

17 November 2014

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE AND PROCUREMENT

FINANCIAL MONITORING REPORT: PERIOD 6 2014/2015

Purpose of the Report

1. To provide an update of the intended approach for in year budget monitoring and setting.
2. To remind Members of the latest summary revenue position of the County Council with year-end forecasts.
3. To inform Members of progress against savings.
4. To provide a summary of Capital Programme expenditure to date and year-end forecasts.
5. To inform Members of the Council's Balance Sheet transactions.

Information and Advice

Background

6. The Council approved the 2014/15 budget at its meeting on 27 February 2014. As with previous financial years, progress updates will be closely monitored and reported to both management and Committee on a regular basis.

Summary Revenue Position

7. A 'provisional outturn' exercise is undertaken during October each year. This is a thorough re-base of the Council's budget to fully inform the year end forecast and provide a detailed position for the forthcoming year's budget requirement. The conclusions of this process are currently being quantified and will be reported to Committee in December as part of the Period 7 Financial Monitoring report.
8. Table 1 below summarises the revenue budgets and forecast outturn for each Committee as at period 6. Pending the results of the provisional outturn process, an underspend of £3.2m is predicted and this, together with the explanations for the main variations, remains unchanged from the position reported at period 5 to October Finance & Property Committee.

Table 1 – Revenue Expenditure and Forecasts

Previous Forecast Variance £'000	Committee	Annual Budget £'000	Actual to Period 6 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
292	Children & Young People	153,488	44,774	153,780	292
(2,317)	Adult Social Care & Health	217,089	109,302	214,772	(2,317)
(557)	Transport & Highways	60,309	12,201	59,752	(557)
70	Environment & Sustainability	30,856	13,388	30,926	70
75	Community Safety	3,011	527	3,086	75
87	Culture	13,803	7,638	13,890	87
(1,167)	Policy	26,765	12,069	25,598	(1,167)
(381)	Finance & Property	28,396	20,056	28,015	(381)
(86)	Personnel	2,559	1,189	2,473	(86)
-	Economic Development	1,378	1,029	1,378	-
1,666	Public Health	850	(1,224)	2,516	1,666
(2,318)	Net Committee (under)/overspend	538,504	220,949	536,186	(2,318)
(1,932)	Central items	(12,313)	(1,531)	(14,245)	(1,932)
-	- Schools Expenditure	182	-	182	-
-	- Contribution to/(from) Traders	(235)	1,905	(235)	-
(4,250)	Forecast prior to use of reserves	526,138	221,323	521,888	(4,250)
2,500	Transfer to / (from) Corporate Reserves	(10,962)	(2,092)	(8,462)	2,500
(1,492)	Transfer to / (from) Departmental Reserves	(5,731)	-	(7,223)	(1,492)
-	- Transfer to / (from) General Fund	(5,184)	-	(5,184)	-
(3,242)	Net County Council Budget Requirement	504,261	219,231	501,019	(3,242)

9. The Council's budget includes a contingency of £4.1m to cover redundancy costs, slippage of savings and unforeseen events. Several schemes have been approved in the year to date and there is currently £2.3m remaining in the contingency budget. Table 1 assumes that this balance will be used before year end as further new requests are likely to emerge. Alternatively Members have the option to utilise any underspend against contingency to fund current year transformation costs associated with the Redefining Your Council programme. This will allow schemes to be accelerated and ensure the Strategic Development Fund (approved in the February 2014 Budget report) is available for future use.

Progress with savings and risks to the forecast (Forecast shortfall £1.0m)

10. Since 2010/11 the Council has delivered savings in excess of £110m. Given the continued financial challenge that the Council is facing, further savings proposals of £36m were approved at Council on 27 February 2014 for delivery in 2014/15 (£81m in total over the medium term).
11. To date slippage amounting to £1.0m in 2014/15 has been identified across 4 of the high governance savings projects. 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. A full list of savings with current status is provided at Appendix A.

12. The slippage on the Home Based Services savings has been partly offset by a carry forward to cover the dual running of the monitoring systems. The remaining shortfall on the community care savings for 2014/15 has been included within the year end forecast.
13. The savings anticipated from the Libraries, Archives, Information & Learning project assumed that the services would in the future be run by community groups.
14. The retention of 11 business support staff on a temporary basis for Children's Social Care has been requested whilst a full review of this service is undertaken. This will defer the achievement of savings (£140,000) until 2015/16 and (potentially) beyond for the BSSR project.
15. In addition to the slippage identified on the high governance projects, there is also a risk to the Intermediate Care savings which were due to be delivered from October 2014, following an overspend in 2013/14. Whether or not these savings are achieved primarily depends on the ability of County Health Partnerships to deliver a revised service offer.
16. The Economic Development proposal to develop a shared service delivery model with Borough and District Councils has been classed as compromised and a write off request will be sought in due course.

Capital Programme

17. Table 2 summarises changes in the gross Capital Programme for 2014/15 since approval of the original programme in the Budget Report (Council 27/02/14):

Table 2 – Revised Capital Programme for 2014/15

	2014/15	
	£'000	£'000
Approved per Council (Budget Report 2014/15)		112,593
Variations funded from County Council Allocations :		
Net slippage from 2013/14 and financing adjustments	17,761	
Approved variations to July F&P Committee	(5,726)	
		12,035
Variations funded from other sources :		
Net slippage from 2013/14 and financing adjustments	6,800	
Approved variations to July F&P Committee	(589)	
		6,211
Revised Gross Capital Programme		130,839

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

Table 3 – Capital Expenditure and Forecasts as at Period 6

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 6 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	54,511	18,563	54,550	39
Adult Social Care & Health	2,206	18	2,206	-
Transport & Highways	42,884	15,570	40,989	(1,895)
Environment & Sustainability	2,189	368	2,339	150
Community Safety	4	(1)	4	-
Culture	4,602	1,803	4,226	(376)
Policy	4,591	1,049	4,591	-
Finance & Property	11,071	4,010	9,967	(1,104)
Personnel	1,878	1,317	1,878	-
Economic Development	5,320	310	5,320	-
Contingency	1,583	-	-	(1,583)
Total	130,839	43,007	126,070	(4,769)

19. In the Transport and Highways Committee, there is a total forecast underspend of £1.9m. This is as a result of slippage on the Rolls Royce Development (£3.0m) as only minimal preparatory costs will be incurred in 2014/15. The project will now be on site during 2015/16. This is offset by over-programming of £1.1m in the Local Transport Plan and Road Maintenance and Renewal programmes. Work is on-going to drive these forecast overspends down and to manage within approved budgets.

20. In the Culture Committee, a forecast underspend totalling £0.4m has been identified which mainly relates to minor slippage (£0.3m) against the Nottinghamshire Archives Extension project.

21. In the Finance and Property Committee, a forecast underspend totalling £1.1m has been identified which mainly relates to a forecast underspend against the Business Management System programme (£0.2m) as well as slippage identified against the Microsoft Enterprise Agreement (£0.5m) and the Rokerfield project (£0.2m).

22. It is also forecast that the capital contingency (£1.6m) will slip into 2015/16 to help fund future capital projects.

Financing the Approved Capital Programme

23. Table 4 summarises the financing of the overall approved Capital Programme for 2014/15.

Table 4 – Financing of the Approved Capital Programme for 2014/15

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	19,780	21,243	-	13,488	54,511
Adult Social Care & Health	2,167	(6)	45	-	2,206
Transport & Highways	14,527	25,560	-	2,797	42,884
Environment & Sustainability	1,236	453	500	-	2,189
Community Safety	4	-	-	-	4
Culture	3,129	530	-	943	4,602
Policy	3,091	-	-	1,500	4,591
Finance & Property	9,420	50	-	1,601	11,071
Personnel	-	1,706	-	172	1,878
Economic Development	527	4,793	-	-	5,320
Contingency	1,583	-	-	-	1,583
Total	55,464	54,329	545	20,501	130,839

24. It is anticipated that borrowing in 2014/15 will increase by £11.4m from the forecast in the Budget Report 2014/15 (Council 27/02/2014). This increase is primarily a consequence of:

- £17.8m of net slippage from 2013/14 to 2014/15 and financing adjustments funded by capital allocations.
- Variations to the 2014/15 capital programme funded from capital allocations totalling £3.4m as approved at the September Finance and Property Committee.
- Net slippage in 2014/15 of £3.0m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

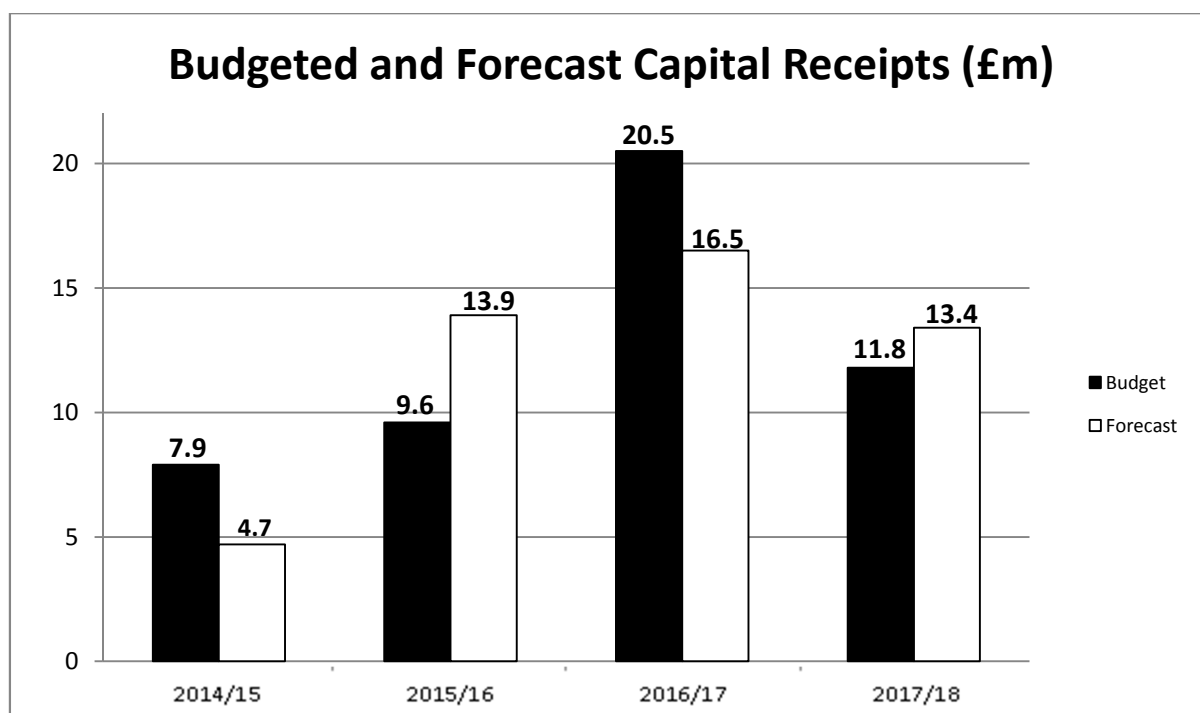
Prudential Indicator Monitoring

25. 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

26. 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 £50,000 of vehicle receipts.

27. The chart below shows the budgeted and forecast capital receipts for the four years to 2017/18.



28. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2014/15 (Council 27/02/2014). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery.
29. The capital receipt forecast for 2014/15 is £4.7m which is £3.2m less than the budgeted capital receipts as a result of slippage. To date in 2014/15, capital receipts totalling £1.8m have been received.
30. 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 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.
31. Current Council policy (Budget Report 2014/15) 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. It is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

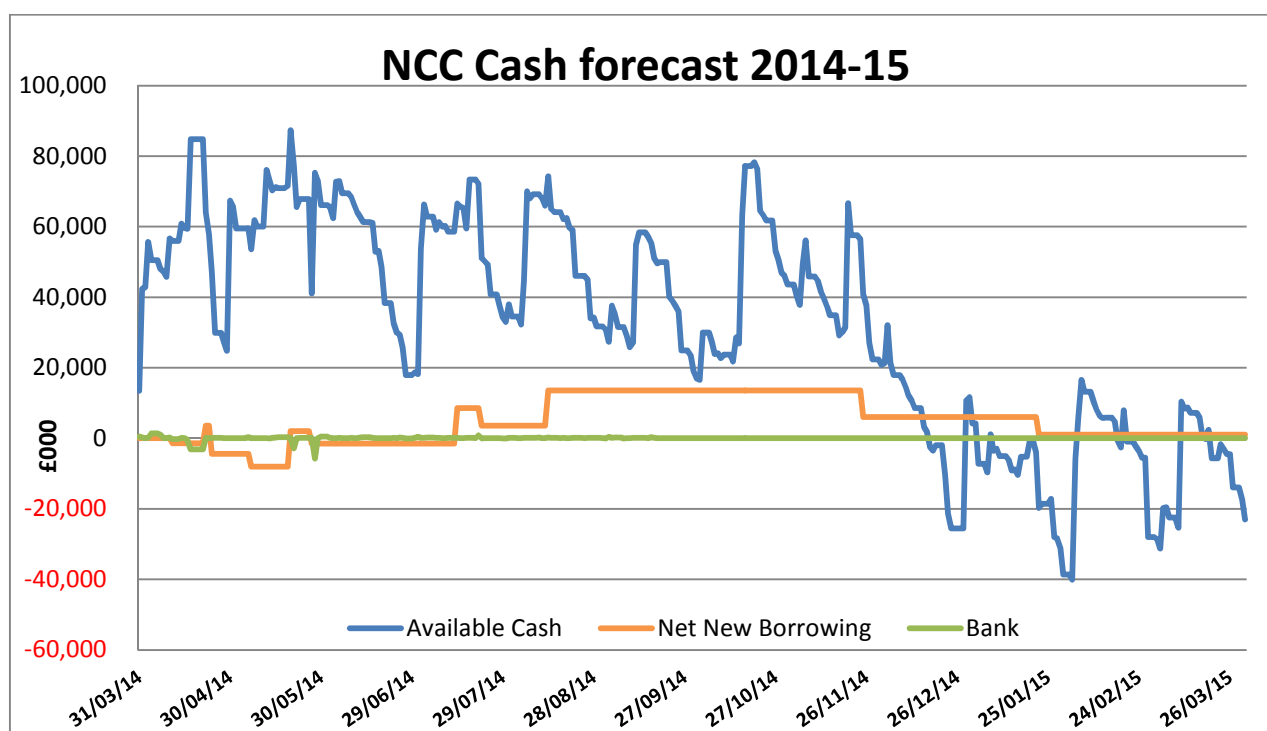
Balance Sheet

General Fund Balance

32. Members approved the 2013/14 closing General Fund Balance of £29.1m at Council 26 June 2014. The 2014/15 budget approves utilisation of £5.2m of balances which will result in a closing balance of £23.9m at the end of the current financial year. This is 4.7% of the budget requirement.

Treasury Management

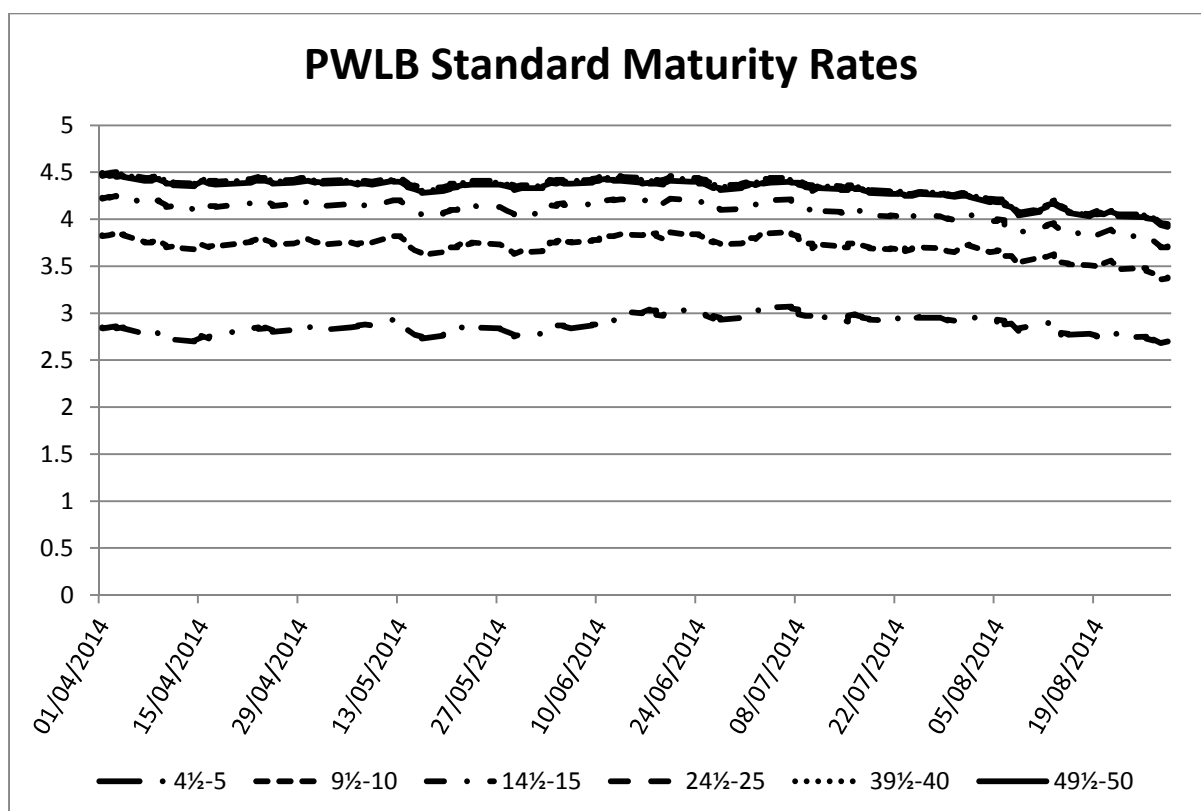
33. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group. The following chart shows the actual cash flow position to date and forecasts for the remainder of the year. Cash inflows are typically higher 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 increase later in the year.



34. The chart above gives the following information:

Bank balance	Daily cleared balance across the pooled bank accounts.
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.

35. Daily cash management aims for a nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. The bank balance shows two periods with noticeable overdrawn balances resulting from non-receipt of precept. The net new borrowing shown above includes new loans from PWLB of £10m in May, £10m in July and £10m in August. These loans were taken as longer term PWLB rates dipped towards, and briefly below, 4%. The chart below shows the movement in standard PWLB maturity rates during 2014/15.

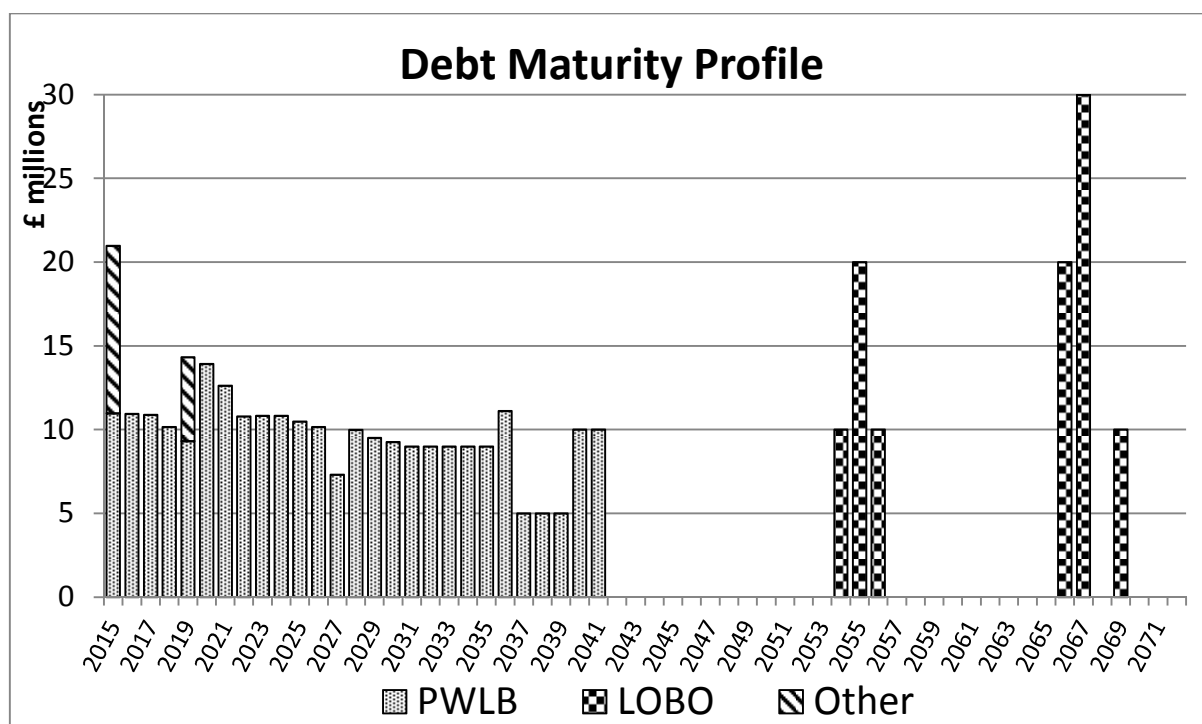


36. The Treasury Management Strategy for 2014/15 identified a need for additional borrowing of £67m to fund the capital programme, replenish internal balances and to replace maturing debt. Short term borrowing was used towards the end of 2013/14 to minimise interest costs and so additional long term borrowing of £21m needs to be factored in to the 2014/15 strategy. Additional borrowing is therefore likely to be undertaken before the year end.

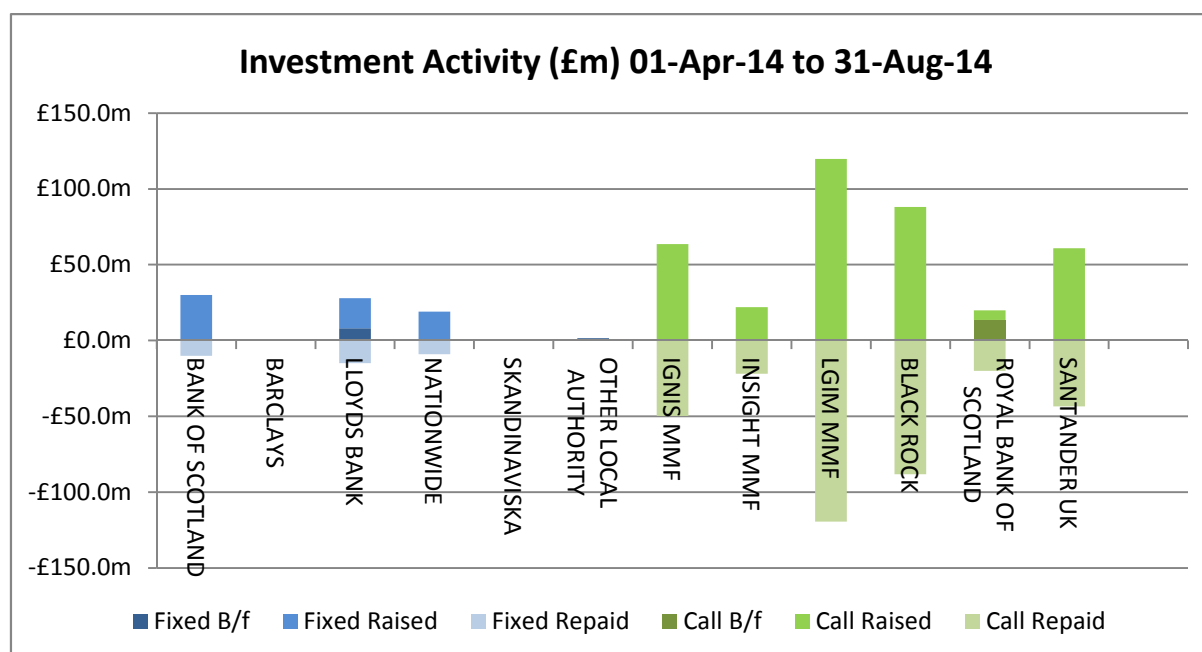
37. Borrowing decisions will take account of a number of factors including:

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

38. 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 26 years. Longer-term borrowing (maturities up to 55 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 more recent borrowing from the money markets where the main objective was to minimise interest costs. Refinancing of these loans has been factored into the Treasury Management Strategy.



39. The investment activity for 2014/15 to the end of August 2014 is summarised in the chart and table below. Outstanding investment balances totalled £23m at the start of the year and £76.25m at the end of the period. This increase reflects the forecast cash flow profile for the year. In light of this forecast, a number of fixed term deals have been placed for periods up to 190 days to take advantage of the higher rates available.



	Total B/f	Total Raised	Total Repaid	Outstanding
	£	£	£	£
BANK OF SCOTLAND	0	30,000,000	-10,000,000	20,000,000
BARCLAYS	0	0	0	0
LLOYDS BANK	8,000,000	20,000,000	-15,000,000	13,000,000
NATIONWIDE	0	19,000,000	-9,000,000	10,000,000
SKANDINAVISKA	0	0	0	0
OTHER LOCAL AUTHORITY	1,500,000	0	0	1,500,000
IGNIS MMF	0	63,650,000	-49,700,000	13,950,000
INSIGHT MMF	0	21,950,000	-21,950,000	0
LGIM MMF	0	119,850,000	-119,550,000	300,000
BLACK ROCK	0	88,210,000	-88,210,000	0
ROYAL BANK OF SCOTLAND	13,500,000	6,500,000	-20,000,000	0
SANTANDER UK	0	60,850,000	-43,350,000	17,500,000
	23,000,000	430,010,000	-376,760,000	76,250,000

40. The Council's new banking arrangements with Barclays Bank went live on 1 October 2014. Barclays were the successful bidder in the recent tender, following the decision by the Co-operative Bank to withdraw from providing banking services to local authorities. A project has been underway since the contract was awarded to ensure the change was implemented as smoothly as possible.
41. Nearly 400 accounts have been opened with Barclays to cover the main Council activities, imprest accounts, schools and the Pension Fund. The BACS service has been successfully transferred to Barclays and system changes have been implemented to ensure the appropriate information feeds into the Business Management System. Cash flow monitoring procedures have been adapted to take account of information from both banks while accounts are still open with the Co-op. All Co-op accounts will be scheduled for closure over the next two months.
42. The changes have been communicated both internally to staff across the Council and externally to suppliers and other stakeholders. Further communications will be issued where necessary to ensure the new bank details are being used.

Debt Recovery Performance

43. Due to an issue with the Abacus system, which processes social care charges, a number of invoices were delayed slightly at the end of August and were processed in early September. This led to significantly more invoices being raised in this period compared to period 5. Even with the increase in invoicing of over £11m on period 5, the overall debt at the end of the period only increased by just over £30,000. The over 6 months debt decreased by £127,000 in the period, the third month in a row that the over 6 months debt has decreased.
44. Work is continuing on preparing for the impact of the Care Act. There is particular concern about the planned repeal of section 22 of the Health and Social Services and Social Security Adjudications Act 1983 (HASSASA) which will remove the Authority's ability to place a legal charge on a service users property. The Debt Recovery team will be represented on a number of the work streams looking at the implications on NCC policies and procedures, and in particular on the likely impact on amounts invoiced and collecting of those amounts.

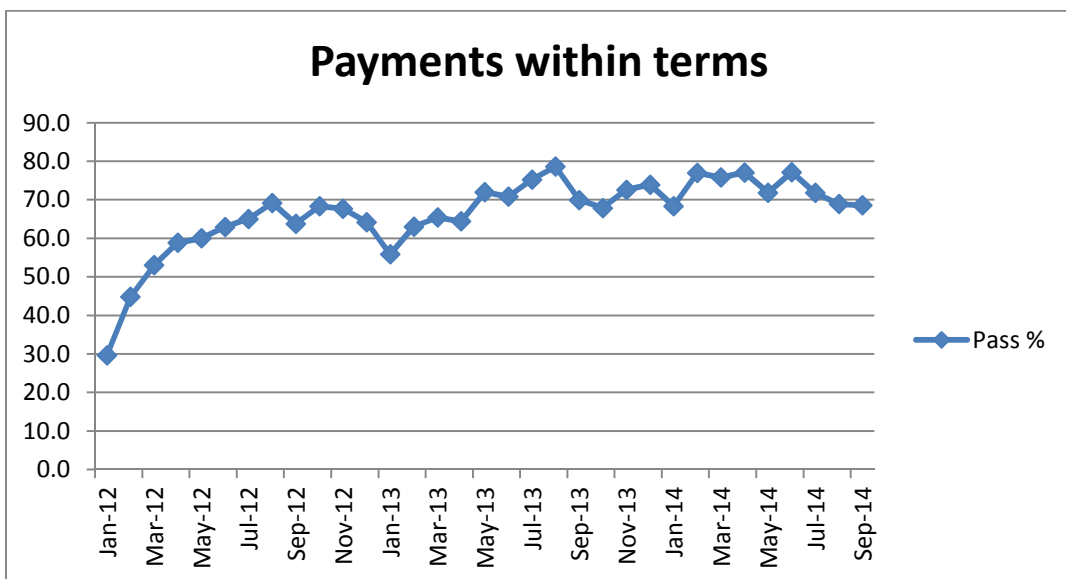
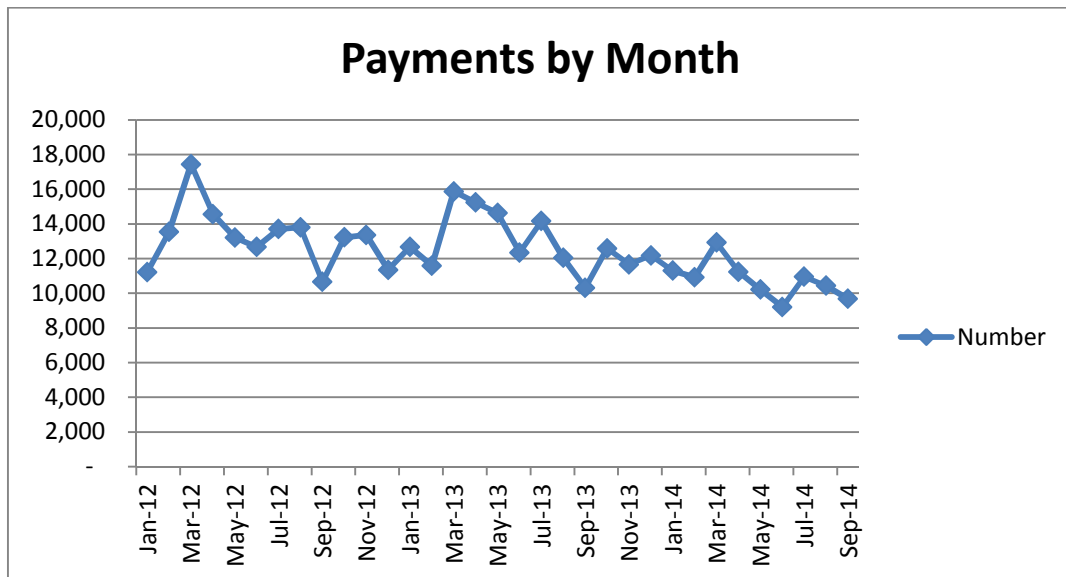
Table 5 - Invoices raised Period 6 2014/15

	Period 6	Year to date
Number	20,099	94,244
Value	£16,222,057	£87,395,430

Table 6- Debt Position

	Residential & Domiciliary Care	All other	Total
Total	£8,895,020	£6,409,374	£15,304,394
Over 6 months	£4,601,110	£644,075	£5,245,185
% over 6 months	51.7%	10.0%	34.3%

Accounts Payable (AP) Performance



45. The payment within terms figure for September is 68.56% of 9,681 invoices paid. As with performance in August, reduced September performance was expected as early figures in September were lower than previous months. As previously reported there is a consistent theme to the issues that impact on the section's current ability to improve performance –
- Ongoing non-compliance with processes and procedures by both business and suppliers – examples include invoices being sent to the business and not directly to AP as well as failure to comply with the Authority's policy of No Po No Pay.
 - Agency invoices continue to be amongst the highest failures. The move to engagement of agency staff via the appointed MSP (Managed Service Provider) and the implementation of revised order, goods receipting and invoicing processes should radically improve payment within terms for this area of spend.
 - Efforts are being made to improve the performance in October and regular reports of outstanding invoices still with business users are being produced. These are being circulated and AP and other staff are contacting business users to assist with any issues that are delaying approval for payment.

Statutory and Policy Implications

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.

RECOMMENDATIONS

- 1) To note the provisional outturn approach for budget monitoring and setting
- 2) To note the revenue expenditure to date and year end forecasts
- 3) To note the progress with savings
- 4) To note the Capital Programme expenditure to date and year end forecasts
- 5) To note the Council's Balance Sheet transactions

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For any enquiries about this report please contact:

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Simon Cunnington - Senior Accountant, Pensions and Treasury Management

Constitutional Comments

Because this report is for noting only no Constitutional Comments are required.

Financial Comments (PM 22/10/14)

The financial implications are stated within the report itself and will be incorporated into the Medium Term Financial Strategy as part of the budget setting process.

Background Papers and Published Documents

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

- 'None'

Electoral Division(s) and Member(s) Affected

- 'All'