

21 March 2016**Agenda Item: 5****REPORT OF THE SERVICE DIRECTOR – FINANCE, PROCUREMENT AND
IMPROVEMENT****FINANCIAL MONITORING REPORT: PERIOD 10 2015/2016****Purpose of the Report**

1. To provide a summary of the revenue position of the County Council for the year to date with year-end forecasts.
2. Request approval for an additional contingency request.
3. To provide a summary of Capital Programme expenditure to date and year-end forecasts.
4. To inform Members of the Council's Balance Sheet transactions.
5. To provide Members with an update from the Procurement Team.
6. To provide Members with an update from the Accounts Payable and Accounts Receivable teams.

Information and Advice**Background**

7. The Council approved the 2015/16 budget at its meeting on 26 February 2015. As with previous financial years, progress updates will be closely monitored and reported to both management and Committee on a monthly basis.

Summary Revenue Position

8. Table 1 below summarises the revenue budgets and forecast outturn for each Committee. A £6.8m underspend position is currently predicted. In light of the Council's continuing financial challenges, the key message to effectively manage budgets and wherever possible deliver in-year savings is being reinforced.

Table 1 – Revenue Expenditure and Forecasts as at Period 10

Forecast Variance as at Period 9 £'000	Committee	Annual Budget £'000	Actual to Period 10 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
1,797	Children & Young People	139,858	117,381	141,969	2,111
(6,974)	Adult Social Care & Health	207,992	155,157	201,567	(6,425)
(144)	Transport & Highways	60,126	51,280	60,142	16
(246)	Environment & Sustainability	31,262	22,688	31,026	(236)
268	Community Safety	3,008	1,234	3,189	181
(313)	Culture	13,373	10,478	12,919	(454)
(1,071)	Policy	24,999	19,606	23,543	(1,456)
(869)	Finance & Property	34,624	29,378	33,710	(914)
(558)	Personnel	3,287	1,947	2,774	(513)
9	Economic Development	1,525	545	1,535	10
580	Public Health	5,217	(4,507)	5,568	351
(7,521)	Net Committee (under)/overspend	525,271	405,187	517,942	(7,329)
427	Central items	(10,508)	(36,392)	(10,681)	(173)
-	- Schools Expenditure	197	197	197	-
289	Contribution to/(from) Traders	165	2,580	60	(105)
(6,805)	Forecast prior to use of reserves	515,125	371,572	507,518	(7,607)
923	Transfer to / (from) Corporate Reserves	(6,363)	-	(5,779)	584
530	Transfer to / (from) Departmental Reserves	(15,497)	(802)	(15,280)	217
-	- Transfer to / (from) General Fund	(6,038)	-	(6,038)	-
(5,352)	Net County Council Budget Requirement	487,227	370,770	480,421	(6,806)

* The actual net expenditure for Public Health is skewed depending upon the timing of the receipt of grant.

Committee and Central Items

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

Children & Young People (forecast £2.1m overspend)

10. The underlying overspend is £1.8m (after planned use of grant reserves and excluding redundancy costs). A range of mitigating actions have been developed and pursued which has included a letter from the Corporate Director to restrict all non-essential spend and to adhere to vacancy control procedures as part of budget control measures. The recruitment of all agency staff requires the explicit approval of the Service Director Children's Social Care.

11. The Children's Social Care Division is reporting a forecast net overspend of £2.5m (£2.1m after the planned use of grant reserves), the major contributing variances being:

- £1.5m overspend on staffing due to the continued use of agency staff to cover vacancies in social work and safeguarding teams;
 - £0.1m overspend on Provider Services (Looked after Children placements), compared with an underspend of £0.1m forecast in period 9. The £0.2m reduction in underspend is due to a forecast adjustment for payments relating to the previous financial year for external residential placements;
 - £0.2m overspend on transport, as demand continues to exceed the budget;
 - £0.2m overspend on the rest of Children's Disability Services (CDS) mainly due to flexible and targeted short breaks and associated childcare;
 - £0.2m overspend on the social work practice pilot which includes a forecast extension to the original timescale of 6 months to 31 March 2016. This includes the successful bid of £0.2m from the Strategic Development Fund.
12. The Education Standards and Inclusion Division is reporting a forecast overspend of £0.9m, mainly due to an overspend on Special Educational Needs and Disability Policy and Provision. There is a continued demand for home to school transport in excess of the budget.
13. The Youth, Families and Culture Division is forecasting an underspend of £1.4m (£1.6m underspend after the planned use of grant reserves) mainly due to an underspend on Early Years and Early Intervention relating to contract savings and pension refunds, together with savings in employee and support costs across the Family Service and Youth Justice budgets.
14. The Capital and Central Charges area is forecasting a £0.3m overspend due to insurance charges in excess of the budget allocated for this purpose which is the additional cost of premiums for historic abuse cases.
15. There is also an underspend of £0.5m in Business Support which relates to savings associated to the part year effect of fixed term contracts and holding vacancies in anticipation of future year's savings.

Adult Social Care & Health (forecast £6.4m underspend)

16. The underlying forecast position is an underspend of £5.2m (after the planned use of reserves and excluding redundancy costs).
17. The Strategic, Commissioning, Access and Safeguarding Division is currently reporting a net underspend of £1.3m (£1.2m underspend after the use of reserves). The main variances are:
- Client Contribution income is forecasting a shortfall of £0.9m.
 - The previous overspend of £0.1m relating to agency staff within the MASH and Intake Teams is now being offset by underspends on staffing within other Access & Safeguarding teams
 - Supporting People are forecasting a £1.6m underspend due to a reduction on the LD Contract spend;
 - There is now a forecast underspend of £0.3m on software costs within the Framework Team and the Market Development Team.
 - Business Support are showing an underspend of £0.3m against various non-staffing budgets.

18. The North Nottinghamshire Division is currently forecasting a net underspend of £1.2m (£0.9m underspend after the use of reserves) against the budget. This is comprised of the following:

- Residential Services are now forecasting an underspend of £0.4m, primarily due to staffing in the Care and Support Centres.
- Day Services and Employment are forecasting an underspend of £1.4m. This is comprised of a £1.8m underspend on staffing within Day Services and Supported Employment partly offset by £0.4m overspend on Transport Services
- Bassetlaw Community Care are forecasting an overspend of £0.5m due to overspends in Younger Adults.

19. The Mid and South Divisions are currently forecasting a £0.8m underspend (after reserves a £0.3m underspend). This is due to the continued pursuit of Continuing Health Care (CHC) funding from the NHS.

20. Across Mid, South and North Nottinghamshire the major variances on care package costs are:

- Older Adults across the County are currently forecasting an underspend of £4.2m. This is due to a net decrease in commitment of £0.7m since period 9 and is reflective of the continuing fall in commitments on Framework month on month;
- Younger Adults across the County are currently forecasting an overspend of £2.1m. This is a net increase of £0.9m in commitment since period 9 and is reflecting the continued increase in Framework commitments across most services;
- Expenditure under the remit of Service Directors and Principal Social Worker costs are currently forecasting an overspend of £1.8m, which represents a reduction of £0.2m since period 9.

21. Throughout the County, the service continues to experience difficulties recruiting to vacancies. This is having an impact on the number of assessments and reviews waiting to be done.

22. The Transformation Division is currently forecasting an underspend of £3.0m against the budget. This is due to the announcement that the County Council will not be required to repay the funding provided by the Government for Part 2 of the Care Act. Although this money was allocated to combat winter pressures, not all of it will now be spent this financial year.

Policy (forecast £1.5m underspend)

23. This forecast underspend is due to:

- £0.5m underspend in Legal Services due mainly to continuing improvements in electronic and digital working and an ongoing efficiency programme reducing operating costs where possible;
- £0.1m underspend relating to running costs in Democratic Services;
- £0.2m underspend relating to vacancy savings in the Business Support Centre;
- £0.2m reduction in running costs at the Customer Services Centre, together with an increase in income resulting from a small increase in blue badge applications;
- £0.3m underspend resulting from a detailed review of expenditure relating to the Programme and Project Team, this is matched by a reduction in the use of corporate reserves;

- £0.2m underspend against the Ways of Working Programme budget, this is matched by a reduction in the use of corporate reserves.

Finance & Property (forecast £0.9m underspend)

24. This forecast underspend is due to:

- £0.6m underspend in Property due to a staffing rationalisation and savings on county office building maintenance in advance of saving requirements in 2016/17, together with additional Estates income
- £0.2m underspend on county offices and facilities management due to reduced business rates payable on county offices;
- £0.2m underspend within Finance and Procurement relating to staff vacancies in advance of saving requirements in 2016/17

Personnel (forecast £0.5m underspend)

25. This forecast net underspend is due to vacancy savings across the Health and Safety Group and the Workforce Planning and Organisational Development Group, together with savings on running costs and additional income generation.

Central Items (forecast £0.2m underspend)

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

27. Interest payments fluctuate depending on expectations of future rates and anticipated slippage on the capital programme. Current Treasury Management forecasts suggest a net overspend on interest of £0.5m.

28. At the time of setting the 2015/16 budget, several funding allocations had not been announced and therefore assumptions about certain grants were made, based on the best information available at the time. Throughout the year confirmations are received, and current forecasts suggest a net additional grant of £0.4m will be received in 2015/16.

29. The Minimum Revenue Provision (MRP) charge for 2015/16 is based upon the timing and level of capital expenditure and capital receipts. Current profiles and forecasts will result in an MRP charge which is £0.6m lower than budget. This is the main reason for the change in variance from that reported at Period 9.

30. The Council's original budget included a contingency of £5.1m to cover redundancy costs, slippage of savings and unforeseen events. Following base budget adjustments (£2.5m) being removed from Departmental budgets and contingency requests (£6.6m) approved at previous Finance and Property Committees, the remaining contingency balance stands at £0.5m, allowing for the new request below (para 32). Table 1 assumes that the full contingency allocation will be used before year end as new requests are likely to emerge.

31. Following the announcement of the section 188 notice on 1st December 2015 there is some work to be done to assess the impact of the provision created at the end of the last financial year, in year redundancies and the provision required for 2015/16.

Request for Contingency

32. On 22 February 2007, the County Council agreed to fund 50% of the financial assistance package created to support traders affected by the construction of the tram route. Claims for this assistance continue to be received and a contingency allocation of £0.5m was approved at the Finance and Property meeting held on 12 October 2015. This amount has already been exceeded and a further contingency request of up to £0.5m is now sought, dependent on the final 2015/16 outturn figures.
33. In spring 2015, the Social Work Support Officer (SWSO) pilot was introduced as part of a strategy to recruit and retain qualified Child Protection Social Workers. A report to the Children and Young People's Committee on 21 March 2015 will report that the SWSO pilot has already evidenced progress towards achieving the project's success criteria and recommend that the pilot continues until 31 March 2017. It is proposed that £0.3m contingency funding is made available to fund the SWSO pilot extension in 2016/17, subject to the approval of the report to Children and Young People's Committee.

Transfer to / (from) reserves

34. A review of reserves has been undertaken to identify surplus departmental reserves that may be released to support the budget. The outcome of this review resulted in £3.6m of departmental reserves being transferred to corporate reserves as part of the overall budget strategy.
35. As reported under Policy Committee, there is slippage in the Programme and Projects Team and Ways of Working which are funded by Corporate Reserves. To match the slippage there is a corresponding reduction in the use of reserves.

Progress with savings (forecast shortfall £4.7m in 2015/16)

37. Given the continued financial challenge that the Council is facing, savings schemes were approved as part of the 2015/16 budget process.
38. The review of Redefining Your Council (considered by Policy Committee in July 2015) noted that transformation is inherently risky to deliver and that the task of achieving significant budget savings becomes increasingly difficult over time, as change is overlaid upon change. Considerable lessons have been learned from savings projects which have been approved and delivered to date. Whilst programme and project management arrangements have been effective, a stronger approach to the identification and management of the assumptions which underpin projects is being put in place to ensure that they are evidenced and challenged prior to full implementation.

Capital Programme

39. Table 2 summarises changes in the gross Capital Programme for 2015/16 since approval of the original programme in the Budget Report (Council 26/02/15):

Table 2 – Revised Capital Programme for 2015/16

	2015/16	
	£'000	£'000
Approved per Council (Budget Report 2015/16)		112,039
Variations funded from County Council Allocations : Net slippage from 2014/15 and financing adjustments	(6,539)	
		(6,539)
Variations funded from other sources : Net slippage from 2014/15 and financing adjustments	(6,616)	
		(6,616)
Revised Gross Capital Programme		98,884

40. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 10.

Table 3 – Capital Expenditure and Forecasts as at Period 10

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 10 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	35,247	19,646	35,524	277
Adult Social Care & Health	4,317	1,720	3,496	(821)
Transport & Highways	36,070	28,796	35,429	(641)
Environment & Sustainability	2,516	1,716	2,534	18
Community Safety	-	-	-	-
Culture	1,532	796	872	(660)
Policy	1,976	1,814	1,981	5
Finance & Property	10,237	6,100	9,371	(866)
Personnel	298	25	258	(40)
Economic Development	6,691	4,764	6,195	(496)
Contingency	-	-	-	-
Total	98,884	65,377	95,660	(3,224)

41. In the Children and Young People's Committee, additional Department for Education funding of £0.2m has been secured to carry out design works relating to the Scarlet Wing of Clayfields House.

It is proposed that the Children and Young People's Committee capital programme is varied to reflect the additional DfE external funding secured for design works at Clayfields House.

42. Also in the Children and Young People's Committee, it is proposed that £0.197m Planned Maintenance revenue budget is joined up with School Condition Refurbishment Programme funding to efficiently carry out works required at two Nottinghamshire schools.

It is proposed that the Children and Young People's Committee capital programme is varied to reflect the £0.197m contribution from the planned maintenance revenue budget.

43. In the Adult Social Care and Health capital programme there is a forecast underspend of £0.8m. This mainly relates to slippage against the Living at Home programme (£0.4m) and re-profiling of costs associated with the ASCH Strategy budget into 2016/17 (£0.3m).

44. Also in the Adult Social Care and Health Committee, it is proposed that £0.127m Planned Maintenance revenue budget is utilised to fund urgent capital maintenance works required at Brooke Farm.

It is proposed that the Adult Social Care and Health capital programme is varied to reflect the £0.127m contribution from the planned maintenance revenue budget.

45. In the Transport and Highways Committee capital programme there is a forecast underspend of £0.6m. This is mainly as a result of the delay in receipt of a number of vehicles ordered against the Transport and Travel Services and Highways Vehicle and plant budgets (£0.5m).

46. Also in the Transport and Highways capital programme a £0.250m contribution from Ashfield District Council has been secured to help part fund the completion of the Kirkby Town Centre capital project which is part of the Integrated Transport Measure capital programme.

It is proposed that the Transport and Highways capital programme is varied to reflect the £0.250m external funding received from Ashfield District Council.

47. In the Culture Committee capital programme there is a forecast underspend of £0.7m. This is as a result of the Sherwood Forest Visitor Centre project (£0.2m) being re-profiled into 2016/17 and minor slippage against a number of library capital projects.

48. In the Finance and Property Committee capital programme there is a forecast underspend of £0.9m. This is mainly as a result of re-profiling identified against the Customer Services Centre project (£0.4m) due to tender process delays which have slipped the occupation date to June 2016. The CLASP demolition and re-provision of services project (£0.3m) has also been re-phased into 2016/17.

Financing the Approved Capital Programme

49. Table 4 summarises the financing of the overall approved Capital Programme for 2015/16.

Table 4 – Financing of the Approved Capital Programme for 2015/16

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	16,894	17,988	100	265	35,247
Adult Social Care & Health	1,682	2,428	172	35	4,317
Transport & Highways	12,509	22,984	47	530	36,070
Environment & Sustainability	1,187	729	600	-	2,516
Community Safety	-	-	-	-	-
Culture	1,462	70	-	230	1,762
Policy	1,976	-	-	180	2,156
Finance & Property	9,957	50	-	-	10,007
Personnel	-	118	-	-	118
Economic Development	3,246	3,445	-	-	6,691
Contingency	-	-	-	-	-
Total	48,913	47,812	919	1,240	98,884

50. It is anticipated that borrowing in 2015/16 will decrease by £9.3m from the forecast in the Budget Report 2015/16 (Council 26/02/2015). This decrease is primarily a consequence of:

- £8.9m of net slippage from 2014/15 to 2015/16 and financing adjustments funded by capital allocations.
- Variations to the 2015/16 capital programme funded from capital allocations totalling £2.4m as approved to the February 2016 Full Council meeting.
- Net slippage in 2015/16 of £2.8m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

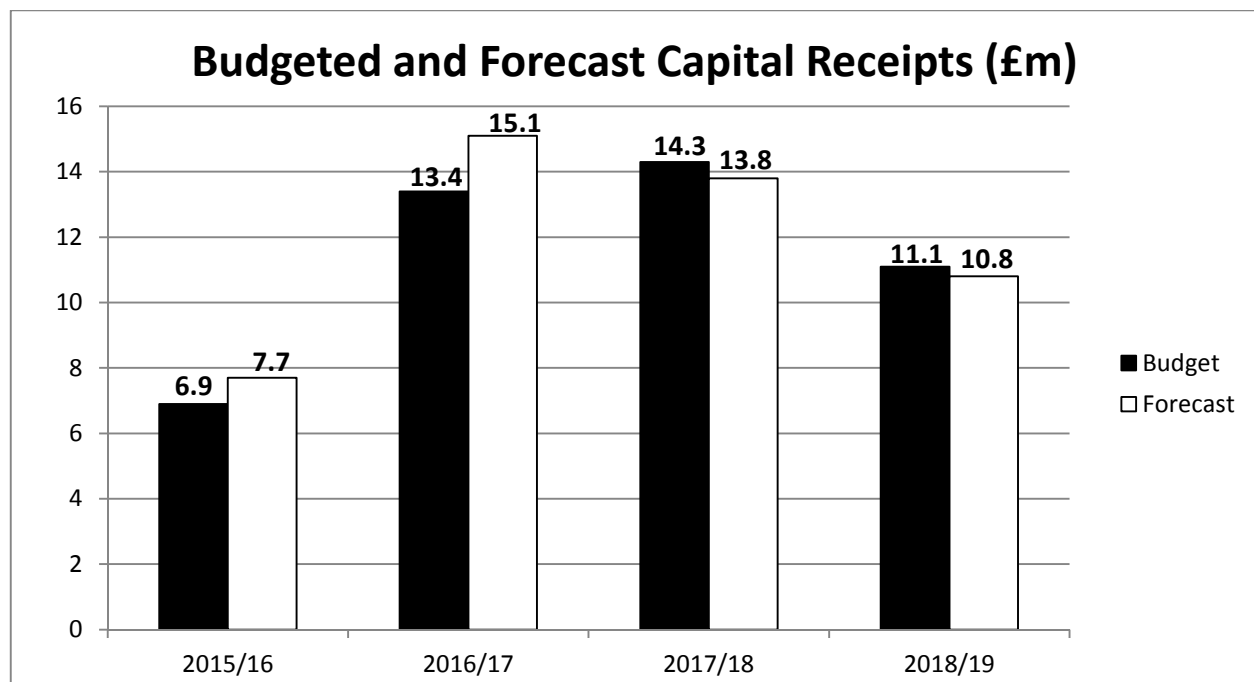
Prudential Indicator Monitoring

51. 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

52. 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.

53. The chart below shows the budgeted and forecast capital receipts for the four years to 2018/19.



54. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2015/16 (Council 26/02/2015). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery.

55. The capital receipt forecast for 2015/16 is £7.7m. To date in 2015/16, capital receipts totalling £5.5m have been received.

56. 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.

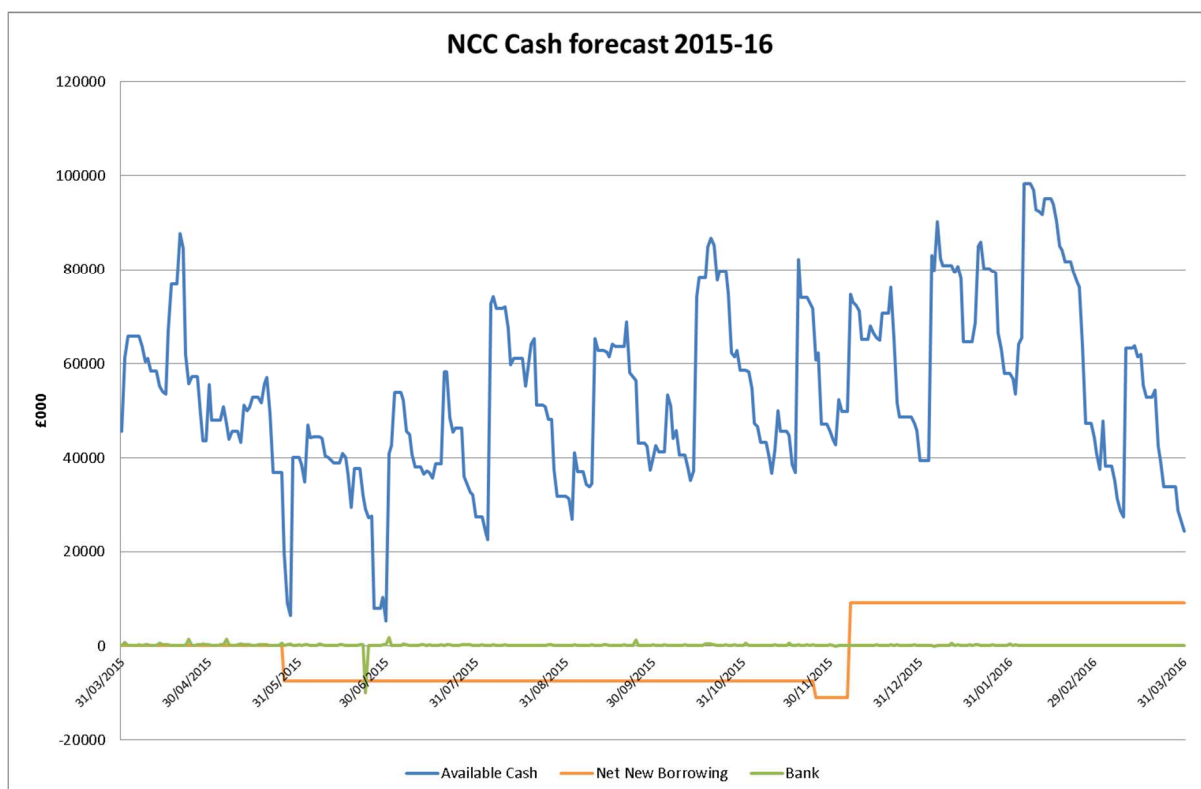
57. Current Council policy (Budget Report 2015/16) is to set capital receipts against the principal of previous years’ borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be set aside each year. It is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

Treasury Management

58. 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. The Cash forecast chart below 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.

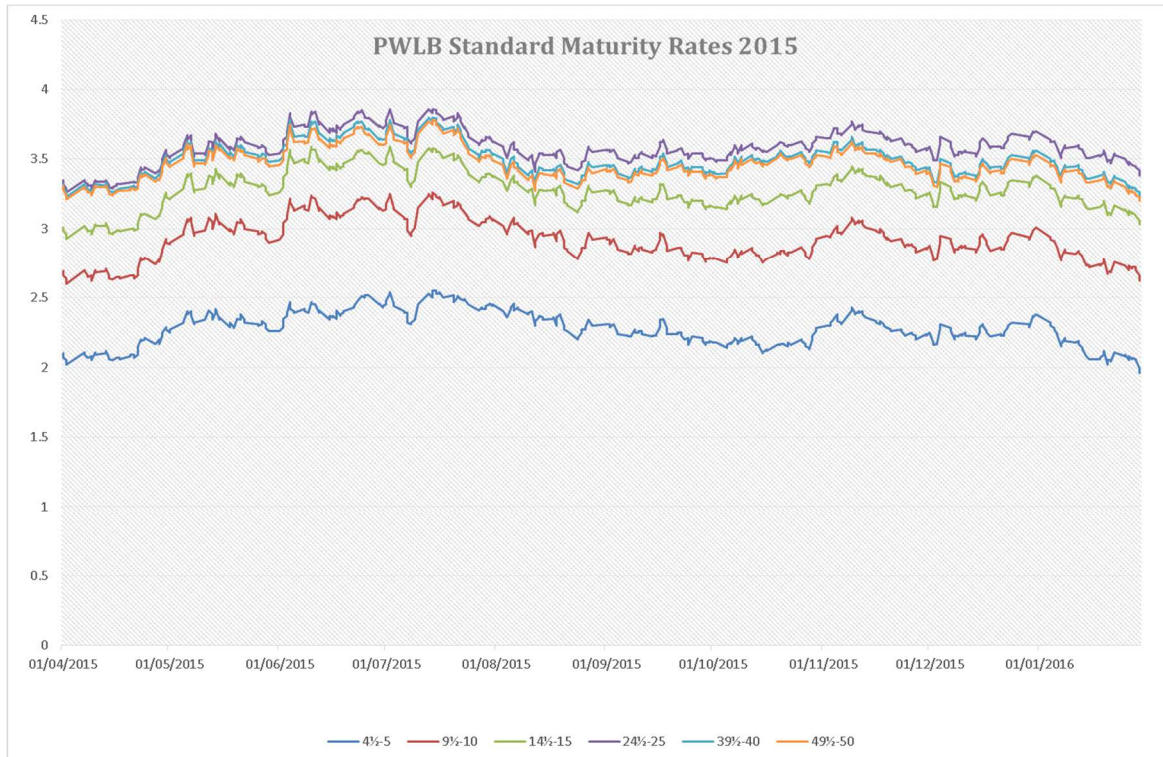
59. The chart below gives the following information:

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.



60. The Treasury Management Strategy for 2015/16 originally identified a need for additional borrowing of £78m to fund the capital programme, replenish internal balances and to replace maturing debt. This was later adjusted to nil, in line with the most recent capital monitoring and reserves forecast and the TM Mid-Year report. However, in-year cashflow analysis indicated a possible shortage of cash over the Christmas period, and so £20m long-term debt was borrowed from PWLB on 7 December. The forecast year-end under-borrowed position for 2015/16 is now £195m. In other words, the Council's reserves and working capital will allow some £195m of potential debt to be postponed to 2016/17 and beyond.

61. PWLB rates are monitored closely in order to feed into decisions on new borrowing. Longer term rates are currently where they were at the beginning of the year and it looks like they could fall further yet. This situation will be monitored and further borrowing might be undertaken before the year-end. The Council is 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 during 2015/16.



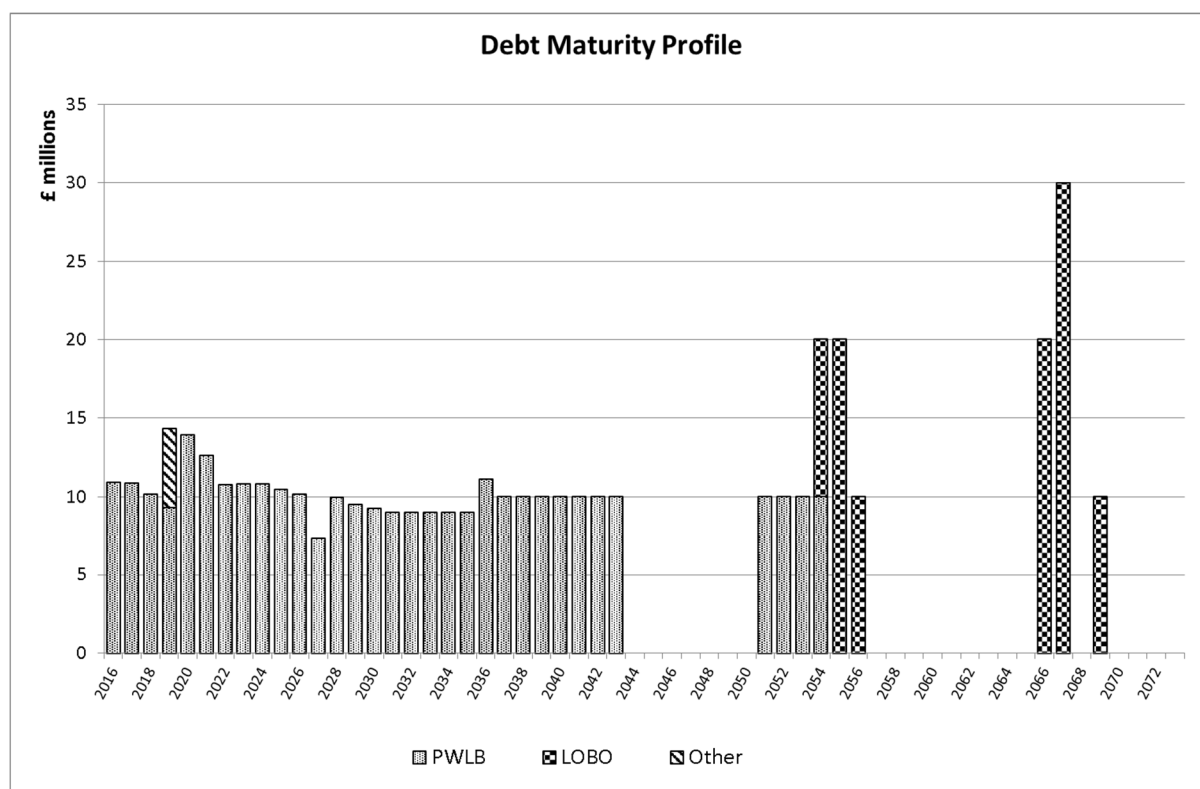
62. Borrowing decisions will take account of a number of factors including:

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

63. 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 38 years.

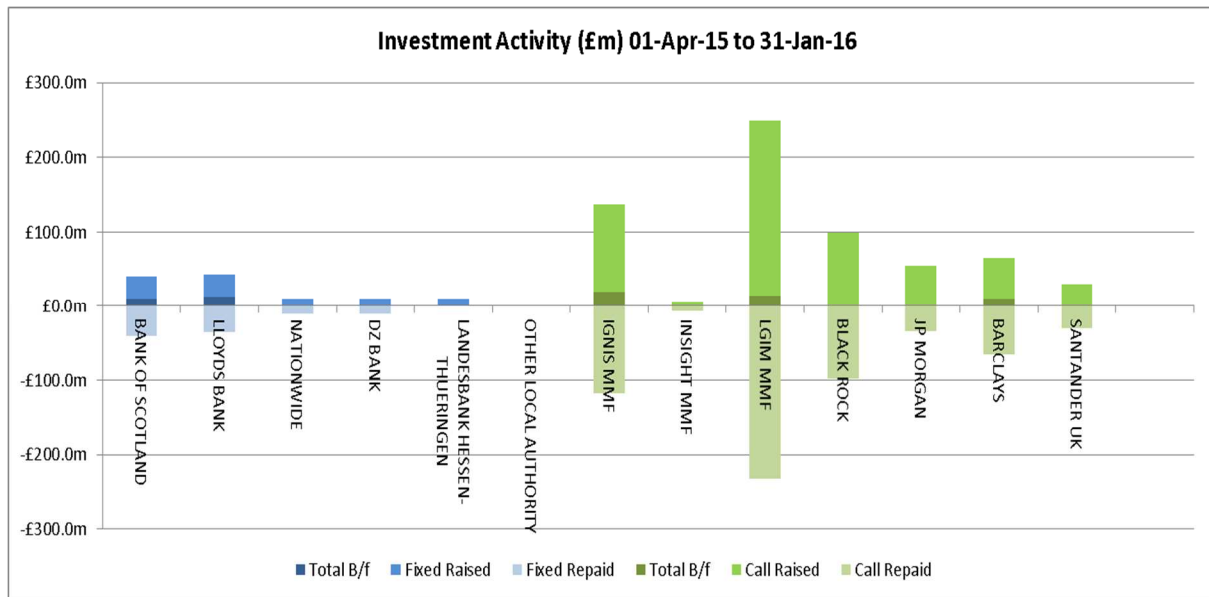
64. Longer-term borrowing (maturities up to 55 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender increases the rate at an option point, the Council will repay the loan) and were all taken at rates lower than the prevailing PWLB rate at the time. They are shown in the chart below at their latest maturity points, but could actually mature at various points before then, constituting a risk that the Council will have to then borrow at the prevailing interest rate.

65. The 'other' loan denotes 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.



66. The investment activity for 2015/16 to the end of December 2015 is summarised in the chart and table below. Outstanding investment balances totalled £70.2m at the start of the year and £77.5m at the end of the period. This is in line with the forecast cash flow profile for the year.

	Total B/f £ 000's	Total Raised £ 000's	Total Repaid £ 000's	Outstanding £ 000's
Bank of Scotland	10,000	30,000	(40,000)	-
Lloyds Bank	13,000	30,000	(35,000)	8,000
Nationwide	-	10,000	(10,000)	-
DZ Bank	-	10,000	(10,000)	-
Landesbank Hessen- Thueringen	-	10,000	-	10,000
Other Local Authority	1,500	-	-	1,500
IGNIS MMF	20,000	117,350	(117,350)	20,000
Insight MMF	-	6,700	(6,700)	-
LGIM MMF	14,550	234,450	(232,350)	16,650
Black Rock	500	98,850	(98,050)	1,300
JP Morgan	-	54,600	(34,600)	20,000
Barclays	10,650	54,600	(65,250)	-
Santander UK	-	29,500	(29,500)	-
Total	70,200	686,050	(678,800)	77,450



67. The majority of fixed term deals have been placed with Lloyds Bank or Bank of Scotland, both part of Lloyds Banking Group (LBG). Although LBG does not currently meet the minimum credit rating criteria required by the Council's Treasury Management Policy, both Lloyds Bank and Bank of Scotland individually do. As with all banks on the Council's lending list, the ratings of Lloyds Bank and Bank of Scotland are regularly monitored, and lending restrictions are placed accordingly

Procurement Performance

68. The latest benchmarking figures produced by CIPFA show that the Council's procurement costs as a percentage of spend is 0.20% compared with an average of 0.28% for all councils in the study, together with a median of 0.19%. In other words the cost of procurement in NCC is low compared with other councils.

69. Each procurement exercise is conducted on the basis of a combination between price and quality so the outcome is not necessarily the cheapest offer, however we endeavour to reduce the baseline costs of all our tendering activity. Whilst the savings reported here are what is achievable from the contract through having run a tender the release of all the value is reliant on effective contract management and monitoring. The values shown below are the potential contract release over the life of the contract.

Service Area	No. tenders releasing savings	Baseline Value £	New Spend Value £	Value Saving £
ASC	4	£23,320,000	£22,391,923	£928,077
Public Health	2	£ 8,600,000	£6,342,000	£2,258,000
Place	11	£23,533,780	£21,786,167	£1,747,613
Resources	6	£9,336,848	£8,903,371	£433,477
Totals				£5,367,167.00

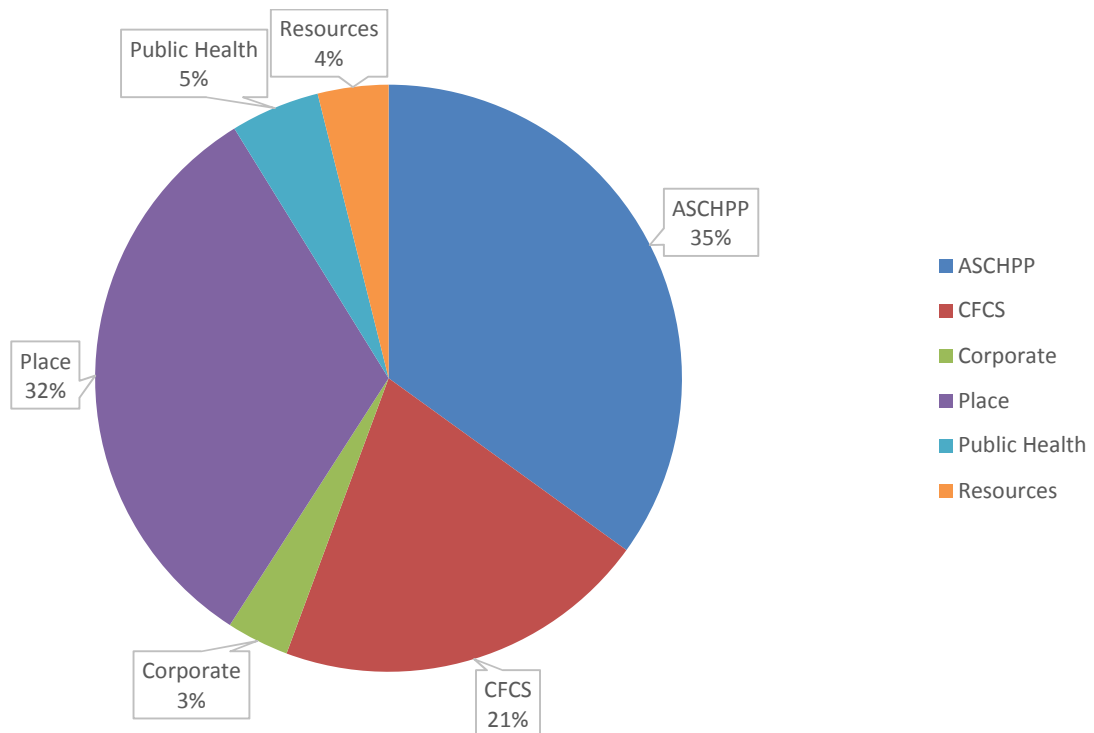
70. There are 38 completed tenders and 22 projects that are still running in this area.

71. We are also continually seeking additional savings from our supply chain. A piece of ongoing work is the negotiation of additional discounts through early payment of invoices and consolidated invoices as a consequence of greater information and management of our supply chain. To date this has realised annual savings of over £185,000.

72. As an organisation, NCC has spent £540m in the first 10 months of the financial year 2015/16 with external suppliers which is an increase of £15m from the same period of previous financial year.

The top 6% (388) of suppliers account for 80% (£432m) of the total supplier spend. The remaining 94% (6107 suppliers) have a total expenditure of £108m with an average spend of £17,600.

The chart below shows how the total amount spent, in the same period, is divided across Departments, almost 61% of all expenditure going through Care (ASCHPP, CFCS and Public Health) and 39% through Resources and Places).



73. The Council's preferred ordering route is through BMS. The team have been working with stakeholders to improve the way that we procure to ensure compliance.

- Orders that are processed through BMS are classified as Compliant Purchase Orders (Compliant)
- Non Purchase Orders (or Non-Compliant) are those purchases that are made outside of any system
- Retrospective orders – are non-compliant in that they have been raised following the delivery of the goods/services

- Interface Orders are those that are out of scope and are paid through another system e.g. Frameworki

74. Purchase Orders are beneficial to the organisation as they provide visibility of what we spend. Currently:-

- Compliant ordering (PO) has increased by 12% in the last 10 months from 35% to 47% of the total spent
- Non-compliant (**non PO**) ordering has decreased by 12% in the last 10 months from 42% to 30% of the total
- Interface has increased only 1% in the last 10 months from 22% to 23% of the total spent

75. Table below shows the number of retrospective orders in a monthly basis across portfolios with a reasonable decrease every month.

Portfolio	Apr-14	May-15	Jun-15	Jul-15	Aug -15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-15
ASCHPP	457	349	360	377	346	287	306	277	219	195
Children, Families and Cultural Services	649	496	503	501	472	471	433	471	386	348
Corporate	3	9	0	2	0	2	2	0	0	4
Place	521	469	527	426	405	377	436	464	401	337
Resources	73	77	71	65	80	100	78	102	81	52
Public Health	2	1	0	5	1	1	6	3	3	1

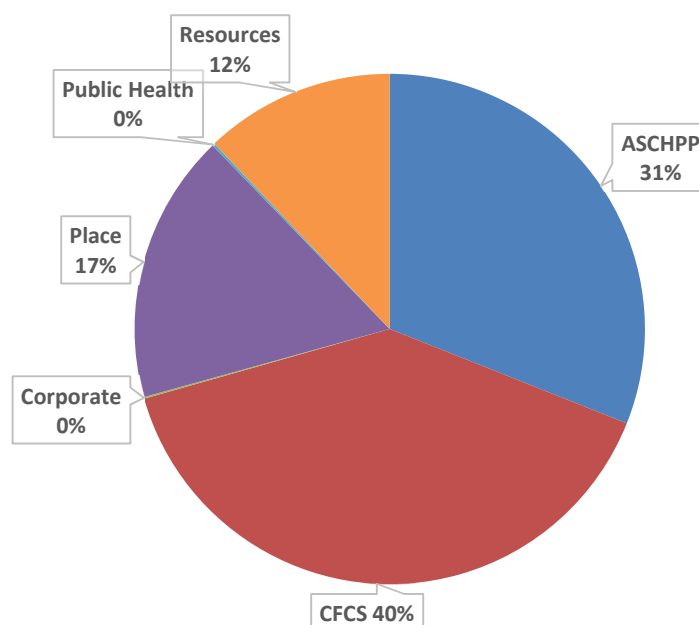
76. The table below shows the percentage of retrospective spent of each directorates to total spent in the last 3 months.

	Total Spend	Retrospective Spend	Percentage
ASCHPP	£71,857,686.23	£4,540,697.70	6.32%
Children, Families a	£54,184,298.20	£6,435,822.30	11.88%
Place	£45,460,579.73	£7,759,350.11	17.07%
Corporate	£5,207,746.20	£45,853.50	0.88%
Public Health	£8,393,157.66	£57,703.30	0.69%
Resources	£6,391,023.63	£714,321.85	11.18%
Grand total	£191,494,491.65	£19,553,748.76	10.21%

77. 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.

The chart below identifies the percentage of total Red orders by Directorate in the first quarter of 2015/16 financial year.

% of red orders by directorate of total red orders



Debt Recovery Performance

Invoices raised in quarter

	Qtr. 3	Year to date
Number	42,943	122,310
Value	£38,500,985	£114,722,476

Debt Position at 31/12/15

	Statutory	Non-Statutory	Total
Total	£6,836,681	£7,666,303	£14,502,984
Over 6 months	£4,161,946	£858,481	£5,020,427
% over 6 months	60.9%	11.2%	34.6%

78. The overall debt reduced by over £2.5m during December. The Statutory debt increased by £0.184m, which was mainly the result of the Personal Budget invoices being produced just prior to month end. The Non Statutory overall debt decreased by over £2.68m. The over 6 months debt increased by over £0.043m, with an increase in the over 6 months Statutory debt of £0.038m, and the Non Statutory over 6 month debt of £0.005m. The overall level of debt, and the percentage over 6 months, is very dependent on the timing of invoices around the month

end. It is expected that invoices and debt levels will increase in quarter 4 as a significant value of invoices are raised at the end of the year. There is still an amount of £0.180m which is waiting authorisation for write off.

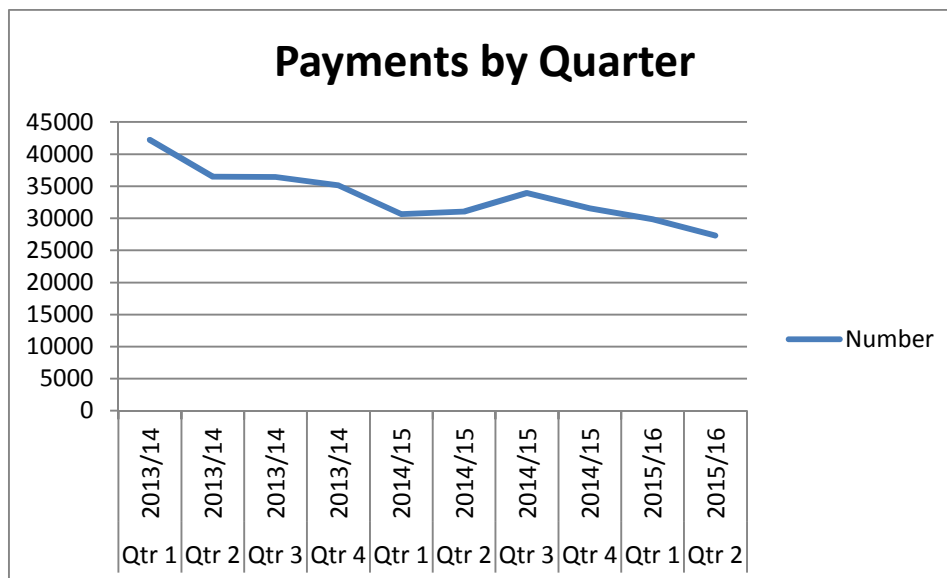
79. During the second quarter we have received repayment of £3,329 following High Court action, £254 from 3rd Party Debt Collection agencies and £12,715 following other legal action.

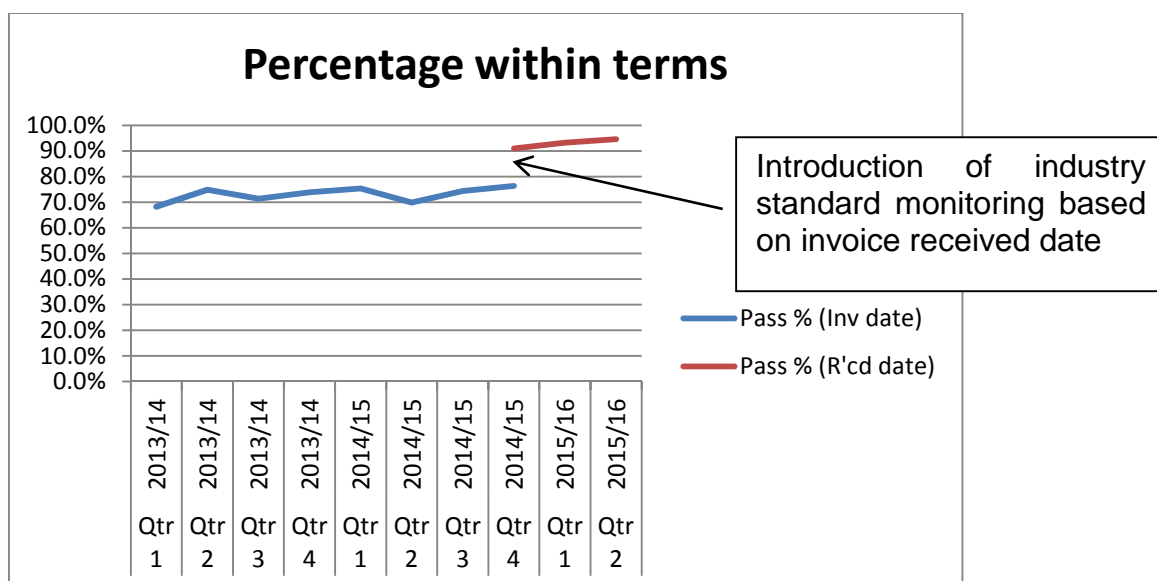
80. Debts of £42,454 were written off as unrecoverable in the quarter following all possible legal action.

Accounts Payable Performance

81. The overall performance in terms of invoices paid within terms has fallen very slightly to 93.8%. This continues to be a good performance. The graphs below show that the number of invoices processed by Accounts Payable has stabilised at around 10,000 per month (30,000 per quarter). The effect of the introduction of the Managed Service Provider (MSP) for Agency staff had previously caused a steady fall.

82. The two Procure to Pay pilot Hubs are still working well and a great deal of positive feedback has been received. The next steps in rolling out this new way of working is currently under consideration by the project group.





Statutory and Policy Implications

83. 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 revenue budget expenditure to date and year end forecasts
- 2) To approve the contingency request
- 3) To note the Capital Programme expenditure to date and year end forecasts and approve variances to the Capital Programme
- 4) To note the Council's Balance Sheet transactions
- 5) To note the performance of the Procurement Team
- 6) To note the performance of the Accounts Payable and Accounts Receivable teams

Nigel Stevenson Service Director – Finance, Procurement and Improvement Division

For any enquiries about this report please contact:

Glen Bicknell - Senior Finance Business Partner, Senior Accountant

Simon Cunnington - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (HD)

84. Committee has the authority to determine recommendations within the report.

Financial Comments (GB)

85. The financial implications are stated within the report itself.

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.

- 'Social Work Support Officers – Pilot Extension' report to Children and Young People's Committee 21st March 2016

Electoral Division(s) and Member(s) Affected

All

21 March 2016**Agenda Item: 5****REPORT OF THE SERVICE DIRECTOR – FINANCE, PROCUREMENT AND
IMPROVEMENT****FINANCIAL MONITORING REPORT: PERIOD 10 2015/2016****Purpose of the Report**

1. To provide a summary of the revenue position of the County Council for the year to date with year-end forecasts.
2. Request approval for an additional contingency request.
3. To provide a summary of Capital Programme expenditure to date and year-end forecasts.
4. To inform Members of the Council's Balance Sheet transactions.
5. To provide Members with an update from the Procurement Team.
6. To provide Members with an update from the Accounts Payable and Accounts Receivable teams.

Information and Advice**Background**

7. The Council approved the 2015/16 budget at its meeting on 26 February 2015. As with previous financial years, progress updates will be closely monitored and reported to both management and Committee on a monthly basis.

Summary Revenue Position

8. Table 1 below summarises the revenue budgets and forecast outturn for each Committee. A £6.8m underspend position is currently predicted. In light of the Council's continuing financial challenges, the key message to effectively manage budgets and wherever possible deliver in-year savings is being reinforced.

Table 1 – Revenue Expenditure and Forecasts as at Period 10

Forecast Variance as at Period 9 £'000	Committee	Annual Budget £'000	Actual to Period 10 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
1,797	Children & Young People	139,858	117,381	141,969	2,111
(6,974)	Adult Social Care & Health	207,992	155,157	201,567	(6,425)
(144)	Transport & Highways	60,126	51,280	60,142	16
(246)	Environment & Sustainability	31,262	22,688	31,026	(236)
268	Community Safety	3,008	1,234	3,189	181
(313)	Culture	13,373	10,478	12,919	(454)
(1,071)	Policy	24,999	19,606	23,543	(1,456)
(869)	Finance & Property	34,624	29,378	33,710	(914)
(558)	Personnel	3,287	1,947	2,774	(513)
9	Economic Development	1,525	545	1,535	10
580	Public Health	5,217	(4,507)	5,568	351
(7,521)	Net Committee (under)/overspend	525,271	405,187	517,942	(7,329)
427	Central items	(10,508)	(36,392)	(10,681)	(173)
-	- Schools Expenditure	197	197	197	-
289	Contribution to/(from) Traders	165	2,580	60	(105)
(6,805)	Forecast prior to use of reserves	515,125	371,572	507,518	(7,607)
923	Transfer to / (from) Corporate Reserves	(6,363)	-	(5,779)	584
530	Transfer to / (from) Departmental Reserves	(15,497)	(802)	(15,280)	217
-	- Transfer to / (from) General Fund	(6,038)	-	(6,038)	-
(5,352)	Net County Council Budget Requirement	487,227	370,770	480,421	(6,806)

* The actual net expenditure for Public Health is skewed depending upon the timing of the receipt of grant.

Committee and Central Items

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

Children & Young People (forecast £2.1m overspend)

10. The underlying overspend is £1.8m (after planned use of grant reserves and excluding redundancy costs). A range of mitigating actions have been developed and pursued which has included a letter from the Corporate Director to restrict all non-essential spend and to adhere to vacancy control procedures as part of budget control measures. The recruitment of all agency staff requires the explicit approval of the Service Director Children's Social Care.
11. The Children's Social Care Division is reporting a forecast net overspend of £2.5m (£2.1m after the planned use of grant reserves), the major contributing variances being:

- £1.5m overspend on staffing due to the continued use of agency staff to cover vacancies in social work and safeguarding teams;
 - £0.1m overspend on Provider Services (Looked after Children placements), compared with an underspend of £0.1m forecast in period 9. The £0.2m reduction in underspend is due to a forecast adjustment for payments relating to the previous financial year for external residential placements;
 - £0.2m overspend on transport, as demand continues to exceed the budget;
 - £0.2m overspend on the rest of Children's Disability Services (CDS) mainly due to flexible and targeted short breaks and associated childcare;
 - £0.2m overspend on the social work practice pilot which includes a forecast extension to the original timescale of 6 months to 31 March 2016. This includes the successful bid of £0.2m from the Strategic Development Fund.
12. The Education Standards and Inclusion Division is reporting a forecast overspend of £0.9m, mainly due to an overspend on Special Educational Needs and Disability Policy and Provision. There is a continued demand for home to school transport in excess of the budget.
13. The Youth, Families and Culture Division is forecasting an underspend of £1.4m (£1.6m underspend after the planned use of grant reserves) mainly due to an underspend on Early Years and Early Intervention relating to contract savings and pension refunds, together with savings in employee and support costs across the Family Service and Youth Justice budgets.
14. The Capital and Central Charges area is forecasting a £0.3m overspend due to insurance charges in excess of the budget allocated for this purpose which is the additional cost of premiums for historic abuse cases.
15. There is also an underspend of £0.5m in Business Support which relates to savings associated to the part year effect of fixed term contracts and holding vacancies in anticipation of future year's savings.

Adult Social Care & Health (forecast £6.4m underspend)

16. The underlying forecast position is an underspend of £5.2m (after the planned use of reserves and excluding redundancy costs).
17. The Strategic, Commissioning, Access and Safeguarding Division is currently reporting a net underspend of £1.3m (£1.2m underspend after the use of reserves). The main variances are:
- Client Contribution income is forecasting a shortfall of £0.9m.
 - The previous overspend of £0.1m relating to agency staff within the MASH and Intake Teams is now being offset by underspends on staffing within other Access & Safeguarding teams
 - Supporting People are forecasting a £1.6m underspend due to a reduction on the LD Contract spend;
 - There is now a forecast underspend of £0.3m on software costs within the Framework Team and the Market Development Team.
 - Business Support are showing an underspend of £0.3m against various non-staffing budgets.

18. The North Nottinghamshire Division is currently forecasting a net underspend of £1.2m (£0.9m underspend after the use of reserves) against the budget. This is comprised of the following:

- Residential Services are now forecasting an underspend of £0.4m, primarily due to staffing in the Care and Support Centres.
- Day Services and Employment are forecasting an underspend of £1.4m. This is comprised of a £1.8m underspend on staffing within Day Services and Supported Employment partly offset by £0.4m overspend on Transport Services
- Bassetlaw Community Care are forecasting an overspend of £0.5m due to overspends in Younger Adults.

19. The Mid and South Divisions are currently forecasting a £0.8m underspend (after reserves a £0.3m underspend). This is due to the continued pursuit of Continuing Health Care (CHC) funding from the NHS.

20. Across Mid, South and North Nottinghamshire the major variances on care package costs are:

- Older Adults across the County are currently forecasting an underspend of £4.2m. This is due to a net decrease in commitment of £0.7m since period 9 and is reflective of the continuing fall in commitments on Framework month on month;
- Younger Adults across the County are currently forecasting an overspend of £2.1m. This is a net increase of £0.9m in commitment since period 9 and is reflecting the continued increase in Framework commitments across most services;
- Expenditure under the remit of Service Directors and Principal Social Worker costs are currently forecasting an overspend of £1.8m, which represents a reduction of £0.2m since period 9.

21. Throughout the County, the service continues to experience difficulties recruiting to vacancies. This is having an impact on the number of assessments and reviews waiting to be done.

22. The Transformation Division is currently forecasting an underspend of £3.0m against the budget. This is due to the announcement that the County Council will not be required to repay the funding provided by the Government for Part 2 of the Care Act. Although this money was allocated to combat winter pressures, not all of it will now be spent this financial year.

Policy (forecast £1.5m underspend)

23. This forecast underspend is due to:

- £0.5m underspend in Legal Services due mainly to continuing improvements in electronic and digital working and an ongoing efficiency programme reducing operating costs where possible;
- £0.1m underspend relating to running costs in Democratic Services;
- £0.2m underspend relating to vacancy savings in the Business Support Centre;
- £0.2m reduction in running costs at the Customer Services Centre, together with an increase in income resulting from a small increase in blue badge applications;
- £0.3m underspend resulting from a detailed review of expenditure relating to the Programme and Project Team, this is matched by a reduction in the use of corporate reserves;

- £0.2m underspend against the Ways of Working Programme budget, this is matched by a reduction in the use of corporate reserves.

Finance & Property (forecast £0.9m underspend)

24. This forecast underspend is due to:

- £0.6m underspend in Property due to a staffing rationalisation and savings on county office building maintenance in advance of saving requirements in 2016/17, together with additional Estates income
- £0.2m underspend on county offices and facilities management due to reduced business rates payable on county offices;
- £0.2m underspend within Finance and Procurement relating to staff vacancies in advance of saving requirements in 2016/17

Personnel (forecast £0.5m underspend)

25. This forecast net underspend is due to vacancy savings across the Health and Safety Group and the Workforce Planning and Organisational Development Group, together with savings on running costs and additional income generation.

Central Items (forecast £0.2m underspend)

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

27. Interest payments fluctuate depending on expectations of future rates and anticipated slippage on the capital programme. Current Treasury Management forecasts suggest a net overspend on interest of £0.5m.

28. At the time of setting the 2015/16 budget, several funding allocations had not been announced and therefore assumptions about certain grants were made, based on the best information available at the time. Throughout the year confirmations are received, and current forecasts suggest a net additional grant of £0.4m will be received in 2015/16.

29. The Minimum Revenue Provision (MRP) charge for 2015/16 is based upon the timing and level of capital expenditure and capital receipts. Current profiles and forecasts will result in an MRP charge which is £0.6m lower than budget. This is the main reason for the change in variance from that reported at Period 9.

30. The Council's original budget included a contingency of £5.1m to cover redundancy costs, slippage of savings and unforeseen events. Following base budget adjustments (£2.5m) being removed from Departmental budgets and contingency requests (£6.6m) approved at previous Finance and Property Committees, the remaining contingency balance stands at £0.5m, allowing for the new request below (para 32). Table 1 assumes that the full contingency allocation will be used before year end as new requests are likely to emerge.

31. Following the announcement of the section 188 notice on 1st December 2015 there is some work to be done to assess the impact of the provision created at the end of the last financial year, in year redundancies and the provision required for 2015/16.

Request for Contingency

32. On 22 February 2007, the County Council agreed to fund 50% of the financial assistance package created to support traders affected by the construction of the tram route. Claims for this assistance continue to be received and a contingency allocation of £0.5m was approved at the Finance and Property meeting held on 12 October 2015. This amount has already been exceeded and a further contingency request of up to £0.5m is now sought, dependent on the final 2015/16 outturn figures.
33. In spring 2015, the Social Work Support Officer (SWSO) pilot was introduced as part of a strategy to recruit and retain qualified Child Protection Social Workers. A report to the Children and Young People's Committee on 21 March 2015 will report that the SWSO pilot has already evidenced progress towards achieving the project's success criteria and recommend that the pilot continues until 31 March 2017. It is proposed that £0.3m contingency funding is made available to fund the SWSO pilot extension in 2016/17, subject to the approval of the report to Children and Young People's Committee.

Transfer to / (from) reserves

34. A review of reserves has been undertaken to identify surplus departmental reserves that may be released to support the budget. The outcome of this review resulted in £3.6m of departmental reserves being transferred to corporate reserves as part of the overall budget strategy.
35. As reported under Policy Committee, there is slippage in the Programme and Projects Team and Ways of Working which are funded by Corporate Reserves. To match the slippage there is a corresponding reduction in the use of reserves.

Progress with savings (forecast shortfall £4.7m in 2015/16)

37. Given the continued financial challenge that the Council is facing, savings schemes were approved as part of the 2015/16 budget process.
38. The review of Redefining Your Council (considered by Policy Committee in July 2015) noted that transformation is inherently risky to deliver and that the task of achieving significant budget savings becomes increasingly difficult over time, as change is overlaid upon change. Considerable lessons have been learned from savings projects which have been approved and delivered to date. Whilst programme and project management arrangements have been effective, a stronger approach to the identification and management of the assumptions which underpin projects is being put in place to ensure that they are evidenced and challenged prior to full implementation.

Capital Programme

39. Table 2 summarises changes in the gross Capital Programme for 2015/16 since approval of the original programme in the Budget Report (Council 26/02/15):

Table 2 – Revised Capital Programme for 2015/16

	2015/16	
	£'000	£'000
Approved per Council (Budget Report 2015/16)		112,039
Variations funded from County Council Allocations : Net slippage from 2014/15 and financing adjustments	(6,539)	
		(6,539)
Variations funded from other sources : Net slippage from 2014/15 and financing adjustments	(6,616)	
		(6,616)
Revised Gross Capital Programme		98,884

40. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 10.

Table 3 – Capital Expenditure and Forecasts as at Period 10

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 10 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	35,247	19,646	35,524	277
Adult Social Care & Health	4,317	1,720	3,496	(821)
Transport & Highways	36,070	28,796	35,429	(641)
Environment & Sustainability	2,516	1,716	2,534	18
Community Safety	-	-	-	-
Culture	1,532	796	872	(660)
Policy	1,976	1,814	1,981	5
Finance & Property	10,237	6,100	9,371	(866)
Personnel	298	25	258	(40)
Economic Development	6,691	4,764	6,195	(496)
Contingency	-	-	-	-
Total	98,884	65,377	95,660	(3,224)

41. In the Children and Young People's Committee, additional Department for Education funding of £0.2m has been secured to carry out design works relating to the Scarlet Wing of Clayfields House.

It is proposed that the Children and Young People's Committee capital programme is varied to reflect the additional DfE external funding secured for design works at Clayfields House.

42. Also in the Children and Young People's Committee, it is proposed that £0.197m Planned Maintenance revenue budget is joined up with School Condition Refurbishment Programme funding to efficiently carry out works required at two Nottinghamshire schools.

It is proposed that the Children and Young People's Committee capital programme is varied to reflect the £0.197m contribution from the planned maintenance revenue budget.

43. In the Adult Social Care and Health capital programme there is a forecast underspend of £0.8m. This mainly relates to slippage against the Living at Home programme (£0.4m) and re-profiling of costs associated with the ASCH Strategy budget into 2016/17 (£0.3m).

44. Also in the Adult Social Care and Health Committee, it is proposed that £0.127m Planned Maintenance revenue budget is utilised to fund urgent capital maintenance works required at Brooke Farm.

It is proposed that the Adult Social Care and Health capital programme is varied to reflect the £0.127m contribution from the planned maintenance revenue budget.

45. In the Transport and Highways Committee capital programme there is a forecast underspend of £0.6m. This is mainly as a result of the delay in receipt of a number of vehicles ordered against the Transport and Travel Services and Highways Vehicle and plant budgets (£0.5m).

46. Also in the Transport and Highways capital programme a £0.250m contribution from Ashfield District Council has been secured to help part fund the completion of the Kirkby Town Centre capital project which is part of the Integrated Transport Measure capital programme.

It is proposed that the Transport and Highways capital programme is varied to reflect the £0.250m external funding received from Ashfield District Council.

47. In the Culture Committee capital programme there is a forecast underspend of £0.7m. This is as a result of the Sherwood Forest Visitor Centre project (£0.2m) being re-profiled into 2016/17 and minor slippage against a number of library capital projects.

48. In the Finance and Property Committee capital programme there is a forecast underspend of £0.9m. This is mainly as a result of re-profiling identified against the Customer Services Centre project (£0.4m) due to tender process delays which have slipped the occupation date to June 2016. The CLASP demolition and re-provision of services project (£0.3m) has also been re-phased into 2016/17.

Financing the Approved Capital Programme

49. Table 4 summarises the financing of the overall approved Capital Programme for 2015/16.

Table 4 – Financing of the Approved Capital Programme for 2015/16

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	16,894	17,988	100	265	35,247
Adult Social Care & Health	1,682	2,428	172	35	4,317
Transport & Highways	12,509	22,984	47	530	36,070
Environment & Sustainability	1,187	729	600	-	2,516
Community Safety	-	-	-	-	-
Culture	1,462	70	-	230	1,762
Policy	1,976	-	-	180	2,156
Finance & Property	9,957	50	-	-	10,007
Personnel	-	118	-	-	118
Economic Development	3,246	3,445	-	-	6,691
Contingency	-	-	-	-	-
Total	48,913	47,812	919	1,240	98,884

50. It is anticipated that borrowing in 2015/16 will decrease by £9.3m from the forecast in the Budget Report 2015/16 (Council 26/02/2015). This decrease is primarily a consequence of:

- £8.9m of net slippage from 2014/15 to 2015/16 and financing adjustments funded by capital allocations.
- Variations to the 2015/16 capital programme funded from capital allocations totalling £2.4m as approved to the February 2016 Full Council meeting.
- Net slippage in 2015/16 of £2.8m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

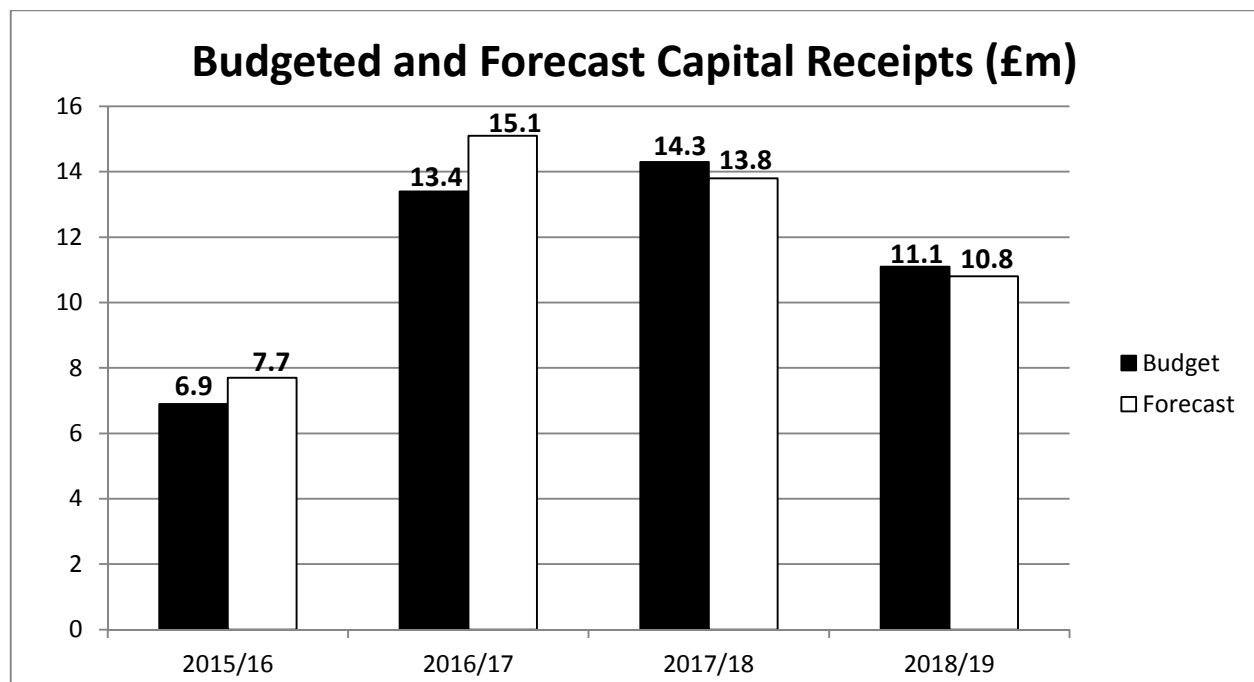
Prudential Indicator Monitoring

51. 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

52. 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.

53. The chart below shows the budgeted and forecast capital receipts for the four years to 2018/19.



54. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2015/16 (Council 26/02/2015). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery.

55. The capital receipt forecast for 2015/16 is £7.7m. To date in 2015/16, capital receipts totalling £5.5m have been received.

56. 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.

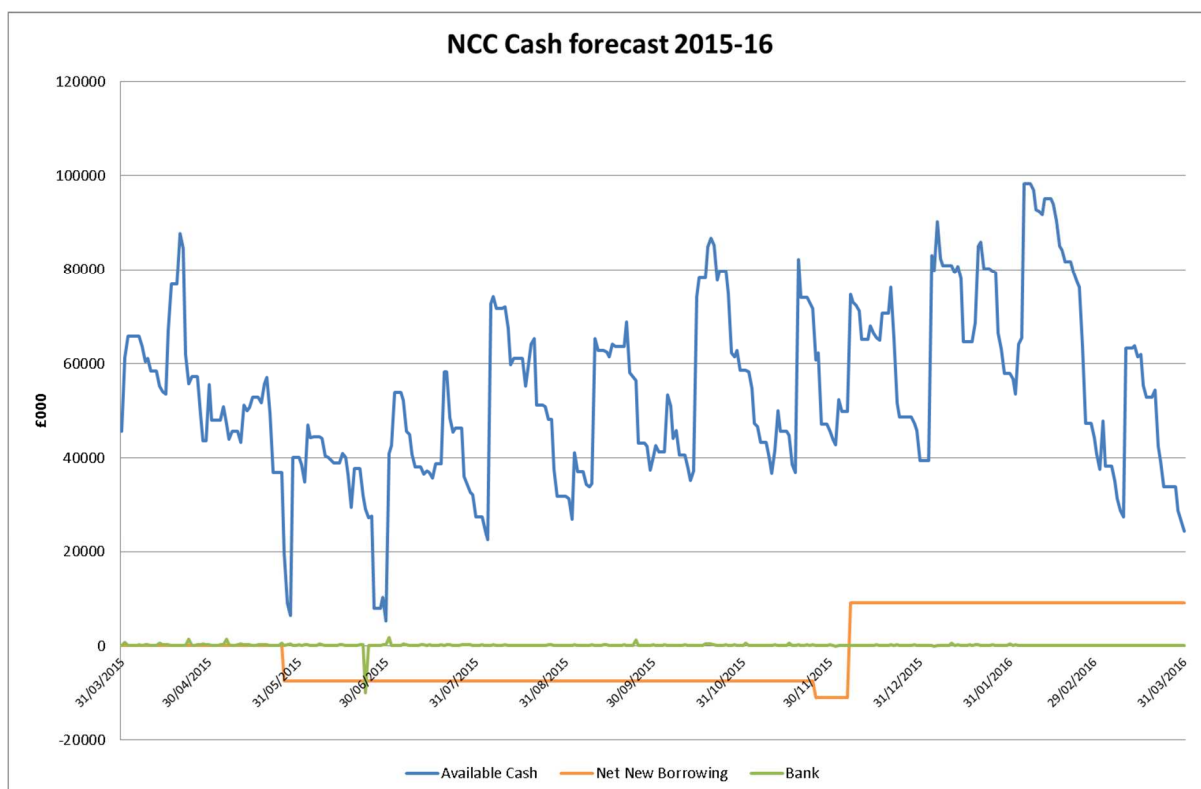
57. Current Council policy (Budget Report 2015/16) is to set capital receipts against the principal of previous years’ borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be set aside each year. It is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

Treasury Management

58. 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. The Cash forecast chart below 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.

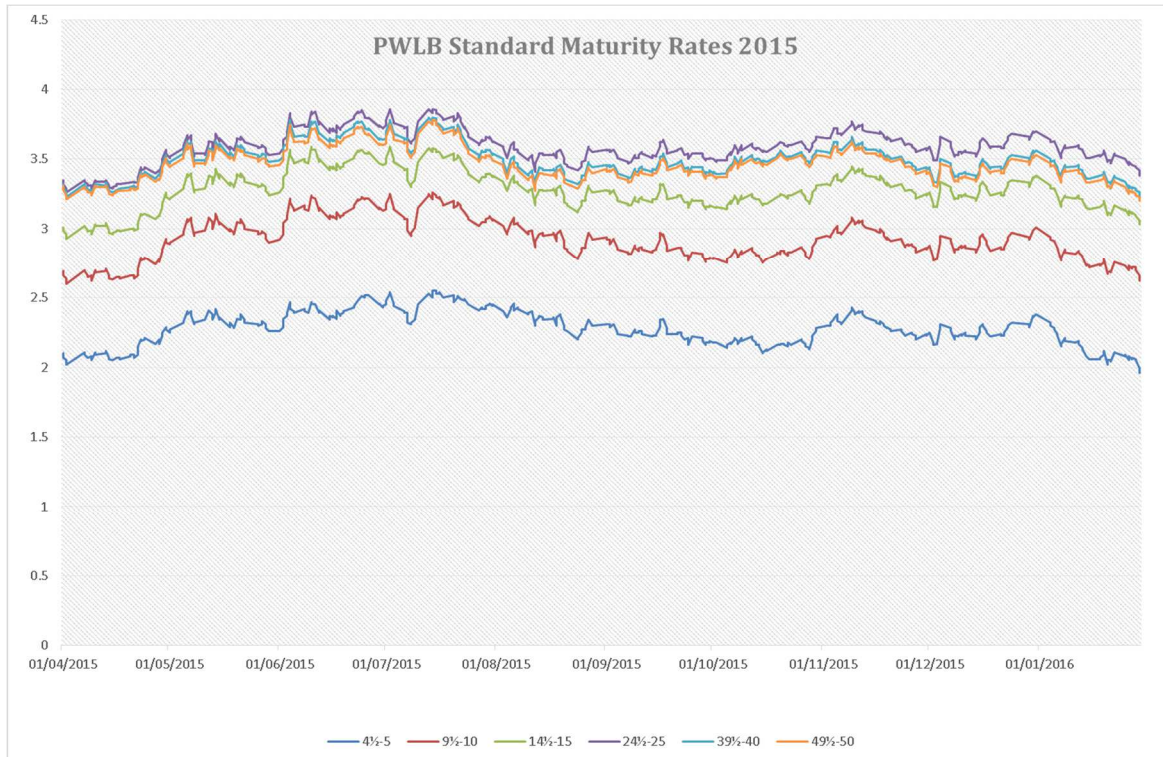
59. The chart below gives the following information:

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.



60. The Treasury Management Strategy for 2015/16 originally identified a need for additional borrowing of £78m to fund the capital programme, replenish internal balances and to replace maturing debt. This was later adjusted to nil, in line with the most recent capital monitoring and reserves forecast and the TM Mid-Year report. However, in-year cashflow analysis indicated a possible shortage of cash over the Christmas period, and so £20m long-term debt was borrowed from PWLB on 7 December. The forecast year-end under-borrowed position for 2015/16 is now £195m. In other words, the Council's reserves and working capital will allow some £195m of potential debt to be postponed to 2016/17 and beyond.

61. PWLB rates are monitored closely in order to feed into decisions on new borrowing. Longer term rates are currently where they were at the beginning of the year and it looks like they could fall further yet. This situation will be monitored and further borrowing might be undertaken before the year-end. The Council is 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 during 2015/16.



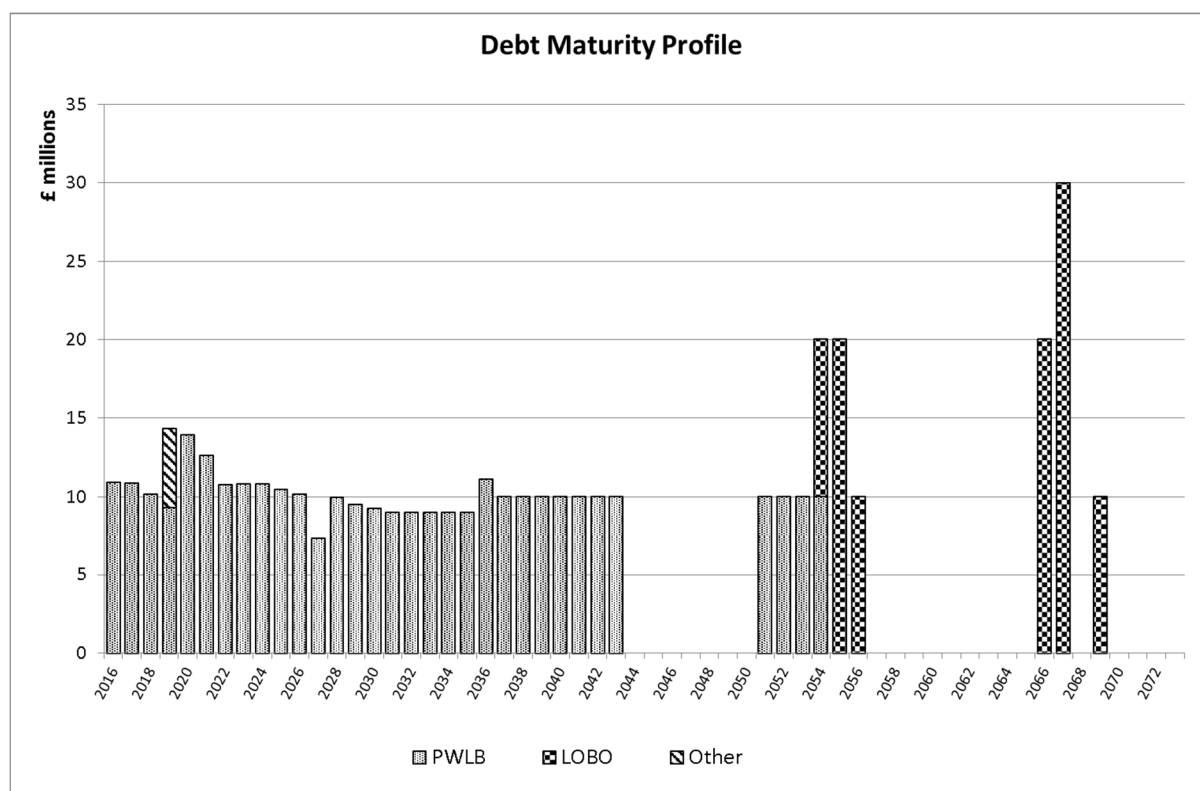
62. Borrowing decisions will take account of a number of factors including:

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

63. 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 38 years.

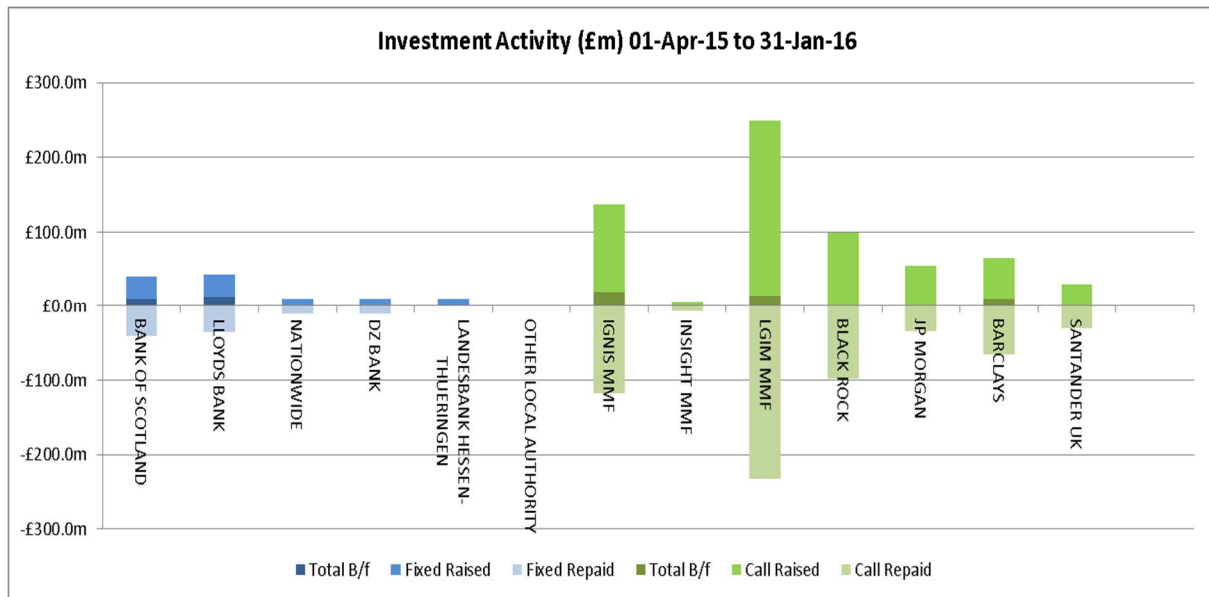
64. Longer-term borrowing (maturities up to 55 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender increases the rate at an option point, the Council will repay the loan) and were all taken at rates lower than the prevailing PWLB rate at the time. They are shown in the chart below at their latest maturity points, but could actually mature at various points before then, constituting a risk that the Council will have to then borrow at the prevailing interest rate.

65. The 'other' loan denotes 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.



66. The investment activity for 2015/16 to the end of December 2015 is summarised in the chart and table below. Outstanding investment balances totalled £70.2m at the start of the year and £77.5m at the end of the period. This is in line with the forecast cash flow profile for the year.

	Total B/f £ 000's	Total Raised £ 000's	Total Repaid £ 000's	Outstanding £ 000's
Bank of Scotland	10,000	30,000	(40,000)	-
Lloyds Bank	13,000	30,000	(35,000)	8,000
Nationwide	-	10,000	(10,000)	-
DZ Bank	-	10,000	(10,000)	-
Landesbank Hessen-Thuringen	-	10,000	-	10,000
Other Local Authority	1,500	-	-	1,500
IGNIS MMF	20,000	117,350	(117,350)	20,000
Insight MMF	-	6,700	(6,700)	-
LGIM MMF	14,550	234,450	(232,350)	16,650
Black Rock	500	98,850	(98,050)	1,300
JP Morgan	-	54,600	(34,600)	20,000
Barclays	10,650	54,600	(65,250)	-
Santander UK	-	29,500	(29,500)	-
Total	70,200	686,050	(678,800)	77,450



67. The majority of fixed term deals have been placed with Lloyds Bank or Bank of Scotland, both part of Lloyds Banking Group (LBG). Although LBG does not currently meet the minimum credit rating criteria required by the Council's Treasury Management Policy, both Lloyds Bank and Bank of Scotland individually do. As with all banks on the Council's lending list, the ratings of Lloyds Bank and Bank of Scotland are regularly monitored, and lending restrictions are placed accordingly

Procurement Performance

68. The latest benchmarking figures produced by CIPFA show that the Council's procurement costs as a percentage of spend is 0.20% compared with an average of 0.28% for all councils in the study, together with a median of 0.19%. In other words the cost of procurement in NCC is low compared with other councils.

69. Each procurement exercise is conducted on the basis of a combination between price and quality so the outcome is not necessarily the cheapest offer, however we endeavour to reduce the baseline costs of all our tendering activity. Whilst the savings reported here are what is achievable from the contract through having run a tender the release of all the value is reliant on effective contract management and monitoring. The values shown below are the potential contract release over the life of the contract.

Service Area	No. tenders releasing savings	Baseline Value £	New Spend Value £	Value Saving £
ASC	4	£23,320,000	£22,391,923	£928,077
Public Health	2	£ 8,600,000	£6,342,000	£2,258,000
Place	11	£23,533,780	£21,786,167	£1,747,613
Resources	6	£9,336,848	£8,903,371	£433,477
Totals				£5,367,167.00

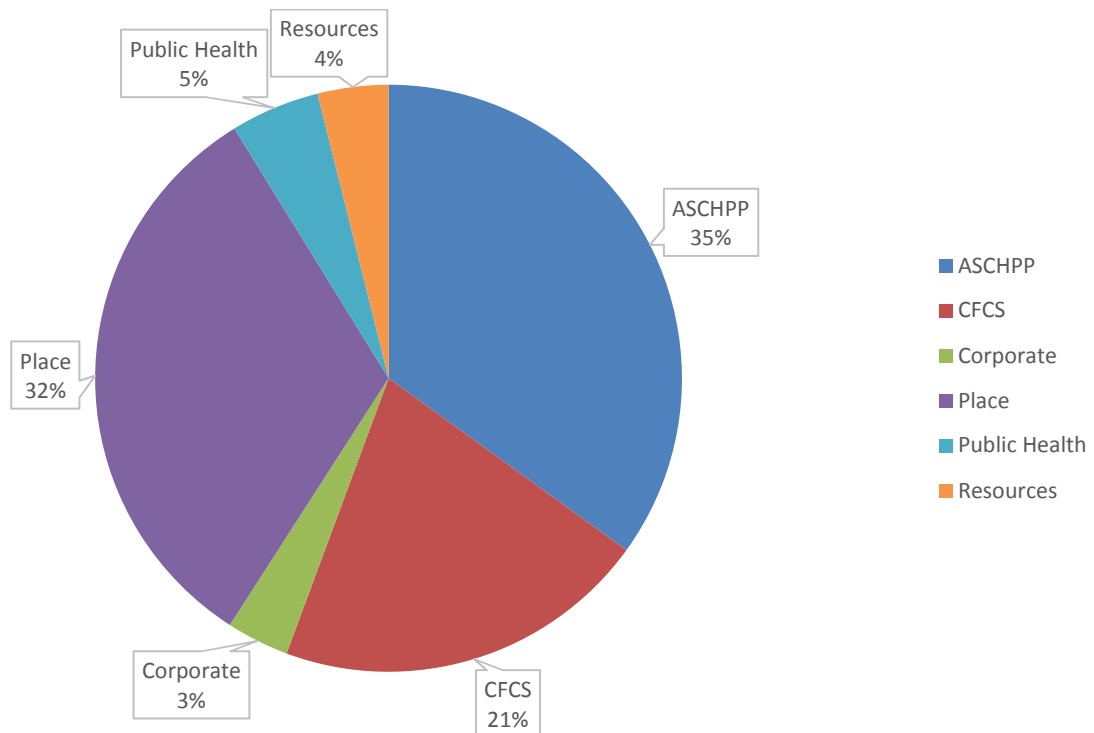
70. There are 38 completed tenders and 22 projects that are still running in this area.

71. We are also continually seeking additional savings from our supply chain. A piece of ongoing work is the negotiation of additional discounts through early payment of invoices and consolidated invoices as a consequence of greater information and management of our supply chain. To date this has realised annual savings of over £185,000.

72. As an organisation, NCC has spent £540m in the first 10 months of the financial year 2015/16 with external suppliers which is an increase of £15m from the same period of previous financial year.

The top 6% (388) of suppliers account for 80% (£432m) of the total supplier spend. The remaining 94% (6107 suppliers) have a total expenditure of £108m with an average spend of £17,600.

The chart below shows how the total amount spent, in the same period, is divided across Departments, almost 61% of all expenditure going through Care (ASCHPP, CFCS and Public Health) and 39% through Resources and Places).



73. The Council's preferred ordering route is through BMS. The team have been working with stakeholders to improve the way that we procure to ensure compliance.

- Orders that are processed through BMS are classified as Compliant Purchase Orders (Compliant)
- Non Purchase Orders (or Non-Compliant) are those purchases that are made outside of any system
- Retrospective orders – are non-compliant in that they have been raised following the delivery of the goods/services

- Interface Orders are those that are out of scope and are paid through another system e.g. Frameworki

74. Purchase Orders are beneficial to the organisation as they provide visibility of what we spend. Currently:-

- Compliant ordering (PO) has increased by 12% in the last 10 months from 35% to 47% of the total spent
- Non-compliant (**non PO**) ordering has decreased by 12% in the last 10 months from 42% to 30% of the total
- Interface has increased only 1% in the last 10 months from 22% to 23% of the total spent

75. Table below shows the number of retrospective orders in a monthly basis across portfolios with a reasonable decrease every month.

Portfolio	Apr-14	May-15	Jun-15	Jul-15	Aug -15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-15
ASCHPP	457	349	360	377	346	287	306	277	219	195
Children, Families and Cultural Services	649	496	503	501	472	471	433	471	386	348
Corporate	3	9	0	2	0	2	2	0	0	4
Place	521	469	527	426	405	377	436	464	401	337
Resources	73	77	71	65	80	100	78	102	81	52
Public Health	2	1	0	5	1	1	6	3	3	1

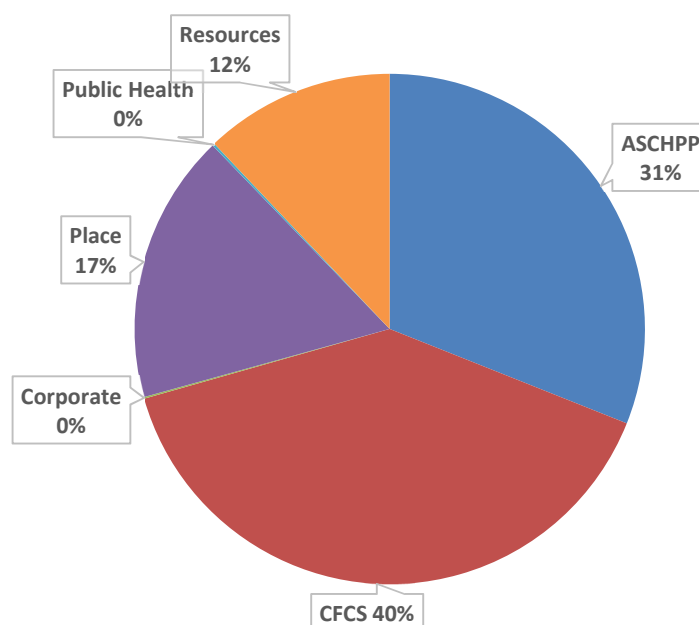
76. The table below shows the percentage of retrospective spent of each directorates to total spent in the last 3 months.

	Total Spend	Retrospective Spend	Percentage
ASCHPP	£71,857,686.23	£4,540,697.70	6.32%
Children, Families a	£54,184,298.20	£6,435,822.30	11.88%
Place	£45,460,579.73	£7,759,350.11	17.07%
Corporate	£5,207,746.20	£45,853.50	0.88%
Public Health	£8,393,157.66	£57,703.30	0.69%
Resources	£6,391,023.63	£714,321.85	11.18%
Grand total	£191,494,491.65	£19,553,748.76	10.21%

77. 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.

The chart below identifies the percentage of total Red orders by Directorate in the first quarter of 2015/16 financial year.

% of red orders by directorate of total red orders



Debt Recovery Performance

Invoices raised in quarter

	Qtr. 3	Year to date
Number	42,943	122,310
Value	£38,500,985	£114,722,476

Debt Position at 31/12/15

	Statutory	Non-Statutory	Total
Total	£6,836,681	£7,666,303	£14,502,984
Over 6 months	£4,161,946	£858,481	£5,020,427
% over 6 months	60.9%	11.2%	34.6%

78. The overall debt reduced by over £2.5m during December. The Statutory debt increased by £0.184m, which was mainly the result of the Personal Budget invoices being produced just prior to month end. The Non Statutory overall debt decreased by over £2.68m. The over 6 months debt increased by over £0.043m, with an increase in the over 6 months Statutory debt of £0.038m, and the Non Statutory over 6 month debt of £0.005m. The overall level of debt, and the percentage over 6 months, is very dependent on the timing of invoices around the month

end. It is expected that invoices and debt levels will increase in quarter 4 as a significant value of invoices are raised at the end of the year. There is still an amount of £0.180m which is waiting authorisation for write off.

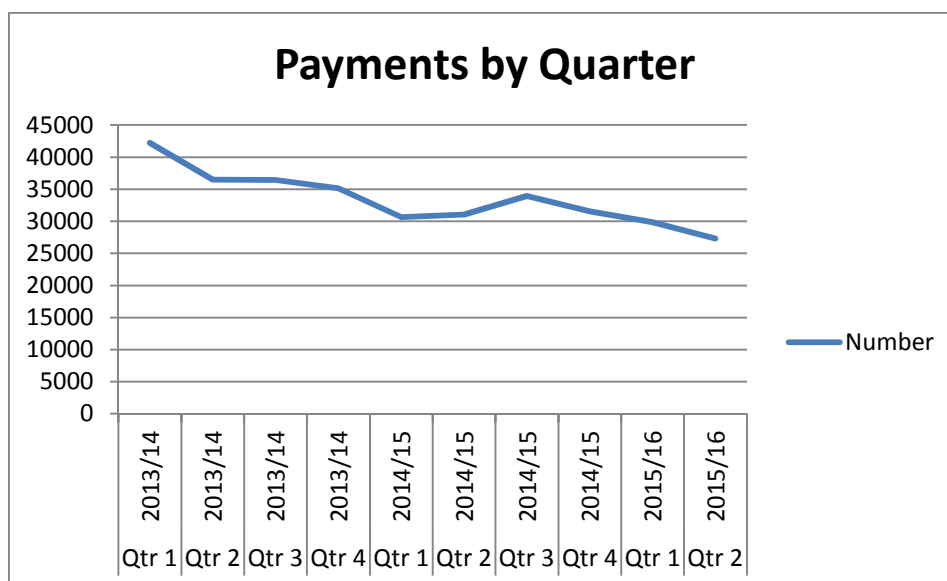
79. During the second quarter we have received repayment of £3,329 following High Court action, £254 from 3rd Party Debt Collection agencies and £12,715 following other legal action.

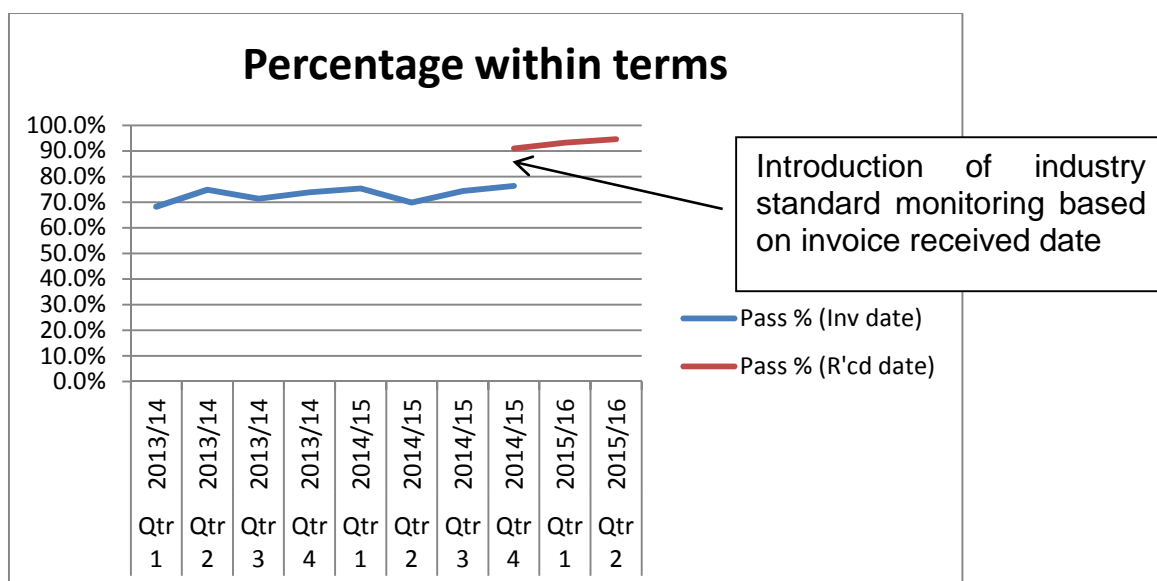
80. Debts of £42,454 were written off as unrecoverable in the quarter following all possible legal action.

Accounts Payable Performance

81. The overall performance in terms of invoices paid within terms has fallen very slightly to 93.8%. This continues to be a good performance. The graphs below show that the number of invoices processed by Accounts Payable has stabilised at around 10,000 per month (30,000 per quarter). The effect of the introduction of the Managed Service Provider (MSP) for Agency staff had previously caused a steady fall.

82. The two Procure to Pay pilot Hubs are still working well and a great deal of positive feedback has been received. The next steps in rolling out this new way of working is currently under consideration by the project group.





Statutory and Policy Implications

83. 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 revenue budget expenditure to date and year end forecasts
- 2) To approve the contingency request
- 3) To note the Capital Programme expenditure to date and year end forecasts and approve variances to the Capital Programme
- 4) To note the Council's Balance Sheet transactions
- 5) To note the performance of the Procurement Team
- 6) To note the performance of the Accounts Payable and Accounts Receivable teams

Nigel Stevenson Service Director – Finance, Procurement and Improvement Division

For any enquiries about this report please contact:

Glen Bicknell - Senior Finance Business Partner, Senior Accountant

Simon Cunnington - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (HD)

84. Committee has the authority to determine recommendations within the report.

Financial Comments (GB)

85. The financial implications are stated within the report itself.

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.

- 'Social Work Support Officers – Pilot Extension' report to Children and Young People's Committee 21st March 2016

Electoral Division(s) and Member(s) Affected

All