

## Executive Board – 16 July 2024

<b>Subject:</b>	Budget Monitoring Period 2 (2024/25)
<b>Corporate Director(s)/Director(s):</b>	Ross Brown, Corporate Director Finance and Resources (Section 151 Officer)  Shabana Kausar, Director of Finance (Deputy Section 151 Officer)
<b>Executive Member(s):</b>	Councillor Linda Woodings, Executive Member for Finance and Resources
<b>Report author and contact details:</b>	Ben Cookson, Assistant Director for Business Partnering Parmjeet Jassal, interim Financial Planning & Monitoring Accountant Thomas Straw, Senior Accountant
<b>Other colleagues who have provided input:</b>	<ul style="list-style-type: none"> <li>Corporate Leadership Team</li> <li>Colleagues within respective departmental leadership teams</li> <li>Transformation Team</li> <li>Colleagues within Technical, Strategic and Commercial Finance Teams</li> </ul>
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
<b>(a)</b>	<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
<b>and/or</b>	
<b>(b)</b>	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date: Capital budget approved 05/02/24
<b>Total value of the decision:</b>	£37.439m (recommendation 6)
<b>Section 151 Officer expenditure approval</b>	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: n/a
<b>Commissioner Consideration</b>	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.
<b>Wards affected:</b>	All
<b>Date of consultation with Executive Member(s):</b>	24 June 2024
<b>Relevant Council Plan Key Outcome:</b>	
Clean, Green and Connected Communities	<input checked="" type="checkbox"/>
Keeping Nottingham Working	<input checked="" type="checkbox"/>
Carbon Neutral by 2028	<input checked="" type="checkbox"/>
Safer Nottingham	<input checked="" type="checkbox"/>
Child-Friendly Nottingham	<input checked="" type="checkbox"/>
Living Well in Our Communities	<input checked="" type="checkbox"/>
Keeping Nottingham Moving	<input checked="" type="checkbox"/>
Improve the City Centre	<input checked="" type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Serving People Well	<input checked="" type="checkbox"/>

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

This report provides an assessment of the Council's 2024/25 forecast outturn for the General Fund, Housing Revenue Account and Capital Programme, based on activity to the end of the Period 2 (31 May 2024).

As seen across many other local authorities, the Council is experiencing significant cost pressures along with rising demand in adult's and children's social care, and temporary accommodation. The recent 'cost of living crisis' is also impacting the various income streams of the Council.

The Council in March 2024 approved a 4-year Medium Term Financial Plan (MTFP) based on the best available information at the time. However, the financial environment within which the Council is operating is constantly evolving and its budget strategy and planning process needs to be accordingly refreshed to ensure it continues to meet its Best Value requirement to demonstrate continued financial sustainability.

The Council continues to face exceptional circumstances as best demonstrated by the 2024/25 General Fund Budget balanced only by taking all available saving options tabled to the executive Board and City Council in February 2024 and March 2024 respectively and the use of material sums of Exceptional Financial Support. The 2024/25 approved budget includes use of c£41m of Exceptional Financial Support flexibility with any in-year overspends requiring to be met from a combination of in-year mitigations and savings and one-off General Fund contingency. In case, where application of all available financial intervention strategies/tools does not fully close any in-year budget gap then use of reserves may be considered.

The predominate drivers of these pressures continue to be a combination of both significant demographic, complexity of provision and inflationary pressures across wide range of areas.

The Council's comprehensive Savings Programme, including the Transformation Programme which is currently in its third year, is projected to achieve significant budgetary efficiencies, with combination of 2024/25 and 2023/24 undelivered savings totalling £37.438m (76.8%) either delivered or on track to be delivered in 2024/25. Additionally, the ongoing Finance Improvement Programme is expected to further streamline our financial operations, ensuring continued fiscal prudence and resource optimisation.

The Council is forecasting a gross General Fund overspend of £12.213m (3.4%) in Period 2 of 2024/25. Planned management intervention is predicted to reduce the net forecast overspend to £5.819m (1.63%). £5.165m of the net forecast overspend is attributable to the Adults & Public Health (Gross: £6.129m Net: £1.700m) and Children's & Education (Gross: £5.429m Net: £3.464m) directorates.

The HRA forecast at Period 2 for 2024/25 is showing a net overspend of £0.497m.

The revised Capital Programme profiled for 2024/25 at Period 2 (combined General Fund and HRA) is forecasting to spend c£205m, a variance of (c£20m) when compared to 2024/25 budget.

Throughout the report, budget overspends are shown as a positive numbers and underspends as negative number.

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

No

<b>Recommendation(s):</b>
<b>1) To note the General Fund forecast net overspend for 2024/25 at Period 2 of £5.819m against approved budget of £356.800m (Section 5) and risks set out in Section 10.</b>
<b>2) To note that the Corporate Leadership Team in consultation with the Section 151 Officer will look to develop mitigation strategy and plan in bringing the forecasted spend back in line with approved budget.</b>
<b>3) To note the General Fund budget includes the Exceptional Financial Support flexibility of £41.143m for 2024/25, which will be deployed through a combination of capital receipts and short term borrowing (section 4).</b>
<b>4) To note the progress of the approved savings over the Medium Term Financial Plan (2024/25 – 2027/28) period of £66.521m (74.4%) either delivered or on track to be delivered of which:</b> <ul style="list-style-type: none"> <li>• £2.222m relate to undelivered 2023/24 savings brought forward (paragraph 6.3)</li> <li>• £35.215 relate to 2024/25 savings (paragraph 6.2)</li> <li>• £29.083m relate to savings over the MTFP period 2025/26 to 2027/28 (paragraph 6.4)</li> </ul> <p>See section 6 and Appendix 1 for further details.</p>
<b>5) To note the HRA forecast net overspend for 2024/25 at Period 2 of £0.497m (section 7) resulting in a reduction to the planned contribution to reserves.</b>
<b>6) To approve the 2024/25 Capital Programme net slippage of £19.384m and net underspend of (£56.823m) with regards to the following:</b> <ul style="list-style-type: none"> <li>• General Fund (£17.228m) and HRA (£2.755m) net slippage to be carried forward and reprofiled across the medium term financial plan.</li> <li>• £39.817m Accountable Body budget reprofiled across the medium-term financial plan.</li> <li>• (£56.823m) underspend across HRA (£0.039m) and Accountable Body schemes (£56.784m) for which budget will be removed (paragraph 8.2).</li> </ul>

## 1. Reasons for recommendations

- 1.1. This report forms a key part of formal General Fund Revenue, Capital and HRA monitoring against the 2024/25 budget.
- 1.2. As set out in the Financial Regulations and Financial Accountabilities Framework, the Chief Finance Officer is responsible for reporting the performance of the budget to Executive Board.
- 1.3. Budget reporting to councillors is essential for informed decision-making, transparency, and effective governance in local authorities, ensuring accountability and sound financial management.

## 2. Background (including outcomes of consultation)

- 2.1. Councils are required by law to ensure their budgets are balanced each year. This highlights the critical need for consistent reporting and diligent oversight of budgets that enables sound financial governance.
- 2.2. At the end of 2023/24 the Council reported a provisional overspend of £17.568m to the June 2024 Executive Board, being fully funded from the

Exceptional Financial Support flexibility. Although significant service growth has been provided through the 2024/25 budget and MTFP process to manage the recurring pressures, the Council is continuing to experience an increased demand for services amidst a challenging cost-of-living crisis. These demands occur against a backdrop of shifting economic conditions, characterised by variable inflation and interest rates and the residual effects of the pandemic. Therefore, it is crucial for Corporate Leadership Team to monitor the financial health of the Council with diligence, as minor changes in the needs of the community can significantly affect the budget.

2.3. Furthermore, the Council was faced with a challenging task of setting a balanced budget for 2024/25, with c£41m of the budget gap being funded from Exceptional Financial Support. However, this is a temporary arrangement, so the Council must find savings in the current year to ensure a balanced budget can be set next year. Corporate Leadership Team alongside the Transformation and Change Oversight Board are providing focus to this effort.

2.4. Corporate Directors are actively working to control expenditures within the approved 2024/25 budget, seeking to improve financial management and forecasting with support from the Finance team. The Corporate Leadership Team is committed to implementing spending controls and behavioural changes to manage any departmental overspends and ensure financial stability in the short term.

### 3. **Spend Control Process**

3.1. Following issuance of the Section 114(3) report on 29 November 2023, the Section 151 Officer has instituted a Spend Control Policy and Board which was agreed by the City Council at their meeting on 18 December 2023 to continue until 31 March 2025. The policy's effectiveness is monitored through daily board meetings chaired by the Section 151 Officer, with the Chief Executive and Monitoring Officer in attendance. During this time, any spending that occurs without authorisation is subject to a formal disciplinary process.

3.2. 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.

3.3. As set out in the 'Response to Section 114(3) report, the 'Financial Recovery Plan' report to City Council on 18 December 2023, set out review for spend control process review to be 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. The

outcomes of this review were presented to Corporate Leadership Team in June 2024 and for now the spend control process will continue with some refinement.

- 3.4. The intention is to develop ready for implementation a financial intervention strategy that will seek to address in its entirety the current reported projected overspend.

**4. Exceptional Financial Support (EFS)**

- 4.1. The granting of EFS by Government allows the Council to access its capital resources to finance its revenue spend, which is not allowed in normal circumstances.
- 4.2. In February 2024, the Council gained approval to utilise EFS flexibility of up to £65m. At provisional outturn 2023/24, £17.568m was utilised. £41m was allocated in 2024/25 to ensure a balanced budget position.
- 4.3. In 2023/24, the EFS was fully funded from capital receipts. As a result, the Council did not have to borrow. However, if the planned capital receipts forecast is not achieved, then the Council will have to borrow to fund the EFS. Borrowing costs impact on the General Fund through the MRP mechanism, so it is important that EFS utilisation is kept to a minimum.
- 4.4. The Council is committed to reducing the utilisation of EFS through early identification and delivery of additional savings in-year.
- 4.5. At period 2, it is expected the full amount of EFS will be utilised in 2024/25, however due to the 2023/24 EFS requirement being fully met from capital receipts there is no MRP requirement against 2024/25 budget. The underspend is reflected in the Period 2 forecast for capital financing held corporately within treasury management. The table below sets the EFS requirement for 2024/25.

**Table 1: 2024/25 Exceptional Financial Support Forecast**

	Budget 2024/25 £m	Period 2 Forecast £m	Period 2 Net Variance (underspend) /overspend £m
<b>General Fund Revenue Budget Use of EFS</b>	<b>41.143</b>	<b>41.143</b>	<b>0.000</b>
Capital Receipts	25.200	25.200	0.000
Borrowing	15.943	15.943	0.000
<b>Capital Financing Resource for EFS</b>	<b>41.143</b>	<b>41.143</b>	<b>0.000</b>
Interest	0.664	0.664	0.000
MRP	0.185	0.000	(0.185)
<b>Revenue Impact of EFS</b>	<b>0.849</b>	<b>0.664</b>	<b>(0.185)</b>

- 4.6. Whilst Table 10 below (paragraph 8.3.3) is currently forecasting capital receipt shortfall of £8.400m in 2024/25, if this position holds true or gets worse, the Council will be required to undertake additional temporary borrowing of same value for the EFS, which will have an impact on the General Fund revenue budget with regards to interest payment in 2024/25

and MRP in 2025/26. Work is on-going within the Asset Transformation Programme to identify assets for disposal and therefore at this time it is too early to truly know and quantify the actual level of capital receipt shortfall. This is being closely monitored with updates planned to be provided to the Executive, Corporate Leadership Team and Capital Board as part of the monitoring process.

4.7. As set out in the '2025/26 Budget Strategy' report to the Executive Board in July 2024, the Council is faced with a significant budget gap over the MTFP of c£172m (2025/26 – 2027/28) with c£69m to be achieved in 2025/26. Due to the significant challenge the Council may require additional EFS flexibility in deliver a balanced budget over the medium-term.

## 5. 2024/25 General Fund Revenue Forecast

5.1. As set out above, is expected that Corporate Directors will seek to take mitigating actions to contain expenditure within the approved budget. Where overspends cannot be contained within a single department, the Corporate Leadership Team will explore those issues and agree how they will be managed within the overall approved General Fund Budget for the Council.

5.2. Table 2 below summaries the gross General Fund overspend of £12.213m (3.4%) which is reduced to a net overspend of £5.819m (1.63%) following application of forecasted management actions against the General Fund budget of £356.800m.

**Table 2: 2024/25 General Fund Revenue Forecast**

Directorate	2024/25 Budget	Year to Date Actuals	Period 2 Forecast	Mitigations	Period 2 Forecast including Mitigations	Period 2 Net Variance (underspend) /overspend
	£m	£m	£m	£m	£m	£m
Adults	88.900	30.347	95.132	(4.428)	90.703	1.803
Commissioning	2.922	0.656	2.819	0.000	2.819	(0.102)
Public Health	0.000	(11.858)	0.000	0.000	0.000	0.000
<b>Adults &amp; Public Health Subtotal</b>	<b>91.822</b>	<b>19.145</b>	<b>97.951</b>	<b>(4.428)</b>	<b>93.523</b>	<b>1.700</b>
Children's	86.665	12.883	92.365	(1.965)	90.400	3.735
Education	3.711	7.347	3.441	0.000	3.441	(0.270)
Schools	0.000	(27.595)	0.000	0.000	0.000	0.000
<b>Children's &amp; Education Subtotal</b>	<b>90.376</b>	<b>(7.365)</b>	<b>95.805</b>	<b>(1.965)</b>	<b>93.840</b>	<b>3.464</b>
Communities Environment and Resident Services	50.506	(22.476)	50.055	0.000	50.055	(0.451)
Growth & City Development	6.782	(16.996)	8.499	0.000	8.499	1.718
Finance & Resources	44.847	8.113	45.602	0.000	45.602	0.755
Chief Executive	4.119	0.459	4.099	0.000	4.099	(0.020)
Companies	0.576	0.000	0.576	0.000	0.576	0.000
<b>Total Departments</b>	<b>289.027</b>	<b>(19.121)</b>	<b>302.588</b>	<b>(6.393)</b>	<b>296.194</b>	<b>7.167</b>
Corporate	67.773	(4.850)	66.425	0.000	66.425	(1.348)
<b>Net General Fund Budget</b>	<b>356.800</b>	<b>(23.971)</b>	<b>369.013</b>	<b>(6.393)</b>	<b>362.619</b>	<b>5.819</b>

- 5.3. The Council currently holds a revenue budget contingency of c£4m that sits in Corporate. For Period 2 this is not shown as being applied in the table above as it would be premature to utilise contingency at this stage of the financial year but in doing so it will reduce the forecasted overspend to £1.819m.
- 5.4. The overspend is largely due to a combination of increased demand across adult social care placements that have exceeded the growth estimate, compounded by increased demand and complexity of need in children's social care placements. Continued efforts to reach ambitious savings goals through the Transformation Programme are creating added financial challenges especially across adult's programme (refer to section 6).
- 5.5. Within this difficult budgetary environment, Corporate Directors are actively working to manage 2024/25 expenditures, while working closely with the finance team to enhance budget management processes and data quality. When a departmental overspend is predicted, the Corporate Leadership Team will determine the immediate actions and mitigations, necessary to address the overspend in the current year.
- 5.6. Additionally, the Corporate Leadership Team advocates for spending control measures, leading by example to alter spending habits within their departments and seeking short-term mitigations, all with the goal of cutting down and ultimately eliminating non-essential spending.
- 5.7. Furthermore, a new budget monitoring process was implemented in period 2, requiring Corporate Directors and their leadership team to return a sign-off proforma providing narrative for their departmental variances, review and finalise savings RAG rating over the MTFP period, set out mitigating actions, risks and opportunities that are difficult to capture on PBCS (Oracle Planning and Budgeting Cloud Service). This effort aims to strengthen financial management controls and improve forecasting. Where quantifiable, the forecast outturn includes this additional information.
- 5.8. Explanations for the significant overspends and underspends for directorates are set out below.
- 5.9. **Adults and Public Health**
- 5.10. Overall, the Adults and Public Health directorate is reporting a gross overspend of £6.129m (6.67%) against a net budget of £91.822m. Mitigating actions taken by management in Adult's are forecasted to reduce the overspend to £1.700m (1.85%). The following highlights the main variances and risks:
- a) **Adults** – The current forecast is a gross overspend of £6.231m against a budget of £88.900m (7.01%). Through use of one-off grants and other management actions, the overspend is reduced to £1.803m (2.03%) which is primarily due to:

- **Assessment and Care Management** - The current forecast is a net overspend of £0.409m against a budget of £7.950m (5.14%), primarily due to:
  - a net £0.484m overspend on staffing, which is being partially offset by (£0.072m) underspends on non-staffing costs across the service.
  - It is currently forecast that in-year vacancy targets and Duties & Powers "Review and Restructure" savings targets will be fully achieved.
  - Additional spend relates to one-off resources to support capacity, which is funded by budget held within Other Adult Social Care Services (Social Care Reform Funding & Market Sustainability and Improvement Fund)
  
- **External Care Purchasing** – The current forecast is a net overspend of £5.712m against a budget of £115.46m (4.95%). This is made up of a gross overspend on care expenditure of £7.574m, offset by assumed additional health income of £1.862m. The gross overspend is due to several factors:
  - Failure to achieve savings targets for 2024/25 and undelivered savings brought forward from 2023/24 have resulted in a forecasted pressure of £7.005m, of which, £2.335m relates to 2023/24.
  - The Adults Transformation programme is currently forecasting to accelerate savings against some of its workstreams to enable the service to bank and release an estimated £0.497m in the current year. This is currently shown as management action as these have yet to be delivered.
  - £0.500m backdated payments that are higher than the expected amounts accrued at the end of last year to be funded from one-off risk provision. The specific risk funding will be used to address the unexpected excess payments.
  - The additional assumed health income reflects the full year impact of growth in care spend in 2023/24 and new cases in 2024/25. However, there is a significant risk in terms of the health contribution to joint packages of care. The ICB have written to the Council to indicate that they will be reviewing all jointly funding packages with an expectation that their contribution will reduce significantly. The full impact of this and the effect of any mitigating action by the Council is not clear at this point, but the impact could be up to 30% at a potential cost of up to £3.6m, not currently reflected in these forecasts.
  
- **In-House Care Provision** - The current forecast is a net underspend of (£0.575m) against a budget of £9.112m (6.31%). This is primarily due to staff vacancies across Jackdawe (13.8 FTE), Acorn (2.01 FTE) and in facilities and supplies (6.60 FTE). This is linked to the retention of vacancies across the service due to the potential impact of Jackdawe savings which is be reviewed monthly.

- **Disabled Children's Services** - The current forecast is an overspend of £0.095m against a budget of £2.82m (3.37%). This relates to growth in the number and cost of Direct Payments for Children with Disabilities, which is offset by an ongoing underspend against short term breaks and vacancies within service management.

There is a risk that with the development of a new short breaks service, the current underspend with regards to this provision will not be available to offset Direct Payments overspends. This is being closely monitored monthly with mitigation identified, as required.

- **Other Adult Social Care Services** - The current forecast is a net underspend of (£3.311m) against a budget of £46.44m (7.13%), of which £3.356m mainly relates to following one-off grant funding:
  - Contain Outbreak Management Fund (£2.560m) will be used to support eligible care package spend and needs to be utilised by 30 September 2024.
  - Market Sustainability and Improvement Fund (£0.285m) and Care Reform funding (£0.511m) currently offset the cost of additional capacity with the Assessment & Care Management Service.

b) **Commissioning** – a small net underspend of (£0.102m).

c) **Public Health** – is forecasting a break-even position with the budget fully funded from grant.

## 5.11. Children's and Education

5.11.1. Overall, the Children's and Education is reporting a gross overspend of £5.429m (6.01%) against a budget of £90.376m. Mitigating actions taken by management in the Children's directorate are predicted to reduce the overspend to £3.464m (3.83%). The following highlight the main variances, risks and opportunities.

a) **Children's** - the current forecast is a gross overspend of £5.699m (6.58%) against a net budget of £86.665m. Through the draw-down of various grants unapplied in previous years the overspend is reduced to £3.735m (4.31%). The key drivers and risks are set out below:

- The main pressure for Children's Social Care is the Children in Care budget which is forecasting a gross overspend of £9.311m at Period 2 which is reduced to £7.117m following application grant funded relating to specific children in care. The gross pressure is broken down into £5.553m for external placements, mainly residential placements and £3.756m pressure for unregulated placements.

During 2023/24, the transformation programme was successful in a steady reduction in the number of children in care from 732 on 1 April 2023 to 676 on 31 March 2024. The safe reduction of children in care

has continued during the first two months of this year meaning that on 31 May 2024 there were 665 children in care. Our rate of children in care per 10,000 is nearing the rate of our statistical neighbour authorities where the average is 94.4 per 10,000. As of 31 May 2024, Nottingham's rate per 10,000 of children in care was 99.1, this is set against a rate of 109.2 per 10,000 at our highest point in 2022/23.

The issue continuing to impact on the Council is the mix and profile of children placed in residential and unregulated placements, which stands at over 20% currently. The complexity and need of children in unregulated and residential placements are the reason for this reported overspend.

Currently there are 15 children placed in unregulated places where the highest weekly cost is £22,000, most of the children in receipt of these care packages have substantial needs and require a high staffing ratio. The average cost for these 15 children is £13,600 per week. The cost of these placements may not significantly decrease when initially moved to a regulated placement due to level of complex needs. The Medium-Term Financial Plan growth assumptions do not reflect the current profile mix of children and also assumed a smaller number of children on average being placed within this provision over a year.

- A shortfall in the ICB funding for jointly funded places is anticipated to be £0.594m.
- The external placement pressure is also offset by the in-house fostering services underspending particularly on fostering allowances. This is forecast as (£2.124m) underspend.
- Several staffing vacancies across Children's Social Care are being held to mitigate the pressure on the children in care budget. This is as a result of increasing the number of permanent staff recruited and ensuring that there are still manageable caseloads across the service. The one area where there is a pressure due to the higher use of agency workers is within the children in care teams. This is reported as £0.105m for Period 2.
- The underspend for staffing across the other areas as at Period 2 is £2.070m, when netted off against pressures the overall underspend for staffing is £1.965m across Early Help (£0.703m), Fieldwork Services (£0.556m), First Response (£0.508m) and Fostering Teams (£0.308m).

b) **Education** – a net underspend of (£0.270m) is mainly due to:

- Directorate non pay savings target not being achieved being offset by underspends from staff vacancies - a mitigation plan is to be developed.

- Lower income from early years training and additional staff cost from Educational Welfare being offset by underspends from staff vacancies.
- Vacancies within the Education Psychology Service due to the shortage of workers nationally and delay in appointing locums, service will ensure children are not missing out.

5.12. **Communities Environment and Resident Services** - a net underspend of (£0.451m) against a budget of £50.506m (0.089%). The following highlight the main variances, risks, and opportunities.

- Sports and Leisure** – a net underspend of (£0.298m) due to better-than-expected income recovery. This has been identified as an area to mitigate some of the pressures across other services areas within the directorate.
- Community Development and Uniformed Services** – a net underspend of (£0.111m) largely due service maintaining staff vacancies whilst the new Neighbourhood Safety Team is established.
- Events** – a net underspend of (£0.154m) due to the decision to proceed with a scaled down Riverside Festival in 2024 and staff vacancies within the Events team.
- Community Centres** – a net overspend of £0.124m in this area is forecasted whilst implementation proposals of the savings are assessed.
- Libraries' service** – a net overspend of £0.381m in relation to slippage in start date of libraries consultation following informal stakeholder engagement.
- Waste and Street Cleansing** – a net underspend of (£0.213m) through a combination of improved income generation and delivery of staff savings.
- Other** – a net underspend across various budget lines of (£0.058m).

5.13. **Growth and City Development** – a net overspend of £1.718m against a budget of £6.782m (25.33%). The following highlight the main variances, risks, and opportunities.

- Economic Development** – a net overspend of £0.551m of which £0.322m relates to the loss of LTP grant in the current year. The pressure is being fully mitigated from various funding carried forward previously through reserves including drawdown of Community Family Learning funding of £0.200m.
- Planning** – a net overspend of £0.147m pressure against a budget of £6.544m (2.2%) which is mainly in relation to:
  - Uncharacteristically the Council has seen low income from planning application submissions in first 2 months. This follows the national trend and caused by short term uncertainty from general election, high

borrowing/construction costs affecting development viability and introduction of new legislation/regulations. Management actions state budgeted income is achievable this year.

- Building control overspend is more structural following uncertainties created by new Building Safety Regulator (BSR) and requirement for additional staffing capacity/capability (£0.147m forecast over budget - to be monitored closely and any opportunities to win work via BSR following successful accreditation of senior officers used to grow income share).

c) **Housing** – net underspend of (£0.949m) against a budget of £14.42m (6.58%) key drivers and risk include:

- Bed and Breakfast demand and costs have decreased by £0.849m, mainly due to block bookings of nightly Paid Temporary Accommodation (NPTA), which secured multiple units at lower rates. Reduced B&B usage also contributed to a general price drop, further cutting costs. These savings have offset the limited availability of temporary housing through Nottingham City Homes Ltd and its subsidiaries.
- The future financial impact on the budget from decisions regarding NCH Ltd is uncertain and potentially significant.
- Housing Aid saw a £0.380m reduction, largely attributed to staff vacancies.
- The Broadmarsh and Guildhall Regeneration project is overspent by £0.322m, with no allocated budget.

d) **FM & Building Services** – is forecasting a net overspend of £1.552m which is largely due to the underachievement of internal recharges income. Following a recent centralisation process, the FM and Building Services budget carries the risk of all reallocated budgets. The centralisation process is under review to understand the extent of the risk and the impact on the General Fund. An update will be provided through next monitoring report.

e) **Other** - a net contribution to reserves of £0.428m is planned for ring-fenced funding, consisting of various revenue grants and the Special Parking Account.

5.14. **Finance and Resources** - a net overspend of £0.755m, compared to the budget of £44.847m (1.68%). The following highlights key variances, risks, and opportunities.

a) **Commercial and Procurement** - a net overspend of £1.027m is currently forecasted which largely relates to savings at risk of non-delivery, in respect of Procurement Transformation. An approach to how the savings will be identified has been approved by the Commercial Oversight Board

recently. The saving will be monitored monthly through the board and progress reported through the bi-monthly monitoring reports.

- b) **Customer Services** – are reporting small net overspend of £0.093m and are forecasting to be on track in delivering total savings of c£2.9m.
- c) **Human Resources** – a net underspend of (£0.183m) is being reported mainly driven by staff vacancies within across the service.
- d) **Audit and Risk** - a net underspend of (£0.177m) mainly relating to estimated contribution from HRA on planned audit activity.
- e) **Other** – a net underspend is (£0.006m) across other services areas including IT, Finance and Legal and Governance.

5.15. **Chief Executive** – a small net underspend of (£0.020m) against a budget of £4.118m (0.48%) relating to staff vacancies across Transformation and Strategy & Policy service areas.

5.16. **Corporate** - a net underspend of (£1.348m) compared to the budget of £67.773m (1.99%). The following highlights the key variances.

- (£1.105m) underspend relating to estimated HRA and other contributions towards non-distributed pension fund contribution costs held centrally.
- (£0.332m) net underspend across treasury management due to combination of MRP on EFS and income earned from interest on cash balances which is driven by a combination of level of cash balances held and interest rates expected to stay higher for a longer period, offset by lower than budgeted income from loans to third party companies being achieved.

## 6. Savings Programme

6.1. The total savings approved to date, including by new savings approved by the Executive Board in February 2024, for the Medium-Term Financial Plan (MTFP) period 2024/25 to 2027/28 was £73.806m, of which, savings profiled for 2024/25, were £34.223m. Table 3 below provides an overview of savings approved including carry forward of non-delivered savings at the end of 2023/24.

**Table 3: 2024/25 General Fund Approved Savings**

<b>Savings Overview</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total MTFP</b>	<b>Total to Monitor</b>
	£m	£m	£m	£m	£m	£m	£m
Previous Savings		(11.149)	(12.416)	(12.672)	(0.278)	(36.515)	(36.515)
New Savings		(22.128)	(13.202)	(0.623)	(0.396)	(36.348)	(36.348)
<b>Gross MTFP Savings</b>		<b>(33.277)</b>	<b>(25.618)</b>	<b>(13.295)</b>	<b>(0.674)</b>	<b>(72.863)</b>	<b>(72.863)</b>
Unachieved 2023/24 Savings*	(7.528)						(7.528)
Growth - Savings Written Off	1.175						1.175
<b>2023/24 Unachieved savings</b>	<b>(6.353)</b>						<b>(6.353)</b>
<b>Gross MTFP position</b>	<b>(6.353)</b>	<b>(33.277)</b>	<b>(25.618)</b>	<b>(13.295)</b>	<b>(0.674)</b>	<b>(72.863)</b>	<b>(79.216)</b>
Transformation - reprofile/write-off		(0.846)	(0.919)	0.692	0.190	(0.883)	(0.883)

Other - reprofile/write-off		(0.100)	0.040	0.000	0.000	(0.060)	(0.060)
<b>Overall net position</b>	<b>(6.353)<sup>1</sup></b>	<b>(34.223)<sup>2</sup></b>	<b>(26.497)</b>	<b>(12.603)</b>	<b>(0.483)</b>	<b>(73.806)</b>	<b>(80.159)</b>

<sup>1</sup> The brought forward value has been adjusted to reflect other departmental savings delivered at the end of 2023/24

<sup>2</sup> The savings include reversal of previous one-off savings in Corporate of +£8.175m

## 6.2. 2024/25 Savings Programme Delivery

6.2.1. Savings programme delivery 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).

6.2.2. Going forward, the performance delivery 2024/25 will be compared to the overall savings figure of £42.398m which excludes the reversal of previous one-year saving (£34.223m + £8.175m).

6.2.3. Table 4 below summarises the performance of each directorate for 2024/25, at Period 2, with £35.215m (83.1%) of savings either delivered (blue) or on track to be delivered (green).

6.2.4. Savings that are either at risk of delivery (amber) or is at risk of non-delivery (red) total £7.183m (16.9%) with those in RAG rated Red reflected as pressures in the directorate General Fund position above.

**Table 4: 2024/25 General Fund Approved Savings** (as adjusted by reprofiling/write-offs of previous proposals)

Saving Category / Directorate	2024/25 Saving £m	% On Track or Delivered	Blue – Delivered £m	Green – On Track £m	Amber – At Risk £m	Red – Non-Delivery £m
Duties & Powers	(1.943)	99.7%	0.000	(1.937)	0.000	(0.007)
Transformation	(5.681)	21.9%	0.000	(1.246)	0.000	(4.435)
Other	(1.073)	78.7%	0.000	(0.844)	0.000	(0.229)
<b>Adults</b>	<b>(8.696)</b>	<b>46.3%</b>	<b>0.000</b>	<b>(4.026)</b>	<b>0.000</b>	<b>(4.670)</b>
Duties & Powers	(0.355)	100.0%	0.000	(0.355)	0.000	0.000
<b>Commissioning</b>	<b>(0.355)</b>	<b>100.0%</b>	<b>0.000</b>	<b>(0.355)</b>	<b>0.000</b>	<b>0.000</b>
<b>Adults &amp; Health</b>	<b>(9.051)</b>	<b>48.4%</b>	<b>0.000</b>	<b>(4.381)</b>	<b>0.000</b>	<b>(4.670)</b>
Duties & Powers	(1.269)	100.0%	0.000	(1.269)	0.000	0.000
Transformation	(4.045)	100.0%	(0.511)	(3.534)	0.000	0.000
<b>Children's</b>	<b>(5.313)</b>	<b>100.0%</b>	<b>(0.511)</b>	<b>(4.802)</b>	<b>0.000</b>	<b>0.000</b>
Duties & Powers	(0.902)	47.9%	0.000	(0.432)	(0.375)	(0.095)
Other	(0.246)	87.8%	0.000	(0.216)	(0.030)	0.000
<b>Education</b>	<b>(1.148)</b>	<b>56.5%</b>	<b>0.000</b>	<b>(0.648)</b>	<b>(0.405)</b>	<b>(0.095)</b>
<b>Children's &amp; Education</b>	<b>(6.461)</b>	<b>92.3%</b>	<b>(0.511)</b>	<b>(5.451)</b>	<b>(0.405)</b>	<b>(0.095)</b>
Duties & Powers	(10.347)	84.5%	(0.125)	(8.622)	(1.293)	(0.307)
Transformation	(0.163)	100.0%	0.000	(0.163)	0.000	0.000
Other	(0.459)	100.0%	0.000	(0.459)	0.000	0.000
<b>Communities, Environment &amp; Resident Services</b>	<b>(10.969)</b>	<b>85.4%</b>	<b>(0.125)</b>	<b>(9.244)</b>	<b>(1.293)</b>	<b>(0.307)</b>
Duties & Powers	(4.209)	100.0%	(0.745)	(3.465)	0.000	0.000
Transformation	(5.256)	100.0%	0.000	(5.256)	0.000	0.000
Other	(1.212)	100.0%	0.000	(1.212)	0.000	0.000
<b>Growth &amp; City Development</b>	<b>(10.678)</b>	<b>100.0%</b>	<b>(0.745)</b>	<b>(9.933)</b>	<b>0.000</b>	<b>0.000</b>
Duties & Powers	(2.498)	100.0%	0.000	(2.498)	0.000	0.000
Transformation	(1.917)	78.4%	0.000	(1.503)	0.000	(0.414)
Other	(0.250)	100.0%	0.000	(0.250)	0.000	0.000

<b>Finance &amp; Resources</b>	<b>(4.664)</b>	<b>91.1%</b>	<b>0.000</b>	<b>(4.250)</b>	<b>0.000</b>	<b>(0.414)</b>
Duties & Powers	(0.605)	100.0%	0.000	(0.605)	0.000	0.000
Other (adjustment of one-off saving)	0.030	100.0%	0.030	0.000	0.000	0.000
<b>Chief Executive</b>	<b>(0.575)</b>	<b>100.0%</b>	<b>0.030</b>	<b>(0.605)</b>	<b>0.000</b>	<b>0.000</b>
<b>Total</b>	<b>(42.398)<sup>1</sup></b>	<b>83.1%</b>	<b>(1.351)</b>	<b>(33.864)</b>	<b>(1.698)</b>	<b>(5.485)</b>
% Overall			3.2%	79.9%	4.0%	12.9%

<sup>1</sup>2024/25 Savings total excludes reversal of previous one-off Corporate savings of +£8.175m

6.2.5. As shown in Table 4 above, several Directorates are behind target and require remedial activity to provide mitigation plans to bring savings back on track or replacement plans where there is no prospect of delivery against the original saving.

6.2.6. The key drivers that have led to the in-year under-delivery of savings include conflicting priorities and/or over ambitious assumptions within original delivery plans, which has particularly affected Adults Transformation (£4.435m) and Finance and Resources Procurement Transformation (£0.414m).

6.2.7. In addition, several Duties and Powers savings are at risk with the larger value ones being as follows:

- Education: Seek additional funding for Children with Special Educational Needs and Disabilities (DPE 2403 £0.375m)
- Community, Environment and Resident Services:
  - Review of Community Centres (DPE 2409 £0.307m)
  - Review of Libraries (DPE 2410 £1.143m)

### 6.3. Under-delivery of Savings 2023/24 Brought Forward

6.3.1. The provisional financial outturn 2023/24 reported under-delivery of savings totalling £7.528m (Transformation £6.765m, Other £0.763m). Savings proposals that had no prospect of delivery were provided with growth monies in the 2024/25 medium term financial plan (MTFP) totalling £1.175m resulting in net brought forward of adjusted under-delivered savings of £6.353m.

6.3.2. Table 5 below which summarises the performance of each directorate for 2024/25, at Period 2, shows savings delivered (blue) or on track for delivery (green) totalled £2.222m (35.0%) whilst £4.131m (65.0%) remain at risk of delivery (amber) or non-delivery (red) and are reflected as pressures in the directorate outturn positions above.

**Table 5: Under-delivered 2023/24 Savings** (adjusted by £0.05m write-offs of some previous proposals)

Directorate	2023/24 Under-Delivered Saving £m	% On Track or Delivered	Blue – Delivered £m	Green – On Track £m	Amber – At Risk £m	Red – Non-Delivery £m
Adults	(3.295)	29.1%	(0.089)	(0.870)	0.000	(2.335)
Adults & Public Health	(3.295)	29.1%	(0.089)	(0.870)	0.000	(2.335)
Children's	(0.427)	100.0%	(0.427)	0.000	0.000	0.000

Directorate	2023/24 Under-Delivered Saving £m	% On Track or Delivered	Blue – Delivered £m	Green – On Track £m	Amber – At Risk £m	Red – Non-Delivery £m
Education	(0.273)	4.1%	0.000	(0.011)	(0.030)	(0.232)
Children’s & Education	(0.700)	62.6%	(0.427)	(0.011)	(0.030)	(0.232)
Communities, Environment & Resident Services	(0.047)	0.0%	0.000	0.000	0.000	(0.047)
Growth & City Development	(1.401)	58.9%	(0.125)	(0.700)	0.000	(0.576)
Finance & Resources	(0.911)	5.2%	0.000	0.000	(0.249)	(0.662)
<b>Total</b>	<b>(6.353)</b>	<b>35.0%</b>	<b>(0.641)</b>	<b>(1.581)</b>	<b>(0.279)</b>	<b>(3.852)</b>
% Overall			<b>10.1%</b>	<b>24.9%</b>	<b>4.4%</b>	<b>60.6%</b>

6.3.3. As shown in Table 5 above, several directorates are behind target (red and amber) and require remedial activity to provide mitigation plans to bring savings back on track or replacement plans where there is no prospect of delivery against the original saving.

6.3.4. Currently, Adults do not have a mitigation plan for the Transformation undelivered saving 2023/24 (£2.335m). Although Procurement has an approach for delivering the council saving of c£1m (£0.662m 2023/24 and £0.441m 2024/25), the likelihood of securing the actions required in 2024/25 is low. Mitigation plans for delivering the introduction of residents parking permit (£0.207m) and Housing Aid restructure (£0.311m) are outstanding.

6.3.5. The Corporate Project Management Office (CPMO) is co-ordinating with Corporate Directors and Finance Service to ensure all mitigations submitted are robust and supported by realistic operational delivery plans to secure undelivered savings. The position will be reported to the next Transformation and Change Oversight Board (TCOB).

#### 6.4. Overall Savings Programme Delivery

6.4.1. Appendix 1 details the financial performance, per directorate, for the approved savings over the MTFP period (2024-25 to 2027-28) including the 2023/24 under-delivered savings. Table 6 below summarises the performance of total savings of £88.335m (excluding reversal of previous one-off savings £8.175m) as at period 2.

**Table 6: Overall Savings Programme Dashboard**

Financial Year	Blue – Delivered £m	Green – On Track £m	Amber – At Risk £m	Red – Non-Delivery £m	Total £m
2023/24 Undelivered	(0.641)	(1.581)	(0.279)	(3.852)	(6.353)
2024/25 MTFP	(1.351)	(33.864)	(1.698)	(5.485)	(42.398)
<b>2024/25 Combined Total</b>	<b>(1.992)</b>	<b>(35.446)</b>	<b>(1.977)</b>	<b>(9.337)</b>	<b>(48.752)</b>
2025/26 MTFP	0.000	(19.499)	(3.065)	(3.933)	(26.497)
2026/27 MTFP	0.000	(9.163)	(0.083)	(3.357)	(12.603)

2027/28 MTFP	0.000	(0.422)	0.000	(0.061)	(0.483)
<b>Total Savings</b>	<b>(1.992)</b>	<b>(64.529)</b>	<b>(5.125)</b>	<b>(16.689)</b>	<b>(88.335)<sup>1</sup></b>

<sup>1</sup>Excludes reversal of previous one-off Corporate savings of +£8.175m from 2024/25

6.4.2. £66.521m (75.3%) of the savings across the MTFP period are shown as being delivered (blue) or on track for delivery (green). Whilst a significant amount of the savings are showing the right direction of travel, as at Period 2 £21.814m (24.7%) are at risk of delivery (amber) or non-delivery (red) which predominately relate to:

- Adults Transformation (£13.886m)
- Finance and Resources Procurement Transformation (£1.076m)
- Adults Duties and Powers savings:
  - Adult social care external placements (DPC 2401 £1.184m)
  - External residential and nursing care placements (DPC 2405 £1.071m)
  - Increase impact of social care reablement to reduce need for long-term care (DPA 2406 £0.3m)
  - Expand deputyship service leading to increased fee revenue (DPA 2408 £0.3m)

6.4.3. Early intervention is key to improving savings delivery, therefore, it is imperative that robust operational plans are developed and shared with the CPMO so they can be presented to TCOB.

## 7. Housing Revenue Account (HRA)

7.1. At as Period 2 the forecast for the HRA is a net overspend of £0.497m (0.38%) against gross annual budget of £128.514m, resulting in a reduction to the budgeted contribution to reserves. Table 7 below provides further detail of the variance.

**Table 7: 2024/25 HRA Revenue Budget Forecast**

Housing Revenue Account	2024/25 Current Budget £m	Actual as at Period 2 £m	Forecast as at Period 2 £m	Period 2 Reported Net Variance £m
<b>Income</b>				
Dwelling Rents	(114.342)	(19.057)	(114.342)	0.000
Non-Dwelling Rents	(2.746)	(0.454)	(2.747)	(0.001)
Service Charges	(11.205)	(1.867)	(11.205)	0.000
Other Income	(0.222)	0.098	(0.222)	0.000
<b>Total Income</b>	<b>(128.515)</b>	<b>(21.280)</b>	<b>(128.516)</b>	<b>(0.001)</b>
<b>Expenditure</b>				
Repairs & Maintenance	33.979	5.997	34.623	0.645
Management & Supervision	36.744	1.914	36.596	(0.146)
Depreciation & Amortisation	30.427	0.000	30.427	0.000
Provision for Bad & Debts	2.213	0.000	2.213	0.000
Direct Revenue Financing	7.200	4.332	7.200	0.000
<b>Total Expenditure</b>	<b>110.563</b>	<b>12.243</b>	<b>111.059</b>	<b>0.498</b>
<b>Net Cost of Housing Services</b>	<b>(17.952)</b>	<b>(9.037)</b>	<b>(17.457)</b>	<b>0.497</b>
<b>Capital Financing Charges</b>				

Housing Revenue Account	2024/25 Current Budget £m	Actual as at Period 2 £m	Forecast as at Period 2 £m	Period 2 Reported Net Variance £m
Item 8 Interest Paid	15.279	0.000	15.279	0.000
Item 8 Interest Received	(5.857)	0.000	(5.857)	0.000
<b>Net Deficit/(Surplus)</b>	<b>(8.530)</b>	<b>(9.038)</b>	<b>(8.034)</b>	<b>0.497</b>
Contribution to Reserves	8.530	9.038	8.034	(0.497)
<b>Housing Total</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.000)</b>	<b>0.000</b>

7.2. The main reasons for the reduced contribution are as follows:

- a) There is forecast £0.645m overspend on repairs and maintenance due to additional planned maintenance to the Housing Services facilities at the Harvey Road depot. The estimated repair costs at Harvey Road are over £1m and this is partly offset by vacancy savings in other areas of the repairs and maintenance division.
- b) The (£0.146m) underspend on supervision and management is mainly due to staff vacancies across several of the housing services teams. In addition, the forecast income from shop rents is higher than budgeted due to several tenancy agreements being re-negotiated.

7.3. £0.467m overspend as at Period 2 means the budgeted £8.530m contribution to HRA General Reserves will not be achieved

## 8. Capital Programme

8.1. A summary of the profiles capital programme budget for 2024/25 is set out in the table below.

**Table 8: 2024/25 Capital Programme Budget Forecast**

Directorate	Approved Budget 2024/25 £m	Year to Date Actuals £m	Forecast at Period 2 £m	Variance £m	Net Slippage (-) / Acceleration (+) £m	Under (-) / Over (+) spend £m
Adult Services	3.530	0.260	2.245	(1.285)	(1.285)	0.000
subtotal: Adults and Public Health	3.530	0.260	2.245	(1.285)	(1.285)	0.000
Children's Services	0.124	0.000	0.169	0.045	0.045	0.000
Education	3.990	(0.253)	3.507	(0.483)	(0.483)	0.000
subtotal: Children's and Education	4.114	(0.253)	3.676	(0.438)	(0.438)	0.000
Community, Environment and Resident Services	11.471	0.760	12.343	0.872	0.872	0.000
Growth & City Development	22.492	(0.473)	18.654	(3.838)	(3.838)	0.000
Transport Programme	59.368	5.833	47.646	(11.722)	(11.722)	0.000
Finance & Resources	1.599	0.058	1.684	0.085	0.085	0.000
Transformation	3.192	0.000	3.192	0.000	0.000	0.000
Exceptional Financial Support (EFS) <sup>1</sup>	41.143	0.000	41.143	0.000	0.000	0.000
<b>Total Council Capital Schemes Approved and Incepted</b>	<b>146.909</b>	<b>6.185</b>	<b>130.583</b>	<b>(16.326)</b>	<b>(16.326)</b>	<b>0.000</b>
Planned Schemes	6.707	0.000	5.805	(0.902)	(0.902)	0.000
<b>Total General Fund Approved Council Capital Schemes</b>	<b>153.616</b>	<b>6.185</b>	<b>136.388</b>	<b>(17.228)</b>	<b>(17.228)</b>	<b>0.000</b>

Directorate	Approved Budget 2024/25 £m	Year to Date Actuals £m	Forecast at Period 2 £m	Variance £m	Net Slippage (-) / Acceleration (+) £m	Under (-) / Over (+) spend £m
HRA	71.436	0.762	68.642	(2.794)	(2.755)	(0.039)
<b>Total Council Capital Schemes Approved</b>	<b>225.052</b>	<b>6.947</b>	<b>205.030</b>	<b>(20.022)</b>	<b>(19.983)</b>	<b>(0.039)</b>
Midlands Net Zero Hub	104.670	1.654	92.922	(11.748)	45.036	(56.784)
Other Energy Schemes	5.456	0.000	8.053	2.597	2.597	0.000
Transforming Cities	29.190	0.000	21.591	(7.599)	(7.599)	0.000
Future Transport Zone	1.217	0.000	1.000	(0.217)	(0.217)	0.000
<b>Total Accountable Body</b>	<b>140.533</b>	<b>1.654</b>	<b>123.566</b>	<b>(16.967)</b>	<b>39.817</b>	<b>(56.784)</b>
<b>Total</b>	<b>365.585</b>	<b>8.601</b>	<b>328.596</b>	<b>(36.989)</b>	<b>19.834</b>	<b>(56.823)</b>

<sup>1</sup> EFS budget reflects the approved EFS flexibility as set out in the budget report to City Council in March 2024.

8.2. For Period 2, directorates undertook a review of the current approved programme profile which led to the net variance of £36.989m, which relates to the following:

**a) Net Slippage / Acceleration - £19.834m**

The net slippage relates to re-profiled capital programme budget. All schemes with a slippage of over £0.500m are detailed in Appendix 2.

**b) Net Underspend – (£56.784m)**

- HRA underspend (£0.039m) relates to the HRA Energy Programme showing a small reduction in grant.
- Midland Net Zero Hub (Accountable Body) underspend of (£56.784m) is largely due 2023/24 underspend incorrectly being reported by the programme as slippage. Following review at Period 2 by the programme lead and Corporate Director have undertaken a review confirming the release of this budget as associated funding and scheme come to an end.

**8.3. Capital Receipts**

8.3.1. At Period 2 the Council has secured receipts of £11.722m as detailed in the below table:

**Table 9: Capital Receipts Secured in 2024/25**

2024/25 Capital Budget Summary P2	Secured Receipts 2024/25 £m
Receipts carried forward from Provisional Capital Outturn	(8.243)
Receipts Secured to P2	(3.479)
<b>Secured Receipts as at Period 2</b>	<b>(11.722)</b>

8.3.2. All secured capital receipts are required to be applied in accordance with the capital receipts prioritisation methodology as defined in the approved Capital Strategy.

**Capital Receipts Forecast**

8.3.3. The table below provides the current forecast of capital receipts required for the approved General Fund programme over the MTFP period. Although

over the MTFP period the capital receipts forecasted will be in surplus by £3.7m, the overall profile of these currently mean that there is shortfall in 2024/25 of £8.4m. If this position holds true or gets worse, the Council will be required to undertake additional temporary borrowing of same value for the EFS, which will have an impact on the General Fund revenue budget with regards to interest payment in 2024/25 and MRP in 2025/26. Work is ongoing within the Asset Transformation Programme to identify assets for disposal and therefore currently it is earlier to quantify the actual level of capital receipt shortfall. This is being closely monitored monthly to ascertain the impact on the General Fund revenue position.

**Table 10: Capital Receipts Requirement and Forecast over the Medium-Term Financial Plan (2024/25 – 2027/28)**

<b>Capital Receipt Requirement for Approved General Fund Programme</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>Total £m</b>
Exceptional Financial Support (EFS)	25.200	15.943	0.000	0.000	41.143
Transformation	3.192	0.000	0.000	0.000	3.192
Other	5.163	4.185	0.859	0.245	10.452
<b>Budgeted Capital Receipt Requirement</b>	<b>33.555</b>	<b>20.128</b>	<b>0.859</b>	<b>0.245</b>	<b>54.787</b>
Total Capital Receipts banked as at Period 2	(11.722)	0.000	0.000	0.000	(11.722)
<b>Capital Receipt Shortfall (+) / Surplus (-) as at Period 2</b>	<b>21.833</b>	<b>20.128</b>	<b>0.859</b>	<b>0.245</b>	<b>43.065</b>
Assets approved for disposal (in process - estimated unsecured receipts)	(13.433)	(23.361)	(9.928)	0.000	(46.722)
<b>Net estimated shortfall (+) or surplus (-) Capital Receipt required against approved programme</b>	<b>8.400</b>	<b>(3.233)</b>	<b>(9.069)</b>	<b>0.245</b>	<b>(3.657)</b>

## 9. Other options considered in making recommendations

9.1. Not applicable.

## 10. Consideration of Risk

10.1. The Section 151 Officer is required to provide his statutory advice to Council on the robustness of the budget estimates and adequacy of reserves. 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.

10.2. As set out in the 2025/26 Budget Strategy report presented to Executive Board in June 2024, 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.

- 10.3. As part of approving the budget both the Executive and City Council in February and March 2024 respectively, took into account the conditions upon which the Section 151 Officer provided their statutory statement on robustness of budget estimates. Those relevant to 2024/25 are restated below:
- 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 for Corporate Leadership Team leads to identify and formulate corrective and mitigating actions in managing any pressures from within their service areas.
  - 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.
  - 2024/25 budget 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.
  - Executive Leads, Chief Executive, Corporate Directors, and managers not exceeding their cash limits for 2024/25.
  - No further calls on reserves other than for those risks that were identified as part of the MTFP, those risks that could not have reasonably been foreseen and cannot be dealt 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.
- 10.4. It will be essential for the Corporate Leadership Team to continue to exercise firm financial management through the close monitoring of 2024/25 budgets.
- 10.5. Given the unique operating context of Nottingham City Council, the following are most immediate risks which need to be considered alongside the

forecast and risks set out within the directive forecast narrative in Section 5 above:

- Organisational ability to deliver:
  - 2024/25 in-year General Fund balance budget within the approved EFS of c£41m; and
  - the scale of change required in the coming year to both deliver approved savings and further develop saving proposals to minimise the need for EFS in 2024/25 and thereby the unfunded budget gap for the year after.
- Delivery record on approved savings programmes to date
- Likelihood of further 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 Corporate Leadership Team
- 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
- Weakness in councils' system and data upon which financial forecast is produced by services.
- 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.

10.6. 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.

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

11.1. The Best Value requirement to demonstrate the continued financial sustainability of the Council has been set out in the 2024/25 Budget and Council Tax Resolution report to City Council on 4 March 2024 and 2024/25 Budget and MTFP report to Executive Board on 13 February 2024.

11.2. 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.

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

## 12. **Commissioner comments**

This report provides a comprehensive view of the forecast financial position for the authority across the General Fund, the Housing Revenue Account and the Capital Programme. We note the revenue overspends shown, particularly those on the General Fund. We also note the progress on identifying mitigations to enable the Council to live within its approved budget. It is important that the Council continues with this work to be able to mitigate the forecast overspends in full and on a permanent basis. We support the proposed actions set out

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

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

## 14. **Legal colleague comments**

- 14.1. It is a legal requirement for a council to set an annual budget and for that budget to be 'balanced' or fully funded in accordance with the Local Government Finance Act 1992. This report sets out the Period 2 position and highlights a significant forecasted overspend. Finance is whole Council responsibility, and the Council must now take decisive action to develop mitigations to bring the forecasted spend back in line with approved budget. The main considerations are set out in the body of the report.
- 14.2. If the Council are unable to bring the forecasted spend back in line with the approved budget and the Chief Finance Officer considers that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure he must issue a report under section 114(3) of the Local Government Finance Act 1988.

Beth Brown, Director of Legal and Governance, 27 June 2024

## 15. **Other relevant comments**

### 15.1. **Procurement comments**

Not applicable.

### 15.2. **HR**

Not applicable.

### 15.3. **IT**

Not applicable.

### 15.4. **Strategic Assets and Property**

Not applicable.

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

16.1. Not applicable.

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

17.1. Not applicable.

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

18.1. Not applicable.

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

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

No

An EIA is not required because EIAs are tools that help the Council make sure its policies, and the ways it carries out its functions, do what they are intended to do and for everybody. The report is presenting the Council with the financial position for 2024/25 and therefore at this time does not require for an EIA to be completed.

Yes

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

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

No

A DPIA is not required because the report and appendices do not contain information which will subject to DPIA.

Yes

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

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

No

A CIA is not required because the report and appendices do not contain information which will subject to CIA.

Yes

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

22.1. Not applicable.

23. **Appendices**

- Appendix 1 – Savings Dashboard
- Appendix 2 – 2024/25 Capital Programme Slippage

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

City Council	
2024/25 Budget and Council Tax Resolution	4 March 2024
Executive Board	
2023/24 Provisional Outturn	18 June 2024
2024/25 Budget and Medium-Term Financial Plan	13 February 2024