Nottinghamshire County Council

Finance and Major Contracts Management Committee

Monday, 14 January 2019 at 14:00

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

1	Minutes of the last meeting held on 17 December 2018	3 - 4
2	Apologies for Absence	
3	Declarations of Interests by Members and Officers:- (see note below) (a) Disclosable Pecuniary Interests (b) Private Interests (pecuniary and non-pecuniary)	
4	Financial Monitoring Report Period 8 2018-19	5 - 20
5	Gedling Access Road - Progress Report	21 - 30
6	Arc Partnership Financial Update for Half Year 2018-19	31 - 36
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None

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
Date	17th December 2018 (commencing at 2.00pm)

Membership
Persons absent are marked with an 'A'

COUNCILLORS

Richard Jackson (Chair)
John Ogle (Vice Chair)

John Clarke	John Longdon
Samantha Deakin	Diana Meale
Glynn Gilfoyle	Mike Pringle
Keith Girling	Mike Quigley
Eric Kerry	

OFFICERS IN ATTENDANCE

Rebecca Atchinson	Senior Public Health and Commissioning Manager
Pete Barker	Democratic Services Officer
Michael Fowler	Category Manager - Public Health
Derek Higton	Service Director - Place and Communities
John Hughes	Group Manager - Catering and Facilities Management
Mark Knight	Commercial Development Unit Manager
Sarah Quilty	Senior Public Health and Commissioning Manager
Nigel Stevenson	Service Director - Finance, Infrastructure & Improvement

1. MINUTES OF THE LAST MEETING

The minutes of the last meeting held on 19 November, having been circulated to all Members, were taken as read and were confirmed, and were signed by the Chair.

2. APOLOGIES FOR ABSENCE

Councillor Longdon replaced Councillor Roger Jackson and Councillor Deakin replaced Councillor Hollis, both for this meeting only.

On behalf of the Committee the Chair wished Councillor Roger Jackson a swift recovery from his recent bout of ill health.

3. <u>DECLARATIONS OF INTEREST</u>

No declarations of interest were made.

4. <u>FINANCIAL MONITORING REPORT: PERIOD 7 2018/19</u>

RESOLVED: 2018/057

1. That the variations to the Capital Programme be approved, as detailed in the report.

2. That an additional allocation from the contingency budget be approved, as detailed in the report.

5. <u>COMMERCIAL DEVELOPMENT UNIT: LESSONS LEARNT</u>

RESOLVED: 2018/058

That update reports on progress made be brought to future meetings of the Committee.

6. <u>CATERING, FACILITIES MANAGEMENT AND COUNTY SUPPLIES SERVICES – SPECIALIST EXTERNAL ADVISOR SUPPORT</u>

RESOLVED: 2018/059

That the allocation of £78,000 from corporate contingencies be approved to fund the work of CIPFA C.Co in undertaking an options analysis, and subsequently developing a full business case for the future operating model for catering and facilities management services, for consideration by the Committee in March 2019.

7. <u>APPROACH TO PUBLIC HEALTH COMMISSIONING AND PROCUREMENT</u>

RESOLVED: 2018/060

That an update report on progress made be brought to the meeting of the Committee in March 2019.

8. <u>WORK PROGRAMME</u>

RESOLVED: 2018/061

That no further actions are required as a direct result of the contents of the report.

The meeting closed at 3.11pm

CHAIR

Nottinghamshire County Council

Report to Finance and Major Contracts Management Committee

14 January 2019

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

FINANCIAL MONITORING REPORT: PERIOD 8 2018/19

Purpose of the Report

1. To provide a summary of the Committee revenue budgets for 2018/19.
2. To provide a summary of capital programme expenditure to date, year-end forecasts and approve variations to the capital programme.
3. To request approval for an additional allocation from the contingency budget.
4. To inform Members of the Council's Balance Sheet transactions.

Information

Background

5. The Council approved the 2018/19 budget at its meeting on 28 February 2018. As with previous financial years, progress updates will be closely monitored and reported to management and Committee each month.

Summary Revenue Position

6. The table below summarises the revenue budgets for each Committee for the current financial year. A £5.7m net overspend is currently predicted. As a consequence of the in-year overspend and the significant financial challenges facing the Council over the medium term, the key message to effectively manage budgets and, wherever possible, deliver in-year savings is being reinforced.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 07 £'000	Committee	Annual Budget £'000	Actual to Period 08 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
5,937	Children & Young People's	122,039	83,990	128,436	6,397
(260)	Adult Social Care & Public Health	207,068	127,880	206,620	(448)
1,034	Communities & Place	123,593	94,029	124,914	1,321
(603)	Policy	35,355	28,809	34,802	(553)
(337)	Finance & Major Contracts Management	3,172	2,471	2,838	(334)
155	Governance & Ethics	7,285	4,686	7,344	59
193	Personnel	15,053	12,318	15,103	50
6,119	**Net Committee (under)/overspend**	**513,565**	**354,183**	**520,057**	**6,492**
(1,919)	Central items	(16,192)	(31,976)	(18,113)	(1,921)
-	Schools Expenditure	149	-	149	-
(200)	Contribution to/(from) Traders	698	928	498	(200)
4,000	**Forecast prior to use of reserves**	**498,220**	**323,135**	**502,591**	**4,371**
747	Transfer to / (from) Corporate Reserves	(7,215)	-	(6,468)	747
1,017	Transfer to / (from) Departmental Reserves	(8,246)	(564)	(7,671)	575
-	Transfer to / (from) General Fund	(1,529)	-	(1,529)	-
5,764	**Net County Council Budget Requirement**	**481,230**	**322,571**	**486,923**	**5,693**

Committee and Central Items

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

Children & Young People's (£6.4m overspend, 5.2% of annual budget)

7. The overspend has been caused primarily by rapidly increased demand for children's care services. Allied with unavoidably high unit costs this has had a large impact on demand led budgets. Child in Need cases have also increased significantly. This increased demand is also being experienced nationally and consequently adds additional market pressures.

8. The major contributing variances are:

   - Staffing in Hard to Recruit Teams (including leaving care, looked after children (LAC), emergency duty etc) and other Social Work teams is forecast to overspend by £2.0m due to a combination of staffing changes including permanent recruitment to vacancies, temporary staff to respond to workload issues and agency workers. This includes the Assessment and District Child Protection Teams which continue to have high demand and caseloads. The agency challenge panel continues to approve all usage of agency staff.

   - External Placements for Looked After Children (LAC) are forecast to overspend by £5.0m, of which £2.0m is due to the recent and sustained growth in the number of Independent Fostering Agency (IFA) placements which are not expected to significantly reduce over the year, together with £2.7m Residential and £0.9m on semi-independent spot placements. This is partially offset by a contribution from the Troubled Families Reserve of £0.6m. Over the past 12 months the number of children in care has risen by approximately 12%, from 790 to 884. The average cost of a looked after child is £62,500 with some placements being significantly more. The budget construction for the LAC placement budget was predicated on stability of the LAC numbers at 790 and as a result the budget has overspent. Additional cost is also being incurred as a result of price rises in the care market as demand outstrips supply. Considerable work has been undertaken to better predict future need and to construct appropriate budgets, although the situation will remain volatile.

- There is a forecast underspend of £0.2m on Supported Accommodation due to the decommissioning of one supplier contract.

- There is a forecast underspend of £0.4m in Early Help Services due to increased income generated by outdoor education in accordance with their commercial development, together with underspends in the Family Service.

9. A number of budget control measures are in place across the Children and Young People's Committee as follows:

   - Instruction to all Group Managers to scrutinise and restrict all non-essential expenditure. This will be followed up with a further "line by line" budget review.

   - Ongoing challenge and development of existing block contracts for residential care.

   - Proposed increased frequency of Agency Worker Challenge Panels.

   - Bringing forward proposals to increase the number of internal foster carers.

   - Various measures will be implemented through the department's Remodelling Practice programme (fieldwork staffing arrangements).

Communities & Place (forecast £1.3m overspend, 1.1% of annual budget)

10. There is currently a forecast overspend of £1.7m against the SEND / home to school transport budget. A review of transport provision is currently taking place with reference to changing demand and the efficiency of routes. A retendering process has been undertaken and the results of this exercise will be reported in due course.

11. The budget for concessionary fares is forecast to underspend by £0.5m following favourable contract settlement values with transport operators.

12. The highways retained client budget is forecast to underspend by £0.1m due mainly to additional income on residential parking permits.

13. The Waste Retained Client budget is forecast to overspend by £0.2m due to reduced levels of trade waste income, together with increased costs of recycling credits to the district councils.

Policy (forecast £0.6m underspend, 1.6% of annual budget)

14. The committee is reporting a forecast underspending of £0.6m. This mainly relates to:

- An underspend of £0.3m due predominantly to less use of external legal advisers during the IICSA than originally anticipated, whose work was focussed on the public hearing process, rather than the preparation of the corporate witness statement(s), which was led by the Council. The IICSA team budget is funded from a corporate reserve, so there is a corresponding overspend to reflect a reduced drawdown.
- Vacancies savings of £0.2m within the ICT Helpdesk and associated with the move to the Cloud Project, together with vacancy savings of £0.1m in the property commissioning team.

Trading Services

15. County Supplies are forecasting a deficit of £0.5m, £0.3m is associated with trading losses and £0.2m with their recent relocation to Huthwaite. There is no reserve to cover this overspend.

16. The anticipated draw-down from Cleaning, Catering and Landscapes Services Reserves to fund deficits/savings is £1.0m, from current Reserve balances of £1.1m, meaning any similar losses in 2019/20 would be largely unfunded. This does not include potential redundancy costs resulting from any future restructure.

17. The remaining trading services are predicting a surplus of £0.7m which will be transferred to reserves to fund capital projects or smooth future losses.

Central Items (forecast £1.9m underspend)

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

19. At the time of setting the 2018/19 budget, several funding allocations had not been announced, specifically with regard to the impact of business rates revaluations and, therefore, assumptions about certain grants were made based on the best information available at the time. Throughout the year confirmations are received and current forecasts suggest a net additional grant of £2.8m will be received in 2018/19.

20. Interest payments fluctuate depending on expectations of future rates and anticipated slippage on the capital programme. Current Treasury Management forecasts suggest a net underspend on interest of £0.9m. There is a net £0.2m underspend across the other central items.

21. Employer's pension contributions are currently predicted to over-recover (£0.5m) the amount required by the actuary to fund the deficit. As per previous practice, the final surplus amount will be transferred to the pension's surplus reserve to cover potential under-recoveries in the future.

22. In-year capital expenditure and capital receipt forecasts continue to be monitored and an assessment to agree a prudent Minimum Revenue Provision (MRP) charge will be made as part of the final accounts process.

23. The Council's budget includes a main contingency budget of £5.5m to cover redundancy costs, slippage of savings, additional requirement for the 2018/19 pay award and unforeseen events. Following a half yearly review of the commitments made against this contingency, a forecast underspend of £1.0m has been identified. This will continue to be reviewed throughout the year.

24. Also, in 2018/19 a number of demand and inflationary pressures have been identified that have a high degree of uncertainty with regard to likelihood, value and profiling. As such, an additional provision of £4.1m has been made within contingency to fund these pressures should they arise. Finance and Major Contracts Management Committee or the Section 151 Officer are required to approve the release of contingency funds.

25. To date the Section 151 Officer has approved release of £0.7m to fund pressures that have now materialised, leaving £3.4m left in the additional contingency budget. This will continue to be assessed throughout the year.

26. The Government announced at their national conference that there will be an additional emergency payment to Local Authorities of £240m to cover Adult Social Care winter pressures available in 2018/19. For Nottinghamshire, this has meant an additional payment of £3.5m. This has now been incorporated within the Adult and Social Care Committee budget.

Requests for Contingency

27. A £163,663 request for contingency was submitted to Policy Committee in December 2018 to fund the cost of proposed work to complete the Property Transformation Programme.

28. A further contingency request was submitted to Policy Committee in December 2018 to provide the resources required to deliver and assure major projects within the Place Department. The contingency requested was for £100,000 in 2018/19 and up to £650,000 per annum in 2019/20 and 2020/21.

Progress with savings and risks to the forecast

29. Council on 28 February 2018 approved savings proposals of £15.6m for delivery over the four year period 2018-22. These proposals are in addition to those approved previously by County Council. Officers will continue to monitor the deliverability of individual schemes and targets as part of the budget monitoring process and reflect achievability in the forecast outturn. The progress of the Council's current savings programme is reported to the Improvement and Change Sub-Committee on a regular basis. This report highlights all projects that are either experiencing obstacles or are at risk, the latest being 7 January 2019.

30. The Improvement and Change Sub-Committee has approved the following change requests to existing savings, these will be factored into the MTFS :-

- A reduction in the achievability of the contracts review saving in Children and Young People's Committee by £160,000.

- An acceleration of the Targeted Reviews saving moving £2.0m from 2020/21 into 2019/20 within Adult Social Care and Public Health Committee.

- An overall write off of £97,000 relating to Statutory School Transport within Community and Place Committee.

31. The approved 2018/19 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. 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.

Balance Sheet
General Fund Balance

32. Members approved the 2017/18 closing General Fund Balance of £30.9m at Council on 12 July 2018. The 2018/19 budget approves utilisation of £1.6m of balances which will result in a closing balance of £29.3m at the end of the current financial year. This is 6.1% of the budget requirement.

Capital Programme

33. Table 2 summarises changes in the gross Capital Programme for 2018/19 since approval of the original Programme in the Budget Report (Council 28/02/18):

Table 2 – Revised Capital Programme for 2018/19

	2018/19 £'000	 £'000
Approved per Council (Budget Report 2018/19)		112,771
Variations funded from County Council Allocations : Net slippage from 2017/18 and financing adjustments	15,367	
		15,367
Variations funded from other sources : Net variation from 2017/18 and financing adjustments	(3,422)	
		(3,422)
Revised Gross Capital Programme		**124,716**

34. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 8.

Table 3 – Capital Expenditure and Forecasts as at Period 8

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 8 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	40,333	12,715	23,961	(16,372)
Adult Social Care & Public Health	4,592	726	3,523	(1,069)
Communities & Place	58,189	22,858	49,525	(8,664)
Policy	20,651	6,897	18,487	(2,164)
Finance & Major Contracts Mngt	180	23	180	-
Personnel	256	-	7	(249)
Contingency	515	-	515	-
Total	**124,716**	**43,219**	**96,198**	**(28,518)**

Children & Young People's

35. In the Children and Young People's Committee capital programme, a forecast underspend of £16.4m has been identified. This is mainly due to £9.3m forecast slippage against the School Places Programme. The majority of existing commitment is for primary education places. Re-profiling of the budget is required as the remaining provision is to be allocated, in the main, to Secondary School pressures in 2019/20. These are currently being assessed as to where the allocation is most required.

36. Also in the Children and Young People's Committee, a forecast underspend of £4.7m has been identified against the School Building Improvement Programme. There were initial delays to commissioning the programme as a result of late notification of grant amounts. All schemes are now commissioned and will progress in this financial year but are likely to complete in 2019/20.

37. Also in the Children and Young People's Committee, a forecast underspend of £2.7m has been identified against the Bestwood Hawthorne Replacement School project as the forecast spend is re-profiled to reflect the proposed delivery of the scheme.

Adult Social Care & Public Health

38. In the Adult Social Care and Health capital programme a forecast underspend of £1.1m has been identified. This is mainly due to £0.8m slippage against the Supported Living programme as every effort has been made to achieve the objectives of this programme without the requirement to use borrowing. Slippage of £0.3m has also been experienced against the County Horticulture project.

It is proposed that the Adult Social Care and Public Health capital programme is varied to reflect the slippage against the Supported Living and County Horticulture projects.

Communities & Place

39. In the Communities and Place Committee capital programme, a forecast underspend of £8.7m has been identified. This mainly relates to a re-profiling of the Gedling Access Road (GAR) project (£10.5m). As reported to Communities and Place Committee on 8 November 2018, the GAR funding has been re-profiled to reflect the complexities of delivering a large infrastructure project. The re-profiled funding reflects the current delivery programme.

40. This underspend is offset by a forecast £2.1m overspend against the Road Maintenance and Renewals Programme. This as a result of the Authority being successful in accelerating delivery of the programme to further improve the condition of roads across the county.

41. Also in the Communities and Place Committee capital programme, a variation to the capital programme is required to reflect the £1.6m additional Department for Transport (DfT) capital grant previously received to fund pothole action and flood resilience in the current financial year.

It is proposed that the Communities and Place capital programme is varied to reflect the additional DfT capital grant received.

Policy

42. In the Policy Committee capital programme a forecast underspend of £2.2m has been identified. This is mainly due to a £1.0m forecast slippage against the Land Release Fund project in Eastwood as work continues to ensure that the Council generates best value from the grant. In addition, a £1.5m forecast re-profiling against the Journey to the Cloud project has been identified.

It is proposed that the Communities and Place capital programme is varied to reflect the re-profiling of the Land Release Fund and Journey to the Cloud projects.

Financing the Approved Capital Programme

43. Table 4 summarises the financing of the overall approved Capital Programme for 2018/19.

Table 4 – Financing of the Approved Capital Programme for 2018/19

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People's	24,306	15,763	125	139	40,333
Adult Social Care & Public Health	3,268	1,324	-	-	4,592
Communities & Place	17,263	38,613	1,501	812	58,189
Policy	19,401	1,214	-	36	20,651
Finance & Major Contracts Mngt	-	-	-	180	180
Personnel	256	-	-	-	256
Contingency	515	-	-	-	515
Total	**65,009**	**56,914**	**1,626**	**1,167**	**124,716**

44. It is anticipated that borrowing in 2018/19 will increase by £0.5m from the forecast in the Budget Report 2018/19 (Council 28/02/2018). This increase is primarily a consequence of:

- £15.4m of net slippage from 2017/18 to 2018/19 and financing adjustments funded by capital allocations.
- Net slippage in 2018/19 of £14.9m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

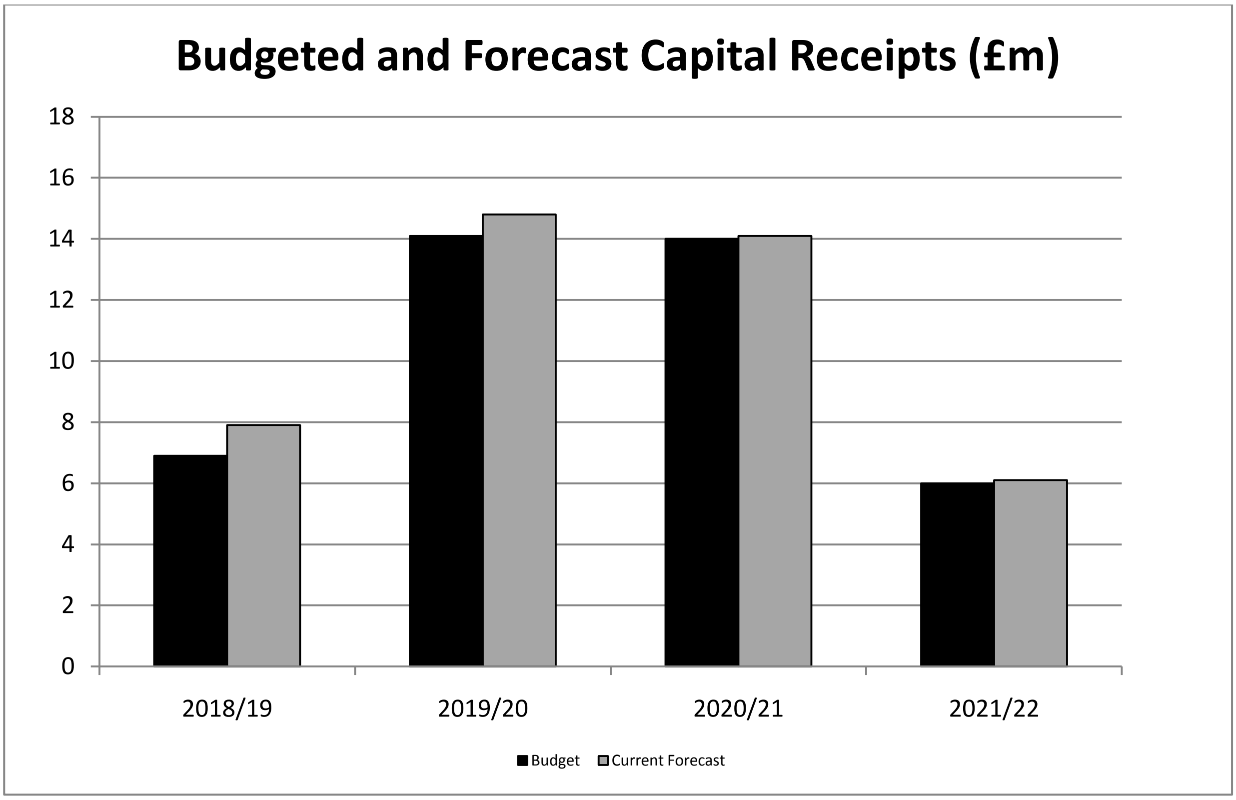
Prudential Indicator Monitoring

45. 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

46. 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.

47. The chart below shows the budgeted and forecast capital receipts for the four years to 2021/22.



48. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2018/19 (Council 28/02/2018). These capital receipts budgets prudently incorporated slippage, giving a degree of "protection" from the risk of non-delivery.

49. The capital receipt forecast for 2018/19 is £7.9m. To date in 2018/19, capital receipts totalling £0.5m have been received.

50. 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.

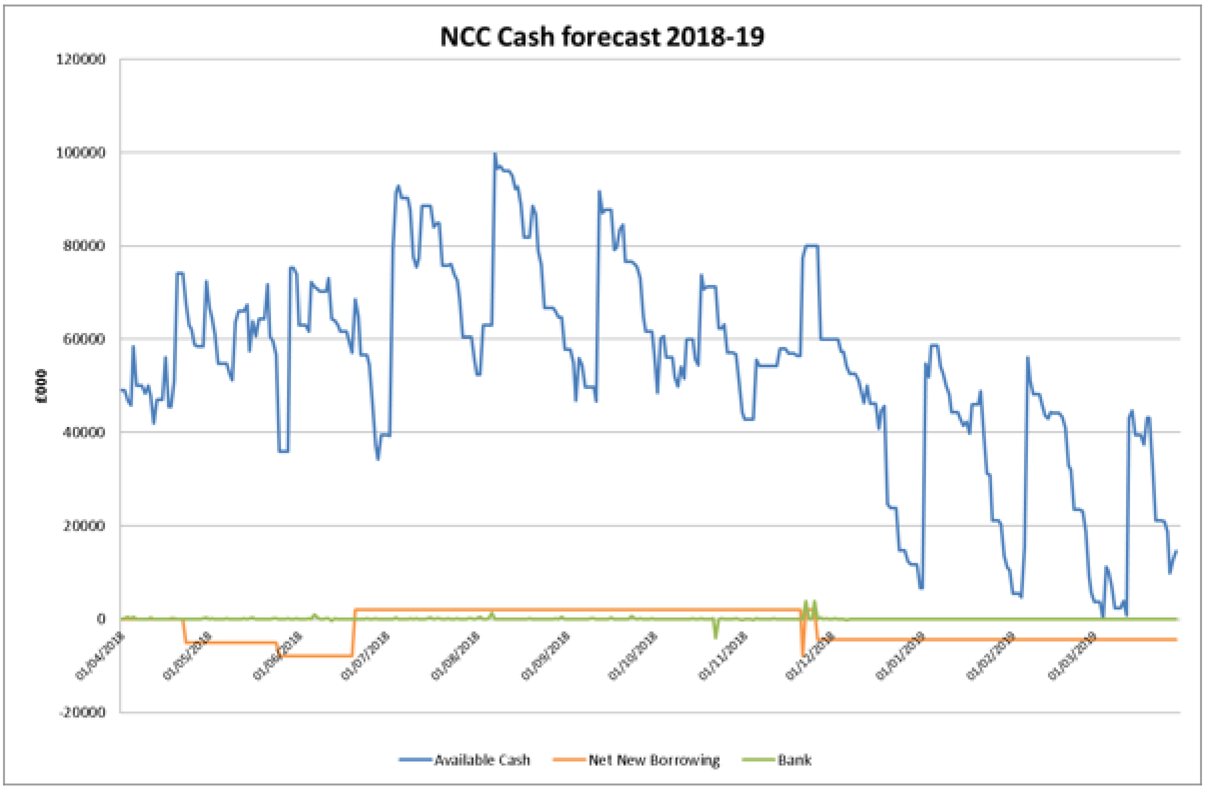
51. Current Council policy (Budget Report 2018/19) is to use the first £5.4m of capital receipts to fund in-year transformation costs. Any capital receipts in excess of this will be set against the principal of previous years' borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be 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

52. 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.

53. The Cash forecast chart below shows the forecast cash flow position for the financial year 2018/19. Cash inflows are typically higher at the start of the year due to the front loading

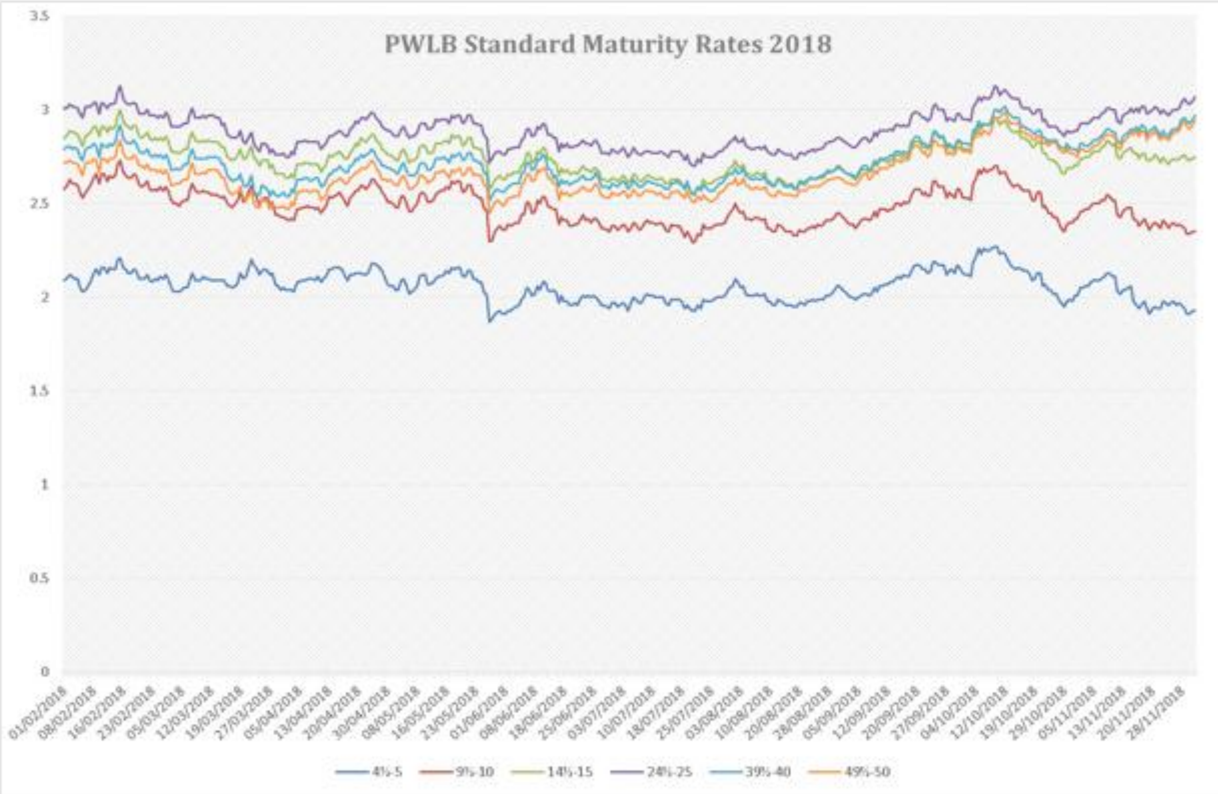
receipt of Central Government grants, and the payment profile of precepts. Cash outflows, in particular capital expenditure, tend to increase later in the year.



54. 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.

55. The Treasury Management Strategy for 2018/19 identified a need to borrow approximately £45m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. After the 2017/18 accounts closure this forecast was revised to £52m. £10m of this was taken in June and a further £10m in November. £24.3m of debt has been redeemed over the same period. This includes a £10m LOBO from Royal Bank of Scotland (RBS). 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 2018 to date.

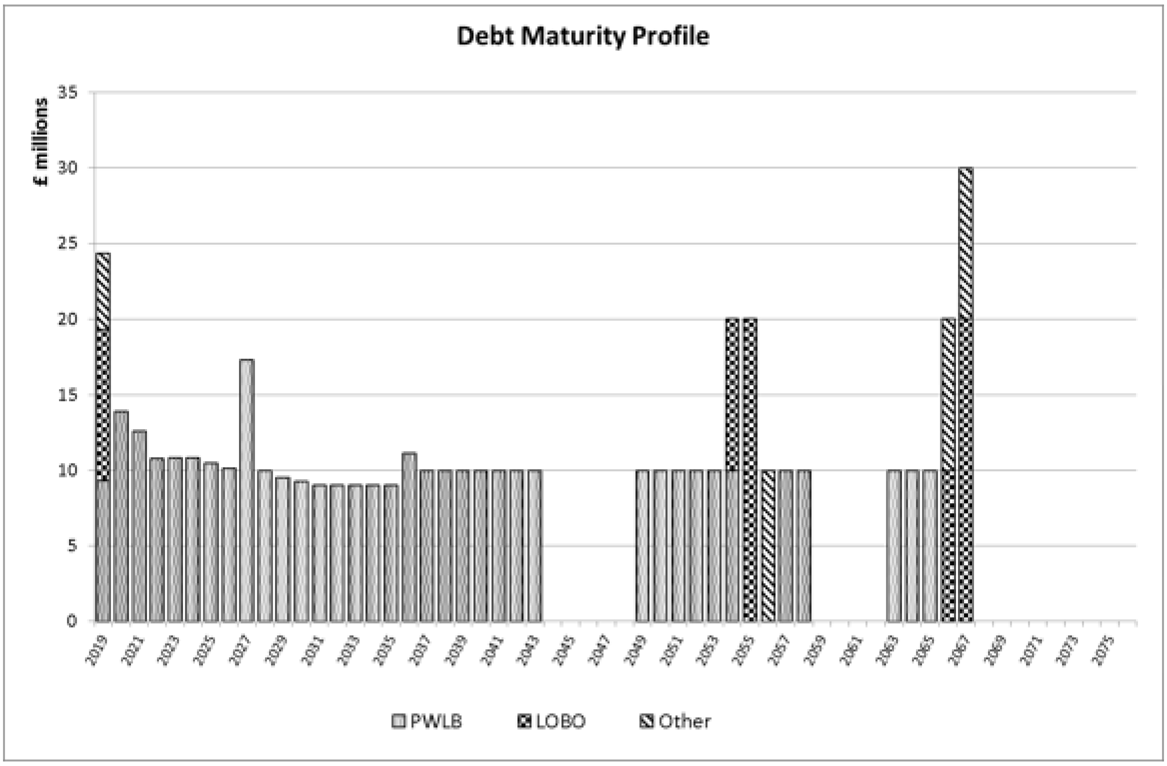


56. Borrowing decisions will take account of a number of factors including:
    - expected movements in interest rates
    - current maturity profile
    - the impact on revenue budgets and the medium term financial strategy
    - the treasury management prudential indicators.

57. 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 47 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.

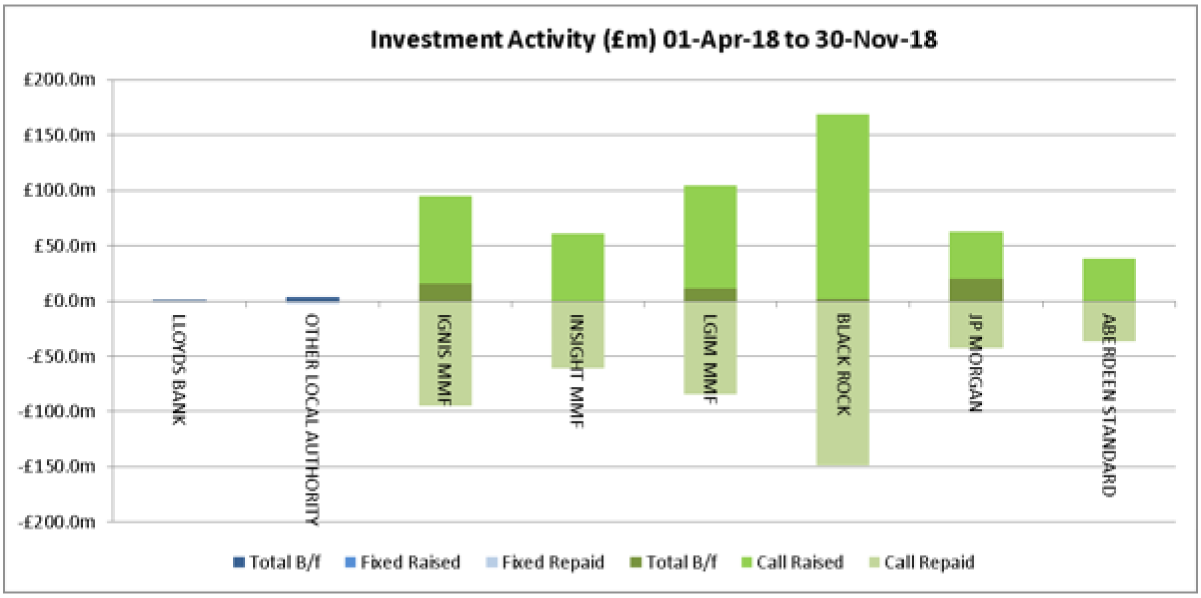
58. Longer-term borrowing (maturities up to 51 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the 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. A £10m LOBO was redeemed in November 2018 following an offer from RBS.

59. The 'other' loans denote borrowing from the money markets where the main objective was to minimise interest costs, and also includes loans from Barclays Bank that were converted from LOBOs to fixed-term loans in 2016.



60. The investment activity for 2018/19 is summarised in the chart and table below. Outstanding investment balances totalled £54m at the start of the year and £63m at the month-end.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
Lloyds Bank	1,000	-	-	1,000
Other Local Authority	3,500	-	(2,500)	1,000
IGNIS MMF	15,500	79,150	(94,650)	-
INSIGHT MMF	-	60,950	(60,950)	-
LGIM MMF	11,400	93,470	(84,870)	20,000
Black Rock	2,150	166,800	(148,950)	20,000
JP Morgan	20,000	42,300	(42,300)	20,000
Aberdeen Standard	-	38,050	(36,850)	1,200
Total	**53,550**	**480,720**	**(471,070)**	**63,200**



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

Statutory and Policy Implications

62. 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 the variations to the capital programme.

3) To approve the additional contingency request.

4) 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 02/01/2019)

63. Pursuant to Part 4 section 21 of the Nottinghamshire County Council's Constitution the Finance and Major Contracts Management Committee has the delegated authority for all decisions within the control of the Council including but not limited to responsibility for the

financial management of the Authority. The recommendations contained within this report fall within the delegated authority to this Committee

Financial Comments (GB 02/01/2019)

64. 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

Nottinghamshire County Council

Report to Finance & Major Contracts Management Committee

14 January 2019

Agenda Item: 5

REPORT OF CORPORATE DIRECTOR, PLACE

GEDLING ACCESS ROAD – PROGRESS REPORT

Purpose of the Report

1. To inform the Committee of progress on the Gedling Access Road.

Information

2. The Gedling Access Road (GAR) is a new highway which will be a classified road from the B684 Mapperley Plains in a south-easterly direction for a 3.8 km to its junction with the A612 at Trent Valley Road / Nottingham Road. The attached drawing GAR/NCCL01 shows the route of the GAR.

3. There have been a number of reports that have been provided to relevant committees on the GAR for both approvals and endorsing, these are listed as background papers.

4. The primary objective of the GAR is that it will enable the sustainable redevelopment of the former Gedling Colliery / Chase Farm site and adjoining land for mixed-use purposes by providing safe and adequate access to the proposed residential, employment and community related uses envisaged for these sites.

5. The secondary objective of the GAR is that it will also provide a ‘bypass’ link to the east of Gedling, with the wider road network and consequently Nottingham City Centre. The construction of GAR will have positive impacts to the transport network by improving connectivity of the local road network and reducing traffic flows along the A6211 Arnold Lane / Main Road corridor thereby reducing traffic congestion in Gedling Village. Such roads are at present either at, or nearing, capacity and therefore provide neither a safe nor a pleasant environment for both local residents and drivers.

6. The transport user benefit appraisal for GAR indicates that journey time savings and other safety and efficiency benefits are worth at least £73 million (Present Value of Benefits) and this generates a benefit to cost ratio (BCR) of 2.4 against the total scheme costs (Present Value of Costs). The economic case submitted as part of the Full Business Case to the D2N2 Local Enterprise Partnership (LEP) has passed independent assessment.

7. It is considered that there is a robust case for the GAR, and subject to statutory procedures being successfully confirmed GAR will be delivered in advance of Keepmoat Homes reaching the limit of 315 dwellings on the former Gedling Colliery site permitted without the GAR.

8. The last scheme update for GAR was provided to the Communities and Place Committee meeting on 8th March 2018. This report is intended to give an update of work completed since the previous report including:

- Compulsory Purchase Order and Side Roads Order;
- Finance and Procurement; and
- Timeline.

9. The work completed and progress to date reflects the complexities and the many interdependencies associated with the delivery of major projects. In this case there are funding agreements with multiple partners, planning requirements and design challenges that have required resolution prior to making the necessary Statutory Compulsory Purchase and Side Road Orders.

Compulsory Purchase Order and Side Road Orders

10. At the Transport and Highways Committee meeting of 19 March 2017 approval was given to make, advertise, obtain confirmation and implement a Compulsory Purchase Order (CPO) and Side Roads Order (SRO) required to construct the GAR.

11. Due to the number of land interests involved, as has previously been considered and reported, it will be necessary to make the CPO to deliver the scheme. Whilst every endeavour is made to acquire land by negotiation, in order to ensure scheme delivery, it is standard practice that CPO powers are progressed simultaneously with land acquisition. Where agreement for sale is reached, the plot of land will be removed from the CPO confirmation. In order to ensure proper process specialist advice has been sought throughout.

12. The Nottinghamshire County Council (B684 to A612 Link Road) A6211 Gedling Access Road (Side Roads) Order 2018 and The Nottinghamshire County Council (Gedling Access Road) Compulsory Purchase Order 2018 (the SRO and CPO together being the Orders) were made by the County Council on the 25th October 2018 with notices posted on site and in the press on:

- SRO – in the Nottingham Post and London Gazette on 8th November 2018; and
- CPO – in the Nottingham Post on the 8th and 15th November 2018.

13. Notices and supporting documentation have been sent to all affected parties as detailed in the Schedules included in the CPO. Full sets of the Order documentation were also placed on deposit in four local libraries and at County Hall, as prescribed through statutory process. A 6-week consultation period for affected or interested parties expired on the 21st December 2018, the information sent out explains how an objection to the proposals can be lodged. The consultation period was dictated by the SRO.

14. The Order Land has a total area of approximately 40.1ha. This comprises 31.4ha for which title to the land is required, this includes 1.9ha of existing public highway. The remainder is made up of land over which rights or enabling works are required.

15. Currently there are 22 plots of land, covering 15 landowners under private ownership, required to deliver GAR. The remaining land is in public-sector ownership. Over 18ha (57%) of the 31.4ha required for GAR for which title of land being acquired is classified

solely as agricultural land, other significant classifications of land include 3.5ha of wooded area, 1.9ha of existing public highway, 1.8ha of disused quarry and 2.1ha of the County Park.

16. All objections are submitted through the National Transport Casework Team (NTCT) at the Department for Transport. The County Council have been advised that eight objections have been received from parties affected by the Orders. All of these are being reviewed and responses being provided including offers to meet the objectors and their representatives to discuss the content in detail with a view to reaching a resolution.

17. If necessary, the Secretary of State issues a letter to the County Council as acquiring authority to set the date for the Inquiry and sets out the deadline for the acquiring authority to serve its statement of case. Any such letter will be triggered on the 1st February 2019.

18. There have also been eight representations submitted to the NTCT regarding the proposed temporary closure of Lambley Lane that was detailed in the Statement of Reasons produced to support the Orders. These representations are not a provision of the Side Roads Order and any closure would be the subject of a separate, temporary traffic management regulation order which would be made by the County Council as Local Highway Authority. The County Council are aware of concerns raised by local residents and businesses and are committed to ensuring that any disruption is kept to a minimum. Further work will be undertaken as part of the programming of the construction for the GAR to consider how the earthworks can be managed to minimise the length of time required for any road closures taking into account local concerns and ensuring that the construction activities are carried out safely.

19. A further report will be taken to the relevant committee updating on the requirements and dates of any Public Inquiry once further details are known. In the meantime, work is ongoing to acquire land and rights by negotiation and to resolve any objections received.

Finance and Procurement

20. The funding package and scheme costs previously reported are considered still to be valid, scheme costs will be updated through the procurement method described in this report. The funding package required to deliver GAR totals £40.899 million.

21. The chosen procurement route from the construction works for the GAR has been through the Midlands Highways Alliance (MHA) Medium Schemes Framework (MSF) of which NCC is a member. Via EM had been working with a contractor under the framework but unfortunately it was not possible to reach a point to enter into contract prior to the expiry of MSF2 in June 2018.

22. Its replacement MSF3 is available to use and the County Council is currently in the process of selecting a framework contractor to deliver GAR.

23. Using the framework helps to reduce procurement costs and gives greater flexibility over the timings of construction compared to a traditional tender route. However, the major benefit of the framework is that it enables a significant period of Early Contract

Involvement (ECI) with a Framework Contractor. This is a collaborative approach and key benefits includes enabling the contractor to input into the design process, key suppliers and sub-contractors being involved in decisions at an early stage, carry out value engineering, assist in the management of risk and fix a target price for the works.

24. Via on behalf of NCC have successfully used the MSF2 framework to deliver other major highway projects including the Hucknall Town Centre Improvement Scheme (contract value £8.5 million) and Hucknall Rolls Royce (£3.1 million), this has provided experience and knowledge of working with NEC contracts and in particular the target cost option. The same teams are working on the GAR and are using the experience gained in preparing the works information and contract documentation for the GAR.

25. As required by MSF3, work is underway to produce a scoping document for the contract that will enable ECI to be undertaken with the selected Contractor and for a target cost to be agreed for the delivery of GAR. Once the scope is agreed, at this stage, there is a contract in place to deliver GAR, this will give flexibility to work within timescales around land acquisition and a potential Public Inquiry. The contract provision requires a formal project instruction to be issued to the Contractor to move to the construction phase, providing an opportunity for the County Council to seek formal committee approval and ensure that the costs are within the funding available.

Timeline

26. The construction dates referenced below are based on a requirement to hold a Public Inquiry, with an alternative timeline for construction based on consideration that no objections to the Scheme are received or that such objections will be resolved without the need to hold a Public Inquiry.

27. **GAR construction – without a Public Inquiry**

- GAR onsite (main contract works) – Summer 2019;
- GAR complete – End of 2020 (based on 18-month main contract works programme).

28. **GAR construction – with a Public Inquiry**

- GAR onsite (main contract works) – Winter 2019;
- GAR complete – Summer 2021 (based on 18-month main contract works programme).

29. In either indicative scenario, GAR would be open for traffic in advance of the 315 dwellings being occupied on the former Gedling Colliery site, based on current projections.

30. The delivery timescales for GAR are challenging reflecting the complexities of delivering a large infrastructure project with a range of landowners, funding streams, ecology and engineering issues in relation to a former colliery site.

31. Whilst an allowance is considered to cover any Public Inquiry the exact length of any such process is difficult to determine and outside the control of the County Council. Significant investment has already been made, for example diversions to utility works and the completion of the first phase of advanced drainage works. In addition, further

opportunities are being considered to ensure that critical tasks are completed to help reduce the risk to delivery and to keep within an 18 month build programme. The County Council is using its best endeavours to deliver this project as soon as possible.

Other Options Considered

36. There have been numerous options surrounding the alignment and route details which have been considered through the design and planning process. A collaborative approach has been taken to the project and key partners have met regularly throughout the planning process and this has been formalised into revised governance arrangements for the Gedling Housing Zone delivery. Extensive consultation has been undertaken on the GAR.

37. The detail in each legal agreement has been through various iterations as a result of ongoing negotiations and is designed to reflect the interdependencies between the projects and meet the needs of all parties, whilst meeting all relevant financial and legal requirements. For NCC this has been done to protect the authority and minimise risk through pre-requisites that have to be met and link with key milestones to provide project assurance as the project develops.

Reason/s for Recommendation/s

38. The GAR will enable a key development site to be realised and unlock much needed development land. The former Gedling Colliery / Chase Farm site is identified as an area of future housing development in the Aligned Core Strategy (ACS), as it is a key strategic site on the urban edge of Nottingham and viewed as a priority for GBC. The site has a status of strategic location.

39. The delivery of GAR will also complete the long-awaited bypass of Gedling village and achieve strategic transport objectives in keeping with the third Nottinghamshire Local Transport Plan (2011-2026).

Statutory and Policy Implications

40. 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

41. The delivery of both the GAR and Gedling Colliery development are linked as a result of the complex funding arrangements as previously reported.

42. NCC will ensure that all conditionality aspects are addressed before the CPO is implemented and substantial liability under construction contracts is triggered. Before the Secretary of State can confirm any CPO required, they must first be satisfied that

the GAR scheme is fully funded.

43. Based on current scheme estimates and work previously undertaken the GAR is deliverable with sufficient funding streams to cover anticipated costs. Under terms of the grant funding agreements including the full business case submission to D2N2 LEP the County Council, will also need to accept responsibility for meeting any costs over and above the current contributions through the D2N2, CIL and from the developer. This is the current view and understanding from partners. Details of the risk of a shortfall and the need to be underwritten by the County Council were also included and approved in the Finance and Property Committee meeting on 24 March 2014.

44. The funding stream contributed to by each development partner is as follows:

- Land and Enabling Works
  - HCA - £7.17 million;
- Construction (including design)
  - NCC Capital - £5.4 million;
  - D2N2 - £10.8 million (outline business case approval obtained, full approval required as discussed below);
  - Housing Developer (Keepmoat) - £17 million including Community Infrastructure Levy (CIL) liabilities of £4.488 million via GBC;
  - Section 106 contributions - £0.529 million (£0.436 from Teal Close development).
  - Total: £40.899 million

45. The current costs are shown in Table 1, as follows:

Table 1: Current Costs

Costs (millions)	**Comments**
£26.427	Construction costs (2016 prices)
£1.581	Diversion works to services during main construction works
£0.273	Diversion works to services outside of main construction works (including diversion of gas services already done on Arnold Lane)
£28.281	**Construction Total**
£1.755	Inflation (assumed 7.35%) – based on current BCIS All In Tender Prices
£0.061	Advanced Works
£1.273	Contingencies (5%) on construction costs and services during construction
£0.478	Testing (2%) including ground investigation works
£2.051	Design, Project Management and Site Supervision
£33.899	**Design and Construction Total**
£7.000	Land & Rights Acquisition, Compulsory Purchase Order, compensation (including blight and Part 1 claims) and costs relating to Unilateral Undertaking
£40.899	**TOTAL PROJECT COSTS**

46. By utilising the procurement methods identified an opportunity is provided for the project team to engage and work collaboratively with a preferred contractor to carry out value engineering and fix a target price. If the target price is less than current estimates then it reduces the risk of costs being incurred above the current contributions. In the case of

the target cost being above current scheme estimates then through the robust project governance arrangements this information would be taken to partners to seek additional contributions and a subsequent report brought to the appropriate committee to advise on the next steps required to deliver the project.

47. Under the terms of the Escrow Account, NCC can drawdown the full value of funds available if required. This will require NCC to include provision in future year's budgets of £0.922 million in 2023 and £2.34 million in 2026 to facilitate repayment into the Escrow Account. This will be balanced by an income in the same financial years from GBC under the terms of the CIL funding agreement between the two authorities.

48. The Payment and Escrow Account and Deed of Agreement between NCC and GBC related to CIL payments only become active and funding eligible to be withdrawn once contracts are in place to deliver the road. Contracts to deliver GAR also require all necessary permanent and temporary access rights to land either through negotiation or via confirmation of the CPO. Before the Secretary of State can confirm any CPO required, they must first be satisfied that the scheme is fully funded.

49. Costs will be updated as target prices are agreed with Contractors that enables further validation to be undertaken to demonstrate that the scheme offers value for money and is viable.

RECOMMENDATION/S

It is **RECOMMENDED** that Committee:

1) Endorse the update on the current progress of the GAR as contained in this report.

Adrian Smith
Corporate Director, Place

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

Constitutional Comments [SG 28/12/2018]

50. The recommendation falls within the remit of the Finance & Major Contracts Management Committee by virtue of its terms of reference.

Financial Comments [GB 20/12/2018]

51. The financial implications are set out in the report.

Background Papers and Published Documents

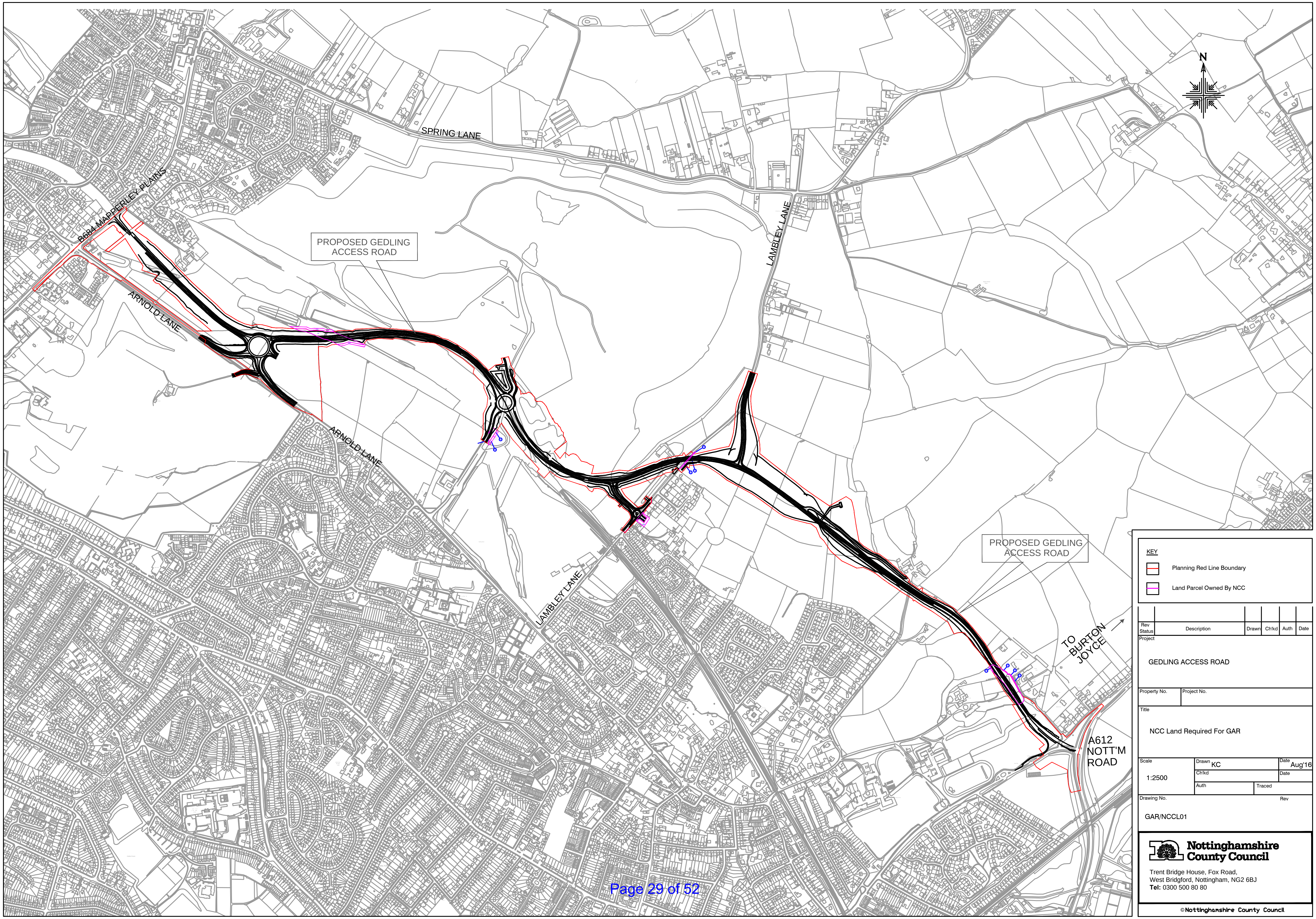
Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- The Nottinghamshire County Council (B684 to A612 Link Road) A6211 Gedling Access Road (Side Roads) Order 2018 and The Nottinghamshire County Council (Gedling Access Road) Compulsory Purchase Order 2018 – Available at: www.nottinghamshire.gov.uk/GAR

- Communities and Place Committee Reported dated 8th March 2018 – Scheme Update
- Transport and Highways Committee Report dated 16th March 2017
  Gedling Access Road – Scheme Update, Compulsory Purchase Orders and Side Roads Orders
- Finance and Property Committee Report dated 19th September 2016
  Gedling Access Road - Scheme Update and Funding Agreement
- Transport and Highways Committee Report dated 21st September 2016
  Gedling Access Road – Scheme Update, Compulsory Purchase Orders and Side Roads Orders
- Greater Nottingham (Broxtowe Borough, Gedling Borough, Nottingham City) – Aligned Core Strategies Part 1 Local Plan – Adopted September 2014
- Finance and Property Committee Report dated 24 March 2014
  Gedling Access Road, Scheme Development and Funding Agreements
- Report to County Council dated 27 February 2014
  Capital Programme 2014/15 to 2017/18
- D2N2 Local Growth Fund – Local Assurance Framework – Available at:
  http://www.d2n2lep.org/write/Local_Assurance_Framework_final_version.pdf

Electoral Division(s) and Member(s) Affected

Arnold North	Councillors Pauline Allan and Michael Payne
Arnold South	Councillors John Clarke and Muriel Weisz
Carlton East	Councillors Nicki Brooks
Carlton West	Councillors Errol Henry and Jim Creamer
Calverton	Councillor Boyd Elliott
Newstead	Councillor Barnfather



KEY

Planning Red Line Boundary

Land Parcel Owned By NCC

Rev Status	Description	Drawn	Ch'kd	Auth	Date

Project

GEDLING ACCESS ROAD

Property No. | Project No.

Title

NCC Land Required For GAR

Scale 1:2500 | Drawn KC | Date Aug'16
Ch'kd | Date
Auth | Traced

Drawing No. GAR/NCCL01 | Rev

Nottinghamshire County Council

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

Nottinghamshire County Council

Report to Finance & Major Contracts Committee

14 January 2019

Agenda Item: 6

REPORT OF THE SERVICE DIRECTOR, PLACE AND COMMUNITIES

ARC PARTNERSHIP FINANCIAL UPDATE FOR HALF YEAR 2018/19

Purpose of the Report

1. To update the Committee on Arc Partnership's half-year financial performance for the period 1 April 2018 – 30 September 2018.

2. To update the Committee on Arc Partnership's Balance Sheet position as at 30 September 2018.

3. To inform the Committee of LGPS Pension/Dividend considerations relating to Arc Partnership.

4. To allow Committee to consider whether there are any actions required in relation to the detail contained within this report.

Information

Organisational Context

5. Arc Property Services Partnership Limited, trading as Arc Partnership, is a Joint Venture Company formed by Nottinghamshire County Council (NCC) and Scape Group (SG) on 1 June 2016, focused upon the delivery of property design, programme management, planned and reactive maintenance services to the County Council.

Financial Summary – Half Year Position

6. Whilst this report focuses upon financial out turn and forecast, significant progress has been made in establishing a fit for purpose commercial team within Arc Partnership of six posts. (Only one post transferred to the new Joint Venture in June 2016). The focus of the team, aside from general commercial governance/capability across the business, is to ensure every project represents VFM in terms of the build cost, benchmarked accordingly. Strong commercial governance is now in place at feasibility, contract tender, contract delivery and defect liability periods, which is reflected in more robust cost planning and project control to give positive commercial outcomes within agreed budgets.

7. Set out below is the financial result for the half year from 1 April 2018 – 30 September 2018:

	2018/19 Budget £000	18/19 H1 Budget £000	18/19 H1 Actual £000
Total Income	**37,012**	17,804	12,399
Expenditure	**36,141**	17,383	12,094
NET Operating Margin	**871**	**421**	**305**
Operating margin	**2.35%**	2.36%	2.46%
Depreciation	**121**	60	50
Trading Profit	**750**	**361**	**255**

8. In summary, the above table highlights good overall financial performance in H1 impacted by a slow start in April 2018 in terms of commissioned works, which resulted in a £2,455k reduction in forecast revenue for the period and a loss in month of £49k.

9. From February 2018 onwards, major commissions from Nottinghamshire County Council increased significantly with five new schools in design/delivery, Phase 3 of Clayfields, six basic need school expansion projects and £7.7m of design/delivery of third party works. This resulted in circa £200k of external design support being brought in through Arc's supply chain partners.

10. At the end of H1, revenues of £12,399k were £4,405k behind forecast, as a result of the timing of the major County Council commissions, which will see significant carry over of revenue into 2019/2020. However, the relationship between fee income for design and project management fees needs to be recognised, as the revenue / fee income take is not linear. Despite this a net operating margin of £305k and a trading profit of £255k represents a good performance.

11. The forecast impact of this on full year is set out below:

	2018/19 Budget £000	18/19 H1 Budget £000	18/19 H1 Actual £000	2018/19 Full Yr Forecast £000
Total Income	**37,012**	17,804	12,399	32,000
Expenditure	**36,141**	17,383	12,094	31,300
NET Operating Margin	**871**	**421**	**305**	**700**
Operating margin	**2.35%**	2.36%	2.46%	**2.19%**
Depreciation	**121**	60	50	100
Trading Profit	**750**	**361**	**255**	**600**

12. At the end of H1, Arc Partnership's cash position was £1,056k, and all contractor payments are being managed in line with credit terms.

13. There is one significant overdue debtor, which does not represent a risk, and Arc continues to actively target aged debtors, the latest summary of which is set out below:

Customer	Balance	Current	30 Days	60 Days	90 Days	Older
Nottinghamshire County Council	2,129,259	2,009,858	79,015	6,845	25,377	8,163
Inspire	18,383	10,819	2,738	4,825	0	0
Kisimul Group Limited	22,217	22,217	0	0	0	0
Rushcliffe Borough Council	634	0	0	0	0	634
Scape Group Ltd	66,807	66,807	0	0	0	0
Schools	148,295	15,685	106,050	19,498	0	7,062
VIA	18,909	4,500	3,630	6,866	-433	4,345
Grand Total	**2,404,504**	**2,129,886**	**191,434**	**38,034**	**24,945**	**20,205**

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Arc Partnership's Balance Sheet Position as at 30 September 2018

14. The table below shows the Reserves in the balance sheet, the constituent elements that have created them and, in addition, the impact of the requirements to account for the pension fund costs/deficits under IAS 19.

£'000	**2016/17 (10 ms) Actual**	**2017/18 (Actual)**	**2018/19 (Projected)**
Trading profit (Management Accounts)	18	587	700
Setup costs/One-off costs (see Note 1 below)	(242)	(20)	
Depreciation (see Note 2 below)	(136)	(215)	(100)
Profit/(Loss) before tax	**(360)**	**352**	**600**
Taxation	63	(71)	TBC
Profit/(Loss) after tax	**(297)**	**281**	
IAS 19 Pension adj – Profit & Loss a/c	(383)	(779)	TBC
Profit/(Loss) (Statutory Accounts)	**(680)**	**(498)**	
IAS 19 Pension adj – Comprehensive Income	(2,368)	745	TBC
Total for year	**(3,048)**	**247**	
Balance sheet Reserves:			
Reserves Brought forward	0	(3,048)	(2,801)
Total Profit/(Loss) for year	(3,048)	247	
Reserves Carried forward	**(3,048)**	**(2,801)**	
Summary of pensions deficit under IAS 19:			
Brought forward	0	6,528	6,562
Opening deficit valuation adj - Goodwill	3,777		
Profit & Loss a/c adj – as above	383	779	
Comprehensive income adj – as above	2,368	(745)	
Total pensions deficit in statutory accounts	**6,528**	**6,562**	

Note 1 – Arc Partnership was required to account for the setup costs incurred by the JV partners under accounting standards. This is a notional cost, which is not paid as cash and additionally formed the Share Premium attributed at the start of the JV.

Note 2 – Depreciation was excluded from the original commercial model for the JV and so a focus is also made at the Trading Profit level to create a like for like comparison.

15. The above table shows that whilst the business trades successfully, making sustainable profits, the impact of the requirement to account for pensions under IAS19 has resulted in reducing Reserves (which are used for the payment of dividends to shareholders) by £2,785,000 as at March 2018. As stated later in this paper, dividends can only be paid when Reserves are positive and also the amount of any dividend being considered cannot exceed the amount of positive Reserves that may be available. The consequence of having to account for pension costs under IAS 19, therefore, is to prevent the payment of a dividend until such time as the cumulative retained profits (ie profits after tax, and any previous / future IAS adjustments) have exceeded the deficit in reserves of £2,801,000 as at March 2018.

LGPS Pension / Dividend Considerations

16. Over the last 25 years and in the wake of well reported pensions related frauds/problems, accounting standards (embodied by law) have been updated continually to ensure employers hold adequate assets to cover their defined benefit pension liabilities over the short to medium term to afford protection to employees should their employer become insolvent. Actuaries also prepare these valuations for accounts purposes.

17. The accounting standard covering defined benefit pension schemes (known currently as FRS102/IAS19) therefore necessarily has differences in approach compared to the traditional actuarial assessment to pension fund valuation, with the main areas of difference being as follows:

    - FRS102/IAS19 requires an annual, rather than triennial, re-assessment of defined benefit schemes;
    - Organisations are required to account for the full cost of pension provision (and not just up to the actuarily assessed funding level) within the current year profit and loss account;
    - Past service liabilities (i.e. accrued to date) to be paid to employees at retirement are discounted back to 'today's value' using the AA rated Corporate Bond yield rate (currently c2.6%) which is the rate achieved on sterling bonds traded on the money markets, rather than the longer-term asset yield rate (considerably higher) which is used for the traditional actuarial valuation purpose. This has the obvious impact of increasing the current value of future liabilities for accounting purposes compared to actuarial purposes and so results in a higher deficit than is recorded in the traditional actuarial valuation approach. The financial impact of this is the difference in discount rate, which is required by the accounting standard to be taken directly to the distributable reserves in an organisation's balance sheet .

18. The discount rate used to value future liabilities, therefore, is a money-market driven rate (which can and does vary day to day) and it is neither controllable nor predictable by any employer (or advisor) and, as such, the accounting valuation of a defined benefit pension scheme is (to a substantial degree) a direct function of market sentiment on any given day (e.g. each year end). Obviously, there are other factors that affect the annual change to pension scheme deficits (e.g. returns on assets/numbers of members/experience gains &

losses which arise on differences between actuarial assumptions and reality - none of which are considered in detail here), but the greater volatility risk relates to the valuation of future obligations.

19. It is important to understand that whilst the above adjustments are accounting entries only (i.e. they are not paid as cash contributions), ultimately they can affect the level of distributable reserves held in organisations and from which dividends may be paid. The purpose behind this treatment is to require organisations to maintain sufficient assets to provide for employees past pension rights as a primary concern and permit dividends to be paid to shareholders only when this obligation is first satisfied.

20. The accounting entries for Arc Partnership are significant, and will impact the ability of the company to pay dividends to shareholders in the short to medium term, as this accounting deficit must be covered by accumulated profits after tax before the Company can legally (under the Companies Act) consider making a dividend payment to Shareholders. This is because Company Law requires that any dividend payment cannot be allowed to turn distributable reserves into deficit . As at March 2018 the deficit on distributable reserves was £2,801,000 which represented trading performance since the start of Arc Partnership, less the part of the accounting pensions deficit that we have been required to charge to the Balance Sheet.

21. The total pension scheme deficit, for accounting purposes, shown in the statutory accounts of Arc as at March 2018 is £6,562,000, of which £3,777,000 was treated as goodwill (and so did not affect distributable reserves) on setting up the Arc Partnership business and represents the revaluation of the opening liabilities using the lower AA rated Corporate Bond yield rate. This represents a significant contrast to the formal triennial Actuarial Valuation that was carried out at commencement which matched assets with liabilities and hence gave a neutral position. It is the formal triennial actuarial valuation which determines employer pension contributions and also will form the real basis of pension fund deficit/surplus evaluation at the very end of the term contract. The effect of this is to supress distributable reserves during the length of the contract until such time as accumulated profits after tax may exceed the pension deficit and, in any event, at the very end of the contract when the final actuarial position is established. The next actuarial valuation is due as of March 2019.

Other Options Considered

22. None

Reason for Recommendation

23. To enable Committee to comment upon and assess the financial performance matters set out in this report.

Statutory and Policy Implications

24. 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.

Crime and Disorder Implications

25. There are no direct crime and disorder implications within the report.

Financial Implications

26. Arc Partnership continue to perform strongly, as does Scape Group. Other financial impacts are set out in the body of this report.

RECOMMENDATION/S

It is recommended that:

1) Members consider whether there are any actions required in relation to the detail contained within this report.

Derek Higton
Service Director, Place and Communities

For any enquiries about this report please contact: Mick Allen, Group Manager, Place Commissioning, Tel: 0115 9774684

Constitutional Comments [CEH 19/12/2018]

27. The recommendation falls within the remit of Finance and Major Contracts Management Committee under its terms of reference.

Financial Comments [KP 18/12/2018]

28. The financial implications are set out in paragraph 26 of 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

Nottinghamshire County Council

Report to Finance & Major Contracts Management Committee

14 January 2019

Agenda Item:7

UPDATE REPORT OF SERVICE DIRECTOR – SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT AND SECTION 151 OFFICER

GENERAL DATA PROTECTION REGULATION (GDPR), THIRD PARTY SUPPLIER CONTRACTS.

Purpose of the Report

1. To provide members with further update on the work that has progressed since September 2018 regarding the General Data Protection Regulations (GDPR) and the compliance of NCC's third party suppliers and our contractual arrangements.

Information

2. The GDPR legislation strengthens the controls and rights that citizens have over their own personal data. The new law places increased information governance and data protection obligations on the Council (and other data controlling/processing organisations). It also introduces significantly higher penalties for worst case personal data breaches and failure to evidence compliance with the law (maximum fines of up to £17m).

3. Both Data Controllers and Data Processors can face claims for compensation where they have not complied with their obligations under GDPR.

4. Crown Commercial Service provided specific guidance to all governmental bodies regarding actions that needed to be undertaken with both existing and future contracts with suppliers.

5. The Corporate Procurement Unit (CPU) identified 134 existing contracts delivered by over 300 suppliers that required amending to bring them in line with the new legislation

6. Notification of the changes to data protection legislation and the requirement to amend those contracts appropriately was issued to all those identified suppliers. When we reported in September 2018 we had completed 83% of those contract amendments, we have now increased this to 95%. The 5% remaining are being discussed and amended with the stakeholder, legal services and procurement officers. The remaining contracts, whilst not of a significant combined value of £297k, still need to be addressed. It is envisaged that these will be resolved before the end of the financial year.
7. The number of those returned amended contracts was at 56% in September, the return rate now is 93% with this figure improving on a daily basis.

8. There is still a requirement for due diligence to be undertaken with these varied contracts to ensure compliance. It is proposed that this is met by a follow-up letter (3 months after the contract variation has been issued) to confirm obligations are being met. These letters will begin to be processed and issued from January 2019 onwards. On-going due diligence of data protection compliance would need to form part of overall contract management arrangements (including internal audit provisions etc).

9. For all new contracts, pre-procurement dialogue includes GDPR information to ensure that potential bidders are aware of their obligations. In addition compliance questions relating to GDPR form part of the supplier selection process.

10. Capacity in the information governance team has increased with the appointment of new officers to support individual departments with understanding and complying with GDPR requirements. These officers are working in collaboration with the procurement service on all new contract planning and awards.

Statutory and Policy Implications

11. 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

1) Members to support the continuation of the approach to updating supplier contracts and embedding GDPR in all new projects.

Nigel Stevenson
Service Director – Service **Director for Finance, Infrastructure & Improvement and Section 151 Officer**

For any enquiries about this report please contact:
Clare Winter - Group Manager, Procurement

Constitutional Comments (SLB 02/01/2019)

12. Finance and Major Contracts Committee is the appropriate body to consider the content of this report.

Financial Comments (KRP 2/1/19.)

13. There are no specific financial implications arising directly from this 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

Nottinghamshire County Council

Report to Finance & Major Contracts Management Committee

14 January 2019

Agenda Item: 8

REPORT OF GROUP MANAGER–PROCUREMENT

COLLABORATIVE PROCUREMENT

Purpose of the Report

1. To provide members with information on engagement and collaborative projects undertaken.

Information

2. As part of the Council's Sustainability and Transformation Plan (STP) staff in the corporate procurement service have been working with procurement colleagues at Nottinghamshire Healthcare Trust and Sherwood Forest Hospitals comparing procurement plans and discussing options for working together in collaboration on future projects.

3. Whilst the primary reason to look at collaboration has been to achieve savings through economies of scales, the ability to work together to develop and drive the future direction of services has been beneficial.

Collaborative Projects

4. Managed Print Service, is for the provision of the print devices throughout the Council including the software and management. In May a report was presented to committee detailing a contract that had been put in place in collaboration with Nottinghamshire Healthcare Trust and Sherwood Forest Hospitals. As an update to this Nottinghamshire Healthcare Trust have now implemented the contract and Sherwood Forest hospitals will be implementing in 2019. Newark & Sherwood District Council have now also joined the contract and procurement is in discussions with other authorities about joining.

5. The Council has put in place a dynamic purchasing system (DPS) for the commissioning of homebased care packages. When setting up the DPS the procurement team engaged with local CCGs around their extended care requirements to ensure the DPS would be suitable for them to use as well as the Council. CCGs have now done several calls off from the DPS and this additional commissioning going through the DPS means suppliers are more likely to join it. Whilst the Council's procurement team tend to lead on collaborative procurements with CCGs, the additional funding going into the frameworks has meant that more suppliers are bidding for the tenders.

6. DN2 Children's Intervention Programme – The contract for this is due to start in April 2019. It is a collaboration with Derby and Nottingham City Councils following securing of £3,000,000 of Life Chances Funding -https://www.gov.uk/government/publications/life-chances-fund. The

procurement is at the due diligence stage at the moment so the winning bidder and social investor have not yet been formally announced. The 3 authorities have worked together on this project as they recognised they had shared challenges, gaps in provision and common needs amongst their Children in Care population. The project is looking to deliver better outcomes for children and young people using innovative approaches. By all 3 authorities undertaking a joint procurement it was felt this would attract more interest from bidders to develop those innovative approaches due to the economies of scale. The forecasted savings for this project are £250k in 2019/20 and a further 250k in 2020/21.

7. In 2020 the Council's Wide Area Network Contract expires. Initial discussions have taken place with Nottinghamshire Healthcare Trust and Sherwood Forest Hospitals about collaborative work for a new framework. Collaboration would make it easier to share networks across partner organisations as there would be a single supplier. This would also be an income generator for the Council as a fee would be charged to use the framework.

8. The Council's procurement division is currently leading on a project for Inspire with other library authorities for e-Resources (e-books, e-Audio books and e-Magazines). Inspire have also requested that the Council's procurement division leads on their book contract which will include library authorities from across the East Midlands. A charge is being made to the other library authorities for this service bringing income into the Council. Greater discounts on books are expected as a result of the collaboration and market engagement is showing evidence that this will be the case.

Statutory and Policy Implications

7. 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.

Recommendation:

Members continue to support the approach to collaborative working with other public bodies.

Nigel Stevenson
Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:
Lorraine Dennis – Category Manager – Chief Executives
Clare Winter - Group Manager, Procurement

Constitutional Comments [CEH 03.01.19]

8. The recommendation falls within the remit of the Finance and Major Contracts Management Committee under its terms of reference.

Financial Comments [KRP 3/1/19]

9. The financial implications are set out in 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

Nottinghamshire County Council

Report to Finance and Major Contracts Management Committee

14 January 2019

Agenda Item: 9

REPORT OF SERVICE DIRECTOR, STRATEGIC COMMISSIONING, ADULT ACCESS & SAFEGUARDING

MENTAL HEALTH SUPPORT SERVICE

Purpose of the Report

1. To inform Committee on the progress made on the re-commissioning of the Mental Health Support Service.

Information

2. The Service is provided to people across the whole of Nottinghamshire. Approximately 700 people each year are supported to address issues with housing, benefits and debt management, but also to achieve broader goals around social connection, education, training & employment and physical health management. Referrals to the service are currently managed by social care staff within Community Mental Health Teams. Service users tell us that the service is valued very highly, often citing it as the intervention that has made the biggest difference to them.

3. The current contracted service commenced on the 1st October 2012. Under the Public Contract Regulations 2015 the service should have ceased on the 30th September 2017. The Provider, Framework Housing Association, continues to provide the service under the terms of the contract established in 2012 and the Council continues to monitor the service provided under these terms.

4. The service is directly funded by Nottinghamshire County Council to the value of £1.458M a year. The contract comprises a core support service and also 42 units of supported accommodation. From April 2015 to March 2017, £800k of this funding came from Public Health Grant, making Public Health the lead commissioner. Re-commissioning discussions were commenced in 2016, but there was significant uncertainty around the future funding for the service. Since the service plays a key role in ASCH prevention, alternative funding was identified from the Better Care Fund. This was approved by ASCPH Committee on 10th July 2017.

5. In December 2017, ASCH Senior Leadership Team considered a proposal in relation to a commissioning approach for both the Mental Health Support Service and Supported Accommodation services, which will be progressed separately. This progressed to ASCPH Committee in March 2018, but there continues to be scrutiny over the on-going investment levels in these services in order to adhere to the budget requirements for 2019-20.

6. The current and potential scope of the core support service make it ideal for inclusion in an integrated (health and social care), mental health care and support pathway, providing non-clinical service elements focussed on recovery, resilience and prevention. Since Clinical Commissioning Groups were in the process of reviewing their mental health offer and, coupled with the uncertainty of future funding, it felt appropriate to seek a more joined up approach.

7. A meeting was held with health and City Council partners on the 3rd May 2018 to explore any areas of duplication and the potential for a collaborative tendering approach aimed at improving use of resources to achieve a consistent and integrated service offer.

8. A collaborative approach was deemed appropriate by all stakeholders and further discussions have followed in each of the three health planning areas (Greater Notts, Mid Notts and Bassetlaw) to explore how this might be progressed. In Mid Notts, this resulted in the development of a proposed new Primary Care Mental Health model that included a Community Based Support element . However, at this stage, the financial contribution required from health to enable the model to be implemented, has not been identified. Less progress has been achieved in Bassetlaw, but there is on-going dialogue about integrated commissioning options. Discussions have not progressed in Greater Notts, where lack of resources across the four CCGs are seen as too great a barrier.

9. These discussions have taken place during a period in which service improvement and integrated commissioning have been identified as priorities across both Integrated Care Systems (formerly known as Sustainability and Transformation Partnerships); mental health services delivered by the Nottinghamshire Healthcare NHS FoundationTrust have undergone significant review and redesign to create a shift towards managing more people's mental health needs in primary care settings; and there has been increased national focus on the level and quality of local mental health services. It has therefore been, both logically and strategically, appropriate to pursue this approach.

10. The continuation of this service, however, is contrary to the County Council's Financial Regulations and the Public Contract Regulations 2015 and so it must be tendered at the earliest opportunity.

11. The ASCPH Senior Leadership Team have now determined that they will not be seeking savings against this service from April 2019.

12. It has therefore been determined that the Council should now move to tender a redesigned service using a Framework Agreement, so that health commissioners could access the contract at a subsequent point without their full commitment being confirmed at the outset. Whilst this is likely to increase the risk of separate and unaligned commissioning, it will allow the Council to proceed without closing off all options for integrated service commissioning.

13. A draft specification for a support service is now being produced for consultation in January/February 2019 ahead of a tender to commence by the end of April. Allowing for a three month tender period and three month implementation period, it is anticipated that new contracts will be in place from November 2019.

14. The supported accommodation will be tendered separately. Having completed a soft market testing exercise, a specification has now been prepared and tendering is scheduled to commence in February 2019. Commencement of new contracts will be determined by the accommodation options presented through the tender process.

Other Options Considered

15. The Council could continue to pursue agreement of fully integrated commissioning solutions with health partners across Nottinghamshire. However there are currently no positive indications that this will this will be achievable in the short term and would leave open the risk of challenge.

16. The Council could proceed to tender with no further consideration of the broader health and social system. However this would represent a lost opportunity in terms of integrated commissioning in the mental health and would create a significant risk of duplication of service provision and funding.

Reason/s for Recommendation/s

17. To allow Committee to consider whether there are any actions they require in relation to the progress made.

Statutory and Policy Implications

18. 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

19. The planned procurement will be within the current financial envelope, as approved at Adult Social Care and Health Committee on12th March 2018. Limits on all contract values will be identified within each Lot and tenderers invited to bid within those limits. Other variables will be used to enable price evaluation.

RECOMMENDATION/S

1) That Committee considers whether there are any actions they require in relation to the issues raised and whether they require a further update on progress.

Paul Johnson
Service Director, Strategic Commissioning, Adult Access & Safeguarding
Adult Social Care and Health

For any enquiries about this report please contact:
Lyn Farrow,
Commissioning Manager,
lyn.farrow@nottscc.gov.uk,
Tel. 0115 977 2503

Constitutional Comments (CEH 02.01.2019)

The recommendation falls within the remit of the Finance and Major Contracts Management Committee under its terms of reference.

Financial Comments (DG 02.01.2019)

The financial implications are contained within paragraph 19 of this report.

Background Papers and Published Documents

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

- ASCH Committee 10th July 2017 - BCF approval
- ASCH Committee paper, March 18 - Re-commissioning approval

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Finance and Major Contracts Management Committee

14 January 2019

Agenda Item: 10

REPORT OF THE SERVICE DIRECTOR - CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2019.

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.

Other Options Considered

5. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

7. 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

1) 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)

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

Financial Comments (NS)

9. 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
11 February 2019			
Annual Budget Meeting	To recommend to Full Council the financial strategy, annual revenue budget, annual capital budget, and precept on billing authorities	Nigel Stevenson	Glen Bicknell
Local Government Finance	Overview report	Nigel Stevenson	Nigel Stevenson
BCF 6 Monthly Reconciliation		Joanna Cooper	Joanna Cooper
BCF Pool Fund Agreement 2019/20 (TBC)		Joanna Cooper	Joanna Cooper
18 March 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Catering & Facilities Management Services	Details of future operating model	Derek Higton	Derek Higton
Approach to Public Health Commissioning and Procurement	Report on progress.	Michael Fowler	Michael Fowler
29 April 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Home Based Care and Support Services	Update report	Clare Winter	Michael Fowler
Agency Contract	Provision of agency staff as required across the authority.	Lorraine Dennis Category Manager	Clare Winter

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

20 May 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
17 June 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Fair Price for Care Project (older adults)	Outcome of consultancy work and how this is going to inform the approach to the market.	Michael Fowler Category Manager	Clare Winter
Contract Management – A Framework Approach for NCC		Kaj (Clare's successor)	
15 July 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
September 2019			
BCF 6 Monthly Reconciliation		Joanna Cooper	Joanna Cooper
November 2019			
DN2 Partnership Children's Services Intervention Programme	6 Monthly Update	Lynn Brammer / Jon Hawketts	Clare Winter
TO BE PLACED			
Commercial Development Unit	Report on progress.	Mark Knight	Nigel Stevenson
The provision of new schools and school places	Details of the Authority's approach	Derek Higton	Derek Higton