

# Public Document Pack



**Nottingham  
City Council**

## Additional / To Follow Agenda Items

This is a supplement to the original agenda and includes reports that are additional to the original agenda or which were marked 'to follow'.

### Nottingham City Council Executive Board

**Date:** Tuesday, 19 March 2024

**Time:** 2.00 pm

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

**Governance Officer:** Phil Wye **Direct Dial:** 0115 8764637

#### Agenda

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**Executive Board – 19 March 2024**

<b>Subject:</b>	Period 9 2023/24 Budget Monitoring
<b>Corporate Director(s)/Director(s):</b>	Ross Brown, Corporate Director Finance and Resources, S151 Officer
<b>Portfolio Holder(s):</b>	Councillor Audra Wynter, Deputy Leader and Portfolio Holder for Finance and HR
<b>Report author and contact details:</b>	Shabana Kausar, Director of Finance and Deputy S151 Officer
<b>Other colleagues who have provided input:</b>	<ul style="list-style-type: none"> <li>• Corporate Leadership Team</li> <li>• Colleagues within respective departmental leadership teams</li> <li>• Transformation Team</li> <li>• Colleagues within Technical, Strategic and Commercial Finance Teams</li> </ul>
<b>Subject to call-in:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Key Decision:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Criteria for Key Decision:</b>	
(a) <input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision	
<b>and/or</b>	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Type of expenditure:</b> <input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date: 5 February 2024 (Capital Budget)	
<b>Total value of the decision:</b> £21.518m net General Fund budget change as set out in Appendix 1 (£619m gross budget movement) and £2.012m net budget change for HRA (paragraph 5.4)	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> 12 March 2024	
<b>Relevant Council Plan Key Outcome:</b>	
Green, 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"/>
Living Well in our Communities	<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"/>
Serving People Well	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
This report provides an assessment of the Council's 2023/24 forecast outturn position for the General Fund, Housing Revenue Account and the Capital Programme based on activity to the end of the Period 9 (31 December 2023) and includes material changes known at Period 10.	

As seen across many other local authorities, the Council is also experiencing significant overspends relating to social care and temporary accommodation. At the end of Quarter 3 (Period 9), the Council is forecasting a gross General Fund overspend of c£48m which is partly being mitigated from one-off in-year management and corrective actions reducing the net forecasted overspend for the year to c£19m. 75.14% of the forecasted gross overspend at the end of Quarter 3 (Period 9) is across People's service.

The overall overspend is mainly dealing with the impact of rising costs due to continued high level of inflation, increase in demand and complexity of need and costs of social care, SEND transport and temporary accommodation and the impact of cost of living crisis which also affects important income streams of the Council.

Since the last report to Executive Board in November 2023, a S114(3) report was issued on 29 November 2023 which led to the Full Council meeting on 18 December 2023 and approving to the continuation of the Spend Control Policy and Board set-up over the 21 day prohibition period to remain in place until 31 March 2025. All spend decisions are approved by the Section 151 Officer, once these have been through the respective Corporate Director Spend Control Panel approval process.

Due to the Council's systems and processes it is difficult to disaggregate from the financial forecast the financial impact of the spend measures but through the forecasted reduction in gross expenditure between Period 6 and Period 9 a correlation can be made that the spend measures have impacted in reducing the spend.

Councils are required to deliver a balanced budget each year ensuring that the projected expenditure and commitments can be matched by the available resources in year. As set out above the Council continues to face significant budget pressures and uncertainty, including increased demand for services, alongside the current backdrop of slow growing economy, continued high inflation and the precedent number of Councils who are declaring in-year financial crisis leading Council S151 Officers continuously assessing ability of their respective Councils in setting a balanced budget.

The Corporate Director for Finance and Resources (Section 151 Officer) has been in dialogue with both Improvement and Assurance Board (IAB) members and Department for Levelling Up, Housing and Communities (DLUHC) officials throughout last year on the Council's financial position, especially with regards to the current financial year 2023/24 pre and post issuance of the S114(3) report. Following an initial review of both 2023/24 and 2024/25 pressures pre-Christmas, an assessment was made that the Council will be unable to balance its budget in-year for 2023/24 as well as be unable to set a balanced budget for 2024/25. This led to the Council submitting an Exceptional Financial Support application on 12 January, for up to c£65m, with a further update sent following finalisation of the 2024/25 budget seeking financial support of up to c£66m.

On 27 February 2024, the Council received an 'in principle' confirmation that the request for the exceptional financial support has been approved, subject to the Council accepting the conditions required by DLUHC, with financial support of up to c£66.143m (£25m in 2023/24 and £41.143m in 2024/25) being available. The Council is working to minimise the level of exceptional financial support required to be used for 2023/24 and 2024/25 which will contribute towards reducing the respective budget gaps. For 2023/24 the actual use of

the exceptional financial support will not be known until the finalisation of the General Fund outturn.

The 2023/24 net General Fund budget approved by Council was £261.832m. At the end Period 9, the General Fund is forecasting a net **gross budget overspend of c£48m** (c£57m at Period 6) which is partly being off-set by in-year management and corrective actions, reducing the **net forecasted overspend to £19.316m** (7.38%). This is a net reduction of £3.766m since the last reported period (£23.351m net overspend at Period 6). The key drivers of this significant forecast variances are summarised below:

- **People** are forecasting a **net overspend of £20.789m** (£18.752m net overspend at Period 6) of which;
  - **£5.439m net overspend** (£4.968m net overspend at Period 6) relates to **Adults** largely driven by external care placement costs.
  - **£15.480m net overspend** (£13.507m net overspend at Period 6) relates to **Children's** mainly due to demand overspends relating to Children in Care placements.
  - **£0.431m net overspend** (£0.910m net overspend at Period 6) relates to **Education** which is mainly due to a overspend of around £1.2m on Special Education Need and Disabilities transport costs offset by vacancies.
  - **(£0.560m) net underspend** ((£0.634m) net underspend at Period 6) relates to **Commissioning and Partnerships** and is mainly due to employee vacancies.
- **Communities Environment and Resident Services** are forecasting a **net underspend of (£1.744m)** (£1.936m net overspend at Period 6) mainly due to a combination of expenditure no longer qualifying for capitalisation and budget overspend in Community Safety and Logistics and Markets, offset by savings in utilities, staff vacancies and improved income levels across Sport & Leisure and Enviroenergy.
- **Growth and City Development** are forecasting a **net overspend of £1.734m** (£3.444m net overspend at Period 6) mainly due to increased demand and increased cost of using Bed and Breakfast accommodation in temporary accommodation.
- **Finance and Resources** are reporting a **net overspend of £3.237m** (£1.801m net overspend at Period 6) largely driven by a combination of staffing pressures, previous budget savings and historic structural budget issues.
- **Chief Executive** are reporting a **net underspend of (£0.024m)** ((£0.196m) net underspend at Period 6) is largely due to employee vacancies.
- **Corporate** budget is reporting a **net underspend of (£4.326m)** ((£2.386m) net underspend at Period 6) is largely due to the pay award overspend of £8.5m which is offset by underspend across treasury management budgets due to combination of investment income, early repayment of debt and minimum revenue provision savings.
- **Companies'** area is reporting a **net underspend of (£0.350m)** mainly due to receipt of dividend income.

At Period 9 **45.80% of Transformation Programme savings** have been **delivered** (39.20% at Period 6) with **£6.181m of non-delivered** savings included within the 2023/24 net General Fund pressure of c£19.6m including some of **£2.314m at risk**.

Significant overspends continue to be forecasted across all services, a large proportion of the overspend in 2023/24 is recurring which has been factored into the 2024/25 Budget and Medium-Term Financial Plan growth process. Whilst recurring budget pressures have been reflected as growth items, in-year underspends due to additional income and/or reduced spend have also been reflected through the 2024/25 budget saving approach of the Duties and Powers Framework. This is particularly the case for the underspends in Community, Environment, Resident services, Growth and City Development and Corporate budget areas.

The **Housing Revenue Account** is projecting an underspend of **(£6.091m)** ((£4.839m) at Period 6) mainly due to additional income on cash balances following an increase in interest rates. Should this materialise at the year end, then the balance will then be moved into the General HRA Reserve.

The **2023/24 capital programme** was revised to £261.160m as reported to Executive Board February 2024 and Full Council March 2024. However, expenditure to date remains low and the Council is at risk of further slippage in the delivery of projects within 2023/24 unless delivery against capital projects (and spend) is accelerated.

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

No

**Recommendation(s):**

- 1) To note the net forecast outturn of £281.416m. on the General Fund Revenue budget of £261.832m as set out in section 3 Table 1 which is a forecasted net overspend of £19.316m (7.38%).
- 2) To note progress on the Transformation Programme savings of £15.671m as set out in section 4, Table 3 with £7.176m (45.8%) delivered or on track and £8.495m (54.2%) at risk or non-delivery.
- 3) To note the forecast outturn underspend of £6.091m (5.1%), on the HRA against a gross budget of £119.924m as set out in section 5 Table 4.
- 4) To note the Capital Programme for the period 2023/24 to 2026/27 of £782.085m as approved at Full Council March 2024, alongside the forecasted 2023/24 outturn of 261.160m and capital spend at Period 9 of £131.784m.
- 5) To note that any capital slippage within the Capital Programme will be an addition to the 2024/25 approved Capital Budget and reported as part of the 2023/24 Capital Outturn report.
- 6) To approve net departmental General Fund budget changes of £21.518m as summarised in Appendix 1 and HRA budget change of £2.012m (paragraph 5.4) and to delegate authority to Director of Finance in consultation with the Section 151 Officer to approve and process any further budget changes in 2023/24.

**1. Reasons for recommendations**

- 1.1 This report forms a key part of formal General Fund Revenue, Capital and HRA monitoring against the 2023/24 budget.

- 1.2 Throughout the report budget overspends are shown as a positive number, whilst any underspends are shown as a negative number.
- 1.3 The General Fund (section 3) revenue outturn forecast at Period 9 is **£281.147m** against an approved budget of **£261.832m**, an overspend of **£19.316m** (7.38%). A summary of key variances is set out in section 3.
- 1.4 The Period 9 revenue forecast for the HRA (section 6) is an underspend of **(£6.091m)** (5.1%) against a gross budget of **£119.924m**. Should the (£6.091m) underspend be realised at year-end, this will be added to the HRA General Reserve balance.

## 2. **Background (including outcomes of consultation)**

2.1 As set out in the report summary above, councils are required to deliver a balanced budget each year ensuring that the projected expenditure and commitments can be matched by the available resources in year. The Council continues to face significant budget pressures and uncertainty, including increased demand for services, the continued long-term impact of COVID-19 alongside the current backdrop of the cost of living crisis including most notably the rising inflation and interest rates, makes it's a challenging resource environment for the Council to operate in, where a small demand change can lead to material budget variance.

2.2 In response to this significant challenge the Council has identified and included within the forecast mitigating and corrective actions of c£29m (including reserves), leaving it with a net forecasted overspend of £19.316m. Although a substantial value of mitigating and corrective actions have been identified, the Council is still left with a substantial unbalanced position as a percentage of its net budget which will be funded from Exceptional Financial Support as confirmed in principle by DLUHC.

### 2.3 **Section 114(3) Report Impact**

2.3.1 On 29 November 2023, the Section 151 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 Section 151 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.

2.3.2 A legal Prohibition Period came into force from 29 November 2023 and was in place until day after the City Council meeting on 18 December 2023. During this period:

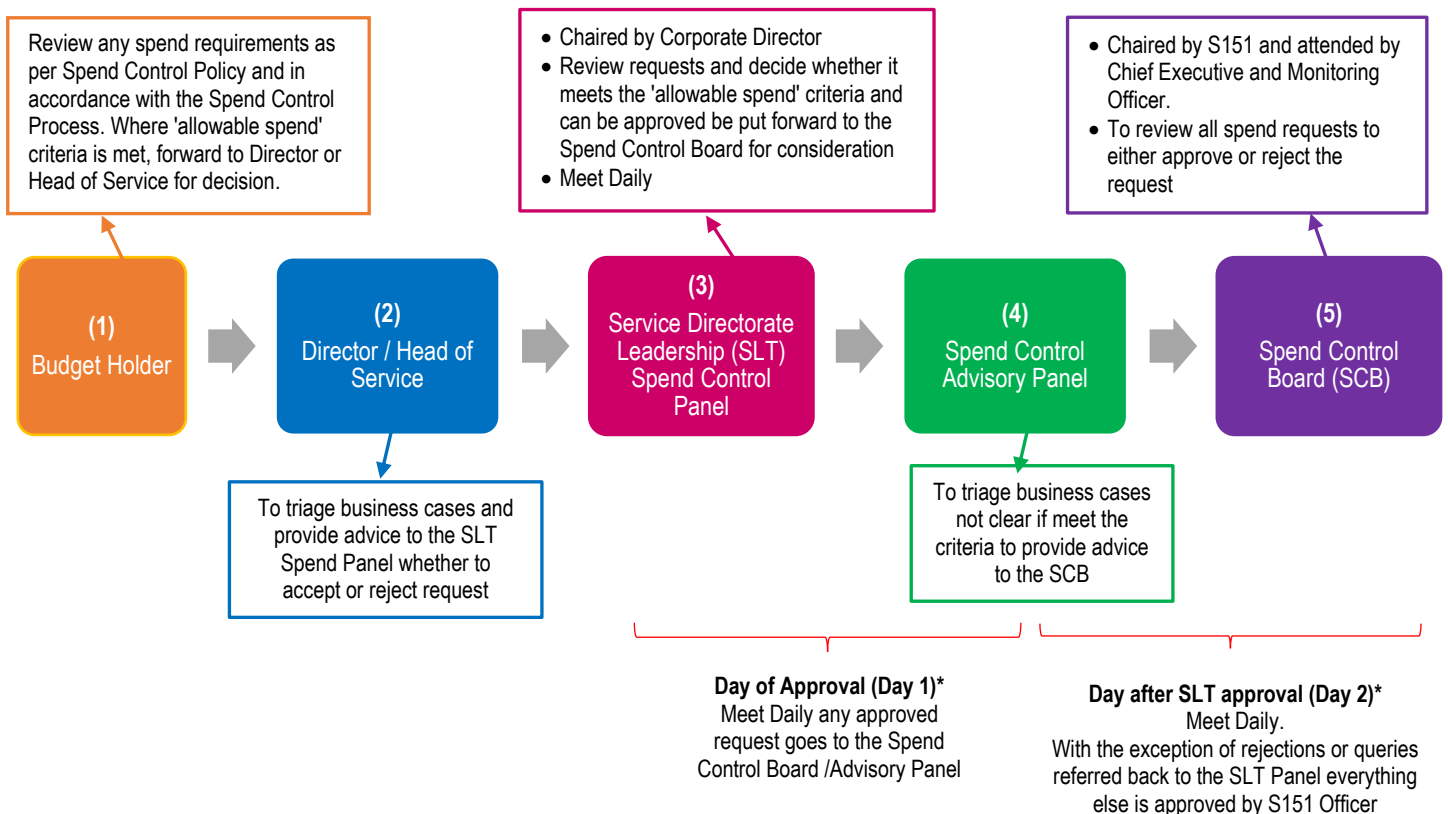
- Delegations authorising the incurring of spend were suspended – Officers and Members
- Daily Spend Control Board meeting chaired by the Section 151 Officer was put in place to advise on spend request decisions which were recommended by respective Directorate Spend Control Panels.
- No new agreements were permitted to be entered into by the Council that might incur expenditure without explicit authority of the Section 151 Officer.

- Section 151 Officer provided authority only if the agreement concerned was likely to:
  - prevent the financial situation from getting worse
  - improve the situation, or
  - prevent the situation from recurring.
- Allowable Spending over this period required explicit approval of the Section 151 officer and was only approved where it comprised of:
  - essential spending to meet the Council’s legal duties (to the minimum levels required) or meet existing legal commitments
  - externally funded spending, where the Council would lose external funding if approval were not given
  - spending where a robust business case has been considered and agreed by the Spend Control Board.

### Spend Control Process

2.3.3 To ensure compliance with the above, the Section 151 Officer implemented a Spend Control Policy and issued council-wide instruction regarding new requests to spend. A Spend Control Board, chaired by the Section 151 Officer, attended by the Chief Executive and Monitoring Officer meet daily to review and consider spend requests.

2.3.4 Setout below is the spend control process decision stages and timeframe.



\* There maybe periods of exception as the timeline are true in majority of cases



2.3.5 The process for spend approval involves any spend decisions made without the authorisation of the Section 151 Officer during this period will be deemed ultra vires and will be reviewed as a disciplinary matter.

2.3.6 In addition to departmental spend control panels there are also the following panels in place:

- HR panel which considers decision on employee related decisions including vacancies. The panel is an extension of the previous Vacancy Management panel.
- Placement Panels across Adults and Children's managed by the directorate leads reviewing placement packages including new placements and changes to existing packages.

### **Impact of Spend Controls**

2.3.7 Due to the Council's systems and processes it is difficult to disaggregate from the financial forecast the financial impact of the spend measures but through the forecasted reduction in gross expenditure between Period 6 and Period 9 a correlation can be made that the spend measures have impacted spend some of which would be in relation to delayed and/or deferred spend or stop of discretionary spend e.g., repairs and maintenance, recruitment etc... Further examples of spend control impact (where possible) are included within the variance narrative set out in section 3 below.

## **2.4 Commissioners**

2.4.1 On 22 February 2024, the Minister for Local Government announced that the Secretary of State had decided to exercise his powers under the Local Government Act 1999 to appoint Commissioners. The Directions issued on this date, immediately replaced the Improvement and Assurance Board, and provide Commissioners with extensive powers to intervene in the operation of the Council.

2.4.2 In announcing his decision, the Secretary of State has stated that he considers that most decisions should continue to be made by the Authority, but with the oversight of the Commissioners. They are expected to ensure that the Council upholds proper standards and due process and are empowered to recommend action to the Authority and not hesitate to use their powers if they see to achieve the best possible outcomes for Nottingham residents and the public purse.

2.4.3 Of the three commissioners announced by the government, the following are in place:

- Lead Commissioner – Tony McArdle
- Commissioner – Margaret Lee
- Transformation Commissioner - TBC

## 2.5 Exceptional Financial Support

2.5.1 A request for Exceptional Financial Support (EFS) was made on 12 January 2024 in accordance with DLUHC deadline for up to c£65m.

2.5.2 On 27 February 2024, the Council received an 'in principle' confirmation from the MP Simon Hoare, Minister for Local Government, confirming the Secretary of States intention to grant the Council with an EFS of up to c£66.143m (£25m in 2023/24 and £41.143m in 2024/25) subject the Council accepting the conditions and the EFS value. A joint letter on 28 February 2024 from the Councils Leader (Councillor Mellen), Chief Executive (Melbourne Barrett) and the Commissioner (Margaret Lee) has been sent to the Minister accepting the EFS including the respective conditions.

2.5.3 The Council is continuously working to minimise the level of EFS both from 2023/24 and 2024/25 perspective. For 2023/24 the actual use of EFS will not be known until the final outturn.

## 3. 2023/24 General Fund Revenue Forecast

3.1 As set out above, is expected that Corporate Directors will seek to take mitigating actions to contain expenditure within the approved budget. Where overspends cannot be contained within a single department, the Corporate Leadership Team will explore those issues and agree how they will be managed within the overall approved General Fund Budget for the Council.

3.2 Table 1 below summaries the **net General Fund overspend of £19.316m (7.38%)** and when compared to the Period 6 position of £23.351m shows a favourable movement of £4.034m.

Table 1: 2023/24 General Fund Revenue Outturn Forecast Summary as at Period 9					
Directorate	Current Budget	Year to Date Actuals (Period 9)	Period 9 Forecast	Forecast under (-) / over (+) spend (Period 9)	Forecast under (-) / over (+) spend (Period 6)
	£m	£m	£m	£m	£m
Adults	89.747	91.951	95.186	5.439	4.968
Children's	67.322	63.708	82.802	15.480	13.507
Education	3.512	25.554	3.943	0.431	0.910
Commissioning & Partnerships	2.673	1.949	2.113	(0.560)	(0.634)
Schools	0.000	(35.469)	0.000	0.000	0.000
Public Health	0.000	(18.334)	(0.000)	(0.000)	0.000
subtotal: People	163.254	129.349	184.044	20.789	18.752
Communities Environment & Resident Services	56.164	68.024	54.420	(1.744)	1.936
Growth & City Development	5.387	(13.962)	7.120	1.734	3.444
Finance & Resources	39.252	47.147	42.489	3.237	1.801
Chief Executive	3.969	8.634	3.945	(0.024)	(0.196)
<b>Total Net Service Department Costs</b>	<b>268.026</b>	<b>239.193</b>	<b>292.018</b>	<b>23.992</b>	<b>25.737</b>
Companies	(0.034)	(0.500)	(0.384)	(0.350)	0.000

Table 1: 2023/24 General Fund Revenue Outturn Forecast Summary as at Period 9					
Directorate	Current Budget £m	Year to Date Actuals (Period 9) £m	Period 9 Forecast £m	Forecast under (-) / over (+) spend (Period 9) £m	Forecast under (-) / over (+) spend (Period 6) £m
Corporate	(6.160)	(56.417)	(10.486)	(4.326)	(2.386)
<b>Total</b>	<b>261.831</b>	<b>182.276</b>	<b>281.147</b>	<b>19.316</b>	<b>23.351</b>

- 3.3 Significant overspends continue to be forecasted across all services, a large proportion of the overspend in 2023/24 is recurring which has been factored into the 2024/25 Budget and Medium Term Financial Plan (MTFP) growth process, in particular pay award shortfall and gross placement and temporary accommodation pressures, a large proportion of the overspend in 2023/24 is recurring which has been factored into the 2024/25 Budget and MTFP growth process, in particular pay award shortfall, gross placement and temporary accommodation pressures and unachievable income targets. Whilst recurring budget pressures have been reflected as growth items within the 2024/25 budget process budget areas with both recurring and one-off underspends or income have also been included within the 2024/25 budget process as savings or through technical reviews. For instance, a large proportion of the in-year underspend in treasury management has been captured as one-off mitigations with c£4m being released to fund one-of General Fund contingency.
- 3.4 Corporate Directors continue to identify mitigating actions to contain expenditure within the approved budget and to improve budget management and data quality with the support of the finance team to improve the robustness of financial management arrangements and the financial forecast. Where overspends cannot be contained within a single department, the Corporate Leadership Team will explore and agree immediate actions to manage the impact of these for the forthcoming year.
- 3.5 The Corporate Leadership Team have been ambassadors of the agreed spending measures controls and have been leading on changing spending behaviours within their respective directorates and identifying mitigations in the short term. As set out above the spending control measures aim to reduce and eliminate non-essential.
- 3.6 A number of virements were actioned throughout the year as summarised in Appendix 1 and these are reflected in the current budget.
- 3.7 Explanations for the significant overspends and underspends are set out below.
- 3.8 **People**
- 3.8.1 Overall, the People's directorate is reporting a net **gross budget overspend of £36.035m** (£36.162m in Period 6) which is partly being off-set by in-year management and corrective actions, reducing the **net forecasted overspend to £20.789m** (net overspend £18.752m at Period 6) which is largely due to the following:

- a) **Adults'** service is reporting a significant **gross budget overspend of £12.896m** which is partly being off-set by in-year one-off management and corrective actions totalling £7.457m, bringing the **net forecasted overspend to £5.439m** (£4.968m as at Period 6) which is mainly drive by:
- £15.929m gross pressure relating to External Care Purchasing (£15.524m at Period 6) primarily due to the impact of ongoing pressures experienced in 2022/23 which have continued in the current financial year combined with slippage in the delivery of 2023/24 savings. This is offset by additional contribution from health and clients towards care costs as a result of inflation and increased demand (£3.611m), additional health funding increase through the Better Care Fund (£0.941m) and management action to improve level of direct payment recoveries (£0.768m) reducing the net pressure to £10.609m.
  - £0.043m net overspend across Disabled Children's Service (£0.275m overspend at Period 6) mainly due to budget pressure across Children's Community Care Direct Payments which is partly offset by underspend on employee vacancies of (£0.319m).
  - (£0.669m) net underspend across Assessment and Care Management (£0.087m net overspend at Period 6) due to net employee vacancies across a number of Teams totalling (£0.496m) offset by a number of other small favourable variations across assessment and care management totalling (£0.173m).
  - (£0.491m) net underspend across In House Care Services ((£0.411m) underspend at Period 6) primarily due to an underspend of (£0.315m) on employee vacancies, (£0.198m) due to the removal of the Night Care Service on employee vacancies, on the removal of the Night Care Service forecast as part of budget mitigations, offset by net overspend of £0.023m across other in-house service budgets.
  - (£4.052m) net underspend across Other Adult Social Care Services ((£7.089m) underspend at Period 6) mainly due to a combination of the following;
    - Realignment of Market Sustainability and Improvement Fund (£2.618m) and use of Containing Outbreak Management Fund (£1.282m) to fund eligible activities.
    - £0.333m continuation of the Strength Based Reviews project funded from Market Sustainability and Improvement Fund.
    - (£0.152m) other net underspends across various budget lines within the service area including staff vacancies and anticipated benefit from the new Brokerage Team against external care costs/packages.
- b) **Children's** service is reporting a significant **gross budget overspend of £21.982m** which is partly being off-set by in-year one-off management and corrective actions totalling £6.502m, bringing the **net forecasted overspend to £15.480m** (£13.507m as at Period 6) which is largely due to:

- £19.636m gross budget pressure relating to External Care Purchasing (£16.995 gross budget pressure at Period 6) due to a combination of caseload and costs, particularly the demand exceeding budget across external residential (including unregulated) by c£15.2m, independent fostering agency by c£2.3 and semi-independent placements by c£2m. At the end of January 2024, c£7m of the forecasted spend is relating to unregulated provision of which c£5m is included within the forecasted overspend. This will be offset by (£4.024m) additional funding from combination of grants and health contributions i.e., dedicated skills grant and unaccompanied asylum seeking children grant, reducing the net pressure to £15.612m.
  - £1.357m net overspend (£2.300m net overspend as reported at Period 6) across the Children's Social Care Directorate, of which £1.564m relates to non-delivery of approved transformation programme savings.
  - (£0.952m) net underspend across internal provision ((£0.842m) net underspend as reported at Period 6) largely due to lower levels of utilisation within internal fostering than budgeted forecast and a pressure across inhouse residential and short break services (£0.179m).
  - (£0.537m) net underspend relating to staffing costs (£0.600m overspend as reported at Period 6) of which (£0.800m) underspend relates to employee vacancies mainly across Fieldwork and Early Help service and a net pressure of £0.263m across the First Response service, with regards to high level of agency within the Emergency and Duty Team service.
- c) **Education** service is reporting a **gross budget overspend of £1.517m** which is partly being off-set by in-year one-off management and corrective actions totalling £1.086m, bringing the **net forecasted overspend to £0.431m** (£0.910m as at Period 6) which is largely due to:
- £0.855m net overspend (£1.087m at Period 6) relating to Special Education Needs and Disability (SEND) transport which is a demand led service.
  - (£0.325m) net underspend (£0.177m underspend at Period 6) relates to traded services with schools. This includes an overspend on the Catering provision to schools of £0.197m which is offset by underspends across Education Psychology service of (£0.283m) relating to employee costs, a net underspend of (£0.239m) across the cleaning service.
  - Other net underspends (£0.099m).
- d) **Commissioning net underspend of (£0.560m)** (£0.634m overspend at Period 6) largely due employee vacancies driven by issues with recruitment.

### 3.9 Community, Environment and Resident Services

- 3.9.1 Overall, the Community, Environment and Resident Services directorate is reporting a **net underspend of (£1.744m)** (£1.936m overspend at Period 6), which mainly is due to the following key areas:

- a) **Communities** service is forecasting a **net overspend of £0.889m** (£1.147m net overspend as at Period 6) which is largely due to:
- £0.588m net overspend across Community Safety and Logistics (£0.800m at Period 6) is mainly due to a combination of £0.500m 2022/23 unachievable commissioning saving and £0.200m overspend primarily relating to historic budget issues.
  - £0.870m net overspend with regards to Markets (£0.800m at Period 6) is primarily driven by the following:
    - £0.678m Victoria Indoor Market budget pressure due to a combination of income shortfall and unbudgeted service charges.
    - £0.348m Neighbourhood Markets relating to income shortfall, partly due to historical unachievable targets.
    - (£0.200m) mitigating measures are in place such as only essential expenditure taking place and underspend relating to staff vacancies to offset the pressures across this area.
  - (£0.413m) net underspend across Security Service is primarily driven by additional demand led income and reduction in anticipated spend / camera replacement rollout following issuance of Section 114(3) report.
  - (£0.304m) net underspend across Uniformed Services is mainly due to vacancies not being recruited to and cost reductions in line with Section 114 spend control policy.
  - (£0.148m) other net underspend across various budget lines.
- b) **Resident Services** is forecasting a **net overspend of £1.963m** (£2.315m net overspend as at Period 6) which is largely due to non-qualifying revenue recharges to capital following capital charges review.
- c) **Environment and Sustainability** service is forecasting an **underspend of (£2.143m)** ((£1.502m) net underspend at Period 6) mainly due to savings on Utilities of (£0.893m) as the mild winter continues and Enviro-energy enhanced export rate to the National grid and the 2024 Tariff uplift totalling (£1.317m).
- d) **Sports and Culture** service forecasting a **net underspend of (£2.539m)** ((£0.455m) net underspend at Period 6) largely due to a combination of:
- Sports and Leisure net underspend of (£1.153m) due to better than expected income recovery following the pandemic and customer retention (£0.600m), reduced staffing costs due to vacancies and deletion of posts (£0.400m) and impacts of s114 spend controls on running costs (£0.150m).
  - Libraries net underspend of (£0.571m) mainly due to the delayed reopening of the Central Library and not recruiting to vacancies.

- Museums net underspend of (£0.903m), including the Castle, mainly due to reduced staffing costs from vacancies and delaying recruitment (£0.370m); improved income from all sites due to highly rated exhibitions and good weather increasing footfall (£0.400m) and impacts of s114 spend controls on running costs (£0.130m).

e) **Other net overspends of £0.086m** (£0.431m net overspend at Period 6) relating to various budget lines.

### 3.10 Growth and City Development

3.10.1 Overall, the Growth and City Development directorate is reporting a **net overspend of £1.734m** (£3.444m net overspend at Period 6), which mainly is due to the following key areas:

a) **Housing** service is forecasting a **net overspend of £0.554m** (£3.387m net overspend at Period 6) is driven by a combination of the following:

- £2.192m net overspend relates homelessness and is in relation to:
  - £0.210m net overspend relates to non-delivery of savings of which £0.175m relates to funding substitution and £0.036m relates to no children to be housed in flat.
  - Increase in homelessness cases across bed and breakfast (B&B) driven by a combination of residents presenting themselves homeless, those remaining in temporary accommodation and cost of placements. This has been a volatile area to forecast through the year due to the unpredictability of both cost and demand which was on a rising trajectory between Period 2 and Period 6 and now is showing a combined decline in cost and demand. Since the last monitor the forecast has reduced by c£1.3m mainly due to the reduction in the B&B room rates as a result of block booking of rooms, nightly paid rooms have been secured for a longer term at reduced costs and slightly fewer families than anticipated requiring emergency accommodation.
- £0.525m net recurring income pressure with regards income share from council subsidiary being higher than budget.
- (£1.487m) net underspend relates to Housing Solutions and is largely due to £0.312m overspend with regards to non-delivery Housing Aid restructure which is off-set by an underspend relating to employee vacancies (including pay award) as a result of the delay in implementing the restructure.
- (£0.676m) underspend across Regeneration Team largely due to employee vacancies.

b) **Planning and Transport** service is forecasting a **net underspend of (£1.275m)** ((£0.792m) net underspend at Period 6) is driven by a combination of the following:

- (£1.001m) net underspend in Transport largely due to the drawdown of carried forward Workplace Levy income from 2022/23 to fund eligible transport costs in year across the department.
  - (£0.571m) net underspend across Parking service largely due to a combination of additional forecasted income with regards to council operated Car Parks (£0.360m) and other operational underspends including employee vacancies (£0.211m).
  - (£0.192m) net underspend on Concessionary Fares largely due to a combination of reduction in the reimbursement rates to operators and the patronage levels dropping over the winter period than originally forecasted.
  - (£0.180m) net underspend mainly due to a combination of employee vacancies across the Traffic and Flood Risk teams and temporary scaling back of programmed discretionary activities within the traffic service.
  - £0.669m net overspends mainly driven by a combination of agency staff costs and reduced income across Building Control (£0.311m) and Planning (£0.358m) service areas.
- c) **Major Projects** service is forecasting a **net overspend of £0.176m** (£0.536m net overspend at Period 6) largely due to reduction in the capital recharging rates.
- d) **Facilities Management and Building services** is forecasting a **net overspend of £0.847m** (£0.486m net overspend at Period 6), including c£1m non-delivery of saving estates/new ways of working of which 50% relates to undeliverable reactive maintenance saving funded from ring-fenced school budgets and the other 50% is due to delay in centralisation of budgets. In addition, £0.256m budget pressure on caretaker budgets from the 2022/23 PWC budget re-base exercise. The overall pressure is partially being offset by underspend of (£0.409m) from the planned maintenance budget as a result of spending controls and savings in the materials budget, which was realised in the last period.
- e) **Strategic Assets and Property** service is forecasting a **net overspend of £1.472m** ((£0.161m) net underspend as at Period 6) which is largely due to:
- £1.562m of forecasted gross underspend with regards to property income and acquisition fund carried forward to 2024/25 to fund prospective revenue income losses with regards to specific asset disposals.
  - £0.716m overspend on Bio-City Regeneration Scheme and Nottingham Science Park largely due to actual income being lower than approved business cases.
  - £0.481m overspend relating to underachievement of income at Loxley House.
  - £0.274m net overspend of which £0.105m relates to Broadmarsh income shortfall and includes an underspend of (£0.247m) in relation to estimated release of bad debt loss allowance.
- f) **Other** areas across the directorate are reporting a **net underspend of (£0.063m)** ((£0.012m) net underspend at Period 6).

### 3.11 Finance and Resources

3.11.1 Finance and Resources directorate is reporting a **net overspend of £3.237m** (£1.801m net overspend at Period 6) which mainly is in relation to:



- a) **Customer Services** is estimating a **net overspend of £1.358m** (£1.026m net overspend at Period 6) which is largely due:
- £0.931m recurring pressure relating budget shortfall against original estimated budget in relation to in-sourcing of revenues and benefit service.
  - £0.340m savings pressure relating to business support now consolidated within Customer Services.
- b) **Finance** is forecasting a **net overspend of £0.800m** ((£0.029m) net underspend at Period 6), of which £0.924m net pressure relates to staff pressures due to a large number of essential vacancies filled by agency. Also included within this area is £0.175m cost of external consultancy work with regards to control remediation. Work is on-going to identify further management actions which will contribute to reducing the forecasted pressure.
- c) **Legal and Governance** department are forecasting a **net overspend £0.531m** (£0.948m net overspend at Period 6) which is primarily due to a combination of historic unachievable income targets and use of locums to undertake essential works contributing to a net pressure of £0.200m.
- d) **Information Technology** service are forecasting a **net overspend of £0.486m** (£0.021m net overspend at Period 6) mainly due to pressures relating to non-delivery of saving (£0.270m) and historic unachievable income targets (£0.943m) which is partly offset by underspend relating to high level of staff vacancies.
- e) **Other** areas across the directorate are reporting a **net overspend of £0.062m** ((£0.165m) net underspend at Period 6) largely driven by £0.662m non-achievement of centrally held contractual spend saving which is partly off-set by net underspend due to staff vacancies across Audit and Risk, HR, and Procurement services (£0.600m).

### 3.12 Chief Executive

3.12.1 The Chief Executive directorate is reporting a **net underspend of (£0.024m)** ((£0.196m) net underspend at Period 6) mainly due to staffing vacancies.

### 3.13 Companies

3.13.1 The Companies budget is forecasting a **net underspend of (£0.350m)** largely driven by receipt of dividend from council subsidiary for the financial year 2022/23.

### 3.14 Corporate

3.14.1 The Corporate budget is forecasting a **net underspend of (£4.326m)** (£2.386m) net underspend at Period 6) which is largely driven by a combination of the following items:

- £8.5m budget overspend relating to 2023/24 pay award (£9.9m at Period 6) paid out to staff in December 2023.

- (£10.4m) underspend in treasury management is due to a combination of early debt repayment (£1.7m) and additional net investment income forecasted to be received on estimated cash balances held for the year as a result of interest rates.
- (£2.5m) saving from in-year review of minimum revenue provision.
- £0.4m net pressure relating to estimated shortfall on Housing Benefit Subsidy, fully off-set by various other underspends within corporate budget items. Due to the volatility in this area actual position will not be known until end of year.

#### 4. Savings

- 4.1 The total savings approved by Executive Board over four years (2023/24 to 2026/27) is £72.462m, of which, savings profiled for 2023/24 are £36.915m. Table below provides the profile for approved savings.

<b>Directorate</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adults	(4.856)	(6.753)	(5.564)	(4.364)	(21.537)
Children's	(4.233)	(2.812)	(1.999)	(0.309)	(9.353)
Education	(0.961)	(0.246)	(0.040)	(0.050)	(1.297)
Subtotal: People	(10.050)	(9.811)	(7.603)	(4.723)	(32.187)
Communities, Environment & Resident Services	(4.118)	(0.422)	(0.712)	0.000	(5.252)
Growth & City Development	(3.594)	(6.956)	(3.537)	(7.949)	(22.036)
Finance & Resources	(4.832)	(1.476)	(0.564)	0.000	(6.872)
Chief Executive	(0.045)	0.030	0.000	0.000	(0.015)
Corporate	(14.275)	8.175	0.000	0.000	(6.100)
<b>Total</b>	<b>(36.915)</b>	<b>(10.459)</b>	<b>(12.416)</b>	<b>(12.672)</b>	<b>(72.462)</b>

#### 4.2 Non-Transformation Savings Delivery

- 4.2.1 The 2023/24 overall savings totalling £36.915m includes Directorate savings of net £22.146m. Delivery against the directorate led savings is positive with £21.505m **(97%) either delivered or on track.**

#### 4.3 Transformation Programme

- 4.3.1 Transformation programme which is now in its' second year of delivery and has a net savings target for 2023/24 of £15.671m

- 4.3.2 Saving led by Transformation track the overall in-year actual cashable benefit that each programme has either delivered (blue), is on track for delivery (green), requires further activity to realise including opportunities to convert non-cashable to cashable savings (amber) or is at risk of non-delivery (red).

- 4.3.3 Table 3 which summarises the performance of each programme for 2023/24 shows there has been an overall improvement at Period 9 of projects being **on track or delivered (45.8% at Period 9** compared to 39.2% in Period 6).

Table 3: Transformation Programme Savings Period 9							
Programme	Gross Saving £m	% On Track or Delivered Period 9	Blue - Delivered £m	Green - On Track £m	Amber – At Risk £m	Red - Non-Delivery £m	% On Track or Delivered Period 6
<b><u>Transformation led</u></b>							
Adults	(4.062)	20.90%	(0.728)	(0.120)	(0.225)	(2.989)	19.80%
Children's	(3.018)	81.60%	(1.498)	(0.966)	(0.096)	(0.458)	65.60%
Customer	(3.539)	55.00%	0.000	(1.945)	(1.593)	0.000	55.00%
Corporate Landlord	(0.735)	100.00%	(0.660)	(0.075)	0.000	0.000	100.00%
Homelessness	(0.522)	0.00%	0.000	0.000	0.000	(0.522)	0.00%
<b>Subtotal</b>	<b>(11.875)</b>	<b>50.50%</b>	<b>(2.886)</b>	<b>(3.106)</b>	<b>(1.915)</b>	<b>(3.969)</b>	<b>46.00%</b>
<b>% of programme</b>							
<b><u>Currently led by service</u></b>							
Children's - Early Help	(0.902)	100.00%	(0.201)	(0.701)	0.000	0.000	33.30%
Procurement	(0.662)	0.00%	0.000	0.000	0.000	(0.662)	16.20%
Community	(0.705)	29.10%	(0.100)	(0.105)	(0.150)	(0.350)	29.10%
Finance & Resources – IT	(0.249)	0.00%	0.000	0.000	(0.249)	0.000	0.00%
Estates / New Ways of Working	(1.278)	6.10%	(0.078)	0.000	0.000	(1.200)	6.10%
<b>Subtotal</b>	<b>(3.796)</b>	<b>31.20%</b>	<b>(0.379)</b>	<b>(0.806)</b>	<b>(0.399)</b>	<b>(2.212)</b>	<b>18.20%</b>
<b>% of programme</b>							
<b>Transformation savings</b>	<b>(15.671)</b>	<b>45.80%</b>	<b>(3.265)</b>	<b>(3.912)</b>	<b>(2.314)</b>	<b>(6.181)</b>	<b>39.20%</b>
<b>% of programme overall</b>							
			<b>20.80%</b>	<b>25.00%</b>	<b>14.80%</b>	<b>39.40%</b>	

\*£15.671m excludes growth saving of £0.902m on Fostering Development

- 4.3.4 The improvement between Period 9 and Period 6 is mainly in the Children's programme. Following long lead times in delivering sustained changes for children's outcomes, the programme has led to a large decrease in the number of children coming into care and thus the number of children in care has dropped by 20 (709 to 689). In addition to this, the foster carers workstream was focussed on recruitment have started reaching the end of their application process and so 4 carers were approved.
- 4.3.5 As shown in Table 3 above, several programmes are behind target and require remedial activity to mitigate the risk of under delivery by year-end. £8.495m (54.2%) of savings are in the at risk or non-delivery categories and are reflected as pressures in the Directorate forecasted positions above. The key drivers that have led to the in-year under-delivery of transformation savings include resourcing pressures, conflicting priorities, and over ambitious assumptions within original delivery plans.
- 4.3.6 Respective Corporate Leadership Team leads have developed mitigation plans for each saving area which is projecting an under-delivery at Period 9, scheduled to be reviewed by the Transformation and Change Oversight Board in March 2024. The agreed mitigations will be adopted and monitored through 2024/25.

## 5. Housing Revenue Account (HRA)

5.1 The forecast for the HRA at Period 9 2023/24 is **an underspend of (£6.091m)** ((£4.839m) underspend at Period 6). When compared to the gross annual budget of £119.924m, this underspend represents a variance of 5.1%.

5.2 The underspend of (£6.091m) is mainly driven by a combination of the following key factors:

- **(£0.012m)** The forecast income from garage rents is higher than anticipated due to a reduction in the number of void garages (£0.3m overspend at Period 6).
- **£3.018m** forecasted overspend on repairs and maintenance (£2.533m overspend at Period 6) as follows:
  - Expenditure on responsive repairs was £1.537m overspent due to the high demand and the inflationary pressures. The original budget set aside provisions for overtime payments for emergency repairs teams (£0.627m) centrally to meet these costs when realised. A budget adjustment will be undertaken at year-end reducing the overspend in this area.
  - Expenditure on planned repairs is forecast to be £0.775m higher than originally budgeted. £0.237m of the projected overspend relates to the unallocated pay award. The remaining overspend of £0.538m relates to the increased demand for planned repairs and the rising costs of raw materials.
  - There is also a £0.707m overspend in respect of asset management. Of the projected overspend, £0.020m relates to the unallocated pay award and £0.315m relates to a reduction in the recharge to capital. The remaining overspend of £0.372m relates to housing disrepair costs.
- The forecast expenditure on management and supervision costs is net underspend of **(£1.786m)** (£1.857m underspend at Period 6) as follows:
  - Release of (£0.500m) contingency established to cover the cost of transition of NCH Ltd back to an in-house service.
  - The (£0.627m) provision for overtime payments in respect of the emergency repairs team which will be moved to the repairs and maintenance budget.
  - A provision was made for the 2023/24 pay award in the retained section of the management and maintenance budget. The pay award came in lower than the provision leaving a surplus of (£0.814m). An element of this underspend will be realigned to fund the pressure in repairs and maintenance at year-end.
  - There is also a forecast overspend £0.155m in the housing development budget due to an anticipated increase in recharges from the general fund.
- **(£2.482m)** mainly due to interest payments and debt repayments being lower than originally budgeted (£1.188m underspend at Period 6) This is because of the

repayment of high interest Public Work Loan Board (PWLB) and Lender Option Borrower Option (LOBO) loans.

- **(£4.829m)** The forecast income from interest received on capital receipts, reserves and working balances is a surplus of (£4.829m) (£4.679m surplus in Period 6). This is partly due to interest rates increasing from 0.0024% to 0.047%. It is also due to a substantial increase in HRA general reserves from an average £72m to £122m following the issuing of the Item 9 Special Determination by the Secretary of State for Levelling Up, Housing and Communities (DLUHC).

5.3 Should the HRA remain in surplus throughout the financial year, the balance at the year-end will then be moved into the General HRA Reserve.

Table 4 2023/24 HRA Forecast as at Period 9						
Housing Directorate	Original Budget	Revised Budget	Year To Date Actuals (Period 9)	Period 9 Forecast	Period 9 Variance	Period 6 Variance
	£m	£m	£m	£m	£m	£m
Income:						
Dwelling Rents	(104.772)	(106.955)	(80.216)	(106.955)	0.000	0.053
Non-Dwelling Rents	(2.700)	(2.700)	(2.025)	(2.711)	(0.012)	0.300
Service Charges	(10.048)	(10.048)	(7.536)	(10.048)	0.000	0.000
Other Income	(0.392)	(0.222)	(0.166)	(0.222)	0.000	0.000
<b>Total Income</b>	<b>(117.912)</b>	<b>(119.924)</b>	<b>(89.943)</b>	<b>(119.936)</b>	<b>(0.012)</b>	<b>0.353</b>
Expenditure:						
Repairs & Maintenance	30.136	26.578	19.933	29.595	3.018	2.533
Management & Supervision	34.145	37.703	28.277	35.917	(1.786)	(1.857)
Depreciation & Amortisation	35.001	35.001	26.251	35.001	0.000	0.000
Provision for Bad & Debts		2.213	1.660	2.213	0.000	0.000
Direct Revenue Financing	0.600	0.600	0.450	0.600	0.000	0.000
<b>Total Expenditure</b>	<b>99.882</b>	<b>102.094</b>	<b>76.571</b>	<b>103.326</b>	<b>1.232</b>	<b>0.676</b>
<b>Net Cost of Housing Services</b>	<b>(18.031)</b>	<b>(17.830)</b>	<b>(13.373)</b>	<b>(16.610)</b>	<b>1.220</b>	<b>1.028</b>
Capital Financing Charges:						
Item 8 Interest Paid	17.501	17.501	13.126	15.019	(2.482)	(1.188)
Item 8 Interest Received		(0.171)	(0.128)	(5.000)	(4.829)	(4.679)
<b>Net Deficit/(Surplus)</b>	<b>(0.530)</b>	<b>(0.500)</b>	<b>(0.375)</b>	<b>(6.591)</b>	<b>(6.091)</b>	<b>(4.838)</b>
Contribution to Reserves	0.500	0.500	0.375	6.591	6.091	4.838
<b>Housing Total</b>	<b>(0.030)</b>	<b>(0.000)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

5.4 The gross budget movement £2.012m between original and revised budget reflects changes due to the provision for bad debts and grossing up of interest.

## 6. Capital Programme

6.1 This section of the report provides an update on the Council's 2023/24 Capital Programme performance together with a forecast over the approved capital programme Period 2023/24 to 2027/28.

6.2 Regular financial reporting of the capital programme is an essential component of good financial management to ensure capital spend is appropriately prioritised and controlled and sensible short, medium, and long-term financing and treasury management decisions are made. This is particularly important during these current times of high inflationary pressures, supply chain bottlenecks and volatile and rising interest rates all of which can have significant adverse implications for both project delivery, affordability, and value for money in relation to in-flight and planned capital projects.

### 6.3 Capital Programme – Budget Movements

6.3.1 As part of the 2024/25 budget setting process a revised capital programme for the period 2023/24 to 2027/28 of c£833m was approved by the Executive Board and City Council respectively in February and March 2024. For 2023/24 the report will focus on the capital programme period 2023/24 to 2026/27 as summarised in the table below.

Table 5: Approved Capital Programme 2023/24 to 2027/28 as at 4 March 2024							
Capital Programme Summary	Capital Programme 2023/24 – 2026/27					2027/28	Total
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m		
General Fund	211.075	288.593	45.497	16.765	561.930	2.436	<b>564.366</b>
HRA	50.085	69.631	51.641	48.798	220.155	48.011	<b>268.166</b>
<b>Approved Capital Budget</b>	<b>261.160</b>	<b>358.224</b>	<b>97.138</b>	<b>65.563</b>	<b>782.085</b>	<b>50.447</b>	<b>832.532</b>
External Grants and S106 Receipts	(164.636)	(232.333)	(38.503)	(11.568)	(447.040)	0.000	<b>(447.040)</b>
Capital Receipts	(47.116)	(49.101)	(5.473)	(3.505)	(105.195)	(3.881)	<b>(109.076)</b>
Revenue Reserves - General Fund	(3.847)	(6.278)	(2.768)	(3.297)	(16.190)	(2.074)	<b>(18.264)</b>
Major Repairs Reserve	(26.723)	(38.138)	(44.116)	(43.863)	(152.840)	(41.201)	<b>(194.041)</b>
Revenue Contribution	(0.856)	(8.093)	(4.884)	(3.330)	(17.163)	(3.291)	<b>(20.454)</b>
Borrowing	(17.982)	(24.281)	(1.394)	0.000	(43.657)	0.000	<b>(43.657)</b>
<b>Total Programme Funding</b>	<b>(261.160)</b>	<b>(358.224)</b>	<b>(97.138)</b>	<b>(65.563)</b>	<b>(782.085)</b>	<b>(50.447)</b>	<b>(832.532)</b>

6.3.2 The capital programme for the period 2023/24 to 2026/27 has changed by £63.417m and includes programme slippage, addition of Exceptional Financial Support (c£65m), impact of capital programme review (Finance Recovery Plan) Review and approved scheme additions.

### 6.4 Capital Programme Forecast

6.4.1 Table 6 compares the projected expenditure of **£261.160m** to the spend at Period 9 of **£131.784m**.

<b>Table 6: 2023/24 Capital Budget Forecast</b>					
<b>Directorate / Department</b>	<b>2023/24 Approved Budget</b>	<b>Year to date Actuals (Period 9)</b>	<b>Period 9 Forecast</b>	<b>Forecast Variance at Period 9</b>	<b>Expenditure as % of Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Adult Services	2.538	1.750	2.538	0.000	68.95%
Children's Services	0.030	0.000	0.030	0.000	0.00%
Education	3.220	1.285	3.220	0.000	39.91%
subtotal: People	5.788	3.035	5.788	0.000	52.44%
Communities, Environment & Resident Services	109.934	61.002	109.934	0.000	55.49%
Growth & City Development	8.367	4.318	8.367	0.000	51.61%
Finance & Resources	2.150	1.774	2.150	0.000	82.51%
Transport Programme	52.782	27.048	52.782	0.000	51.24%
Transformation	7.054	5.237	7.054	0.000	74.24%
Subtotal – Approved Schemes	186.075	102.414	186.075	0.000	55.04%
Exceptional Financial Support	25.000	0.000	19.316	(5.684)	0.00%
<b>Total General Fund</b>	<b>211.075</b>	<b>102.414</b>	<b>205.391</b>	<b>(5.684)</b>	<b>48.52%</b>
HRA	50.085	29.370	50.085	0.000	58.64%
<b>Capital Programme</b>	<b>261.160</b>	<b>131.784</b>	<b>255.476</b>	<b>(5.684)</b>	<b>50.46%</b>

6.4.2 The above table shows spend to Period 9 is 50.46% of the reported budget and forecast, this increases to 55.80% if the Exceptional Financial Support is discounted and schemes where the Council is accountable body (i.e., Transforming Cities and Midlands Net Zero Hub) this increases to 59.29%. This level of spend at Period 9 indicates that there is a risk of further slippage within the Capital Programmes during 2023/24. Any slippage relating to the 2023/24 capital budget programme will be reprofiled to the approved capital programme for future years and reported as part of the 2023/24 outturn.

## 7. Other options considered in making recommendations

7.1 Not applicable.

## 8. Consideration of Risk

8.1 The Section 151 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.

8.2 More recently the Section 151 Officers' professional opinion has been clearly stated in the s114(3) report issued on the 29 November 2023.

8.3 The Council has significant financial challenge ahead, even with the EFS granted the Council has to deliver c£41m of the budget gap it will be carrying forward before it can look to fund new pressures. The uncertainties of the economic environment over the short to long term also present a high risk for the Council with regards to its ability

to deliver a balanced budget over the medium term, and inevitably there remains potential for further, as yet unrecognised, risks.

8.4 It will be essential for CLT to continue to exercise firm financial management throughout the remaining months in this year and for the forthcoming years through the close monitoring of budgets.

8.5 Given the unique operating context of Nottingham City Council, the following are most immediate risks which need to be considered alongside the forecast:

- Organisational ability to deliver
  - 2023/24 in-year General Fund balance budget within the approved EFS of c£25m; and
  - the scale of change required in the coming year to both deliver approved savings and further develop saving proposals to minimise the need for EFS in 2024/25 and thereby the unfunded budget gap for the year after.
- Delivery record on approved savings programmes to date
- Likelihood of further 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
- Weakness in councils' system and data upon which financial forecast is produced by services.
- 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.

8.6 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 has been considered by the Section 151 Officer when determining his annual statutory statement on adequacy of overall reserves and budget estimates for 2024/25. As a consequence of this assessment the Section 151 Officer recommended increase to the General Fund balance next year to bring the General Fund balance close to the 7.5% level.

8.7 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.

8.8 The most immediate risks to Council's financial position are:

- unfunded income loss pressures as a result of the long-term impact of the pandemic particularly in relation to Council Tax and Business rates income.
- non-delivery of the approved savings; and
- continuing pressures across social care (children's and adults) and temporary accommodation materialising above and beyond what is included in the forecast.

8.9 As a condition of the EFS, the Council is required to deliver an enhanced MTFP by the end of June 2024 which in the first instance identifies options in how the Council is planning to bridge the opening budget gap for 2025/26. Work will shortly commence on this with officers, members and commissioners working together to develop a financial strategy that helps in meeting this condition.

## 9. **Best Value Considerations, including consideration of Make or Buy where appropriate**

9.1 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'.

9.2 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.

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

9.4 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.

## 10. **Finance colleague comments (including implications and value for money/VAT)**

10.1 Financial implications appear throughout the report.

## 11. **Legal colleague comments**

11.1 The report sets out the forecast outturn position for the Council based on the Period 9 position. Given that the current indication is that there will be a significant projected overspend of at year end the Council's s151 Officer will need to consider what further

action is required in order to address this issue. In all other regards the recommendations contained in the report raise no significant legal issues and are supported.

Malcolm R. Townroe – Director of Legal and Governance – 14 March 2024

**12. Procurement comments**

12.1 Not applicable.

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

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

No



An EIA is not required as this report is not proposing any decisions which impact previous EIA undertaken with regards to implementing the 2023/24 approved budget proposals and subsequent changes in-year as part of decisions taken by the Council during the year.

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

14.1 Not applicable.

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

15.1 Not applicable.

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

16.1 Not applicable.

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

- City Council 4 March 2024: 2024/25 Budget and Council Tax Resolution
- City Council 4 March 2024: Response to Statutory Recommendation from the Council's External Auditor
- City Council Extraordinary Meeting 18 December 2023: Response to Section 114 Report – Financial Recovery Plan
- 29 November 2023: Section 114(3) Report
- Executive Board 21 November 2023: Period 6 2023/24 Budget Monitoring
- Executive Board 18 July 2023: Period 2 2023/24 Budget Monitoring

## Appendix 1 – Budget Virements

### 2023/24 Budget Virement Summary

Summarised below is the net movement between the Original and Current Budget.

Directorate	Original Budget £m	Net Movement £m	Current Budget £m
Adults	87.884	1.862	89.747
Children's	66.422	0.901	67.322
Education	2.935	0.577	3.512
Commissioning & Partnerships	2.846	(0.173)	2.673
Schools	0.000	0.000	0.000
Public Health	0.000	0.000	0.000
subtotal: People	160.088	3.167	163.254
Communities, Environment & Resident Services	51.575	4.589	56.164
Growth & City Development	1.985	3.402	5.387
Finance & Resources	29.801	9.451	39.252
Chief Executive	3.059	0.910	3.969
<b>Total Directorates</b>	<b>246.508</b>	<b>21.518</b>	<b>268.026</b>
Corporate	14.852	(21.012)	(6.160)
Companies	0.473	(0.507)	(0.034)
<b>Total</b>	<b>261.831</b>	<b>0.000</b>	<b>261.831</b>

## Appendix 1 – Budget Virements

Virement Reason	Adults	Children's	Education	Commissioning & Partnerships	Public Health	People Total	Communities, Environment & Resident Services	Growth & City Development	Finance & Resources	Chief Executive	Companies	Corporate	Total General Fund
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
No decision Required - For Information*	(0.815)	(1.036)	(0.687)	(0.167)	(0.006)	(2.712)	(1.262)	0.357	4.532	(0.144)	0.000	(0.772)	0.000
2022/23 Pay Award	0.016	0.062	0.009	0.000	0.000	0.087	0.127	0.027	0.008	0.001	0.000	(0.249)	0.000
2023/24 Pay Award	2.102	1.718	1.058	0.110	0.006	4.994	4.133	1.617	2.791	0.189	0.000	(13.724)	0.000
2023/24 Pay Increment	0.751	0.606	0.186	0.023	0.000	1.565	1.060	0.373	0.774	0.048	0.000	(3.820)	0.000
Budget Realignment	(0.214)	(0.449)	0.012	(0.078)	0.000	(0.729)	0.170	(0.114)	0.974	0.373	0.000	(0.675)	0.000
Change in Management	0.000	0.000	0.000	(0.061)	0.000	(0.061)	0.244	(0.184)	0.000	0.000	0.000	0.000	0.000
Grant	0.022	0.000	0.000	0.000	0.000	0.022	0.000	0.000	(0.022)	0.000	0.000	0.000	0.000
Ring Fenced Account Budget Realignment	0.000	0.000	0.000	0.000	0.000	0.000	0.062	(0.062)	0.000	0.000	0.000	0.000	0.000
Service Restructure/Redesign	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.091	0.000	0.000	0.000	(0.091)	0.000
Technical Accounting Adjustment	0.000	0.000	0.000	0.000	0.000	0.000	(0.126)	0.748	0.391	0.442	(0.507)	(0.948)	0.000
NCC Business Rates Changes	0.000	0.000	0.000	0.000	0.000	0.000	0.180	0.547	0.004	0.000	0.000	(0.731)	0.000
Requiring Approval	2.678	1.937	1.264	(0.006)	0.006	5.879	5.850	3.044	4.919	1.054	(0.507)	(20.239)	0.000
<b>Total</b>	<b>1.862</b>	<b>0.901</b>	<b>0.577</b>	<b>(0.173)</b>	<b>(0.000)</b>	<b>3.167</b>	<b>4.589</b>	<b>3.402</b>	<b>9.451</b>	<b>0.910</b>	<b>(0.507)</b>	<b>(21.012)</b>	<b>0.000</b>

\* Included here is summary of all budget adjustments which are below the approval threshold for Executive Board or where separate decisions through Officer, DDM and/or Executive Board have led to the budget change.