officer Developed Saving Proposals - Public Consultation	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total
Growth and City Development	(1.735)	(0.295)	(0.100)	0.000	(2.130)
Finance and Resources Services	(1.770)	(1.898)	(0.380)	(0.000)	(4.048)
Chief Executive	(0.605)	(0.168)	0.000	0.000	(0.773)
Total	(11.248)	(8.839)	(0.519)	(0.000)	(20.606)
	31.64%	24.86%	1.46%	0.00%	57.96%

6.3 Investment Required to deliver savings

6.3.1 Currently, it is estimated that a one-off investment of £7.554m will be required to deliver the saving proposals contained within this report, all of which is expected to be funded from reserves.

6.4 Council Tax

6.4.1 The MTFP assumes a 2024/25 Band D increase of 4.99% resulting in an additional £7.1m of Council Tax income. This is based on the referendum criteria (3%) and Adult Social Care precept (2%) allowed in 2023/24 and the current assumptions with regard to the tax base.

6.4.2 This additional income is only illustrative and will be subject to Members' final approval at Full Council in late February 2024.

6.4.3 Confirmation of the availability of further Adult Social Care flexibility and the 2024/25 referendum criteria set by Government is unlikely to be confirmed until the provisional settlement in mid to late December.

6.5 2024/25 Budget Gap as at December 2023

6.5.1 Due to the ongoing volatility of the operating environment as articulated through the continued pressures seen in-year across council's demand-led services, there is a high probability that the current indicative budget gap will increase, beyond that currently stated as above. CLT are currently undertaking detailed work for their respective demand led areas which will feed into the updated MTFP position alongside the impact of the Local Government Finance Settlement and collectively will be presented to the Executive in the new year.

6.5.2 As set out above, confirmed details of the Council's funding for next year are not yet known and therefore only some changes to the growth assumptions in 2024/25 have been made to the MTFP, with further changes to be reflected in the next updated report to the Executive Board.

6.5.3 However, the Autumn Statement indicated that is very unlikely that the provisional settlement will provide sufficient additional funding to balance the remaining indicative gap for 2024/25 and as such, work is underway across the Council to review assumption and identify further options.

6.5.4 If required, an additional consultation report will be reported to Executive Board setting out any further proposals deemed necessary to ensure a legally balanced budget for 2024/25.

6.5.5 The table below provides an updated summary of the 2024/25 indicative budget gap that equates to £53.700m on a gross basis and net to £33.215m after the application of officer saving proposals.

Table 5: 2024/25 Budget Gap Update as at December 2023		
Budget Item	2024/25 £m	Ref
Indicative Net Budget Gap (+) / Surplus (-) as at July 2023	16.213	
Best Value Review Target Removed	8.985	a
Estimated additional recurring budget pressure	18.502	b
Use of Reserves in 2023/24 to balance budget	10.000	b
Net Budget Requirement before saving proposals	53.700	
Officer developed saving proposals	(20.485)	a
Indicative Net Budget Gap (+) / Surplus (-) as at December 2023	33.215	

a) The best value review target previously included in the July's MTFP has now been superseded by the Duties and Powers framework approach, with the best value principles being applied through the legal duties and powers lens.

b) Estimated additional recurring growth reflects the significant increase in the 2023/24 in-year net pressure, as reported to November 2023 Executive Board in Period 6, with potential use of reserves in 2023/24.

7. Companies

7.1 The Council has a range of companies in its ownership and some owned jointly with others that have developed over time. Many of these companies have experienced trading difficulties that have impacted on dividends and other loan repayments that are factored into the Council's budget.

7.2 As a working assumption the current MTFP refresh assumes that there will be no future company dividends. In line with previously agreed policy, it assumes that if dividends do materialise then they will be contributed into reserves i.e., the MTFP will not be balanced by using inherently volatile projections of company income.

8. Schools Budget

8.1 The Schools Budget will be presented to the Schools Forum for review and approval in January 2024.

9. Housing Revenue Account

9.1 The HRA budget strategy will be presented to the Executive Board for review in the new year.

10. Reserves

- 10.1 As reported to the July 2023 Executive Board with the 2023/24 Provisional Outturn, the General Fund Balance was £13.5m with provisional Earmarked Reserves of £184.805m, as of 31 March 2023.
- 10.2 In light of the current in-year and 2024/25 budget positions, the S151 Officer is currently conducting a review of the reserves policy and the adequacy of all reserve levels. This review may look to recategorise and reprioritise, where possible, existing reserves.
- 10.3 Any revision to the existing reserves policy and how reserves will be managed in the future will be incorporated into the 2024/25 budget and MTFP report to the Executive Board in February 2024.

11. Budget Timetable

- 11.1 It is proposed that the Council continues with the timetable as set in Table 6 so that all required proposals to balance the MTFP 2024/25 to 2027/28 can be considered, as appropriate, before final decisions are made.

Table 6: Budget Timetable	
Month	Activity
December	<ul style="list-style-type: none"> Budget consultation on draft MTFP with citizens, local business, community & voluntary sector, other stakeholders as appropriate Provisional Local Government Financial Settlement
January	<ul style="list-style-type: none"> Executive Board report agrees tax base and forecast collection fund surplus or deficit Executive Board report reflecting updated MTFS forecast and funding position, including savings proposals and impact of provisional finance settlement (<i>if required</i>) Executive Board report to approve HRA budget and 30-year business plan (<i>provisional</i>) Corporate Scrutiny Committee to be consider Budget consultation Schools Forum to approve Schools Budget
February / March	<ul style="list-style-type: none"> Executive Board report to consider for approval including to Council, revenue and capital budgets, draft MTFP (revenue and capital) Corporate Scrutiny Committee to be consulted on Budget Proposals Audit Committee to be consider Treasury Management strategy City Council approves Budget, Treasury Management strategy and sets Band D Council Tax for 2024/25 Final Local Government Financial Settlement

12. Other options considered in making recommendations

- 12.1 Throughout the budget process a range of different options have been considered including various levels of council tax, investment, expenditure reductions and income generation proposals. This is a complex process with many iterations and possibilities too numerous and detailed to present as discrete options here. This report presents the overall set of current draft proposals which together seek to balance levels of investment, income, cost reductions and an appropriate level of Council Tax.

13. Consideration of Risk

- 13.1 The S151 Officer is required to provide his statutory advice to Council on the robustness of the budget estimates and adequacy of reserves. As such an assurance was provided to Full Council that at the time it set the 2023/24 budget it had been reasonably based on the best available information and assumptions at the time.
- 13.2 More recently the S151 officers' professional opinion has been clearly stated in the s114(3) report issued on the 29 November 2023.
- 13.3 The uncertainties of the economic environment over the short to long term present a high risk to the Council with regard to the continued delivering of balanced budgets and inevitably there remains potential for further, as yet unrecognised, risks.
- 13.4 It will be essential for CLT to continue to exercise firm financial management throughout this year and for the forthcoming year through the close monitoring of budgets and, in particular, the agreed council action plan in response to the s114(3) report alongside the delivery of previously approved savings. The spend measures currently in place during the Prohibition Period will most likely need to continue to be in place for the foreseeable future.
- 13.5 Even though previous budget statements provided some indication of proposed additional funding for social care, the Local Government Finance Settlement published in February 2023 only provided certainty for one-year 2023/24, beyond this there remains a great deal of uncertainty. The MTFP therefore includes various assumptions on future funding which is based on Government announcements made up to July 2023. The MTFP will be fully updated once the full details of the provisional Local Government Finance Settlement are announced, week commencing 18 December 2023.
- 13.6 Given the unique operating context of Nottingham City Council, the following are most immediate risks for the budget process which need to be considered by the S151 when determining adequacy of reserves and financial resilience:
- Organisational ability to develop and deliver
 - 2023/24 in-year General Fund balance budget following issuance of s114(3) report; and
 - the scale of change required in delivering the officer developed saving proposals, as presented within this report.
 - Delivery record on approved savings programmes to date
 - Likelihood of further in year variances (overspends) against approved budget in particular social care placement and temporary accommodation pressures, which continue to be partly mitigated by one-off spend controls and transformational cost reduction programmes which are closely monitored by Leadership and CLT
 - Unforeseen shocks or circumstances resulting in financial cost spikes
 - Subsidiary company risk - loans and risk of liabilities materialising
 - Prior year accounts and historic accounting treatments & practice corrections
 - Assumptions regarding debt collection and impact on the collection fund
 - Economic factors such as inflation and interest rate environment

- Major project challenges and failure
- Capital receipts not being sufficient to meet existing capital obligations
- Unfunded income loss pressures as a result of the long-term impact of the pandemic and cost of living crisis, particularly in relation to Council Tax and Business rates income.

13.7 Given the Councils recent history, and in the context of the strategic risks set out above, it is reasonable and prudent to set aside material amounts within reserves to provide for either a single or multiple scenarios manifesting, which will be considered by the S151 officer when determining adequacy of overall reserves as part of the annual budget setting process.

13.8 As set out above, the Council's MTFP is continually under review and builds in projections for the current period and beyond as further details and analysis become available. Throughout the budget process a range of different options will continue to be considered including various levels of council tax, investment, expenditure reductions and income generation proposals. These will be regularly reported and thoroughly considered as part of an iterative process involving CLT, Leadership and Portfolio Holders. Any sustainability impacts will be considered before final decisions are taken on whether or not to implement each proposal.

13.9 Given the uncertainties of the economic environment, impact of cost of living, inflation and interest rates, long-term impact of the pandemic and expenditure reductions of a significant scale required, there are inevitably significant risks involved in delivering balanced budgets over the medium term. Key strategic risks will continue to be;

- included in the Corporate Risk Register;
- regularly reported to Audit Committee; and
- reviewed through updated Budget and MTFP Strategy reports to the Executive Board.

14. **Best Value considerations**

14.1 To ensure we are delivering continuous service improvement and good outcomes for citizens the Council will embed a culture of Best Value Transformation across all our services and work together as 'One Council'.

14.2 Encompassing Best Value Transformation alongside the 'Together for Nottingham Plan' and a refreshed MTFP the 'One Council' approach will enable us to work on a more stable financial footing.

14.3 Throughout the budget process the Council will take a proactive and planned approach to delivering Best Value.

14.4 At the conclusion of this process the Council's published reports will clearly set out how it plans to meet its Best Value requirement to demonstrate the continued financial sustainability of services to its communities over the longer term.

15. **Finance colleague comments**

- 15.1 This report represents a further step in a continuing budget process that will culminate in the Chief Finance Officer's assessment of the robustness of the proposed 2024/25 budget and adequacy of reserves statement contained within the final report presented to Executive Board in February 2024.
- 15.2 In the majority of officer developed savings proposals, the application of service redesign has been adhered to against the principle of the lowest resource deployment possible to comply with the necessary legal obligations for service delivery. In instances where there is no legal duty to provide or undertake activity and instead a legal power is the appropriate consideration, then activity has been designed in such a way as to remove the provision. The primary purpose of this approach is to try and ensure sufficient savings can be tabled to allow the Council to set a balanced budget for 2024/25. There are in a limited number of instances, proposals that are not put against the Duties and Powers framework (equivalent to legal minimum) as there are alternative means of delivering a service that provides for a greater level of financial savings, these are all services that have a large proportion of income associated with them that can be commercialised in a way that yields a greater financial benefit.
- 15.3 It should also be noted that some proposals are increases to fees and charges and not the application of the Duties and Powers methodology.

16. **Legal colleague comments**

- 16.1 The recommendations in this report of themselves raise no significant legal issues but need to be viewed in the context of the s114 (3) report recently issued by the s151 Officer and the legal requirement to set a balanced budget for 2024/25.. before 11 March 2024. This report should be viewed as one of the formal steps to achieving that requirement. The report also approves the requirement to formally consult the public on elements of the budget proposals in accordance with the statutory requirements. Any responses received as a result of the consultation will need to be fully and properly considered.
- 16.2 The Council has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services, and decisions on implementation of policies developed outside the Council.

Malcolm R. Townroe – Director of Legal and Governance – 11 December 2023

17. **Procurement comments**

- 17.1 Not applicable

18. **Crime and Disorder Implications**

- 18.1 Not applicable

19. **Social value considerations**

19.1 Not applicable

20. **Regard to the NHS Constitution**

20.1 Not applicable

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

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

Not at this stage but will be.



21.2 An EIA is not required because any decisions relating to the draft budget proposals will be set out in further reports to Executive Board and Full Council in February 2024. Equality Impact Assessments are being carried out, where appropriate, for all relevant budget proposals and a summary will be provided with these reports.

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

22.1 Not applicable.

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

23.1 The carbon impact assessment of proposed proposals will be considered in due course.

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

24.1 None

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

- S114 (3) report issued by the s.151 officer – 29 November 2023
- Budget Strategy and Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2027/28 – 18 July 2023 Executive Board
- Budget 2023/24 – 6 March 2023 City Council
- Medium Term Financial Plan 2023/24 to 2026/27 – 21 February 2023 Executive Board