Nottinghamshire County Council

**Report to Finance and Property Committee**
**14 October 2013**

**Agenda Item: 4**

## REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT

## FINANCIAL MONITORING REPORT: PERIOD 5 2013/2014

### Purpose of the Report

1.1 To provide a summary of the revenue position of the County Council for the year to date with year-end forecasts.

1.2 To provide a summary of the Procurement Team's current performance.

1.3 To provide a summary of Capital Programme expenditure to date and year-end forecasts.

1.4 To request approval of proposed variations to the capital programme.

1.5 To inform Members of the Council's in year Balance Sheet transactions.

### Information and Advice

**2. Background**

2.1 The Council's budget was approved at the Full Council meeting 28 February 2013. As with the previous financial year, progress updates will be reported to Committee each month.

**3. Summary Financial Position**

3.1 The use of £15.1m of General Fund balances was included when the budget was approved. The current forecast is presented on the basis that this will be the case at year end, and projects a minor overspend of £0.2m as summarised in Table 1 below. General Fund balances will be used to cover this if it should remain at final outturn.

## Table 1 – Summary Revenue Position

| Forecast Variance as at Period 4 £'000 | Committee | Annual Budget £'000 | Actual to Period 5 £'000 | Year-End Forecast £'000 | Latest Forecast Variance £'000 |
|---|---|---|---|---|---|
| 984 | Children & Young People | 166,227 | 48,870 | 166,249 | 22 |
| 5,256 | Adult Social Care & Health | 215,139 | 95,979 | 218,982 | 3,843 |
| (534) | Transport & Highways | 63,038 | 23,220 | 62,475 | (563) |
| (217) | Environment & Sustainability | 28,925 | 7,426 | 28,776 | (149) |
| 195 | Community Safety | 4,044 | 288 | 4,148 | 104 |
| 82 | Culture | 15,301 | 6,571 | 15,334 | 33 |
| (178) | Policy | 32,102 | 13,029 | 32,015 | (87) |
| (644) | Finance & Property | 29,228 | 15,114 | 28,981 | (247) |
| 6 | Personnel | 2,589 | 845 | 2,670 | 81 |
| 1 | Economic Development | 1,224 | 358 | 1,224 | - |
| (3,293) | Public Health | - | (9,387) | (3,293) | (3,293) |
| **1,658** | **Net Committee (under)/overspend** | **557,817** | **202,313** | **557,561** | **(256)** |
| (2,100) | Central items | (15,933) | (2,724) | (18,797) | (2,864) |
| **(442)** | **Forecast prior to use of reserves** | **541,884** | **199,589** | **538,764** | **(3,120)** |
| - | Transfer to / (from) Corporate reserves | (14,782) | (1,350) | (14,782) | - |
| 3,293 | Transfer Public Health underspend to earmarked Public Health reserve | - | - | 3,293 | 3,293 |
| - | Transfer to / (from) General Fund | (15,138) | - | (15,138) | - |
| **2,851** | **Net County Council** | **511,964** | **198,239** | **512,137** | **173** |

Note:
Public Health expenditure is funded in full by a ring-fenced grant of £35.1m. The grant was previously shown separately within Central Items. Given the forecast underspend, it is proposed to transfer the balance to a reserve at year end, to ensure the full grant is spent on Public Health priorities.

## 4. Committee and Central Items

4.1 The main variations that have been identified are explained in the following section.

**Children and Young People (minor overspend)**

4.2 Children's Social Care Division

The Division is reporting a forecast overspending of £0.6 m, an improvement in the reported variance at period 4 of £0.8 m. The major contributing variances & changes being:

- £1.7m overspend on social work staffing due to the use of agency staff to cover vacancies – an increase of £0.1m on period 4

- £0.3m overspend on home to school transport for looked after children
- £0.3m overspend in the Fostering Service as efforts are made to increase in-house capacity
- Minor overspend in the Adoption Service this is a decrease of £0.4m on the forecast reported at period 4 as part of the Adoption Reform Grant will now be used to fund this expenditure.
- The above are partially offset by a £1.4m underspend on Child Placements due to lower numbers of children requiring these places than anticipated to date. This is an increase of £0.2m on last month's forecast underspend largely due to data cleansing which will continue into period 6
- The Children's Disability Service is now forecasting an underspend of £0.4m across its services. £0.2m of which on flexible short breaks and £0.2m on Community Services.

4.3 Education Standards, & Inclusion Division
The Division is reporting a small forecast underspending, the main variances being:

- £0.3m overspend on Special Educational Needs & Disability, the majority of which is on transport
- £0.2m overspend on departmental overheads
- £0.1m overspend on Business Support
- £0.4m underspend on Support to Schools Service
- £0.2m underspend on the Preferred Travel Scheme

4.4 Youth, Families, & Culture Division
The forecast reflects a net underspending of £0.5m (an improvement of £0.2m on the position on period 4) consisting of:

- A £0.2m overspend on the Supporting People budget which is to be funded from an earmarked reserve set aside for this purpose
- £0.1m overspend on Libraries & Archives largely due to premises costs
- A net £0.9m (£0.4m at period 4) underspend across the division, largely due to staff vacancies, though £0.1m of the increased underspend due to spending controls and unallocated commissioning within the Planning, Performance and Quality Assurance Group

**Adult Social Care & Health (forecast £3.8m net overspend)**

4.5 Younger Adults Division
The Division is currently forecasting an overspend of £3.9m against the base budget. This is primarily due a forecast overspend of £1.2m on Learning Disability Campus, a shortfall on Learning Disability Continuing Health Care income of £1.0m and an overspend of £4.6m on Learning Disability Community Care. This is partially offset by an underspend of £1.8m on Physical Disability and smaller underspends on Day Services and Short breaks.

The overspend has reduced by £2.4m since last month. This is primarily due to a budget virement of £0.9m into Learning Disability and £0.6m into Physical Disability to cover the Promoting Independence Workers.

The Younger Adults division are currently exploring a number of options to reduce the additional costs, through management action and the utilisation of earmarked reserves. An independent review of Continuing Care Assessments is also planned to ensure that the contribution of costs is fair and reasonable from the Health Service towards care packages.

4.6 Joint Commissioning Division
The Division is currently forecasting an overspend of £2.5m against the base budget. This is due to an anticipated shortfall of £2.6m on Client Contribution Income. As the shortfall in client contributions is an on-going budget pressure, with a reported shortfall of £2.0m in 2012/13, the 2014/15 budgets will be rebased to ensure that the budget for client contributions reflects the expected income. This is partially offset by several small underspends across the division.

4.7 Older Adults Division
The Division is currently forecasting an overspend of £0.8m against the base budget. This is due to an overspend of £2.7m on Direct Payments, a £0.4m overspend on Fieldwork budgets and a £0.3m overspend on the Integrated Discharge Scheme. Within Community Care, there are also overspends of £0.3m against Long Term Care, £0.4m against Short Term Care and £0.2m against Other Community Care.

These are offset by an underspend of £1.5m on NHS Support to Social Care, in year savings on the dementia quality mark of £1.0m and an underspend of £0.7m on Care and Support Centres. In addition the utilisation of both £1.0m of Carers income due and £0.5m of the NHS reserve has been factored into the forecast. The Older Adults division are currently exploring a number of options to reduce the additional costs.

4.8 Promoting Independence Division
The Division is currently forecasting an underspend of £0.7m against the base budget. This is due to an overspend of £0.4m on the use of agency and overtime within the Reablement service, offset by a £1.0m underspend on the National Welfare Assistance Fund and a £0.1m underspend in Customer Access.

4.9 Transfer to / from reserves
This forecast includes the anticipated use of £6.8m of earmarked reserves.

**Transport & Highways (forecast £0.6m net underspend)**

4.10 There is an in-year saving on Concessionary Fares (£0.4 m) due to Premiere going into administration in January 2013 with the services provided by this company being reallocated to a number of alternative transport operators.

**Finance & Property (forecast £0.3m net underspend)**

4.11 The forecast reflects an under-spending of £0.2m against the budget due to staff vacancies within Finance & Procurement (£0.6 m) as a result of the on-going reorganisation. IT Services are forecasting an overspend of £0.3m which is due to the acceleration of the CERP (equipment replacement programme) £0.2 m; Insurances and Schools Trading (combined £0.1 m).

**Environment & Sustainability Committee (forecast £0.1m underspend)**

4.12 The Waste and Energy Division is reporting an underspend of £0.3m. This is mainly due to additional income relating to energy rebates as a result of the increased rebate received rising from 1p to 2p per Kilowatt hour of energy used and the Eastcroft Incinerator maintenance shutdown completing to schedule this year, resulting in a movement of costs between the PFI and Non-PFI lines. This is offset by an overspend (£0.2 m) in Development Management and Local Plans.

**Public Health (forecast £3.3m underspend)**

4.13 <u>Proposed development funding</u>
A forecast underspend of £2.5m relates to the proposed developments being put on hold for 2013/14 while a full review of current and future years budgets takes place. The following policy areas are affected:

- Sexual Health £0.5m
- Health Check Programme £0.5m
- Obesity £0.5m
- Smoking and Tobacco £0.8m
- Community Safety £0.2m

The forecast underspend in the policy areas of Sexual Health and Smoking & Tobacco are partially offset by contract costs that were not included in the original budget. The additional contract costs are £0.2m for Sexual Health and £0.3m for Smoking and Tobacco. This reduces the forecast development funding underspend across the above policy areas to £2.0m.

4.14 <u>Public Health Directorate</u>
The Policy area is reporting a forecast underspend of £1.3m. £1.2m relates to a predicted underspend on the Public Health transition contingency and £0.1m relates to forecast salary savings arising from unfilled vacancies.

**Central Items (forecast £2.8m net underspend)**

4.15 Central Items primarily consists of interest and payments on cash balances and borrowing, together with various grants, contingency and movements on reserves.

4.16 Interest payments are currently forecast to be £2.3m less than the original budget. This is primarily due to slippage of the 2012/13 capital programme, resulting in a reduction in the Council's borrowing requirement.

4.17 The 2012/13 contingency budget was originally set at £5m, of which, £3m was earmarked for redundancy. As in previous years, and in accordance with accounting practice, a provision was set aside in 2012/13 to meet the costs of expected redundancies that will fall in 2013/14. This was based on outstanding

Section 188 notices at the time and totalled £1.3m. Redundancy payments made in the current financial year to date total £1.0m. It is expected that the remaining provision will be required later in the year.

4.18 As yet, it is not possible to estimate the current year's redundancy costs, but should the budget not be required in full, it is likely that approval will be sought to transfer the underspend to the Councils redundancy reserve. Therefore the figures included in Table 1 assume nil variance against this budget.

4.19 In relation to the general contingency no schemes have been identified for contingency funding since the last monitoring report.

4.20 The balance of contingency is currently £3.6m. It is likely that further contingency requests will be made throughout the year, and the figures in Table 1 assume that the allocation for general contingency will be required in full. However, should further requests not materialise, this budget could be used to the offset the reported committee overspend.

4.21 At the time of setting the 2013/14 budget, several funding allocations had not been announced and therefore assumptions about certain grants were made, based on the best information available at the time. Since then, confirmations have been received, resulting in a net increase of £0.5m in 2013/14.

**Transfer to/from General Fund (forecast in line with budget)**

4.22 The latest forecast assumes the budgeted £15.1m contribution from General Fund balances will be drawn upon in full.

## 5. Progress with savings and risks to the forecast

5.1 Since 2010/11 the Council has delivered savings of over £100m with a further £10m expected in the current year. The base budget review identified some movement in the savings and realignments were made to 2013/14 budgets where appropriate. Officers monitor the deliverability of individual schemes and targets as part of the budget monitoring process and reflect achievability in the forecast outturn. The funding shortfall over the medium term will require further savings to be found and work has commenced in drafting proposals to deal with this as part of the Council's Medium Term Financial Strategy refresh.

## 6. Procurement Performance

6.1 As an organisation, the Council has spent £290m with external suppliers for the year to date, which is an increase of £30m from the same period in 2012/13.

6.2 The diagram below shows how the total amount spent is divided across the Committees, with 60% of all expenditure going through ASCHPP and CFCS and 33% through Highways and Property (E&R).


6.3 Operational Purchasing is responsible for activities that enable the organisation to order and pay for goods and services. These activities control the efficiency with which items are procured and also ensure compliance with Council Financial Regulations as well as EU and UK Directives and Law. This leads to greater savings and reduced risk. The following sections describe key measures for this aspect of Procurement activity.

6.4 Payment and Ordering routes are defined by the way the business raises orders with suppliers. The preferred route is to use BMS which has been a major investment in the last few years. Orders which use BMS are classified as Compliant Purchase Orders (Compliant), Non Purchase Orders (Semi or Non-Compliant) and Interface (Out of Scope - integrated systems that make payment only e.g. Framework – no other order details are retained on SAP).

6.5 Purchase Orders are beneficial to the organisation as they provide visibility of what we spend which in turn provides a financial benefit through savings and maximises return on investment in SAP.

Currently:-

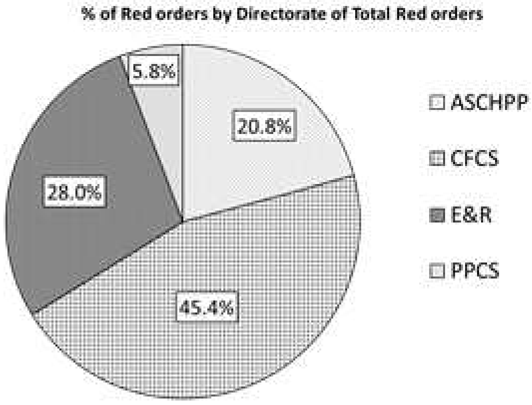
- Compliant ordering has decreased (Aug 44.6% of the total)
- Non-compliant ordering is decreasing
- Interface has increased (Aug 28.8% vs Jul 28.1%)

6.6 Purchase orders themselves are split into Green and Red orders. Green orders are those which are raised with the Procurement Centre's pre-arranged agreements or contracted suppliers.

6.7 An increase in Green ordering leads to:

- A reduction in the average number of days taken to raise an order with suppliers
- Reduced lead time to order and receive delivery of goods/ services
- Reduction in supply chain risk
- Increased department productivity
- Decreased processing costs

6.8 The chart below identifies the percentage of total Red orders monthly by Directorate. CFCS has the highest number of Red orders for the month at 45.4% of the total, E&R has the greatest reduction, down 2.2% from 30.1% in July to 28.0% in August. Table 1.0 demonstrates the performance of Red order volume by Directorate against the Directorate's previous months Red order figure; E&R as a department, has reduced the total number of Red orders by 38.3% in August compared to July.




% of Directorate Red PO only

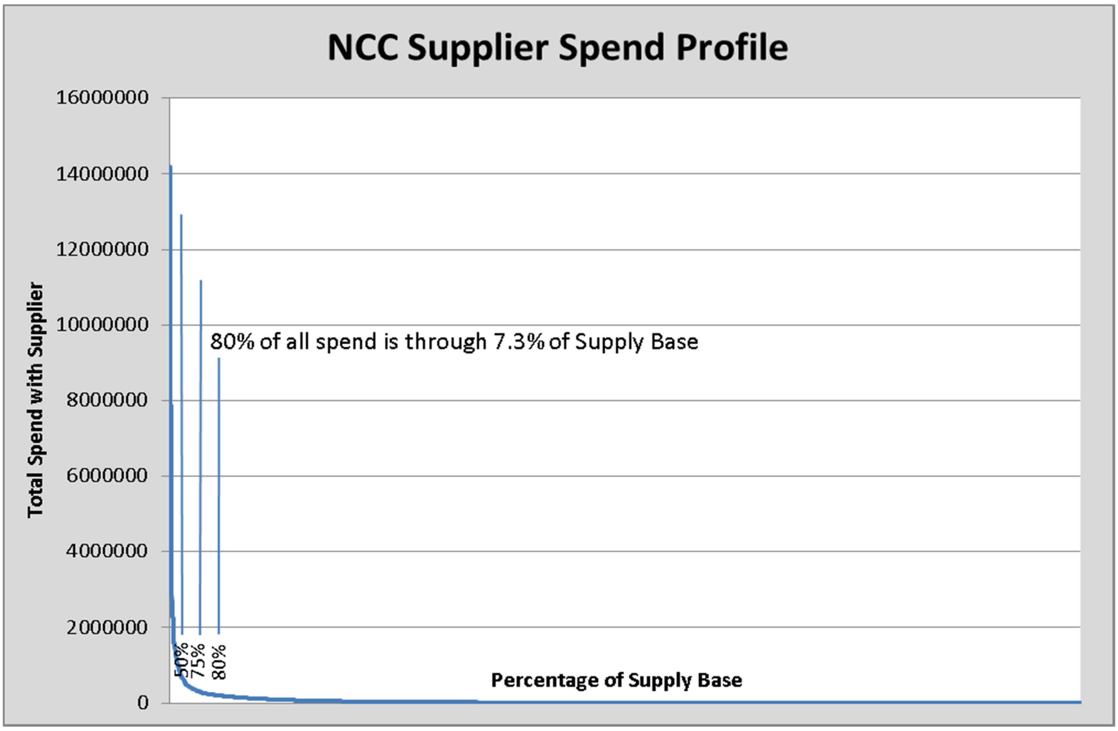
| Directorate | Rank | August | |
|---|---|---|---|
| ASCHPP | 4 | -25.9% | ✓ |
| CFCS | 3 | -33.2% | ✓ |
| E&R | 1 | -38.3% | ✓ |
| PPCS | 2 | -34.9% | ✓ |
| PH | 5 | 0.0% | x |

6.9 The chart below shows suppliers ranked by the amount NCC spends with them. There are a high number of suppliers with whom NCC spends less than £5,000.

6.10 The top 7.3% (444) of suppliers account for 80% of the total supplier spend. The remaining 92.7% (5,626 suppliers) have a total expenditure of £58.2m with an average spend of £10,337. A high number of suppliers with a low average order value can create several distinct issues:-

- Reduced control over purchasing activity
- Higher processing costs (the cost of raising an order or processing an invoice remains the same regardless of order value)
- High risk to the organisation due historical lack of commercial auditing i.e. continuity of supply and financial robustness

6.11 Reducing the number of suppliers will allow more efficient ordering, fewer staff hours processing the orders, reduced risk to the organisation and greater control of spend. The Procurement Centre has worked extensively with departments to reduce these risks/issues by implementing catalogues and contracts and 'vetting' suppliers to ensure the widest possible product/ service availability to the organisation.




6.12 The strategy for the Procurement Centre is based on the Balanced Scorecard approach. This has four aspects:

- Financial: this looks at how we can create value by working with internal stakeholders and supply markets – cost savings is just one measure
- Customer: to achieve our vision, how should we appear to the departments that we work with?
- Internal business processes: to satisfy our stakeholders and customers we need to focus on the things that add value and eliminate or streamline the rest
- Learning and growth: to achieve our vision, how will we sustain our ability to change and improve?

6.13 The following is an outline of the projects to be implemented as defined by the Balance Scorecard.

**Customer Focus**

- Customer Satisfaction - feedback from our client base on our performance
- Marketing plan - marketing what we will do and how we will do it
- Communications plan - How are we to communicate with our customers

**Learning and Growth**

- Skills audit and gap analysis - to identify a structured and tailored training programme
- Renew and rationalise policies and procedures - optimising the way the department works
- Enhance the expertise of the Procurement Centre and the wider organisation in commercial skills

**Business Processes**

- Vendor Performance Management - Understand supply chain risks, market analysis
- Supplier spend analysis - improve knowledge of spend and analytics
- Design/improve processes - process improvement, making the department more efficient

**Financial Objectives**

- Cost savings - make transformational savings to support corporate objectives
- Demand Management - understanding and challenging the demand and the need for goods and or services
- Risk management - more consistent approach to analysing supply chain failure

## 7. Capital Programme

### Approved Capital Programme

7.1 Table 2 summarises changes in the gross Capital Programme for 2013/14 since approval of the original programme in the Budget Report (Council 28/02/13):

**Table 2 – Revised Capital Programme for 2013/14**

| | 2013/14 | |
|---|---|---|
| | £000 | £000 |
| Approved per Council (Budget Report 2013/14) | | 132,956 |
| Variations funded from County Council Allocations: | | |
| Net slippage/variations from 2012/13 and financing adjustments. | 11,081 | |
| Variations approved to F&P Committee (15/07/13) | (1,318) | |
| Variations approved to F&P Committee (09/09/13) | (4,559) | |
| | | 5,204 |
| Variations funded from other sources: | | |
| Net slippage/variations from 2012/13 | 1,551 | |
| Variations approved to F&P Committee (15/07/13) | 2,453 | |
| Variations approved to F&P Committee (09/09/13) | 592 | |
| | | 4,596 |
| **Revised Gross Programme** | | **142,756** |

### Capital Monitoring

7.2 Table 3 shows actual capital expenditure to date against the forecast outturn at Period 5.

**Table 3 – Capital Expenditure and Forecasts as at Period 5**

| Committee | Revised Capital Programme £'000 | Actual Expenditure to Period 4 £'000 | Forecast Outturn £'000 | Expected Variance £'000 |
|---|---|---|---|---|
| Children & Young People | 61,196 | 18,893 | 59,761 | (1,435) |
| Adult Social Care & Health | 4,500 | 137 | 4,500 | (0) |
| Transport & Highways | 41,611 | 18,675 | 42,590 | 979 |
| Environment & Sustainability | 4,682 | 922 | 4,870 | 188 |
| Community Safety | 289 | 161 | 289 | 0 |
| Culture | 7,526 | 412 | 6,569 | (957) |
| Policy | 6,376 | 1,461 | 6,361 | (15) |
| Finance & Property | 15,429 | 3,824 | 15,429 | 0 |
| Personnel | 68 | 0 | 68 | 0 |
| Contingency | 1,079 | 0 | 1,079 | 0 |
| **TOTAL** | **142,756** | **44,485** | **141,517** | **(1,239)** |

7.3 A capital programme review is currently underway to ensure that the County Council's capital programme is aligned as closely as possible to the new administration's priorities. The outcome of the capital programme review will be reported in due course. Out-turn variations identified by Departments at Period 4 are highlighted below:-

7.4 In the Children and Young People's Committee, a number of variations to the capital programme are proposed as follows:-

7.5 There is a forecast underspend of £0.835m against the Edwinstowe Respite Centre to reflect project slippage whilst the project is still awaiting the purchase of the CISWO building and land.

**It is proposed that the Children and Young People's capital programme is varied to reflect the identified slippage.**

7.6 There is a forecast underspend of £0.600m against the Rushcliffe Children's Centre budget following the identification of programme savings.

**It is proposed that the Children and Young People's capital programme is varied to reflect the identified programme savings.**

7.7 The Children's Social Care Division is proposing to use £0.800m of their reserves to carry out capital improvement works at Clayfields House. More details with regard to this project are detailed elsewhere in the agenda.

**It is proposed that the Children and Young People's capital programme is varied to incorporate the capital improvement project at Clayfields House.**

7.8 A section 106 contribution totalling £0.339m has been received for a project at Joseph Whitaker School. It is proposed that the funding is paid over to the Academy to part fund capital works.

**It is proposed that the Children and Young People's capital programme is varied to incorporate the Section 106 contribution received for works at Joseph Whitaker School.**

7.9 In the Transport and Highways Committee, there is a forecast overspend of £1.150m as a result of over-programming in the Local Transport Plan and Road Maintenance and Renewal programme. Work is on-going to drive the forecast overspend down and to manage within approved budgets.

7.10 In the Culture Committee, there is a forecast underspend of £0.957m against the Nottinghamshire Archives Extension as a result of slippage caused by project design issues.

**It is proposed that the Culture Committee's capital programme is varied to reflect the identified slippage.**

7.11 In the Policy Committee, there is a forecast underspend of £0.208m against the EDRMS project as a result of the project being delivered within budget.

**It is proposed that the Policy Committee's capital programme is varied to reflect the identified project saving.**

Also in the Policy Committee, there is a forecast overspend of £0.193m against the Ways of Working programme as a result of funding adjustments and minor cost increases.

**Financing the Approved Capital Programme**

7.12 Table 4 summarises the financing of the overall approved Capital Programme for 2013/14.

**Table 4 – Financing of the Approved Capital Programme for 2013/14**

| Committee | Capital Allocations £'000 | Grants & Contributions £'000 | Revenue £'000 | Reserves £'000 | Gross Programme £'000 |
|---|---|---|---|---|---|
| Children & Young People | 38,593 | 21,863 | 0 | 740 | 61,196 |
| Adult Social Care & Health | 2,472 | 1,891 | 45 | 92 | 4,500 |
| Transport & Highways | 7,966 | 21,685 | 0 | 11,960 | 41,611 |
| Environment & Sustainability | 3,682 | 500 | 500 | 0 | 4,682 |
| Community Safety | 289 | 0 | 0 | 0 | 289 |
| Culture | 2,365 | 1,465 | 7 | 3,689 | 7,526 |
| Policy | 6,376 | 0 | 0 | 0 | 6,376 |
| Finance & Property | 14,826 | 0 | 0 | 603 | 15,429 |
| Personnel | 0 | 0 | 0 | 68 | 68 |
| Contingency | 1,079 | 0 | 0 | 0 | 1,079 |
| **TOTAL** | **77,648** | **47,404** | **552** | **17,152** | **142,756** |

7.13 It is anticipated that borrowing in 2013/14 will increase by £4.0m from the forecast in the Budget Report 2013/14 (Council 28/02/13). This increase is a primarily as a consequence of:

- £11.1m of net slippage from 2012/13 to 2013/14 and financing adjustments funded by capital allocations.
- Variations to the 2013/14 capital programme funded from capital allocations totalling £5.9m as approved to September Finance & Property Committee.
- net slippage/reduction in 2013/14 of £1.2m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

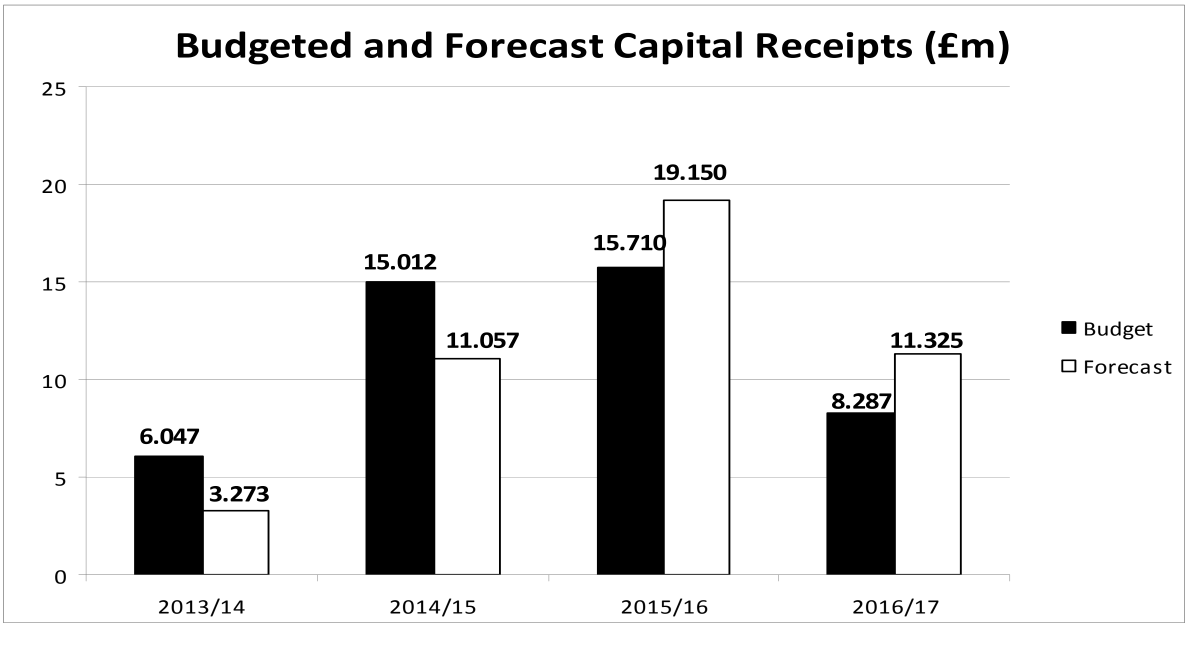
**Prudential Indicator Monitoring**

7.14 Performance against the Council's Prudential Indicators will be regularly monitored to ensure that external debt remains within both the Operational Boundary and the Authorised Limit.

**Capital Receipts Monitoring**

7.15 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. They also include an estimated £50k of vehicle receipts.

7.16 The chart below shows the budgeted and forecast capital receipts for the four years to 2016/17.



7.17 The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2013/14 (Council 28/02/2013). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery. The bars also incorporate anticipated slippage.

7.18 The forecast for 2013/14 is currently estimated to be £2.774m less than the budgeted capital receipts as a result of slippage.

7.19 The number and size of large anticipated receipts increase the risk that income from property sales will be even lower than the revised forecasts over the next three years. Although the revised forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales being lower than these forecasts. For example, a scenario in which £4m of capital receipts are realised in 2012/13 and £9m of capital receipts are realised in 2013/14 would not be considered unlikely. This would represent a reduction of £36m from the budgeted level of capital receipts for 2012-14.

7.20 Current Council policy (Budget Report 2013/14) is to set capital receipts against the principal of previous years' borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be set aside each year.

7.21 As highlighted in the Budget Report 2013/14, the Council's medium-term forecasts were predicated on an ambitious level of capital receipts. Given current concerns about further revenue reductions, it is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

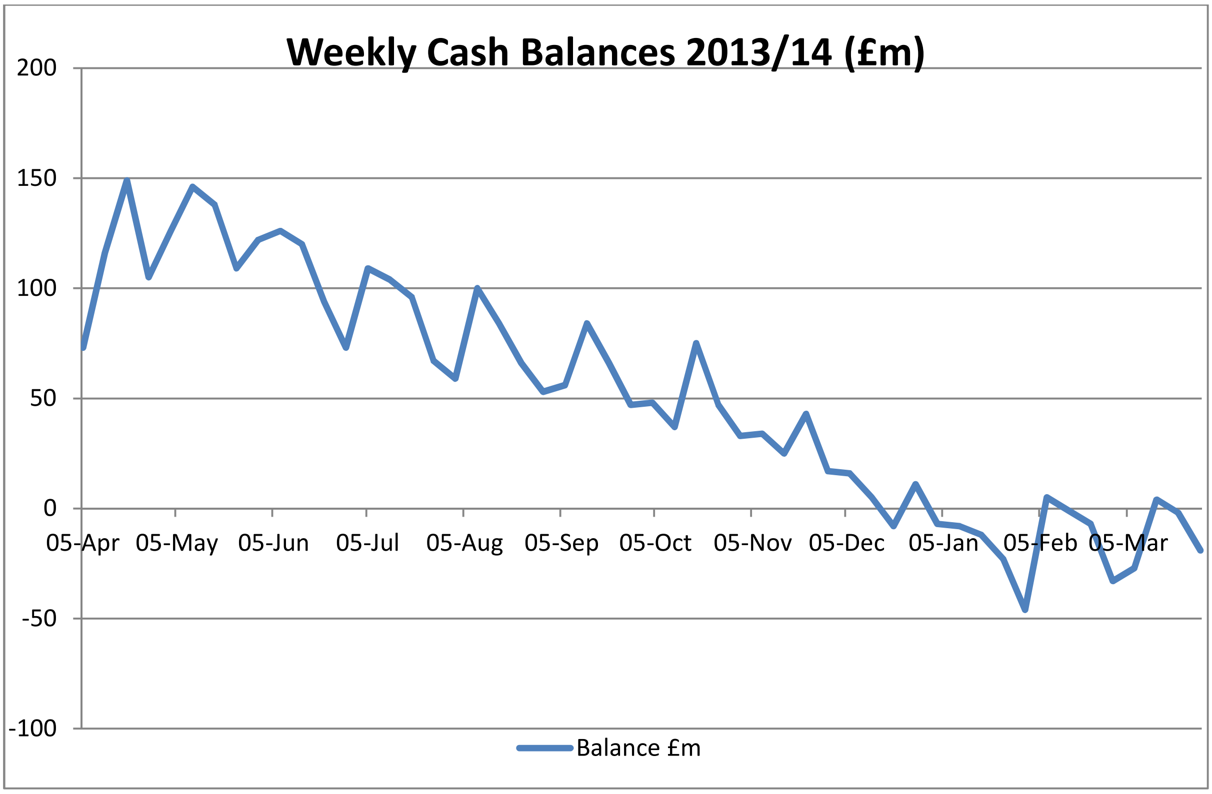
## 8. Balance Sheet

### Impact on General Fund Balances

8.1 Members approved the 2012/13 closing General Fund Balance of £42.1m (Council 11 July 2013). The 2013/14 budget approves utilisation of £15.1m of balances which will result in a closing balance of £27m at 31/03/2014, which is just over 5% of the Budget Requirement.

### Treasury Management

8.2 Cash flow is kept under constant monitoring by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group. The following graph shows the actual cash balances to date and the forecasts for the remainder of the year. 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. However, cash outflows, in particular capital expenditure, tend to occur later in the year.

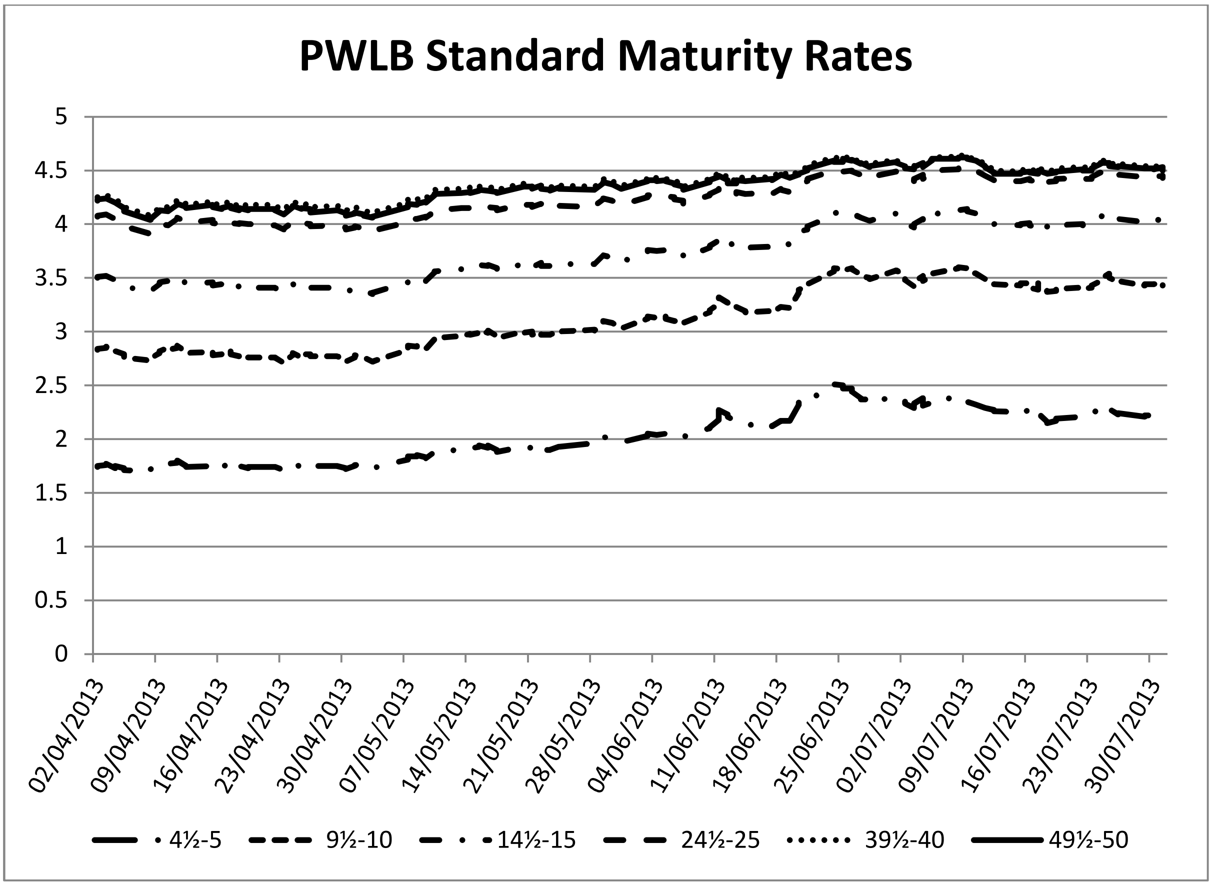



8.3 The treasury strategy for 2013/14 identified a need for additional borrowing of £10m to replenish cash reserves and £30m to fund the capital programme. The chart above indicates that sufficient cash balances will be maintained for much of the year but that external borrowing will be required towards the end of 2013.

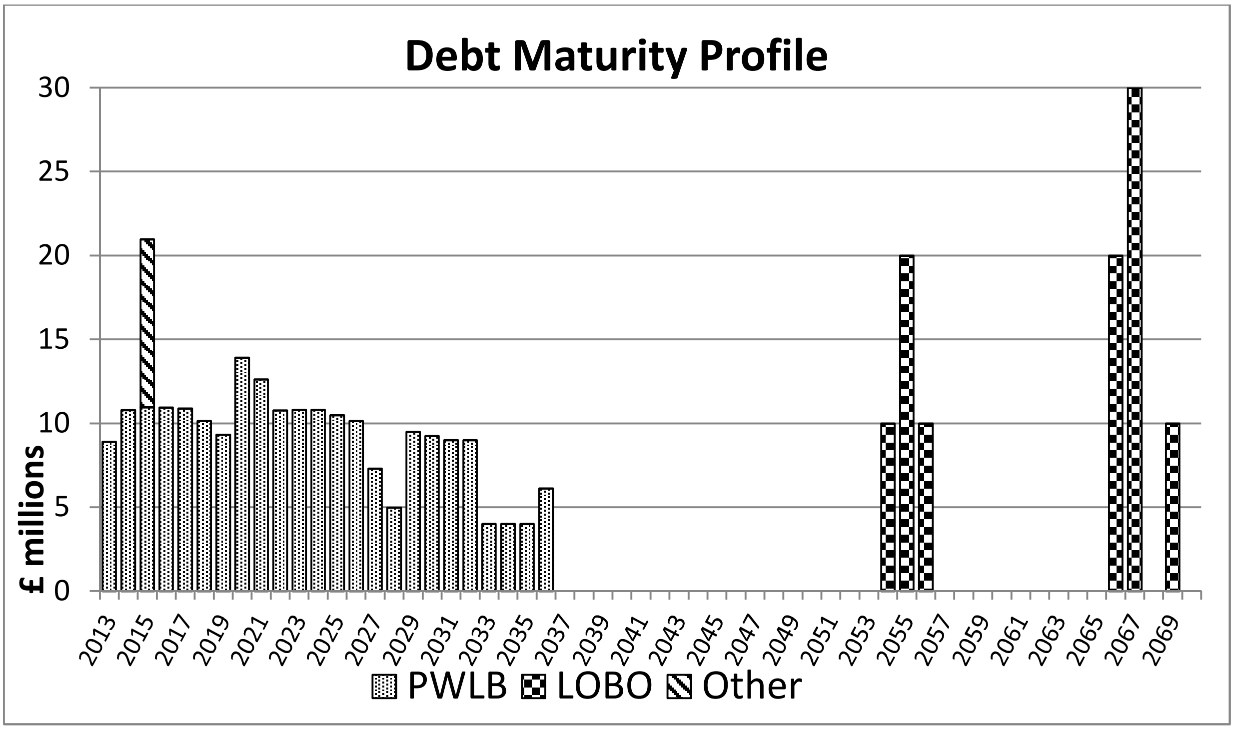
8.4 Borrowing decisions take account of a number of factors including:

- Current interest rates and recent trends
- The impact of new debt on revenue budgets
- The maturity profile of existing debt

8.5 The chart below shows the movement in standard PWLB interest rates during 2013/14 to date. Improving economic data combined with comments from the US Federal Reserve about the possible removal of quantitative easing caused gilt yields to move sharply higher during the quarter and this is reflected in PWLB rates.

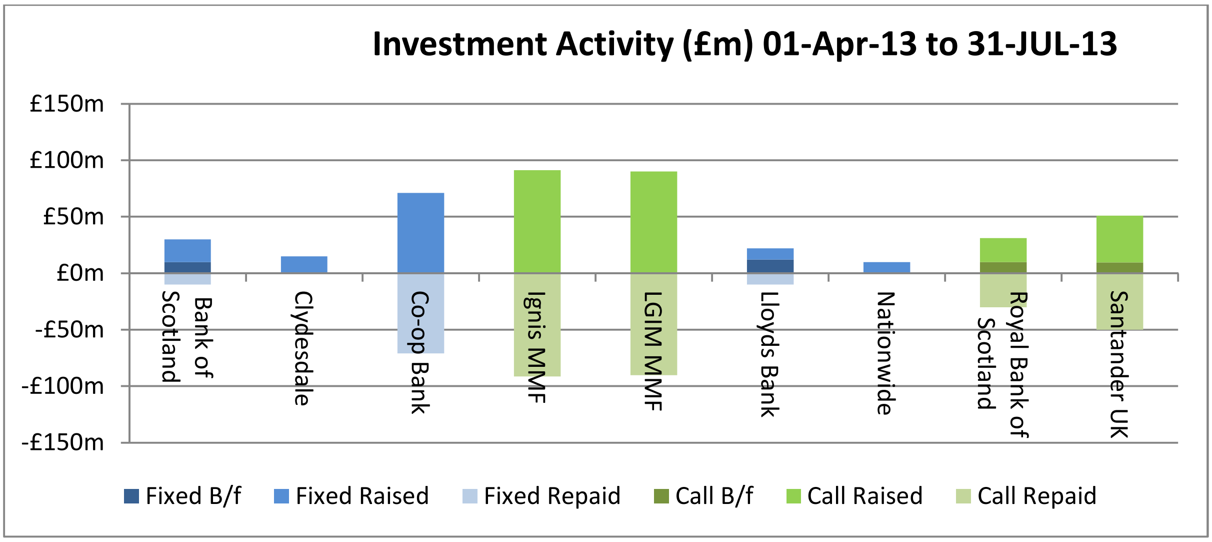


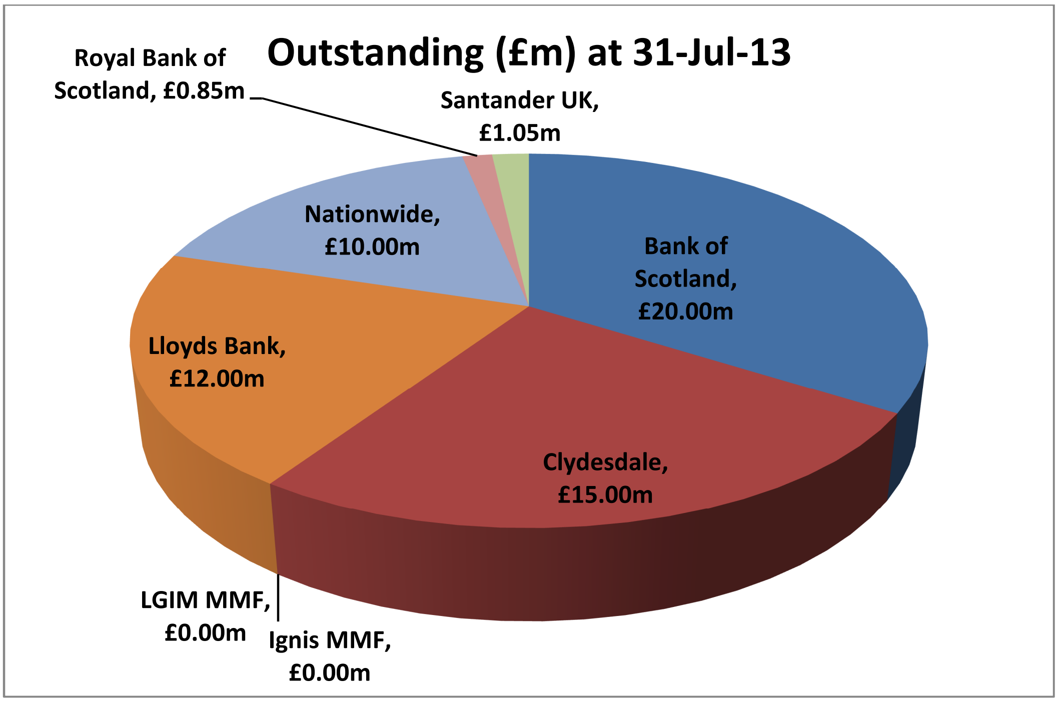

8.6 The maturity profile of the Council's debt portfolio is shown in the table below. The PWLB loans are reasonably well distributed and have a maximum duration of 23 years. Longer-term borrowing (maturities up to 56 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). The 'other' loans denote the recent borrowing from the money markets where the main objective was to minimise interest costs. These loans will be refinanced in the coming years for terms of up to 2 years, provided short-term rates continue to look favourable.




**Investments**

8.7 The Council's TM policy includes criteria for assessing counterparties for investment. Treasury Management Group approves a lending list based on these criteria and also market availability of institutions. The investment activity for 2013/14 to the end of July 2013 is shown in the charts below. Outstanding investment balances totalled £41.55 million at the start of the year and £58.9 million at the end of the period. In light of the forecast cash flow profile for 2013/14, a number of fixed term deals have been placed to take advantage of higher rates available for periods up to 364 days.






**Debt Recovery Performance**

8.8 The overall debt level has remained steady at just over £17m. The debt over 6 months has increased slightly and the percentage over 6 months has also shown a slight increase.

**Table 5 - Invoices raised Period 5 2013/14**

| | Pd 5 | Year to date |
|---|---|---|
| Number | 16,345 | 58,327 |
| Value | £11,924,108 | £53,832,086 |

**Table 6- Debt Position**

| | Residential & Domiciliary Care | All other | Total |
|---|---|---|---|
| Total | £8,654,049 | £8,647,724 | £17,301,773 |
| Over 6 months | £4,629,907 | £731,159 | £5,361,066 |
| % over 6 months | 53.5% | 8.5% | 29.8% |

8.9 Work to reduce debt levels and to target older debt includes:-

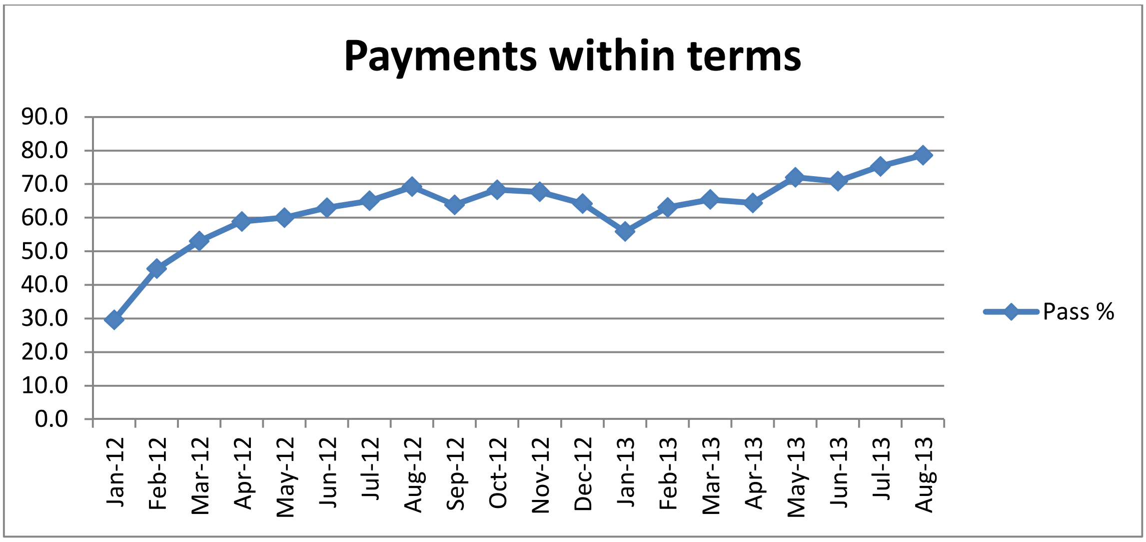
- A dedicated team focusing on non-statutory debt recovery
- Dunning cycle has now been reduced from 21 to 14 days overdue for initial reminder and from 42 to 28 days for second reminder.
- New methods of enforcement, such as the use of Third Party Debt Collection Agencies & Small Claims Court Work is being carried out within the Debt Recovery Team. This includes the recent transfer of enforcement work the issuing of legal proceedings from Legal Services to the Debt Recovery team.

- £92k of non-statutory debt has been referred to the High Court to be enforced via execution warrants. Marstons (the agency dealing with these) have levied on a number of debts resulting in payments towards old debts.
- Development of corporate invoicing standards to ensure all NCC invoices are clear as to what is being billed and how payment can be made.
- Debt Recovery team are also piloting working through to 7pm on a Wednesday to contact debtors who are working during the day. Wednesday working has taken place during the period and the outcome of this is being reviewed.
- Third Party Debt Collection Agencies are now actively pursuing debt on behalf of the Authority and some remittances have been received recently with more expected to be received next period reducing old debt.
- A Debt Recovery and Enforcement page has been designed for the Authority's website. This provides a range of details –
    - Helping firms and individuals who can't pay an invoice
    - Taking action against firms and individuals who refuse to pay an invoice
    - Collection money owed following road traffic accidents
    - Resolving disputed invoices and charges.

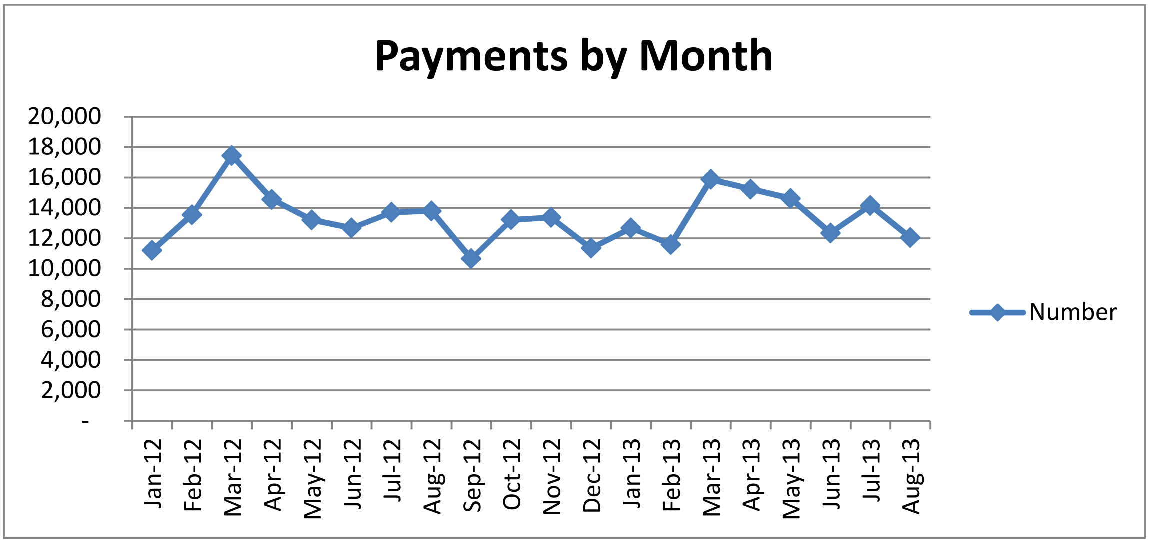
8.10 As part of the Channel Shift Project and the Debt Prevention and Recovery Project a workshop has been held to review the functionality used within the Civica system for moving more services to online pre-payment as well as providing an e-shop facility. The aim of moving more services to pre-payments is to avoid a debt situation arising in the first place. The outcomes of this workshop are being reviewed and NCC are working with Civica to increase the use of the system.

**Accounts Payable (AP) Performance**

8.11 The headline Payment within Terms percentage has increased again to 78.6% in August and exceeds the current target of 75%. This is the highest level since the introduction of SAP in November 2011.



8.12 The number of invoices paid was just over 12,000 in the month.




8.13 Work continues to improve the number of invoices paid within contractual terms including the following:-

- Significant rollout of No Purchase Order / No Pay policy. Guidance notes and improved NCC website pages have been finalised which will assist suppliers in preparing and submitting invoices. Key to this is ensuring that suppliers obtain an NCC Purchase Order number before completing work, supplying goods or raising invoices. No PO No Pay is being rolled out to all SAP only procurement suppliers. Compliance with the policy should improve the speed of payment. Rejection of non-compliant invoices for the pilot suppliers will commence shortly.
- An on-going programme to move suppliers to providing email invoices rather than sending by post. This is subject to ensuring they only send one copy and that it is in an agreed format
- On-going review and updating of all payment terms on SAP and confirmation that these agree to contractual terms per contracts.
- Regularly update business users with details of invoices in their worklists for action and request feedback on issues / problems. Specific plans are in place to review and clear old worklist items for CFCS and ASCHPP utilising additional departmental resources to assist AP in chasing outstanding items.
  Ensure business users have SAP substitutes set up so that other staff can provide cover for absences. This is particularly important at present as previously the Payment within Terms percentage has seen a decline after a holiday period (January and September).

## 9. Future developments & strategic issues

9.1 Initiatives to improve financial awareness and accountability across the Authority are continuing. The finance restructure has completed, pending a small number of vacancies which are being dealt with in line with the Council's vacancy protocol.

9.2 The Council continuously reviews the systems that support the budgeting and forecasting process. Plans are in place to design and implement a new budgeting and forecasting process in the Business Management System (BMS) with the aim to roll out, with appropriate training, in the autumn. Progress on this will be reported on a regular basis.

9.3 The Base Budget Review enabled all managers to engage in setting their own budgets for 2013/14 and a provisional outturn exercise will take place in October with all managers. This will aid understanding and ensure accurate projections for both 2013/14 and 2014/15.

9.4 The 2013/14 budget report highlighted funding shortfalls over the medium term and options to balance the Council's Medium Term Financial Strategy are being drafted for Member consideration. Public consultation has commenced and a report to November Policy Committee will outline the proposals.

## Statutory and Policy Implications

10.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## RECOMMENDATIONS

11.1 To note the current position regarding monitoring of revenue expenditure.

11.2 To note the latest procurement team performance.

11.3 To note the current position regarding monitoring of capital expenditure.

11.4 To approve the capital variations as outlined in section 7.

11.5 To note the Balance Sheet update and future developments.

**Paul Simpson Service Director – Finance & Procurement**

**For any enquiries about this report please contact:**
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Glen Bicknell - Senior Finance Business Partner, Capital and External Funding
Simon Cunnington – Senior Accountant, Pensions and Treasury Management

**Constitutional Comments (KK 27/09/2013)**
The proposals in this report are within the remit of Finance and Property Committee.

**Financial Comments (PM 20/09/2013)**
The financial implications are stated in the report and will be taken into account during the refresh of the Council's Medium Term Financial Strategy.

**Background Papers - Nil**
**Electoral Division(s) and Member(s) Affected - All**