

**EXECUTIVE BOARD – 17 September 2019**

<b>Subject:</b>	Review of 2019/20 Revenue and Capital Budgets at 30 June 2019 (Quarter 1)
<b>Corporate Director(s)/Director(s):</b>	Laura Pattman, Strategic Director of Finance
<b>Portfolio Holder(s):</b>	Councillor Sam Webster, Portfolio Holder for Finance, Growth and the City Centre
<b>Report author and contact details:</b>	Theresa Channell, Head of Strategic Finance & Deputy Section 151 Officer 0115 8763649 theresa.channell@nottinghamcity.gov.uk
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
<b>(a)</b>	<input checked="" type="checkbox"/> Expenditure <input checked="" type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
<b>(b)</b>	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
<b>Total value of the decision:</b>	<b>£251.080m</b>
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	Throughout April – June 2019
<b>Relevant Council Plan Key Theme:</b>	
Strategic Regeneration and Development	<input checked="" type="checkbox"/>
Schools	<input checked="" type="checkbox"/>
Planning and Housing	<input checked="" type="checkbox"/>
Community Services	<input checked="" type="checkbox"/>
Energy, Sustainability and Customer	<input checked="" type="checkbox"/>
Jobs, Growth and Transport	<input checked="" type="checkbox"/>
Adults, Health and Community Sector	<input checked="" type="checkbox"/>
Children, Early Intervention and Early Years	<input checked="" type="checkbox"/>
Leisure and Culture	<input checked="" type="checkbox"/>
Resources and Neighbourhood Regeneration	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>This report provides an up to date assessment of the Council's current and forecast year-end financial position for the General Fund revenue account, Capital Programme and the Housing Revenue Account (HRA) based on activity to the end of June 2019.</p> <p>The City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding because of austerity policies. Alongside this reduction in grant income, Nottingham has seen increased demand for a number of services, for example Adult Social Care and Children in Care. This has resulted in the Council having to make cumulative savings totalling <b>£271.4m</b> between 2010/11 and 2019/20.</p> <p>The 2019/20 draft outturn position is showing a net overspend of <b>£8.986m</b>. This follows overspends in 2016/17, 2017/18 and 2018/19 of <b>£2.522m</b>, <b>£4.215m</b> and <b>£1.681m</b> respectively. The majority of the <b>£8.986m</b> overspend is due to Children &amp; Young People (<b>£5.007m</b>) and Early Years, Education &amp; Employment (<b>£1.326m</b>). Reasons for these variances include overspends in Children in Care costs, increase in agency staff, unmet historical targets and other income reductions.</p> <p>Management is committed to delivering an on budget outturn however this is increasingly challenging given the sustained financial context within which the Council is operating. Management action is in place as detailed in section 2.2 and a key priority of this is monthly</p>	

monitoring of the outturn position to review progress on reducing the overspend, however further action may be required.

**Exempt information: State 'None' or complete the following**

None.

**Recommendation(s):**

**1** To note:

- a) The overall current forecast net overspend of £8.986m, as set out in paragraph 2.2 and Appendix A. The Council is committed to delivering services on budget for 2019/20;
- b) the forecast working balance of £7.727m on the HRA, as set out in paragraph 2.7;
- c) the forecast position on the Capital Programme, as set out in paragraph 2.9;
- d) the Capital Programme projections at Quarter 1, as set out in paragraph 2.9 (table 5);
- e) the refreshed Capital Programme, including schemes in development, as set out in paragraph 2.9 (tables 6, 7 and 8).

**2** To approve:

- a. The movements of resources set out in paragraph 2.6 and Appendix D.

**3** To note and endorse the allocations from the corporate contingency as set out in paragraph 2.4.

## **1 REASONS FOR RECOMMENDATIONS**

- 1.1 It enables formal monitoring of progress against the 2019/20 budget and the impact of actual and planned management action.
- 1.2 The approval for virements of budgets is required by corporate financial procedures.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 The 2019/20 revenue budget was approved by City Council in March 2019. This periodic report summarises the current assessment of the Council's forecast outturn of the General Fund and HRA. Some report tables may not sum exactly due to rounding.
- 2.2 Forecasting is risk-based, reflecting the diverse nature of the Council's activities and the wide range of issues impacting on the financial position. Table 1 shows the current forecast overspend of **£8.986m** and is based on the ledger position as at 30 June 2019.

A range of management actions to address the forecast overspend have been introduced and communicated to colleagues, these include:

- Monthly monitoring reviewed by CLT and Executive Panel
- Vacancy freeze controls
- All but non-essential spend to cease
- Restrictions on travel and conference attendance to continue
- Stop all non-essential maintenance
- A further review of reserves

Budget Managers and Senior Leaders are accountable for delivering services on budget including delivery of existing savings. To compensate for the overall overspend position it may be necessary to deliver alternative savings however appropriate consultation will take place as required.

Following Executive Board in May, the portfolios have changed and the forecast outturn in Table 1 below reflects the new portfolios. The 2018/19 outturn variance column has been restated as per the current portfolios.

Appendix A provides more detail and Appendix B explains the main variances.

<b>TABLE 1: CURRENT FORECAST OUTTURN AS AT 30.06.19 (Q1)</b>		
<b>OUTTURN VARIANCE 2018/19 £m</b>	<b>PORTFOLIO</b>	<b>FORECAST OUTTURN £m</b>
(1.593)	Adult Care & Local Transport	(0.283)
3.341	Children & Young People	5.007
(0.089)	Communities	0.278
0.933	Early Years, Education & Employment	1.326
1.277	Energy, Environment & Democratic Services	0.131
(0.034)	Finance, Growth & the City Centre	0.382
(0.346)	Health, HR & Equalities	0.175
(0.057)	Housing, Planning & Heritage	0.205
(0.326)	Leisure, Culture & IT	(0.287)
(0.715)	Regeneration, Safety & Communications	0.821
<b>2.391</b>	<b>TOTAL PORTFOLIOS</b>	<b>7.755</b>
0.083	Corporate budgets	1.231
1.276	Companies	
<b>3.750</b>	<b>PRIOR TO CORPORATE MITIGATION</b>	<b>8.986</b>
(0.814)	Treasury Management/Collection Fund	
(0.255)	Contingency	
(1.000)	Corporate Grants	
<b>(2.069)</b>	<b>TOTAL MITIGATION/MANAGED UNDERSPENDS</b>	<b>0.000</b>
<b>1.681</b>	<b>TOTAL</b>	<b>8.986</b>

### 2.3 General Reserves

These provide a financial safety net to cover above-budget costs during the year. Variations in forecast outturn will impact on general reserves. Underspends increase reserves and overspends decrease them. Table 2 shows the potential impact of the current medium case forecast variance on the general reserve.

<b>TABLE 2: POTENTIAL IMPACT ON THE GENERAL RESERVE</b>	
<b>ITEM</b>	<b>£m</b>
<b>Opening Balance at 01.04.19</b>	<b>9.643</b>
2018/19 Outturn	(1.681)
2019/20 MTFP Increase in General Reserve	1.000
<b>Revised Opening Balance</b>	<b>8.962</b>

The minimum level of opening reserves for 2019/20 was set at **£10.643m**. The impact of the outturn for 2018/19 as approved by Executive Board May 2019 was a reduction in the general fund balance of **£1.681m**. Management action is being undertaken to address the **£1.681m** 2018/19 overspend to ensure the general fund balance is restored to the required level.

### 2.4 Corporate Contingency

This enables management of the financial impact of issues that were not reflected when the budget was set. It is allocated under the delegated authority of the Strategic Director of Finance (SDF) using designated criteria. Services are required to accommodate

unforeseen expenditure and/or income shortfalls from within their cash limited budgets, only seeking allocations where this is proven impossible. Contingency is **£1.775m** in 2019/20. Table 5 shows the allocations approved by the SDF up to the date of despatch of this report, which now require endorsement.

<b>Item</b>	<b>Amount £m</b>
Marcus Garvey Day Centre	0.067
LEP Core Funding Contribution	0.063
Crocus Fields Care Home	0.040
Ageing Well Day	0.001
<b>TOTAL</b>	<b>0.171</b>

This leaves a remaining balance of **£1.604m**, although there are further pending applications, which will be reported as part of the next monitoring report. Forecast outturn assumes full use of contingency, although calls on this budget are being thoroughly scrutinised.

## 2.5 Cost reductions and Potential Overspend Risks

The 2019/20 budget includes new cost reductions of **£23.258m** and pressures of **£6.177m**. Any issues affecting the delivery of these are detailed in Appendix B.

## 2.6 Movement of Resources

Transfers of services between directorates and/or portfolios are reflected within the monitoring figures. Some transfers are before the change in Executive arrangements approved at Council in May so refer to previous portfolios that were in place until then. These movements of resources now require approval and are detailed in Appendix D.

## 2.7 HRA Budget

A budget for the HRA was approved at the February 2019 Full Council meeting, which would maintain the working balance at **£7.727m** at 31 March 2020. The working balance acts as a contingency to cover unexpected significant expenditure or loss of income. (During 2018-19 the Working Balance was increased from **£4.000m** to **£7.727m** to prepare for the impact of Universal Credit on arrears and bad debt.) The latest forecast is a projected in-year balanced position therefore retaining the working balance at **£7.727m**.

### **Working Balance Brought Forward: Increase of £0.010m**

The actual position of the Working Balance carried forward from 2018-19 was **£7.737m**, which is an increase of **£0.010m** from that reported in the Budget. Details of variance were set out in the outturn report considered by Executive Board in May 2019.

The table below shows the revised working balance at 31 March 2020.

	<b>£m</b>
Estimated balance at 31 March 2020	<b>7.727</b>
Working Balance brought forward 2018/19	0.010
<b>Revised working balance at 31 March 2020</b>	<b>7.737</b>

## 2.8 Debtors Monitoring (Appendix C)

### Housing Rents

The figure achieved for the end of Quarter 1 (96.80%) is slightly behind the position this time last year (97.09%). There are now over 2,600 tenants in receipt of Universal Credit. We are continuing with the “Rent First” message in order to maintain collection rates.

### Council Tax – on track to deliver the assumed position in the MTFP

Collection for Quarter 1 of 2019/20 was 25.9%, which exceeds the monthly profiled target by 0.1% and in percentage terms, is a small decrease of 0.2% when compared to 2018/19; collection amounted to **£36.9m** compared to collection of **£35.1m** for the same period in 2018/19. Net debt collectable over the two financial years has increased from **£134.1m** in 2018/19 to **£141.8m** in 2019/20.

### National Non- Domestic Rates (NNDR) – on track to deliver the assumed position in the MTFP

Collection for Quarter 1 of 2019/20 was 30.4%, which was 1.9% above the profiled target. Collection amounted to **£43.8m**, compared to collection of **£40.9m** for the same period in 2018/19. Net debt collectable over the year has increased from **£141.8m** in 2018/19 to **£144.3m** in 2019/20.

### Sundry Income

The percentage of debts collected within 90 days in the 12 months to June 2019 is 79.50%, which is slightly more than the corresponding figure for 2018/19 of 79.00%.

The debtor day indicator (which shows how quickly debts are recovered) is currently 32 days, which is slightly better than the target of 32.30 days but is slightly worse as the corresponding figure for 2018/19 of 31 days.

There is significant work underway to improve debt collection rates in the Council’s finance system Oracle, with particular focus on the implementation of Oracle Advanced Collections as part of the Fit for the Future (FFtF) programme. Advanced Collections is a debt management tool that will provide vastly improved debt collection functionality, enabling tailored debt strategies to be built into Oracle for different types of debt.

### Adult Residential Services

Quarter 1 collection is 96.50% against a target of 97.50%. The corresponding figure for 2018/19 Quarter 1 was 97.90%. Adult Residential Services is continuing to review existing procedures and implement changes where there is scope to do so. Money Carers Foundation cases continue to present challenges and dedicated resource is necessary for this. Work is being undertaken to identify and present cases for legal action where Adult Residential Services have exhausted current available action within the team.

### Estates Rents

The collection rate of 98.19% is above the set target of 97.50%. It is also an improvement of 0.25% on Quarter 1 2018/19.

## 2.9 Capital Programme Update

The outturn report approved an updated overall Capital Programme for 2019/20 of **£198.300m** for Category 1 General Fund Schemes and **£61.347m** for Public Sector Housing. During quarter 1 schemes to the value of **£18.078m** have been approved while slippage and other movements of approved schemes equates to **(£12.820m)**. Actual spend to the end of quarter 1 is **£18.658m**.

**TABLE 5: REVISED CAPITAL PROGRAMME AND ACTUAL SPEND FOR QUARTER 1**

	19/20 Forecast Spend £m	19/20 Additions £m	Other Movements (Slippage / Reprofiling) £m	Projected Outturn at Qtr1 £m	Actual Spend to Qtr1 £m	New Additions (Spend 20/21+) £m
<b>Public Sector Housing</b>						
Category 1 (Approved Schemes)	60.837	1.168	(7.411)	54.594	6.288	0.084
Category 2 (Planned Schemes)	0.510	0.000	(0.300)	0.210	0.000	0.000
<b>Public Sector Housing Total</b>	<b>61.347</b>	<b>1.168</b>	<b>(7.711)</b>	<b>54.804</b>	<b>6.288</b>	<b>0.084</b>
<b>General Fund</b>						
Category 1 (Approved Schemes)						
Transport Schemes	20.628	8.350	2.109	31.087	3.730	0.000
Education / Schools	5.836	0.000	0.666	6.502	0.768	0.000
Other Services	162.998	8.020	(7.909)	163.109	7.872	0.000
Category 2 (Planned Schemes)	8.838	0.540	0.025	9.403	0.000	3.258
<b>General Fund Total</b>	<b>198.300</b>	<b>16.910</b>	<b>(5.109)</b>	<b>210.101</b>	<b>12.370</b>	<b>3.258</b>
<b>TOTAL</b>	<b>259.647</b>	<b>18.078</b>	<b>(12.820)</b>	<b>264.905</b>	<b>18.658</b>	<b>3.342</b>

**Approvals in Quarter 1**

Scheme amendments and additions of **£18.078m** have been approved in quarter 1 where the capital spend is expected to be incurred in 2019/20. Further additions of **£3.342m** have been included as future commitments.

Details of category 1 approvals during quarter 1 over £1.000m are listed below:

- **£8.350m** Transforming Cities Grant, grant funded project within the Transport section of the capital programme.
- **£6.200m** Third Party Loan to Nottingham City Home to acquire homes for homelessness.

**Other Movements (Slippage / Reprofiling)**

Scheme movements (slippages / reprofiling) during quarter 1 2019/20 is **(£12.820m)**. Schemes where slippage is over £0.500m are detailed below in **Table 6**.

**TABLE 6: QUARTER 1 MOVEMENTS (SLIPPAGES / REPROFILING)**

Scheme	2019/20 Forecast at Outturn £m	2019/20 Scheme Forecast at Qtr1 £m	Movement £m
<b>Public Sector Housing</b>			
High Rise Sprinkler Systems	3.735	3.235	(0.500)
Modern Living	4.130	3.428	(0.702)
No Fines / Solid Wall			
Installations	2.768	0.747	(2.021)
ERDF - Energiesprong	7.379	6.379	(1.000)
Garage / Outbuildings			
Citywide	1.126	0.600	(0.526)
Woodthorpe & Winchester	0.058	0.720	0.662
Knights Close	2.814	2.102	(0.712)
Clifton Miners Welfare	2.974	2.571	(0.403)
Tunstall Drive	2.057	1.807	(0.250)
Other Public Sector Housing Movements			(2.259)
<b>Total Public Sector Housing</b>			<b>(7.711)</b>
<b>General Fund</b>			

Other Services			
Nottingham Castle			
Transformation	18.463	16.750	(1.713)
IT - Project Evolution	0.543	0.000	(0.543)
IT - Microsoft Licences	1.146	0.000	(1.146)
One Public Estate - Crocus			
Place	0.627	1.184	0.557
Loan NCH - Arboretum	4.000	3.000	(1.000)
Nottingham Skills Hub	6.000	11.800	5.800
Southside Regeneration	57.659	49.004	(8.655)
Other General Fund Movements			1.591
<b>Total General Fund</b>			<b>(5.109)</b>
<b>Scheme Movements at Quarter 1 - Total</b>			<b>(12.820)</b>

The management and maintenance of the Council's housing stock is delegated to Nottingham City Homes and as part of the ongoing maintenance of the stock there are significant works required to a small number of properties in the Arboretum at a cost of **£0.547m**.

In the Secure, Warm, Modern section of the Public Sector Housing Programme, this requires a re-allocation of the Modern Living budget line to create a specific "Modern Living – Arboretum" budget for **£0.547m**. A previous Delegated Decision 3103, approved the sale of these five properties to NCHE as part of the wider Arboretum works, however it has since been agreed by Leadership that these properties will now remain in the HRA.

This allocation does not require any additional resource and does increase the size of the Public Sector Housing Capital Programme and will be funded from a combination of Major Repairs Reserve, capital receipts and leaseholder contributions."

### Public Sector Housing (HRA) Capital Programme

The Public Sector Housing programme has been updated to reflect movements in quarter 1, the table below sets out the updated programme and resources.

<b>TABLE 7: PUBLIC SECTOR HOUSING - CAPITAL PROGRAMME &amp; RESOURCES</b>						
<b>Scheme</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>Total £m</b>
Category 1 - Approved Schemes	54.596	44.209	29.399	31.668	32.318	<b>192.190</b>
Category 2 - Planned Schemes	0.210	10.272	0.000	0.000	0.000	<b>10.482</b>
<b>Total Programme</b>	<b>54.806</b>	<b>54.481</b>	<b>29.399</b>	<b>31.668</b>	<b>32.318</b>	<b>202.672</b>
<b>Resources Available</b>						
Prudential Borrowing	(10.036)	(17.163)	0.000	0.000	0.000	<b>(27.199)</b>
Grants & Contributions	(5.722)	(1.316)	0.000	0.000	0.000	<b>(7.038)</b>
Major Repairs Reserve	(31.644)	(29.821)	(26.039)	(28.233)	(28.883)	<b>(144.620)</b>
Secured Capital Receipts	(7.404)	(1.883)	0.000	0.000	0.000	<b>(9.287)</b>
Unsecured Capital Receipts	0.000	(4.298)	(3.360)	(3.435)	(3.435)	<b>(14.528)</b>
<b>Total Resources</b>	<b>(54.806)</b>	<b>(54.481)</b>	<b>(29.399)</b>	<b>(31.668)</b>	<b>(32.318)</b>	<b>(202.672)</b>

## General Fund Capital Programme

The General Fund Capital Programme has been updated to reflect the movements in quarter 1, the table below sets out the updated programme and resources.

<b>TABLE 8: GENERAL FUND - CAPITAL PROGRAMME AND RESOURCES</b>						
<b>Scheme</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>Total £m</b>
<b>Approved Schemes</b>						
Transport Schemes	30.482	4.310	1.420	0.000	0.000	<b>36.212</b>
Education	6.502	0.043	0.000	0.000	0.000	<b>6.545</b>
Other Services	156.607	73.513	20.375	9.466	7.475	<b>267.436</b>
<b>Planned Schemes</b>	<b>9.378</b>	<b>33.406</b>	<b>5.337</b>	<b>5.407</b>	<b>5.900</b>	<b>59.428</b>
<b>Total Programme</b>	<b>202.969</b>	<b>111.272</b>	<b>27.132</b>	<b>14.873</b>	<b>13.375</b>	<b>369.621</b>
Prudential Borrowing	(104.701)	(72.863)	(19.157)	(5.965)	(4.306)	<b>(206.992)</b>
Grants & Contributions	(76.049)	(25.733)	(4.937)	(7.703)	(8.126)	<b>(122.548)</b>
Internal Funds / Revenue	(7.683)	(2.969)	(0.681)	(0.255)	(0.195)	<b>(11.783)</b>
Secured Capital Receipts	(2.096)	0.000	0.000	0.000	0.000	<b>(2.096)</b>
Unsecured Capital Receipts	(12.440)	(9.707)	(2.357)	(0.950)	(0.748)	<b>(26.202)</b>
<b>Total Resources</b>	<b>(202.969)</b>	<b>(111.272)</b>	<b>(27.132)</b>	<b>(14.873)</b>	<b>(13.375)</b>	<b>(369.621)</b>

The general fund capital programme is predicated on receiving **c£60m** of unsecured capital receipts, **£26.202m** as detailed in the above table and **c£35m** from prior decisions (summary below):

- Southside Regeneration sinking fund, **£15.000m**
- Replenish SAM Big Ticket Reserve, **£10.396m**
- Repay Guildhall redevelopment costs, **£7.074m**
- Other commitments, **c£2.530m**

Should capital receipts not be forthcoming the council would be required to temporarily fund this pressure by prudential borrowing, this temporary funding would lead to a budget pressure due to the costs of repaying debt.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

3.1 No other options were considered as the Council is required to ensure that, at a corporate level, expenditure and income are kept within approved budget levels and this report sets out how this is being managed.

### **4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

4.1 Financial implications appear throughout the report.

4.2 The financial plans and budgets support delivery of the Council Plan. Monitoring the financial position in parallel with service plan activity helps to ensure the delivery of corporate priorities. The Council has developed a robust approach to providing value for money and efficiency savings to support the delivery of the Council Plan and the Medium Term Financial Strategy.

### **5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

5.1 Continuous review and management of the budget and associated performance issues mitigate the risk of not achieving corporate priorities.



5.2 The five year proposed capital programme is ambitious and will require the Council to use much of its available resources. Substantial investment of this nature will result in the Council being exposed to additional risks as follows:

- a significant increase in the authority's borrowing over the next five years;
- exposure to interest rate changes; a 0.5% increase in interest rates will increase the general fund cost of borrowing on projected 2019/20 spend by **c£0.574m** per annum;
- major schemes have a long payback period which will require the use of reserves in the early years to fund short term deficits in business plans;
- the cost of feasibility studies are all undertaken at risk;
- Schemes may not cover their costs or make the desired return.

5.3 In order to manage these risks the following key principles will be adopted in managing the programme:

- new projects (unable to cover their costs) added to the programme, will result in an existing project being removed or amended;
- all projects must have a robust and viable full business case, which considers and includes whole life costing and revenue implications;
- all schemes will be subject to robust and deliverable business plans and models which demonstrate the necessary return on investment required;
- the decision to progress schemes will be dependent on securing the stated level of external funding or grant as appropriate;
- new projects will be considered where the Council can make a return on investment;
- where new sources of external funding/grants become available, the programme will be revisited;
- all schemes will be subject to an independent internal 'Gateway review process'

5.4 The City Council recognises the importance of individual and collective accountability and requires managers to formally acknowledge their responsibilities. Financial management is an integral aspect of effective leadership and good management, relevant councillors and managers are required to participate fully in all aspects of capital investment plans.

5.5 Corporate Directors will be accountable for the success and deliverability of all capital projects within their remit; including:

- ownership of business cases and any subsequent changes to them;
- ensuring that capital projects are delivered in line with agreed targets and resources;
- The successful outcome and benefits realisation of capital projects.

## **6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)**

6.1 None.

## **7 SOCIAL VALUE CONSIDERATIONS**

7.1 None.

## **8 REGARD TO THE NHS CONSTITUTION**

8.1 None.

## **9 EQUALITY IMPACT ASSESSMENT (EIA)**

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

No



An EIA is not required because:

The report does not contain proposals for new or changing policies, services or functions

Yes



## **10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

10.1 None.

## **11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

11.1 Medium Term Financial Plan 2019/20 – 2021/22 – Executive Board 19 February 2019

## **12 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT**

12.1 Jo Worster – Team Leader (Strategic Finance)

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BUDGET MONITORING 2019/20 - Year to Period 3 (JUNE) £'m

APPENDIX A

Portfolio	POSITION TO THE END OF P3 (JUNE)		YEAR END FORECAST POSITION	
	Updated Estimate	Profiled Estimate	Estimated Outturn	Variance (under)/ over
Adult Care & Local Transport	98.523	26.423	98.240	(0.283)
Children & Young People	51.296	15.009	56.303	5.007
Communities	12.085	3.584	12.363	0.278
Early Years, Education & Employment	3.975	4.912	5.301	1.326
Energy, Environment & Democratic Services	20.395	4.062	20.527	0.131
Finance, Growth & the City Centre	10.579	4.606	10.961	0.382
Health, HR & Equalities	5.869	(3.040)	(5.694)	0.175
Housing, Planning & Heritage	6.159	1.616	6.364	0.205
Leisure, Culture & IT	11.450	3.706	11.163	(0.287)
Regeneration, Safety & Communications	(12.913)	(3.719)	(12.092)	0.821
<b>Total Portfolios</b>	<b>195.681</b>	<b>57.161</b>	<b>203.436</b>	<b>7.755</b>
Corporate Budgets	44.104	7.892	45.635	1.231
<b>Total General Fund</b>	<b>239.785</b>	<b>65.053</b>	<b>249.071</b>	<b>8.986</b>

**Portfolio Variances +/- £50k****Adult Care & Local Transport £0.283m favourable****Adults Social Care - £0.152m underspend**

- The underspend contains the following variances:
  - Staffing underspends of **£0.553m** across all areas of the service;
  - **£0.095m** overspend resulting from increased activity levels within the Northgate contract due to delays and impact of Universal Credit.
  - **£0.250m** underspend in Housing Related Support; the service is split across three portfolios, service overall is forecast to be on budget.
  - **£0.200m** overspend due to the increase to bad debt provision.
  - **£0.100m** overspend due to an increase in costs associated with S117/Ordinary residence disputes.
  - **£1m** shortfall in identified savings from partnership working.
  - **£0.336m** Deprivation of Liberty Safeguards forecast overspend due to the Mental Capacity Amendment Bill and the requirement for additional staffing to tackle the assessments backlog.
  - Reduction in the purchasing budget of **£1.080m**. This includes estimated demand and complexity for 2019/20 plus an estimated provision for further Transforming Care placements of **£0.524m**

The impact of the above on 2020/21+ is being developed.

**Workplace Parking Charge £0.135m adverse**

- The Workplace Parking Charge deficit is currently projecting to be **£0.135m** and potentially will continue into 2020/21+.

**Children & Young People £5.007m adverse**

- A gross overspend of **£8.053m** is forecast for Children's Integrated Services however the following assumptions have been made reducing the current forecast overspend to **£4.880m**
  - The service is reporting to achieve an in-year mitigation of **£3.172m** through the following Big Ticket Programmes:
    - Demand Management (cost avoidance)
    - Restorative and Performance Approaches
    - High Cost Placements
    - Fostering
    - Semi Independence
    - Workforce

Progress of these programmes is being undertaken routinely and monitoring will be updated to reflect progress and achievement.
- Directorate underspend of **£0.042m** will be achieved due to staffing.
- Based on the above assumptions, the service is reporting a net **£4.880m** overspend and is due to placement costs exceeding the budget due to levels of complexity, grants not fully covering costs and the higher cost of agency.

This will impact on 2020/21+.

## **Strategy & Policy £0.164m adverse**

- Shortfall in Data, Analysis and Insight for School Improvement income.

## **Communities £0.278m adverse**

### **Community Cohesion £0.203m adverse**

- This overspend is due to reduction in grant funding but the increased need for the service including a Hate Crime officer. Options to mitigate is currently underway.

### **NS Operational Hub £0.062m adverse**

- Current pressure of **£0.062m** linked to 2019/20 MTFP saving of the closure of the Woodfield's employment hub. Further work being undertaken in 2019/20 to implement a plan to mitigate.

## **Early Years, Education & Employment £1.326m adverse**

- The overspend is due to unmet historical saving targets and income targets that through schools buy back are now unachievable. This income contributed towards statutory functions and therefore costs reductions are limited. This will impact on 2020/21+.

## **Energy, Environment & Democratic Services £0.131m adverse**

### **Civic & Coronial Services £0.389m adverse**

- Mortuary services contract – contract price **£1.000m** more than previous years. This cost is split 50/50 with Nottinghamshire County Council creating an in year pressure of c. **£0.550m**. The forecast includes use of the provision created in previous years. This will impact on 2020/21+.

### **Energy Services £0.260m favourable**

- Energy Services are forecasting £0.260m underspend.
- The waste disposal budget and utilities budget are forecasting in accordance with the planned expenditure of **£10.867m**, this causing an over spend of **£2.329m**. This is being mitigated by:
  - **£1.864m** of this is being mitigated through pressures funding held corporately and
  - It was agreed through the budget process that any remaining pressure would be funded by contingency within year, and this is forecast at **£0.465m**. This will impact on 2020/21+.

### **Facilities & Building Services £0.154m favourable**

- Planned business plan achievement due to increased income growth and efficiencies.

### **Legal & Democratic £0.053m favourable**

- Overachievement of income in conveyancing.

## **Finance, Growth & the City Centre £0.382m adverse**

### **Analysis & Insight Service £0.101m favourable**

- Underspend on operational costs, however these due to slippage and are a one off.

### **Contracting & Procurement £0.079m adverse**

- Reduction in grant income, this is offset by underspends in the directorate captured in other portfolio's.

### **Environmental Health & Licensing £0.201m adverse**

- Income shortfall due to lack of licensing applications, a direct and conscious consequence of tighter policies. This pressure was highlighted within 2018/19, and further work is being undertaken in 2019/20 to implement a mitigation plan.

### **Housing Related Support £0.140m favourable**

- Service is split across three portfolios, service overall is forecast to be on budget.

### **Nottingham Catering £0.132m favourable**

- Increased income, this may impact on 2020/21+.

### **S&R Directorate £0.304m adverse**

- Corporate One Device saving IT saving of **£0.250m**, this will impact on 2020/21+.

### **Strategy & Policy £0.189m adverse**

- Unachieved saving from previous years; areas of mitigation are being reviewed however if they are not identified this will impact on 2020/21+.

### **Health, HR & Equalities £0.175m adverse**

#### **Human Resources £0.300m favourable**

- Underspends across multiple cost centres, with the majority from Equalities and Transformation budgets.

#### **OT Directorate £0.346m adverse**

- Historic unachieved savings/income shortfall. Currently forecast to be mitigated in full.

#### **Public Health £0.139m adverse**

- **£0.120m** – Needle exchange service provision due to contract variation from current service provider. An alternative solution was identified as a matter of urgency due to significant health risks to service users and the increased risk of discarded needles within the City Centre. This will impact on 2020/21+.
- **£0.017m** - overspend relating to increase in demand for chlamydia screening, this will impact on 2020/21+.

### **Housing, Planning & Heritage £0.205m adverse**

#### **Housing Related Support £0.195m adverse**

- Service is split across three portfolios, service overall is forecast to be on budget.

### **Leisure, Culture & IT £0.287m favourable**

#### **Museums £0.078m adverse**

- This service is currently projecting an overspend of **£0.078m**; this is due to:
  - **£0.050m** MTFP savings for Newstead Abbey, that is unachievable in line with what was agreed and
  - **£0.029m** for Caves of Nottingham income shortfall. This is due to a previous agreement by the Property department of a rent free period to the Egalitarian Trust pending completion of the Broadmarsh Development

### **Sports & Leisure £0.191m favourable**

- Increased income, this may impact on 2020/21+.

### **Regeneration, Safety & Communications £0.821m adverse**

#### **Crime & Drugs Partnership £0.147m adverse**

- Uncertainty over NCH income and OPCC funding reduction. No mitigation for these in place.

#### **Property Trading Account £0.737m adverse**

- The current projected forecast for Strategic Assets & Property is **£0.737m** overspend.

This is due to the:

- refocus of strategic investment by the organisation reducing the return from investing in rental properties and
- Other in-year pressures.

Mitigation through a disposal and investment strategy is being progressed to aim to mitigate this position, at this stage, the specific properties and delivery plan for this mitigation have yet to be earmarked or realised and this remains a risk. This could impact on 2020/21+.

#### **Marketing & Communications £0.103m adverse**

- Anticipated shortfall in Design and Print income. New software is being piloted (due to go live in October 2019), which aims to deliver efficiencies and mitigate this pressure.

#### **Uniformed Services £0.135m favourable**

- Vacancies within CPO's, and increases in fine income due to more enforcement officers in post.

### **Corporate £1.231m adverse**

- Delays in Management Review. This review was expected to deliver ongoing annual savings of **£1.509m** per annum. This could impact on 2020/21+.

DEBTORS MONITORING TO 30 JUNE 2019

APPENDIX C

Debtors - Performance Review – Q1 2019/20	Q1 June	Q2 Sept	Q3 Dec	Q4 Mar
<b>BVPI 66a - Housing Rent Collection (%)</b> <i>(cumulative - current tenants only)</i>				
<i>(arrears + debit)</i> Actual	96.80			
Target	98.50			
Last Year Actual 2018-19	97.09	97.93	98.55	98.26
<b>BVPI 9 - Council Tax Collection (%)</b>				
<i>(in year cumulative)</i> Actual	25.90			
Target	25.80			
Last Year Actual 2018-19	26.10	50.80	76.60	93.20
<b>BVPI 10 - NNDR Collection (%)</b>				
<i>(in year cumulative)</i> Actual	30.40			
Target	28.50			
Last Year Actual 2018-19	27.34	54.90	79.03	97.30
<b>Sundry Income Collection (%)</b>				
<i>(12 month rolling average)</i> Actual	79.50			
Target	99.00	99.00	99.00	99.00
Last Year Actual 2018-19	79.00	79.80	83.00	79.20
<b>Sundry Income Debtor Days – General</b>				
Actual	32.00			
<i>(12 month rolling average)</i> Target	32.30	32.30	32.30	32.30
Last Year Actual 2018-19	31.00	36.00	38.00	41.00
<b>Estates Rents Collection (%)</b>				
Actual	98.19			
<i>(12 month rolling average)</i> Target	97.50	97.50	97.50	97.50
Last Year Actual 2018-19	97.94	98.01	97.89	97.94
<b>Adult Residential Services Collection (%)</b>				
Actual	96.50			
<i>(12 month rolling average)</i> Target	97.50			
Last Year Actual 2018-19	97.90	97.70	97.50	96.80



**VIREMENT 2019-20 REQUIRING EXECUTIVE BOARD APPROVAL**

**APPENDIX D**

Details	Net Amount	Department		Portfolio			
	£m	From	To	From	To		
<b>Operational virements prior to changes in Portfolio arrangements</b>							
Savings realignment	0.098	DG	CA	FRCS	ASCH		
	0.048	DG	SR	RG	FRCS		
	0.027	SR	CA	FRCS	ELY		
	0.011	CO	SR	ES	HP		
	0.021	within CO		ES	CP		
	0.002			ES	EE		
	0.043			ES	FRCS		
	0.042			ES	LL		
	0.011			CP	EE		
	0.006			LL	EE		
	0.011			THR	EE		
	0.004			EE	FRCS		
Pay Model adjustments	0.007			Corporate	CA	FRCS	ASCH
	0.001				CO	FRCS	CP
	0.004	CO	FRCS		LL		
	0.004	CO	SR	CP	RG		
Housing Related Support	3.958	SR	DG	ASCH	HP		
	0.235	SR	DG	within HP			
Libraries IT Resource	0.126	SR	CO	CP	LL		
Employee budget realignment b/t Parking and Security & Logistics	0.092	within CO		THR	CP		
Neighbourhood Services Review	0.262			CP	EE		
	0.138			CP	FRCS		
	0.004			CP	LL		
Community Protection Review	0.083			CP	FRCS		

	0.144			HP	CP
	0.124	within CO		CP	RG
Energy budget adjustments	0.009	CA	CO	ASCH	EE
	0.004	within CO		CP	EE
	0.000	DG	CO	ES	EE
Commercial Infrastructure & Energy Realignment	0.080	within CO		THR	EE
Utility Budget adjustment	0.002	within CO		LL	EE
Budget realignment b/t Early Help & Property Services	0.021	CA	DG	ELY	RG
Marketing employee realignment	0.036	SR	CO	RG	LL
Streetscene employee budget realignment	0.020	within CO		EE	LL
Building Services realignment	0.027	within CO		FRCS	LL
Armed Forces funding	0.025	Corporate	CO	FRCS	LL
Energy Employees realignment	0.006	within CO		EE	FRCS

**Transfer of Services resulting from changes in Portfolio arrangements**

Adult Social Care / Quality & Change	93.189	within CA		ASCH	ACLT
Commissioning & Procurement (part)	2.155	within SR			
Quality & Change (part)	2.165	within CA		ELY	ACLT
Commercial & Infrastructure (part)	0.246	within CO		THR	ACLT
Neighbourhood Services (part)	(15.942)				
Major Projects (part)	17.145	within DG			
Traffic & Transport (part)	(0.759)	within CO		CP	COM
Community Protection (part)	3.147				
Commercial & Operations Support Services	1.253	within CO		FRCS	
Commissioning & Procurement (part)	0.849	within SR			
Finance (part)	0.454	within CO		LL	
Community Protection (part)	1.118				
One Nottingham	0.077	within SR		ES	
Commercial & Infrastructure (part)	(0.101)	within CO		THR	
Neighbourhood Services (part)	5.220			EE	
Neighbourhood Services (part)	(0.060)			ES	

Legal & Governance (part)	0.237	within SR	CP	EE&DS
Commercial & Infrastructure (part)	10.512	within CO	EE	
Neighbourhood Services (part)	1.698			
Traffic & Transport (part)	0.169	within DG		
Neighbourhood Services (Facilities & Bldgs)	2.864	within CO	FRCS	
HR & Transformation (part)	1.480	within SR		
Legal & Governance (part)	2.905			
Neighbourhood Services (part)	(0.167)	within CO	THR	
Customer Access Programme	0.772	within SR	HP	
Childrens Integrated Services (part)	51.418	within CA	ELY	
Commissioning & Procurement (Childrens)	0.113	within SR		
Strategy & Policy (part)	(0.238)			
Inclusive Learning	0.448	within CA	ELY	EY,E&E
Major Projects (part)	0.107	within DG	ES	
Education Partnerships / School Improvement	2.003	within CA		
Economic Development (part)	1.341	within DG	RG	
Commissioning & Procurement (part)	0.140	within SR	ASCH	FG&CC
Community Protection (part)	1.751	within CO	CP	
Corporate Leadership & Departmental Resources	0.262	within CX	FRCS	
Commercial & Infrastructure (part)	0.233	within CO		
Neighbourhood Services (part)	(0.897)			
Major Projects (part)	0.853	within DG		
Commissioning & Procurement (part)	0.569	within SR		
Strategy & Policy (part)	1.313			
Finance (part)	7.019			
Strategy & Resources Business Support	(0.048)			
Corporate & Democratic Core	0.107	within DG	RG	
Economic Development (part)	0.317			
Development & Growth Directorate	(0.885)			
Strategy & Policy (part)	0.206	within SR	ASCH	HPH
Commissioning & Procurement (part)	(0.195)	within SR		

Community Protection (part)	0.972	within CO	CP	
Housing Development (Regeneration)	(0.072)	within DG	HP	
Housing Strategy	(0.028)			
Housing Related Support incl. Strategic Homelessness	4.623			
Strategic Assets & Property (part)	0.039			
Planning (part)	(0.222)			
Childrens Integrated Services (part)	1.015	within CA		
Information Technology	3.252	within SR	CP	L,C&IT
Strategic Assets & Property (part)	0.323	within DG	FRCS	
Sport & Culture	6.787	within CO	LL	
Neighbourhood Services (part)	0.642			
Economic Development (part)	0.223	within DG		
Community Protection (part)	6.393	within CO	CP	R,S&C
Planned Maintenance	3.453		FRCS	
Major Projects (part)	0.078	within DG	RG	
Development & Growth Directorate	0.200			
Strategic Assets & Property (part)	(22.868)			
Planning (part)	0.023			
Crime & Drugs Partnership	1.011	within SR		
Strategy & Resources Director	0.841			
Traffic & Transport (part)	0.380	within DG	THR	
HR & Transformation (part)	4.487	within SR	THR	
Public Health	(10.356)	within CA	ASCH	
Corporate Items	(2.950)	Corporate	HP	HPH
	0.090		EE	EE&DS
	44.884		FRCS	FG&CC

**Operational virements after changes in Portfolio arrangements**

Savings realignment	0.040	within CO		ACLT	COM
	0.059			EE&DS	
	0.003			FG&CC	
	0.025			L,C&IT	
	0.013	within CO		ACLT	EE&DS
	0.003	within CO			
	0.060	DG	Corporate	ACLT	FG&CC
	0.054			FG&CC	
	0.027			EY,E&E	
	0.054	SR		FG&CC	
	0.250	within SR		L,C&IT	
	0.050	within DG		R,S&C	
Fleet Budget Realignment	0.100	within CO		EE&DS	ACLT
	0.075			FG&CC	
Utilities Realignment	0.002	CO	CA	EE&DS	ACLT
	0.008		DG		
	0.001	within CO			COM
	0.003	CO	CA		CYP
	0.001		DG		EY&EE
	0.001		FG&CC		
	0.000	within CO			L,C&IT
	0.002	within CO			
	0.000	CO	SR		R,S&C
	0.000		DG		
	0.004		FG&CC		
	0.001	within CO			FG&CC
	0.001	within CO			
Housing Related Support Budget Realignment	1.678	SR	CA	within ACLT	
Business Rates allocation	0.126	Corporate	SR	FG&CC	EE&DS
	0.593		DG		R,S&C

Economic Development employee budget realignment	0.103	within DG		FG&CC	EE&DS
Pay Model adjustment	0.035	Corporate	SR	within FG&CC	
Community Protection Realignment	0.042	within CO		R,S&C	FG&CC
	0.026	within CO			HPH
Rental Income transfer to Property Services	0.046	SR	DG	FG&CC	R,S&C
Prudential Borrowing Technical Adjustment	0.004	CO	SR	L,C&IT	FG&CC
	2.070	DG		R,S&C	
	<b>251.082</b>				

<b>Department</b>	<b>Key</b>
Children & Adults	CA
Commercial & Operations	CO
Chief Executive	CX
Development & Growth	DG
Strategy & Resources	SR
Housing Revenue Account	HRA
<b>Former Portfolios</b>	<b>Key</b>
Adult Social Care & Health	ASCH
Community Protection	CP
Energy & Environment	EE
Education & Skills	ES
Finance, Resources & Commercial Services	FRCS
Housing & Planning	HP
Leisure & Localities	LL
Regeneration and Growth	RG
Transport and HR	THR

<b>Portfolio</b>	<b>Key</b>
Adult Care & Local Transport	ACLT
Communities	COM
Energy, Environment & Democratic Services	EE&DS
Children & Young People	CYP
Early Years, Education & Employment	EY,E&E
Finance, Growth & The City Centre	FG&CC
Housing, Planning & Heritage	HPH
Leisure, Culture & IT	L,C&IT
Regeneration, Safety & Communications	R,S&C
Health, HR & Equalities	H,HR&E