

## Executive Board – 21 January 2025

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|---|---|
| <b>Subject:</b>   | 2025/26 Budget Strategy Update  |
| <b>Corporate Director(s)/Director(s):</b>   | Stuart Fair, Interim Corporate Director of Finance and Resources (S151)   |
| <b>Executive Member:</b>  | Councillor Linda Woodings, Executive Member for Finance and Resources   |
| <b>Report author and contact details:</b>   | Clare Williams, Interim Director of Finance and Deputy S151<br><a href="mailto:clare.williams@nottinghamcity.gov.uk">clare.williams@nottinghamcity.gov.uk</a> |
| <b>Other colleagues who have provided input:</b>  | Corporate Leadership Team<br>Colleagues within Technical, Strategic and Commercial Finance Teams  |
| <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>   |   |
| (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  |   |
| <b>and/or</b>   |   |
| (b) Significant impact on communities living or working in two or more wards in the City<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No   |   |
| <b>Type of expenditure:</b> <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital<br>If Capital, provide the date considered by Capital Board<br>Date: n/a   |   |
| <b>Total value of the decision:</b> n/a   |   |
| <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:  |   |
| <b>Commissioner Consideration</b>   |   |
| The Commissioners are content with this report.   |   |
| 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 Portfolio Holder(s):</b> Throughout  |   |
| <b>Relevant Council Plan Key Outcome:</b>   |   |
| Clean and Connected Communities   | <input checked="" type="checkbox"/>   |
| Keeping Nottingham Working  | <input checked="" type="checkbox"/>   |
| Carbon Neutral by 2028  | <input checked="" type="checkbox"/>   |
| Safer Nottingham  | <input checked="" type="checkbox"/>   |
| Child-Friendly Nottingham   | <input checked="" type="checkbox"/>   |
| Healthy and Inclusive   | <input checked="" type="checkbox"/>   |
| Keeping Nottingham Moving   | <input checked="" type="checkbox"/>   |
| Improve the City Centre   | <input checked="" type="checkbox"/>   |
| Better Housing  | <input checked="" type="checkbox"/>   |
| Financial Stability   | <input checked="" type="checkbox"/>   |
| Serving People Well   | <input checked="" type="checkbox"/>   |
| <b>Summary of issues (including benefits to citizens/service users):</b>  |   |
| 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 has been 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. The Council has identified further savings which were presented to the Executive Board in December 2024 and currently being consulted on where appropriate.

An updated budget strategy and approach to the MTFP, developed to meet the financial challenges faced by the Council, was endorsed by Executive Board in June 2024. This Budget Strategy sits alongside the Council's Improvement Plan and Commissioners' Exit Strategy.

This report represents an update in the Council's budget planning process, seeking to refresh the future budget gaps the Council is likely to be facing based on the latest available information including the provisional settlement announced in December 2024. This includes likely recurring budget issues identified as part of forecast in-year budget monitoring and expert external advice on possible settlement and related funding.

The working assumptions underpinning the MTFP previously assumed in March 2024 and reiterated in June 2024 have been refreshed with the 2025/26 gap reducing from £69.0m to the latest projection of £23.4m. A detailed explanation of the movement is set out within Appendix A.

A core assumption in setting the base for 2025/26 includes successfully managing demand related cost pressures within the current financial year 2024/25 and sustaining this position over the medium term. Closing the structural deficit is foundational to the medium- and longer-term financial stability of the Council. Successful delivery of transformational change and efficiency savings will be fundamental to the elimination of the embedded structural deficit.

The proposed budget strategy, process and modelling will be further refined and will include any further adjustments arising from the final budget settlement announcement and the outcome of the request to Government for Exceptional Financial Support.

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

No

**Recommendation(s):**

1. To note the revised forecast budget gap of £23.4m after new saving options currently being consulted on for delivery within 2025/26, with an indicative cumulative budget gap of £56.8m over the 4 years of the new MTFP period of 2025/26 to 2028/29 (table 2)
2. To note the updated Capital Programme
3. To note the progress made in delivering the agreed budget strategy and developing new saving proposals
4. Note the budget preparation timetable as set out in the report (section 15)

**1. Reasons for recommendations**

- 1.1 This report is a part of the Council's annual budget setting and business planning process and seeks to update the projected MTFP gaps so that decision makers are aware of the potential quantum of saving options that might be required to balance the budget.

- 1.2 The overarching objective of the agreed budget strategy is to ensure that the Council sets a priority-led budget over the medium term that is balanced and realistic supported by achievable saving plans. However, it must be recognised that the Council continues to face budget challenges which requires the Council to transform the way it delivers services and doing things differently.
- 1.3 The Council continues to face budget pressures in future years and uncertainty, including the continuing level of support from Central Government, over the medium term as Ministry of Housing, Communities and Local Government (MHCLG) announced a one-year settlement in the provisional budget announcement in December 2024. Due to an increased demand for services, alongside the backdrop of the cost-of-living and where demand change can lead to material budget variances. This is further exacerbated by the current global and national political and economic environment and the prospect of reducing local government funding and support from government.

## 2. **Background**

- 2.1. The budget strategy and medium-term financial plan for 2024/25 to 2027/28 was approved by City Council on 4 March 2024. The Council has only been able to set a balanced budget in 2024/25, discharging its legally duty through use of Exceptional Financial Support (EFS) as approved by the Ministry of Housing, Communities & Local Government (MHCLG) which was predicated on the Council approving the totality of officer developed proposals and increasing council tax by 4.99%.
- 2.2. As set out within the Capital Strategy reported to Executive Board at quarter two capital receipts form a key element of financing the EFS and continue to be a critical component of the Council's budget strategy not only with regards to the EFS but also due to financing the Council Transformation Programme and priorities. Since the Council has in place a voluntary debt reduction policy it is unable to borrow to finance any investment apart from the EFS.
- 2.3. The medium-term financial plan has been updated to reflect the latest budget assumptions including the provisional settlement and is reporting a budget gap over 2025/26 to 2028/29 of £56.8m. This excludes the proposed use of Exceptional Financial Support of up to £25m for 2025/26 and further ceiling of £10m in 2026/27. The projections assume the Council will be able to achieve a balanced position after two years with the recovery grant and the delivery of further efficiency savings. Therefore, it is essential that the Council looks to identify further transformational budget savings with the aim to deliver a balanced budget in 2026/27.

### **Exceptional Financial Support**

- 2.4. The council has been granted EFS of up to £66.143m (£25m in 2023/24 and £41.143m in 2024/25). The budget gap which may change with the final settlement to be announced early February 2025 and further refinements is currently £23.4m.
- 2.5. An application for EFS has been made for up to £25m for 2025/26, and up to £10m in 2026/27 with an expectation that the Council will be able to set a balanced budget for the start of 2027/28 financial year.

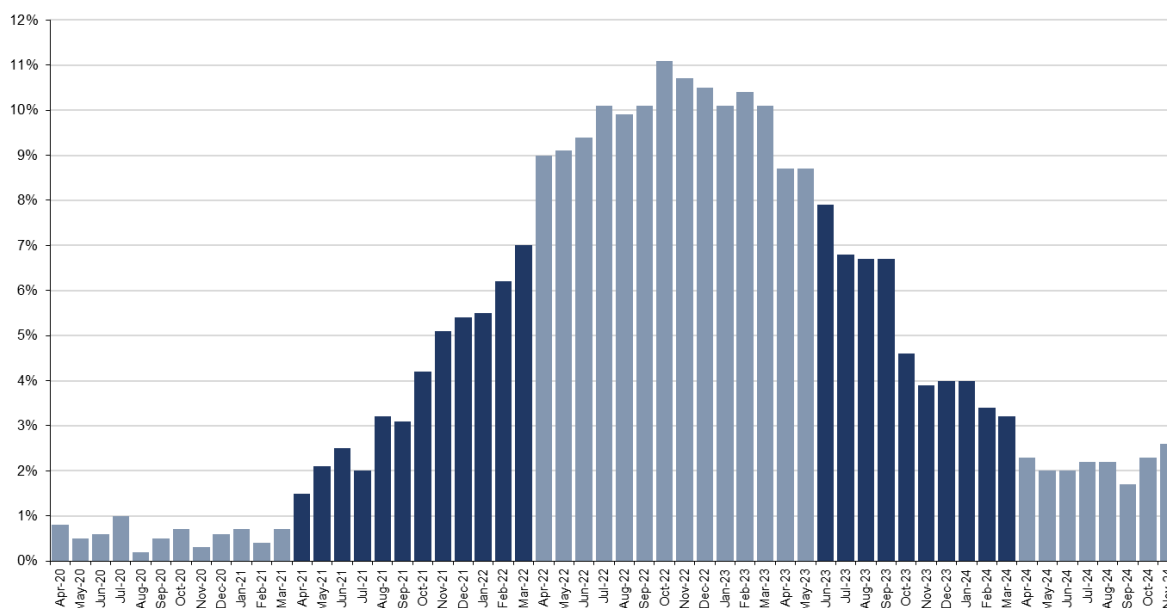
### **2025/26 Provisional Financial Settlement**

- 2.6. The provisional Local Government Settlement was announced on 18 December which only confirmed one-year figures, the key headlines which have been factored into the MTFP are:
- Within SFA the Revenue Support Grant (RSG) has increased by 2.4% or £0.8m, bringing total to £32.7m.
  - Top-up Grant has increased by 1.2% or £0.4m, bringing total to £38.0m.
  - The new one-off Recovery Grant is confirmed as £11.1m. This is an unringfenced grant targeted towards areas with greater need and demand for services (measured by deprivation), and less ability to raise income locally e.g. council tax.
  - The new Children's Services Prevention Grant is provisionally £3.5m.
  - Existing Social Care grants have been confirmed for 25/26 at the following levels:
    - £42.8m Social Care – from a national total of £880m, a further £200m higher than was announced in the Policy Statement last month
    - This is £6.7m higher than the £36.1m level received in 24/25.
- 2.7. Other specific grants included within Core Spending Power:
- the settlement includes a further one-off New Homes Bonus (NHB) grant of £1.1m for 25/26.
  - Previous relatively minor Services grant has been rolled into Recovery Grant.
  - Domestic Abuse Duty Safe Accommodation grant of £1.1m is consolidated into CSP for the first time.
  - In calculating the core spending power MHCLG has also rolled previous grants into their revised 24/25 position before removing:
    - Electoral Integrity Programme
    - Tenant Satisfaction
    - Transparency Code
- 2.8. The budget announced increased employer national insurance contributions, and MHCLG confirmed funding to compensate for this increase will be confirmed in the Final Settlement. There is a risk that not all the additional cost will be funded; the MTFP reflects potentially 38% will be received and will be updated when the final settlement is announced.

### **Economic Outlook – Inflation**

- 2.9. Currently inflation stands at 2.6% (Consumer Price Index (CPI) November 2024) which is still 0.6% above the Bank of England inflation target rate of 2%. Although current inflation rate is lower than October 2022 when it peaked at 11.1%, the highest rate since the last 40 years, it continues to have a significant impact on both the local and national economy. The next publication of monthly inflation figures by the Office of National Statistics will be 15 January 2025.
- 2.10. The chart below illustrates the high levels of monthly CPI inflation across recent years. As a result of the recent inflation volatility, it is hard to predict with any certainty the future impact on council services and therefore on council's medium-term financial plan.

**Chart 1: Consumer Price Index Rate (April 2020 to November 2024)**



Source: [Office for National Statistics - Consumer price inflation UK](#)

2.11. Below is list of service areas or contracts which continue to be impacted by the economic context. In many cases the increases in prices are exacerbated by increases in demand due both to demographic changes, government policy changes and the cost-of-living crisis.

- a) The UK economy had showed signs of recovery in the first half of 2024 and GDP growth is expected to grow by 1.2% in 2025, however inflation (CPI) has risen above the target in recent months, rising to 2.6% in November. In addition, persistent challenges such as the cost-of-living crisis, the ongoing Russia-Ukraine war, and the escalating conflict in the Middle East continue to cast a shadow of uncertainty over the global economic outlook.
- b) The Council, like many local authorities, is facing a confluence of financial pressures. These include:
  - **Escalating Costs:** Rising inflation and increased demand for adult and children's social care services are significantly increasing operational expenses.
  - **Pressures in Health Care System:** Health colleagues are facing similar pressures with significant saving plans. Adults will be working closely to ensure system efficiencies are delivered jointly without cost shunting of care,
- c) Ongoing after-effects of record high inflation are continuing to impact our residents. Living costs have remained far higher than pre-pandemic levels, with inflation in essentials such as food, fuel and energy bills in particular remaining much higher than in recent years. As a consequence, demand-led services within the Council have felt the pressure of the needs of our residents who have turned to the Council for support.
- d) Social care (Adults and Children) faces significant cost increases. Care providers are demanding higher fees to offset rising operational costs,

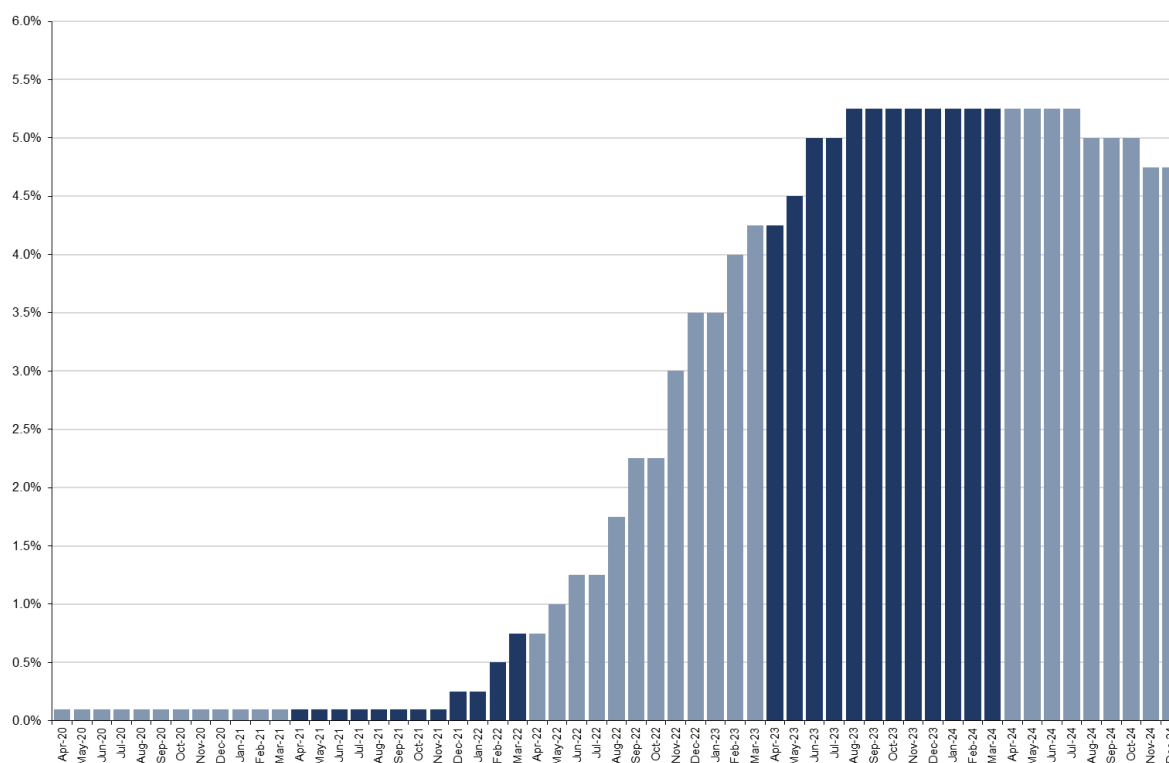
exacerbated by labour shortages and limited placement options. This situation is further compounded by growing demographic demand, creating a challenging and unsustainable environment for the sector. Demand containment is a core assumption within the Budget and MTFP modelling.

- e) Home to school transport - Rising costs due to inflation (fuel, driver wages) in addition to increased demand for services as well as limited government funding.
- f) The private rented sector is facing a perfect storm: higher interest rates impacting landlords' mortgage repayments, a cost-of-living crisis squeezing tenants, and the potential for insufficient increases to Local Housing Allowance (LHA). This confluence of factors threatens to significantly increase homelessness.
  - *Reduced affordability*: With landlords facing higher costs and tenants struggling to afford rent, the availability of affordable private rented properties is likely to decline.
  - *Increased homelessness*: This reduction in affordability, coupled with insufficient LHA increases, is pushing more households into homelessness, requiring costly temporary accommodation, including potentially increased use of bed and breakfasts.
  - *Strained council budgets*: The differential between LHA payments and actual rental costs for temporary accommodation is placing further strain on council budgets, exacerbating the financial burden of the homelessness crisis.
- g) Pay inflation – the National Joint Council (NJC) for Local Government services pay award for 2024/25 has been confirmed at:
  - An uplift of £1,290 to all pay spinal points for pay Grades B to J
  - 2.5% uplift for all other pay grades
- h) Energy and fuel prices in the UK have risen significantly and remain elevated compared to pre-crisis levels. Recent trends show a slight increase in January 2025, followed by a predicted small decrease in April 2025. Global energy market volatility, geopolitical events (like the Ukraine conflict), and various economic factors such as inflation continue to influence prices. This global impact on cost of energy and fuel will continue to impact service costs across many areas of the Council.

### **Economic Outlook - Interest Rates**

- 2.12. The Bank of England Monetary Policy Committee at its 19 December 2024 meeting confirmed the bank rate interest remains at 4.75%. This follows a second 0.25% reduction in early November 2024. The Monetary Policy Committee will review this next on 6 February 2025.

**Chart 2: Bank of England Interest Rate (April 2020 to December 2024)**



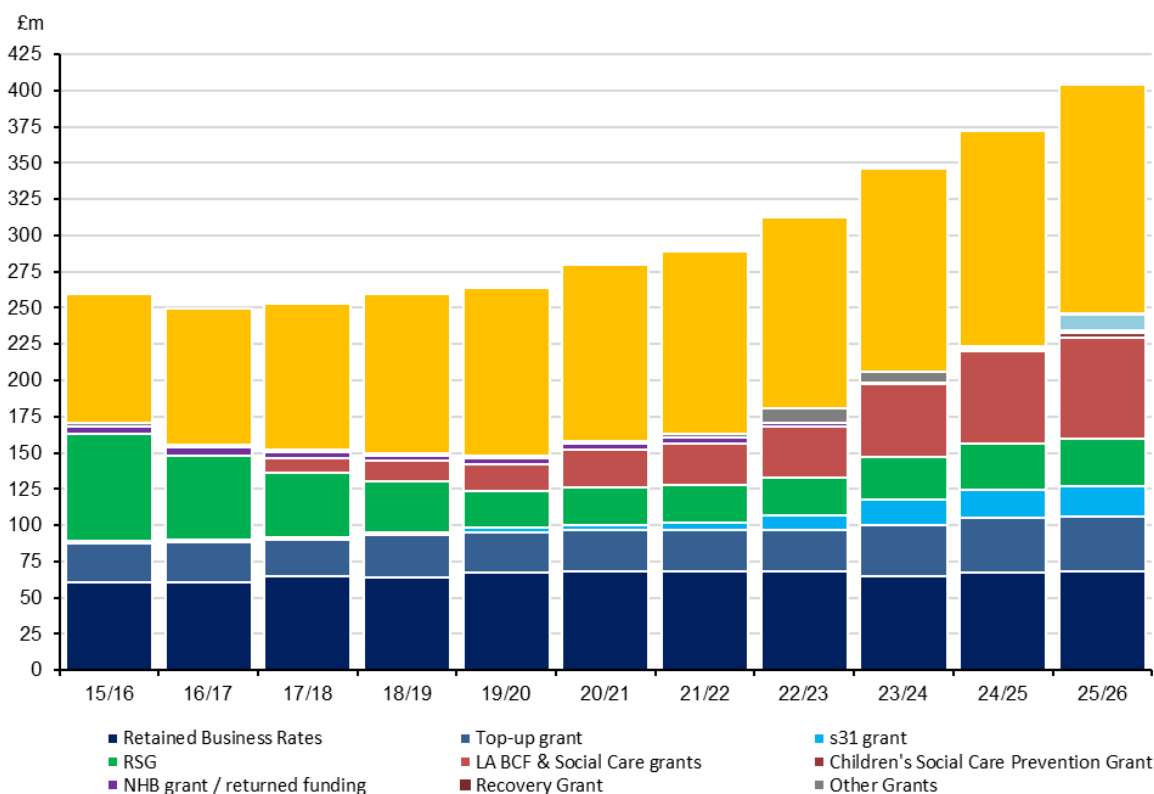
Source: [Bank of England - Interest rates and Bank Rate](#)

## Local Government Financial Landscape

- 2.13. The financial landscape facing the sector including the Council continues to be challenging, with an increasing number of councils, including noticeably those with social care responsibilities, give warnings about their ability to balance their budgetary positions in the coming years.
- 2.14. Many of the sectoral bodies (Local Government Association, County Councils Network, Society of County Treasurers and Special Interest Group of Municipal Authorities) published warnings in 2023 illustrating the current local government finance system is failing to tackle issues around social care funding (including children's), plus the continued impact of high inflation, have put many councils in a perilous financial position with many S151 Officers considering issuing of S114 reports for not being able to balance their budget over the next 12-24 months.
- 2.15. On 18 December 2024 MHCLG published the provisional settlement for the 2025/26 only and announced a Recovery Grant to support Councils. However, the lack of clarity regarding multi-year settlements makes budget planning, particularly in the current environment unnecessarily complex and challenging.
- 2.16. The balance of overall funding has altered in recent years with a greater proportion coming from Council Tax and key specific grants with significantly less coming from Revenue Support Grant (RSG). Whilst the RSG received by Nottingham has reduced by £41.1m (or 55.7%) between 2015/16 and 2025/26, the overall 'Core Spending Power' measure as utilised by MHCLG has increased by £143.9m (or 55.4%).

2.17. This is reflected in the chart below which shows MHCLG's latest Nottingham 'core spending power' assumptions for 2015/16 to 2025/26. This illustrative approach encompasses estimated locally retained business rates income and top-up, estimated council tax along with RSG and other grants i.e. new recovery grant, social care, new homes bonus and compensation for business rates reliefs/under-indexing to give an overall indication of the funding available to the authority.

**Chart 3: Illustrative Core Spending Power**



Source: <https://www.gov.uk/government/publications/core-spending-power-table-provisional-local-government-finance-settlement-2025-to-2026>

2.18. The Government launched its proposed future funding reforms on 18 December 2024. These will include reform of the Settlement Funding Assessment, a reset of the Business Rates Retention System and a replacement to the New Homes Bonus. Further consultation papers and detailed exemplifications will be expected later in the year.

2.19. Funding formulas and business rates baselines have not been updated since 2013/14. The previous Fair Funding Review was launched in 2016, with the most-recent full consultation paper in December 2018. The proposed reforms are a continuation of the previous governments' proposals and use many of the same principles.

2.20. The Government's stated intention is to implement its reforms in 2026/27. At this stage it is not possible to robustly model projections for individual authorities due to the complexity of the local government financial system and the many possible interactions between the options available for ministerial decisions on its final shape.

### Budget Strategy

2.21. The strategic approach adopted for the 2025/26 budget process was originally outlined in the Budget Strategy report considered by 18 June 2024 Executive Board. This set out



the direction of travel to how the Council plans to finance its operations and meet its strategic council priorities. It identified the themes and categories the Council will look to further develop as a means of delivering a balanced budget over the medium term and set out any underlying actions that need to be taken.

- 2.22. The initial range of new saving and income proposals developed using the budget strategy were reported in the Budget Savings report considered by 17 December 2024 Executive Board. These draft proposals were approved for public and staff consultation. The final proposals after considering the consultation results will be reported to the 11 February 2025 Executive Board for recommendation to Full Council. Closing the structural deficit is foundational to the medium- and longer-term financial stability of the Council. Dependency on reserves will not address the imbalance between net spend and available resources and reserves are finite. Successful delivery of transformational change and efficiency savings will be fundamental to the elimination of the embedded structural deficit.

### MTFP Approved March 2024

- 2.23. As approved by the Executive Board and City Council in February and March 2024 respectively and reiterated in Budget Strategy report to 18 June 2024 Executive Board, the previous Medium Term Financial Plan (MTFP) covered the 4-year period 2024/25 to 2027/28. It provides the financial framework to support achievement of the Council's overall objectives and delivery of services.
- 2.24. By necessity the MTFP needs to be reviewed and updated to reflect changing circumstances, updated priorities and ambitions, analysis of advice and information from relevant organisations and the likely effects of the local and national economic context such as Government funding settlements.
- 2.25. The table below reiterates the previously approved MTFP forecasts for 2024/25 to 2027/28 and its forecast cumulative budget gap of c£172m. The layout and some categorisations have been slightly revised from that previously published to better reflect the nature of budget adjustments and align with the presentation of the refreshed MTFP.

**Table 1: Previously Approved MTFP Summary 2024/25 to 2027/28 MTFP**

| Budget Item                             | 2024/25<br>£m   | 2025/26<br>£m  | 2026/27<br>£m  | 2027/28<br>£m  |
|---|-----------------|----------------|----------------|----------------|
| <b>Net Budget brought forward</b>       | <b>291.423</b>  | <b>356.800</b> | <b>387.471</b> | <b>434.806</b> |
| Pay                                     | 24.288          | 11.374         | 11.261         | 10.318         |
| Contractual Inflation                   | 17.139          | 11.796         | 12.911         | 12.689         |
| <b>Sub-total: Inflation</b>             | <b>41.427</b>   | <b>23.170</b>  | <b>24.172</b>  | <b>23.007</b>  |
| Base Budget                             | 1.175           | 0.000          | 0.000          | 0.000          |
| Demographic/Demand Pressures            | 38.387          | 29.756         | 30.365         | 27.964         |
| Service Pressures                       | 23.883          | 10.049         | 9.577          | 20.000         |
| Mitigations                             | (5.109)         | (3.783)        | (4.357)        | (4.577)        |
| Service Investments                     | 2.751           | 0.000          | 0.000          | 0.000          |
| Investments to deliver saving proposals | 7.596           | (7.596)        | 0.000          | 0.000          |
| <b>Sub-total: Service Growth</b>        | <b>68.683</b>   | <b>28.426</b>  | <b>35.585</b>  | <b>43.387</b>  |
| Technical Adjustments                   | (3.904)         | 3.379          | 0.186          | (2.384)        |
| Grants & Contributions                  | (11.204)        | 4.706          | 0.000          | 0.000          |
| Reserve Movements                       | 4.597           | (2.513)        | (0.005)        | 0.000          |
| <b>Sub-total: Other Adjustments</b>     | <b>(10.511)</b> | <b>5.572</b>   | <b>0.180</b>   | <b>(2.384)</b> |

| Budget Item                              | 2024/25<br>£m    | 2025/26<br>£m    | 2026/27<br>£m    | 2027/28<br>£m    |
|--|------------------|------------------|------------------|------------------|
| Previously Agreed (incl. reprofiling)    | (12.095)         | (13.295)         | (11.980)         | (0.088)          |
| Duties & Powers                          | (22.128)         | (13.202)         | (0.623)          | (0.396)          |
| <b>Sub-total: Saving &amp; Income</b>    | <b>(34.223)</b>  | <b>(26.497)</b>  | <b>(12.603)</b>  | <b>(0.483)</b>   |
| <b>Total: Budget Adjustments</b>         | <b>65.377</b>    | <b>30.671</b>    | <b>47.335</b>    | <b>63.526</b>    |
| <b>Projected Net Budget</b>              | <b>356.800</b>   | <b>387.471</b>   | <b>434.806</b>   | <b>498.332</b>   |
| Business Rates, Top-up, S31 Grants & RSG | (165.689)        | (169.003)        | (172.383)        | (175.831)        |
| Council Tax                              | (148.879)        | (149.511)        | (150.140)        | (150.772)        |
| Collection Fund                          | (1.207)          | 0.000            | 0.000            | 0.000            |
| <b>Projected Core Funding</b>            | <b>(315.776)</b> | <b>(318.514)</b> | <b>(322.523)</b> | <b>(326.603)</b> |
| <b>Exceptional Financial Support</b>     | <b>(41.024)</b>  | <b>0.000</b>     | <b>0.000</b>     | <b>0.000</b>     |
| <b>Cumulative Gap</b>                    | <b>0.000</b>     | <b>68.957</b>    | <b>112.282</b>   | <b>171.730</b>   |
| <b>Incremental Gap</b>                   | <b>0.000</b>     | <b>68.957</b>    | <b>43.326</b>    | <b>59.447</b>    |

### Revised MTFP Assumptions 2025/26 to 2028/29

- 2.26. This report sets out a refresh of the MTFP projections and reflects the results of a rigorous review of all Directorate growth and the initial funding updates as announced in the Provisional Settlement. The MTFP and budget strategy is being compiled in a period of continued financial uncertainty due to the lack of multi-year settlements and any estimate beyond one-year remains speculative. The potential future impact of Local Government Finance Reform expected in 2026/27 as announced alongside the Provisional Settlement has not been reflected in the MTFP.
- 2.27. Summarised below are the key assumptions which feed into the current MTFP refresh:
- A core assumption in setting the base for 2025/26 includes successfully managing demand related cost pressures within the current financial year 2024/25 and sustaining this position over the medium term.
  - The 2025/26 budget assumes Council Tax is increased by 4.99% which will generate £7.6m. Any proposal to reduce this will result in an increase to the budget gap or the requirement to identify savings to replace.
  - The Council Tax base is assumed to increase by 2.5% in 2025/26 due to underlying increase and introduction of 2<sup>nd</sup> home premium.
  - Future increases in Retained Business Rates and associated section 31 grants reflect only 2% CPI inflation projections with working assumption of nil underlying growth.
  - Assumed 'roll over' settlement increases linked with CPI inflation and MTFP does not attempt to quantify any potential future 'Fair Funding' policy changes
  - Where national increases are known for specific grants, an estimated future projection has been included based on best available information. Assume that all other specific grants will continue at their current level for all future years.
  - Assumed pay inflation equivalent to 4% for 2025/26 and all future years
  - No general increase for contractual inflation. Directorates have included known inflationary increases within their growth submissions.
  - Directorates have submitted risk assessed growth cases identifying specific demographic, service, and other pressures.
  - Creation of an ongoing corporate contingency of £15m in 2025/26 and then £10m in all future years

- k) Payback of previous internal borrowing from earmarked reserves of £20m for building financial resilience in 2023/24 continues at £2.3m per year with the final repayment in 2031/32.
- l) Subject to a further review, a further payback of £2.3m into the HRA due to NCH.
- m) Annual contribution of £1m to the General Fund Balance continues.
- n) Revenue contribution to fund capital expenditure of £1.1m

2.28. All these budget assumptions will continue to be reviewed considering any changing circumstances before the final MTFP is presented to Council in March 20205.

### Updated MTFP

2.29. Table 2 below summarises the overall position of the latest MTFP refresh with a new projected budget gap for 2025/26 of £23.4m after new saving, income proposals and an assumed 4.99% Council Tax increase. The MTFP refresh also builds on savings previously approved, with other assumptions updated to reflect current service and national information.

2.30. The Council will need to identify savings through transformation, efficiencies and income generation over and above what is already included in the MTFP. Successful delivery of such change and efficiencies will ensure the Council does not need to rely on Exceptional Financial support post-2026/27 financial year.

**Table 2: Refreshed MTFP Summary 2025/26 to 2028/29**

| Budget Item                           | 2025/26<br>£m    | 2026/27<br>£m    | 2027/28<br>£m    | 2028/29<br>£m    | Table |
|---------------------------------------|------------------|------------------|------------------|------------------|-------|
| <b>Net Budget brought forward</b>     | <b>356.800</b>   | <b>350.258</b>   | <b>371.669</b>   | <b>390.103</b>   |       |
| Pay                                   | 11.271           | 13.468           | 10.746           | 11.176           | 3     |
| Contractual Inflation                 | 11.487           | 7.513            | 7.621            | 6.058            | 4     |
| <b>Sub-total: Inflation</b>           | <b>22.759</b>    | <b>20.981</b>    | <b>18.366</b>    | <b>17.233</b>    |       |
| Base Budget adjustments               | 7.397            | (0.186)          | (0.500)          | (0.407)          |       |
| Demographic/Demand Pressures          | 3.973            | 10.803           | 3.044            | 2.875            |       |
| Service Pressures                     | 13.489           | 1.675            | (0.024)          | (0.374)          |       |
| Mitigations                           | (1.252)          | (9.629)          | (1.590)          | (0.500)          |       |
| Service Investments                   | 4.016            | (0.566)          | 0.000            | 0.000            |       |
| Investments to deliver proposals      | (7.596)          | 0.000            | 0.000            | 0.000            |       |
| <b>Sub-total: Service Growth</b>      | <b>20.027</b>    | <b>2.098</b>     | <b>0.930</b>     | <b>1.594</b>     | 5     |
| Technical Adjustments                 | 17.185           | (4.730)          | (0.106)          | 0.800            | 6     |
| Grants & Contributions                | (25.304)         | 12.263           | 0.000            | 0.000            | 7     |
| Reserve Movements                     | (3.079)          | 0.560            | 0.000            | 0.000            | 8     |
| <b>Sub-total: Other Adjustments</b>   | <b>(11.198)</b>  | <b>8.094</b>     | <b>(0.106)</b>   | <b>0.800</b>     |       |
| Previously Approved                   | (19.764)         | (3.650)          | (0.483)          | 0.000            | 9     |
| New Savings & income                  | (18.365)         | (6.112)          | (0.274)          | 0.105            | 10    |
| <b>Sub-total: Saving &amp; Income</b> | <b>(38.129)</b>  | <b>(9.761)</b>   | <b>(0.757)</b>   | <b>0.105</b>     | 11    |
| <b>Total: Budget Adjustments</b>      | <b>(6.542)</b>   | <b>21.411</b>    | <b>18.434</b>    | <b>19.732</b>    |       |
| <b>Projected Net Budget</b>           | <b>350.258</b>   | <b>371.669</b>   | <b>390.103</b>   | <b>409.835</b>   |       |
| Business Rates, Top-up, S31           | (166.678)        | (181.126)        | (184.749)        | (188.444)        |       |
| Grants & RSG                          | (160.160)        | (161.644)        | (163.126)        | (164.611)        |       |
| Council Tax                           | 0.000            | 0.000            | 0.000            | 0.000            |       |
| Collection Fund                       | 0.000            | 0.000            | 0.000            | 0.000            |       |
| <b>Projected Core Funding</b>         | <b>(326.837)</b> | <b>(342.771)</b> | <b>(347.875)</b> | <b>(353.055)</b> | 12    |
| <b>Cumulative Gap</b>                 | <b>23.421</b>    | <b>28.898</b>    | <b>42.227</b>    | <b>56.780</b>    |       |
| <b>Incremental Gap</b>                | <b>23.241</b>    | <b>5.478</b>     | <b>13.329</b>    | <b>14.553</b>    |       |

- 2.31. Table 3 below summarises the projected net budgets for Directorates based on the above incremental MTFP changes and the 2024/25 base budget as of the writing this report. These figures will be updated as further detailed budget coding of adjustments are finalised, cross-cutting saving proposals and pay figures are reallocated to the appropriate directorate budgets.

**Table 3: Illustrative Directorate Net Budget Projections**

| Directorate                                  | 2024/25 <sup>A</sup><br>£m | 2025/26<br>£m    | 2026/27<br>£m    | 2027/28<br>£m    | 2028/29<br>£m    |
|--|----------------------------|------------------|------------------|------------------|------------------|
| Adult Social Care & Health                   | 92.267                     | 95.091           | 97.872           | 103.130          | 108.834          |
| Children & Education Services                | 90.053                     | 88.973           | 91.537           | 93.692           | 95.462           |
| Communities, Environment & Resident Services | 46.429                     | 42.637           | 42.295           | 42.337           | 42.296           |
| Growth & City Development                    | 4.379                      | 6.901            | 8.450            | 9.025            | 9.629            |
| Finance & Resources                          | 44.507                     | 45.095           | 43.392           | 42.847           | 42.566           |
| Chief Executive                              | 10.622                     | 13.796           | 14.095           | 13.588           | 13.588           |
| Companies                                    | 0.576                      | 0.679            | 0.770            | 0.841            | 0.841            |
| Corporate <sup>B</sup>                       | 67.966                     | 57.086           | 73.258           | 84.643           | 96.619           |
| <b>Net Budget</b>                            | <b>356.800</b>             | <b>350.258</b>   | <b>371.669</b>   | <b>390.103</b>   | <b>409.835</b>   |
| <b>Core Funding</b>                          | <b>(315.776)</b>           | <b>(326.837)</b> | <b>(342.771)</b> | <b>(347.875)</b> | <b>(353.055)</b> |
| <b>Cumulative Gap</b>                        | <b>41.024</b>              | <b>23.421</b>    | <b>28.898</b>    | <b>42.227</b>    | <b>56.780</b>    |
| <b>Incremental Gap</b>                       | <b>41.024</b>              | <b>23.241</b>    | <b>5.478</b>     | <b>13.329</b>    | <b>14.553</b>    |

<sup>A</sup> Latest 2024/25 Period 9 budget amended to remove temporary in-year virements

<sup>B</sup> Includes 2024/25 and assumed future year pay awards to be allocated to directorates  
Also holds proposed 2025/26 cross-cutting proposals

- 2.32. The forecast MTFP position for 2025/26 is an improvement on that previously reported in March 2024 by £45.5m. However, significant risks remain in relation to the delivery of the current and proposed savings for delivery in 2025/26.
- 2.33. Table 4 and Appendix 1 track the various changes since the previously approved March MTFP. The most significant changes in 2025/26 include:
- £5.5m reduction in pay assumptions offset by assumed £5.2m net impact of change to Employers National Insurance Contributions
  - £12.4m net reduction in identified Directorate pressures
  - £11.6m net increase in Savings Programme after considering reprofiling of existing programme and addition of new savings and income proposals
  - Creation of new £15m Corporate Contingency to cover risk of future saving non-delivery and emerging in-year pressures
  - £25m extra income from Recovery and other grants
  - Additional £10.6m Council Tax income from projected taxbase and assumed 4.99% B and D increase

**Table 4: Tracking MTFP changes since March MTFP (incremental)**

| Budget item                     | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m | cumulative<br>£m |
|---------------------------------|---------------|---------------|---------------|---------------|------------------|
| <b>March Council Budget Gap</b> | <b>68.957</b> | <b>43.326</b> | <b>59.447</b> | <b>0.000</b>  | <b>171.730</b>   |
| Pay Inflation                   | (0.102)       | 2.207         | 0.428         | 11.176        | 13.708           |
| Contractual Inflation           | (0.309)       | (5.398)       | (5.068)       | 6.058         | (4.718)          |
| Pressures                       | (12.415)      | (32.922)      | (42.456)      | 1.594         | (86.200)         |
| Investments                     | 4.016         | (0.566)       | 0.000         | 0.000         | 3.451            |
| Technical Adjustments           | 13.806        | (4.916)       | 2.278         | 0.800         | 11.969           |

| Budget item  | 2025/26<br>£m   | 2026/27<br>£m   | 2027/28<br>£m   | 2028/29<br>£m  | cumulative<br>£m |
|--|-----------------|-----------------|-----------------|----------------|------------------|
| Grants & Contributions                                 | (30.010)        | 12.263          | 0.000           | 0.000          | (17.747)         |
| Reserve Movements                                      | (0.566)         | 0.566           | 0.000           | 0.000          | 0.000            |
| Reprofile previously approved savings                  | 6.733           | 8.953           | 0.000           | 0.000          | 15.686           |
| New Saving & income Proposals                          | (18.365)        | (6.112)         | (0.274)         | 0.105          | (24.646)         |
| <b>Budget Adjustments</b>                              | <b>(37.213)</b> | <b>(25.924)</b> | <b>(45.093)</b> | <b>19.732</b>  | <b>(88.497)</b>  |
| Settlement related                                     | 2.326           | (11.069)        | (0.175)         | (3.695)        | (12.613)         |
| Council Tax - underlying tax base                      | (3.037)         | (0.785)         | (0.780)         | (1.414)        | (6.016)          |
| Council Tax - assumed 4.99% Band D increase in 2025/26 | (7.612)         | (0.071)         | (0.070)         | (0.071)        | (7.824)          |
| <b>Funding Adjustments</b>                             | <b>(8.323)</b>  | <b>(11.924)</b> | <b>(1.026)</b>  | <b>(5.179)</b> | <b>(26.452)</b>  |
| <b>Updated Budget Gap</b>                              | <b>23.421</b>   | <b>5.478</b>    | <b>13.329</b>   | <b>14.553</b>  | <b>56.780</b>    |

2.34. It should be noted that the above MTFP refresh is based on latest available assumptions and directorate updates and as such is at a point in time. Further movement in the future year gap projections may arise as assumptions are further reviewed and updated.

2.35. The MTFP does not yet reflect the following items due to information not being available. It will be updated when received for the final budget report:

- Approved tax base for 2025/26 - will be finalised by late January in line with Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012
- Projected retained business rates for 2025/26 - will be finalised by late January as part of submitting NNDR1 return to MHCLG
- Final settlement, including any grant conditions for new or increased specific grants along with funding towards the increase in national insurance– expected in early February

### Inflation - Pay

2.36. Table 5 below summarises the pay and pension items included in the MTFP. These form a significant driver to the increased MTFP gaps.

**Table 5: Pay (incremental)**

| Item   | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m | cumulative<br>£m |
|--|---------------|---------------|---------------|---------------|------------------|
| Revised 24/25 assumptions  | (3.889)       | 0.000         | 0.000         | 0.000         | (3.889)          |
| Future pay resources   | 9.788         | 10.333        | 10.746        | 11.176        | 42.042           |
| Potential direct cost of Employers NI Contribution (ENIC) increase | 8.300         | 0.000         | 0.000         | 0.000         | 8.300            |
| Assumed funding for ENIC   | (3.135)       | 3.135         | 0.000         | 0.000         | 0.000            |
| Holiday Pay / Overtime   | 0.208         | 0.000         | 0.000         | 0.000         | 0.208            |
| <b>Pay</b>   | <b>11.271</b> | <b>13.468</b> | <b>10.746</b> | <b>11.176</b> | <b>46.660</b>    |

2.37. The MTFP refresh currently assumes as a working assumption that the agreed 2024/25 flat rate pay award equates to c4.5% and that the eventual 2025/26 and future pay awards will be equivalent to 4.0%. These compare with the original assumptions in the March MTFP of assumed 6.8% for 2024/25, 5.0% for 2025/26, 4.5% in 2026/27 and 4.0% in 2027/28 and beyond.

2.38. It is estimated that the potential direct cost of the announced increase in Employer's National Insurance Contributions might be as high as c£8.3m. The available Government

funding is estimated to be only c£3.1m based on information released with the Provisional Settlement. The final funding will not be confirmed until the Final Settlement.

## Inflation – Contractual

- 2.39. Table 6 below summarises the contractual inflation increases included in the MTFP. This forms a significant driver to the increased MTFP gaps.

**Table 6: Contractual inflation** (incremental)

| Directorate                                  | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m | cumulative<br>£m |
|--|---------------|---------------|---------------|---------------|------------------|
| Adults                                       | 3.491         | 3.561         | 3.632         | 3.705         | 14.389           |
| <i>Adult Social Care &amp; Health</i>        | 3.491         | 3.561         | 3.632         | 3.705         | 14.389           |
| Children's                                   | 3.429         | 3.215         | 3.239         | 2.045         | 11.927           |
| Education                                    | 0.108         | 0.068         | 0.068         | 0.000         | 0.244            |
| <i>Children &amp; Education Services</i>     | 3.537         | 3.283         | 3.307         | 2.045         | 12.171           |
| Communities, Environment & Resident Services | 0.236         | 0.194         | 0.259         | 0.294         | 0.983            |
| Growth & City Development                    | 0.770         | 0.163         | 0.114         | 0.014         | 1.061            |
| Finance & Resources                          | (0.076)       | 0.000         | 0.000         | 0.000         | (0.076)          |
| Chief Executive                              | 0.011         | 0.298         | 0.299         | 0.000         | 0.609            |
| Companies                                    | 0.019         | 0.014         | 0.009         | 0.000         | 0.043            |
| Corporate                                    | 3.500         | 0.000         | 0.000         | 0.000         | 3.500            |
| <b>Contractual inflation</b>                 | <b>11.487</b> | <b>7.513</b>  | <b>7.621</b>  | <b>6.058</b>  | <b>32.678</b>    |

- 2.40. The significant items of contractual inflation include:
- Adults - £3.5m in 2025/26 rising to cumulative £14.4m by 2028/29
  - Children's - £3.4m in 2025-26 rising to cumulative £11.9m by 2028-29
  - £3.5m additional contractual costs (£0.8m CSE and £2.7m ASC)

The contractual inflation noted above for Adults and Children's relate to meeting the increased cost of provision by independent providers with a view to ensure market sustainability and statutory care is provided for Adults and Children in Nottingham.

## Growth – Pressures / Investment

- 2.41. Tables 7a and 7b below summarise the Service Growth identified by directorates and included in the MTFP by category and directorate respectively. These form a significant driver to the increased MTFP gaps.

**Table 7a: Demand/Service Pressures by category** (incremental)

| Category  | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m | cumulative<br>£m |
|---|---------------|---------------|---------------|---------------|------------------|
| Base Budget                                     | 7.397         | (0.186)       | (0.500)       | (0.407)       | 6.304            |
| Demographic / Demand Pressures                  | 3.973         | 10.803        | 3.044         | 2.875         | 20.694           |
| Service Pressures                               | 13.489        | 1.675         | (0.024)       | (0.374)       | 14.766           |
| Mitigations                                     | (1.252)       | (9.629)       | (1.590)       | (0.500)       | (12.971)         |
| Service Investments                             | 4.016         | (0.566)       | 0.000         | 0.000         | 3.451            |
| Remove previous investment to deliver proposals | (7.596)       | 0.000         | 0.000         | 0.000         | (7.596)          |
| <b>Service Growth</b>                           | <b>20.027</b> | <b>2.098</b>  | <b>0.930</b>  | <b>1.594</b>  | <b>24.649</b>    |

**Table 7b: Demand/Service Pressures by Directorate (incremental)**

| Directorate                                  | 2025/26<br>£m | 2026/27<br>£m  | 2027/28<br>£m  | 2028/29<br>£m  | cumulative<br>£m |
|--|---------------|----------------|----------------|----------------|------------------|
| Adults                                       | 8.211         | 2.000          | 2.000          | 2.000          | 14.211           |
| Commissioning                                | 0.000         | 0.000          | 0.000          | 0.000          | 0.000            |
| Public Health                                | 0.412         | 0.000          | 0.000          | 0.000          | 0.412            |
| <i>Adult Social Care &amp; Health</i>        | <i>8.623</i>  | <i>2.000</i>   | <i>2.000</i>   | <i>2.000</i>   | <i>14.623</i>    |
| Children's                                   | 0.939         | (0.835)        | (0.824)        | (0.274)        | (0.994)          |
| Education                                    | 0.795         | 0.425          | (0.050)        | 0.000          | 1.170            |
| <i>Children &amp; Education Services</i>     | <i>1.734</i>  | <i>(0.410)</i> | <i>(0.874)</i> | <i>(0.274)</i> | <i>0.175</i>     |
| Communities, Environment & Resident Services | 0.224         | 0.054          | 0.047          | (0.451)        | (0.126)          |
| Growth & City Development                    | 7.001         | 1.420          | 0.281          | 0.600          | 9.302            |
| Finance & Resources                          | 3.093         | (0.967)        | (0.524)        | (0.281)        | 1.321            |
| Chief Executive                              | 3.456         | 0.000          | 0.000          | 0.000          | 3.456            |
| Corporate                                    | (4.103)       | 0.000          | 0.000          | 0.000          | (4.103)          |
| <b>Service Growth</b>                        | <b>20.027</b> | <b>2.098</b>   | <b>0.930</b>   | <b>1.594</b>   | <b>24.649</b>    |

2.42. The significant items of service growth include:

- Adults
  - £2m allocation has been made in 2025/26 to meet the expected increase in demand for Adult Social Care services rising to cumulative £8m by 2028/29.
  - £6.2m of savings allocated to Adults in previous years has been proved to be, due to a variety of operational factors, undeliverable, bringing the total pressure to £8.2m in 2025-26.
- Children's
  - Overall Children in Care demand growth - £1.4m in 2025/26
  - Further to these mitigations that include change and transformation projects - £0.5m reduction in 2025/26 (reducing growth to £0.9m) increasing to cumulative £2.9m reduction by 2028/29
  - High Needs placement demand - £0.2m in 2025/26 rising to cumulative £0.9m by 2028/29
- Education
  - Reduction in the high needs block contribution to SEN transport - £0.5m in 2025/26 rising to cumulative £1.0m by 2026/27
  - Reprofile SEND saving in base budget - £0.4m in 2025/26
- Growth and City Development
  - Asset Rationalisation revenue impact of disposals - £2.6m in 2025/26 rising to cumulative £4.5m by 2028/29
  - Concessionary Fares - £0.7m in 2025/26 rising to cumulative £2.5m by 2028/29
  - Facilities Management & Building Services legacy budgets - £2.1m in 2025/26
  - Homelessness - £0.5m in 2025/26 falling to a cumulative -£0.6m by 2028/29
  - Loxley House - £0.3m in 2025/26 rising to cumulative £0.5m by 2026/27
  - Reactive Maintenance budget - £0.4m in 2025/26

- Finance and Resources
  - Procurement - reprofile £1.0m existing saving from 2025/26 into future years of MTP
  - Legal & Governance - £1.0m in 2025/26 to mostly to cover staff costs
  - Finance – remove previous £1.0m pressure for Finance Target Operating Model
  - Human Resources - £0.9m in 2025/26 to mostly cover staff costs, falling to cumulative £0.5m by 2028/29
  - Customer Services - £0.6m in 2025/26 falling to £0.5m by 2026/27
- Chief Executive
  - Transformation - Maintain CPMO/Digital team base budget after current time-limited transformation funding ends March 2025 - £3.4m
- Corporate
  - Remove previously assumed one-off investment funded through reserves for delivering Duties & Powers proposals in 2024/25 - £7.5m reduction in 2025/26
  - Assumption that Children's Services Prevention Grant may be required to fund additional budget (awaiting confirmation of grant conditions) - £3.5m in 2025/26

## Technical Adjustments

2.43. Table 8 below summarises the technical adjustments included in the MTFP.

**Table 8: Technical adjustments** (incremental)

| Item   | 2025/26<br>£m | 2026/27<br>£m  | 2027/28<br>£m  | 2028/29<br>£m | cumulative<br>£m |
|--|---------------|----------------|----------------|---------------|------------------|
| Remove previous one-off 24/25 Risk Contingency | (4.000)       | 0.000          | 0.000          | 0.000         | (4.000)          |
| Create new Corporate Contingency               | 15.000        | (5.000)        | 0.000          | 0.000         | 10.000           |
| Financing Transactions                         | 2.912         | 0.187          | 0.639          | 0.800         | 4.538            |
| Pension Fund                                   | (1.253)       | 0.000          | 0.000          | 0.000         | (1.253)          |
| Intervention Costs                             | (0.125)       | 0.000          | (0.806)        | 0.000         | (0.931)          |
| Potential budget off-setting EPR funding       | 5.025         | 0.000          | 0.000          | 0.000         | 5.025            |
| Other  | (0.374)       | 0.083          | 0.061          | 0.000         | (0.230)          |
| <b>Technical Adjustments</b>                   | <b>17.185</b> | <b>(4.730)</b> | <b>(0.106)</b> | <b>0.800</b>  | <b>13.149</b>    |

2.44. Technical adjustments include:

- Removal previous one-off 2024/25 risk contingency and replace with ongoing corporate contingency of £15m in 2025/26 (equivalent to c4% of projected net budget) and then £10m in all future years. This will be available to potentially cover non-delivery of savings or other emerging issues as they arise such as additional unforeseen demand led costs
- Updated Financing Transactions after review of Treasury Management costs, Minimum Revenue Provision & the short-term cost of Exceptional Financial Support
- The drop out of intervention costs reflecting residual IAB in 2025/26 and then assumed Commissioners in 2027/28



- A notional adjustment has been included off-setting the expected new Extended Producer Responsibility (EPR) funding included in table 7. The Government is yet to appoint a Scheme Administrator to oversee the operations of EPR, provide guidance on what we will be required to deliver and/or if it will be ringfenced for recycling related activities.

## Grants and Contributions

- 2.45. Table 9 below summarises the grant and contribution adjustments included in the MTFP. These reflect grants associated with the financial settlement announcement, public health grant and other changes to grant/contributions identified by directorates.

**Table 9: Grant / Contribution** (incremental)

| Item  | 2025/26<br>£m   | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m | cumulative<br>£m |
|---|-----------------|---------------|---------------|---------------|------------------|
| Recovery Grant  | (11.115)        | 11.115        | 0.000         | 0.000         | 0.000            |
| Social Care Grant   | (6.716)         | 0.000         | 0.000         | 0.000         | (6.716)          |
| Children's Services Prevention Grant                      | (3.451)         | 0.000         | 0.000         | 0.000         | (3.451)          |
| New Homes Bonus Grant - provisional settlement            | 0.319           | 1.148         | 0.000         | 0.000         | 1.467            |
| Services Grant - removed                                  | 0.674           | 0.000         | 0.000         | 0.000         | 0.674            |
| Other grants  | 0.010           | 0.000         | 0.000         | 0.000         | 0.010            |
| Extended Producer Responsibility (EPR) new funding stream | (5.025)         | 0.000         | 0.000         | 0.000         | (5.025)          |
| <b>Grants/Contributions</b>                               | <b>(25.304)</b> | <b>12.263</b> | <b>0.000</b>  | <b>0.000</b>  | <b>(13.041)</b>  |

- 2.46. The key specific grant and other funding updates include:
- New one-off Recovery Grant as announced in Provisional Settlement. It is notionally assumed that the funding of this will be rolled into future settlement via RSG
  - Social care grant – increase announced in provisional settlement
  - Children's Services Prevention Grant – new grant announced in provisional Settlement
  - New Homes Bonus - extended for one further year
  - Extended Producer Responsibility (EPR) – new funding stream announced by Department of Environment, Food and Rural Affairs (DEFRA)

## Budgeted Reserve Adjustments

- 2.47. Table 10a below summarises the MTFP adjustments to the currently budgeted reserve use or contribution.

**Table 10a: Reserve Adjustments** (incremental)

| Item   | 2025/26<br>£m  | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m | cumulative<br>£m |
|--|----------------|---------------|---------------|---------------|------------------|
| Remove one-off 24/25 contribution to Financial Resilience Reserve                  | (10.000)       | 0.000         | 0.000         | 0.000         | (10.000)         |
| Remove budgeted reserve funding of potential 2024/25 redundancy & investment costs | 7.554          | 0.000         | 0.000         | 0.000         | 7.554            |
| Various Other  | (0.633)        | 0.560         | 0.000         | 0.000         | (0.072)          |
| <b>Reserve Adjustments</b>   | <b>(3.079)</b> | <b>0.560</b>  | <b>0.000</b>  | <b>0.000</b>  | <b>(2.518)</b>   |

- 2.48. Reserve MTFP adjustments include:
- Removal of one-off £10m 2024/25 contribution to reserves approved in March 2024 - originally intended to manage potential 2023/24 outturn pressures which was required in 2024/25 and subsequently contributed to corporate reserves.
  - Removal of £7.5m budgeted 2024/25 use of reserve to fund potential investment and redundancy costs associated with delivery of Duties & Powers savings. As of 31 December 2024, there has been no actual spend against the budget and no forecast spend during the last quarter of 2024/25.
- 2.49. Table 10b sets out the budgeted reserve use and contributions assumed in future years after considering the above adjustments.

**Table 10b: Budgeted Reserve Use / Contribution**

| Reserve  | 2025/26<br>£m  | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m |
|--|----------------|---------------|---------------|---------------|
| General Fund Balance   | 1.000          | 1.000         | 1.000         | 1.000         |
| Continued payback of previously internally borrowed earmarked reserves | 2.334          | 2.334         | 2.334         | 2.334         |
| IT Investment Fund   | 2.675          | 2.675         | 2.675         | 2.675         |
| NET City Reserve Fund  | 2.700          | 2.695         | 2.695         | 2.695         |
| Revenue Reserves for Capital   | 1.141          | 1.141         | 1.141         | 1.141         |
| <b>Contribution</b>  | <b>9.851</b>   | <b>9.846</b>  | <b>9.846</b>  | <b>9.846</b>  |
| Resilience Reserve   | (0.566)        | 0.000         | 0.000         | 0.000         |
| <b>Use of Reserves</b>   | <b>(0.566)</b> | <b>0.000</b>  | <b>0.000</b>  | <b>0.000</b>  |
| <b>Reserve Use/Contribution</b>  | <b>9.285</b>   | <b>9.846</b>  | <b>9.846</b>  | <b>9.846</b>  |

- 2.50. The future reserve contributions reflect the continuation of previously approved corporate MTFP items:
- On-going annual contribution to General Fund Balance
  - Repayment of various internally borrowed earmarked reserves - £20m to be repaid over a profile ending in 2031/32
  - Annual contribution to IT Investment Fund
  - Tram figures based on PFI project model
  - On-going contribution to capital reserve to be used for any early year deficits
- 2.51. The proposed use of reserves in 2025/26 is to fund one-off staff investment to increase the pace and scale of asset disposal.
- 2.52. Table 11 summarises the current projected level of General Fund Balance and Earmarked Reserves. There is an opportunity to reclassify several previous earmarked reserves as available for transfer into a refreshed General Fund Balance. These reserves include:
- Resilience
  - Transformation
  - Rebasing
  - Workforce
  - Treasury Management/MRP
  - Revenue Reserves for Capital

**Table 11: 2024/25 Available General Fund (GF) Balance and Earmarked Reserves**

| Reserve                                   | Opening Balance<br>01/04/24<br>£m | Budgeted MTFP<br>Contributions /<br>Use of Reserve<br>£m | Projected In-year<br>Contributions /<br>Use of Reserve<br>£m | Closing<br>Balance<br>31/03/25<br>£m |
|---|-----------------------------------|--|--|--------------------------------------|
| Previous GF Balance                       | 22.718                            | 0.000  | 1.000  | 23.718                               |
| Reclassify previous<br>earmarked reserves | 41.235                            | 1.141  | (2.739)  | 39.637                               |
| <b>Available GF reserves</b>              | <b>63.953</b>                     | <b>1.141</b>   | <b>(1.739)</b>   | <b>63.355</b>                        |
| Earmarked Reserves                        | 156.050                           | 7.516  | (14.093)   | 149.474                              |
| <b>Total</b>                              | <b>220.003</b>                    | <b>8.657</b>   | <b>(15.832)</b>  | <b>212.829</b>                       |

## Previous Savings Programme

- 2.53. Table 12a summarises the continuing profile of all previously approved saving and income proposals as included in the March 2024 MTFP (i.e. Transformation, Duties & Powers, and other older proposals). These figures also reflect any subsequent reprofiling of originally approved savings where non-deliverability has been recognised as part of the 2025/26 budget process.

**Table 12a: Previous Savings Programme (incremental)**

| Directorate                                   | 2025/26<br>£m   | 2026/27<br>£m   | 2027/28<br>£m  | 2028/29<br>£m | cumulative<br>£m |
|---|-----------------|-----------------|----------------|---------------|------------------|
| Duties & Powers                               | (13.202)        | (0.623)         | (0.396)        | 0.000         | (14.220)         |
| Transformation                                | (11.210)        | (13.122)        | (0.278)        | 0.000         | (24.610)         |
| Other directorate savings                     | (1.206)         | 0.450           | 0.000          | 0.000         | (0.756)          |
| <b>Previously Agreed Income &amp; Savings</b> | <b>(25.618)</b> | <b>(13.295)</b> | <b>(0.674)</b> | <b>0.000</b>  | <b>(39.586)</b>  |
| Saving Reprofile                              | 5.854           | 9.645           | 0.190          | 0.000         | 15.689           |
| <b>Previous Savings Programme</b>             | <b>(19.764)</b> | <b>(3.650)</b>  | <b>(0.483)</b> | <b>0.000</b>  | <b>(23.897)</b>  |

- 2.54. The previously approved savings programme includes:
- Duties & Powers approved as part of 2024/25 budget
  - Transformation savings approved in 2022/23 to 2024/25 budgets
  - Directorate-led saving and income proposals approved in 2022/23 to 2024/25 budgets
- 2.55. The current 2024/25 savings programme (including under delivered 2023/24) is currently reporting a total £9.8m savings at risk of delivery. As part of the budget setting process the future delivery of previously approved proposals has been reviewed and planned savings in the following services have been deemed as no longer deliverable and without suitable alternative mitigations:
- Adults – £6.9m strength-based practice approach transformation (a further £6.2m of past savings in the directorate’s base budget has also been removed) but obviously replaced with additional risk based savings
  - Adults – £1.6m for Adult Social Care Assessment function duties & power restructure has been reprofiled from 2025/26 to 2026/27
  - Education - £0.4m for various proposals (a further £0.5m of past savings in the directorate’s base budget has also been removed)
  - Growth & City Development – £7.9m for Homelessness in 2026/27
  - Finance & Resources – £0.5m for various duties & powers savings

- 2.56. Table 12b summarises the continuing profile of savings approved March 2024 and income proposals by their Lead Directorate.

**Table 12b: Previous Savings Programme by Directorate (incremental)**

| Directorate                                  | 2025/26<br>£m   | 2026/27<br>£m  | 2027/28<br>£m  | 2028/29<br>£m | cumulative<br>£m |
|--|-----------------|----------------|----------------|---------------|------------------|
| Adults                                       | (5.209)         | (2.780)        | (0.374)        | 0.000         | (8.363)          |
| Commissioning                                | (0.095)         | 0.000          | 0.000          | 0.000         | (0.095)          |
| <i>Adult Social Care &amp; Health</i>        | <i>(5.304)</i>  | <i>(2.780)</i> | <i>(0.374)</i> | <i>0.000</i>  | <i>(8.458)</i>   |
| Children                                     | (4.742)         | (0.309)        | (0.278)        | 0.000         | (5.329)          |
| Education                                    | (0.020)         | 0.000          | 0.000          | 0.000         | (0.020)          |
| <i>Children &amp; Education Services</i>     | <i>(4.762)</i>  | <i>(0.309)</i> | <i>(0.278)</i> | <i>0.000</i>  | <i>(5.349)</i>   |
| Communities, Environment & Resident Services | (2.699)         | 0.000          | 0.000          | 0.000         | (2.699)          |
| Growth & City Development                    | (4.870)         | 0.176          | 0.190          | 0.000         | (4.503)          |
| Finance & Resources                          | (1.962)         | (0.737)        | (0.021)        | 0.000         | (2.720)          |
| Chief Executive                              | (0.168)         | 0.000          | 0.000          | 0.000         | (0.168)          |
| <b>Savings Programme</b>                     | <b>(19.764)</b> | <b>(3.650)</b> | <b>(0.483)</b> | <b>0.000</b>  | <b>(23.897)</b>  |

### 2025/26 Saving and Income proposals

- 2.57. A report on the proposed 2025/26 new budget savings was presented at the Executive Board on 17 December 2024 and has been provisionally included within this MTFP update.
- 2.58. Table 13 summarises these savings and some further income generation that has been identified as part of a fees and charges review:
- Cross-cutting savings totalling £16.1m over the duration of the MTFP, with £10.8m scheduled for 2025/26, were proposed for public and staff consultation. The consultation period ends 13 January 2024, and the outcome will be reviewed and the MTFP updated accordingly
  - Efficiency savings and income proposals that do not involve significant service or policy changes were also identified totalling £8.1m over the duration of the MTFP with £7.1m scheduled to be delivered in 2025/26
  - A further £0.5m of income generation scheduled to be delivered in 2025/26 has also been identified since the December Consultation report

**Table 13: New Saving and Income Proposals (incremental)**

| Directorate   | 2025/26<br>£m   | 2026/27<br>£m  | 2027/28<br>£m | 2028/29<br>£m | cumulative<br>£m |
|---|-----------------|----------------|---------------|---------------|------------------|
| Digital Resident Experience   | (0.029)         | 0.000          | 0.000         | 0.000         | (0.029)          |
| Fit-for-purpose Technology  | (0.100)         | 0.000          | 0.000         | 0.000         | (0.100)          |
| Organisational Redesign - including Consolidating Spans, Layers & Functions | (4.009)         | (1.336)        | 0.000         | 0.000         | (5.345)          |
| Improving Productivity & Performance  | (1.222)         | (2.333)        | 0.000         | 0.000         | (3.555)          |
| Strengthening Workforce Management  | (4.928)         | (1.643)        | 0.000         | 0.000         | (6.571)          |
| Reducing Third Party Spend  | (0.500)         | 0.000          | 0.000         | 0.000         | (0.500)          |
| <b>Cross-cutting</b>  | <b>(10.788)</b> | <b>(5.312)</b> | <b>0.000</b>  | <b>0.000</b>  | <b>(16.100)</b>  |
| <b>Public and Staff Consultation</b>  | <b>(10.788)</b> | <b>(5.312)</b> | <b>0.000</b>  | <b>0.000</b>  | <b>(16.100)</b>  |
| Direct Payments Reviews   | (0.805)         | 0.000          | 0.000         | 0.000         | (0.805)          |

| Directorate   | 2025/26<br>£m   | 2026/27<br>£m  | 2027/28<br>£m  | 2028/29<br>£m  | cumulative<br>£m |
|---|-----------------|----------------|----------------|----------------|------------------|
| Residential and Nursing additional hours Reviews  | (0.428)         | 0.000          | 0.000          | 0.000          | (0.428)          |
| High-cost package reviews   | (0.270)         | 0.000          | 0.000          | 0.000          | (0.270)          |
| Review of ASC Transport   | (0.250)         | 0.000          | 0.000          | 0.000          | (0.250)          |
| Recovery and Reablement   | (0.950)         | 0.000          | 0.000          | 0.000          | (0.950)          |
| Grants Realignment  | (0.881)         | 0.000          | 0.000          | 0.000          | (0.881)          |
| <b>Adult Social Care &amp; Health</b>   | <b>(3.584)</b>  | <b>0.000</b>   | <b>0.000</b>   | <b>0.000</b>   | <b>(3.584)</b>   |
| Children's Operating Model Redesign   | (2.000)         | 0.000          | 0.000          | 0.000          | (2.000)          |
| <b>Children &amp; Education Services</b>  | <b>(2.000)</b>  | <b>0.000</b>   | <b>0.000</b>   | <b>0.000</b>   | <b>(2.000)</b>   |
| Redesign of Sport and Leisure services  | (0.251)         | (0.256)        | 0.000          | 0.000          | (0.507)          |
| A revised management model for Museums and Galleries  | (0.467)         | (0.334)        | (0.264)        | (0.085)        | (1.150)          |
| Theatre Royal Concert Hall  | (0.093)         | 0.000          | 0.000          | 0.000          | (0.093)          |
| Reduce subsidy of the commissioned events programme   | (0.086)         | 0.000          | 0.000          | 0.000          | (0.086)          |
| Managing government funded Programmes focused on sustainability and reducing carbon emissions | (0.200)         | 0.000          | 0.000          | 0.200          | 0.000            |
| <b>Communities, Environment &amp; Resident Services</b>                                       | <b>(1.098)</b>  | <b>(0.590)</b> | <b>(0.264)</b> | <b>0.115</b>   | <b>(1.836)</b>   |
| Freestanding advertising units contract and review  | (0.300)         | (0.210)        | (0.010)        | (0.010)        | (0.530)          |
| Review of Facilities Management & Cleaning services   | (0.080)         | 0.000          | 0.000          | 0.000          | (0.080)          |
| <b>Growth &amp; City Development</b>  | <b>(0.380)</b>  | <b>(0.210)</b> | <b>(0.010)</b> | <b>(0.010)</b> | <b>(0.610)</b>   |
| Review early external debt repayment  | (0.060)         | 0.000          | 0.000          | 0.000          | (0.060)          |
| <b>Corporate</b>  | <b>(0.060)</b>  | <b>0.000</b>   | <b>0.000</b>   | <b>0.000</b>   | <b>(0.060)</b>   |
| <b>Efficiencies and Income Proposals</b>  | <b>(7.122)</b>  | <b>(0.800)</b> | <b>(0.274)</b> | <b>0.105</b>   | <b>(8.090)</b>   |
| <b>December Exec Board</b>  | <b>(17.910)</b> | <b>(6.112)</b> | <b>(0.274)</b> | <b>0.105</b>   | <b>(24.190)</b>  |
| Cemeteries & Crematoria (CE&RS)   | (0.086)         | 0.000          | 0.000          | 0.000          | (0.086)          |
| Domestic Waste (CE&RS)  | (0.280)         | 0.000          | 0.000          | 0.000          | (0.280)          |
| Commercial Waste (CE&RS)  | (0.090)         | 0.000          | 0.000          | 0.000          | (0.090)          |
| <b>Further Income Generation</b>  | <b>(0.456)</b>  | <b>0.000</b>   | <b>0.000</b>   | <b>0.000</b>   | <b>(0.456)</b>   |
| <b>New Savings &amp; Income Proposals</b>   | <b>(18.365)</b> | <b>(6.112)</b> | <b>(0.274)</b> | <b>0.105</b>   | <b>(24.646)</b>  |

2.59. Table 14 summarises the total future Savings Programme by Directorate by combining the continuing profiles of previous savings with the proposed new saving and income proposals. New cross-cutting savings will be allocated to appropriate directorates once the proposals are further developed after consultation.

**Table 14: Total New Saving Programme (incremental)**

| Directorate                                  | 2025/26<br>£m  | 2026/27<br>£m  | 2027/28<br>£m  | 2028/29<br>£m | cumulative<br>£m |
|--|----------------|----------------|----------------|---------------|------------------|
| Adults                                       | (8.793)        | (2.780)        | (0.374)        | 0.000         | (11.947)         |
| Commissioning                                | (0.095)        | 0.000          | 0.000          | 0.000         | (0.095)          |
| <i>Adult Social Care &amp; Health</i>        | <i>(8.888)</i> | <i>(2.780)</i> | <i>(0.374)</i> | <i>0.000</i>  | <i>(12.042)</i>  |
| Children's                                   | (6.742)        | (0.309)        | (0.278)        | 0.000         | (7.329)          |
| Education                                    | (0.020)        | 0.000          | 0.000          | 0.000         | (0.020)          |
| <i>Children &amp; Education Services</i>     | <i>(6.762)</i> | <i>(0.309)</i> | <i>(0.278)</i> | <i>0.000</i>  | <i>(7.349)</i>   |
| Communities, Environment & Resident Services | (4.252)        | (0.590)        | (0.264)        | 0.115         | (4.991)          |
| Growth & City Development                    | (5.250)        | (0.034)        | 0.180          | (0.010)       | (5.113)          |

| Directorate                                     | 2025/26<br>£m   | 2026/27<br>£m  | 2027/28<br>£m  | 2028/29<br>£m | cumulative<br>£m |
|---|-----------------|----------------|----------------|---------------|------------------|
| Finance & Resources                             | (1.962)         | (0.737)        | (0.021)        | 0.000         | (2.720)          |
| Chief Executive                                 | (0.168)         | 0.000          | 0.000          | 0.000         | (0.168)          |
| Corporate                                       | (0.060)         | 0.000          | 0.000          | 0.000         | (0.060)          |
| Cross-cutting – to be allocated to directorates | (10.788)        | (5.312)        | 0.000          | 0.000         | (16.100)         |
| <b>Total New Savings Programme</b>              | <b>(38.129)</b> | <b>(9.761)</b> | <b>(0.757)</b> | <b>0.105</b>  | <b>(48.543)</b>  |

- 2.60. The savings proposals currently being consulted on have been risk assessed for delivery along with current savings and as of December 2024 there are £16.5m savings identified as potentially at risk.
- 2.61. Having robust and realistic operational delivery plans are key to ensuring successful delivery of the savings programme. The delivery of all savings will be regularly reported to the Finance and Resources Board, Transformation Board and the Executive Board to ensure progress is regularly monitored and risks highlighted early so that they can be appropriately managed and / or mitigated through the development of replacement plans.

### Core Funding

- 2.62. Table 15 below summarises the Core Funding adjustments since March which have been reflected in the refreshed MTFP.

**Table 15: Core Funding adjustments (incremental)**

| Budget item                            | 2025/26<br>£m   | 2026/27<br>£m   | 2027/28<br>£m  | 2028/29<br>£m  | cumulative<br>£m |
|--|-----------------|-----------------|----------------|----------------|------------------|
| Assumed Retained Business Rates        | 0.020           | (1.256)         | (1.281)        | (1.307)        | (3.825)          |
| Top-up Grant                           | (0.449)         | (0.761)         | (0.776)        | (0.791)        | (2.777)          |
| Assumed S31 Grants                     | 0.194           | (0.663)         | (0.676)        | (0.690)        | (1.834)          |
| Revenue Support Grant                  | (0.753)         | (11.769)        | (0.889)        | (0.907)        | (14.318)         |
| <b>Settlement Funding</b>              | <b>(0.988)</b>  | <b>(14.449)</b> | <b>(3.623)</b> | <b>(3.695)</b> | <b>(22.754)</b>  |
| Taxbase assumptions                    | (3.668)         | (1.414)         | (1.412)        | (1.414)        | (7.908)          |
| Band D increase - 4.99% in 25/26       | (7.612)         | (0.071)         | (0.070)        | (0.071)        | (7.824)          |
| Revised Council Tax Support Scheme     | TBC             | 0.000           | 0.000          | 0.000          | 0.000            |
| <b>Council Tax Income</b>              | <b>(11.280)</b> | <b>(1.484)</b>  | <b>(1.482)</b> | <b>(1.484)</b> | <b>(15.732)</b>  |
| Business Rates - remove 24/25 deficit  | (1.997)         | 0.000           | 0.000          | 0.000          | (1.997)          |
| Council Tax - remove 24/25 surplus     | 3.203           | 0.000           | 0.000          | 0.000          | 3.203            |
| <b>Collection Fund surplus/deficit</b> | <b>1.207</b>    | <b>0.000</b>    | <b>0.000</b>   | <b>0.000</b>   | <b>1.207</b>     |
| <b>Core Funding increase</b>           | <b>(11.062)</b> | <b>(15.933)</b> | <b>(5.105)</b> | <b>(5.179)</b> | <b>(37.279)</b>  |

### Council Tax

- 2.63. A key component of the budget strategy requires the Council to consider and explore the option for increasing Council Tax. Any increase above the referendum criteria annually published by MHCLG requires either permission from Secretary of State or the authority

must undertake a strictly prescribed local referendum. The referendum limit is set at 4.99% for 2025/26 (2.99% core council tax and 2% adult social care precept).

- 2.64. The 2025/26 budget assumes a provisional proposal to uplift the council tax by 4.99%. For illustrative purposes a 1% council tax increase in 2025/26 equates to £1.525m (based on current projected council taxbase), therefore a 4.99% increase will equate to £7.612m whilst a 9.99% increase will equate to £15.240m. Any increase above the referendum limit would likely need to consider the cost of additional support through the council tax support scheme and collection of debt.
- 2.65. Due to the significant financial challenge being faced by the Council, it is prudent for all options to be discussed with MHCLG in consultation with Commissioners and Leadership, with any final decision on level of Council Tax increase to be brought back for Members to take as part of the annual budget and council tax resolution decision scheduled for City Council in March 2025.
- 2.66. While Nottingham currently has the 2<sup>nd</sup> highest Band D in the country at £2,529.69 for 2024/25 (i.e. total bill inclusive of Police and Fire precepts) the average council tax actually paid per chargeable dwelling is 39<sup>th</sup> lowest and equates to only £1,383.56 (compared to national £1,667.69)
- 2.67. Nottingham has a particularly low Council Tax base with 80.0% of properties in Band A and B as compared to a national average of 43.2%. This means that a greater proportion of our residents pay at Band A and B than comparable councils and a higher rate of Council Tax is needed to derive the same yield compared as other Councils.
- 2.68. The current assumptions within the MTFP refresh reflect:
- Revised underlying tax base growth
  - An assessment of likely impact of 2<sup>nd</sup> home premium approved for 2025/26 in March Council report
  - Assumed collection rate remaining at 97.5%
  - Assumed the Council Tax Support Scheme remains unchanged. This will be considered as part of the separate report to Executive Board

### **Council Tax Support Scheme**

- 2.69. The Council operates a local council tax support scheme which takes the form of council tax discount. The scheme is currently being consulted on and the results and recommendations will be presented at the January Executive Board Committee for members to consider.

### **Capital Programme**

- 2.70. The budget setting process for the Capital Programme is underway and will be reported to Executive Board in February 2025. The capital financing requirement to deliver the programme has been included within the MTFP.
- 2.71. The basis for the draft budget will be the latest forecast position for 2024/25. And will be extended to include 2028/29. This will include indicative budgets for grants that are expected to be received based on past allocations, and any new projects fully funded from external sources.

- 2.72. The council has agreed a policy not to increase borrowing for capital investment and therefore new projects will be considered by exception and in line with the capital strategy and external funding will be explored to ensure there is no additional pressure on the MTFP.
- 2.73. A review of the capital receipts forecast, along with EFS requirements will take place to ensure EFS will be funded through capital receipts, as any additional borrowing to EFS will add pressure to borrowing costs and increase the budget gap.
- 2.74. The HRA Capital Programme is being finalised as part of the HRA Business Plan, update and will be presented alongside the budget report in February 2025.
- 2.75. The Capital Programme budget and Capital Strategy will be presented alongside the final budget proposals.

### Budget Timetable

- 2.76. It is proposed that the Council continues with the timetable as set in Table 15 so that all required proposals to balance the MTFP can be considered, as appropriate, before final decisions are made.

**Table 16: Budget Timetable**

| Month    | Activity   |
|----------|--|
| January  | <ul style="list-style-type: none"> <li>• MTFP update to Executive Board setting out projected budget gap</li> <li>• Executive Board considers revised CTSS and recommends to Full Council for approval if appropriate</li> <li>• CFO agrees 2025/26 tax base and forecast collection fund surplus or deficit</li> <li>• Corporate Scrutiny Committee to consider Budget consultation</li> <li>• Schools Forum to approve Schools Budget</li> </ul> |
| February | <ul style="list-style-type: none"> <li>• Audit Committee to be consider Treasury Management &amp; Capital strategies</li> <li>• Final Local Government Financial Settlement</li> <li>• Executive Board to recommend Revenue &amp; Capital MTFP to Council, approve HRA rents &amp; service charges</li> <li>• Corporate Scrutiny Committee to consider Budget/MTFP</li> <li>• MHCLG to update on application for EFS</li> </ul>                    |
| March    | <ul style="list-style-type: none"> <li>• City Council approves Budget, Treasury Management strategy and sets Band D Council Tax for 2025/26</li> </ul>   |

### 3. Other options considered in making recommendations

- 3.1. As a result of the financial challenge faced by the Council in 2025/26 and beyond the Council needs to set a budget strategy providing a strategic financial framework and direction of travel for the Council to work within.



#### **4. Consideration of Risk**

- 4.1. The Section 151 Officer is required to provide his statutory advice to Council on the robustness of the budget estimates and adequacy of reserves.
- 4.2. The Council has financial challenges ahead and made a request to MHCLG for EFS of up to £25m for 2025/26 and a further ceiling of £10m in 2026/27. The uncertainties of the economic environment over the short to long term also present a high risk for the Council with regards to its ability to deliver a balanced budget over the medium term.
- 4.3. It will be essential for CLT to continue to exercise firm financial management throughout this financial year and for the forthcoming year through the close monitoring of budgets and where needed, take appropriate action.
- 4.4. The risks identified through the budget setting process which need to be considered by the Section 151 Officer when determining adequacy of reserves and financial resilience are:
- The delivery of approved savings programmes
  - Likelihood of further in year variances (overspends) against approved budget in particular social care placement pressures, which continue to be partly mitigated by one-off spend controls
  - Unforeseen shocks or circumstances resulting in financial cost spikes
  - Subsidiary company risk - loans and risk of liabilities materialising
  - Assumptions regarding debt collection and impact on the collection fund
  - Economic factors such as inflation and interest rate environment
  - Major project challenges and failure
  - Capital receipts not being sufficient to meet existing capital obligations and to fund EFS
- 4.5. Given the Council's recent history, and in the context of the strategic risks, it is reasonable and prudent to set aside appropriate amounts within reserves to provide for either a single or multiple scenarios manifesting, which will be considered by the Section 151 Officer when determining adequacy of overall reserves as part of the annual budget setting process.

#### **5. Best Value considerations**

- 5.1. 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.

#### **6. Commissioner comments**

- 6.1. This report provides extensive background to the compilation of the budget, and the transparency of the information is to be welcomed, along with the overall reduction in the MTFs gap.
- 6.2. It reflects considerable work undertaken reviewing the finances of the authority and the finance team should be congratulated for this work.

- 6.3. Uncertainty remains on some areas of the budget including the final government settlement. The authority must monitor delivery of this budget carefully to ensure savings are delivered and risks managed.

**7. Finance colleague comments**

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

**8. Legal colleague comments**

- 8.1. The Council is required to set a balanced budget for 2025/26 before 11 March 2025 and this report is an integral step to achieving that requirement.
- 8.2. The setting of the balanced budget includes the duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place. Section 31A of the Local Government Finance Act 1992 and Section 25 of the Local Government Act 2003 refer. The Council's prospective expenditure must not be likely to exceed its resources available to meet that expenditure.
- 8.3. Councillors are subject to the Council's duty to set a balanced budget. Councillors must receive and take into account the advice of officers, particularly the Section 151 officer, when considering and deciding the Council's budget. As the decision makers, members must have due regard to the Council's equalities duties when setting the budget.
- 8.4. Exceptional Financial Support as approved by MHCLG is subject to conditions that must be complied with. The recommendations in this report raise no significant legal issues and are supported.

Beth Brown, Director of Legal and Governance, 8 January 2025

**9. Procurement comments**

- 9.1. Not applicable.

**10. Crime and Disorder Implications**

- 10.1. Not applicable.

**11. Social value considerations**

- 11.1. Not applicable.

**12. Regard to the NHS Constitution**

- 12.1. Not applicable.

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

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

No

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. Although an EIA is not required at this time, relevant proposals will be subject to an EIA, as appropriate which will be considered prior to any decisions being taken.

At this time an EIA is not required for this report

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

14.1. Not applicable.

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

15.1. Not applicable.

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

16.1. None

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

- Budget Savings 2025/26 – 2028/29 December 2024  
<https://committee.nottinghamcity.gov.uk/documents/s167058/DRAFT%20Budget%20Strategy%20MTPF%20202526%20to%20202829%20v1.2%20003.pdf>
- 2025/26 Budget Strategy – 18 June 2024 Executive Board  
<https://committee.nottinghamcity.gov.uk/documents/s161638/2025-26%20Budget%20MTPF%20EB%20Jun24%20v9.3%20FINAL.pdf>
- 2024/25 Budget and Council Tax Resolution – 4 March 2024 City Council  
<https://committee.nottinghamcity.gov.uk/documents/s158707/2024-25%20Budget%20Council%20Tax%20Resolution%20Report.pdf>
- 2024/25 Budget and Medium-Term Financial Plan – 13 February 2024 Executive Board  
<https://committee.nottinghamcity.gov.uk/documents/s158020/2024-25%20Budget%20MTPF%20EB%20Feb24%20v7.1%20FINAL.pdf>

## Appendix A – Detailed tracking of MTFP changes since March MTFP

| Budget item  | 2025/26<br>£m   | 2026/27<br>£m   | 2027/28<br>£m   | 2028/29<br>£m  | cumulative<br>£m |
|--|-----------------|-----------------|-----------------|----------------|------------------|
| <b>March Council Budget Gap</b>                          | <b>68.957</b>   | <b>43.326</b>   | <b>59.447</b>   | <b>0.000</b>   | <b>171.730</b>   |
| Revised 24/25 pay resources                              | (3.889)         | 0.000           | 0.000           | 0.000          | (3.889)          |
| Revised 25/26+ pay resources                             | (1.586)         | (0.928)         | 0.428           | 11.176         | 9.089            |
| Potential direct cost of Emp NI contributions increase   | 8.300           | 0.000           | 0.000           | 0.000          | 8.300            |
| Assumed Funding for Employers NI                         | (3.135)         | 3.135           | 0.000           | 0.000          | 0.000            |
| Holiday Pay / Overtime payment                           | 0.208           | 0.000           | 0.000           | 0.000          | 0.208            |
| <b>Pay Inflation</b>                                     | <b>(0.102)</b>  | <b>2.207</b>    | <b>0.428</b>    | <b>11.176</b>  | <b>13.708</b>    |
| Adults Provider Fee Uplifts                              | (3.642)         | (4.039)         | (4.353)         | 3.705          | (8.330)          |
| Children's Fostering Allowances & Provider Fee Uplifts   | 0.241           | 0.017           | 0.017           | 2.045          | 2.320            |
| Other potential contractual payments                     | 3.500           | 0.000           | 0.000           | 0.000          | 3.500            |
| Waste Disposal   | 0.093           | (0.067)         | 0.217           | 0.294          | 0.538            |
| Housing Related Support                                  | 0.250           | 0.013           | 0.014           | 0.014          | 0.291            |
| Facilities Mgt./Building Services                        | 0.320           | 0.000           | 0.000           | 0.000          | 0.320            |
| Public Transport / Concessionary Fares                   | (0.471)         | (0.572)         | (0.214)         | 0.000          | (1.257)          |
| Corporate contractual inflation                          | (0.600)         | (0.750)         | (0.750)         | 0.000          | (2.100)          |
| <b>Contractual Inflation</b>                             | <b>(0.309)</b>  | <b>(5.398)</b>  | <b>(5.068)</b>  | <b>6.058</b>   | <b>(4.718)</b>   |
| Adults – reverse historic Transformation saving          | 6.211           | 0.000           | 0.000           | 0.000          | 6.211            |
| Education – reverse historic saving                      | 0.470           | 0.000           | 0.000           | 0.000          | 0.470            |
| Revenue & Benefits - reverse historic target shortfall   | 0.268           | 0.000           | 0.000           | 0.000          | 0.268            |
| IT- reverse historic income target                       | 0.356           | 0.000           | 0.000           | 0.000          | 0.356            |
| Procurement - re-profile saving                          | 1.093           | (0.186)         | (0.500)         | (0.407)        | 0.000            |
| Remove previous Finance Target Operating Model resources | (1.000)         | 0.000           | 0.000           | 0.000          | (1.000)          |
| <b>Base Budget</b>                                       | <b>7.397</b>    | <b>(0.186)</b>  | <b>(0.500)</b>  | <b>(0.407)</b> | <b>6.304</b>     |
| Remove previous notional MTFP growth held centrally      | (20.000)        | (17.000)        | (20.000)        | 0.000          | (57.000)         |
| Adults' placement costs                                  | (3.462)         | (3.736)         | (4.021)         | 2.000          | (9.219)          |
| Children in Care placement costs                         | (2.965)         | 1.138           | (0.984)         | 0.226          | (2.586)          |
| Waste Disposal   | 0.000           | (0.001)         | (0.001)         | 0.049          | 0.047            |
| Homelessness   | 0.599           | 0.000           | 0.000           | 0.000          | 0.599            |
| Concessionary Fares                                      | 0.044           | 0.037           | 0.087           | 0.600          | 0.768            |
| <b>Demographic/Demand</b>                                | <b>(25.784)</b> | <b>(19.562)</b> | <b>(24.919)</b> | <b>2.875</b>   | <b>(67.390)</b>  |
| Remove previous notional MTFP growth held centrally      | (9.050)         | (8.000)         | (20.000)        | 0.000          | (37.050)         |
| Children's Staffing                                      | 0.210           | (0.210)         | 0.000           | 0.000          | 0.000            |
| Education SEN transport                                  | 0.500           | 0.500           | 0.000           | 0.000          | 1.000            |
| Community Centres  | 0.039           | 0.000           | 0.000           | 0.000          | 0.039            |
| Fleet  | 0.332           | 0.000           | 0.000           | 0.000          | 0.332            |
| Victoria Market  | 0.500           | 0.000           | 0.000           | (0.500)        | 0.000            |
| Waste Collection   | 0.160           | 0.000           | 0.000           | 0.000          | 0.160            |
| Economic Development                                     | 0.100           | 0.000           | 0.000           | 0.000          | 0.100            |
| Planning   | 0.100           | 0.000           | 0.000           | 0.000          | 0.100            |
| Homelessness   | 0.900           | 0.000           | 0.000           | 0.000          | 0.900            |

| Budget item  | 2025/26<br>£m   | 2026/27<br>£m   | 2027/28<br>£m   | 2028/29<br>£m  | cumulative<br>£m |
|--|-----------------|-----------------|-----------------|----------------|------------------|
| Asset Valuations   | 0.500           | 0.000           | 0.000           | 0.000          | 0.500            |
| Loxley House   | 0.306           | 0.153           | 0.000           | 0.000          | 0.459            |
| FM & Building Services   | 2.149           | 0.000           | 0.000           | 0.000          | 2.149            |
| Reactive Maintenance   | 0.400           | 0.000           | 0.000           | 0.000          | 0.400            |
| Procurement  | 0.332           | (0.100)         | (0.062)         | 0.000          | 0.170            |
| HM Coroner   | 0.300           | 0.000           | 0.000           | 0.000          | 0.300            |
| Customer Services  | 0.221           | 0.000           | 0.000           | 0.000          | 0.221            |
| Legal & Governance   | 1.007           | 0.000           | 0.000           | 0.000          | 1.007            |
| Finance  | (0.062)         | 0.031           | 0.078           | 0.126          | 0.173            |
| IT   | 0.016           | 0.000           | 0.000           | 0.000          | 0.016            |
| Human Resources  | 0.853           | (0.276)         | (0.040)         | 0.000          | 0.538            |
| Audit & Risk   | 0.128           | 0.000           | 0.000           | 0.000          | 0.128            |
| Chief Executive  | 0.052           | 0.000           | 0.000           | 0.000          | 0.052            |
| Transformation   | 3.446           | 0.000           | 0.000           | 0.000          | 3.446            |
| <b>Service Pressures</b>   | <b>3.440</b>    | <b>(7.902)</b>  | <b>(20.024)</b> | <b>(0.374)</b> | <b>(24.860)</b>  |
| Adults care package income                                       | 2.768           | 2.907           | 3.052           | 0.000          | 8.727            |
| Remove previous Children's                                       | 0.400           | 0.450           | 0.350           | (0.500)        | 0.700            |
| Education Catering   | (0.010)         | 0.075           | 0.075           | 0.000          | 0.140            |
| Waste & Street Cleansing   | (0.160)         | 0.000           | 0.000           | 0.000          | (0.160)          |
| Fleet  | (0.217)         | 0.000           | 0.000           | 0.000          | (0.217)          |
| Homelessness   | 0.000           | (8.704)         | (0.490)         | 0.000          | (9.194)          |
| Coronial & Celebratory Services                                  | (0.250)         | 0.000           | 0.000           | 0.000          | (0.250)          |
| <b>Mitigations</b>   | <b>2.531</b>    | <b>(5.272)</b>  | <b>2.987</b>    | <b>(0.500)</b> | <b>(0.254)</b>   |
| <b>Pressures</b>   | <b>(12.415)</b> | <b>(32.922)</b> | <b>(42.456)</b> | <b>1.594</b>   | <b>(86.200)</b>  |
| Children's Services Prevention Grant will fund additional budget | 3.451           | 0.000           | 0.000           | 0.000          | 3.451            |
| Increasing the Pace and Scale of Asset Disposal                  | 0.566           | (0.566)         | 0.000           | 0.000          | 0.000            |
| <b>Investments</b>   | <b>4.016</b>    | <b>(0.566)</b>  | <b>0.000</b>    | <b>0.000</b>   | <b>3.451</b>     |
| Create Corporate Risk Contingency                                | 15.000          | (5.000)         | 0.000           | 0.000          | 10.000           |
| Financing Transaction review                                     | (5.753)         | 0.084           | 2.278           | 0.800          | (2.590)          |
| Transfer NNDR Cost of Collection allowance                       | (0.466)         | 0.000           | 0.000           | 0.000          | (0.466)          |
| EPR expenditure for Waste  | 5.025           | 0.000           | 0.000           | 0.000          | 5.025            |
| <b>Technical Adjustments</b>                                     | <b>13.806</b>   | <b>(4.916)</b>  | <b>2.278</b>    | <b>0.800</b>   | <b>11.969</b>    |
| Recovery Grant   | (11.115)        | 11.115          | 0.000           | 0.000          | 0.000            |
| Children's Services Prevention Grant                             | (3.451)         | 0.000           | 0.000           | 0.000          | (3.451)          |
| Social Care Grant  | (9.945)         | 0.000           | 0.000           | 0.000          | (9.945)          |
| New Homes Bonus Grant  | (1.148)         | 1.148           | 0.000           | 0.000          | 0.000            |
| Service Grant  | 0.674           | 0.000           | 0.000           | 0.000          | 0.674            |
| <b>Provisional settlement</b>                                    | <b>(24.985)</b> | <b>12.263</b>   | <b>0.000</b>    | <b>0.000</b>   | <b>(12.722)</b>  |
| Extended Producer Responsibility (EPR) new funding stream        | (5.025)         | 0.000           | 0.000           | 0.000          | (5.025)          |
| <b>Grants &amp; Contributions</b>                                | <b>(30.010)</b> | <b>12.263</b>   | <b>0.000</b>    | <b>0.000</b>   | <b>(17.747)</b>  |
| Asset Disposal investment  | (0.566)         | 0.566           | 0.000           | 0.000          | 0.000            |
| <b>Reserve Movements</b>   | <b>(0.566)</b>  | <b>0.566</b>    | <b>0.000</b>    | <b>0.000</b>   | <b>0.000</b>     |
| Adults Strength Based Approach                                   | 3.677           | 3.212           | 0.000           | 0.000          | 6.889            |
| Adults Assessment restructure                                    | 1.567           | (1.567)         | 0.000           | 0.000          | 0.000            |

| <b>Budget item</b>                                      | <b>2025/26</b>  | <b>2026/27</b>  | <b>2027/28</b>  | <b>2028/29</b> | <b>cumulative</b> |
|---|-----------------|-----------------|-----------------|----------------|-------------------|
|   | <b>£m</b>       | <b>£m</b>       | <b>£m</b>       | <b>£m</b>      | <b>£m</b>         |
| Education   | 0.357           | 0.089           | 0.000           | 0.000          | 0.446             |
| Homelessness  | 0.332           | 7.533           | 0.000           | 0.000          | 7.865             |
| Procurement   | 0.314           | (0.314)         | 0.000           | 0.000          | 0.000             |
| Legal & Governance                                      | 0.347           | 0.000           | 0.000           | 0.000          | 0.347             |
| Audit & Risk  | 0.140           | 0.000           | 0.000           | 0.000          | 0.140             |
| <b>Reprofiled savings</b>                               | <b>6.733</b>    | <b>8.953</b>    | <b>0.000</b>    | <b>0.000</b>   | <b>15.686</b>     |
| Saving proposals as per December Executive Board report | (17.910)        | (6.112)         | (0.274)         | 0.105          | (24.190)          |
| Newly identified Income Generation                      | (0.456)         | 0.000           | 0.000           | 0.000          | (0.456)           |
| <b>New proposals</b>                                    | <b>(18.365)</b> | <b>(6.112)</b>  | <b>(0.274)</b>  | <b>0.105</b>   | <b>(24.646)</b>   |
| <b>Saving &amp; income Proposals</b>                    | <b>(11.632)</b> | <b>2.841</b>    | <b>(0.274)</b>  | <b>0.105</b>   | <b>(8.960)</b>    |
| <b>Budget Adjustments</b>                               | <b>(37.213)</b> | <b>(25.924)</b> | <b>(45.093)</b> | <b>19.732</b>  | <b>(88.497)</b>   |
| Business Rates, Top-up, S31 Grants                      | 2.440           | 0.049           | 0.050           | (2.788)        | (0.249)           |
| Revenue Support Grant                                   | (0.115)         | (11.118)        | (0.225)         | (0.907)        | (12.364)          |
| <b>Settlement related</b>                               | <b>2.326</b>    | <b>(11.069)</b> | <b>(0.175)</b>  | <b>(3.695)</b> | <b>(12.613)</b>   |
| Council Tax - underlying tax base                       | (3.037)         | (0.785)         | (0.780)         | (1.414)        | (6.016)           |
| Council Tax - assumed 4.99% Band D increase in 2025/26  | (7.612)         | (0.071)         | (0.070)         | (0.071)        | (7.824)           |
| <b>Council Tax</b>                                      | <b>(10.649)</b> | <b>(0.855)</b>  | <b>(0.851)</b>  | <b>(1.484)</b> | <b>(13.839)</b>   |
| <b>Funding Adjustments</b>                              | <b>(8.323)</b>  | <b>(11.924)</b> | <b>(1.026)</b>  | <b>(5.179)</b> | <b>(26.452)</b>   |
| <b>Updated Budget Gap</b>                               | <b>23.421</b>   | <b>5.478</b>    | <b>13.329</b>   | <b>14.553</b>  | <b>56.780</b>     |