Nottinghamshire County Council

Finance and Major Contracts Management Committee

Monday, 30 November 2020 at 14:00

Virtual meeting

AGENDA

10 EXCLUSION OF THE PUBLIC

The Committee will be invited to resolve:-

"That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve disclosure of exempt information described in Schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information."

Note

If this is agreed, the public will have to leave the meeting during consideration of the following item:

EXEMPT INFORMATION ITEM

11 Covid 19 Cultural Service Contract Variations EXEMPT

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Notes

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

(3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Peter Barker (Tel. 0115 977 4416) or a colleague in Democratic Services prior to the meeting.

(4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

(5) This agenda and its associated reports are available to view online via an online calendar - http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

minutes

Meeting	FINANCE AND MAJOR CONTRACTS MANAGEMENT COMMITTEE – VIRTUAL MEETING
Date	2 November 2020 (commencing at 2.00pm)

Membership
Persons absent are marked with an 'A'

COUNCILLORS

Richard Jackson (Chair)
Roger Jackson (Vice Chair)
John Ogle (Vice Chair)

John Clarke	Diana Meale
Keith Girling	Mike Pringle
Tom Hollis	Alan Rhodes
Eric Kerry	Gordon Wheeler

OFFICERS IN ATTENDANCE

Pete Barker	Democratic Services Officer
Michael Fowler	Category Manager, Procurement
Derek Higton	Service Director, Place & Communities
Nigel Stevenson	Service Director, Finance, Infrastructure & Improvement

1. MINUTES OF THE LAST MEETING

The minutes of the last meeting held on 28 September, having been circulated to all Members, were taken as read and were confirmed, and were signed by the Chair.

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. DECLARATIONS OF INTEREST

Councillor Hollis declared an interest in Item 5, Catering & FM Update and New Structure for County Office Catering, as he and all other members had used the catering facilities at County Hall and were familiar with the staff who worked there.

4. **FINANCIAL MONITORING REPORT PERIOD 5 2020-21**

RESOLVED: 2020/017

That the additional contingency requests, as detailed in the report, be approved.

5. **CATERING & FM UPDATE AND NEW STRUCTURE FOR COUNTY OFFICE CATERING**

Following a debate, an amendment to the motion was moved by Councillor Pringle and seconded by Councillor Rhodes, that the report be withdrawn, and the issues considered at a later date.

The amendment was put to the vote and was not carried.

A vote on the original motion was then held and it was:

RESOLVED: 2020/018

That the revised staffing structure for the county office catering team be approved, as set out in the appendix to the report.

6. **THE COMMISSIONING AND PROCUREMENT FOR DOMESTIC ABUSE SUPPORT SERVICES**

RESOLVED: 2020/019

That a progress report be brought back to Committee in 6 months' time.

7. **WORK PROGRAMME**

RESOLVED: 2020/020

That the Work Programme be amended as requested by members including reports on the following to be brought to future meetings of the Committee:

a) Progress on road improvement schemes, including works on the A6097 and A614.

b) An update report on the Gedling Access Road.

The meeting closed at 3.10pm

CHAIR

Nottinghamshire County Council

Report to Finance and Major Contracts Management Committee

30 November 2020

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

FINANCIAL MONITORING REPORT: PERIOD 6 2020/21

Purpose of the Report

1. To provide a summary of the Committee revenue budgets for 2020/21.
2. To provide a summary of capital programme expenditure to date, year-end forecasts and approve a variation to the capital programme.
3. To inform Members of the Council's Balance Sheet transactions.

Information

Background

4. The Council approved the 2020/21 budget at its meeting on 27 February 2020. As with previous financial years, progress updates will be closely monitored and reported to management and Committee each month.

5. It is important to note that this Financial Monitoring report has been put together at a time when the Council is continuing to respond to the consequences of COVID19. A large number of services, resources, functions, plans and programmes have been re- and de-prioritised as the Council has had to respond to a rapidly changing and fluid situation that has included the regular provision of new guidance and legislation.

Implications of the COVID19 Crisis

6. Following recent announcements from Central Government, the Authority has been allocated an addition £5.0m main COVID19 grant as well as an additional £9.6m Infection Control Grant. A summary of the COVID19 related grants received by the Authority to date are set out in the table below:-

Grant	County Council Allocation (£m)	Conditions	Use
COVID19 Funding (1)	22.3	None	Reduce financial deficit
COVID19 Funding (2)	14.7	None	Reduce financial deficit
COVID19 Funding (3)	5.1	None	Reduce financial deficit
COVID19 Funding (4)	5.0	None	Reduce financial deficit
Infection Control (1)	11.5	Yes + clawback	Pass to providers for transmission reduction measures and support workforce resilience.
Infection Control (2)	9.6	Yes + clawback	Pass to providers for transmission reduction measures and support workforce resilience.
Test and Trace	3.8	Yes + clawback	Mitigation against and management of local outbreaks of COVID19
Emergency Assistance Grant	0.9	Subject to monitoring & evaluation	Support to those struggling to afford food and other essentials
Additional Home to School Transport	0.6	Subject to retrospective claim	New funding for additional dedicated school transport capacity.

7. All Local Authorities are required by the Ministry for Housing, Communities and Local Government to report their forecast financial impact of the COVID19 emergency on a monthly basis. The most recent DELTA6 submission from Nottinghamshire County Council was submitted on 2 October 2020 and identified a total gross forecast financial impact of £66.8m in the current financial year. The next return is due to be submitted on 6 November 2020.

   The receipts of these grants are factored into the forecast financial position as set out in this report.

8. All Authorities received a letter from the Department of Health and Social Care (DHSC) on 4 September 2020 which explained revised arrangements for the distribution of PPE. It set out that the DHSC had procured sufficient PPE to meet national demand and would be able to supply Authorities directly with PPE for all COVID19 use, over and above any Business as Usual use, until 31 March 2021. This supply is being made available free of charge.

9. The Government have also announced a scheme that will help those Local Authorities that have lost income during the pandemic and boost cash flow. The first lost income return to the MHCLG was submitted on 30 September 2020. The value of this funding is expected to be in the region of £1.2m.

10. The pro-formas submitted to the Government do not include other potential significant forecast cost and cash flow implications including Council Tax and Business Rates falls in collection rates (£10m) as well as impacts upon the realisation of capital receipts (£4m). On 2 July, Central Government announced that Council Tax and Business Rates deficits are to be payable evenly over a three-year period rather than in one year as is currently the case.

11. A Finance Resilience Group has been established to consider the financial impact arising from the COVID19 crisis. This Group has identified factors that help to mitigate the in-year financial impact of COVID19. Reviews have also been undertaken on all assumptions that underpin the MTFS including areas such as the capital programme, capital receipts, pressures, savings forecasts and reserves. These areas will continue to be scrutinised as part of the budget monitoring and budget setting processes.

12. It is important to note that considerable uncertainty remains regarding the longer-term implications of responding to the emergency. For instance, we are beginning to see the emergence of another COVID19 wave which may continue through the Autumn and Winter period. In addition, information continues to be developed regarding significant areas of the Authority's budget including Home to School Transport, Looked After Children (LAC) and Adult Social Care and Health services.

Summary Revenue Position

13. As detailed above, the Authority has received four tranches of main COVID19 grant allocations totalling £47.1m. This amount was not factored into projections when setting the 2020/21 budget in February 2020. A revised budget estimate has therefore been set whereby COVID19 grant has been allocated across Committee budgets based on the current known financial impact of the COVID19 crisis. The revised budget estimate is reflected in Table 1.

14. The table below summarises the revenue budgets for each Committee for the current financial year. A forecast underspend of £2.5m is currently predicted. However, there are still significant financial challenges facing the Council over the medium-term which requires a continuing need to be vigilant. Uncertainty still exists and the key message to effectively manage budgets and, wherever possible, deliver in-year savings continues to be reinforced.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 5 £'000	Committee	Revised Annual Budget £'000	Actual to Period 6 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
9,655	Children & Young People's	151,768	58,274	151,755	(13)
6,990	Adult Social Care & Public Health	212,785	90,735	212,431	(354)
9,531	Communities & Place	138,615	53,074	137,843	(772)
3,507	Policy	36,191	15,425	36,622	431
1,038	Finance & Major Contracts Management	4,433	4,805	4,339	(94)
(11)	Governance & Ethics	7,626	3,418	7,579	(47)
71	Personnel	16,362	8,430	15,628	(734)
30,781	**Net Committee (under)/overspend**	**567,780**	**234,161**	**566,197**	**(1,583)**
(36,825)	Central items	(52,551)	(30,061)	(53,731)	(1,180)
-	Schools Expenditure	32	-	32	-
2,273	Contribution to/(from) Traders	3,530	1,004	3,473	(57)
(3,771)	**Forecast prior to use of reserves**	**518,791**	**205,104**	**515,971**	**(2,820)**
-	Transfer to / (from) Corporate Reserves	(499)	-	(499)	-
556	Transfer to / (from) Departmental Reserves	(5,113)	129	(4,822)	291
-	Transfer to / (from) General Fund	(631)	-	(631)	-
(3,215)	**Net County Council Budget Requirement**	**512,548**	**205,233**	**510,019**	**(2,529)**

Committee and Central Items

<u>Communities and Place</u> (£0.7m underspend, 0.6% of annual budget)

15. The major variances in the Communities and Place Committee relate to Highways and have primarily arisen due to reduced electricity costs due to implementation of energy efficient street lighting (£0.3m) and a lower than budgeted annual indexation figure from VIA due to the historically low interest rates applicable to RPI on which this is based (£0.4m).

<u>Personnel</u> (forecast £0.7m underspend, 4.5% of annual budget)

16. The major variances in the Personnel Committee relate to staffing vacancies in the BSC (£0.1m), reduced apprentice costs due to recruitment difficulties in the current circumstances (£0.1m) and Business Support vacancies (£0.3m).

<u>Central Items</u> (forecast £1.1m underspend)

17. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.

18. As set out above, a revised budget estimate has been set whereby COVID19 grant has been allocated across Committee budget based on current, known financial impact of the COVID19 crisis. Any grant not allocated to Committees at this time has been set aside to fund further in-year COVID related issues and to cover future shortfalls in collection rates of both Council Tax and Business Rates. Overall, the County Council's share of this shortfall is estimated to be approximately £13m.

19. The reported underspend is made up of a number of variations relating to interest, general government grant income, pension contributions and the Minimum Revenue Provision.

Contingency Budget

20. Central Items includes a base contingency budget of £4.0m to cover redundancy costs, slippage of savings, additional funding requirements for the 2020/21 pay award and other unforeseen events. Also, in 2020/21 a number of demand and inflationary pressures have been identified that have a degree of uncertainty with regard to likelihood, value and profiling. As such, an additional provision of £2.6m has been made within the contingency to fund these pressures. All funding requirements are currently being reviewed and the Finance and Major Contracts Management Committee or the Section 151 Officer are required to approve the release of contingency funds.

21. Contingency requests that have been previously approved and distributed to Committees total £3.6m and Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main areas of risk to the forecast

22. As well as the implications arising from the COVID19 emergency the usual budget monitoring process will continue to take place throughout the year to identify all major variations to budget. Progress updates will be closely monitored and reported to management and to Committee on a monthly basis. It is expected that as well as identifying additional costs, areas of reduced costs will also be identified as the Council adapts service delivery during the crisis.

23. The approved 2020/21 budget was set against a background of assumptions and on-going risks, specifically with regard to the demand for Council services in the areas of Children and Adult Social Care where safeguarding takes priority. In Children's Social Care specifically, significant pressures are continuing to be experienced in relation to the rise in Looked After Children external placements. This is due to sustained high numbers and little evidence that the position has stabilised. In addition, the average weekly cost of placements are rising due to complexity of need, market conditions, inflation and limited capacity within the Authority's own internal residential and foster care provision. These high-risk areas will continue to be monitored closely during the year through the robust monthly budget management process and reported back to Committee.

24. The 2019/20 Local Government Finance Settlement set out a one-year settlement only. As such, further considerable uncertainty beyond 2020/21 will remain until the outcome of the future Comprehensive Spending Review is known.

Balance Sheet
General Fund Balance

25. Members approved the 2019/20 closing General Fund Balance of £22.0m at Council on 23 July 2020. The 2020/21 budget assumes the utilisation of £0.6m of balances which will result in a closing balance of £21.4m at the end of the current financial year. This is 4.4% of the budget requirement.

Capital Programme

26. Table 2 summarises changes in the gross Capital Programme for 2020/21 since approval of the original Programme in the Budget Report (Council 27/02/20):

Table 2 – Revised Capital Programme for 2020/21

	2020/21 £'000	2020/21 £'000
Approved per Council (Budget Report 2020/21)		117,384
Variations funded from County Council Allocations :		
Net slippage from 2019/20 and financing adjustments	1,722	
		1,722
Variations funded from other sources :		
Net variation from 2019/20 and financing adjustments	18,773	
		18,773
Revised Gross Capital Programme		**137,879**

27. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 6.

Table 3 – Capital Expenditure and Forecasts as at Period 6

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 6 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	35,578	14,515	35,841	263
Adult Social Care & Public Health	1,176	810	1,225	49
Communities & Place	67,109	11,414	66,886	(223)
Policy	32,493	9,565	32,066	(427)
Finance & Major Contracts Mngt	180	-	180	-
Governance & Ethics	354	77	299	(55)
Contingency	989	-	989	-
Total	**137,879**	**36,381**	**137,486**	**(393)**

Children & Young People's

28. In the Children and Young People's Committee, a section 106 contribution totalling £0.2m has been received. It is proposed that this funding will be used to create additional pupil places in West Bridgford as a result of local property developments.

It is proposed that the Children and Young People's capital programme is varied to reflect the additional £0.2m section 106 contribution

Financing the Approved Capital Programme

29. Table 4 summarises the financing of the overall approved Capital Programme for 2020/21.

Table 4 – Financing of the Approved Capital Programme for 2020/21

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People's	21,677	13,262	-	639	35,578
Adult Social Care & Public Health	371	805	-	-	1,176
Communities & Place	13,481	52,189	1,119	320	67,109
Policy	18,255	13,438	-	800	32,493
Finance & Major Contracts Mngt	-	-	-	180	180
Personnel	354	-	-	-	354
Contingency	989	-	-	-	989
Total	**55,127**	**79,694**	**1,119**	**1,939**	**137,879**

30. It is anticipated that borrowing in 2020/21 will increase by £1.8m from the forecast in the Budget Report 2020/21 (Council 27/02/2019). This increase is primarily a consequence of:

- £1.7m of net slippage from 2019/20 to 2020/21 and financing adjustments funded by capital allocations.
- Net acceleration in 2020/21 of £0.1m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

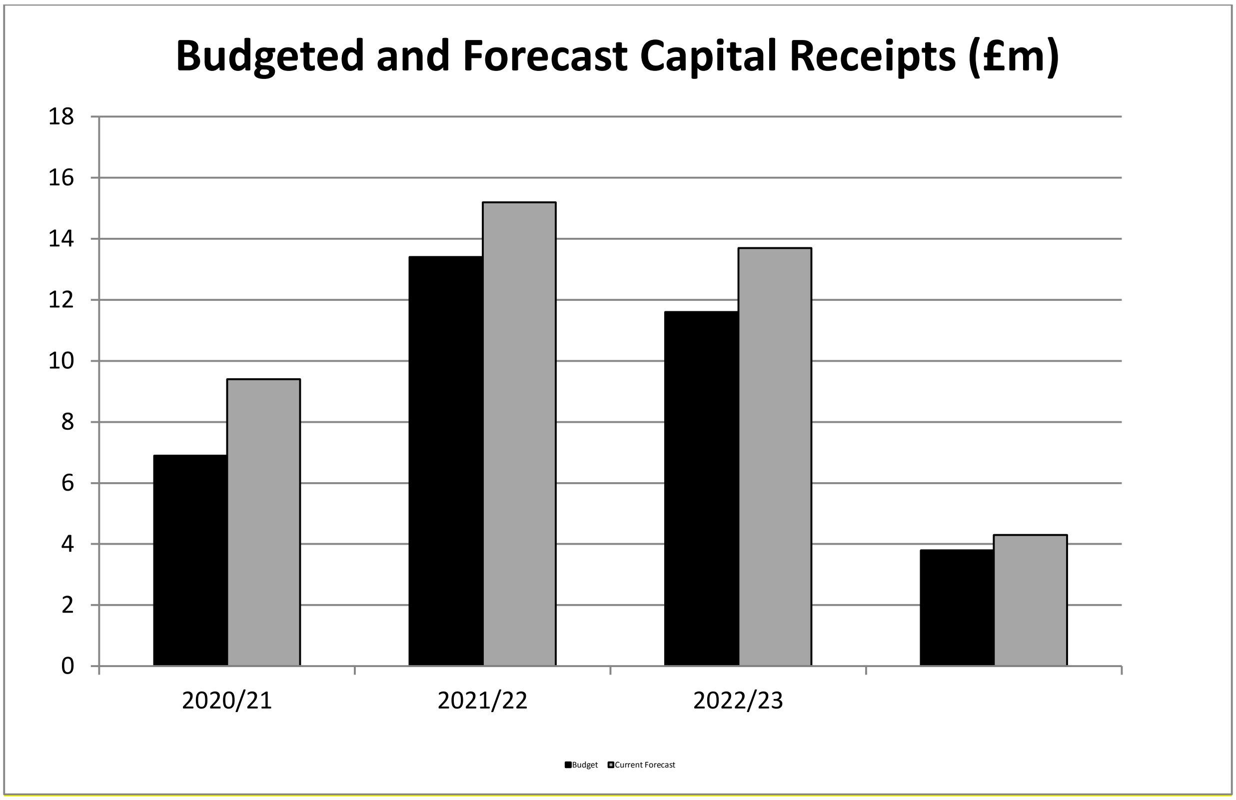
Prudential Indicator Monitoring

31. Performance against the Council's Prudential Indicators is regularly monitored to ensure that external debt remains within both the operational boundary and the authorised limit.

Capital Receipts Monitoring

32. Anticipated capital receipts are regularly reviewed. Forecasts are currently based on estimated sales values of identified properties and prudently assume a slippage factor based upon a review of risk associated with each property.

33. The chart below shows the budgeted and forecast capital receipts for the four years to 2023/24.



34. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2020/21 (Council 27/02/2020). These capital receipts budgets prudently incorporated slippage, giving a degree of "protection" from the risk of non-delivery.

35. The capital receipt forecast for 2020/21 is £6.9m. To date in 2020/21, £0.5m of capital receipts have been received.

36. The number and size of large anticipated receipts increase the risk that income from property sales will be below the revised forecasts over the next three years. Although the forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales being lower than the forecast.

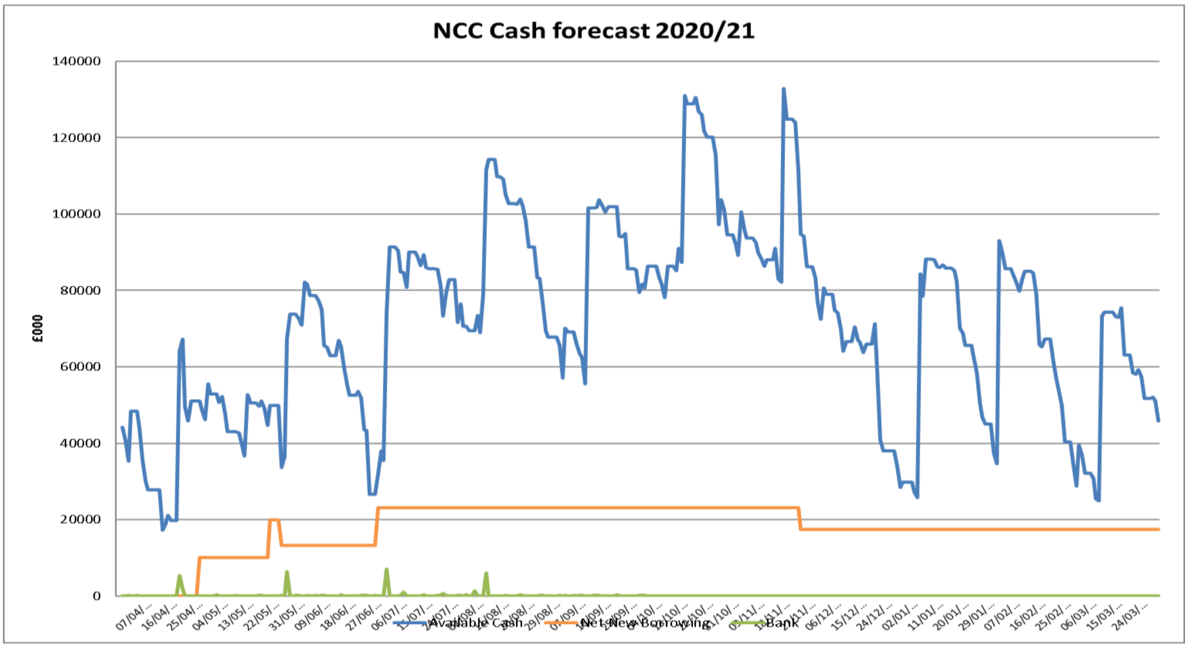
37. Current Council policy (Budget Report 2020/21) is to use the first tranche of capital receipts to fund in-year transformation costs. Any capital receipts in excess of this will be set against the principal of previous years' borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be set aside each year. It is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

Treasury Management

38. Daily cash management aims for a closing nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group.

39. The cash forecast chart below shows the current estimated cash flow position for the financial year 2020/21. Cash inflows are typically higher at the start of the year due to the front-loading

receipt of Central Government grants, and the payment profile of precepts. Cash outflows, in particular capital expenditure, tend to increase later in the year, and the chart below reflects this. Also, expected borrowing in support of capital expenditure is not included in the forecast. The chart thereby helps highlight the points in the year when such borrowing will be necessary, and it is monitored daily so that treasury management staff can act comfortably in advance of the cash being required, the aim being to maintain adequate but not excessive liquidity.

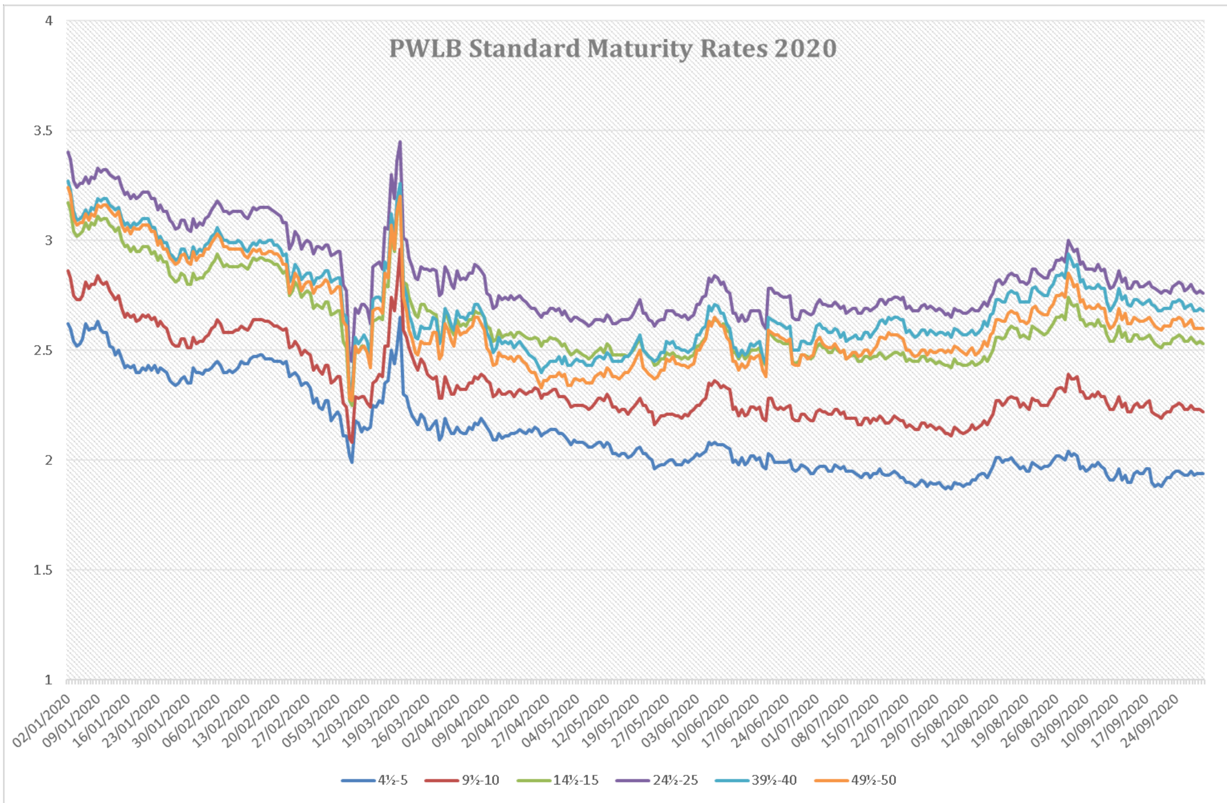


40. The chart above gives the following information:

Available cash	Surplus cash (invested in call accounts or money market funds) or a shortfall of cash indicating a need to borrow.
Net new borrowing	New loans taken during the year net of principal repayments on existing borrowing.
Bank	That element of surplus cash held in the Council's Barclays Bank account.

41. The Treasury Management Strategy for 2020/21 identified a need to borrow approximately £50m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. However, the estimate was revised and increased to £80m after the 2019/20 accounts closure (taking account of slippage). £10m of this was taken in late April, with further £10m tranches in May and June.

42. PWLB interest rates continue to be monitored closely to allow changes - or potential changes - in rates to feed into decisions on new borrowing. The Council remains able to take advantage of the PWLB “certainty rate” which is 0.2% below the standard rates. The chart below shows the movement in standard PWLB maturity rates over the course of 2020 so far. The initial effects of the coronavirus pandemic and the Government’s budgetary response can be seen in early March, with rates returning only recently to their pre-pandemic levels.



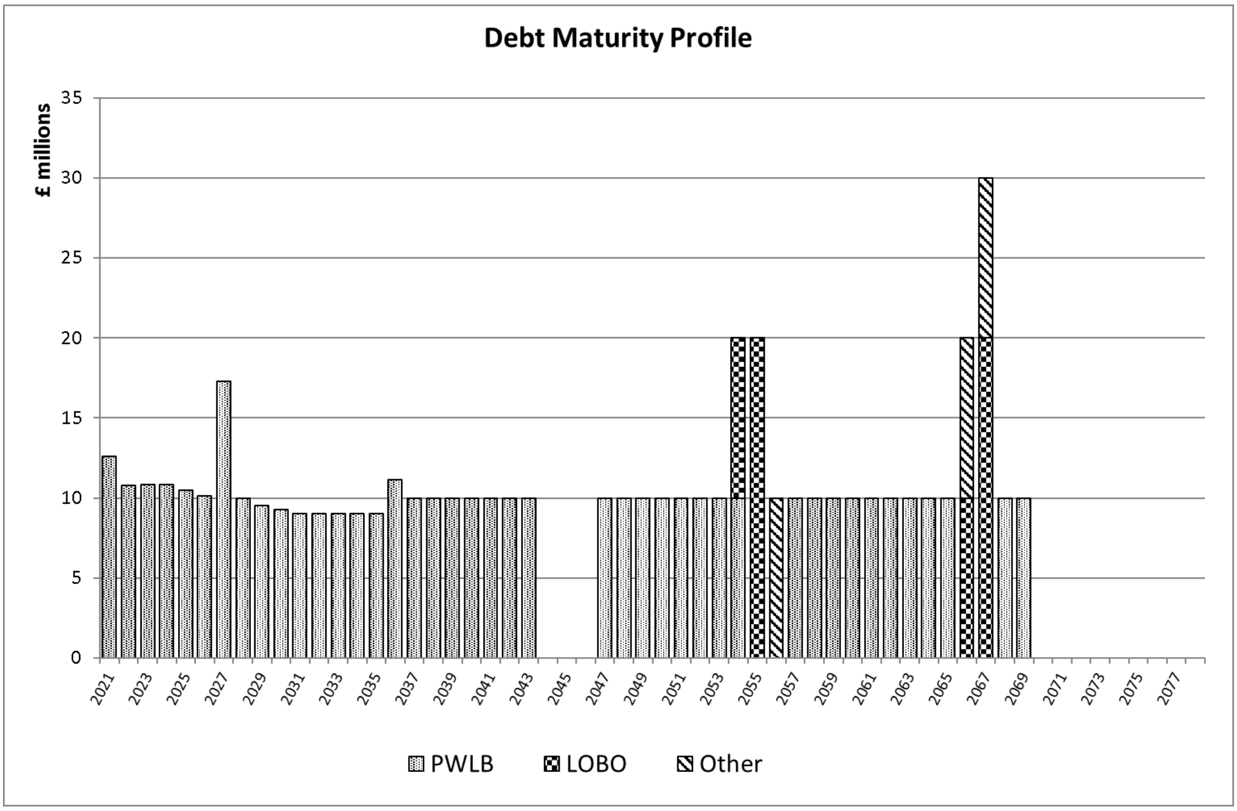
43. Borrowing decisions will take account of a number of factors including:

- expected movements in interest rates
- current maturity profile
- the impact on revenue budgets and the medium- term financial strategy
- the treasury management prudential indicators.

44. The maturity profile of the Council's debt portfolio is shown in the chart below. The PWLB loans are reasonably well distributed and have a maximum duration of 50 years. When deciding on the lengths of future loans the Council will factor in any gaps in its maturity profile, with a view to minimising interest rate risk, but will consider this alongside other financial factors.

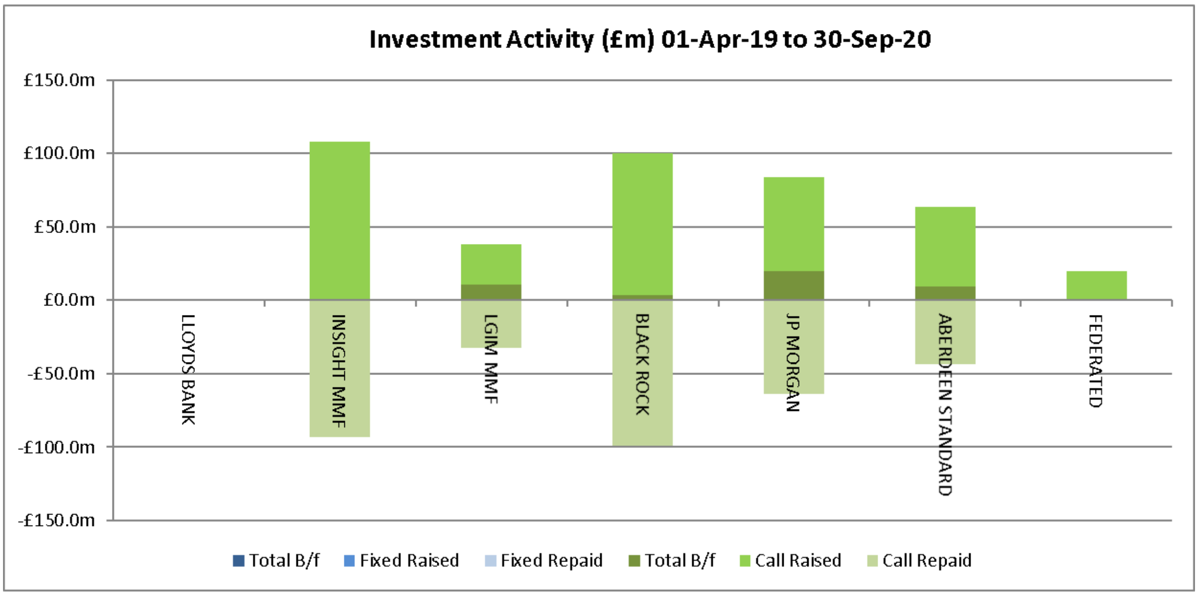
45. Long-term borrowing was also obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken at rates lower than the prevailing PWLB rate at the time. However, LOBOs could actually mature at various points before then, exposing the Council to some refinancing risk.

46. The 'other' loans shown in the chart consists of LOBO loans from Barclays Bank that were converted to standard fixed-term loans in 2016.



47. The investment activity for 2020/21 to date is summarised in the chart and table below. Outstanding investment balances totalled approximately £44m at the start of the year and approximately £82m at the month-end.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
INSIGHT MMF	750	107,150	(93,300)	14,600
LGIM MMF	10,700	27,450	(32,200)	5,950
BLACK ROCK	3,800	96,600	(99,100)	1,300
JP MORGAN	19,800	64,200	(64,000)	20,000
ABERDEEN STANDARD	9,150	54,350	(43,600)	19,900
FEDERATED	-	20,000	-	20,000
Total	**44,200**	**369,750**	**(332,200)**	**81,750**



48. As part of the Council's risk management processes all counterparty ratings are regularly monitored, and lending restrictions changed accordingly.

Statutory and Policy Implications

49. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

1) To comment on the revenue budget expenditure to date and year-end forecasts.

2) To comment on the capital programme expenditure to date, year-end forecasts and approve a variation to the capital programme.

3) To comment on the Council's Balance Sheet transactions.

Nigel Stevenson Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:
Keith Palframan - Group Manager, Financial Services
Tamsin Rabbitts - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (KK 30/10/2020)

50. The proposals in this report are within the remit of the Finance and Major Contracts Management Committee.

Financial Comments (GB 23/10/2020)

51. The financial implications are stated within the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

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Nottinghamshire County Council

Report to Finance & Major Contracts Management Committee

30 November 2020

Agenda Item: 5

REPORT OF THE CHAIRMAN, FINANCE AND MAJOR CONTRACTS MANAGEMENT COMMITTEE

BUDGET UPDATE REPORT

Purpose of the Report

1. The purpose of this report is to provide an update on the Council's current financial position and to set out the actions being taken to update the Medium-Term Financial Strategy for 2020/21 to 2024/25.

Information

Financial Context

2. It is important to note that this Budget Update report has been compiled at a time when the Council is continuing to respond to the unprecedented consequences of COVID19. A large number of services, resources, functions, plans and programmes have been re- and de-prioritised as the Council has had to respond to a rapidly changing and fluid situation that has included the regular provision of new guidance and legislation.

3. The monthly financial monitoring reports that have been reported to the Finance and Major Contracts Management Committee have clearly set out the implications of the COVID19 emergency and the Council's response to it. Significant reviews have taken place, and continue to take place, looking at variables such as additional costs, lost income, impact on savings plans, use of reserves, cash flow, capital programme, capital receipts as well as additional grants received from Government in order to assess the impact upon the Medium- Term Financial Strategy.

4. The culmination of this work will feed into the budget setting process and will be reported to the Finance and Major Contracts Management Committee and subsequently to Full Council in February 2021.

5. There is extreme uncertainty in government funding for 2021/22 and beyond due to the cancellation of the Autumn Budget, the awaited outcome of the Spending Review and the ongoing financial impact of COVID19. Even without the COVID19 crisis the Council continues to operate in a challenging financial landscape with funding to local

authorities expected to undergo fundamental structural changes over the next few years. Now that the main Government Grant, the Revenue Support Grant, has all but disappeared, it was anticipated that the outcomes from the Fair Funding Review and the Business Rates Retention Review would have been implemented in 2020/21. This would have provided local authorities with much needed certainty and stability regarding their longer-term funding position. The impact of the COVID19 crisis has pushed these outcomes out into future years.

6. At the same time as the COVID19 crisis and the delayed transition to a more self-sufficient funding position, many Council services continue to experience increasing demand. Many of these services are those directly affected at the most vulnerable in society, especially in Children's and Adult's Social Care.

7. These demand issues alongside the delayed move to a new Business Rates Retention system, the delayed Fair Funding Review, the delayed Adult Social Care Green Paper, the continuing impact of COVID19, Government funding uncertainty overall and any implications that may arise as a result of the Brexit negotiations make the current financial position challenging for all local authorities.

8. Following the Local Government Settlement announcement which is expected in December, the Medium-Term Financial Strategy (MTFS) will be updated and reported to Full Council as part of the 2021/22 Annual Budget Report. At that stage, despite having a clear view of the funding for 2021/22, funding for the final three years of the MTFS will remain unclear. This will continue to be the case until announcements regarding the longer-term future of local government financing are made.

9. The February 2020/21 Budget Report to Full Council forecast a budget shortfall of £28.3million for the next three years once all the identified savings were taken into account. This shortfall included all of the budget pressures (inflation and costs) and reductions in grant funding alongside the savings identified. This financial position is shown in Table 1 below:

Table 1 – Three Year Financial Forecast

	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	Total £m
Year on Year Savings requirement (February Report)	**19.9**	**10.4**	**3.9**	**-**	**34.2**
Change in Pressures and Inflation	20.2	8.9	6.7	21.3	**57.1**
Increase Contingency for Pressures Risk	2.0	0.1	-	-	**2.1**
Change in Pay / Pension Related Inflation	(0.5)	(0.6)	(0.6)	3.6	**1.9**
Committee Approved Efficiencies	(2.1)	(1.1)	(0.3)	-	**(3.5)**
Changes to Base Budgets	(4.5)	(0.4)	-	0.1	**(4.8)**
Change in Government Grants	(40.5)	0.6	0.3	(1.8)	**(41.4)**
Use of / Contribution to Reserves	9.5	(17.8)	5.0	3.3	**-**
Increase in ASC Precept / Council Tax	(7.5)	-	-	(8.4)	**(15.9)**
Change in Council Tax Base assumptions	0.1	(0.2)	(0.2)	(4.9)	**(5.2)**
Change in Council Tax Surplus / Deficit	0.4	0.6	-	-	**1.0**
Other Corporate Adjustments	3.0	(0.5)	0.1	0.2	**2.8**
Revised Gap	**0.0**	**0.0**	**14.9**	**13.4**	**28.3**

10. A further update on the Council's Medium-Term Financial Strategy was reported to the Finance and Major Contracts Management Committee in July 2020. This report set out the financial impacts of the Council's response to the COVID19 emergency, the impact upon the Medium-Term Financial Strategy and the actions being taken by the Council.

11. The refreshed MTFS reflected, as a result of COVID19, estimated shortfalls against Council Tax and Business Rates collection rates although the Comprehensive Support Package to Local Government announced in July 2020 provided the ability for Authority's to spread the likely deficit over the following three years. It also estimated that there may be an on-going impact on both Council Tax and Business Rates of a reduced tax base due to, for example, increased Council Tax discounts, slowdown of new housing developments and a general reduction in the physical premises required by businesses.

12. Since the report in July the Financial Resilience Group has continued to review all aspects of the Authority's finances in order to update the MTFS and in particular has:-

    - Reviewed additional Government grants including Test and Trace, COVID-19 funding tranche 4, Outbreak Management Tier 3 allocation, Infection Control funding and LRF grant.

    - Submitted the first claim for lost Sales, Fees and Charges (SFC) as a result of the pandemic (second claim due in December)

- Reviewed all Council reserves and identified those available to support temporary finance issues such as shortfalls in Council Tax and Business Rates.

- Collated and submitted the monthly Government DELTA returns detailing the latest estimated additional costs in respect of COVID-19.

- Reviewed pressures and inflation bids from Departments

The Council's Current Financial Position

13. As reported to Finance and Major Contracts Management Committee in November 2020, the Council is reporting a forecast underspend of £2.5m in the current financial year. This position has been only been achieved as a result of significant COVID19 funding being made available from Central Government.

14. As part of the budget setting process, Departments have been asked to justify existing pressures and inflation that are approved in the current approved MTFS. They have also been asked to consider uncertainties remaining around a number of areas that have not previously been reflected in the budget planning assumptions. The total increase in pressures and inflation bids received by Departments can be seen in the revised MTFS in Table 2 with further detail available in Appendix A.

15. It is important to note that these pressure and inflation estimates are subject to change and will be reviewed in the light of further announcements on, for example, the National Living Wage and the final Local Government Settlement as well as updated Looked After Children estimates and the overall financial position of the Council.

16. With the significant level of savings that continue to be made by the Council there is a subsequent risk that non-delivery of these savings will place additional pressure on future year budget plans. Officers continue to monitor the deliverability of individual savings schemes and targets as part of the budget monitoring process. The progress of the Council's current savings programme is reported to the Improvement and Change Sub-Committee on a regular basis. Any amendments to these savings are subsequently reported to Finance and Major Contracts Management Committee for approval and the MTFS is adjusted accordingly. Again, these issues will continue to be reviewed and will be formally approved as part of the Annual Budget report to Full Council in February 2021 where necessary.

17. It is anticipated that savings and efficiencies will be identified and approved through Service Committees. These efficiencies will be reflected in the MTFS as part of the Annual Budget Report to Full Council in February 2021. A number of efficiency savings will emerge that will be reflected in the Budget report to Finance and Major Contracts Management Committee in February.

18. The Council will continue to update its MTFS to reflect changes in pressures and savings as they are approved throughout the year as well as all other assumptions held. The current MTFS is shown in Table 2 below:

19. **Table 2 - Revised Medium-Term Financial Strategy at November 2020**

	2021-22 £m	2022-23 £m	2023-24 £m	Total £m
Year on Year Savings requirement (Feb Report)	**-**	**14.9**	**13.4**	**28.3**
On-Going Funding Issues from COVID19:				
CT/BR Deficit 2020/21 spread over 3 years	3.3	-	0.1	**3.4**
Provision for Deficit	(3.3)	-	(0.1)	**(3.4)**
Potential Tax Base Erosion	10.0	(5.0)	(5.0)	**-**
Emerging Pressures	9.1	8.8	4.6	**22.5**
Capital Programme slippage	(0.4)	0.4	-	**-**
Use of Reserves	(10.0)	5.0	5.0	**-**
Revised Gap	**8.7**	**24.1**	**18.0**	**50.8**

NB: For the report to Full Council in February 2021 the MTFS will be extended to four years.

Finance Planning

20. Variations in the current financial year will continue to be monitored through the usual budget monitoring process.

21. In addition, as part of the budget setting process, base budgets will continue to be reviewed and all of the financial planning assumptions that underpin the MTFS will be reviewed. All changes will be detailed in the Annual Budget Report to Full Council in February 2021.

22. Previously reserves and balances have been used to allow time for more transformative approaches to be developed and implemented. Reserves provide a short-term fix but their use only delays the time when a permanent solution needs to be found. The Council also needs to maintain an appropriate level of reserves to guard against unforeseen events. A review of reserves has been undertaken with the principle being adopted that they should be used only to help resolve temporary budget issues. In this case, due to the pandemic, this would relate to council tax and business rates, both in deficits and longer-term yield. As such the MTFS model above assumes the deployment of £15m of reserves over the coming two years to match the potential reduction in council and business rates base. This will be subject to review when considering the full impact upon our tax base will not become known until after the 15th January next year.

23. When the MTFS was approved in February 2020, a 1.99% increase to Council Tax was built into 2020/21 and each of the subsequent three years.

24. At this stage we have not been notified of the Council Tax referendum limits and options around ASCP. Policies around these areas will be reviewed, alongside other

assumptions in the MTFS, and detailed in the 2021/22 Budget Report to Full Council in February 2021.

25. The key dates in the run up to the Annual Budget Report are as follows:-

25 November 2020	Spending Review Announcement
December 2020	Local Government Provisional Settlement
After 15 January 2021	Receipt of Tax Base /Collection Fund Information from Districts
January 2021	Final Local Government Settlement
8 February 2021	Annual Budget Report to FMCM Committee
25 February 2021	Annual Budget Report to Full Council

26. In February 2021, the Finance and Major Contracts Management Committee will review the budget following the final Local Government Finance Settlement and grant announcements, in advance of Full Council setting the budget on 25 February 2021.

Other Options Considered

27. This report provides an update of the Budget together with confirming the approach to reviewing the budget for 2021/22

Reasons for Recommendations

28. To inform members of the financial landscape and budget position; to seek approval for the measures set out in the review of the budget for 2021/22.

Statutory and Policy Implications

29. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

It is recommended that Members:

1) Acknowledge the difficult circumstances within which the Council is operating.

2) Agree that due to the significant financial challenges the Council continues to develop the measures set out in this report.

Nigel Stevenson

Service Director – Finance, Infrastructure and Improvement

Financial Implications (NS 20/11/20)

The financial implications are set out in the report itself.

Constitutional Comments (KK 17/1/20)

The proposals in this report are within the remit of Finance and Major Contracts Management Committee.

Background Papers Available for Inspection

None

Electoral Division(s) and member(s) Affected

All

Summary of Budget Pressures

APPENDIX A

	2021/22 £000	2022/23 £000	2023/24 £000	TOTAL £000
Children & Young People				
Non Looked After Children Placements	135	148	148	431
Demographic Pressures - Edn, Health & Care Plans (ICDS)	127	127	127	381
Growth in External Placements for LAC	6,405	6,300	6,300	19,005
Social work assessments of 16/17 year olds presenting as homeless	100	(100)	-	-
Early Help/Family Services	-	1,200	(600)	600
School Improvement Traded Service	390	-	51	441
Education Psychology Service	114	403	323	840
You Know Your Mind	102	-	-	102
Supported accommodation for young people	-	350	-	350
Information and Systems Capacity	125	-	-	125
Personal Care budget pressure	100	-	-	100
Social Work Staffing - Apprenticeships	150	10	10	170
Looked After Children's Services	326	(12)	-	314
Subtotal Children & Young People Pressures	**8,074**	**8,426**	**6,359**	**22,859**
Adult Social Care & Public Health				
Care Package Demand for Adults Aged 18-64 Years	3,078	1,435	1,346	5,859
Care Package Demand for Adults Aged 65 and Over	1,100	1,110	1,270	3,480
Increased Approved Mental Health Practitioner (AMHP)	272	-	-	272
Subtotal Adult Social Care & Public Health Pressures	**4,450**	**2,545**	**2,616**	**9,611**
Communities & Place				
SEND Transport Growth	850	950	950	2,750
Waste PFI Contract Growth	500	75	75	650
COVID related SEND Transport costs	100	-	(100)	-
COVID related HtS and Post 16 Transport costs	500	-	(500)	-
Loss of Income within Highways and Transport Division	325	-	(325)	-
Subtotal Communities & Place Pressures	**2,275**	**1,025**	**100**	**3,400**
Policy				
Vacant and Surplus Property	350	-	-	350
Subtotal Policy Pressures	**350**	**-**	**-**	**350**
Personnel				
CSC - Resourcing of ongoing COVID-19 work	300	-	-	300
Subtotal Personnel Pressures	**300**	**-**	**-**	**300**
Total Pressures	**15,449**	**11,996**	**9,075**	**36,520**
Children & Young People				
National Living Wage - External	89	100	87	276
Basic Fostering Allowance	65	70	72	207
Contract Cost Inflation	1,206	1,243	1,280	3,729
Subtotal Children & Young People Inflation	**1,360**	**1,413**	**1,439**	**4,212**
Adult Social Care & Public Health				
Fair Price for Care	625	1,000	1,000	2,625
National Living Wage - External	9,806	11,689	10,971	32,466
Subtotal Adult Social Care & Public Health Inflation	**10,431**	**12,689**	**11,971**	**35,091**
Policy				
Schools PFI Inflation	115	115	115	345
Subtotal Policy Inflation	**115**	**115**	**115**	**345**
Communities & Place				
Concessionary Travel	-	100	200	300
Local Bus & Home to School Contracts	50	50	50	150
SEND Transport Inflation	100	100	100	300
Highways Energy	-	248	248	496
Waste PFI Contract Inflation	1,330	1,130	1,130	3,590
Contract Cost Inflation	644	648	650	1,942
Subtotal Communities & Place Inflation	**2,124**	**2,276**	**2,378**	**6,778**
Total Inflation	**14,030**	**16,493**	**15,903**	**46,426**
Total Pressures & Inflation	**29,479**	**28,489**	**24,978**	**82,946**

<u>Summary of Budget Pressures</u>

<u>Children and Young People Department</u>

Non-Looked After Children Placements

As more young people have come into care, Nottinghamshire has seen an increase in the number of young people subsequently becoming being cared for by family members through a legal order such as Special Guardianship (SGO) or Child Arrangement Order (CAO). The local authority can provide ongoing financial support to people who take on long-term care of young people in these circumstances if it is a direct alternative to the child remaining Looked After. Special Guardianship finance is means tested and is significantly more cost effective than a young person remaining in care. Without this model, the number of young people in care would be significantly higher, which would increase both residential placement and agency staff costs to meet increased demand. It is also the best outcome for those young people when they cannot return home to live with their parents. As a result, an unprecedented number of young people have safely exited the care system and has presented a budget pressure for the resultant placement costs.

There are a small number of adoption placements which also receive ongoing financial support. These are generally in relation to children who are deemed hard to place and would remain Looked After if this finance was not available.

There are regulations surrounding these placements and its financial support.

- Special Guardianship Regulations 2005
- Children's Act 1989 Sections 8 to 15 and Schedule 1
- Adoption Support Services Regulations 2005

Current case law states that the allowances should be based on Fostering allowances. The authority uses the NCC minimum fostering allowance which is equivalent to the National Minimum Fostering Allowances set by Central Government

The regulations require the authority to support these placements until the young person is 18 years old or leaves full time education and is a long term financial commitment.

The main pressure is in the growth of Special Guardianship Orders and this can be seen from the graph on the analysis provided.

This pressure has been highlighted in previous years and budget pressures included within the MTFS.

The projected budget pressure is less than contained within the MTFS due to the reduction of Adoption Financial Support (AFS) placements decreasing by 16 and Child Arrangement Orders decreasing by 10 between April 2019 and March 2020. The previous assumption was that AFS and CAO would remain constant and the budget would overspend by £313,051 (actual overspend £192,642). Special Guardianship Order placements increased by 37 last financial year and continue to grow at 3 per month.

Demographic Pressures

This is an activity pressure that relates to the local authority's duty under the Children and Families Act 2014 in respect of children, young people and young adults with special educational needs and/or disabilities.

Specifically, the pressure relates to the trends in the population size (9.8%) who are likely to require an Education, Health and Care assessment and plan every year over the financial period 2021 – 2023.

Social Work Assessments of 16/17 year olds presenting as homeless

This is an activity pressure brought about by the recognition that we are not fully compliant with the statutory responsibility placed upon us by the April 2018 statutory guidance *'Prevention of homelessness and provision of accommodation for 16 and 17 year old young people who may be homeless and/or require accommodation'.*

In relation to the assessment of 16/17 year olds presenting as homeless, the statutory guidance stipulates:

> *S3.2 if there is an imminent threat of homelessness or if the young person is actually homeless, a child in need assessment must be carried out and the child accommodated under section 20 [of the Children Act 1989].*
>
> *3.32 Within one working day of a referral being received, **a local authority social worker** should make a decision about the type of response that is required*
>
> *3.20 At the point when the need for an assessment under the 1989 Act is identified for either a young homeless person, or a young person threatened with homelessness, it will be necessary for **the social worker leading the assessment** to inform the young person and their family of the action to be taken.*

Where a 16/17-year-old presents as homeless in Nottinghamshire, 'child in need' assessments are completed by Youth Justice and Family Service Rapid Assessment Workers, who do not hold a social work qualification. As a result, the local authority would be open to challenge where child in need assessments are done by anyone other than a social worker, in circumstances where the young person is not accommodated; or where the young person is accommodated but not considered a child and need/does not become Looked After.

In order to comply with statutory guidance, it is therefore necessary to ensure there is sufficient social work capacity to complete the child in need assessments of homeless 16/17 year olds, previously undertaken by non-qualified staff. This capacity would need to be developed within the Assessment Service.

The Assessment Service has seen a significant increase in caseloads in recent months; in January-February 2020 (prior to national lockdown measures), the Assessment Service were reaching a critical point with average caseloads around 26 – 32 – the local aim for the Assessment Service is caseloads of no more than 15

Placing additional assessment duties on an already-pressured service would therefore not be sustainable without securing additional social work capacity.

In addition, there has been a continued increase in the complexity and volume of cases received into the MASH, which are then progressed to the Assessment Service. The MASH have seen an increase in establishment in Social Workers/Team Managers to address this demand, which is not reflected in the Assessment Service, which is directly receiving this work. The Assessment Service also have a higher proportion of ASYE's each year in comparison to other service areas - which accounts for over 50% of the total workforce across North and South. This obviously impacts on the level of experience within the service.

Early Help / Family Services

This budget pressure is brought about by the uncertainty surrounding the Troubled Families programme which, through a combination of grant funding and Payment by Results (PBR) claims, historically contributes £2.2 million of the £5.9 million Family Service budget. It is assumed that grant funding for this work ceases at the end 2020/21.

School Improvement Traded Services

The traded service of the School Improvement Service has not been able to achieve ambitious income targets due to the change in the education landscape which has created an underlying structural deficit further exacerbated by the impact of the current pandemic.

Education Psychology Service

The Education Psychology budget funds 20.3 fte posts and continued funding for this service will require careful consideration. Already £225k of the Service's costs have been allocated to the High Needs Budget. However, this service provides assessments in relation to assessments for EHC plans and a reduction in the current service would inevitably negatively impact on the timelines and ability of the LA to complete its statutory duties in required timescales. A worst case scenario would be that the Council would become dependent on agency Ed Psychs with a current daily rate of £700. The additional cost risks to the Council are considerable.

You Know Your Mind

This pressure has been calculated following the termination of funding from NHS England and local health partners from 31 July 2020, to deliver personal health budgets for children looked after (CLA) and care leavers with unmet mental health needs.

Known locally as 'You Know Your Mind' (YKYM), the project utilises a strengths-based practice approach to support vulnerable young people who are experiencing poor or deteriorating mental health.

Supported Accommodation for Young People

This is both a <u>cost pressure</u> and <u>activity pressure</u> brought about by an increase in the number of requests for more costly high needs DPS placements and the existing main supported accommodation provision coming to an end in July 2022. It is recognised that the existing contracts offer incredibly good value for money, and it will not be possible to replace these contracts without additional investment.

Information and Systems Capacity

The Information and Systems Service was established in April 2015 following a restructure and budget reduction. Since the establishment of the team there have been further budget reductions but an increase in demand for the services the team offers. The Service is an integral part of the department, maintaining, supporting and developing all departmental systems, including Mosaic and Capita One, required for front line practitioners to undertake their role effectively.

Temporary grant funding and project funding have allowed the team to fulfil its remit over recent years, but permanent funding is requested to ensure the continuation of a service with increasing demand.

Personal Care Budget Pressure

This is an activity pressure based on the increased volume of personal care packages for children and young people with the most complex health and personal care needs that cannot be met by the in-house service and thus are required to be commissioned via external providers and Direct Payments. A number of these packages are health-led by nursing colleagues from the Nottingham and Nottinghamshire, Bassetlaw and Doncaster CCG's where the County Council have limited control over the provision identified.

Social Work Staffing – Apprenticeships

The budget pressure is for funding to introduce a Social Work Apprenticeship programme within Children's social work services so that there is sufficient workforce capacity to meet the increased demands, ensure manageable caseloads, and to address challenges around recruitment and succession planning. These posts will provide career progression opportunities for non-Social Work qualified staff and add additional non-Social Work qualified worker capacity to support children and families. The social work apprenticeship will last for 3 years and is expected to be a rolling programme once established. Training costs for the apprenticeships will be met through the apprenticeship levy.

Looked After Children Services

This is an activity pressure. The budget pressure has been caused by upward pressure on social work services in Children's Social Care due to the increase in the number of children in care receiving statutory social work support from the looked after service, the increase in the number of children with complex needs requiring more intensive support and the number of children placed out of area and the associated travel implications. Some aspects of improvement work within the looked after service are also becoming more difficult to do in a timely way due to capacity, such as life story work, which Ofsted identified as an area which could be improved.

Adult Social Care and Public Health

Care Package Demand for Adults Aged 18-64 Years

Cost pressures are due to new people entering the system with significant needs due to:

- Increased focus on reducing hospital admissions and long stay for people with mental health conditions (particularly for those who also have learning disabilities or autism) meaning increased support for more complex people in the community.
- People living longer – this is true of the general population but particularly so for people with learning disabilities as the life expectancy gap between those with learning disabilities and the general population is narrowing. People with learning disabilities are still 2.5 times more likely to develop health related issues so care and support needs are more likely to increase over time. This gives rise to our predicted needs list as we identify people whose needs are likely to increase.
- Better healthcare in childhood means people with complex physical and learning disabilities are more likely to live into adulthood and while increased numbers of people with profound disabilities are small, the individual costs can be very high. This impacts on those coming from children's services into adults (transitions)
- Changes in the national funding transfer arrangements and pressures on local Transforming Care Partnerships around funding for prevention services and alternatives to hospital have resulted in an increased pressure slipping into future years.

Care Package Demand for Adults Aged 65 and Over

The budget pressure is due to increasing population numbers of Ageing Well adults being eligible for social care services, as well as the average size of the care packages required increasing. This is because more people are living longer with increasingly complex needs.

The national success story of improved technology and health interventions leading to people living longer resulting in an increasingly ageing population has been well documented. Our population is growing and more of us are living longer. This also means that patterns of needs are changing, and more people are living with needs that can be complex and expensive to meet. Deaths from cancer and heart disease are falling, but more people are experiencing chronic illness with 70% of the NHS budget being spent on long-term health conditions. Older people aged 75 years and over will have at least two such conditions ('co-morbidity'). The incidence of dementia and frailty in later life is rising. Increasingly, many more people will live for longer with a mixture of needs to do with physical health, mental health, and perhaps, difficulty in making decisions for ourselves. Across the country, Clinical Commissioning Groups are developing and implementing plans to support national objectives of speedier discharge from hospital and to support more people with complex needs for longer in their own homes, rather than in acute or institutional health services. This equates to potential increased demand for either short or longer term social care, which is not being recognised and addressed in sustainable national funding settlements to social care.

Increased Approved Mental Health Practitioner

The Council has a statutory duty to carry out assessments under the Mental Health Act 1983 (revised 2007).

Current service provision is comprised of the Approved Mental Health Act Practitioner (AMHP) Team providing a service during office hours and the Emergency Duty Team (EDT) covering all other periods outside of office hours, including weekends and bank holidays.

This system, whilst designed to cover a 24/7 period, is not providing a consistent Approved Mental Health Act Practitioner (AMHP) service out of hours. The current arrangement facilitates assessments in emergencies only, placing significant pressure on the wider health and social care system, including partner agencies such as police and ambulance services.

More importantly, the current arrangement is unable to consistently provide a timely response to vulnerable and unwell individuals in difficult and risky situations and this disjoint between the two areas of AMHP provision has been highlighted regularly by partner agencies.

The fragmented nature of the current AMHP response creates a difficult citizen journey which could be mitigated through the development of 24-hour provision in a single service. At present, work is transferred between different workers and teams, a situation that is compounded by waits for beds, conveyance, or police attendance which leads to work spanning multiple days. Similar delays in coordinating resources, or in the case of EDT, the natural need to prioritise other work, can lead to long delays until assessments can take place. This conflicts with commitment 9 of the Council's plan relating to people receiving support at the right time.

Under the current system the EDT and daytime AMHP's are line managed by Children's and Adults services respectively. However, AMHP's in both teams are responsible for the same task and have the same system for both training and re-approval. Apart from professional supervision, Adults services have little oversight of the work of the EDT AMHP's. For instance, there is a deficit in the ability to observe practice as part of the re-approval process, the EDT AMHP's rely on non-AMHP management which can lead to unlawful decision making in relation to the Mental Health Act and escalation processes not being known or followed.

The provision of a single 24-hour service would continue the process of health and safety that is much more robust within the current AMHP team, particularly in the field of lone working. With an identified experienced AMHP triage manager on each shift there would be an ability to directly signpost work when appropriate. In addition to this, they would be able to monitor and support the progress of the practising lone-working AMHP, which is not as robust in an EDT setting out of hours.

Communities and Place

SEND Transport Growth

This cost pressure deals with the growth in the number of students being transported from home to school until the academic year in which they reach 25 years old.

Waste PFI Contract Growth and inflation

The budget pressures for both inflation and growth have increased due to Covid-19. Waste growth in the first quarter of 2020/21 is currently between 5-10% increase due to lockdown, furlough, suspension of WCA collection services e.g. green waste and bulky waste collections, which meant that some cheaper treatment waste streams were diverted by residents into more expensive residual treatments.

Therefore, it is expected that there will be significant growth in 20/21 which may continue due to more homebased working creating more waste in Households rather than businesses, consequently the PFI affordability model has been updated to allow for waste growth increases at a higher rate until 22/23 when tonnages will hopefully stabilise and the usual modelled growth increases will return.

COVID 19 related SEND costs

There are likely to be short-term (2-years) additional costs relating to SEND transport which will be incurred post COVID 19 and an additional budget pressure for the financial years 2021/22 and 2022/23 will be required. This will be for additional vehicles which are required to ensure that pupils from different schools are not travelling on the same vehicle, i.e. primary and secondary school pupils – which will allow social distancing.

It is widely expected that the volume of pupils requiring SEND transport will increase during the 5-year period from 18/19 to 22/23. Adjustments have been made to the MTFS to accommodate these additional requirements for inflationary and growth pressures.

COVID 19 Related Home to School and Post 16 Transport Costs

There are likely to be short-term (2-years) additional costs relating to mainstream Home to School and Post-16 transport which will be incurred post COVID 19 and an additional budget pressure for the financial years 2021/22 and 2022/23 will be required. This will be for around 18 additional vehicles which are required to ensure that pupils from different schools are not on the same vehicle, i.e. primary and secondary school pupils – which will allow travelling in social distanced "in-year bubbles".

Loss of Income from within Highways and Transport Division

This is a new budget pressure, reflecting the short-term loss of income that will be borne by the Highways and Transport division due to effects of the COVID 19 pandemic as a result of a downturn in S39 / S278 income, reduced Rights of Way search income and reduced bus station departure charges.

<u>Policy Committee</u>

Vacant and Surplus Property

The Council has a large property ownership including significant tracts of land and numerous buildings which are vacant and require stewardship. In the case of the buildings, due to past fires, the standard of security is at a high level to meet insurance, health and safety and political requirements - which is a budget burden. These properties also incur empty rates or council tax charges and the closure of care homes over the past 18 months has added to this burden. In the past when a property is vacated by an NCC Service the budgets associated with running costs have been realised as a saving, without adequate transfer to Property to fund ongoing financial commitments to the Authority, albeit pending disposal in some cases.

<u>Personnel Committee</u>

Customer Service Centre- Resourcing of COVID19 Work

The CSC budget has been overspent for the past 3 years. This is not through poor budget management but relates to increase in call volumes by 120% and reduction in overall budget by 50%. The number of call duration and the new services the CSC have been asked to support without any additional funding have also increased.

Inflationary Pressures

Children and Young Peoples Committee

National Living Wage – External

This is a cost pressure driven by the year-on-year increases in the National Living Wage (and National Minimum Wage) that is borne by a range of external providers and contract types. Whilst the rates have included slightly from those in the original pressure the amount required has reduced. External placements and supported accommodation service areas have now been excluded from the calculation as any cost increases are effectively covered by the separate contract cost inflation pressure.

Basic Fostering Allowance

This is an inflationary pressure relating to the annual inflationary increase applied to the basic fostering allowance. The local authority sets its basic fostering allowances in line with the recommended national fostering allowances which tend to be increased each year.

Contract Cost Inflation

This is a <u>cost pressure</u> due to the effects of inflation attaching to contracts with external providers for residential placements for Looked After Children (LAC), e.g. independent foster agencies and externally managed residential care homes, together with the complimentary contracts through which the Council commissions semi-independent / supported accommodation for older LAC and care leavers, homeless 16/17 year olds, and vulnerable 18-21 year olds for whom the Council is responsible.

Adult Social Care and Public Health Committee

Fair Price for Care

After a long period of no inflationary increases, the Council had to pay a large backdated increase to Older Adults Care homes when the new contract was let. As a result, the Council agreed to the request from the NCA executive that an inflation formula which takes in to account key elements of their costs, be agreed and included in their contracts from 2013. This resulted in the agreement to follow the Fair Price for Care inflation calculation.

National Living Wage – External

The National Living wage is increased each year, the current rate is £8.72. The office of budget responsibility (March 2020) have advised the following NLW rates:- April 2021 £9.20 (+5.5%), 2022 £9.77(+6.2%), 2023 £10.30 (+5.42%)

The increase in the NLW has only been applied to the employees' costs and the profit element, and has not included an increase for inflation on other overheads. This means that the % applied is diluted. The pressure below assumes that all employees are over 25 or paid at the over 25 rate.

The budget pressure takes into account the updated service user costing report (SUCR) and reflects the current volumes.

Policy Committee

Schools PFI Inflation

The contracts for Bassetlaw and East Leake PFI Schools are subject to a contractual term RPIX increase. The average OBR forecast of 3% was reduced to 2.5% based on lower inflation and the pressure above reflects this change.

Communities and Place Committee

Concessionary Travel

The pressure figures were reviewed and reduced in August 2020. The pressures were affected as a result of updated passenger numbers travelling on both tram and buses during the 2019/20 financial year and strong negotiation of arrangements for reimbursement in 2020/21 which has been used as the basis for Covid-19 reimbursement levels. The demographic changes in terms of number of pass holders, increase in life expectancy and fare increases as the industry recovers from Covid-19 are likely to increase costs during the above period, but it is anticipated that this projected increase can be contained within existing budgets.

Local Bus and Home to School Contracts

Over the last 5 years price increases on LBS have been marginal, meaning that budgets have remained stable and managed. However, there has been a substantial increase in Home to School pupil numbers along with pupils who have been excluded from their designated school and found an alternative educational establishment place. This has negated the need for a number of taxi contracts being procured where pupils cannot access services already being provided. There has also been increasing numbers of pupils who have been transported to alternative schools as there was no places available at their catchment school – particularly in Rushcliffe.

SEND Transport Inflation

This cost pressure deals with the annual inflation from retendering of services for SEND (Special Educational Needs & Disabilities); along with a growth pressure bid due to the increasing number of students being transported from home to school, until the academic year they reach 25 years old.

Highways Energy

The budget pressure from 2022/23 relates to the inflation projections from EDF for the supply of Street Lighting and Traffic Signal energy consumption. The existing budget pressures are currently deemed sufficient for 20/21 and 21/22 based on the number of Kilowatt Hours from the half hour meters which represents 90% of the usage with the balance coming from non-half hour meters.

Contract Cost Inflation

This cost pressure is the effect of material and staffing inflationary increases for the Alternative Service Delivery Models (ASDM) formed in 2016 and for country parks. The inflationary increase allows for annual increments to ensure service delivery of these three important areas in the medium term.

These ASDM's are under pressure to continue to deliver the required level of service and frequency, whilst controlling costs and producing service efficiencies.

Nottinghamshire County Council

Report to Finance and Major Contracts Management Committee

30 November 2020

Agenda Item: 6

REPORT OF CORPORATE DIRECTOR, PLACE

HUCKNALL TOWN CENTRE IMPROVEMENT SCHEME – CAPITAL VARIATION

Purpose of the Report

1. To approve a variation to the capital programme for additional funding associated with the Hucknall Town Centre Improvement Scheme.

Information

2. The Hucknall Town Centre Improvement Scheme (HTCIS) comprised of a transport improvement project promoted by Nottinghamshire County Council (NCC) made up of a new road between Station Road and Annesley Road. This new road enabled the pedestrianisation of that part of High Street between Baker Street and Watnall Road. The transport scheme had a number of objectives set-out in the business case, these included:

   - To promote the renewal and regeneration of the town centre;
   - To improve the quality of life in and around the town centre by enhancing the quality of environment; and
   - To make best use of highway assets by reducing levels of traffic congestion through the Hucknall town centre and enhancing the status of public transport.

3. The original general arrangement drawings for the scheme are shown on the attached plans H/JH13379/500A and 501A.

4. The new road, named Torkard Way, is 450m long and single carriageway and opened for traffic in November 2016. The associated works include a new traffic signal junction on Station Road and a mini roundabout at its junction with Annesley Road. Other works include the realignment of Ashgate Road which includes the introduction of a traffic signalled junction to replace the existing double mini roundabouts. This new traffic-controlled junction is linked to the new junction further along Station Road and provides improved pedestrian crossing points providing better access to Hucknall Tram Stop and Train Station.

5. After the opening of Torkard Way, phase two of the works pedestrianising a section of the Hucknall High Street started in December 2016 and completed in June 2017. The completion of this section of works, enabled the existing weekly market (established in 1875) to be relocated to the pedestrianised area to take advantage of the traffic free environment.

6. In January 2019, a monitoring report was completed and submitted to the Department of Transport (DfT). The report provided information on a variety of different kinds of data including traffic flows, pedestrian movements, shop occupancy rates and journey times with the ultimate aim of determining whether the scheme has met the initial scheme objectives as set out in the Best and Final Funding submission to the DfT from 2011.

7. The monitoring report concluded that the scheme objectives were largely met and referenced shop occupancy rates improving in the town, footfall up on the High Street on nearby routes and an increase in cycling and bus patronage levels. The High Street element of the scheme was also ‘highly commended’ in the Institution of Civil Engineers East Midlands Merit Awards in 2019 and nominated in the Great British High Street Awards in 2018.

8. This report is presented now as the land deals referenced in paragraph 18 are concluding and an updated assessment of Part 1 compensation claims has been completed hence a whole scheme cost appraisal can be completed.

Funding Package

9. The total scheme cost for the project of £13.433m was funded from a number of sources summarised in the table below, this was reported and approved at a meeting of the Transport and Highways Committee on 10th December 2015.

Funding Source	Value (£m)
Department for Transport	8.489
Ashfield District Council	1.350
Nottinghamshire County Council	
Land Purchases	2.325
Integrated Transport Measures (allocation 17/18)	0.319
Capital Asset Management Group (approved 23rd Nov 2015)	0.500
Flood Defence Grant in Aid (FDGiA)	0.450
Total	**13.433**

10. The Department for Transport (Dft) provided a maximum capped funding contribution of £8.489m towards the full scheme costs and is paid as capital grant under Section 31 of the Local Government Act 2003, this required the County Council to underwrite any costs overrun of the scheme.

11. The business case included an economic appraisal and the scheme scored a Benefit Cost Ration (BCR) of 7.82, a BCR of 4.0 or above indicates a “very high Value for Money” scheme.

Construction

12. The main construction works were procured through the Midlands Highway Alliance (MHA) Medium Schemes Framework 2 of which Nottinghamshire County Council is a member, the contract was based on the NEC3 Option C (target cost).

13. The original agreed target was £7.245m and a construction contingency of £0.479m (6.7%) allocated within the overall project costs.

14. The final outturn costs for the main construction works was £8.574m that is an increase £0.85m factoring in the allocated construction contingency. The increase of costs during the construction works were mainly related to ground condition in the town centre environment including delay and disruption due to asbestos, additional excavation, fill and capping along the route of the new road and hard material found in the High Street excavations.

Land Acquisition

15. The County Council have been acquiring plots of land required to deliver the road scheme over a number of years. In 2014 there were six further plots to be acquired and whilst discussions were ongoing, the County Council progressed with a Compulsory Purchase Order (CPO) to secure the remaining land required for highway purposes. It is standard practice that CPO powers are progressed simultaneously with land acquisition to assist with scheme delivery. Approval to acquire land and property required for the scheme was done via reports to Transport and Highways Committee on 9th January 2014 and 22nd May 2014.

16. The CPO for the final six plots was made on 22nd May 2014 and this was confirmed by the DfT National Transport Casework Team confirmed the CPO on 18th November 2014.

17. Within the approved funding package, £0.330m was allocated for the land still be to be acquired and by 2015, £0.121m had been agreed for 3 of the remaining plots required to deliver the scheme.

18. During 2020, settlement of terms has been agreed for the remaining plots totalling £0.225m and the status is as follows:

    i. Terms have been agreed for an undeveloped site adjoining 38-40 Highway and the subject property now forms new highway (for buses only) leading from Torkard Way to the High Street in the town centre. Terms were reported to a meeting of the Policy Committee on 15th July 2020 with details set out in an exempt appendix, approval was granted for a variation to the capital programme;
    ii. Terms have been agreed for land acquisition to rear of 48 High Street, Hucknall that now forms part of the new highway and delegated approval was signed off in February 2020, approval is required for a variation to the capital programme to fund the payment of compensation at this site; and
    iii. No further compensation payments are expected for the remaining plot of land.

19. The settlements figures agreed are in accordance with Section 5 of the Land Compensation Act 1961. This legislation sets out the rules for assessing compensation where land is taken and includes consideration of the value of permanent land taken, basic loss payments, disturbance and statutory interest.

20. The total payable for the six plots included within the confirmed CPO is £0.346m, this a slight increase from the £0.330m allocated within the total scheme costs prior to main construction works commencing.

Part 1 of the Land Compensation Act 1973

21. Under Part 1 of the Land Compensation Act 1973, compensation can be claimed by people who own and also occupy property that has been reduced in value by physical factors caused by the use of a new or altered road. The seven physical factors are noise, vibration, smell, fumes, smoke, artificial light, discharge onto the land of any solid or liquid substance.

22. In the case of the new road, Torkard Way, it was constructed within a town centre environment and required the demolition of buildings along its route. The new road intersected a number of existing roads including Titchfield Street. Albert Street, Wollaton Street and Perlethorpe Drive.

23. Claims are made by the claimant to the County Council as compensating authority. The first claim date was November 2017, subject to persons having a qualifying interest they could submit a claim at any point before November 2023.

24. Within the total scheme costs, a provision of £0.467m was allocated towards Part 1 compensation claims.

25. For Hucknall TCIS, there have been 185 claims have been received to date, with 64 withdrawn. Further claims could still be received, and progress varies across each individual claim. An estimate has been made on the likely success and value of claims and this is £0.455m that is a reduction of £12k on the original allocated amount in the total scheme costs. The estimate is made up of £0.370m for claims and £0.95m in fees, as £10k paid to date the outstanding value is £0.445m.

Cladding

26. Cladding was installed as part of the original scheme to the exterior side facades 40 (Peacocks) and 44-46 (Wetherspoons) as required by the granted planning permission. However, this had to be taken down following damage from being climbed upon and further investigation highlighted that an alternative design and arrangement should be implemented.

27. The area is now within a conversation area and a lightweight meshing with artwork has been agreed in principle, installation is subject to a non-material amendment of the planning consent and procurement. It is estimated that £40,000 is allocated to complete the works inclusive of fees.

Finance

28. In 2020/21, £33,000 of external funding remained unallocated to the scheme and needs to be applied to the budget. Following the assessment of the overall project costs now land acquisitions are completing additional funding of £0.677m is required.

29. This additional funding is required to complete the land acquisitions agreed (£0.225m), complete the cladding works (£40k) and allocation for likely and expected Part 1 claims (£0.445m).

30. As Part 1 claims can still be submitted until November 2023, funding should be split across future financial years**, with the suggested funding profile shown in the table below.**

£000	2020/21	2021/22	2022/23	Total
Capital Funding Source:				
Additional NCC Resources	276,632	200,000	200,000	**676,632**
External funding	33,000			**33,000**
Total	**309,632**	**200,000**	**200,000**	**709,632**

31. As part of the delivery of Hucknall TCIS scheme, land and property were purchased historically. Due to redesign of Torkard Way as part of the scheme development, some of these properties did not require demolition and land acquired not required for new highway.

32. In addition, as they were owned by the County Council and either unoccupied or let then no Part 1 compensation claims are eligible. Following completion and opening of Torkard Way, disposal of land and property no longer required has been ongoing. Capital receipts received have not been allocated directly to the total scheme budget and a summary of disposals is as follows:

- 28 Baker Street: £60,000, acquired 30th April 1987
- 22 Wollaton Street: £78,000, acquired 31st July 1978
- 36 Wollaton Street: £75,000, acquired 30th November 1977
- 28 Titchfield Street: £71,000, acquired 31st May 2013
- 41 Titchfield Street: £75,050, acquired 13th September 1984
- 30 Titchfield Street: Estimate £90,000 (sitting tenant, in progress), acquired 4th August 1995
- 39 Titchfield Street: £90,000 – awaiting confirmation of completion, acquired 22nd November 1988
- Land adjoining 2 Kneesall Grove: £4,250, part acquired 22nd May 1987 (from 37 Wollaton Street) and remainder acquired 4th August 1988
- Land to rear of 16-22 High Street: £40,000, acquired 30th November 1989
- Total: £583,300

33. The original acquisition costs were taken into account as part of the County Council's contribution to the scheme. There are potentially some further disposals at Mill Yard (near 28 Baker Street) and land adjoining 3 Kneesall Grove, but these are expected to be of fairly low value (small parcels of garden land).

34. Overall, additional costs were incurred during construction of the new road and pedestrianising the High Street that were above contingency provisions. These reflect the challenges of implementing new infrastructure in a town centre environment. Within the scheme assumptions, estimates for outstanding land acquisitions and compensation claims were consistent with actuals and refined assessments of compensation following completion of the scheme. Taking into account capital receipts received the overall budget costs are within £394k of original allocations representing an increase of less than 3%.

Other Options Considered

35. Other options considered relate to either not making the compensation payments or continue negotiations. However, landowners are part 1 claimants are likely to make an application to Lands Tribunal to settle claims. However, the costs associated with making an application are likely to exceed the proposed settlement with no guarantee of success.

36. Alternative designs around cladding have been considered and whether or not a replacement is required at all.

Reason/s for Recommendation/s

37. Settlement of the landowner's claim without incurring further costs to the County Council in fees and interest. Settlement of Part 1 claims without incurring further costs to the County Council in fees and interest.

38. Fully implemented and discharged planning permission.

Statutory and Policy Implications

39. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public-sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Finance Implications

40. Financial implications relating to the land acquisition, compensation and cladding works are described in this report and values summarised in paragraph 29. A further allocation of £0.677m over the next 3 financial years is required to meet the compensation and planning requirements detailed in this report. In addition, the £33,000 of unallocated external funding needs to be applied to the budget with the current financial year. These values total £0.710m that is required to fund the outstanding elements required as part of the overall scheme delivery.

£000	**2020/21**	**2021/22**	**2022/23**	**Total**
Capital Funding Source:				
Additional NCC Resources	276,632	200,000	200,000	**676,632**
External funding	33,000			**33,000**
Total	**309,632**	**200,000**	**200,000**	**709,632**

RECOMMENDATION/S

It is **RECOMMENDED** that Committee:

1) Approve the additional funding allocation of £0.677m related to the Hucknall Town Centre Improvement Scheme.

Adrian Smith
Corporate Director Place

For any enquiries about this report please contact: Mike Barnett 0115 977 3118

Constitutional Comments (AK 20/11/2020)

41. This report falls within the remit of Finance and Major Contracts Management Committee by virtue of its terms of reference and the Council's financial regulations.

Financial Comments (GB 20/11/2020)

42. It is proposed that the capital programme is varied by £0.709m to reflect the additional costs as set out in this report funded from NCC borrowing of £0.677m and external funding of £0.033m. The costs will be monitored through the usual capital monitoring process.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- 1-year Department for Transport Monitoring Report – January 2019
- Hucknall Town Centre Improvement Scheme – Scheme Update and Confirmation of Construction Cost – December 2015
- Hucknall Town Centre Improvement Scheme – Compulsory Purchase Orders – January 2014
- Hucknall Town Centre Improvement Scheme – Update and Compulsory Purchase Orders (Highways Act 1980) – May 2014
- Hucknall Town Centre Improvement Scheme – Update Report – October 2012
- Best and Final Funding Bid to Department for Transport – 2011

Electoral Division(s) and Member(s) Affected

Hucknall North ED	Councillor Phil Rostance
Hucknall South ED	Councillor Ben Bradley

KEY

Existing Arrangement	Proposed Yorkstone Paving (to match existing Market Place)
Proposed Carriageway	Proposed Block Paving (to use existing retained blocks)
Proposed Footway	Proposed Buff Slab Paving
Proposed Unsegregated Cycleway/Footway	Proposed Sandstone Block Paving
Proposed Red High Friction Surfacing	Proposed Tegula Herringbone Paving
Proposed Private Vehicular Access	Proposed Silver Grey Block Paving
Proposed Kerbing	Proposed Black Bitmac Surfacing
Existing Watercourse	Proposed Compacted Gravel Path
Proposed Culvert	Proposed Trees
Existing Wall	Proposed Hedge Planting
Proposed Wall	Proposed Grassed Area
Proposed Gabion Wall	Proposed Marginal Planting
Proposed Close Boarded Fence	Proposed Ornamental Planting
Proposed Post and Rail Fence	Proposed Bulb Planting
Proposed Road Marking	Proposed Bus Shelter
Proposed Buff Tactile Paving	Proposed Pedestrian Guard Railing
Proposed Red Tactile Paving	Proposed Iron Post and Vertical Infill System

NOTES

1. Do not scale from this drawing
2. All dimensions are given in metres unless otherwise stated.
3. For detailed fence heights refer to drawing H/JH13379/548 & H/JH13379/549.
4. Drawing is illustrative only and not to be used for construction or pricing purposes.

Rev	Description	Drawn	Ch'kd	Auth	Date
A	Boundary of Baker Brook at Albert Street, Baker Street alignment and Road Marking amended.	JWB	JWB	JJP	07/15
Rev Status	Description	Drawn	Ch'kd	Auth	Date

Project

Hucknall Town Centre Improvement Scheme

Property No. | Project No. JH13379

Title

General Arrangement Sheet 1

Scale	Drawn		Date
1:500	JWB		03/15
	Ch'kd JWB		Date 06/15
	Auth JJP	Traced	

Drawing No. H/JH13379/500A Rev

Nottinghamshire County Council

Trent Bridge House, Fox Road,
West Bridgford, Nottingham, NG2 6BJ
Tel: 0300 500 80 80

A1

KEY

Existing Arrangement	Proposed Yorkstone Paving (to match existing Market Place)
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4. Drawing is illustrative only and not to be used for construction or pricing purposes.

Rev Status	Description	Drawn	Ch'kd	Auth	Date
A	Realignment of Station Rd/Ashgate Rd junction and associated amendments	JWB	JWB	JJP	07/15

Project

Hucknall Town Centre Improvement Scheme

Property No. | Project No. JH13379

Title

General Arrangement Sheet 2

Scale	Drawn JWB	Date 03/15
1:500	Ch'kd JWB	Date 06/15
	Auth JJP	Traced

Drawing No. H/JH13379/501A | Rev

Nottinghamshire County Council
Trent Bridge House, Fox Road,
West Bridgford, Nottingham, NG2 6BJ
Tel: 0300 500 80 80

A1

Nottinghamshire County Council

Report to Finance and Major Contracts Management Committee

30 November 2020

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

UPDATE ON PROCUREMENT AND CONTRACT MANAGEMENT

Purpose of the Report

1. To provide members with an update on the delivery against the Council's Procurement Strategy and contract management approach.

Information

2. Procurement and contract management accounts for a large proportion of council spend and is critical to the delivery of public services. Effective contract management ensures the local authority achieves the best outcomes and value from contracts, and can manage its exposure to commercial, contractual and reputational risk.

3. Nottinghamshire County Council has over 1000 contracts across the Council with approximately £600m of contracted spend.

Procurement

4. In December 2019, the Policy Committee approved the Council's Procurement Strategy 2019-2023. The Procurement Strategy 2019-23 sets out the framework for the procurement of all goods, works and services and outlines how procurement will use the Council's spending power to pursue our key objectives.

5. The new strategy will drive the delivery of social value for Nottinghamshire by outlining how we will address economic, social and environmental considerations.

6. To date, we have made a lot of progress against the procurement strategy performance indicators. We have set targets for a set of agreed social value indicators to track local spend and spend with SMEs through our contracts. The table below shows delivery against the targets thus far.

Indicator	Percentage (of total live contracts)	Target
Contracts awarded to local supplier	57%	50%
Contracts awarded to SMEs	59%	50%

7. In addition, we are in the process of finalising an e-learning package for finance and procurement targeted at all officers in the Council. This will enable officers to understand the Council's Financial Regulations and Public Procurement Rules and ensure these are adhered to when buying goods or services.

Contract management

8. In March 2019, an audit was undertaken to review the application of contract management practices across the Council. The key objective of the audit was to determine whether contract management is undertaken in a consistent and coordinated way by officers who have been identified as contract managers.

9. The initial findings from the recent audit indicated that:

    a. There is no formal contract management framework implemented across the Council
    b. Departments have their own systems and processes that could benefit from pulling together into a single corporate contract management approach
    c. Some contract management guidance is available on the intranet, however there is lack of awareness of it amongst contract managers.
    d. There is no single contracts database that lists all the contracts for the authority, and contains all information linked to the contract

10. Discussions held by the Group Manager in Procurement with key contract managers, indicated that contract management arrangements at present are varied within the authority. All contracts are managed within the client departments.

11. The procurement service is committed to offer support services to all departments in the Council. To enable a more robust approach to contract management and address the current variations in contract management practice, the procurement team will develop and implement a consistent Contract Management Framework. This will deliver efficiencies and service quality improvements through an assertive, proactive and consistent approach to supplier relationship and contract management. The drive to improve contract management skills across the Council will enable greater value to be achieved and bring expertise together.

12. In June 2019, Finance and Major Contracts Committee agreed for the procurement team to undertake the following measures as part of the Contract Management Framework, which creates a consistent approach to Contracts Management. These will include:

    a. Develop, publish and implement Contract Management Guidance and a Contract Management Toolkit across the Council.
    b. Develop a contract manager practitioners' group to baseline levels of competencies and skills in contract management. This group will also work to identify best practice across departments.

c. Develop a programme of training at different competency levels to be offered across the Council to all officers who require:
   - core contract management competencies and support
   - departmental or subject matter expertise for key contracts
   - general awareness in contract management
d. Ensure a consistent and update to contracts register is maintained as a single register of all contracts across the authority
e. Work with internal audit to carry out a sample of follow up audits to create improvement plans to close contract management gaps

13. A contract management practitioners' group was set up in summer last year with key contracting leads from each department. There was very good engagement within the group who collaboratively agreed on a contract management approach for the Council. An interactive tool-kit was developed and this went live in October 2020. Appendix 1 provides the screen shot of the tool-kit.

14. The practitioner group will continue to meet quarterly to share best practice and support each other on contract management issues.

15. A training programme is being developed for contract management. Dedicated training has been delivered in Adults Social Care on the tool-kit and further training is planned within the Children's department. In addition, work is underway to develop an e-learning module for contract managers to offer an introductory level of training for all officers responsible for managing contracts.

Commissioning / Procurement / Contract Management

16. There is a direct link between commissioning, procurement and contract management. Key strategic commissioning principles need to be embedded into procurement and contract management practice as outlined in the diagram below.

17. Work is underway to develop a corporate approach to strategic commissioning in the Council including the development of a commissioning tool-kit like the one developed for contract management. A further report will be brought to Finance and Major Contracts Management Committee to provide members with an update on this area of work.

Reason/s for Recommendation/s

18. To provide members with an update on the delivery against the procurement strategy and the corporate contract management approach.

Statutory and Policy Implications

19. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

That the delivery against the Procurement Strategy and the update on the Contract Management approach (as set out in this report) is supported. A further update report showing progress against the action plan will be brought to a future meeting of the Committee.

Nigel Stevenson
Service Director – Finance, Infrastructure & Improvement

For any enquiries about this report please contact Kaj Ghattaora, Group Manager - Procurement

Constitutional Comments (KK 16/11/2020)

20. The proposals in this report are within the remit of of the Finance and Major Contracts Management Committee.

Financial Comments (RWK 16/11/2020)

21. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Appendix 1 – Contract Management Tool-Kit Screen Shot

Contract management toolkit

This Contract Management guidance is divided into five key stages as detailed below.

★ Save to Favourites

Each stage of the cycle is represented by a section of the pie chart and further information can be accessed my clicking the appropriate section of the pie or the numbered title below.

1. Pre-procurement

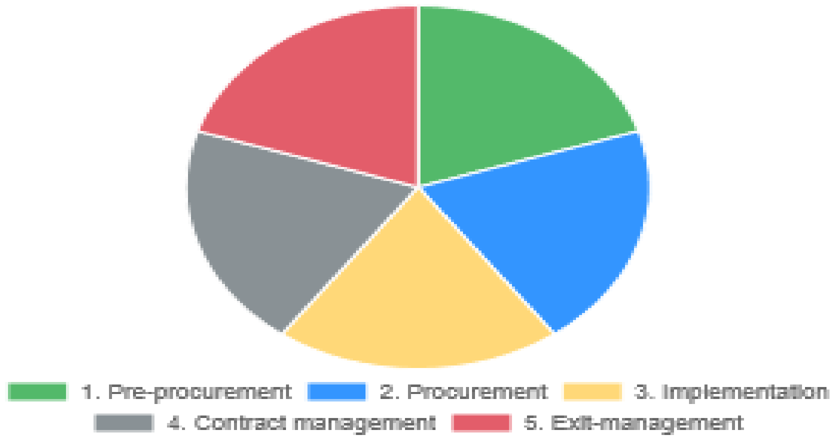
Work to be undertaken prior to any engagement with the marketplace, ensuring all internal processes and legal requirements are adhered to

2. Procurement

Work in partnership with the department and lead the procurement process.

3. Implementation

Work in partnership with Procurement and the successful provider in order to commence operation of the contract



4. Contract management

An ongoing business process that continues across the life of the contract – led by departmental leads with support from Procurement as required.

5. Exit management

Body of work to be undertaken when the contract comes to an end.

Nottinghamshire County Council

Report to Finance and Major Contracts Committee

30 November 2020

Agenda Item: 8

REPORT OF SERVICE DIRECTOR FOR PLACE AND COMMUNITIES

COVID-19 CULTURAL SERVICE CONTRACT VARIATIONS

Purpose of the Report

1. To seek approval for the variation of contracts with two country park partners for the period January-March 2021.

Information

2. Some information relating to this report is not for publication by virtue of Schedule 12A of the Local Government Act 1972, paragraph 5, due to the confidentiality of information in respect of which a claim to legal professional privilege could be maintained in legal proceedings. Having regard to all the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because the information would add a limited amount to public understanding of the issues but would significantly damage the Council's legal position. The exempt information is set out in the **Exempt Appendix**.

Background

3. The County Council provides four Country Parks in partnership with third parties at Sherwood Forest, Bestwood, Rufford Abbey and Holme Pierrepont, alongside an extensive range of other green spaces managed in house by the Council or through other partnership arrangements.

4. The COVID-19 period has highlighted the great importance of outdoor activities for the physical wellbeing and mental health of people in general, and has demonstrated the critical importance of these green spaces and Country Park sites to Nottinghamshire residents.

5. The contracting models vary across the four Country Parks although two sites, Rufford Abbey and Holme Pierrepont rely heavily on income generation to maintain the financial sustainability of their operations, and have therefore been impacted severely by the pandemic and the constraints this has placed on the service offer during summer 2020.

6. Although visitor numbers at both Rufford and Holme Pierrepont Country Park (HPCP) have increased significantly in 2020 against 2019 with 50% more visits at Rufford and more than a doubling of recorded visits to the green spaces at HPCP (which has helped income generation somewhat due to increased car park revenue), the wider loss of income from reduced catering and retail offers at both sites, cancellation of weddings at Rufford, and

particularly at HPCP through the inability to operate facilities such as the white water course, host specific events and camps, and reopen the hotel accommodation has reduced other income to marginal levels.

Proposed Contract Variations

7. The contract variations proposed below therefore apply specifically to these two country parks:

    a. Rufford Abbey Country Park (RACP)— managed by Parkwood Leisure Ltd.
    b. Holme Pierrepont Country Park (HPCP) and the National Water Sports Centre (NWSC)— managed by the Holme Pierrepont Leisure Trust (HPLT), who appointed Serco Leisure Ltd. as their managing agent.

8. Both parks are operated under concession-style contracts, meaning the Council pays a small 'management fee' to each partner, with most of their remaining revenue generated commercially from sales and other on-site activities. Operator cashflow therefore relies heavily upon site income, rather than large-scale direct contract payments from the Council itself.

9. During the Coronavirus pandemic, income from each site has fallen substantially, whilst operating costs for partners have continued to be incurred despite efforts to minimise those through the application of other funding streams such as furlough, redeployment of staff elsewhere, and reductions in business rates. Accordingly, both Parkwood and HPLT approached the Council requesting financial support.

10. Contract variations were negotiated, and later extended, in line with Government Guidance on *Supplier Relief* and *Recovery and Transition*, as expressed in *Procurement Policy Notes (PPN) 02/20* and *04/20*. The principles of these documents continue to be valid in respect of these Country Park contracts which rely heavily on summer income to sustain the service through the winter, and PPN 04/20 specifically recognises that some contracts may require ongoing support for the duration of the pandemic.

11. The first contract variations covered losses sustained between the start of Lockdown in late March 2020, and September 2020, and were approved by Policy Committee on 17 June. A three-month extension to the variations was then agreed at Finance and Major Contracts Committee on 28 September.

12. These extended arrangements are effective from 01 October 2020 and are due to end on 31 December 2020, when the Council will reconcile any surpluses or losses exceeding the agreed relief payments. Details of the payment mechanisms for each previous contract variation and extension are summarised below.

13. This report proposes further variations to both contracts on terms largely mirroring the previous arrangements. However, the previous variations were time limited to a 'long-stop' date of 31 December 2020 whereas the proposed further variations will be extended until March 31st 2021.

14. The terms of the proposed variations have been drafted considering the Council's open book accounting scrutiny of partner finances— which began at the point of commencement of the

first COVID-19 contract variations— as well as its assessment of the latest financial projections provided by the partners themselves. This ongoing analysis will ensure that any future payments reflect value for money for the Authority and Nottinghamshire residents.

15. Furthermore, to help ensure their continued viability, both partners have sought actively to minimise and offset their costs, limiting the financial burden on the Council and, where necessary, reducing their offer to visitors in line with government safety guidance.

16. The Council continues to work with the contractors to develop minimum operating models for the sites to ensure their financial sustainability in both the short, medium and long term and it is proposed that a report is presented to Committee in spring 2021 to outline these arrangements.

17. As mentioned above, the importance of green spaces to residents and members of the public during the pandemic has been a key consideration in determining previous contractual variations with Parkwood and HPLT. The proposed new variations have also taken into account the recent implementation of a second national Lockdown, which again restricts the meeting of individuals from different households to public outdoor venues, including country parks.

Parkwood Leisure Financial Support

18. Rufford Abbey was contracted out from the Council in 2017 to Parkwood Leisure. Prior to this the Council was operating the site with an annual budget of £615k (net of income). The revenue budget in a 'normal' year now stands at £167k to cover the fees paid to Parkwood. The usual revenue budget saving through the contract is therefore ~£448k pa.

19. The first RACP contract variation was agreed up to September 2020, and involved a monthly payment of £51,958 x 7 months = £363,706. This was based upon Parkwood's own financial modelling of expected monthly losses from the start of lockdown in March 2020. Every three months, a reconciliation of actual costs and income was undertaken and balancing payments made.

20. At the end of each month, Parkwood submitted their monthly accounts on an open book basis, and their incurred costs were scrutinised by Cultural Services and the finance business partner.

21. In the period March to September the site made an overall loss of £135,773, meaning a repayment to NCC of £227,933. The County Council has aleady been credited £163,658 with a further £64,275 to be repaid by the end of December.

22. The site did make a surplus of £27,011 in August; this was attributable, at least in part, to the June, July andAugust visitor numbers being 50% higher than in 2019, reflecting an increased demand for green spaces.

23. In 'normal' years, summer surpluses support the park through the winter months, where losses are usually incurred. The August 2020 surplus, whilst positive, was significantly less than the same period in 2019, meaning funds carried over into winter this year are minimal.

24. In view of the sites financial performance up to September, and a significant projected winter deficit, the contract variation was extended to cover the months October-December 2020. Actual losses from the first variation period were lower than initially forecast, and, as agreed by Committee on 28 September, the value of the monthly payments for this extended variation was reduced from £51,958 to £34,667, covering Parkwood's forecast losses of ~ £104,000 for the quarter.

25. For January-March 2021, Parkwood have forecast losses of £134,811 – this is compared to £91,115 for the same period in 2019. Due to the potential cumulative strain of COVID-19 restrictions, combined with other seasonal operating and financial constraints, it is proposed that the Council covers the sites predicted losses for January-March 2021, split into monthly payments of £44,937. This contract variation will operate as before, with any reconciliation payments made to the Authority or Parkwood at the end of March 2021.

26. This projection is based on the usual seasonal factors (inclement weather and customers' reduced capacity to spend after Christmas, affecting visitor numbers and park revenue), and the general impact of COVID-19 in reducing income from the sale of goods (including food and beverages) events and car parking. Parkwood will continue to receive their contractual monthly management fee (currently £10,295.79) alongside these additional COVID-19 payments.

27. The implementation of a second national Lockdown on 05 November will likely compound the loss of income referred to above and any subsequent restrictions after the Lockdowns end date of 02 December may potentially reduce Christmas revenue, which has, historically, offset losses sustained in other winter months. The accuracy of the figures above may be affected if government guidelines change.

28. To minimise losses and offset costs for the winter period and through the second lockdown, Parkwood have taken a series of timely actions, including:

- The postponement and cancellation of events, including weddings;
- The renegotiation of corporate supplier contracts, where possible; and
- Furlough and headcount reduction to assist with reduced staff costs.

Holme Pierrepont Leisure Trust (HPLT) Financial Support

29. Holme Pierrepont was contracted out from the Council in 2013 to HPLT. When the Council operated the site it had an annual budget of £895k (net of income) which has since reduced through the contracting arrangements to £240k to cover the fees paid to HPLT. The annual budget saving from the contract in a 'normal' year is currently therefore ~£654k pa.

30. The first HPLT contract variation involved making monthly payments between the end of March 2020 and September 2020 totalling £722,361. This covered costs and loss of income related to cancellation of events and a reduction in activity and accommodation revenue.

31. Quarterly open-book examination of HPLT accounts has been conducted since the beginning of the variation by the service in conjunction with the finance business partner.

32. It was reported to this Committee in September that actual losses were expected to exceed the total COVID payments made from April, but the actual losses made by HPLT for the 9

months January to September was £688,980, resulting in a repayment to NCC of £33,381. This will be reimbursed to the Council by the end of December 2020.

33. In September, an extension to the variation was agreed to cover £379,000 of losses projected for October-December 2020. Accordingly, the Council have agreed to make monthly payments of £126,333 to HPLT, with any reconciliation due at the end of December.

34. To minimise losses and offset costs throughout the pandemic, HPLT have made efficiencies in its operational systems, and, where possible, looked to increase revenue streams through marketing drives and membership acquisition campaigns. Recent HPLT cost mitigations include:

- Core staffing re-structure, as part of wider, long-term improvements to the corporate operating model;
- Continued minimisation of opening hours for all departments across the facility, to mitigate operating costs, including utilities;
- Reduction of staffing cover required while the demand for service is diminished;
- Ongoing use of the national furlough scheme where appropriate;
- Installation of an improved CCTV / Alarm system, allowing remote monitoring of the facility, resulting in a reduction of two weeks 24 hour security costs over the coming Christmas period.

35. As reported to Committee in September, HPLT had originally projected losses of £479,000 for 2021. This figure has been revised in light of subsequent actual revenue and expenditure and the assessment of the potential long-term implications of COVID-19 restrictions, which resulted in the cancellation of indoor fitness classes and elite sports camps, and the closure of outdoor activity areas, parts of the campsite and a delay to the re-opening of hotel accommodation.

36. Accordingly, the forecast shortfall for January to March 2021 is now £354, 810. It is, therefore, proposed that the new variation involves monthly payments of £118,270, with any reconciliations to be made at the end of March 2021. The accuracy of the figures above may be affected if government guidelines change; for example, if full lockdown continues or if other restrictions are imposed or released.

Other Options Considered

37. The Council could choose not to vary the contracts for January-March 2021. The possible implications of this decision are:

   a. One or both partners could pursue legal measures against the Council under the provisions of the contract. Even if this action was unsuccessful it may incur legal costs, and damage the long term relationship with the partners.

   b. One or both partners choose to terminate their contracts early, leaving the Council to pick up running of the sites once more. Given the significant financial cost incurred by the Council when running the sites itself, and the difficulties going out for procurement again in the current financial environment, this may significantly increase the Council's costs.

38. The sites could simply be closed to minimise costs, but that would hinder the long-term

economic recovery from the pandemic, whilst impacting on the health and wellbeing of residents and visitors who could no longer use the facilities.

Reason/s for Recommendation/s

39. These recommendations accord with the principles agreed by Policy Committee (17 June 2020) for the variation of contracts to mitigate the financial effects of COVID-19 on Country Park Partners.

Statutory and Policy Implications

40. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

41. At Parkwood, monthly payments of £44,937 would be made for the first three months of 2021, in line with Parkwood's estimated losses of £134,811. Actual losses would then be examined at the end of March 2021.

42. At Holme Pierrepont, monthly payments of £118,270 would be made for the first three months of 2021, in line with the Trust's financial modelling forecast shortfall for January to March 2021 of £354, 810. Actual losses would then be examined at the end of March 2021.

Implications for Service Users

43. Ensuring these green spaces are available to residents through the winter and into 2021 is considered essential in the current situation, and approval of this report will ensure the sites remain operational over the coming months.

RECOMMENDATION/S

That Committee approves;

1) Further contract variations with Country Park Partners, Parkwood Leisure Ltd. and Holme Pierrepont Leisure Trust, for the period 1 January 2021 to 31 March 2021 for the reasons set out in this report, and that these be made in accordance with the principles agreed by the Policy Committee on 17 June 2020.

2) That the Service Director for Place and Communities be authorised to finalise terms within those parameters and to agree the completion of the necessary contract variations in consultation with the Group Manager for Legal Services and the S.151 Officer.

3) That officers continue to manage and monitor the two contracts closely, including developing minimum operating models for the coming winter period to minimise the financial impact on

the Council, and where appropriate seek to identify other options which could be considered for the sites to ensure their sustainability in the medium to long term and report back to Committee in due course.

Derek Higton
Service Director Place and Communities

For any enquiries about this report please contact: Mick Allen – Group Manager: Place Commissioning, 0115 9774684 Mick.Allen@nottscc.gov.uk

Constitutional Comments (CEH 13.11.2020)

44. The recommendations fall within the remit of the Finance and Major Contracts Management Committee under its terms of reference.

Financial Comments (RWK 12/11/20)

45. The report proposes additional contract payments of £134,811 (£44,937 per month) for the operation of Rufford Country Park and £354,810 (£118,270 per month) for the operation of Holme Pierrepont Country Park for the period 1st January 2021 to 31st March 2021. The proposed additional payments total £489,621. The actual losses incurred at both parks will be reviewed after 31st March 2021 and any excess contract payments will be recovered. The cost of any contract payments above the original annual budget allocation will be funded from the additional grant provided by the Government for costs of responding to COVID-19.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Finance and Major Contracts Management Committee

30 November 2020

Agenda Item: 9

REPORT OF THE SERVICE DIRECTOR - CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2020/21.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.

3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

5. The meeting dates and agenda items are subject to review in light of the ongoing COVID-19 pandemic.

Other Options Considered

6. None.

Reason/s for Recommendation/s

7. To assist the committee in preparing its work programme.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required

RECOMMENDATION/S

That the Committee considers whether any amendments are required to the Work Programme.

Marjorie Toward
Customers, Governance and Employees

For any enquiries about this report please contact: Pete Barker, x74416

Constitutional Comments (HD)

9. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

10. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None.

Electoral Division(s) and Member(s) Affected

All.

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

Report Title	Brief summary of agenda item	Lead Officer	Report Author
18 January 2021			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Latest estimated Cost report – Investing in nottinghamshire: Making the Best Use of Council Premises	Latest estimated cost report of the Investing in Nottinghamshire Programme	Derek Higton	Phil Berrill
D2N2 Children's Commissioning	Update Report	Kaj Ghattaora	Lynn Brammer
8 February 2021			
Budget Report		Nigel Stevenson	Nigel Stevenson
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
DN2 Social Impact Bond	Update report.	Kaj Ghattaora	Lynn Brammer
15 March 2021			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Agency Contract Update	Update report	Kaj Ghattaora	Lorraine Dennis

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

19 April 2021			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
LEC 2021/22 Property planned maintenance Programme (PPMP) and Schools Building Improvement Programme (SBIP)	Latest estimated Cost report of the Property Planned Maintenance and School Building improvement programme	Derek Higton	Phil Berrill
Domestic Abuse Support Services	Update report	Kaj Ghattaora	Michael Fowler
TO BE PLACED			
LEC New Primary, Chapel Lane Bingham	LEC report for a New Primary at the Chapel Lane development, Bingham	Derek Higton	Phil Berrill
Gedling Access Road (GAR) Scheme	Progress report	Adrian Smith	Mike Barnett
Road Improvement Schemes	Progress report	Adrian Smith	Adrian Smith