

Executive Board – 18 June 2024

Subject:	Provisional Outturn 2023/24
Corporate Director(s)/Director(s):	Ross Brown, Corporate Director Finance and Resources, S151 Officer
Executive Member(s):	Councillor Linda Woodings, Executive Member for Finance and Executive
Report author and contact details:	Shabana Kausar, Director of Finance and Deputy S151 Officer
Other colleagues who have provided input:	<ul style="list-style-type: none"> • Corporate Leadership Team • Colleagues within respective departmental leadership teams • Transformation Team • Colleagues within Technical, Strategic and Commercial Finance Teams
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a) <input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No	
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Total value of the decision: c£73m	
Section 151 Officer expenditure approval	
Has the spend been approved by the Section 151 Officer? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/a	
Spend Control Board approval reference number:	
Commissioner Consideration	
Has this report been shared with the Commissioners' Office? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Any comments the Commissioners wish to provide are listed below.	
<p>This report sets out the provisional outturn for 2023/24. It indicates a significant net overspend on the General Fund. Given its medium term financial position, it is imperative that financial management is strengthened and where overspends are indicated, sufficient attention is given to identify mitigations as soon as possible.</p>	
Wards affected: All	
Date of consultation with Portfolio Holder(s): TBC	
Relevant Council Plan Key Outcome:	
Green, Clean and Connected Communities	<input checked="" type="checkbox"/>
Keeping Nottingham Working	<input checked="" type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input checked="" type="checkbox"/>
Child-Friendly Nottingham	<input checked="" type="checkbox"/>
Living Well in our Communities	<input checked="" type="checkbox"/>
Keeping Nottingham Moving	<input checked="" type="checkbox"/>
Improve the City Centre	<input checked="" type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>

**Summary of issues (including benefits to citizens/service users):**

This report provides an assessment of the Council's 2023/24 provisional outturn position for the General Fund, Housing Revenue Account (HRA) and the Capital Programme based on activity to the end of the Period 12 (31 March 2024)

As seen across many other local authorities, the Council is also experiencing significant overspends relating to social care and temporary accommodation. At the end of Quarter 4 (Period12), the Council has a net General Fund overspend of c£17.568m to be funded from Exceptional Financial Support (EFS).

The overall overspend is mainly dealing with the impact of rising costs due to continued high level of inflation, increase in demand and complexity of need and costs of social care, SEND transport and temporary accommodation and the impact of cost of living crisis which also affects important income streams of the Council. The Spend Control Policy and Board set-up over the original 21-day prohibition period since the issuance of the S114(3) report was approved by City Council in December 2023 to remain in place until 31 March 2025. All spend decisions are approved by the Section 151 Officer, once these have been through the respective Corporate Director Spend Control Panel approval process.

Due to the Council's systems and processes it is difficult to disaggregate the financial impact of the spend measures but through the actual reduction in forecasted net expenditure between Period 9 and Period 12 a correlation can be made that the spend measures have impacted in reducing the spend.

Councils are required to deliver a balanced budget each year ensuring that the projected expenditure and commitments can be matched by the available resources in year. As set out above the Council continues to face significant budget pressures and uncertainty, including increased demand for services, alongside the current backdrop of slow growing economy, continued high inflation and the precedent number of Councils who are declaring in-year financial crisis leading Council S151 Officers continuously assessing ability of their respective Councils in setting a balanced budget.

The 2023/24 net General Fund budget approved by Council was £261.832m. At the end Period 12, the General Fund is reporting a net **budget overspend of £17.568m** (6.71%). This is a net decrease of £1.748m since the last reported period (£19.316m net overspend at Period 9). The key drivers of this significant forecast variances are summarised below:

- **People** are forecasting a **net overspend of £22.892m** (£20.789m net overspend at Period 9) of which;
 - **£8.537m net overspend** (£5.439m net overspend at Period 9) relates to **Adults** largely driven by external care placement costs.
 - **£15.030m net overspend** (£15.480m net overspend at Period 9) relates to **Children's** mainly due to demand overspends relating to Children in Care placements.

- **£0.661m net overspend** (£0.431m net overspend at Period 9) relates to **Education** which is mainly due to a overspend of around £1.188m on Special Education Need and Disabilities transport costs offset by vacancies (£0.9m) and £0.4m overspend on the catering provision.
- **(£1.352m) net underspend** ((£0.560m) net underspend at Period 9) relates to **Commissioning and Partnerships** and is mainly due to staff vacancies.
- **Communities Environment and Resident Services** have an outturn position of a **net underspend** of **(£4.339m)** (£1.744m net underspend forecast at Period 9) mainly due to improved income levels across Sport & Leisure and Enviroenergy alongside staff vacancies and reduced running costs
- **Growth and City Development** have a **net overspend** of **£2.083m** (£1.734m net overspend at Period 9) mainly due to increased pressure on expenditure on building repairs and maintenance as well as overspends on homelessness.
- **Finance and Resources** are reporting a **net overspend** of **£2.909m** (£3.237m net overspend at Period 9) largely driven by a combination of staffing pressures, previous budget savings and historic structural budget issues.
- **Chief Executive** are reporting a **net underspend** of **(£0.131m)** ((£0.024m) net underspend at Period 9) is largely due to staff vacancies.
- **Companies'** area is reporting a **net underspend** of **(£0.316m)** mainly due to receipt of one-off dividend income.
- **Corporate** budget is reporting a **net underspend** of **(£5.532m)** ((£4.326m) net underspend at Period 9) is largely due to in-year pay award overspend of £9.1m which is offset by underspend across treasury management budgets due to combination of investment income, early repayment of debt and minimum revenue provision savings.

At Period 12 **56.8% of Transformation Programme savings** have been **delivered** (45.8% at Period 9) with **£6.765m of non-delivered** savings included within the 2023/24 net General Fund overspend of c£17.568m.

Significant overspends continue to be forecasted across all services, a large proportion of the overspend in 2023/24 is recurring which has been factored into the 2024/25 Budget and Medium-Term Financial Plan growth process. Whilst recurring budget pressures have been reflected as growth items, in-year underspends due to additional income and/or reduced spend have also been reflected through the 2024/25 budget saving approach of the Duties and Powers Framework. This is particularly the case for the underspends in Community, Environment, Resident services, Growth and City Development and Corporate budget areas.

The **Housing Revenue Account** is projecting a net underspend of **(£2.884m)** ((£6.091m) at Period 9). The reduction in the underspend is due to an increased direct revenue financing contribution to avoid borrowing so as to finance the capital programme.

The **2023/24 capital programme** was revised to £261.160m as reported to Executive Board in February 2024 and City Council in March 2024. The programme is reporting a significant

<p>outturn variance (£55.666m) against the profiled budget in 2023/24 of which:</p> <ul style="list-style-type: none"> • £50.812m is being slipped into future years with a net underspend (£47.961m General Fund and £2.851m HRA) • (£4.854m) net underspend: <ul style="list-style-type: none"> ○ (£9.246m) underspend relating to NCC General Fund schemes of which £0.644m relates to schemes that have overspent and includes (£7.432m) underspend in relation to EFS. ○ £4.466m overspend relating to Midlands Net Zero Hub where the Council is the accountable body. The overspend is fully funded by grant income. ○ (£0.074m) net underspend relating to HRA for schemes that have ended
<p>Does this report contain any information that is exempt from publication?</p> <p>No</p>
<p>Recommendation(s):</p>
<p>1) To note the net outturn of £283.990m. on the General Fund Revenue budget of £261.832m as set out in section 3 Table 1 which is a net overspend of £17.568m (6.71%).</p>
<p>2) To agree that the overspend of £17.568m will be funded from the EFS through capital receipts</p>
<p>3) To note progress on the Transformation Programme savings of £15.671m as set out in section 4, Table 3 with £8.906m (56.8%) delivered and £6.765m (43.2%) non-delivery.</p>
<p>4) To note the outturn underspend of (£2.884m) (2.4%), on the HRA against a gross budget of £119.924m as set out in section 5 Table 4.</p>
<p>5) To note the 2023/24 Capital Outturn position of net capital slippage of (£50.812m) and net underspend of (£4.854m) and approve the following:</p> <ul style="list-style-type: none"> • General Fund and Accountable Body slippage of (£47.961m) to be carried forward and reprofiled across the medium term financial plan. • HRA net slippage of (£2.851m) to be reprofiled across the medium term financial plan (paragraph 6.3). • £5.150m overspent capital projects to be funded from a combination of grant and revenue contributions as detailed in Appendix 2 • (£10.004m) underspent across various capital projects which are now complete and for which budget will not be carried forward into the new year, as set out in Appendix 2.
<p>6) To note the provisional General Fund balance of £24.203m and reserves of £186.732m, and HRA balance and reserves of £130.913m (section 7).</p>

1. Reasons for recommendations

- 1.1 This report forms a key part of formal General Fund Revenue, Capital and HRA monitoring against the 2023/24 budget.
- 1.2 Throughout the report budget overspends are shown as a positive number, whilst any underspends are shown as a negative number.
- 1.3 The General Fund (section 3) revenue outturn at Period 12 is **£279.401m** against an approved budget of **£261.832m**, an overspend of **£17.568m** (6.71%). A summary of key variances is set out in section 3.

1.4 The Period 12 revenue outturn for the HRA (section 6) is an underspend of **(£2.884m)** (2.4%) against a gross budget of **£119.924m**.

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

2.1 As set out in the report summary above, councils are required to deliver a balanced budget each year ensuring that the projected expenditure and commitments can be matched by the available resources in year. The Council continues to face significant budget pressures and uncertainty, including increased demand for services, the continued long-term impact of COVID-19 alongside the current backdrop of the cost of living crisis including most notably the rising inflation and interest rates, makes it's a challenging resource environment for the Council to operate in, where a small demand change can lead to material budget variance.

2.2 The overspend will be funded by Exceptional Financial Support flexibility as confirmed by DLUHC in February 2024.

2.3 **Section 114(3) Report Impact**

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

2.3.2 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:

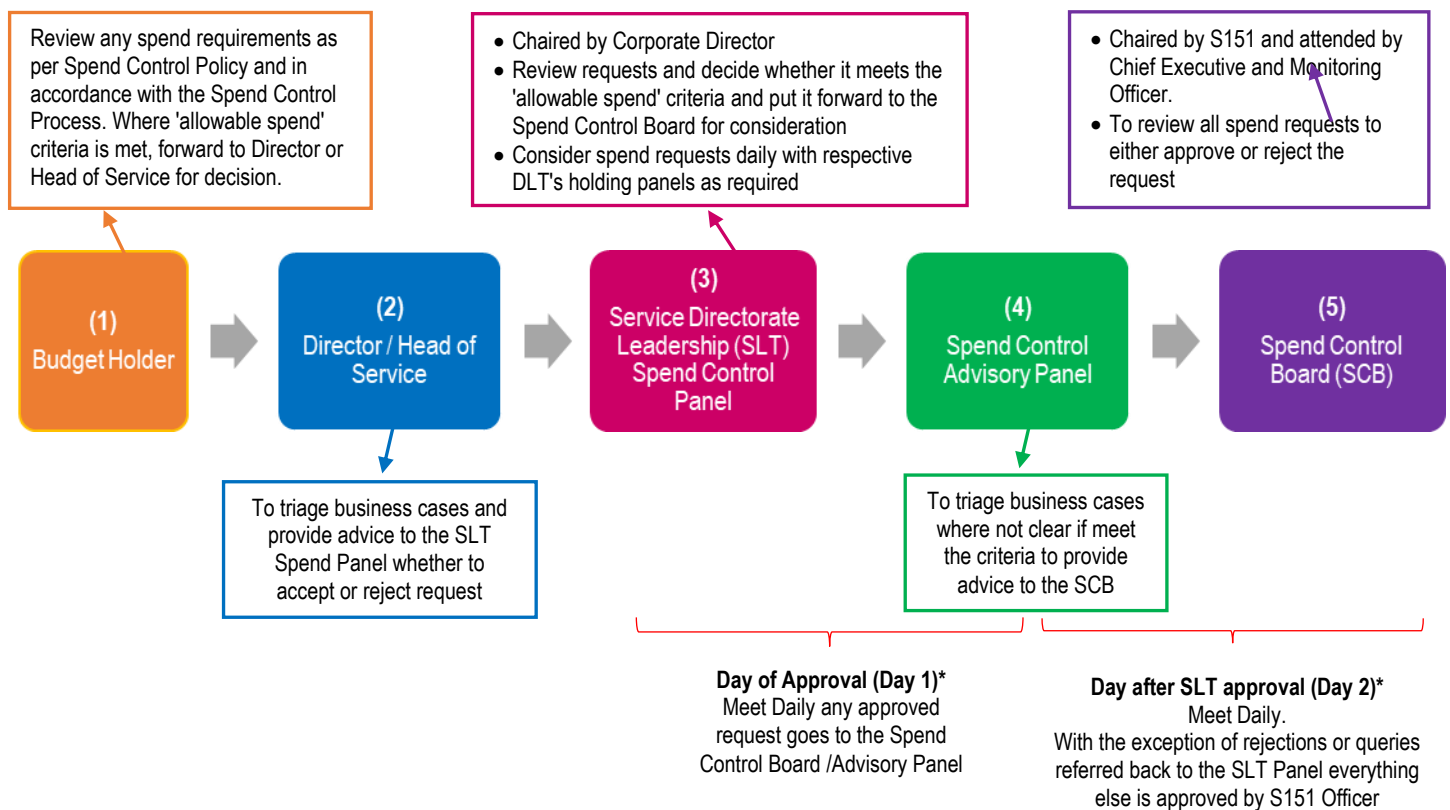
- Delegations authorising the incurring of spend were suspended – Officers and Members
- Daily Spend Control Board meeting chaired by the Section 151 Officer was put in place to advise on spend request decisions which were recommended by respective Directorate Spend Control Panels.
- No new agreements 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.

Spend Control Process

2.3.3 To ensure compliance with the above, the Section 151 Officer implemented a Spend Control Policy and issued council-wide instruction regarding new requests to spend. A Spend Control Board, chaired by the Section 151 Officer, attended by the Chief Executive and Monitoring Officer meet daily to review and consider spend requests.

2.3.4 Setout below is the spend control process decision stages and timeframe.



* There maybe periods of exception as the timeline are true in majority of cases

2.3.5 The process for spend approval involves any spend decisions made without the authorisation of the Section 151 Officer during this period will be deemed ultra vires and will be reviewed as a disciplinary matter.

2.3.6 In addition to departmental spend control panels there are also the following panels in place:

- HR panel which considers decision on employee related decisions including vacancies. The panel is an extension of the previous Vacancy Management panel.

- Placement Panels across Adults and Children's managed by the directorate leads reviewing placement packages including new placements and changes to existing packages.

Impact of Spend Controls

2.3.7 Although it is difficult to fully disaggregate from the in-year financial transactions the financial impact of the spend measures, but through actual reduction in expenditure since 29 November 2023 a correlation can be made that the spend measures have made a positive impact in reducing the spend some of which would be in relation to delayed and/or deferred spend or stop of discretionary spend e.g., repairs and maintenance, recruitment etc. Between November 2023 and April 2024 10,632 spend requests have been raised and reviewed at the appropriate levels totalling £879.453m. Of these 492 requests have been rejected with a value of £83.536m. Further examples of spend control impact (where possible) are included within the variance narrative set out in section 3 below.

Review of Spend Control Process

2.3.8 As set out in the 'Response to Section 114 Report – Financial Recovery Plan' report to City Council on 18 December 2023, the review of the current spend control process is being undertaken end of Period 2 to identify changes that can be made to the current process in continuing to optimise the benefit the spend control policy has brought whilst looking to both minimise the administrative burden (as appropriate) and improve the process.

2.4 Exceptional Financial Support

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

2.4.2 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. 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.

2.4.3 The Council has continuously worked to minimise the level of EFS required in 2023/24 through the implementation of the spend control measures, a positive outcome of this can be seen through the reduced overspend from c£24m at Period 6 to c£18m at Period 12 (provisional outturn); and is committed to continue to minimise the levels required in 2024/25.

2.4.4 However, based on the provisional outturn being reported the Council, is anticipating to drawdown £17.568m of EFS to fund the General Fund overspend.

3. 2023/24 General Fund Revenue Outturn

- 3.1 As set out above, the Corporate Directors took mitigating actions to contain expenditure within the approved budget. Where overspends cannot be contained within a single department, the Corporate Leadership Team explored those issues and agreed how they would manage within the overall approved General Fund Budget for the Council.
- 3.2 Table 1 below summarises the **net General Fund overspend of £17.568 (6.71%)** and when compared to the Period 9 position of £19.316m which shows a positive movement of (£1.748m).
- 3.3 Significant variances were held across all services at the end of the year, with a large proportion of recurring overspends and recurring or one-off underspends and/or income included as either growth, savings or released through technical reviews within the 2024/25 Budget and Medium Term Financial Plan (MTFP) process. For instance, a large proportion of the in-year underspend in treasury management has been captured as one-off mitigation with c£4m being released to fund one-of General Fund contingency in 2025/26.
- 3.4 Corporate Directors continue to identify mitigating actions to contain expenditure within the 2024/25 approved budget and to improve budget management and data quality with the support of the finance team to improve the robustness of financial management arrangements and the financial forecast. Where overspends cannot be contained within a single department, the Corporate Leadership Team will explore and agree immediate actions to manage the impact of these for the forthcoming year.
- 3.5 The Corporate Leadership Team have been ambassadors of the agreed spending measures controls and have been leading on changing spending behaviours within their respective directorates and identifying mitigations in the short term. As set out above the spending control measures aim to reduce and eliminate non-essential.
- 3.6 A number of virements were actioned between Period 9 and Period 12 which have been approved in accordance with previous delegated authority to the Director of Finance sought from Executive Board in March 2024.

Table 1: 2023/24 Revenue Outturn against budget				
Directorate	2023/24 Current Budget £m	2023/24 Actual £m	2023/24 Outturn Net Variance £m	Period 9 Reported Net Variance £m
Adults	89.350	97.887	8.537	5.439
Public Health	(0.000)	0.000	0.000	0.000
Children's	67.764	82.795	15.030	15.480
Education	3.428	4.089	0.661	0.431
Commissioning & Partnerships	3.346	1.993	(1.352)	(0.560)
Schools Forecasting	0.191	0.208	0.017	0.000
Schools (Forecast Exclusions)	(0.191)	(0.191)	(0.000)	(0.000)

Table 1: 2023/24 Revenue Outturn against budget

Directorate	2023/24 Current Budget £m	2023/24 Actual £m	2023/24 Outturn Net Variance £m	Period 9 Reported Net Variance £m
subtotal: People	163.889	186.781	22.892	20.789
Communities, Environment & Resident Services	55.406	51.067	(4.339)	(1.744)
Growth & City Development	(10.905)	(8.821)	2.083	1.734
Finance & Resources	39.361	42.271	2.909	3.237
Chief Executive	4.080	3.950	(0.131)	(0.024)
Total Departments	251.831	275.247	23.416	23.992
Companies	(0.034)	(0.350)	(0.316)	(0.350)
Corporate	10.035	4.504	(5.532)	(4.326)
Total	261.832	279.401	17.568	19.316

3.7 Explanations for the significant overspends and underspends are set out below.

3.8 People

3.8.1 Overall, the People's directorate is reporting a **gross budget overspend of £37.526m** (£36.037m in Period 9) which is partly being off-set by in-year management and corrective actions, reducing the **net forecasted overspend to £22.892m** (net overspend £20.789m at Period 9) which is largely due to the following:

a) **Adults'** service outturn position is a significant **gross budget overspend of £15.994m** which is partly being off-set by in-year one-off management and corrective actions totalling £7.457m, bringing the **net forecasted overspend to £8.537m** (£5.439m as at Period 9) which is mainly drive by:

- £19.512m gross expenditure overspend relating to External Care Purchasing (£15.929m at Period 6) primarily due to the impact of ongoing pressures experienced in 2022/23 which have continued in the current financial year combined with slippage in the delivery of 2023/24 savings. This is offset by additional contribution from health and clients towards care costs as a result of inflation and increased demand (£4.029m), additional health funding increase through the Better Care Fund (£0.157m) and management action to improve level of direct payment recoveries (£0.419m) reducing the net pressure to £14.558m.
- £0.312m net underspend across Disabled Children's Service (£0.043m overspend at Period 9) mainly due employee vacancy savings (£0.549m) which are partly offset by budget pressure across Children's Community Care Direct Payments.
- (£0.844m) net underspend across Assessment and Care Management (£0.669m net overspend at Period 6) due to net employee vacancies across

several Teams totalling (£0.158m), additional Better Care Fund income of (£0.458m) and several other small favourable variations across assessment and care management totalling (£0.228m).

- (£0.797m) net underspend across In House Care Services ((£0.491m) underspend at Period 6) primarily due to an underspend of (£0.431m) on employee vacancies, (£0.198m) due to the removal of the Night Care Service forecast as part of budget mitigations and additional Better Care Fund income of (£0.242) offset by net overspend of £0.074m across other in-house service budgets.
 - (£4.068m) net underspend across Other Adult Social Care Services ((£4.052m) underspend at Period 6) mainly due to a combination of the following;
 - Realignment of Market Sustainability and Improvement Fund (£3.383m) and use of Containing Outbreak Management Fund (£1.282m) to fund eligible activities.
 - £0.843m increase in required contribution to Adult Social Care Bad Debt Provision,
 - (£0.267m) other net underspends across various budget lines within the service area including staff vacancies and anticipated benefit from the new Brokerage Team against external care costs/packages.
- b) **Children's** service is reporting a significant **gross budget overspend of £21.532m** which is partly being off-set by in-year one-off management and corrective actions totalling £6.502m, bringing the **net forecasted overspend to £15.030m** (£15.480m as at Period 9) which is largely due to:
- £21.815m gross budget pressure relating to External Care Purchasing (£19.636 gross budget pressure at Period 9) due to a combination of caseload and costs, particularly the demand exceeding budget across external residential (including unregulated) by c£16.6m, independent fostering agency by c£2.4m and semi-independent placements by c£2m. At the end of January 2024, c£7m of the forecasted spend is relating to unregulated provision of which c£5m is included within the forecasted overspend. This will be offset by (£4.391m) additional funding from a combination of grants and health contributions i.e., dedicated schools grant, and unaccompanied asylum-seeking children grant, reducing the net pressure to £17.424m. This includes the transformation approved savings of £1.101m allocated to the Children in Care budget.
 - A balanced budget across the Children's Social Care Directorate. With £0.427m net overspend (relating to non-delivery of approved transformation programme savings. This is offset by £0.265m underspend on internal legal fees and additional underspends across the service of £0.162m.
 - (£1.543m) net underspend across internal provision ((£0.952m) net underspend as reported at Period 9) largely due to lower levels of utilisation within internal fostering than budgeted forecast.

- (£0.796m) net underspend relating to staffing costs (£0.537m underspend as reported at Period 9) of which (1.086m) underspend relates to staff vacancies within the Early Help service and a net pressure of £0.290m across the First Response service, with regards to high level of agency within the Emergency and Duty Team service.
 - £0.055m additional underspend across the service relating to insurance recharge adjustments.
- c) **Education** service is reporting a **gross budget overspend of £1.747m** which is partly being off-set by in-year one-off management and corrective actions totalling £1.086m, bringing the **net forecasted overspend to £0.661m** (£0.431m as at Per) which is largely due to:
- £1.188m net overspend (£0.855m at Period 9) relating to Special Education Needs and Disability (SEND) transport which is a demand led service.
 - (£0.527m) net underspend (£0.325m underspend at Period 9) relates to traded services with schools. This includes an overspend on the Catering provision to schools of £0.404m which is offset by underspends relating to employee costs across Education Psychology service of (£0.320m), Inclusive Education of (£0.329m), and Education Partnerships of (£0.260m). The balance is an underspend of (£0.022m) for the insurance recharge adjustments.
- d) **Commissioning net underspend of (£1.352m)** (£0.560m underspend at Period 9) largely due staff vacancies driven by issues with recruitment. The transfer of the Personalisation Hub from Adults in quarter 4 reflects the movement in underspend from Period 9, due to additional vacancies.

3.9 Community, Environment and Resident Services

3.9.1 Overall, the Community, Environment and Resident Services directorate is reporting a **net underspend of (£4.339m)** (£1.744m underspend at Period 9), which mainly is due to the following key areas:

- a) **Communities** service is showing an outturn position of a **net underspend of (£0.274m)** (£0.899m net overspend as at Period 9) which is largely due to:
- £0.208m net overspend across Community Safety and Logistics (£0.880m at Period 9) is due to a combination of:
 - £0.500m 2022/23 unachievable commissioning saving and £0.200m overspend primarily relating to historic budget issues.
 - Additional income of (£0.685m) has been recognised at year end relating to Slavery Exploitation Risk Assessment Conference and Public Health income totalling (£0.485m) (only (£0.126m) recognised up to Period 9) and one-off Afghan Hotel and Asylum Dispersal grants of (£0.200m)
 - Other net variance of £0.193m.
 - £0.847m net overspend with regards to Markets (£0.857m at Period 9).

- (£0.357m) net underspend in Environmental Health and licensing ((£0.150m) at Period 9), employee underspend of (£0.454m) including early recognition of 2024/25 savings and extended non-recruitment of vacancies.
 - (£0.381m) net underspend across Security Service is driven by additional demand led income and reduction in anticipated spend for camera replacement rollout following issuance of Section 114(3) report. Also, confirmed in-year HRA recharges recognised, and additional utility pressure funding received in Period 12.
 - (£0.374m) net underspend across Uniformed Services is driven by increased leavers in year and ongoing vacancies not being recruited giving rise to early recognition of some 2024-25 savings.
 - (£0.217m) other net underspend across various budget lines.
- b) **Resident Services** is reporting a year end **net overspend of £1.697m** (£1.936m net overspend as at Period 9) which is largely due to non-qualifying revenue recharges to capital following capital charges review in Highways of £2.024m (£2.525m forecast at Period 9). This is partially offset by income generation and savings on staffing in Waste and Street Cleansing department of (£0.991m) ((£0.333m) forecast at Period 9).
- c) **Environment and Sustainability** service is reporting an **underspend of (£2.837m)** ((£2.143m) net underspend at Period 9). Within Enviroenergy there is a gross underspend of (£3.375m) mainly due to the 2024 Tariff uplift, including lower than expected reduction in sales volume and enhanced export rate to the National grid. There is also an underspend in Utilities of (£1.109m) ((£0.894m) underspend at Period 9) due to the milder winter this year. Sinking funds have also been established to mitigate requirements in the coming year to undertake repairs and maintenance and replace essential assets, in order to maintain running of the district heating plant and to establish options for the future of the service.
- d) **Sports and Culture** service is reporting a **net underspend of (£2.769m)** ((£2.539m) net underspend at Period 9) largely due to a combination of:
- Sports & Leisure net underspend of (£1.230m) ((£1.153m) underspend forecast at Period 9). The total underspend is due to the better than expected income recovery following the pandemic of £0.669m), reduced staffing costs (in anticipation of the 2024/25 MTFP reductions) of £0.331m), and the impact of S114 spending control measures on running costs of (0.230m).
 - Libraries net underspend of (£0.554m) ((£0.571m) forecast at Period 9). This is mainly due to the delayed re-opening of Central Library and Sherwood Library, and not recruiting to vacancies.
 - Museums net underspend of (£0.624m) ((£0.903m) forecast at Period 9) due to requests to carry forward unspent resources for urgent works. The underspend is due to reduced costs at the Castle ((£0.147m) staff vacancies, (£0.233m) running costs and (£0.118m) income improvement), and (£0.126m) improved income following a highly rated exhibition and spending control measures.

- Theatre & Concert Hall net underspend of (£0.268m) (£0.096m overspend forecast at Period 9). This improvement is due to reduced costs including holding staff vacancies, and improved income from shows in the last quarter.
- Underspends of (£0.093m) relating to various activities and budget lines within the directorate.

e) **Other net underspends of (£0.156m)** (£0.086m net overspend at Period 9) relating to various budget lines.

3.10 Growth and City Development

3.10.1 Overall, the Growth and City Development directorate is reporting a **net overspend of £2.083m** (£1.734m net overspend at Period 9), which mainly is due to the following key areas:

a) **Housing** service is forecasting a **net underspend of (£0.609m)** (£0.554m net overspend at Period 9

- £0.869m net overspend relates homelessness and is in relation to:
 - £0.210m net overspend relates to non-delivery of savings of which £0.175m relates to funding substitution and £0.036m relates to no children to be housed in flat.
 - Increase in homelessness cases across bed and breakfast (B&B) driven by a combination of residents presenting themselves homeless, those remaining in temporary accommodation and cost of placements. Since the last monitor the forecast has reduced by c£1.16m mainly due to a few factors. Firstly, the delay in recruitment for Housing Solutions, some of the Homelessness Prevention Grant that was allocated to support staff and prevention budgets in Housing Solutions was not required and so was instead used to offset B&B costs. Secondly, the service received an additional unexpected grant award from DLUHC that it was able to utilise to support this budget. Thirdly the general hotel rates continued to remain lower than anticipated which reduced costs. In addition to this, officers managed to secure a number of block booking contracts for temporary accommodation towards the end of the year which secured a volume of accommodation at lower room rates than would otherwise have been possible.
- £0.520m net recurring income pressure with regards income share from council subsidiary being higher than budget.
- (£1.084m) net underspend relates to Housing Solutions and is largely due to £0.312m overspend with regards to non-delivery Housing Aid restructure which is offset by an underspend relating to staff vacancies (including pay award) because of the delay in implementing the restructure.
- (£0.744m) underspend across Regeneration Team largely due to staff vacancies.

b) **Planning and Transport** service is forecasting a **net underspend of (£0.478m)** (£1.275m) net underspend at Period 9) driven by a combination of the following:

- (£0.315m) net underspend on Concessionary Fares largely due to a combination of reduction in the reimbursement rates to operators and the patronage levels dropping over the winter period than originally forecasted.
 - (£0.246m) net underspend mainly due to a combination of employee vacancies across the Traffic and Flood Risk teams and temporary scaling back of programmed discretionary activities within the traffic service.
 - (£0.030m) net underspend includes overspend of £0.375m relating to a combination of agency staff costs and reduced income across Building Control (£0.274m) and Planning (£0.101m) service areas and an underspend of (£0.202m) in Transport largely relating to income.
- c) **Major Projects** service is forecasting a **net overspend of £0.021m** (£0.176m net overspend at Period 9) largely due to reduction in the capital recharging rates.
- d) **Facilities Management and Building services** is forecasting a **net overspend of £1.227m** (£0.847m net overspend at Period 9), mainly due to:
- c.£1.000m non-delivery of savings in reactive maintenance of which 50% is undeliverable due to ring-fenced school budgets and the other 50% is due to delays in centralisation. This is partially offset by an underspend of (£0.550m) in planned maintenance as pledged during the year in relation to the school repair budgets outlined above. However, there has been an additional pressure due to a reduced income of £0.495m as a result of spend controls reducing the volume of repairs and maintenance work undertaken and therefore fee's chargeable for the Mechanical and Engineering function in the last quarter.
- e) **Strategic Assets and Property** service is forecasting a **net overspend of £2.028m** (£1.472m net overspend as at Period 9) which is mainly due to:
- Main Operational Buildings net overspend £0.758m – largely due to £0.705m pressure on Loxley House as a result of a combination of historic recurring budget pressures (£0.535m) and unmet savings in the current year (£0.200m).
 - Completed Regeneration Schemes net overspend £0.821m – mainly due to Science Park Phase 2 being vacant which has led to an income pressure from rent losses.
 - Asset Management, Property Directorate and Estates Management net overspend £0.233m mainly relating to net cost of interims staff.
 - Investment Property net overspend of £0.219m is largely due to one of the properties having a high void level than budgeted.
 - Development & Disposals net overspend £0.208m net overspend due to disposal costs such as valuations and auction fees outstripping the funding available.
 - Property Trading Account net underspend of (£0.476m) due to better performance than anticipated on rents.
 - Net underspend of (£0.130m) across range of budget areas offsetting pressures above.

- Other areas across the directorate are reporting a net underspend of (£0.105m) ((£0.012m) net underspend at Period 9).

3.11 Finance and Resources

3.11.1 Finance and Resources directorate is reporting a **net overspend of £2.909m** (£3.237m net overspend at Period 9) which mainly is in relation to:

- a) **Customer Services** is estimating a **net overspend of £2.215m** (£1.358m net overspend at Period 9) which is largely due:
 - £1.1070m recurring pressure relating budget shortfall against original estimated budget in relation to in-sourcing of revenues and benefit service.
 - £1.145m savings pressure relating to business support now consolidated within Customer Services.
- b) **Finance** is forecasting a **net overspend of £0.249m** (£0.800m net overspend at Period 9), of which £1.9m net pressure relates to staff pressures due to a large number of essential vacancies filled by agency. This pressure is partly offset by contributions from reserve, DSG and HRA. Also included within this area is £0.175m cost of external consultancy work with regards to control remediation.
- c) **Legal and Governance** department are forecasting a **net overspend £0.539m** (£0.531m net overspend at Period 9) which is primarily due to a combination of historic unachievable income targets and use of locums to undertake essential works contributing to a net pressure of £0.300m.
- d) **Information Technology** service are forecasting a **net overspend of £0.155m** (£0.486m net overspend at Period 9) mainly due to £0.131m income target pressure within Training and Commercialisation. This target was reduced by £0.070m in the 2023/24 MTFP process but continues to remain a pressure in the current year.
- e) **Other** areas across the directorate are reporting a **net underspend of (£0.249m)** ((£0.062m) net underspend at Period 9 largely driven by £0.779m non-achievement of centrally held contractual spend saving which is partly off set by net underspend due to staff vacancies across Audit and Risk, HR (£0.103m), and Procurement services (£0.925m).

3.12 Chief Executive

3.12.1 The Chief Executive directorate is reporting a **net underspend of (£0.131m)** ((£0.024m) net underspend at Period 9) mainly due to staff vacancies.

3.13 Companies

3.13.1 The Companies budget is forecasting a **net underspend of (£0.316m)** largely driven by receipt of one-off dividend from council subsidiary for the financial year 2022/23.

3.14 Corporate

3.14.1 The Corporate budget is forecasting a **net underspend of (£5.532m)** which is largely driven by a combination of the following key items:

- £9.1m budget overspend relating to 2023/24 pay award (£8.5m at Period 9) paid out to staff in December 2023.
- (£7.1m) underspend in treasury management is due to a combination of early debt repayment (£1.7m) and additional net investment income forecasted to be received on estimated cash balances held for the year as a result of interest rates.
- (£2.6m) underspend relating to in-year minimum revenue provision (MRP) reviews.
- (£2.6m) net underspend driven by release of non-release of budget relating to prior year business rates liabilities for Council owned properties now settled and accounted within respective department outturn and funded from alternative source.
- (£1.5m) underspend on pension deficit and pension strain due to additional contribution from the HRA (£0.9m) and schools and grant funded costs (£0.6m) identified through year-end review.
- (£0.8m) of additional one-off grant funding announced and received in quarter 4.

4. Savings

4.1 The total savings approved by Executive Board in February 2023 for the MTFP period 2023/24 to 2026/27 was £72.462m, of which, savings profiled for 2023/24 were £36.915m. Table below provides the profile for approved savings.

Table 2: Savings Approved as at February 2023 - Medium-Term Financial Plan Period 2023/24 – 2026/27 (Incremental)					
Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults	(4.856)	(6.753)	(5.564)	(4.364)	(21.537)
Children's	(4.233)	(2.812)	(1.999)	(0.309)	(9.353)
Education	(0.961)	(0.246)	(0.040)	(0.050)	(1.297)
Subtotal: People	(10.050)	(9.811)	(7.603)	(4.723)	(32.187)
Communities, Environment & Resident Services	(4.118)	(0.422)	(0.712)	0.000	(5.252)
Growth & City Development	(3.594)	(6.956)	(3.537)	(7.949)	(22.036)
Finance & Resources	(4.832)	(1.476)	(0.564)	0.000	(6.872)
Chief Executive	(0.045)	0.030	0.000	0.000	(0.015)
Corporate	(14.275)	8.175	0.000	0.000	(6.100)
Total General Fund Savings	(36.915)	(10.459)	(12.416)	(12.672)	(72.462)

4.2 Non-Transformation Savings Delivery

4.2.1 The 2023/24 overall savings totalling £36.915m includes Directorate savings of net £21.244m. Delivery against the directorate led savings is positive with £20.431m **(96%) delivered**. Those Directorate savings that have under-delivered in 2023/24 will require mitigation plans that will be monitored alongside delivery of 2024/25 savings. Table below provides a non-transformation saving summary by directorate.

Table 3a: Non-Transformation Savings						
Directorate	2023/24 £m	% Delivered Period 12	Blue - Delivered £m	Green - On Track £m	Amber - At Risk £m	Red - Non- Delivery £m
Adults	(0.794)	88.74%	(0.705)	0.000	0.000	(0.089)
Children's	(0.313)	99.99%	(0.313)	0.000	0.000	0.000
Education	(0.961)	71.63%	(0.689)	0.000	0.000	(0.273)
Subtotal: People	(2.069)	82.50%	(1.707)	0.000	0.000	(0.362)
Communities, Environment & Resident Services	(3.335)	98.60%	(3.288)	0.000	0.000	(0.047)
Growth & City Development	(1.137)	68.84%	(0.783)	0.000	0.000	(0.354)
Finance & Resources	(0.383)	86.95%	(0.333)	0.000	0.000	(0.050)
Chief Executive	(0.045)	100.00%	(0.045)	0.000	0.000	0.000
Corporate	(14.275)	100.00%	(14.275)	0.000	0.000	0.000
Total	(21.244)	96.17%	(20.431)	0.000	0.000	(0.813)

4.3 Transformation Programme

4.3.1 2023/24 was the second year of the Transformation programme and had a net savings target of £15.671m profiled in 2023/24.

4.3.2 Savings led by Transformation track the overall in-year actual cashable benefit that each programme has either delivered (blue), is on track for delivery (green), requires further activity to realise including opportunities to convert non-cashable to cashable savings (amber) or is at risk of non-delivery (red).

4.3.3 Table 3b which summarises the performance of each programme for 2023/24 shows there has been an overall improvement at Period 12 of projects being **on track or delivered (56.8% at Period 12 compared to 45.8% in Period 9)**.

Table 3b: Transformation Programme Savings							
Programme	Gross Saving £m	% Delivered Period 12	Blue – Delivered £m	Green - On Track £m	Amber – At Risk £m	Red - Non- Delivery £m	% On Track or Delivered Period 9
<i>Transformation led</i>							
Adults	(4.062)	21.1%	(0.856)	0.000	0.000	(3.205)	20.9%
Children's	(3.018)	85.9%	(2.591)	0.000	0.000	(0.427)	81.6%
Customer	(3.539)	100.0%	(3.539)	0.000	0.000	0.000	55.0%
Corporate Landlord	(0.735)	100.0%	(0.735)	0.000	0.000	0.000	100.0%

Table 3b: Transformation Programme Savings							
Programme	Gross Saving £m	% Delivered Period 12	Blue – Delivered £m	Green - On Track £m	Amber – At Risk £m	Red - Non- Delivery £m	% On Track or Delivered Period 9
Homelessness	(0.522)	0.0%	0.000	0.000	0.000	(0.522)	0.0%
Subtotal	(11.875)	65.0%	(7.721)	0.000	0.000	(4.154)	50.5%
% of programme <u>Currently led by service</u>			65.0%	0.0%	0.0%	35.0%	
Children's - Early Help	(0.902)	100.0%	(0.902)	0.000	0.000	0.000	100.0%
Procurement	(0.662)	0.0%	0.000	0.000	0.000	(0.662)	0.0%
Community	(0.705)	29.1%	(0.205)	0.000	0.000	(0.500)	29.1%
Finance & Resources – IT	(0.249)	0.0%	0.000	0.000	0.000	(0.249)	0.0%
Estates / New Ways of Working	(1.278)	6.1%	(0.078)	0.000	0.000	(1.200)	6.1%
Subtotal	(3.796)	31.2%	(1.185)	0.000	0.000	(2.611)	31.2%
% of programme			31.2%	0.0%	0.0%	68.8%	
Transformation savings	(15.671)	56.8%	(8.906)	0.000	0.000	(6.765)	45.8%
% of programme overall			56.8%	0.0%	0.0%	43.2%	

*£15.671m excludes growth saving of £0.902m on Fostering Development

4.3.4 The improvement between Period 9 and Period 12 is mainly in the Children's and Customer programmes:

- Children's - There has been an improvement at Period 12 of 85.9% savings delivered (period 9 of 81.6%) due to a reduction of the numbers of children coming into care. The number of children in care has reduced by a further 16 children since period 9 (689 to 673). Full year figures show a reduction of children in care of 41 (714 as at 27/03/2023 to 673 as at 31/03/24).
- Customer - There has been an improvement at Period 12 of 100% savings delivered (period 9 of 55%) due to the implementation of the Customer Support Transformation Programme, including the alignment of HR and Financial information to secure efficiencies

4.3.5 As shown in Table 3 above, several programmes are behind target and require remedial activity to mitigate the under delivery. £6.765m (43.2%) of savings are in the non-delivery category and are reflected as pressures in the Directorate outturn positions above. The key drivers that have led to the in-year under-delivery of transformation savings include resourcing pressures, conflicting priorities, and over ambitious assumptions within original delivery plans.

4.3.6 A number of programmes that under- delivered in 2023/24 and had no prospect of delivery in the future were provided with growth monies in the 2024/25 budget process and written out of the Transformation Programme on an ongoing basis. These are Estates/New Ways of working £0.5m funded through ringfenced grant, Communities £0.5m and Homelessness £0.175m.

4.3.7 Respective Corporate Leadership Team (CLT) leads have developed mitigation plans for the remaining savings programmes which have an under-delivery at Period 12. These are Adult's £3.205m, Children's £0.427m, Estates/New Ways of working £0.7m, Homelessness £0.347m, Procurement £0.662m and F&R Information Technology £0.249m which were reviewed at the Transformation and Change Oversight Boards in March and May 2024. The mitigations agreed by CLT leads and consulted with respective Executive Member (where appropriate) will be adopted and delivery monitored alongside delivery of the 2024/25 savings.

4.3.8 Actual investment to deliver the Transformation programme in 2023/24 of £7.055m has been incurred compared to the revised budget of £7.929m, giving a net overall underspend of £0.874m. This is mainly due to lower staffing related costs, consultancy and I.T. expenditure slipped into 2024/25. Following adjustments for investment funded by reserve, base budget, and recharges to the HRA, this has resulted in a reduced requirement for capital receipts of £0.734m (£6.32m actual compared to revised budget of £7.054m).

5. Housing Revenue Account

5.1 The provisional HRA outturn for 2023/24 is a net underspend of **(£2.884m)** against gross annual budget of £119.924m. This underspend represents a positive variance of 2.4%.

Table 4: HRA 2023/24 Provisional Outturn				
Housing Revenue Account	2023/24 Current Budget	2023/24 Actual	2023/24 Outturn Net Variance	Period 9 Reported Net Variance
	£m	£m	£m	£m
Income				
Dwelling Rents	(106.955)	(106.955)	(0.001)	0.000
Non-Dwelling Rents	(2.700)	(3.020)	(0.320)	(0.012)
Service Charges	(10.048)	(10.435)	(0.387)	0.000
Other Income	(0.222)	(0.265)	(0.044)	0.000
Total Income	(119.924)	(120.675)	(0.751)	(0.012)
Expenditure				
Repairs & Maintenance	27.911	27.625	(0.286)	3.018
Management & Supervision	36.369	32.979	(3.390)	(1.785)
Depreciation & Amortisation	35.001	35.001	0.000	0.000
Provision for Bad & Debts	2.213	0.821	(1.392)	0.000
Direct Revenue Financing	0.600	11.850	11.250	0.000
Total Expenditure	102.094	108.275	6.182	1.233
Net Cost of Housing Services	(17.830)	(12.400)	5.430	1.221
Capital Financing Charges				
Item 8 Interest Paid	17.501	14.804	(2.697)	(2.482)
Item 8 Interest Received	(0.171)	(5.788)	(5.617)	(4.829)
Net Deficit/(Surplus)	(0.500)	(3.384)	(2.884)	(6.090)
Contribution to Reserves	0.500	3.384	2.884	6.090
Housing Total	0.000	0.000	0.000	0.000

- 5.2 It can be seen from the above table that since Period 9 the positive variance has reduced by £3.206m resulting in a reduced contribution to reserves.
- 5.3 The main reasons for the reduced contribution to reserves is as follows:
- The non-dwelling rent income is £0.309m higher than anticipated at Period 9. This is due to additional income from PV solar panels.
 - Income from service charges is £0.387m higher than forecast at period 9, This is due to increased tenants' contributions from the unfurnished properties initiative.
 - Similarly other income is £0.044m higher than budgeted at Period 9 due to additional repairs and maintenance charges carried out on properties which had be recharged to the General Fund.
 - Expenditure in respect of repairs and maintenance is much lower than reported at Period 9. This was due to a £1.4m underspend following delays in appointing new external contractors to assist with the delivery of planned maintenance programmes during the year.
- 5.4 In addition, there was £0.8m underspend in respect of responsive repairs due to expenditure on void properties being charged to capital. There were also further savings due to the increased number of staff vacancies and delays in recruitment.
- 5.5 Expenditure in respect of management and supervision cost is also lower than reported in Period 9. This is due to a £1.3m reduction in staff, communal lighting, gas, and pre-start costs. In addition, there were increased recharges to the NCH Group for services provided. This has partly been offset by increased council tax on void properties and rent charges.
- 5.6 There is £0.3m in additional income from shops following the re-negotiation of rents when leases expire.
- 5.7 The increase in the provision for bad and doubtful debts is £1.3m lower than originally anticipated. This is due to the introduction of the Hardship Fund which was approved by full Council in February 2023. The fund has helped several vulnerable tenants reduce their arrears and supported them to keep their tenancies during the cost-of-living crises.
- 5.8 The favourable variances previously reported has allowed the review of the direct revenue financing contribution to fund the capital programme. In line with the voluntary debt reduction policy approved by full Council in February 2023 there is no need to fund any of the 2023/24 capital expenditure through borrowing. Instead, the capital programme is being funded by a £11.850m revenue contribution.
- 5.9 The reduction in capital financing charges is because of the repayment of some of high interest Public Work Loan Board (PWLB) and Lender Option Borrower Option (LOBO) loans. This will reduce the amount of interest paid by the HRA.

5.10 The interest received on HRA reserves, capital receipts and working balances is much higher than originally budgeted. This is partly due to interest rates increasing from 0.0024% to 0.047%. It is also due to a substantial increase in HRA general reserves following the issuing of the Item 9 Special Determination by the Secretary of State for Levelling Up, Housing and Communities (DLUHC) in August 2022.

5.11 The net effect of these adjustment is to increase the contribution reserves by £3.384m compared with a forecast £6.090m at the end of Period 9.

6. Capital Programme

6.1 A revised Capital Budget was approved at Executive Board and Full Council and in February and March 2024 respectively. This section of the report provides an update on the actual Capital Expenditure incurred during 2023/24 in comparison to the approved budget 2023/24 of **£261.160m**.

6.2 The capital programme for 2023/24 is reporting a **net underspend of (£4.854m)** against the approved programme budget, summarised in the table below.

Table 5: Capital Programme 2023/24 Summary to Budget					
Programme	2023/24 Budget	2023/24 Actuals	Variance to Budget	Net Slippage (-) / Acceleration (+)	Overspend / (Underspend)
	£m	£m	£m	£m	£m
Council Capital Projects	88.535	79.044	(9.491)	(7.677)	(1.814)
Exceptional Financial Support	25.000	17.568	(7.432)	0.000	(7.432)
Subtotal General Fund	113.535	96.612	(16.923)	(7.677)	(9.246)
HRA	50.085	47.160	(2.925)	(2.851)	(0.074)
Total NCC Programme	163.620	143.772	(19.848)	(10.528)	(9.320)
Accountable Body	97.540	61.722	(35.818)	(40.284)	4.466
Combined Capital Programme	261.160	205.494	(55.666)	(50.812)	(4.854)

6.3 Approval is sought to treat the slippage of **£50.812m** as follows:

- General Fund slippage of **£7.677m** and Accountable Body slippage of **(£40.284m)** is carried forward to future financial years. The first monitoring exercise of the 2024/25 Capital Programme will include the impact of the slippage reprofiled across the financial years of the MTFP.
- Housing Revenue Account slippage of **(£2.851m)** is reprofiled across the MTFP as detailed in the below table.

Table 6: HRA Capital Programme 24/25 - 27/28 Reprofile					
	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m
Approved Capital Budget	69.631	51.641	48.798	48.011	218.081
HRA Slippage	2.851	0.000	0.000	0.000	2.851

Budget re-profile	(1.046)	0.741	1.196	(0.891)	0.000
Revised Capital Budget	71.436	52.382	49.994	47.120	220.932

6.4 Approval is also being sought for the net underspend of **(£4.854m)** to:

- Increase the capital programme budget for 2023/24 by **£5.150m** to fund the overspent schemes from a combination of grants and revenue contributions as set out in Appendix 2.
- To note the underspent as set out in Appendix 2 from the approved Capital Programme of **(£10.004m)** relating to schemes now completed. Any capital receipts being released will be reverted back to the central pot and used in accordance with the Capital Receipts prioritisation framework as set out in the Capital Strategy approved by City Council in March 2024. There will be no carry forward of budget associated with these schemes.

6.5 2023/24 General Fund Nottingham City Council Capital Programme

6.5.1 The General Fund Nottingham City Council Capital Projects summarised above are detailed below by directorate alongside the associated funding.

Table 7: General Fund Capital Outturn 2023/24 – NCC Programme					
Directorate	2023/24 Budget	2023/24 Actuals	Variance to Budget	Net Slippage (-) / Acceleration (+)	Overspend / (Underspend)
	£m	£m	£m	£m	£m
Adults	2.538	2.762	0.224	0.223	0.000
Children's	0.030	0.015	(0.015)	(0.015)	0.000
Schools	3.220	3.302	0.082	0.084	(0.001)
Subtotal: People	5.788	6.079	0.291	0.292	(0.001)
Finance & Resources	2.150	2.425	0.275	0.245	0.030
Growth & City Development	54.229	50.591	(3.638)	(2.145)	(1.493)
CERS	19.314	13.629	(5.685)	(6.069)	0.384
Transformation	7.054	6.320	(0.734)	0.000	(0.734)
Exceptional Financial Support	25.000	17.568	(7.432)	0.000	(7.432)
General Fund NCC Programme	113.535	96.612	(16.923)	(7.677)	(9.246)
Capital Funding					
External Grants & S106	(65.239)	(62.119)	3.120	3.644	(0.524)
Capital Receipts - General Fund	(16.707)	(12.817)	3.890	1.521	2.369
Capital Receipts - Exceptional Financial Support	(21.300)	(17.568)	3.732	0.000	3.732
Revenue Reserves - General Fund	(3.847)	(1.504)	2.343	2.373	(0.030)
Revenue Contribution - General Fund	(0.239)	(0.644)	(0.405)	(0.340)	(0.065)
Borrowing	(2.503)	(1.960)	0.543	0.479	0.064
Borrowing - Exceptional Financial Support	(3.700)	0.000	3.700	0.000	3.700
General Fund NCC Funding	(113.535)	(96.612)	16.923	7.677	9.246

6.5.2 General Fund capital projects managed by the Council have a variance of **£16.923m** which equates to **14.91%** of the budget. This variance is then split by

slippage of **£7.677m** and underspend of **£9.246m**. Approval is now sought to the re-profiling of capital schemes with a net slippage of £7.677m.

Net Slippage

6.5.3 £5.115m of the £7.677m reported net slippage, relates to nine projects that have reported a net slippage over £0.500m, details of these schemes are set out in appendix 1.

Key Variance

6.5.4 The overall net underspend of (£9.246m) is mainly made up of the following variances:

- **(£1.493m)** underspend in Growth and City Development, this relates to a technical adjustment of **£1.591m** recognising Highways works-in-progress at 31 March 2023. This was reversed in 2023/24 and capitalised accordingly, releasing Capital Receipt funding.
- **(£0.734m)** underspend on Transformation programme mainly is in relation to reduced cost of staffing (agency) and consultancy costs and with no further commitment the budget and associated capital receipts funding is not being carried forward.
- **(£7.432m)** underspend on Exceptional Financial Support due to improved revenue position.
- **(£0.264m)** various small underspend related to schemes now complete, details of which are set out in appendix 2.
- **£0.677m** overspend across 18 schemes that are now complete, detailed within appendix 2, of which £0.035m (8 schemes) are below £0.010m. Approval is required for incepting or increasing budget within the capital programme; therefore, this is in breach of the current governance and financial regulations and has been reported to the Section 151 Officer, accordingly. Those schemes with a pressure over £0.010m are being investigated jointly with the service and a management action plan will need to be agreed with the respective Corporate Director. This overspend is entirely funded from combination of external grants and revenue contributions/reserves and therefore hasn't created a funding pressure for the Council as detailed in Table 7.

6.6 2023/24 HRA Capital Programme

6.6.1 The table below sets out the associated funding for HRA Capital Programme. The significant change since the approved Capital Budget is the additional revenue contribution of **£11.233m** which has been used to remove the HRA borrowing requirement in 2023/24.

Table 8: HRA Capital Outturn 2023/24					
Directorate	2023/24 Budget £m	2023/24 Actuals £m	Variance to Budget £m	Net Slippage (-) / Acceleration (+) £m	Overspend / (Underspend) £m
HRA	50.085	47.160	(2.925)	(2.851)	(0.074)

Table 8: HRA Capital Outturn 2023/24					
Directorate	2023/24 Budget £m	2023/24 Actuals £m	Variance to Budget £m	Net Slippage (-) / Acceleration (+) £m	Overspend / (Underspend) £m
HRA CAPITAL PROGRAMME 2023/24	50.085	47.160	(2.925)	(2.851)	(0.074)
Capital Funding - HRA					
External Grants	(1.857)	(5.004)	(3.147)	(3.147)	0.000
Capital Receipts - HRA	(1.217)	(0.043)	1.174	1.164	0.010
Capital Receipts - RtB	(7.892)	(8.078)	(0.186)	(0.188)	0.002
Major Repairs Reserve	(26.723)	(22.185)	4.538	4.480	0.058
Revenue Contribution - HRA	(0.617)	(11.850)	(11.233)	(11.235)	0.002
Borrowing	(11.779)	0.000	11.779	11.777	0.002
HRA TOTAL FUNDING	(50.085)	(47.160)	2.925	2.851	0.074

Key Variance

6.6.2 The overall net underspend of **(£0.074m)** is detailed in appendix 2.

6.7 2023/24 General Fund Accountable Body Projects

6.7.1 The Accountable Body Projects summarised above are detailed below by directorate alongside the associated funding. These are programmes where the Council is acting as the lead accountable body for administering regional funding and programmes.

Table 9: General Fund Capital Outturn 2023/24 – Accountable Body Projects					
Programmes / Projects	2023/24 Budget £m	2023/24 Actuals £m	Variance to Budget £m	Net Slippage (-) / Acceleration (+) £m	Overspend / (Underspend) £m
Accountable Body					
Midland Net Zero Hub	88.187	47.617	(40.570)	(45.036)	4.466
Devolution Retrofit Funding	4.464	1.867	(2.597)	(2.597)	0.000
Transforming Cities	4.639	12.238	7.599	7.599	0.000
Future Transport Zone	0.250	0.000	(0.250)	(0.250)	0.000
Subtotal Accountable Body Projects	97.540	61.722	(35.818)	(40.284)	4.466
Capital Funding					
External Grants - Accountable Body	(97.540)	(61.722)	35.818	40.284	(4.466)
Funding	97.540	61.722	(35.818)	(40.284)	4.466

Net Slippage

6.7.2 **(£40.284m)** reported net slippage details of schemes with a slippage over £0.500m are set out in appendix 1. The main driver for the slippage in this area is due to slippage by council partners.

Key Variances

6.7.3 **£4.466m** overspend within Midlands Net Zero Hub, relates to additional grant being paid out in year for which no budget approval was sought. Although spend approval was sought through the Spend Control process, this process does not override the approval for incepting or increasing budget within the capital programme. Therefore, this is in breach of the current governance and financial regulations and

has been reported to the Section 151 Officer, accordingly. This has been investigated jointly with the service and management action plan has been agreed with the respective Corporate Director. This overspend is entirely funded by external grants and therefore hasn't created a funding pressure for the Council as detailed in Table 9.

6.8 General Fund Capital Receipts

6.8.1 The table below sets out the draft capital receipts balance being carried forward as at 31 March 2024 of **£8.243m**, this is to be applied in accordance the approved Capital Strategy with the 2024/25 EFS requirement the first priority.

Table 10: Capital Receipt Position 2023/24	
Capital Receipt Element	£m
Capital Receipts Balance Carried Forward as at 1 April 2023	(9.592)
2023/24 Property Receipts net of disposal costs	(34.641)
2023/24 Fleet Receipts net of disposal costs	(0.366)
Less Deferred Receipts Recognised in 2023/24	(5.294)
Less Property Receipts Used to Repay Debt	11.265
Less Receipts Applied to fund 2023/24 Capital Programme	12.817
Capital Receipts Balance as at 31 March 2024 (excluding EFS)	(25.811)
2023/24 EFS Requirement	17.568
Capital Receipts Balance carried forward to 2024/25	(8.243)

7. Reserves and Balances

7.1 General Fund Balance

7.1.1 The General Fund balance as at 31 March 2024 is **£24.203m**.

7.1.2 The £24.203m General Fund balance is consistent with the risk-assessed target specified in the MTFP and Reserve Policy as approved by Council in March 2024. The Chief Finance Officer, as the Council's Section 151 Officer, considers that a balance of £24.203m to be adequate given the risks the council is facing and considering Nottingham City Council's spending history and the commitment as part of the MTFP and updated reserve strategy approved by Council in March 2024 to establishing a 7.5% level of General Fund balance.

7.2 General Fund Reserves

7.2.1 The table below provides General Fund reserve position as at 31 March 2024.

Table 11: General Fund Reserves		
General Fund Reserves	31/03/2023 (Provisional restated - un-audited)	31/03/2024 (Provisional un-audited)
Schools	(30.208)	(30.217)

Table 11: General Fund Reserves		
General Fund Reserves	31/03/2023 (Provisional restated - un-audited)	31/03/2024 (Provisional un-audited)
Non - NCC Funds (accounting body)	0.000	(0.224)
Partnership Fund	(0.568)	(0.568)
Controlled Elsewhere - Restricted Reserves	(30.777)	(31.009)
Private Finance Initiatives (PFI)	(43.078)	(49.552)
Ring-Fenced Accounts	(7.129)	(8.893)
Collection Fund	(5.301)	(0.792)
Capital	(4.062)	(6.246)
Revenue Grants - Restricted	(6.166)	(9.549)
Information Technology	(6.771)	(5.206)
Asset Maintenance	(3.928)	(5.348)
Insurance	(3.919)	(3.919)
Controllable Ringfenced Reserves	(80.354)	(89.506)
Local Economy	(1.597)	(1.884)
Revenue Grants – Unrestricted	(10.321)	(10.031)
Transformation	(4.238)	(16.320)
Services	(3.267)	(10.180)
Corporate (Treasury Management & Workforce)	(18.143)	(16.900)
Financial Resilience Reserve	(25.043)	(6.093)
Contingency & Risk	(6.804)	(4.809)
Controllable Non-Ringfenced Reserves	(69.413)	(66.217)
Total General Fund Reserves	(180.543)	(186.732)

7.2.2 Both the general fund reserves and balances position presented is provisional and subject to changes as a result from prior years due 2019/20 to 2022/23 accounts still open and yet to be audited.

7.2.3 The most significant movements relating to earmarked General Fund reserves during 2023/24 include:

a) **Controlled Elsewhere - Restricted Reserves** – these include balances where the Council is the lead accountable body and holds balances on behalf of any partnership, schools etc... Balances held within this area will be drawdown over the course of the MTFP period, as appropriate and in accordance with partnership arrangements.

The net increase in balances of £0.265m reflects movements relating to Schools balances (including grants) and funds the Councils holds as the lead accountable body.

b) **Controllable ring-fenced reserves** - these include balances where the Council is holding funds in reserve in accordance with accounting practice and/or standards or where the funds have a ring-fenced apply due to statute. In accordance with the funding conditions, the balances held within this area will be drawdown over the course of the MTFP period, as appropriate.

The net increase in balances of £9.152m reflects the following key movements:

- PFI, ring-fenced revenue grants and ring-fenced accounts such as parking.
- Sinking funds for properties managed by corporate landlord and other key assets used to fund repair and maintenance (revenue and capital).

c) Controllable non ring-fenced reserves - these include balances that are not ringfenced and provide flexibility to the Council to use as risk reserve. The balances held within this area are likely to be drawdown over the course of the MTFP period.

With the exception of the following there are no planned contributions to these reserves over the MTFP period;

- one-off approved contribution relating to repayment of c£0.8m which forms part of original c£20m approved 2023/24 budget with the funds from range of reserves being temporarily borrowed to establish an adequate financial resilience reserve. In recognition of the in-year financial challenges, the repayment has been smoothed over 8 years (two MTFP cycles) in the 2024/25 budget process from the original profile over 2 years; and
- one-off approved 2024/25 budget contribution to the financial resilience reserve of c£10m.

Current estimated commitments for this area across the MTFP period 2024/25 to 2027/28 are c£45m.

The net reduction in balances of £3.196m includes the following significant key movements:

- As per the 2024/25 budget, MTFP and reserve policy approved by the Council in March 2024, reserve funding has been repurposed from financial resilience, corporate and; contingency and risk reserves to increase general fund contribution by £9.560m and create one-off transformation funding to support delivery of savings developed through the duties and powers framework of £7.456m.
- All approved transformation funding set out in the MTFP (excluding capital receipts) has now been consolidated under the transformation reserve heading. This has meant that £5.241m funds previously sitting under financial resilience reserve are now reporting under transformation.
- Service net increase of £6.913m is made of specific service area balances, including funding set aside to fund prospective income losses from asset disposals in 2024/25, crematorium replacement project, district heating appraisal and essential repair and maintenance.

7.2.4 Given the extent of change facing the authority over the next few years, it is important that there is sufficient transformation funding available to support the change programme and, given the use of capital receipts being used for EFS, it is imperative that some flexibility for change funding is available.

7.3 Housing Revenue Account Reserves and Balance

7.3.1 The movements in HRA reserve relates to the HRA Major Repairs Reserve. This is a statutory reserve required to be held by the HRA to account for capital financing charges.

Table 11: Housing Revenue Account Reserve and Balances		
HRA Reserve and Balance	31/03/2023 (Provisional restated - un-audited)	31/03/2024 (Provisional)
HRA Balance	(56.764)	(56.764)
HRA Reserve	(39.149)	(74.150)
Total HRA Reserves and Balances	(95.912)	(130.913)

7.3.2 As set out above the reserves and balances position presented is provisional and subject to change.

8. Consideration of Risk

8.1 Councils are required to deliver a balanced budget each year ensuring that the projected expenditure and commitments can be matched by the available resources in year. Due to the continued financial challenge over the last year, the Council has faced significant risk in achieving a balanced budget which had led for the Section 151 Officer to issue a Section 114(3) report on 29 November 2023. Although there has been some improvement, children's and adult's social placement costs continue to be a significant factor in the Council's ability to balance its budget.

8.2 The Section 151 Officer is required to provide his statutory advice to Council on the robustness of the budget estimates and adequacy of reserves. More recently the Section 151 Officers' professional opinion was clearly set out in Appendix 1 of the budget report to City Council on 4 March 2024, setting out the risks and conditions for the 2024/25 budget, reasonably based on the best available information and assumptions at the time.

8.3 As set out in the 2025/26 Budget Strategy report being presented to Executive Board at the same meeting, the significance of the budget gap over the MTFP of c£172m combined with the need to rely on substantial amounts of EFS should not be underestimated. Although c£41m of EFS has allowed the Council to set a balanced budget in 2024/25, the Council has set itself a significantly higher hurdle for 2025/26 with an estimated budget gap of c£69m. The quantum of the financial challenge being faced by the Council alongside and the economic uncertainties over the medium to long term present a high risk to the Council in achieving a balanced budget, combination of which impact council's ability to respond and

manage unforeseen financial risks and to achieving a financially sustainable budget over the MTFP.

8.4 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.

8.5 Given the unique operating context of Nottingham City Council, the following are most immediate risks that will impact finalising the outturn:

- Prior year accounts and historic accounting treatments & practice corrections
- Subsidiary company risk - loans and risk of liabilities materialising
- Assumptions regarding debt collection and impact on the collection fund
- Assumptions regarding provisions and accruals in particular across demand led services.

8.6 Due to 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.

8.7 As set out above, 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 providing the Council with some financial resilience to manage unforeseen and exceptional risks. This is in line with the Section 151 Officer's annual statement on adequacy of reserves which formed part of the budget report to Council in March 2024.

8.8 It will be essential for CLT to continue to exercise firm financial management throughout the remaining months in this year and for the forthcoming years through the close monitoring of budgets.

9. **Best Value Considerations, including consideration of Make or Buy where appropriate**

9.1 To ensure we are delivering continuous service improvement and good outcomes for citizens the Council will embed a culture of Best Value Transformation across all our services and work together as 'One Council'.

9.2 Encompassing Best Value Transformation alongside the 'Together for Nottingham Plan' and a refreshed MTFP the 'One Council' approach will enable us to work on a more stable financial footing.

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

9.4 At the conclusion of this process the Council's published reports will clearly set out how it plans to meet its Best Value requirement to demonstrate the continued financial sustainability of services to its communities over the longer term.

10. **Commissioner comments**

The commissioners are content with this report. This report sets out the provisional outturn for 2023/24. It indicates a significant net overspend on the General Fund. Given its medium term financial position, it is imperative that financial management is strengthened and where overspends are indicated, sufficient attention is given to identify mitigations as soon as possible.

11. **Finance colleague comments (including implications and value for money/VAT)**

11.1 Financial implications appear throughout the report.

12. **Legal colleague comments**

12.1 This report sets out the provisional outturn position for the Council for the end of period 12 for the General Fund, Housing Revenue Account, and the Capital Programme. The report details the steps proposed to be taken in order for the Council to meet the legal obligation to deliver a balanced budget each year.

12.2 This year, those steps include the use of DLUHC Exceptional Funding Support; the proposed use of the Exceptional Funding Support is in accordance with the conditions accepted by the Council.

12.3 The report usefully sets out the steps the Council have taken as a consequence of the issuing of the s114 report in order to meet the legal obligations imposed as a result of the s114 report and to start to address the financial situation generally.

12.4 The Capital overspends as detailed in the report are noted and the proposed actions are accepted as appropriate in the circumstances.

12.5 Other than that, the report raises no significant legal issues.

Anthony Heath Head of Legal and Deputy Monitoring Officer (Interim) 20 May 2024

13. **Procurement comments**

13.1 Not applicable.

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

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

No



An EIA is not required as this report is not proposing any decisions which impact previous EIA undertaken with regards to implementing the 2023/24 approved budget proposals and subsequent changes in-year as part of decisions taken by the Council during the year.

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

15.1 Not applicable.

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

16.1 Not applicable.

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

17.1 Not applicable.

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

- Executive Board 19 March 2024: Period 9 2023/24 Budget Monitoring
- City Council 4 March 2024: 2024/25 Budget and Council Tax Resolution
- City Council 4 March 2024: Response to Statutory Recommendation from the Council's External Auditor
- City Council Extraordinary Meeting 18 December 2023: Response to Section 114 Report – Financial Recovery Plan
- 29 November 2023: Section 114(3) Report
- Executive Board 21 November 2023: Period 6 2023/24 Budget Monitoring
- Executive Board 18 July 2023: Period 2 2023/24 Budget Monitoring