

## Audit Committee – 23 February 2024

<b>Title of paper:</b>	Improvement and Assurance Board Finance Instructions - Update	
<b>Corporate Director(s) / Director(s):</b>	<p><b>All Finance Instructions excluding Instruction 8:</b></p> <p>Ross Brown – Corporate Director of Finance and Resources (Section 151 Officer)</p> <p>Shabana Kausar - Director of Finance and Deputy Section 151 Officer</p> <p><b>Finance Instruction 8 only:</b></p> <p>Sajeeda Rose – Corporate Director Growth and City Development</p> <p>Nicki Jenkins - Director of Economic Development and Property</p>	<b>Wards affected:</b> All
<b>Author:</b>	Toyin Bamidele - Finance Improvement Programme Lead	
<b>Other Colleagues who have provided input:</b>	Glenn Hammons – Interim Technical Finance Team Leader	
<b>Does this report contain any information that is exempt from publication?</b> No		
<b>Recommendation(s):</b>		
1.	That Audit Committee note the update on the Improvement and Assurance Board Finance Instructions	

### 1 Reasons for recommendations

- 1.1 To inform and provide assurance to the Audit Committee on the progress made in implementing the Improvement and Assurance Board’s (IAB) instructions relating to Finance.

### 2 Background

- 2.1 The IAB in February 2023 issued 39 instructions within six workstreams to Nottingham City Council. These instructions were grouped into six workstreams as illustrated in table 1 below.

Table 1 - Summary of the IAB initial Instruction to NCC – February 2023

Workstream	Number of Instructions
1. Governance	6
2. Finance	8

Workstream	Number of Instructions
3. Transformation	6
4. Corporate Planning	3
5. Companies	8
6. Workforce Culture and Performance Outcomes	8
<b>Total</b>	<b>39</b>

2.2 This report provides the Committee with an update on the eight instructions relating to the finance workstream. The eight finance instructions had varying deadlines as illustrated in table 2 below:

Table 2 - the eight IAB instructions relating to the finance workstream

Instructions	Deadline
1. Approval of wholly realistic, and balanced, plans and budgets	06-Mar-23
2. Establish and maintain a sound and prudent reserves policy and practice	06-Mar-23
3. Deliver a fully resourced Capital Investment Plan	06-Mar-23
4. Early resolution of all outstanding matters relating to 2019/20, 2020/21 and 2021/22 audit of accounts	30-Sep-23
5. Complete the financing of the £17m misappropriation of funds relating to the HRA	31-Mar-23
6. Deliver the Financial Improvement Plan covering the key elements identified by the IAB to provide assurance in respect of finance and accounting	31-Mar-24
7. Reinforce financial stewardship in providing resilience and sustainability through 2023/27	31-Mar-23
8. Bring forward a credible and risk assessed plan for additional pipeline of capital receipts linked to the implementation of the corporate landlord model	30-Sep-23

## 2.3 **Instruction 1 – Approval of wholly realistic, and balanced, plans and budgets**

### 2.3.1 **Progress Update**

The Executive Board and City Council approved a balanced General Fund budget for 2023/24 and over the Medium-Term Financial Plan (MTFP) period to 2026/27 respectively on 21 February 2023 and 6 March 2023 following a budget process led collectively by the interim Corporate Director of Finance and Resources (Section 151 Officer) and the Corporate Leadership Team (CLT) during 2022 which involved directorate challenge sessions over 10 week period with the IAB and separate session with the Executive Members and briefing for the majority group, at the time. A five-week public consultation on the agreed saving proposals from this process took place between 20 December 2022 and 25 January 2023, with staff consultation closing at a later date of 15 February 2023.

The key changes from the report presented to the Executive Board in December 2022 and February 2023 in relation to the General Fund budget was the inclusion of the provisional financial settlement, updated saving proposals and internal borrowing of c£20m of reserves to supplement the Financial Resilience Reserve with these to be paid back at the earliest opportunity in the MTFP period. The present and permanent Section 151 Officer was employed from 3 January 2023 and took assurances from the interim Corporate Director of Finance and Resources (Section 151 Officer) and interim Deputy Section 151 Officer of the robustness of the process and estimates and that the appropriate challenge had been undertaken.

The balanced Housing Revenue Account (HRA) budget for 2023/24 was also approved by Executive Board on 21 February 2023.

Subsequent to the Council achieving this IAB instruction by deadline of 6 March 2023, it has since seen in-year pressures which led to the Section 151 Officer issuing a S114(3) report on 29 November 2023 and making a request to Department of Levelling Up Housing and Communities (DLUHC) for Exceptional Financial Support (EFS) to balance its budget in-year (2023/24) and for 2024/25.

### **2.3.2 2023/24 Financial Position**

At the end of Period 2 the net forecast General Fund position showed an overspend of £25.9m against the approved net budget for the General Fund in 2023/24 of £261.8m (9%)

In June 2023 the Council mobilised a Financial Intervention Strategy to address the in-year pressures which realised £5.048m of in year reductions. During the subsequent months, the operating environment and wider economic context continued to be highly volatile with small changes in demand disproportionately materialising in large financial pressures, particularly in social care and homelessness.

As these further pressures began to emerge, the Council developed corrective actions up to the end of October 2023, in response to the issuance of a formal notice of concern by the Chief Finance Officer (Section 151 Officer) to the Head of Paid Service which yielded an additional £13.251m of in year reductions.

In addition to the above, Council considered the appropriateness of the deployment of service held reserves alongside the release of technical and treasury items. This resulted in the application of £9.492m, and £5.758m respectively, reducing the gross pressure by £15.250m.

At the end of Period 6, the Council was forecasting a gross General Fund pressure of £56.899m with over 80% of the forecasted pressures being in People's services. This was partly mitigated with one-off in-year management and corrective actions (including the use of reserves set out above) and the

deployment of technical options resulted in a net forecasted General Fund pressure for the year of £23.351m.

As part of the Chief Finance Officer's (Section 151 Officer) assessment of the Council's ability to deliver a balanced budget in year, as required under part VIII of the Local Government Finance Act 1988, the Section 151 Officer considered the suitability of deploying further reserves in year. The assessment was undertaken on a multi-year basis (4-year MTFP), considered the overall adequacy of reserves, considered all relevant CIPFA guidance, and an assessment of risk exposure, concluding that it would not be prudent for the Council to act in this way.

### 2.3.3 Issuance of S114(3) Report

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.

A legal Prohibition Period came into force from 29 November 2023 and was in place until day after the City Council meeting on 18 December 2023. During this period:

- Delegations authorising the incurring of spend were suspended – Officers and Members
- Daily Spend Control Board meeting chaired by the Section 151 Officer was put in place to advise on spend request decisions.
- No new agreements were permitted to be entered into by the Council that might incur expenditure without explicit authority of the Section 151 Officer.
- Section 151 Officer provided authority only if the agreement concerned was likely to:
  - prevent the financial situation from getting worse
  - improve the situation, or
  - prevent the situation from recurring.
- Allowable Spending over this period required explicit approval of the Section 151 officer and was only approved where it comprised of:
  - essential spending to meet the Council's legal duties (to the minimum levels required) or meet existing legal commitments
  - externally funded spending, where the Council would lose external funding if approval were not given
  - spending where a robust business case has been considered and agreed by the Spend Control Board.

City councillors met on Monday 18 December and unanimously agreed all the recommendations in the Chief Executive report to Full Council, including for the Spend Control process to continue until 31 March 2025.

The impact of the S114(3) will not be fully known until the final outturn, but the view is that spend forecast in some areas should see a benefit.

#### **2.3.4 Exceptional Financial Support**

The Corporate Director of Finance and Resources (Section 151 officer) has been in continuous dialogue with IAB members and DLUHC officials throughout last year on the Council's financial position, especially with regards to the 2023/24 financial year pre and post issuance of the S114(3) report.

Further dialogue has taken place with DLUHC since issuance of the S114(3) report on the need for the Council to request EFS for both 2023/24 and 2024/25.

As set out above following the review of the Council's financial pressures in July 2023 and again in September 2023, an assessment was made by the Section 151 Officer following assurances sought by respective CLT leads 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 the submission of 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.

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 the 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.

DLUHC practice suggest 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.

DLUHC decision on the EFS is still pending.

#### **2.3.5 2024/25 Budget and MTFP Process**

The Executive Board have been provided with three updates on the budget process and strategy in July 2023, December 2023 and finally in February 2024. All of which incrementally set out an increasing budget gap for 2024/25.

In recognition of the financial challenge, the Council adopted the Duties and Powers framework (equivalent to legal minimum) to develop saving proposals and maximise opportunities that will aid the Council towards setting a balanced budget for 2024/25.

Whilst an additional c£36m over the MTFP has been identified through Duties and Powers process, this is not sufficient to fund the budget requirement for 2024/25 which has been driven by inflation, demographic and service pressures relating to pressures seen in 2023/24 and new estimated spend pressures relating to 2024/25, in particular adults, children's, SEND transport homelessness.

A budget gap of c£172m is forecasted over the MTFP period to 2027/28 of which c£41m relates to 2024/25 and is assumed to be funded by EFS. The table below summarises the MTFP forecast.

Table 3 – Medium term Financial Plan (Draft) 2024/25 - 2027/28 as presented to Executive Board 2024

<b>Draft Medium Term Financial Plan as reported to Executive Board February 2024</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>cumulative £m</b>
Net Budget Requirement before savings	98.653	56.289	60.630	64.200	279.771
Previously Approved Savings	(11.149)	(12.416)	(12.672)	(0.278)	(36.515)
New Officer Developed Proposals	(22.009)	(13.568)	(0.519)	(0.313)	(36.409)
Subtotal: Saving & Income	(33.158)	(25.984)	(13.191)	(0.591)	(72.924)
Net Budget Requirement including savings	65.495	30.305	47.439	63.609	206.847
Core Funding	(24.352)	(2.738)	(4.009)	(4.079)	(35.179)
<b>Budget Gap required to be funded from Exceptional Financial Support</b>	<b>41.143</b>	<b>27.567</b>	<b>43.429</b>	<b>59.530</b>	<b>171.669</b>
Exceptional Financial Support (subject to DLUHC approval)	(41.143)	41.143	0.000	0.000	0.000
<b>Net Budget Gap (+) / Surplus (-) after applying Exceptional Financial Support</b>	<b>0.000</b>	<b>68.710</b>	<b>43.429</b>	<b>59.530</b>	<b>171.669</b>

The draft 2024/25 budget and MTFP report and associated appendices setting out proposals were presented to the Executive Board on 13 February 2024, with a separate report on the HRA budget presented at the same meeting.

Further work is being undertaken to review the proposed officer developed savings which may look to reduce these further for the final report to City Council meeting scheduled for 4 March 2024.

## **2.4 Instruction 2. Establish and maintain a sound and prudent reserves policy and practice**

### **2.4.1 Progress Update**

The Reserves Policy that applied to financial year 2023/24 was included at Annex 3 within the budget pack agreed at Executive Board on 21 February 2023.

The Section 151 Officer recommended that the Financial Resilience Reserve (FRR) be strengthened through the temporary repurposing of £20m of other earmarked reserves given the demands identified upon the FRR in 2022/23 and to provide a level of resilience to address financial challenges that may arise in 2023/24. This will be repayable within the period of the MTFP as a first call upon forecast surpluses in the MTFP. The Reserves Policy was updated to introduce more robust arrangements for managing applications to and drawdowns from the FRR.

Subsequent to the Council achieving this IAB instruction by deadline of 6 March 2023, the policy has been further reviewed and the financial resilience assessed as part of the Council's annual budget process and Section 151 Officer's assurance statement on the robustness of estimates and reserves.

### **2.4.2 2024/25 Reserves Review**

An updated Reserves policy and the principles governing their use were included within Appendix 9 of the 2024/25 Budget and MTFP report presented to the Executive Board on 13 February 2024.

In light of a nil balance being left on the FRR as at 31 March 2024, a c£10m one-off contribution has been recommended through the General Fund budget to allow for this to be deployable in-year to provide financial resilience to manage in-year pressures.

In accordance with recommended guidelines, the Section 151 Officer has recommended for a one-off contribution to be made into the General Fund balance, so to transit the Council towards establishing a prudent balance of 7.5%, commensurate to the revenue budget increase. To transition the Council towards establishing a 7.50% level of General Fund balance, in 2024/25 the General Fund level will equate to approximately 7.34%.

## **2.5 Instruction 3. Deliver a fully resourced Capital Investment Plan**

### **2.5.1 Progress Update**

The Capital Programme for 2023/24 to 2026/27 was included as Annex 7 within the budget pack agreed by City Council on 6 March 2023 for General Fund and HRA.

A total of £22.8m of planned capital expenditure was temporarily decommissioned from the General Fund Capital Programme until a sufficient pipeline of new capital receipts has been realised.

Although the Council achieved in completing this IAB instruction by the deadline of 6 March 2023, it has continued with assessing capital investment cases against principles set-out with the approved Capital Strategy and in accordance with the Voluntary Debt Reduction Policy.

Following the issuance of the S114(3) report on 29 November 2023 and the Council requesting for EFS from DLUHC to balance the Council's budget in-year (2023/24) and for 2024/25, a revised Capital Strategy, Voluntary Debt Reduction policy and capital receipts prioritisation has been put forward for recommendation to City Council meeting on 4 March 2024.

## 2.5.2 Capital Programme Review

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 outcome of these have been accounted for and reflected within the updated capital programme set out below.

## 2.5.3 2024/25 Budget Process

An updated Capital Programme and Capital Strategy were presented to the Executive Board on 13 February 2024 and will go to City Council for approval on 4 March 2024. The table below summarises the capital programme going to City Council for approval.

Table 4 – Capital Programme 2024/25 to 2027/28 as presented to the Executive Board February 2024

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
<b>Total Capital Requirement</b>	<b>261.160</b>	<b>358.224</b>	<b>97.138</b>	<b>65.563</b>	<b>50.447</b>	<b>832.532</b>
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 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	
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)
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)
<b>Total Programme Funding</b>	<b>(261.160)</b>	<b>(358.224)</b>	<b>(97.138)</b>	<b>(65.563)</b>	<b>(50.447)</b>	<b>(832.532)</b>

#### 2.5.4 2024/25 Capital Strategy Review

The Capital Strategy provides the Council with a framework in which capital investment and financing decisions can be aligned with the Council's corporate priorities over the medium term and includes the Voluntary Debt Reduction Policy Statement. This strategy has been reviewed and updated to ensure compliance with the latest Prudential Code and budget strategy and was included as Appendix 6 within the main budget pack to Executive Board on 13 February 2024 and is a separate report at the same Audit Committee as this report before it goes to City Council for approval on 4 March 2024.

A key change to the Capital Strategy is the impact of the EFS on the use of capital receipts and the Voluntary Debt Reduction Policy. The changes are set out below:

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

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

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 in the 2024/25 Capital Strategy.

The Voluntary Debt Reduction Policy scope is being broadened to allow for borrowing in exceptional financial circumstances for a short-term period.

The Together for Nottingham plan acknowledges that a well-managed capital programme is a critical contributor to the overall financial recovery of the City Council and the Capital Programme has been reviewed to ensure it is in a fully funded and on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework supports the Council in achieving this. Implementation of the Plan is a key priority of the Council, and the Capital Strategy forms a key component part.

## 2.6 **Instruction 4. Early resolution of all outstanding matters relating to 2019/20, 2020/21 and 2021/22 audit of accounts**

### 2.6.1 **Progress Update**

Officers have responded to all outstanding audit queries for 2019/20 and a revised draft 2019/20 accounts provided to Grant Thornton (GT) on 8 November 2023. GT undertaking their internal review and assurance processes.

The Council has produced draft accounts for 2020/21 and made significant progress with draft accounts for 2021/22 and 2022/23. It should be noted that these accounts are awaiting confirmation that there are no further changes from 2019/20, which could impact on subsequent years accounts, before they can be finalised.

To resolve the delays in local audits being completed, a cross-system joint statement has been published setting out proposals to reset, restore and reform the local audit system. The proposals include a 'backstop' date of 30 September 2024 by which all outstanding accounts for period up to and including 2022/23 will need to be issued with an audit opinion.

Details of the accounts progress are set out in a separate report which is being presented to Audit Committee at the same meeting. The table below provides a summary overview of the position, as reported to Audit Committee, to end of February 2024 in resolving audit queries with regards to accounting years 2019/20 to 2022/23.

Table 5 - Statutory Accounts Update

Financial Year	Audit Queries	Progress as at 2 February 2024	Expected Progress to end of February 2024
2019/20	All requests received have been responded to by the Council. Revised draft accounts submitted to Grant Thornton on 8 November 2023 incorporating all identified changes at that time. Grant Thornton are progressing the Accounts through their Quality Assurance processes.	100%	100%
2020/21	Audit not yet commenced. Revised draft accounts were completed in December 2023.	100%	100%
2021/22	Audit not yet commenced. Draft accounts are expected to be ready for publication by mid-March 2024.	80%	90%
2022/23	Audit not yet commenced. Draft accounts are expected to be ready for publication by end May 2024.	50%	60%

## 2.7 Instruction 5. Complete the financing of the £17m misappropriation of funds relating to the HRA

### 2.7.1 Progress Update

The outstanding debt is owed by Nottingham City Homes (NCH) Limited company to the Council and in particular to the HRA. The IAB instructions requires the HRA to be made good for the debt owed by the General Fund until the matter is resolved with the NCH.

The Council has received additional counsel advice to provide additional options which have been discussed with the IAB (August 2023, last update) and provide scope to reprofile the General Fund funding to minimise the impact on the Council's existing financial resilience and facilitate the required formal decision pathways.

To meet the requirement of the IAB for the Council to ensure the HRA has been "made good", a budget provision has been set aside in the General Fund and a credit in the HRA from 2024/25 profiled over 8 years, this is in accordance with the option agreed with IAB. Initial calculations on revised figures, assuming opportunity costs continue to accrue on the reducing balance at a similar rate to 2022/23, indicate that a sum of c£2m carried each year from the General Fund to the HRA would correct the position by the 2032/33 financial year. The annual sum has been reflected in 2024/25 HRA and General Fund budget and MTFP with the Council now in the process of seeking an item 9 determination (if required) from the Secretary of State.

## 2.8 **Instruction 6. Deliver the Financial Improvement Plan covering the key elements identified by the IAB to provide assurance in respect of finance and accounting**

### 2.8.1 **Progress Update**

A comprehensive progress update report has been prepared on the finance improvement plan (FIP) which provides a self-assessment update on the financial control environment for NCC mapped against the CIPFA FM code. The FIP is an agile document, which has been updated to ensure the response to the EY Management Override of Controls report has been mapped to existing activity and additional support commissioned to address the urgent gaps in the control environment.

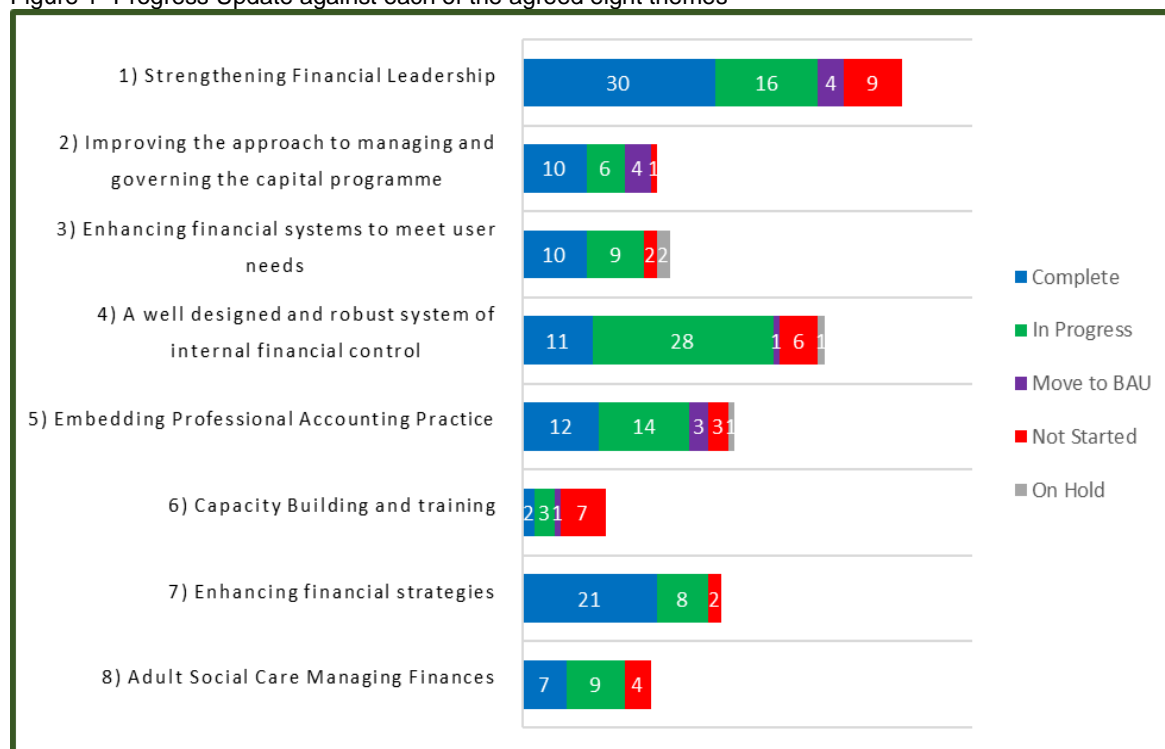
The improvement actions within the FIP are being tackled comprehensively and in a co-ordinated way with the focus on ensuring absolute organisational confidence in the Council's financial management.

The FIP is a live plan with 247 deliverables/improvement actions (as at January 2024) that are being delivered through the following agreed eight themes:

- 1) Strengthening financial leadership.
- 2) Improving the approach to managing and governing the capital programme.
- 3) Enhancing financial systems to meet user needs.
- 4) A well designed and robust system of internal financial control.
- 5) Embedding professional accounting practice.
- 6) Capacity building and training.
- 7) Enhancing financial strategies.
- 8) Understanding and effectively managing its finances (social care).

The FIP has delivered several substantial achievements over the last 12 months. Of the 247 deliverables within the FIP 47% have been adopted, implemented and/or embedded into business as usual (BAU). The Figure below provides a progress update against the agreed eight themes.

Figure 1- Progress Update against each of the agreed eight themes



The committee has been provided with regular FIP progress update report throughout financial year 2023/24, details of the progress update report to the end of January 2024 are set out in a separate report which is being presented to Audit Committee at the same meeting.

## 2.9 Instruction 7. Reinforce financial stewardship in providing resilience and sustainability through 2023/27

### 2.9.1 Progress Update

The 2023/24 budget and MTFP, capital programme and reserves policy were approved by Full Council on 6 March 2023.

Preparations have been made in recent months to implement a firmer grip upon the financial management, monitoring and reporting arrangements to achieve more robust and transparent financial management and forecasting arrangements and strengthen accountability of budget holders in order to deliver in line with the MTFP.

CLT are proactively receiving and taking decisions in relation to financial governance. Examples include papers relating to social care pressures, budget strategy including duties and powers framework, and consideration of spending controls to mitigate the emerging 2023/24 pressures pre and post issuance of S114(3) report.

## **2.9.2 2023/24 Financial Position and Issuance of S114(3) Report**

As set out in 2.3.2 and 2.3.3 above at the end of Period 6, the Council was forecasting a gross General Fund pressure of £56.899m with over 80% of the forecasted pressures being in People's services. This was partly mitigated with one-off in-year management and corrective actions (including the use of reserves set out above) and the deployment of technical options which resulted in a net forecasted General Fund pressure for the year of £23.351m.

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), 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. The recommendations set out with the S114(3) report and the subsequent report by the Chief Executive in response to the S114(3) report to the City Council meeting on 18 December 2023 were unanimously accepted by all councillors.

## **2.9.3 Exceptional Financial Support**

As set out above in 2.3.4 following the review of the Council's financial pressures in July 2023 and again in September 2023, an assessment was made by the Section 151 Officer following assurances sought by respective CLT leads 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 the submission of 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.

## **2.9.4 2024/25 Budget and MTFP Process**

As set out above in 2.3.5 a budget gap of c£172m is forecasted over the MTFP period to 2027/28 of which c£41m relates to 2024/25 and is assumed to be funded by EFS. The draft 2024/25 budget and MTFP report and associated appendices setting out proposals were presented to the Executive Board on 13 February 2024, with a separate report on the HRA budget presented at the same meeting. Further work is being undertaken to review the proposed officer developed savings which may look to reduce these further for the final report to City Council meeting scheduled for 4 March 2024.

## **2.10 Instruction 8. Bring forward a credible and risk assessed plan for additional pipeline of capital receipts linked to the implementation of the corporate landlord model**

### **2.10.1 Progress Update**

Following the restructuring of functions in November 2023, the Property and Facilities Management functions have been operating towards the Corporate Landlord model, taking an increasingly strategic overview of the council's property assets.

Since then, further work has been undertaken to confirm the scope of the Corporate Landlord model and the assets to transfer into corporate management from individual services. Work is now underway to transfer assets from services into the centralised model.

A full review of all assets within the portfolio has been undertaken to identify assets that no longer meet the Best Value requirements of the council. This review has been broken down into several themes/asset classes, with specialist expertise commissioned to undertake the reviews to provide a credible market assessment. The reviews are as follows:

- 1) Investment Properties: review concluded in 2022, and properties for sale with an indicative value of £44.4m agreed in Jan 2023, over a phased period of three years. First sale completed in November 2023 and the remaining properties are now being revisited to determine whether the original conclusions still stand and whether further properties can be identified for disposal.
- 2) High Value Asset Review (properties valued at over £750k): concluded in autumn 2023 and 39 properties were identified for potential sale.
- 3) Agricultural Assets (Farms): the review concluded in the autumn, and reviewed nine assets, with recommendations to sell seven.
- 4) Operational Estate: review of 93 operational currently concluding. The initial report has now been received and is being analysed before working with services to align with/inform implementation of budget proposals.
- 5) Ongoing portfolio review: internal review of smaller commercial assets to consider ongoing performance.

Since February 2023 when the IAB Instructions were set, the capital receipt pipeline has increased by £66m delivering a forecast for the period 2023/24 to 2027/28 totalling £177.6m, risk adjusted to £150.6m.

A detailed decision framework has now been developed, which takes into consideration the following:

- Income/income stability
- Capital works requirements
- EPC works requirements
- Income requirements
- Capital requirements

Work will continue to review all portfolios on an ongoing basis in line with the objectives set out by the Corporate Landlord.

## 2.11 Improvement and Assurance Board Additional Finance Instruction

At the IAB meeting on 25 January 2024, the IAB issued a further two Finance Instructions effective from 25 January 2024.

Flowing directly from the existing IAB Finance instructions 1 and 2 listed above which are “Approval of wholly realistic plans and budgets” and “Establish and Maintain a sound and prudent reserves policy and practice’ respectively.

The additional 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.

As set out above in 2.3.5 and 2.9.4 draft 2024/25 budget and MTFP report and associated appendices setting out proposals were presented to the Executive Board on 13 February 2024. Further work is being undertaken to review the proposed officer developed savings which may look to reduce these further for the final report to City Council meeting scheduled for 4 March 2024.

## 3 Background papers other than published works or those disclosing exempt or confidential information

3.1 None

## 4 Published documents referred to in compiling this report

4.1 Table below sets out all reports that have been referred within this report.

City Council Extraordinary Meeting	
Response to Section 114 Report – Financial Recovery Plan	18 December 2023
City Council	
Budget 2023/24	6 March 2023
Treasury Management Strategy and Capital Strategy 2023/24	6 March 2023
Executive Board	
2024/25 Budget and Medium-Term Financial Plan	13 February 2024



Housing Revenue Account (HRA) Business Plan 2024-2053, Medium Term Financial Plan (MTFP) 2024 – 2028, HRA Budget 2024/25 including Rent Setting Public Sector Housing Capital Programme 2024/25 to 2028/29	13 February 2024
Budget Strategy and Medium Term Financial Plan (MTFP) 2024/25 to 2027/28	19 December 2023
Period 6 2023/24 Budget Monitoring	21 November 2023
Budget Strategy and Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2027/28	18 July 2023
Period 2 2023/24 Budget Monitoring	18 July 2023
Provisional Financial Outturn 2022/23	18 July 2023
Medium Term Financial Plan 2023/24 to 2026/27	21 February 2023
Treasury Management Strategy and Capital Strategy 2023/24	21 February 2023
Medium Term Financial Plan 2023/24 to 2026/27	20 December 2022
Audit Committee	
Finance Improvement Plan Update	23 February 2024
Statement of Accounts Progress Update	23 February 2024
Financial Improvement Plan Update	24 November 2023
Statement of Accounts Progress Update	24 November 2023
Financial Improvement Plan Update	29 September 2023
Statement of Accounts Progress Update	29 September 2023
Financial Improvement Plan Update	28 July 2023
Statement of Accounts Progress Update	28 July 2023
Verbal Update: <ul style="list-style-type: none"> <li>Regular monitoring of previous years' statement of accounts</li> <li>Finance Improvement Plan</li> </ul>	30 June 2023
Other	
Section 114 Report	29 November 2023