

Executive Board – 17 September 2024

Subject:	Budget Monitoring Period 4 (2024/25)
Corporate Director(s)/Director(s):	Ross Brown, Corporate Director Finance and Resources (Section 151 Officer) Shabana Kausar, Director of Finance (Deputy Section 151 Officer)
Executive Member(s):	Councillor Linda Woodings, Executive Member for Finance and Resources
Report author and contact details:	Clare Williams, Assistant Director for Strategic Finance Parmjeet Jassal, interim Financial Planning & Monitoring Accountant
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 Finance Business Partnering, Technical and Strategic 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 If Capital, provide the date considered by Capital Board Date: Capital budget approved 04/09/2024
Total value of the decision:	£4.736m (recommendation 6 and 7)
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: n/a
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.
Wards affected:	All
Date of consultation with Executive Member(s):	
Relevant Council Plan Key Outcome:	
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 4 (31 July 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. In addition to these pressure the Council is also seeing pressures across social care arising from withdrawal of health funding contributions towards cost of care.

Since June 2024, the Council has implemented a Financial Intervention Strategy which encompassed a range of measures alongside departmental management actions intended to mitigate the Council's in-year pressure.

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 will be refreshed over the coming months to reflect the current financial position 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 £38.422m (78.8%) 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 £12.595m (£2.822m net 0.8%) in Period 4 of 2024/25 and includes the planned management intervention.

The HRA forecast at Period 4 for 2024/25 is showing a net underspend of (£0.304m).

The revised Capital Programme of c£329m profiled for 2024/25 at Period 4 (combined General Fund and HRA) is forecasting to spend c£327m, a variance of (c£2m) 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
Recommendation(s):
1) To note the General Fund forecast gross overspend for 2024/25 at Period 4 of £12.595m reduced by (£9.773m) following application of mitigating actions reducing the net overspend to £2.822m against approved budget of £356.800m (Section 5) and risks set out in Section 10.
2) To note that the Corporate Leadership Team in consultation with the Section 151 Officer has developed a mitigation strategy and plan to bring the forecasted spend back in line with approved budget (section 3).
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 5).
4) To note the progress of the approved savings over the Medium-Term Financial Plan (2024/25 – 2027/28) period of £88.335m (77.3%) either delivered or on track to be delivered of which: <ul style="list-style-type: none"> • £2.570m relate to undelivered 2023/24 savings brought forward (paragraph 6.3) • £35.852m relate to 2024/25 savings (paragraph 6.2) • £29.879m relate to savings over the MTFP period 2025/26 to 2027/28 (paragraph 6.4) <p>See section 6 and Appendix 1 for further details.</p>
5) To note the HRA forecast of net underspend for 2024/25 at Period 4 of (£0.304m) (section 8) resulting in an increase to the planned contribution to reserves.
6) To approve the 2024/25 Capital Programme net slippage of (£3.234m) and net overspend of £1.308m with regards to the following: <ul style="list-style-type: none"> • General Fund (£0.746m) and HRA (£2.955m) net slippage to be carried forward and reprofiled across the medium-term financial plan. • £0.467m Accountable Body acceleration and budget brought forward from the medium-term financial plan. • Decommission (£0.820m) capital scheme underspends of which (£0.442m) relates to Accountable Bodies, (£0.247m) relates to HRA and (£0.075m) relates to General Fund; subject to completion of respective due diligence and sign-off by Director of Finance. Further details contained within Appendix 3. • Note £1.997m Accountable Body overspend fully funded from government grant to be incepted following relevant approval sought by service through the usual governance process. • Note £0.131m General Fund overspend, for which budget increase will be incepted into the capital programme following relevant approval by service through the usual governance process. Further details are contained in Appendix 3
7) To approve General Fund net departmental budget changes of £0.194m as summarised in paragraph 6.7 and Appendix 4.

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. In response to the in-year financial challenge the Council has identified and included within the forecast mitigating and corrective actions of £9.773m leaving it with a net forecasted overspend of £2.882m. Although a substantial value of mitigating and corrective actions have been identified, the Council is still left with an unbalanced position as a percentage of its net budget. 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 with the continuation of spending controls and behavioural changes to manage any departmental overspends and ensure financial stability in the short term.

3. **Financial Intervention Strategy**

- 3.1. As a consequence of the continued financial challenges being faced by the Council, councils' leadership recognises and acknowledge the need to become more radical and robust in the mitigating actions it explores and implements in order to balance its budget in-year. It also understands and accepts that the Council will be faced with difficult decisions which are likely

to have an impact on service delivery and service standards including service policy.

3.2. Set out below is the agreed framework setting out the direction of travel which has been adopted by the Council following engagement with Corporate Leadership Team and Commissioners between June and early August 2024.

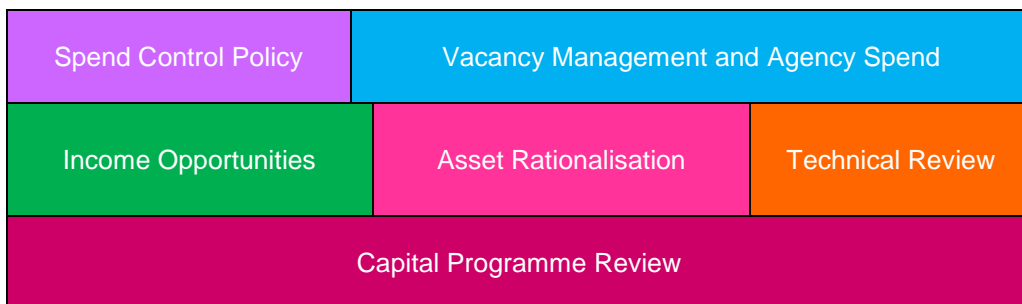


3.3. Stage 1: Management Actions

3.3.1. These are department led management action plans reflecting actions being undertaken by respective departments in managing their overspends.

3.4. Stage 2: Financial Intervention Strategy

3.4.1. Alongside department led management action plans reflecting other actions being undertaken; the Council implemented a refreshed Financial Intervention Strategy to take effect from 25 June 2023 which encompasses the following range of measures intended to mitigate the Council's in-year pressure.



3.5. Stage 3: Immediate Interventions

3.5.1. Following discussion at Corporate Leadership Team on 30 July 2024, there are no easy solutions remaining that have not already been captured and due to the increasing unfunded gross pressure being forecasted all mitigating actions will now have some impact on service delivery. Summarised below are types of interventions being explored as part of stage 2:

- Stopping Services
- Deferring Spend
- Acceleration of approved MTFP Savings from future years by bringing these forward into 2024/25
- Further in-year Duties and Powers review to reassess all discretionary spend
- Acceleration of 2025/26 'Big Ticket' ideas being developed
- In-Year Fees and Charges uplift and/or instruction of new charges
- Enhancing Spend Controls on Vacancy Management

- Invest to save options which look to reducing spend in-year
- Other options to reducing spend or maximising income

3.6. **Stage 4: Application of Contingency and/or Reserves**

3.6.1. As agreed with Commissioners in Period 2, this stage will be the last management action applied by the Council where nothing further can be yielded from Stage 1 and 2. This will include:

- application of the one-off contingency budget of c£4m in 2024/25; and
- review of revenue reserves to identify and/or repurpose reserve funds to fund any in-year General Fund revenue pressure

3.7. **Stage 5: Exceptional Financial Support and S114 Consideration**

3.7.1. Although the further issuance of a S114(3) is not being proposed at this time, Corporate Leadership Team and Commissioners are acutely aware that this will remain an option that the S151 Officer may need to exercise as a last resort only where the Council has been unable to identify appropriate quantum of actions that will balance its budget in year.

3.7.2. Given the Council is already under intervention there will be continuing dialogue with Ministry of Housing, Communities and Local Government to understand options with regards to additional exceptional financial support in-year.

4. **Spend Control Process**

4.1. 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 set out in the S114(3) report and endorsed by City Council at their meeting on 18 December 2023 to continue until 31 March 2025. The policy's effectiveness is monitored through weekly board meeting chaired by the Section 151 Officer. During this time, any spending that occurs without authorisation is subject to a formal disciplinary process.

4.2. 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.

4.3. As set out in the 'Response to Section 114(3) report, the 'Financial Recovery Plan' report to City Council on 18 December 2023, a review of the spend control process was undertaken and reported to the Corporate Leadership Team in June 2024 who agreed the direction travel, but to implement any fundamental changes post materiality of the financial position following Period 4. This in practice resulted in the continuation of the spend control process 'as is' with the only changes being made to the frequency of the meetings moving

from daily to either weekly and/or twice weekly as appropriate and the removal of the Spend Control Advisory Panel.

4.4. Subsequently Commissioners have asked the Local Government Association (LGA) to conduct an independent review of the effectiveness of the process.

5. Exceptional Financial Support (EFS)

5.1. 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.

5.2. 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.

5.3. 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.

5.4. The Council is committed to reducing the utilisation of EFS through early identification and delivery of additional savings in-year.

5.5. At Period 4, 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 longer a Minimum Revenue Provision (MRP) requirement against 2024/25 budget. The underspend is reflected in the Period 4 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 4 Forecast £m	Period 4 Net Variance (under) / overspend £m	Period 2 Net Variance (under) / overspend £m
General Fund Revenue Budget Use of EFS	41.024	41.024	0.000	0.000
Capital Receipts	25.200	25.200	0.000	0.000
Borrowing	15.824	15.824	0.000	0.000
Capital Financing Resource for EFS	41.024	41.024	0.000	0.000
Interest	0.664	0.664	0.000	0.000
MRP	0.185	0.000	(0.185)	(0.185)
Revenue Impact of EFS	0.849	0.664	(0.185)	(0.185)

5.6. Whilst Table 10 below (paragraph 8.3.3) is currently forecasting capital receipt shortfall of £7.335 m 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 currently 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.

- 5.7. 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.

6. 2024/25 General Fund Revenue Forecast

- 6.1. As set out above, it 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 continue to explore the issues and refine where appropriate the Financial Intervention Strategy to manage pressures within the overall approved General Fund Budget for the Council.

- 6.2. Table 2 below summaries the gross General Fund overspend of £12.595m (3.53%) which is reduced to a net overspend of £2.822m (0.79%) following application of forecasted management and mitigating actions totalling £9.773m against the General Fund budget of c£357m.

Table 2: 2024/25 General Fund Revenue Forecast

Directorate	2024/25 Budget	Year to Date Actuals	Gross Forecast Period 4	Management and Mitigating Actions	Period 4 Net Forecast including Management Actions / Mitigations	Period 4 Net Variance under (-) / over (+) spend	Period 2 Net Variance under (-) / over (+) spend
	£m	£m	£m	£m	£m	£m	£m
Adults	89.714	43.809	98.990	(6.522)	92.468	2.754	1.803
Commissioning	2.922	1.394	2.802	0.000	2.802	(0.120)	(0.102)
Public Health	0.000	(16.344)	0.000	0.000	0.000	0.000	0.000
Adults and Public Health Subtotal	92.635	28.859	101.792	(6.522)	95.270	2.634	1.700
Children's	86.912	25.686	91.848	(1.788)	90.060	3.148	3.735
Education	4.241	12.127	4.012	0.000	4.012	(0.229)	(0.270)
Schools	0.004	(22.261)	0.004	0.000	0.004	0.000	0.000
Children's and Education Subtotal	91.157	15.552	95.865	(1.788)	94.077	2.919	3.464
Communities Environment and Resident Services	50.191	(30.863)	49.994	(1.334)	48.660	(1.531)	(0.451)
Growth & City Development	1.942	(21.942)	1.802	(0.129)	1.673	(0.269)	1.718
Finance & Resources	41.449	11.524	42.468	0.000	42.468	1.019	0.755
Chief Executive	10.882	4.033	10.338	0.000	10.338	(0.544)	(0.020)
Companies	0.576	0.000	0.576	0.000	0.576	0.000	0.000
Total Service Departments	288.834	7.163	302.834	(9.773)	293.061	4.228	7.167
Corporate	67.966	(13.240)	66.561	0.000	66.561	(1.406)	(1.348)
Total Net General Fund Budget	356.800	(6.077)	369.395	(9.773)	359.622	2.822	5.819

- 6.3. The Council currently holds a revenue budget contingency of c£4m held within the corporate budgets. The period 4 forecast assumes the full amount of the

contingency will be utilised during the year to support budget pressures. If all or part of the contingency is not required, then this will result in a reduction to the overall overspend.

- 6.4. 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 who are reporting £6.885m of savings at risk on non-delivery (refer to section 7).
- 6.5. Within this difficult budgetary environment, Corporate Directors continue to actively work to manage 2024/25 expenditures and achieve a balanced budget by the end of the financial year, this has been reflected in the reduction in the forecast from Period 2 to Period 4 by c£3m 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, in line with the agreed Financial Strategy.
- 6.6. 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 eliminating non-essential spending.
- 6.7. A number of virements were actioned between Period 2 and Period 4 which mainly relate to change in management structures, budget realignments with regards to previously approved savings and decisions. These are summarised in Appendix 4 and are reflected in the current budget.
- 6.8. Explanations for the significant overspends and underspends for directorates are set out below.
- 6.9. **Adults and Public Health**
- 6.10. Overall, the Adults and Public Health directorate is reporting a gross overspend of £9.156m (9.88%) against a net budget of £92.635m. A combination of one-off and recurring mitigating actions taken by management in Adult's service is forecast to reduce the overspend to £2.634m (2.84%).
- 6.11. At Period 4, a restructure of the Adults Service financial reporting hierarchy has commenced and in part implemented to align areas of management and budget responsibilities for each Head of Service. This revised structure was agreed by the Director of Adults to facilitate improved financial management and accountability across the service including budget monitoring and performance reporting. Work is continuing over the coming months to fully complete the realignment of budgets and actuals to the revised structure which will result in further budget movement between the various divisions across the directorate.
- 6.12. The following highlights the main variances and risks:

a) **Adult Social Care** – The current forecast is a gross overspend of £9.276m against a budget of £89.713m (10.34%). Through a combination of one-off and recurring mitigating actions by management, the overspend is reduced to £2.754m (3.07%). The service identified £3.600m of risk relating to loss of income from packages jointly funded by health which was excluded from the forecast at Period 2. Due to the significant nature of the pressure, £2.754m estimate has now been included in the forecast for this financial year with £0.846m currently identified as potential risk which has been excluded from the current forecast at this stage. It should also be noted that there have been reductions to the forecast for external care expenditure between Period 2 and Period 4 of £1.010m with a material driver being reductions in the forecast for un-provisioned services. The primary causes of the net overspend are set below:

- **Access & Prevention** - The current forecast is a net underspend of (£3.568m) against a budget of £63.598m (5.61%), primarily due to:
 - a net underspend of (£1.050m) on staffing, which is due to vacancies being held to achieve Duties & Powers "Review and Restructure" savings targets.
 - A net underspend of (£0.675m) on expenditure for care provision for the Older People and Younger Adults with Physical Disabilities.
 - As set out above, although there is an overall pressure relating to ICB funding, within this service area there is a net overachievement of (£1.842m) on income relating to joint health funded contributions towards cost of care provision.
 - This division should be considered alongside Mental Health & Whole Life Disabilities which is showing an overspend of £10.594m at Period 4. As set out above, there will be further budget movements between ASC divisions.

- **ASC Directorate** - The current forecast is a net underspend of (£2.724m) against a budget of (£45.040m) (6.05%), majority of which relates to Contain Outbreak Management Fund (£2.560m) used in full to support eligible care package spend in the period to the end of 30 September 2024.

- **Adult Social Care Provision** – The current forecast is a net underspend of (£1.396m) against a budget of £9.690m (14.40%).
 - (£0.942m) is due to the closure of the service at Jackdawe. This underspend will be offset across the wider ASC directorate by increased costs of externally commissioned care provision. This is due to commissioning alternative care provision for the clients who would previously have attended Jackdawe. Over the next few months, the service will reallocate the budget to cover the increased costs of external care, and it is expected that the underspend in this division will then reduce.
 - (£0.453m) is primarily due to other vacancies across the wider service which have arisen due to delays in recruitment.

- **Mental Health & Whole Life Disability** – The current forecast is a net overspend of £10.594m against a budget of £59.358m (17.85%), primarily due to:
 - A net overspend of £7.167m on expenditure for care provision for citizens with Learning Disabilities and Mental Health needs.
 - A net underachievement of £3.428m on income relating to joint funding contributions from the ICB towards costs of care provision. This includes an estimate of £2.7m for the in-year effect of reduced funding from the ICB arising from review of citizens' needs. This was previously included as a £3.6m risk.
 - This division should be considered alongside Access and Prevention which is showing an underspend of (£3.568m) at Period 4. As set out above, there will be further budget movements between ASC divisions.

- **Safeguarding & Quality Assurance** - The current forecast is an underspend of (£0.157m) against a budget of £2.043m (7.16%). (£0.091m) of this relates to staffing vacancies and (£0.067m) to re-profiling of Safeguarding Assessments.

b) **Commissioning** – a small net underspend of (£0.120m).

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

6.13. Children's and Education

6.13.1. Overall, the Children's and Education is reporting a gross overspend of £4.707m (5.16%) against a budget of £91.157m. One off mitigating actions taken by management in the Children's department are predicted to reduce the overspend to £2.919m (3.20%). The following highlight the main variances, risks, and opportunities.

a) **Children's** - the current forecast is a gross overspend of £4.936m (5.68%) against a net budget of £86.912m. Through one-off mitigating actions by management, the overspend is reduced to £3.148m (3.62%). 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 £7.986m at Period 4. The gross pressure is broken down into £5.390m for external placements, mainly external residential placements and £2.596m pressure for unregistered provision.

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 external residential and unregistered placements, this provision stands at over 17% of the current external and internal placement mix profile. The complexity and need of children in unregulated and residential placements are the reason for this reported overspend.

Currently there are 9 children placed in unregistered placements where the highest weekly cost is £21,349, most of the children in receipt of these care packages have substantial needs and require a high staffing ratio. The average cost for these 9 children is £12,262 per week. The cost of these placements may not significantly decrease when initially moved to a registered placement due to level of complex needs. The Medium-Term Financial Plan growth assumptions do not reflect the current profile mix of children and assumed a smaller number of children on average being placed within this provision type over a year.

- A shortfall in the ICB funding for jointly funded places is anticipated to be £0.594m, due to eligibility reviews by the ICB.
 - The external placement pressure is also offset by the in-house fostering services underspending particularly on fostering allowances. This is forecast as (£1.405m) underspend and due to difficulties in recruiting foster carers which is a national trend.
 - Staffing vacancies are currently reducing because of increasing the number of permanent staff recruited and ensuring that there are still manageable caseloads across the service. However, due to the pace of recruitment, agency workers have been employed in the short term within the Children in Care teams leading to an overall staffing overspend reported as £0.476m for Period 4.
 - The underspend for staffing across the other areas as at Period 4 is £1.788m across Early Help (£0.635m), Fieldwork Services (£0.665m), First Response (£0.056m) and Fostering Teams (£0.432m) due to various factors including skills gap and the uptake of suitable applicants through recruitment process.
 - There is a potential risk that the overall pressure across Children's could increase by c£2m due to the loss of joint health funding and the estimated staffing underspend not being fully realised. This will continue to be monitored closely by officers and where appropriate reflected in the forecast.
- b) **Education** – the current forecast is a net underspend of (£0.229m) (5.40%) against a net budget of £4.241m, which is mainly due to:

- Directorate non pay savings target within Curriculum Service not being achieved to be offset by underspends from staff vacancies - a mitigation plan is to be developed.
- Vacancies within the Education Psychology Service due to the shortage of workers nationally and delay in appointing locums, which has affected the service. We currently have a backlog of approximately 100 statutory assessments and no capacity to complete them and we still have more statutory assessments to complete each month.

6.14. **Communities Environment and Resident Services** – are reporting a forecast gross net underspend of (£0.197m) against a budget of £50.191m (0.39%). One off mitigating actions taken by management are predicted to increase the underspend to (£1.531m) (3.05%). The main variances are set out below.

a) **Communities** – a net underspend of (£0.598m) is forecast as at Period 4 (underspend of (£0.135m) in Period 2)

- **Sports and Leisure** – a net underspend of (£0.469m) due to an improvement in the income from leisure which is better-than-expected and a vacant Head of Service position. The underspend is mitigating some of the pressures across other service areas within the directorate.
- **Community Development and Uniformed Services** – a net underspend of (£0.312m) which is largely due to the service maintaining staff vacancies whilst the new Neighbourhood Safety Team is established. There has also been additional Anti-Social Behaviour Hotspots income received from the police in Period 4.
- **Environmental Health and Licencing** – a net underspend of (£0.191m) which mainly relates to employee underspends within Trading Standards and Safer Places.
- **Security Services** - a net underspend (£0.134m) mainly from utilising agency staff to cover overtime for mainly Broadmash car park which avoids an uplift in pay.
- **Community Centres** – a net overspend of £0.120m in this area is forecasted whilst implementation proposals of the savings are assessed following the delivery of an asset assessment report. This is being reviewed with Property alongside agreeing new leases, and additional service charges, with tenants.
- **Markets** - a net overspend of £0.187m relates to reduced income, mainly due to a reduction in the number of stallholders within Victoria Market.
- **Libraries' service** – a net overspend of £0.394m in relation to slippage in start date of libraries consultation following informal stakeholder engagement which ended on 19 August 2024. This shortfall in savings for this year will be met by one-off savings in Sports and Leisure.

- b) **Resident Services** – a net underspend of (£1.068m) is forecast as at Period 4 (underspend of (£0.425m) in Period 2)
- **Waste and Street Cleansing** – a net underspend of (£0.776m) predominantly for income generation and savings on staffing in the Waste and Street Cleansing department for; Waste Disposal (£0.225m), Commercial Waste (£0.250m), and for additional uptake of Garden Waste collections (£0.190m).
 - **Enviroenergy** – a net underspend of (£0.284m) forecast relating to vacant posts and additional income for increased demand relating to Renewable Obligation Certificates.
- c) **CERS Directorate** – a net overspend of £0.138m is forecast as at Period 4 (underspend of (£0.003m) in Period 2) which is mainly due to the Management Restructure savings which are being offset by vacancy savings within Communities. The overall savings target is forecast to be delivered.
- d) **Other** – a net underspend across various budget lines of (£0.004m) with no significant variances identified within Environment and Sustainability.

6.15. **Growth and City Development** – forecasting a net underspend of (£0.269m) against a budget of £1.942m (13.85%). The following highlight the main variances, risks, and opportunities.

- a) **Economic Development** – a gross overspend of £0.200m of which £0.322m relates to revenue costs associated with the Local Transport Plan (LTP) that cannot be funded from LTP capital grant in the current year. £0.122m of this pressure is partially offset by vacancies, leaving £0.200m unmitigated pressure. The remaining pressure of £0.383m is being fully mitigated from various funding carried forward previously through reserves including drawdown of UK Shared Prosperity Fund (UKSPF) of £0.400m. Once the reserves requested at P4 of £0.383m is drawdown, the budget pressure remains at £0.200m.
- b) **Strategic Assets & Property** – a net overspend of £0.219m against a budget of (£15.947m) (1.37%) mainly relating to holding costs of operational properties held pending review/disposal, however the implications from asset rationalisation are still under review and some re-basing exercises are still to take place.
- c) **Planning** – a net underspend of (£0.224m) against a budget of (£5.072m) (4.41%) which is mainly in relation to:
- Uncharacteristically the Council has seen low income from planning application submissions in the early months. This follows the national trend and caused by short term uncertainty from the 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. £0.187m forecast pressure will be monitored closely and any opportunities to win work via BSR following successful accreditation of senior officers used to grow income share.
 - Parking is showing a net surplus of £0.369m which will be transferred to ring-fenced Special Parking Account.
- d) **Housing** – net underspend of (£0.837m) against a budget of £14.692m (5.70%) key drivers and risk include:
- The demand for temporary Bed and Breakfast demand along with the costs are showing an underspend of (£0.369m), 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. Block bookings have had a wider impact on bringing down the general prices for hotels. This is because prior to using block bookings NCC would book hotels on a nightly basis via Click Travel. This is a market responsive system so the more demand there is for nightly bookings the more the price rises. When we take hundreds of bookings out of this via a block booking contract, this not only makes the contract properties cheaper but the reduced nightly booking numbers result in prices being driven down via this route as well (due to less demand). These savings have offset the limited availability of temporary housing through Nottingham City Homes Ltd and its subsidiaries.
 - (£0.262m) underspend across other areas of which £0.200m relates to staff vacancies across Housing Solutions team.
- e) **FM & Building Services** – is forecasting a net overspend of £0.373m which is largely due to unachievable external income targets of £0.272m and unforeseen expenditure of £0.100m in Planned Maintenance due to leisure centre floating floor repairs. There is risk of potentially further in-year costs in relation to repair and maintenance against operational properties, but these are not yet known and therefore not included within the current forecast.

6.16. **Finance and Resources** - a net overspend of £1.019m, compared to the budget of £41.449m (2.45%). The following highlights key variances, risks, and opportunities.

- a) **Commercial and Procurement** - a net overspend of £1.133m 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 net overspend of £0.096m and are forecasting to be on track in delivering total savings of c£2.9m.
- c) **Human Resources** – a net underspend of (£0.296m) is being reported mainly driven by vacancy management across the service.
- d) **Legal & Governance** - a net overspend of £0.261m mainly relating to uncertainty surrounding conveyancing income and additional HRA recharges.
- e) **Audit and Risk** - a net underspend of (£0.177m) mainly relating to estimated contribution from HRA on planned audit activity.
- f) **Other** – IT and Finance are forecasting a small overspend of £0.002m.

6.17. **Chief Executive** – a net underspend of (£0.544m) against a budget of £10.882m (4.99%). The following highlights key variances, risks, and opportunities.

- a) **Strategy & Policy**- a net underspend of (£0.309m) is currently forecasted which largely relates to recharges to Adults and Children services for additional support which is being funded by Adults and Children's grants.
- b) **Comms & Marketing and others** (£0.234m) - a net underspend of (£0.271m) in Comms & Marketing mainly driven by vacancy management is offset by staff related expenditure in the Chief Executive's Office.

6.18. **Corporate** - a net underspend of (£1.406m) compared to the budget of £67.966m (2.06%). The following highlights the key variances.

- (£1.016m) underspend relating to estimated HRA and other contributions towards non-distributed pension fund contribution costs held centrally.
- (£0.390m) 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.

7. Savings Programme

7.1. The total savings approved to date, including by new savings approved by the Executive Board in February 2024, for the Medium-Term Financial Plan (MFTP) 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

Savings Overview	2023/24	2024/25	2025/26	2026/27	2027/28	Total MFTP	Total to Monitor
	£m	£m	£m	£m	£m	£m	£m
Previous Savings		(11.149)	(12.416)	(12.672)	(0.278)	(36.515)	(36.515)

Savings Overview	2023/24	2024/25	2025/26	2026/27	2027/28	Total MTFP	Total to Monitor
	£m	£m	£m	£m	£m	£m	£m
New Savings		(22.128)	(13.202)	(0.623)	(0.396)	(36.348)	(36.348)
Gross MTFP Savings		(33.277)	(25.618)	(13.295)	(0.674)	(72.863)	(72.863)
Unachieved 2023/24 Savings	(7.528)						(7.528)
Growth - Savings Written Off	1.175						1.175
2023/24 Unachieved savings	(6.353)						(6.353)
Gross MTFP position	(6.353)	(33.277)	(25.618)	(13.295)	(0.674)	(72.863)	(79.216)
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)
Overall net position	(6.353)¹	(34.223)²	(26.497)	(12.603)	(0.483)	(73.806)	(80.159)

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

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

7.2. 2024/25 Savings Programme Delivery

7.2.1. 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).

7.2.2. 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).

7.2.3. Table 4 below summarises the performance of each directorate for 2024/25, at Period 4, with £36.002m (84.9%) of savings either delivered (blue) or on track to be delivered (green), an improvement to (83.1%) at period 2.

7.2.4. Savings that are either at risk of delivery (amber) or is at risk of non-delivery (red) total £6.397m (15%) with those in RAG rated Red reflected as pressures in the directorate General Fund position above.

Table 4: 2024/25 General Fund Approved Savings

Saving Category / Directorate	2024/25 Saving £m	P4 % On Track or Delivered	Blue – Delivered £m	Green – On Track £m	Amber – At Risk £m	Red – Non-Delivery £m	P2 % On Track or Delivered
Duties & Powers	(1.943)	99.7%	(0.901)	(1.035)	0.000	(0.007)	99.7%
Transformation	(5.681)	21.4%	(0.748)	(0.469)	0.000	(4.464)	21.9%
Other	(1.073)	93.7%	(0.953)	(0.052)	0.000	(0.067)	78.7%
Adults	(8.696)	47.8%	(2.602)	(1.556)	0.000	(4.539)	46.3%
Duties & Powers	(0.355)	100.0%	(0.355)	0.000	0.000	0.000	100.0%
Commissioning	(0.355)	100.0%	(0.355)	0.000	0.000	0.000	100.0%
Adult Social Care & Health	(9.051)	49.9%	(2.957)	(1.556)	0.000	(4.539)	48.4%
Duties & Powers	(1.269)	100.0%	0.000	(1.269)	0.000	0.000	100.0%
Transformation	(4.045)	100.0%	(1.779)	(2.265)	0.000	0.000	100.0%
Children	(5.313)	100.0%	(1.779)	(3.534)	0.000	0.000	100.0%
Duties & Powers	(0.902)	47.9%	0.000	(0.432)	(0.375)	(0.095)	47.9%
Other	(0.246)	87.8%	0.000	(0.216)	(0.030)	0.000	87.8%
Education	(1.148)	56.5%	0.000	(0.648)	(0.405)	(0.095)	56.5%
Children & Education Services	(6.461)	92.3%	(1.779)	(4.183)	(0.405)	(0.095)	92.3%
Duties & Powers	(10.347)	91.5%	(0.537)	(8.935)	(0.568)	(0.307)	84.5%

Saving Category / Directorate	2024/25 Saving £m	P4 % On Track or Delivered	Blue – Delivered £m	Green – On Track £m	Amber – At Risk £m	Red – Non-Delivery £m	P2 % On Track or Delivered
Transformation	(0.163)	100.0%	(0.130)	(0.033)	0.000	0.000	100.0%
Other	(0.459)	100.0%	(0.410)	(0.049)	0.000	0.000	100.0%
Communities, Environment & Resident Services	(10.969)	92.0%	(1.077)	(9.017)	(0.568)	(0.307)	85.4%
Duties & Powers	(4.209)	98.5%	(0.828)	(3.318)	(0.064)	0.000	100.0%
Transformation	(5.256)	99.9%	0.000	(5.250)	0.000	(0.006)	100.0%
Other	(1.212)	100.0%	(0.050)	(1.162)	0.000	0.000	100.0%
Growth & City Development	(10.678)	99.3%	(0.878)	(9.730)	(0.064)	(0.006)	100.0%
Duties & Powers	(2.498)	100.0%	(0.613)	(1.885)	0.000	0.000	100.0%
Transformation	(1.917)	78.4%	0.000	(1.503)	0.000	(0.414)	78.4%
Other	(0.250)	100.0%	0.000	(0.250)	0.000	0.000	100.0%
Finance & Resources	(4.664)	91.1%	(0.613)	(3.638)	0.000	(0.414)	91.1%
Duties & Powers	(0.605)	100.0%	0.000	(0.605)	0.000	0.000	100.0%
Other (adjustment of one-off saving)	0.030	100.0%	0.030	0.000	0.000	0.000	100.0%
Chief Executive	(0.575)	100.0%	0.030	(0.605)	0.000	0.000	100.0%
Total¹	(42.398)	84.9%	(7.273)	(28.729)	(1.037)	(5.360)	83.1%
% Overall			17.2%	67.8%	2.4%	12.6%	

¹2024/25 Savings total excludes reversal of previous one-off corporate savings of +£8.175m

7.2.5. 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.

7.2.6. Adult's savings programme is behind target (£4.539m), and there are no mitigations identified to manage the pressure in-year and to bring savings back on track.

7.2.7. Whilst the Growth and City Development Transformation is on track to deliver savings (RAG rated green), due to pressure funding allocated in 2024/25. It is imperative that the homelessness strategy is implemented in good time so that current and future savings targets can be secured.

7.2.8. 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 (£4.464m) and Finance and Resources Procurement Transformation (£0.414m).

7.2.9. 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 £0.368m) which is being mitigated by one-off sport and leisure fees and charges.

7.3. Under-delivery of Savings 2023/24 Brought Forward

7.3.1. 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.

7.3.2. Table 5 below which summarises the performance of each directorate for 2024/25, at Period 4, shows savings delivered (blue) or on track for delivery (green) totalled £2.779m (43.7%) which is an improved position from (35%) at Period 2. £3.574m (56.3%) 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 unachieved £m	P4 % On Track or Delivered	Blue – Delivered £m	Green – On Track £m	Amber – At Risk £m	Red – Non-Delivery £m	P2 % On Track or Delivered
Adults	(3.295)	28.8%	(0.089)	(0.859)	0.000	(2.346)	29.1%
Adult Social Care & Health	(3.295)	28.8%	(0.089)	(0.859)	0.000	(2.346)	29.1%
Children's Education	(0.427)	100.0%	(0.427)	0.000	0.000	0.000	100.0%
Children & Education Services	(0.273)	4.1%	0.000	(0.011)	(0.030)	(0.232)	4.1%
Children & Education Services	(0.700)	62.6%	(0.427)	(0.011)	(0.030)	(0.232)	62.6%
Communities, Environment & Resident Services	(0.047)	100.0%	0.000	(0.047)	0.000	0.000	0.0%
Growth & City Development	(1.401)	81.1%	(0.125)	(1.012)	0.000	(0.265)	58.9%
Finance & Resources	(0.911)	22.9%	(0.209)	0.000	(0.040)	(0.662)	0.0%
Total	(6.353)	43.7%	(0.850)	(1.929)	(0.070)	(3.504)	35.0%
% Overall			13.4%	30.4%	1.1%	55.2%	

7.3.3. 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.

7.3.4. Currently, Adults have a partial mitigation plan (£1.702m) for the Transformation undelivered saving 2023/24 (£2.346m) although most of it is non-recurrent. 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 Education curriculum service projects (£0.152m) are outstanding.

7.3.5. Corporate Directors submit mitigations as part of the financial intervention strategy, and they should 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 (T&COB).

7.4. Overall Savings Programme Delivery

7.4.1. 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 4.

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 Unachieved	(0.850)	(1.929)	(0.070)	(3.504)	(6.353)
2024/25 MTFP	(7.273)	(28.729)	(1.037)	(5.360)	(42.398)
2024/25 Combined Total	(8.123)	(30.658)	(1.107)	(8.864)	(48.752)
2025/26 MTFP	(0.685)	(19.610)	(1.872)	(4.330)	(26.497)
2026/27 MTFP	(0.293)	(8.705)	0.000	(3.605)	(12.603)
2027/28 MTFP	0.000	(0.422)	0.000	(0.061)	(0.483)
Total₁	(9.102)	(59.394)	(2.979)	(16.860)	(88.335)

7.4.2. £68.496m (77.5%) 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 4 £19.839m (22.5%) are at risk of delivery (amber) or non-delivery (red) which predominately relate to:

- Adults Transformation (£14.214m). £1.702m of mitigations (of which less than half are recurrent) have been identified as part of the overall mitigation action plan for the directorate which still requires further remedial activities to be identified to manage the pressure in-year and to bring savings back on track or replacement plans where there is no prospect of delivery against the original saving. The lack of potential for delivering the Adults Transformation Strengths Based Practice saving and how this could be resolved as part of the budget setting process was discussed at July T&COB.
- Finance and Resources Procurement Transformation (£1.390m)
- Duties and Powers savings:
 - Adult social care external placements (DPC 2401 £1.184m)
 - CERS – Review of community centres (DPE 2409 £0.613) CERS – Review of libraries (DPE 2410 £0.368m) which is being mitigated by non-recurrent sport and leisure fees and charges.
 - Education: Seek additional funding for Children with Special Educational Needs and Disabilities (DPE 2403 £0.375m)

7.4.3. Early intervention is key to improving savings delivery; therefore, it is imperative that robust operational plans are developed by Corporate Directors and shared with the CPMO as well as identifying and submitting robust mitigations submitted as part of the financial intervention strategy where savings delivery is at risk or there is no prospect of delivery so they can be reviewed, and any risks presented to T&COB.

8. Housing Revenue Account (HRA)

- 8.1. The HRA is reporting a net underspend of (£0.304m) (0.06%) against a budget £128.514m. (compared with £0.496m overspend at the end of Period 2). A comparison of forecast income and expenditure with the current budget is set out in the table below.

Table 7: 2024/25 Housing Revenue Account (HRA)

Housing Revenue Account	Revised Budget £m	Actual To Date £m	Period 4 Forecast £m	Period 4 Net Variance Under (-) / Over (+) spend £m	Period 2 Net Variance Under (-) / Over (+) spend £m
Dwelling Rents	(114.342)	(38.114)	(114.342)	0.000	0.000
Non-Dwelling Rents	(2.746)	(0.726)	(2.747)	(0.001)	(0.001)
Service Charges	(11.205)	(3.735)	(11.205)	0.000	0.000
Other Income	(0.222)	(0.203)	(0.422)	(0.200)	0.000
Total Income	(128.514)	(42.778)	(128.716)	(0.202)	(0.001)
Repairs & Maintenance	34.604	10.125	34.661	0.057	0.645
Management & Supervision	36.119	5.094	35.959	(0.160)	(0.146)
Depreciation & Amortisation	30.427	10.142	30.427	0.000	0.000
Provision for Bad & Debts	2.213	0.738	2.213	0.000	0.000
Direct Revenue Financing	7.200	2.843	7.200	0.000	0.000
Total Expenditure	110.562	28.943	110.460	(0.102)	0.498
Net Cost of Housing Services	(17.952)	(13.835)	(18.256)	(0.304)	0.497
Item 8 Interest Paid.	15.279	5.093	15.279	0.000	0.000
Item 8 Interest Received	(5.857)	(1.952)	(5.857)	0.000	0.000
Net Deficit/(Surplus)	(8.530)	(10.694)	(8.834)	(0.304)	0.497
Contribution (from)/to Reserves	8.530	10.694	8.834	0.304	(0.497)
Net (Surplus)/Deficit	0.000	0.000	0.000	0.000	0.000

- 8.2. There has been £0.800m favourable movement in the variance since period 2, the main reason for the variance is set out below along with the risks and opportunities:

- a) **Other Income** – The current forecast is an additional £0.200m in additional income compared with forecast at Period 2. This is due to a successful insurance claim following the collapse of the main contractor in Phase 1 of the Eastglade redevelopment project.
- b) **Repairs & Maintenance** – The current forecast is a net overspend of £0.037m (compared with a £0.645m overspend forecast at Period 2). This is due to an adjustment in some of the capital recharges budgets following a refresh of capital programme at year end.

The key risks in respect of the repairs and maintenance budget are the rising number of disrepair claims and the increasing demand for damp resolution works. Urgent work is necessary to tackle the backlog, and updates will be provided in subsequent reports.

However, the Council has a statutory duty to carry out this work as soon as possible and it is estimated that this will cost an additional £5.800m in the current year. Ongoing costs will be necessary, and these will be

included when the 30-year HRA business plan is refreshed and the 2025/26 HRA budget is approved.

Failure to do these works in a timely manner opens the Council to substantial expenditure, compensation, and legal fees. If not attended to immediately, this poses a significant danger to the tenants and the public. (Awaabs law)

- c) **Management & Supervision** – The current forecast is a net underspend of £0.637m (compared with a £0.146m underspend forecast at Period 2). This is due to the identification that in period 2 the national insurance and superannuation costs for the Rents Team had been duplicated.

9. Capital Programme

9.1. This section of the report provides an update on the Council's 2024/25 Capital Programme performance against the approved 2024/25 budget.

9.2. Approved Capital Programme

9.2.1. As part of the July Executive Board Budget Monitoring Report the Capital Programme set the period 2 capital budget for 2024/25 at £205.030m for Council Capital Schemes and £123.566m where the Council is acting as Accountable Body.

9.2.2. Since the Period 2 position the Capital Budget has increased by £0.086m in 2024/25 and £0.642m over the MTFP, the table below details the breakdown:

Table 8: Capital Programme Summary Movement

Capital Programme Budget Movement	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Budget at Period 4					
General Fund Capital Schemes	136.475	75.106	23.112	6.684	241.377
General Fund Accountable Body	123.566	0.467	0.000	0.000	124.033
HRA Capital Schemes	68.642	56.041	49.994	46.216	220.893
Total Budget at Period 4	328.683	131.614	73.106	52.9	586.303
Budget at Period 2					
General Fund Capital Schemes	136.389	74.861	22.877	6.608	240.735
General Fund Accountable Body	123.566	0.467	0.000	0.000	124.033
HRA Capital Schemes	68.642	56.041	49.994	46.216	220.893
Total Budget at Period 2	328.597	131.369	72.871	52.824	585.661
Budget movement Period 2 to Period 4					
General Fund Capital Schemes	0.086	0.245	0.235	0.076	0.642
General Fund Accountable Body	0.000	0.000	0.000	0.000	0.000
HRA Capital Schemes	0.000	0.000	0.000	0.000	0.000
Total Budget Movement	0.086	0.245	0.235	0.076	0.642

9.2.3. The revised capital programme reflects approved slippage from Period 2 and budgets incepted for which approval has been sought through the usual process (Executive Board and/or Officer Decision).

9.3. 2024/25 Capital Programme

9.3.1. A summary of the profiles capital programme budget for 2024/25 is set out in the table below, showing a net variance of (£1.926m) as at Period 4.

Table 9: 2024/25 Capital Programme Forecast

Directorate	Budget 2024/25 £m	Year to Date Actuals £m	Forecast at Period 4 £m	Variance £m	Net Slippage (-) / Acceleration (+) £m	Under (-) / Over (+) spend £m
Adult Services	2.245	0.432	2.245	0.000	0.000	0.000
subtotal: Adults and Public Health	2.245	0.432	2.245	0.000	0.000	0.000
Children's Services	0.169	0.000	0.169	0.000	0.000	0.000
Education	4.286	(0.060)	4.286	0.000	0.000	0.000
subtotal: Children's and Education	4.455	(0.060)	4.455	0.000	0.000	0.000
Community, Environment and Resident Services	16.142	1.822	16.071	(0.071)	(0.202)	0.131
Growth & City Development	62.707	7.521	62.263	(0.444)	(0.444)	0.000
Finance & Resources	1.684	0.058	1.609	(0.075)	0.000	(0.075)
Transformation	3.192	0.000	3.192	0.000	0.000	0.000
Exceptional Financial Support (EFS)	41.024	0.000	41.024	0.000	0.000	0.000
Total Council Capital Schemes Approved and Incepted	131.449	9.773	130.859	(0.590)	(0.646)	0.056
Planned Schemes	5.026	0.000	4.926	(0.100)	(0.100)	0.000
Total General Fund Approved Council Capital Schemes	136.475	9.773	135.785	(0.690)	(0.746)	0.056
HRA - Approved Programme	67.527	2.063	64.474	(3.053)	(2.955)	(0.098)
HRA - Planned Schemes	1.115	0.000	0.910	(0.205)	0.000	(0.205)
Total Council Capital Schemes	205.117	11.836	201.169	(3.948)	(3.701)	(0.247)
Midlands Net Zero Hub	92.922	2.472	94.477	1.555	0.000	1.555
Other Energy Schemes	8.053	0.382	8.053	0.000	0.000	0.000
Transforming Cities	21.591	12.454	21.591	0.000	0.000	0.000
Future Transport Zone	1.000	1.467	1.467	0.467	0.467	0.000
Total Accountable Body	123.566	16.775	125.588	2.022	0.467	1.555
TOTAL	328.683	28.611	326.757	(1.926)	(3.234)	1.308

9.3.2. The net variance of (£1.926m) relates to the following:

- Net Slippage / Acceleration – (£3.234m)**
 The net slippage relates to re-profiled Capital Programme budget. All schemes with a slippage of over £0.500m are detailed in Appendix 2.
- Net Overspend - £1.308m**
 Appendix 3 sets out the detail of the variances including the approval required to incept £1.997m within Accountable Bodies for MNZH Social Housing Decarbonisation Fund Wave 2.

9.4. Capital Receipt Forecast

9.4.1. At Period 4 the Council has secured receipts less 4% of fees of (£3.006m) since the reported Period 2 position, of these receipts (£1.629m) is ringfenced for investment within the Education Capital Programme. The below table details the Council has secured General Use Receipts of (£13.019m) and Ringfenced Receipts of (£2.148m).

Table 10: Capital Receipts Secured at Period 3 2024/25

Detail	General Use Receipts 2024/25 £m	Ringfenced Receipts 2024/25 £m	Total £m
Receipts carried forward from Provisional Capital Outturn Secured to Period 2 (Less 4% fees)	(8.098)	(0.584)	(8.682)
	(3.479)	0.000	(3.479)
Pervious Reported Position	(11.577)	(0.584)	(12.161)
Further Receipts Secured to P4 (Less 4% Fees)	(1.442)	(1.564)	(3.006)
Secured Receipts as at Period 4	(13.019)	(2.148)	(15.167)

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

9.4.3. The table below provides the current forecast of capital receipts required for the approved General Fund programme over the MTFP period. Although over the period MTFP period the capital receipts forecasted will be in surplus by (£4.527m) this is an improvement of £0.870m since Period 2. The current 2024/25 forecast is a shortfall of £7.355m. The potential 2024/25 position has improved by £1.045m, if this position holds true or gets worse, the Council will be required to undertake additional temporary borrowing of the same for to fund EFS. This would have an impact on the General Fund revenue budget with regards to interest and MRP.

Table 11: Capital Receipt Requirement and Forecast over the MTFP 2024/25 – 2027/28

Capital Receipt Requirement for Approved General Fund Programme	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Exception Financial Support	25.200	15.824	0.000	0.000	41.024
Transformation	3.192	0.000	0.000	0.000	3.192
General Fund Capital Programme	5.061	4.180	0.859	0.245	10.345
Budgeted Capital Receipt Requirement	33.453	20.004	0.859	0.245	54.561
Total General Use Capital Receipts banked as at Period 4	(13.019)	0.000	0.000	0.000	(13.019)
Committed Ringfenced Receipts as at Period 4	(0.045)	(0.100)	0.000	0.000	(0.145)
Capital Receipt Shortfall (+) / Surplus (-) as at Period 4	20.389	19.904	0.859	0.245	41.397
Assets approved for disposal (in process - estimated unsecured receipts risk adjusted)	(13.034)	(22.962)	(9.928)	0.000	(45.924)
Net estimated shortfall (+) or surplus (-) Capital Receipt required against approved programme	7.355	(3.058)	(9.069)	0.245	(4.527)

9.4.4. Work is on-going with the Asset Transformation Programme to identify assets for disposal and therefore currently it is early to quantify the actual level of capital receipt shortfall. This is being closely monitored monthly to ascertain the impact.

10. Other options considered in making recommendations

10.1. Not applicable.

11. Consideration of Risk

- 11.1. 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.
- 11.2. 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. The MTFP will be refreshed to take account of revised growth and pressures and to review budget assumptions which may result in an increase in the overall MTFP budget gap.
- 11.3. 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.
 - The 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. The Government have proposed revised backstop dates for councils with audit opinions outstanding. These are 13 December 2024 for accounts up to 2022/23 and 28 February 2025 for 2023/24. The Council is assessing the implications of the proposed backstops dates on its draft Accounts with its external auditors and will continue to provide progress updates to Audit Committee.

- 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.
- 11.4. As set out in section 3 above, Corporate Leadership Team have implemented a Financial Intervention Strategy to support in identifying and delivering in-year management and mitigating actions that support the Council in achieving a balanced budget in year. As such Corporate Leadership Team, are closely monitoring the interventions to exercise firm grip required to deliver effective financial management of 2024/25 budgets.
- 11.5. 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 6 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
 - As set out above in Table 2, the likelihood of the forecasted management actions identified through the Financial Intervention Strategy of c£10m fully being realised
 - Council ability to manage the current estimated risks of c£3m, excluded from Period 4 forecast if they are fully realised (paragraph 6.3)
 - The level of risks that have not been Subsidiary company risk - loans and risk of liabilities materialising
 - Additional pressures relating to loss of funding from Health with regards to joint funded packages across adults and children's social care
 - 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.

11.6. 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.

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

12.1. 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.

12.2. 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.

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

13. **Commissioner comments**

13.1. The Period 4 financial report is comprehensive setting out the position for the general fund revenue, capital and HRA budgets. The revenue budget position is of most concern. Although the net position is an improvement over the Period 2 position at the bottom line level, substantial mitigations have had to be identified. This is a positive move forward in terms of financial management. The extent of these mitigations amounts to £9.8m - it is not clear from the report though what the impact on services is. The Council is encouraged to consider this further at a corporate level.

13.2. The report also sets out a clear section on risks – the Council is encouraged to consider these further and identify any additional appropriate mitigations.

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

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

15. **Legal colleague comments**

15.1. 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 4 position and whilst shows an improving position from P2 there remains a forecasted overspend. Finance is whole Council responsibility, and the Council must continue to implement the mitigations to bring the forecasted spend back in line with approved budget. The main considerations are set out in the body of the report.

15.2. In accordance with 17.40 of the constitution it is for budget holders to provide a supporting narrative around material variances and planned remedial action. It is therefore, for budget holders to consider whether the proposed mitigation is managerial, operational or represents a budgetary and policy change and take the appropriate action to ensure that decisions relating to the mitigations are taken in the appropriate way and in accordance with constitutional requirements.

15.3. 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, 9 September 2024

16. **Other relevant comments**

16.1. **Procurement comments**

Not applicable.

16.2. **HR**

Not applicable.

16.3. **IT**

Not applicable.

16.4. **Strategic Assets and Property**

Not applicable.

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

17.1. Not applicable.

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

18.1. Not applicable.

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

19.1. Not applicable.

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

20.1. 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

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

21.1. 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

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

22.1. 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

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

23.1. Not applicable.

24. **Appendices**

- Appendix 1 – Savings Dashboard
- Appendix 2 – Capital Programme Slippage
- Appendix 3 – Capital Programme Under & Over Spends
- Appendix 4 – General Fund Revenue Budget Virement Summary

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

City Council	
2024/25 Budget and Council Tax Resolution	4 March 2024
Executive Board	
Budget Monitoring Period 2 (2024/25)	16 July 2024
2023/24 Provisional Outturn	18 June 2024
2024/25 Budget and Medium-Term Financial Plan	13 February 2024