

## Executive Board – 20 December 2022

<b>Subject:</b>	Medium Term Financial Plan 2023/24 to 2026/27
<b>Corporate Director(s)/Director(s):</b>	Clive Heaphy, Interim Corporate Director for Finance and Resources
<b>Portfolio Holder(s):</b>	Councillor Adele Williams, Deputy Leader and Portfolio Holder for Finance
<b>Report author and contact details:</b>	Debbie Middleton, Interim Director of Finance and Deputy S151 Officer Debbie.middleton@nottinghamcity.gov.uk
<b>Other colleagues who have provided input:</b>	Colleagues within Strategic Finance
<b>Subject to call-in:</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Key Decision:</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a)	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date:
<b>Total value of the decision:</b>	Nil
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	Throughout August to December
<b>Relevant Council Plan Key Outcome:</b>	
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"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>This report updates Members on progress in developing the Council's General Fund Medium Term Financial Plan (MTFP) for the 4-year period 2023/24 to 2026/27 and builds on the Council's Together for Nottingham Plan. A refresh of the Together for Nottingham Plan was approved by Full Council on 31 October 2022 and achieving sustainable medium-term finances remains a key priority within the plan.</p> <p>It is a legal requirement to set a balanced General Fund Budget for 2023/24 by 11 March 2023. In addition, it is a Best Value requirement to demonstrate the financial sustainability of the Council through setting a balanced 4-year MTFP. The plan will show how financial growth items, savings and income proposals will be addressed and delivered as part of a medium-term sustainable approach.</p> <p>This report seeks approval to enter into consultation on current savings and income proposals. Whilst the MTFP presented in this report is currently forecast to be in surplus over the 4-year period there remains a budget gap of <b>£3.2m</b> in 2023/24. Therefore, further work needs to be undertaken to present a balanced position for each year ahead of the updated MTFP which will</p>	

be reported to February 2023 Executive Board and this will require further budget proposals to be identified to provide options to close the remaining budget gap. This report sets a framework and an approach to delivering a balanced budget in line with statutory requirements. This includes some proposals for delivering savings in 2023/24 and future years which the Council is now consulting on.

The MTFP is predicated on a number of assumptions that are subject to change prior to final budget setting by the Council in March 2023. The report reflects announcements made in the Chancellors Autumn Statement on the 17 November 2022. However, the full extent of the impact upon the Council's finances will only become clearer when the Provisional Finance Settlement for Local Government is announced, this is expected to be during the week commencing 19 December 2022.

Once the Final Finance Settlement has been announced, any variation in assumptions will be reflected and updated in the MTFP for presentation to the Executive Board in February 2023 and will inform the final budget proposals at Full Council in March 2023.

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

- a period of exceptionally high inflation particularly around energy, fuel and contract costs together with increased pay inflation;
- a cost of living crisis impacting on citizens;
- a challenging employment market, with recruitment and retention issues internally within the Council and generally across the wider public sector;
- increased demand for services, in particular those relating to Adults Social Care and Children's Social Care, and Homelessness which is expected to continue over the life of the plan;
- a challenging financial position with some post-Covid pandemic supply chain challenges continuing to impact upon the Council's finances;
- the need to secure financial sustainability and resilience; and
- continued lack of certainty over future Government funding that impacts adversely upon the Council's ability to carry out any long term financial planning.

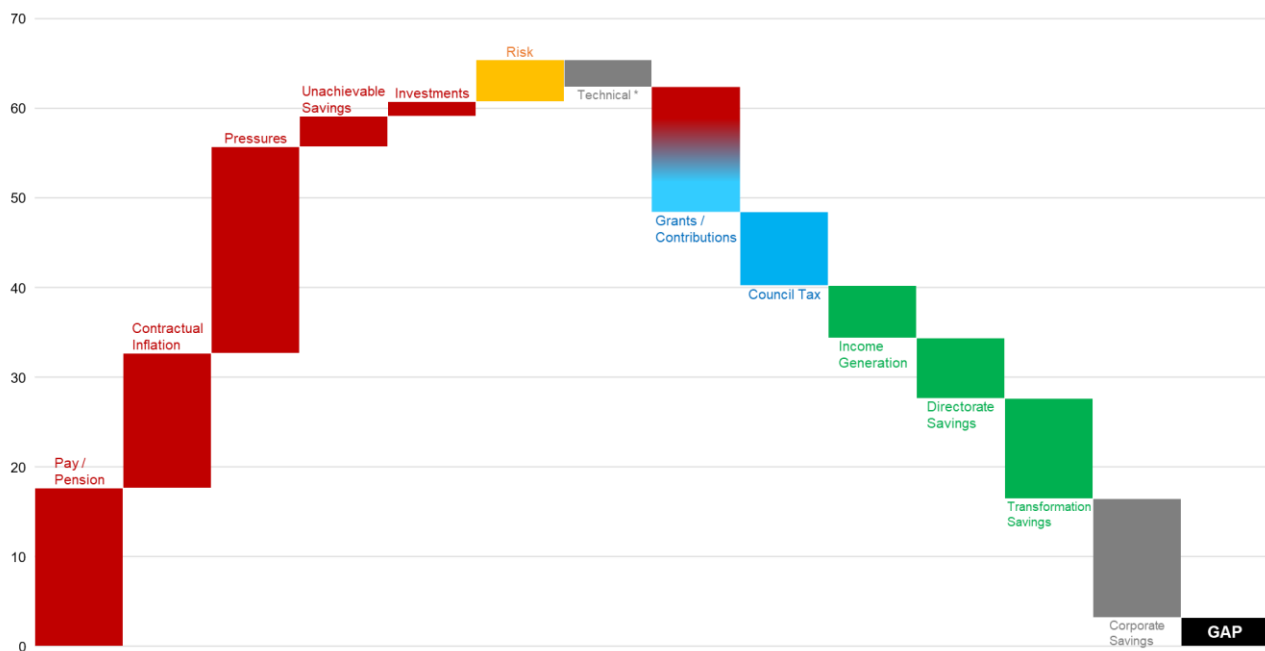
This initial assessment of the MTFP is based on the following key assumptions:

- a. a starting budget gap of **£32.2 million** for 2023/24 rising to **£44.0 million** in 2026/27, driven largely by pay and non-pay inflation and demand pressures;
- b. assumed 2023/24 Settlement Funding Assumptions of **£111.8 million** and 'flat cash' funding for the remaining period of the MTFP, details of which are as yet unconfirmed and will be updated as part of the February 2023 MTFP Executive Board report;
- c. following the Chancellor's Autumn Statement in November and the changes permitted in relation to raising of Council Tax, the MTFP is based on a proposed increase in core council tax from April 2023 of **2.99%** and an additional increase of **2.00%** Adult Social Care Precept to fund the pressures in Adult Social Care as permitted by Government for 2023/24. The total proposed increase in Council Tax is therefore **4.99%** for 2023/24;
- d. the MTFP for 2024/25 assumes the maximum increase as announced in the Chancellor's Autumn Statement of a **4.99%** increase comprising the same mix of funding as 2023/24. The assumed Council Tax increase for 2025/26 and 2026/27 is a core **1.99%** per annum with no assumed increase in relation to the Adult Social Care Precept for these years.
- e. growth items of **£46.8 million** in 2023/24 rising to **£83.8 million** in 2026/27, arising primarily from pressures in pay inflation, inflationary and demand pressures in housing and homelessness, adults and children's social care, inflationary pressures upon energy

costs and other pressures resulting from re-basing budgets within Finance & Resources Directorate;

- f. assumed pay inflation of **4.00%** per annum for 2023/24 and 2024/25, **3.00%** for 2025/26 and **2.00%** for 2026/27;
- g. in response to the recruitment and retention challenges within the Council a revised pay structure is being proposed, a separate report is being presented to the 20 December Executive Board. The additional cost of this proposal is **£4.5 million** in 2023/24 with a cumulative cost of **£5.3 million** over the 4-year period.
- h. new savings of **£29.0 million** for 2023/24, of which **£10.3 million** requires public consultation;
- i. the 4-year MTFP currently has a surplus of **£8.8 million**, however there is further work to do to test budgeting assumptions. There is a remaining gap of **£3.2 million** for 2023/24 and the February Executive Board updated MTFP will present a balanced position for 2023/24. Further work is on-going to identify ways to close the gap and to secure a robust MTFP that takes account of the Council’s medium term capital programme and capital strategy, treasury strategy and transformation programme that is fundamental to the delivery of planned transformation savings over the period of the MTFP.

The waterfall chart below broadly illustrates the cost drivers for the 2023/24 gap alongside funding assumptions and budget proposals on income and savings to close the budget gap



The Housing Revenue Account 2023/24 budget and MTFP will be presented to February 2023 Executive Board.

The updated MTFP report in February 2023 will include an updated position for the Capital Programme.

The Council’s Chief Financial Officer (Section 151 Officer) has a statutory duty to make an assessment of the robustness of the budget and adequacy of reserves. The MTFP to be presented to February 2023 Executive Board will provide this assessment.

The figures presented in this report are generally annual movements with a cumulative total MTFP column, this represents a different and simpler presentation to previous year’s reports

which illustrated the cumulative position in each year compared to the current base budget position.

The Council implemented a new Senior Level Structure and Organisational Design in November 2022. The MTFP work commenced prior to the implementation of this new structure and therefore the report is presented under the previous Directorate headings. The February 2023 updated MTFP will be presented in form of the new management structure.

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

**Recommendation(s):**

- 1** To endorse the draft public consultation proposals as set out in **Appendix 1** and to commence formal public consultation on those proposals.
- 2** To note the progress in the development of the budget for 2023/24 and the Medium Term Financial Plan for years 2024/25 to 2026/27.
- 3** To approve that, where any staffing reductions result from measures taken to address the budget gap outlined in this report, reductions be supported through a voluntary redundancy approach and that redundancy compensation be in accordance with the Council's agreed Discretionary Compensation Regulations Policy provisions for voluntary redundancies.
- 4** To note that further work is underway to identify ways in which a balanced budget for 2023/24 and robust MTFP can be achieved and that this will form part of the report to Executive Board in February 2023.

**1. Reasons for recommendations**

- 1.1 This report seeks endorsement of the Council's first phase of its draft budget and MTFP proposals for 2023/24 to 2026/27 to enable public consultation to commence. Public consultation will run from 20 December 2022 to 25 January 2023 and staffing consultation from 20 December 2022 to 15 February 2023. Further work will be needed to produce a legally balanced budget for 2023/24 and is likely to result in further budget proposals needing to be identified. The responses to the consultation will be considered and any proposed changes will be agreed by the Executive Board in February 2023.
- 1.2 This first phase in the development of the Council's budget and MTFP provides the context of the financial environment in which the Council is operating that supports and informs the commencement of the budget consultation period. The MTFP covers a 4-year period as part of the Council's need to ensure there is a longer term financial planning framework within which the Council's financial sustainability can be assessed and assured and which can be used to inform longer term decision making.
- 1.3 The report sets out the assumptions made for the General Fund revenue element of the MTFP and the proposals to reduce costs and generate income that will contribute towards the delivery of a balanced budget. At this stage in the process, a budget gap of **£3.2m** remains and further work is underway within the Council to identify further cost savings and income generation options to close the gap. It should also be noted that details of the Council's funding for next year from Government is as yet unknown and any changes to the assumptions currently made will be reflected in the February Executive Board report following the Provisional and Final Finance Settlement announcements.

- 1.4 These proposals build on the existing 2022/23 budget approved in March 2022.
- 1.5 Proposals that include workforce reductions will be subject to internal consultation with Trade Unions and affected colleagues. Details of such proposals may, therefore, be amended during the consultation period and may impact on the way in which identified proposals will be delivered.

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

### **Nottingham City**

- 2.1 Nottingham is a great place to live, work, study and play. It is a culturally vibrant, diverse and attractive city where families want to live, businesses want to invest, students want to study at our two global universities, and people want to visit for a good day out.
- 2.2 It is a young and growing city of **323,600** people, with **48%** of citizens under the age of 30 and a local population that is projected to increase by over **15,000** people over the next decade.
- 2.3 It is a diverse city, where local people have a strong sense of community, built on our shared history, challenge and creative spirit, and is a place where collaboration and new creative voices are encouraged and heard. Of our local population, **42.7%** are from a non-White British background, higher than the England average of **26.5%**. We are a dynamic city with nearly **68,000** people studying full time at the two Universities,
- 2.4 Nottingham ranks as the **11<sup>th</sup>** most deprived area in the country, and nearly **30%** of the City lives in areas ranked as amongst the **10%** most deprived areas in England. Local people face significant health inequalities, with men and women in some of our poorest areas dying **10** years earlier on average than those in our most affluent areas.
- 2.5 Employment and skills are long standing challenges, with **4.7%** of working age people claiming unemployment benefits compared to **3.5%** of people across England. Unemployment in the City has fallen by more than **40%** since it peaked during the Covid pandemic, but still remains slightly above the pre pandemic rate. Skill levels in the city generally lower, with **70.9%** of working age adults having entry level skills (equivalent to 5 good GCSE passes) compared to the average for England of **78.1%**.
- 2.6 In addition, the Covid pandemic has exacerbated those long-standing inequalities in income, health and opportunity in Nottingham, with the worst impacts being felt by our most deprived and diverse communities.
- 2.7 These same communities are likely to be worst hit by the cost of living crisis as increases in wages and benefits are unlikely to match the increased costs of food, energy and rent.
- 2.8 Nottingham has a particularly low Council Tax base with **62.5%** of properties in Band A and **17.5%** in Band B, this total of **80.0%** in Band A and B for Nottingham is significantly higher than the national Band A and B percentage of **43.5%**. This means that a great proportion of our residents pay at Band A and B than comparable councils and a higher rate of Council Tax is needed to

derive the same yield compared with other Councils. **Table 1** below shows the number of dwellings on the valuation list as at 12 September 2022. The value of the increases in Council Tax being proposed are detailed in the Council Tax section of this report.

<b>Table 1 – Number and percentage of dwellings by Council Tax Band as at September 2022</b>									
<b>Council Tax Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>Total</b>
Total number of dwellings on the valuation list	90,237	25,320	16,743	7,544	2,571	1,103	742	115	<b>114,375</b>
% in each Band	62.5%	17.5%	11.6%	5.2%	1.8%	0.8%	0.5%	0.1%	<b>100%</b>

- 2.9 Taken together, 2.1.-2.8 above represent medium term challenges to our prosperity and wellbeing, both as a city and as an organisation, with significant and increasing demand for the vital statutory services we provide, such as adult social care and child protection.
- 2.10 Meeting these challenges will mean transforming the way we deliver some services and doing some things differently with the help of our communities and partners.
- 2.11 We will work with local people and our partners to deliver the outcomes in the **Together for Nottingham Plan** that will make Nottingham a world-class city that is **Safe, Clean, Ambitious** and **Proud**, but we must ensure that we do this within our means, based upon a sustainable financial position.

### **Together for Nottingham Plan**

- 2.12 The Council's refreshed Together for Nottingham Plan was approved at a meeting of Full Council on 31 October 2022. This plan confirms and provides assurance to the Government that Nottingham's response to the Non-Statutory Review (NSR) of the council is positive and being undertaken at pace, building on work already underway in response to the Public Interest Report on the Council's governance of Robin Hood Energy (PIR) published in August 2020. A copy of the Together for Nottingham Plan can be accessed from the link below:  
<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=155&MId=9884>

### **Adult Social Care**

- 2.13 The vision for adult social care continues to be that all older and disabled citizens in Nottingham will be enabled to live as independently as they can, and be connected into their communities. Where formal care and support is needed it will help to retain and restore independence and be good value, spending the Nottingham pound in the most effective way possible towards achieving better outcomes. The key projects within our transformation programme continue to focus on early intervention and prevention, choice and control and retaining independence. Adult Social Care has also continued to develop and seeks to improve service delivery, with a focus in the transformation programme on service re-design and significant progress on the key enablers of transformation – workforce, systems, practice, process and policy.

2.14 Adult Social Care, including Whole Life Disability services, is the largest area of net expenditure for the Council at **£84.3m (37%** of the Council's total net budget) for 2022/23. Care sector workforce capacity, demand and backlogs for the Health and Care sector continues to provide challenges for the Council and the budget proposals reflect increased demand for services with new projects directed towards seeking to support more people, more quickly, with enabling approaches in order to help reduce those demands.

2.15 The Adult Social Care Transformation programme is based on a continuation of progress against the Better Lives, Better Outcomes strategy, benchmarking data and engagement with frontline staff, people who use services and partners - Adult Social Care has developed an ambitious transformation programme, including projects that cover three key areas:

- **Prevention:** projects that will 'prevent, reduce or delay' need for care and support
- **Service offer:** projects that will focus on ensuring that people have choice and control over what happens to them and how support meets their needs in the most appropriate setting for them, and
- **Workforce:** projects that will underpin the delivery of all other changes, encompassing the use of technology, updated standards and policies and effective workforce recruitment and retention.

2.16 The programme aims to deliver the Social Care Futures Inquiries' 5 key changes to the residents of Nottingham.

1. Communities where everyone belongs;
2. Living in the place we call home;
3. Leading the lives we want to live;
4. More resources, better used
5. Sharing power as equals.

2.17 The programme team and service are developing ways to engage, co-design and co-produce new ways of working and service delivery that empower citizens to be more in control.

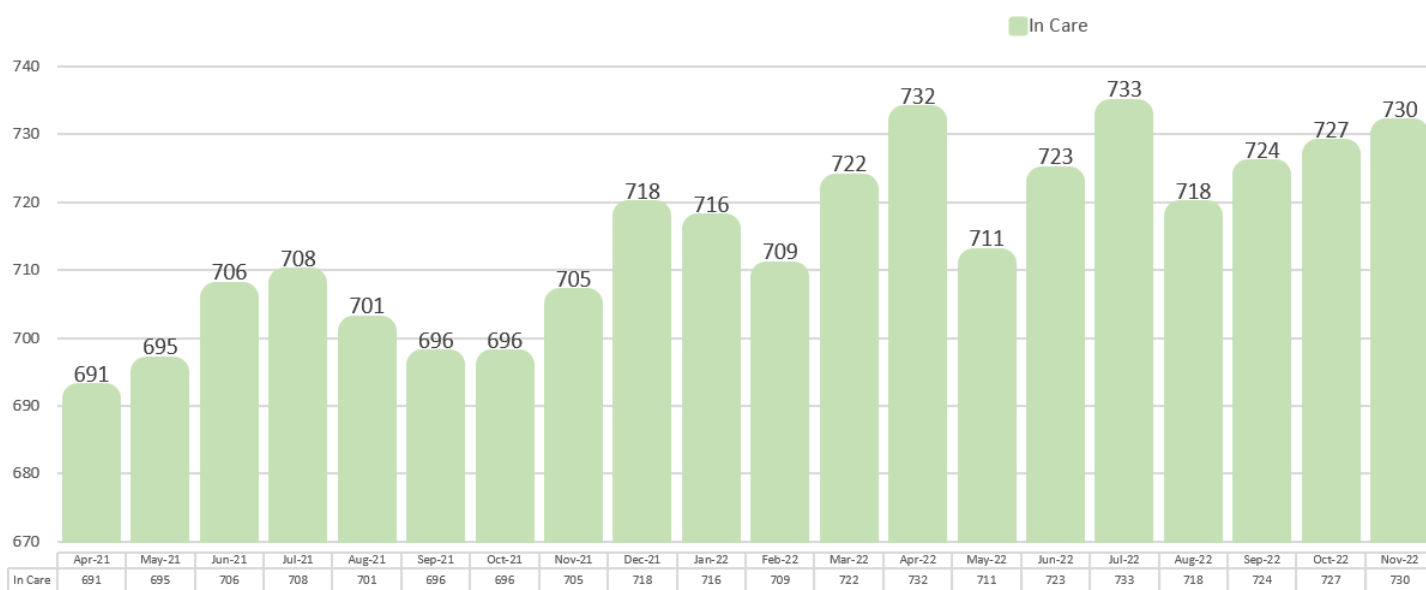
2.18 Adult Social Care has been the focus of significant plans for reform. Although some reforms have been delayed, such as the cap on care costs and changes to the means test, there are still likely to be significant changes on the immediate horizon, with a new Care Quality Commission inspection and assurance framework due to launch in 2023; changes to Liberty Protection Safeguards; work towards improving care market sustainability; and continued progress towards greater joined up working with Health and Care partners in a new Integrated Care System.

### **Children's Social Care**

2.19 Our shared vision with partners is for Nottingham to be a city where every child can enjoy their childhood in a warm and supportive environment, free from poverty and safe from harm; a city where every child grows up to achieve their full potential. Our Changing Lives Changing Futures programme is an ambitious transformation and improvement programme focused on improving outcomes for children.

2.20 Nottingham has a high young population compared to other cities, with **48%** of the population below 30. In 2021 the 'children in low income families measure' suggests that **25.1%** of children under 16, were living in families where the income is less than **60%** of median compared to **18.4%** nationally. The number of young people, and those living in poverty directly impacts on the number of children requiring support from Children's services.

2.21 There is a continuing financial impact of demand pressures within children's social care as a result of a number of factors: the continued impact on children and their families from the Covid pandemic, the emerging impact of the cost of living rises, the cost of care packages combined with the increasing complexity of casework and presenting need. Children in care figures in Nottingham for the period April 2021 to November 2022 are shown below.



2.22 This represents an increase of **39** children in care since April 2021, which is a **5.6%** increase.

2.23 The Council's children in care population at November 22 is **730** which represents an increase of around **12.0%** since 2016. Although we have seen a steeper increase in the most recent years, it is noted that the overall growth in the last five years, is lower than national and regional growth. Since the beginning of 2022 the number of children in care has remained fairly static, however, nationally recognised challenges in the placement market has an impact on placement availability, driving up costs and creating significant budgetary pressures.

2.24 The Children's net budget for 2022/23 is **£67.4m** (**30%** of the Council's net budget).

2.25 The Council's services for children have been inspected during 2022 and received an Inadequate judgement and priority areas for action in relation to quality of practice and workforce capacity have been identified. The Department for Education is working with Children's Services to support the improvement work and there will be an increased level of scrutiny from Ofsted in the form of monitoring visits over the next 2-3 years after which there will be a further full inspection.



## Education

- 2.26 Passenger Transport for children and young people is an area of significant expenditure for the Council. It is a vital statutory service that provides transport to the most vulnerable children, young people and disabled adults in the city. The net budget to the Council in 2022/23 is **£1.3m**. Some services are delivered through in-house services and others are commissioned externally and a three year transport transformation project has been launched. The focus will be increasing options and the ability for disabled young people and adults to travel independently, whilst delivering cost efficiencies through a full procurement review, including market development of community-based transport provision through, for example, supporting community interest companies or social enterprise models. Transport costs are, however, subject to the volatility of fuel costs, and labour market pressures alongside demand growth in terms of the increase in school age children with complex health and multiple disabilities.
- 2.27 The Council's indicative Dedicated Schools Grant (DSG) allocation for 2023/24 as published in July 2022 amounted to **£336.5m**. The Autumn Statement announced an extra **£2bn** for the national core school budget in 2023/24 compared to the July indicative settlement; an increase of **£3.5bn** overall instead of **£1.5bn**. The DSG settlement for 2023/24 will be confirmed in mid-December and this will determine how the additional funding will be distributed.
- 2.28 DSG funding is received in 4 separate blocks for Schools, Early Years, Central School Services and High Needs. For 2023/24, the Council is proposing to move away from the standard budget setting approach of balancing block budgets to the DSG income received for each specific block. This is in response to a short-term surplus in the High Needs budget and pressures in Schools and Central School Services blocks. Approval for the changes proposed is being sought through the Schools Forum.
- 2.29 The growth in demand for support for children and young people with Special Education Needs and Disability (SEND) in Nottingham is mirrored nationally. Funding is primarily delivered through the High Level Needs (HLN) block of the Dedicated Schools Grant (DSG) – the grant the Council receives to primarily fund our schools and early years providers. As a result of increased demand, government funding has increased over the last three years. In 2022/23 NCC received **£52.1m** high needs funding and in 2023/24 the Council is forecast to receive **£55.8m**. This increase represents the maximum allowable increase under the government National Funding Formula.
- 2.30 However, the High Needs budget is subject to the greatest demand pressures. Our local policy is to promote and support inclusive practice by placing as many of our Special Educational Needs and Disability (SEND) pupils as possible in mainstream school settings. This does require us to ensure there is investment in terms of both fully accessible learning environments and specialist services and support for teaching and learning. Our policy does, however, reduce the demand on more expensive Special School or out of authority placements.

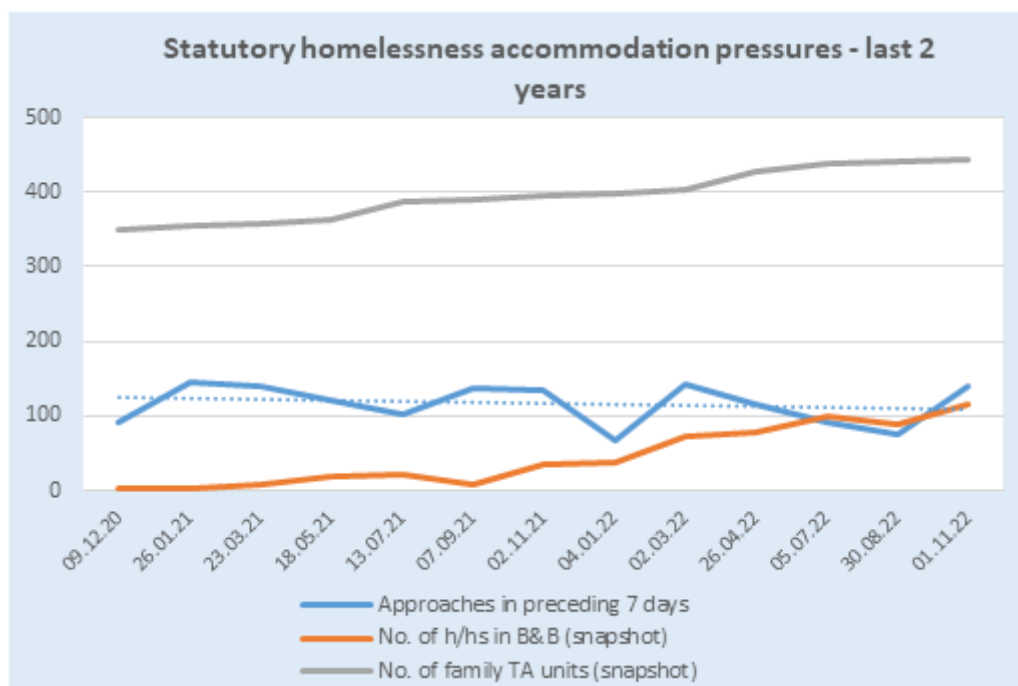
## Homelessness

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

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

2.33 Over the past 3 years, the Council has been delivering an approach to reduce use of B&B provision and minimise spend against the increased financial burden of fulfilling the statutory duty to provide Temporary Accommodation. However, whilst significant progress has been made, pressure is acute and regular and continued use of B&B currently remains necessary. Therefore, **£4.8m** of ongoing investment in 2023/24 is reflected within the financial plans, which aligns with our operational projection of the cost required to meet our statutory obligations.

2.34 The chart below shows the increase in temporary accommodation and hotel use at snapshot bimonthly points over the last 2 years alongside the number of approaches to Housing Aid in the preceding 7 days. The increasing use of temporary accommodation is reflective of extended length of stay in temporary accommodation in the context of an under staffed Housing Aid service and ongoing challenges to move people on to limited affordable housing options.



2.35 To reduce B&B use and spend, the Council has increased supply of alternative forms of family type Temporary Accommodation from under **90**

units at the beginning of 2018 to over **430** units currently. This has been achieved through purchasing, leasing from private property owners, utilising council-owned stock, leasing arrangements facilitated by Nottingham City Homes Registered Provider and commissioning Registered Providers.

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

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

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

## **Companies**

2.38 The Council has a range of companies in its ownership and some owned jointly with others that have developed over time. Many of these companies have experienced trading difficulties mainly arising from the ongoing economic impact of Covid on business models. This has impacted on dividends and other loan repayments that are factored into the Council's budget.

2.39 The Together for Nottingham plan includes a theme dedicated to the Council's companies. This theme seeks to reach a clear determination on the future and direction of each Council company within a coherent and effectively managed commercial strategy. It will do this by addressing the following key objectives:

- Provide greater visibility of company performance and risk profile of the wider City Council group.
- To reduce overall complexity and simplify the management and oversight of all core Council activities by reducing the number or alternative delivery vehicles.
- To strip out duplication of overhead and management costs by bringing core functions in house where there is no imperative to maintain externalised delivery vehicles.

- To identify opportunities to generate capital receipts to the Capital Programme through divestment of interests in profitable activities that are outside the City Council's core competence
- To establish robust shareholder controls and assurance mechanisms for those companies Nottingham City Council maintains.

2.40 Aligned with the Council's strategic review of companies, Enviroenergy has already been brought back in house and Thomas Bow has been sold. Nottingham City Homes (NCH) and Nottingham Revenues and Benefits (NRB) are both planned to be brought back in house from 1 April 2023 and work is on-going to ensure a smooth transition.

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

#### **Public Interest report**

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

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

3.2 Following assurance of the Auditor's PIR, the Secretary of State for Housing, Communities and Local Government appointed Max Caller CBE in late October 2020 to lead a rapid, non-statutory review at the Council. The purpose of the review was to provide assurance on the financial position of the Council, its governance arrangements and the commercial and investment issues identified by the Council's External Auditors, Grant Thornton, in the PIR published on 11 August 2020. This review involved providing the review team with a significant number of reports and interviews with senior colleagues and Councillors.

3.3 Arising from the NSR was the Secretary of State requirement to establish an independent Improvement and Assurance Board under the leadership of Sir Tony Redmond and the development of a Recovery and Improvement Plan to address the issues raised in the Plan and accepted by the Council.

#### **Recovery and Improvement Programme**

3.4 The Recovery and Improvement Plan and programme will incorporate the Transformation Programme and is a key driver for delivering a new affordable Council Plan and providing modern citizen-focussed services within an affordable cost envelope. This will also be a key area of work for the Improvement Board.

## **Improvement and Assurance Board**

- 3.5 The Improvement and Assurance Board provides external advice, challenge and expertise to the Council in driving forward the development and delivery of our three-year Recovery Plan. The Board will be working with the Council over the next three years to help the Council to deliver at pace while providing assurance to Government. The Council will be able to draw on their expertise and experience over a range of issues. The board's membership is:
- Independent Chair – Sir Tony Redmond
  - Leader of the Council – Cllr David Mellen
  - Independent external member (finance lead) - Sean Nolan
  - Independent external member (companies lead) – Robin Hughes
- 3.6 On 23 June 2022, the Secretary of State for Levelling Up, Housing and Communities issued a letter to the Council stating that he “was minded to intervene in Nottingham City Council’ and outlining the terms of the proposed intervention package. The Council was invited to make representations prior to a final decision being made and these representations.
- 3.7 The Council duly made representations on 7 July 2022 thanking the Secretary of State for recognising in his letter the progress the council had made, and noting that through the hard work of colleagues, the buildings blocks for the Authority’s recovery are in place, whilst acknowledging significant challenges lay ahead.
- 3.8 On 2 September, a letter was received stating that The Secretary of State had revised the proposals published on 23 June 2022, partly in light of representations received that highlighted the close working between the Council and the Improvement and Assurance Board, the positive attitude of the Council towards the required improvement, and the capabilities of the Leader as displayed during the negotiation and agreement of the East Midlands Devolution Deal.

The letter stated that “the Secretary of State for Levelling Up, Housing and Communities has today made Directions, under section 15(5) of the Local Government Act 1999, in relation to your Authority. The Secretary of State has issued Directions to direct your Authority to follow the advice of the Nottingham City Council Improvement and Assurance Board, chaired by Sir Tony Redmond, as a necessary and expedient action to secure compliance with their best value duty. The Directions move the Improvement and Assurance Board to a statutory footing, so they are empowered to direct rather than guide the Council’s improvement activities.

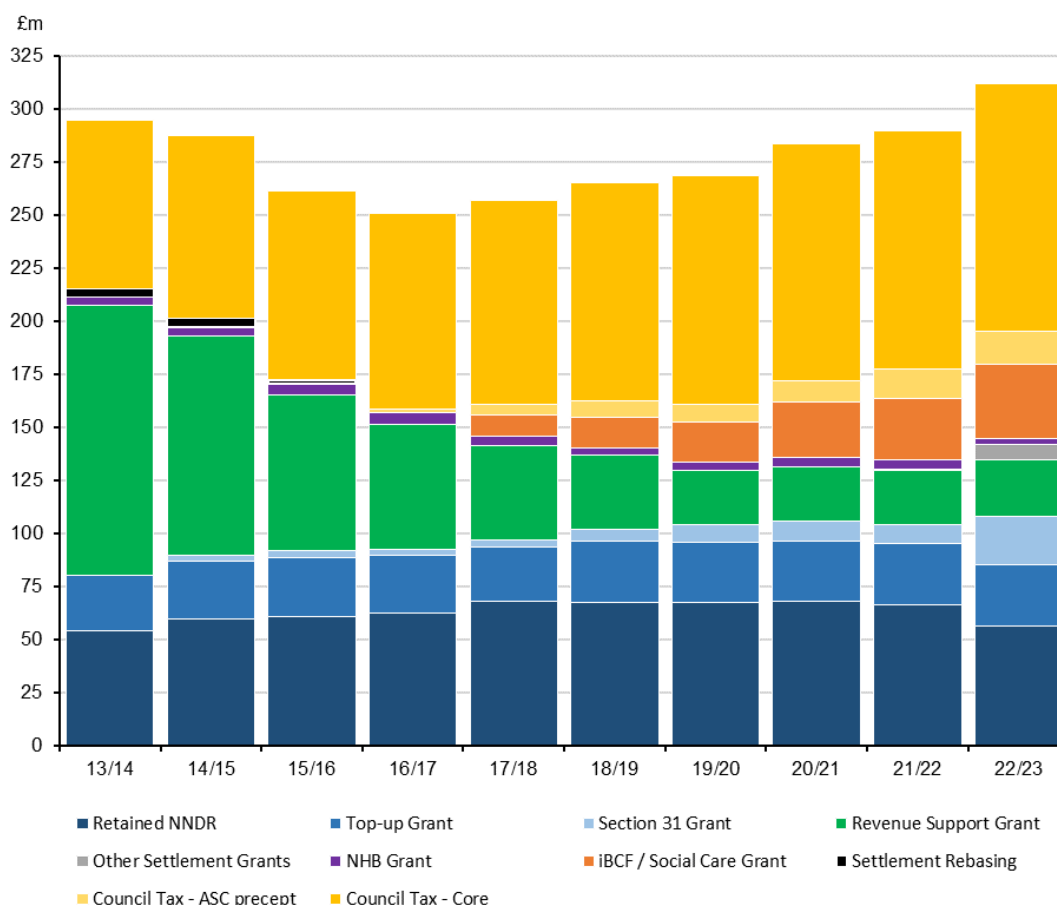
The exercise of these Directions should enable the Improvement and Assurance Board to make sure that the transformational work currently being undertaken at the Authority is continued at pace and embedded fully. The Secretary of State is clear that he expects significant progress to be made over the next three months, including in relation to longer term budgeting. He will again consider exercising his powers under the Local Government Act 1999, including the appointment of Commissioners, in the new year.”

- 3.9 On 30<sup>th</sup> November the Council submitted its evidence in support of demonstrating the necessary progress and expects to hear the outcome of this early in the new calendar year.

## 4. Local Financial Context

### Funding – Government Settlement

4.1 The source of Council funding has altered in recent years with a greater proportion of overall funding coming from Council Tax and less from Revenue Support Grant (RSG). **Chart 1** below shows the Council's actual MTFP figures used with the 'core spending power' methodology for 2013/14 to 2022/23. This shows a change in the mix of funding over the years including increasing percentage of overall funding from Council Tax and a reducing percentage from Revenue Support Grant. (RSG).



**Table 2** below shows the absolute figures used for the chart above

MTFP item	13/14 £m	14/15 £m	15/16 £m	16/17 £m	17/18 £m	18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m
Retained NNDR	54.0	59.9	61.0	62.3	68.0	67.5	67.5	67.9	66.5	56.6
Top-up Grant	26.3	26.8	27.3	27.5	25.6	28.6	28.1	28.6	28.6	28.6
Section 31 Grant	0.0	2.8	3.4	2.9	3.4	5.6	8.6	9.2	8.8	22.7
Revenue Support Grant	126.8	103.3	73.8	58.4	44.5	35.0	25.3	25.7	25.9	26.7
Other Settlement Grants									0.7	7.4
NHB Grant	3.9	4.5	5.0	5.6	4.3	3.8	4.1	4.4	4.0	2.5
iBCF / Social Care Grant					10.1	14.2	18.8	25.9	29.0	35.0
Settlement Rebasing	4.0	4.0	1.8							
Council Tax - ASC precept				1.8	4.7	8.0	8.2	10.1	14.0	15.6
Council Tax - Core	79.8	85.8	89.1	92.4	96.2	102.4	107.9	111.7	112.0	116.5
<b>Core Spending Power</b>	<b>294.7</b>	<b>287.1</b>	<b>261.4</b>	<b>250.9</b>	<b>256.8</b>	<b>265.0</b>	<b>268.5</b>	<b>283.6</b>	<b>289.5</b>	<b>311.6</b>
<b>% Annual change</b>		<b>-2.6%</b>	<b>-9.0%</b>	<b>-4.0%</b>	<b>2.4%</b>	<b>3.2%</b>	<b>1.3%</b>	<b>5.6%</b>	<b>2.1%</b>	<b>7.6%</b>

## Council Tax

- 4.2 Since 2016/17 an element of the Council Tax has been to fund the increasing costs of Adult Social Care and the annual increase has sometimes been a combination of Basic Council Tax increases and Adult Social Care precept. **Table 3** below shows the history of the Council Tax rises and what has been attributable to Basic Council Tax and Adult Social Care increases and the value.

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
<b>Percentage Increase</b>										
Core	1.95%	1.95%	1.95%	1.95%	1.99%	2.99%	2.99%	1.99%	1.99%	1.99%
ASC				2.00%	3.00%	3.00%	0.00%	2.00%	3.00%	1.00%
<b>Increase</b>	<b>1.95%</b>	<b>1.95%</b>	<b>1.95%</b>	<b>3.95%</b>	<b>4.99%</b>	<b>5.99%</b>	<b>2.99%</b>	<b>3.99%</b>	<b>4.99%</b>	<b>2.99%</b>

<b>Band D</b>										
Base	£1,377.58	£1,404.42	£1,431.80	£1,459.67	£1,517.32	£1,593.03	£1,688.45	£1,738.93	£1,808.31	£1,898.55
Core	£26.84	£27.38	£27.87	£28.46	£30.20	£47.63	£50.48	£34.60	£35.99	£37.78
ASC				£29.19	£45.51	£47.79		£34.78	£54.25	£18.99
<b>increase</b>	<b>£26.84</b>	<b>£27.38</b>	<b>£27.87</b>	<b>£57.65</b>	<b>£75.71</b>	<b>£95.42</b>	<b>£50.48</b>	<b>£69.38</b>	<b>£90.24</b>	<b>£56.77</b>
<b>Band D</b>	<b>£1,404.42</b>	<b>£1,431.80</b>	<b>£1,459.67</b>	<b>£1,517.32</b>	<b>£1,593.03</b>	<b>£1,688.45</b>	<b>£1,738.93</b>	<b>£1,808.31</b>	<b>£1,898.55</b>	<b>£1,955.32</b>

## Cumulative Savings

- 4.3 Over the period 2010/11 to 2022/23, the Council has been required to make over **£300m** of cumulative budget savings in order to balance its revenue budget.

### 2022/23 budget monitoring

- 4.4 The Qtr2 2022/23 budget monitoring position is being presented to December 2022 Executive Board and this shows an **£11.4m** adverse variance to budget, this is a reduction from the **£13.2m** adverse variance as at Qtr1 2022/23 and reported to September 2022 Executive Board.
- 4.5 Significant reasons for the projected **£11.4m** adverse budget variance include:
- 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 assumed pay increase of **2.0%**;
  - **£4.5m** adverse variance within Adult Services due to net external care purchasing budgets;
  - **£3.8m** adverse variance within Growth and City Development due to a significant rise in demand for homelessness services and a price increases in energy and utilities;
  - **£2.4m** adverse variance in Finance and Resources due largely to rebasing the budget including the removal of savings which have been assessed as undeliverable;
  - **£5.1m** favourable variance in Treasury Management arising from additional investment income as a result of a combination of the revised cash flow 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

- 4.6 In response to this overspend position and, recognising the need to deliver a balanced position, the Council's 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.
- 4.7 In developing the MTFP for 2023/24 to 2026/27, officers have considered whether the pressures underlying the adverse variances in 2022/23 are likely to continue and what mitigations can be put in place to manage these growth items in year and going forward.

## 5. **Developing the MTFP 2023/24-2026/27**

### **Fees and Charges Review**

- 5.1 The Council is undertaking an organisation wide review of Fees and Charges to embed a consistent approach across the organisation. As part of the review a Fees and Charges policy is being developed that recognises a range of different factors in setting a price including legislative requirements and constraints, the cost of delivering a service, benchmarking with other organisations and achieving policy objectives. The review focuses on discretionary services to residents and businesses and has initially focused on the areas with the highest level of income from Fees and Charges. A composite Fees and Charges booklet, comprising prices across the Councils services, will be produced as part of the final budget proposals to Council.
- 5.2 The figures presented in this report are generally annual movements with a cumulative total MTFP column, this represents a different presentation to previous years' reports.

### **Financial Settlement**

- 5.3 The provisional settlement for 2023/24 is likely to be issued in the week commencing 19 December 2022. To date there has also been no technical consultation on all the possible policy changes likely to be reflected in this settlement.
- 5.4 In the absence of detailed Government information on future funding to assist in medium financial planning, the draft MTFP has been constructed on the working assumption that the provisional settlement (i.e. retained business rates, top-up grant and revenue support grant) will essentially be a cash flat roll-over from 2022/23.
- 5.5 This assumption appears to be in line with the Autumn Statement published on 17 November 2022 in which there was no indication of further national funding for local government beyond that announce in the last Spending Review other than specific announcements of further provision for Adult Social Care (estimates of which have been included in the draft MTFP).
- 5.6 The draft MTFP assumes that other specific grants included within 'Core Spending Power' (i.e. Services Grant, Lower Tier Services Grant, New Homes Bonus, Section 31 grant compensation for business rates) will continue in line with previous Government policy.
- 5.7 The detailed implications of the December and then the final settlement confirmed in the New Year will be fully reflected in the MTFP reported to February Executive Board.



## Council Tax & Adult Social Care Precept

5.8 Council Tax – The determination of the 2023/24 Tax Base report will be presented to Executive Board in January 2023 and the outcomes from consultation on proposed increases in Council Tax contained in this report, will be reflected in the updated MTFP to be presented to February 2023 Executive Board.

5.9 The draft MTFP is based on the following key assumptions:

- Assumed increase in core Council Tax of **2.99%** per annum for 2023/24 and 2024/25 (in line with changes announced in the Chancellors Autumn statement) and **1.99%** per annum for 2025/26 and 2026/27;
- Assumed Adult Social Care Precept of **2.00%** per annum for 2023/24 and 2024/25 and no new additional precept in 2025/26 and 2026/27
- Band D equivalent tax base after Council Tax Support Scheme, reliefs and exemptions of **68,341** for 2023/24;
- Underlying net tax base growth of **100** Band D equivalents per annum, resulting in a tax base of **68,633** band D equivalents by 2025/26;
- Collection rate of **97.5%**.

5.10 It should be noted that whilst the Council Tax is expressed in terms of Band D equivalent, with **62.5%** of the City's dwellings are in Band A and **17.5%** in Band B as detailed in **Table 1** the majority of Council Tax payers will incur a lower financial increase in their Council Tax.

5.11 The City Council Band D for 2023/24 assumed in this plan is **£2,052.89** (this excludes precepts for Police Commissioner and the Fire & Rescue Authority). Using DLUHC's established methodology this City Council element will equate to an average **£1,115.48** per chargeable dwelling.

5.12 The updated MTFP for February 2022 Executive Board will include any updates or changes to this assumption following the Provisional and Final Settlement announcements. **Table 4** below details the assumptions for total Council Tax income from 2023/24 to 2026/27

<b>Table 4 : Assumed Council Tax increases</b>					
	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>cumulative</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Core Council Tax increase	(5.377)	(4.374)	(3.120)	(3.185)	(16.056)
ASC Precept increase	(2.857)	(2.836)	(0.030)	(0.030)	(5.754)
<b>Total</b>	<b>(8.234)</b>	<b>(7.210)</b>	<b>(3.151)</b>	<b>(3.215)</b>	<b>(21.810)</b>

<b>Assumed Band D increases</b>				
Core Increase	2.99%	2.99%	1.99%	1.99%
Adult Social Care Precept	2.00%	2.00%	0.00%	0.00%
<b>Total increase</b>	<b>4.99%</b>	<b>4.99%</b>	<b>1.99%</b>	<b>1.99%</b>

<b>Band D</b>				
Base	£1,955.32	£2,052.89	£2,155.33	£2,198.22
Core increase	£58.46	£61.38	£42.89	£43.74
ASC precept	£39.11	£41.06	£0.00	£0.00
<b>Total increase</b>	<b>£97.57</b>	<b>£102.44</b>	<b>£42.89</b>	<b>£43.74</b>
<b>Band D Total</b>	<b>£2,052.89</b>	<b>£2,155.33</b>	<b>£2,198.22</b>	<b>£2,241.96</b>

5.13 **Table 5** below details the assumed 2023/24 Council Tax and the annual increases by individual banding of dwellings.

<b>Table 5 : Proposed 2023/24 Council Tax by Band</b>									
Tax Band	Proportion of dwellings	City Council 22/23 £	Total				Per week (rounded)		
			2.99% Core Increase £	2.0% ASC Precept £	4.99% Total Increase £	Proposed City Council 23/24 £	Core Increase £	ASC Precept £	Total Increase £
<b>A</b>	62.5%	1,303.55	38.97	26.07	65.04	1,368.59	0.75	0.50	1.25
<b>B</b>	17.5%	1,520.80	45.47	30.42	75.89	1,596.69	0.87	0.58	1.46
<b>C</b>	11.6%	1,738.06	51.97	34.76	86.73	1,824.79	1.00	0.67	1.66
<b>D</b>	5.2%	1,955.32	58.46	39.11	97.57	2,052.89	1.12	0.75	1.87
<b>E</b>	1.8%	2,389.84	71.45	47.80	119.25	2,509.09	1.37	0.92	2.29
<b>F</b>	0.8%	2,824.35	84.45	56.49	140.94	2,965.29	1.62	1.08	2.70
<b>G</b>	0.5%	3,258.87	97.43	65.18	162.61	3,421.48	1.87	1.25	3.12
<b>H</b>	0.1%	3,910.64	116.92	78.22	195.14	4,105.78	2.24	1.50	3.74

### **New Homes Bonus**

5.14 The NHB rewards local authorities for increasing the number of new, occupied and affordable homes. The Government consulted in February 2021 on the ‘Future of the New Homes Bonus’. The details of any possible replacement for the scheme are currently unknown and will be included in the Provisional Finance Settlement around 19 December. However, the draft MTFP assumes its continuation into 2023/24 and 2024/25 at an assumed level of **£1.2m in each year**.

### **MTFP – Costs and Growth assumptions**

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

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

5.16 Growth items, including inflationary and service demand pressures continue to be a significant driver of cost and when set against ‘flat cash’ funding assumptions are the primary driver of the budget gap. Significant growth is resulting from high inflation upon utilities, fuel and pay and major service contracts. **Table 6** below summarises total growth assumed within the MTFP.

<b>Table 6 : Growth Items by category</b>					
Item	23/24 £m	24/25 £m	25/26 £m	26/27 £m	cumulative £m
Pay	17.646	7.018	5.978	5.003	35.645
Inflation	15.020	6.687	6.675	6.628	35.010
Pressures	23.045	6.418	4.377	12.513	46.353
Unachievable Savings	3.387	(1.160)			2.227
Investments	1.661				1.661
Grants / Contributions	(13.912)	(9.504)	(3.886)	(9.765)	(37.067)
<b>Total</b>	<b>46.848</b>	<b>9.460</b>	<b>13.144</b>	<b>14.378</b>	<b>83.829</b>

5.17 **Table 7** below shows by Directorate the growth which was previously factored into the forecast and the new growth identified during the development of this draft MTFP, with significant growth in:

- People's Directorate largely due to previous MTFP assumptions on demand and external fee rates paid to providers.
- Growth & City Development – pressures due to additional demand for homelessness services and utilities pressures through increased costs.
- Finance & Resources – due to investment in the establishment of corporate procurement and commissioning functions which are expected to enable the delivery of future cost savings across the organisation. The requirement to rebase a number of budgets including writing off of undeliverable savings.
- Corporate – includes pay inflation of **4%** pa for 2023/24 and 2024/25, **3%** for 2025/6 and **2%** for 2026/27. This is offset by latest MTFP assumptions on corporate specific grants e.g. Section 31 grants and those associated with the provisional settlement.

<b>Table 7 : Growth Items by Directorate</b>					
<b>Lead Directorate</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Adults	5.253	4.979	5.388		15.620
Children's	3.712	4.085	4.390		12.187
Education / Schools	(0.213)				(0.213)
Public Health	1.659	1.787			3.446
People	10.411	10.851	9.778		31.041
Resident Services	(0.467)	(0.259)			(0.726)
Growth & City Development	(0.247)	0.419	0.239		0.411
Finance & Resources	(0.836)				(0.836)
Chief Executive					0.000
Corporate	17.583	0.618	0.994	0.806	20.000
<b>Previously Agreed Profiles</b>	<b>26.443</b>	<b>11.629</b>	<b>11.011</b>	<b>0.806</b>	<b>49.889</b>

Adults	3.281	(5.565)	(4.672)	0.059	(6.897)
Children's	1.774	(0.087)	0.412	2.556	4.656
Education / Schools	0.456				0.456
Public Health	(1.659)	(1.787)			(3.446)
People	3.851	(7.438)	(4.260)	2.615	(5.232)
Resident Services	4.170	0.525	(0.205)	(0.040)	4.450
Growth & City Development	11.854	5.385	3.598	10.195	31.032
Finance & Resources	10.457	(0.761)	0.074		9.770
Chief Executive					0.000
Corporate	(9.929)	0.120	2.925	0.803	(6.081)
<b>New Growth Items</b>	<b>20.404</b>	<b>(2.170)</b>	<b>2.132</b>	<b>13.573</b>	<b>33.940</b>

Adults	8.533	(0.585)	0.717	0.059	8.723
Children's	5.486	3.998	4.802	2.556	16.843
Education / Schools	0.243				0.243
Public Health	0.000	0.000			0.000
People	14.262	3.413	5.519	2.615	25.809
Resident Services	3.703	0.266	(0.205)	(0.040)	3.724
Growth & City Development	11.607	5.804	3.837	10.195	31.443
Finance & Resources	9.621	(0.761)	0.074		8.934
Chief Executive					0.000
Corporate	7.654	0.738	3.919	1.608	13.919
<b>Total Growth Items</b>	<b>46.848</b>	<b>9.460</b>	<b>13.144</b>	<b>14.378</b>	<b>83.829</b>

## Inflation (including pay inflation)

5.18 Nottingham City Council is part of the national pay bargaining framework and is bound by national agreements. The pay award for 2022/23 has now been agreed and is a flat rate of **£1,925** for all pay points and has resulted in an adverse budget variance in year of **£6.9m**. The current approved MTFP assumed pay inflation of **2.0%** per annum, the updated MTFP assumes the following pay inflation and is a significant driver for the budget gap:

- 2023/24 **4.0%** - any variance to this assumption will need to be managed in year as part of ongoing budget monitoring
- 2024/25 **4.0%**
- 2025/26 **3.0%**
- 2026/27 **2.0%**

The figures above are predominately in line with other Core Cities pay inflation assumptions

5.19 **Table 8** detailed the pay and pension assumptions within the updated MTFP. The significant driver for growth are the changes in pay inflation assumptions described above. This has been partially offset by the removal of the NI Levy as announced in the Chancellor's Autumn Statement, this has been assumed as a benefit to the Council. The Council has received a draft triennial pension valuation report and based on this draft report overall there is a saving to the Council largely due to a reduction in the pension deficit charges.

<b>Table 8 : Pay / Pensions</b>					
<b>Budget Item</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Previous pay related assumptions	4.000	4.000	4.000	4.000	16.000
Additional impact of confirmed 22/23 pay award & future assumptions	10.725	4.295	2.542	0.770	18.332
Removal of NI Levy	(1.257)				(1.257)
Revised pay scales	4.483	(0.137)	0.689	0.233	5.268
Organisational Design Review	0.810				0.810
Pension – Impact of Actuarial review	(1.115)	(1.140)	(1.253)		(3.508)
<b>Total</b>	<b>17.646</b>	<b>7.018</b>	<b>5.978</b>	<b>5.003</b>	<b>35.645</b>

5.20 For non-pay the budget assumes no general inflation. The specific impact of contractual inflation is reflected in the identified growth pressures as appropriate.

5.21 The Council, like many other local authority employers is currently experiencing a challenging recruitment and retention environment. December 2022 Executive Board is being presented with a report on a proposed revised pay structure that aims to improve the salary competitiveness of the Council. This draft MTFP assumes these changes are approved and implemented from 1 April 2023 and this has resulted in an additional growth item of **£4.5m** in 2023/24, with a cumulative cost of **£5.3m** over the MTFP period.

5.22 Growth estimates are based upon officer's professional judgement and the most up to date available information. However, given the high period of inflation, cost of living crisis and volatile nature of the energy markets these figures are subject to change. Any material changes will be reflected within the February 2022 Executive Board updated MTFP report as the Council works to close the current budget gap for 2023/24 and present a balanced budget and MTFP.

## Corporate / technical adjustments

5.23 **Table 9** summarises the corporate / technical adjustments assumed, these are due to:

- Base budget – removal of 2022/23 rebasing contingency and a 2024/25 Children's budget adjustment
- Treasury Management - continuing profile of previous corporate adjustments and 2022/23 savings;
- Tram PFI - net adjustments however this is offset by a Workplace Parking Levy in directorate budgets;
- Ice Centre – adjustment to the sinking fund assumption to include future inflation;
- Improvement & Assurance Board - budget re-profiled as per 12 September 2022 Full Council report;
- Shareholder Unit –full year budget included;
- Updated corporate items – largely due to the removal of companies assumption;
- Earmarked Reserve for Collection Fund - remove previous 22/23 use to off-set large COVID related deficit & fully smooth estimated 23/24 deficit in MTFP;
- IT Development Fund – reverse previous time-limited reduction to reserve contribution originally agreed in 2021/22.

<b>Budget Item</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Base budget	(1.254)	(2.106)			(3.360)
Treasury Management	(1.300)	1.059	(0.600)		(0.841)
Tram PFI	0.658	1.223	0.092		1.973
Ice Centre	0.223	0.012	0.012	0.012	0.259
Improvement & Assurance Board		(0.175)	(0.125)		(0.300)
Shareholder Unit	0.229				0.229
Updated corporate item	(1.871)				(1.871)
Earmarked Reserve for Collection Fund	13.778	1.262			15.041
IT Development Fund Reserve	1.500				1.500
<b>Total</b>	<b>11.964</b>	<b>1.275</b>	<b>(0.621)</b>	<b>0.012</b>	<b>12.631</b>

## Previously agreed savings

5.24 **Table 10** summarises the continuing impact upon the 2023/24 budget and MTFP of saving decisions made in previous budget rounds that are already factored into the MTFP model.

<b>Lead Directorate</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Adults	(0.734)	(1.604)	(0.890)	0.000	(3.227)
Children's Education / Schools Public Health	(3.733) (0.021)	(1.669)	(1.999)	(0.809)	(8.210) (0.021) 0.000
People	(4.488)	(3.273)	(2.889)	(0.809)	(11.458)
Resident Services	(2.637)	(1.592)	(0.683)		(4.912)
Growth & City Development	1.313	(0.050)	(0.050)		1.213
Finance & Resources	(2.186)	(2.061)	(0.314)		(4.561)
Chief Executive Corporate					0.000 0.000
<b>Total</b>	<b>(7.997)</b>	<b>(6.976)</b>	<b>(3.936)</b>	<b>(0.809)</b>	<b>(19.717)</b>

5.25 **Table 11** sets out the revised forecast position once all the revised funding and costs/growth items have been taken into account. From the table it can be seen that the revised gap for 2023/24 of **£32.2m** rises to **£44.0m** over the period of the MTFP.

<b>Item</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Settlement – assumed flat					0.000
Council Tax	(8.234)	(7.210)	(3.151)	(3.215)	(21.810)
Collection Fund deficit	(14.991)	(1.262)			(16.254)
<b>Projected funding changes</b>	<b>(23.226)</b>	<b>(8.472)</b>	<b>(3.151)</b>	<b>(3.215)</b>	<b>(38.064)</b>
Corporate	11.964	1.275	(0.621)	0.012	12.631
Growth	46.848	9.460	13.144	14.378	83.829
Previous Savings	(7.997)	(6.976)	(3.936)	(0.809)	(19.717)
<b>New &amp; previously agreed profiles</b>	<b>50.815</b>	<b>3.759</b>	<b>8.587</b>	<b>13.582</b>	<b>76.743</b>
Contribution to Financial Resilience Reserve	4.609	0.179	0.216	0.314	5.318
<b>Risk</b>	<b>4.609</b>	<b>0.179</b>	<b>0.216</b>	<b>0.314</b>	<b>5.318</b>
<b>Projected net budget changes</b>	<b>55.424</b>	<b>3.938</b>	<b>8.803</b>	<b>13.896</b>	<b>82.061</b>
<b>Budget gap to address before new savings</b>	<b>32.198</b>	<b>(4.534)</b>	<b>5.653</b>	<b>10.680</b>	<b>43.997</b>

5.26 **Table 11** includes a base budget contribution to the Financial Resilience Reserve of **£4.6m** in 2023/24 rising to **£5.3m** over the 4-year period. Throughout this MTFP process Corporate Directorates have been identifying risks and assigned a probability to these risks materialising. The risk assessed value has been included within the MTFP gap calculations. If these risks materialise over the MTFP period then these will be funded from the amount set aside in the Financial Resilience Reserve. These risks will be monitored and any variation in assumptions will need to be managed in year and included within future MTFPs.

5.27 **Table 12** below shows the above risk impact on the MTFP by Directorate.

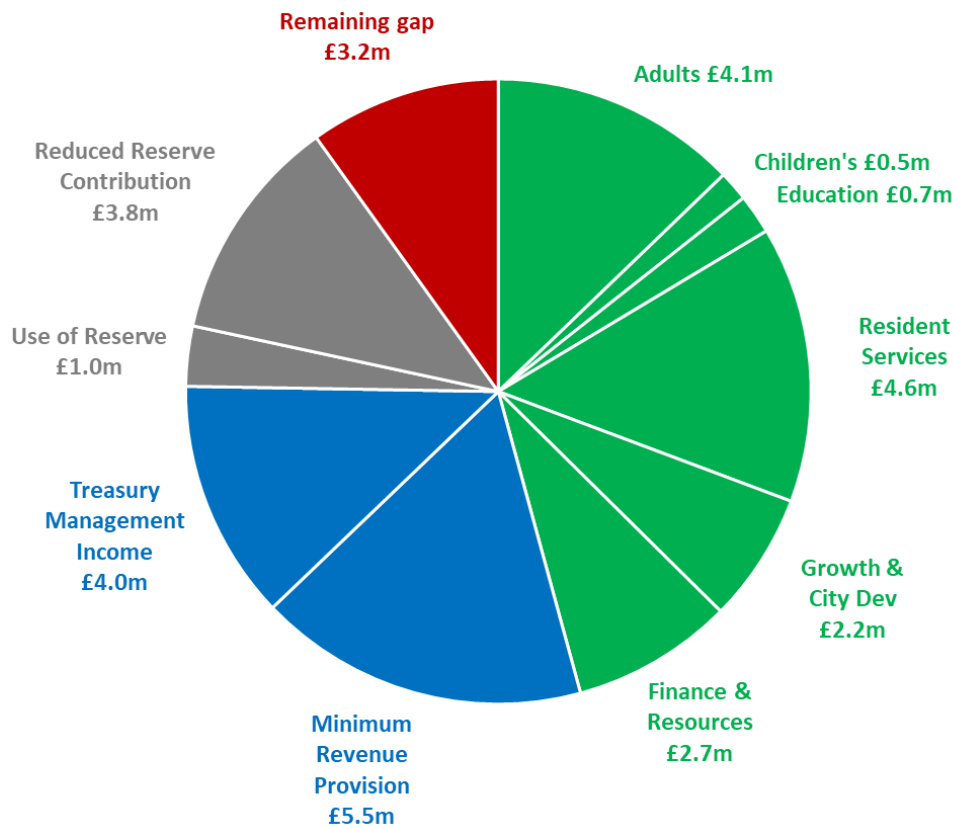
<b>Table 12 : Assessed Risk Impact on MTFP</b>					
<b>Lead Directorate</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Adults					0.000
Children's	1.018				1.018
Education	0.307				0.307
Public Health					0.000
People	1.325				1.325
Resident Services	0.496	(0.120)			0.376
Growth & City Development	2.788	0.299	0.216	0.314	3.617
Finance & Resources					0.000
Chief Executive					0.000
Corporate					0.000
<b>Total</b>	<b>4.609</b>	<b>0.179</b>	<b>0.216</b>	<b>0.314</b>	<b>5.318</b>

## 6. Savings proposals

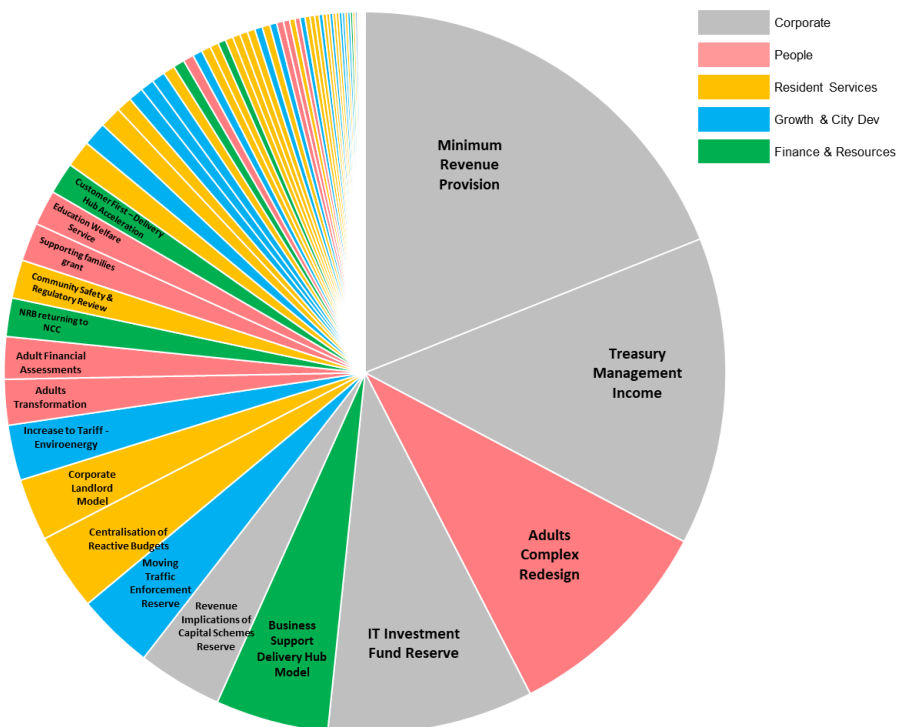
6.1 In order to close the current **£32.2m** budget gap **£29.0m** of proposed new 2023/24 Directorate proposals are included within the draft MTFP rising to **£52.8m** in 2026/27, of which **£10.5m** in 2023/24 require public consultation. **Table 13** below summarises the total value of savings by Directorate. **Appendix 1** and **2** details the financial value of the individual savings and associated FTE impact.

<b>Table 13 : Total New Budget Proposals</b>					
<b>Lead Directorate</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Adults	(4.122)	(5.150)	(4.674)	(4.364)	(18.310)
Children's	(0.500)	(1.143)		0.500	(1.143)
Education / Schools	(0.661)	(0.100)			(0.761)
Public Health					0.000
People	(5.283)	(6.392)	(4.674)	(3.864)	(20.213)
Resident Services	(4.604)	(0.256)	(0.340)	(0.050)	(5.249)
Growth & City Development	(3.158)	(4.569)	(3.216)	(7.949)	(18.892)
Finance & Resources	(2.691)	0.615	(0.250)		(2.326)
Chief Executive					0.000
Corporate	(13.275)	7.175			(6.100)
<b>Total</b>	<b>(29.011)</b>	<b>(3.427)</b>	<b>(8.480)</b>	<b>(11.863)</b>	<b>(52.781)</b>

6.2 The pie chart below illustrates the 2023/24 new proposals by Directorate as shown in **Table 13** above with more detail on the Corporate savings.



6.3 There are many new savings proposals varying in size with the largest proposed saving for 2023/24 being from Minimum Revenue Provision (repayment of principal on borrowing, of which **£4.5m** is one-off) and Treasury Income earned on investments, the number and relative size of each proposal is detailed in pie chart below.





6.4 In light of continuing financial pressures faced by the Council, proposals to make further reductions in its operating costs and its workforce are contained within this report. It is likely that the proposed savings options and the impact of the transformation programme implementation will result in some redundancies.

6.5 **Table 14** below summarises by value the proposals which require Public Consultation with details of these individual proposals in **Appendix 1**

<b>Table 14 : New Proposals requiring Public Consultation</b>					
<b>Lead Directorate</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Adults	(4.122)	(5.150)	(4.674)	(4.364)	(18.310)
Children's	0.000	(1.143)			(1.143)
Education / Schools	(0.661)	(0.100)			(0.761)
Public Health					0.000
People	(4.783)	(6.392)	(4.674)	(4.364)	(20.213)
Resident Services	(2.502)	(0.183)	(0.320)	(0.020)	(3.024)
Growth & City Development	(1.072)	(5.569)	(3.266)	(7.949)	(17.856)
Finance & Resources	(1.912)	0.835			(1.077)
Chief Executive					0.000
Corporate					0.000
<b>Total</b>	<b>(10.269)</b>	<b>(11.309)</b>	<b>(8.260)</b>	<b>(12.333)</b>	<b>(42.171)</b>

6.6 The remaining **£18.7m** of new savings in 2023/24 do not require Public Consultation as they do not have an impact upon service users or put staff at risk. They are included within **Appendix 2** for completeness and transparency and are summarised in **Table 15** below.

<b>Table 15 : New Proposals not requiring Public Consultation</b>					
<b>Lead Directorate</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
Adults					0.000
Children's	(0.500)			0.500	0.000
Education / Schools					0.000
Public Health					0.000
People	(0.500)			0.500	0.000
Resident Services	(2.102)	(0.073)	(0.020)	(0.030)	(2.225)
Growth & City Development	(2.086)	1.000	0.050		(1.036)
Finance & Resources	(0.779)	(0.220)	(0.250)		(1.249)
Chief Executive					0.000
Corporate	(13.275)	7.175			(6.100)
<b>Total</b>	<b>(18.742)</b>	<b>7.882</b>	<b>(0.220)</b>	<b>0.470</b>	<b>(10.610)</b>

6.7 Whilst the savings outlined above present an MTFP in surplus by **£8.8m** over the 4-year period, there remains a gap of **£3.2m** for 2023/24. Work is ongoing across the Council to identify other proposals to eliminate this gap and the report to be presented to Executive Board in February 2023 will present a balanced position in 2023/24 and a robust forecast over the term of the MTFP including firming up future year forecast assumptions. **Table 16** below detail the budget gap / surplus over the 4-year period.

<b>Table 16 : Progress in developing the MTFP – remaining budget gaps</b>					
<b>Budget Item</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>	<b>cumulative £m</b>
<b>Budget gap to address</b>	<b>32.198</b>	<b>(4.534)</b>	<b>5.653</b>	<b>10.680</b>	43.997
Consultation proposals	(10.269)	(11.309)	(8.260)	(12.333)	(42.171)
Non-consultation proposals	(18.742)	7.882	(0.220)	0.470	(10.610)
<b>Gap after new proposals</b>	<b>3.187</b>	<b>(7.961)</b>	<b>(2.828)</b>	<b>(1.183)</b>	<b>(8.784)</b>

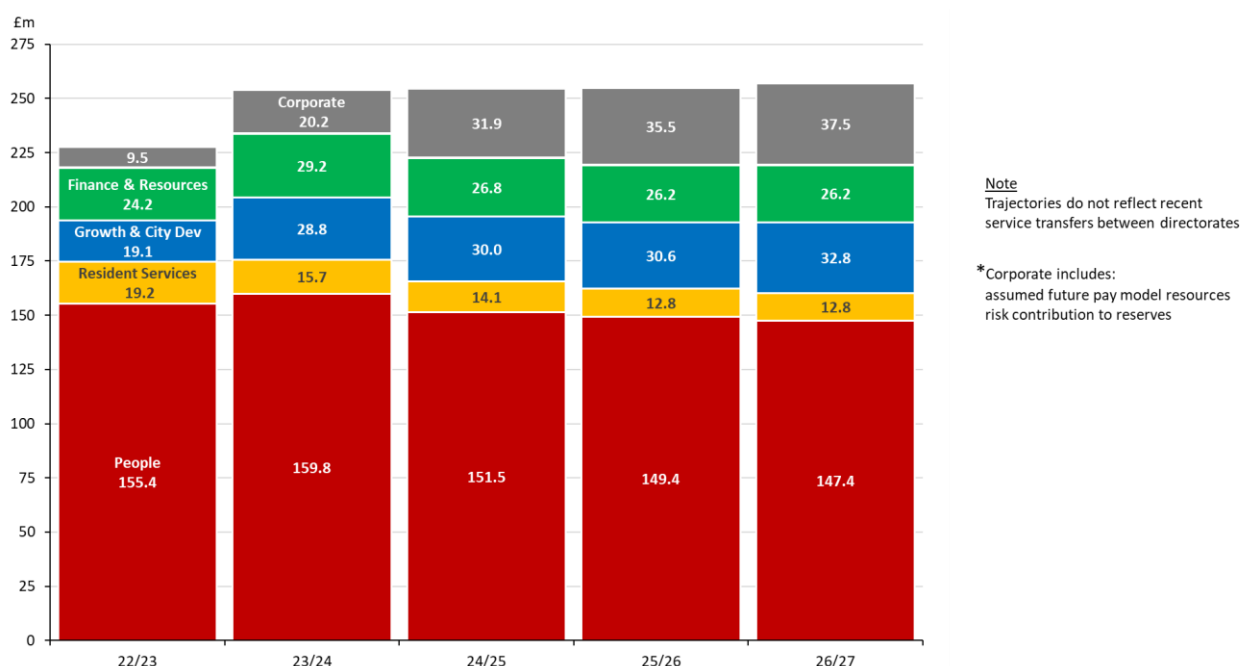
6.8 **Table 17** below summarises the projected funding of the projected net budget over the MTFP period and the cumulative budget gap / surplus.

<b>Table 17 : Refreshed MTFP</b>				
<b>Item</b>	<b>23/24 £m</b>	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>26/27 £m</b>
Settlement	(111.841)	(111.841)	(111.841)	(111.841)
Council Tax	(140.297)	(147.506)	(150.657)	(153.872)
Collection Fund deficit	1.262			
<b>Projected Funding</b>	<b>(250.875)</b>	<b>(259.347)</b>	<b>(262.498)</b>	<b>(265.713)</b>

Net budget brought forward	227.649	254.062	254.574	254.897
Corporate	11.964	1.275	(0.621)	0.012
Growth	46.848	9.460	13.144	14.378
Previous Savings	(7.997)	(6.976)	(3.936)	(0.809)
Risk	4.609	0.179	0.216	0.314
New proposals	(29.011)	(3.427)	(8.480)	(11.863)
<b>Projected Net Budget</b>	<b>254.062</b>	<b>254.574</b>	<b>254.897</b>	<b>256.929</b>

<b>Cumulative Gap</b>	<b>3.187</b>	<b>(4.773)</b>	<b>(7.601)</b>	<b>(8.784)</b>
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6.9 The bar chart below illustrates the projected Directorate budgets based upon the old management structure to 31 October 2022 and assumes all the savings and growth items presented in this report.



## 7. Transformation Programme

7.1 The portfolio of transformation projects has been in place since early 2022, is constantly evolving and will grow further over time. All transformation proposals are assessed against a clear set of design principles that describe the way the council will operate in the future, to ensure they both produce required savings and continue to modernise the operation of the council. These principles align to the Council Strategic Plan and the Together for Nottingham Plan. They are the

guidelines for reviewing and re-designing council services and thus provide a clear set of criteria for decisions on transformation investment and resourcing:

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

7.2 A first wave of five large scale transformation programmes were initiated in 2022 and each is on track to deliver total savings in line with its business case by 2025/26:

- **£3.5m** from the Adults programme;
- **£17.0m** from the Children's programme;
- **£7.0m** from the Customer First programme;
- **£3.8m** from the business support programme and
- **£2.5m** from the procurement.

7.3 Having built a platform from which to transform the overall operations of the council in the first wave of programmes, the council has increased its transformational ambition. The development of the current MTFP has merged operational savings plans with more largescale transformational opportunities, which has resulted in a number of programmes captured in the budget consultation that, if approved, will be added to the transformation portfolio with fully developed business cases and implementation plans. These are:

- Acceleration of the Customer First and business support programmes
- Corporate centre services review
- Implementation of a new strategic commissioning model
- Children's Early Help and family hubs (including youth service) operating model
- Adult Social Care independence and prevention approach, including:
  - Community interventions
  - Developing strengths-based practice
  - Assistive technology
  - Occupational therapy and adaptations
  - Mental health reablement

- Consolidation of Council office accommodation
- Leisure and libraries operating model review
- Nottingham Live services review
- Community Protection review and development of neighbourhood hubs
- Homelessness services operating model

7.4 Full business cases and implementation plans will be developed for each of these programmes. Outline cases developed for the MTFP show a minimum **£44m** saving across these programmes.

## 8. Finalising the 2023/24 Budget

8.1 There are a number of key factors that will influence and shape the next phase of the budget process. The Provisional Local Government Settlement expected in December 2022 will provide greater certainty around funding levels and based on the Chancellors Autumn Statement there is likely to be little additional funding. At this stage it is not possible to determine the financial impact on the Council's budget.

8.2 Further work will be undertaken to check and challenge budget assumptions for 2023/24 and over the term of the MTFP in light of new information and the volatile environment in which the Council is operating. Notwithstanding any Government funding announcement, the Council will continue to pursue options for more cost efficiencies and income opportunities, through focussed work on the transformation programme and opportunities to redesign services to deliver improved outcomes within available resources.

8.3 The February 2023 Executive Board will provide an update on these continuing areas of work and will ensure at least a balanced MTFP across all 4-years.

## 9. Reserves

9.1 July 2022 Executive Board approved the Council's reserves policy, this policy will be reviewed annually and presented to Executive Board for approval. The Council will use reserves in a limited way in accordance with its reserves policy – primarily to pump-prime investment which results in lower long term revenue costs or to meet one off and short term (1 year) 'spikes' in cost during this volatile period. It does not use reserves to support recurrent spending pressures or to replace undelivered savings.

### General Fund Reserves

9.2 The General Fund Reserve is an un-earmarked fund balance to cover unanticipated / unbudgeted necessary costs and is informed by the possible financial risks in a single budget year. As advised by the s151 Officer, the Council is aiming at a balance on the General Fund Reserve of **7.5%** of net budget given current and projected volatilities. That would equate to **£19.1m** based on the projected 2023/24 net budget.

9.3 The General Fund Reserve balance as at 31 March 2022 was **£12.6m**. As part of a strategic approach to strengthen the financial resilience and sustainability of the Council, the approved MTFP includes a planned contribution to the General Fund reserve of **£1.0m** per annum. This assumption is maintained in this draft MTFP.

9.4 The forecast balance at 31 March 2024 will be **£14.6m** which is **5.7%** of the projected net budget.

### **Earmarked Reserves**

9.5 Earmarked reserves, by their very nature, are set aside for specific purposes. It should be noted that the Council's earmarked reserves include a number of reserves with specific grant conditions attached to them which ensures that they can only be used for specific expenditure. The Council also holds reserves on behalf of other entities such as schools which are not available for the Council's general use.

9.6 In line with the approved Reserves policy and in response to the projected Qtr2 2022/23 outturn forecast overspend of **£11.4m** the S151 is undertaking a detailed review of earmarked reserves. The outcomes of this review will be included within the Quarter 3 forecast outturn reported to February 2023 Executive Board.

9.7 This review is to ensure that earmarked reserves are being proactively managed and utilised as intended. Further to identify the opportunities to de-commit funding from those reserves and transfer to the Financial Resilience Reserve (FRR) so that there are sufficient identified funds to cover the current projected 2022/23 overspend of **£11.4m**. Insufficient funds to cover any overspend would result in a call upon the General Fund Reserve. Exhaustion of the FRR would require further savings to be identified in future years to replenish this Reserve to ensure the Council maintains its financial resilience. The balance on the FRR as at 30 September 2022 was **£18.5m** however the current in year overspend of **£11.4m** and known calls upon the FRR mean that unless the in-year over spend can be mitigated then this reserve will insufficient or exhausted by 31 March 2023. Therefore it is critical that there is further restraint upon expenditure within 2022/23 to manage the financial outturn within the approved budget.

9.8 The Council held balances of **£183.4m** in earmarked reserves at 31 March 2022 which includes schools reserve balances of **£23.7m**. Earmarked reserves are set aside to provide for specific future expenditure plans. A summary of the earmarked reserves position is set out in **Table 18** below, further details on the individual reserves within each category are detailed within the Qtr2 2022/23 budget monitoring report which is being presented to December 2022 Executive Board.

<b>Title of Reserve</b>	<b>Balance 30 Sept 2022 £m</b>
Capital	(7.932)
Schools	(23.674)
Private Finance Initiatives	(48.658)
Asset Maintenance	(4.112)
Contingency & Risk (excluding Financial Resilience Reserve)	(19.135)
Financial Resilience Reserve	(18.464)
Information Technology	(10.023)
Local Economy	(3.437)
Services	(13.302)
Transformation	(11.491)
Treasury Management	(15.418)
Workforce	(7.775)
<b>Total Earmarked Reserves</b>	<b>(183.421)</b>

## 10. **Capital Programme**

10.1 The Capital Programme is being developed in line with the Council's approved capital strategy. As part of Nottingham City Council's Improvement Plan the Council is committed to reducing the current high levels of debt to a more sustainable level of debt in the medium to long term. This included a strict Voluntary Debt Reduction Policy that restricted the Council's ability to borrow over the medium term in order to reduce its absolute level of debt and reducing its associated cost of debt.

10.2 The General Fund Capital Programme at Qtr2 2022/23 is forecasting an outturn of **£96.3m** compared to an approved budget of **£163.8m** this represents an underspend / slippage of **£67.5m (41%)**. While the HRA Capital Programme has a forecast outturn of **£57.5m** against a budget of **£71.0m** an underspend / slippage of **£13.5m (19%)**. Monitoring and due diligence within the Capital Programmes is ongoing to refine the forecast and budgets. Further details are contained with the Qtr2 2022/23 forecast outturn report being presented to December 2022 Executive Board report.

## 11. **Other options considered in making recommendations**

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

## 12. **Consideration of Risk**

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

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

13.1 Finance comments are contained throughout the body of the report as this is a finance report.

13.2 A detailed and comprehensive assessment has been undertaken in order to inform the Chief Finance Officer's assessment of the deliverability and financial implications of the budget proposals and the key assumptions upon which the budget forecasts are based including an assessment of the required levels of reserves and contingencies. This work will continue over the coming months including consideration of the Capital Strategy, Capital Programme, Treasury Strategy and Transformation Programme. This will culminate in the Chief Finance Officer's assessment of the robustness of the budget and adequacy of reserves statement contained within the budget report presented to Executive Board in February.

## 14. **Legal colleague comments**

14.1 The recommendations in the report raise no significant legal issues and are supported. The Council is required to set a balanced budget for 2023/24 by 11

March 2023 and this report is one of the first formal steps to achieving that requirement. The report also approves the requirement to formally consult the public on elements of the budget proposals in accordance with the statutory requirements. Any responses received as a result of the consultation will need to be fully and properly considered.

- 14.2 The Council has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services, and decisions on implementation of policies developed outside the Council.

Malcolm R. Townroe – Director of Legal and Governance – 12 December 2022

15. **Other relevant comments**

7.1 Not applicable.

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

16.1 Not applicable

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

17.1 Not applicable

18. **Regard to the NHS Constitution (If Applicable)**

18.1 Not applicable

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

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

No



An EIA is not required because any decisions relating to the draft budget proposals will be set out in further reports to Executive Board in February 2023 and to the full Council in March 2023. Equality Impact Assessments are being carried out, where appropriate, for all relevant budget proposals and a summary will be provided with these reports.

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

20.1 Not applicable.

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

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

No applicable

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

22.1 None

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

23.1 Budget 2022/23 – 7 March 2022 Full Council

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

23.2 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>

23.3 Financial Reserves Policy – 19 July 2022 Executive Board

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

23.4 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>