

Executive Board – 18 July 2023

Subject:	Budget Strategy and Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2027/28
Corporate Director(s)/Director(s):	Ross Brown, Corporate Director for Finance and Resources
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 (Deputy s151) shabana.kausar@nottinghamcity.gov.uk Ian Fair, Senior Accountant – MTFP & Corporate Funding ian.fair@nottinghamcity.gov.uk
Other colleagues who have provided input:	Corporate Leadership Team Colleagues within Technical, Strategic and Commercial Finance Teams Colleagues within Transformation
Subject to call-in: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The report does not contain any decisions that are eligible for call in	
Key Decision: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Criteria for Key Decision:	
(a) <input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No	
Type of expenditure: <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date:	
Total value of the decision: Nil	
Wards affected: All	
Date of consultation with Portfolio Holder(s): 29/6/23	
Relevant Council Plan Key Outcome:	
Clean and Connected Communities	<input checked="" type="checkbox"/>
Keeping Nottingham Working	<input checked="" type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input checked="" type="checkbox"/>
Child-Friendly Nottingham	<input checked="" type="checkbox"/>
Healthy and Inclusive	<input checked="" type="checkbox"/>
Keeping Nottingham Moving	<input checked="" type="checkbox"/>
Improve the City Centre	<input checked="" type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Financial Stability	<input checked="" type="checkbox"/>
Serving People Well	<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
The Council in March 2023 approved a balanced 4-year Medium Term Financial Plan (MTFP) based on the best available information at the time. However, the financial environment within which the Council is operating is constantly evolving and its budget strategy and planning process needs to be accordingly refreshed to ensure it continues to meet its Best Value requirement to demonstrate continued financial sustainability.	
This report represents the first stage in the Council's annual budget planning process, provides an early update on its projected financial position and seeks endorsement for the proposed budget strategy to ensure a continued balanced MTFP for 2024/25 to 2027/28.	

The initial General Fund revenue gap of **£50.9m**, as set out in this report, is an initial assessment of the likely scale of financial challenges the Council is facing for 2024/25.

The proposed budget strategy and process will continue to further review this refreshed position and will identify appropriate consultation proposals to balance the 2024/25 Budget with a further report setting out a robust draft MTFP presented to Executive Board in November 2023.

Does this report contain any information that is exempt from publication?

No

Recommendation(s):

- 1** To note the increase in the forecast budget gap for 2024/25 of **£50.9m** with an indicative cumulative budget gap of **£58.7m** over the 4-year MTFP period (section 5).
- 2** To agree that Corporate Leadership Team (CLT) prepare detailed plans and budget proposals in accordance with the Council's priorities and proposed budget strategy (section 4), taking into account emerging funding and expenditure information.
- 3** To note the budget preparation timetable (section 7) and that proposals will be brought back to Executive Board for approval in November as part of a draft MTFP and Consultation report.

1. Reasons for recommendations

- 1.1 The Council continues to face significant budget pressures and uncertainty, including the continuing level of support from Central Government over the medium term. Additionally due to increased demand for services, the long-term impact of COVID-19 and the current backdrop of economic uncertainty and inflation, council services continue to operate in a challenging environment.
- 1.2 This report is part of the Council's continuing budget setting and business planning processes and builds on the previous MTFP position recommended by Executive Board in February 2023 and approved by Council on 6 March 2023.
- 1.3 This report sets out the updated MTFP projections and proposed budget strategy for 2024/25 to 2027/28 so that officers can prepare detailed proposals for Member consideration as part of the annual budget-setting cycle in line with the timetable in section 7.
- 1.4 The overarching objective of our budget strategy is to set a priority-led budget over the medium term that is balanced and realistic; and supported by achievable saving plans. However, it must be recognised that meeting the significant budget gaps as that set out in this report will mean transforming the way we deliver services and doing some things differently.
- 1.5 To achieve this we will adopt a **One Council** approach alongside local people and our partners to deliver the outcomes in the **Together for Nottingham Plan** based upon a sustainable financial position.

2. Background (including outcomes of consultation)

- 2.1 The Council made significant investment in service areas as part of the 2023/24 budget process but continues to face significant budget pressures in future years

and uncertainty, including the continuing level of support from Central Government over the medium term. Additionally due to an 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 and energy prices, council services continue to operate in a challenging resource environment where small demand change can lead to material budget variances.

- 2.2 This report is part of the Council's budget setting and business planning process. The Budget Strategy and Medium-Term Financial Plan (MTFP) was approved by Full Council in March 2023.
- 2.3 This report now seeks approval of the updated MTFP assumptions for 2024/25 to 2027/28 so that officers can prepare detailed budget proposals for Member consideration as part of the annual budget-setting cycle in line with the timetable in section 7.
- 2.4 The overarching objective of the MTFP is to set a priority-led budget over the medium term that is balanced and realistic; and supported by achievable savings plans. However, it must be recognised that significant budget gaps such as that set out in this report could severely curtail the ability of the Council to deliver service levels in line with those currently provided.
- 2.5 The Council will continue to consider the necessary funding requirements for delivering its priorities as part of the annual financial strategy and budget process.
- 2.6 **2023/24 Budget and Medium Term Financial Plan (MTFP) 2023/24 to 2026/27**
- 2.6.1 The MTFP, covering the 4-year period 2023/24 to 2026/27, was approved by Executive and Full Council in February and March 2023 respectively endorsing a savings requirement of **c£72m** over the MTFP period, of which **c£20m** was approved in previous budget process. It reflects the impacts of central government funding decisions, analysis of advice and information from relevant organisations and the effects of the national and local economic context. It provides a robust financial framework to support achievement of the Council's overall objectives and delivery of services.
- 2.6.2 **Table 1** below summarises the MTFP forecasts for 2023/24 to 2026/27 as approved by Full Council in March 2023.

Table 1: 2023/24 to 2026/27 MTFP Summary approved by Council in March 2023 (incremental)				
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
Pay Inflation / Pension	17.646	7.018	5.978	5.003
Contractual Inflation	16.312	6.852	6.939	7.284
Inflation subtotal	33.958	13.870	12.917	12.287
Demographic / Service Pressures	26.133	3.568	4.208	11.961
Non-delivery / Rephased Savings	3.387	(1.160)	0.000	0.000
Investments (new service plans)	4.122	8.165	0.000	0.000
Service Growth Subtotal	33.642	10.574	4.208	11.961
Income & Saving Proposals	(36.915)	(10.459)	(12.416)	(12.672)
Technical Adjustments including service rebase	1.083	0.934	(0.673)	0.053
Grants & Contributions	(17.922)	(13.760)	(1.293)	(6.884)
Risk Contribution to Financial Resilience Reserve	3.708	0.120	0.151	0.242
Projected Net Budget	245.205	263.110	282.663	290.550
Borrowed Reserves Repayment	1.326	13.615	(11.210)	(3.732)
Other Reserves	15.301	3.045	0.052	(0.041)
Reserves subtotal	16.627	16.660	(11.157)	(3.772)
Future growth / reserve contribution	0.000	0.000	14.058	4.701
Projected Net Budget including reserves	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)
Budget Gap (+) / Surplus (-)	0.000	0.000	0.000	0.000

Source: Report to Full Council Meeting in March 2023 'Medium Term Financial Plan 2023/24 to 2026/27 – Annex 2'

3. Financial Context

3.1 Spring 2023 Budget Statement

3.1.1 On 15 March 2023, the Chancellor of the Exchequer presented the Spring 2023 budget statement aimed at delivering five Government priorities announced by the Prime Minister on 4 January 2023:

1. Halving inflation by end of the year.
2. Growing the economy and creating better-paid jobs.
3. Reducing national debt.
4. Cutting NHS waiting lists.
5. Passing new laws to stop small boats.

3.1.2 Set out below are the key announcements relevant to Local Government from the statement. Some of this funding would be available to the Council either directly or through a bidding process.

1. Business Rates reform

- Response to consultations published:
 - *Business Rates Review technical consultation*
Detail on how business rates reform will be delivered, including a six-month window for challenges following the 2026 revaluation, with the intention to reduce this to three months following the 2029 and subsequent revaluations.
 - *Digitalising Business Rates (DBR) programme consultation*

A reduction in scope, new legislation and an integrated system for ratepayers to interact with central government.

- New consultations business rates consultations confirmed:
 - *The Valuation Office Agency to consult on providing ratepayers with more information on valuations.*
 - *Measures to combat business rates avoidance and evasion.*
- The Government intends to expand 100% retention to more areas in the next Parliament.

2. Housing

- A new discounted PWLB policy margin will support local authorities borrowing for the Housing Revenue Accounts (HRA) and the delivery of social housing.
- The Department for Levelling Up, Housing and Communities (DLUHC) launched call for evidence from English planning authorities on 12 April 2023 with regards to locally led nutrient neutrality credit schemes.

3. Infrastructure

- An additional £200m will be distributed across English local authorities (excluding London and Isle of Sicily) to finance pot-hole repairs.
- £8.8bn committed for a second round of City Region Sustainable Transport Settlements for English city regions, covering 2027/28 to 2031/32.

4. Levelling Up and Devolution

- 12 new Investment Zones programme, 8 of which are in England with access to interventions of £80m over five years, to be created in agreed Mayoral Combined Authority areas (none in London).
- Central support for Local Enterprise Partnerships (LEPs) to be withdrawn from April 2024 with LEP functions delivered by local government. DLUHC and Department for Business and Trade to consultation expected by the summer.
- Third round of the Levelling Up Fund announced.
- Rollout of new Levelling Up Partnerships, providing £400m to provide bespoke place-based regeneration in 20 of England's areas over 2023/24 and 2024/25.
- £211m will be available for 16 high quality regeneration projects.
- £58m will be invested in three levelling up capital projects in the Northwest of England.
- £161m was set out for City and Metropolitan Regeneration Projects to fund high-value capital projects, intended for Mayoral Combined Authorities and the Greater London Authority.
- 30 additional projects to be funded from the existing £150m Community Ownership Fund.

5. Early Years, Children and Young Adults

- £4.1bn to fund 30 hours of free childcare for every child over the age of 9 months to introduced in stages to 2025.
- For nurseries offering free childcare, funding will be raised to £204m in September and rise to £288m the following year.
- A cash incentive of £600 (startup grants) for new childminders, rising to £1,200 for those who register with Ofsted or a childminder agency.
- Staff-to-child ratios to be changed from 1:4 to 1:5 for two-year-olds to align with comparable countries, future consultation on further measures to improve flexibility for providers.

- From 1 September 2024, councils will receive funding to extend wraparound childcare provision between 8am and 6pm in schools with national scheme to roll out over academic years 2024/25 and 2025/26.
6. Employment and Welfare
- Employment package focused on: the long-term sick and disabled; welfare recipients and the unemployed; older workers and parents.
 - A new apprenticeship-style programme, called 'returnerships' to encourage those over the age of 50 to learn new skills and return to work.
 - Additional £3m over the next two years to pilot an expansion of the Supported Internships to young people entitled to Special Educational Needs support but who do not have an Education Health and Care Plan.
 - £8.1m to be made available over each of the next two years, expanding the Staying Close programme to half of local authorities by March 2025 supporting young people leaving residential care into employment.
 - The Youth Offer will be extended until April 2028, supporting young people who are not in education, employment or training to look for work, expanding to young people on UC who are not currently searching for work, including young parents and carers.
7. Other
- Government has reiterated its commitment to bringing forward wider proposals to improve Local Government Finance in the next Parliament.
 - New Swimming Pool Support Fund of £63m will be made available to help public leisure centres and public swimming pools with immediate cost pressures and investment in energy efficiency measures.
 - Local Government Pension Scheme (LGPS):
 - A forthcoming consultation will propose LGPS funds transfer all listed assets into pools by March 2025 and set the direction for the future. This may include moving towards a smaller number of pools to optimise benefits of scale.
 - The Government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364bn of LGPS assets into long-term productive assets.
 - £100m to support charities and community organisations in England targeted at those organisations most vulnerable to higher delivery cost of services or who are seeing increased demand from vulnerable groups.
 - Landfill Tax:
 - Response to the Landfill Tax consultation to be published in due course following further engagement.
 - A grant scheme to be developed for public bodies in England to fund costs of Landfill Tax, where such costs are acting as a barrier to the remediation and redevelopment of contaminated land.

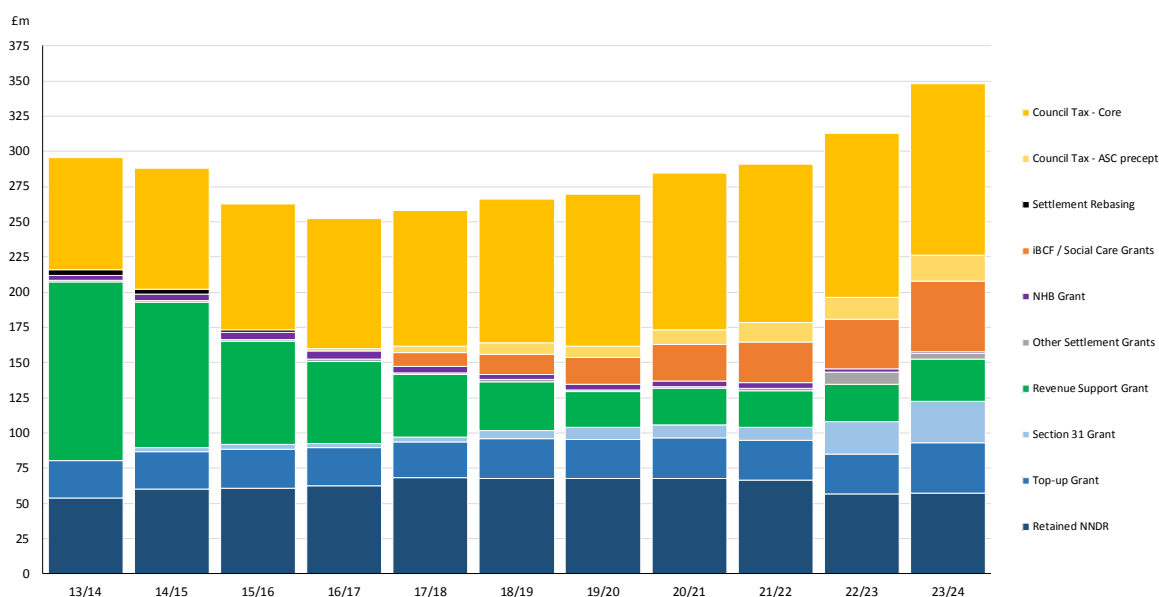
3.2 Local Government Finance Settlements

- 3.2.1 On 6 February 2023 DLUHC published final figures for only the 2023/24 settlement with an indication that the future settlement for 2024/25 will broadly follow the same principles. This lack of clarity regarding multi-year settlements makes budget planning, particularly in the current environment unnecessarily complex and challenging.

3.2.2 The balance of overall funding has altered in recent years with a greater proportion coming from Council Tax and specific Social Care funding with significantly less coming from Revenue Support Grant (RSG). Whilst the RSG received by Nottingham has reduced by **£97m** (or **76%**) between 2013/14 and 2023/24, the overall 'Core Spending Power' measure as utilised by DLUHC has increased by **£52m** (or **18%**).

3.2.3 This is reflected in the chart below which shows funding for 2013/14 to 2023/24 using the 'Core Spending Power'. This approach encompasses locally retained business rates income and top-up, council tax along with RSG and other grants i.e. social care, services grant, new homes bonus and compensation for business rates reliefs/under-indexing to give an overall indication of the funding available to the authority.

Chart 1: Illustrative Core Spending Power



3.2.4 It should be noted there a number of long-standing funding issues that remain unresolved by central government:

- Details and revised timeline of the 'Fair Funding Review' and Business Rates baseline reset.
- Impact of Business Rates Revaluations.
- Future of the New Homes Bonus grant scheme.
- Long-term funding arrangements for Social Care beyond those detailed in the last Government Spending Review.
- Arrangements for Council Tax and future of the Social Care Precept.

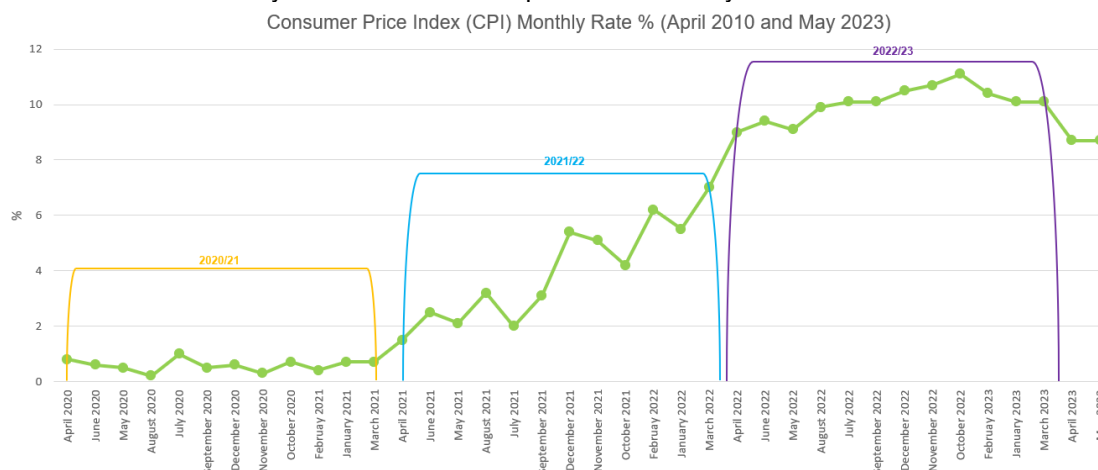
3.3 Inflation

3.3.1 Currently inflation stands at **8.7%** (Consumer Price Index (CPI) May 2023) which is **6.7%** above the Bank of England inflation target rate of **2%**. Although current inflation rate is lower than October 2022 when it peaked at **11.1%**, the highest rate since the last 40 years, it continues to be very high. Current inflation has defied predictions of a slowdown by the end of the year, which has led to Bank of England raising interest rates for the 13th time in a row. The Office for Budget

Responsibility had forecasted inflation to reduce during 2023 with CPI expected to be at **1.5%** by Q1 of 2024. As a result of inflation remaining high it is hard to predict with any certainty the economic impact on council services and therefore on the MTFP.

3.3.2 The chart below shows the monthly movement in inflation over the last 3 years since April 2020.

Chart 2: CPI Monthly increase between April 2020 and May 2023



Source: Office for National Statistics CPI Data Tables (May 2023)

3.3.3 The on-going high inflation combined with the cost-of-living crisis and high energy prices have significantly impacted both the local and national economy. Below is list of service areas or contracts which continue to be impacted by the economic context. In many cases the increases in prices are exacerbated by increases in demand due both to demographic changes, government policy changes and the cost-of-living crisis.

- Social care (adults and children) – expect increased costs in relation to higher fees to care providers to offset their rising costs. This is made worse by continued demographic demand pressures and market capacity including shortages in both the labour and placement markets.
- Home to school transport – cost increases driven by rising fuel prices and increases in demographic growth.
- Construction - the soaring cost of construction materials and labour shortages means the viability of capital projects is at risk and will impact both the General Fund and Housing Revenue Account (HRA) programmes.
- Private sector rental market/ homelessness/ loss of housing benefit subsidy – the availability of affordable private rented properties and the impact of the cost-of-living crisis on households and landlords (repayment of mortgages) could lead to increased homelessness caseload requiring temporary accommodation and use of bed and breakfast. If the Local Housing Allowance does not rise in line with inflation this could impact council budgets due to the differential between the rent income from housing benefits and cost of property lease in relation to temporary accommodation.

- e) Pay inflation – as part of the annual pay award review in February 2023 the National Joint Committee (NJC) put forward a counteroffer to unions for 2023/24:
- An increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive;
 - With effect from 1 April 2023, an increase of 3.88% on all pay points above the maximum of the pay spine but graded below deputy chief officer (in accordance with Green Book Part 2 Para 5.42);
 - With effect from 1 April 2023, an increase of 3.88% on all allowances (as listed in the 2022 NJC pay agreement circular dated 1 November 2022);
 - There is no indication of the deal expected for 2024/25.

3.3.4 Global price increases and high inflation give rise to extraordinary additional costs at a time when budgets are already under strain. Even if Governments forecast of falling inflation transpires by the end of this calendar year, this is unlikely to translate into reduction in costs as these are likely to become price norms, leaving councils to face potential difficult decisions unless additional financial support is provided by government through the finance settlement to offset these additional costs, which have not been fully compensated through the 2024/25 finance settlement in including the council tax referendum levels.

3.4 Interest Rates

3.4.1 Since December 2021, the Bank of England has increased interest rates 12 times, from 0.25% in February 2022 to 5% in June 2023. The Bank of England Monetary Policy Committee are expected to review this next on 3 August 2023.

3.4.2 As part of the 2023/24 budget process officers had reviewed treasury budgets and released a net saving of **c£5m** over the MTFP period. Whilst in the current year a current forecast of **£5.9m** one-off additional income in relation to its investment income is expected. Officers will continue to observe this closely to in respect of interest rate changes and will feed this into:

- Quarterly financial position during 2023/24;
- The Treasury Management Strategy, Budget and MTFP process for 2024/25.

3.5 Companies

3.5.1 The Council has a range of companies in its ownership and some owned jointly with others that have developed over time. Many of these companies have experienced trading difficulties that have impacted on dividends and other loan repayments that are factored into the Council's budget.

3.5.2 As a working assumption the current MTFP refresh assumes that there will be no future company dividends. In line with previously agreed policy, it assumes that if dividends do materialise then they will be contributed into reserves i.e., the MTFP will not be balanced by using inherently volatile projections of company income.

4. Budget Strategy

4.1 There is a continued imperative to ensure we maintain a credible medium term financial strategy that addresses IAB instructions with regard to demonstrating

Best Value and give clear prioritisation to core challenges before discretionary items are addressed.

4.2 The budget strategy will need to meet a number of objectives:

- 1) Set and deliver a balanced budget.
- 2) Establish financial resilience to ensure council's long term financial health and viability is sound.
- 3) Maximise the 'One Council' as a vehicle to delivering transformation for the organisation.
- 4) Address emerging pressures that are unavoidable.

4.3 These key objectives will need to be met first before any new investment growth is considered for delivering Manifesto pledges and/or Strategic Council Plan priorities.

4.4 Areas of Budget Focus

4.4.1 The proposed budget strategy for 2024/25 will focus on the following strands to help it deliver a balanced budget and MTFP:

- Transformation including Best Value reviews and service redesign.
- Service led Duties and Powers.
- Efficiency.
- Assets.
- Income and Debt.
- Technical Review.

4.4.2 The High Priority Best Value Reviews selected for 'wave one' were:

- **Community Resilience:** covering Community Safety, Community Protection, Leisure and Libraries and Licensing, amongst others.
- **Environment:** covering Highways, Fleet, Waste, Parks, Trees, Depots and Utilities amongst others;
- **IT/Digital:** this review is not of the IT function but of the wider IT operating model servicing the whole council. This area has been selected due to it being a key enabler to support the wider operating model;
- **Education:** covering SEND, Passenger Transport, Education Welfare, Traded Services and Access and Inclusion;
- **Housing / Homelessness:** the return of our Housing Management function offers an opportunity to carry out a review in this area.

5. 2024/25 - 2027/28 Medium Term Financial Plan Refresh

5.1 By necessity, the MTFP requires to be updated in order to reflect changing circumstances, updated priorities and ambitions, the latest financial situation and external factors such as Government funding settlements. Uncertainty regarding the impact of postponed local government funding reforms (business rates baseline funding reset and the Fair Funding Review) and widely anticipated economic recession that is likely to follow the cost of living crisis exacerbated by high inflation, all of which present significant risks. This in turn creates a high degree of uncertainty both within and beyond 2023/24. As such the MTFP and

budget strategy is being compiled in a period of unprecedented financial uncertainty and any estimate beyond one-year is very much speculative.

5.2 Updated MTFP

5.2.1 It should be noted that this initial MTFP refresh and budget strategy is being proposed in a period of unprecedented financial uncertainty and any estimate beyond one-year is very much speculative. Especially with regard to the continued uncertainty regarding the government funding reforms and the prevailing economic environment.

5.2.2 Further detailed reviews of projections will continue throughout the budget process and these gaps are very likely to change. However these initial projections provide the likely size and scale of the financial challenges the authority is facing and set an initial target for the proposed budget strategy to address.

5.2.3 For the updated MTFP previously approved savings have not been changed whilst reviewing other assumptions to take account of known changes or new working assumptions in key areas including:

- Pay and contractual inflation
- Service and/or demand pressures including recurring pressures identified in 2022/23 outturn and 2023/24 Period 2 monitor
- Core Funding changes

5.2.4 **Table 2** below summarises the overall position of the initial MTFP refresh with the projected budget gap for 2024/25 of **£50.9m** rising to a cumulative **£58.7m** by 2027/28. The MTFP refresh builds on savings previously approved, with other assumptions updated to reflect current service and national information.

Budget Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Table
Pay Inflation	23.672	7.747	9.000	9.000	3
Contractual Inflation	8.822	8.217	8.741	2.211	4
Inflation subtotal	32.495	15.964	17.741	11.211	
Demographic / Service Pressures	27.065	6.355	15.759	2.605	5
Non-delivery / Rephased Savings	4.096	(0.981)	(0.711)	0.748	6
Investments (new service plans)	8.165	0.000	0.000	0.000	
Service Growth Subtotal	39.326	5.374	15.048	3.353	
Income & Saving Proposals (previously approved)	(10.459)	(12.416)	(12.672)	(0.278)	7
Technical Adjustments (including service rebase)	0.934	(0.673)	0.053	0.054	8
Grants & Contributions	(13.492)	(2.324)	(7.094)	(0.738)	9
Risk Contribution to Financial Resilience Reserve	(3.708)	0.000	0.000	0.000	
Projected Net Budget	45.097	5.924	13.076	13.603	
Borrowed Reserves Repayment	13.615	(11.210)	(3.732)	0.000	
Other Reserves	3.045	0.052	(0.041)	(0.042)	10
Reserves subtotal	16.660	(11.157)	(3.772)	(0.042)	
Projected Net Budget including reserves	61.757	(5.234)	9.303	13.561	
Retained Business Rates, Top-up & RSG	(7.997)	(2.620)	(2.673)	(2.726)	
Council Tax	(1.242)	(0.599)	(0.601)	(0.599)	
Collection Fund Deficit	(1.615)	0.000	0.000	0.000	
Assumed Funding	(10.854)	(3.220)	(3.274)	(3.326)	
Incremental Budget Gap (+) / Surplus (-)	50.903	(8.453)	6.029	10.235	
Cumulative Budget Gap (+) / Surplus (-)	50.903	42.449	48.478	58.713	

5.2.5 The MTFP does not as yet reflect the following potential financial risks due information not being available at this point to make a judgement:

- Companies – potential future investment requirements and risks;
- Strategic projects – District Heating, Broadmarsh and Victoria Market;
- Business rates liabilities and appeals; and
- Adequacy of General Fund balance and reserves.

5.3 Inflation - Pay

5.3.1 **Table 3** below summarises the pay and pension items included in the MTFP. These form a significant driver to the increased MTFP gaps.

Table 3: Pay model / pension (incremental increases to existing pay model resources)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Extra required for 2023/24 award	9.812	0.000	0.000	0.000	9.812
Extra required for Real Living Wage	tbc	0.000	0.000	0.000	tbc
Future profile of pay structure revision	(0.137)	0.689	0.233	0.000	0.785
Further Pay Model resources	15.137	8.311	8.767	9.000	41.215
Pay Model	24.812	9.000	9.000	9.000	51.812
NDC Pension Deficit	(1.140)	(1.253)	0.000	0.000	(2.393)
Pension	(1.140)	(1.253)	0.000	0.000	(2.393)
Pay/Pension	23.672	7.747	9.000	9.000	49.419

5.3.2 The overall cost of the 2022/23 pay award and other pay related updates was **£13.6m** and has been reflected in directorate budgets as part of the March MTFP. The estimated cost of the 2023/24 pay award, based on the Employers offer of £1,925 pa + on-costs, is currently projected at a further **£15.0m**. This is **£9.8m** above the available resources held within 2023/24 budgets and this additional requirement will need to be fully reflected in the 2024/25 base.

5.3.3 The MTFP refresh currently assumes as a working assumption that the eventual 2024/25 pay award will be of the same order as the current 2023/24 assumptions i.e. **£15m** or **c7.6%**, with future years assumed as **£9m** pa or **c4%**. These compare with the original assumptions in the March MTFP of assumed **4%** in 2023/24 and 2024/25 and then **2%** for all future years.

5.3.4 The pay figures do not currently reflect any further adjustment for Real Living Wage.

5.3.5 A number of proposals for enhancing the Council's pay structure have been approved in response to the challenging recruitment and retention environment. The March MTFP contained extra resources of **£4.2m** in 2023/24 rising to **£5.0m** in later years for a revised pay structure that aims to improve the salary competitiveness of the Council.

5.3.6 Ongoing pension reductions, based on a draft triennial pension valuation and largely due to a reduction in the pension deficit charges, were included in the March MTFP.

5.4 Inflation – Contract

5.4.1 **Table 4** below summarises the **contractual inflation** increases included in the MTFP.

Table 4: Contractual inflation (incremental adjustments)					
Directorate	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Adults	4.810	4.988	5.038	0.000	14.837
Children's	0.600	0.000	0.000	0.000	0.600
Education	0.120	0.000	0.000	0.000	0.120
<i>Subtotal: People</i>	<i>5.530</i>	<i>4.988</i>	<i>5.038</i>	<i>0.000</i>	<i>15.557</i>
Communities, Environment & Resident Services	1.710	1.554	1.651	0.413	5.328
Growth & City Development	0.082	0.174	0.552	0.298	1.106
Corporate	1.500	1.500	1.500	1.500	6.000
Contractual inflation	8.822	8.217	8.741	2.211	27.990

5.4.2 The key updates received from directorates since March reflect:

- £1.5m pa contingency to cover potential inflation of corporate contracts;
- Revised fostering allowances; and
- Revised projections for waste and fleet inflation.

5.4.3 There are several areas of likely future contractual inflation where the modelling has not yet been updated since the assumptions underpinning the March MTFP position. This means that future years in the above table are very likely underestimating the potential impact.

5.5 Growth - Demand / Service Pressures

5.5.1 **Table 5** below summarises the demand and service **pressures** increases identified by directorates and included in the MTFP. These form a significant driver to the increased MTFP gaps.

Table 5: Demand/Service Pressures (incremental adjustments)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Adults	4.520	(0.454)	5.891	0.000	9.957
Children's	8.610	4.546	1.854	2.556	17.567
Public Health	1.111	0.412	0.000	0.000	1.523
<i>Subtotal: People</i>	<i>14.241</i>	<i>4.504</i>	<i>7.745</i>	<i>2.556</i>	<i>29.047</i>
Communities, Environment & Resident Services	3.808	(0.125)	0.047	0.049	3.778
Growth & City Development	5.680	1.902	7.967	0.000	15.549
Finance & Resources	3.249	0.074	0.000	0.000	3.323
Chief Executive	0.087	0.000	0.000	0.000	0.087
Demand Service / Pressures	27.065	6.355	15.759	2.605	51.785

5.5.2 The key updates received from directorates since March reflect:

- Increased Adult Social Care and Children in Care demographic demand;
- Additional demand for homelessness services;
- Rephasing of previously agreed transformation savings;

- Rebasing a number of budgets, including the 'writing off' of undeliverable income targets; and
- Resolving issues with capital recharges.

5.6 Growth - Undelivered / Rephased Savings

- 5.6.1 **Table 6** below summarises potentially undelivered/rephased savings as identified by directorates. The principles and approach taken with delayed or non-delivery of previously approved savings needs to be considered and is addressed as part of the potential mitigation options included in the proposed budget strategy (see section 4).

Table 6: Undelivered / Rephased Savings in Pressures (incremental adjustments)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Adults	2.500	0.000	0.000	0.000	2.500
Children's	2.486	(0.981)	(0.711)	0.748	1.542
<i>Subtotal: People</i>	<i>4.986</i>	<i>(0.981)</i>	<i>(0.711)</i>	<i>0.748</i>	<i>4.042</i>
Communities, Environment & Resident Services	(0.200)	0.000	0.000	0.000	(0.200)
Finance & Resources	(0.690)	0.000	0.000	0.000	(0.690)
Undelivered / Rephased Savings	4.096	(0.981)	(0.711)	0.748	3.152

5.7 Growth – Investment (service plans)

- 5.7.1 The **investment** figure reflects assumed Adult Social Care reform funded by projected grants included in the budget item below i.e. net nil impact when taken together. This will be reviewed as and when future funding details and grant criteria become available.

5.8 Savings

- 5.8.1 **Table 7** below summarises the continuing profile of all **previously approved income and saving proposals** included in the MTFP.

Table 7: Previously agreed income and saving proposals (incremental adjustments)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Transformation Savings	(15.425)	(11.210)	(13.122)	(0.278)	(40.036)
Directorate Savings	(1.591)	(0.483)	0.500	0.000	(1.574)
Income Generation	(1.618)	(0.723)	(0.050)	0.000	(2.391)
Corporate Savings	8.175	0.000	0.000	0.000	8.175
Previously Agreed Proposals	(10.459)	(12.416)	(12.672)	(0.278)	(35.825)

5.9 Technical Adjustments

- 5.9.1 **Table 8** below summarises the technical adjustments included in the MTFP.

Table 8: Technical adjustments (incremental adjustments)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Improvement & Assurance Board	(0.175)	(0.125)	0.000	0.000	(0.300)
Treasury Management	1.059	(0.600)	0.000	0.000	0.459
NET corporate item (Tram)	0.039	0.040	0.041	0.042	0.160
Ice centre sinking fund	0.012	0.012	0.012	0.013	0.049
Technical adjustments	0.934	(0.673)	0.053	0.054	0.368

5.10 Grants and Contributions

5.10.1 **Table 9** below summarises the **grant and contribution adjustments** included in the MTFP. These reflect grants associated with the financial settlement announcement, public health grant and other changes to grant/contributions identified by directorates.

Table 9 : Grant / Contribution (assumed incremental adjustments)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Increased Social Care Grant	(4.786)	0.000	0.000	0.000	(4.786)
Market Sustainability & Improvement Fund	(1.828)	0.000	0.000	0.000	(1.828)
ASC Discharge Fund / BCF	(1.552)	0.000	0.000	0.000	(1.552)
NHB Grant	1.247	0.000	0.000	0.000	1.247
S31 grant – funded NNDR1 reliefs	(4.114)	(0.430)	(0.582)	(0.594)	(5.719)
S31 grant – under indexing of top-up	(0.364)	(0.067)	(0.142)	(0.144)	(0.717)
Adults BCF inflation	(0.940)	0.000	0.000	0.000	(0.940)
Other Adults (mostly Care Package Income)	(1.156)	(1.827)	(6.370)	0.000	(9.353)
Grants/Contributions	(13.492)	(2.324)	(7.094)	(0.738)	(23.648)

5.10.2 The key updates since March reflect:

- Updating assumed section 31 grant received to compensate for funded NNDR reliefs and under-indexing, in line with CPI inflation assumptions;
- Prudently remove previous assumption that New Homes Bonus grant will continue for an additional year; and
- Proposed release of Adults BCF contribution towards funding staff costs.

5.11 Reserves

5.11.1 The March MTFP included a **risk assessed contribution to the Financial Resilience Reserve** to cover any adverse movement in approved pressures or contractual inflation. This approach has been reset in the refreshed MTFP with the removal of this assumption from the base.

5.11.2 **Repayment of borrowed reserves** – the March MTFP included proposals to repay **£20m** internally borrowed from unearmarked reserves to bolster financial resilience. The initial repayment of **£1.3m** was assumed in 2023/24 with remaining funded from further assumed MTFP surpluses in 2024/25 and 2025/26.

5.11.3 **Table 10** below summarises the other **reserves adjustments** currently assumed included in the MTFP.

Table 10: Other Reserves (incremental adjustments)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Collection Fund	1.615	0.000	0.000	0.000	1.615
NET Reserve	1.184	0.052	(0.041)	(0.042)	1.155
Workforce Reserve	0.245	0.000	0.000	0.000	0.245
Other Reserves	3.045	0.052	(0.041)	(0.042)	3.015

5.12 Council Tax

- 5.12.1 Nottingham has a particularly low Council Tax base with **80.0%** of properties in Band A and B as compared to a national average of **43.5%**. This means that a greater proportion of our residents pay at Band A and B than comparable councils and a higher rate of Council Tax is needed to derive the same yield compared as other Councils.
- 5.12.2 While Nottingham currently has the 2nd highest Band D in the country at £2,411.65 for 2024/25 (i.e. total bill inclusive of Police and Fire precepts) the average council tax actually paid per chargeable dwelling is 43rd lowest and equates to only £1,311.61 (compared to national £1,578.32)
- 5.12.3 The latest council tax assumptions within the current MTFP refresh reflect:
- The removal of the Band D increases assumed in the previous March MTFP as working assumptions (4.99% in 2024/25 and then 1.99% in all future years);
 - Future policy decisions with regard to proposed increases will form part of the ongoing budget process increases, as guided by the referendum criteria set out by DLUHC; and
 - The underlying tax base and impact of the Council Tax Support Scheme has been reviewed based on the latest available monitoring and trends (now assuming net +605 or +0.9% Band D equivalents compared with previous +98 or +0.1% for 2024/25).

5.13 Local Government Finance Settlement

- 5.13.1 The modelling of funding projections will be kept under review throughout the budget process as further information may become available. If any significant policy changes are likely in the 2024/25 provisional settlement, we would ordinarily expect a Technical Consultation in advance. However, as it stands it is highly unlikely, we will have a confirmed understanding of the next settlement until it is provisionally released in late December 2023.
- 5.13.2 As a working assumption the MTFP refresh assumes that DLUHC will continue with a 'roll over' settlement increases linked with the preceding September CPI inflation and does not attempt to quantify any future 'Fair Funding' policy changes.

5.14 Updated MTFP Summary

By Directorate

- 5.14.1 **Table 11** below summarises the initial MTFP refresh by each Directorate's net contribution towards the projected gap.

Table 11 : Initial MTFP refresh by Directorate (incremental adjustments)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Adults	2.981	(2.857)	0.195	0.000	0.319
Children's	9.258	1.978	0.834	3.026	15.097
Commissioning	0.000	0.000	0.000	0.000	0.000
Education	(0.126)	(0.040)	(0.050)	0.000	(0.216)
Public Health	0.000	0.000	0.000	0.000	0.000
<i>Subtotal: People</i>	<i>12.114</i>	<i>(0.919)</i>	<i>0.979</i>	<i>3.026</i>	<i>15.200</i>
Communities, Environment & Resident Services	5.633	0.717	1.698	0.462	8.509
Growth & City Development	(1.193)	(1.461)	0.570	0.298	(1.787)
Finance & Resources	1.082	(0.490)	0.000	0.000	0.592
Chief Executive	(0.058)	(0.125)	0.000	0.000	(0.183)
Corporate (incl. Pay Model & Reserves)	44.179	(2.956)	6.057	9.775	57.055
Net Budget	61.757	(5.234)	9.303	13.561	79.387
Settlement (Business Rates, Top-up & RSG)	(7.997)	(2.620)	(2.673)	(2.726)	(16.016)
Council Tax	(1.242)	(0.599)	(0.601)	(0.599)	(3.042)
Removing Collection Fund Deficit	(1.615)	0.000	0.000	0.000	(1.615)
Funding	(10.854)	(3.220)	(3.274)	(3.326)	(20.674)
Budget Gap (+) / Surplus (-)	50.903	(8.453)	6.029	10.235	58.713

Changes since March MTFP

5.14.2 **Table 12** below tracks the changes since the approved March MTFP that was balanced over its 4 years (2023/24 to 206/27).

Table 12 : Tracking changes since March MTFP					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Feb Exec Board/March Council	0.000	0.000	0.000	0.000	0.000
Remove previous Risk contributions	(3.827)	(0.151)	(0.242)	0.000	(4.220)
Corporate/Technical Adjustments	(3.827)	(0.151)	(0.242)	0.000	(4.220)
Pay model	16.654	1.769	3.997	4.536	26.956
Adults	8.252	1.990	4.500	0.000	14.742
Children's	10.178	(0.825)	(1.413)	3.304	11.244
Communities, Environment & Resident Services	3.931	(0.222)	(0.043)	0.462	4.127
Growth & City Development	1.849	0.000	0.000	0.298	2.147
Finance & Resources	3.986	0.000	0.000	0.000	3.986
Chief Executive	0.087	0.000	0.000	0.000	0.087
Corporate	2.709	0.469	1.290	1.503	5.970
Initial R1 booklet returns	30.992	1.412	4.333	5.567	42.304
Remove notional future growth / reserve contribution	0.000	(14.058)	(4.701)	(2.578)	(21.337)
FRR/borrowed reserves	0.000	(14.058)	(4.701)	(2.578)	(21.337)
Net Budget movements	43.819	(11.027)	3.388	7.525	43.704
Council Tax – remove Band D increases	7.069	3.002	3.087	3.173	16.331
Council Tax – updated tax base	(1.093)	(0.450)	(0.468)	(0.486)	(2.497)
Settlement – NNDR, Top-up & RSG grant	1.107	0.022	0.023	0.023	1.175
Funding movements	7.084	2.574	2.641	2.711	15.009
Budget Gap (+) / Surplus (-)	50.903	(8.453)	6.029	10.235	58.713

5.14.3 It should be noted that the above MTFP refresh is based on latest available assumptions and directorate updates and as such is at a point in time. Further movement in the future year gap projections may arise as assumptions are critically reviewed and updated e.g. demographic demand and contractual inflation profiles are remodelled.

5.15 Mitigations/Options for Consideration

5.15.1 **Table 13** below summarises additional mitigation/options to begin mitigating the projected MTFP gaps. A potential outstanding gap of **£16.2m** after suggested options represents **6.2%** of our 2023/24 net budget.

Table 13: MTFP Mitigation / Options for Reducing the Gap						
Options	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m	Ref
Updated MTFP Gap (incremental)	50.903	(8.453)	6.029	10.235	58.714	
£20m repayment to HRA (Voluntary Payment) with regards NCH over 8 years (2 MTFP cycles).	2.500	0.000	0.000	0.000	2.500	a
Outstanding reserves drawdown used for internal borrowing (establishing FRR) proposed to be removed to be paid over a longer period (8 years).	(12.607)	11.209	3.732	0.000	2.334	b
Treasury Management	(0.500)	0.500	0.000	0.000	0.000	c
PFI Review	(0.344)	0.000	0.000	0.000	(0.344)	d
Funding Settlement	TBC	0.000	0.000	0.000	0.000	e
Subtotal: Technical Reviews	(10.951)	11.709	3.732	0.000	4.490	
Asset Rationalisation Review	tbc	tbc	tbc	tbc	tbc	
Growth: Non-delivery / rephased savings	(4.096)	0.981	0.711	(0.748)	(3.152)	f
Growth: Demographic/Service pressures capped at 90%	(2.707)	(0.635)	(1.576)	(0.261)	(5.178)	f
Growth: Contract inflation capped at 90%	(0.882)	(0.822)	(0.874)	(0.221)	(2.799)	f
Subtotal: Growth Assumptions	(7.684)	(0.476)	(1.739)	(1.230)	(11.129)	
Potential Budget Gap Before Council Tax	32.267	2.780	8.022	9.006	52.074	
Council Tax Referendum and Social Care Precept. Subject to Member Approval (this is based on estimate included in March 2023 MTFP reversed out as part of MTFP refresh). 1% = c£1.4m	(7.069)	(0.030)	(0.030)	(0.030)	(7.159)	g
Potential Budget Gap After Council Tax	25.198	2.750	7.992	8.976	44.915	
High Value Best Value Reviews	(8.985)	0.000	0.000	0.000	(8.985)	h
Subtotal: Transformation / BV Reviews	(8.985)	0.000	0.000	0.000	(8.985)	
Budget Gap (+) / Surplus (-)	16.213	2.750	7.992	8.976	35.930	

a) **General Fund to payback HRA** – as part of the 2023/24 budget and MTFP process c£20m was being borrowed from reserves to payback over the current MTFP period. In light of current financial challenge officers are considering credible options which can be discussed with the Secretary of State. The option looks at paying back the value over 8 years. Further work is required to further assess financial options in light of the General Fund owing interest to the HRA on

remaining balance until it is full paid back. This is also subject to sign-off HRA Business Plan to confirm HRA affordability.

- b) **Payback period** for £20m internally borrowed from earmarked reserves extended over 8 years rather than 4 years. The funding was required to establish an adequate balance on the Financial Resilience Reserve (FRR) to respond and manage unforeseen financial challenges and deliver further improvement in line with the Together for Nottingham Plan.
- c) **Treasury management** - current estimate of potential benefit being yield to on cash balances due to high interest rates. Further work is required as current year additional income is estimated at c£2m.
- d) **PFI review** was commissioned in April and early indications show Street Lighting PFI and LIFT contracts arrangement can yield either one of benefit (up to £3.7m) or a small recurring annual savings (£0.388m) over the remaining life of the contracts. The current estimate is based on receiving on-going revenue benefit until we have completed full reserve review to ensure funds are available to release the larger value.
- e) **Review of funding** – lack of government clarity regarding multi-year settlements, likely quantum of settlement and agreed policy on proposed reforms (Fair Funding, Business Rates baseline reset, etc.) particularly in the current environment makes budget planning unnecessarily complex and challenging.

The modelling of funding projections will be kept under review throughout the budget process as further information may become available. If any significant policy changes are likely in the 2024/25 provisional settlement we would ordinarily expect a Technical Consultation in advance. However, as it stands it is highly unlikely we will have a confirmed understanding of the next settlement until it is provisionally released in late December 2023.

- f) **Capping Growth items** – the level of growth required is 17% higher than the growth approved in 2024/25. Further work is required around due diligence and verification of the accuracy of the estimates. With this in mind and overall budget gap the following is proposed:
 - The principles and approach taken to delayed or non-delivery of previously approved savings need to be considered and addressed as part of the potential mitigation options;
 - Capping demographic and service pressures at 90% of the original submission;
 - Capping the contract inflation pressures at 90% of the original submission.

Relevant due diligence and consideration will need to be given to the growth pressures and before looking to apply any caps, which can be ascertained through a suitable management framework.

- g) **Council Tax** – this is the value that can be yield if Members decided to increase Council Tax. Current estimate is based on **4.99%** increase in 2024/25.

Each 1% increase will raise **£1.4m**. However, the availability of further Adult Social Care flexibility and referendum criteria set by Government for 2024/25 are unlikely to be confirmed until the provisional settlement in late December.

- h) **Best Value Reviews** – this is based on the current indicative saving following a stock-take across all of the High Priority Best Value reviews in place. In line with the agreed budget timetable the full details and Outline Business Cases for all Best Value and Transformation proposals will be available for consideration before inclusion in the November MTFP report.

6. **Reserves**

- 6.1 The Executive Board on 21 February 2023 Executive Board reapproved the Council's reserves policy. This reiterated that the Council will continue to use reserves in a limited way – primarily to pump-prime investment which results in lower long term revenue costs or to meet one-off cost spikes. It will not use reserves to support recurrent spending pressures or to replace undelivered savings.
- 6.2 The reserves policy will be incorporated into the future Medium Term Financial Plan reports to Executive Board and approval by Full Council in March annually as part of the budget setting process.

General Fund Balance

- 6.3 The General Fund balance provides a financial safety net to cover unexpected financial shocks to the delivery of services during the year. The S151 Officer is responsible for managing this reserve and use of its balance can only be made on the recommendation of the S151 Officer to the Executive Board. An assessment of the adequacy of the General Fund reserve will continue to be carried out on an annual basis.
- 6.4 The balance as at 31 March 2023 was **£13.5m**. As part of a strategic approach to strengthen the financial resilience and sustainability of the Council, the MTFP continues to include a **£1m** per annum contribution to this reserve.

Earmarked Reserves

- 6.5 Earmarked reserves are funds set aside for specific purposes (including Schools, Statutory reserves and Insurance and Private Finance Initiative (PFI) grants). All movements must be approved by S151 / Interim Deputy S151 Officer.
- 6.6 The Council held balances of **£184.8m** in earmarked reserves as at 31 March 2023.
- 6.7 The Earmarked Reserves will be reviewed as a part of the budget process with any recommendations reported to Executive Board as appropriate.

7. Budget Timetable

- 7.1 It is proposed that the Council adopts the following timetable so that suitable proposals to balance the MTFP 2024/25 to 2027/28 can be published for public consultation before final decisions are made.

Table 14 : Budget Timetable	
Month	Activity
July/August	<ul style="list-style-type: none">• Further updates of MTFP refresh based on latest information and after critical review of assumptions
September	<ul style="list-style-type: none">• Outline Business Cases available for all Transformation and Best Value Reviews (early Sept)• Begin CLT/Executive consideration of detailed proposals through series of 'budget sessions'• HM Treasury fiscal event expected
October	<ul style="list-style-type: none">• CLT/Executive conclude 'budget sessions' and make final decisions for inclusion in draft November MTFP (by 26 Oct)
November	<ul style="list-style-type: none">• Executive Board report setting out proposed draft MTFP and Consultation Proposals
December	<ul style="list-style-type: none">• Public consultation on draft MTFP with citizens, local business, community & voluntary sector, other stakeholders as appropriate• Provisional LG Financial Settlement
January	<ul style="list-style-type: none">• Executive Board report agrees tax base and forecast collection fund surplus or deficit• CLT/Executive consider provisional settlement and consultation responses before making final decisions for inclusion in final February MTFP (by 18 Jan)
February	<ul style="list-style-type: none">• Final LG Financial Settlement (likely confirms provisional)• Executive Board report<ul style="list-style-type: none">○ Proposing draft MTFP (Revenue, HRA and Capital programme) to Council for approval○ Set HRA rents and charges• City Council approves MTFP and sets Band D Council Tax for 2024/25

8. Other options considered in making recommendations

- 8.1 If the original MTFP approved by Full Council in March 2023 is not refreshed the forthcoming budget process and associated decisions to ensure a balanced 2024/25 budget and robust 4-year rolling MTFP will not be based on the latest best assumptions.

9. Consideration of Risk

- 9.1 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.
- 9.2 However the uncertainties of the economic environment over the short to long term present a high risk to the authority with regard to the continued delivering of balanced budgets and inevitably there remains potential for further, as yet unrecognised, risks.
- 9.3 It will be essential for Corporate Leadership Team (CLT) exercises firm financial management throughout the year by the close monitoring of budgets and, in particular, the delivery of previously approved savings. If required, CLT will need to put in place timely corrective measures to ensure spend is contained within the resources available.

9.4 The Council's MTFP is continually under review and builds in projections for the current period and beyond as further details and analysis become available. Throughout the budget process a range of different options will be considered including various levels of council tax, investment, expenditure reductions and income generation proposals. These will be regularly reported and thoroughly considered as part of an iterative process involving CLT and Portfolio Holders. Any sustainability impacts will be considered before final decisions are taken on whether or not to implement each proposal.

10. Best Value considerations

10.1 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'.

10.2 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.

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

10.4 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.

11. Finance colleague comments

11.1 This report represents the first step in a budget process that will continue over the coming months with further detailed consideration of the outcomes from the work being currently undertaken by the Best Value/Transformation portfolio.

11.2 This continuing process will culminate in the Chief Finance Officer's assessment of the robustness of the proposed budget and adequacy of reserves statement contained within the final report presented to Executive Board in February.

12. Legal colleague comments

12.1 The recommendations in this report raise no significant legal issues and are supported. The Council is required to set a balanced budget for 2024/25 before 11 March 2024 and this report is one of the first formal steps to achieving that requirement.

Malcolm R. Townroe – Director of Legal and Governance – 5 July 2023

13. Procurement comments

13.1 Not applicable

14. Crime and Disorder Implications

14.1 Not applicable

15. Social value considerations

15.1 Not applicable

16. Regard to the NHS Constitution

16.1 Not applicable

17. Equality Impact Assessment (EIA)

17.1 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.

18. Data Protection Impact Assessment (DPIA)

18.1 Not applicable.

19. Carbon Impact Assessment (CIA)

19.1 No applicable

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

20.1 None

21. Published documents referred to in this report

21.1 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>

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