Executive Board – 18 July 2023

Subject:	Period 2 2023/24 Budget Monitoring
Corporate Director(s)/Director(s):	Ross Brown, Corporate Director Finance and Resources, S151 Officer
Portfolio Holder(s):	Councillor Audra Wynter, Deputy Leader and Portfolio Holder for Finance and HR
Report author and contact details:	Shabana Kausar, Director of Finance and Deputy S151 Officer Fiona Marsh, Interim Team Leader Strategic Finance
Other colleagues who have provided input:	• Corporate Leadership Team • Colleagues within Technical, Strategic and Commercial Finance Teams

Subject to call-in: ☐ Yes ☒ No The report does not contain any decisions that are eligible for call-in

Key Decision: ☐Yes ☒ No
Criteria for Key Decision:
(a) ☐ Expenditure ☐ Income ☐ Savings of £750,000 or more taking account of the overall impact of the decision
and/or
(b) Significant impact on communities living or working in two or more wards in the City
☐ Yes ☐ No

Type of expenditure: ☒ Revenue ☒ Capital
If Capital, provide the date considered by Capital Board
Date: 10 May 2023 (Capital Period 2 position only)

Total value of the decision:

Wards affected: All

Date of consultation with Portfolio Holder(s):

Relevant Council Plan Key Outcome:

Green, Clean and Connected Communities	☒
Keeping Nottingham Working	☒
Carbon Neutral by 2028	☒
Safer Nottingham	☒
Child-Friendly Nottingham	☒
Living Well in our Communities	☒
Keeping Nottingham Moving	☒
Improve the City Centre	☒
Better Housing	☒
Serving People Well	☒

Summary of issues (including benefits to citizens/service users):

This report provides an assessment of the Council’s 2023/24 forecast outturn position for the General Fund revenue account, Capital Programme and the Housing Revenue Account (HRA) based on activity to the end of the Period 2 (31 May 2023).

The 2023/24 net General Fund budget approved by Council was £261.8m. At the end Period 2 General Fund is forecasting an overspend of £25.9m (9%). The key drivers of this significant forecast variances are summarised below:

- People are forecasting a net pressure of £14.536m of which;
- £7.1m relates to Adults largely driven by external care placement costs.
- £6.9m relates to Children’s mainly due to demand pressures relating to Children in Care placements.
- £0.5m relates to Education which includes a gross pressure of c£1m relating to Special Education Need and Disabilities transport costs.

- Communities Environment and Resident Services are forecasting a net overspend of £1.273m mainly due to a combination of unachievable income and budget pressure in Community Safety and Logistics and Markets.
- Growth and City Development are forecasting a net pressure of £2.946m mainly due to a combination of revenue impact of expenditure no longer qualifying for capitalisation, increase demand and increased cost of using Bed and Breakfast accommodation in temporary accommodation.
- Finance and Resources are reporting a net overspend of £2.9m largely driven by a combination of previous budget savings and historic structural budget issues.
- Corporate £4.2m pressure is largely due to the pay award overspend of £9.7m based on the current national pay offer to the unions, which is offset by (£5.9m) underspend in Treasury Management relating to investment income.

The Council is committed to delivering its services within the approved budget and officers are pursuing mitigating actions to control expenditure within the approved budget. The net overspend is largely driven by inflationary and cost of living pressures, most notably resulting from the national public sector pay settlement which is above the original budgetary provision due to inflationary drivers. In response to the projected overspend the S151 Officer has introduced a series of spending controls for the remainder of 2023/24.

It should be noted that any actual overspend at the end of 2023/24 would need to be funded from the council's General Fund reserves and therefore it is necessary for the Council to pursue all corrective actions to minimise the use of reserves, in light of the impact this will have on Council's financial resilience for both 2023/24 and the medium term.

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

Recommendation(s):

1 To note the forecast outturn of £287.7m on the General Fund Revenue budget at Table 1 which is a forecast overspend of £25.9m (9.0%)

2 To note the forecast outturn underspend on the HRA of £7.3m (6.2%) against the budget of £117.9m set out in section 6

1. Reasons for recommendations

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

1.2 Throughout the report budget pressures are shown as a positive number, whilst any underspends are shown as a negative number.

1.3 The General Fund (section 3) revenue outturn forecast at Period 2 is £387.7m against an approved budget of £261.8m, an overspend of £25.9m (9.0%). Summary of key variances is set out in Table 1 and explained at paragraph 3.4.

1.4 The Period 2 forecast for the HRA (section 6) is an underspend of (£7.3m) (6.2%) against a gross budget of £117.9m. Should the (£7.3m) underspend be realised at year-end, this will be added to the HRA General Reserve balance.

2. Background (including outcomes of consultation)

2.1 Further work continues to be undertaken to robustly test forecasts in the context of the in-year actual position being reported. Corporate Leadership Team are exploring potential measures by way of developing directorate mitigation plans to address the forecasted overspend. Progress of these will be reported through the bi-monthly budget monitoring process and will form part of the overall financial management strategy to help deliver a balanced position for 2023/24.

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

2.3 The consequence of an actual overspend for 2023/24 will be a drawdown on the Financial Resilience Reserve (FRR). There has been a thorough review of reserves and potential calls on the FRR. The potential calls plus the forecast overspend for 2023/24 exceed the current draft balance on the FRR.

2.4 Further review of reserves will be undertaken to identify other balances that can be released in the event of any overspend not being fully met from mitigating actions. In view of the Council potentially using reserves for another year to balance its in-year budget potentially signals towards lack of financial sustainability and lack of financial grip.

3. 2023/24 General Fund Revenue Forecast

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

3.2 The year to date actuals are temporarily distorted by the reversal of accruals made in 2022/3 which create a credit in 2023/24 against which to match expenditure as invoices are processed in order that the expenditure is charged back to 2022/23 correctly. These will clear as invoices are processed to show a nil impact of 2023/24. This is an area of focus for quarter 1 reporting as it is reasonable to expect that by the end of quarter 1, invoices for all legitimate accruals for goods, works and services delivered by 31 March should have been paid.

3.3 Table 1 below summaries the net General Fund overspend of £25.9m (9.0%) below.

Table 1: 2023/24 General Fund Revenue Outturn Forecast Summary as at Period 2

Directorate	Original Budget £m	Current Budget £m	Year to Date Actuals (Period 2) £m	Period 2 forecast £m	Forecast under(-) / over(+) spend (Period 2) £m
Adults	88.069	88.071	22.236	95.157	**7.086**
Children's	66.851	66.466	12.340	73.394	**6.928**
Education	3.170	3.179	6.756	3.642	**0.463**
Commissioning	2.417	2.327	0.242	2.387	**0.060**
Schools	0.000	0.000	(17.448)	0.000	**0.000**
Public Health	0.000	0.000	(16.388)	0.000	**0.000**
subtotal: People	160.507	160.043	7.738	174.580	**14.537**
Communities Environment and Resident Services	51.575	51.875	(17.254)	53.148	**1.273**
Growth & City Development	1.750	1.564	(7.164)	4.510	**2.946**
Finance & Resources	30.030	30.070	7.278	32.935	**2.865**
Chief Executive	2.645	3.181	1.392	3.280	**0.099**
Total Departments	**246.507**	**246.733**	**(8.010)**	**268.453**	**21.720**
Corporate	14.852	14.626	(8.111)	18.800	**4.174**
Companies	0.473	0.473	0.000	0.473	**0.000**
Total	**261.832**	**261.832**	**(16.121)**	**287.726**	**25.894**

3.4 Explanations for the significant pressures and underspends are set out below.

People

3.5 Overall, the People directorate is reporting a net budget pressure of £14.537m which is largely due to the following:

a) **Adults** service is reporting a significant budget pressure of **£7.086m** which is mainly due to;

- **£5.9m** net overspend on **External Care Purchasing** includes **£6.8m** ongoing impact of care placement (cost and volume) pressures identified as part of the 2022/23 outturn and non-delivery of savings (section 4), offset by additional Better Care Fund (BCF) funding following the annual health funding increase **(£0.9m)** and a reduction in other health and client income of **£0.020m**.
- **£0.9m** net overspend across the **Assessment and Care Management** service is primarily due to externally delivered reviews of which £0.429m is partly proposed to be funded by Market Sustainability Fund held in other adult social care services.
- **(£0.9m)** net underspend across **In House Care Services** is primarily due to a **(£1.0m)** Market Sustainability Fund growth funding for social care held elsewhere and **£0.2m** other cost pressures relating to staffing and utilities (particularly gas) where the budget virements have yet to be actioned.
- **£1.2m** net overspend across **Other Adult Social Care Services** which is mainly driven by the **£1.0m** market sustainability fund spending relating to be funded from underspend currently reported elsewhere.

b) **Children's** service is reporting a significant budget pressure of **£6.928m** largely due to:

- **£6.6m** net overspend across **Children in Care** due to;
    - External Provision net pressure of **£8.8m** is due to a combination of caseload and costs, particularly the demand exceeding budgeted forecast within external residential and independent fostering agency.
    - Underspend of **(£1.4m)** largely due to Unaccompanied Asylum Seeking Children (UASC) income which is offsetting eligible cost pressures within external provision.
    - **(£0.6m)** underspend across Internal Provision is largely due to lower levels of utilisation within internal fostering than budgeted forecast.
    - **(£0.2m)** underspend relating to staff vacancies within the new Fostering Support Team as a result of recruitment delays.
- **£0.8m** net overspend across **First Response** is largely due to a net staffing pressure of £0.6m in the Emergency and Duty Team with remaining pressure relating to cost of agency staff.
- **£1.3m** net overspend in **Children's Social Care Directorate** is largely driven by the following:
    - **£1.6m** non-delivery of approved transformation programme savings (section 4).
    - **(£0.2m**) underspend is relating to retention payments for social workers.
    - **(£0.1m)** other net variances.

c) **Education £0.5m overspend** largely due to:
- **£1.3m** net overspend across **Education Partnerships** of which **£1.1m** relates to pressure on Special Education Needs and Disability **(SEND) transport**.
- **(£0.4m)** net underspend across **School Improvement** is mainly due to staff vacancies in Access to Learning (£0.2m) and combination of other net variances.

- **(£0.4m)** other net underspends across Educational Psychologists, Behaviour Support Team, Inclusive Education Service, Directorate Support and Early Years.

Community, Environment and Resident Services

3.6 Overall, the Community, Environment and Resident Services directorate is reporting a net budget pressure of £1.273m which is largely due to the following:

- **£0.8m Community Safety and Logistics** is mainly relating to **£0.5m** a net pressure primarily relating to **Crime and Drugs Partnership** historic budget issues, as identified in the 2022/23 outturn. Further work will be required in-year to review options for a viable delivery model for the partnership.
- **£0.7m Markets** net overspend is primarily driven by the following:
  - £0.6m Victoria Indoor Market budget pressure due to a combination of income shortfall and unbudgeted service charges.
  - £0.3m Neighbourhood Markets relating to income shortfall, partly due to historical unachievable targets. The main areas of overspend are Bulwell £0.137m (lower occupancy), Colwick Car Boot £0.083m (lack of investment in site making alternative car boots more attractive), and Clifton £0.041m (lower occupancy). Mitigating measures are in place such as only essential expenditure taking place.
  - (£0.2m) underspend relating to staff vacancies.
- (**£0.1m)** underspend across **Community Protection** relating to a combination of net variances across Environmental Heath & Licensing (£0.1m) and Operations PR&C (£0.2m) offset by an overspend change for Community Safety & Logistics £0.3m
- **(£0.2m)** underspend across **Neighbourhood Services** due to a combination of net variance across Depots (£0.1m), Cemeteries & Crematoria (£0.1m) and Waste Management (£0.1m) offset by an overspend on Fleet of £0.2m.
- **£0.1m** overspend across **Sport & Culture** due to a combination of:
  - £0.3m net pressure across Museums mainly relating to the Castle site holding costs.
  - (£0.1m) Improved post pandemic position for Theatre Royal & Concert Hall.
  - (£0.1m) Libraries underspend due to a combination of recruitment delays and delays in Sherwood Library development.

Growth and City Development

3.7 Overall, the Growth and City Development directorate is reporting a net overspend of £2.946m which is largely due to the following:

- **£1.1m** net overspend relating to **Traffic Safety** which is driven by a combination of:
  - £0.6m revenue income shortfall driven by the year-end review of capital recharges which has identified non-qualifying expenditure.
  - £0.2m reduced income from inspections due to staff shortages reducing the ability to undertake the required inspections.
  - £0.3m relating to additional staffing costs due to use of agency staff and additional maintenance costs.
- **£0.3m** net overspend on **Building Control** driven by a combination of additional costs of employing agency staff and reduced levels of income.

- **£0.5m** net overspend on **Workplace Charge/Consultancy** due to a combination of the effect of PwC rebasing reducing the in-year budget and a consultancy income shortfall due to reduced demand from other local authority income.
- **£0.8m** net overspend on **Housing** in relation to increased temporary accommodation demand and increased cost of using Bed & Breakfast accommodation.
- **£0.3m** net overspend on **Facilities Management and Building Services** due to impact of the PwC rebasing from 2022/23, being reviewed in-year to identify mitigations.

Finance and Resources

3.8 Finance and Resources directorate is reporting a net overspend of £2.865m which is largely relating to:

- **£1.6m** net overspend across **Customer Access** largely due to £1.8m of transformation unallocated salary saving forecasted being at risk. Officers are currently undertaking further analysis to allocate savings to the correct budget areas.
- **£0.5m** net overspend across Legal and Governance is primarily due to budget pressure relating to historic unachievable income targets (£0.4m) relating to capital recharges, HRA and other sources.
- **£0.5m** net overspend across **Revenue and Benefits** is mainly due to business rates court cost income shortfall due to recovery activity only recently being recommenced. Actual activity and fees are not known until year-end therefore making it difficult to estimate and influence during the year. This is off-set by a combination of staff vacancies housing benefit admin grant.
- **£0.4m** net overspend across **Procurement** is mainly due to non-delivery of transformation programme savings. Due to the current financial climate, especially high inflation and interest rates is proving delivery of the saving target difficult, as existing providers are looking to increase prices, whilst other companies are not bidding due to the financial uncertainty of the market.
- **(£0.7m)** net underspend across **Human Resources** mainly relates to staff vacancies due to delays in recruitment, with (£0.3m) net underspend in Leadership & Executive expected to offset transformation savings pressure in Customer Services following saving review in period 3.

Chief Executive

3.9 Chief Executive Directorate is reporting a small net underspend of (£0.099m).

Corporate

3.10 Corporate budgets is reporting a net overspend of £4.174m which is largely driven by a combination of:

- £9.7mm budget pressure relating to pay award estimate based on the current national offer to the unions.
- (£5.9m) underspend on Treasury Management relating to additional investment income estimated on cash balances held due to the increase in interest rates.

3.11 As set out above, Corporate Directors will seeking to take mitigating actions to contain expenditure within the approved budget and to improve budget management and data quality with the support of the finance team to improve the robustness of financial management arrangements and the financial forecast. Where pressures cannot be contained within a single department, the Corporate Leadership Team will explore and agree immediate actions to manage within the overall approved General Fund Budget.

3.12 The Corporate Leadership Team have in principle agreed spending measures controls to address in year financial pressures. The aim being to support change in the directorate spending behaviours and to mitigate the impact of financial pressures in the short term. The spending control measure proposals aim to identify all non essential, non pay spend that can be reduced or eliminated.

4. Savings

4.1 The total savings approved by Executive Board for 2023/24 and future years is £72.462m of which savings profiled for 2023/24 are £36.915m:

Table 2: Approved General Fund Savings

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

Transformation Programme

4.2 The transformation programme is now in its second year of delivery with MTFP gross savings to be delivered in 2023/24 of £15.671m in addition to the gross savings target of £1.765m set in 2022/23. Since setting the budget, there have been some directorate savings now captured within the transformation programme Outline Business Cases (and other minor presentational changes. A reclassification exercise is required to recognise these savings within the transformation programme and therefore for P2 the transformation programme will be reported based on the MTFP approved gross savings for consistency and alignment of the reporting contained within the savings tracker. It is also noted that some savings classified as transformation savings in the MTFP could be deemed departmental savings without requiring any transformational activity but is practical to expand the programme to enable the directorate to have complete oversight of their budgeted approved savings.

Table 3: Transformation Programme Approved Savings						
	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Gross Savings per Annex 5 MTFP 2023/24	2.135	16.378	18.819	11.488	13.122	61.942
Remove Procurement – Non-GF revenue	(0.370)	(0.707)	(0.497)	(0.278)	0.000	(1.852)
Gross Savings per MTFP 2023/24	**1.765**	**15.671**	**18.322**	**11.210**	**13.122**	**60.090**

4.3 The next table provides a position statement on the 2023/24 transformation savings. The savings are all categorised as transformation savings within the MTFP, however, the table has been split to reflect the savings where transformation are currently leading and those currently led by the service. Within the £15.671m of savings, £9.672m relates to new projects, all at various stages of delivery including Outline Business Case development. This is contributing to a significant level of savings at risk until further clarity on project timescales, deliverables and due diligence of benefits realisation and budget monitoring is completed. An updated position is expected during July 2023 once remaining Outline Business Cases have been drafted.

4.4 To support the successful delivery of the transformation programme, Directors as Senior Responsible Officer (SRO) and the programme leads working with colleagues are reviewing options to ensure that savings are delivered during 2023/24. Some of the savings at risk could be mitigated through departmental actions and acceleration or changes to existing and new projects. This is in alignment to the actions being taken to address the P2 2023/24 budget monitoring forecast.

Table 4: 2023/24 Transformation Programme Savings						
Programme	**Gross Saving (£m)**	**% On Track or Delivered**	**Blue - Delivered (£m)**	**Green - On Track (£m)**	**Amber - At Risk (£m)**	**Red - Non-Delivery (£m)**
Transformation led						
Adults	4.062	28.80%	0.047	1.170	0.000	2.845
Children's	3.018	0.00%	0.000	0.000	1.718	1.300
Customer	3.538	25.44%	0.000	0.900	2.638	0.000
Procurement	0.662	0.00%	0.000	0.000	0.000	0.662
Corporate Landlord	0.735	0.00%	0.660	0.000	0.075	0.000
Homelessness	0.522	0.00%	0.000	0.000	0.000	0.522
Subtotal 2023/24 Transformation Led Savings	**12.537**	**16.51%**	**0.707**	**2.070**	**4.431**	**5.329**
% of programme			**5.64%**	**16.51%**	**35.34%**	**42.51%**
Currently led by service						
Children's - Early Help	0.902	33.26%	0.000	0.300	0.000	0.602
Community	0.705	9.93%	0.135	0.070	0.000	0.500
Finance & Resources - IT	0.249	0.00%	0.000	0.000	0.000	0.249
Estates/New Ways of Working - OBC	1.278	0.00%	0.000	0.000	0.100	1.178
Subtotal 2023/24 Service-led Savings	**3.134**	**11.81%**	**0.135**	**0.370**	**0.100**	**2.529**
% of programme			**4.31%**	**11.81%**	**3.19%**	**80.70%**
Transformation savings 2023/24	**15.671**	**15.57%**	**0.842**	**2.440**	**4.531**	**7.858**
% of programme overall			**5.37%**	**15.57%**	**28.91%**	**50.14%**

Red Savings which are having difficulty achieving delivery plan milestones or there are other reasons to believe they are unlikely to deliver on time. E.g. Where there is no hard evidence of delivery, unsure of how the saving will happen or how the proposal will be achieved or there is a known problem preventing on time delivery.

Amber Savings which are yet to be delivered and substantial risks to achievement may exist. E.g. There is some progress towards delivery but not enough to be classified as green as yet. Potentially project delivered but insufficient evidence of saving being achieved as yet.

Green Savings that are expected to be delivered but risks to achievement may exist. E.g. Change delivered and expected to deliver savings (but dependant on demand etc).

Blue Savings that have been delivered. E.g. Saving delivered (e.g. restructure completed so certain to deliver unless there is another conscious change).

4.5 Whilst the programme is experiencing challenges in delivering savings, there is examples of really positive actions to manage demand and changes in working practices that can be demonstrated and shared through the established programme boards within Adults and Children's services. The challenge is ensuring the outcomes deliver cashable savings.

4.6 The transformation programme is funded through a blended mix of capital receipts (subject to meeting qualification criteria to capitalise cost), the transformation reserve for spend that must be met from revenue and Children Services revenue budget. In 2023/24, it is estimated that £10.620m investment will be required to deliver the transformation programme.

Table 5 – Transformation Funding	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Approved as part of the Capital Budget (Annex 7 MTFP)	9.824	6.649	1.973	0.000	18.446
Transformation funded by Children Services Base budget	0.036	1.030	0.275	0.502	1.843
Transformation Investment (Annex 5 MTFP)	**9.860**	**7.679**	**2.248**	**0.502**	**20.289**
Outturn 2022/23 and forecast May 2023 (Estimates and Commitments) Funded from capital receipts	8.236	8.239	1.907	0.000	18.382
Updates - re-profiling on capital programme	**(1.588)**	**1.590**	**(0.066)**	**0.000**	**(0.064)**

4.7 At the time of preparing this report, due diligence is continuing to confirm decisions, estimates and commitments on investment to support the delivery of the savings programme and ensuring that there are sufficient transformation reserves to meet any costs that do not meet the qualification criteria for capitalisation.

4.8 Whilst individual programmes manage their own risks at project level, there remains material risks that could compromise the overall transformation programme. All risks have been reviewed with appropriate mitigation actions to minimise the risk materialising. These are summarised as:

a) Deliverability of savings contained within the MTFP. Whilst the programme is still reporting a £12.389m red and amber savings, work is still ongoing within projects to seek solutions to remedy and forecast saving shortfalls

b) General Fund savings – risk of savings being identified as grant, income, capital etc and therefore cannot be recognised as a General Fund revenue saving
c) Investment is not sufficient to deliver projects (time, resources, investment not fully identified for third party requirements)
d) Investment does not meet the qualifying criteria for capitalisation and / or insufficient reserves to meet non-capital expenditure
e) Transformation enablers such as IT, workforce changes and decision making
f) Lack of clarity on fully understanding budget savings and benefits realisation and the resultant impact on General Fund budgets
g) Maximising cashable savings versus non-cashable savings including the opportunity to convert non-cashable to cashable savings

5. Housing Revenue Account (HRA)

5.1 The forecast for the HRA at Period 2 2023/24 is an underspend of £7.3m. The gross annual budget is £117.9m. This underspend represents a variance of 6.19%.

5.2 The underspend is mainly driven by a combination of the following key factors:

- (£4.8m) increase income received from interest on cash balances. The unusual circumstances of high interest rates and increased HRA reserves due to repayments made by the General Fund have caused this variance.
- (£1.2m) underspend relating to interest payable as a result of forecast on borrowing within HRA being lower than the budget.
- Recharges from the General Fund were recalculated during 2022/23 to reflect the service provided. The apportionments being based on clear evidence. These recostings were completed in time for the compilation of year-end accounts, but not early enough to inform the budget setting process.

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

Table 6: 2023/24 HRA Forecast as at Period 2

Activity	Original Budget £m	Current Budget £m	Year to Date Actuals (Period 2) £m	Period 2 forecast £m	Forecast under(-) / over(+) spend (Period 2) £m
Rental Income	(104.742)	(104.742)	(0.276)	(104.742)	0.000
Service Charges & Other Income	(13.140)	(13.140)	(0.103)	(17.970)	(4.830)
Total Income	**(117.882)**	**(117.882)**	**(0.380)**	**(122.711)**	**(4.830)**
Repairs & Maintenance	30.176	29.515	5.247	29.325	(0.190)
Management Costs	34.605	35.265	5.210	34.180	(1.085)
Capital Charges	52.502	52.502	0.000	51.314	(1.188)
Direct Revenue Financing	0.600	0.600	0.000	0.600	0.000
Total Expenditure	**117.883**	**117.882**	**10.457**	**115.419**	**(2.463)**
Total HRA	**0.000**	**0.000**	**10.077**	**(7.292)**	**(7.293)**

6. **Capital**

Capital Programme Overview

6.1 This section of the report provides an update on the Council's 2022/23 Capital Programme performance together with a forecast over the approved capital programme period 2023/24 to 2026/27.

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

6.3 As part of the 2022/23 outturn exercise was undertaken to reprofile current approved budget feeding into the period 2 position.

General Fund – Capital Programme

6.4 In March 2023, Full Council approved a 2023/24 Capital Programme including planned schemes of £230.2m. As reported in the 'Provisional Financial Outturn 2022/23", in the same meeting as this report General Fund capital budget for 2023/24 has been revised to £311.3m.

6.5 Set out below are the additions / adjustments to the General Fund capital programme budget that have taken place between April and May which increased the 2023/24 budget to £324.5m:

- £51.9m of schemes previously classified as 'Planned Schemes' have been now formally been approved and included within the approved Capital Programme, this movement doesn't affect the total Capital Programme or forecasted funding.
- £18.3m Social Housing Decarbonisation – Wave 2 Grant awarded to the Midland Net Zero Hub (MNZH) has been formally approved and added to the Capital Programme.
- (£5.0m) The MNZH project that was reallocated from Planned Schemes included an element of revenue grant which has been removed from the Capital Programme during Period 2.

Table 7: General Fund Capital Programme Budget Movements						
Department & Directorate	Original Budget (February Executive Board)	Budget Adjustments Reported 2022/23 Outturn	Revised Budget 2023/24	Movements between Planned & Approved Projects	Additions to Budget	P2 Latest Approved Budget 2023/24
	£m	£m	£m	£m	£m	£m
Adult Services	3.035	0.026	3.061	0.000	0.000	3.061
Children's Services	0.078	(0.078)	0.000	0.000	0.000	0.000
Education	1.547	0.469	2.016	1.150	0.000	3.166
subtotal: People	4.660	0.417	5.077	1.150	0.000	6.227
Communities, Environment & Resident Services	21.860	100.549	122.409	50.718	18.276	191.403
Growth & City Development	134.203	(21.468)	112.735	0.000	0.000	112.735
Finance & Resources	1.503	(0.120)	1.383	0.000	0.000	1.383
Transformation	6.649	1.587	8.236	0.000	0.000	8.236
Subtotal - Approved	**168.875**	**80.965**	**249.840**	**51.868**	**18.276**	**319.984**
Planned Schemes	61.356	0.058	61.414	(51.868)	(4.999)	4.547
Total	**230.231**	**81.023**	**311.254**	**0.000**	**13.277**	**324.531**

6.6 To Period 2 actual expenditure in the General Fund Capital Programme is £7.1m, which represents circa 2% of the full year forecast.

6.7 Based on the latest capital spend forecasts, table 8 below illustrates the impact of these forecasts on the associated funding profile from the Amended P0 Budget as well as the overall requirement across each financing component for the period 2023/24 - 2026/27.

Table 8: General Fund Capital Programme Funding Forecast Period 2						
Department	2023/24 Amended Budget Funding	2023/24	Variance	2024/25	2025/26-2026/27	Total
	£m	£m	£m	£m	£m	£m
Original Budget (Feb)		230.231		130.327	31.680	**392.238**
Outturn 22/23 Slippage		47.249		13.626	13.350	**74.225**
Midlands Net Zero Hub Movements		33.774		0.000	0.000	**33.774**
Amended Outturn Budget		**311.254**		**143.953**	**45.030**	**500.237**
Additions		13.277		27.715	0.000	**40.992**
Capital Budget and Forecast P2		**324.531**		**171.668**	**45.030**	**541.229**
Funding						
Prudential Borrowing	(3.261)	(3.261)	0.000	(2.838)	(0.311)	**(6.410)**
Grants (exc. MNZH)	(125.954)	(128.484)	(2.530)	(53.811)	(38.930)	**(221.225)**
Grants (MNZH - Only)	(148.757)	(159.503)	(10.746)	(108.964)	0.000	**(268.467)**
Revenue Resources	(8.562)	(8.562)	0.000	(3.129)	(4.038)	**(15.729)**
Capital Receipts - Capital Programme	(16.484)	(16.485)	(0.001)	(1.019)	(1.751)	**(19.255)**
Capital Receipts - Transformation	(8.236)	(8.236)	0.000	(1.907)	0.000	**(10.143)**
Total Funding	**(311.254)**	**(324.531)**	**(13.277)**	**(171.668)**	**(45.030)**	**(541.229)**

Housing Revenue Account (HRA) – Capital Programme

6.8 The original capital programme approved by Full Council in March 2023, agreed a programme totalling £83.7m for 2023-24 and a total programme across all years 2023-2027 of £269.2m. Since that approval, the Council revised the Programme to take account of the 2022-23 capital outturn position in relation to slippage and revised profiling, resulting in an amended capital programme budget for 2023-24 of £75.2m at 1 April 23.

6.9 During Periods 1 and 2 the HRA Capital Programme has not had any new approvals or schemes reallocation from the planned section of the Capital Programme to approved. Due to the review undertaken in Period 1 and Period 2 of the Capital Programme taking account of any impact of slippage the current forecast within the Amended P0 Budget the current forecast is unchanged as detailed in Table 9 below.

Table 9: HRA Capital Programme Funding Forecast Period 2							
Department	**2023/24 Amended P0 Budget Funding £m**	**2023/24 £m**	**Variance £m**		**2024/25 £m**	**2025/26-2026/27 £m**	**Total £m**
Original Budget		*83.651*			*55.559*	*71.329*	***210.539***
Outturn 22/23 Slippage		*(8.477)*			*10.737*	*4.934*	***7.194***
Amended P0 Budget		75.174			66.296	76.263	**217.733**
Capital Forecast P2		**75.174**			**66.296**	**76.263**	**217.733**
Funding							
Prudential Borrowing	(11.916)	(11.916)	0.000		(6.129)	(0.217)	**(18.262)**
Grants & Contributions	(5.751)	(5.751)	0.000		(0.037)	0.000	**(5.788)**
Internal / Major Repairs Reserve	(40.589)	(40.589)	0.000		(49.158)	(74.812)	**(164.559)**
Capital Receipts – HRA	(3.405)	(3.405)	0.000		(1.969)	(0.470)	**(5.844)**
Capital Receipts – RtB	(13.513)	(13.513)	0.000		(9.003)	(0.764)	**(23.280)**
Total Funding	**(75.174)**	**(75.174)**	**0.000**		**(66.296)**	**(76.263)**	**(217.733)**

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

7.1 Not applicable.

8. **Consideration of Risk**

8.1 The S151 Officer is required to provide his statutory advice to Council on the robustness of the budget estimates and adequacy of reserves. As such an assurance was provided to Full Council that at the time it set the 2023/24 budget it had been reasonably based on the best available information and assumptions.

9. **Best Value considerations**

9.1 To ensure we are delivering continuous service improvement and good outcomes for citizens the Council will embed a culture of Best Value Transformation across all our services and work together as 'One Council'.

9.2 Encompassing Best Value Transformation alongside the 'Together for Nottingham Plan' and a refreshed MTFP the 'One Council' approach will enable us to work on a more stable financial footing.

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

9.4 At the conclusion of this process the Council's published reports will clearly set out how it plans to meet its Best Value requirement to demonstrate the continued financial sustainability of services to its communities over the longer term.

10. Finance colleague comments

10.1 Financial implications appear throughout the report.

11. Legal colleague comments

11.1 As the report only contains recommendations for noting there are no significant legal issues to be considered at this stage.

Malcolm R. Townroe – Director of Legal and Governance – 7 July 2023

12. Procurement comments

12.1 Not applicable

13. Crime and Disorder Implications

13.1 Not applicable

14. Social value considerations

14.1 Not applicable

15. Regard to the NHS Constitution

15.1 Not applicable

16. Equality Impact Assessment (EIA)

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

No ☒

An EIA is not required because any decisions relating to the eventual draft MTFP proposals will be set out in further reports to Executive Boards in November 2023 and February 2024, and also to Full Council in February 2024.

17. Data Protection Impact Assessment (DPIA)

17.1 Not applicable.

18. Carbon Impact Assessment (CIA)

18.1 No applicable

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

19.1 None

20. Published documents referred to in this report

20.1 Medium Term Financial Plan 2023/24 to 2026/27 – 21 February Executive Board
https://committee.nottinghamcity.gov.uk/documents/s142996/Medium%20Term%20Financial%20Plan%20202324%20to%20202627.pdf

20.2 Budget 2023/24 – 6 March City Council
https://committee.nottinghamcity.gov.uk/documents/s144342/Budget%20202324.pdf