



Additional Agenda Items

This is a supplement to the original agenda and includes reports that are additional to the original agenda

Nottingham City Council Executive Board

Date: Tuesday 16 November 2021

Time: 2:00pm

Place: Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG

Governance Officer: Adrian Mann **Direct Dial:** 0115 8764468

Agenda	Pages
10 Medium Term Financial Plan 2022/23 to 2025/26 Report of the Portfolio Holder for Finance and Resources	3 - 36

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Subject:	Medium Term Financial Plan 2022/23 to 2025/26
Corporate Director(s)/Director(s):	Clive Heaphy, Interim Corporate Director for Finance and Resources
Portfolio Holder(s):	Councillor Sam Webster, Portfolio Holder for Finance and Resources
Report author and contact details:	Lisa Kitto, Interim Deputy Section 151 Officer and Strategic Finance Lead lisa.kitto@nottinghamcity.gov.uk
Other colleagues who have provided input:	Richard Grice, Transformation Programme Director Richard Henderson, Director of HR and EDI
Subject to call-in: <input type="checkbox"/> Yes <input type="checkbox"/> No An exemption from call-in has been requested from the Chair of the Overview and Scrutiny Committee, on the grounds of urgency	
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 checked="" type="checkbox"/> No	
Type of expenditure: <input type="checkbox"/> Revenue <input type="checkbox"/> Capital	
Total value of the decision: Nil	
Wards affected: All	
Date of consultation with Portfolio Holder(s): Throughout August to November 2021	
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): This report updates Members on progress in developing the Council's Medium Term Financial Plan (MTFP) for the 4-year period 2022/23 to 2025/26 and builds on both the Council's Recovery and Improvement Plan and its Strategic Council Plan, each of which prioritise achieving sustainable medium term finances as a sound platform for the provision of Council services. This report seeks approval to enter into consultation on current savings proposals recognising that	

further work needs to be undertaken to eliminate the expected financial gap over the medium term.

Budget and MTFP proposals incorporate revenue and capital proposals for the General Fund and Housing Revenue Account (HRA). Whilst the legal requirement is to approve the 2022/23 budget by 11 March 2022, it is accepted that best practice is to deliver a 4-year costed and balanced plan showing both financial pressures and how those pressures will be dealt with as part of a medium term sustainable approach.

The MTFP is predicated on a number of assumptions that may change over time, the details of which are set out in the report. The report does however reflect the likely impact of some of the Spending Review announcements made on the 27 October 2021 although the full extent of the impact on the Council's finances will only become clearer when the Provisional Settlement for Local Government is announced in December. For now, the report sets a framework and an approach to delivering a balanced budget in line with statutory requirements. This includes some proposals for delivering savings in 2022/23 and future years which the Council is now consulting on.

Once the finance settlement has been announced, any variation in assumptions will be reflected and updated in the MTFP for presentation to the Executive Board in February 2022 and will inform the final budget proposals at Full Council in March 2022.

The revenue element of the MTFP is set out in the context of:

- increased demand for services, in particular those relating to Adults Social Care and Children's Social Care, which is expected to continue over the life of the plan;
- a challenging financial position with some ongoing impact of the Covid-19 pandemic on the Council's finances and the need to remain financially sustainable and resilient; and
- lack of certainty over future funding that impacts on the Council's ability to carry out any long term financial planning.

This initial assessment of the MTFP is based on the following key assumptions:

- a. a starting budget gap of **£28 million** for 2022/23 rising to **£38.1 million** in 2025/26, driven largely by inflationary and demand pressures and a reduction in Covid-19 funding from 2021/22 levels;
- b. assumed 2022/23 Settlement Funding Assumptions of **£123.1 million**, details of which are as yet unconfirmed and will be updated as part of the February 2022 MTFP Executive Board report;
- c. a proposed increase in basic council tax from April 2022 of **1.99%** and an additional increase of **1%** Adult Social Care Precept to fund the pressures in Adult Social Care as permitted by Government for 2022/23. This results in a total proposed increase in Council Tax of **2.99%** for 2022/23. The MTFP for the period 2023/24-2024/25 assumes an increase of **2.99%** per annum comprising the same mix of funding, however, is subject to further clarification as part of the Provisional Settlement. The assumed Council Tax increase for 2025/26 is **1.99%**;
- d. Cost Pressures of **£14.1 million** in 2022/23 rising to **£34.3 million** in 2025/26, arising primarily from pressures in Children's and Adult Services;
- e. an assumed pay award of **2.75%** on the lowest point and **1.75%** on all other points for 2021/22 and **2%** pa for 2022/23 to 2025/26;
- f. new savings of **£12.2 million** for 2022/23, of which **£3.9 million** requires public consultation; and
- g. a remaining gap of **£15.7 million** for 2022/23, for which the Council is actively looking at options on how this may be achieved, including some focussed work on transformation of how Council services are delivered.

Total savings proposals, address only **44%** of the projected financial gap rather than the entire

gap and, therefore, further work is ongoing over the coming weeks to address this and deliver both a balanced budget for 2022/23 and a balanced MTFP.

As it stands, a further **£15.7 million** still needs to be identified for the 2022/23 financial year, rising to **£24.2 million** in 2025/26. Opportunities and options to deliver more savings in 2022/23 and future years, are set out in the report.

The HRA element of the report provides an update on the key issues and assumption updates that will need to be considered as part of the MTFP process, including inflation, ongoing impact of Covid-19, legislative requirements and the outcomes of the rent and service charges policy review.

The report provides an update on the Capital Programme following the mid-year review. The findings from the review are that the forecast levels of debt have reduced more than anticipated when the budget was originally set and that there remain some unfunded priorities that need to be considered. The February MTFP report will provide a full update on the Capital Programme.

The Council's Chief Financial Officer (Section 151 Officer) has a statutory duty to make an assessment of the robustness of the budget and adequacy of reserves. The MTFP to be presented to February 2022 Executive Board will provide this assessment.

Exempt information: None

Recommendation(s):

- 1** To endorse the draft public consultation proposals as set out in **Appendix 1** and to commence formal public consultation on those proposals.
- 2** To note the progress in the development of the budget for 2022/23 and the Medium Term Financial Plan for years 2022/23 to 2025/26.
- 3** To approve that, where any staffing reductions result from measures taken to address the budget gap outlined in this report, reductions be supported through a voluntary redundancy approach and that redundancy compensation be in accordance with the Council's agreed Discretionary Compensation Regulations Policy provisions for voluntary redundancies.
- 4** To note the progress to date and the principles of the Transformation Programme.
- 5** To note the key issues affecting the budget assumptions for Housing Revenue Account for 2022/23.
- 6** To note the mid-year review of the Capital Programme including compliance with the Voluntary Debt Reduction Policy.
- 7** To note that further work is underway to identify ways in which a balanced budget can be achieved and that this will form part of the report to Executive Board in February 2022.

1 Reasons for recommendations

- 1.1 This report seeks endorsement of the Council's first phase of its draft budget and MTFP proposals for 2022/23 to 2025/26 to enable public consultation to commence. Further work is needed to produce a legally compliant budget and a medium term financial plan. Consultation will run from 16 November 2021 to 10 January 2022. This report is being presented to the November Executive Board and is earlier than previous years reports to enable a longer consultation period. The responses to the

consultation will be considered and any proposed changes will be considered by the Executive Board in February 2022.

- 1.2 This first phase in the development of the Council's budget and MTFP provides the context of the financial environment in which the Council is operating that supports and informs the commencement of the budget consultation period. The MTFP covers a 4 year period as part of the Council's need to ensure there is a longer term financial planning framework within which the Council's financial sustainability can be assessed and assured and which can be used to inform longer term decision making.
- 1.3 The report sets out the assumptions made for the revenue element of the MTFP and the proposals to reduce costs that will contribute towards the delivery of a balanced budget. As it stands, there is still a budget gap remaining and further work is underway within the Council to identify other savings options. The report also sets out some of the areas under consideration where further savings may be achieved. It should also be noted that details of the Council's funding for next year from Government is as yet unknown and any changes to the assumptions currently made will be reflected in the February Executive Board report following the Provisional and Final settlements.
- 1.4 These proposals build on the existing budget approved in March 2021. This existing budget includes savings proposals relating to leisure and libraries. It is to be noted that the Executive Board will consider specific draft proposals to deliver these savings for the basis of consultation with all stakeholders. The intention is to bring these proposals for consideration to the Executive Board in January 2022 and for the specific consultation exercises on these proposals to be undertaken in the early part of 2022.
- 1.5 The newly formed Transformation Programme will be the Council's key strategy for achieving long term sustainability and is expected to deliver both better customer outcomes and significant savings over the period of the MTFP. The outcome of this work will contribute significantly to meeting the financial gap and will be overseen by the Board. Details of progress to date and guiding principles are included within this report.
- 1.6 Proposals that include workforce reductions will be subject to internal consultation with Trade Unions and affected colleagues. Details of such proposals may, therefore, be amended during the consultation period and may impact on the way in which identified proposals will be delivered.

2 Background

Nottingham City

- 2.1 Nottingham is a great place to live, work, study and play. It is a culturally vibrant, diverse and attractive city where families want to live, businesses want to invest, students want to study at our two global universities, and people want to visit for a good day out.
- 2.2 It is a young and growing city of **332,900** people, with **51%** of citizens under the age of 30 and a local population that is projected to increase by over **13,000** people over the next decade.
- 2.3 It is a diverse city, where local people have a strong sense of community, built on our shared history, challenge and creative spirit, and is a place where collaboration and

new creative voices are encouraged and heard. Of our local population, **35%** are from a Black and Minority Ethnic (BAME) background, higher than the England average of **14%** and this is expected to increase to over **40%** once the outcome of this year's census become known next year.

- 2.4 We are a dynamic city with 65,000 students from two Universities, but we face a number of long term challenges to our prosperity and wellbeing, both as a city and as an organisation, with significant and increasing demand for the vital statutory services we provide, such as adult social care and child protection.
- 2.5 Nottingham ranks as the **11th** most deprived area in the country, and some of our neighbourhoods are amongst the **10%** most deprived areas in England. Local people face significant health inequalities, with men and women in some of our poorest areas dying **12** years earlier on average than those in our most affluent areas.
- 2.6 Employment and skills are long standing challenges, with the unemployment rate of people in the city higher (**7.8%**) than the England average (**6.4%**), and the skill levels in the city generally lower, with **69.8%** of working adults having entry level skills (equivalent to 5 good GCSE passes) compared to the average for England of **75.6%**.
- 2.7 In addition, the ongoing Covid pandemic has exacerbated those long-standing inequalities in income, health and opportunity in Nottingham, with the worst impacts being felt by our most deprived and diverse communities.
- 2.8 This is not unique to Nottingham, and a similar picture can be seen across the UK, but in light of Covid we must redouble our efforts to tackle inequality in Nottingham, and support our city and people as we recover from the pandemic. Nottingham has a particularly low Council Tax base meaning that a great proportion of our residents pay at Band A and B than is comparable councils. This leads to a higher Council Tax needed to derive the same yield than other Councils.
- 2.9 We will work with local people and our partners to deliver the outcomes in the **Strategic Council Plan** that will make Nottingham a world-class city that is **Safe, Clean, Ambitious** and **Proud**, but we must ensure that we do this within our means, based upon a sustainable financial position.
- 2.10 This will mean transforming the way we deliver some services and doing some things differently with the help of our communities and partners.

Strategic Council Plan 2021-23: Safe, Clean, Ambitious and Proud

- 2.11 The Council's refreshed Strategic Council Plan 2021-23 was formally adopted as City Council policy at Full Council on 13 September 2021 and replaces the existing Council Plan 2019-23. The Plan sets out our overall vision for Nottingham and the City Council, including eleven high level outcomes that the Council believes are key to delivering on the ambitions for our people and our city. The outcomes will help us to address some of the biggest challenges Nottingham faces, while continuing to deliver the modern, effective and value for money public services that local people deserve, and ensuring the Council's finances are manageable and sustainable over the medium to long term. The Plan details our key priorities and activities, as well as how we will measure and report on our performance to the public and partners in a clear and transparent way. The eleven high level outcomes are:

1. Clean and connected communities
2. Keeping Nottingham Working

3. Carbon Neutral by 2028
4. Safer Nottingham
5. Child-friendly Nottingham
6. Healthy and Inclusive
7. Keeping Nottingham Moving
8. Improve the City Centre
9. Better Housing
10. Financial Sustainability
11. Serving People Well

Adult Social Care

- 2.12 The vision for adult social care is that all older and disabled citizens in Nottingham will be enabled to live as independently as they can, be connected into their communities and that where formal care and support is needed it will help to retain and restore independence. The key projects within our transformation programme will focus on early intervention and prevention, choice and control and retaining independence.
- 2.13 Adult Social Care, including Whole Life Disability services, is the largest area of net expenditure for the Council at **£89m** for 2021/22. Covid and the continued varying impact on demand and capacity for the health and care sector continues to provide challenges for the Council and the budget proposals reflect increased demand for services.
- 2.14 Based on a continuation of progress against the Better Lives, Better Outcomes strategy; benchmarking data; and engagement with frontline staff, people who use services and partners - Adult Social Care has developed an ambitious transformation programme, including 20 projects that cover three key areas:
- **Prevention:** projects that will 'prevent, reduce or delay' need for care and support;
 - **Service offer:** projects that will focus on ensuring that people have choice and control over what happens to them and how support meets their needs in the most appropriate setting for them, and;
 - **Enablers:** projects that will underpin the delivery of all other changes, encompassing the use of technology, updated standards and policies and effective workforce recruitment and retention. The programme aims to deliver the Social Care Futures Inquiries' 5 key changes to the residents of Nottingham:
 1. Communities where everyone belongs;
 2. Living in the place we call home;
 3. Leading the lives we want to live;
 4. More resources, better used;
 5. Sharing power as equals.

Children's Social Care

- 2.15 Nottingham has a high young population compared to other cities, with **51%** of the population below 30. In 2019, **58.5%** of Nottingham's children live in workless or low income families. The number of young people, and those living in poverty directly impacts on the number of children requiring support from Children's services.

- 2.16 There is a continuing financial impact of demand pressures within children's social care due to the challenges faced by families through the Covid pandemic, the cost of care packages and the increasing complexity of cases. The Council's services for children are also recognised to require improvement to be good, following an Ofsted Focused Visit in 2020, which identified priority areas for action needed to improve the quality of practice and workforce capacity.
- 2.17 The Council's children in care population is around **700**, which represents an increase of around **10.4%** since 2016. Although we have seen a steeper increase in the most recent years, it is noted that the overall growth in the last five years, is lower than national and regional growth. However, nationally recognised challenges in the placement market, the increasing complexity of cases alongside the recent increase in the number of children in care, are impacting availability, driving up costs and creating significant budgetary pressures. The Children's net budget for 2021/22 is **£66m**.

Education

- 2.18 Passenger Transport for children and young people is an area of significant expenditure for the Council. It is a vital statutory service that provides transport to the most vulnerable children, young people and disabled adults in the city. The net budget to the Council is **£1.7m**. Some services are delivered through in house services and others are commissioned externally and a three year transport transformation project has been launched. The focus will be increasing options and the ability for disabled young people and adults to travel independently, whilst delivering cost efficiencies through a full procurement review, including market development of community based transport provision through, for example, supporting community interest companies or social enterprise models. Transport costs are, however, subject to the volatility of fuel costs, and labour market pressures alongside demand growth in terms of the increase in school age children with complex health and multiple disabilities.
- 2.19 The growth in demand for support for children and young people with Special Education Needs and Disability (SEND) in Nottingham is mirrored nationally. Funding is primarily delivered through the High Level Needs (HLN) block of the Dedicated Schools Grant (DSG) – the grant the council receives to primarily fund our schools and early years providers. As a result of increased demand, government funding has increased over the last three years. In 2021/22 NCC received **£45m** high needs funding and in 2022/23 the Council is forecast to receive **£49.9m**. This increase represents the maximum allowable increase under the government National Funding Formula.
- 2.20 However, the High Needs budget is subject to the greatest demand pressures. Our local policy is to promote and support inclusive practice by placing as many of our Special Educational Needs and Disability (SEND) pupils as possible in mainstream school settings. This does require us to ensure there is investment in terms of both fully accessible learning environments and specialist services and support for teaching and learning. Our policy does, however, reduce the demand on more expensive Special School or out of authority placements.
- 2.21 Nationally Local Authorities are facing significant increases in demand linked to the High Needs budget.

2.22 The reductions in the allocation of the Central Schools Services Block (as per the implementation of the National Funding Formula) are captured within the MTFP and the latest budget gaps.

Homelessness

2.23 The introduction of the Homelessness Reduction Act (HR Act) in April 2018 significantly extended the responsibilities of local authorities to prevent and relieve homelessness, which has resulted in more people seeking support and for longer. Nottingham City Council has a statutory duty to provide Temporary Accommodation for qualifying households and the demand for Temporary Accommodation has increased at the same time as its availability decreasing (due to reduced turnover).

2.24 At the onset of the legislative change, the supply of Temporary Accommodation in Nottingham was insufficient to respond to the increased level of demand and we consequently had to utilise Bed & Breakfast (B&B) provision to meet our statutory duties. However, whilst this provision is instantly accessible, it is also the most unsuitable and expensive option.

2.25 Over the past 3 years, Nottingham City Council has been delivering an approach to reduce use of B&B provision and minimise spend against the increased financial burden of fulfilling the statutory duty to provide Temporary Accommodation. However, whilst significant progress has been made, pressure is acute and some use of B&B remains necessary. Therefore, **£0.8m** of ongoing investment in 2021/22 is reflected within the financial plans, which aligns with our operational projection of the cost required to meet our statutory obligations.

2.26 The charts below highlight the management of B&B use offset against the continually increased demand for Temporary Accommodation. Figure A. shows use of Temporary Accommodation has increased by **73%** since the introduction of the HR Act. However, Figure B. shows use of B&B reducing from a peak of **102** households to consistently lower levels.

Figure A. Snapshot number of households in Temporary Accommodation at quarter end

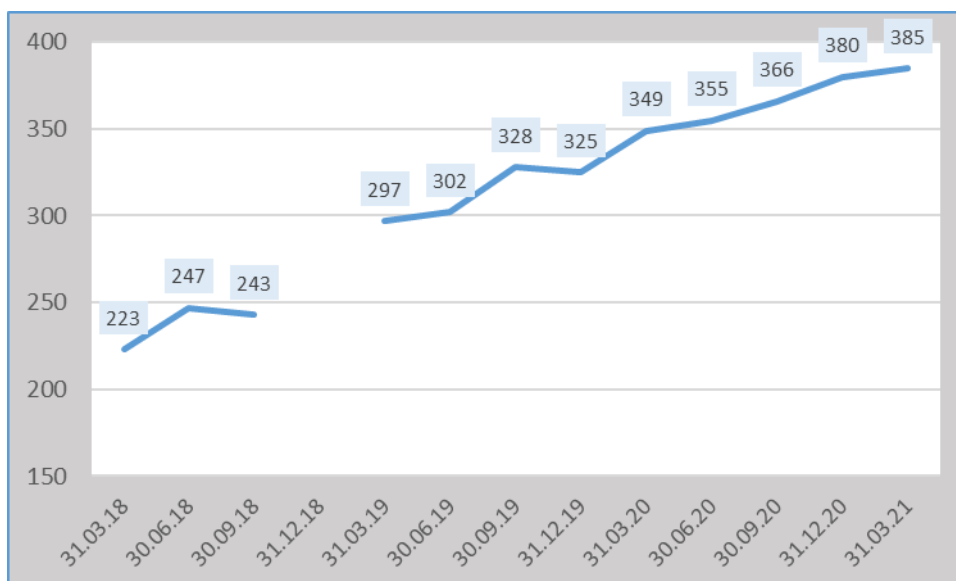
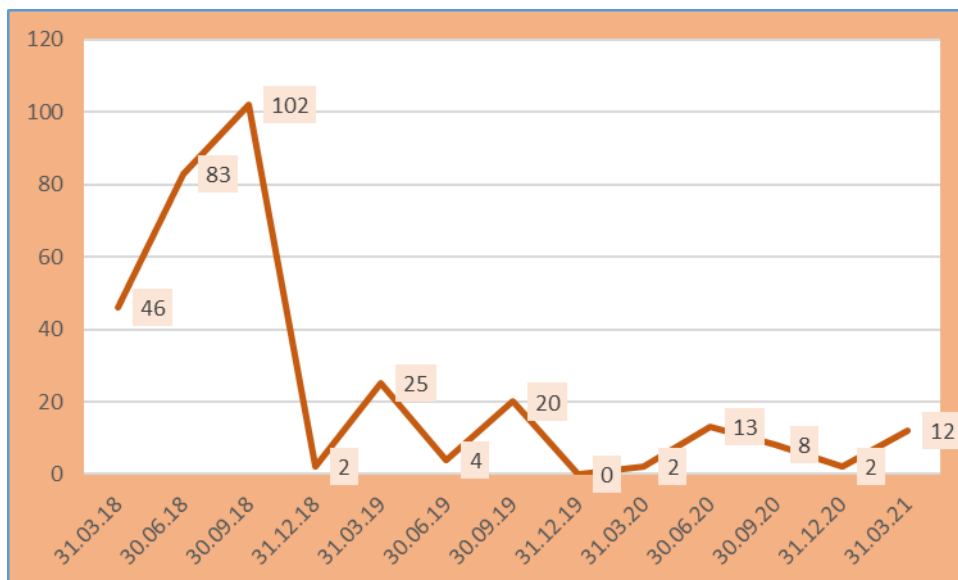


Figure B. Snapshot number of households in B&B at quarter end



2.27 To reduce B&B use and spend, Nottingham City Council has increased supply of alternative forms of Temporary Accommodation from under **90** units at the beginning of 2018 to over **350** units currently. This has been achieved through purchasing, leasing from private property owners, utilising council-owned stock, licensing arrangements facilitated by Nottingham City Homes and commissioning Registered Providers

2.28 However, in order to further minimise use and spend on B&B we need to reduce the number of people needing Temporary Accommodation. Therefore, we are investing ring-fenced grant funding and working with local partners to help to prevent people from losing their homes and supporting people to find alternative housing and avoid/reduce time in Temporary Accommodation. Activities includes:

- restructuring the Housing Aid service to enable delivery of critical preventative casework;
- enhancing the Private Rented Sector assistance scheme to offer more support to landlords and tenants and optimise tenancy attainment and sustainment;
- aligning the focus of community sector advice and support agencies to help reduce the risk of homelessness;
- working across the public sector to collectively tackle the reasons for homelessness;
- data monitoring, analysis and detailed monthly projections to performance check, horizon scan and target interventions in problem areas.

2.29 Whilst the approach is robust, there are a number of factors that will impact on success which, at this time do predicate further spend in subsequent financial years. Crucially, demand is anticipated to increase further following the residual impact of the Covid pandemic and the ability to source move on accommodation is increasingly challenging due to limited availability of social housing and affordable private sector options.

Companies

- 2.30 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 mainly arising from the ongoing economic impact of Covid on business models. This has impacted on dividends and other loan repayments that are factored into the Council's budget.
- 2.31 The Recovery and Improvement Plan includes a theme dedicated to the Council's companies. This theme seeks to reach a clear determination on the future and direction of each Council company within a coherent and effectively managed commercial strategy. It will do this by addressing the following key objectives:
- Provide greater visibility of company performance and risk profile of the wider City Council group.
 - To reduce overall complexity and simplify the management and oversight of all core Council activities by reducing the number or alternative delivery vehicles.
 - To strip out duplication of overhead and management costs by bringing core functions in house where there is no imperative to maintain externalised delivery vehicles.
 - To identify opportunities to generate capital receipts to the Capital Programme through divestment of interests in profitable activities that are outside the City Council's core competence
 - To establish robust shareholder controls and assurance mechanisms for those companies Nottingham City Council maintains.

3 Recovery and Improvement Plan, Improvement Board and Strategic Council Plan 2021-23

Public Interest Report

- 3.1 In August 2021 our External Auditors issued a Public Interest Report (PIR). The Council accepted in full the recommendations of the PIR and is implementing an Action Plan to improve the governance of its companies. This includes the establishment of a Shareholder Unit and a Company Governance Committee which, together with the Audit Committee and Overview & Scrutiny Committee, will monitor the implementation of the recommendations arising from the PIR. The PIR can be found at <https://www.nottinghamcity.gov.uk/public-interest-report/>

Rapid Non-Statutory Review (NSR) into Nottingham City Council

- 3.2 Following issuance of the Auditor's PIR, the Secretary of State for Housing, Communities and Local Government appointed Max Caller CBE in late October 2020 to lead a rapid, non-statutory review at the Council. The purpose of the review was to provide assurance on the financial position of the Council, its governance arrangements and the commercial and investment issues identified by the Council's External Auditors, Grant Thornton, in the PIR published on 11 August 2020. This review involved providing the review team with a significant number of reports and interviews with senior colleagues and Councillors. The findings from the review were published in November 2020 and details can be found at: <https://www.gov.uk/government/publications/nottingham-city-council-rapid-review>
This plan will be updated in early 2022.

- 3.3 Arising from the NSR was the Secretary of State requirement to establish an Improvement Board under the leadership of Sir Tony Redmond and the development

of a Recovery and Improvement Plan to address the issues raised in the Plan and accepted by the Council.

Recovery and Improvement Programme

- 3.4 The Recovery and Improvement Plan and programme will incorporate the Transformation Programme and is a key driver for delivering a new affordable Council Plan and providing modern citizen-focussed services within an affordable cost envelope. This will also be a key area of work for the Improvement Board. Full Council approved the plan on 25 January 2021 and it can be found at:
<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=156&MId=8931>

Improvement and Assurance Board

- 3.5 The Improvement and Assurance Board provides external advice, challenge and expertise to the Council in driving forward the development and delivery of our three-year Recovery Plan. The Board will be working with the Council over the next three years to help the Council to deliver at pace while providing assurance to Government. The Council will be able to draw on their expertise and experience over a range of issues. The board's membership is:
- Independent Chair – Sir Tony Redmond
 - Leader of the Council – Cllr David Mellen
 - Independent external member (finance lead) - Sean Nolan
 - Independent external member (companies lead) – Robin Hughes

4 Local Financial Context

Funding - Government Settlement

4.1 The source of Council funding has altered in recent years with a greater proportion of overall funding coming from Council Tax and less from Revenue Support Grant (RSG). **Chart 1** below shows the Council's actual MTFP figures used with the 'core spending power' methodology for 2013/14 to 2021/22. This shows a change in the mix of funding over the years including increasing percentage of overall funding from Council Tax and a reducing percentage from Revenue Support Grant (RSG).

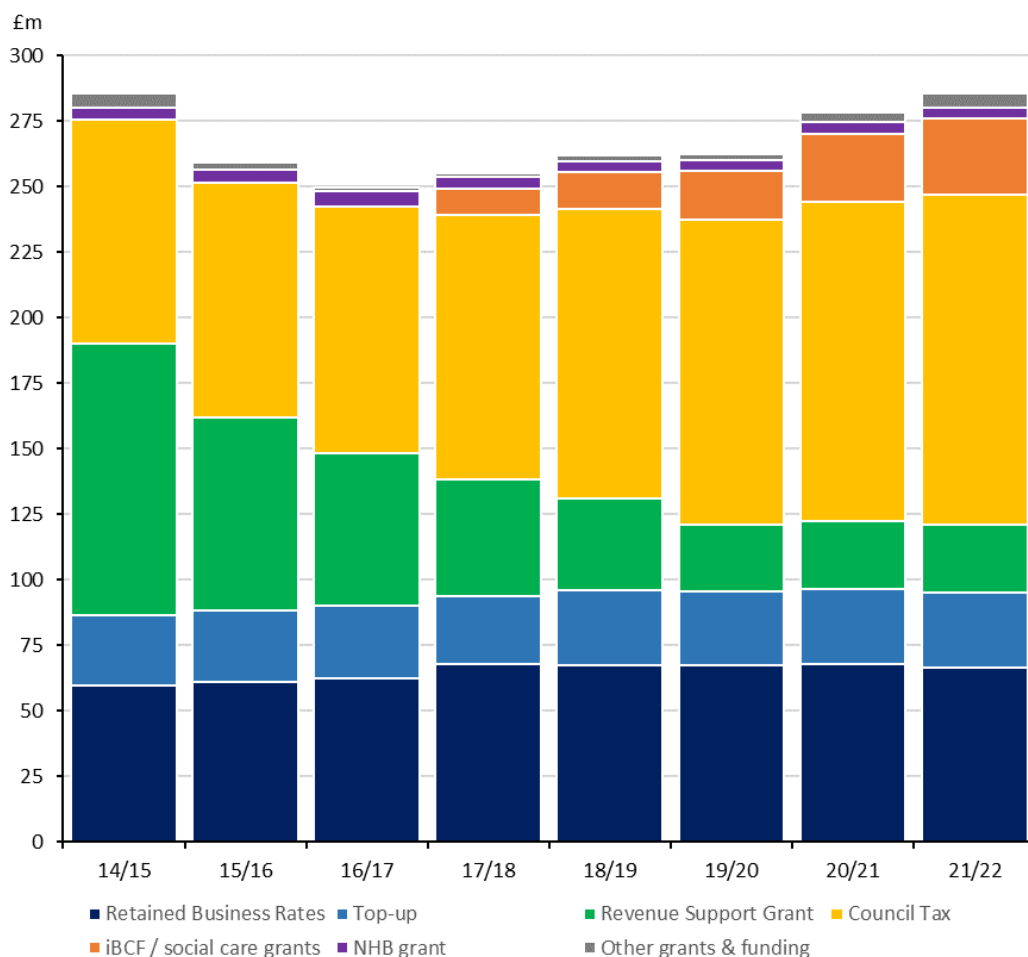


Table 1 below shows the absolute figures used for the chart above

Table 1 : Actual MTFP figures used with 'Core Spending Power' methodology								
	14/15 £m	15/16 £m	16/17 £m	17/18 £m	18/19 £m	19/20 £m	20/21 £m	21/22 £m
Retained Business Rates	59.733	60.964	62.276	67.987	67.460	67.504	67.899	66.476
Top-up	26.796	27.308	27.536	25.605	28.584	28.125	28.584	28.584
Revenue Support Grant	103.264	73.792	58.379	44.485	34.981	25.332	25.745	25.887
Council Tax	85.835	89.108	94.212	100.947	110.406	116.101	121.807	126.056
iBCF / social care grants	0.000	0.000	0.000	10.127	14.242	18.763	25.907	28.955
NHB grant	4.471	5.012	5.631	4.293	3.811	4.067	4.432	4.013
Other grants & funding	5.255	3.076	1.292	1.398	2.190	2.184	3.848	5.612
Core Spending Power	285.356	259.260	249.325	254.843	261.673	262.076	278.222	285.582
% annual change		-9.1%	-3.8%	2.2%	2.7%	0.2%	6.2%	2.6%

Council Tax

- 4.2 Since 2016/17 an element of the Council Tax has been to fund the increasing costs of Adult Social Care and the annual increase has sometimes been a combination of Basic Council Tax increases and Adult Social Care precept. **Table 2** below shows the history of the Council Tax rises and what has been attributable to Basic Council Tax and Adult Social Care increases and the value.

Table 2 : Council Increases – percentage and value of increase								
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Percentage Increase								
Basic Increase	1.95%	1.95%	1.95%	1.99%	2.99%	2.99%	1.99%	1.99%
ASC Precept			2.00%	3.00%	3.00%		2.00%	3.00%
Total Increase	1.95%	1.95%	3.95%	4.99%	5.99%	2.99%	3.99%	4.99%

Band D Equivalent value								
Base	£1,404.42	£1,431.80	£1,459.67	£1,517.32	£1,593.03	£1,688.45	£1,738.93	£1,808.31
Basic Increase	£27.38	£27.87	£28.46	£30.20	£47.63	£50.48	£34.60	£35.99
ASC Precept			£29.19	£45.51	£47.79		£34.78	£54.25
Band D total	£1,431.80	£1,459.67	£1,517.32	£1,593.03	£1,688.45	£1,738.93	£1,808.31	£1,898.55

Cumulative Savings

- 4.3 Over the period 2010/11 to 2021/22, the Council has had to make cumulative budget savings totalling **£303.1m**.

Covid Impact

- 4.4 The longer term financial scarring costs of Covid remain a financial challenge for the Council and continue to impact on the Council's income and returns from Companies. The gross financial impact of Covid in 2020/21 was **£66.5m** due to a combination of additional costs and lost income. This has been partially offset by unringfenced Covid grants and income compensation of **£50.1m**, leaving an unfunded Covid gap of **£16.5m**. This is in addition to **£2.9m** in 2019/20. This takes the unfunded cost of Covid (mainly a loss of income for which no compensation was available) from 2019/20-2020/21 to **£19.4m**. The financial impact of Covid has been widespread across the Council departments. This includes lost income from leisure centres, Theatre Royal / Concert Hall, parking income, Workplace Parking Levy and rental income from the Property Trading Account and also returns from Companies. In addition to lost income there has been increased expenditure as a result of the pandemic to support care providers and PPE.
- 4.5 The MTFP has been constructed assuming cumulative lost income of **£10.8m** in 2022/23 as a result of Covid. This reduces over time to **£4.7m** by 2025/26 however a return to pre-Covid income levels is not forecast within the current MTFP.

2021/22 budget monitoring

- 4.6 The Qtr1 2021/22 budget monitoring position was reported to September 2021 Executive Board and this showed a **£10.9m** adverse variance to budget. In response to this and, recognising the need to deliver a balanced position, the Council's S151 Officer introduced spending controls that have since been applied to all non-essential spend.
- 4.7 Since then, The Qtr2 (period 6) budget monitoring has been produced and shows a much improved position of a forecast overspend of **£2.0m**. The Qtr2 budget

monitoring report will be presented to Executive Board in December. The in-year budget pressure has been incorporated in the MTFP assumptions and will continue to be updated throughout the year up to the point at which the 2022/23 budget is set.

5 Developing the MTFP 2022/23 – 2025/26

MTFP – funding assumptions

5.1 The draft MTFP has been constructed on the principle of applying an inflationary uplift for business rates, top up & Revenue Support Grant (RSG), in a similar manner to the actual last two rolled over settlements received and therefore the figures in **Table 3** are notional and will be updated following the Provisional Settlement.

Revenue Support Grant (RSG)

5.2 Authorities currently continue to receive RSG from the Government in addition to their retained business rates. The City Council received **£25.9m** in 2021/22 representing an inflationary increase of **0.6%** or **£0.1m** from the previous year. **Table 3** below shows the RSG and inflationary increase assumed over the four year MTFP.

Retained Business Rates

5.3 With the localisation of Business Rates it is necessary for the Council to estimate the amount of Business Rates to be collected. The locally retained element of Business Rates is **50%**, of which the Council retains **49%** and **1%** is received by Nottinghamshire and City of Nottingham Fire and Rescue Authority. The monitoring and estimating of Business Rates is a local responsibility and the financial risk due to the volatility within Business Rates (including post Covid recovery and outstanding appeals) has an impact on the Council's overall funding.

The draft MTFP is based upon an assumed CPI percentage uplift on retained Business Rates as shown in **Table 3** below.

Top-Up Grant

5.4 Under the retained Business Rates system any authority whose Business Rates income is less than their initial 'baseline' funding level, as is the case for Nottingham, will receive the balance as a 'top-up' grant. The Council received **£28.6m** for 2021/22 and in line with other funding assumptions within the draft MTFP assumes an annual inflationary increase.

Table 3 : Draft MTFP Settlement Funding Assumptions				
	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
RSG	(26.358)	(26.938)	(27.428)	(27.977)
Retained Business Rates	(67.686)	(69.175)	(70.434)	(71.842)
Top-up	(29.104)	(29.744)	(30.285)	(30.891)
Total	(123.148)	(125.857)	(128.147)	(130.710)
Assumed inflationary increase	1.8%	2.2%	1.8%	2.0%

Council Tax & Adult Social Care Precept

5.5 The Council Tax – Determination of the 2022/23 Tax Base report will be presented to January 2022 Executive Board and the outcomes from this report will be reflected in

the updated MTFP to be presented to February 2022 Executive Board. The draft MTFP is based on the following key assumptions:

- Assumed increase in basic Council Tax of **1.99%** per annum;
- A Band D equivalent tax base after Council Tax Support Scheme, reliefs and exemptions of **69,736** for 2022/23;
- Underlying tax base growth of **600** Band D equivalents per annum, resulting in a tax base of **71,536** band D equivalents by 2025/26;
- Collection rate of **97.5%**.

5.6 The draft MTFP is based upon an assumed annual **1.0%** Adult Social Care precept for each of the first three years due to the anticipated three year settlement. The updated MTFP for February 2022 Executive Board will include any updates or changes to this assumption following the Provisional and Final Settlement announcements.

Table 4 below details the assumptions for total Council Tax income from 2022/23 to 2025/26

Table 4 : Draft MTFP Council Tax Assumptions				
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Basic Council Tax	(117.273)	(120.951)	(124.754)	(128.687)
Adult Social Care Precept	(15.673)	(17.148)	(18.688)	(18.846)
Total	(132.946)	(138.099)	(143.441)	(147.533)

Inflationary increases assumed:	%	%	%	%
Basic Council Tax	1.99	1.99	1.99	1.99
Adult Social Care Precept	1.00	1.00	1.00	-
Total Council Tax increase	2.99	2.99	2.99	1.99

New Homes Bonus (NHB)

5.7 The NHB rewards local authorities for increasing the number of new, occupied and affordable homes. The Government consulted in February 2021 on the 'Future of the New Homes Bonus'. The details of any possible replacement for the scheme are currently unknown, however the MTFP assumes in 2022/23 a one off legacy payment of **£0.8m**.

MTFP – Costs and Pressures assumptions

5.8 The budget assumptions have been reviewed and updated to take account of changes in key areas including:

- Demand/Pressures
- Inflationary factors
- Funding changes
- Policy and Statutory Requirements

Demand/Pressures

5.9 Pressures continue to be a significant driver for the budget gap. Demand pressures continue within Children's Services; the longer term impact from Covid in relation to reduced income and impact on the returns from companies. **Table 5** below summarises the driver for these pressures in terms of demand, reduced income, companies and unachieved savings and is presented showing the cumulative impact on the MTFP.

Table 5 : Pressure type (cumulative from 2021/22 base)				
Item	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Covid	(7.153)	(12.185)	(13.977)	(14.660)
BAU - demand	8.632	16.553	25.969	35.334
BAU - grant reduction	3.637	5.491	7.288	7.298
BAU - contractual	0.578	1.347	0.747	0.919
BAU - various	4.037	4.179	4.300	4.300
Companies	1.517	1.111	1.111	1.111
On-going	11.248	16.495	25.439	34.301
BAU - one-off	2.800			
One-off	2.800	0.000	0.000	0.000
Total	14.048	16.495	25.439	34.301

Table 6 below shows the pressures by Portfolio.

Table 6 : Pressures by Portfolio				
Lead Portfolio	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Adults & Health	5.477	12.134	18.710	23.917
Children & Young People	6.543	10.166	14.166	18.466
Energy, Environment & Waste Services	(0.634)	(0.976)	(0.942)	(0.908)
Finance & Resources	0.004	(0.732)	(0.732)	(0.732)
Highways, Transport & Cleansing Services	(1.025)	(1.975)	(3.352)	(3.618)
Housing, Planning & Heritage	0.030	0.176	0.176	0.176
Leisure, Culture & Schools	(1.874)	(4.191)	(4.601)	(5.014)
Neighbourhoods, Safety & Inclusion	(0.208)	(0.486)	(0.545)	(0.545)
Skills, Growth & Economic Development	2.600	0.148	0.148	0.148
Strategic Regeneration & Communications	1.498	0.999	1.179	1.179
Corporate/Companies	1.638	1.232	1.232	1.232
Total	14.048	16.495	25.439	34.301

Table 7 below shows the annual change to the pressures assumptions.

Table 7 : Pressure type (annual amounts)				
Item	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Covid	(7.153)	(5.032)	(1.792)	(0.683)
BAU - demand	8.632	7.921	9.417	9.364
BAU - grant reduction	3.637	1.854	1.797	0.010
BAU - contractual	0.578	0.769	(0.599)	0.172
BAU - various	4.037	(2.659)	0.121	0.000
Companies	1.517	(0.406)	0.000	0.000
On-going	11.248	2.447	8.944	8.863
BAU - one-off	2.800	0.000	0.000	0.000
One-off	2.800	0.000	0.000	0.000
Total	14.048	2.447	8.944	8.863

Inflation (including Pay inflation)

5.10 Nottingham City Council is part of the national pay bargaining framework and is bound by national agreements. At the time of writing the report the national pay offer for 2021/22 has yet to be agreed. The draft MTFP assumes pay awards of **2.0%** pa for each year of the MTFP. When the 2021/22 budget was set, a pay freeze (with the

exception of a £250 increase for salaries less than £24,000) was expected and therefore no budget provision below this exception was included. Since then, the Government has consulted the Trades Unions on a pay award and although this has not yet been agreed, for the purposes of the MTFP, a pay award of **2.75%** at the lowest point and **1.75%** on all other points has been assumed. Any variation to these assumptions in 2021/22 or 2022/23 will need to be managed accordingly.

- 5.11 For non-pay costs, the budget assumes no general inflation. Specific contractual inflation is reflected in the identified pressures as appropriate. There remain some risks, particularly in relation to energy process where there is a significant amount of market and price volatility and care costs that are likely to be impacted by the increase in the National Living Wage. **Table 8** below details the inflation assumptions included within the MTFP.

Table 8 : Inflation				
Budget Item	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Assumed 2% pa pay envelope	4.000	8.000	12.000	16.000
Net impact of 21/22 pay award	0.918	0.918	0.918	0.918
Total	4.918	8.918	12.918	16.918

Corporate / technical adjustments

- 5.12 **Table 9** summarises the corporate adjustments that include anticipated movements in the financing of the capital programme and debt portfolio, movements in reserves, net impact of changes in specific grants and various other changes.

- Details of specifics that need highlighting

Table 9 : Corporate / Technical adjustments				
Budget Item	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Fall out of one-off COVID funding	17.363	17.363	17.363	17.363
Fall out of New Homes Bonus	3.210	4.013	4.013	4.013
Assumed increase in other grants	(2.247)	(2.445)	(2.612)	(2.798)
Reserve movements & other technical adj.	1.257	6.011	6.082	6.135
Improvement Board costs	0.000	0.000	(0.300)	(0.300)
Payback 21/22 Overspend (P6 forecast)	2.020			
Total	21.602	24.942	24.546	24.412

Previously agreed savings

5.13 **Table 10** summarises the continuing impact on the 2022/23 budget of saving decisions made in previous budget rounds that are already factored into the MTFP.

Table 10 : Previously agreed savings				
Lead Portfolio	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Adults & Health	0.337	0.337	0.337	0.337
Children & Young People	(0.762)	(0.782)	(0.782)	(0.782)
Energy, Environment & Waste Services	(0.155)	(0.155)	(0.155)	(0.155)
Finance & Resources	(1.028)	(1.028)	(1.028)	(1.028)
Highways, Transport & Cleansing Services	(0.347)	(0.107)	(0.107)	(0.107)
Housing, Planning & Heritage	0.045	0.045	0.045	0.045
Leisure, Culture & Schools	(1.070)	(1.102)	(1.102)	(1.102)
Neighbourhoods, Safety & Inclusion	(0.363)	(0.363)	(0.363)	(0.363)
Skills, Growth & Economic Development	0.234	0.259	0.259	0.259
Strategic Regeneration & Communications	(0.519)	(0.519)	(0.519)	(0.519)
Corporate	0.031	0.475	0.404	0.351
Total	(3.597)	(2.941)	(3.012)	(3.065)

5.14 **Table 11** sets out the revised forecast position once all the revised funding and costs/pressures have been taken into account. From the table it can be seen that the revised gap for 2022/23 has increased to **£5.3m** and **£17.8m** for future years.

Table 11 : Refreshed MTFP				
Item	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
21/22 Net Budget	243.744	243.744	243.744	243.744
Pressures	14.048	16.495	25.439	34.301
Pay Inflation	4.918	8.918	12.918	16.918
Corporate / Technical adjustments	21.602	24.942	24.546	24.412
Previously agreed savings	(3.597)	(2.941)	(3.012)	(3.065)
Projected Net Budget	280.715	291.158	303.634	316.310
Settlement	(123.148)	(125.857)	(128.147)	(130.710)
Council Tax	(132.946)	(138.099)	(143.441)	(147.533)
Collection Fund deficit	3.336	1.262	0.000	0.000
Projected Funding	(252.757)	(262.693)	(271.589)	(278.243)
Refreshed Budget gap	27.958	28.464	32.046	38.067
Projected gaps as at March 2021	22.691	25.200	21.965	20.250
Movement in gaps	5.266	3.264	10.081	17.817

External Support / Capitalisation

5.15 In December 2020 the Council applied to MHCLG to treat **£35m** of its revenue costs as capital. This was not to balance the 2021/22 budget – but to spread out costs to limit the impact on reserves and to provide funding for a transformation programme. In response to this request the Secretary of State approved a total capitalisation of **£20m** in 2020/21 subject to a number conditions.

5.16 With respect to 2021/22 the Secretary of State is minded to approve a capitalisation direction of a total not exceeding **£15m** which may be subject to conditions which would be set out in the capitalisation direction when issued.

- 5.17 Executive Board on 12 March 2021 accepted the capitalisation package in the sum of **£35m**, noting that **£20m** for 2020/21 is on terms that are certain and that the balance of up to **£15m** will be subject to further confirmation from the Secretary of State, subject to demonstrating need and mutually agreeable terms.
- 5.18 The Council has yet to consider its position in respect of requesting this additional sum and will do so in the light of its overall package of proposals and its reserves.

6 Savings Proposals

- 6.1 In order to close the current **£28.0m** budget gap **£12.2m** of new 2022/23 Portfolio savings are included within the draft MTFP rising to **£13.8m** in 2025/26, of which **£3.9m** in 2022/23 require public consultation. **Table 12** below summarises the total value of savings by Portfolio.
- 6.2 As part of the Council's Recovery & Improvement Plan is to ensure long term financial sustainability it is recognised that savings delivered through transformation will play a key role. A hybrid approach that delivers business as usual savings as well as transformation savings has been adopted. Detail around the transformation savings will emerge as part of the next phase of the work on the MTFP.

Lead Portfolio	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Adults & Health	(2.108)	(2.875)	(3.947)	(4.180)
Children & Young People	(1.918)	(2.747)	(2.747)	(2.747)
Energy, Environment & Waste Services	(0.328)	(0.080)	(0.080)	(0.080)
Finance & Resources	(0.714)	(0.537)	(0.537)	(0.537)
Highways, Transport & Cleansing Services	(0.647)	(0.525)	(0.525)	(0.525)
Housing, Planning & Heritage	(0.022)	(0.022)	(0.022)	(0.022)
Leisure, Culture & Schools	(0.529)	(0.060)	(0.060)	(0.060)
Neighbourhoods, Safety & Inclusion	(1.190)	(0.940)	(0.940)	(0.940)
Skills, Growth & Economic Development	(0.911)	(0.281)	(0.331)	(0.381)
Strategic Regeneration & Communications	(0.613)	(0.200)	(0.200)	(0.200)
Corporate	(3.260)	(4.061)	(4.161)	(4.161)
Total	(12.238)	(12.327)	(13.550)	(13.833)

- 6.3 **Table 13** below summarises by value the proposals which require Public Consultation with details of these individual proposals in **Appendix 1**

Lead Portfolio	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Adults & Health	0.000	0.000	0.000	0.000
Children & Young People	(1.918)	(2.747)	(2.747)	(2.747)
Energy, Environment & Waste Services	(0.080)	(0.080)	(0.080)	(0.080)
Finance & Resources	0.000	0.000	0.000	0.000
Highways, Transport & Cleansing Services	(0.397)	(0.525)	(0.525)	(0.525)
Housing, Planning & Heritage	(0.022)	(0.022)	(0.022)	(0.022)
Leisure, Culture & Schools	(0.202)	0.000	0.000	0.000
Neighbourhoods, Safety & Inclusion	(1.146)	(0.896)	(0.896)	(0.896)
Skills, Growth & Economic Development	(0.114)	(0.134)	(0.134)	(0.134)
Strategic Regeneration & Communications	0.000	0.000	0.000	0.000
Corporate	0.000	0.000	0.000	0.000
Total	(3.878)	(4.404)	(4.404)	(4.404)

- 6.4 The remaining **£8.4m** of new savings do not require Public Consultation but have been included within **Appendix 2** for transparency and detailed in **Table 14** below.

Table 14 : New Savings Proposals not requiring Public Consultation				
Lead Portfolio	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Adults & Health	(2.108)	(2.875)	(3.947)	(4.180)
Children & Young People	0.000	0.000	0.000	0.000
Energy, Environment & Waste Services	(0.248)	0.000	0.000	0.000
Finance & Resources	(0.714)	(0.537)	(0.537)	(0.537)
Highways, Transport & Cleansing Services	(0.250)	0.000	0.000	0.000
Housing, Planning & Heritage	0.000	0.000	0.000	0.000
Leisure, Culture & Schools	(0.327)	(0.060)	(0.060)	(0.060)
Neighbourhoods, Safety & Inclusion	(0.044)	(0.044)	(0.044)	(0.044)
Skills, Growth & Economic Development	(0.797)	(0.147)	(0.197)	(0.247)
Strategic Regeneration & Communications	(0.613)	(0.200)	(0.200)	(0.200)
Corporate	(3.260)	(4.061)	(4.161)	(4.161)
Total	(8.360)	(7.924)	(9.146)	(9.429)

- 6.5 Whilst the savings outlined above go some way to achieving a balanced budget, there does remain a gap of **£15.7m** for 2022/23 and further gaps in future years as detailed in **Table 15**. Work is currently ongoing across the Council to identify other proposals for savings.

Table 15 : Progress in developing the MTFP – remaining budget gaps				
Budget Item	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Updated gap	27.958	28.464	32.046	38.067
Proposed portfolio savings	(12.238)	(12.327)	(13.550)	(13.833)
Gap after proposed portfolio savings	15.719	16.137	18.496	24.234

7 Finalising the 2022/23 Budget

- 7.1 There are a number of key factors that will influence and shape the next phase of the budget process. The Provisional Local Government Settlement expected in December 2021 will provide greater certainty around funding levels and based on recent announcements, some additional funding may be available. Whilst this is welcome news there will be additional costs from the National Living Wage, the increase in National Insurance Contributions and any announcements on public sector pay award. All of these will need to be factored in.
- 7.2 The Chancellor's Budget Announcement on 27 October provided some high-level facts that will inform the Local Government Finance Settlement. At this stage it is not possible to determine the financial impact on the Council's budget although it is anticipated that additional funding will be received although this will need to offset some of the anticipated additional costs including the National Living Wage and National Insurance Contributions as outlined earlier in the report.
- 7.3 Notwithstanding any funding announcement, the Council will continue to pursue options for more savings, namely through focussed work on the recently launched transformation programme and also a review of its vacant posts across the Council that no longer need to be filled. Both of these are significant pieces of work and require more time before the detail can be validated and incorporated with any certainty into the financial plans of the Council.

Transformation Programme

7.4 In July 2021 Executive Board approved funding in response to the Recovery and Improvement Plan and the Council has:

- Established a broad portfolio of transformation programmes and projects;
- Established a Transformation Office to oversee the programme;
- Established a clear governance structure and processes to enable clear a timely decision-making;
- Initiated development programmes to increase the change capability of the organisation.

Transformation Portfolio

7.5 The portfolio of transformation projects is constantly evolving and currently consists of a pipeline of over 30 projects managed under directorate, cross-cutting and enabling themes. This may grow further over time. All transformation proposals are assessed against a clear set of design principles that describe the way the council will operate in the future, to ensure they both produce required savings and continue to modernise the operation of the council. These principles provide the guiderails for reviewing and re-designing council services and thus provide a clear set of criteria for decisions on transformation investment and resourcing:

- a. We design our services with residents and communities, rather than holding the power ourselves;
- b. We act in ways which build on individual, family and community strengths rather than starting with what needs a council service can fill;
- c. We take a whole family approach, seeing and understanding people in the round rather than through a particular service's view;
- d. We join up our interactions in order to streamline them and provide more holistic support;
- e. We reduce the variation in how we do things, rationalising our systems and standardising, simplifying, digitising and automating our processes wherever appropriate;
- f. We promote diversity in our experience, ethnicity, sexuality, health, disability, and ways we think at every level;
- g. We deploy our staff more flexibly, to enable us to focus on our priorities and move at pace;
- h. We will be smaller and more streamlined.

7.6 Business cases are being developed for priority projects, to be evaluated against these criteria. The initial business cases will be completed in three waves. The first wave will be finalised by the end of November 2021. It will consist of substantial programmes of change for Adults and Children's Services; a customer programme that will cut across all council interactions with residents to simplify and digitise contact; reform of the way the council manages its property portfolio; and reform of the way the council manages contracts and third party expenditure.

7.7 Preliminary estimates, supported by work in conjunction with PWC and Newton Europe, suggests that significant transformation savings may be achievable. Outline

estimates suggest transformation savings of **£4.3m** in 2022/23, **£8.9m** in 2023/24, **£12.5m** in 2024/25 and **£14.3m** in 2025/26. It is however, only when detailed business cases have been completed that the Council will consider reporting transformation savings as a firm way of closing its gap.

- 7.8 A second wave of business cases is due to complete by February 2022 and will include proposals for: changes in the way the council manages many of its commercial operations; organisation of resident services in neighbourhoods; organisation of administrative support within the council; and the council's management of ICT.
- 7.9 A further wave of cases for change will cover a range of processes that are core to the operation of the council, such as: management of debt owed to the council; print services; and financial management.
- 7.10 Further detailed public consultation will take place on specific transformation proposals where there is an impact on service delivery as part of our duty to consult. In addition, any proposed reduction in staff numbers that result from change projects will be subject to council policies.

Vacancies/Voluntary Redundancy

- 7.11 In light of continuing financial pressures faced by the Council, proposals to make further reductions in its operating costs and its workforce are contained within this report. In the first instance, the Council is reviewing all vacant posts with a view to removing any that can be deleted through efficiencies and new ways of working. The level of saving that this will deliver cannot yet be quantified but a high level assessment has confirmed that this will yield savings.
- 7.12 It is likely that the proposed savings options and the transformation work will result in some redundancies. In anticipation of this, the approach to redundancy is currently being developed and will be brought forward as part of the next phase of the budget setting process. Work is also underway to identify funding, primarily reserves, that may be available to support any redundancy costs that are likely to be incurred. Any utilisation of reserves to support redundancy costs will need to be paid back over time to ensure that reserves remain at a suitable level to manage financial risks.

Companies

- 7.13 The Chartered Institute of Public Finance and Accountancy (CIPFA) has been engaged by the Council to undertake data-based review and diagnostic work on council-owned companies and those in which we have a substantial interest. The recommendations identified by CIPFA will feed into the recovery and improvement plan activities and inform the Council's future decisions on company holdings.

8 Reserves

General Fund Reserves

- 8.1 The general fund reserve is an un-earmarked fund balance to cover unanticipated / unbudgeted necessary costs and is informed by the possible financial risks in a single budget year. The Council is aiming at a level of reserves at **7.5%** of net budget given current and projected volatilities. The general fund balance as at 1 April 2021 was **£12.6m**, equating to **5.2%** of the Council's budget.

8.2 As part of a strategic approach to strengthen financial resilience and sustainability, the MTFP includes a planned contribution to the general reserves of **£1.0m** per annum.

Earmarked Reserves

8.3 In addition to the general fund, the Council held balances of **£157.1m** in earmarked reserves at 31 March 2021 which includes schools reserve balances of **£18.3m**. Earmarked reserves are set aside to provide for specific future expenditure plans. A summary of the earmarked reserves position is set out in **Table 16** below.

8.4 Earmarked reserves, by their very nature, are set aside for specific purpose and it should be noted that the Council's earmarked reserves include a number of reserves with specific grant conditions attached to them which ensures that they can only be used for specific expenditure.

8.5 The Contingency and Risk reserve as at the 31 March 2021 included **£30.8m** Business Rate Relief Grant from Central Government in response to the Covid pandemic which the Council received in advance to assist with cash flow and to allow the Council to help the businesses of Nottingham. Although these amounts were received in 2020/21, they primarily relate to the 2021/22 financial year and this grant will be discharged against the Collection Fund deficit in 2021/22.

8.6 In response to the Council's financial position the S151 / Deputy S151 officer now approves all movements within reserves and this process takes place quarterly. The **Table 16** below show the draft position as at 30 September and Executive Board in December 2021 will be asked to approve the movements as part of the September review.

Table 16 : Earmarked reserves as at 31 March 2021 and 30 September 2021				
	31 March 2021	Outturn 2020/21	Other Movements	Draft 30 September 2021
	£m	£m	£m	£m
Restricted Reserves:				
Capital	2.951		3.783	6.734
Schools	18.344		0.000	18.344
Total Restricted Reserves	21.295	0.000	3.783	25.078
Other Reserves:				
Asset Maintenance	2.536		0.101	2.637
Contingency & Risk	50.263	1.856	(29.609)	22.510
Information Technology	7.099		0.939	8.038
Local Economy	2.352		(0.100)	2.252
Private Finance Initiatives	32.705	20.592	(6.844)	46.453
Services	8.921		(1.091)	7.830
Transformation	(0.452)	15.000	(1.000)	13.548
Treasury Management	25.916		2.098	28.014
Workforce	6.495		(0.068)	6.427
Total Other Reserves	135.835	37.448	(35.574)	137.709
Total	157.130	37.448	(31.791)	162.786

9 Housing Revenue Account (HRA)

- 9.1 The February 2021 approved HRA MTFP for 2022/23. There is a potential surplus of **£1.2m**. Work is currently underway to update the HRA budget.
- 9.2 The key issues affecting the HRA in 2022/23 are:
- **Inflation.** Due to the current level of inflation, the Council could potentially increase rents up to **4.1%** in April 2022 (CPI September 2021 + 1%). This has previously been assumed in the MTFP at 2% In line with forecast inflation levels. Any rent uplift will need to be prioritised to fund the inflationary pressures experienced by the HRA, especially for management and repairs costs and the housing capital programme. However, any rent uplift will need to be given careful consideration as they will add to the financial pressures already being experienced by tenants;
 - **Covid** The ongoing impact of the pandemic on rent collection and operational activities;
 - **Rent Policy and Service Charges** A review of the Council's rent policy and service charges to tenants is currently underway, any recommendations arising from this will need to be incorporated into the budget report for consideration;
 - **Fire Safety Act 2021** The HRA will be impacted by the Fire Safety Act 2021 and the Building Safety Bill. Some provision has been made for associated costs, but further work will be needed to establish the full costs of compliance;
 - Work is also ongoing to review the assumptions in particular those relating to rent setting options, in order to produce a balanced budget for 2022/23.

10 Capital Programme

- 10.1 The Capital Programme is being developed in line with the Council's approved capital strategy. As part of Nottingham City Council's Improvement Plan the Council committed itself to reducing the current high levels of debt to a more sustainable level of debt in the medium to long term. This included a strict Voluntary Debt Reduction Policy that restricted the Council's ability to borrow over the medium term in order to reduce its absolute level of debt and reducing its associated cost of debt.
- 10.2 A mid-year review analysing current spend profile, current multi-year forecast and the impact on the approved control total including Voluntary Debt Reduction Policy (VDRP) has been carried out and will be reported formally to the Executive Board in December 2021. The key findings of the review are:
- Actual capital expenditure incurred at Quarter 2 is **18.5%** of the projected outturn position for 2021/22. This is in comparison to prior year capital spend at Quarter 2 ranging from **22.7%** to **28.3%** and based on performance in previous years, There is a significant risk of slippage that may only emerge and be reported later in the financial year and current projections and forecasts are currently being reviewed to mitigate against this;
 - The debt reduction policy has been implemented and forecast levels of debt have reduced more than was anticipated when the 2022/23 budget was set;
 - There remain some unfunded priorities that need to be considered in the context of other emerging priorities. These include Broadmarsh Redevelopment and the District Heating System.

10.3 Proposals for new capital projects are currently being developed and will form part of the budget proposals in February. Proposals will be considered by the Councils Capital Board and will need to meet the requirements set out within the approved capital strategy and comply with the funding parameters that have also been agreed for new schemes.

11 Other options considered in making recommendations

11.1 Throughout the budget process a range of different options have been considered including various levels of council tax, investment and cost reductions. 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.

12 Consideration of Risk

12.1 Risk comments are contained within the body of the report.

13 Finance colleague comments (including implications and value for money/VAT)

13.1 Finance comments are contained within the body of the report.

13.2 A detailed and comprehensive risk assessment has been undertaken in order to inform the CFO's assessment of the affordability of these budget plans and the consequent recommended levels of reserves and contingencies. This is summarised in robustness of the budget and adequacy of reserves statement contained within this report.

14 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)

14.1 The Council is required to set a balanced budget for 2022/23 before 11 March 2022.

14.2 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.

15 Equality Impact Assessment (EIA)

15.1 An EIA is not required because any decisions relating to the draft budget proposals will be set out in further reports to Executive Board in February 2022 and to the full Council in March 2022. Equality Impact Assessments are being carried out, where appropriate, for all relevant budget proposals and a summary will be provided with these reports.

16 Data Protection Impact Assessment (DPIA)

16.1 Not applicable.

17 Carbon Impact Assessment (CIA)

17.1 Not applicable.

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

18.1 None.

19 Published documents referred to in this report

19.1 Review of the 2021/22 Revenue and Capital Budgets at 30 June 2021 (Quarter1), 21 September 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=9109>

Pre-audit Corporate Financial Outturn 2020/21, 20 July 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=9108>

Transformation and Improvement Update, 20 July 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=9108>

Request to the Ministry for Housing, Communities and Local Government (MHCLG) to capitalise revenue costs (capitalisation), 12 March 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8975>

Budget 2021/22, 8 March 2021 Full Council

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=155&MId=8633>

Budget 2021/22 and Medium Term Financial Outlook, 23 February 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8590>

Nottingham City Council Recovery and Implementation Plan, 19 January 2021 Executive Board

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8589>

New Savings Proposals requiring Public Consultation (see Table 13)

Appendix 1

	Department	Service Area	Title of Proposal	Narrative	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
			None		-	-	-	-
Adults & Health					0.000	0.000	0.000	0.000
1	People	Early Help	NGY Services	Ending the grant funding of the youth services and NGY base provided by Base 51	(0.200)	(0.180)	(0.180)	(0.180)
2	People	Early Help	Play & Youth Services - Excluding buildings	Reduction of the service to provide targeted youth provision only. All play services would cease and there will be a reduction in staffing.	(0.615)	(0.838)	(0.838)	(0.838)
3	People	Early Help	Play & Youth Services - Buildings only	Reduction of the Play and Youth buildings in line with a reduced service as above	0.000	(0.165)	(0.165)	(0.165)
4	People	Early Help	Children's Centres - Excluding buildings	The Early Help service will operate from only three Children's Centres across the City, with a reduction in staffing and early help offer to families	(0.332)	(0.449)	(0.449)	(0.449)
5	People	Early Help	Children's Centres - Building Only	Children's Centres operate from three centres. 6 Centres would close	0.000	(0.344)	(0.344)	(0.344)
6	People	Early Help	CAMHS City Wide Service	Working with the Clinical Commissioning Group and Public Health to transform Child and Adolescent Mental Health Services (CAMHS)	(0.215)	(0.215)	(0.215)	(0.215)
7	People	Children In Care	Agency Decision Maker (ADM) for Adoption and Fostering	Currently delivered by an external consultant this would be delivered in house within the senior management team	(0.019)	(0.019)	(0.019)	(0.019)
8	People	Strategy & Improvement	Management reductions in Strategy and Improvement	Reduction in management capacity within Strategy and Improvement section	(0.028)	(0.028)	(0.028)	(0.028)
9	People	Strategy & Improvement	Business Support	Savings linked to reductions in Play & Youth and Children's Centre provision	(0.200)	(0.200)	(0.200)	(0.200)
10	People	Targeted Family Support	Targeted support to children and families	Review and reconfiguration of Targeted Family Support and Edge of Care Services to consolidate and target the offer.	(0.309)	(0.309)	(0.309)	(0.309)

	Department	Service Area	Title of Proposal	Narrative	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Children & Young People					(1.918)	(2.747)	(2.747)	(2.747)
11	Resident Services	Waste	Waste Collection - Bulky Waste	Introduce a proposed charge for bulky waste, including discount schemes	(0.080)	(0.080)	(0.080)	(0.080)
Energy, Environment & Waste Services					(0.080)	(0.080)	(0.080)	(0.080)
			<i>None</i>		-	-	-	-
Finance & Resources					0.000	0.000	0.000	0.000
12	Growth & City Development	Public Transport	Public Transport	Reduced link bus services mean fewer buses in operation, leading to a maintenance saving (£100k) Scholars pass upgrade to Robin Hood Card no longer available other than for SEN children (£35k)	(0.135)	(0.135)	(0.135)	(0.135)
13	Growth & City Development	Public Transport	Withdrawal of school bus service A1	Alternative services available on the commercial network	(0.026)	(0.040)	(0.040)	(0.040)
14	Growth & City Development	Public Transport	Medilink fare increase	Increase fares for greater alignment with commercial network	(0.010)	(0.010)	(0.010)	(0.010)
15	Growth & City Development	Public Transport	Bus service reductions	Reduce the frequency on a number of services, but retain links to out of town employment and education destinations and to essential services and amenities. The majority of households would continue to have access to a public transport service	(0.226)	(0.340)	(0.340)	(0.340)
Highways, Transport & Cleansing Services					(0.397)	(0.525)	(0.525)	(0.525)
16	Growth & City Development	Planning (Heritage)	Heritage Strategy Officer	Delete Heritage Strategy Officer post	(0.022)	(0.022)	(0.022)	(0.022)
Housing, Planning & Heritage					(0.022)	(0.022)	(0.022)	(0.022)
17	Resident Services	Libraries & Culture	Libraries reduction in spend 2022/23 only	A 12 months reduction in spend within the Libraries Services including the book fund, events, themed activity and IT replacement	(0.202)	0.000	0.000	0.000
Leisure, Culture & Schools					(0.202)	0.000	0.000	0.000
18	Resident Services	Community Protection	Area Based Grants	Reduction in the Area based Partnership Grant funding in line with overall council budget reductions	(0.236)	(0.236)	(0.236)	(0.236)
19	Resident Services	Community Protection	Community Grants	Reduction in Community Grants funding in line with overall council budget reductions	(0.055)	(0.055)	(0.055)	(0.055)

	Department	Service Area	Title of Proposal	Narrative	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
20	Resident Services	Operations	Community Safety and Regulatory Services review	Full review of Community Safety and Regulatory services.	(0.250)	0.000	0.000	0.000
21	Resident Services	Community Protection	Community Development team	Creation of a new Community Development team through merger of the existing Neighbourhood Management and Community Cohesion teams	(0.192)	(0.192)	(0.192)	(0.192)
22	Resident Services	Regulations	Introduce a Residents Parking Permit charging Scheme	1st permit free (residential or visitor), 2nd permit £35 and 3rd permit £50	(0.413)	(0.413)	(0.413)	(0.413)
Neighbourhoods, Safety & Inclusion					(1.146)	(0.896)	(0.896)	(0.896)
23	Growth & City Development	Economic Development Policy and Partnerships	Reduction in contribution to Futures	To reduce the funding allocated to Futures by £50k	(0.050)	(0.050)	(0.050)	(0.050)
24	Resident Services	Facilities Management	Public Toilets	Introduce a charge for the Greyhound Street toilets.	(0.032)	(0.052)	(0.052)	(0.052)
25	Resident Services	Facilities Management	Public Toilets	Close the public convenience on Victoria Embankment	(0.032)	(0.032)	(0.032)	(0.032)
Skills, Growth & Economic Development					(0.114)	(0.134)	(0.134)	(0.134)
			None		-	-	-	-
Strategic Regeneration & Communications					0.000	0.000	0.000	0.000
Total Savings Proposals requiring Public Consultation					(3.878)	(4.404)	(4.404)	(4.404)

New Savings Proposals not requiring Public Consultation (see Table 14)

Appendix 2

	Department	Service Area	Title of Proposal	Narrative	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
1	People	Adult Health and Social Care	Backdated and extended fairer charging for care services	Charges are backdated to the start of long term service rather than after the financial assessment. People are charged as soon as their reablement episode is complete and aims are met, at average independent sector rate, for their service from the council's in-house homecare and Social Care Reablement services	(0.098)	(0.098)	(0.098)	(0.098)
2	People	Adult Health and Social Care	Nottingham Pathway Service and strengths-based practice	On-going benefits of the continued development of strengths based work, primarily from the pathways service and preventive approaches with people who are new/relatively new to social care, supporting access to work, volunteering and activities they choose	(0.150)	(0.150)	(0.150)	(0.150)
3	People	Adult Health and Social Care	Liberty Protection Safeguards - delay implementation preparation	Delay commissioning a provider to support preparation for implementation of new legislation due to delayed implementation of new legislation	(0.500)	0.000	0.000	0.000
4	People	Adult Health and Social Care	Proactive reviews and timely assessments	Invest in capacity to carry out more planned and proactive person centred reviews and assessments, in a more timely way, resulting in less failure demand, opportunities to right-size care packages and to apply preventive approaches	(1.275)	(1.879)	(1.879)	(1.879)
5	People	Adult Health and Social Care	Proactive reviews and timely assessments - from the transformation programme	Invest in capacity to carry out more planned and proactive person centred reviews and assessments, in a more timely way, resulting in less failure demand, opportunities to right-size care packages, and apply preventive approaches. To include Occupational Therapy-led assessments and strengths-based approaches	0.000	(0.430)	(1.270)	(1.270)
6	People	Adult Health and Social Care	CCG contributions to work streams	CCG are asked to fund services that meet health needs	(0.029)	(0.029)	(0.029)	(0.029)

	Department	Service Area	Title of Proposal	Narrative	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
7	People	Adult Health and Social Care	Shared Lives - Expansion of service	Expansion of the Shared Lives service to make more placements available for people to live in a family home environment with personalised care provided from within the family unit	(0.056)	(0.289)	(0.522)	(0.754)
Adults & Health					(2.108)	(2.875)	(3.947)	(4.180)
			None		-	-	-	-
Children & Young People					0.000	0.000	0.000	0.000
8	Growth & City Development	Energy Services	Management fee maximisation	Maximisation of Midlands Energy Hub Management fee	(0.248)	0.000	0.000	0.000
Energy, Environment & Waste Services					(0.248)	0.000	0.000	0.000
9	Finance & Resources	IT	Contract damages	Contract damages	(0.100)	0.000	0.000	0.000
10	Finance & Resources	IT	Application Rationalisation	Reduce the number of IT applications	(0.050)	(0.050)	(0.050)	(0.050)
11	Finance & Resources	IT	Commercial income	Additional income from commercial activity arising through two projects	(0.091)	(0.021)	(0.021)	(0.021)
12	Finance & Resources	Human Resources	Employability Budget	Reduce the budget allocated to fund apprenticeship salaries and increase focus on use of the levy and recruiting to entry level posts	(0.250)	(0.250)	(0.250)	(0.250)
13	Finance & Resources	Executive & Majority Support	Councillor Development Budget	To freeze the spend on Councillor Development for full year 2022/23	(0.007)	0.000	0.000	0.000
14	Resident Services	Neighbourhood Services	Building Cleaning	Improve the efficiencies of the building cleaning across council buildings	(0.177)	(0.177)	(0.177)	(0.177)
15	Resident Services	Neighbourhood Services	Mechanical & Electrical Service	Redesign the Electrical team to ensure effective and efficient ways of working	(0.039)	(0.039)	(0.039)	(0.039)
Finance & Resources					(0.714)	(0.537)	(0.537)	(0.537)
16	Growth & City Development	Major Projects	Release of a lighting scheme budget	Release of £250k which had been provisionally ring-fenced within the street lighting financial model to cover the upfront and ongoing costs arising from a potential decorative lighting project	(0.250)	0.000	0.000	0.000
Highways, Transport & Cleansing Services					(0.250)	0.000	0.000	0.000

	Department	Service Area	Title of Proposal	Narrative	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
			None		-	-	-	-
Housing, Planning & Heritage					0.000	0.000	0.000	0.000
17	People	Education	Thorneywood Education Centre	Thorneywood Education Centre is identified for disposal, this will release the budget allocated to manage this site	(0.060)	(0.060)	(0.060)	(0.060)
18	Resident Services	Libraries & Culture	Libraries reduction in spend 2022/23 only	Reduced running costs in 22/23 whilst the projects for the Central Library and Sherwood Library are undertaken	(0.266)	0.000	0.000	0.000
Leisure, Culture & Schools					(0.327)	(0.060)	(0.060)	(0.060)
19	Resident Services	Community Partnerships	Community Centres	Reduction in maintenance cost due to reduced number of buildings	(0.044)	(0.044)	(0.044)	(0.044)
Neighbourhoods, Safety & Inclusion					(0.044)	(0.044)	(0.044)	(0.044)
20	Growth & City Development	Business Growth	ITS Tram Ducting contract buy out option	The Council receives an annual income amount from this agreement but the option for buying out of this agreement is being considered	(0.700)	0.000	0.000	0.000
21	Growth & City Development	Economic Development Policy and Partnerships	D2N2 membership reduced	Each authority contributes an annual amount as part of involvement in D2N2 of £62,500	(0.030)	(0.030)	(0.030)	(0.030)
22	Growth & City Development	Business Growth	Marketing NG	To reduce the Councils core funded contribution for place marketing and Inward Investment activity to Marketing NG.	0.000	(0.050)	(0.100)	(0.150)
23	Resident Services	Facilities Management	Public Toilets - Change to cleaning provision	Change cleaning arrangements and reduce staffing levels	(0.067)	(0.067)	(0.067)	(0.067)
Skills, Growth & Economic Development					(0.797)	(0.147)	(0.197)	(0.247)
24	Resident Services	Planned Maintenance	Planned Maintenance	One off reduction in the cost of maintenance of Council buildings	(0.345)	0.000	0.000	0.000
25	Growth & City Development	Strategic Assets and Property	Property rent income	To increase the amount of rental income received via a specific project on rent reviews and lease renewals. This saving is net of the costs of resource to undertake this work	(0.200)	(0.200)	(0.200)	(0.200)
26	Growth & City Development	One Nottingham	One Nottingham	One off contribution from One Nottingham	(0.050)	0.000	0.000	0.000

	Department	Service Area	Title of Proposal	Narrative	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
27	Finance & Resources	Communication & Marketing	Arrow	Switch printed Spring edition of the resident publication (Arrow) to digital edition only	(0.008)	0.000	0.000	0.000
28	Finance & Resources	Communication & Marketing	Reduce the Corporate Campaign budget	Reduce corporate campaign budget	(0.010)	0.000	0.000	0.000
Strategic Regeneration & Communications					(0.613)	(0.200)	(0.200)	(0.200)
29	Corporate	Corporate	Corporate Contingency	Remove the Corporate Contingency budget	(1.475)	(1.475)	(1.475)	(1.475)
30	Corporate	Corporate	Treasury Management	Realignment of the Treasury Management to support the latest forecast position and activity relating to borrowing and investments	(1.685)	(2.286)	(2.286)	(2.286)
31	Cross-cutting	Commissioning & Procurement	Procurement / contract spend	Efficiency target for procurement / contract spend against recurrent contracts based upon category management driving change in how requirements are tendered to ensure value for money	(0.100)	(0.300)	(0.400)	(0.400)
Corporate					(3.260)	(4.061)	(4.161)	(4.161)
Total Savings Proposals not requiring Public Consultation					(8.360)	(7.924)	(9.146)	(9.429)

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