

Executive Board – 13 February 2024

Subject:	Budget and Medium Term Financial Plan (MTFP) 2024/25 to 2027/28
Corporate Director(s)/Director(s):	Ross Brown, Corporate Director for Finance and Resources (Section 151 Officer)
Report author and contact details:	Shabana Kausar, Director of Finance (Deputy Section 151 Officer) shabana.kausar@nottinghamcity.gov.uk
Other colleagues who have provided input:	Corporate Leadership Team Transformation Team Colleagues within Technical, Strategic and Commercial Finance Teams
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a)	<input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input checked="" 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date: 17 January 2024
Total value of the decision:	£171.669m General Fund Medium Term Financial Plan £832.532m Capital Programme £29.4m Schools Budget change Details of other specific financial decisions are set out within the body of the report and its appendices
Wards affected:	All
Date of consultation with Portfolio Holder(s):	Throughout
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):	
<p>Executive Board in December 2023 noted the progress on the Council's Medium-Term Financial Plan (MTFP) for 2024/25 building on the July 2023 MTFP report. The Council has undertaken a 5 week public consultation process on its budget proposals and the results have informed the final proposed MTFP.</p>	

The Council continues to face truly exceptional circumstances as best demonstrated by the resultant budget gap post applying full extent of the Duties and Powers saving proposals still being of significant enough magnitude to need in excess of c£41m of Exceptional Financial Support (EFS) to allow a balanced budget to be set. The predominate drivers of these exceptional pressures are a combination of both significant demographic, complexity of provision and inflationary pressures across wide range of areas. As such, the proposals developed by officers have been insufficient to meet the quantum of corresponding growth needed to provide adequate financial provision to meet our service obligations. The significance of the need to rely on substantial amounts of EFS should not be underestimated and although this allows the Council to set a balance budget in year it sets a significantly higher hurdle to achieve in 2025/26. The report has been written on the presumption that EFS will be granted to the Council.

It is a legal requirement to set a balanced General Fund Budget for 2024/25 by 11 March 2024. In addition, it is a Best Value requirement to demonstrate the financial sustainability of the Council through setting a balanced 4-year MTFP. These requirements and principles sit alongside the instructions issued by the Improvement and Assurance Board in relation to financial sustainability and recently further strengthened by issuance of two new finance instructions. The two new finance instructions are as follows:

- 1) The Section 151 Officer, after consultation with the Chief Executive and fellow Corporate Directors, shall present his best professional view on a draft budget for 2024/25 in line with normally expected professional standards but which in particular maximises the level of savings options that Corporate Directors believe can be delivered and thus quantifies the minimum budget imbalance relying on the bid to Government for 'Exceptional Financial Support'
- 2) Subject only to any professionally required changes determined by the Section 151 Officer, the draft budget for 2024/25 as defined in 1 above, shall be presented and recommended to the Full budget setting Council meeting for its approval.

The above instructions require officers to present for approval the full Duties and Powers derived savings.

The General Fund Budget will be balanced in 2024/25 only by taking all available saving options tabled within this report and the use of material sums of EFS. The MTFP sets out the current budget shortfall across the period against the forecasted available resources of the Council.

The Section 151 Officer is required by law to report to Council members on his assessment of the robustness of budget estimates and the adequacy of financial reserves in presenting the MTFP for consideration and approval.

The MTFP, Reserves policy and Section 25 statement on the Robustness of the budget and Adequacy of Reserves annexes detail the Section 151 Officer's strategy to replenish the Financial Resilience Reserve through creation of one-off £10m contribution from the base budget.

This strategy aligns with good financial practice and reflects a prudent approach to rebuild the Council's financial resilience over the period of the MTFP within a challenging environment. Combined with the total value of new savings and income plans of £36.409m

over the period of the MTFP, this does, however present a significant challenge to the organisation. Members and officers alike will need to be unwavering in exercising robust financial management discipline and committed to the timely delivery of approved savings in order for the MTFP to remain in financial balance and the Council to operate within its financial means.

The overall level of service growth being reinvested through the 2024/25 budget process is c£65m.

Savings delivery continues to be critical to ensuring the Council can keep within approved budgets reducing the pressure in forthcoming year(s).

This report sets out the Council's revenue and capital budget proposals for the General Fund, and Schools Budget for 2024/25 within the context of a medium term outlook. In addition, this report includes the Council's policies on Financial Reserves and Fees & Charges.

The report comprises of the following Appendices:

- Appendix 1 - Budget Consultation
- Appendix 2a and 2b – Savings Proposals
- Appendix 3 – Transformation Programme
- Appendix 4 - Council Tax Support Scheme
- Appendix 5 – Schools Budget
- Appendix 6 – Capital Strategy
- Appendix 7 – Capital Programme
- Appendix 8 – Treasury Management
- Appendix 9 – Financial Reserves Policy
- Appendix 10 – S25 Statement on Robustness of the budget and adequacy of reserves, required under The Local Government Act 2003 (Pt II)
- Appendix 11 – Fees and Charges Policy
- Appendix 12 – Fees and Charges Schedule
- Appendix 13 – Equality Impact Assessment

This report should be considered in conjunction with its Appendices.

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

No

Recommendation(s):

1. General Fund Revenue Medium Term Financial Plan 2024/25 to 2027/28 (section 6)

- a) To recommend for City Council to approves total General Fund savings of £36.409m over the MTFP period 2024/25 to 2027/28, submitted as part of the

2024/25 budget review process. (paragraph 3.6.2, Appendix 2a, Appendix 2b and section 5).

- b) To note the Council's request for Exceptional Financial Support (capitalisation direction) from the Department of Levelling Up, Housing and Communities of up to £65m for 2023/24 and 2024/25 as set out in paragraph 3.7.
- c) Notes that the Council has a budget gap of c£41m in 2024/25 and c£172m over the MTFP period.
- d) Notes and recommends for City Council to approve the officer recommended budget with the 2024/25 budget gap to be funded from EFS and with approval for officers to continue identifying savings through the year to reducing the in-year budget gap (paragraph 3.6.2.)
- e) To recommend to City Council the approval of the proposed General Fund revenue budget for 2024/25 with a net draft budget requirement of c£357m.
- f) Authorises the Corporate Director and/or Director with responsibility for each proposal to:
 - i) carry out all steps required in relation to each proposal, including carrying out any further targeted consultations.
 - ii) consider any consultation outcomes and other detailed implications.
 - iii) complete and consider the implications of any updated equalities impact assessment required.
 - iv) following completion of d(i), d(ii) and d(iii) above:
 - determine whether to amend any proposal prior to implementation;
 - determine whether a further report needs to be considered by the Executive Board;
 - or the relevant officer or portfolio holder before a final decision is taken on implementation; and
 - where a decision is taken not to proceed with any proposal then alternative proposal(s) will be brought forward for consideration.
- g) In relation to savings proposals that are significantly cross cutting across more than one service, authorises the Corporate Director or Director with primary responsibility for the savings proposal to complete any required equalities analysis assessments and to consider the outcome, and any other crosscutting implications, following consultation with the Corporate Directors or Directors of the other services significantly impacted by the proposals, prior to taking any decisions to implement such proposals.
- h) Notes in relation to 1d) and 1(e) above, that where appropriate any key decisions will be brought back to the Executive Board.
- i) Notes the latest Medium-Term Financial Plan for 2024/25 to 2027/28 (Section 5).
- j) Note the c£77.279m revenue growth of which c£17.392m relates to contractual inflation for 2024/25 (paragraph 6.5).

- k) To note the following additional statutory instructions from the Improvement and Assurance Board flowing directly from the existing instructions, '2.1, Approval of wholly realistic plans and budgets' and '2.2, Establish and Maintain a sound and prudent reserves policy and practice':
- The Section 151 Officer, after consultation with the Chief Executive and fellow Corporate Directors, shall present his best professional view on a draft budget for 2024/25 in line with normally expected professional standards but which in particular maximises the level of savings options that Corporate Directors believe can be delivered and thus quantifies the minimum budget imbalance relying on the bid to Government for 'Exceptional Financial Support'
 - Subject only to any professionally required changes determined by the Section 151 Officer, the draft budget for 2024/25 as defined in 1 above, shall be presented and recommended to the Full budget setting Council meeting for its approval.
- l) To delegate authority to the Section 151 Officer to approve and make arrangement for processing of budget virements associated with allocation of expenditure and/or income included within the General Fund revenue budget for 2024/25.

2. Budget Consultation (section 3.3 and Appendix 1)

- a) Note and consider the findings of the consultation in agreeing the MTFP recommendations to full Council (paragraph 3.3 and Appendix 1).
- b) Note that the insight and learning gained through the extensive consultation process will be used to inform the Equality Impact Assessments, design phase and/or mitigate impact where possible in the implementation of proposals (Appendix 13).
- c) Note that additional and targeted consultation will be required on some of the proposals based on more detailed proposed delivery models.

3. Financial Reserves Policy (Section 13):

- a) To approve and formally adopt the Council's policy on Financial Reserves (Appendix 9).
- b) To delegate the authority to the Section 151 Officer in consultation with the Portfolio Holder for Finance & Resources to make any changes required to adhere to accounting policies and processes.
- c) To note the forecasted balances on General Fund reserves for end of 31 March 2024 of:
- General Fund balance £14.643m
 - Earmarked reserves £149.404m

4. Fees and Charges (Section 8):

- a) To approve and formally adopt the Council's policy on Fees & Charges (Appendix 11)
- b) To note the schedule of fees and charges arising from the application of the approved policy for 2024/25 (Appendix 12).

5. Transformation Programme (Section 6):

- a) To note the planned expenditure of c£9m on transformation initiatives over the period 2024/25 and 2025/26 is to be funded via application of capital receipts under the Council's Flexible use of Capital Receipts Policy. As set out in Appendix 3 and Table 10.
- b) To note the associated delivery of transformation savings for all funding streams totalling c£43m over the period 2024/25 to 2026/27. As set out in Appendix 3 Table 9.

6. Council Tax (Section 6.9):

- a) To note the Council Taxbase for 2024/25 of 69,075.
- b) Considers and recommends to City Council an increase of 2% for the Social Care Precept and an increase of 2.99% for Council Tax in 2024/25 (paragraph 5.5) endorsing proposals to set a Council Tax level (Band D) of £2,155.33.
- c) To recommend to City Council the approval to Charge a long-term empty council tax premium to commence at 12 months 'empty' from 2024/25.
- d) To recommend to City Council the approval to a second home premium is implemented from 2025/26 as the legislation requires it to be agreed 1 year in advance of implementation
- e) To note the Council Tax Support Scheme for 2024/25 and that a review of the scheme will be undertaken during 2024/25, with a view to implementing a new scheme in 2025/26.

7. Collection Fund (Section 6.11):

- a) To note the estimated Council Tax Collection Fund surplus for 2023/24 of £3.763m, to be shared as below:

• Nottingham City Council	£3.203m
• Nottinghamshire Police & Crime Commissioner	£0.420m
• Nottinghamshire Fire Authority	£0.140m
- b) To note the estimated Business Rates Collection Fund deficit for 2023/24 of £4.075m, of which £1.997m is Nottingham City Council's share.

8. Capital Budget and Strategy (Section 12)

- a) To approve the Capital Strategy and its appendices as detailed in Appendix 6, paying particular attention to the:
 - Voluntary Debt Reduction Policy
 - Flexible Use of Capital Receipt Policy
 - Non-Treasury Investment Strategy, and
 - Updated prioritisation criteria for Capital Receipts
- b) Approve the Capital Budget of £832.5m and associated funding as set out in section 12 and detailed in Appendix 7, alongside the capital programme additions of £53.8m.
- c) Note the inclusion of the Exceptional Financial Support of £65.0m and associated funding within the proposed Capital Budget.
- d) Note the register of pipeline schemes and movements from Full Council in March 2023 as detailed in Appendix 6.4.

9. Treasury Management Strategy (section 13)

- a) To approve the Treasury Management Strategy 2024/25 as detailed in Appendix 8, paying particular attention to:
 - The approach to borrowing
 - Voluntary Debt Reduction Policy
 - The Treasury Investment Strategy
 - Prudential Indicators
- b) To approve the Prudential Indicators for the year 2024/25. In particular:
 - The authorised limit for borrowing of £940.2m which sets a statutory limit for borrowing that the council cannot exceed in 2024/25.
 - The operational boundary for debt of £910.2m, a lower limit than the authorised boundary, which acts as an early warning mechanism for council borrowing.
- c) To note the council has repaid £58m of long-term loans early during the year 2023/24 which has been authorised under the Section 151 Officers delegated treasury authority. Further details will be published in the Treasury Outturn report 2023/24.
- d) To note the change to the scope of the voluntary debt reduction policy which has been broadened to allow for borrowing in exceptional financial circumstances for a short-term period.

10. Schools Budgets (section 8)

- a) To approve the in-year budget transfers and payments associated with the grant funding and the use of the reserve included in this report. This will not exceed the grant value (Appendix 5).

- b) To delegate the authority to the Portfolio Holder for Finance & Resources and the Section 151 Officer to approve any final budget adjustments in conjunction with the Portfolio holder for Leisure, Culture & Schools, and the Corporate Director (People).

11. Housing Revenue Account (HRA) budget 2024/25 (section 9)

- a) Notes the HRA revenue budget for 2024/25, as presented to the Executive Board at the same meeting.

a) Robustness of the Medium-Term Financial Plan and Adequacy of Reserves (Appendix 10)

- b) To note the report of the Council's Section 151 Officer in respect of the robustness of the estimates within the budget and the adequacy of reserves as set out in Appendix 10.
- c) In accordance with recommended guidelines, the Section 151 Officer recommends for a one-off contribution is made into the General Fund balance of £9.560m, so to transit the Council towards establishing a prudent balance commensurate to the revenue budget increase (section 13 and Appendix 9).

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1. Reasons for recommendations

- 1.1 This report seeks approval of the proposed 2024/25 to 2027/28 MTFP with a recommendation of approval of the proposed MTFP by the City Council on 4 March 2024.
- 1.2 This MTFP covers a 4-year period to meet its objective of agreeing a longer-term financial planning framework within which value for money decisions relating to services can be taken.
- 1.3 The report sets out a cumulative budget gap of c£172m, of which c£41m is provisionally proposed to be funded from EFS in 2024/25, subject to approval from DLUHC.
- 1.4 The Transformation and new Duties and Powers savings programmes will now be the Council's key strategy for achieving long term service reform and financial sustainability and is critical to delivering a balanced Medium Term Financial Plan. With the Transformation programme to be funded primarily from Council's Flexible use of Capital Receipts policy. It is essential that the Council's Strategic Plan is aligned to the available financial envelope over the MTFP period.
- 1.5 Proposals that include workforce reductions will be subject to internal consultation with Trade Unions and affected colleagues. Details of such proposals may, therefore, be amended during the consultation period and may impact on the way in which identified proposals will be delivered.

2. Background (including outcomes of consultation)

- 2.1 The Council continues to face significant budget pressures in future years and uncertainty, including the continuing level of support from Central Government, over the medium term. Due to an increased demand for services, the long-term impact of the pandemic, alongside the 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 demand change can lead to material budget variances.

3. Approach to Budget Setting

3.1 Budget Strategy

- 3.1.1 The budget strategy for the 2024/25 budget process was set out in reports to Executive Board in July and December 2023, focussing on delivering saving proposals through the Duties and Powers Framework (equivalent to legal minimum) alongside the following budget strands:
 - Transformation including Best Value reviews and service redesign
 - Efficiency
 - Asset
 - Income and Debt

- Technical Review

3.1.2 The combined outcomes of these budget strands were required to deliver following objectives:

- 1) Set and deliver a balanced budget.
- 2) Establish financial resilience to ensure council's long term financial health and viability is sound on a continued basis.
- 3) Maximise the 'One Council' as a vehicle to transform the way in which it delivers its services and what it can deliver.
- 4) Address emerging pressures that are unavoidable.

3.1.3 These key objectives are to be met first before any new investment growth is considered for delivering Strategic Council Plan priorities.

3.2 **Delivering the Budget Strategy**

3.2.1 In recognition of the financial challenge, the Council adopted the Duties and Powers framework (equivalent to legal minimum) to develop saving proposals and set a balanced budget for 2024/25. The process included two key stages with the first being the mapping of general fund budgets against legal duties and powers and the second being to develop proposals. The second stage of the process involved various challenge sessions, with Corporate Leadership Team (CLT) and members, of officer proposals going through various rounds of iterations before forming part of the Budget Consultation as presented to the Executive Board in December 2023.

3.3 **Budget Consultation**

3.3.1 The Council is required to undertake statutory budget consultation with Business Rates payers in the city. This has been undertaken through the four-week public consultation on the 2024/25 budget proposals which ran between 19 December 2023 to 16 January 2024. The consultation took place via on-line survey and a range of targeted and general engagement events in person and on-line including staff.

3.3.2 The consultation received views of over 5,400 people, of which:

- 5398 responses came through the online survey. Of these, 112 were responses from organisations and 5,286 were from individual respondents. A further 27 responses came through individual submissions by correspondence
- 262 people attended the various engagement sessions

3.3.3 In addition, 938 staff attended internal engagement events.

3.3.4 Appendix 1 provides a detail analysis of the responses received.

3.3.5 The online survey invited respondents to give their views on the 31 budget proposals that were deemed to be subject to public consultation, plus questions on proposed Council Tax and Adult Social Care (ASC) precept increases. The proposals with the most comments were:

- Introduce a charge for public toilets
- Introduce charge for garden waste bin
- Increases to Council Tax and Adult Social Care precept
- Reduce public transport infrastructure
- Review of Library Services

3.3.6 In addition to the public consultation, officers have also consulted with council's scrutiny committees on service impacts of the proposals, feedback of which has been submitted separately. The table below sets out dates of when the various scrutiny committees were consulted with.

Table 1: Consultation with Council Scrutiny Committees		
Scrutiny Committee	Date of Meeting	Meeting Remit
Corporate Scrutiny	17/01/2024	2024/25 Budget Overview Review service impact of proposals from the Finance and Resources and Chief Executive's Directorates
Housing & City Development	22/1/2024	Review service impact of proposals from the Growth and City Development Directorate
Communities & Environment	24/1/2024	Review service impact of proposals from the Community, Environment and Resident Services Directorate
Children & Young People	25/1/2024	Review service impact of proposals from Children's Integrated Services and Education
Health & Adult Social Care	30/1/2024	Review service impact of proposals on Adult Social Care

3.3.7 In light of the Local Government Financial Settlement, and the additional statutory instructions from the Improvement and Assurance Board to minimise Exceptional Finance Support and, in light of the financial constraints and Best Value requirements to ensure the continued financial sustainability of the Council, officers are recommending for the Council to proceed and approve as planned with savings assumptions presented to the Executive Board in December 2023, noting the points and comments raised throughout the consultation process.

3.3.8 Note that the insight and learning gained through the extensive consultation process will be used to inform the Equality Impact Assessments, design phase and/or mitigate impact where possible in the implementation of proposals; and that additional and targeted consultation will be required on some of the proposals based on more detailed proposed delivery models.

3.4 **Budget Scrutiny**

3.4.1 Scrutiny of the budget is an important part of the process, enabling public debate of proposals and supporting transparency as well as providing opportunity for non-executive councillors to feedback to the Executive.

3.4.2 The Council's constitution sets out the need for Corporate Scrutiny Committee to be consulted in the budget process. Corporate Scrutiny Committee will conclude this work at the meeting on 14 February 2024, which is in addition to the meetings held in September 2023 and January 2024. Feedback from this meeting will be

submitted either in writing by the Corporate Scrutiny Committee Chair and/or Vice-Chair or provided verbally to City Council meeting.

3.5 Improvement and Assurance Board

3.5.1 At the formal Improvement and Assurance Board (IAB) meeting on 25 January, the IAB issued a further two Finance Instructions effective from 25 January 2024.

3.5.2 Flowing directly from the existing instructions – namely, ‘2.1, Approval of wholly realistic plans and budgets’ and ‘2.2, Establish and Maintain a sound and prudent reserves policy and practice’ – the IAB further instructions are as follows:

1. The Section 151 Officer, after consultation with the Chief Executive and fellow Corporate Directors, shall present his best professional view on a draft budget for 2024/25 in line with normally expected professional standards but which in particular maximises the level of savings options that Corporate Directors believe can be delivered and thus quantifies the minimum budget imbalance relying on the bid to Government for ‘Exceptional Financial Support’
2. Subject only to any professionally required changes determined by the Section 151 Officer, the draft budget for 2024/25 as defined in 1 above, shall be presented and recommended to the Full budget setting Council meeting for its approval.

3.6 2024/25 Budget Process

3.6.1 Since the last update to the Executive Board in December 2023, work has been ongoing in reviewing additional service growth requests alongside previous assumptions included within the medium-term financial plan (MTFP). In addition, to this work has also continued in reviewing assumptions relating to council’s core funding, assessing the impact of Provisional Local Government Finance Settlement and technical reviews.

3.6.2 The combined impact of all these budget strands does not currently achieve a balanced budget position for 2024/25 as the total requested growth and cost assumptions significantly exceed the estimated resources available to the Council in 2024/25, as summarised in the table below.

Table 2: 2024/25 Budget Gap	
Item	2024/25 £m
December MTFP gap projections	33.215
Growth Review	23.473
Pay Resources	(0.524)
Updated Saving & Income Proposals	(5.989)
Provisional Settlement	0.494
Final Settlement	(3.289)
Council Tax (tax base)	(0.144)
Business Rates Related (NNDR +S31 grants)	(1.110)
Collection Fund	(1.207)

Table 2: 2024/25 Budget Gap	
Item	2024/25 £m
Technical Review (mostly Treasury Management)	(8.768)
Other adjustments (mostly creation of one-off £4m contingency)	4.992
2024/25 Budget Gap required to be funded from Exceptional Financial Support	41.143

3.7 Exceptional Financial Support

- 3.7.1 The Corporate Director for Finance and Resources (Section 151 Officer) has been in dialogue with both Improvement and Assurance Board (IAB) members and Department for Levelling Up, Housing and Communities (DLUHC) officials throughout last year on the Council's financial position, especially with regards to the current financial year 2023/24 pre and post issuance of the S114(3) report. Further dialogues have taken place with DLUHC since issuance of the S114(3) report on the need for the Council to request Exceptional Financial Support (EFS) for both 2023/24 and 2024/25.
- 3.7.2 Following an initial review of additional growth pressures pre-Christmas and with no additional saving proposals being developed, an assessment was made that the Council will be unable to balance its budget in-year for 2023/24 as well as be unable to set a balanced budget for 2024/25. This led to submitting an EFS on 12 January 2024 in accordance with DLUHC deadline, for up to c£65m, of which up to £25m was for 2023/24 and up to £40m was for 2024/25.
- 3.7.3 In practical terms EFS is usually transacted in form of a capitalisation direction which permits the Council to capitalise revenue expenditure so that it is treated as capital expenditure and be funded from either capital receipts or prudential borrowing, which normally is not the case. Due to council's current Voluntary Debt Reduction Policy (a voluntary freeze on undertaking new borrowing), any capitalisation direction will need to be met from asset sales. This is likely to require a greater quantum of asset sales to be identified and progressed by the Council's usual processes. Due to the timing of realising the additional capital receipts the Council is seeking to temporarily fund any capitalisation direction from borrowing. To facilitate this the Council is proposing an amendment to its Voluntary Debt Reduction Policy with regard to any EFS granted.
- 3.7.4 DLUHC practice suggest that that any EFS is only normally offered "for the residual funding amount" once a council has demonstrated that all potential options have been explored and there is a plan in place to reduce the amount required through savings proposals, asset sales and other activities.
- 3.7.5 In the provisional Local Government Financial Settlement, it was announced that government would consider representations from councils to set a balanced budget through the EFS framework. The statement said that:

"Where a council has a specific and evidenced concern about its ability to set or maintain a balanced budget, including where there has been local financial failure, the council may seek additional support from government via the exceptional financial support framework. As part of that process, the

government will consider representations from councils on council tax provision.”

Consultation: provisional local government finance settlement 2024 to 2025
(paragraph 1.3.2)

3.7.6 The potential to increase council tax above referendum limits has been permitted in 2023/24 for Thurrock (10%), Slough (10%) and Croydon (15%) and 10% for 2024/25 in Woking, Slough, and Thurrock. The advantage of increasing council tax is that the Council gains the benefit of the increase on an ongoing basis. The vulnerable will be protected from the increase through the Council's 'Council Tax Support' scheme.

3.7.7 A capitalisation direction does not solve the budget gap on an on-going basis, it is simply a mechanism that provides the Council time to radically change and develop sustainable solutions.

3.8 Section 114(3) Report Impact

3.8.1 On 29 November 2023, the Section 151 Officer issued a report to all councillors under section 114(3) of the Local Government Finance Act 1988 (the Act). The purpose of the report was for the Section 151 Officer to formally notify the Council that in his professional opinion, the Council is unable to meet its statutory requirement to deliver a balanced budget for 2023/24, as the expenditure of the Council incurred (including expenditure it proposes to incur) in the 2023/24 financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure.

3.8.2 From the date of issuance until the day after the Council meeting, a Prohibition Period that legally stops all new agreements that may incur expenditure (at any time) has been implemented. During this time, no new agreement that might incur expenditure can be entered into without the explicit written authority of the Section 151 Officer.

3.8.3 To ensure compliance with the Policy, the Section 151 Officer has implemented a Spend Control Policy and issued council-wide instruction regarding new requests to spend. A Spend Control Board, chaired by the Section 151 Officer, meets regularly to review, and consider spend over this period. Any spend decisions made without the authorisation of the Section 151 Officer during this period will be deemed ultra vires and will be reviewed as a disciplinary matter.

4. Financial Context and Overview

4.1 Budget and Policy Statements

4.1.1 In 2023, the Chancellor has presented two budget statements, one in Spring and the other in Autumn with a focus on economic growth, low taxation and productivity.

4.1.2 In addition to the Budget Statements, the government issued a policy statement on Local Government Finance on 5 December 2023, reiterating the key messages as set out in the Autumn Budget Statement with the only additionality being confirmation of the Council Tax increase proposed for next year of 5% (3% core

council tax element and 2% adult social care precept) and setting out the Exceptional Financial Support framework to provide support for councils to maintain a balanced budget.

4.2 Final Local Government Financial Settlement

4.2.1 The final local government finance settlement was announced on 7 February 2024. This confirmed the details of the provisional settlement previously announced on 18 December 2023 and the subsequent Ministerial written statement on local government funding published on 24 January 2024. Effectively this is the second year of a two-year settlement reconfirming previous announcements included within the Autumn Budget statement (22 November 2023), the Policy Statement (5 December 2023) and responses to the technical business rates consultation (14 December 2023).

4.2.2 The provisional settlement (published on 18 December) included the following key announcements relevant to Local Government:

a) Local Government

- One-year settlement only and broadly reconfirmed previous Government policy announcements.
- Settlement Funding Assessment (SFA) to increase by £892m (5.7%) nationally. SFA includes business rates baseline, business rates top-up grant and revenue support grant.
- Revenue Supports Grant (RSG) to increase in line with Consumer Price Index (6.62%).
- Business Rates:
 - The Government has exercised its power under the Non-Domestic Rating Act 2023 to decouple the Small Business and Standard multipliers
 - The Small Business multiplier has been frozen at 49.9p. The Standard multiplier (payable by businesses with premises valued at more than £51,000) will increase from 51.2p to 54.6p. Until 2024/25, the standard multiplier was fixed at 1.3p higher than the small multiplier, in 2024/25 it will now be 4.7p higher.
 - Baseline Funding Level (BFL) allocations will be uplifted by a “weighted average index”.to reflect the above changes
 - Cap compensation will be paid to compensate authorities for lost income arising from the decision to freeze the small business rating multiplier. Adjustments will be made to take into account different indexation factors used for BFL.
- Councils will be able to increase their core council tax threshold by 3% and Adult Social Care precept by 2%.
- Continuation of New Homes Bonus (NHB) grant on same methodology as 2023/24, attracting no new legacy payments, with future replacement scheme still to be confirmed even though its original consultation was almost three years ago.

- Services Grant will continue to operate in the same way as 2023/24 but with a significantly reduced overall amount (down from £483m to £77m).
- Funding Guarantee will continue into 2024/25 and be calculated on the same basis as in 2023/24.
- Fair Funding review (review of relative needs and resources) and business rates reset has continued to be deferred.

b) Health and Social Care:

- Social care grants have been confirmed and reflect previous Autumn Statement announcements of large increases in funding within Core Spending Power
 - Social Care Grant to increase by £692m to £4,544m, with £532m of increase distributed using the ASC Relative Needs Formula (RNF) with the remaining £160m used to equalise for the variation in yield that can be generated from the 2% ASC precept flexibility
 - Market Sustainability and Improvement Fund (MSIF) to increase by £488m to £1,050m, addressing discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector. Part of the increase is due to the rolling in of the 2023/24 MSIF – Workforce Fund separately announced during 2023/24 (£0.365bn in 2023/24, £0.205bn in 2024/25)
 - Discharge Fund to increase by £200m to £500m. aimed at maximising access to social care and drive down discharge delays, including fast access to domiciliary care and home-based reablement. Pooled as part of the Better Care Fund.
- Continuation of Improved Better Care Fund at same £2,140m level as 2023/24, aimed at driving health and social care integration, reducing pressures in Health, and ensuring the social care market is provided for.

4.2.3 On 24 January 2024, the Secretary of State announced the following additional funding for Local Government details of which will be included within the Final Local Government Financial Settlement, with the exception of the social care funding which will be announced in the Spring 2024 Budget (6 March 2024):

- Further £500m for social care
- £15m increase in the Rural Services Delivery Grant
- Funding guarantee to be increased from 3% to 4%
- allocations will be announced in the final settlement, with the exception of the social care funding, which will be announced in the Spring Budget (6 March 2024).
- Core Spending Power is expected to increase by £4.5bn (or 7.5%) in cash terms, compared to £3.9bn (6.5%) announced in the provisional settlement.
- Authorities will be required to “produce productivity plans setting out how they will improve service performance and reduce wasteful expenditure”. These will have to be returned by local authorities before the Parliamentary Summer Recess (23 July 2024).

4.3 Economic Growth

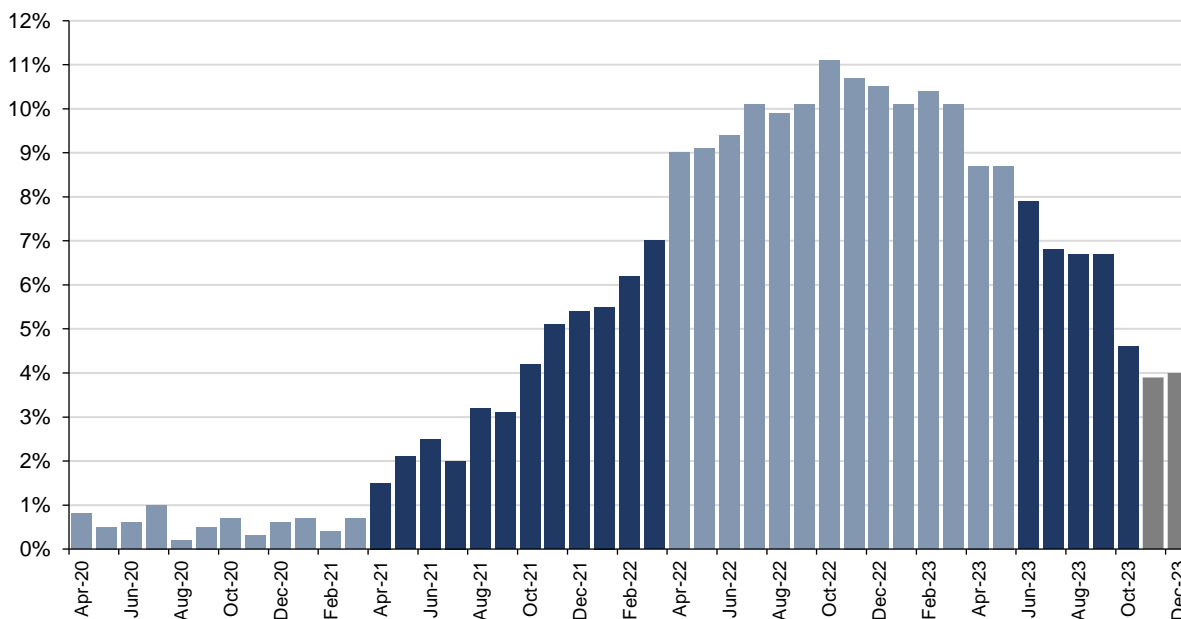
4.3.1 The UK economy has performed better than was forecast this year, but growth remains sluggish and there are fears that the economy could slip into a shallow recession next year, comparable to Institute for Fiscal Studies forecast which shows the UK economy falling into recession in 2024.

4.4 Inflation

4.4.1 Currently inflation stands at 4.0% (Consumer Price Index (CPI) December 2023) which is still 2% 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 relatively high. The Office for Budget Responsibility is currently forecasting inflation to remain higher for longer, taking until the second quarter of 2025 to return to the 2 per cent target, more than a year later than forecast in March.

4.4.2 The chart below illustrates the high levels of monthly CPI inflation across recent years. As a result of the recent inflation volatility, it is hard to predict with any certainty the future impact on council services and therefore on the MTFP.

Chart 1: Consumer Price Index (CPI) Monthly Rate (April 2020 to December 2023)



Source: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23>

4.4.3 Continued high inflation has 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.

- a) 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

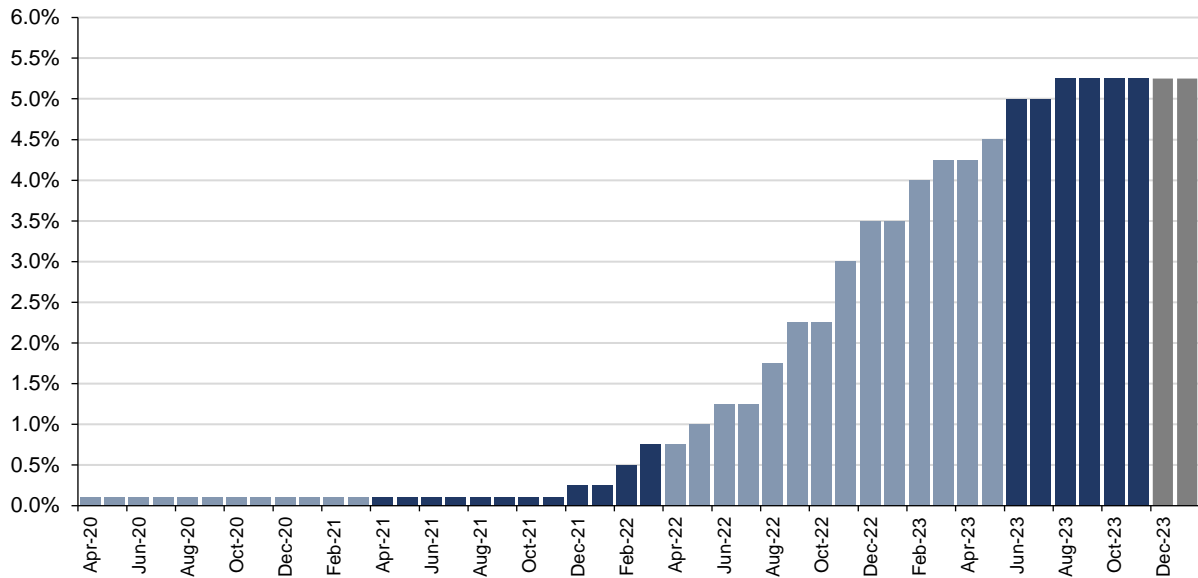
by continued demographic demand pressures and market capacity including shortages in both the labour and placement markets.

- b) Home to school transport – cost increases driven by rising fuel prices and increases in demographic growth.
- c) 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.
- d) 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 – currently there is no announcement from the National Joint Council (NJC) for Local Government services on pay inflation for 2024/25 but the following is being consulted by Unison to its members for pay claims from 1 April 2024:
 - An increase of 10% or £3,000, whichever is the greater.
 - A commitment to reach minimum rate of pay of £15 per hour over the next two years with a clear plan for how this will be achieved
 - Reviews of gender, ethnicity, and disability gaps in local government.

4.5 Interest Rates

- 4.5.1 Since December 2021, the Bank of England has increased interest rates from 0.10% in November 2021 to an unchanged 5.25% as at November 2023. The Monetary Policy Committee will review this next on 21 March 2024.

Chart 2: Bank of England Official Bank Rate (April 2020 to January 2024)



Source: <https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate>

4.6 Local Government Funding

Challenging landscape for local government

- 4.6.1 The financial landscape facing the sector including the Council is becoming increasingly challenging with 2023 seeing an increasing number of councils, including noticeably those with social care responsibilities, seeking EFS to balance their budgets for 2024/25 and beyond.
- 4.6.2 Many of the sectoral bodies (Local Government Association, County Councils Network, Society of County Treasurers and Special Interest Group of Municipal Authorities) during 2023 published warnings illustrating the current local government finance system is failing to tackle issues around social care funding (including children's), plus the continued impact of high inflation, have put many councils in a perilous financial position with many Section 151 Officers considering issuing of S114 reports for not being able to balance their budget for the coming year. In a briefing from the Institute of Government published on 9 October 2023 there is an increasing incidence of councils issuing Section 114 reports due to significant financial viability issues.

Core Spending Power

- 4.6.3 Core Spending Power (CSP) is the Government calculation used to illustrate the overall impact of local authority funding. This includes the Settlement funding, their assessment of Council Tax income and various specific grants. This measure attempts to assess the total resources over which the Council can exercise discretion on how it can spend its funding.
- 4.6.4 The Government has published that in their assessment Nottingham's overall core spending power for 2024/25 is £2,545 per dwelling. This represents an assumed annual increase in core spending power of 7.32 or £174 per dwelling in 2024/25 compared with the England average of 7.5%. The table below sets out the Council's CSP and illustrates that the headline increase assumes an estimated 2.3% from

Council Tax and 2.2% from Business Rates and associated compensation funding streams. Only 2.9% comes from Government grant increases.

Table 3: Core Spending Power 2024/25				
Funding Item	Revised 2023/24 £m	Final 2024/25 £m	Year- on-year change £m	Element of overall CSP % change
Revenue Support Grant (SFA)	29.948	31.931	1.984	0.6%
Improved Better Care Fund	16.603	16.603	0.000	0.0%
Social Care Grant	27.521	36.052	8.532	2.5%
ASC Market Sustainability & Improvement Fund	3.630	6.781	3.152	0.9%
ASC Discharge Fund	2.328	3.879	1.552	0.5%
New Homes Bonus	1.247	1.467	0.220	0.1%
Services Grant	3.906	0.674	(3.232)	-0.9%
Grants Rolled In (<i>incl. in year MSIF-workforce</i>)	2.357	0.000	(2.357)	-0.7%
Government Grants included in CSP	87.539	97.389	9.849	2.9%
Business Rates (<i>DLUHC estimate in SFA</i>)	64.385	67.340	2.955	0.9%
Top-up (SFA)	35.808	37.588	1.780	0.5%
Sub-total: Baseline Funding Level	100.193	104.928	4.735	1.4%
Compensation for lower BR multiplier (<i>DLUHC estimate</i>)	17.067	19.852	2.785	0.8%
Business Rates related funding	117.260	124.780	7.520	2.2%
Sub-total: before council tax (<i>Funding guarantee</i>)	204.799	222.169	17.369	5.0%
Council Tax requirement (<i>DLUHC estimate</i>)	140.424	148.340	7.916	2.3%
Total	345.223	370.509	25.286	7.3%

Note:

Settlement Funding Assessment (SFA)	130.141	136.859	6.719	1.9%
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Settlement Funding Assessment

4.6.5 Settlement Funding Assessment (SFA) is the amount of funding assumed by the DLUHC to be available to a council through the estimated business rates share and general grant funding.

4.6.6 The table below summarises the total amount of funding assumed by DLUHC to be available to the council through an estimated business rates share and general grant funding (including previous specific grants which have been rolled into it). The final settlement assumes £136.9m for Nottingham in 2024/25. This is an overall increase of 5.2% compared with 2023/24.

Table 4: Settlement Funding Assessment				
Settlement Item	2023/24 £m	Final Settlement 2023/24 £m	Year-on- year change £m	%
Business Rates (<i>DLUHC estimate</i>)	64.385	67.340	2.955	4.6%
Top-up Grant	35.808	37.588	1.780	5.0%
Baseline Funding Level	100.193	104.928	4.735	4.7%
Revenue Support Grant	29.948	31.931	1.984	6.6%

Table 4: Settlement Funding Assessment				
Settlement Item	2023/24 £m	Final Settlement 2023/24 £m	Year-on- year change £m	%
Total	130.141	136.859	6.719	5.2%

4.6.7 The Government has assumed a level of retained business rates for Nottingham based on their own projections drawing from the new 2023 business rates revaluation. The baseline figure used in the SFA is a notional value set through central funding formula and has no bearing on the local retained business rates income which is derived from the NNDR1 return submitted to DLUHC. The baseline estimate is derived from the 2013/14 local retained business rates scheme and funding model.

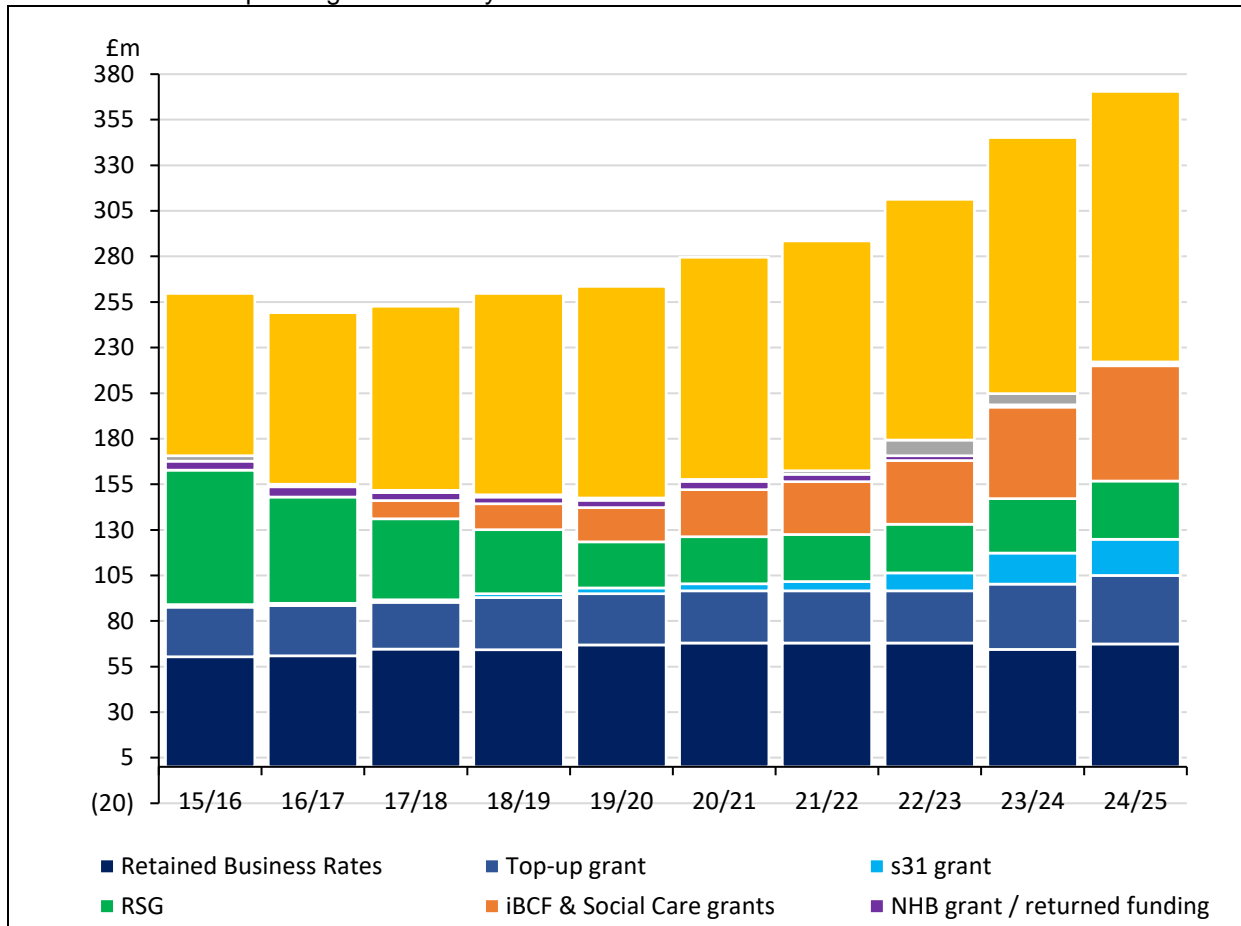
4.6.8 In the absence of any Government exemplifications of the likely impact of any 'Fair Funding' policy reforms the future settlement funding, included in the MTFP from 2024/25 onwards, assumes an unchanged underlying system with projected inflationary increases included within the MTFP.

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

Funding and relative needs

4.6.10 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 over the last decade has reduced by £41.9m (or 57%) between 2015/16 and 2024/25, the overall 'Core Spending Power' measure as utilised by DLUHC has increased by £107.4m (or 41%). The chart below provides a graphical illustration of the makeup of funding through the CSP.

Chart 3: Core Spending Power Analysis 2015/16 to 2024/25



4.6.11 Notwithstanding the recent acute inflationary and service pressures on councils there are also longstanding issues with how the current local government finance system recognises the funding needs of authorities, such as Nottingham, with significant deprivation and associated high relative needs.

4.6.12 The Institute for Fiscal Studies (IFS) published a report on the 15 August 2023 titled 'How much public spending does each area receive? Local authority level estimates of health, police, school, and local government spending'. The report's analysis found that while more deprived areas receive more funding, they do not receive as high a share of the national funding pot as the formulae used in official spending needs assessments suggest they should. The data that accompanies the IFS report shows that in their assessment, the funding position for local government services in Nottingham is £916 per person (compared to the national average of £865 per person). The equivalent estimated need per person in Nottingham is £1,033 (compared to the national average of £865 per person). This gives a gap between the funding per person and the estimated need per person, of (£117) or (11.3%). This gap, between the estimated need and the funding per person, places Nottingham towards the lower end of the range quoted in the report (117 lowest out of 150), meaning that the council has a larger gap per person compared to many other local authorities.

5. Medium Term Financial Plan (MTFP) 2024/25 to 2027/28

5.1 Overview and Context

5.1.1 The aim of the MTFP is to ensure a stable and sustainable financial position that will allow the Council to achieve its vision and strategic objectives. It reflects the impact of Government funding decisions, analysis of advice and information and the impacts of the national and local economic context. It provides a robust financial framework to support the achievement of the Council's overall objectives and delivery of services.

5.1.2 The primary focus of the MTFP for the period 2024/25 – 2027/28 has been to deliver a balanced budget, establish financial resilience on a continued basis and fund any unavoidable emerging pressures before considering funding of new growth to deliver Strategic Council Priorities.

5.2 The level of the financial challenge requires for the Council to both transform the way in which it delivers its services and what it is able to deliver. Fundamental change to its operating base is required to ensure that the Council is on a firm financial footing and is able to live within the resources available to be deployed. A Duties and Powers approach (equivalent to legal minimum) was deployed and utilised for 2024/25 budget process to articulate the minimum cost of service provision against the Council's legal obligations as set out in legislation and guidance, maximising saving options whilst continuing to target resources on the most vulnerable adults and children and delivering other vital core services.

5.2.1 The Council is committed to making the changes required to secure long term financial stability whilst maintaining services to the most vulnerable residents in the borough. This will be achieved through continued prudent management of the Council's finances and the strengthening of its financial resilience through enhanced budget monitoring controls, more effective financial forecasting, a freeze on new borrowing (except for funding the EFS), reducing its debt levels and the effective management of its reserves.

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

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

- 5.2.3 In broad terms although the final settlement was broadly in line with estimates contained within the MTFP for 2024/25, there still remains a high degree of uncertainty around levels of funding in future years. The postponement of funding reforms and the absence of Government spending plans mean that there is significant funding uncertainty, making the preparation of medium-term financial plans complicated and speculative.
- 5.2.4 Uncertainty regarding the impact of Local Government funding reforms (business rates baseline funding reset and the Fair Funding review), the deferred health and social care reforms, upcoming general election towards the latter part of 2024 and the wider economic turmoil including the global unrest from various wars, continuation of cost-of-living crisis all present significant risks. This in turn creates a high degree of uncertainty both within and beyond 2024/25. As such the MTFP and budget strategy is being compiled in a period of unprecedented financial uncertainty and any estimates beyond one-year need to be viewed with a degree of caution.
- 5.2.5 In addition to the uncertainty, there is continuing spending pressures from demand-led services, new burdens which impact on the budget and recurring pressures seen as a result of cost of living, cost increases, inflation, and unknown impact of the long-term impact of the pandemic. Although growth has been built into the MTFP to help alleviate some of these pressures, they continue to present a significant budget risk, particularly in respect of the inflationary, demographic, and contractual pressures. This can be seen through the need for the Council to seek EFS (capitalisation direction) for unbalanced in-year position from 2023/24 perspective and to set a balanced budget for 2024/25, as the forecasted expenditure in these years exceeds the forecasted available resources.
- 5.2.6 By design the MTFP is agile and moves to reflect the changing circumstances faced by the Council, updated priorities and ambitions, the latest financial situation, and external factors such as national pay settlements (paragraph 6.4). Members are asked to consider and agree the updated MTFP for 2024/25 and beyond as set out in table below, noting that the Council, in common with all local authorities, continues to face a challenging financial outlook. A more accurate forecast will need to be developed as and when further information is released by the Government, however initial plans will be prepared for following financial years on the basis of prudent scenarios in the absence of such clarity.
- 5.2.7 Noting the limitations in the Council's ability to determine a budget gap with a reasonable degree of accuracy due to no certainty on future funding, an issue further compounded due to the uncertainty of councils ability to identify and develop further savings in 2024/25 to the value of the EFS, continuing pressures seen across demand led services, rising costs, rise in complexity of social care needs, increase in costs following combined impact of previous high levels of inflation and interest rate rises, impacts of pandemic and cost of living crisis.

5.3 **2024/25 to 2027/28 MTFP Summary Forecast**

- 5.3.1 By necessity, the MTFP and financial strategy is being compiled in a period of unprecedented financial uncertainty and requires continued refinement to reflect

changing circumstances, updated priorities, the latest financial situation, and external factors such as continued uncertainty regarding the government funding.

5.3.2 The table below summarises the MTFP forecast (including budget gap) for the period 2024/25 to 2027/28.

Table 5: Medium Term Financial Plan 2024/25 to 2027/28 (incremental)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Pay	24.288	11.374	11.261	10.318	57.241
Contractual Inflation	17.392	11.947	12.911	12.689	54.939
Subtotal: Inflation	41.681	23.321	24.172	23.007	112.180
Demographic / Service Pressures	57.136	34.992	36.277	43.577	171.983
Service Investments	2.751	0.000	0.000	0.000	2.751
Subtotal: Service Growth	59.887	34.992	36.277	43.577	174.734
Technical Adjustments	(2.387)	3.379	0.186	(2.384)	(1.207)
Grants & Contributions	(11.204)	4.706	0.000	0.000	(6.498)
Reserve Movements	10.634	(10.067)	(0.005)	0.000	0.562
Subtotal: Other Adjustments	(2.957)	(1.982)	0.181	(2.384)	(7.143)
Previously Agreed Income & Savings	(11.149)	(12.416)	(12.672)	(0.278)	(36.515)
Fees & Charges Review	0.000	0.000	0.000	0.000	0.000
New Proposals - Consultation	(9.030)	(4.338)	0.000	(0.313)	(13.681)
New Proposals - Non-consultation	(12.980)	(9.230)	(0.519)	0.000	(22.729)
Subtotal: Saving & Income	(33.158)	(25.984)	(13.191)	(0.591)	(72.924)
Estimated redundancy & investment	7.596	(7.596)	0.000	0.000	0.000
Use of reserve	(7.554)	7.554	0.000	0.000	0.000
Subtotal: Investment to deliver proposals	0.042	(0.042)	0.000	0.000	0.000
Projected Net Budget Adjustments	65.495	30.305	47.439	63.609	206.847
Business Rates, Top-up, S31 Grants & RSG	(13.075)	(3.314)	(3.380)	(3.448)	(23.216)
Council Tax	(8.456)	(0.632)	(0.629)	(0.632)	(10.348)
Collection Fund Deficit	(2.822)	1.207	0.000	0.000	(1.615)
Funding	(24.352)	(2.738)	(4.009)	(4.079)	(35.179)
Budget Gap (+) / Surplus (-)	41.143	27.567	43.439	59.530	171.669
Exceptional Financial Support	(41.143)	41.143	0.000	0.000	0.000
Net Budget Gap (+) / Surplus (-)	0.000	68.710	43.429	59.530	171.669

5.3.3 These initial projections beyond 2024/25, are based on the best service and national information available at the time and savings (previously approved and new officer proposed savings), indicating the likely size and scale of the financial challenge facing the authority of £68.7m in 2025/26 rising to a cumulative £171.7m by 2027/28.

5.3.4 As set out above due to the use of EFS and continued uncertainty of Government funding beyond 2024/25, it is challenging for the Council to estimate an accurate 2025/26 budget gap. As such the budget gap set out in above should be seen as an indicator of direction of travel. Over the last three years, the Council has received late notification of additional grant that has facilitated the Council in closing its budget gap albeit it has been announced as typically one-off funding. The complex

nature of the grant regime and the lack of clarity on future funding streams such as New Home Bonus means that it is difficult to estimate the expected impact on Nottingham's expected grant funding levels with details unknown until mid-December 2024. At this time, it is financially prudent for the Council to look to work within the current estimate. The budget gap estimate will therefore be updated throughout the year as part of the development of the Budget Strategy for 2025/26.

5.4 Principles underpinning the MTFP

- Robust budget setting, taking account of known pressures, prepared in consultation with Corporate Leadership Team (CLT).
- Regular monitoring of budgets and robust management and mitigating actions to address any unplanned variances that arise in-year and reporting to the CLT, Leadership and Executive Board.
- Appropriate levels of income generated with respective CLT leads responsible for having in place effective debt management processes that allow for prompt collection of sums owed to the Council and monitoring of debt levels.
- Prudent assessment of future resources and unfunded cost pressures undertaken by CLT.
- Production of detailed implementation plans for all savings proposals and monitoring of delivery.
- Maximisation of external grant funding that meets the Council's priorities.
- Prudent assessment of provisions required to mitigate future liabilities.
- Risk assessed level of reserves and balances held to mitigate potential financial liabilities and commitments and enable investment in transformation and change to deliver future savings.
- Prudent and planned use of reserves to fund one-off expenditure.
- Effective forecasting and management of the Council's cash flow requirements.
- Full integration of revenue and capital financial decision processes, to ensure the revenue implications of capital projects are appropriately reflected in the MTFP.
- Effective management of treasury management risks and opportunities, including smoothing out the debt maturity profile and borrowing only when necessary (in accordance with the Treasury and Capital Strategies).
- Prudent and proportional use of the Council's borrowing powers in exceptional cases to undertake capital investment that is not funded by capital receipts or contributions from third parties.

5.5 Budget Planning Assumptions

5.5.1 Summarised below are the key assumptions which feed into the MTFP, with further details set out in section 6.

a) Council tax increases

- 4.99% in 2024/25 (2.99% general increase and 2.00% adult Social care precept), in line with the Provisional Financial Local Government Settlement.
- As the decisions to increase Council Tax is subject to City Council approval, no increase has been assumed beyond 2024/25.

b) Council taxbase

- The Corporate Director of Finance and Resources (Section 151) has approved the 2024/25 council tax base of 69,075 at a collection rate of 97.5% as an Officer Decision in January 2024, equating to 1.0% increase from 2023/24.
- Assumed council taxbase increase of 0.4% in 2025/26 and beyond

c) Retained Business Rates

- Future increases in Retained Business Rates and associated section 31 grants reflect only CPI inflation projections with working assumption of nil underlying growth.

d) Government Grants

- NHB grant for 2024/25, with no legacy payments, as per the Provisional Financial Local Government Settlement. The income has been treated as one-off with it reversing out the year-after.
- Where national increases are known for specific grants, an estimated future projection has been included based best available information.
- Assume that all other specific grants will continue at their current level for all future years.

e) Pay Inflation

- Assumed pay inflation equivalent to 6.8% for 2024/25, 5% for 2025/26, 4.5% in 2026/27 and 4% in 2027/28 and beyond.
- 2023/24 budget shortfall relating to the pay award between the original budget estimate and actual agreed proposal.
- In response to the recruitment and retention challenges within the Council a revised pay structure was implemented in 2023 with total estimated cost of £5.3m of which £0.800m is remaining to be allocated over the next few years.

f) Contract Inflation

- No general increase for contractual inflation, the process entailed for Corporate Directors and their DLT leads to submit growth business case identifying specific inflationary needs.

g) Service and Corporate Growth

- The process entailed for Corporate Directors and their DLT leads to submit growth cases identifying specific demographic, service, and other pressures for consideration.

h) General Risk Contingency

- Creation of one-off £4m contingency in 2024/25 funded from one-off treasury management savings.

i) Reserves and Balances

- Payback of internal borrowing from earmarked reserves of £20.0m for building financial resilience in 2023/24 has been reprofiled to £2.3m per year over two MTFP cycles with the final repayment in 2031/32.
- Annual contribution of £1m to the General Fund Balance
- One-off £10m contribution to the Financial Resilience Reserve in 2024/25

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

5.6 Factors Impacting the Budget

5.6.1 The table below sets out factors that could have an impact on the budget.

Table 6: Factors that are likely to impact the Budget	
Factors	Impact
Delivery of agreed savings	<p>The budget for 2024/25 and over the medium-term requires the Council to deliver on all the savings previously approved and new proposals set out in this report.</p> <p>As the current Transformation Programme is forecasting £7.086m (45.3%) of the 2023/24 Transformation Programme being at risk of non-delivery, this presents a significant challenge for services to convert the saving at risk into full year cashable savings whilst planning timely actions to ensure future financial years' approved savings are also be realised to minimise potential adverse impacts on the budget.</p> <p>All savings will be closely monitored on a regular basis throughout the financial year to ensure that they are on track to be achieved. Where savings are unlikely to be achieved then substitute proposals will need to be taken to ensure the overall budget can be achieved.</p>
Inflation differing from assumptions	<ul style="list-style-type: none"> Pay It is yet unknown what the National Joint Council (NJC) will be considering negotiating with representatives of public sector unions at the time of setting the budget for 2024/25 the pay awards are unknown. The MTFP has assumed an estimated average pay increase of 6.83% for 2024/25, 5% for 2025/26, 4.5% for 2026/27 and 4% for 2027/28. This assumption and the associated growth are likely to change as savings proposals are delivered. In addition, it should be noted that the data quality and differences between HR, finance and service data on staffing establishment may have an impact on the estimated future pay uplift. Non-Pay For 2024/25 c£17m has been estimated for price inflation of contracts and utilities, of which c£11m is for adult social care. For the remaining period of the MTFP the assumptions and estimates are based on assessments made by services. Due to no central contract register being available an assessment has been made to include an estimate of c£1.5m to be adjusted following the 2025/26 budget process. Details of the contract forecast can be found in section 6 below.
School pay inflation and associated oncosts	This can result in additional pressures on schools' budgets that can lead to pressures manifesting through either individual school budget deficits and/or DSG overspend.
Contractual risks	For example, contractor viability, non-delivery of commissioned services, impact of national minimum wage increases from April 2024 to name a

Table 6: Factors that are likely to impact the Budget

Factors	Impact
	few.
Demographic and demand-led pressures	<p>a) Children and Adults The Children’s and Adults’ budgets are under pressure due to the demand led nature of these services. One of the main risks in the budget relates to demographic change:</p> <ul style="list-style-type: none"> • Adults – the most critical issue for Nottingham is low healthy life expectancy, which means that the population reaches the point of needing support at a much earlier age than in other areas, increasing the burden of need on services. Many have increasingly complex care needs, particularly following the pandemic. Residents are being discharged from hospital with more acute and complex needs leading to additional costs. Although the Council has made some progress in improving forecasting in this area, it remains extremely difficult to forecast both numbers and need resulting in a risk that current forecasts could be understated, that may give rise to budget pressures. • Children – There are ongoing pressures in respect of expensive care placements due to the increased complexities of children in care and sufficiency of placements in the market. There also remain pressures in respect of SEN transport relating to the increased Education Health and Care Plan (EHCP) outcomes that results in more children requiring support. <p>b) Homelessness There is a risk that levels of homelessness increase in the borough particularly due to the cost-of living crisis, increasing rents and landlords leaving the market with the subsequent requirement for the Council to support individuals in Temporary Accommodation at high cost.</p>
Income	<p>Levels of Council income are impacted by both businesses and individuals’ responses to the economic climate and as people may cut back on areas of discretionary spending in a cost of living crisis.</p> <p>This could impact on levels of rental (HRA and temporary accommodation), planning, property, leisure services and car park income.</p> <p>Increased risks of collection and bad debts including for significant funding sources of business rates and council tax.</p>
School expansion of Special Education Need places	<p>Due to the steep increase in the number of EHCPs, the service is experiencing pressures across SEN placement (DSG) and transport budgets (General Fund). A capital programme to deliver additional SEND school place capacity within the city is progressing, but current demand is creating pressures.</p>
Reducing numbers of children entering	<p>Lower birth rate recorded in the city is leading to falling admission numbers in a number of city schools. This has an impact on pupil</p>

Table 6: Factors that are likely to impact the Budget

Factors	Impact
Early Years and primary phase education	led elements funding of school budgets that can lead to pressures manifesting through either individual school budget deficits and/or DSG overspend.
Levies paid to external bodies	<p>Levy payments are outside the Council's control and need to be met from its budget requirement. Key cost drivers leading to any budget pressure will be due to:</p> <ul style="list-style-type: none"> • volume-led levy payments such as Concessionary Fares • inflation and cost increases above inflation assumed within the MTFP.
Pension Fund	<p>Employer contributions into the Pension Fund can fluctuate depending on the net liability of the fund and an agreed deficit repayment plan. An actuarial review of the pension fund assets and liabilities is carried out every three years with the outcome feeding into the MTFP for the following three years.</p> <p>A valuation was undertaken during 2022 concluding an increase in the future service contributions to 18.5% of payroll and reductions to the past service rate to repay the deficit. Saving released from the triennial review equated to c£3.508m of which £1.115m is in 2023/24, £1.140m in 2024/25 and £1.253m in 2025/26.</p> <p>The Council is currently working with the Pension Fund as part of the review of its third-party companies, including the insourcing of NCH and NRB, and assessing the impact of current market conditions on contribution rates as part of planning for the next triennial review.</p>
Government grant income differing from assumptions	With the Local Government Finance Settlement over the last few years primarily announcing one-year funding allocations it is difficult to predict whether grants are to continue, at what level and its impact – a significant risk to the Council is the continuation of the new Home Bonus and change in funding distribution of the Services Grant.
Business rates revaluation	<p>The Government introduced a shorter three-year revaluation cycle period from 1 April 2023 which will look to align property valuations more closely with the current market rental values. There remains a risk of an overall reduction to the Council's income from business rates due to the volatility of appeals on the 2017 and 2023 ratings lists following the impact of pandemic, inflation, and wider economic downturn on businesses. In parallel the Council may see a budget pressure for revised business rates liability for its own premises.</p>
Local Government funding reform	<p>Funding Fair Funding Review and Business Rates Baseline Reset – DLUHC Local Government finance policy statement 2023/24 to 2024/25 indicated that in the longer-term it would seek to update Local Government funding with a review to be undertaken in the next Parliament.</p> <p>This causes significant uncertainty regarding Nottingham's funding baselines for future years after 2024/25 and in</p>

Table 6: Factors that are likely to impact the Budget

Factors	Impact
	<p>undertaking any medium-term financial planning. In the absence of implementation timeline and details of proposed funding reforms, the MTFP currently makes no assumptions with regards to Fair Funding budgetary impact on the General Fund. The lack of details on the proposed change and an updated timeline for implementation causes considerable uncertainty when undertaking meaningful financial planning to determine future funding assumptions.</p>
Pandemic and economic downturn	<p>The potential long-term impact on the local economy, particular in relation to council tax and business rates income and fees and charges can pose a considerable budget pressure.</p> <p>In addition, the medium- and long-term effect of the pandemic on demand for services is still unknown.</p>
Health and Social Care Reforms	<p>In the Autumn Statement 2022, the Chancellor announced that the cap on personal care costs and changes to the means test would be delayed until October 2025, but that elements of the fair cost of care and market sustainability reforms would still go ahead.</p> <p>Some of the funding for the charging reforms has since been redirected to address current adult social care pressures, and the health and social care levy has been scrapped.</p> <p>The MTFP currently makes no assumptions with regards to budgetary impacts of this policy on the General Fund.</p>
Waste Recycling Legislation	<p>On 24 March 2021, the Government published the second round of the Resources and Waste Strategy consultation on the DRS (Deposit Return Scheme) and EPR (Extended Producer Responsibility). The impact of the schemes will have financial implications on the collection and separation of certain items, collections from difficult to reach properties etc.</p> <p>However, the Council is due to receive a bespoke transitional arrangement which will delay the food waste implementation date to the end of the existing waste contract in 2030. DEFRA are currently calculating transitional and ongoing resource costs and will be writing to the Council in due course. The service is also in consultation with DEFRA in regard to additional funding for communal food waste collections from flats/apartments.</p> <p>The MTFP currently makes no assumptions with regards to budgetary impacts of this policy on the General Fund.</p>
Children's Social Care Reform	<p>On 2 February 2023 the Department for Education (DfE) published 'Stable Homes, Built on Love' its implementation strategy and consultation in response to three independent reviews. The published strategy commits to additional investment over the next two years relating to Phase One of the Government's reforms, taking these to the end of the current Spending Review period. Phase One focuses on making</p>

Table 6: Factors that are likely to impact the Budget

Factors	Impact
	<p>immediate improvements with subsequent phases to follow subject to funding, outcome of consultation and parliamentary approval focussing on fundamental reforms everywhere.</p> <p>Before the next spending review the Government is intending to publish and consult on a new Local Government funding formula distribution with regards to children and young people services aim of which is to improve support for vulnerable children and families, reduce the need for crisis response and providing more early support to families. As details of the funding reforms are known a financial implication assessment will need to be undertaken to determine the impact on the General Fund.</p>
Council Companies	<p>The Council has a range of five companies in its ownership and one owned jointly with others. A number of these companies have experienced trading difficulties mainly arising from the ongoing economic impact of the pandemic on business models. Although work is underway in through the Companies Governance Committee the MTFP assumes no company returns within the base budgets.</p>
Outstanding audits of prior-year Statement of Accounts 2019/20 to 2022/23	<p>The Council currently has four years of Accounts awaiting to be audited. The Council has provided the Auditor with draft 2019/20 Accounts and is awaiting an audit opinion. Other financial years are expected to be caught within Government intentions to 'reset' the local audit system by introducing 'backstop' dates. The Council is preparing draft Accounts for all financial years. There is a risk the draft Accounts do not correctly reflect the Council's financial position. As such the Council will need to reflect this risk in its budget estimates and reserves balance assessment.</p>
Government Commissioners	<p>The Government has announced it is 'minded to' appoint Commissioners to the Council. The appointment of Commissioners at the Council would mean that certain council powers and responsibilities would be passed to the Commissioners for a set period of time. Their remit is expected to include broad and wide-ranging powers with respect to the Council's finances. The Budget being proposed, and the implementation of savings options, is set within this context. An assumption for costs relating to having commissioners has been built into the MTFP, using current published rates.</p>

5.7 Monitoring and Review of the MTFP

- 5.7.1 The Executive Board receives regular budget update reports during the year on how the Council is progressing against its MTFP. All processes and procedures relating to the monitoring of the budget are set out in the Council's Financial Regulations.
- 5.7.2 The MTFP is published on the Council's website and communicated to staff and stakeholders.

5.8 **Accountability**

- 5.8.1 Portfolio Holders and the Corporate Leadership Team are expected to deliver the Council's policies and priorities within the resources made available to them.
- 5.8.2 A critical element to achieve long term financial sustainability is to ensure savings proposals included within the budget are delivered. To support this objective the Corporate Director of Finance and Resources (Section 151 Officer) has introduced a process whereby all savings and growth items require sign-off from the relevant Corporate Director including a risk assessment, all of which will feed into the Corporate Director of Finance and Resources (Section 151 Officer) making their assessment on the robustness of the budget estimates. In addition, relevant Accountable Officers will also be asked to sign-off budget accountability statement. These will then be reviewed as part of the in-year budget monitoring process with Budget Review meetings where Corporate Directors and Portfolio Holders will report progress.
- 5.8.3 In addition to the Budget Review process, regular monitoring of budgets will continue to take place at various management levels within the Council, including at bi-monthly reports to CLT, Leadership and Executive Panel and reported quarterly to Executive Board. This is particularly important in highlighting areas of budget pressures as early as possible in the process to enable management action to take place.
- 5.8.4 The Council recognises the importance of individual and collective accountability and requires managers acknowledge their responsibilities to deliver services on time, to the required standard and within budget, and to implement any savings and investment allocated to their areas. In recognition that financial management is an integral aspect of effective leadership and good management, relevant councillors and managers are required to participate fully in all aspects of financial processes.

5.9 **Management of Risk**

- 5.9.1 The Council's strategy is to have financial stability and ensure that its financial pressures are known, understood and well managed. The Corporate Director of Finance and Resources (Section 151 Officer) advises on this using best practice and professional experience.
- 5.9.2 Under sections 25-27 of the Local Government Act 2003 (part II), the Section 151 Officer is required to formally report to councillors on the robustness of the budget estimates and the adequacy of the Council's financial reserves.
- 5.9.3 A corporate financial risk assessment has been undertaken to determine key risks and their impact on the budget. This ensures that adequate overall corporate budgetary provision is available to cover for unforeseen future events. This approach is embedded within the budget process and is used to inform the level of reserves required. Details of these appear in section 16 and Appendix 10.
- 5.9.4 Portfolio Holders and the Corporate Leadership Team are expected to deliver the Council's policies and priorities within the resources made available to them.

6. 2024/25 General Fund Revenue Budget and MTFP Forecast

6.1 The Council's General Fund Revenue Budget and Capital Programme proposals are the outcome of work through the budget and service review process. The MTFP forecast is set out above in section 5.

6.2 Savings

Previously approved savings

6.2.1 The tables below detail the continuing profiles of previously approved saving and income proposals, by category and Directorate.

Table 7a: Previously Approved Savings by Category (incremental)					
Category	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Transformation	(16.215)	(11.210)	(13.122)	(0.278)	(40.826)
Income & Debt	(1.618)	(0.723)	(0.050)	0.000	(2.391)
Service Led	(1.491)	(0.483)	0.500	0.000	(1.474)
Technical Review	8.175	0.000	0.000	0.000	8.175
Total	(11.149)	(12.416)	(12.672)	(0.278)	(36.515)

Table 7b: Previously Approved Proposals by Directorate (incremental)					
Directorate	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Adults	(6.753)	(5.564)	(4.364)	0.000	(16.681)
Children's	(2.812)	(1.999)	(0.309)	(0.278)	(5.398)
Education	(0.246)	(0.040)	(0.050)	0.000	(0.336)
<i>Total People</i>	<i>(9.811)</i>	<i>(7.603)</i>	<i>(4.723)</i>	<i>(0.278)</i>	<i>(22.415)</i>
Communities, Environment & Resident Services	(0.422)	(0.712)	0.000	0.000	(1.134)
Growth & City Development	(6.956)	(3.537)	(7.949)	0.000	(18.442)
Finance & Resources	(2.166)	(0.564)	0.000	0.000	(2.730)
Chief Executive	0.030	0.000	0.000	0.000	0.030
Corporate	8.175	0.000	0.000	0.000	8.175
Total	(11.149)	(12.416)	(12.672)	(0.278)	(36.515)

Officer Developed New Saving Proposals

6.2.2 The tables below summarise the officer savings and income proposals proposed in this report to begin closing the indicative 2024/25 and MTFP budget gaps.

6.2.3 These include confirmed, and in some cases revised, proposals previously included in the December consultation report. It also includes additional fees & charges identified after a technical review and further service mitigations proposed to address some of the identified growth pressures.

Table 8a: Officer Developed Proposals by Category (incremental)					
Category	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Manage Demand	(1.352)	(0.650)	0.000	0.000	(2.002)
Charge More	(2.908)	(0.605)	0.000	0.000	(3.513)
Reduce Costs	(13.344)	(10.501)	(0.464)	0.000	(24.308)

Table 8a: Officer Developed Proposals by Category (incremental)					
Category	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Cease/ Stop	(4.405)	(1.811)	(0.056)	(0.313)	(6.585)
Total	(22.009)	(13.568)	(0.519)	(0.313)	(36.409)

6.2.4 Detail of the savings proposals are set out in Appendix 2a and 2b. Proposals which have been endorsed by the Executive Board have been shaded in grey with the remaining proposals under consideration left unshaded.

6.2.5 The table below summarises these proposals by Directorate.

Table 8b: Officer Developed Proposals by Directorate (incremental)					
Directorate	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Adults	(1.795)	(5.160)	0.000	(0.313)	(7.268)
Children's	(1.269)	(2.743)	0.000	0.000	(4.012)
Commissioning & Partnership	(0.355)	(0.095)	0.000	0.000	(0.450)
Education	(0.902)	(0.337)	(0.039)	0.000	(1.278)
<i>Subtotal: People</i>	<i>(4.321)</i>	<i>(8.335)</i>	<i>(0.039)</i>	<i>(0.313)</i>	<i>(13.008)</i>
Communities, Environment & Resident Services	(10.377)	(2.017)	0.000	0.000	(12.394)
Growth & City Development	(4.209)	(0.786)	(0.100)	0.000	(5.095)
Finance & Resources	(2.498)	(2.262)	(0.380)	0.000	(5.140)
Chief Executive	(0.605)	(0.168)	0.000	0.000	(0.773)
Total	(22.009)	(13.568)	(0.519)	(0.313)	(36.409)

6.3 Delivery of Savings Programme

Transformation Programme

6.3.1 The transformation programme was developed to ensure the Council has financial sustainability and can deliver services within the resources available. Appendix 3 provides further detail.

6.3.2 In the first year (2022/23), while the scope and savings ambitions were minimal, the transformation programme allowed the Council to set up the foundations of good governance, infrastructure, resource capability and to introduce the right disciplines to support the delivery of its more ambitious targets in future years.

6.3.3 Whilst a number of projects and initiatives have shown huge signs of success and delivery of savings targets, competing priorities and resource gaps has meant that the transformation programme, now in its second year, has faced a number of challenges. Where programmes have struggled to reach the necessary pace, as also noted by the Improvement & Assurance Board, to delivery its commitments, the introduction of governance arrangements have brought greater attention and focus on how programmes can ensure they remain on track or identify the necessary mitigation measures.

6.3.4 With further ambitious targets in future years, it is imperative to provide assurance on the current and future transformation savings, ensuring sufficient investment is identified and approved to deliver the savings within an approved framework, acting at the earliest opportunity to remedy any risks and issues.

6.3.5 The table below summarises the total gross savings approved in the 2023/24 MTFP of £61.942m and the subsequent reduction by £1.852m to £60.090m for procurement savings funded by other funding streams. The detail over each financial year and programme can be found in Appendix 3.

Table 9: Transformation Programme Annual Gross Savings							
Annual Gross Savings	2022/23	2023/24	2024/25	2025/26	2026/27	2022/23 to 2026/27 Total	2024/25 to 2026/27 Total
	£m	£m	£m	£m	£m	£m	£m
Gross Savings approved in February 2023	(2.135)	(16.378)	(18.819)	(11.488)	(13.122)	(61.942)	(43.429)
Remove Procurement – other funding streams	0.370	0.707	0.497	0.278	0.000	1.852	0.775
Revised Gross Savings as at February 2024	(1.765)	(15.671)	(18.322)	(11.210)	(13.122)	(60.090)	(42.654)

6.3.6 To deliver this sizeable transformation programme, significant investment of £20.289m (capital receipts £18.446m, children’s base budget £1.843m) was made available in the MTFP to support delivery over 2022/23 to 2025/26. In addition, other funding (HRA and I.T. digital reserve) of £0.711m is now available, bringing total investment to £21m.

6.3.7 Table 10 below shows the actual (2022/23) and gross forecasted investment requirement (2023/24 to 2025/26) totals £18.985m (funded by capital receipts £16.968, revenue £2.017m).

Table 10: Investment for Delivering Transformation Programme						
	Actual 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Total 2022/23 to 2025/26	Forecast 2023/24 to 2025/26
	£m	£m	£m	£m	£m	£m
Total Investment	8.237	7.929	2.317	0.502	18.985	10.748
Funded by:						
Capital Receipts	8.201	7.054	1.713	0.000	16.968	8.767
Revenue Children's Budget	0.036	0.494	0.274	0.502	1.306	1.270
Digital Reserve	0.000	0.258	0.234	0.000	0.492	0.492
Housing Revenue Account	0.000	0.123	0.096	0.000	0.219	0.219
Total Funding*	8.237	7.929	2.317	0.502	18.985	10.748

*There is no investment 2026/27 onwards

6.3.8 The net use of the other funding sources, including the utilisation of support services (Finance, HR, Legal) within Directorates, a reduced need on the contingency allowance and a streamlined PMO and change academy staff has reduced the requirement for capital receipts by £1.479m which is proposed to be re-purposed to

strengthen the Corporate PMO and support the delivery of the desired outcomes including the more recent proposals generated from the Duties and Powers exercise. This is set out in more detail in Appendix 3 Section 3.

6.3.9 Further commentary for each transformation programme is contained within Appendix 3.

6.4 Inflation

Pay Inflation

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

- 2023/24 pay award budget shortfall funded in 2024/25
- Ongoing costs of the pay scale restructure implemented in 2023/24
- Assessment of potential future pay inflations (6.83% 2024/25, 5% 2025/26, 4.5% 2026/27 and 4% 2028/29)
- Assessment of potential 2024/25 and future impact of saving proposals on future staffing levels.

6.4.2 The table below summarises the profile of these proposals by category

Table 11: Pay Inflation (incremental)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Prior Year Pay Inflation Shortfall	8.422	0.000	0.000	0.000	8.422
New Year Pay Inflation	14.965	11.374	11.261	10.318	47.918
Pay Structure Review	0.901	0.000	0.000	0.000	0.901
Total	24.288	11.374	11.261	10.318	57.241

6.4.3 The Council, like many other local authority employers is currently experiencing a challenging recruitment and retention environment. As part of the 2023/24 budget process an additional growth c£5.3m was incepted for the implementation of the new pay structures of which a partial year c£3.8m was profiled in 2023/24 and remaining over the over the MTFP period to address these specific challenges. Following the implementation in July 2023 of the new pay structures, a revised estimate has been calculated to reflect the actual impact with an addition £0.9m reflected in the 2024/25 budget for the full-year impact.

6.4.4 Due to inherent issues with the quality of data, which is being resolved through the Establishment Control project may have an impact on the estimated future pay inflation currently included within the MTFP.

Contract Inflation

6.4.5 Key areas of contract inflation include:

- Fee rates paid to providers for social care
- Catering costs
- Waste Disposal Annual inflationary contract uplift
- Homelessness Nightly Rates

- Centrally held inflation for core corporate and organisational wide contracts

6.4.6 The tables below summarise the contractual inflation by Category and Directorate

Table 12a: Contractual Inflation (incremental)					
Item	2024/25	2025/26	2026/27	2027/28	cumulative
	£m	£m	£m	£m	£m
Social Care Placements - Adults	11.25	7.133	7.6	7.985	33.968
Social Care Placements - Children's	4.234	3.188	3.198	3.222	13.841
In House Traded Service	0.120	0.000	0.000	0.000	0.12
PFI	0.196	0.011	0.298	0.299	0.804
Other	1.593	1.615	1.815	1.182	6.205
Total	17.392	11.947	12.911	12.689	54.939

Table 12b: Contractual Inflation by Directorate (incremental)					
Directorate	2024/25	2025/26	2026/27	2027/28	cumulative
	£m	£m	£m	£m	£m
Adults	11.250	7.133	7.600	7.985	33.968
Children's	4.234	3.188	3.198	3.222	13.841
Education	0.314	0.108	0.068	0.068	0.558
Subtotal: People	15.798	10.429	10.866	11.275	48.367
Communities, Environment & Resident Services	0.340	0.143	0.261	0.041	0.785
Growth & City Development	0.643	0.682	1.020	0.613	2.959
Finance & Resources	(0.368)	0.074	0.000	0.000	(0.294)
Chief Executive	0.006	0.000	0.000	0.000	0.006
Corporate	0.950	0.600	0.750	0.750	3.050
Companies	0.024	0.019	0.014	0.009	0.066
Total	17.392	11.947	12.911	12.689	54.939

6.5 Growth

6.5.1 Budget growth proposals have been thoroughly considered as part of the budget review process with Directorates required to submit robust business cases for all submissions. All growth adjustments have been included only after agreement of the Corporate Director for Finance and Resources and the Chief Executive. Some growth allocations will be held back centrally and released upon actual information.

6.5.2 Key areas of service growth include:

- Addressing historic base budget and ongoing impact of in-year positions, most particularly in Adults and Children's
- One-off costs of establishing the Waste Transformation Board
- Uplift in External Audit fees
- Demographic growth includes across Adult Social Care, Children in Care, Temporary Accommodation and Passenger transport (notably SEND)

- Income adjustments mostly relate to addressing unachievable historic income budgets related to HRA/Capital and current year retail income shortfall on Victoria Market.
- Staffing growth has mainly been for Children services in relation to building stability in the Children in Care Leaving Team, Adult Social Workers Career Progression, and other areas in building capacity.
- Savings written off with the largest being the duplicated savings for fostering service
- Reprofile of previously approved savings.
- Grant funded growth relates to Adult Social Care for delivering activity in accordance with the grant conditions in particular reducing waiting list and continue to undertake strength-based review.

6.5.3 The tables below summarise the growth by Category and Directorate

Table 13a: Growth by category (incremental)					
Category	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Service (<i>mainly in-year</i>)	30.318	4.682	6.333	5.548	46.881
Demographic	11.621	29.787	29.076	37.216	107.700
Income	5.821	2.437	1.739	(0.13)	9.872
Staffing	4.168	(0.05)	(0.85)	0.000	3.262
Saving Reprofile	3.113	(1.86)	(0.02)	0.938	2.172
Budget Realignment	2.095	0.000	0.000	0.000	2.095
Grant funded growth	2.751	0.000	0.000	0.000	2.751
Total	59.887	34.992	36.277	43.577	174.734

Table 13b: Growth by Directorate (incremental)					
Directorate	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Adults	12.217	2.694	2.829	2.969	20.709
Children's	17.867	3.294	(2.212)	(0.190)	18.759
Education	1.740	(0.165)	(0.150)	(0.125)	1.300
Public Health	1.111	0.412	0.000	0.000	1.523
<i>Subtotal: People</i>	<i>32.935</i>	<i>6.235</i>	<i>0.467</i>	<i>2.654</i>	<i>42.291</i>
Communities, Environment & Resident Services	4.759	(0.431)	0.055	0.049	4.431
Growth & City Development	13.818	(0.203)	10.903	0.874	25.393
Finance & Resources	6.078	(0.608)	(0.147)	0.000	5.322
Chief Executive	0.474	0.000	0.000	0.000	0.474
Corporate	1.824	30.000	25.000	40.000	96.824
Total	59.887	34.993	36.278	43.577	174.734

6.6 Government Grants

6.6.1 The table below summarises the known annual changes to key Government grants.

Table 14: Government Grants (incremental adjustments)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Social Care Grant	(5.302)	0.000	0.000	0.000	(5.302)
Market Sustainability & Improvement Fund	(6.381)	3.229	0.000	0.000	(3.152)
ASC Discharge Fund	(1.552)	0.000	0.000	0.000	(1.552)
Better Care Fund	(0.991)	0.000	0.000	0.000	(0.991)
Social Care in Prisons	0.008	0.007	0.000	0.000	0.015
War Pensions Disregard	0.002	0.002	0.000	0.000	0.004
Subtotal: Social Care	(14.216)	3.239	0.000	0.000	(10.977)
New Homes Bonus	(0.220)	1.467	0.000	0.000	1.247
Public Health Grant	0.000	0.000	0.000	0.000	0.000
Services Grant	3.232	0.000	0.000	0.000	3.232
Subtotal: Other Grants	3.012	1.467	0.000	0.000	4.479
Total	(11.204)	4.706	0.000	0.000	(6.498)

6.7 Corporate Budgets and Technical Adjustments

6.7.1 The table below summarises the technical adjustments made mainly to non-directorate corporate budgets. Mostly notably, after further detailed technical review, a significant reduction in Treasury Management costs is proposed for 2024/25. This is then being partly used to fund a one-off risk contingency to address any emerging issues.

Table 15: Corporate Budgets and Technical adjustments (incremental)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Making HRA Good - £20m issue	2.313	0.000	0.000	0.000	2.313
General Fund contribution to HRA	2.313	0.000	0.000	0.000	2.313
Treasury Management	(5.441)	5.900	0.000	0.000	0.459
Minimum Revenue Provision	(2.033)	1.296	0.103	(1.639)	(2.273)
Early Debt Repayment	(1.510)	0.000	0.000	0.000	(1.510)
Tram PFI prudential borrowing	(1.478)	0.000	0.000	0.000	(1.478)
Exceptional Financial Support – short term borrowing	0.849	1.469	0.000	0.000	2.318
Subtotal: Treasury Management	(9.613)	8.665	0.103	(1.639)	(2.484)
Tram PFI - NET costs	(0.174)	0.008	0.005	(0.000)	(0.161)
Private Finance Initiatives	(0.174)	0.008	0.005	(0.000)	(0.161)
Pension Fund Triennial Review	(1.140)	(1.253)	0.000	0.000	(2.393)
Subtotal: Pension Fund	(1.140)	(1.253)	0.000	0.000	(2.393)
One-off Risk Contingency	4.000	(4.000)	0.000	0.000	0.000
Government Intervention	0.631	(0.125)	0.000	(0.806)	(0.300)
Ice Centre sinking fund	0.080	0.084	0.077	0.061	0.302
Subtotal: Other adjustments	4.711	(4.041)	0.077	(0.745)	0.002
Total	(3.904)	3.379	0.186	(2.384)	(2.724)

6.8 Core Funding

6.8.1 The table below summarises the core funding adjustments. These are drawn from the Final Settlement; the Business Rates NNDR1 return submitted at the end of January; and a proposed 4.99% Band D Council Tax increase.

Table 16: Core Funding adjustments (incremental)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Revenue Support Grant	(1.984)	(0.639)	(0.651)	(0.664)	(3.938)
Government Grant	(1.984)	(0.639)	(0.651)	(0.664)	(3.938)
Business Rates Income (incl. cost of collection & 100% retention)	(5.560)	(1.257)	(1.282)	(1.307)	(9.406)
Section 31 Grant - Rate Reliefs & Indexation (NNDR1)	(2.704)	(0.524)	(0.534)	(0.545)	(4.307)
NNDR Collection Fund	(1.081)	(1.997)	0.000	0.000	(3.077)
NNDR1 Return	(9.345)	(3.777)	(1.816)	(1.852)	(16.791)
Top-Up	(1.780)	(0.752)	(0.767)	(0.782)	(4.081)
Section 31 Grant - Top-up Indexation	(1.046)	(0.143)	(0.146)	(0.149)	(1.484)
Subtotal: Business Rates related	(12.172)	(4.672)	(2.729)	(2.783)	(22.355)
Council Tax - Tax base	(1.386)	(0.602)	(0.599)	(0.602)	(3.189)
Council Tax - Band D increase	(7.069)	(0.030)	(0.030)	(0.030)	(7.159)
CT Collection Fund	(1.741)	3.203	0.000	0.000	1.462
Subtotal: Council Tax related	(10.197)	2.572	(0.629)	(0.632)	(8.886)
Total	(24.352)	(2.738)	(4.009)	(4.079)	(35.179)

6.9 Contribution from/to reserves and balances

6.9.1 The table below summarise the budgeted movement in earmarked reserves.

Table 17: Reserves (incremental)					
Item	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	cumulative £m
Risk Assessment	(3.708)	0.000	0.000	0.000	(3.708)
Collection Fund	1.615	0.000	0.000	0.000	1.615
Workforce	0.245	0.000	0.000	0.000	0.245
Subtotal: Remove prior year items	(1.847)	0.000	0.000	0.000	(1.847)
£20m payback – revised profile	1.008	(0.001)	0.000	0.000	1.008
One-off contribution to FRR	10.000	(10.000)	0.000	0.000	0.000
Subtotal: Technical Review	11.008	(10.001)	0.000	0.000	1.008
NET Reserve - PFI model	2.840	0.084	(0.005)	0.000	2.919
Enterprise Zone - 100% business rates retention (NNDR1)	0.150	(0.150)	0.000	0.000	0.000
Subtotal: Other	2.991	(0.066)	(0.005)	0.000	2.919
Total	12.151	(10.067)	(0.005)	0.000	2.079

6.10 Council Tax

Taxbase

- 6.10.1 Nottingham City Council is a “billing authority” for Council Tax purposes. The Local Government Finance Act 1992 requires the billing authority to determine the Council Tax base to be used in the calculation of the level of Council Tax. The tax base must be calculated in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012.
- 6.10.2 On 22nd January an Operational Executive Decision was taken by the Section 151 Officer to approve a taxbase of 69,075 equivalent Band D properties for 2024/25. This is an increase of 672 from the taxbase used for 2023/24 of 68,403 equivalent Band D properties. The table below sets out the number of Band D equivalents by council tax band.

Table 18: Number of Band D Equivalent Properties by Council Tax Band									
Band	A	B	C	D	E	F	G	H	Total
Band D Equivalent	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
No. Band D Equiv. Properties	36,496	12,057	11,008	5,880	2,688	1,451	1,111	155	70,846
Collection Rate									97.5%
Taxbase 2024/25									69,075
									97.5%
Taxbase 2024/25									69,075

Proposed Council Tax 2024/25

- 6.10.3 The proposed Band D Council Tax levels for 2024/25 as set out in the table below:

Table 19: Council Tax Change 2023/24 to 2024/25				
	2023/24	2024/25	Change	Change
	£	£	£	%
Nottingham City Council	2,052.89	2,155.33	102.44	4.99
Nottinghamshire Police & Crime Commissioner	269.19	TBC	TBC	TBC
Nottinghamshire Fire Authority	89.57	TBC	TBC	TBC
Total	2,411.65	TBC	TBC	TBC

- 6.10.4 The table below sets out the proposed Council Tax increase by council tax band for each preceptor. It should be noted the proposed levels of Council Tax and are subject to formal confirmation through each preceptor’s governance arrangements. At the time of writing the council tax and precept figures for Nottinghamshire Police & Crime Commissioner and Nottinghamshire Fire Authority are not available.

Table 20: Proposed Council Tax by Band								
Band	A £	B £	C £	D £	E £	F £	G £	H £
Nottingham City Council	1,436.89	1,676.37	1,915.85	2,155.33	2,634.29	3,113.25	3,592.22	4,310.66
Nottinghamshire Police Crime Commissioner	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Nottinghamshire Fire Authority	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Total	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC

Premium on Second Homes and Changes to Long-Term Empty Homes

- 6.10.5 On the 26 October 2023 the 'Levelling-up and Regeneration Act 2023, Part 2, Chapter 2, Council Tax 79 & 80' received royal ascent. The Bill introduces a discretionary council tax premium on second homes and changes the qualifying period for use of the long-term empty homes premium.
- 6.10.6 Local authorities may levy a premium of up to an additional 100% on council tax bills for second homes and for empty homes after one year (as opposed to two years which is the current requirement). Neither of these are mandatory requirements. The Bill provides a power to vary the maximum percentage for the second homes premium.
- 6.10.7 For Nottingham City Council it is proposed that the:
- Second home premium is implemented from 2025/26 as the legislation requires it to be agreed 1 year in advance of implementation.
 - Charging a long-term empty council tax premium at 12 months 'empty' from 2024/25. By introducing the additional empty property premium, it is intended to bring unused properties back into occupation and use for the citizens of Nottingham. A projected additional £162k of potential council tax income would be generated in 2024/25 by introducing the charge at 12 months. This is based on last year's rate of empties that would have attracted the premium at the 12 month point and is still on the account at the 1st January 2024.

Council Tax Support Scheme

- 6.10.8 The Council is responsible for providing Council Tax Support for households on low incomes. All households, except low-income pensioners, have to pay something towards their Council Tax bill. For working age households on a low income and with savings or capital below £16,000 the maximum discount received is 80% of the bill.
- 6.10.9 The Council has operated a localised council tax support scheme since its introduction in 2013. Council Tax Support takes the form of council tax discount. The amount that is estimated to be granted in 2024/25 is the equivalent of 19,429 discounts distributed across the eight council tax bands based on the current proportion of such discounts in each band. The equivalent Band D number of discounts is 13,528 properties. This is marginally reduced from last year with the increase in universal credit and the average award council tax support reducing.

6.10.10 The current scheme is estimated to cost £32.2m in 2024/25, of which Nottingham City Council's share is £27.4m.

6.10.11 A copy of the current scheme is attached at Appendix 4.

6.10.12 A review of the scheme will be undertaken during 2024/25, with a view to implementing a new scheme in 2025/26.

Council Tax Collection Rate

6.10.13 The Council has an aspiration to increase the collection rate for tax base setting to at least 98% over the next two financial years.

6.10.14 This will be supported by committing resources up to establishment for the collection and administration of council tax, supporting citizens with quicker and improved accuracy in billing. A review of current debt collection strategy will take place in 2024/25 with a view to improve targeting of litigation action where appropriate and introduction of digital collection strategies to supplement current practice and to increase collection rates in the year in which the bill raised.

6.11 Retained Business Rates

6.11.1 The current Business Rates Retention scheme was implemented from 1 April 2013. The table below sets out the retained business rates share for 2023/24 and 2024/25.

	2023/24	2024/25
Nottingham City Council's Share	49%	49%
Nottinghamshire Fire Authority Share	1%	1%
Total Retained	50%	50%
Central Government Share	50%	50%
Total	100%	100%

6.11.2 The monitoring and estimating of Business Rates is a local responsibility and the financial risk due to the volatility within Business Rates (including outstanding appeals) has an impact on the Council's overall funding. Business Rates are based on the 2023 valuation list with the total rateable value of businesses in Nottingham assessed as £346m (NNDR1 January 2024).

6.11.3 The total business rates due to be paid in 2024/25 is estimated at £127m (NNDR1 January 2024), of which £62.221m (49% of the total) is due to Nottingham City Council.

6.11.4 There are currently numerous rating appeals lodged with the Government's Valuation Office in respect of rateable values. Not all of these will be successful either in full or part. The cost of any successful appeals will be met from the monies received, and hence will impact the Council's overall funding. The Council has made a provision for this risk, and it is included within the estimated Collection Fund position as of 31 March 2024.

- 6.11.5 Top-up Under the retained Business Rates system any authority, whose Business Rates income is less than their initial baseline funding level, as is the case for Nottingham, will receive the balance as a ‘top-up’ grant. The City Council will receive £37.6m for 2024/25. Other authorities, whose Business Rates income is greater than their initial baseline funding level, pay a tariff. It is the combination of ‘tariffs and ‘top-ups’ that balances the system nationally.
- 6.11.6 The table below sets out the business rates income received by the Council and reconciles this back to the figures included in the MTFP.

Table 22: Business Rates Income	
	2024/25 £m
Business Rates Income (Nottingham City Council Share)	62.221
Funded Reliefs	12.106
Business Rates Income for Safety Net Purposes	74.328
Top Up Grant	37.588
Safety Net Income	111.916
Section 31 Grant – Multiplier Cap (Loss of net rates income)	11.487
Section 31 Grant – Multiplier Cap (Uprating of Funded Reliefs)	2.602
Section 31 Grant – Multiplier Cap (Top Up)	7.146
Designated Area (Enterprise Zone)	0.150
Forecast Resources	133.301
Costs of Collection	0.457
Collection Fund Deficit	-1.997
Enterprise Zone monies set aside for LEP	-0.150
Total Business Rates Income	131.611

Business Rates Collection Rate

- 6.11.7 The Council has an aspiration to increase the collection rate for business rates to at least 98% over the next two financial years.
- 6.11.8 This will be supported by committing resources up to establishment for the collection and administration of business rates, supporting businesses with quicker and improved accuracy in billing. A review of current debt collection strategy will take place in 2024/25 with a view to improve targeting of litigation action where appropriate and introduction of digital collection strategies to supplement current practice and to increase collection rates in the year in which the bill raised.

6.12 Collection Fund

- 6.12.1 Statutory regulations require councils to account for annual council tax and business rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any difference between the budgeted net council tax and business rates income and the actual is held on the Council’s balance sheet to be distributed in subsequent years.
- 6.12.2 Councils are required to calculate an estimated position of the Collection Fund in January each year which is used by the precepting authorities in setting its budget for the forthcoming year.

Council Tax Collection Fund Surplus 2023/24

6.12.3 On 22nd January an Operational Executive Decision was taken by the Section 151 Officer to approve an estimated Collection Fund surplus for 2023/24 of £3,763,153.93, and this is to be shared as below:

- Nottingham City Council £3,203,342.55
- Nottinghamshire Police & Crime Commissioner £ 420,045.78
- Nottinghamshire Fire Authority £ 139,765.60

Estimated Collection Fund Balance as at 31 March 2024

6.12.4 The net estimated balance as at 31 March 2024 is a deficit of £0.312m, of which Nottingham City Council's share is a surplus of £1.206m.

Table 23: Net Estimated Collection Fund Deficit as at 31 March 2024			
Net Estimated Surplus/deficit on Collection Fund as at 31 March 2024	Council Tax (£m)	Business Rates (£m)	Total (£m)
Nottingham City Council	3.203	(1.997)	1.206
Nottinghamshire Police & Crime Commissioner	0.420	n/a	0.420
Nottingham Shire Fire Authority	0.140	(0.041)	0.099
DLUHC	n/a	(2.037)	(2.037)
Collection Fund Net Surplus (+) / Deficit (-)	3.763	(4.075)	(0.312)

7. Companies

7.1 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.

7.2 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 either be accounted for in-year to reduce any General Fund budget pressure or a contribution will made to reserves i.e., the MTFP will not be balanced by using inherently volatile projections of company income.

8. Fees and Charges

8.1 The Council charges for a range of services. Approval of fees and charges is dependent on relevant legislation so decisions may be made by Executive Board, or by Officer decision under delegated authority. Any significant changes must take account, from an equalities perspective, of the impact on paying customers of not only the proposed change in question but also of changes to other council fees and charges for which that individual may be liable.

8.2 The Council's approach to setting fees and charges for 2024/25 has been in line with Fees and Charges Policy approved last year, as set out in Appendix 11.

8.3 For 2024/25 services have reviewed their fees and charges and have increased charges in line with either inflation or in line with previously approved decisions or to recover full costs.

8.4 As part of the annual budget process continuous assessment of recovery of full costs will be undertaken in assessing the level of fees and charges increase or other changes.

8.5 Appendix 12 details the proposed 2024/25 fees and charges for the services.

9. Schools Budget

9.1 Schools are substantially funded through the ring-fenced Dedicated Schools Grant (DSG) and the Pupil Premium Grant. Schools spending must be consistent with the requirements of the prevailing schools and early years funding regulations.

9.2 There are requirements for Schools Forum to act as a decision-making and/or a consultative role in determining budget levels for each year. The Schools Budget was presented to the Schools Forum on 16 January 2024 with the Schools Forum recommending the Council to approve the in-year budget transfers and payments associated with the grant funding and to note the reserve drawdown of c£5.3m from earmarked reserves.

9.3 Dedicated Schools Grant

9.3.1 The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure supporting the schools' budget. In conjunction with the National Funding Formula (NFF) the DSG funding is allocated over four blocks. The grant also covers wider support to fund pupils with special educational needs, through an element in the DSG known as the High Needs block, and for two, three and four-year olds in nursery and associated provision, through the Early Years element.

9.3.2 For 2024/25 the indicative total DSG allocation is £374.2m, this is an increase of £29.4m (8.5%) from 2023/24. The table below sets out how the £374.2m is allocated in comparison with 2023/24.

Table 24: Dedicated Schools Grant (DSG) Allocations		
DSG Blocks	2023/24 £m	2024/25 £m
Schools Block	260.2	277.9
Central School Services Block	4.0	3.6
Early Years Block	22.3	31.5
High Needs Block	58.3	61.2
Total DSG	344.8	374.2
Growth	29.4 (8.5%)	

9.4 Pupil Premium Grant

9.4.1 The Pupil Premium Grant is distributed by the Council to maintained schools only. The allocation is set out by the Education and Skills Funding Agency (ESFA) with academies receiving this funding direct.

- 9.4.2 The pupil premium grant allocated to schools is made up of three elements, funding for free school meal pupils (Ever6), service children and post looked after children. Each element has a different pupil rate as set out in the table below. The annual value changes dependent on child numbers.

Table 25: Pupil Premium Comparison				
	FSM EVER6		Service Child	Post Looked after Child¹
	Primary	Secondary		
	£	£	£	£
2023/24	1,480	1,050	340	2,570
2023/24	1,455	1,035	335	2,530

¹Looked after Children and eligible pupils who have been adopted from care or leaving care under a special guardianship or a child arrangements order (previously known as a residence order).

9.5 Reserves

- 9.5.1 Statutory Schools Reserves (SSR) can only be allocated in accordance with the Schools and Early Years Finance Regulations (England) 2023. The statutory schools reserve (ring fenced for schools) has an unearmarked balance of £16.4m after all formally approved commitments. The table below sets out the SSR based on a forecast 2023/24 full year spend.

Table 26: Reserve summary	Actual £m
Opening balance as at 1 April 2023	21.7
Less: Approved commitments	(5.3)
Uncommitted Balance as at a 31 March 2024	16.4

- 9.5.2 Appendix 5 provides detail of the schools budget for 2024/25.

10. Housing Revenue Account

- 10.1 The Housing Revenue Account (HRA) 2024/25 Budget and MTFP are being discussed at the same Executive Board meeting on 13 February 2024. The table below summarises the 2024/25 HRA revenue budget.

Table 27: HRA Budget 2024/25	
Housing Directorate	Budget 2024/25
	£m
Income	
Dwelling Rents	(114.342)
Non-Dwelling Rents	(2.746)
Service Charges	(11.205)
Other Income	(0.222)
Total Income	(128.514)
Expenditure	
Repairs & Maintenance	33.979
Management & Supervision	36.744
Depreciation and Amortisation	30.427
Provision for Bad Debts	2.213
Direct Revenue Financing	7.200
Total Expenditure	110.562

Table 27: HRA Budget 2024/25	
Housing Directorate	Budget 2024/25
	£m
Net Cost of Housing Services	(17.952)
Capital Financing Charges	
Debit Interest Paid	15.279
Credit Interest Received	(5.857)
Total Deficit/(Surplus)	(8.530)
Contribution to Reserves	8.530
Net Total	0.000

11. The HRA 5-year Capital Programme is included in section 10 below.

The HRA is asset driven and capital expenditure is essential to maintain decency as well as delivering the remaining approved new energy efficient affordable homes. The table below shows the movement in the capital programme since it was approved by full Council in February 2023.

Table 28: HRA Capital Programme 2024-25 to 2027-28					
Programme/Category	Budget 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28	Total
	£m	£m	£m	£m	£m
Approved Schemes					
Safe	4.107	6.087	6.614	6.841	23.649
Secure Warm & Modern	19.292	22.504	22.689	24.26	88.745
Energy Efficiency	9.079	1.89	1.566	0	12.535
Older People	1.289	0	0	0	1.289
Decent Neighbourhoods	3.25	6.605	5.964	5.7	21.519
Existing Stock Investment	3.937	2.9	2.9	2.9	12.637
Build a Better Nottingham	16.23	0	0	0	16.23
Adaptations	2.31	2.135	2.135	2.135	8.715
Total Approved Schemes	59.493	42.121	41.868	41.836	185.318
Planned Schemes	10.138	9.52	6.93	6.175	32.763
Total Capital Programme	69.631	51.641	48.798	48.011	218.081
Capital Financing					
Prudential Borrowing	(6.352)	0.000	0.000	0.000	(6.352)
Grants & Contributions	(3.222)	0.000	0.000	0.000	(3.222)
Major Repairs Reserve	(39.252)	(44.115)	(43.863)	(41.202)	(168.432)
Revenue Contributions	(7.200)	(4.734)	(3.180)	(3.180)	(18.294)
Other Capital Receipts	(6.644)	(1.072)	(0.035)	(1.910)	(9.661)

Table 28: HRA Capital Programme 2024-25 to 2027-28

Programme/Category	Budget 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28	Total
	£m	£m	£m	£m	£m
Restricted RTB Receipts	(6.961)	(1.720)	(1.720)	(1.719)	(12.120)
Total Capital Financing	(69.631)	(51.641)	(48.798)	(48.011)	(218.081)

12. Capital Budget and Strategy

12.1 Current Capital Programme Budget

12.1.1 The current approved capital programme budget for 2023/24 to 2027/28 is £718.668m. Within this budget report the budget is being revised to take account of:

- Additions,
- In year net slippage and under / overspends,
- Impact of the Finance Recovery Plan review.

12.2 Budget Approach to Capital

12.3 Additions to the Capital Programme

12.3.1 As part of the 2024/25 budget process new capital schemes have been identified. Due to the Council's financial constraints the only General Fund addition is wholly grant funded and relates to secured grant from the DfT previously outside of the Capital Programmes. The below table summaries the additions to Capital Programmes, further details can be found in Appendix 7.3.

Table 29: Capital Programme Additions

Capital Programme	Capital Programme 2023/24 – 2027/28					
	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Transport Scheme	0.000	1.195	0.000	0.000	0.000	1.195
HRA	0.000	9.878	6.800	6.800	29.115	52.593
Capital Programme Additions	0.000	11.073	6.800	6.800	29.115	53.788
Funding:						
Grants	0.000	(1.195)	0.000	0.000	0.000	(1.195)
Capital Receipts - HRA	0.000	(0.254)	0.000	0.000	(1.875)	(2.129)
Capital Receipts - RtB	0.000	(3.609)	(1.720)	(1.720)	(1.720)	(8.769)
Major Repairs Reserve	0.000	(0.855)	(2.500)	(2.500)	(22.940)	(28.795)
Revenue Contribution	0.000	(5.160)	(2.580)	(2.580)	(2.580)	(12.900)
Total Funding	0.000	(11.073)	(6.800)	(6.800)	(29.115)	(53.788)

12.3.2 Pipeline schemes (previously referred to a Temporarily Decommissioned Schemes) were approved at Full Council March 2023 at a value of £22.767m, as part of the Finance Recovery Plan Review a saving of £0.430m has been identified reducing the budget to £22.337m. Due to the Capital Programme rolling forward a financial

year into 2027/28 and other growth items the value of Pipeline schemes at 31st March 2023 increase to £43.690m. A detailed breakdown of the Pipeline schemes is enclosed within Appendix 7.4.

12.3.3 As part of the 2024/25 budget process and the Finance Recovery Plan the Council has reviewed all General Fund Capital Programme projects funded by either Prudential Borrowing, Capital Receipts or Revenue Funding. The review identified £2.004m of savings or technical adjustments and a number of schemes were reprofiled and deferred to later years. A detailed breakdown of the schemes is enclosed within Appendix 7.2.

12.4 Updated Capital Programme

12.4.1 The Capital Programme is summarised in the table below with a detailed breakdown in Appendix 7.2. The updated programme reflects:

- Capital Programme Additions including the £65.000m of Exceptional Financial Support,
- Reprofile of Transport Programme to take account of carried forward grant,
- In year net slippage and project under / overspends,
- Impact of the Finance Recovery Plan Review,
- Capital programme rolled forward into 2027/28.

12.4.2 The net effect of the above movements is a net increase in the Capital Programme of £113.864m, increasing the budget from £718.668m to £832.532m.

Table 30: Capital Programme 2023/24 to 2027/28						
Capital Programme Summary	2023/24 £m	Capital Programme 2024/25 – 2027/28				Total £m
		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
General Fund	251.678	193.484	39.565	17.335	0.000	502.062
HRA	74.721	65.622	40.043	36.220	0.000	216.606
Approved Capital Budget	326.399	259.106	79.608	53.555	0.000	718.668
Project Slippage / Over & Underspends	(89.518)	48.344	12.554	4.594	21.106	(2.920)
Outcome of Finance Recovery Plan Review						
Deferral	(0.646)	1.297	(0.741)	0.114	(0.024)	(0.000)
Decommissions	(0.075)	(1.081)	(1.083)	0.500	0.250	(1.489)
Other - Technical Adjustment	0.000	(0.515)	0.000	0.000	0.000	(0.515)
Additions	0.000	11.073	6.800	6.800	29.115	53.788
Revised Programme Budget	236.160	318.224	97.138	65.563	50.447	767.532
Exceptional Financial Support	25.000	40.000	0.000	0.000	0.000	65.000
Total Capital Requirement	261.160	358.224	97.138	65.563	50.447	832.532
Capital Funding						
External Grants & S106	(164.636)	(232.333)	(38.503)	(11.568)	0.000	(447.040)
Capital Receipts - General Fund	(16.707)	(10.431)	(2.682)	(1.750)	(0.251)	(31.821)
Capital Receipts - Exceptional Financial Support	(21.300)	(25.200)	0.000	0.000	0.000	(46.500)
Capital Receipts - HRA	(1.217)	(3.551)	(0.035)	(0.035)	(1.910)	(6.748)
Capital Receipts - RtB	(7.892)	(9.919)	(2.756)	(1.720)	(1.720)	(24.007)
Revenue Reserves - General Fund	(3.847)	(6.278)	(2.768)	(3.297)	(2.074)	(18.264)

Table 30: Capital Programme 2023/24 to 2027/28

Capital Programme Summary	2023/24 £m	Capital Programme 2024/25 – 2027/28				Total £m
		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	
Major Repairs Reserve	(26.723)	(38.138)	(44.116)	(43.863)	(41.201)	(194.041)
Revenue Contribution - General Fund	(0.239)	(0.670)	(0.150)	(0.150)	(0.111)	(1.320)
Revenue Contribution - HRA	(0.617)	(7.423)	(4.734)	(3.180)	(3.180)	(19.134)
Borrowing	(14.282)	(9.481)	(1.394)	0.000	0.000	(25.157)
Borrowing - Exceptional Financial Support	(3.700)	(14.800)	0.000	0.000	0.000	(18.500)
Total Programme Funding	(261.160)	(358.224)	(97.138)	(65.563)	(50.447)	(832.532)

12.5 Capital Strategy

12.5.1 The Local Government Act 2003 and supporting regulations require the Council to have regard to the CIPFA Prudential Code to ensure that the Council's capital investment plans are affordable, prudent, and sustainable.

12.5.2 CIPFA require all Council's to produce an annual Capital Strategy which provides the framework in which capital decisions are made and detailing the governance for capital decisions.

12.5.3 The enclosed Capital Strategy sets out how Capital Projects and Capital Receipts are prioritised, taking account of the Council's current financial position and Council priorities. The enclosed Capital Strategy also includes three key policy / strategy documents:

- Voluntary Debt Reduction Policy,
- Flexible Use of Capital Receipt Policy
- Non-Treasury Investment Strategy

12.6 Capital Receipts Prioritisation

12.6.1 The current strategy has been reviewed to ensure compliance with the latest Prudential Code. Appendix 6 contains the Capital Strategy for 2024/25 which along with its annex's is recommended for approval.

12.6.2 The Council's available capital resources are heavily reliant on the level of capital receipts available. This is due to the low level of non-ringfenced Government funding and the Council's strategy to reduce its level of debt through its Voluntary Debt Reduction Policy.

12.6.3 The Section 151 Officer's professional opinion is the priority order in the application of available capital receipts should ensure the financial sustainability and mitigate tangible risks of the Council.

12.6.4 The capital receipts from the High Value Investment Properties have historically been used to reduce the Capital Financing Requirement (CFR) in accordance with the Council's approved Capital Strategy, due to these assets having underlying debt (i.e., purchase funded from Prudential Borrowing). This approach will continue in 2024/25.

- 12.6.5 The priority order of application for capital receipts, after the repayment of the CFR and debt from capital receipts arising from high value investment properties, is as follows:
- Financing of Exceptional Financial Support
 - Transformation (Flexible Use of Capital Receipt)
 - Capital Schemes classed as Health and Safety, Statutory or Legally required,
 - Reduction of the Council's CFR through repayment of external or internal borrowing.
 - Other capital investment schemes
- 12.6.6 For clarity the priority order set out above is relating to the prioritisation for the utilisation of capital receipts only. It is not a prioritisation methodology for capital schemes which should follow the existing process as set out elsewhere in this Strategy.

13. Treasury Management Strategy

- 13.1 CIPFA requires the Council is currently required to receive and approve, a Treasury management strategy each year, which incorporate a variety of policies, estimates and actuals alongside prudential and treasury indicators. This report is forward looking and covers:
- the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an Annual Investment Strategy, (the parameters on how investments are to be managed).
- 13.2 The enclosed Treasury Management Strategy sets out the Council's approach to borrowing and managing debt, and also reports on limits and indicators that place controls on the councils borrowing activities to ensure compliance with the Prudential Code.
- 13.3 The enclosed Investment Strategy sets out the council's approach to investing cash and provides details on the approach to risk that the council takes when investing these sums.
- 13.4 The Treasury Management and Investment Strategy are attached at Appendix 8 and are compliant with the latest Prudential Code. Both are recommended for approval.
- 13.5 It should be noted by Executive Board that the Council repaid loans totally £58m during the year 2023/24. Two of these loans were repaid at par and two of these loans were repaid at a discount. This decision was taken under the delegated authority that the Section 151 Officer has with respect to Treasury activities. Further details will be reported in the Treasury outturn report for 2023/24.
- 13.6 As set out above the voluntary debt reduction policy scope is being broadened to allow for borrowing in exceptional financial circumstances for a short-term period.

14. Reserves

14.1 The Financial Reserves policy set out in Appendix 9 provides an overview of the Council's Reserves and set out the principles governing their use. The Policy was last approved by February 2023 Executive Board and will be reviewed and updated annually as part of the annual budget setting cycle going forward.

14.2 Adequacy of Reserves

14.2.1 Under the 2003 Local Government Act, the Section 151 Officer, the Council's statutory Finance Officer - the Chief Finance Officer, has to be satisfied that the level of the General Fund balance is adequate. This un-earmarked reserve the sum held centrally for unavoidable cost increases above expected inflation levels, other unforeseen items and spending pressures, acts as a financial safety net.

14.2.2 There is no statutory definition of a minimum level of reserves, and it is for this reason that the matter falls to the judgement of the Section 151 officer. In coming to a judgement on this matter the Section 151 officer has considered matters such as:

- Risks inherent in the budget strategy
- Risk management policies and strategies
- Past financial performance e.g., does the Council have a history of containing spending within budget?
- Current budget projections
- The robustness of estimates contained within the budget
- The adequacy of financial controls and budget monitoring procedures
- Spending pressures
- Increase in Social Care Precept and council tax

14.2.3 The General Fund balance on 1 April 2023 is £14.6m. This updated and previous MTFP assumes a £1.0m per annum contribution and therefore the balance will increase to £15.6m as of 31 March 2025, which equates to 4.38% of the projected net budget.

14.2.4 The level of the General Fund Balance reserve is a matter for the Full Council to determine having had regard to the advice and recommendations of the Section 151 Officer as part of the annual budget approval. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. This is considered on an annual basis as part of the Robustness of Reserves assessment which forms part of the annual budget setting process and MTFP report. It will also take account of the extent to which specific risks are supported through earmarked reserves.

14.2.5 The Council's Section 151 Officer recommends that the Council continues to work towards increasing this percentage to 7.5% to reflect both the heightened financial risk that the Council is facing and an increase to support the commensurate revenue budget increase. To transition the Council towards establishing a 7.5% level of General Fund balance the Section 151 Officer intends to make a contribution to the General Fund balance of £9.560m in 2024/25 that equates to approx. 7.34%. There

will be further opportunity to increase the General Fund balance to the recommended level as part of the final outturn.

14.2.6 The current forecast of closing balances at the end of 31 March 2024 of £164.047m and at 31 March 2025 of £138.650m show a material reduction in overall General Fund reserves. The key factors that look to reducing the level of balances over the next year reflect a combination of:

- professionally assessed estimated commitments;
- prior year accounting adjustments identified to date; and
- the need to establish a higher level of General Fund balance commensurate with the increased revenue budget and risk assessment (Appendix 9 section 13).

14.3 For this reason, the base budget includes a one-off contribution of £10m to provide financial resilience in order to manage in-year pressures. It is still essential that the Council's spending continues to be contained within budgets across areas with Members and Officers including the Corporate Leadership Team taking robust steps to ensure that this discipline is maintained.

14.3.1 The Section 151 Officer is responsible for managing the general fund balance reserve and use of this can only be made on the recommendation of the Section 151 Officer to the Executive Board. An assessment of the adequacy of the general fund balance reserve will continue to be carried out on an annual basis and form part of the annual budget report.

14.4 The summary forecast of reserves and the General Fund and HRA balances are set out in the table below.

Table 31: Reserves and Balances Forecast 2023/2024 to 2027/28				
Reserve / Balance	31/03/2025 (estimate)	31/03/2026 (estimate)	31/03/2027 (estimate)	31/03/2028 (estimate)
Non-Controllable Restricted Reserves	(26.140)	(26.148)	(26.141)	(26.174)
Controllable Ringfenced Reserves	(69.069)	(69.112)	(73.910)	(79.931)
Controllable Non-Ringfenced Reserves	(18.238)	(11.612)	(11.709)	(11.806)
Total Earmarked Reserves	(113.447)	(106.873)	(111.761)	(117.912)
General Fund Balance	(25.203)	(26.203)	(27.203)	(28.203)
Total General Fund Reserves and Balances	(138.650)	(133.076)	(138.964)	(146.115)
HRA Balance	(10.000)	(10.000)	(10.000)	(10.000)
HRA Reserve	(87.860)	(92.634)	(103.600)	(120.606)
Total HRA Reserves and Balances	(97.860)	(102.634)	(113.600)	(130.606)
TOTAL	(236.510)	(235.710)	(252.564)	(276.721)

15. Statutory Declarations on Robustness of Budget Estimates and Adequacy of Reserves

15.1 Section 25 of The Local Government Act 2003 includes the following statutory duty in respect of the budget report to Council: “

'the Chief Financial Officer (CFO) of the authority must report to it on the following matters: a) the robustness of the estimates made for the purpose of the calculations; and b) the adequacy of the proposed financial reserves.'

- 15.2 The Council is required to take this report into account when making its decision in relation to setting the annual budget and setting the council tax.
- 15.3 Section 26 of the Local Government Act 2002 places an onus on the CFO (The Corporate Director of Finance and Resources and Section 151 Officer) to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.
- 15.4 The Section 151 Officer's statement is set out at in Appendix 10 and conditional upon the following:
- The Council continuing to assess, learn, report, and respond appropriately at the earliest point to the existing and emerging financial pressures across all aspects of its operations and identify for CLT leads to identify and formulate corrective and mitigating actions in managing any pressures from within their service areas.
 - The Council approving the updated MTFP and 2024/25 budget.
 - A recognition in the medium-term planning approach that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that it may not be possible to match the two at any single point in time. The Council needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period. This approach is pragmatic and shows a clear commitment to prudent contingency planning.
 - This budget report is based on the current financial outturn forecast for 2023/24 and accounts yet to be audited for 2019/20 to 2022/23. Budget process for future years will need to reflect any impact of prior year accounting adjustments and 2023/24 outturn.
 - Portfolio Holders, Chief Executive, Corporate Directors, and managers not exceeding their cash limits for 2024/25.
 - Not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions. The exception to this is where the Section 151 Officer has approved otherwise, as it is not prudent to finance ongoing spending from one-off reserves.
 - Where there is a draw-down on reserves, which causes the approved Reserves Policy to be off target, that this is replenished as part of a revised MTFP.

- That the Council has arrangements and resources in place to consider and assess value for money across the delivery of all its services and operations in preparation for future years' budgets.

15.5 These recommendations are based on:

- The risks identified by Corporate Leadership Team through reviews of their budgets.
- Information provided by respective Corporate Directors in the assessment of growth needs and delivery of saving proposals.
- The resilience and sustainability required to deliver the MTFP.
- One-off unallocated reserves not being used to fund new on-going commitments.
- That the reserves are only used if risks materialise and cannot be contained by management or policy actions, with the exception of those commitments already approved separately.
- That where reserves are drawn down, the level of reserves is maintained in line with the latest MTFP.

15.6 It is recognised that the Council continues to be on a journey of improved financial monitoring and awareness but are not at this stage of maturity to have certainty on growth and saving estimates.

15.7 The 2024/25 budget needs to be seen in this context and it is expected further iterations of the budget will be required during the financial year as both further impacts and savings are identified.

16. Budget Timetable

16.1 It is proposed that the Council continues with the timetable as set in Table 6 so that all required proposals to balance the MTFP 2024/25 to 2027/28 can be considered, as appropriate, before final decisions are made.

Table 31: Budget Timetable	
Month	Activity
February	<ul style="list-style-type: none"> • Executive Board report to consider for approval including to Council, revenue and capital budgets, draft MTFP (revenue and capital) • Corporate Scrutiny Committee to be consulted on Budget Proposals • Audit Committee to be consider Treasury Management strategy • Final Local Government Financial Settlement • Confirmation of Exceptional Financial Support from DLUHC
March	<ul style="list-style-type: none"> • City Council approves Budget, Treasury Management strategy and sets Band D Council Tax for 2024/25

17. Other options considered in making recommendations

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

18. Consideration of Risk

18.1 The Section 151 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 is provided through this report and is included in Appendix 10 setting out the risks and conditions 24 budget it had been reasonably based on the best available information and assumptions at the time.

18.2 More recently the Section 151 Officers' professional opinion has been clearly stated in the s114(3) report issued on the 29 November 2023.

18.3 The Council has significant financial challenge ahead, even with the EFS granted the Council has to deliver c£41m of the budget gap it will be carrying forward before it can look to fund new pressures. The uncertainties of the economic environment over the short to long term also present a high risk for the Council with regards to its ability to deliver a balanced budget over the medium term, and inevitably there remains potential for further, as yet unrecognised, risks.

18.4 It will be essential for CLT to continue to exercise firm financial management throughout this year and for the forthcoming year through the close monitoring of budgets and, in particular.

18.5 Given the unique operating context of Nottingham City Council, the following are most immediate risks for the budget process which need to be considered by the Section 151 Officer when determining adequacy of reserves and financial resilience:

- Organisational ability to develop and deliver
 - 2023/24 in-year General Fund balance budget following issuance of s114(3) report; and
 - the scale of change required in delivering the officer developed saving proposals, as presented within this report.
- Delivery record on approved savings programmes to date
- Likelihood of further in year variances (overspends) against approved budget in particular social care placement and temporary accommodation pressures, which continue to be partly mitigated by one-off spend controls and transformational cost reduction programmes which are closely monitored by Leadership and CLT
- Unforeseen shocks or circumstances resulting in financial cost spikes
- Subsidiary company risk - loans and risk of liabilities materialising

- Prior year accounts and historic accounting treatments & practice corrections
- Assumptions regarding debt collection and impact on the collection fund
- Economic factors such as inflation and interest rate environment
- Major project challenges and failure
- Capital receipts not being sufficient to meet existing capital obligations
- Unfunded income loss pressures as a result of the long-term impact of the pandemic and cost of living crisis, particularly in relation to Council Tax and Business rates income.

18.6 Given the Councils recent history, and in the context of the strategic risks set out above, it is reasonable and prudent to set aside material amounts within reserves to provide for either a single or multiple scenarios manifesting, which will be considered by the Section 151 Officer when determining adequacy of overall reserves as part of the annual budget setting process.

18.7 As set out above, the Section 151 Officer is recommending increase to the General Fund balance with the recurring contribution of c£1m over the MTFP period and one-off contribution next year to bring the General Fund balance close to the 7.5% level.

18.8 Given the uncertainties of the economic environment, impact of cost of living, inflation and interest rates, long-term impact of the pandemic and expenditure reductions of a significant scale required, there are inevitably significant risks involved in delivering balanced budgets over the medium term. Key strategic risks will continue to be;

- included in the Corporate Risk Register;
- regularly reported to Audit Committee; and
- reviewed through updated Budget and MTFP Strategy reports to the Executive Board.

18.9 As explained in the report, the most immediate risks to the budget process are:

- DLUHC not granting the Council with EFS
- unfunded income loss pressures as a result of the long-term impact of the pandemic particularly in relation to Council Tax and Business rates income.
- The Council will continue to closely monitor the impact of these income streams and support lobbying to government as a region to ensure the Council can be full compensated for these losses;
- non-delivery of the approved savings; and
- continuing pressures across social care (children's and adults) and temporary accommodation materialising next year.

18.10 The Council is faced with an uncertain financial climate over the medium to long term which presents a high risk to the authority and there remains potential for further, as yet unrecognised, risks. For this reason, a prudent approach to the level of reserves held by the Council remains sensible and necessary. The Chief Finance Officer, as the Council's Section 151 Officer, is required to state whether the reserves are adequate as part of the annual budget setting process.

18.11 The Council's MTFP is continually under review and builds in projections for the MTFP period and beyond as further details and analysis become available. These updates are regularly reviewed by CLT and the portfolio holder and updates on the financial environment the Council is operating in are provided in Budget Strategy reports to Executive Board. Any sustainability impacts will be considered before final decisions are taken on whether or not to implement each proposal.

19. Best Value considerations

19.1 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'.

19.2 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.

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

19.4 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.

20. Finance colleague comments

20.1 Finance comments are contained within the main body of the report and in the accompanying appendices.

20.2 A detailed and comprehensive risk assessment has been undertaken in order to inform the Section 151 Officers assessment of the affordability of the budget estimates and the consequent recommended levels of reserves and contingencies. This is summarised in the Robustness of the Budget and Adequacy of Reserves statement contained within this report

21. Legal colleague comments

21.1 The proposals set out in this report are set against a backdrop of two new instructions issued by the Improvement and Assurance Board as set out in recommendation 1 k) above. The Council remains under a statutory obligation by virtue of section 15 (6) (b) of the Local Government Act 1999 to comply with these instructions by virtue of the previous directions issued by the Secretary of State. Failure to comply with these instructions would result in further ministerial action.

21.2 As set out in the body of the report the Council is required to set a balanced budget by 11 March 2024. The ability to do this is predicated on the Council's application for Exceptional Financial Support (EFS) succeeding. In the event that the Council is unable to set a balanced budget then the Section 151 Officer would have to consider what further action is required including whether to issue a further report under s114 (3) of the Local Government Finance Act 1988.

21.3 The Council has, as required, undertaken public consultation in respect of a number of the savings proposals

21.4 and it is important that due regard is given to the responses received. Failure to comply with this obligation could lead to challenge by way of judicial review.

Malcolm R. Townroe – Director of Legal and Governance – 8 February 2024

22. Procurement comments

22.1 Not applicable

23. Crime and Disorder Implications

23.1 Not applicable

24. Social value considerations

24.1 Not applicable

25. Regard to the NHS Constitution

25.1 Not applicable

26. Equality Impact Assessment (EIA)

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

Not at this stage but will be.



26.2 Attached as Appendix 11, and due regard will be given to any implications identified in it.

27. Data Protection Impact Assessment (DPIA)

27.1 Not applicable.

28. Carbon Impact Assessment (CIA)

28.1 The carbon impact assessment of proposed proposals will be considered in due course.

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

29.1 None

30. Published documents referred to in this report

- Budget Strategy and Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2027/28 – 19 December 2023 Executive Board
- S114 (3) report issued by the s.151 officer – 29 November 2023
- Budget Strategy and Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2027/28 – 18 July 2023 Executive Board
- Budget 2023/24 – 6 March 2023 City Council
- Medium Term Financial Plan 2023/24 to 2026/27 – 21 February 2023 Executive Board