Nottinghamshire County Council

Report to Finance and Property Committee
24 February 2014

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT

FINANCIAL MONITORING REPORT: PERIOD 9 2013/2014

Purpose of the Report

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

1.2 To request approval of contingency requests.

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

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

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

Information and Advice

2. Background

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

3. Summary Financial Position

3.1 The Council is forecasting an underspend of £3.6m and therefore may not have to draw down the full £15.1m of general fund reserves as approved in the budget report. In light of the Council's ongoing financial challenges, the key message to effectively manage budgets and wherever possible deliver in-year savings is being reinforced. The impact of this will continue to be monitored and reported to Members, as will the forecast reserves requirement.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 8 £'000	Committee	Annual Budget £'000	Actual to Period 9 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
(2,807)	Children & Young People	158,880	105,005	155,367	(3,513)
3,076	Adult Social Care & Health	215,256	179,526	218,269	3,013
162	Transport & Highways	64,073	48,150	63,997	(76)
(383)	Environment & Sustainability	29,287	19,326	28,822	(465)
(18)	Community Safety	4,074	1,636	4,133	59
(108)	Culture	15,581	11,200	15,635	54
(894)	Policy	32,445	23,068	31,109	(1,336)
(186)	Finance & Property	29,472	25,089	29,214	(258)
241	Personnel	3,152	908	3,443	291
(457)	Economic Development	1,724	420	1,196	(528)
(3,527)	Public Health	-	(6,086)	(3,569)	(3,569)
(4,901)	**Net Committee (under)/overspend**	**553,944**	**408,242**	**547,616**	**(6,328)**
(2,241)	Central items	(12,270)	(44,436)	(14,431)	(2,161)
(7,142)	**Forecast prior to use of reserves**	**541,674**	**363,806**	**533,185**	**(8,489)**
-	Transfer from Earmarked Reserves	(13,981)	(1,350)	(13,494)	487
949	Transfer to/(from) Departmental Reserves	-	-	819	819
3,527	Transfer to Public Health Reserve	-	-	3,569	3,569
-	Transfer to / (from) General Fund	(15,138)	-	(15,138)	-
(2,666)	**Net County Council**	**512,555**	**362,456**	**508,941**	**(3,614)**

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

4. Committee and Central Items

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

Children and Young People (forecast £3.5m underspend)

4.2 Children's Social Care Division
The Division is reporting a £1.5m net underspend, the major contributing variances being:

- £1.9m overspend on social work staffing due to the use of agency staff to cover vacancies (a reduction of £0.1m on the overspend reported at period 8)
- £0.5m overspend on home to school transport for looked after children

- £0.2m overspend in the Fostering Service as efforts are made to increase in-house capacity, (a reduction of £0.1m on the overspend reported at period 8)
- The above are offset by a £3.6m underspend on Child Placements due to lower numbers of children requiring these places than originally anticipated (an increase of £0.2m in the reported underspend at period 8 due to a reduction in demand for placements, as opposed to the forecast growth)
- The Children's Disability Service is forecasting an underspend of £0.4m across its services.
- The Adoption Service is forecasting a £0.1m underspend as some inter-agency adoptions anticipated at period 8 are now not going ahead.

4.3 Youth, Families, & Culture Division
The forecast reflects a net underspend of £1.8m (before proposed movement on reserves) consisting of :

- £0.8m underspend largely due to staff vacancies across the division
- £0.2m underspend on Early Years & Early Intervention Service in relation to contract & transitional savings.
- £0.8m underspend due to reduced activity on academy conversions.

4.4 Given the forecast underspend outlined above, consideration is being given to making a contribution to earmarked reserves to support specific schemes in the following financial year. Final recommendations on this will be made once the year end position across the Council is known.

Adult Social Care & Health (forecast £3.0m net overspend)

4.5 Younger Adults Division
The Division is currently forecasting a net overspend of £0.6m, which represents an increase of £0.6m since last month, primarily due to increased commitments for Learning Disability as follows:

- £2.5m overspend on Community Care budgets for Disability Services (an increase of £1.3m against that reported at period 8). This is due to increases in the Learning Disability commitments exceeding the reduction in the predicted needs and transitions. The amount included for further transitions and predicted needs in this financial year is £1.4m, which is £0.4m less than last month.
- The increase in commitments is partly offset by increased Continuing Health Care income of £0.9m as a result of a concerted effort to obtain the signed agreements.
- £0.8m underspend in Day Services (a decrease of £0.2m against that reported at period 8) due to the transfer of 44% of the modernisation costs into revenue.
- A continuing £0.2m underspend in the Short Breaks units.

4.6 Joint Commissioning Division

The Division is currently reporting a forecast net overspend of £1.3m which is a reduction of £0.2m since last month, due to an increased underspend on Learning Disability Commissioning. The major variances are:

- £2.8m overspend in Operational Policy and Performance including a shortfall in Client Contribution Income of £3.0m
- This is partially offset by £0.2m underspend across the other areas including £0.1m relating to Business Object licenses which are not required
- £0.5m underspend in Business Change and Support, due mainly to lower salaries and on-costs, with part time employees and vacancies within the three Business Support Centres
- £0.9m underspend on Joint Commissioning (an increase of £0.3m on that reported at period 8), due to an increased underspend on Learning Disability Commissioning to £0.4m (£0.1m at period8)
- £0.2m underspend in Older Adults and Carers
- A continuing £0.3m underspend on Mental Health and Advocacy
- A £1.0m underspend on Supporting People, which is offset by a corresponding reduction in the use of the reserve
- A continuing £0.1m underspend on Safeguarding.

4.7 Older Adults Division

The Division is currently reporting a forecast net overspend of £2.1m, which is a reduction of £0.4m, due to increased Continuing Health Care income and an increased underspend in the Care and Support Centres. The main variances are:

- £0.6m overspend on Long Term Care (£0.2m in period 8) due to an increase in service use
- Continuing overspends on Direct Payments and Short Term Care of £2.9m and £0.2m respectively.
- A continuing £0.2m shortfall on the recovery of Third Party payments
- These are partly offset by a £1.2m underspend in the Care and Support Centres, (£0.9m in period 8) and additional Continuing Health Care income of £0.1m. The remaining difference results from a net underspend of £0.5m across Day care and other CCSB budgets.

The Older Adults division is currently exploring a number of options to reduce the additional costs.

4.8 Promoting Independence Division

The Division is still reporting a forecast net underspend of £0.8m, which is the same as last month although there have been some changes within the service forecasts:

- £1.5m underspend on the Nottinghamshire Welfare Assistance Fund
- £0.2m underspend in START
- These are partly offset by overspends of £0.3m in the Reablement teams and £0.6m in the Intermediate Care Service.

There is also a £0.5 million underspend on the Reviewing Teams which is offset by a corresponding reduction in the use of the reserve.

4.9 Transfer to / from reserves
This forecast includes the anticipated use of £6.6m of earmarked reserves.

Environment & Sustainability (forecast £0.5m underspend)

4.10 The main underspend is due to additional income relating to energy rebates of £0.3m as a result of the increased rebate received rising from 0.06p to 0.1p per Kilowatt hour of energy used. This is higher than budgeted due to the last 6 months of the 12/13 rebate being received in the 13/14 financial year. There are also savings on reduced levels of Eastcroft Depot Fees (£0.2m).

Policy (forecast £1.3m underspend)

4.11 The main variances are:

- £0.4m due to staff vacancies in Business Support and Customer Services Centres
- £0.3m due to staff vacancies in Corporate Strategy and Communications
- £0.2m underspend regarding members allowances and hospitality
- An underspend in the Improvement Programme which includes Ways of Working programme delays (£0.1m) and reduced agency costs (£0.3m).

Economic Development (forecast £0.5m underspend)

4.12 A report regarding the Youth Employment Strategy was considered by the Economic Development Committee on 17th October 2013. This recommended the re-programming £0.5m to 2015/16. An earmarked reserve is to be created to be drawn down in later years and the creation of this reserve was approved at the Finance and Property Committee on 11th November 2013. This reserve will be created as a part of year end procedures.

Public Health (forecast £3.6m underspend)

4.13 Proposed development funding
A forecast underspend of £1.9m relates to the proposed developments in the following policy areas being put on hold for 2013/14:-

- Sexual Health £0.5m
- Health Check Programme £0.5m
- Smoking and Tobacco £0.8m
- Community Safety £0.1m

The need for these developments was agreed by the Public Health Sub-committee in order to deliver health improvements and tackle inequalities. However, they were subsequently put on hold until a full review of the budget was completed.

4.14 Sexual Health
The Sexual Health policy area is reporting a forecast overspend of £0.3m. This is mainly due to an estimated increase in activity in relation to the contracts held in relation to contraception and Genito-Urinary Medicine (GUM).

4.15 Public Health Directorate
The Public Health Directorate policy area is reporting a forecast underspend of £0.9m. The majority relates to a predicted underspend on the Public Health transition contingency with minor salary savings arising from unfilled vacancies.

4.16 Other Areas
There are other smaller underspends with Public Health that total £0.9m, the largest ones relate to Health at Work, Obesity and Health Check Programme.

Central Items (forecast £2.2m net underspend)

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

4.18 Interest payments are currently forecast to be £2.2m less than the original budget. This is primarily due to slippage of the 2012/13 capital programme, resulting in a reduction in the Council's borrowing requirement.

4.19 At the time of setting the 2013/14 budget, several funding allocations had not been announced and therefore assumptions about certain grants were made, based on the best information available at the time. Since then, confirmations have been received, resulting in a net increase of £0.4m in 2013/14.

4.20 Central items also include the Pension Enhancement budget which relates to the cost of additional years' service awards. These were approved in previous years as this practice is no longer permitted following changes to the pension rules. This budget requires realignment as attrition rates have not kept pace with pension increases. An overspend of £0.4m is predicted in the current year and has been factored into future years budgets.

4.21 The 2012/13 contingency budget was originally set at £5m, of which, £3m was earmarked for redundancy. As in previous years, and in accordance with accounting practice, a provision was set aside in 2012/13 to meet the costs of expected redundancies that will fall in 2013/14. This was based on outstanding Section 188 notices at the time and totalled £1.3m. Redundancy payments made in the current financial year to date total £2.0m.

4.22 On 5 November a new Section 188 notice was published listing 758 posts potentially at risk of redundancy, of which 268 are already vacant. The publication of this Notice marked the start of a 45-day consultation period with employees and the trade unions which ended on Thursday 19 December 2013. It also forms part of the wider public consultation on the Budget Challenge which concluded on 17 January 2014.

4.23 In relation to the general contingency, one scheme has been identified for funding since the last monitoring report and now requires approval:

- Storage of Musical Instruments – anticipated to be £30,000, confirmation awaited as to whether this can be absorbed

4.24 Should this scheme be approved, the balance of contingency would then be £2.9m. It is likely that further contingency requests will be made throughout the year, and, given that a redundancy provision will also need to be made in the current year, it is assumed that any surplus will be transferred to the Council's Corporate Redundancy Reserve. The figures in Table 1 reflect the assumption that the allocation for general contingency will be required in full.

4.25 The Council is also anticipating additional one-off revenue from the establishment of the new Business Rates mechanism. It is too early to predict with certainty what this might amount to, but could be in excess of £1.0m. There are a number of options as to how Members may want to utilise any additional resources, these considerations will be outlined in the forthcoming budget report.

Progress with savings and risks to the forecast

4.26 Since 2010/11 the Council has delivered savings of over £100m with a further £10m expected in the current year. The base budget review identified some movement in the savings and realignments were made to 2013/14 budgets where appropriate. Officers monitor the deliverability of individual schemes and targets as part of the budget monitoring process and reflect achievability in the forecast outturn.

4.27 The draft proposals for the consultation on how the Council will begin to address its medium term financial challenges were discussed at the Policy Committee on the 13th November 2013. The responses to the consultation and the Council's subsequent final proposals for its 2014/15 budget were reported to this Committee on 10 February 2014.

5. Capital Programme

Approved Capital Programme

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

Table 2 – Revised Capital Programme for 2013/14

	2013/14 £000	£000
Approved per Council (Budget Report 2013/14)		132,956
Variations funded from County Council Allocations:		
Net slippage/variations from 2012/13 and financing adjustments.	11,081	
Variations approved to F&P Committee (11/11/13)	(11,283)	
Variations approved at F&P Committee (16/12/13)	(2,055)	
		(2,257)
Variations funded from other sources:		
Net slippage/variations from 2012/13	1,551	
Variations approved to F&P Committee (11/11/13)	4311	
Variations approved at F&P Committee (16/12/13)	668	
		6,530
Revised Gross Programme		**137,229**

Capital Monitoring

5.2 Table 3 shows actual capital expenditure to date against the forecast outturn at Period 9.

Table 3 – Capital Expenditure and Forecasts as at Period 9

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 9 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	61,187	33,849	60,689	(498)
Adult Social Care & Health	4,029	265	373	(3,656)
Transport & Highways	40,415	31,492	43,254	2,839
Environment & Sustainability	4,682	2,870	4,609	(73)
Community Safety	289	342	289	0
Culture	6,131	1,348	4,000	(2,131)
Policy	5,782	3,050	5,804	22
Finance & Property	12,721	5,546	12,219	(502)
Personnel	145	0	145	0
Contingency	1,848	0	0	(1,848)
TOTAL	**137,229**	**78,762**	**131,383**	**(5,846)**

5.3 A capital programme review is currently underway to ensure that the County Council's capital programme is aligned as closely as possible to the Administration's priorities. The outcome of the capital programme review will be reported in due course. Out-turn variations identified by Departments at Period 9 are highlighted below:

5.4 In the Children and Young People's Committee, a forecast underspend totalling £0.498 million has been identified mainly as a result of the Brookside Primary project (£0.275m) being removed from the capital programme and minor slippage on the Bingham Young People's Centre (£0.075m) and Balderton Young People's Centre (£0.090m) projects.

It is proposed that the Children and Young People's Committee Capital Programme is varied to reflect the identified changes.

5.5 In the Adult Social Care and Health Committee, a forecast underspend totalling £3.656 million has been identified against the Living at Home programme as a result of scheme slippage. The capital programme will be varied to reflect this re-phasing as part of the February Budget Report to Full Council.

5.6 In the Transport and Highways Committee, there is a total forecast overspend of £2.621 million mainly as a result of over-programming in the Local Transport Plan and Road Maintenance and Renewal programme (£2.194 million). Work is on-going to drive these forecast overspends down and to manage within approved budgets.

5.7 Also in the Transport and Highways Committee, as part of the on-going vehicle replacement programme, there are a number of vehicles that are approaching the end of their leases. There is a continuing need for these vehicles to deliver essential services and it is proposed that associated purchase costs totalling £0.975 million are funded from Transport and Highways reserves.

It is proposed that the Transport and Highways Capital Programme is varied to include the identified expenditure.

5.8 In the Environment and Sustainability Committee, a forecast underspend totalling £0.073 million has been identified. This is mainly as a result of a forecast £0.328 million underspend against the Waste Management Scheme. This is partly offset by a forecast overspend of £0.205 million against the Local Improvement Scheme programme. Work is currently on-going to manage this overspend down.

5.9 In the Culture Committee, a forecast underspend totalling £2.131 million has been identified. This is mainly due to £1.831 million slippage against the Sherwood Forest Visitor Centre as the project has experienced significant delays.

It is proposed that the Culture Committee Capital Programme is varied to reflect the identified slippage.

5.10 In the Finance and Property Committee, an overall underspend of £0.502 million has been identified. The majority of this relates to slippage totalling £0.220 million against the IT Infrastructure Replacement Programme as staff resources have been diverted to address urgent Public Service Network related activity.

It is proposed that the Finance and Property Committee Capital Programme is varied to reflect the identified slippage.

5.11 Also, in the Finance and Property Committee, slippage totalling £0.280 million has been reported against the Business Management System budget as a result of programme costs coming in below the budgeted figure.

It is proposed that the Finance and Property Committee Capital Programme is varied to reflect the identified underspend.

5.12 **The 2013/14 capital contingency currently stands at £1.848 million. It is proposed that this contingency is slipped to 2014/15 to fund future schemes.**

Financing the Approved Capital Programme

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

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

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	37,158	22,489	0	1,540	61,187
Adult Social Care & Health	2,001	1,891	45	92	4,029
Transport & Highways	6,770	21,685	0	11,960	40,415
Environment & Sustainability	3,682	500	500	0	4,682
Community Safety	289	0	0	0	289
Culture	589	2,253	0	3,289	6,131
Policy	5,782	0	0	0	5,782
Finance & Property	12,068	50	0	603	12,721
Personnel	0	0	0	145	145
Contingency	1,848	0	0	0	1,848
TOTAL	**70,187**	**48,868**	**545**	**17,629**	**137,229**

5.14 It is anticipated that borrowing in 2013/14 will decrease by £2.7 million from the forecast in the Budget Report 2013/14 (Council 28/02/13). This increase is primarily as a consequence of:

- £11.1 million of net slippage from 2012/13 to 2013/14 and financing adjustments funded by capital allocations.

- Variations to the 2013/14 capital programme funded from capital allocations totalling £13.3 million as approved at December Finance & Property Committee.

- Net slippage/reduction in 2013/14 of £0.5 million of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

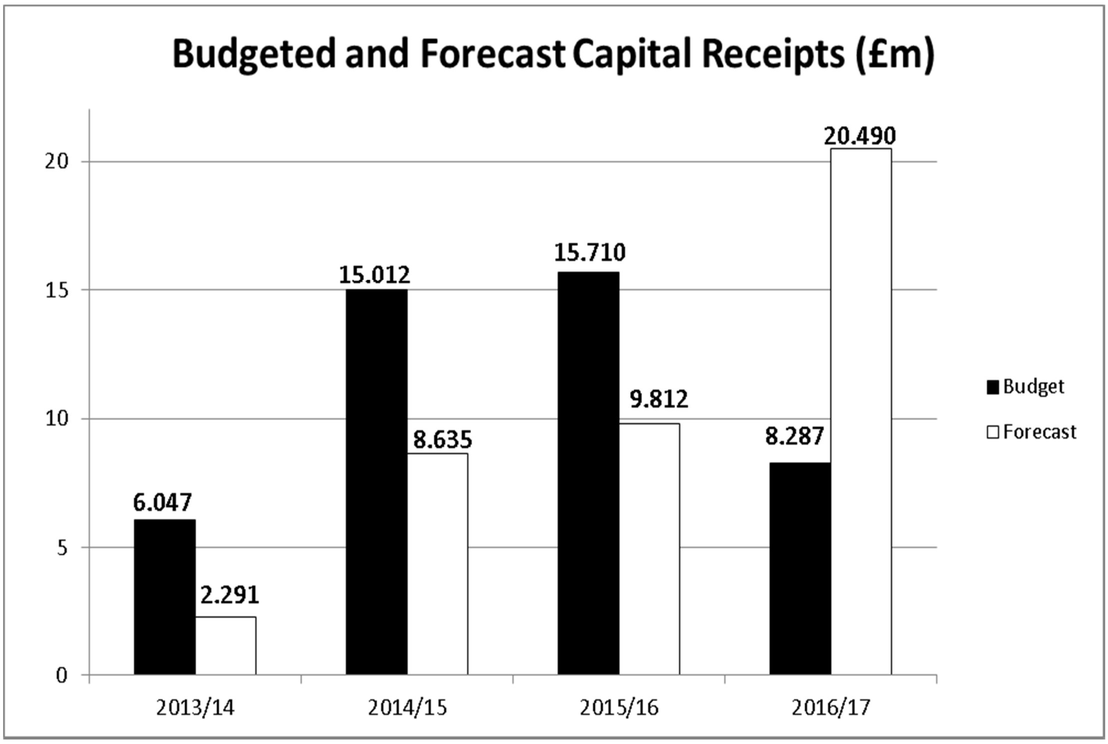
Prudential Indicator Monitoring

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

Capital Receipts Monitoring

5.16 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.

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



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

5.19 The forecast for 2013/14 is currently estimated to be £3.756m less than the budgeted capital receipts as a result of slippage.

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

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

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

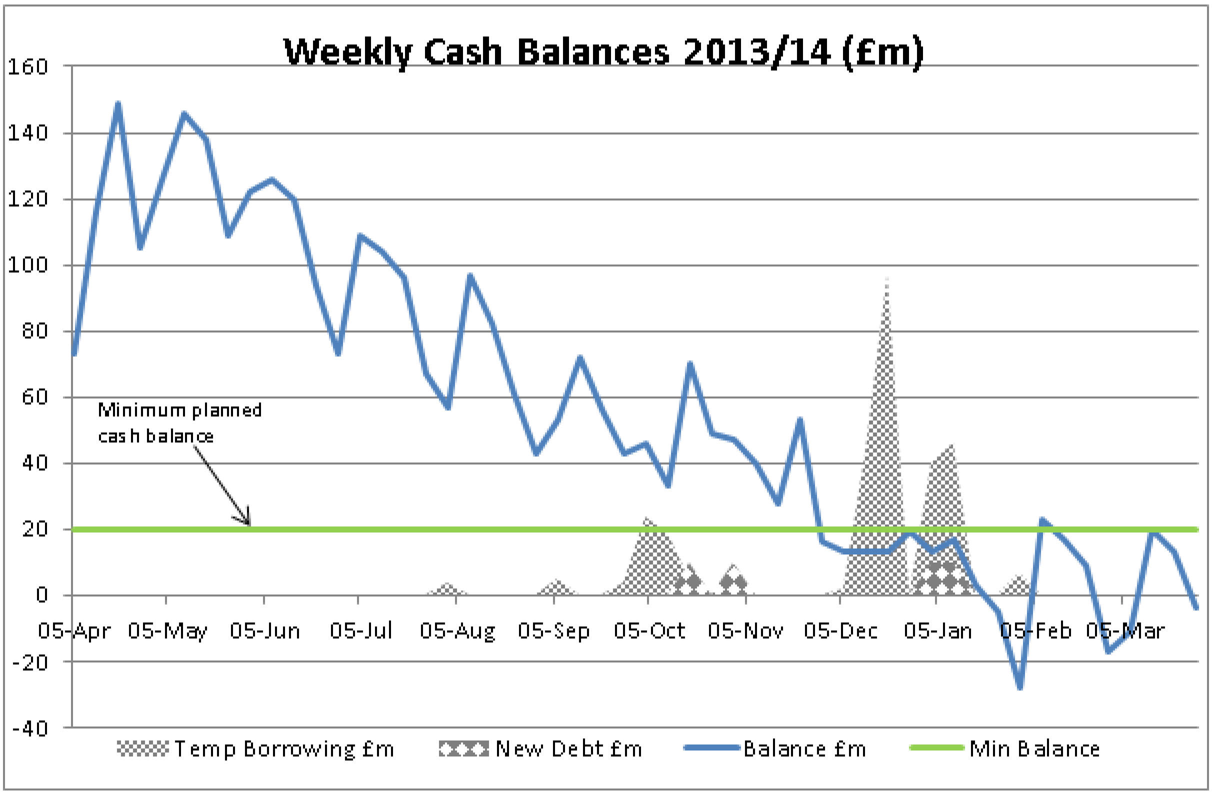
6. Balance Sheet

Impact on General Fund Balances

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

Treasury Management

6.2 Cash flow is kept under constant monitoring by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group. The following graph shows the actual cash balances to date and the forecasts for the remainder of the year. Cash inflows are typically higher at the start of the year due to the front loading receipt of Central Government grants, and the payment profile of precepts. However, cash outflows, in particular capital expenditure, tend to occur later in the year.

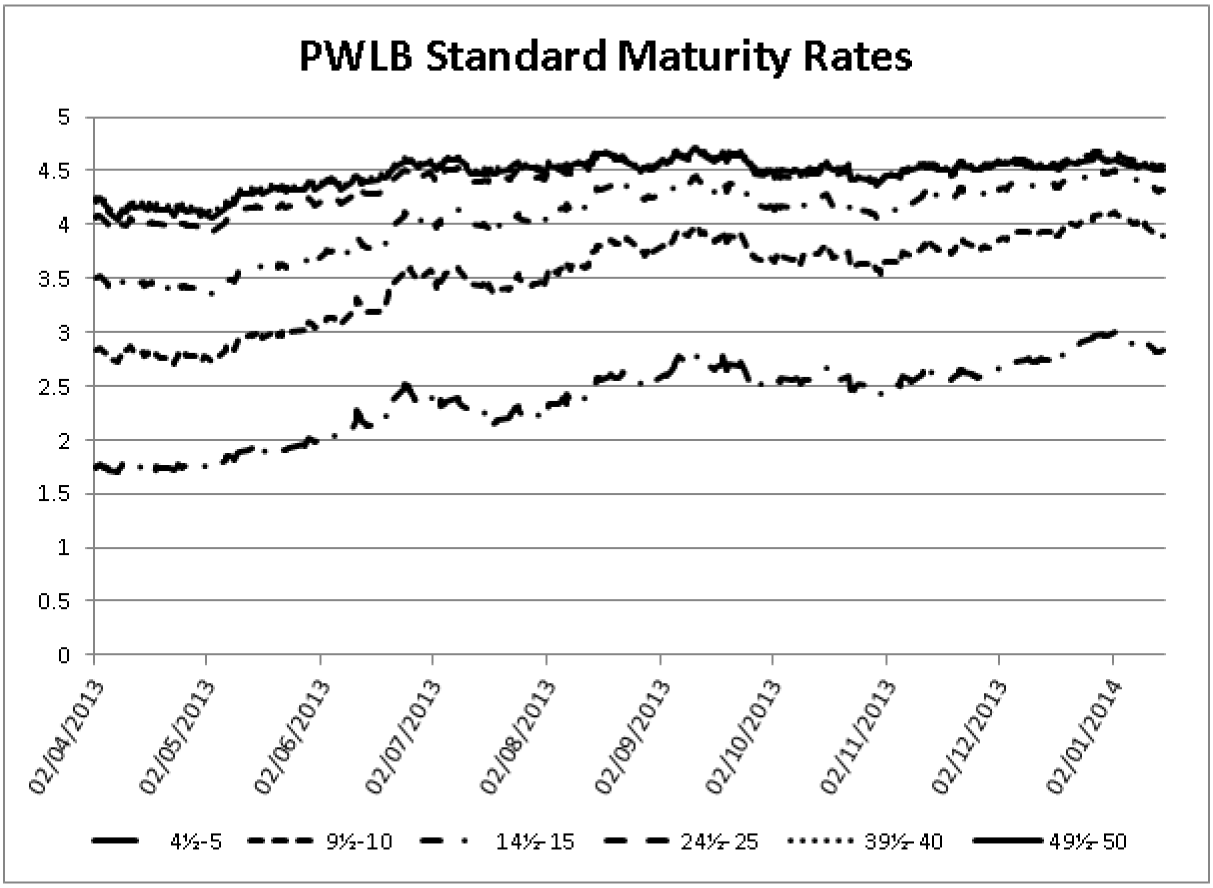


6.3 The treasury strategy for 2013/14 identified a need for additional borrowing of £10m to replenish cash reserves and £30m to fund the capital programme. The chart above indicates that sufficient cash balances have been maintained for much of the year but that external borrowing has been required towards the end of the year. New long term debt of £30m has so far been approved by the Treasury Management Group of which £20m was taken in October and the remaining £10m in January. Temporary borrowing has also been utilised to cover overnight shortfalls when necessary.

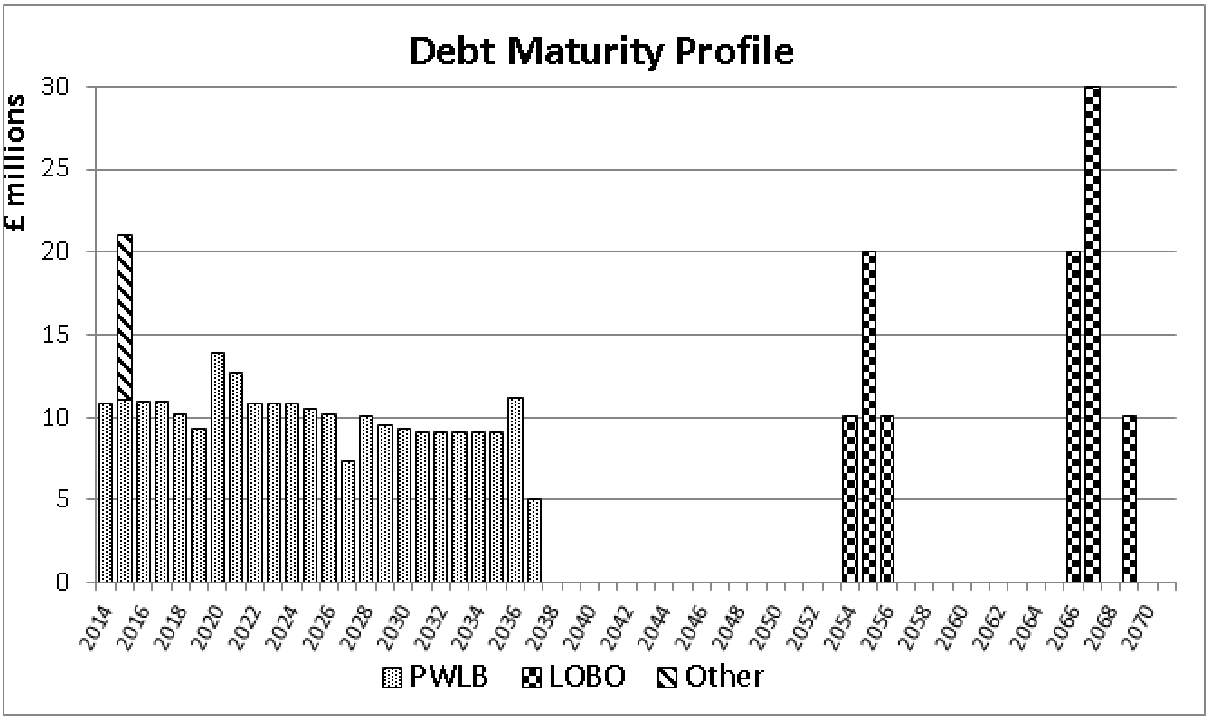
6.4 Borrowing decisions take account of a number of factors including:

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

6.5 The chart below shows the movement in standard PWLB interest rates during 2013/14 to date. Improving economic data combined with comments from the US Federal Reserve about the possible removal of quantitative easing has caused gilt yields to move sharply higher and this is reflected in PWLB rates. Rates drifted back towards the end of September following concerns over the US budget stalemate and have remained relatively stable since.

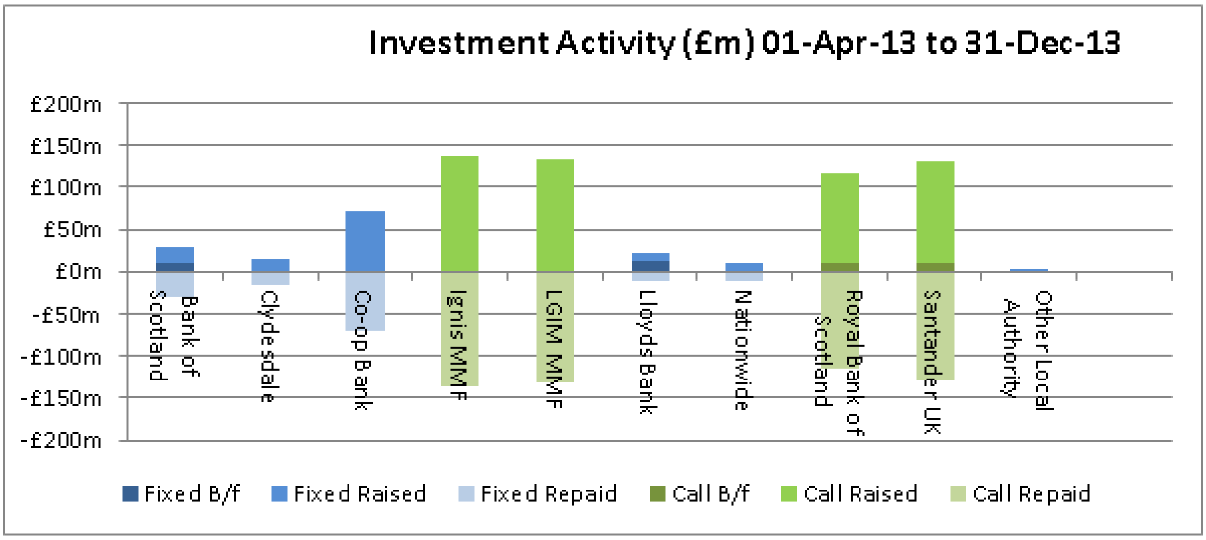


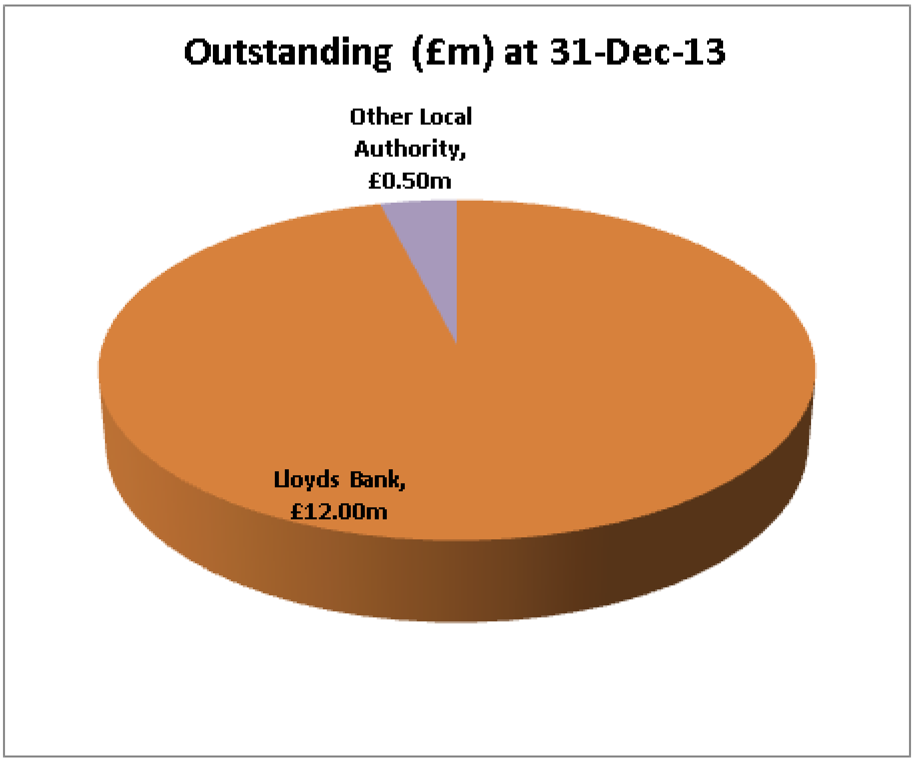
6.6 The maturity profile of the Council's debt portfolio is shown in the table below. The PWLB loans are reasonably well distributed and have a maximum duration of 24 years. Longer-term borrowing (maturities up to 56 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). The 'other' loans denote the recent borrowing from the money markets where the main objective was to minimise interest costs. Refinancing of these loans will be factored into the Treasury Management Strategy. New debt is likely to be profiled from 20 to 50 years.



Investments

6.7 The Council's TM policy includes criteria for assessing counterparties for investment. Treasury Management Group approves a lending list based on these criteria and also market availability of institutions. The investment activity for 2013/14 to the end of December 2013 is shown in the charts below. Outstanding investment balances totalled £41.55m at the start of the year and £12.5m at the end of the period. In light of the forecast cash flow profile for 2013/14, a number of fixed term deals have been placed to take advantage of higher rates available for periods up to 364 days. The majority of these matured before the end of 2013.





Debt Recovery Performance

6.8 The total debt this period has increased significantly, however this is all current debt and is due to the fact that there has been a large number of invoices raised in the month. This month's value of invoices raised is £9million more than the previous period. There have been 18 invoices raised which are in excess of £0.1m, including 3 in excess of £1m which is more than usual. These are for other public bodies (local authorities and NHS Clinical Commissioning Groups (CCG's)). There is usually a spike at this time of year which, looking at previous years, settles down mid-February as most of these public bodies pay around 15 - 30 days late.

Table 5 - Invoices raised Period 9 2013/14

	Period 9	Year to date
Number	12,055	125,382
Value	19,866,102	104,026,514

Table 6- Debt Position

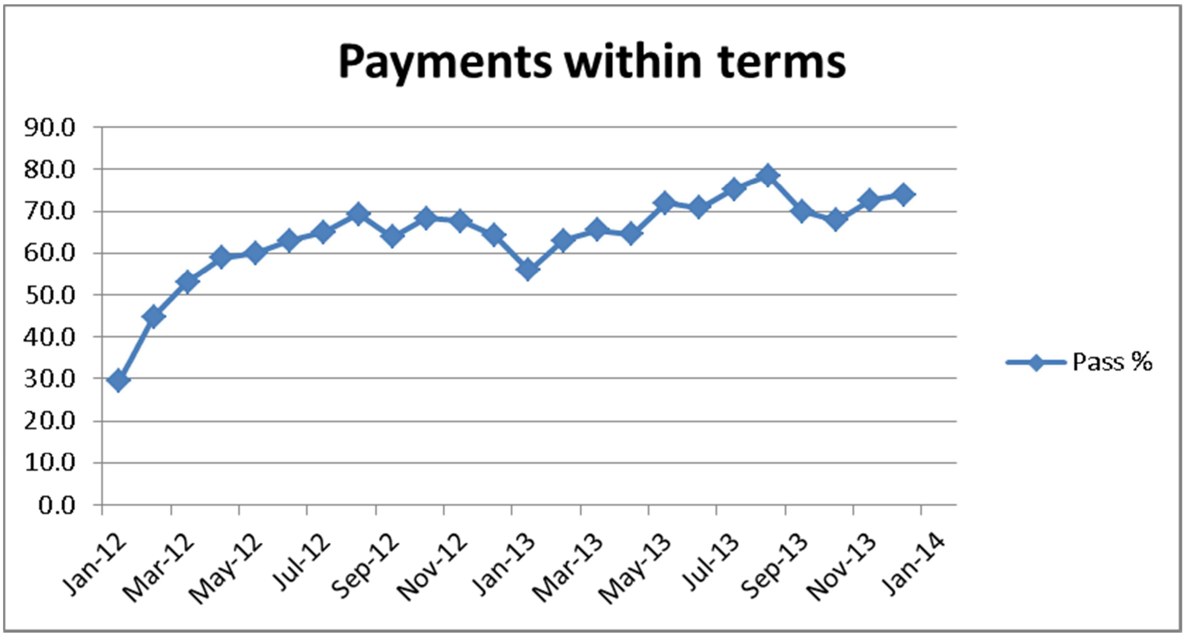
	Residential & Domiciliary Care	All other	Total
Total	7,131,585	16,916,546	24,048,132
Over 6 months	4,669,815	778,311	5,448,126
% over 6 months	65.5%	4.6%	22.7%

6.9 Work to reduce debt levels continues and some specific comments are set out below:

- The Authority has received £3,556 from High Court Cases this period and £1,417 from Third Party Debt Collection Agencies. Consideration is being given to referring some statutory debt cases for High Court action.
- There is a risk of a large Residential and Domiciliary Care invoice for £17,500 falling into the over 6 months for a CCG. However, discussions with the originator are taking place as it is clear this was invoiced without proper agreement or identification of which CCG is responsible. If they are unable to confirm who is responsible they have been advised it should be credited until they have identified the responsible party / reached agreement.

Accounts Payable (AP) Performance

6.10 The payment within terms figure for December is 73.9% of 12,176 invoices paid. This shows an increase from the figures for November of 72.6% of 11,661 invoices paid.



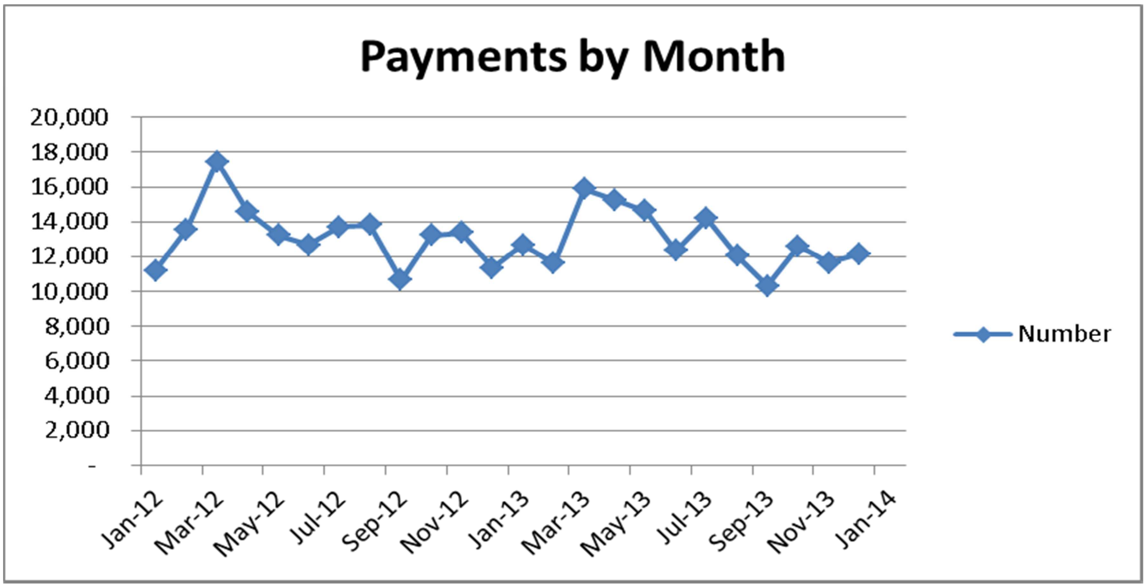
6.11 The increased performance is welcome, and the following actions are underway to attempt to improve performance further:-

- Departments should continue to resource Champions (BCM's) to support business areas to clear work items.
- Corporate Procurement should complete the tendering and letting of the Managed Service Provider contract for agency staff. Agency staff providers are currently one of the areas where problems occur in paying invoices within terms.
- No contracts should be let with payment terms less than 30 days without agreement by Corporate Procurement and an agreed process being arranged

with AP to meet the amended terms. Corporate Procurement to add 30 day payment and No PO / No Pay Policy to NCC standard terms and conditions.

- AP / Corporate Procurement should finalise arrangement for issuing short term dummy order numbers. This will enable current invoices to be paid whilst longer term order / payment arrangements are implemented. AP should communicate numbers to business areas and suppliers.
- Corporate procurement to add the requirement for emailed invoices to standard NCC terms and conditions.
- AP should work with business areas / suppliers who regularly submit late invoices to attempt to resolve this issue.
- A Lean+ review should be undertaken for the NCC Procure to Pay process.

6.12 The number of invoices paid was just under 12,000 in the month.



7. Future developments & strategic issues

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

7.2 A consolidated report will be presented to Corporate Leadership Team in the coming months outlining further initiatives that the Finance function are intending to implement including monthly accrual accounting, quarterly hard close, and the introduction of an Accountability Framework within the Council.

Statutory and Policy Implications

7.4 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

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

8.2 To approve the contingency requests as outlined in section 4

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

8.4 To approve the capital variations as outlined in section 5.

8.5 To note the Balance Sheet update and future developments.

Paul Simpson Service Director – Finance & Procurement

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

Constitutional Comments (KK 07/02/2014)
The proposals in this report are within the remit of Finance and Property Committee.

Financial Comments (PM 23/01/2014)
The financial implications are stated in the report and will be taken into account during the refresh of the Council's Medium Term Financial Strategy.

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