

Annex 2

Medium Term Financial Plan (MTFP)

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1. Introduction

- 1.1. The Medium Term Financial Plan (MTFP) aligns with the priorities as set out in the 'Together for Nottingham' plan and the Transformation Programme to support the Council in setting out new ways of working to take it forward and achieve longer term financial sustainability.
- 1.2. The Council is committed to making the changes needed to secure long term financial stability whilst maintaining services to residents. This will be achieved by the prudent management of the Council's finances and the strengthening of its financial resilience through enhanced budget monitoring controls, more effective financial forecasting, a freeze on new borrowing, reducing its debt levels and the effective management of reserves.
- 1.3. 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.

2 Constructing the Medium Term Financial Plan (MTFP)

- 2.1 The General Fund Budget has been balanced over the 4 year period of the MTFP 2023/24 to 2026/27. The development of the MTFP has identified a range of financial pressures including inflation on pay, energy and contracts, together with increased service demand across statutory services like adults and children's social care and homelessness. These have been balanced by identifying deliverable expenditure reductions and income growth. The MTFP comprises a range of budget proposals for income generation and cost savings including Corporate and Directorate proposal together with Transformational initiatives that are programmed to deliver significant cost efficiency and/or demand reduction whilst delivering improved outcomes for citizens, thereby improving value for money.
- 2.2 The successful delivery of Transformation savings is critical to the delivery of the MTFP and maintaining financial balance over the period and strengthening financial resilience. Investment in the delivery of transformational activity has been funded primarily by the application of Flexible Use of Capital receipts in accordance with government regulations. Expenditure on service improvement has been funded by revenue resources. Total investment of **£10.4 million** is planned over the period to deliver revenue savings of **£59.2 million**
- 2.3 The Council's financial resilience has been weakened by the application of **£32.3m** of reserves to meet the costs associated with the failure of Robin Hood Energy and **£40.7m** of repayment paid/ due to be paid to the HRA by the General Fund following the CIPFA

review. The s151 Officer's assessment of the adequacy of revenue reserves has identified a requirement to supplement the Financial Resilience Reserve by **£20.0m** in order to meet the forecast overspend in 2022/23, together with funding for improvement and the establishment of a minimum **£10m** uncommitted balance to deal with unforeseen financial risks and to fund further improvement within the Together for Nottingham Plan during 2023/24. This sum is to be funded through borrowing from earmarked revenue reserves and repaid at the earliest opportunity within the MTFP period. This is a prudent approach but one which presents a significant challenge to the organisation over the coming MTFP period. An unwavering focus upon delivery of agreed savings is essential and will involve difficult decisions for the Council. Inevitably, the annual budget cycle for 2024/25 and future years will present further challenges and financial pressures which will require new plans and proposal for further efficiencies.

- 2.4 The revenue budget and the capital programme are intrinsically linked. The Council's revenue budget currently incurs circa **£50m** of annual principal repayment (MRP) and interest costs in relation to servicing **£888.0m** of external debt (as measured by the Capital Financing Requirement (CFR)). The Council's voluntary debt reduction strategy forecasts that this debt will be reduced to **£798.2m** by the end of the MTFP period. By reducing the amount of revenue budget tied up in debt repayment, the Council will release revenue resources to fund operational services. The Council's investment in its capital programme is reliant upon external grants, contribution and the generation of capital receipts that are realised from the sale of its fixed assets. Given the constraints upon its borrowing through its Voluntary Debt Reduction Strategy, the Council's ability to spend on new projects is critically dependent upon realising new capital receipts from the sale of its assets. A number of planned projects totalling **£22.8m** (see **Annex 7, Appendix C**) have been placed upon a reserve list outside the proposed capital programme that is presented for approval due to a forecast shortfall in available capital receipts over the period of the MTFP. These projects are planned to be reinstated subject to a further pipeline of capital receipts being realised. The Council is in the process of fundamentally reviewing and rationalising its asset portfolio in order realise a substantial pipeline of capital receipts that will fund future investment, transformation and repayment of borrowing.
- 2.5 The aim is to achieve a financially balanced and sustainable General Fund revenue budget, Housing Revenue Account and Capital Programme that support the delivery of the Council's priorities, meet statutory requirements and deliver value for money services to citizens. The impact of this strategy and success in delivering against the voluntary debt reduction policy are positively impacting the financial position of the General Fund over the MTFP period.

3 Funding Overview

- 3.1 The Local Government Finance Settlement confirmed funding for 2023/24 only and therefore significant uncertainty remains with regard to the Council's resources for 2024/25 and beyond. The 'Fair Funding' review previously proposed by the Government is not now expected to be implemented until 2025/26 at the earliest.

Settlement Funding

- 3.2 In the final Local Government Financial Settlement published on 6 February 2023 the Government outlined 2023/24 grant funding. This settlement announcement, alongside the latest business rates projections, reflects a net increase of **£11.2m** in funding above the cash flat assumption in the December 2022 MTFP report to Executive Board.

Settlement Funding is the amount of funding assumed by the Department for Levelling Up, Housing and Communities (DLUHC) to be available to an authority through the estimated business rates share and general grant funding.

Table 1 summarises the total amount of funding assumed by DLUHC to be available to the council through an estimated business rates share and general grant funding (including previous specific grants which have been rolled into it).

Table 1 : Final Funding Settlement 2023/24	
Main Element of Settlement	Final Settlement 2023/24 £m
Revenue Support Grant	29.948
Business Rates Baseline (<i>DLUHC estimate</i>)	64.385
Business Rates Top-up	35.808
TOTAL	130.141

3.3 The Government has assumed a level of retained business rates for Nottingham based on their own projections drawing from the new 2023 business rates revaluation. The baseline figure used in the settlement calculations and included in **Table 1** is **£7.1m** higher than the forecast of retained business rates income as reported to DLUHC in the NNDR1 return and included in the budget. This DLUHC estimate is based the original 2013/14 level assumed when the local retained scheme was introduced, uplifted by multiplier inflation and revaluations. It does not take account of local changes in the underlying tax base.

In the absence of any Government exemplifications of the likely impact of any ‘Fair Funding’ policy reforms the future settlement funding, included in the MTFP from 2024/25 onwards, assumes an unchanged underlying system with projected inflationary increases. Where increases are expected for specific grants listed in **Table 2** these have been projected on the best available data.

The shape and level of future funding remains uncertain and is highly dependent upon the outcomes of the long awaited ‘Fair Funding’ review and any other policy changes with regard to business rates.

3.4 Core Spending Power

Core Spending Power is the Government calculation used to illustrate the overall impact of local authority funding. This includes the Settlement funding, their assessment of Council Tax income and various specific grants. This measure attempts to assess the total resources over which the Council can exercise discretion on how it can spend its funding.

The Government has published that in their assessment Nottingham’s overall core spending power for 2023/24 is **£2,370** per dwelling. This represents an assumed annual increase in core spending power of **9.9%** or **£214** per dwelling in 2023/24 as set out in **Table 2**.

Table 2: Core Spending Power		
Elements of DLUHC Core Spending Power	DLUHC estimates	
	Revised 2022/23 £m	Final 2023/24 £m
Settlement Funding Assessment	123.264	130.141
Compensation for lower BR multiplier (<i>DLUHC estimate</i>)	9.871	17.067
Council Tax requirement (<i>DLUHC estimate</i>)	132.062	139.792
Improved Better Care Fund	16.603	16.603
New Homes Bonus Grant	2.546	1.247
Social Care Support Grant	17.328	27.521
Market Sustainability & Fair Cost of Care Fund	1.046	
ASC Market Sustainability & Improvement Fund		3.630
Lower Tier Services Grant	0.734	
ASC Discharge Fund		2.328
Services Grant	6.658	3.906
Grants rolled in	1.258	
Funding Guarantee		0.000
Total	311.370	342.233

CSP per dwelling	£2,156.68	£2,370.45
Increase		£30.863m
Increase by dwelling		£213.77
Annual % change		9.9%

3.5 Retained Business Rates

With the localisation of Business Rates it is necessary for each authority to estimate the amount of business rates to be collected in 2023/24. The locally retained element of business rates is **50%**, of which the council retains **49%** and **1%** is received by Nottinghamshire and City of Nottingham Fire and Rescue Authority. The monitoring and estimating of Business Rates is a local responsibility and the financial risk due to the volatility within Business Rates (including outstanding appeals) has an impact on the Council's overall funding.

Business Rates are now based on a new 2023 valuation list with the total rateable value of businesses in Nottingham assessed as **£344m** (NNDR1 January 2023). There are currently numerous rating appeals lodged with the Government's Valuation Office in respect of rateable values. Not all of these will be successful either in full or part. The cost of any successful appeals will be met from the monies received, and hence will impact the Council's overall funding. The Council holds an earmarked reserve to provide a degree of protection against such appeals which could otherwise cause in-year budget management issues.

3.6 Top-up

Under the retained Business Rates system any authority, whose Business Rates income is less than their initial baseline funding level, as is the case for Nottingham, will receive the balance as a 'top-up' grant. The City Council will receive **£35.8m** for 2023/24. Other authorities, whose Business Rates income is greater than their initial baseline funding level, pay a tariff. It is the combination of 'tariffs' and 'top-ups' that balances the system nationally.

3.7 Revenue Support Grant (RSG)

Most authorities currently continue to receive RSG from the Government in addition to their retained business rates. The City Council will receive **£29.9m** in 2023/24 representing an increase of **12.2%** or **£3.3m** reflecting a CPI inflationary increase plus the roll-in of previous specific grants.

3.8 Improved Better Care Fund

This grant was initially awarded in 2017/18 with the purpose driving health and social care integration and contributing towards the increased pressure of Adult Social Care needs aiming to reduce pressures in Health and ensure the Social Care market is provided for. The allocation for 2023/24 remains unchanged at **£16.6m**.

3.9 New Homes Bonus (NHB)

The NHB rewards local authorities for increasing the number of new, occupied and affordable homes. The allocation is **£1.2m** for 2023/24 with no legacy payments.

It is assumed in the MTFP that there will be a similar one-off allocation in 2024/25 before the NHB system is discontinued and replaced by a new policy, as previously proposed but still not detailed by the Government.

3.10 Social Care Grant

This grant, which covers both children's and adult's social care, was initially awarded in 2020/21 to upper tier authorities with social care responsibilities. The allocation methodology uses a combination of the Adults Relative Needs Formula (RNF) and an assessment of each Council's ability to raise funds via the social care precept. Once received, authorities have flexibility to apportion this grant between its children's and adult's social care social according to local need.

The announced grant for 2023/24 is **£27.5m** and reflects a significant **£10.2m** increase after the allocation to authorities of previously announced funding for Adult Social Care reform to help address immediate service pressures.

The Government has rolled-in the previous Independent Living Fund into the Social Care Grant. There is therefore an expectation that an element of Social Care Grant is used to support disabled people with high support needs and enable individuals to live independently.

Within the MTFP it has been allocated **£15.2m** to fund the significantly increased children in care pressures seen in recent years, with the remaining **£12.3m** allocated to adult social care to help fund fee rate increases paid to providers and other cost pressures.

3.11 Market Sustainability & Improvement Fund

This grant is new for 2023/24 and replaces the previous 'Market Sustainability & Fair Cost of Care Fund' grant. It is for local authorities to improve adult social care market sustainability and drive wider improvements in their areas. The allocation for Nottingham in 2023/24 is **£3.6m**.

The Government expects this new funding will enable local authorities to make tangible improvements to adult social care and in particular, to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector.

3.12 **ASC Discharge Fund**

This grant is new for 2023/24 and is to be used to maximise access to social care and drive down discharge delays, including fast access to domiciliary care and home-based reablement. The allocation for Nottingham in 2023/24 is **£2.3m**.

The Discharge Fund will be allocated through Better Care Fund with 50% provided to Health & 50% to Local Authorities. BCF Funding is not allocated directly to local authorities but comes via local Integrated Care Boards through a contribution to the Section 75 Pooled Budget which is then managed in partnership between Nottingham and the ICB. Based on the existing pooled funding of **£16.6m** allocated to Nottingham in 2022/23, the estimated amount the Council will receive in 2023/24 will rise to **£18.9m**.

3.13 **Lower Tier Services Grant**

This grant was included in the 2022/23 core spending power to ensure lower tier authorities have a minimum funding floor and the City Council funding in 2022/23. It has been discontinued in 2023/24 and replaced by a funding guarantee. Due to increases in other spending power funding streams Nottingham does not qualify for any funding guarantee resources.

3.14 **Services Grant**

This grant was introduced in 2022/23 for all tiers of local government in recognition of the vital services delivered and the cost pressures being faced. It has been reduced from the previous **£6.7m** to **£3.9m** in 2023/24 reflecting cancellation of the Government's NI levy and repurposing within the settlement system. The MTFP makes a working assumption that this level of funding will continue into 2024/25 and beyond.

Significant Specific Grants outside the Settlement

3.15 A number of other grants are received outside of the key settlement figures. The basis of distribution varies from grant to grant. This budget has again been constructed on the established basis that if specific grant funding reduces then the associated expenditure and activity will reduce accordingly.

3.16 **Improved Better Care Fund**

It has been assumed that for 2023/24 this grant will remain at 2022/23 values. The confirmed allocation for 2022/23 was **£16.6m**.

3.17 **Public Health**

The 2022/23 grant for Nottingham was **£35.5m**, the 2023/24 grant has yet to be confirmed.

3.18 **Local Council Tax Support & Housing Benefit Administration Subsidy Grant**

The 'Local Council Tax Support Subsidy Admin Grant' had been discontinued for 2023/24 and rolled into the Revenue Support Grant. It was previously **£0.6m**.

The MTFP assumes the Council will continue to receive 'Housing Benefit Administration Subsidy Grant' of **£1.3m** in 2023/24 to fund the Council's statutory duty to administer and process Housing Benefit and directly related enquiries.

4 MTFP

4.1 This section provides an update to the MTFP report presented to December 2022 Executive Board to reflect latest assumptions, Government announcements and the final financial settlement.

The December Executive Board MTFP report was prior to the announcement of the financial settlement and included an outstanding 2023/24 budget gap of **£3.2m**, with a cumulative projected surplus of **£8.8m** by 2026/27.

Public consultation commenced on the 20 December 2022 and closed on 25 January 2023. The updated MTFP reflects the final financial settlement and updates following the Council's public consultation.

4.2 Budget Overview and Headlines

The MTFP has been constructed in accordance with all relevant corporate financial protocols, policy-led, risk assessed and reflecting current Council Plan priorities. The key headlines from the 2023/24 budget are:

- 2023/24 net General Fund revenue budget of **£261.8m**;
- Council Tax requirement of **£140.4m**, basic Council Tax increase of **2.99%** and an additional **2.00%** increase for the Adult Social Care precept;
- Total new 2023/24 income and saving proposals of **£28.9m**;
- Assumed contractual inflation of **£15.9m** in 23/24 – predominately driven by fee rates paid to Adults providers and energy/utilities increases;
- Assumed service pressures of **£26.6m** in 2023/24 – predominately driven by homelessness, adult social care and children in care demographics;
- Removal of **£3.4m** past savings now deemed undeliverable in 2023/24 – predominately in Finance & Resources
- Assumed investment of **£4.1m** in 2023/24 for strategic plan commitments and a further **£8.2m** in 2024/25 for potential Adult Social Care reforms;
- Assumed pay inflation of **4.00%** and **£4.5m** additional growth in 2023/24 for a revised pay structure;
- Base budget contribution to the Financial Resilience Reserve of **£3.7m** in 2023/24, to provide for potential risks

4.3 General Fund Revenue Budget

Table 3 summarises the changes required to update the 2022/23 base budget to refresh the starting point for the 2023/24 budget.

Table 3 : Budget Refresh (annual adjustments)						
Budget Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m	Table(s)
Growth items	49.679	12.789	15.832	17.364	95.664	4 & 5
Base / Technical	16.384	1.873	(0.621)	0.012	17.649	7 & 8
Previously Agreed Savings	(7.997)	(6.976)	(3.936)	(0.809)	(19.717)	9 & 10
Total	58.066	7.686	11.276	16.568	93.596	

Budget assumptions are refreshed on an ongoing basis to reflect the Council's latest understanding in relation to inflation, corporate adjustments, previous budget proposals and emerging pressures/overspend risks.

4.4 Growth items

Table 4 below provides a summary of pressures by category. Growth items continue to be a significant driver in increasing the budget gap and are mostly driven by pay, fee rates paid to Adults providers and energy/utilities increases.

Table 4 : Growth Items by Category (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Pay Inflation	19.061	8.158	7.231	5.003	39.453
Pension Deficit / Strain	(1.415)	(1.140)	(1.253)	0.000	(3.808)
Contractual Inflation	15.888	6.775	6.770	6.733	36.165
Pressures	26.557	5.751	4.377	12.513	49.198
Unachievable Savings	3.387	(1.160)	0.000	0.000	2.227
Investments	4.122	8.165	0.000	0.000	12.287
Grants / Contributions	(17.922)	(13.760)	(1.293)	(6.884)	(39.859)
Total	49.679	12.789	15.832	17.364	95.664

Table 5 below provides a summary of pressures by budgeted Directorate.

Table 5 : Growth Items (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults	3.401	1.483	0.717	0.059	5.659
Children's	7.398	3.998	4.802	2.556	18.755
Education / Schools	1.607	0.120			1.727
Public Health					0.000
Commissioning	1.598				1.598
People	14.005	5.601	5.519	2.615	27.739
Communities, Environment & Resident Services	11.675	2.124	1.651	1.741	17.191
Growth & City Development	10.710	3.913	2.076	8.519	25.218
Finance & Resources	10.602	(1.428)	0.074		9.248
Chief Executive	0.716				0.716
Corporate / Companies	1.971	2.579	6.512	4.489	15.552
Total	49.679	12.789	15.832	17.364	95.664

4.5 Companies

The Council has a range of five companies in its ownership and one owned jointly with others. A number of these companies have experienced trading difficulties mainly arising from the ongoing economic impact of Covid-19 on business models. The MTFP assumes no company returns within the base budgets. Any returns received in-year by companies will be transferred to the Companies earmarked reserves to support financial resilience, this strategy is to ensure that base budgets reflect core Council activity.

The Together for Nottingham plan which is the Recovery and Improvement Plan Refresh 2022 continues to include 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. This has led to the formation of the shareholder unit which is establishing governance The Shareholder Unit (SU) comprises the Shareholder Reps and the SU officers for Commercial, Financial and Governance. The main function of the SU is to embed the LLG code of practice into the Council's ways of working. The team reports into the Commercial Director.

4.6 Pay Inflation

Nottingham City Council is part of the national pay bargaining framework and is bound by national agreements. The draft MTFP assumes pay inflation of:

- 2023/24 **4.0%**
- 2024/25 **4.0%**
- 2025/26 **3.0%**
- 2026/27 **2.0%**

The Council, like many other local authority employers is currently experiencing a challenging recruitment and retention environment. This draft MTFP assumes an additional growth item of **£4.5m** in 2023/24, with a cumulative cost of **£5.3m** over the MTFP period to address these specific challenges.

Table 6 below details the pay inflation assumptions included within the MTFP.

Table 6 : Pay Inflation (annual adjustments)					
Budget Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Previous pay assumption	4.000	4.000	4.000	4.000	16.000
Additional impact of confirmed 22/23 pay award & future assumptions	11.025	4.295	2.542	0.770	18.632
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
Total	19.061	8.158	7.231	5.003	39.453

Pay inflation and revised pay structures budgets will be held corporately until final agreements have been made at which point updated budgets will be allocated to departmental budgets, this is done to aid in year budget monitoring.

Any variations in the final pay award compared to the MTFP assumptions will need to be managed as part of the in-year budget monitoring process.

4.7 Base / Technical Adjustments

Table 7 identifies the base budget and corporate/technical changes included in the MTFP

Base budget changes include:

- removal of 2022/23 rebasing contingency and 2024/25 Children's budget adjustment;
- Adults rebasing - In addition to specific provision for inflation and demographic growth, the 2023/24 budget includes provision of **£5.0m** to address a forecast shortfall in the 2023/24 Adult Social Care Budget arising from existing 2022/23 budget pressures. This has been quantified through a detailed rebase of the Adults budget and reflects unfunded growth in the care budget and the part reversal of in-year budget rebase adjustments which had been duplicated with other budget changes.

The corporate / technical adjustments include anticipated movements in the financing of the capital programme and debt portfolio, movements in reserves and various other changes. Provision has also previously been made in the base budget for the revenue implications of investment schemes within the capital programme.

Specific adjustments included in this MTFP include:

- Treasury Management - continuing profile of previous corporate adjustments and 2022/23 savings;
- Tram PFI - net adjustments reflecting project model, however this is partially 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, 2023/24 was funded from dividends received;
- 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 overall deficit in MTFP;
- IT Development Fund – reverse previous time-limited reduction to reserve contribution originally agreed in 2021/22;
- Earmarked Workforce Reserve – used to fund EMSS redundancy costs.

Table 7 : Base / Technical by Item (annual adjustments)					
Budget Item	2023/24 £m	2024/25 £m	2025/26 £m	2025/26 £m	Cumulative £m
Base budget					
2022/23 rebasing contingency	(1.254)				(1.254)
Children's adjustment		(2.106)			(2.106)
Estimated Adults rebasing	5.018				5.018
Corporate/Technical Adjustments					
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
Remove residual corporate budgets	(1.871)				(1.871)
Earmarked Collection Fund Reserve	13.425	1.615			15.041
Earmarked IT Development Fund Reserve	1.500				1.500
Earmarked Workforce Reserve	(0.245)	0.245			0.000
Total	16.384	1.873	(0.621)	0.012	17.649

Table 8 below provides a summary of the base budget and corporate/technical changes by budgeted Directorate.

Table 8 : Base / Technical (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults	5.018				5.018
Children's		(2.106)			(2.106)
Education / Schools	(0.040)				(0.040)
Public Health					0.000
Commissioning					0.000
People	4.978	(2.106)	0.000	0.000	2.872
Communities, Environment & Resident Services	(0.113)				(0.113)
Growth & City Development	0.065				0.065
Finance & Resources	0.317				0.317
Chief Executive		(0.175)	(0.125)		(0.300)
Corporate / Companies	11.137	4.154	(0.496)	0.012	14.807
Total	16.384	1.873	(0.621)	0.012	17.649

4.8 General Fund Balance

The proposed level of the general fund balance for 2023/24 is **£14.6m**, this represents a **£1.0m** increase on the 2022/23 level and the draft budget assumes a further **£1.0m** p.a. for each year of the MTFP. The level of general reserves is in recognition of the prevailing risks and reductions in the overall corporate budgets which will reduce the Council's in-year budget flexibility. This will result in an increased reliance on Financial Resilience Reserve (FRR) and general fund balance to manage any unforeseen risks which

materialise. Further information is included within **Annex 3** – Financial Reserves Policy and **Annex 10** Robustness of the Budget and Adequacy of Reserves Statement

4.9 Previously Agreed Savings

Table 9 summarises the continuing impact of decisions made in previous budget rounds that are already factored into the MTFP. These mostly reflect the return of post-Covid income and the continued delivery of agreed savings from the initial Transformation Programme.

Table 9 : Previously Agreed Income & Savings by Item (annual adjustments)					
Budget item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Income generation	(2.999)	(1.592)	(0.683)		(5.274)
Directorate savings	0.429	(1.223)	(0.283)		(1.077)
Transformation proposals	(5.426)	(4.161)	(2.970)	(0.809)	(13.366)
Corporate proposals					0.000
Total	(7.997)	(6.976)	(3.936)	(0.809)	(19.717)

Table 10 below provides a summary of the previously agreed income & savings by budgeted Directorate.

Table 10 : Previously Agreed Income & Savings (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults	(0.734)	(1.604)	(0.890)		(3.227)
Children's	(3.733)	(1.669)	(1.999)	(0.809)	(8.210)
Education / Schools	(0.021)				(0.021)
Public Health					0.000
Commissioning					0.000
People	(4.488)	(3.273)	(2.889)	(0.809)	(11.458)
Communities, Environment & Resident Services	(1.295)	(0.210)	(0.412)		(1.917)
Growth & City Development	(0.028)	(1.432)	(0.321)		(1.781)
Finance & Resources	(2.204)	(2.061)	(0.314)		(4.579)
Chief Executive	0.018				0.018
Corporate / Companies					0.000
Total	(7.997)	(6.976)	(3.936)	(0.809)	(19.717)

4.10 Risk Contribution to Financial Resilience Reserve

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.

Table 11 summarises the risk contribution to the Financial Resilience Reserve of **£3.7m** in 2023/24 rising to cumulative **£4.2m** over the 4-year period by responsible Directorate.

Table 11 : Assessed Risk Contribution to Financial Resilience Reserve (annual adjustments)					
Directorate responsible for risk assessment	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults					0.000
Children's	1.018				1.018
Education / Schools					0.000
Public Health					0.000
Commissioning					0.000
People	1.018	0.000	0.000	0.000	1.018
Communities, Environment & Resident Services	0.496	(0.120)			0.376
Growth & City Development	2.194	0.240	0.151	0.242	2.826
Finance & Resources					0.000
Chief Executive					0.000
Corporate / Companies					0.000
Total	3.708	0.120	0.151	0.242	4.220

4.11 New Income and Saving Proposals

The strategy for this current MTFP has been a hybrid approach that delivers business as usual savings as well as transformation savings.

The December 2022 Executive Board outlined new income and saving proposals of **£29.0m** in 2023/24 rising to **£52.8m** in 2026/27. Following Public Consultation the Executive is recommending no changes to the savings and income assumptions included within the December report

This updated MTFP includes new income and saving proposals of **£28.9m** in 2023/24 rising to **£52.7m** in 2026/27, this is due to minor adjustments in profiles and assessed deliverability of proposals.

Table 12 below summarises the total overall value of new income and saving proposals by category.

Table 12 : New Income and Saving Proposals by Category (annual adjustments)					
Category	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Income generation	(2.795)	(0.026)	(0.040)	(0.050)	(2.911)
Directorate savings	(3.078)	(0.369)	(0.200)	0.500	(3.147)
Transformation proposals	(8.770)	(11.264)	(8.240)	(12.313)	(40.587)
Corporate proposals	(14.275)	8.175			(6.100)
Total	(28.918)	(3.483)	(8.480)	(11.863)	(52.745)

Table 13 below summarises the total overall value of new income and saving proposals by budgeted Directorate.

Table 13 : New Income and Saving Proposals by Directorate (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults	(4.122)	(5.150)	(4.674)	(4.364)	(18.310)
Children's	(0.500)	(1.143)		0.500	(1.143)
Education / Schools	(0.941)	(0.246)	(0.040)	(0.050)	(1.277)
Public Health					0.000
Commissioning					0.000
People	(5.563)	(6.538)	(4.714)	(3.914)	(20.729)
Communities, Environment & Resident Services	(2.823)	(0.212)	(0.300)		(3.335)
Growth & City Development	(3.565)	(5.524)	(3.216)	(7.949)	(20.254)
Finance & Resources	(2.628)	0.585	(0.250)		(2.293)
Chief Executive	(0.063)	0.030			(0.033)
Corporate	(14.275)	8.175			(6.100)
Total	(28.918)	(3.483)	(8.480)	(11.863)	(52.745)

4.12 Income Generation

Table 14 below summarises the total value of new income generation proposals by budgeted Directorate. Further details of the proposals are shown within **Appendix 1**.

Table 14 : Income Generation by Directorate (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults	(0.720)				(0.720)
Children's					0.000
Education / Schools	(0.280)	(0.146)	(0.040)	(0.050)	(0.516)
Public Health					0.000
Commissioning					0.000
People	(1.000)	(0.146)	(0.040)	(0.050)	(1.236)
Communities, Environment & Resident Services	(1.201)				(1.201)
Growth & City Development	(0.594)	0.120			(0.474)
Finance & Resources					0.000
Chief Executive					0.000
Corporate / Companies					0.000
Total	(2.795)	(0.026)	(0.040)	(0.050)	(2.911)

4.13 Directorate Savings

Table 15 below summarises the total value of new directorate saving proposals by budgeted Directorate. Further details of the proposals are shown within **Appendix 2**.

Table 15 : Directorate Savings Proposals (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults					0.000
Children's	(0.500)				0.000
Education / Schools	(0.661)	(0.100)			(0.761)
Public Health					0.000
Commissioning					0.000
People	(1.161)	(0.100)	0.000	0.500	(0.761)
Communities, Environment & Resident Services	(0.840)	(0.049)			(0.889)
Growth & City Development	(0.515)		0.050		(0.465)
Finance & Resources	(0.500)	(0.250)	(0.250)		(1.000)
Chief Executive	(0.063)	0.030			(0.033)
Corporate / Companies					0.000
Total	(3.078)	(0.369)	(0.200)	0.500	(3.147)

4.14 Transformation Programme Savings

Annex 5 of this report details the progress on the Transformation Programme which a fundamental element of the Council's improvement journey.

Table 16 below summarises the new Transformation Programme savings included within the MTFP by programme / theme.

Table 16 : New Transformation Proposals by Programme/Theme (annual adjustments)					
Programme/Theme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Children's – Early Help	(0.902)	(1.143)			(2.045)
Community	(0.705)	(0.163)	(0.300)		(1.168)
Adults	(3.402)	(5.150)	(4.674)	(4.364)	(17.590)
Customer Support	(1.879)	0.835			(1.044)
Estates / New Ways of Working	(2.013)	(0.075)			(2.088)
Homelessness	(0.522)	(5.569)	(3.266)	(7.949)	(17.306)
IT/Digital Strategy	(0.249)				(0.249)
Transformation Gross Savings	(9.672)	(11.264)	(8.240)	(12.313)	(41.489)
Children's - associated expenditure	0.902				0.902
Transformation Net Savings	(8.770)	(11.264)	(8.240)	(12.313)	(40.587)

Table 17 below summarises the new Transformation Programme savings by budgeted Directorate. Further details of the proposals are shown within **Appendix 3**

Table 17 : Transformation Proposals (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults	(3.402)	(5.150)	(4.674)	(4.364)	(17.590)
Children's Education / Schools	0.000	(1.143)			(1.143)
Public Health Commissioning					0.000
People	(3.402)	(6.292)	(4.674)	(4.364)	(18.733)
Communities, Environment & Resident Services	(0.783)	(0.163)	(0.300)		(1.246)
Growth & City Development	(2.457)	(5.644)	(3.266)	(7.949)	(19.316)
Finance & Resources	(2.128)	0.835			(1.293)
Chief Executive Corporate / Companies					0.000
Total	(8.770)	(11.264)	(8.240)	(12.313)	(40.587)

4.15 Corporate Proposals

Table 18 below summarises the corporate proposals savings included within the MTFP. Further details of the proposals are shown within **Appendix 4**.

Table 18 : Corporate Proposals (annual adjustments)					
Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Treasury Management - Minimum Revenue Provision	(5.500)	4.500			(1.000)
Treasury Management - Income	(4.000)				(4.000)
Revenue Implications of Capital Schemes Reserve	(1.100)				(1.100)
IT Investment Fund Reserve	(2.675)	2.675			0.000
Moving Traffic Enforcement Reserve	(1.000)	1.000			0.000
Total	(14.275)	8.175	0.000	0.000	(6.100)

4.16 Net Budget

Table 19 shows the combined impact of all the above adjustments on the MTFP net budget projections.

Table 19 : Net Budget (annual adjustments)						
Budget Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m	Table(s)
Budget Refresh	58.066	7.686	11.276	16.568	93.596	3
Risk Contribution to FRR	3.708	0.120	0.151	0.242	4.220	11
Budget gap to address	61.774	7.806	11.427	16.809	97.816	
Income generation	(2.795)	(0.026)	(0.040)	(0.050)	(2.911)	14
Directorate savings	(3.078)	(0.369)	(0.200)	0.500	(3.147)	15
Transformation proposals	(8.770)	(11.264)	(8.240)	(12.313)	(40.587)	16/17
Corporate proposals	(14.275)	8.175			(6.100)	18
Net Budget	32.856	4.322	2.946	4.946	45.071	

4.17 Funding

The City Council's retained 49% share of business rate income, after adjustments for transitional relief and cost of collection, is **£57.3m** in 2023/24, which is **£7.1m** below our Business Rate Baseline as determined by the Government for the purpose of the settlement.

This retained income carries potential volatility risks for the Council in calculating our share of the yield. The major risks and concerns are; the level of successful rating appeals that may be made in the year, the unknown level of bankruptcies and businesses going into administration, the number of empty properties, the number of new properties and the collection rate achievable. The Council is required to make an estimate of the impact of all these, based on limited trend information. The NNDR1 return submitted to DLUHC in January 2023 estimated the net rates payable as **£116.4m** after all reliefs, with **£2.0m** assumed for bad debts (1.7%) and **£4.0m** for appeals (3.4%) leaving total collectible rates for 2023/24 as **£110.4m**.

The Council in 2023/24 expects to receive **£29.6m** section 31 grant which compensates councils for the loss of income, suffered as a result of previously announced changes to the business rates multiplier. The impact of these grants has been included within the budget refresh figures and details are shown in **Table 20** below.

Table 20 : Section 31 Grants (Business Rates)	
Budget Item	2023/24 £m
Multiplier cap	(9.677)
Small business rates relief	(4.248)
Supporting small business relief	(0.287)
Local newspaper	(0.001)
Retail discount relief	(9.095)
Low-carbon heat networks relief	(0.184)
NNDR1 return	(23.492)
Under-indexing of Top-up Grant	(6.100)
Total	(29.591)

Under the current scheme 100% of any business rates uplift in both the Enterprise Zone and the Creative Quarter can be retained and ring-fenced for these areas. No retained uplift for either the Enterprise Zone or the Creative Quarter is expected in 2023/24.

Table 21 sets out the overall funding assumed within the budget.

Table 21 : Funding (annual adjustments)					
Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Retained Business Rates	(0.696)	(4.238)	(1.230)	(1.255)	(7.419)
Top Up Grant	(7.224)	(2.650)	(0.769)	(0.785)	(11.428)
Revenue Support Grant	(3.262)	(2.216)	(0.643)	(0.656)	(6.778)
Council Tax	(8.362)	(7.218)	(3.151)	(3.220)	(21.951)
Collection Fund	(14.638)	(1.615)			(16.254)
Total	(34.183)	(17.938)	(5.794)	(5.916)	(63.830)

4.18 Collection Funds

Statutory regulations require councils to account for annual council tax / business rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any difference between the budgeted net council tax and business rates income and the actual is held on the Council's balance sheet to be distributed in subsequent years

Councils are required to calculate an estimated position of the Collection Fund in January which is used by the precepting authorities in setting its budget for the forthcoming year.

An annual review is undertaken to assess the estimated level of collection, the likely balance of the funds and to advise the precepting authorities (Fire and Police) of their share of any surplus/deficit. This enables them to take this into account in their own budget calculations.

It is currently estimated that there will be a surplus on the council tax collection fund of **£1.7m** with the City Council share of this being **£1.5m**.

It is estimated that there will be a deficit on the business rates collection fund of **£6.3m** with the City Council share of this being **£3.1m**.

Table 22 below shows the Council's Collection Fund position.

Table 22 : Collection Funds (cumulative figures)				
Budget Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Prior year	0.892			
3 year spread (from 2020/21)	0.779			
In-year	(3.133)			
Council Tax Surplus	(1.462)	0.000	0.000	0.000
Prior year	2.458			
3 year spread (from 2020/21)	0.483			
In-year	0.137			
Business Rates Deficit	3.077	0.000	0.000	0.000
Net Position	1.615	0.000	0.000	0.000

Table 23 below shows the annual budget adjustments required to reflect the above position in the MTFP.

Table 23 : Collection Funds (annual figures)					
Budget Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Prior year	0.892	(0.892)			0.000
3 year spread (from 2020/21)		(0.779)			(0.779)
In-year	(0.653)	3.133			2.480
Council Tax Surplus	0.239	1.462	0.000	0.000	1.701
Prior year	0.038	(2.458)			(2.419)
3 year spread (from 2020/21)		(0.483)			(0.483)
In-year	(14.916)	(0.137)			(15.052)
Business Rates Deficit	(14.878)	(3.077)	0.000	0.000	(17.955)
Net Position	(14.638)	(1.615)	0.000	0.000	(16.254)

4.19 Borrowing from Earmarked Reserves

The MTFP, Reserves policy and s151 statement on the Robustness of the budget and Adequacy of Reserves annexes detail the s151 Officer's strategy to replenish the FRR through the temporary repurposing of **£20m** of earmarked revenue reserves that will be repayable at the earliest opportunity within the four year period of the MTFP. This strategy aligns with good financial practice and reflects a prudent approach to rebuild the Council's financial resilience over the period of the MTFP within a challenging environment. It does, however present a significant challenge to the organisation to be unwavering in exercising robust financial management discipline and delivery of planned savings in order to stay on plan. These are to be repaid at the earliest opportunity within the period of the MTFP as set out below and by no later than 31 March 2027.

Table 24 below shows the individual reserves to be temporarily repurposed

Table 24: Earmarked Reserves – amounts for temporary release		
Individual reserve	Reserve Category	£m
St Anns Valley JSC	Private Finance Initiative	0.150
BSF Bigwood & Oakfield PFI	Private Finance Initiative	1.644
Farnborough PFI Project	Private Finance Initiative	1.002
NHS LIFT (Bulwell)	Private Finance Initiative	1.405
NHS Local Imp Finance (LIFT)	Private Finance Initiative	2.596
PFI Life Cycle	Private Finance Initiative	1.078
Street Lighting PFI	Private Finance Initiative	3.190
Sub total		11.066
Southglade Football Pitch Sinking Fund	Asset Maintenance	0.051
Employer Hub Innovation Fund	Local Economy	0.200
Flood Risk Management	Services	0.266
Local Plan	Services	0.201
Broad Marsh CP&BS Lifecycle Sinking Fund	Asset Maintenance	0.200
Collection Fund & Business Rates	Contingency & Risk	5.300
Housing Benefits	Contingency & Risk	1.900
IT Investment Fund	Information Technology	0.816
Total		20.000

Table 25A below shows the proposed repayment schedule for the **£20m** borrowed earmarked reserves.

Table 25A : Repayment to the earmarked Reserves					
Reserve category	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Asset Maintenance		0.251			0.251
Contingency & Risk	1.326	5.874			7.200
Information Technology		0.816			0.816
Local Economy		0.200			0.200
PFI		6.007	4.089	0.969	11.066
Services		0.468			0.468
Total	1.326	13.615	4.089	0.969	20.000

Table 25B below shows above repayment schedule presented as annual MTFP adjustments.

Table 25B : MTFP Annual adjustment to reflect the repayment of Borrowed Reserves (annual figures)					
Reserve category	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Asset Maintenance		0.251	(0.251)		0.000
Contingency & Risk	1.326	4.547	(5.874)		0.000
Information Technology		0.816	(0.816)		0.000
Local Economy		0.200	(0.200)		0.000
PFI		7.334	(3.602)	(3.732)	0.000
Services		0.468	(0.468)		0.000
Total	1.326	13.615	(11.210)	(3.732)	0.000

4.20 **Balancing the MTFP**

The s151 Officer has a legal duty to report to Council on the robustness of estimates and adequacy of reserves and this is contained at **Annex 10**. The s151 Officer's assessment is that the Councils financial resilience is limited in the context of its operating environment and in consideration of the range of financial risks that may manifest over the course of the MTFP. It is necessary to maintain and rebuild this resilience over the period. As part of this assessment the s151 Officer has concluded that the temporary repurposing of **£20.0 million** from earmarked reserves is required in 2023/24 in order to establish an adequate balance on the Financial Resilience Reserve (FRR) to be able to respond and manage unforeseen financial challenges and deliver further improvement in line with the Together for Nottingham Plan. These reserves are to be repaid at the earliest opportunity within the period of the 2023/24+ MTFP.

Table 26 below shows how the MTFP will be balanced over the next 4 years.

Table 26 : Balancing the MTFP (annual figures)					
Budget Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Net Budget	32.856	4.322	2.946	4.946	45.071
Funding	(34.183)	(17.938)	(5.794)	(5.916)	(63.830)
Available MTFP surplus	(1.326)	(13.615)	(2.848)	(0.969)	(18.759)
Borrowed reserve repayment	1.326	13.615	(11.210)	(3.732)	0.000
Available for future growth / contribution to reserves			14.058	4.701	18.759
Balanced MTFP	0.000	0.000	0.000	0.000	0.000

4.21 Council Tax Requirement

Table 27 shows the implications for the proposed level of council tax needing to be levied.

If the final budget is in line with the total figures outlined in this report, the proposed total council tax levied for 2023/24 will be **£140.4m**, equating to a Band D of **£2,052.89** and a Band A of **£1,368.59**. This represents a general increase of **2.99%** and an adult social care precept of **2.00%**.

The draft statutory Band D Council Tax calculation that will form the basis of the March City Council budget report is detailed at **Appendix 5**. Precepts and detailed statutory calculations are still to be finalised.

Table 27 : Amount to be raised by Council Tax in 2023/24	
Budget Item	2023/24 £m
2022/23 Council Tax Requirement	132.062
MTFP increase	8.362
2023/24 Council Tax Requirement	140.424

Tax base	68,403
City Council Band D	£2,052.89

5 Budget summary & Medium Term Financial Plan assumptions

5.1 In examining proposals for the 2023/24 budget, the Council considers both the immediate situation and the longer term outlook and assesses the impact of decisions accordingly.

Current budgets for 2023/24 through to 2026/27 assumes:

- Council tax increases of **4.99%** in 2023/24 (**2.99%** general increase and **2.00%** adult Social care precept) and **4.99%** increase in 2024/25 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.
- 2023/24 council tax base of **68,403** as per January 2023 Executive Board report with assumed future net growth of **100** pa Band D equivalents after student exemptions and various discounts.
- Confirmed settlement funding for 2023/24 only with a future working assumption of projected inflationary increases.
- Future increases in Retained Business Rates and associated section 31 grants reflect only CPI inflation projections with working assumption of nil underlying growth.

- 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.
- In response to the recruitment and retention challenges within the Council a revised pay structure is being proposed. The additional cost of this proposal is **£4.5m** in 2023/24 with a cumulative cost of **£5.3m** over the 4-year period.
- NHB grant for 2023/24 and 2024/25, with no legacy payments, used to support MTFP
- Where national increases are known for specific grants, an estimated future projection has been included based best available information.
- Assume that all other specific grants will continue at their current level for all future years.
- Internal borrowing from earmarked reserves of **£20.0m** to ensure financial resilience in 2023/24. These borrowed from reserves are to be fully repaid over the period of the MTFP and by no later than 31 March 2027.

All these budget assumptions will be subject to on-going review in light of changing circumstances.

5.2 **Table 28** includes the impact of the 2023/24 budget proposals contained elsewhere in this report.

Table 28 : Medium Term Financial Plan				
Budget Item	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Net Budget brought forward	227.649	261.832	279.770	285.564
Budget refresh	58.066	7.686	11.276	16.568
Risk Contribution to FRR	3.708	0.120	0.151	0.242
New income & saving proposals	(28.918)	(3.483)	(8.480)	(11.863)
Repay borrowed reserves	1.326	13.615	(11.210)	(3.732)
Future growth / reserve contribution	0.000	0.000	14.058	4.701
Projected Net Budget	261.832	279.770	285.564	291.479
Retained Business Rates, Top-up & RSG	(123.024)	(132.127)	(134.770)	(137.465)
Council Tax	(140.424)	(147.642)	(150.793)	(154.014)
Collection Fund Deficit	1.615	0.000	0.000	0.000
Assumed Funding	(261.832)	(279.770)	(285.564)	(291.479)
Balanced MTFP	0.000	0.000	0.000	0.000

5.3 **Table 29** summarises the projected annual changes to Directorate net budgets at the time of writing this report. These figures will be updated as further directorate budget reviews are conducted, cross-cutting Transformation projects and pay figures are reallocated in the future to the appropriate directorate budgets.

Table 29 : Projected Net Budget changes (annual adjustments)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Cumulative £m
Adults	3.563	(5.271)	(4.847)	(4.305)	(10.860)
Children's	3.165	(0.920)	2.803	2.247	7.296
Education / Schools	0.607	(0.126)	(0.040)	(0.050)	0.391
Public Health					0.000
Commissioning	1.598				1.598
People	8.933	(6.316)	(2.084)	(2.108)	(1.575)
Communities, Environment & Resident Services	7.444	1.702	0.939	1.741	11.827
Growth & City Development	7.181	(3.043)	(1.461)	0.570	3.247
Finance & Resources	6.087	(2.904)	(0.490)		2.693
Chief Executive	0.671	(0.145)	(0.125)		0.401
Corporate / Companies	3.867	28.643	9.015	5.713	47.238
Net Budget Changes	34.183	17.938	5.794	5.916	63.830
Funding Changes	(34.183)	(17.938)	(5.794)	(5.916)	(63.830)
Balanced MTFP	0.000	0.000	0.000	0.000	0.000

5.4 **Table 30** summarises the projected Directorate net budgets based on all the above annual MTFP changes.

Table 30 : Projected Net Budget (cumulative figures)					
Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Adults	84.271	87.834	82.564	77.716	73.412
Children's	66.309	69.474	68.555	71.358	73.605
Education / Schools	2.563	3.170	3.044	3.004	2.954
Public Health	0.000	0.000	0.000	0.000	0.000
Commissioning	1.225	2.822	2.822	2.822	2.822
People	154.369	163.301	156.985	154.901	152.793
Communities, Environment & Resident Services	43.726	51.170	52.872	53.811	55.552
Growth & City Development	(5.195)	1.985	(1.057)	(2.518)	(1.949)
Finance & Resources	21.549	27.636	24.732	24.242	24.242
Chief Executive	1.744	2.415	2.270	2.145	2.145
Corporate / Companies	11.457	15.324	43.967	52.982	58.695
Projected Net Budget	227.649	261.832	279.770	285.564	291.479

Retained Business Rates, Top-up & RSG	(111.841)	(123.024)	(132.127)	(134.770)	(137.465)
Council Tax	(132.062)	(140.424)	(147.642)	(150.793)	(154.014)
Collection Fund Deficit	16.254	1.615			
Assumed Funding	(227.649)	(261.832)	(279.770)	(285.564)	(291.479)

Balanced MTFP	0.000	0.000	0.000	0.000	0.000
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6 Financial Stability & the Management of Risk

- 6.1 The Council's strategy is to have financial stability and ensure that our financial pressures are known, understood and well managed. The Chief Finance Officer (CFO) advises on this using best practice and professional experience.
- 6.2 Under sections 25-27 of the Local Government Act 2003 (part II), the CFO is required to formally report to councillors on the robustness of the budget estimates and the adequacy of the City Council's financial reserves.
- 6.3 A corporate financial risk assessment has been undertaken to determine key risks and their impact on the budget. This ensures that adequate overall corporate budgetary provision is available to cover for unforeseen future events. This approach is embedded within the budget process and is used to inform the level of reserves required. Details appear in **Annex 10**.
- 6.4 The Council's financial reserves policy is **Annex 3** of this report.

7 Accountability

- 7.1 Portfolio Holders and the Corporate Leadership Team are expected to deliver the City's policies and priorities within the resources made available to them.
- 7.2 A critical element to achieve long term financial sustainability is to ensure savings proposals included within the budget are delivered. To support this objective the S151 Officer has introduced a process whereby all savings and growth items require sign-off from the relevant Corporate Director and Accountable Officers and reviewed by Finance Business Partners. These will then be reviewed as part of the in-year budget monitoring process with Budget Review meetings where Corporate Directors and Portfolio Holders will report progress.
- 7.3 In addition to the Budget Review process, regular monitoring of budgets will continue to take place at various management levels within the Council, including at monthly reports to CLT, Leadership and Executive Panel and reported quarterly to Executive Board. This is particularly important in highlighting areas of budget pressures as early as possible in the process to enable management action to take place.
- 7.4 The City Council recognises the importance of individual and collective accountability and requires managers acknowledge their responsibilities to deliver services on time, to the required standard and within budget, and to implement any savings and investment allocated to their areas. In recognition that financial management is an integral aspect of effective leadership and good management, relevant councillors and managers are required to participate fully in all aspects of financial processes.

8 Nottingham City Council Tax Strategy and Policy

Year Ended 31 March 2024

Introduction

- 8.1 The purpose of this document is to set out the Council's (comprising the Council and its subsidiary companies) policy and approach to conducting its tax affairs and dealing with tax risk. Organisations and groups with an annual turnover of £200m per annum are legally required to publish a tax strategy, for organisations with a lower turnover although not statutorily required to do so the adoption of a tax strategy is considered to be good practice. This document draws on the Council's current approach to Tax administration and follows best practice in the sector and beyond.
- 8.2 The document is approved by Executive Board and is effective for the tax year following approval. The strategy is reviewed annually by the Council's Section 151 Officer and any amendments will be approved by Executive Board.

This document addresses the Council's:

- a) Approach to risk management and governance arrangements;
- b) Attitude towards tax planning;
- c) Level of acceptable risk in relation to UK taxation;
- d) Approach to dealings with HM Revenue & Customs.

Tax Policy

- 8.3 In line with the Council's commitment to adhere to the best ethical and professional standards, the Council commits to conduct its tax affairs in order to:-
- a) Comply with all relevant tax laws, rules, regulations and reporting requirements wherever it operates;
 - b) Ensure that the tax strategy is at all times consistent with the overall strategy, approach to risk and values of the Council;
 - c) Apply diligence and care to the management of risks associated with tax matters, and ensure that governance and assurance procedures are appropriate;
 - d) Foster constructive, professional and transparent relationships with tax authorities, based on integrity, collaboration and mutual trust;
 - e) The Council will use incentives and reliefs to minimise the tax costs of conducting its activities. The Council will not enter into transactions that have a main purpose of gaining a tax advantage or intentionally make interpretations of tax law that are opposed to the original intention of the legislation.

Risk Management and Governance

- 8.4 In accordance with the Council's Constitution, the Audit Committee has oversight of the governance of Council Affairs. The Council prepares an Annual Governance Statement in

accordance with the Accounts and Audit (England) Regulations 2015 which is considered annually by the Audit Committee alongside the Statement of Accounts. The Council has adopted a Governance Framework that is consistent with the 2016 CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

- 8.5 Authority is delegated to officers for the day-to day operation of the Council's affairs in accordance with an agreed schedule of delegation. As head of paid service the Chief Executive is ultimately accountable to the Council for all aspects of operational management of Council affairs.
- 8.6 The Monitoring Officer and Section 151 Officer fulfil key roles in ensuring that the Council complies with all applicable statutes and regulations and maintains appropriate financial records and systems of control. The operational application of these roles is delegated to other officers within the Council establishment.
- 8.7 Personnel managing the Council's tax affairs are appropriately qualified and experienced; they are required to update their knowledge through Continuing Professional Development and liaising with colleagues within the sector through appropriate forums and informally to ensure that best practice is maintained.
- 8.8 When it is judged to be required the Council seeks advice from appropriately qualified external advisers.
- 8.9 The Council adopts appropriate risk management processes and controls to provide assurance that the Council is complying with the requirements of applicable statutes and the Tax Strategy. This includes consideration of reputational risk arising from the Council's approach to tax.

Attitude to Tax Planning

- 8.10 The Council's policy in relation to tax is to comply with its legal duty to account for and pay all tax due and recover all tax to which it is entitled.
- 8.11 The Council will use available incentives and reliefs to minimise the tax costs of conducting its activities, thereby retaining more funds available to maintain the delivery of services to citizens.
- 8.12 The Council aims to pay the amounts of tax legally due. There are likely to be circumstances where this amount may not be clearly defined, or where alternative interpretations or approaches might result in different tax outcomes. In these circumstances, the Council will use its best judgement to determine the appropriate course of action. This will usually involve seeking advice from external professional advisers and/or HMRC.
- 8.13 The Council will not enter into transactions that have a main purpose of gaining a tax advantage or intentionally make interpretations of tax law that are opposed to the original intentions of the legislation.

Level of Acceptable Risk

- 8.14 In accordance with generally accepted best practice, The Council's appetite to risk is determined on an activity basis such that risks are taken in a controlled manner within the overall governance framework set by Council with a generally cautious approach to risk.

8.15 The Section 151 Officer will determine the degree of risk in any activity, consulting colleagues, members of Council and external advisers as appropriate.

Relationship with HM Revenue & Customs

8.16 It is the Council's intention to have constructive, professional and transparent relationships with tax authorities, based on concepts of integrity, collaboration and mutual trust. The Council's aim is to meet all its statutory and legislative tax requirements.

As part of this, personnel managing the Council's tax affairs will:

- Submit all statutorily required returns and payments in accordance with deadlines and respond to requests for information by tax authorities in a courteous and timely manner
- Conduct all dealings with tax authorities with openness and honesty, maintaining the Council's standard policies on integrity and ethics.
- Engage in open and early dialogue to discuss tax planning, strategy, risks and significant transactions
- Aim to minimise the risk of future challenge and gain certainty in our tax affairs by proactively entering into dialogue with HMRC in real time with regard to issues where the correct treatment is uncertain.
- Where disagreements arise, work together to resolve issues by agreement (where possible)
- Respond to Consultations as appropriate, either directly with HMRC or via appropriate representative groups.

Bodies covered by this Strategy

8.17 The following bodies are covered by this strategy:

Nottingham City Council
Nottingham City Homes
Nottingham City Transport
Nottingham Ice Centre Limited
Nottingham Futures
Nottingham Revenues & Benefits
Blue Print

Appendix 5 - draft statutory calculations of 2023/24 Band D Council Tax

Extract from draft City Council Recommendations

2.1 (3) a council tax requirement of **£140,423,835** including the calculations required by Sections 30 to 36 of the Local Government Finance Act 1992 (“the Act”), as set out below:

- (a) **£tbd** being the aggregate of the expenditure, allowances, reserves and amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;
- (b) **£tbd** being the aggregate of the income and amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act;
- (c) **£140,423,835** being the amount by which the aggregate at **2.1(3)(a)** above exceeds the aggregate at **2.1(3)(b)** above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year;
- (4) a City Council Band D basic amount of council tax for 2023/24 of **£2,052.89** being the amount at **2.1(3)(c)** divided by the amount at **2.2(3)** below, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year

2.2 the following be noted:

- (1) a Nottinghamshire and City of Nottingham Fire and Rescue Authority precept at Band D for 2023/24 of **£87.06 (TBC)**
- (2) a Nottinghamshire Police and Crime Commissioner precept at Band D for 2022/23 of **£269.19**
- (3) in January 2023, the City Council calculated the amount of **68,403** as its council tax base for the year 2023/24 in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

Background

The legislation governing the setting of council tax is contained in the Act. Section 31B(1) requires a billing authority to calculate the basic amount of its council tax, which in the City Council’s case is that applicable to Band D dwellings in its area.

The calculation is made in accordance with a formula **R/T**

R is the amount calculated by the City Council as its council tax requirement for 2023/24, calculated in accordance with section 31A(4) of the Act. The Executive Board as its meeting on 21 February 2023 determined the council tax requirement to be **£140,423,835**.

T is the amount calculated by the City Council as its council tax base for 2023/24. In January 2023 the City Council calculated the amount of **68,403** as its council tax base for the year 2023/24 in accordance with Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

This tax base assumed the retention of the current Council Tax Support Scheme for financial year 2023/24, having regard to the Public Sector Equality Duty and noting that local circumstances have not changed sufficiently to warrant changes.

Application of the formula R/T thus gives a basic amount of council tax of:

$$\frac{\mathbf{£140,423,835}}{\mathbf{68,403}} = \mathbf{£2,052.89}$$

for a Band D property in accordance with Section 31B(1) of the Act.

Application of the formula specified in section 36 of the Act gives the following basic amount of council tax for each valuation band:

Band	Factor	Basic amount of council tax
A	6/9	£1,368.59
B	7/9	£1,596.69
C	8/9	£1,824.79
D	9/9	£2,052.89
E	11/9	£2,509.09
F	13/9	£2,965.29
G	15/9	£3,421.48
H	18/9	£4,105.78

It should be noted that, for the financial year 2023/24, the Nottinghamshire Police and Crime Commissioner has issued the following amounts in precepts in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£179.46	£209.37	£239.28	£269.19	£329.01	£388.83	£448.65	£538.38

It should also be noted that, for the financial year 2023/24, the Nottinghamshire and City of Nottingham Fire and Rescue Authority has issued the following amounts in precepts in accordance with Section 40 of the Act for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£58.04	£67.71	£77.39	£87.06	£106.41	£125.75	£145.10	£174.12

The City Council, as billing authority, is required under section 30 of the Act to set council taxes for its area. In the City Council's case these will represent the aggregate of the City Council's basic amount of council taxes and the precepts of the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire and City of Nottingham Fire and Rescue Authority as shown above

The impact of the proposals in the council tax is provided below:

Band	City Council £	Police & Crime Commissioner £	Fire & Rescue Authority £	Aggregate Council Tax £
A	£1,368.59	£179.46	£58.04	£1,606.09
B	£1,596.69	£209.37	£67.71	£1,873.77
C	£1,824.79	£239.28	£77.39	£2,141.46
D	£2,052.89	£269.19	£87.06	£2,409.14
E	£2,509.09	£329.01	£106.41	£2,944.51
F	£2,965.29	£388.83	£125.75	£3,479.87
G	£3,421.48	£448.65	£145.10	£4,015.23
H	£4,105.78	£538.38	£174.12	£4,818.28