

Executive Board – 20 December 2022

Subject:	Review of Revenue and Capital Budgets as at 30 September 2022
Corporate Director(s)/Director(s):	Clive Heaphy, Interim Corporate Director for Finance & Resources
Portfolio Holder(s):	Councillor Adele Williams, Deputy Leader and Portfolio Holder for Finance
Report author and contact details:	Debbie Middleton, Interim Director of Finance & Deputy S151 Officer Debbie.middleton@nottinghamcity.gov.uk
Other colleagues who have provided input:	Colleagues within Strategic Finance
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(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
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date:
Total value of the decision:	£16.4 million
Wards affected:	All
Date of consultation with Portfolio Holder(s):	
Relevant Council Plan Key Outcome:	
Clean and Connected Communities	<input checked="" type="checkbox"/>
Keeping Nottingham Working	<input checked="" type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input checked="" type="checkbox"/>
Child-Friendly Nottingham	<input checked="" type="checkbox"/>
Healthy and Inclusive	<input checked="" type="checkbox"/>
Keeping Nottingham Moving	<input checked="" type="checkbox"/>
Improve the City Centre	<input checked="" type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
<p>This report provides an assessment of the Council’s forecast outturn position for the General Fund revenue account, Capital Programme and the Housing Revenue Account (HRA) based on activity to the end of the second quarter (30 September) 2022.</p> <p>The Council’s budget for 2022/23 was approved by Full Council on 7 March 2022.</p> <p>The 2022/23 net General Fund budget approved by Council was £227.6m. The Quarter 2 forecast is showing a forecast outturn of £239.1m, which is an £11.4m (5%) adverse variance to budget. This is an improvement of £2.5m compared to the Q1 forecast of £13.9m overspend. The significant variances are summarised below:</p> <p>with significant variances in:</p> <ul style="list-style-type: none"> 2022/23 Pay inflation – the pay award for 2022/23 has now been agreed and is a flat rate of £1,925 for all pay points, this represents a £6.9m adverse variance to the budgeted assumption of 2%. 	

- Treasury Management **£5.1m** favourable due to increased investment income as a result of a combination of the revised cashflow position due to the forecast underspend on the capital programme and the recent interest rate increases that will earn higher returns on the Council's investments.
- Adults **£4.5m** adverse – largely due to adverse variances within net external care purchasing budgets
- Growth and City Development **£3.8m** adverse - **£1.7m** adverse variance in Strategic Homelessness from inflationary pressures and numbers for B&B and temporary accommodation. Adverse variance for Utilities of **£1.6m** taking account of the price cap information.
- Finance and Resources **£2.4m** adverse – largely due to previous budget savings which are now assessed as undeliverable
- **£2.0m** adverse variance following the HRA CIPFA review.
- The S151 officer commissioned a review of base budgets due to the significant outturn variances against budget in recent years that were not forecast, the outcome of this review has been to rebase some of the Directorate budgets with a reduction in the total of all directorate budgets being reduced by **£3.3m** which is being held within Corporate budgets and remains uncommitted at the end of Quarter 2. Further work to validate forecasts against in year budgets and actuals is being undertaken between Corporate Directors, their Budget Holders and Finance Officers on an iterative basis in order to improve the quality of budget monitoring information and robustness of financial forecasting.

The Council is committed to delivering its services within the approved budget and will require management action to identify mitigations for the adverse variances which are largely driven by inflationary and cost of living pressures, most notably resulting from the National Employers pay offer which is above the original budgetary provision due to inflationary drivers. In response to the projected overspend the S151 Officer has introduced a series of spending controls for the remainder of 2022/23. The impact of these spending controls will be reflected in the Quarter 3 forecast outturn report.

General Fund earmarked reserves as at 30 September 2022 of **£183.3m**, represents a reduction of **£7.1m** from the 31 March 2022 balance of **£190.4m**. This reduction is due to:

- previously approved MTFP decisions of a net drawdown from reserves of **£11.0m** for 2022/23 which is predominately in relation to **£15.0m** Business Rates and the mismatch in timing of receipt at the end of 2021/22 and planned usage of Government reliefs during 2022/23.
- a net transfer to reserves of **£3.8m** during Quarter 1, largely due to a transfer of **£4.0m** of Minimum Revenue Provision (MRP) overprovision to the Treasury Management Reserve in accordance with the Treasury Management Strategy 2017/18 (report to City Council 5 March 2018).
- a net transfer to reserves of **£0.1m** during Quarter 2, largely due to:
 - the transfer to reserves of **£1.8m** revenue budget for companies;
 - a drawdown from capital reserves of **£1.6m**;
 - a drawdown from the Financial Resilience reserve of **£0.2m**.

In line with the approved Reserves policy and in response to the projected outturn forecast the S151 Officer has commenced a detailed review of earmarked reserves, the outcomes of this review will be included within the Quarter 3 forecast outturn report.

It should be noted that any actual overspend at the end of 2022/23 would need to be funded from the Financial Resilience Reserve (FRR) and therefore it is necessary for the Council to have sufficient funds within the FRR to cover such an overspend position.

The HRA Quarter 2 forecast is showing a favourable variance of **£4.3m** (3.9%) against a gross budget of **£111.2m**, this is due to:

- a favourable income variance of **£1.4m** from a reduction in the bad debt provision of **£2.1m**, offset by an under recovery of income from solar panel rentals of **£0.7m**.
- favourable variance in expenditure of **£2.9m** largely due to;
 - a reduction in general fund recharges of **£1.0m**
 - a reduction in the charge from the General Fund for Public Realm services of **£1.0m** following the CIPFA review. The charge now reflects that there are fewer properties in the HRA due to the Right to Buy scheme.
 - a forecast underspend of **£0.6m** on staff budgets

The Capital Programme. Following a review of financial performance on the Capital Programme at Period 6 the forecast outturn is **£96.3m** compared to an approved budget of **£163.8m** an underspend/slippage of **£67.5m (41%)**. Further monitoring and due diligence on the progress of capital projects and expected outturn is required over the next quarter to P9 in order to further refine the forecast. The HRA Capital Programme has a forecast outturn of **£57.5m** against a budget of **£71.0m** an underspend/ slippage of **£13.5m (19%)**.

Does this report contain any information that is exempt from publication? No

Recommendation(s):

1 To note:

- a) The Quarter 2 2022/23 General Fund forecast adverse variance of **£11.4m** as set out in **Table 2**;
- b) The General Fund Directorate service variances and explanations as set out in **Table 3**;
- c) The Quarter 2 NET transfer to General Fund earmarked reserves of **£0.1m** and movement between earmarked reserves as set out in **Section 3** and **Appendix C**;
- d) The Quarter 2 2022/23 HRA forecast favourable variance of **£4.3m**;
- e) The forecast underspend/slippage in expenditure on the General Fund Capital Programme compared to the approved budget of **£96.3m**
- f) The forecast underspend/slippage in expenditure on the HRA Capital Programme of **£57.5m**

2 To approve:

- a) The Quarter 2 2022/23 budget virements to move revenue resources totalling **£16.4m** as set out in **Appendix B**. The Council's total net budget remains unchanged as a result of these movements.

3 To endorse:

The Councils commitment to delivering services within its approved budget for 2022/23 and to take all reasonable measures to do so whilst meeting its statutory obligations.

1. Reasons for recommendations

- 1.1 This report forms a key part of formal General Fund Revenue, Capital and HRA monitoring against the 2022/23 budget.
- 1.2 The approval of budget virements is required by corporate financial procedures.
- 1.3 Throughout the report adverse budget variances are shown as a positive number and negative numbers represent a favourable budget variance.

2. Background (including outcomes of consultation)

2021/22 Draft Outturn Summary

- 2.1 Executive Board in July 2022 approved the draft 2021/22 outturn report which showed for the general fund revenue outturn:

- **£13.9m (5.7%)** favourable variance against a net budget of **£243.7m**.
- General fund earmarked reserves as at 31 March 2022 of **£190.4m** and reflected a drawdown of **£27.7m** to transfer funds from the General Fund to the HRA general reserve following the CIPFA review.
- The General Fund Balance stood at **£12.6m** as at 31 March 2022 in line with the MTFP.

2.2 Capital expenditure for 2021/22 of **£100.7m**, representing an **£81.1m (44.6%)** underspend against the original budget set at Executive Board February 2021 of **£181.8m**.

2.3 In 2021/22, the HRA returned a surplus of **£8.3m** against a budgeted deficit of **£0.2m**, resulting in a favourable variance of **£8.6m**. This was due mainly to:

- overprovision of bad debt of **£2.1m**,
- the reversal of the management fee overpayment of **£3.6m**
- the impact of the CIPFA review of **£2.4m**.

The HRA General Reserve balance increased from **£9.4m** to **£45.5m**, resulting from the 2021/22 surplus of **£8.3m** and **£27.7m** in respect of the ministerial Item 9 credit direction following the CIPFA review.

Reserves Policy

2.4 July 2022 Executive Board approved the Financial Reserves Policy and this report included details on the approval for movements in earmarked reserves, the report can be accessed via the following link:

<https://committee.nottinghamcity.gov.uk/documents/s136198/Financial%20Reserves%20Policy.pdf>

Quarter 1 2022/23 forecast outturn position

2.5 Executive Board in September 2022 noted the Quarter 1 2022/23 forecast outturn report, the General Fund at this time projected a **£13.2m (5.8%)** adverse variance. The drivers for this adverse variance were:

- Corporate **£7.2m** adverse – the forecast reflects the latest National Employers pay offer announced on 25 July 2022 of **£1,925** for all pay points. The budget assumed a **2%** pay award and therefore this has resulted in a **£6.9m** adverse variance
- Finance and Resources **£2.1m** adverse – largely due to previous budget savings which are now assessed as undeliverable.
- Growth and City Development **£1.8m** adverse - **£0.8m** adverse variance in Strategic Homelessness from inflationary pressures on nightly costs for B&B and temporary accommodation. Adverse budget variances from increased energy disposal costs, Broadmarsh rental income and contributions from Bridge Estate
- Resident Services **£0.9m** adverse – Community Protection **£0.7m** adverse due to adverse variances within Environmental Health & Licensing and Operations Parking Regulation and Compliance.

2.6 The S151 Officer has commissioned a review of the general fund base budgets following previous years outturn variances. The review has concluded and the Directorate base budgets have been adjusted as per **Table 1** below, this outcome of this review has been to leave a surplus budget in Corporate of **£3.3m**. This is assumed forecast as a favourable variance within the Quarter 2 report.

Table 1 : Budget adjustments applied at P6 relating to the rebasing exercise					
Directorate	Original Recommended Rebasing £m	Adjustment to Rebase* £m	Adjusted Rebasing Position £m	Rebasing (Adults to Childrens) £m***	Total Rebasing £m
Adults	(6.296)		(6.296)		(6.296)
Childrens	0.662		0.662	2.641	3.303
Education	0.200		0.200		0.200
Resident Services Growth & City Development	(1.072)	0.403	(0.669)		(0.669)
Finance & Resources	(0.253)		(0.253)		(0.253)
Corporate**	0.884	(0.341)	0.543		0.543
Companies	6.003	(0.062)	5.942	(2.641)	3.301
	(0.128)		(0.128)		(0.128)
Total	0.000	0.000	0.000	0.000	0.000

*duplication of & MTFP growth items for F&R & outstanding actions in Resident Services

**balance held corporately

***gross Adults reduction taken to Corporate in the first instance & then allocated to Children's for transparency

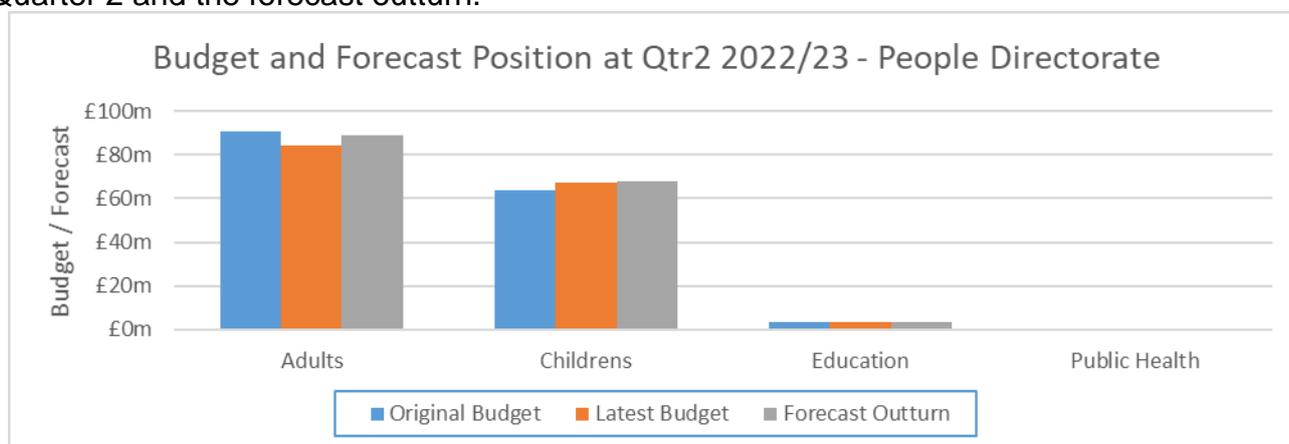
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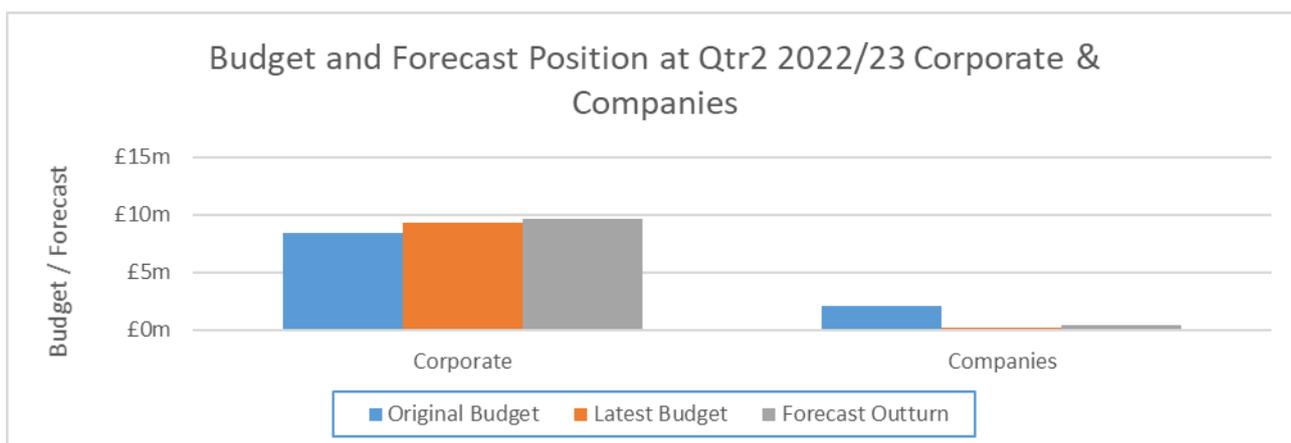
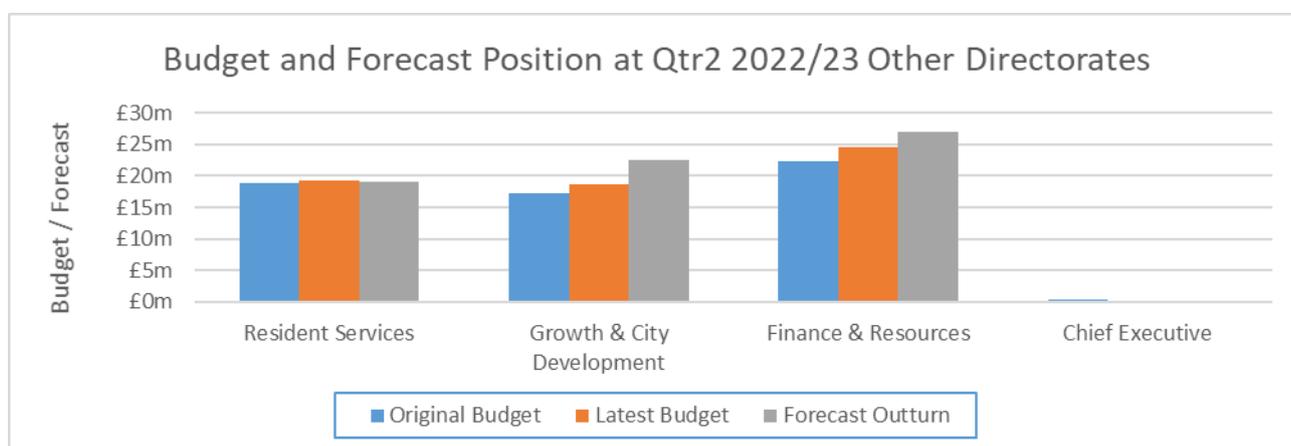
- 2.7 The format and information contained within budget monitoring and forecasting reports during 2022/23 is changing to reflect the improvements being made in the Council's financial management and reporting arrangements. Throughout 2022/23 we will pursue our journey of continuous improvement towards meeting the CIPFA Financial Management Standard. Management will refine processes and procedures to improve the quality of data, and gain a deeper understanding of the operational activity, costs and income that are driving the financial performance within service areas. This enhanced data set will enable more effective review and challenge in the overall management of the Council's finances to secure delivery within the approved budget.
3. **General Fund Revenue Budget – Qtr2 2022/23 budget monitoring and forecast outturn**
- 3.1 The General Fund budget and narratives are presented by Directorate with the alternative view by Portfolio contained within **Appendix A**.
- 3.2 The Quarter 2 position is a forecast outturn of **£239.1m** against an approved budget of **£227.6m** representing an adverse variance of **£11.4m (5%)**. **Table 2** summarises the original budget, revised budget at quarter 2 and forecast outturn by Directorate. The Quarter 1 forecast variance is also shown and the Quarter 2 variance column highlights the direction of travel (green is improving, red is worsening).

Table 2 : Quarter 2 2022/23 General Fund forecast outturn by Directorate					
Directorate	Original Budget 2022/23	Revised Budget as at Qtr2	Qtr2 Year-end forecast outturn	Qtr1 forecast variance to budget	Qtr2 forecast variance to budget
	£m	£m	£m	£m	£m
Adults Services	90.545	84.304	88.790	(0.210)	4.486
Children's Services	64.042	67.388	67.749	0.487	0.360
Education	3.414	3.623	3.456	0.623	(0.166)
Schools	0.000	0.039	0.039	-	-
Public Health	0.256	0.000	0.000	-	-
Resident Services	18.864	19.196	19.127	0.933	(0.069)
Growth & City Development	17.265	18.736	22.537	1.801	3.801
Finance & Resources	22.365	24.560	26.998	2.144	2.438
Chief Executive	0.406	0.277	0.277	-	-
Total Directorates	217.158	218.123	228.973	5.778	10.849
Corporate (excluding rebasing)	8.423	5.976	9.642	7.243	3.666
Rebase	0.000	3.301	0.000	-	(3.301)
Companies	2.069	0.250	0.450	0.200	0.200
Total	227.649	227.649	239.064	13.221	11.415

3.3 On 25 July the national employers made a 'final' 2022/23 offer of a flat rate of £1,925 for all pay points, this offer has now been agreed and an announcement made on 1 November 2022. The 2022/23 budget assumed a 2% pay award. The adverse impact to the general fund budget based on a high level assessment is **£6.9m** and has been included within the Corporate forecast since period 3. The 2022/23 pay award will be paid to colleagues in December and Directorate employees budgets will be updated in December to reflect the new pay scales.

3.4 The charts below show by Directorate for 2022/23 the original budget, latest budget as at Quarter 2 and the forecast outturn.





3.5 It is expected that Corporate Directors will seek to take mitigating actions to contain expenditure within the approved budget. Where pressures cannot be contained within a single directorate, 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.

3.6 **Table 3** below sets out by Directorate the significant variances to budget.

Table 3 – Quarter 2 forecast outturn key variance explanations	
Directorate	Variance explanation
Adults £4.5m adverse	<ul style="list-style-type: none"> ○ External care purchasing / Universal services £4.1m adverse; £0.1m Northgate contract adverse; Savings £0.1m adverse; offset by favourable variances for Integrated Community Equipment Loan Service (£0.5m) and HRS/other contracts (£0.4m) ○ staffing / internal provision £0.4m adverse
Children's Services £0.4m adverse	<ul style="list-style-type: none"> ○ Children in Care £2.2m adverse <ul style="list-style-type: none"> ○ External placements £2.7m due to higher than budgeted weekly costs and increased number of placements ○ Other placements £0.3m favourable – favourable position for Fostering £0.5m due to low levels of recruitment offsetting £0.2m adverse position for Internal Residential & Semi-independent provision largely due to salary overspends ○ Other Children's Services £1.8m favourable largely due to significant staffing vacancies within these teams
Education £0.2m	<ul style="list-style-type: none"> ○ Adverse variance within Education Partnerships £0.3m due to increased commissioning costs

favourable	<ul style="list-style-type: none"> ○ favourable variance for Inclusive Learning £0.4m due to increase in budget following rebasing
Resident Services £0.1m favourable	<p><u>Community Protection £0.7m favourable.</u></p> <ul style="list-style-type: none"> ○ £1.2m favourable across Operations Parking Regulation & Compliance; Uniformed Services and Security Services due to improved income position & level of vacancies. ○ £0.4m adverse across Community Safety & Logistics and Environmental Health & Licensing due to unachieved historic saving and anticipated overspend regarding Crime & Drugs Partnership ongoing review <p><u>Neighbourhood Services £1.3m adverse</u></p> <ul style="list-style-type: none"> ○ £1.0m adverse impact of rebasing across the division; £0.3m inflationary pressures on fuel within Fleet; £0.1m adverse for Nottingham Catering due to food prices and closure of commercial outlets. Offset in part due to vacancies within Mechanical & Engineering £0.2m <p><u>Sport & Culture £0.7m favourable</u></p> <ul style="list-style-type: none"> ○ Sports & Leisure and Theatre Royal & Concert Hall £1.5m favourable due to continued improved post pandemic income achievement. ○ Markets - £0.5m adverse due to reduced rental income compared to budget assumptions ○ Museums - £0.3m adverse due to concession agreement with the Nottingham Castle Trust.
Growth & City Development £3.8m adverse variance	<ul style="list-style-type: none"> ○ Strategic Homelessness £1.7m adverse. Inflationary & cost of living pressures impacting nightly costs for B&B & temporary accommodation along with increased demand ○ Utilities £1.6m adverse. Forecast takes account of the price cap information (released in October) and therefore was not able to be included in previous forecast figures. ○ Strategic Assets & Property £0.9m favourable due to a £1.0m release from the review of the current bad debt allowance for Property ○ Traffic £0.6m adverse. Forecast income from recharging for use of Traffic officers time on capital projects much lower than budgeted. A corporate review to achieve a consistent approach for the correct recharge of time to capital projects across the Council is progressing. ○ Regeneration & Housing Partnerships £0.5m adverse. Costs for the Housing Partnership and Regeneration Teams that sit in the General Fund (GF) for 2022/23. The team was previously coded to the HRA with recharges to for GF work but that position is changing to show cost of GF team in the base budget. ○ Street Lighting £0.3m adverse due to withdrawal of the HRA contribution to fund lighting in designated areas.
Finance & Resources £2.4m adverse	<ul style="list-style-type: none"> ○ Finance & Resources Directorate £0.9m adverse largely due to undeliverable historic savings ○ Legal & Governance £0.2m adverse. Information Compliance due to increased needs of the service and additional resourcing requirement ○ Finance £0.2m adverse due to non-delivery of contract saving ○ Human Resources £0.2m adverse. Non-achievement of historic savings for school income and senior management support of £0.3m; Works Perks

	<p>£0.1m adverse reduced uptake in schemes due to working from home practices offset in part from reduced employee expenditure £0.1m</p> <ul style="list-style-type: none"> ○ Strategy & Policy £0.2m adverse. Labour recharge pressure not achievable and income shortfall in the Data Analytics Insight for School Improvement (DAISI) service ○ Commissioning & Procurement £0.1m adverse. Largely relates to an employee pressure in Contracting & Procurement ○ Customer Services £0.7m adverse. Revenues & Benefits £0.4m adverse due to non-delivery of previous savings and software costs; Welfare Rights £0.3m unachieved saving mitigated by vacancies; Customer £0.1m staffing & £0.1m software pressures offset by additional income £0.1m; Civic & Coronial £0.1m favourable due to additional income in Registrars.
Corporate £3.7m adverse	<ul style="list-style-type: none"> ○ £6.9m adverse budget variances resulting from the national employers pay offer of £1,925 for all grades. ○ £5.1m favourable variance in Treasury Management increased investment income due to rising interest rates and increased cash for investment due mainly to slippage on the capital programme. ○ £2.0m adverse due to removal of recharges to the HRA as a result of the CIPFA review. ○ £0.3m Pension Strain favourable based on prior year trend
Rebase £3.3m favourable	<ul style="list-style-type: none"> ○ The rebasing exercise has moved budget to the corporate centre where it will be held over the remainder of the financial year pending a review of directorate financial performance between P9 to P12. A net sum of £3.3m will be held uncommitted pending the review and will be available to offset directorate overspends as required. The gross re-base total of £6.0m has been reduced by the reallocation of £2.6m from Adults to Children's within the People Directorate which was decided upon prior to the rebasing exercise.
Companies £0.2m adverse	<ul style="list-style-type: none"> ○ The annual contribution to the National Ice Centre increases annually to reflect RPI increases in accordance with grant conditions. The 2022/23 budget is as per the original payment and doesn't include the cumulative increase.

- 3.7 Budget transfers between Directorates and/or Portfolios are reflected within the Monitoring figures. These budget virements totalling **£16.4m** require approval and are detailed in **Appendix B**. The Council's total net budget remains unchanged as a result of the virements.
- 3.8 As part of the financial management improvement activity, the Council is committed to monitoring savings delivery and emerging financial pressures separately. The current tracking covers all new savings and pressures included within the 2022/23 MTFP or any previous MTFP decisions where there was a change in the budget value between 2021/22 and 2022/23. Further improvements will be made in 2022/23 to include non-delivery of previous years legacy savings, the finance improvement programme will require directorates to detail these savings for future reports.
- 3.9 **Table 4** below shows a summary by directorate of the Quarter 2 forecast variance and compares this to the savings and pressures variances reported.

Table 4 : Q2 General Fund forecast variance, analysed by savings non delivery (new and historic), pressures, demand and service cost / income variances					
Directorate	Qtr2 forecast variance to budget	New 22/23 savings / pressure variance*	Historic budget undelivered / delayed Savings **	Service Demand (volume) variance	Service Cost/ income (per unit) variance
	£m	£m	£m	£m	£m
Adults***	4.486	0.098		1.917	2.471
Childrens	0.360	0.166	0.084	0.110	
Education	(0.166)	(0.026)		(0.141)	
Public Health					
Resident Services	(0.069)	0.233	1.089	(1.562)	0.171
Growth & City Development	3.801	0.532		1.691	1.578
Finance & Resources	2.438	1.570	1.655	(0.576)	(0.211)
Chief Executive					
Total Directorates	10.849	2.573	2.828	1.439	4.009
Corporate (excl. rebase)	3.666		2.046	(0.262)	1.882
Rebase	(3.301)				(3.301)
Companies	0.200		0.200		
Total	11.415	2.573	5.074	1.177	2.590

*These are savings / pressures that are either new to 22/23 or reflect a change to the previous year

** These are historical savings / pressures where there was no change in the 21/22 to 22/23 budget

***Base budget not constructed on volume / price model– the variance for external care purchasing has been notionally split across the volume/cost categories until the model has been further developed.

Transformation Budget Monitoring and Forecasting

- 3.10 The impact of the Transformation Programme is captured within the departmental monitoring reports. This report is to provide a 'spot light' on that activity to focus on the performance of the Transformation Programme.
- 3.11 This report focuses only upon the financial benefits from the Transformation Programme which is captured within the Medium-Term Financial Plan. The non-financial benefit monitoring is in development.
- 3.12 **Table 5** below shows the current forecast as Quarter 2 which is estimating a **shortfall of £0.5m due to the slippage in the Childrens programme as a result of delay mainly due to the OFSTED inspection.** The figures in **Table 5** reflect the net position in the MTFP; each programme has a gross requirement and a number of different assumptions/plans in the delivery of the MTFP position. These are reported through the Transformation Office and reflected in individual programme updates to the Senior Responsible Officers to ensure delivery.

Table 5: Quarter 2 Transformation Programme savings update					
	Original Budget	Budget as at Qtr2	Qtr2 forecast outturn	Qtr2 forecast variance	Variance %
	£m	£m	£m	£m	
Adults	(0.226)	(0.226)	(0.245)	(0.019)	(8.4)
Customer	(0.329)	(0.329)	(0.329)	0.000	0.0
Business Support	(0.340)	(0.340)	(0.340)	0.000	0.0
Childrens	(0.539)	(0.539)	(0.000)	0.539	100.0
Procurement	(0.031)	(0.031)	(0.031)	0.000	0.0
Total	(1.465)	(1.465)	(0.945)	0.520	35.5

Movement in earmarked reserves

3.13 Earmarked reserves are funds set aside for specific purposes (including Schools, Statutory reserves and Insurance and Private Finance Initiative (PFI) grants). All movements for Quarter 1 2022 have been approved by S151 / Deputy S151 Officer.

3.14 General Fund earmarked reserves as at 30 September 2022 of **£183.3m**, this represents a reduction of **£7.1m** from the 31 March 2022 balance of **£190.4m**. This reduction is due to:

- previously approved MTFP decisions of a net drawdown from reserves of **£11.0m** for 2022/23 which is predominately in relation to **£15.0m** Business Rates and the mismatch between timing of receipt and planned use of Government reliefs.
- a net transfer to reserves of **£3.8m** during Quarter 1, largely due to a transfer of **£4.0m** of MRP overprovision to the Treasury Management Reserve in accordance with the Treasury Management Strategy 2017/18 (report to City Council 5 March 2018).
- a net transfer to reserves of **£0.1m** during Quarter 2, largely due to
 - the transfer into reserves of **£1.8m** revenue budget for companies;
 - a drawdown from capital reserves of **£1.6m**;
 - a drawdown from the Financial Resilience Reserve **£0.2m**.

There has also been a review of Treasury Management reserves and the S151 Officer has approved the transfer of **£10.2m** to the Financial Resilience Reserve.

3.15 In line with the Reserves policy as approved by July 2022 Executive Board and in response to the projected outturn forecast the S151 has commenced a detailed review of earmarked reserves, the outcomes of this review will be included within the Quarter 3 forecast outturn report.

3.16 It should be noted that any actual overspend at the end of 2022/23 would need to be funded from the Financial Resilience Reserve (FRR) and therefore it is necessary for the Council to have sufficient funds within the FRR to cover such an overspend position.

Further details are contained within **Appendix C**.

4. Debtors Monitoring

4.1 Monitoring debtors is part of the overall assessment of the financial performance of the Council and supports good Governance and value for money. A summary of key indicators is set out below and in **Appendix D**.

Housing Rents

- 4.2 The in-year collection rate for Quarter 2 was **96.5%** which is an increase on the previous quarter and **0.3%** increase when compared to the same point last year. The arrears for Quarter 2 were **£4.1m** compared to **£3.9m** for the same period last year, an increase of **£0.2m**. Benchmarking across the sectors best practice groups show that all landlord are experiencing an increase in arrears due to a combination of factors notably the Cost of living crisis and debt repayments. The percentage of rent collected is **99.0%**. The current arrears as a % of rent debit stands at **3.6%** which is marginally higher by **0.02%** when compared to the same time last year.
- 4.3 Considering the circumstances in which we are operating with a Cost Of Living crisis our performance when compared to other landlords of a similar sized organisation within the benchmarking groups is better than the majority of those in the group.
- 4.4 We are not benefitting from the rollover of Discretionary Housing Payment (DHP) monies that we have benefitted from for the last 2 years as DHP applications are no longer rolled over. The funding for DHP has also reduced which means that a number of residents who rely on DHP to meet shortfalls in their housing costs may start to fall into arrears. NCH continues to work in partnership with NCC to deliver the Cost of living campaign and the Household support fund.

Council Tax

- 4.5 Collection at the end of Quarter 2 2022/23 was **51.1%**, which is a small increase on the equivalent time last year (**50.5%**) and above target. In monetary terms collection increased to **£83.4m** compared to **£78.8m** for the same period in financial year 2021/22. Net debt collectable over the two financial years has increased from **£157m** in 2021/22 to **£164m** in 2022/23.

National Non- Domestic Rates (NNDR)

- 4.6 Collection at the end of Quarter 2 2022/23 was **52.8%**, which is an increase of **8.9%** when compared to the equivalent period in 2021/22. Collection amounted to **£70.2m** compared to **£36.6m** for the same period in financial year 2021/22. Net debt collectable for this year has increased due to Retail Discount reducing from **66%** to **50%** from **£82.8m** in 2021/22 to **£132.8m** in 2022/23.

Sundry Income

- 4.7 The percentage of debts collected within 90 days in the 12 months to September 2022 is **81.0%**, which is an improvement the corresponding figure for 2021/22 of **74.9%** but below the target of **99%**.
The debtor day indicator (which shows how quickly debts are recovered) is currently 36 days which is below both the 32.3 day target and the 30 day figure for 2021/22.

Adult Residential Services

- 4.8 Quarter 2 collection is **97.4%**, in line with the target of **97.5%** but slightly below the corresponding figure for last year of **95.8%**.

Estate Rents

- 4.9 Quarter 2 collection was **97.6%**, which is above the target of **97.5%** and the corresponding figure for last year of **95.3%**.

5. Housing Revenue Account (HRA) Budget Monitoring and forecasting

- 5.1 The HRA is showing a favourable variance to the end of the financial year of **£4.3m**, against a gross budget of **£111.2m**. This represents a positive variance of **3.9%** of the budget. Should the **£4.3m** favourable variance remain in place until the end of the financial year, this surplus will be transferred to the HRA General reserve.
- 5.2 The main reasons for the **£4.3m** favourable variance are reported below and shown in **Table 6** with further detail at **Appendix E**.

Activity	Original Budget 2022/23	Revised Budget as at Period 6	Year End forecast	Year End forecast variance to budget	P5 forecast variance	Change in forecast	
	£m	£m	£m	£m	£m	£m	%
Rental Income	(101.348)	(101.348)	(102.790)	(1.442)	(1.442)	0.000	0.00
Service Charges & Other Income	(9.805)	(9.805)	(9.805)	0.000	0.000	0.000	0.00
Total Income	(111.153)	(111.153)	(112.595)	(1.442)	(1.442)	0.000	0.00
Repairs & Maintenance	27.873	27.873	27.873	0.000	0.000	0.000	0.00
Management Costs	34.043	34.043	31.164	(2.879)	(3.386)	0.506	1.49
Capital Charges	48.636	48.636	48.636	0.000	0.000	0.000	0.00
Direct Revenue Financing	0.600	0.600	0.600	0.000	0.000	0.000	0.00
Total Expenditure	111.153	111.153	108.273	(2.879)	(3.386)	0.506	0.46
Total HRA	0.000	0.000	(4.322)	(4.322)	(4.828)	0.506	0.46

5.3 Income £1.4m favourable

A reduction of bad debt provision of **£2.1m** offset by **£0.7m** shortfall of income forecast on PV solar panel rentals.

5.4 Expenditure £2.9m favourable

Removal of general fund recharges to the HRA of **£1.0m**; a reduced general fund charge of **£1.0m** for Public Realm following the CIPFA review and reflecting that there are fewer properties in the HRA due to the Right to Buy scheme; vacancy savings of **£0.6m** and a reduction of **£0.3m** in revenue costs that are ancillary to the capital programme.

6. Capital Programme Overview

- 6.1 This section of the report provides an update on the Council's 2022/23 Capital Programme performance together with a forecast over the period 2022 – 2027 based upon the Quarter 2 (30 September 2022) actual position and forecast. This includes a statement of the financing of expenditure. **Appendix F** provides further details.
- 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 Budgetary control reports for the Capital Programme are presented to the Executive Board on a quarterly basis. This report is the second in that series of reports and provides an update on which the approved projects will be delivered in line with approved budgets and project timelines. Where those expectations have changed, Members will be made aware of the reasons for that change and any subsequent implications for the project. In addition, the report highlights any subsequent changes in the financing of the programme.
- 6.4 The IAB has highlighted the need to strengthening financial management, project management, and control and reporting arrangements in relation to the Capital Programme within its Statement of Requirements. Additional resources have been onboarded within the Finance service during October in order to focus upon this task.
- 6.5 The Period 6 position has been reviewed and Finance has started work with project managers to focus initially to:
- Challenge the year end forecast in light of the actual spend at Period 6.
 - Provide more granular project delivery plans and spending profiles within year and over the life of each project
 - Assess project risks that will impact deliverability and cost and therefore affordability and value for money.
 - Optimise the financing arrangements for the programme
 - Provide a more reliable cashflow that will be used to better inform treasury management activity to make the Council's money work harder in terms of investment decisions.

Further improvements will be planned and incorporated into the Finance Improvement Plan required by the IAB and will be factored into future monitoring reports.

General Fund – Capital Programme Period 6 Position and Forecast

- 6.6 In March 2022, Full Council approved a total Capital Programme including planned schemes of **£153.9m** for 2022-23 and a total programme across all years 2022-2027 of **£260.0m**. Since that approval, the Council in Quarter 1 revised the Programme to take account of the 2021-22 capital outturn position in relation to slippage and revised profiling, resulting in an amended capital programme budget for 2022-23 of **£153.3m** at 30 June (Q1) .
- 6.7 During Quarter 2 there have been further capital budget additions approved for inclusion in the Programme resulting in a revised capital budget for 2022/23 of **£163.3m** an increase of **£10.0m**:

Table 7: General Fund Capital Programme Budget Movements					
Department & Directorate	Appx F1 Ref	2022/23			
		Original Budget £m	Quarter 1 Budget £m	Latest Approved Budget £m	Change £m
Adults Services					
Adult Social Care	A1	4.818	4.818	4.876	0.058
Children's Services					
Childrens Integrated Services		-	-	-	-
Education					
Education		1.841	2.771	2.771	-
Finance & Resources					
Finance		-	0.006	0.006	-
Legal	A2	-	-	0.020	0.020
IT		2.524	2.524	2.524	-
Growth & City Development					
Carbon Reduction, Energy & Sustainability	A3	15.306	15.306	20.782	5.476
Major Projects		76.021	77.924	77.924	-

Planning		23.279	23.157	23.157	-
Strategic Asset & Property	A4	0.980	1.280	2.182	0.902
Strategic Homelessness		-	-	-	-
Resident Services					
Community Protection		0.366	0.772	0.772	-
Neighbourhood Services	A5	14.722	8.254	11.766	3.512
Sport & Culture		6.994	10.448	10.448	-
Subtotal - Approved		146.851	147.260	157.228	9.968
Planned Schemes		7.040	6.086	6.086	-
TOTAL		153.891	153.346	163.314	9.968

6.8 Over half (**£5.5m**) of the movement is aligned to the provision of additional external funding linked to carbon reduction and improving energy efficiency in private dwellings. The other main element is the acceleration in the profiling for vehicle acquisitions (**£3.5m**) to better reflect the orders placed and supply chain issues. This has resulted in the future years' Scheme Programme 2023-2027 (both Approved and Planned schemes) reducing by **£2.5m** (net).

6.9 Following a review by Finance and Project Manager, the Quarter 2 position and forecast to 31 March 2023 is summarised in **Table 8** below. The forecast outturn for 2022/23 is **£96.3m** against the approved budget of **£153.9m**, an underspend of **£57.6m (37%)**.

Department & Directorate	Original Budget 22/23 £m	Latest Approved Budget 22/23 £m	P6 Forecast 22/23 £m	Variance to Latest Approved Budget		Spend to P6 £m	2022/23 Funding based on P6 Forecast				
				£m	%		Grant £m	PWLB £m	Reserves / DRF £m	Capital Receipt £m	Total 2022/23 £m
Adults Services	4.818	4.876	2.343	(2.533)	(52.57%)	0.957	(2.285)	-	(0.058)	-	(2.343)
Children's Services	-	-	-	-	0.00%	-	-	-	-	-	-
Education	1.841	2.771	3.603	0.832	45.19%	0.963	(3.927)	-	(0.039)	0.363	(3.603)
Finance & Resources	2.524	2.550	1.024	(1.526)	(60.46%)	0.087	-	-	(1.024)	-	(1.024)
Growth & City Development											-
Carbon Reduction, Energy & Sustainability	15.306	20.782	17.116	(3.666)	(23.95%)	4.573	(11.368)	(0.705)	(0.360)	(4.683)	(17.116)
Major Projects	76.021	77.924	29.563	(48.361)	(63.62%)	5.341	(28.964)	-	(0.599)	-	(29.563)
Planning	23.279	23.157	15.215	(7.942)	(34.12%)	2.000	(2.989)	(10.666)	(0.963)	(0.597)	(15.215)
Strategic Asset & Property	0.980	2.182	2.112	(0.070)	(7.14%)	0.400	(0.024)	(1.526)	(0.375)	(0.187)	(2.112)
Strategic Homelessness	-	-	0.050	0.050	100.00%	-	(0.050)	-	-	-	(0.050)
Resident Services											-
Community Protection	0.366	0.772	0.400	(0.372)	(101.64%)	-	-	-	(0.400)	-	(0.400)
Neighbourhood Services	14.722	11.766	13.974	2.208	15.00%	4.794	(6.723)	(0.657)	(0.266)	(6.328)	(13.974)
Sport & Culture	6.994	10.448	9.384	(1.064)	(15.21%)	0.849	(0.542)	(0.587)	(0.763)	(7.492)	(9.384)
Subtotal - Approved	146.851	157.228	94.784	(62.444)	(42.52%)	19.964	(56.872)	(14.141)	(4.847)	(18.924)	(94.784)
Planned Schemes	7.040	6.086	1.529	(4.557)	(64.73%)	-	-	-	-	(1.529)	(1.529)
TOTAL	153.891	163.314	96.313	(67.001)	(43.54%)	19.964	(56.872)	(14.141)	(4.847)	(20.453)	(96.313)

6.10 Actual expenditure to 30 September 2022 is **£20.0m**, which represents circa 20% of the full year forecast at the half year stage. It is considered that there is significant work still to do in order to deliver to the revised forecast of **£96.3m** over the remaining 6 month period. There will be a particular focus in light of the current economic challenges and a range of project and supply chain issues. The review identified a number of schemes that are complete and where savings against budget can be realised.

- 6.11 The revised capital programme forecast is a key driver in the management of the Council's cashflow via Treasury Management. This has enabled a revision of the forecast investment income to be produced in P6 together with an assessment of interest rate increase which will earn more revenue income over the course of the financial year. This is referenced as the **£5m favourable revenue variance** at para 4.3 and 4.7 within the corporate budget forecast. Further consideration will be given to measure that can be taken in relation to the management and control of the capital programme that could release further revenue resources to support the 2023/24 revenue position.
- 6.12 Based on the latest capital spend forecasts, the table below illustrates the impact of these forecasts on the associated funding profile from the Approved Budget as well as the overall requirement across each financing component for the period 2023/24 -2026/27.

Financing the General Fund Capital Programme 2022-2027

Table 9: General Fund Capital Programme Funding 2022/23 and Future Years					
Scheme	2022/23 Approved Funding £m	2022/23 £m	2022/23 Variance £m	2023/24-2026/27 £m	2022/23-2026/27 Position £m
Original Budget		153.891		106.107	259.998
Quarter 1 Forecast Position		139.209		144.353	283.562
Quarter 2 Forecast Position		96.313		15.761	297.623
Resources Available					
Prudential Borrowing	(22.698)	(14.141)	8.557	(4.046)	(9.630)
Grants & Contributions	(106.739)	(56.872)	49.867	(147.762)	(154.767)
Internal Funds / Revenue	(7.138)	(4.847)	2.291	(10.358)	(12.914)
Secured Capital Receipts	(14.107)	(20.453)	(3.137)	0.000	(23.590)
Unsecured Capital Receipts	(3.209)	0.000		(39.144)	(39.144)
Total Resources	(153.891)	(96.313)	57.578	(201.310)	(240.045)

6.13 The financing statement in **Table 9** shows that in 2022/23:

- **Prudential borrowing** – the approved programme expected borrowing to account for 15% of financing (**£22.7m**), it is now forecast to be only **£14.1m**, a reduction of **£8.6m**.
- **Grants and Contributions** – the approved programme expected external funding to account for **£106.7m** (70%) of financing, it is now forecast to be only **£56.92m**, a reduction of nearly £50m.
- **Internal reserves / revenue contributions** – the approved programme expected internal funds to account for **£7.1m** (5%) of financing, it is now forecast to be only **£4.8m**, a reduction of **£2.2m**. This funding is currently being used to;
 - meet the development and refresh of the Council's ICT infrastructure and business application software to ensure it is both fit for purpose and fully embraces new ways of working and service delivery changes.
 - renew leisure equipment to ensure it meets service user needs and expectations
 - support key infrastructure schemes including the Nottingham Express Transit (NET), the Broadmarsh development and the new Central Library.

- **Secured Capital Receipts** - the approved programme expected Secured and Unsecured capital receipts to account for **£17.3m** (11%) of financing, it is now forecast to be **£20.5m**. The risk adjusted forecast of available capital receipts at the 31 March 2023 (after financing both relevant capital spend and transformation costs) is just over £10m. This is planned to be used to part finance the 2023/24 programme.

Housing Revenue Account (HRA) – Capital Programme Summary Position

- 6.14 The original capital programme approved by Full Council in March 2022, agreed a programme totalling **£71.0m** for 2022-23 and a total programme across all years 2022-2027 of **£230.9m**. Since that approval, the Council in Quarter 1 revised the Programme to take cognisance of the 2021-22 capital outturn position and other revisions to the programme or changes in forecast spend. To this end the amended capital programme for 2022-23 was **£235.4m** as at the end June 2022.
- 6.15 In Quarter 2 there has been two capital approvals totalling **£9.8m**. The main approval was in relation to Social Housing Decarbonisation Fund where **£6.5m** of HRA resources within the current programme was moved and allocated to this project as match funding for **£2.9m** of external grant (total project **£9.4m**). The other Quarter 2 approval was allocating **£0.4m** of new HRA resources for a project to bird proof solar panels on HRA dwellings.
- 6.16 Quarter 2 (end September 2022) financial monitoring has now been concluded and is highlighting further changes to the forecast position taken in Quarter 1. Overall, the reprofiled forecast shows an anticipated spend in 2022/23 of **£57.5m** which is a reduction of **£6.7m** when compared to the previous (Q1) forecast. This forecast is based on current spend of £16.9m (c29% of the latest forecast) and anticipated delivery to March 2023.

Financing the HRA Capital Programme 2022-2027

- 6.17 Based on the latest capital spend forecasts, the table below illustrates the impact of these forecasts in the associated funding profile from the Quarter 1 Forecast as well as the overall requirement across each financing component for the period 2023/24 -2026/27.

Table 10: Housing Revenue Account Capital Programme – Funding Position					
Scheme	2022/23 Approved Funding £m	2022/23 £m	2022/23 Variance £m	2023/24- 2026/27 £m	Total
Original Budget		71.003		159.887	230.890
Quarter 1 Forecast Position		64.201		170.163	234.364
Quarter 2 Forecast Position		57.535		177.897	235.432
Forecast Resources					
Prudential Borrowing	(12.115)	(8.623)	3.492	(17.883)	(26.506)
Grants & Contributions	(8.158)	(6.115)	2.043	(3.303)	(9.418)
Internal / Major Repairs Reserve	(40.885)	(35.140)	5.745	(139.966)	(175.106)
Capital Receipts – RtB	(8.175)	(6.012)	2.163	(13.244)	(19.256)
Capital Receipts - HRA Other	(1.670)	(1.645)	0.025	(3.501)	(5.146)
Total Resources	(71.003)	(57.535)	13.468	(177.897)	(235.432)

- 6.18 The financing statement in **Table 10** shows that in 2022/23:

- **Prudential borrowing** – the approved programme expected borrowing to account for 17% of financing (£12.1m), it is now forecast to be only £8.6m, a reduction of £3.5m.
- **Grants and Contributions** – the approved programme expected external funding to account for £8.2m (11%) of financing, it is now forecast to be only £6.1m, a reduction of £2.1m.
- **Internal / Major Repairs Reserve** – the approved programme expected internal funds to account for £40.9m (58%) of financing, due to slippage in the dwelling repair / energy projects it is now forecast to be £35.1m a reduction of £5.8m. This funding is currently being used to;
 - Maintenance and improvements of existing housing stock
 - Match funding for Energy Schemes
- **Capital Receipts - RtB** – the approved programme expected to account for £8.2m (12%) of financing, it is now forecast to be £6.0m. The reduction is due to net slippage within the Building a Better Nottingham Programme.
- **Capital Receipts – HRA Other** – from the original budget this funding (£1.7m) has slightly decreased to period 6 (£1.6m).

Further details can be found at **Appendix F**

7. **Other options considered in making recommendations**

- 7.1 The financial forecast is based upon a number of variables and assumptions and the Directorates forecast is produced on a medium case approach and therefore represents a balance of options in the overall report. Doing nothing was rejected as the process is part of the good financial management of the Council.

8. **Consideration of Risk**

- 8.1 The forecasts contained within this report are based on a medium case scenario.

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

- 9.1 Finance implications appear throughout the report.

10. **Legal colleague comments**

The recommendations contained in this report raise no significant legal issues and are supported.

Malcolm R. Townroe – Director of Legal and Governance – 9 December 2022

11. **Other relevant comments**

- 11.1 Not applicable.

12. **Crime and Disorder Implications (If Applicable)**

- 12.1 Not applicable

13. **Social value considerations (If Applicable)**

- 13.1 Not applicable

14. Regard to the NHS Constitution (If Applicable)

14.1 Not applicable

15. Equality Impact Assessment (EIA)

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

No



An EIA is not required because the report does not contain proposals for new or changing policies, services or functions.

16. Data Protection Impact Assessment (DPIA)

16.1 Has the data protection impact of the proposals in this report been assessed?

No



A DPIA is not required because there are no data protection implications

17. Carbon Impact Assessment (CIA)

17.1 Has the carbon impact of the proposals in this report been assessed?

No



A CIA is not required because the report does not contain proposals for new or changing policies, services or functions.

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

18.1 None

19. Published documents referred to in this report

19.1 Budget 2022/23 – 7 March 2022 Full Council

<https://committee.nottinghamcity.gov.uk/documents/s131723/Budget%20202223.pdf>

19.2 Pre-audit Corporate Financial Outturn 2021/22 – 19 July 2022 Executive Board

<https://committee.nottinghamcity.gov.uk/documents/s136213/Pre-Audit%20Corporate%20Financial%20Outturn%202021-22.pdf>

19.3 Financial Reserves Policy – 19 July 2022 Executive Board

<https://committee.nottinghamcity.gov.uk/documents/s136198/Financial%20Reserves%20Policy.pdf>

19.4 Review of Revenue and Capital Budgets as at 30 June 2022 – 20 September 2022 Executive Board

<https://committee.nottinghamcity.gov.uk/documents/s137838/Review%20of%20Revenue%20and%20Capital%20Budgets%20as%20at%2030%20June%202022%20Quarter%201.pdf>

Budget Monitoring 2022/23 – as at 30 September 2022 by Portfolio

Portfolio	Original Budget £m	Budget as at Qtr2 £m	Qtr2 forecast outturn £m	Qtr2 forecast variance to budget £m
Adult Social Care & Health	90.801	84.304	88.790	4.486
Children, Young People & Schools	66.266	69.859	70.053	0.194
Energy, Environment & Waste Services	20.939	21.433	22.999	1.567
Finance	11.685	13.612	15.565	1.953
Highways, Transport & Parks	4.443	4.466	6.002	1.536
Housing & Human Resources	15.031	14.606	16.568	1.961
Leisure, Culture & Planning	6.234	6.647	5.899	(0.748)
Neighbourhoods, Safety & Inclusion	10.765	10.563	9.900	(0.663)
Skills, Growth & Economic Development	1.092	1.470	2.330	0.859
Strategic Regeneration & Communications	(10.098)	(8.837)	(9.134)	(0.296)
Total Portfolios	217.158	218.123	228.973	10.849
Companies	2.069	0.250	0.450	0.200
Corporate	8.423	9.277	9.642	0.365
Total	227.649	227.649	239.064	11.415

QUARTER 2 VIREMENT 2022-23 REQUIRING EXECUTIVE BOARD APPROVAL

APPENDIX B

Details	Net Amount £m	Department		Portfolio	
		From	To	From	To
Employee budget realignment between Catering and Sports & Leisure	0.015	within RS		Finance	LCP
Utilities Realignment	0.039	GCD	P	EE&W	ASCH
	0.194	within GCD		EE&W	HTP
	0.001	GCD	RS	EE&W	HTP
	0.006	within GCD		EE&W	CYPS
	0.051	GCD	P	EE&W	CYPS
	0.049	GCD	RS	EE&W	NSI
	0.003	GCD	FR	EE&W	HHR
	0.034	GCD	RS	EE&W	LCP
	0.121	within GCD		EE&W	SRC
	0.001	GCD	RS	EE&W	SRC
	0.016	RS	P	HTP	ASCH
	Budget Rebasing	6.296	P	Corporate	ASCH
0.192		RS	Corporate	HTP	Finance
0.097		RS	Corporate	NSI	Finance
0.483		GCD	Corporate	HHR	Finance
0.761		RS	Corporate	SRC	Finance
0.011		GCD	Corporate	SG&ED	Finance
0.062		GCD	Corporate	within Finance	
0.856		Corporate	P	Finance	CYPS
0.415		Corporate	FR	within Finance	
0.006		Corporate	P	Finance	HHR
0.381		Corporate	RS	Finance	LCP
0.303		Corporate	GCD	Finance	SRC

Details	Net Amount £m	Department		Portfolio	
		From	To	From	To
Budget Rebasing (Adults to Childrens)	2.641	Corporate	P	Finance	CYPS
Realignment between Main Operational Buildings & Parking Services	1.200	RS	GCD	HTP	SRC
	0.011	within RS		HTP	SRC
HRA CIPFA Review	0.976	Corporate	RS	Finance	EE&W
	0.700	Corporate	FR	within Finance	
	0.046	Corporate	GCD	Finance	LCP
	0.041	Corporate	RS	Finance	SRC
	0.283	Corporate	FR	Finance	SG&ED
Prudential Borrowing Technical Adjustment	0.039	GCD	Corporate	within Finance	
	0.068	GCD	Corporate	SRC	Finance
	16.397				

Department	Key	Portfolio	Key
People	P	Adult Social Care & Health	ASCH
Resident Services	RS	Highways, Transport & Parks	HTP
Chief Executive	CX	Energy, Environment & Waste Services	EE&W
Growth & City Development	GCD	Children, Young People & Schools	CYPS
Finance & Resources	FR	Neighbourhoods, Safety & Inclusion	NSI
Housing Revenue Account	HRA	Finance	Finance
		Housing & Human Resources	HHR
		Leisure, Culture & Planning	LCP
		Strategic Regeneration & Communications	SRC
		Skills, Growth & Economic Development	SG&ED

Full Earmarked Reserves listing as at 30 September 2022

Appendix C

Title of Reserve	Balance 31 March 2022 £m	Balance 30 September 2022 £m	Movement £m
Invest to Save Energy Park	(0.248)	(0.248)	0.000
Castle Project Team Trans Funding	(0.443)	(0.363)	0.080
Revenue Implications of Capital Schemes	(0.640)	(1.950)	(1.310)
Rev Reserves for Capital	(0.983)	(1.927)	(0.944)
Capital Risk Reserve	(1.868)	(1.868)	0.000
Flexible Fitness Equipment	(1.490)	(1.490)	0.000
Allotment Improvement	(0.086)	(0.086)	0.000
Total Capital	(5.757)	(7.932)	(2.174)
Schools Building Maintenance	(0.113)	(0.112)	0.001
Other Balances	(15.011)	(14.972)	0.039
SSR - School Balances	(8.702)	(8.703)	(0.001)
Total Schools	(23.826)	(23.787)	0.038
St Anns Valley JSC	(0.447)	(0.447)	0.000
BSF Bigwood & Oakfield PFI	(4.903)	(4.903)	0.000
PFI Life Cycle	(3.216)	(3.216)	0.000
Street Lighting PFI	(9.515)	(9.516)	(0.001)
Farnborough PFI Project	(2.988)	(2.989)	(0.001)
NHS Local Imp Finance (LIFT)	(7.742)	(7.742)	0.000
NHS LIFT (Bulwell)	(4.192)	(4.191)	0.001
NET City Reserve Fund	(16.945)	(16.101)	0.844
Total Private Finance Initiatives	(49.948)	(49.105)	0.843
LTA - Contribution Sinking Fund	(0.232)	(0.232)	0.000
Investment Property Maintenance Fund	(0.614)	(0.614)	0.000
Theatre & RCH Restoration Levy	(0.737)	(0.737)	0.000
Forest Rec Ground Sinking Fund	(0.261)	(0.261)	0.000
Mercury Filtr & Environmt	(0.106)	(0.106)	0.000
Ice Centre Sinking Fund	(0.834)	(0.835)	(0.001)
Southglade Food Park Sinking Fund	(0.199)	(0.198)	0.001
Southglade Food Park Phase 2	(0.187)	(0.187)	0.000
Southglade Football Pitch Sinking Fund	(0.481)	(0.481)	0.000
Broad Marsh CP&BS Lifecycle Sinking Fund	(0.158)	(0.347)	(0.189)
Total Asset Maintenance	(3.809)	(3.998)	(0.189)
Insurance Reserve	(3.919)	(3.919)	0.000
Housing Benefits	(4.615)	(4.615)	0.000
Collection Fund & Business Rates (excluding 22/23 planned usage)	(9.994)	(10.600)	(0.606)
Collection Fund & Business Rates (22/23 planned usage)	(15.647)	0.000	15.647
Resilience Reserve	(6.554)	(18.364)	(11.810)
Total Contingency & Risk	(40.729)	(37.498)	3.231
IT Investment Fund	(8.848)	(10.022)	(1.174)
Total Information Technology	(8.848)	(10.022)	(1.174)
Jobs Fund	(0.589)	(0.589)	0.000
Procurement Levy	(0.306)	(0.286)	0.020
Employer Hub Innovation Fund	(1.031)	(1.031)	0.000
Nottingham Investment Fund	(1.069)	(1.068)	0.001

Nottm Growth Plan 2015-18	(0.135)	(0.136)	(0.001)
ERDF Growth Hub	(0.125)	(0.125)	0.000
Growth Fund	(0.168)	(0.092)	0.076
Carrington Townsc Jul15EB	(0.109)	(0.109)	0.000
Total Local Economy	(3.532)	(3.436)	0.096
Bequest/Misc Funds - Heroism	(0.005)	(0.005)	0.000
Flood Risk Management	(0.656)	(0.656)	0.000
Selective Licensing - Non Recoverable	(0.325)	(0.325)	0.000
Add Licensing Scheme Non Recoverable	(0.039)	(0.040)	(0.001)
Selective Licensing Fee Income	(3.184)	(3.183)	0.001
HMO Mandatory Licensing	(0.149)	(0.149)	0.000
Leicester Bus Lane Enforcement	(0.964)	(0.964)	0.000
ASC Contingency	(0.096)	(0.096)	0.000
Bequest/Misc Funds - FT Perry	(0.007)	(0.007)	0.000
Museum Projects & Collections	(0.034)	(0.019)	0.015
Archaeology Fund	(0.011)	(0.011)	0.000
Wollaton Hall Development Fund	(0.014)	(0.014)	0.000
Newstead Abbey Development Fund	(0.061)	(0.061)	0.000
Proceeds of Crime	(0.091)	(0.091)	0.000
The Nottingham Education Trust	(0.021)	(0.021)	0.000
East Midlands Council	(0.615)	(0.615)	0.000
Holiday Activity Fund	(0.090)	(0.090)	0.000
Children & Adults Safeguarding Board	(0.041)	(0.041)	0.000
Moving Traffic Enforcement	(1.409)	(1.409)	0.000
Enviroenergy	(2.431)	(2.431)	0.000
SALIX - Energy Savings Fund	0.394	0.394	0.000
Local Plan	(0.301)	(0.301)	0.000
ERDF Sneinton Market	(0.678)	(0.678)	0.000
ERDF Dakeyne Street	(0.388)	(0.389)	(0.001)
Future Parks Accelerator Funding	(0.242)	(0.242)	0.000
Hackney Carriages	(0.194)	(0.194)	0.000
Civil Penalties	(0.170)	(0.170)	0.000
Local Government Elections	(0.392)	(0.392)	0.000
Area Committees	(0.041)	(0.041)	0.000
HAZ Delivery Plan	(0.114)	(0.114)	0.000
Adult Social Care S117 Aftercare	(0.500)	(0.500)	0.000
Total Services	(12.869)	(12.855)	0.014
Public Health Transition	(2.001)	(2.001)	0.000
SEND Keyworker Service Reserve	(0.333)	(0.333)	0.000
Treasury Management MRP Transformation of Services	1.578	(2.446)	(4.024)
Transformation	(6.137)	(6.136)	0.001
Fit for the Future	(0.740)	(0.575)	0.165
Total Transformation	(7.633)	(11.491)	(3.858)
Treasury Management Reserve	(15.418)	(15.418)	0.000
Treasury Management/Capital	(4.370)	0.000	4.370
Capital Program Dept Prudential Borrowing Reserve	(5.851)	0.000	5.851
Total Treasury Management	(25.639)	(15.418)	10.221
Workforce Reserve	(5.221)	(5.221)	0.000
Pension Deficit Lump Sum	(2.555)	(2.555)	0.000
Total Workforce	(7.776)	(7.776)	0.000
Total Earmarked Reserves	(190.366)	(183.318)	7.048

Quarter 2 2022/23 movement in Earmarked reserves

Reserve Category	Reserve Name	Details of Transfer	Reserve Replenishment £m	Use of Reserves £m	Total £m
Treasury Management	Treasury Management/Capital	S151 review of reserves - release to Financial Resilience reserve		4.370	4.370
	Capital Programme Departmental Prudential Borrowing	S151 review of reserves - release to Financial Resilience reserve		5.851	5.851
		sub-total Treasury Management		10.221	10.221
Capital	Revenue Reserves for Capital	Libraries Connect Culture Arts Council England project - match funding required	(0.010)		(0.010)
	Castle Development	Celebration events for the Queens Platinum Jubilee agreed at CLT		0.080	0.080
	Revenue Implications of Capital Schemes	In year expenditure		1.478	1.478
		sub-total Capital	(0.010)	1.558	1.548
Local Economy	Procurement Levy	In year expenditure		0.020	0.020
	Growth Fund	In year expenditure in accordance with Delegated Decision 3849		0.076	0.076
		sub-total Local Economy	0.000	0.096	0.096
Contingency & Risk	Financial Resilience	S151 review of reserves. From Treasury Management reserve	(4.370)		(4.370)
		S151 review of reserves. From Prudential borrowing reserve	(5.851)		(5.851)
		S151 review of corporate budgets	(1.819)		(1.819)
		Devolution Support		0.100	0.100
		sub-total Contingency & Risk	(12.040)	0.100	(11.940)
Total			(12.050)	11.975	(0.075)

Quarter 2 2022/23 Debtors Monitoring

Quarterly Performance Review - 2022-23		Q1	Q2
BVPI 66a - Housing Rent Collection (%) <i>(cumulative - current tenants only)</i>			
<i>(arrears + debit)</i>	Actual	95.03	96.51
	Target	98.50	98.50
Last Year Actual 2021-22		95.77	96.25
BVPI 9 - Council Tax Collection (%)			
<i>(in year cumulative)</i>	Actual	26.11	51.10
	Target	25.60	49.90
Last Year Actual 2021-22		26.20	50.50
BVPI 10 - NDR Collection (%)			
<i>(in year cumulative)</i>	Actual	28.89	52.83
	Target	28.50	55.50
Last Year Actual 2021-22		26.65	43.91
Sundry Income Collection (%)			
<i>(12 month rolling average)</i>	Actual	81.00	81.00
	Target	99.00	99.00
Last Year Actual 2021-22		74.50	74.90
Sundry Income Debtor Days -General			
<i>(12 month rolling average)</i>	Actual	37.00	36.00
	Target	32.30	32.30
Last Year Actual 2021-22		37.00	30.00
Estates Rents Collection (%)			
<i>(12 month rolling average)</i>	Actual	96.67	97.63
	Target	97.50	97.50
Last Year Actual 2021-22		94.60	95.27
Adult Residential Services Collection (%)			
<i>(12 month rolling average)</i>	Actual	97.50	97.44
	Target	97.50	97.50
Last Year Actual 2021-22		97.60	97.80

Quarter 2 HRA forecast outturn variance

HRA £4.3m favourable

Movement on the Bad Debt Provision £2.1m favourable

The bad debt provision has been reduced by **£2.1m**, this gives a revised increase for the year of **£0.1m**, which will take the total provision to **£6.4m**. The provision was previously increased for the full potential impacts of Universal Credit and the pandemic, however the most recent reviews indicate the scale of this provision can now be reduced.

This budget will be reviewed and reset for the 2023/24 financial year, taking into account likely economic conditions as well as the write off and bad debt policies of Nottingham City Council.

Non-Dwelling Rents £0.7m adverse

The overspend of **£0.7m** is due to the under recovery of income from PV solar panel rentals, efforts are underway to recruit additional staff to increase the levels of recovery.

Retained Housing Functions £1.8m favourable

Removal of the contribution towards Welfare Rights of **£0.3m** by the General Fund following the CIPFA review of the HRA. This has been forecast at zero until further information can be gathered to support this charge.

£0.2m removal of recharges formerly paid to the General Fund in respect improved collection rates of PV income tariff and pest control, following the CIPFA review.

There is a favourable variance of **£0.3m** within the revenue costs that are ancillary to the capital programme. This figure is an estimate based on actual movements in 2021/22.

There is a reduction in the charge from the General Fund for Public Realm services of **£1.0m** following the CIPFA review. The charge now reflects that there are fewer properties in the HRA due to the Right to Buy scheme.

Housing Development £1.6m favourable

Removal of **£0.5m** Corporate and Democratic Core recharge by the General Fund following the CIPFA review of the HRA. This is now forecast at zero until further evidence to support the charge can be compiled.

Vacancy savings of **£0.6m**, due to posts being held vacant until the new structure has been approved and in order to facilitate absorption of Nottingham City Homes employees under TUPE.

In 2022/23 there is a newly instituted recharge of **£0.5m** to the General Fund reflecting the mix of work activity of the staff members in this budget. These employees spend a significant proportion of their time on GF issues, although they have always been charged to the HRA. An analysis of staff activity was undertaken to determine the split, as a continuation of the work begun with the CIPFA and Penn reviews and the findings show that approximately 55% of the teams' time relates to the GF.

Public Realm £0.3m favourable

This is due to the ending of the Street Lighting charge as a result of the CIPFA review

Transition Team £0.8m adverse

Forecast for Housing Delivery transition team costs is **£0.8m**.

Detailed breakdown of the HRA budget and forecast

Quarter2 Forecast Outturn Position April - September 2022				
Housing Directorate	Original Budget	Revised Budget At Period 6	Year End Forecast	Year End Forecast Variance To Budget
	£m	£m	£m	£m
Dwelling Rents	(101.092)	(101.092)	(101.092)	0.000
Bad Debt Provision	2.213	2.213	0.100	(2.113)
Service Charges	(9.552)	(9.552)	(9.552)	0.000
Non-Dwelling Rents	(2.469)	(2.469)	(1.798)	0.671
Interest Received	(0.031)	(0.031)	(0.031)	0.000
Other Income	(0.222)	(0.222)	(0.222)	0.000
Total Income	(111.153)	(111.153)	(112.595)	(1.442)
Repairs & Maintenance	27.873	27.873	27.873	0.000
Management Fee	21.553	21.553	21.553	0.000
Tenant Incentive Scheme	0.500	0.500	0.500	0.000
Public Realm	3.164	3.164	2.870	(0.294)
CCTV	1.501	1.501	1.501	0.000
Retained Housing Functions	3.090	3.090	1.357	(1.733)
HRA Shops	(0.546)	(0.546)	(0.546)	0.001
Housing Development	2.443	2.443	1.076	(1.367)
Housing Partnership	0.996	0.996	0.760	(0.236)
Depreciation	31.968	31.968	31.968	0.000
Capital Charges	16.668	16.668	16.668	0.000
DRF	0.600	0.600	0.600	0.000
Working Balance Surplus	1.342	1.342	1.342	0.000
Housing Delivery Transition Project	0.000	0.000	0.750	0.750
Total Expenditure	111.153	111.153	108.273	(2.879)
Housing Total	0.000	0.000	(4.322)	(4.322)

Appendix F.1 – General Fund Capital Programme - Budget Movement (Quarter 1 to Quarter 2)

Department & Directorate	Ref	2022/23				2023/24-2026/27			
		Original Budget £m	Quarter 1 Budget £m	Latest Approved Budget £m	Change £m	Original Budget £m	Quarter 1 Budget £m	Latest Approved Budget £m	Change £m
Adults Services									
Adult Social Care	A1	4.818	4.818	4.876	0.058	11.074	11.074	11.074	-
Children's Services									
Childrens Integrated Services		-	-	-	-	-	-	-	-
Education									
Education		1.841	2.771	2.771	-	-	0.100	0.100	-
Finance & Resources									
Finance		-	0.006	0.006	-	-	0.178	0.178	-
Legal	A2	-	-	0.020	0.020	-	-	0.130	0.130
IT		2.524	2.524	2.524	-	2.212	2.212	2.212	-
Growth & City Development									
Carbon Reduction, Energy & Sustainability	A3	15.306	15.306	20.782	5.476	17.953	17.953	17.953	-
Major Projects		76.021	77.924	77.924	-	9.780	16.675	16.675	-
Planning		23.279	23.157	23.157	-	11.556	11.556	11.556	-
Strategic Asset & Property	A4	0.980	1.280	2.182	0.902	-	0.254	0.569	0.315
Strategic Homelessness		-	-	-	-	-	-	-	-
Resident Services									
Community Protection		0.366	0.772	0.772	-	-	-	-	-
Neighbourhood Services	A5	8.216	8.254	11.766	3.512	13.200	13.304	10.160	(3.144)
Sport & Culture		6.994	10.448	10.448	-	0.600	2.716	2.907	0.191
Subtotal - Approved		140.345	147.260	157.228	9.968	66.375	76.022	73.514	(2.508)
Planned Schemes		7.040	6.086	6.086	-	34.757	29.662	29.662	-
TOTAL		147.385	153.346	163.314	9.968	101.132	105.684	103.176	(2.508)

Appendix F.2 – Capital Budget Detail Movements

Ref	Directorate	2022/23 Qtr2 Approvals £m	Detail
A1	Adult Social Care	0.058	£0.058m – Smartphone Purchase Purchase of smartphones for the Adult Social Care Assessment Team. Funded by Council revenue reserves
A2	Legal	0.020	£0.150m – Legal Case System. Approved to be funded from the Council's reserve set aside for IT schemes.
A3	Carbon Reduction, Energy & Sustainability	5.476	£5.100m – Sustainable Warmth (LAD3 & HUG1). Energy efficiency works to private houses funded by external grant.
			£0.335m – Green Homes Private Homes. Reallocation from the HRA Capital Programme due to level of match funding (i.e. value for money) and deliverability. This approval is entirely funded by external grant.
			£0.041m – Warm Homes Fund. Energy efficiency works to private homes funded by external grant.
A4	Strategic Property	0.902	£0.787m – Broadmarsh Car Park Reversal of previously declared underspend due to snagging / retention risks. Funded by borrowing per original approval and Voluntary Debt Reduction Policy.
			£0.430m – Demolition of Elms Primary School Demolition of former Elms Primary School prior to disposal due to health and safety concerns. Project is funded by capital receipts.
A5	Neighbourhood Services	3.512	£0.000 – Vehicle Replacement Programme The overall project has not increased but spend has been accelerated by £3.5m into 2022/23 due to fleet requirements. Budget has been amended accordingly.
			(£0.060m) – ERDF Blue Green Infrastructure / Woodland and Wetland Project budget has been amended to align with the reallocation of ERDF grant from Blue Green Infrastructure projects to Woodland and Wetland projects.

Appendix F.1 – General Fund Capital Forecast Movements

Department & Directorate	2022/23					2023/24-2026/27			
	Original Budget £m	Latest Approved Budget £m	Quarter 1 Forecast £m	Current Forecast £m	Change £m	Latest Approved Budget £m	Quarter 1 Forecast £m	Current Forecast £m	Change £m
Adults Services									
Adult Social Care	4.818	4.876	3.961	2.343	(1.618)	11.074	12.074	13.749	1.675
Children's Services									
Childrens Integrated Services	-	-	-	-	-	-	0.078	0.078	-
Education									
Education	1.841	2.771	3.656	3.603	(0.053)	0.100	0.180	0.792	0.612
Finance & Resources									
Finance	-	0.006	0.149	0.006	(0.143)	0.178	-	0.178	0.178
Legal	-	0.020	-	0.020	0.020	0.130	-	0.130	0.130
IT	2.524	2.524	2.236	0.998	(1.238)	2.212	2.958	4.356	1.398
Growth & City Development									
Carbon Reduction, Energy & Sustainability	15.306	20.782	20.992	17.116	(3.876)	17.953	18.117	24.380	6.263
Major Projects	76.021	77.924	51.455	29.564	(21.891)	16.675	48.519	81.910	33.391
Planning	23.279	23.157	23.933	15.215	(8.718)	28.231	15.041	17.618	2.577
Property									
Strategic Homelessness	0.980	2.182	1.778	2.112	0.334	0.569	0.125	0.675	0.550
Resident Services									
Community Protection	-	-	0.050	0.050	-	-	0.087	0.087	-
Neighbourhood Services	0.366	0.772	0.582	0.400	(0.182)	-	-	0.182	0.182
Sport & Culture	14.722	11.766	16.072	13.974	(2.098)	15.160	21.081	22.540	1.459
Sport & Culture	6.994	10.448	10.052	9.384	(0.668)	2.907	3.200	4.419	1.219
Subtotal - Approved	146.851	157.228	134.916	94.785	(40.131)	95.189	121.460	171.094	49.634
Planned Schemes	7.040	6.086	4.293	1.529	(2.764)	29.662	22.893	30.216	7.323
TOTAL	153.891	163.314	139.209	96.314	(42.895)	124.851	144.353	201.310	56.957