

## Executive Board – 21 November 2023

<b>Subject:</b>	Period 6 2023/24 Budget Monitoring
<b>Corporate Director(s)/Director(s):</b>	Ross Brown, Corporate Director Finance and Resources, S151 Officer
<b>Portfolio Holder(s):</b>	Councillor Audra Wynter, Deputy Leader and Portfolio Holder for Finance and HR
<b>Report author and contact details:</b>	Shabana Kausar, Director of Finance and Deputy S151 Officer
<b>Other colleagues who have provided input:</b>	<ul style="list-style-type: none"> <li>• Corporate Leadership Team</li> <li>• Colleagues within Technical, Strategic and Commercial Finance Teams</li> </ul>
<b>Subject to call-in:</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No – The report does not contain any decisions that are eligible for call-in
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
<b>(a)</b>	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
<b>(b)</b>	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date: 1 November (Capital Period 6 position only)
<b>Total value of the decision:</b>	
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	
<b>Relevant Council Plan Key Outcome:</b>	
Green, 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"/>
Living Well in our Communities	<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"/>
Serving People Well	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>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 6 (30 September 2023).</p> <p>As seen across many other local authorities, the Council is also experiencing significant pressures relating to social care and temporary accommodation. At the end of Quarter 2 (Period 6), the Council is forecasting a gross General Fund pressure of c£57m which is partly being mitigated from one-off in-year management and corrective actions (including use of previously approved reserves) reducing the net forecasted pressure for the year to c£23m. Over 80% of forecasted net pressure at the end of Quarter 2 is across People's service.</p> <p>Since July 2023, the Council has implemented a Financial Intervention Strategy which encompassed a range of measures intended to mitigate the Council's in-year pressure. The strategy encompassed a range of measures such as vacancy management, directorate led</p>	

targeted non-essential spend control including agency and interim spend and technical reviews alongside department led management action plans reflecting other actions being undertaken. Despite the extensive efforts of the Council between July to manage its position, the operating environment and wider economic context continues to be volatile with small changes in cost and demand disproportionately materialising in large financial pressures, especially in children's social care. To date, no additional support to meet these pressures is being made available from government for the current financial year.

As set out above the overall pressure is mainly dealing with the impact of rising costs due to continued high level of inflation, increase in demand and complexity of need and costs of social care, SEND transport and temporary accommodation and the impact of cost of living crisis which also affects important income streams of the Council.

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. As set out above the Council continues to face significant budget pressures and uncertainty, including increased demand for services, alongside the current backdrop of slow growing economy, continued high inflation and the precedent number of Councils who are declaring in-year financial crisis leading Council S151 Officers continuously assessing ability of their respective Councils in setting a balanced budget.

The current projected overspend requires the Section 151 Officer to make a formal assessment of Councils ability to deliver a balance budget in year as required under part 8 of the Local Government Act 1988.

The 2023/24 net General Fund budget approved by Council was **£261.832m**. At the end Period 6, the General Fund is forecasting an overspend of **£23.351m** (9%) (which is a favourable movement of **£2.543m** from period 2 £25.894m). The key drivers of this significant forecast variances are summarised below:

- People are forecasting a net pressure of **£18.752m** (net pressure £14.537m at period 2) of which;
  - **£4.968m** (£7.086m net pressure at period 2) relates to Adults largely driven by external care placement costs.
  - **£13.507m** (net pressure £6.928m at period 2) relates to Children's mainly due to demand pressures relating to Children in Care placements.
  - **£0.910m** (£0.463m at period 2) net pressure relates to Education which is mainly due to a pressure of around £1.1m on Special Education Need and Disabilities transport costs.
- Communities Environment and Resident Services are forecasting a net overspend of **£1.936m** (net pressure £1.273m at period 2) mainly due to a combination of unachievable income, expenditure no longer qualifying for capitalisation and budget pressure in Community Safety and Logistics and Markets.
- Growth and City Development are forecasting a net pressure of **£3.444m** (£2.946m net pressure at period 2) mainly due to increased demand and increased cost of using Bed and Breakfast accommodation in temporary accommodation.
- Finance and Resources are reporting a net overspend of **£1.801m** (£2.865m net pressure at period 2) largely driven by a combination of previous budget savings and historic structural budget issues.
- Corporate (**£2.386m**) underspend (£4.174m net pressure at period 2) is largely due to the pay award overspend of £9.9m based on the current national pay offer to the unions, which is

offset by (£9.5m) underspend in Treasury Management relating to investment income and MRP savings (£2.457m).

- Whilst progress is being made on the Transformation Programme savings of **£15.671m** with **£6.155m** (39.2%) delivered or on track, the challenge still remains on how to convert the remainder **£9.516m** (60.8%) savings at risk or non-delivery into outcomes which deliver cashable savings.
- The HRA is projecting an underspend of (**£4.839m**) (£7.3m underspend at period 2) mainly due to additional income on cash balances following an increase in interest rates. Should this materialise at the year end, then the balance will then be moved into the General HRA Reserve.
- A net reduction of **£60.261m** is sought for approval on the overall 4-year capital programme, mainly due to a prior year related reduction of **£90.046m** and new additions totalling **£29.785m** which would revise the 4-year (2023/24 to 2026/27) capital programme from **£773.457m** to **£713.196m**.
- The current year capital programme of **£323.298m** is projecting slippage of **£69.211m** and an underspend of **£1.317m**. However, expenditure to date remains low and the Council is at risk of further slippage in the delivery of projects within 2023/24 unless delivery against capital projects (and spend) is accelerated.

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.

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

No

**Recommendation(s):**

- 1** To **note** the net forecast outturn of **£285.183m**. on the General Fund Revenue budget of **£261.832m** as set out in section 3 Table 1 which is a forecasted net overspend of **£23.351m** (9%).
- 2** To **note** progress on the Transformation Programme savings of **£15.671m** as set out in section 4 Table 4 with **£6.155m** (39.2%) delivered or on track and **£9.516m** (60.8%) at risk or non-delivery.
- 3** To **note** the forecast outturn underspend of **£4.839m** (4.1%) on the HRA against a gross budget of **£117.882m** as set out in section 5 Table 6.
- 4** To **approve** the net reduction of (**£60.261m**) to the 4-year Capital Programme resulting in a revised Capital Programme of **£713.196m** as set out in section 6 Table 7.
- 5** To **note** the forecast outturn of £255.404m on the Capital Budget 2023/24 of **£323.298m** resulting in a variation of **£67.894m** (21%) (slippage **£69.211m** and an underspend of **£1.317m**) as set out in section 6 Table 8.

**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 6 is **£285.183m** against an approved budget of **£261.832m**, an overspend of **£23.351m** (9%). A summary of key variances is set out in section 3 Table 1.
- 1.4 The Period 6 revenue forecast for the HRA (section 6) is an underspend of **(£4.839m)** (4%) against a gross budget of **£117.882m**. Should the (£4.8m) underspend be realised at year-end, this will be added to the HRA General Reserve balance.

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

- 2.1 As set out in the report summary above, 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 continued long-term impact of COVID-19 alongside the current backdrop of the cost of living crisis including most notably the rising inflation and interest rates, makes it's a challenging resource environment for the Council to operate in, where a small demand change can lead to material budget variance.
- 2.2 In response to this significant challenge the Council has identified and included within the forecast mitigating and corrective actions of c£27m (including budgeted reserves), leaving it with a net forecasted pressure of £23.351m. Although a substantial value of mitigating and corrective actions have been identified, the Council is still left with a substantial unbalanced position as a percentage of its net budget which continues to put it at a risk of being unable to balance its budget in-year.
- 2.3 As set out above the current projected overspend requires the Section 151 Officer to make a formal assessment of Councils ability to deliver a balance budget in year as required under part 8 of the Local Government Act 1988.

## 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 Table 1 below summaries the net General Fund overspend of **£23.351m** (9%) below.

Table 1: 2023/24 General Fund Revenue Outturn Forecast Summary as at Period 6						
Directorate	Original Budget	Current Budget	Year to Date Actuals (Period 6)	Period 6 Forecast	Forecast under (-) / over (+) spend (Period 6)	Forecast under (-) / over (+) spend (Period 2)
	£m	£m	£m	£m	£m	£m
Adults	88.069	87.062	61.927	92.030	4.968	7.086
Children's	66.851	65.467	40.406	78.974	13.507	6.928
Education	3.170	1.772	16.050	2.682	0.910	0.463
Commissioning & Partnerships	2.417	2.534	1.262	1.901	(0.634)	0.060
Schools	0.000	0.000	(31.473)	0.000	0.000	0.000
Public Health	0.000	-0.064	(14.782)	-0.064	0.000	0.000
subtotal: People	160.507	156.771	73.389	175.523	18.752	14.537
Communities Environment & Resident Services	51.575	50.641	35.894	52.576	1.936	1.273
Growth & City Development	1.750	0.167	(9.245)	3.611	3.444	2.946
Finance & Resources	29.734	40.918	25.953	42.719	1.801	2.865
Chief Executive	3.126	3.789	6.790	3.593	(0.196)	0.099
<b>Total Directorates</b>	<b>246.507</b>	<b>252.286</b>	<b>132.781</b>	<b>278.022</b>	<b>25.737</b>	<b>21.720</b>
Corporate	14.852	9.581	(45.214)	7.195	(2.386)	4.174
Companies	0.473	(0.034)	0.000	-0.034	0.000	0.000
<b>Total</b>	<b>261.832</b>	<b>261.832</b>	<b>87.567</b>	<b>285.183</b>	<b>23.351</b>	<b>25.894</b>

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

### People

Overall, the **People's directorate** is reporting a net budget overspend of c£36m which is partly being off-set by in-year management and corrective actions, reducing the net forecasted overspend to **£18.752m** (net overspend £14.537m at period 2) which is largely due to the following:

- a) **Adults'** service is reporting a significant gross budget pressure of c£14m which is partly being off-set by in-year one-off management and corrective actions, bringing the net forecasted overspend to **£4.968m** (£7.086m as at period 2) which is mainly due to;
  - **£12.134m** net overspend (£5.927m net overspend at period 2) due to an adverse variance in forecast care expenditure of £15.921m primarily due to the impact of ongoing pressures experienced in 2022/23 which have continued in the current financial year combined with slippage in the delivery of 2023/24 savings. This is offset by a favourable variance due to additional better care fund (BCF) following the annual health funding increase (£0.941m) and a favourable variance in other health and client income of (£2.846m) due to inflation and increased demand.
  - **£0.275m** net overspend across Disabled Children's Service (£0.09m at period 2) mainly due to overspends of £0.392m on Community Care Direct Payments and £0.118m on Government Grants which relates to the delayed start to the Short Breaks. This is offset by underspends on the Innovation Funded project (£0.235m).
  - **£0.087m** net overspend across Assessment and Care Management (£0.9m net overspend at period 2) mainly due to £1.190m adverse

variance on external assessment expenditure and £0.511m employee budget rebase shortfall. This is offset by additional MSIF grant funding of (£0.858m), holding employee vacancies (£0.570m), internal transformation funding of (£0.332m) and other net adverse variations totalling £0.146m primarily due to reduced D2A funding due to vacancies.

- **(£0.411m)** net underspend across In House Care Services is primarily due to an underspend of (£0.441m) on employee vacancies, (£0.198m) on the removal of the Night Care Service forecast as part of budget mitigations, offset by overspends of £0.100m on gas and £0.128m income.
  - **(£7.089m)** favourable variation across Other Adult Social Care Services (period 2 pressure of £1.2m) due to a realignment of Market Improvement Sustainability Grant of (£3.152m) and additional COMF funding of (£3.842m) to fund eligible activity already reflected in forecasts and (£0.100m) anticipated benefit from the new Brokerage Team against external care packages. This will be realigned against the corresponding expenditure in due course
- b) **Children's** service is reporting a significant gross budget pressure £21.788m which is partly being mitigated by one-off in-year corrective and management actions reducing the budget pressure to **£13.507m (£6.928m at period 2)** largely due to:
- External Provision net pressure of **£16.995m** is due to a combination of caseload and costs, particularly the demand exceeding budgeted forecast within External Residential and Independent Fostering Agency. This will be offset in part by the allocation of Public Health COMF grant to fund eligible activity of **(£2.04m)**.
  - Underspend of **(£1.3m)** largely due to Unaccompanied Asylum Seeking Children (UASC) income which is offsetting eligible cost pressures within external provision.
  - **(£0.842m)** 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.
  - **£2.3m** net overspend (£1.3m at period 2) in **Children's Social Care Directorate** is largely driven by the following:
    - **£2.2m** non-delivery of approved transformation programme savings (section 4).
    - **(£0.1m)** no change underspend is relating to retention payments for social workers.
    - **£0.15m** mainly due to anticipated legal costs

- c) **Education £0.910m** net overspend (£0.463m at period 2) is largely due to:
- **£1.450m overspend** (£1.3m at period 2) across **Education Partnerships** of which **£1.087m** relates to pressure on Special Education Needs and Disability (**SEND**) **transport** and other net variations of **£0.363m**
  - **(£0.194m)** net underspend (£0.4m underspend at period 2) across **School Improvement** ) is mainly due to a surplus in Statutory School Intervention (**£0.127m**), and combination of other net variances.
  - **(£0.456m)** net underspends across Educational Psychologists, Behaviour Support Team, Inclusive Education Service, Directorate Support and Early Years.
  - **£0.112m** net overspend across **Nottingham Catering** is mainly due to inflationary pressure on food costs which remains the key driver impacting on the service budgets.
- d) **Commissioning** net underspend of **(£0.634m)** (£0.060m pressure at period 2) is largely due current issues in recruitment and staffing vacancies.

### **Community, Environment and Resident Services**

- 3.4 Overall, the Community, Environment and Resident Services directorate is reporting a net budget pressure of **£1.936m** (£1.273m at period 2) which is largely due to the following:
- **£0.800m Community Safety and Logistics** is mainly due to **£0.500m** net overspend primarily relating to **Crime and Drugs Partnership** historic budget issues. Further work will be required in-year to review options for a viable delivery model for the partnership.
  - **£0.800m Markets** net overspend (£0.700m at period 2) is primarily driven by the following:
    - £0.700m Victoria Indoor Market budget pressure due to a combination of income shortfall and unbudgeted service charges.
    - £0.300m 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.
    - (£0.200m) underspend relating to staff vacancies.
  - **£2.315m** net overspend on **Resident Services** mainly due to a reclassification of revenue costs that can be charged to capital following the audit review.
  - **(£1.502m)** underspend on **Environment & Sustainability** mainly due to Enviro-energy enhanced export rate to the National grid and improved billing for utilities enabling better management and forecasting information.
  - **(£0.455m) net underspend** (£0.100m overspend at period 2) across **Sport & Culture** due to a combination of :

- better than expected income recovery following the pandemic across **Sports & Leisure** (£0.338m) and
- (£0.117m) net underspends mainly due to recruitment delays and holding vacancies

## **Growth and City Development**

3.5 Overall, the Growth and City Development directorate is reporting a net overspend of **£3.444m** (£2.946m at period 2) which is largely due to the following:

- **£3.387m** net overspend in **Housing** (£0.8m at period 2) which is mainly due to the increased demand in B&B for the homeless singles and families. Together with a significant rise in both demand and cost of living increase in the average cost per room per night. This has seen an exponential rise of £3m since period 2.
- **(£0.468m)** net underspend relating to **Traffic Safety** which is driven by a combination of:
  - (£1.300m) drawdown from the Moving Traffic and Parking reserve
  - £0.700m due to a reclassification of revenue costs that can be charged to capital following the audit review.
  - £0.200m reduced income from inspections due to staff shortages reducing the ability to undertake the required inspections.
  - £0.200m relating to use of agency staff.
  - (£0.300m) reduced repairs & maintenance costs based on current trends
- **£0.373m** net overspend on **Workplace Charge/Consultancy** (£0.500m at period 2) due to PwC rebasing reducing in-year budget and shortfall in consultancy income.
- **£0.522m** net overspend in **Major Projects** mainly due to the reduction in capital recharging rate.
- **£0.304m** net overspend on **Building Control** (£0.300m at period 2) driven by a combination of agency staff costs and reduced income.
- **£0.652m** net overspend in **Planning** due to lower level of fees than prior years. The fee income will increase once recruitment of staff is undertaken.
- **(£1.224m)** net underspend in **Public Transport** due to the agreed drawdown of £1.75m from the WPL reserve as part of the in-year mitigations.
- **£0.486m** net overspend in **FM & Building Services** (£0.300m at period 2) due to a £0.3m pressure on caretakers resulting from the PWC budget re-base exercise, £0.5m undeliverable reactive maintenance saving (due to it being related to ring-fenced school's budgets), partially offset by a one-off management mitigation of (£0.3m) from the planned maintenance budget.



- **(£0.247m)** net underspend in **Strategic Assets & Property** as a result of the release of allowances for bad debts for rental arrears not likely to be paid.

## Finance and Resources

3.6 Finance and Resources directorate is reporting a net overspend of **£1.801m** (£2.865m at period 2) which is largely relating to:

- **£1.048m** net overspend across **Legal and Governance** (£0.5m net overspend at period 2) is primarily due to historical unachievable income targets relating to capital recharges £0.3m and £0.7m pressure resulting from additional specialist legal work within Legal Children/Adult Services.
- **£1.026m** net overspend across **Customer Services** largely due to the reduction applied to NRB contracts budget within 23-24 MTFP £0.6m and the unachievable vacancy savings of £0.240m that was added at the transfer of the company in January 2023. Both of these pressures sit within Revenues and Benefits. The Coronial service is showing £0.080m pressure from increased mortuary costs (higher number of cases than expected).
- Projected **balanced position** across **Procurement** (£0.4m net overspend at P2) after mitigations identified on staffing costs (£0.3m) and supplies and services (£0.1m).
- **(£0.2m)** net underspend across **Human Resources** (£0.7m net underspend at period 2) mainly relates to staff vacancies due to delays in recruitment. Previous underspends in Leadership & Executive have now been transferred to offset Transformation savings in Customer Services.

## Chief Executive

3.7 **Chief Executive directorate** is reporting a net underspend of **(£0.196m)** (£0.099m net overspend at period 2).

## Corporate

3.8 Corporate budget is forecasting a net underspend of **(£2.386m)** (£4.174m pressure at period 2) which is largely driven by a combination of:

- **£9.9m** budget pressure relating to **pay award** (£9.7m at period 2) estimate based on the current national offer to the unions.
- **(£9.5m)** underspend on **Treasury Management** (£5.9m at period 2) relating to additional investment income on cash balances held following an increase in interest rates.
- **(£2.457m)** savings following in-year Minimum Revenue Provision review.

3.9 Significant pressures are being forecasted across services. Corporate Directors will seek to identify 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.

3.10 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 over four years (2023/24 to 2026/27) is **£72.462m**, of which, savings profiled for 2023/24 are **£36.915m**:

<b>Table 2: Approved General Fund Savings</b>					
<b>Directorate</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
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
<b>Total</b>	<b>36.915</b>	<b>10.459</b>	<b>12.416</b>	<b>12.672</b>	<b>72.462</b>

#### Transformation Programme

4.2 Included within the approved savings is the transformation programme which is now in its second year of delivery with medium term financial plan (MTFP). Gross savings across several programmes, led by either transformation or directly within the service total **£60.09m** as shown in Table 3 below. The savings target for 2023/24 is **£15.671m**.

<b>Table 3: Transformation Programme Approved Savings</b>						
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
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)
<b>Gross Savings per MTFP 2023/24</b>	<b>1.765</b>	<b>15.671</b>	<b>18.322</b>	<b>11.210</b>	<b>13.122</b>	<b>60.090</b>

4.3 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. Since the previous monitoring report, the Procurement programme has now transitioned to service led activity and overseen by the Commercial Oversight Board.

4.4 The transformation led savings track the overall in-year actual cashable benefit that each programme has either delivered (blue), is on track for delivery (green), requires further activity to realise including opportunities to convert non-cashable to cashable savings (amber) or is at risk of non-delivery (red). Red rated savings are reported within the council's overall financial position which also outlines further mitigations addressing the council's overall reported overspend. Where mitigations are one off in nature, focus remains on achieving sustainable repeatable savings.

4.5 Table 4 which summarises the performance of each programme for 2023/24 shows there has been an overall improvement at period 6 of projects being on track or delivered (39.2% at period 6 compared to 20.9% in period 2).

4.6 The improvement in period 6 is attributed to the changes made in the Transformation programmes by having improved detailed data validation, over delivery to some projects and the assessment of mitigation action plans where planned savings could not be delivered. The challenge still remains, however, in 2023/24 to convert the savings rated as amber and red (£9.516m 60.8%) into full year cashable savings whilst planning timely actions to ensure future financial years' approved savings can also be realised.

Table 4: 2023/24 Transformation Programme Savings Period 6							
Programme	Gross Saving £m	% On Track or Delivered Period 6	Blue - Delivered £m	Green - On Track £m	Amber – At Risk £m	Red - Non-Delivery £m	% On Track or Delivered Period 2
<b><u>Transformation led</u></b>							
Adults	4.062	19.8%	0.547	0.256	0.259	3.000	28.8%
Children's	3.018	65.6%	0.769	1.212	0.429	0.608	0.0%
Customer	3.538	55.0%	0.000	1.946	1.592	0.000	25.4%
Corporate Landlord	0.735	100.0%	0.660	0.075	0.000	0.000	0.0%
Homelessness	0.522	0.0%	0.000	0.000	0.000	0.522	0.0%
<b>Subtotal</b>	<b>11.875</b>	<b>46.0%</b>	<b>1.976</b>	<b>3.489</b>	<b>2.280</b>	<b>4.130</b>	<b>23.4%</b>
<b>% of programme</b>							
<b><u>Currently led by service</u></b>							
Children's - Early Help	0.902	33.3%	0.000	0.300	0.000	0.602	33.3%
Procurement	0.662	16.2%	0.000	0.107	0.000	0.555	0.0%
Community	0.705	29.1%	0.100	0.105	0.150	0.350	9.9%
Finance & Resources – IT	0.249	0.0%	0.000	0.000	0.000	0.249	0.0%
Estates / New Ways of Working	1.278	6.1%	0.078	0.000	0.000	1.200	0.0%
<b>Subtotal</b>	<b>3.796</b>	<b>18.2%</b>	<b>0.178</b>	<b>0.512</b>	<b>0.150</b>	<b>2.956</b>	<b>13.3%</b>
<b>% of programme</b>							
<b>Transformation savings</b>	<b>15.671</b>	<b>39.2%</b>	<b>2.154</b>	<b>4.001</b>	<b>2.430</b>	<b>7.086</b>	<b>20.9%</b>
<b>% of programme overall</b>							
			<b>13.7%</b>	<b>25.5%</b>	<b>15.5%</b>	<b>45.3%</b>	

**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).

- 4.7 Saving targets that are based upon reducing third party spend are likely to be impacted by increased price inflation and increased demand for services beyond the original metrics used to determine savings targets or growth within baseline budgets. Savings relating to staffing reductions will also be impacted by cost of living and agency spend to fulfil key operational delivery roles but will see a benefit for positions where vacancies can be held. Achievement of savings may also be impacted if duplicated across programmes and within programmes, particularly the cross-cutting customer programme which is creating a centralised customer service hub. Whilst the saving is held centrally, work is underway to transition budgets and staffing from Directorates into the customer hub.
- 4.8 Whilst the programme is experiencing challenges in delivering savings, there are examples of really positive actions to manage demand and changes in working practices that can be demonstrated and shared through the established programme boards. The challenge is ensuring the outcomes deliver cashable savings.
- 4.9 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.

<b>Table 5: Transformation Funding</b>					
<b>Transformation Funding</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Total £m</b>
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
<b>Transformation Investment (Annex 5 MTFP)</b>	<b>9.860</b>	<b>7.679</b>	<b>2.248</b>	<b>0.502</b>	<b>20.289</b>
Outturn 2022/23 and forecast July 2023 (Estimates and Commitments) Funded from capital receipts	8.236	8.239	1.907	0.000	18.382
<b>Updates - re-profiling on capital programme</b>	<b>(1.588)</b>	<b>1.590</b>	<b>(0.066)</b>	<b>0.000</b>	<b>(0.064)</b>

- 4.10 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.

4.11 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 reporting savings of £6.155m (39.2%) within the blue and green categories, 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 6 2023/24 is an underspend of **£4.839m** (£7.3m underspend at period 2). When compared to the gross annual budget of £117.882m, this underspend represents a variance of 4.1%. The movement of £2.46m between periods 2 and 6 is mainly related to increased repairs and maintenance and costs associated with void properties.

5.2 The underspend of (**£4.839m**) is mainly driven by a combination of the following key factors:

- (**£4.379m**) increase interest income received on **cash** balances (£4.8m at period 2). The unusual circumstances of high interest rates and increased HRA reserves due to repayments made by the General Fund have caused this favourable variance.
- (**£1.188m**) underspend relating to **interest payable** as a result of forecast on borrowing within HRA being lower than the budget.
- A projected **£1.081m** overspend on **Repairs and Maintenance** ((£0.19m) underspend at period 2) mainly due to labour shortages and the need to use contractors £0.6m and on planned maintenance due to increased costs of heating installations and fire damage £0.671m.
- An underspend of (**£0.406m**) on **Management Costs** ((£1.085m) underspend at period 2) mainly due to council tax and landlord costs associated with void properties.

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.

<b>Table 6: 2023/24 HRA Forecast as at Period 6</b>					
<b>HRA Activity</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>Year to Date Actuals (Period 6)</b>	<b>Period 6 forecast</b>	<b>Forecast under (-) / over (+) spend (Period 6)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Rental Income	(104.742)	(104.742)	(52.423)	(104.689)	0.053
Service Charges & Other Income	(13.140)	(13.140)	(8.952)	(17.520)	(4.379)
<b>Total Income</b>	<b>(117.882)</b>	<b>(117.882)</b>	<b>(61.375)</b>	<b>(122.209)</b>	<b>(4.326)</b>
Repairs & Maintenance	30.135	28.030	14.064	29.111	1.081
Management Costs	34.645	36.750	19.391	36.345	(0.406)
Capital Charges	52.502	52.502	23.230	51.314	(1.188)
Direct Revenue Financing	0.600	0.600	0.300	0.600	0.000
<b>Total Expenditure</b>	<b>117.882</b>	<b>117.882</b>	<b>56.985</b>	<b>117.370</b>	<b>(0.513)</b>
<b>Total HRA</b>	<b>0.000</b>	<b>0.000</b>	<b>(4.390)</b>	<b>(4.839)</b>	<b>(4.839)</b>

## 6. Capital Programme

Executive Board, at its meeting held on 18 July 2023, approved revisions to the capital programme (2023/24 to 2026/27) to £773.457m as shown in table 7 below.

6.1 A summary of the Capital Programme is set out in the table below:

<b>Table 7: Capital Programme Summary 2023/24 – 2026/27</b>					
<b>Programme</b>	<b>Budget 2023/24</b>	<b>Budget 2024/25</b>	<b>Budget 2025/26</b>	<b>Budget 2026/27</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Revised Programme at Period 6</b>					
General Fund	248.124	190.569	39.500	17.270	<b>495.463</b>
HRA	75.174	66.296	40.043	36.220	<b>217.733</b>
<b>Total</b>	<b>323.298</b>	<b>256.865</b>	<b>79.543</b>	<b>53.490</b>	<b>713.196</b>
<b>Revised Programme at Period 2</b>					
General Fund	324.531	186.163	28.863	16.167	<b>555.724</b>
HRA	75.174	66.296	40.043	36.220	<b>217.733</b>
<b>Total</b>	<b>399.705</b>	<b>252.459</b>	<b>68.906</b>	<b>52.387</b>	<b>773.457</b>
<b>Changes due to formal approvals</b>					
General Fund	(76.407)	4.406	10.637	1.103	<b>(60.261)</b>
HRA	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Total</b>	<b>(76.407)</b>	<b>4.406</b>	<b>10.637</b>	<b>1.103</b>	<b>(60.261)</b>

Further adjustments totalling a net reduction of **£60.261m** (mainly in 2023/24 £76.407m) are now required to the General Fund Capital Programme at period 6 which would reduce the overall capital programme to £713.196m. These adjustments are as follows:

- General Fund net reduction of **£90.046m**, which is in relation to a Technical Accounting adjustment where Midlands Net Zero Hub budget needed to be applied to offset prior year spend.
- General Fund Capital Programme additions totalling **£29.785m**:
  - Higher Needs Grant balance of grant awarded from DfE less formally approved schemes **£16.038m**
  - Devolution Retrofit Funding **£9.920m**

- Higher Needs formally approved schemes (i.e. Djanolgy, Nethergate and Whitemoor) **£1.925m**
- Various IT Schemes funded by IT Efficiency Reserve **£1.204m**
- Schemes under £0.500m approved to period 6 **£0.698m**

6.2 Table 8 compares the projected expenditure to the revised 2023/24 budget at period 6 of £323.298m:

<b>Table 8: Current Capital Forecast</b>						
<b>2023/24 Capital Budget Summary</b>	<b>Revised Budget 2023/24 £m</b>	<b>Year to Date Actuals £m</b>	<b>Current Forecast £m</b>	<b>Slippage / (Accelerated Spend) £m</b>	<b>Slippage / (Accelerated Spend) - Accountable Body £m</b>	<b>Forecast Under (-) / Over (+) spend £m</b>
Adult Services	3.111	0.941	2.526	0.585	0.000	0.000
Children's Services	0.000	0.000	0.050	(0.050)	0.000	0.000
Education	5.282	0.301	4.920	0.684	0.000	(0.322)
<b>subtotal: People</b>	<b>8.393</b>	<b>1.242</b>	<b>7.496</b>	<b>1.219</b>	<b>0.000</b>	<b>(0.322)</b>
Communities, Environment & Resident Services	112.635	13.825	104.073	8.788	0.000	(0.226)
Growth & City Development	114.362	15.601	80.919	11.192	22.700	(0.449)
Finance & Resources	1.665	1.734	2.061	(0.396)	0.000	0.000
Transformation	8.236	4.497	8.246	0.000	0.000	(0.010)
<b>Subtotal – Approved</b>	<b>245.291</b>	<b>36.899</b>	<b>202.795</b>	<b>20.803</b>	<b>22.700</b>	<b>(1.007)</b>
Planned Schemes	2.833	0.000	0.691	2.142	0.000	0.000
<b>General Fund: Total</b>	<b>248.124</b>	<b>36.899</b>	<b>203.486</b>	<b>22.945</b>	<b>22.700</b>	<b>(1.007)</b>
HRA	75.174	11.483	51.918	23.566	0.000	(0.310)
<b>Capital Programme</b>	<b>323.298</b>	<b>48.382</b>	<b>255.404</b>	<b>46.511</b>	<b>22.700</b>	<b>(1.317)</b>

6.3 The revised capital programme at period 6 for 2023/24 (combined General Fund and HRA) is **£323.298m**. Forecasted expenditure is **£255.404m** resulting in slippage of **£69.211m** (of which **£22.700m** relates to accountable body projects) and an underspend of **(£1.317m)** against the approved programme budget, as summarised in the table below. The slippage as identified in **Table 8** will be treated as an addition to the future programme and approved as part of the Capital Budget process. The identified underspend is mainly due to:

- 6.3.1 Unspent contingency within the Education Programme
- 6.3.2 Reduction within the Energy Efficiency programme
- 6.3.3 Decommittment of HRA stock spend

The Education and Energy reductions are funded by ringfenced grants any underspend will be either recommitted against new projects or returned to the awarding body as defined by the grant conditions. While the HRA decommitment reduces the earmarked Major Repairs Reserve, these funds will be re-prioritised as part of the 2024/25 capital budget process.

6.4 Capital spend to date **£48.382m** equates to **18.9%** of the capital forecast at period 6 (**£255.404m**). This is low in comparison to prior years where the average expenditure incurred at period 6 was **25.3%** of the outturn position. The Council is at risk of further slippage in the delivery of projects within 2023/24 unless delivery against capital projects (and spend) is accelerated.



## 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, including consideration of Make or Buy where appropriate**

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 (including implications and value for money/VAT)**

10.1 Financial implications appear throughout the report.

## 11. **Legal colleague comments**

11.1 The report sets out the forecast outturn position for the Council based on the Period 6 position. Given that the current indication is that there will be a projected overspend of £23.351m at year end the Council's s151 Officer will need to consider what further action is required to address this issue.

Malcolm R. Townroe – Director of Legal and Governance – 13 November 2023

## 12. **Procurement comments**

12.1 Not applicable

## 13. **Equality Impact Assessment (EIA)**

13.1 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.

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

14.1 Not applicable

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

15.1 Not applicable

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

16.1 None

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

17.1 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>

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