

Annex 1

Forecast Outturn 2020/21

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Annex 1 - Forecast Outturn 2020/21

1 Introduction

- 1.1 This annex summarises the current position and forecast outturn for both the revenue and capital elements of the General Fund and Housing Revenue Account (HRA). Our risk based forecasting reflects the diverse nature of the Council's activities and the wide range of cost and income drivers. Some report tables may not sum exactly due to rounding.
- 1.2 It is important to note the financial context that the Council operated within prior to the start of the Covid-19 pandemic. The Council had four consecutive overspend outturn positions, these being:
- 2016/17 **£2.5m**;
 - 2017/18 **£4.2m**;
 - 2018/19 **£1.7m**;
 - 2019/20 **£6.8m**, of which **£2.9m** was directly attributable to Covid-19.

In order to mitigate as much as possible the prior year overspends a series of one-off measures, including the use of reserves and spending controls, have been utilised which has reduced the Council's future budget flexibility further. It should also be noted that the originally approved 2020/21 budget included **£8.8m** of one-off items.

- 1.3 The 2020/21 Budget and current Medium Term Financial Plan (MTFP) was approved by Full Council on 9 March 2020, prior to the Covid-19 pandemic, and included new savings of **£15.6m**, existing savings plans of **£0.3m** and pressures of **£17.9m** for 2020/21. Since the start of the pandemic the financial strain Covid-19 has had on Councils across the country has been widely reported and this is the same for Nottingham City Council, in terms of increased expenditure, lost income and the impact on existing budget savings.
- 1.4 Executive Board on 21 July 2020 approved the Council Financial Position – 2020/21 Budget Update report. This report considered the following:
- A budget gap at the time of **£62.3m** based on period 1 forecasting
 - New in year savings proposals of **£12.5m**
 - Update on funding from Government
 - Continuation of spending controls including vacancy freeze.
- 1.5 In addition, the Council experienced significant financial exposures in respect of its interest in Robin Hood Energy and these will crystallise following the company entering into administration in January 2021. A number of other council owned companies have also experienced challenging trading conditions largely resulting from the effects of Covid-19.
- 1.6 The Council has responded to those challenges and has reported the financial impact on the 2020/21 budget to June and July Executive Boards. The scale of the impact and the statutory requirement to set a balanced budget led the then S151

Officer to recommend setting an Interim Budget for 2020/21. This was approved by September Executive Board and October Full Council.

1.7 Key points from the Interim Budget (adjusted for additional Covid-19 funding) include:

1. Gross Covid-19 impact of **£78.4m** offset by mitigations including:
 - Confirmed Government Funding for Covid-19 of **£23.5m** and estimated Income Compensation Scheme relating to the loss of income as a result of Covid-19 of **£16.3m**;
 - **£12.5m** of new 2020/21 savings were identified and approved, of which **£4.8m** are ongoing into 2021/22.
 - Business as usual underspend of **£5.8m**, off-set by a carried over 2019/20 overspend of **£6.8m**.
2. An estimated **£38.2m** pressure relating to the decision to place Robin Hood Energy into administration plus **£6.0m** of provisions to cover the possibility of other council owned companies experiencing difficulties totalling **£44.2m** attributed to extraordinary events.
3. A total gap of **£71.2m** funded by the permanent release of **£38.7m** reserves and the use of a further **£31.3m** of reserves on a 'borrow and pay back' basis over 4 years to address the funding gap.

1.8 The S151 Officer has required further and more stringent monthly financial monitoring since the outset of the pandemic to ensure financial assumptions are regularly reviewed. The 2021/22 Budget Consultation report as approved by January Executive Board included an update on the Period 7 2020/21 budget forecasting position. Period 7 (as at 31 October 2020) indicates a net reduction in costs of **£2.2m** from the Interim Budget position. This included a **£3.8m** favourable Portfolio variance, largely within the Adult Care and Local Transport Portfolio due to variances within Care Purchasing Budgets. There are additional overspends in relation to the Council's group companies mainly arising from the economic impact of Covid-19 on business models.

1.9 The announcement of the Tranche 4 Covid-19 funding of a further **£10.7m** post the Interim Budget, together with other movements, had reduced the requirement to borrow from reserves to **£20.1m**.

2 General Fund Revenue – Overview

2.1 Financial Impact of Covid-19 in 2020/21

Table 1 below shows the latest assessment of the Covid-19 funding gap at period 9 of **£79.1m**. This includes:

- Additional expenditure of **£35.2m** on areas such as purchase of PPE and supporting vulnerable citizens;
- The financial impact of Covid-19 on the Council's income-generating activities, which has been severe, with a current loss to the Council of **£25.5m** as a consequence of the closure of facilities like leisure centres, theatres and heritage attractions and loss of income from parking;

- The impact on the Council’s “commercialisation” strategy has been profound and currently stands at **£18.3m** due to reductions in dividends, returns and income. In addition, some of the companies it owns have experienced financial difficulties and are looking to the Council to support them

2.2 The pandemic has necessitated a review of the previous budget savings assumed within the original budget for 2020/21. **£6.3m** of previously assumed savings are no longer achievable due to the changes in the operating environment.

2.3 The Government has provided the Council compensation of **£50.0m**, in the form of un-ring-fenced grants and income compensation, but this has left the Council with a shortfall on expenditure and loss of income of **£29.0m** which has been funded from non-Covid underspends, in-year savings and reserves. The gross costs of Covid-19 remain largely in line with that assumed as part of the Interim Budget.

2.4 The Government has provided further specific grants of **£28.8m**. These grants are to cover specific activity and will be offset by additional costs. Further details of these grants are set out in **Section 3**.

Table 1 : Qtr3 2020/21 Impact of Covid-19 – increased expenditure and lost income			
Portfolios	Covid-19 – additional expenditure & lost income £m	Unachieved Savings from original 20/21 budget £m	Total Covid-19 Impact £m
Adult Care & Local Transport	8.507	0.356	8.863
Children & Young People	4.640	1.978	6.618
Communities, Highways & Strategic Transport	15.569	0.766	16.335
Employment & Community Protection	0.171	0.125	0.296
Energy, Environment & Democratic Services	4.414	0.613	5.027
Finance, Growth & the City Centre	21.370	1.851	23.221
Health, HR & Equalities	0.614	0.000	0.614
Housing, Planning & Heritage	1.369	0.010	1.379
Leisure, Culture & IT	8.786	0.481	9.267
Regeneration, Schools & Communications	7.280	0.156	7.436
Total Covid-19 Impact prior to Govt. Funding	72.720	6.336	79.057
Tranche 1-4 funding			(34.257)
Assumed Income Compensation Funding (adjusted for Arts Council Grant)			(15.786)
Government Funding Assumptions			(50.043)
Net Impact of Covid-19 / Covid-19 Funding gap			29.014

2.5 Below are some of the significant areas of additional expenditure and lost income as a result of the Covid-19 pandemic:

- **Adult Care & Local Transport** – additional PPE expenditure and transport costs

- **Children & Young People** – increased Children in Care costs
- **Communities, Highways & Strategic Transport** – reductions in parking and Work Place Parking Levy income and increased costs from supporting the Shielding programme
- **Energy, Environment & Democratic Services** –and both increased costs and reduced income within waste management
- **Finance, Growth & the City Centre** – additional costs from having to delay the Enterprise Resource Planning (ERP) replacement project, reduced returns from Council companies and provision for bad debts.
- **Leisure, Culture & IT** – reductions in income from leisure centres, Theatre Royal & Concert Hall, cultural venues and open spaces. Increased cremation, cemetery and mortuary costs.
- **Regeneration, Schools & Communications** – lost income from commercial rents

2.6 The Interim Budget reset the 2020/21 budget in October 2020, to take into account the changing financial environment as a result of the pandemic. **Table 2** shows the current forecast outturn compared to the Interim Budget. This is based on the position as at 31 December 2020, updated for known future factors. It is important to note that the Interim Budget was set prior to the latest national lockdown restrictions and the forecast position includes an assumed impact of the latest restrictions on the 2020/21 outturn position.

2.7 The latest forecast shows a Portfolio favourable variance of **£6.6m**, this includes a favourable variance of **£8.3m** in the Adult Care & Local Transport portfolio due to variances in the care purchasing budgets. There are notable favourable variances of **£1.7m** in Leisure, Culture & IT due to an improved position for the Theatre Royal and Concert Hall and Sports & Leisure. This is offset by an adverse variance of **£1.9m** within Communities, Highways & Strategic Transport due to reduced parking income as a result of the latest national lockdown restrictions. The adverse position on companies of **£1.5m** is due to the continued impact of Covid-19 on company performance.

2.8 The net reduction in expenditure of **£4.9m** together with the additional funding reduces the dependency on reserves in 2020/21.

2.9 Whilst there is a balanced position for 2020/21 this still includes a significant dependency on the use of reserves and it is a critical part of the financial strategy to be able bring reserves back to an adequate level. Until this is achieved the spending controls will remain in place and are an important element of the Council's financial management. The measures include:

- Monthly monitoring to Corporate Leadership Team (CLT) & Executive Panel
- Vacancy freeze controls & cessation of all but non-essential spend
- Restrictions on travel and conference attendance to continue
- Stop all non-essential maintenance

2.10 In accordance with established trading account principles 50% of traded surplus may be retained for reinvestment in the service. Given the current size and scale of the

financial challenge faced by the Council, no traded surplus retention will be awarded in 2020/21. This is consistent with 2017/18, 2018/19 and 2019/20. Figures in brackets indicate an underspend.

Table 2 : Current Forecast Outturn as at 31 December 2020		
Interim Budget	Portfolio	Forecast Outturn variances as at 31.12.20 (Q3)
£m		£m
94.855	Adult Care & Local Transport	(8.267)
58.696	Children & Young People	0.803
11.640	Communities, Highways & Strategic Transport	1.913
8.201	Employment & Community Protection	(0.324)
23.114	Energy, Environment & Democratic Services	0.618
17.410	Finance, Growth & the City Centre	0.496
(7.269)	Health, HR & Equalities	0.109
7.069	Housing, Planning & Heritage	(0.350)
16.808	Leisure, Culture & IT	(1.741)
3.229	Regeneration, Schools & Communications	0.188
233.752	Total Portfolios	(6.555)
(1.095)	Companies	1.503
15.402	Corporate	0.138
248.059	Total prior to additional funding	(4.914)
	Covid-19 Grant (Tranche 4)	(10.712)
	Adj. Arts Council Grant	0.471
	Total variance to Interim Budget	(15.155)
	Repay reserves	15.155
	Balance	0.000

2.11 Variances - Headline Issues

The following sections describe the major issues impacting on the forecast outturn of which a majority are related to the further Covid-19 restrictions.

Where there are overspends the pressures identified may impact on 2021/22+ and any on-going saving resulting in 2020/21 underspends have been captured in the 2021/22+ budget process where appropriate.

Adult Care & Local Transport £8.3m favourable

Adults £9.2m underspend

The forecast is based on the latest social care package information for citizens and the agreed levels of health contributions.

Assumptions regarding demand on this service have been captured in the 2021/22+ budget process as have savings.

Transport & Fleet £0.6m overspend

- Fleet – **£0.2m** over budget – overspend reflects the increased vehicle costs due to the need to support social distancing of employees therefore vehicle usage increased, and reduced income from MOT testing associated with taxi's and external customers, both as a result of Covid-19.
- Passenger Transport – **£0.4m** over budget – Covid-19 has reduced the demand for this service and as a result has reduced income levels. It is not possible to furlough this service.

The impact of these overspends is not assumed to continue in 2021/22+.

Workplace Parking Levy £0.4m overspend

Further reductions in licences have occurred following the implementation of Tier 3 and subsequently national lockdown. No further significant reductions in licence numbers are expected in 2020/21 as the largest employers have already reduced licence levels significantly.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and how the economy recovers.

Children & Young People £0.8m adverse

Children's Integrated Services £0.8m overspend

The forecast reflects additional spend required on the Children's Improvement Plan of £0.4m (£1.8m in total); additional Covid-19 costs of £0.1m; an increase in Children in Care costs of £0.6m and a reduction in Early Intervention forecast due to a change in non-pay assumptions of £0.3m.

Any on-going pressure has been captured in the 2021/22+ budget process.

Commissioning & Procurement - £0.1m overspend

Pressure relating to a salary contribution in respect of D2N2.

This does not impact on 2021/22+.

Communities, Highways & Strategic Transport £1.9m adverse

Community Protection £0.3m over

Impact of the second lockdown on enforcement income projections for the remainder of the financial year. Other income losses relating to the inability to impound untaxed vehicles and from the sale of untaxed vehicles via auction or as scrap metal. This has been partly mitigated by holding vacancies and increase income from residential permits.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Neighbourhood Services Operational Hub £0.1m over

Write-off of obsolete stock of Community Protection uniforms.

This does not impact on 2021/22+.

Parking Services £1.9m over

Overspend due to updated income forecasts as a result of Covid-19 restrictions

Assumptions regarding this budget pressure have been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and how the economy recovers.

Traffic Safety £0.4m under

The forecast position for Bus Lane enforcement income and other budgeted fees, charges, permits and licences factored into the Interim Budget has improved.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Employment & Community Protection £0.3m favourable

HR & Transformation £0.1m under

Recruitment delays have contributed to this underspend.

Any on-going savings captured in the 2021/22+ budget process.

Community Protection (Uniformed Services) £0.2m under

Recruitment delays and realigning staff to undertake Covid-19 ring-fenced grant requirements.

Any on-going savings captured in the 2021/22+ budget process.

Energy, Environment & Democratic Services £0.6m adverse

Energy & Waste £0.1m over

Increased project management fees.

This does not impact on 2021/22+.

Facilities and Building Services £0.2m under

Recruitment delays and reduced running costs as a result of Covid-19.

Any on-going savings captured in the 2021/22+ budget process.

Waste Management £0.7m over

Increased cost of domestic waste disposal. Commercial Waste income has reduced and bad debt provision increased due to further Covid-19 restrictions and the impact on business trading. This is partly mitigated by the reduction in operational costs.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and how the economy recovers.

Finance, Growth & the City Centre £0.5m adverse

Finance - £0.1m over

Largely the result of savings unachieved due to Covid-19.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Commissioning & Procurement - £1.4m under

This underspend reflects the revised costs associated with PPE usage and undelivered savings on corporate contracts that have been unable to be retendered due to the impact of Covid-19 on the market.

This does not impact on 2021/22+.

Environmental Health & Licensing £0.3m over

The forecast overspend is as a result of the further Covid-19 restrictions resulting in a decrease in licence applications.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Nottingham Catering £1.4m over

The forecast overspend is as a result of the extended Covid-19 restrictions and the net impact from the Schools Catering service and the reduction in income.

Job Retention Scheme (Furlough) assumptions have also been removed as the service has been confirmed as not eligible.

Mitigation has arisen from increased sales in Commercial Catering from takeaways at park cafes.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and when schools reopen fully.

Health, HR & Equalities £0.1m adverse

HR & Transformation £0.1m over

The forecast overspend is as a result of a loss of income from Works Perks and additional expenses due to Covid-19.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and the workforce demands of this service.

Housing, Planning & Heritage £0.4m favourable

Strategic Homelessness £0.6m under

The forecast under spend is reflective of reduced Bed & Breakfast usage and Nottingham City Homes now leasing of nightly paid accommodation which has a lower cost.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and the impact on the economy and those requiring this service.

Planning £0.1m over

The forecast overspend is due to reduced levels of planning fee income.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and the recovery of the economy.

Strategic Assets & Property £0.1m over

The forecast overspend relates to income reductions, as a result of further Covid-19 restrictions, on the Adaptations & PAD service.

Overall the Strategic Assets & Property service is reporting a nil forecast variance from that captured in the interim budget however, variances do exist within specific portfolios.

This does not impact on 2021/22+.

Leisure, Culture & IT £1.7m favourable

Events - £0.1m under

The forecast underspend is associated with holding posts vacant, use of the furlough scheme and income from the Christmas at Wollaton 2020 event.

Assumptions regarding events budget pressures have been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and any further restrictions.

Libraries – £0.1m under

The forecast underspend is as a result of delayed recruitment to mitigate the loss of income.

Assumptions regarding this service and associated budget pressures have been captured in the 2021/22+ budget process as have any savings.

Museums - £0.3m under

The forecast underspend is materially due to the income generated from ancillary spend associated with the 'Winter at Wollaton' light display during December 2020.

Assumptions regarding this service and associated budget pressures have been captured in the 2021/22+ budget process as have any savings.

Markets – £0.4m over

The forecast overspend reflects a further reduction in income from stall holders not selling non-essential goods as a result of lockdown.

Assumptions regarding this service and associated budget pressures have been captured in the 2021/22+ budget process as have any savings.

Sport & Leisure – £0.7m under

The forecast underspend is based on the closure of leisure centres until 31 March 2021 due to the current lockdown and the net impact (after reduced expenditure) this will have.

The original estimates for this service, captured in the interim budget, were based on the industry forecasts, tailored to reflect the Council's offer and local economic conditions.

Assumptions regarding sport & leisure budget pressures have been captured in the 2021/22+ budget process, as have savings however, there is a risk associated with those assumptions and any further restrictions.

Theatre Royal & Concert Hall £1.0m under

The revised forecast underspend is as a result of the extension of the Job Retention Scheme (Furlough) being extended to 31 March 2021.

Assumptions regarding events budget pressures have been captured in the 2021/22+ budget process however there is a risk associated with those assumptions and any further restrictions.

Regeneration, Schools & Communications £0.2m adverse

Economic Development £0.1m over

The forecast overspend is the contribution towards D2N2.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Strategic Assets & Property £0.1m under

The forecast underspend relates to recruitment delays.

Overall the Strategic Assets & Property service is reporting a nil forecast variance from that captured in the interim budget however, variances do exist within specific portfolios.

Any on-going savings captured in the 2021/22+ budget process.

Education £0.3m over

The forecast overspend relates to further income losses and increase in transport costs to accommodate social distancing measures.

Assumptions regarding this budget pressure has been captured in the 2021/22+ budget process.

Companies £1.5m adverse

Mainly arising from the economic impact of Covid-19 on business models.

Corporate Budgets £0.1m adverse

Slippage of corporate saving.

Covid-19 Grant (Tranche 4)

Since the writing of the Interim Budget report the Government announced Tranche 4 funding for the impact of Covid-19 and the Council received additional funding of **£10.7m**.

Adjustment Arts Council Grant

The Arts Council Grant award of **£0.9m** has necessitated a change in the level of Income Compensation the Council can claim.

2.12 Reserves

The Interim Budget assumed the use of **£71.2m** of reserves to balance in year:

- **£38.7m** to be permanently released and not replenished
- **£31.3m** to be borrowed from reserves (predominately contractual PFI reserves) to be paid back over a 5 year period and
- **£1.2m** use of un-earmarked reserves

The use of reserves in this way has had a significant impact on the Council's long-term financial sustainability and the ability to manage future risks, and future transformation activity.

The additional funding and the Portfolio favourable variances allows the Council to reduce the amount of reserves to be borrowed and paid back from an assumed **£31.3m** to **£17.4m** based on the Quarter 3 forecast. In addition the un-earmarked reserve is to be restored to the level prior to the Interim Budget at **£11.6m**.

2.13 External Financial Support

The Council is required to balance its budget in year and over the medium term. While it works to reshape its service offer and reduce costs, the Council is seeking a direction to capitalise **£35m** of revenue expenditure. This request was submitted to MHCLG on 23 December 2020 and at the time of writing this report, no decision has been made by the Secretary of State to grant the request. This is required to support the Council as it moves to a financial sustainable footing, to build sufficient resilience and to contribute the cost of transformation activity.

2.14 Movement of Resources

Transfers of services between directorates and/or portfolios are reflected in the monitoring figures. These transfers now require approval and are listed in **Appendix B**.

2.15 Movements in Earmarked Reserves

The significant reduction in the Council's reserves to support the in-year position has required the S151 Officer to implement a new process for managing the movement in reserves. The Council's controllable reserves will be held corporately and subject to a prioritisation process and approval from the S151 Officer or Deputy S151 Officer. Each application now requires a robust justification and will be assessed based on the financial situation of the Council at that time and may result in previous decisions for funding being refused. This reduction in reserves will have an impact on service delivery and the applications will need to be prioritised. Since the approval of the Interim Budget there has been a net use of reserves (excluding the tranche 4

funding) of **£4.0m**. This is primarily due establishing a workforce provision to fund redundancy and employment tribunal costs. Further movements will be reported at outturn. **Appendix C** provides more details of movement in reserves.

3 Grants received in 2020/21

3.1 Covid-19 specific grants

In addition to the business as usual specific grants there have been a number of additional grants as a result of Covid-19 that have been announced during 2020/21 which if not fully utilised can be carried forward into 2021/22.

A summary of the additional grants awarded during 2020/21 as a result of Covid-19, are set out in **Table 3** below showing those that will also be utilised in 2021/22.

Table 3: Covid-19 Grants Issued		
Grant name	Amount £m	Utilised in 2021/22
Test and Trace Service Support Grant	3.127	Yes
Surge Funding / additional Contain Outbreak Management Fund (COMF)	4.280	Yes
Adult Social Care Infection Control Fund (ICF) (Rounds 1 and 2)	5.545	
Clinical Commissioning Group (CCG) funding for additional costs associated with COVID-19 including hospital discharge – estimated	7.858	
Asymptomatic testing based on £14 per test	TBC pending activity	
Rapid Testing Fund	0.639	
Clinically Extremely Vulnerable (CEV) Funding	0.157	
Local Authority Emergency Assistance Grant for Food and Essential Supplies	0.467	
COVID Winter Grant Scheme	1.414	
Compliance and Enforcement Grant	0.236	
Reopening High Streets Safely Fund	0.295	
Next Steps Accommodation Programme (NSAP)	0.269	
Provisional Rough Sleeping emergency funding	0.023	
Additional Home to School Transport	0.214	
Workforce Capacity Fund	0.775	
Emergency Active Travel Fund (Tranche 1 only)	0.570	
Emergency Active Travel Fund (Tranche 2 only)	2.039	Yes
Arts, culture & Heritage grant for Theatre Royal & Royal Concert Hall	0.851	Yes
Total	28.759*	

**This does not capture any new burdens funding issued to administer any grants.*

3.2 In addition to the above there have been further grants to support both businesses and citizens that have been directly distributed, these are:

- Test & Trace isolation grant;
- Hardship fund;
- Business support grants
- Local Restriction Support grants for businesses and
- Business rate relief for the Retail, Hospitality and Leisure sectors.

It is assumed that as these grants cease the expenditure and activity will reduce accordingly.

3.3 Specific Grants for Business as Usual activity

The Medium Term Financial Plan is based on a number of assumptions regarding specific grants for business as usual activity, details of the assumptions for included for 2021/22+ are contained within the MTFP (Annex 2) part of this report. The material grants for 2020/21 are listed in the paragraphs below.

3.4 Improved Better Care Fund

This grant was initially awarded in 2017/18 with the purpose of contributing towards the increased pressure of Adult Social Care needs aiming to reduce pressures in Health and ensure the Social Care market is provided for. The 2020/21 amount is **£16.1m** and reflects the roll-over of the 2019/20 allocation of **£14.6m** and the transfer of the previous **£1.6m** Winter Pressures grant.

3.5 Better Care Fund

It has been assumed that this grant will remain at 2019/20 values of **£24.7m** of which a minimum of **£14.5m** is assumed for allocation into the MTFP.

3.6 Additional funding for Social Care

The 2020/21 settlement confirmed an extra **£1bn** of social care grant funding in 2020/21 for all authorities with social care responsibilities. The 2020/21 allocation for Nottingham is **£9.8m**.

3.7 Disabled Facilities Grant

This grant contributes to the cost of improvements to citizens' homes to enable them to continue to live there. This forms part of the Better Care and a section 75 agreement and the allocation for the Council in 2020/21 is **£2.8m**.

3.8 Former Independent Living Fund (ILF) Grant

The value of this grant in 2020/21 is **£0.7m**. The Former ILF Grant compensates cost pressures to local authorities caused by the closure of the ILF. The funding followed the introduction of the Care Act 2014, which ensures that key features such as personalisation, choice and control are now part of the mainstream adult social care system.

3.9 Social Care in Prisons Grant

This grant allocation for 2020/21 is **£0.1m**. The grant recognises changes introduced as part of the Care Act that established that the local authority will be responsible for assessing and meeting the care and support needs of an offender residing in a prison, approved premises of bail accommodation.

3.10 Local Reform & Community Voices Grant

The 2020/21 allocation is **£0.2m**, comprised of the following elements:

- Funding for Deprivation of Liberty Safeguards in Hospitals;
- Funding for Independent NHS Complaints Advocacy Services and
- Local Healthwatch Funding (Local Authorities have a duty to ensure that an effective local Healthwatch is operating in their area, delivering the activities set out in the legislation).

3.11 Public Health

Upper tier and unitary Councils are responsible for improving the health of their local population and reducing health inequalities and the 2020/21 grant for Nottingham to support this work is **£34.2m**.

3.12 Local Council Tax Support & Housing Benefit Administration Subsidy Grant

The Council will receive administration subsidy grants of **£1.9m** in 2020/21 and this is to fund the Council's statutory duty to administer and process Housing Benefit and directly related enquiries.

3.13 Dedicated School Grant (DSG)

The DSG is a ring-fenced grant subject to grant conditions requiring it to be used to support the Schools Budget as defined in the School and Early Years Finance Regulations.

The DSG funds educational establishments and specific services for Schools, Central Expenditure, Early Years and High Needs. The initial 2020/21 DSG budget allocation for Nottingham is **£287.7m**.

4 Debtors Monitoring (Appendix D)

4.1 Housing Rents

The Quarter3 actual collection rate is **97.72%** (target **98.50%**) and **0.36%** below the same point last year. There are challenges arising from the Covid-19 pandemic and the continued roll out of Universal Credit (UC). There have been almost 30% more referrals made to our Tenancy Sustainment Team than at this point last year and 248 more UC claims (almost 12%) and reflects the financial pressure being placed on our tenants. There continues to be suspension of all evictions and although Court hearings are now taking place they are very limited and several initiatives are planned for the final quarter to increase income.

4.2 Council Tax

Collection for Quarter 3 was **76.68%**, which is **0.18%** above the profiled target. This is a small increase of **0.48%** when compared to the same period in 2019/20. Collection amounted to **£109.9m** compared to collection of **£107.7m** for the same period in 2019/20. Net debt collectable over the two financial years has increased from **£141.8m** in 2019/20 to **£143.4m** in 2020/21.

4.3 National Non- Domestic Rates (NNDR)

Collection for Quarter 3 was **65.73%**, which is **14.77%** below the original profiled target of **80.50%**. Collection amounted to **£52.5m** up to Qtr3 2020/21 compared to collection of **£116.4m** to Qtr3 in 2019/20. Net debt collectable for the year has decreased significantly (due to the award of Expanded Retail, Hospitality & Leisure Discount) from **£143.8m** in 2019/20 to **£79.9m** in 2020/21. In-year targets are subject to recalibration due to the Covid-19 pandemic given the impact on household incomes and businesses.

4.4 Sundry Income

The percentage of debts collected within 90 days in the 12 months to December 2020 is **80.60%**, which is below the corresponding figure for 2019/20 of **82.70%**.

The debtor day indicator (which shows how quickly debts are recovered) is currently **39** days, which is below the **32.30** day target but an improvement on the corresponding figure for 2019/20 of **44** days.

There is significant work on-going to improve debt collection rates in the Council's finance system, with particular focus on the implementation of Advanced Collections functionality as part of the Fit for the Future programme. Advanced Collections is a debt management tool that will provide vastly improved debt collection functionality, enabling tailored debt strategies to be built for different types of debt.

4.5 Estates Rents

The Covid-19 pandemic has impacted on the Estate Rents collection rate, the Quarter 3 actual of **93.68%** is below the set target of **97.50%** and also the collection rate for the same period last year **98.18%**.

4.6 Adult Residential Services

Quarter 3 collection is **97.70%** against a target of **95.90%** and is slightly higher than the corresponding figure for last year at **97.20%**. Adult Residential Services continue to progress with debt recovery, focussing resources on 'new debtors' and early intervention to resolve any potential long terms debtors early on. The service continues to make good progress with historical debt.

5 HRA – Revenue Overview

- 5.1 The latest forecast for the 2020/21 HRA outturn position is detailed within **Annex 4** of this report and shows a balanced position. The 2020/21 forecast outturn is largely in line with the original budget with income forecast to be **£105.6m**, original budget of **£105.5m**. Expenditure latest forecast of **£105.8m** compares to an original budget of **£105.5m**. The brought forward working balance of **£8.1m** is higher than the original budget therefore the closing working balance is forecast to be **£7.9m** which is slightly more than the original budget of **£7.7m**.

6 Capital Programme Overview

- 6.1 The non-statutory review of the Council in November 2020 with the findings being published in December highlighted the level of risk and planned further borrowing within the capital programme, the high level of debt held by the council and the reduction in the balances of reserves held which further reduces budget flexibility.
- 6.2 Following the review the council has published a Recovery & Improvement Plan 2021 – 2024. The Recovery and Improvement Plan acknowledges that a sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the overall financial recovery of the City Council and as such a revised Capital Strategy together with a Voluntary Debt Policy has been developed. These are important strategies and will support the delivery of the plan. Key activities include: -
- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities
 - Revised Debt Management Strategy aligned with the Capital strategy with an aim paying down debt over time.
 - Creating a revised Capital Strategy incorporating a prioritisation process.

- Delivering a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council

6.3 This report sets out the quarter 3 forecast outturn for the 2020/21 and the impact it has on the draft capital programme 2020/21 – 2025/26. The capital budget is aligned to the Capital and Investment Strategy and presents, in financial terms, the Council's plan for investment related to the purchasing, building and improvement of capital assets, together with the implications of any major capital projects or investments in Nottingham. While ensuring the programme is affordable and the Council is in a position to reduce overall debt levels in accordance with revised policies.

As detailed in the Recovery and Improvement Plan 2021-2024 a review of the capital programme has been undertaken and completed in February 2021. Further details about the outcomes of this review can be found in **Annex 3**. The tables within this section incorporate the outcomes from this review which identified savings as follows:

- General Fund de-committed schemes of **c£14.7m**, and
- Public Sector Housing schemes to the value of **£19.4m** were removed.

6.4 The quarter 1 report approved an updated overall Capital Programme for 2020/21 of **£172.7m** for the General Fund and **£57.3m** for Public Sector Housing. During quarter 3 schemes to the value of **£8.5m** have been approved while slippage and other movements of approved schemes including the impact of the capital review equates to **(£62.6m)**. Actual spend to the end of quarter 3 is **£84.3m**.

	20/21 Forecast Spend at Qtr1 £m	20/21 Additions £m	Other Movements (Slippage / Reprofiling) £m	Projected Outturn at Qtr3 £m	Actual Spend to Qtr3 £m	New Additions (Spend 21/22+) £m
Public Sector Housing						
Category 1 (Approved Schemes)	53.910	0.890	(9.491)	45.309	11.143	18.655
Category 2 (Planned Schemes)	3.398	0.000	(2.088)	1.310	0.000	0.000
Public Sector Housing Total	57.308	0.890	(11.579)	46.619	11.143	18.655
General Fund						
Category 1 (Approved Schemes)						
Transport Schemes	37.844	2.900	(15.901)	24.843	11.315	1.643
Education / Schools	4.972	0.591	(1.156)	4.407	3.571	1.575
Other Services	125.897	4.122	(29.930)	100.089	58.263	1.990
Category 2 (Planned Schemes)	4.000	0.000	(4.000)	0.000	0.000	15.031
General Fund Total	172.713	7.613	(50.987)	129.339	73.149	20.239
TOTAL	230.021	8.503	(62.566)	175.958	84.292	38.894

6.5 Approvals in Quarter 3

Scheme amendments and additions of **£8.5m** have been approved in quarter 3 where the capital spend is expected to be incurred in 2020/21. Details of all quarter 3 approvals are set out in Appendix A and the schemes over £1m are set out below:

- **Additional Highways Maintenance Grant** (forecast **£1.8m** 2020/21, **£0.01m** 2021/22), this project has arisen due to additional grant being awarded by the DfT to maintain the Council's highway.
- **Southern Gateway** (forecast **£2.8m** 2020/21, **£1.0m** 2021/22), this project is bringing forward the redevelopment of the former intu Broadmarsh shopping centre.

Other Movements (Slippage / Reprofiting)

Scheme movements (slippages / reprofiting) in 2020/21 quarter 3 is **(£62.6m)**. Schemes where slippage is over **£0.5m** are detailed below in **Table 5**.

Table 5: Quarter 3 Movements (Slippages / Reprofiting)			
Scheme	2020/21 Forecast at Quarter 1 £m	2020/21 Forecast at Quarter 3 £m	Movement £m
Public Sector Housing			
Modern Living	0.547	0.000	(0.547)
Nottingham Secure - Windows	1.750	1.045	(0.705)
Energiesprong	1.844	0.241	(1.603)
BEIS - Whole House Retrofit - Destination Zero	0.634	0.014	(0.620)
BEIS - Whole House Retrofit - Energiesprong	2.107	1.000	(1.107)
BEIS - Retrofit Project Level	0.700	0.075	(0.625)
Citywide Environmentals	1.000	0.246	(0.754)
Garage / Outbuilding Delivery	0.974	0.300	(0.674)
Property Acquisitions	12.229	10.198	(2.031)
Other Movements	2.913	0.000	(2.913)
Total Public Sector Housing			(11.579)
General Fund			
Transport Schemes			
Highway Maintenance Grant	2.010	1.446	(0.564)
Integrated Transport Block	3.752	2.812	(0.940)
Transforming Cities	18.280	6.585	(11.695)
Education / Schools			
Glade Hill Primary - Expansion	0.594	0.001	(0.593)
Other Services			
Solar Panels - Commercial PV Invest Prog	0.679	0.150	(0.529)
CleanMobilEnergy - Installation/Groundworks	1.493	0.000	(1.493)
NET Lines 2/3 - Quantative Risk Assessment	1.930	0.200	(1.730)
Vehicle Telematics System	0.900	0.000	(0.900)
Project Blaze	0.818	0.000	(0.818)
Nottingham Castle Transformation (HLF Scheme)	11.857	11.336	(0.521)
Wollaton Hall Gallery (Stage 1)	1.053	0.300	(0.753)
Loan - NCH-E Ltd Arboretum	3.176	0.000	(3.176)
Property Works	0.695	0.000	(0.695)
NCH E Loan - Meadows Police Station	3.976	0.000	(3.976)
IT - Replacement of Communication Infrastructure	1.000	0.200	(0.800)
NCHRP Loan - Move On Accommodation	0.734	0.200	(0.534)
Old Market Square / Lace Market - Conservation Area	0.831	0.187	(0.644)
Blueprint Third Party Loan	3.865	2.000	(1.865)
Blueprint Loan Note	2.600	1.000	(1.600)
Planned Schemes			
Central Library Fitout & Operation	4.000	0.000	(4.000)
Other Movements	13.161	0.000	(13.161)
Total General Fund			(50.987)
TOTAL Quarter 3 Movements			(62.566)

7 Public Sector Housing (HRA) Capital Programme

7.1 The Public Sector Housing Programme has been updated to reflect the outcome of the capital review, the requirement to reduce borrowing as set out in the Voluntary Debt Policy and movements in quarter 3, **Table 6** below sets out the updated programme and resources.

Scheme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Category 1 - Approved Schemes	45.309	58.065	65.823	41.849	31.149	30.977	273.172
Category 2 - Planned Schemes	1.310	6.917	2.000	1.000	1.000	0.000	12.227
Total Programme	46.619	64.982	67.823	42.849	32.149	30.977	285.399
Resources Available							
Prudential Borrowing	(15.442)	(15.056)	(12.244)	(6.864)	(1.822)	0.000	(51.428)
Grants & Contributions	(1.542)	(5.326)	(3.185)	(0.157)	0.000	0.000	(10.210)
Major Repairs Reserve	(22.325)	(37.249)	(43.350)	(32.105)	(29.633)	(30.942)	(195.604)
Revenue Resources	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Capital Receipts - HRA	(1.151)	(0.850)	(2.874)	(0.690)	(0.035)	(0.035)	(5.635)
Replacement Capital Receipts	(6.159)	(6.501)	(6.170)	(3.033)	(0.659)	0.000	(22.522)
Total Resources	(46.619)	(64.982)	(67.823)	(42.849)	(32.149)	(30.977)	(285.399)
Pressure / (Available) Funding	0.000						

8 General Fund Capital Programme

8.1 The General Fund Programme is updated to reflect the outcome of the capital review, the Voluntary Debt Policy and movements in quarter 3. **Table 7** below sets out the updated programme for which further details are included in Annex 3.

Scheme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Approved Schemes							
Transport Schemes	24.843	57.715	41.235	7.581	0.000	0.000	131.374
Education	4.407	1.964	0.000	0.000	0.000	0.000	6.371
Other Services	100.089	41.273	9.162	8.688	7.694	7.885	174.791
Category 2 - Planned Schemes	0.000	15.907	21.193	15.700	7.709	7.390	67.899
Total Programme	129.339	116.859	71.590	31.969	15.403	15.275	380.435
Resources Available							
Prudential Borrowing	(71.713)	(27.234)	0.000	0.000	0.000	0.000	(98.947)
Grants & Contributions	(46.686)	(78.337)	(56.273)	(20.449)	(8.839)	(8.836)	(219.420)
Internal Funds / Revenue	(1.999)	(6.123)	(0.275)	(0.275)	(0.221)	0.000	(8.893)
Secured Capital Receipts	(7.199)	0.000	0.000	0.000	0.000	0.000	(7.199)
Unsecured Capital Receipts	(1.742)	(5.165)	(15.042)	(11.245)	(6.343)	(6.439)	(45.976)
Total Resources	(129.339)	(116.859)	(71.590)	(31.969)	(15.403)	(15.275)	(380.435)

General Fund Capital Programme Quarter 3 Approvals

Appendix A

Scheme	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Public Sector Housing						
Bespoke Accommodation	0.119	0.068	0.000	0.000	0.000	0.187
Beckhampton New Build	0.200	6.740	6.951	4.650	0.000	18.541
Woodlands Conversion	0.571	0.116	0.000	0.000	0.000	0.687
Woodview Extension	0.000	0.130	0.000	0.000	0.000	0.130
Public Sector Housing Total	0.890	7.054	6.951	4.650	0.000	19.545
Transport						
Additional Highways Maintenance Grant	1.805	0.012	0.000	0.000	0.000	1.817
Emergency Active Travel	0.334	1.631	0.000	0.000	0.000	1.965
Wireless Taxi Charging Points (OLEV)	0.761	0.000	0.000	0.000	0.000	0.761
Education						
Djanogly Strelley Special Provision	0.100	0.679	0.000	0.000	0.000	0.779
Other Education Under (£0.500m)	0.491	0.896	0.000	0.000	0.000	1.387
Other Services						
London Road Heat Station Repairs	0.460	0.000	0.000	0.000	0.000	0.460
Theatre Royal & Concert Hall - External Tiles	0.890	0.100	0.000	0.000	0.000	0.990
Parks & Open Spaces	0.000	0.581	0.000	0.000	0.000	0.581
Southern Gateway	2.772	1.033	0.000	0.000	0.000	3.805
Building 2 Woolsthorpe Depot	0.000	0.108	0.000	0.000	0.000	0.108
Dilapidations 24-32 Carlton Street	0.000	0.168	0.000	0.000	0.000	0.168
General Fund Total	7.613	5.208	0.000	0.000	0.000	12.821
Total Additions Quarter 1 to Quarter 3	8.503	12.262	6.951	4.650	0.000	32.366

Virements from the Interim Budget to Qtr3 2020/21 requiring Executive Board approval

Appendix B

Details	Net Amount £m	Department		Portfolio	
		Between		Between	
Pay Award (0.75% above 2% budgeted)	0.190	CORP	CA	FG&CC	AC<
	0.011		DG		
	0.029		CO		
	0.023		DG	FG&CC	CH&ST
	0.007		SR		
	0.138		CO		
	0.198		CA	FG&CC	CYP
	0.002		SR		
	0.005		SR	FG&CC	E&CP
	0.064		CO		
	0.051		SR	FG&CC	EE&DS
	0.109		CO		
	0.080		SR	within FG&CC	
	0.006		DG	within FG&CC	
	0.063		CO	within FG&CC	
	0.025		DG	FG&CC	HPH
	0.008		CA		
	0.009		CO	FG&CC	LC&IT
	0.149		CO		
	0.005		DG	FG&CC	R,Schools&C
	0.032		SR		
	0.037		CA	FG&CC	H,HR&E
	0.006		SR		
0.035	DG	FG&CC	H,HR&E		
0.031	SR				
0.053	DG	CORP	within FG&CC		
Savings realignment	0.018	within CO		LC&IT	CH&ST
	0.087	within DG		R,Schools&C	HPH
Budget realignment b/t Parks & Streetscene	0.010	within CO		LC&IT	CH&ST

Details	Net Amount £m	Department		Portfolio	
		Between		Between	
Budget realignment b/t Uniformed Services & Environmental Health	0.010	within CO		E&CP	CH&ST
	0.039	within CO		E&CP	FG&CC
Technical Adjustment within Commercial Finance	0.057	CORP	SR	within FG&CC	
Technical adjustment Prudential Borrowing	0.011	CO	CORP	AC<	FG&CC
	0.029	CO	CORP	EE&DS	FG&CC
	0.313	DG	CORP	R,Schools&C	FG&CC
Budget realignment within C&O finance support	0.075	CO	SR	CH&ST	FG&CC
Technical adjustment (Contingency)	2.714	CORP	CO	FG&CC	EE&DS
Utilities Realignment	0.002	within CO		EE&DS	CYP
Pay model adjustment	0.001	C&A	CORP	CYP	FG&CC
Reserve funding realignment	0.563	C&A	CO	AC<	LC&IT
	0.070		DG	AC<	
	0.200		SR	AC<	LC&IT
	0.223		CO		LC&IT
	0.100		CO		CH&ST
	0.051		CO		E&CP
Employee budget realignment b/t Uniformed Services & Licensing	0.021	within CO		FG&CC	E&CP
Budget realignment within C&O finance support	0.034	SR	CO	FG&CC	CH&ST
Budget realignment within Economic Development	0.001	within DG		FG&CC	R,Schools&C
Interim budget realignment between Corporate & Corporate Management	1.000	CORP	SR	FG&CC	
Employee budget realignment b/t ASB & Safer Housing	0.015	within CO		E&CP	HPH
	7.008				

Department	Key	Portfolio	Key
Children & Adults	CA	Adult Care & Local Transport	AC<
Commercial & Operations	CO	Communities, Highways and Strategic Transport	CH&ST
Chief Executive	CX	Energy, Environment & Democratic Services	EE&DS
Development & Growth	DG	Children & Young People	CYP
Strategy & Resources	SR	Employment & Community Protection	E&CP
Corporate	CORP	Finance, Growth & the City Centre	FG&CC
		Housing, Planning & Heritage	HPH
		Leisure, Culture & IT	LC&IT
		Regeneration, Schools & Communications	R,Schools&C
		Health, HR & Equalities	H,HR&E

Movements in Reserves requiring approval 2020/21
Appendix C

Reserve	Transfer Details	Replenishment £m	Use £m	Total £m
NET City Reserve Fund	Repay reserves borrowed	(5.000)		(5.000)
	In year movement	(0.197)		(0.197)
Treasury Management	Contributions in year	(2.379)		(2.379)
Workforce	Establish provision		6.831	6.831
Good to Great	In year expenditure		0.078	0.078
Nottingham Investment Fund	In year expenditure		0.045	0.045
BSF Bigwood & Oakfield PFI	Repay reserves borrowed	(3.701)		(3.701)
Farnborough PFI Project	Repay reserves borrowed	(1.541)		(1.541)
Capital Program Departmental Prudential Borrowing	Contributions in year	(1.204)		(1.204)
	prudential borrowing costs		0.120	0.120
Growth Fund	In year expenditure		0.517	0.517
Rev Reserves for Capital	In year expenditure		0.309	0.309
	Revenue Property Repairs		0.131	0.131
Schools - Other Balances	Early Years 2019/20 Funding adjustment	(0.245)		(0.245)
Total		(14.267)	8.031	(6.236)

Debtors - Performance Review – Q3 2020/21	Q1 June	Q2 Sept	Q3 Dec
BVPI 66a - Housing Rent Collection (%) <i>(cumulative - current tenants only)</i>			
Actual <i>(arrears + debit)</i>	98.80	96.91	97.72
Target	98.50	98.50	98.50
Last Year Actual 2019/20	96.80	97.68	98.08
BVPI 9 - Council Tax Collection (%)			
Actual <i>(in year cumulative)</i>	25.80	50.71	76.68
Target	26.10	50.50	76.00
Last Year Actual 2019/20	25.90	50.53	76.20
BVPI 10 - NNDR Collection (%)			
Actual <i>(in year cumulative)</i>	22.56	44.84	65.73
Target	28.50	55.50	80.50
Last Year Actual 2019/20	30.40	54.50	81.80
Sundry Income Collection (%)			
Actual <i>(12 month rolling average)</i>	82.00	81.00	80.60
Target	99.00	99.00	99.00
Last Year Actual 2019/20	79.50	83.20	82.70
Sundry Income Debtor Days – General			
Actual <i>(12 month rolling average)</i>	43.00	37.00	39.00
Target	32.30	32.30	32.30
Last Year Actual 2019/20	32.00	41.00	44.00
Estates Rents Collection (%)			
Actual <i>(12 month rolling average)</i>	97.59	95.15	93.68
Target	97.50	97.50	97.50
Last Year Actual 2019/20	98.19	98.05	98.18
Adult Residential Services Collection (%)			
Actual <i>(12 month rolling average)</i>	97.30	97.50	97.70
Target	95.90	95.90	95.90
Last Year Actual 2019/20	96.50	96.90	97.20