



Nottingham
City Council

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NOTTINGHAM CITY COUNCIL UPDATE – SECTION 114 REPORT ISSUED

We are writing to you as a key partner of Nottingham City Council to update you on the council's serious financial situation. By law the council is required to set and deliver a balanced budget each year, and despite spending controls introduced earlier this year it is clear that the council is unable to balance its budget for 2023/24.

As a consequence, and in accordance with his statutory obligation, the council's Chief Finance Officer (Section 151 Officer) has issued a [Section 114 report](#) under the Local Government Finance Act 1988.

The practical impact of this is to cease all spending that is not already contractually committed or required to deliver statutory duties at the minimum level, or otherwise agreed by the Chief Finance Officer, prior to proposals being brought back for consideration as to how the council will bring its budget back into balance.

The backdrop to this situation is that the current context for upper tier and unitary local authorities with social care responsibilities, like Nottingham City Council, is very stark. We are facing the most challenging financial environment that anyone can recall, and across the country we are experiencing increasing demand for adults and children's social care as well as increased homelessness presentations. On top of this, whilst all organisations are managing the effects of significant cost inflation, this was not provided for in our previous finance settlement from government.



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Although not the cause of the overspend in the current year, the situation in Nottingham is further compounded by the council's reduced financial resilience because we have had to use significant financial reserves to cover the historic losses from the failure of the council's arm's length company Robin Hood Energy which ceased trading in 2020. The council has also needed to make good Housing Revenue Account funds historically unlawfully used to support the council's General Fund for several years from 2014/15 until 2019/2020. This means that we have less reserves available to smooth the current financial pressures experienced compared to others.

In March, the council had set a balanced budget and medium-term financial plan. However, the increased service pressures since then have led to a significant projected overspend, despite a number of management and corrective actions put in place which have included reducing non-essential, non-pay spending and managing staff vacancies.

The council will be required to respond to the Section 114 report and set out its approach for seeking to stay within our balanced budget. It therefore follows that it will be increasingly difficult for us to continue providing the full range and standard of services we currently deliver. Given the scale of the challenge it is inevitable that there will need to be reductions in service provision or withdrawal in some areas, subject to decisions made by councillors, which may impact on our partners and our citizens. We will need to work together as one city to manage this as well as possible.

We must make it clear that the council is not "bankrupt" or insolvent. The council has sufficient financial resources at hand to meet all of its current obligations, to pay staff, suppliers and grant recipients.

In all of this difficulty, it is important that we hold on to a sense of purpose in terms of what we are trying to do in supporting our communities and the mandate given to our councillors by the electorate to effect positive change for our people and our city. It is therefore critical for us to focus on the outcomes we are seeking to achieve and the alternative ways that we can achieve those outcomes, to minimise the adverse impact of the spending reductions that are necessary.

It has never been more important for us to work together as one city and support our communities. We believe in creating an environment of transparency and honesty with our partners and therefore we trust that writing to share our current context has proven helpful to you.

Should you require any additional information please do not hesitate to contact either of us. In addition, should any of your colleagues wish to discuss the implications of the council's position please assure them that they are welcome to contact the council's Corporate Director colleagues with whom they usually liaise.

Yours sincerely



Melbourne Barrett
Chief Executive
Nottingham City Council



Cllr David Mellen
Leader of the Council
Nottingham City Council