

City Council – 4 March 2024

Report of the Corporate Director for Finance and Resources and Section 151 Officer

Corporate Director/ Director

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Report Author and Contact Details

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Title: 2024/25 Budget and Council Tax Resolution

Does the report form part of the Budget or Policy Framework?

Yes No

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

No

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"/>

1. Summary

- 1.1 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. EFS has now been formally confirmed by DLUHC.
- 1.2 Executive Board have considered the 2024/25 Budget and Medium Term Financial Plan (MTFP) on 13 February 2023. Full Council are asked to approve the following budget decisions upon considering Section 151 Officer's statutory statement made

under Section 25 of the Local Government Act 2003 on the robustness of budget estimates and adequacy of reserves (Appendix 1):

- General Fund Revenue budget including savings
- Capital programme
- Treasury management and capital strategies (including associated policies)
- Increase to Council Tax and the Social Care Precept by 2.99% and 2% respectively
- Continuation of current Council Tax Support Scheme, with a view to implementing a new scheme in 2025/26
- Council Tax premium on long-term empty properties to commence at 12 months 'empty' from 2024/25.
- Second home council tax premium to be implemented from 2025/26 allowing for implementation to take place next year in accordance with legislation.

1.3 As set out above this report fulfils the legislative requirement for the Section 151 Officer to report formally on the robustness of estimates, the adequacy of the reserves and on the risks in the Council's budget strategy. The report also includes recommendations on prudential borrowing for the Council to approve to comply with statutory requirements.

1.4 The report should be read in conjunction with all the appendices and the Housing Revenue Account (HRA) Business Plan 2024-2053, MTFP 2024-2028, Budget 2024-25 including rent setting, and Public Sector Housing Capital Programme 2024-29 report approved by Executive Board on 13 February 2024.

2. **Recommendations**

2.1 Council is asked to approve the following budget decisions as presented to the Executive Board on 13 February 2024:

1) Robustness of Budget Estimates and Adequacy of Reserves (Section 5 and Appendix 1)

- a) To consider and note the report in Appendix 1 by the Council's Section 151 Officer on the levels of reserves and robustness of estimates in setting the budget as required by Section 25 of the Local Government Act 2003.
- b) To approve a one-off contribution made into the General Fund balance of £9.560m as recommended by the Section 151 Officer, and in accordance with recommended guideline to transit the Council towards establishing a prudent balance commensurate to the revenue budget increase (Section 5, Appendix 1 and Appendix 2).
- c) To note the financial risks and pressures set out in the report under Section 17 and Appendix 1 and within the report to the Executive Board on 13 February 2024 (Appendix 3 - paragraph 5.6 and section 17).
- d) To note policy on Financial Reserves adopted by the Executive Board at their meeting of 13 February 2024 (Appendix 2) and the forecasted General Fund balance and reserves for end of 31 March 2024 of:
 - General Fund balance £14.643m
 - Earmarked reserves £149.404m

2) New Finance Instructions from the Improvement and Assurance Board with regards to the 2024/25 Budget (Section 6)

- a) 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':
- 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) General Fund Revenue Medium Term Financial Plan 2024/25 to 2027/28 (Section 11 and Appendices 3, 4, 5, 10, 11 and 12)

- a) To approve total General Fund savings of £36.348m over the MTFP period 2024/25 to 2027/28, submitted as part of the 2024/25 budget review process (paragraph 11.3 Appendix 4a and Appendix 4b).
- b) To note the 'in principle' confirmation from Department of Levelling Up, Housing and Communities for awarding Exceptional Financial Support in the form of a capitalisation direction, up to £66.143m for 2023/24 and 2024/25 as set out in Section 9 and Appendix 5.
- c) Approve the officer recommended budget with the 2024/25 budget gap of £41.024m to be funded from Exceptional Financial Support and with approval for officers to continue identifying savings through the year to reduce the in-year budget gap (paragraph 11.1 and 11.2)
- d) Notes that the Council has a budget gap of c£41m in 2024/25 and c£172m over the MTFP period (Section 11).
- e) Approves the MTFP for 2024/25 to 2027/28 (Section 11 and Appendix 3), incorporating the revenue budget for 2024/25 with a net draft budget requirement of c£357m and the recommendations contained therein.
- f) To delegate authority to the Corporate Director of Finance and Resources (Section 151 Officer) and the Director of Finance (Deputy Section 151 Officer) to finalise the 2024/25 revenue budget.
- g) To note the delegated authority approved by the Executive Board on 13 February 2024 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.

- h) 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 g(i), g(ii) and (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.
- i) 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.
- j) Notes in relation to 3(h) and 3(i) above, that where appropriate any key decisions will be brought back to the Executive Board.
- k) To note the approved Fees & Charges policy and schedule, as approved by the Executive Board on 13 February 2024 (Appendix 3 section 8, and Appendix 10 and 11).
- l) To note the planned expenditure of c£9m on transformation initiatives over the period 2024/25 and 2025/26 and c£43m associated delivery of transformation savings over the same period to be funded via application of capital receipts under the Council's Flexible use of Capital Receipts Policy. Details are set out in Appendix 3 Section 6 and in Appendix 12.

4) Capital Budget and Strategy (Section 13, Appendix 6 and Appendix 7)

- 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) To approve the Capital Programme of £832.532m and associated funding as set out in section 13 and detailed in Appendix 7, alongside the capital programme additions of £53.788m.

- c) Note the inclusion of the Exceptional Financial Support of c£65m and associated funding within the proposed Capital Budget.
- m) To delegate authority to the Corporate Director of Finance and Resources (Section 151 Officer) to finalise and amend (as necessary) the capital budget associated with the Exceptional Financial Support with overall budget to not exceed the value of Exceptional Financial Support award of £66.143m.
- d) Note the register of pipeline schemes and movements from Full Council in March 2023 as detailed in Appendix 6.4

5) Treasury Management Strategy (Section 14 and Appendix 8)

- a) To approve the 2024/25 Treasury Management Strategy 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.
- e) To note the Corporate Director of Finance and Resources (Section 151 Officer) will implement the Treasury Management Strategy and associated policies under existing officer delegated powers.

6) 2023/24 Annual Investment Strategy Revisions (Paragraph 14.7, Appendix 9)

- a) To adopt the following revisions to the Annual Investment Strategy for 2023/24, as recommended by the Executive Board on 21 November 2023:
 - the increase to counterparty limits
 - other technical changes.

7) Council Tax Resolution (Section 12)

- a) Agrees to the calculations as set out in Tables 7a and 7b, paragraph 12.6 of this report for 2024/25 that has been prepared in accordance with Sections 31A and 31B of the amended Local Government Finance Act 1992 to determine the Council Tax Requirement and Council Tax for Band D.
- b) Notes that the Corporate Director of Finance and Resources (Section 151 Officer) has calculated under delegated authority the amount of 69,075 as the Council Taxbase for 2024/25, in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (Appendix 3, paragraph 6.10).
- c) To approve an increase of 2% for the Social Care Precept and an increase of 2.99% for Council Tax in 2024/25 (Appendix 3, paragraph 5.5).
- d) To approve a council tax requirement of £148,879,420 including the calculations required by Sections 30 to 36 of the Local Government Finance Act 1992 ("the Act"), as set out below:
 - 1) £1,177,321,365 being the aggregate of the expenditure, allowances, reserves and amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act (Table 7a, paragraph 12.6).
 - 2) £1,028,441,945 being the aggregate of the income and amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act (Table 7a, paragraph 12.6).
 - 3) £148,879,420 being the amount by which the aggregate at 7c(1) above exceeds the aggregate at 7c(2) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year (Table 7b, paragraph 12.6).
- e) To approve the Council's element of the Band D basic amount of council tax for 2024/25 of £2,155.33, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (Table 7b, paragraph 12.6).
- f) To note a Nottinghamshire and City of Nottingham Fire and Rescue Authority precept at Band D for 2024/25 of £92.21.
- g) To note a Nottinghamshire Police and Crime Commissioner precept at Band D for 2024/25 of £282.15.
- h) To approve the setting of the amounts of council tax for 2024/25 at the levels described in paragraph 12.8 of this report.

8) Council Tax and Collection Fund (Section 6, Appendix 3 and 13)

- a) To approve long-term empty council tax premium charge to commence at 12 months 'empty' from 2024/25 (Appendix 3 paragraph 6.10.5 to 6.10.7).

- b) To approve for the Council to levy a second home premium from 2025/26, as legislation requires it to be agreed 1 year in advance of implementation (Appendix 3 paragraph 6.10.5 to 6.10.7).
- c) To approve the continuation of the current Council Tax Support Scheme for 2024/25 and note a review of the scheme to be undertaken during 2024/25, with a view of implementing a new or revised scheme in 2025/26 (Appendix 3 paragraphs 6.10.8 to 6.10.12 and Appendix 13)
- d) Notes the forecast Collection Fund position for 2023/24 (Appendix 3, paragraph 6.11).

9) Budget Consultation (Section 19, Appendices 3,14, 15 and 16)

- a) Consider and note the findings of the budget consultation (Appendix 3 paragraph 3.3, paragraph 19.1 and Appendix 14) and feedback from Corporate Scrutiny Committee in agreeing the 2024/25 Budget and MTFP (Appendix 15).
- 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 16).
- c) Note that additional and targeted consultation will be required on some of the proposals based on more detailed proposed delivery models.

10) Members Scheme for Allowances (Section 15)

- a) To approve continuation of the current Members' Allowances Scheme for 2024/25 in the terms of the previously adopted and amended Scheme, except for any further adjustments required to mirror nationally determined rates for pay awards and travel and subsistence (as applicable to officers) and for carers allowances.

3. Reasons for recommendations

- 3.1 The main purpose of this report is to enable Council to approve the 2024/25 General Fund revenue budget, recommendations and set the Council Tax in accordance with both the Council's legal duty to set a balanced budget and the two new finance instructions issued by the Improvement and Assurance Board on 25 January 2024 directly relating to the 2024/25 budget.
- 3.2 This report follows on from a series of reports submitted previously to Executive Board during 2023 and 2024 on developing the budget strategy and officer developed budget proposals using the Duties and Powers framework for 2024/25 and sets out the final position.
- 3.3 The report sets out a cumulative budget gap of c£172m, of which c£41m relates to 2024/25 funded from Exceptional Financial Support (EFS) in 2024/25. The Council is only able to set a balanced budget in 2024/25 and discharging its legally duty through use of EFS as approved by the Department of Levelling Up, Housing and Communities (DLUHC) which is also predicated on the Council approving the totality of officer developed proposals and increasing council tax by 4.99%.

- 3.4 The approved budget strategy for the 2024/25 - 2027/28 MTFP requires the following objectives to be met first before any new investment growth is considered for delivering Strategic Council Plan priorities with both the Transformation and Duties and Powers saving programmes forming a key element of the Council's financial strategy to achieving long term service reform and financial sustainability:
- 1) Set and deliver a balanced budget.
 - 2) Establish financial resilience to ensure council's long term financial health and viability is sound.
 - 3) Maximise the 'One Council' as a vehicle to delivering transformation for the organisation.
 - 4) Address emerging pressures that are unavoidable.
- 3.5 The proposals developed by officers, using the Duties and Powers framework have been insufficient in meeting the quantum of corresponding growth required to provide adequate financial provision for council's service obligations. 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.
- 3.6 The significance of the budget gap over the MTFP period 2024/25 - 2027/28 of c£172m combined with the need to rely on substantial amounts of EFS should not be underestimated and although the EFS would allow the Council to set a balanced budget in 2024/25 it sets itself a significantly higher hurdle to achieve in 2025/26. Therefore, it is essential that the Council look to develop a budget strategy early in year that will support the Council financially sustainable budget over the MTFP period and in particular in meeting the conditions of the EFS.
- 3.7 The report's recommendations include the formal statutory calculation required for setting the Council Tax for 2023/24, as set out in Sections 30, 31 and 36 of the Local Government Finance Act 1992. These recommendations are being made because under the Council's budget and policy framework, Full Council is required to consider Executive Boards recommendations and formally set the budget and Council Tax for 2024/25, in line with statutory requirements.
- 3.8 In recognition of the continuing social care pressures, acceptance of the 2% social care precept flexibility in 2024/25 has been factored in. In addition, a 2.99% increase in Council Tax is recommended. This increase is necessary to mitigate the impacts of cost of living and high levels of inflation and demand led service pressures, especially across social care. This raises local council tax (Nottingham City' element) for Band D in 2024/25 to £2,155.33 (an increase of £102.44 from 2023/24).
- 3.9 The Council is required to set a balanced budget by 11 March 2024. 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.

4. **Background**

- 4.1 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

4.2 A revised version of the Budget Strategy and MTFP 2024/25 to 2027/28 report presented to Executive Board on 13 February 2024 is included as Appendix 3, reflecting some minor administrative publication corrections to the original version.

5. **Statutory Declarations on Robustness of Budget Estimates and Adequacy of Reserves**

5.1 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.'

5.2 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.

5.3 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.

5.4 The Section 151 Officer's statement is set out at in Appendix 1 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 Corporate Leadership Team (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.

5.5 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.

5.6 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.

5.7 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.

5.8 **Adequacy of Reserves**

5.8.1 As set out above under the 2003 Local Government Act, the Section 151 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.

5.8.2 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

5.8.3 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.

5.8.4 The Council's Section 151 Officer, in their professional opinion is recommending 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.

5.8.5 The current forecast of closing balances at the end of 31 March 2024 of £164.047m and at 31 March 2025 of £138.650m shows 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 2 section 13).

5.8.6 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.

5.8.7 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 Council. 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.

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

Table 1: 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)

Table 1: 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)
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)

6. Improvement and Assurance Board instructions

6.1 The Council's approval of this report will directly address the recent formal instructions issued, under their statutory powers of direction, by the Improvement and Assurance Board (IAB) on 25 January 2024 with regard to:

- Approval of wholly realistic plans and budgets
- Establish and maintain a sound and prudent reserves policy and practice

6.2 Further IAB instructions pertinent to this report include:

- 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 above, shall be presented and recommended to the Full Budget Setting Council meeting for its approval.

7. Updates since Executive Board Publication

7.1 The following are key updates and changes to the draft Budget and MTFP 2024/25 to 2027/28 presented to the Executive Board on 13 February 2024:

- Appointment of Commissioners (Section 8)
- Confirmation of the Exception Financial Support, for details refer to section 9
- Issuance of Section 24 Statutory Recommendation by Grant Thornton (Section 10)
- Update to Duties and Powers Saving Proposals and impact on the MTFP (Section 11 and Appendix 4)
- Minor clarification to Capital Strategy in Appendix 6 following feedback from Audit Committee
- Final council tax calculation including the precept authority elements (Section 12)

7.2 The above changes and updates have a net nil impact on both the Council's Council Tax requirement set out in Section 12 below and the 2024/25 draft budget as set out in Section 11.

8. **Commissioners**

8.1 On 22 February 2024, the Minister for Local Government announced that the Secretary of State had decided to exercise his powers under the Local Government Act 1999 to appoint Commissioners. The Directions issued on this date, immediately replaced the Improvement and Assurance Board and provide Commissioners with extensive powers to intervene in the operation of the Council.

8.2 In announcing his decision, the Secretary of State has stated that he considers that most decisions should continue to be made by the Authority, but with the oversight of the Commissioners. They are expected to ensure that the Council upholds proper standards and due process and are empowered to recommend action to the Authority and not hesitate to use their powers if they see to achieve the best possible outcomes for Nottingham residents and the public purse.

9. **Exceptional Financial Support**

9.1 A request for Exceptional Financial Support (EFS) was made on 12 January 2024 in accordance with DLUHC deadline for up to c£65m.

9.2 On 27 February 2024, the Council received an 'in principle' confirmation from the MP Simon Hoare, Minister for Local Government, confirming the Secretary of States intention to grant the Council with an EFS of up to c£66.143m (£25m in 2023/24 and £41.143m in 2024/25) subject the Council accepting the conditions and the EFS value.

9.3 A joint letter on 28 February 2024 from the Councils Leader (Councillor Mellen), Chief Executive (Melbourne Barrett) and the Commissioner (Margaret Lee) has been sent to the Minister accepting the EFS including the respective conditions. A copy of the EFS condition is attached as Appendix 5.

10. **Section 24 Statutory Recommendation by External Auditors**

10.1 On 9 February 2024 the Council received a Section 24 statutory recommendation from its external auditor Grant Thornton.

10.2 The Section 24 statutory recommendation was issued using the external auditor's powers under section 24 schedule 7 of the Local Audit and Accountability Act 2014. The Council is required to consider the recommendation made by the external auditor at a meeting held within one calendar month of receiving it. At a public meeting the Council is required to decide:

- Whether the recommendation is to be accepted, and
- What, if any, action to take in response to the recommendation.

10.3 A separate report is being presented at the same Council Meeting to discuss councils' response to the recommendations.

10.4 The Council's approval of this report will directly address the recommendations set out in Section 24 statutory recommendation issued by Grant Thornton.

11. Budget and Medium Term Financial Plan Updates

11.1 Officers have continuously been working on refining and reviewing the saving proposals and as result the overall budget gap has increased by £0.061m over the MTFP to c£171.730m but the 2024/25 budget gap reducing by c£0.118m mainly in relation to change to some of the saving proposal delivery profiles. The table below provides a summary of the change.

Table 2: Change to Medium Term Financial Plan 2024/25 to 2027/28 (incremental)					
Budget Item	2024/25	2025/26	2026/27	2027/28	cumulative
	£m	£m	£m	£m	£m
Budget Gap (+) / Surplus (-) to be funded from Exceptional Financial Support as at February 2024	41.143	27.567	43.429	59.530	171.669
Net change since report to Executive Board	(0.118)	0.365	(0.104)	(0.083)	0.061
Revised Budget Gap (+) / Surplus (-) to be funded from Exceptional Financial Support	41.024	27.932	43.326	59.447	171.730

11.2.1 The net budget requirement for 2024/25 is c£357m, as set out in the table below.

Table 3: 2024/25 Budget Net Requirement	
Item	2023/24
	£m
Net Budget Requirement brought forward	291.424
Budget Adjustment (Table 4)	65.377
2024/25 Net Budget Requirement (draft)	356.801

11.2 MTFP Forecast

11.2.2 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.

11.2.3 The table below summarises the MTFP forecast (including budget gap) for the period 2024/25 to 2027/28, including the changes since the report to Executive Board in February 2024 (Appendix 3).

Table 4: Medium Term Financial Plan 2024/25 to 2027/28 (incremental)					
Budget Item	2024/25	2025/26	2026/27	2027/28	cumulative
	£m	£m	£m	£m	£m
Pay	24.288	11.374	11.261	10.318	57.241
Contractual Inflation	17.139	11.796	12.911	12.689	54.536
Subtotal: Inflation	41.427	23.170	24.172	23.007	111.777
Demographic / Service Pressures	57.390	35.143	36.277	43.577	172.387
Service Investments (growth funded from grant)	2.751	0.000	0.000	0.000	2.751
Subtotal: Service Growth	60.141	35.143	36.277	43.577	175.138
Technical Adjustments	(3.904)	3.379	0.186	(2.384)	(2.724)
Grants & Contributions	(11.204)	4.706	0.000	0.000	(6.498)
Reserve Movements	12.151	(10.067)	(0.005)	0.000	2.079
Subtotal: Other Adjustments	(2.957)	(1.982)	0.180	(2.384)	(7.143)

Table 4: Medium Term Financial Plan 2024/25 to 2027/28 (incremental)					
Budget Item	2024/25	2025/26	2026/27	2027/28	cumulative
	£m	£m	£m	£m	£m
Previously Agreed Income & Savings	(11.149)	(12.416)	(12.672)	(0.278)	(36.515)
New Proposals – Consultation	(8.938)	(4.246)	(0.061)	(0.374)	(13.620)
New Proposals - Non-consultation	(13.189)	(8.955)	(0.562)	(0.021)	(22.728)
Subtotal: Saving & Income	(33.277)	(25.618)	(13.295)	(0.674)	(72.863)
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 Budget Adjustments	65.377	30.671	47.335	63.526	206.909
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	(2.822)	1.207	0.000	0.000	(1.615)
Funding Adjustments	(24.352)	(2.738)	(4.009)	(4.079)	(35.179)
Budget Gap (+) / Surplus (-) to be funded from Exceptional Financial Support	41.024	27.932	43.326	59.447	171.730
Exceptional Financial Support	(41.024)	41.024	0.000	0.000	0.000
Net Budget Gap (+) / Surplus (-) after Exceptional Financial Support	0.000	68.957	43.326	59.447	171.730

11.3 Officer Developed Saving Proposals

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

Table 5a: Officer Developed Proposals by Category (incremental)					
Category	2024/25	2025/26	2026/27	2027/28	cumulative
	£m	£m	£m	£m	£m
Manage Demand	(1.352)	(0.650)	0.000	0.000	(2.002)
Charge More	(2.908)	(0.605)	0.000	0.000	(3.514)
Reduce Costs	(13.492)	(10.166)	(0.567)	(0.083)	(24.308)
Reduce Costs (One-off)	0.000	0.000	0.000	0.000	0.000
Cease / Stop	(4.375)	(1.781)	(0.056)	(0.313)	(6.524)
Total Officer Developed Proposals	(22.128)	(13.202)	(0.623)	(0.396)	(36.348)

11.3.2 Detail of the savings proposals are set out in Appendix 4a and 4b. Proposals which have been endorsed by the Executive Board have been shaded in grey with the remaining proposals under consideration left unshaded.

11.3.3 The table below summarises these proposals by Directorate.

Table 5b: Officer Developed Proposals by Directorate (incremental)					
Directorate/Department	2024/25	2025/26	2026/27	2027/28	cumulative
	£m	£m	£m	£m	£m
Adults	(1.943)	(4.889)	(0.061)	(0.374)	(7.267)
Children's	(1.269)	(2.743)	0.000	0.000	(4.012)
Commissioning & Partnerships	(0.355)	(0.095)	0.000	0.000	(0.449)
Education	(0.902)	(0.337)	(0.039)	0.000	(1.278)
Subtotal: People	(4.469)	(8.063)	(0.100)	(0.374)	(13.006)

Table 5b: Officer Developed Proposals by Directorate (incremental)					
Directorate/Department	2024/25	2025/26	2026/27	2027/28	cumulative
Communities, Environment & Resident Services	(10.347)	(1.987)	0.000	0.000	(12.334)
Growth & City Development	(4.209)	(0.786)	(0.100)	0.000	(5.095)
Finance & Resources	(2.498)	(2.199)	(0.423)	(0.021)	(5.140)
Chief Executive	(0.605)	(0.168)	0.000	0.000	(0.773)
Total Officer Developed Proposals	(22.128)	(13.202)	(0.623)	(0.396)	(36.348)

11.4 Council Tax

11.3.4 The table below sets out the elements comprising of the Council Tax charge for Band D.

Table 6: Council Tax Band D 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	£282.15	£12.96	4.81
Nottinghamshire Fire Authority	89.57	£92.21	£2.64	2.95
Total	2,411.65	2,529.69	118.04	4.89

12. Council Tax Resolution

12.1 The Council is required by Section 30 of the Local Government Finance Act 1992 to set its council tax for each year on or before 11 March in the preceding financial year. In order to do so, it must calculate its council tax requirement in accordance with the Act as detailed below including taking into account its estimated forthcoming spending requirements and ensuring that there are adequate reserves to draw on in the event that these estimates turn out to be insufficient.

12.2 The Council must also take into account the report of its Section 151 Officer (set out at Appendix 1) on the robustness of these estimates and the adequacy of the proposed reserves.

12.3 The total council tax being set also includes the precepted requirements of the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire and City of Nottingham Fire and Rescue Authority.

12.4 Under Section 52 of the Local Government Finance Act 1992 each authority must determine whether its council tax for a financial year is excessive, as defined by a set of principles determined by the Secretary of State, and whether a referendum must be held.

12.5 The council tax increases proposed in this report will not require a referendum as they do not exceed the qualifying criteria as set out in The Referendums Relating to Council Tax Increases (Principles) (England) Report 2024 to 2025.

12.6 Council Tax Resolution Calculation

12.6.1 The legislation governing the setting of council tax is contained in the Local Government Finance Act 1992 ("the Act"). Section 31B(1) requires a billing authority to calculate the basic amount of its council tax, which in the City

Council's case is that applicable to Band D dwellings in its area. The calculation is made in two parts in accordance with the formula as per regulation:

- Calculation of Council Tax Requirement
- Calculation of Council Tax per Band D

12.6.2 The table below sets out the calculation for determining the Council Tax Requirement prepared in accordance with Sections 31A and 31B of the amended Local Government Finance Act (LGFA) 1992.

Table 7a: Section 31A (Local Government Finance Act 1992 - amended) Calculation		
A	Aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) (a) to (f) of the Local Government Finance Act 1992 <i>(a) = Council's gross expenditure and transfers to reserves including Housing Revenue Account</i>	£1,177,321,365
B	Aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Local Government Finance Act 1992 <i>(b) = Council's gross income and transfers from reserves. This includes RSG and surpluses transferred from the Collection Fund</i>	£1,028,441,945
C	Calculation of the Council Tax requirement under section 31A (4), being the amount by which the sum aggregated at (A) (above) exceeds the aggregate of (B) (above) Item R in the formula in Section 31B of Local Government Finance Act 1992, as amended (the "Act") <i>(c) = Council's council tax requirement (a-b)</i>	£148,879,420

12.6.3 The table below sets out the calculation of the basic amount of Council Tax required is as follows the table above, calculated by dividing the Council Tax requirement by the Council Tax base for 2024/25 (referred to as Items R and T respectively, in Section 31B of the LGFA 1992 (amended))

Table 7b: Section 31B (Local Government Finance Act 1992 - amended) Calculation		
C	Council Tax requirement	£148,879,420
D	Council tax base for 2024/25 Item T in the formula in Section 31B of Local Government Finance Act 1992, as amended (the "Act")	69,075
E	Tax per Band D Property <i>(e) = b/d</i>	£2,155.33

12.6.4 This tax base assumed the retention of the current Council Tax Support Scheme for financial year 2024/25, having regard to the Public Sector Equality Duty and noting that local circumstances have not changed sufficiently to warrant changes.

12.6.5 Application of the formula specified in section 36 of the Act gives the following basic amount of council tax for each valuation band:

Table 8: 2024/25 Nottingham City Council's element of Council Tax		
Band	Factor	Basic amount of council tax
A	6/9	£1,436.89
B	7/9	£1,676.37
C	8/9	£1,915.85
D	9/9	£2,155.33
E	11/9	£2,634.29
F	13/9	£3,113.25
G	15/9	£3,592.22
H	18/9	£4,310.66

12.7 Council Tax Precept

12.7.1 It should be noted that, for the financial year 2024/25, the Nottinghamshire Police and Crime Commissioner have issued the following amounts in precepts in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below. The decision was taken on 23 February 2024.

Table 9: Proposed Council Tax by Band for Police Crime Commissioner								
Band	A £	B £	C £	D £	E £	F £	G £	H £
Nottinghamshire Police Crime Commissioner	188.10	219.45	250.80	282.15	344.85	407.55	470.25	564.30

12.7.2 It should also be noted that, for the financial year 2024/25, the Nottinghamshire and City of Nottingham Fire and Rescue Authority has issued the following amounts in precepts in accordance with Section 40 of the Act for each of the categories of the dwellings shown below. The decision was taken on 26 February 2024.

Table 10: Proposed Council Tax by Band for Fire Authority								
Band	A £	B £	C £	D £	E £	F £	G £	H £
Nottinghamshire Fire Authority	61.47	71.72	81.96	92.21	112.70	133.19	153.68	184.42

12.8 Council Tax for Nottingham Residents

12.8.1 The City Council, as billing authority, is required under section 30 of the Act to set council taxes for its area. In the City Council's case these will represent the aggregate of the City Council's basic amount of council taxes and the precepts of the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire and City of Nottingham Fire and Rescue Authority as shown above

12.8.2 The impact of the proposals in the council tax is provided below:

Table 11: Council Tax for the Authority				
Band	City Council £	Police & Crime Commissioner £	Fire & Rescue Authority £	Aggregate Council Tax £
A	£1,436.89	£188.10	£61.47	£1,686.46
B	£1,676.37	£219.45	£71.72	£1,967.54
C	£1,915.85	£250.80	£81.96	£2,248.61
D	£2,155.33	£282.15	£92.21	£2,529.69
E	£2,634.29	£344.85	£112.70	£3,091.84
F	£3,113.25	£407.55	£133.19	£3,653.99
G	£3,592.22	£470.25	£153.68	£4,216.15
H	£4,310.66	£564.30	£184.42	£5,059.38

13. Capital Budget and Strategy

13.1 Current Capital Programme Budget

13.2 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.

13.3 Budget Approach to Capital

Additions to the Capital Programme

13.4 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.

Table 12: 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)

13.5 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.

13.6 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.

Updated Capital Programme

13.7 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.

13.8 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 13: 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)
Major Repairs Reserve	(26.723)	(38.138)	(44.116)	(43.863)	(41.201)	(194.041)

Table 13: 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	
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)

13.9 Capital Strategy

13.10 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.

13.11 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.

13.12 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

Capital Receipts Prioritisation

13.13 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.

13.14 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.

13.15 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.

13.16 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.

13.17 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

13.18 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.

14. **Treasury Management Strategy**

14.1 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).

14.2 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.

14.3 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.

14.4 The Treasury Management and Investment Strategy are attached at Appendix 8 and are compliant with the latest Prudential Code. Both are recommended for approval.

14.5 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.

14.6 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.

14.7 **2023/24 Updated Investment Strategy**

14.7.1 The Annual Investment Strategy (AIS) was based on the Treasury Management Strategy projections for investment balances of between £100m to £200m in 2023/24. At 31 March 2023 investment balances were £308m and they are expected to be in the range £300m to £400m in 2023/24. Therefore, in order for the Council to continue to invest with high quality counterparties paying the most competitive investment rates, the following changes are recommended:

Table 14: Updated CounterParty Limits		
CounterParty Limits	Current	Revised
	£m	£m
Banks and other institutions	20	30
Money Market Funds	30	40
Country	40	60

14.7.2 The AIS also clarifies that for UK banks split into ring-fenced and non-ring fenced banks then each entity will be treated separately for determining counterparty limits. This recognises that each entity is separately capitalised without recourse to each other unlike previously.

14.7.3 There is also a change to the interest earned by the HRA on its share of cash balances which will now be the average interest rate earned for the year on the Council's investments instead of the 3 month Treasury bill rate. This has the effect of HRA and General Fund balances benefitting from the actual investment returns achieved by the Council.

14.7.4 These changes have been reviewed by the Treasury Panel and Council's treasury adviser Link Group and have also been consulted with Audit Committee and Executive Board in 2023 with the process now concluding to seek approval of the changes from Full Council for 2023/24. These changes are also included within the 2024/25 AIS included within the 2024/25 Treasury Management Strategy.

15. **Members' Allowance Scheme 2024/25**

15.1 This report recommends the adoption of the Scheme for 2024/25 without changes, except for any required adjustments to mirror nationally determined rates for pay awards and travel and subsistence (as applicable to officers) and for carers' allowances.

15.2 The current Member's Allowance Scheme is set out in Governance Framework Document C of the City Council's Constitution which can be found by following the hyperlink:

<https://www.nottinghamcity.gov.uk/your-council/about-the-council/nottingham-city-councils-constitution>

15.3 As part of the 2024/25 Budget proposals a review of Portfolio Holder and Executive Assistant appointments has been proposed. The outcome of this review will be reflected in the appropriate report to the May 2024 City Council.

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

16.1 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.

17. **Consideration of Risk**

- 17.1 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 1 setting out the risks and conditions for the 2024/25 budget, reasonably based on the best available information and assumptions at the time.
- 17.2 More recently the Section 151 Officers' professional opinion has been clearly stated in the s114(3) report issued on the 29 November 2023.
- 17.3 The Council has significant financial challenge ahead, even with the EFS 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.
- 17.4 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.
- 17.5 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.
- 17.6 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.

17.7 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.

17.8 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.

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

- The Council unable to approve a 2024/25 balanced budget and set council tax by 11 March 2024.
- 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.
- Continuing pressures across social care (children's and adults) and temporary accommodation materialising next year.

17.10 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.

17.11 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.

18. **Best Value Considerations**

18.1 The Best Value requirement to demonstrate the continued financial sustainability of the Council has been set out in the 2024/25 Budget and MTFP report to Executive Board on 13 February 2024.

18.2 Throughout the budget process the Council has taken a proactive and planned approach to delivering best value and financially sustainable services to its communities over the longer term. This will continue as the Council's agreed plans are delivered during 2024/25 and subsequent years.

19. Consultation

19.1 Budget Consultation

19.1.1 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.

19.1.2 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

19.1.3 In addition, 938 staff attended internal engagement events.

19.1.4 Appendix 14 provides a detail analysis of the responses received.

19.1.5 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

19.2 Council Scrutiny Committees

19.2.1 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.

19.2.2 The table below sets out dates of when the various scrutiny committees consulted with.

Table 15: 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	22/01/2024	Review service impact of proposals from the

Table 15: Consultation with Council Scrutiny Committees		
Scrutiny Committee	Date of Meeting	Meeting Remit
Development		Growth and City Development Directorate
Communities & Environment	24/01/2024	Review service impact of proposals from the Community, Environment and Resident Services Directorate
Children & Young People	25/01/2024	Review service impact of proposals from Children's Integrated Services and Education
Health & Adult Social Care	30/01/2024	Review service impact of proposals on Adult Social Care

19.2.3 The Council's constitution sets out the need for Corporate Scrutiny Committee to be consulted in the budget process. Corporate Scrutiny Committee concluded this work at its meeting on 14 February 2024, which is in addition to the meetings held in September 2023 and January 2024. Feedback from Corporate Scrutiny Committee is included in Appendix 15.

19.3 **Audit Committee**

19.3.1 On 23 February 2024, Audit Committee were also consulted on the Draft Treasury Management and Capital Strategies for 2024/25 to provide any feedback to City Council, in particular with regards to the following:

- the Borrowing Strategy
- the Annual Treasury Investment Strategy
- the Prudential Indicators and Limits
- Annual Minimum Revenue Provision Statement 2024/25
- Treasury Management Policy Statement
- Voluntary Debt Reduction Policy
- Non-Treasury Investment Strategy

19.3.2 The only request made as part of the feedback from Audit Committee was to refine the Capital Strategy, Annex C, Section 4 to better set out which Service Investments in the Register of Service Investment table have been impaired by the Council. This has now been reflected in the amended Capital Strategy (Appendix 6).

20. **Finance colleague comments (including implications and value for money)**

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 Appendix 1 of this report.

21. **Legal colleague comments**

21.1 Detailed legal comments were included in the Budget and Medium Term Financial Plan (MTFP) 2024/25 to 2027/28 report to Executive Board on 13 February 2024 and these still remain relevant. It should be noted however, that a response has

now been received to the application for Exceptional Financial Support as referred to in section 9 above.

21.2 The key legal issue for this report is to emphasise that it is a legal requirement for the Council to set a balanced budget for 2024/25 by 11 March 2024.

21.3 Following the outcome of the Executive Board meeting on 13 February 2024 the Director of Legal and Governance and Monitoring Officer gave detailed legal advice to all Councillors on 19 February 2024. That advice is included at Appendix 17. Although elements of the advice have been overtaken by the appointment of Commissioners the key elements regarding Members' Obligations and Full Council's legal duty to set a lawful budget by 11 March 2024 remain of paramount importance and should be read in that context.

Malcolm R. Townroe – Director of Legal and Governance and Monitoring Officer – 1 March 2024.

22. **Other relevant comments**

22.1 None

23. **Crime and Disorder Implications (If Applicable)**

23.1 Not applicable

24. **Social value considerations (If Applicable)**

24.1 Not applicable

25. **Regard to the NHS Constitution (If Applicable)**

25.1 No applicable

26. **Equality Impact Assessment (EIA)**

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

No

Yes

26.2 An overall EIA has been carried out and was detailed in Appendix 13 of the 2024/25 Budget and MTFP report to Executive Board on 13 February 2024. Due regard has been given to the equality implications identified in the EIA.

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

27.1 Has the data protection impact of the proposals in this report been assessed?

No

A DPIA is not required because: Not applicable

Yes

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

28.1 Has the carbon impact of the proposals in this report been assessed?

No
 A CIA is not required because: Not applicable

Yes

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

29.1 Refer to section 30 of this report.

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

30.1 Previously published documents are available on the council meeting pages

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
Budget Strategy and Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2027/28	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	
2024/25 Treasury Management and Capital Strategy	23 February 2024
Scrutiny Committee	
2024/25 Budget and Medium-Term Financial Plan – February 2024 Executive Budget Report	14 February 2024
Budget Strategy and Medium Term Financial Plan (MTFP) 2024/25 to 2027/28 – December 2023 Executive Board Report	17 January 2023
Budget Strategy and Medium Term Financial Plan (MTFP) Refresh 2024/25 to 2027/28 – July 2023 Executive Board Report	13 September 2023