

18 June 2018

Agenda Item: 7

## **REPORT OF THE SERVICE DIRECTOR – FINANCE, PROCUREMENT AND IMPROVEMENT**

### **FINANCIAL MONITORING REPORT: PERIOD 1 2018/2019**

#### **Purpose of the Report**

1. To provide a summary of the Committee revenue budgets for 2018/19.
2. To request approval for contingency schemes submitted to date.
3. To inform Members of the Council's Balance Sheet transactions.
4. To provide Members with an update from the Procurement Team.
5. To provide Members with an update from the Accounts Payable and Accounts Receivable teams.

#### **Information**

##### **Background**

6. 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**

7. The table below summarises the revenue budgets for each Committee for the forthcoming financial year. To date no variances have been reported.

**Table 1 – Summary Revenue Position**

Committee	Annual Budget £'000	Actual to Period 1 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
Children & Young People	117,550	4,635	117,550	-
Adult Social Care & Public Health	209,858	(696)	209,858	-
Communities & Place	119,287	3,474	119,287	-
Policy	32,688	6,234	32,688	-
Finance & Major Contracts Management	3,172	154	3,172	-
Governance & Ethics	7,170	391	7,170	-
Personnel	15,282	902	15,282	-
<b>Net Committee (under)/overspend</b>	<b>505,007</b>	<b>15,094</b>	<b>505,007</b>	-
Central items	(3,289)	(13,430)	(3,289)	-
Schools Expenditure	1	-	1	-
Contribution to/(from) Traders	(270)	1,878	(270)	-
<b>Forecast prior to use of reserves</b>	<b>501,449</b>	<b>3,542</b>	<b>501,449</b>	-
Transfer to / (from) Corporate Reserves	(13,172)	-	(13,172)	-
Transfer to / (from) Departmental Reserves	(5,518)	-	(5,518)	-
Transfer to / (from) General Fund	(1,529)	-	(1,529)	-
<b>Net County Council Budget Requirement</b>	<b>481,230</b>	<b>3,542</b>	<b>481,230</b>	-

### Requests for contingency

8. The Council's budget includes a main contingency budget of £5.8m to cover redundancy costs, slippage of savings, additional requirement for the 2018/19 pay award and unforeseen events.
9. 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 £4.7m 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.
10. There is already a call on the 2018/19 main contingency budget from requests that have been previously approved by Finance and Major Contracts Management Committee. These are as follows :-
  - Social Impact Bond – Children and Young People Committee £33,000
  - Great War Commemorations – Policy Committee £185,000
  - HS2 Strategy – Policy Committee £246,000
11. In addition, a bid of £62,500 has been submitted by the Policy Committee (May 2018) to meet Nottinghamshire's share of D2N2 Local Enterprise Partnership match funding. As in previous years, each of the four upper tier Local Authorities contribute the same amount to lever in £250,000 from central government in 'core funds'.

12. A request for contingency has also been submitted by the Policy Committee (May 2018) to provide £10,000 funding as a contribution towards an RAF memorial being planned and delivered north of Newark during 2018/19.
13. A report to the May 2018 Governance and Ethics Committee requested contingency funding of £73,894 to support the revised Democratic Services staffing structure.
14. A report to the Communities and Place Committee (October 2017) approved the application for the County Council to host a Nottinghamshire stage of the Tour of Britain in 2018. A request for contingency of up to £100,000 was submitted as part of the report to fund the Council's contribution towards the cost of the 2018 stage if successful.
15. A report to the June 2018 Children and Young People's Committee included a contingency request of £314,461 in 2018/19 (full year costs of £580,521 for future years) to fund the cost of additional Social Work Support Officers.

### **Progress with savings and risks to the forecast**

16. 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 12 March 2018.
17. Issues associated with the achievement of savings relating to Statutory School Transport are being reviewed. The outcome of the review will be reported to the Corporate Leadership Team and subsequently to the Finance and Major Contracts Management Committee.
18. 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**

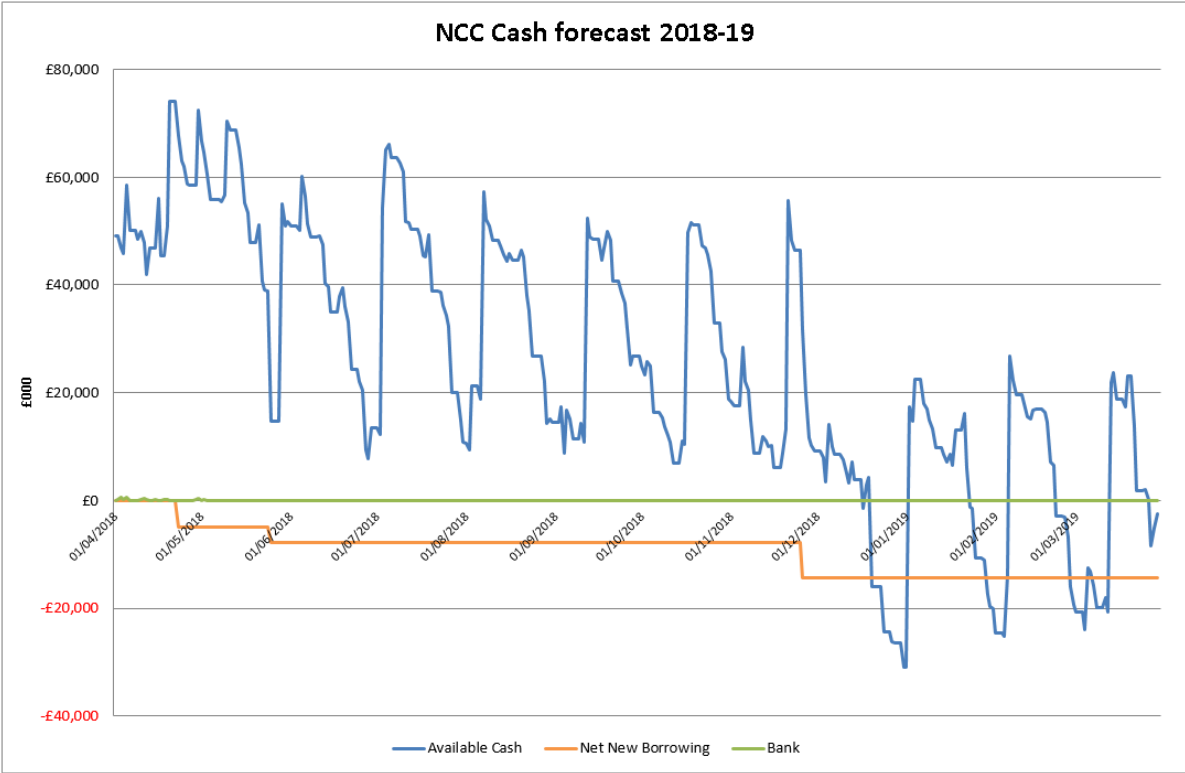
#### **General Fund Balance**

19. Members will be asked to approve 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.

### **Treasury Management**

20. 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.
21. 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

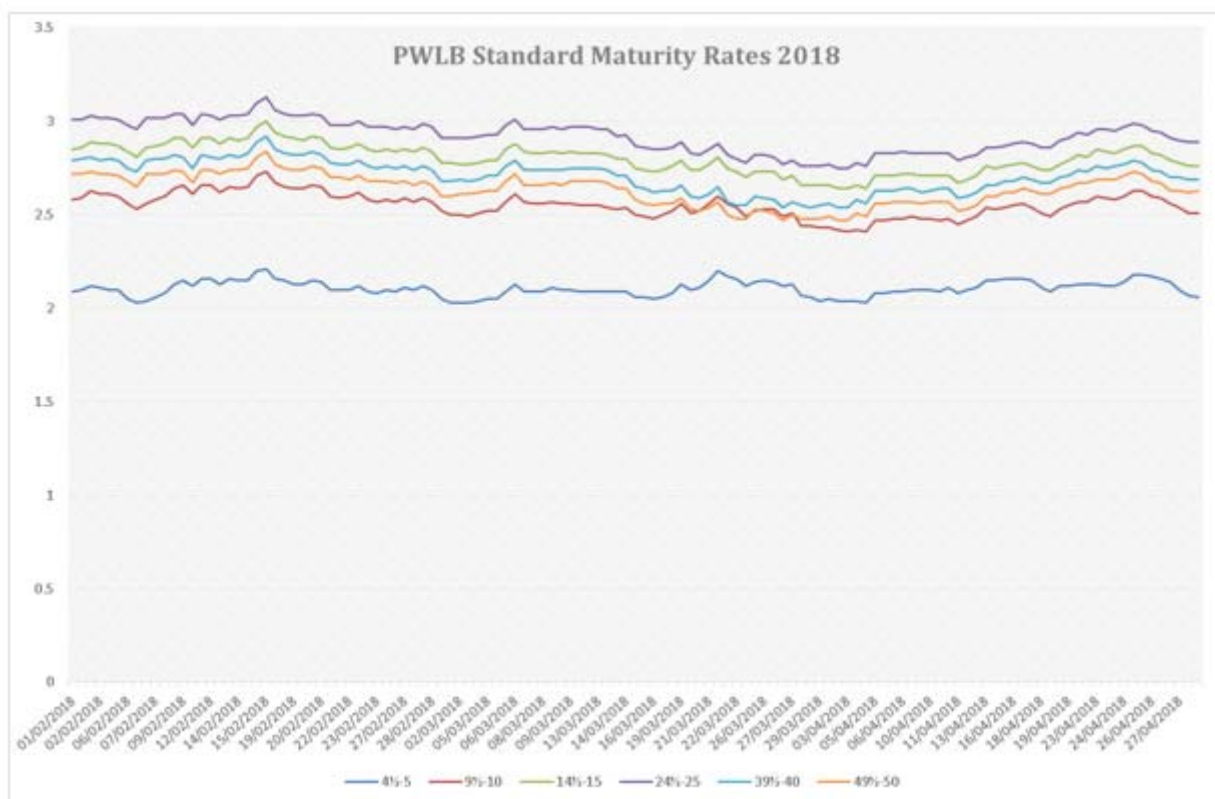
of Central Government grants, and the payment profile of precepts. Cash outflows, in particular capital expenditure, tend to increase later in the year, and the chart shows a clear need for the Council to borrow during the course of the year.



22. The chart above gives the following information:

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

23. 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. 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.



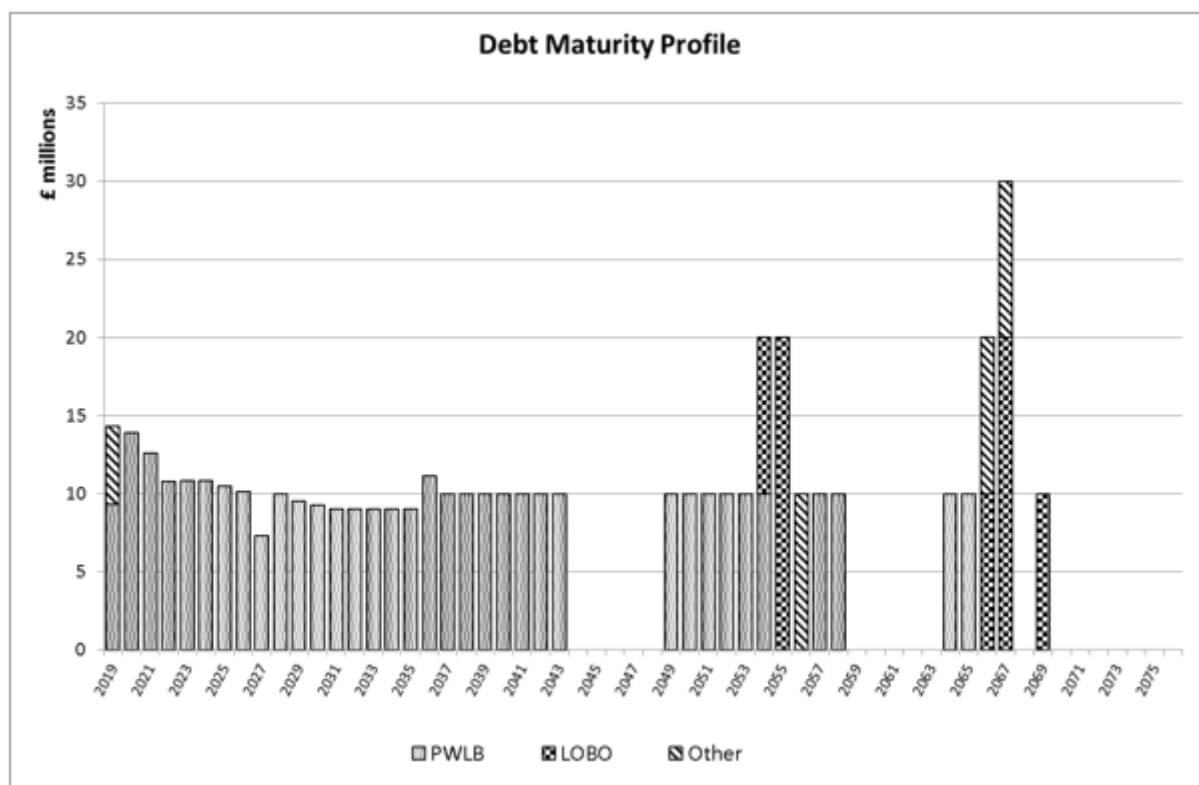
24. Borrowing decisions will take account of a number of factors including:

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

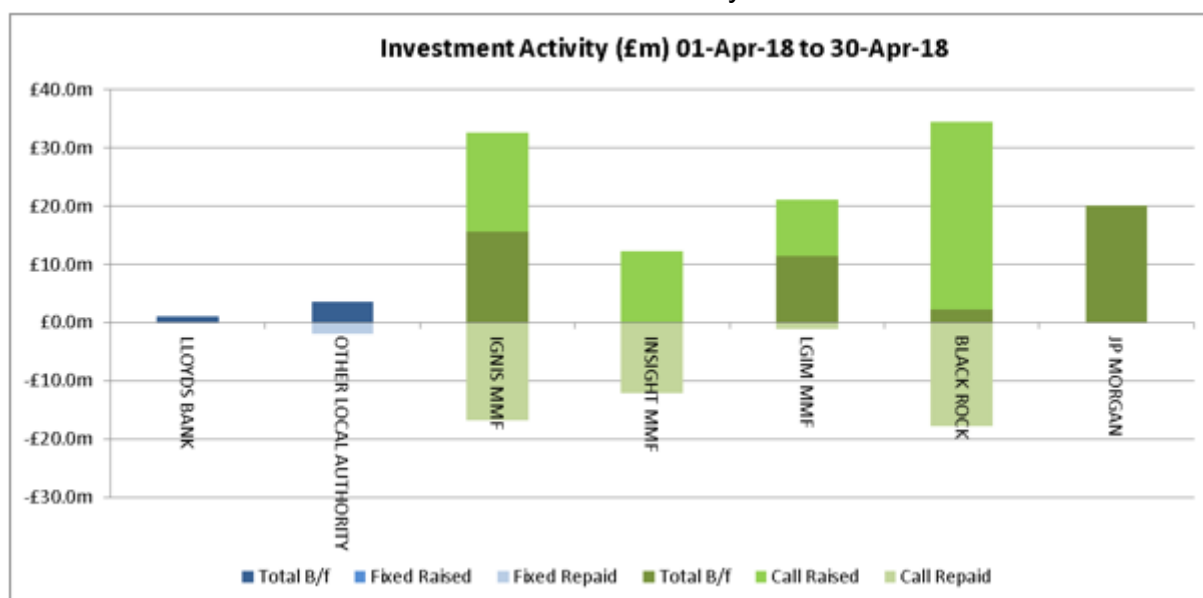
25. The maturity profile of the Council's debt portfolio is shown in the chart below. The PWLB loans are reasonably well distributed and have a maximum duration of 47 years. When deciding on the lengths of future loans the Council will factor in any gaps in its maturity profile, with a view to minimising interest rate risk, but will consider this alongside other financial factors.

26. 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.

27. 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.



28. 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 £75m at the month-end.



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

## Debt Recovery Performance

30. The debt position at the year-end shows an increase in the Total Debt of £6m mainly attributed to the timing of Residential Care invoices and the additional values of other sundry invoices raised pre year end. The position at 6 months shows a reduction of £67,000 for non-statutory debtors and a reduction of £0.1m for Care debts.

31. Statutory debt over 6 months continues to be influenced by full cost invoices to services users that have not yet joined the deferred payments scheme. This debt amounts to £1.9m as at Quarter 4, a direct effect of the changes brought about by the Care Act. These users are charged full costs for their care which they have no funds to make payments.

32. The write off total as at the end of Quarter 4 was £656,000

### Invoices raised in quarter

	Quarter 4	Year to date
Number	39,666	150,759
Value	£53,479,364	£167,420,621

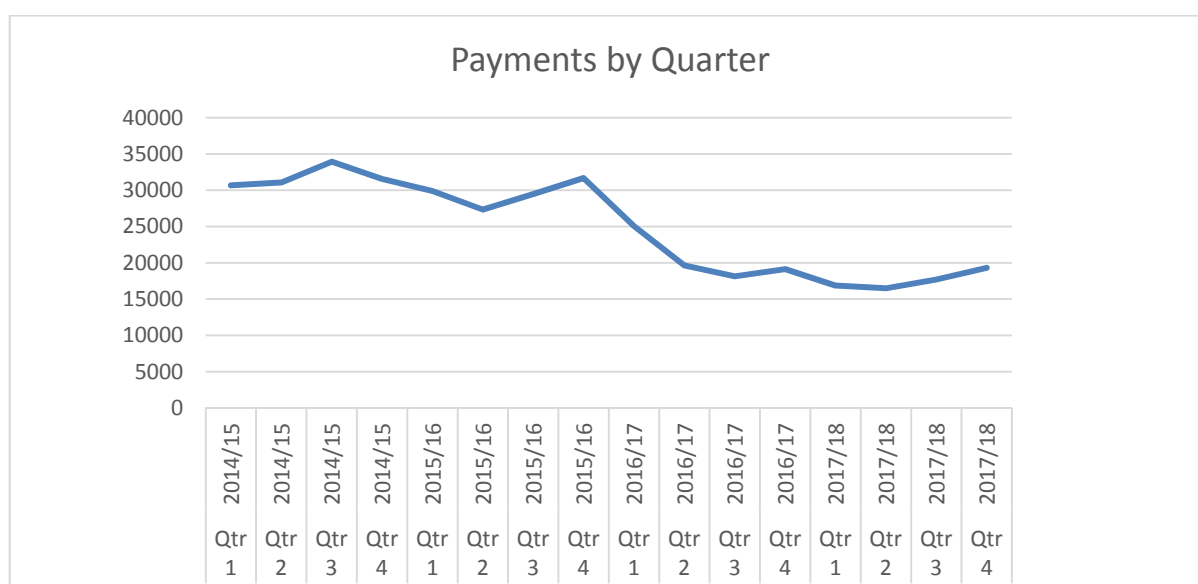
### Debt position at 31/03/18

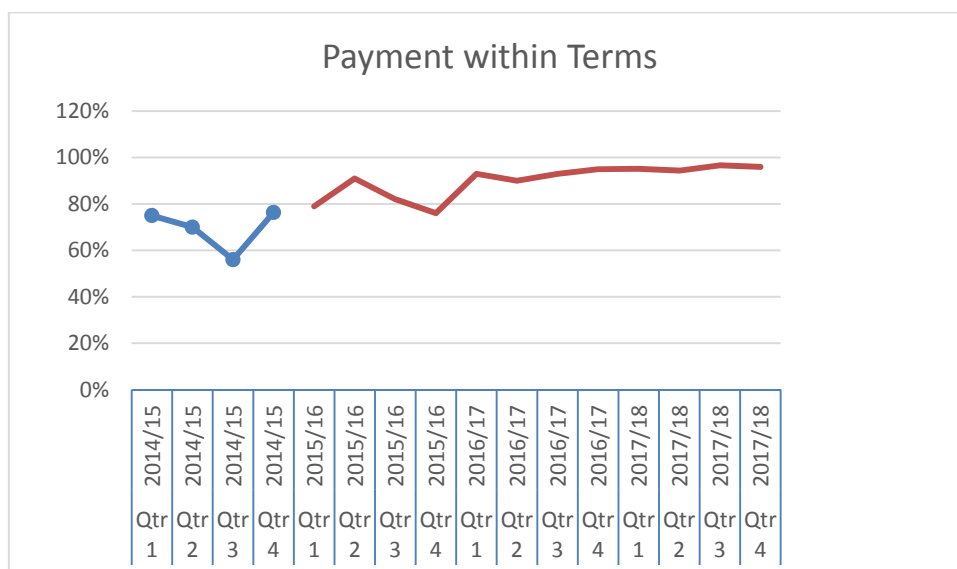
	Residential & Domiciliary Care	All Other	Total
Total	£10,722,045	£15,515,578	£26,237,623
Over 6 months	£5,173,642	£602,403	£5,776,045
% over 6 months	48.3%	3.9%	22.0%

### Accounts Payable (AP) Performance

33. Payment within terms are being maintained above 90% with Quarter 4 being recorded as 96%. The department also monitors where invoices were paid late and subjected to a dispute and fall outside the late payment compensations legislation. This is done retrospectively and collated for annual reporting requirements. This publically reported performance statistic for 2017/18 was 95.59%, an increase of 1.81% from 2016/17.

34. The increased use of consolidated invoices and the shift to ASDM's during the last financial year has resulted in a reduction in the volume of commercial invoices processed. The overall volume for 2017/18 was 70,000 invoices, a reduction of 11,000 documents from 2016/17 and 46,000 compared to 2015/16.



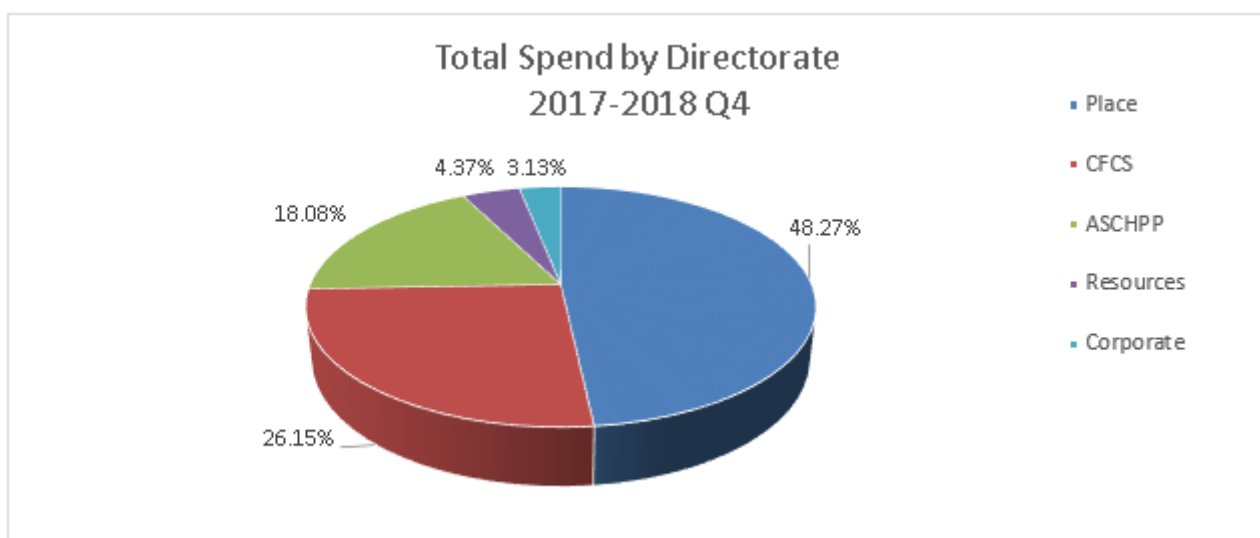


35. The debt recovery and accounts payable performance information will continue to be reviewed at an operational level on a fortnightly basis. The strategic performance information will be compiled for this report to Committee on a quarterly basis.

### Procurement Performance

36. As an organisation, NCC has spent £130m in the fourth quarter of the financial year 2017/18 with external suppliers. This represents a decrease of £9m when compared with the same period of the previous financial year. The top 4% (122) of suppliers account for 80% (£104m) of the total supplier spend. The remaining 96% (2,930 suppliers) have a total expenditure of £26m with an average spend of £8,900.

37. The chart below shows the total amount spent in the period, by Directorate. Place has the highest level of expenditure at 48%, whilst collectively the care related Directorates (ASCH&PP, CFCS) account for about 44% of all spend.



38. The Council's primary ordering route is through BMS. Orders that are processed through BMS are classified as 'Compliant', whilst purchases made outside of the Council's systems are deemed to be 'Non-Compliant'.

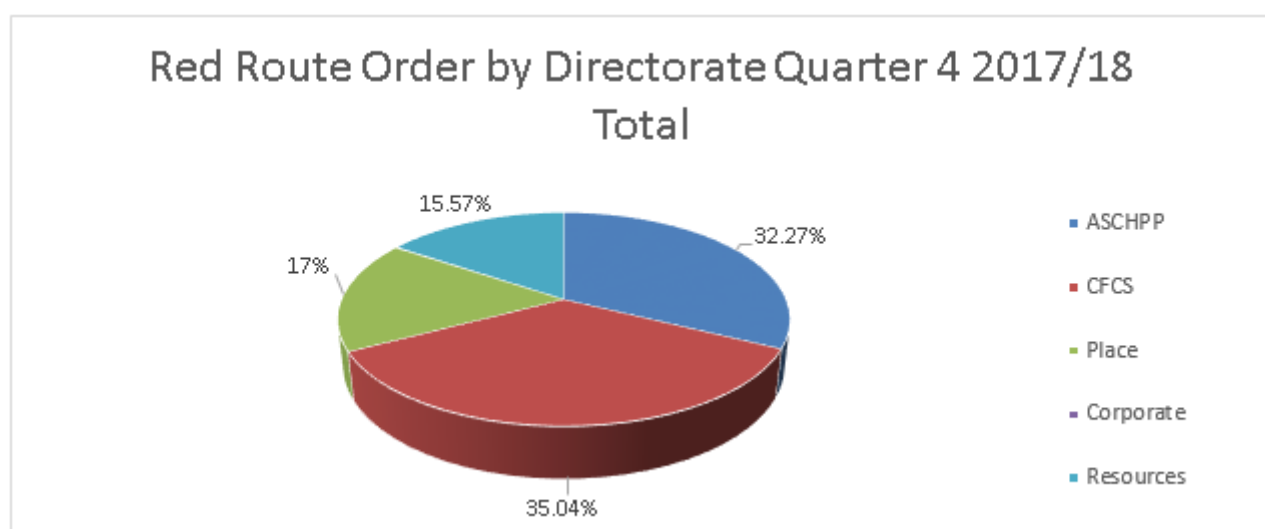
Retrospective orders are also classified as non-complaint, as they are typically raised after delivery of goods/services. Services commissioned and managed through other Corporate Systems, for example Mosaic, are out of scope. Purchase Orders are beneficial to the organisation as they provide visibility of what we spend. When compared with the same period of the previous financial year:

- Compliant ordering has increased by 2%
- Non-compliant (non PO) ordering has decreased by 2% from 28% to 26% of the total spend

39. The table below shows the number of retrospective orders on a monthly basis by department.

Directorate	PO Volume Jan 2018	PO Volume Feb 2018	PO Volume Mar 2018	Total Q4 2017/18	Total Q4 2016/17
ASCHPP	117	102	103	322	567
CFCS	246	223	325	794	1,058
Place	322	283	360	965	1,139
Corporate	-	3	4	7	1
Resources	102	96	140	338	342
<b>Total</b>	<b>787</b>	<b>707</b>	<b>932</b>	<b>2,426</b>	<b>3,107</b>

40. Purchase orders themselves are split into Green and Red orders. Green orders are those which are raised with the Procurement Centre's pre-arranged agreements or contracted suppliers. Red orders are those that do not have approved suppliers or contracts set up on BMS, and require additional work. When compared with the same period in the previous financial year the volume of 'Red' orders have reduced from 7,891 to 7,298. The chart below identifies the percentage of Red Route orders by Directorate in the 2017/18 financial year. The Procurement Team continue to work with stakeholders to improve these figures.



## **Statutory and Policy Implications**

41. 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 individual Committee revenue budgets for 2018/19.
- 2) To approve the contingency requests received to date.
- 3) To comment on the Council's Balance Sheet transactions.
- 4) To comment on the performance of the Procurement Team.
- 5) To comment on the performance of the Accounts Payable and Accounts Receivable teams.

### **Nigel Stevenson Service Director – Finance, Procurement and Improvement**

For any enquiries about this report please contact:

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Tamsin Rabbitts - Senior Accountant, Pensions and Treasury Management

### **Constitutional Comments (KK 23/05/2018)**

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

### **Financial Comments (GB 23/05/2018)**

43. 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