

SUMMONS TO COUNCIL

date Monday, 15 October 2018
commencing at 14:00

venue County Hall, West Bridgford,
Nottingham

You are hereby requested to attend the above Meeting to be held at the time/place and on the date mentioned above for the purpose of transacting the business on the Agenda as under.



Chief Executive

- | | | |
|---|--|---------|
| 1 | Minutes of the last meeting held on 17 Sept 2018 | 3 - 4 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | Financial Monitoring Report Period 5 2018-19 | 5 - 18 |
| 5 | Commercial Strategy | 19 - 26 |
| 6 | DN2 Partnership Children's Services Intervention Programme | 27 - 30 |
| 7 | Work Programme | 31 - 36 |

None

Meeting FINANCE AND MAJOR CONTRACTS MANAGEMENT COMMITTEE

Date 17th September 2018 (commencing at 2.00pm)

Membership

Persons absent are marked with an 'A'

COUNCILLORS

Richard Jackson (Chair)
Roger Jackson (Vice Chair)
John Ogle (Vice Chair)

John Clarke
Keith Girling
Eric Kerry
Rachel Madden

Diana Meale
Mike Pringle
Mike Quigley
Alan Rhodes

OFFICERS IN ATTENDANCE

Pete Barker	Democratic Services Officer
Phil Berrill	Team Manager, Departmental Services
Joanna Cooper	Adult Social Care and Health
Nigel Stevenson	Service Director – Finance, Infrastructure & Improvement
Clare Winter	Corporate Procurement

1. MINUTES OF THE LAST MEETING

The minutes of the last meeting held on 16 July 2018, having been circulated to all Members, were taken as read and were confirmed, and were signed by the Chair.

2. APOLOGIES FOR ABSENCE

Councillor Madden replaced Councillor Hollis for this meeting only.

3. DECLARATIONS OF INTEREST

No declarations of interest were made.

4. FINANCIAL MONITORING REPORT: PERIOD 4 2018/19

RESOLVED: 2018/043

That the variations to the capital programme as detailed in the report be approved.

5. BUSINESS RATES RETENTION PILOT BID

RESOLVED: 2018/044

1. That the County Council enters into an agreement with the seven Nottinghamshire District/Borough Councils, Nottingham City Council and the Nottinghamshire & City of Nottingham Fire & Rescue Authority to progress the bid to become a Business Rates Retention Pilot for 2019/20.

2. That authority be delegated to the Service Director for Finance, Infrastructure & Improvement to finalise and sign the agreement/bid on behalf of the County Council.

6. BETTER CARE FUND POOLED BUDGET – Q1 2018/2019 RECONCILIATION

RESOLVED: 2018/045

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

7. LATEST ESTIMATED COSTS – REPLACEMENT OF THE ORCHARD SPECIAL SCHOOL AND NEWARK DAY CENTRE

RESOLVED: 2018/046

1. That the Latest Estimated Costs for the projects be approved and the variation to the capital programme as necessary be agreed.

2. That approval be given for the projects to proceed to the construction phase based on this Latest Estimated Cost.

8. GENERAL DATA PROTECTION REGULATION (GDPR), IMPLICATIONS FOR CONTRACTS

RESOLVED: 2018/047

That the continuation of the approach to updating supplier contracts and embedding GDPR in all new projects be approved.

9. WORK PROGRAMME

RESOLVED: 2018/048

That an update report on the implications of the GDPR for contracts be brought to a future meeting of the Committee.

The meeting closed at 2.27pm.

CHAIR

15 October 2018

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

FINANCIAL MONITORING REPORT: PERIOD 5 2018/19

Purpose of the Report

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

Information

Background

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

Summary Revenue Position

7. The table below summarises the revenue budgets for each Committee for the current financial year. A £6.1m net overspend is currently predicted. As a consequence of the in-year overspend and the significant financial challenges facing the Council over the medium term, the key message to effectively manage budgets and, wherever possible, deliver in-year savings is being reinforced.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 04 £'000	Committee	Annual Budget £'000	Actual to Period 05 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
4,724	Children & Young People's	120,230	39,359	125,916	5,686
936	Adult Social Care & Public Health	209,251	77,506	209,907	656
1,370	Communities & Place	122,253	43,601	123,300	1,047
(376)	Policy	35,281	17,651	34,906	(375)
(303)	Finance & Major Contracts Management	3,172	1,736	2,874	(298)
29	Governance & Ethics	7,285	2,804	7,322	37
(98)	Personnel	15,323	7,329	15,532	209
6,282	Net Committee (under)/overspend	512,795	189,986	519,757	6,962
(707)	Central items	(13,974)	2,338	(15,691)	(1,717)
-	Schools Expenditure	102	-	102	-
251	Contribution to/(from) Traders	849	1,850	1,130	281
5,826	Forecast prior to use of reserves	499,772	194,174	505,298	5,526
-	Transfer to / (from) Corporate Reserves	(7,215)	-	(7,215)	-
420	Transfer to / (from) Departmental Reserves	(9,798)	(1,066)	(9,186)	612
-	Transfer to / (from) General Fund	(1,529)	-	(1,529)	-
6,246	Net County Council Budget Requirement	481,230	193,108	487,368	6,138

Committee and Central Items

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

Children & Young People's (£5.7m overspend, 4.7% of annual budget)

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

9. The major contributing variances are:

- Staffing in Hard to Recruit Teams (including leaving care, Looked after children (LAC), emergency duty etc.) and other Social Work teams is forecast to overspend by £1.9m due to a combination of staffing changes including permanent recruitment to vacancies, temporary staff to respond to workload issues and agency workers. This includes the Assessment and District Child Protection Teams which continue to have high demand and caseloads. The agency challenge panel continues to approve all usage of agency staff.
- External Placements for LAC are forecast to overspend by £3.8m, of which £1.8m is due to the recent and sustained growth in the number of Independent Fostering Agency (IFA) placements which are not expected to significantly reduce over the year, together with £1.6m Residential and £0.4m on semi-independent spot placements. External LAC numbers have increased, with the sustained growth in IFAs starting in the latter part of 2017/18 having an exacerbated impact on 2018/19.

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

- Instruction to all Group Managers to scrutinise and restrict all non-essential expenditure. This will be followed up with a further "line by line" budget review.
- Ongoing challenge and development of existing block contracts for residential care.
- Proposed increased frequency of Agency Worker Challenge Panels.
- Bringing forward proposals to increase the number of internal foster carers.
- Various measures will be implemented through the department's Remodelling Practice programme (fieldwork staffing arrangements).

Adult Social Care & Public Health (forecast £0.7m overspend, 0.3% of annual budget)

11. The major variances on care packages are as follows :

- Older Adults across the County are forecasting an overspend of £1.6m.
- Younger Adults across the County are forecast to overspend by £2.1m, due to increased commitments in direct payments and supported living.
- These figures exclude the additional budget and additional costs associated with the recent homecare retender, the impact of which is still being calculated and assessed.

12. The Strategic Commissioning, Accessing and Safeguarding Division is reporting an underspend of £1.4m due mainly to lower in-year costs relating to the advocacy contract and an underspend in the Early Intervention and Prevention commissioning team.

13. The Transformation Division is forecasting an underspend of £1.1m mainly on the Improved Better Care Fund, which is experiencing delays in recruitment across divisions.

14. Public Health is currently forecasting an underspend of £0.5m, due mainly to an underspend on the Substance Misuse Programme. The overall County Council forecast assumes that this net underspend will be transferred to the Public Health reserve.

Communities & Place (forecast £1.0m overspend, 0.9% of annual budget)

15. There is currently a forecast overspend of £1.8m against the SEND / home to school transport budget. A review of transport provision is currently taking place with reference to changing demand and the efficiency of routes. A retendering process has been undertaken which completed in September 2018. The results of this exercise will be reported in due course.

16. The budget for concessionary fares is forecast to underspend by £0.4m following favourable contract settlement values with transport operators.

17. The waste PFI contract is forecast to underspend by £0.4m due mainly to the low waste tonnage during the hot summer period.

Trading Services

18. County Supplies are forecasting a deficit of £0.5m, £0.3m is associated with trading losses and £0.2m with their recent relocation to Huthwaite. There is no reserve to cover this overspend.
19. The anticipated draw-down from Cleaning, Catering and Landscapes Services Reserves to fund deficits/savings is £1.1m, from current Reserve balances of £1.1m, meaning any losses in 2019/20 would be unfunded. This does not include potential redundancy costs resulting from any future restructure.
20. The remaining trading services are predicting a surplus of £0.2m which will be transferred to reserves to fund capital projects or smooth future losses.

Central Items (forecast £1.7m underspend)

21. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
22. Interest payments fluctuate depending on expectations of future rates and anticipated slippage on the capital programme. Current Treasury Management forecasts suggest a net underspend on interest of £0.5m. There is a net £0.2m underspend across the other central items.
23. The Council's budget includes a main contingency budget of £5.5m to cover redundancy costs, slippage of savings, additional requirement for the 2018/19 pay award and unforeseen events. Following a half yearly review of the commitments made against this contingency, a forecast underspend of £1.0m has been identified. This will continue to be reviewed throughout the year.
24. Also, in 2018/19 a number of demand and inflationary pressures have been identified that have a high degree of uncertainty with regard to likelihood, value and profiling. As such, an additional provision of £4.1m has been made within contingency to fund these pressures should they arise. Finance and Major Contracts Management Committee or the Section 151 Officer are required to approve the release of contingency funds.
25. Further requests have been made to release some of the funds from the demand and inflationary pressures account. The Section 151 Officer has approved an additional £0.6m transfer to fund pressures that have now materialised, leaving £2.9m left in the additional contingency budget. This will continue to be assessed throughout the year.

Request for Contingency

26. A request for contingency for £270,000 has been submitted to Policy Committee (October 2018) to fund external support required to prepare a case for change for local government in Nottinghamshire.

Progress with savings and risks to the forecast

27. Council on 28 February 2018 approved savings proposals of £15.6m for delivery over the four year period 2018-22. These proposals are in addition to those approved previously by County Council. Officers will continue to monitor the deliverability of individual schemes and targets as part of the budget monitoring process and reflect achievability in the forecast outturn. The progress of the Council's current savings programme is reported to the Improvement and Change Sub-Committee on a regular basis. This report highlights all projects that are either experiencing obstacles or are at risk, the latest being 4 September 2018.
28. Issues associated with the achievement of savings (£0.686m) relating to Statutory School Transport are being reviewed. The outcome of the review will be reported to the Corporate Leadership Team and subsequently to the Improvement and Change Sub-Committee.
29. The approved 2018/19 budget was set against a background of assumptions and on-going risks, specifically with regard to the demand for Council services in the areas of Children and Adult Social Care where safeguarding takes priority. These high risk areas will continue to be monitored closely during the year through the robust monthly budget management process and reported back to Committee.

Balance Sheet

General Fund Balance

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

Capital Programme

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

Table 2 – Revised Capital Programme for 2018/19

	2018/19	
	£'000	£'000
Approved per Council (Budget Report 2018/19)		112,771
Variations funded from County Council Allocations : Net slippage from 2017/18 and financing adjustments	15,517	
		15,517
Variations funded from other sources : Net variation from 2017/18 and financing adjustments	(3,724)	
		(3,724)
Revised Gross Capital Programme		124,564

32. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 5.

Table 3 – Capital Expenditure and Forecasts as at Period 5

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 5 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	41,397	7,379	26,483	(14,914)
Adult Social Care & Public Health	4,592	670	4,570	(22)
Communities & Place	56,188	11,027	56,058	(130)
Policy	20,451	3,617	20,795	344
Finance & Major Contracts Mngt	180	23	180	-
Personnel	256	-	256	-
Contingency	1,500	-	1,500	-
Total	124,564	22,716	109,842	(14,722)

Children & Young People's

33. In the Children and Young People's Committee capital programme, a forecast underspend of £14.9m has been identified. This is mainly due to £10.7m forecast slippage against the School Places Programme. The majority of existing commitment is for primary education places. Re-profiling of the budget is required as the remaining provision is to be allocated, in the main, to Secondary School pressures in 2019/20. These are currently being assessed as to where the allocation is most required.

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

35. The capital project at Beardall Street has completed with a £0.6m underspend and all expenditure with regard to the £0.8m Special Schools Grant will now take place in the next financial year.

It is proposed that the Children and Young People's capital programme is varied to reflect the £0.6m underspend against the Beardall Street project and the £0.8m re-profiling of the Special Schools Grant.

36. A Latest Estimated Cost Report was submitted to the Finance and Major Contracts Management Committee (October 2018) which set out the costs and profiling of the replacement Orchard School and Newark Day Centre. The funding for this project is already approved within the capital programme and all funding streams will be brought together as part of the Annual Budget report to Full Council in February 2018.

Financing the Approved Capital Programme

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

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

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People's	24,521	16,612	125	139	41,397
Adult Social Care & Public Health	3,268	1,324	-	-	4,592
Communities & Place	16,413	37,462	1,501	812	56,188
Policy	19,201	1,214	-	36	20,451
Finance & Major Contracts Mngt	-	-	-	180	180
Personnel	256	-	-	-	256
Contingency	1,500	-	-	-	1,500
Total	65,159	56,612	1,626	1,167	124,564

38. It is anticipated that borrowing in 2018/19 will increase by £1.6m from the forecast in the Budget Report 2018/19 (Council 28/02/2018). This increase is primarily a consequence of:

- £15.5m of net slippage from 2017/18 to 2018/19 and financing adjustments funded by capital allocations.
- Net slippage in 2018/19 of £13.9m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

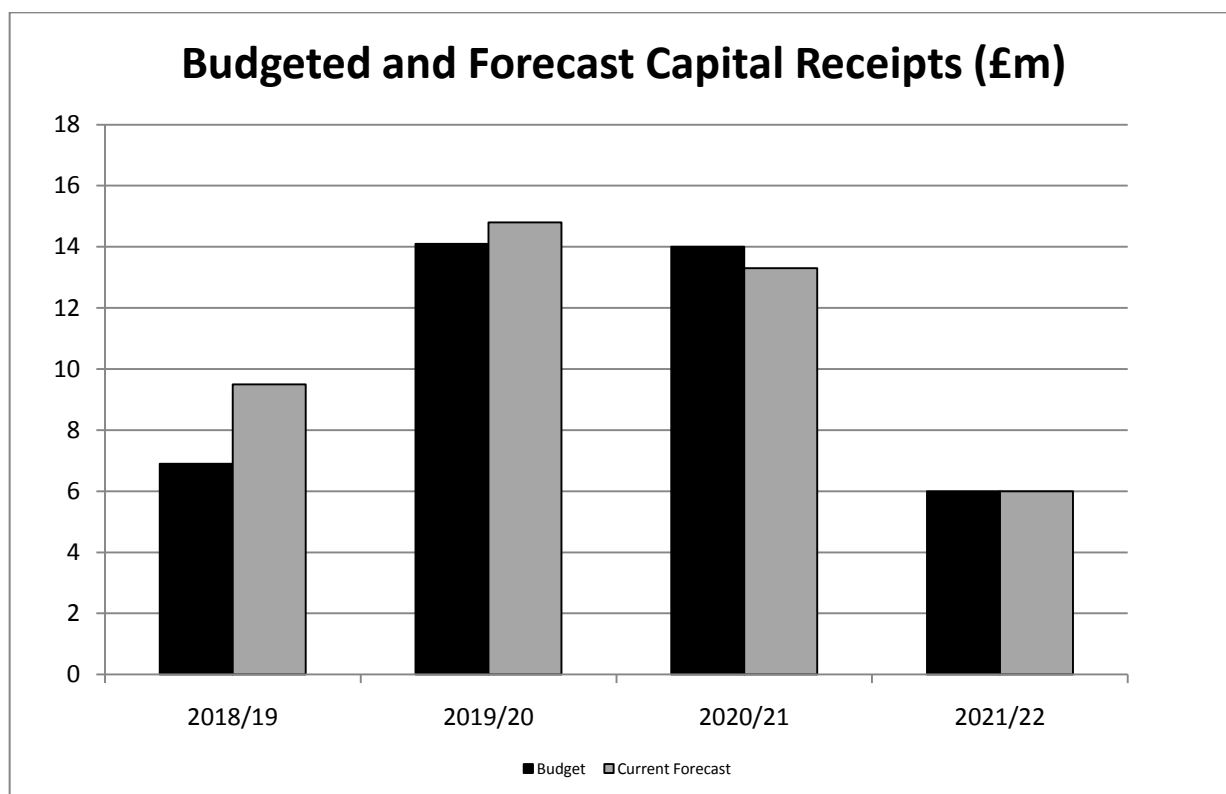
Prudential Indicator Monitoring

39. 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

40. 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.

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



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

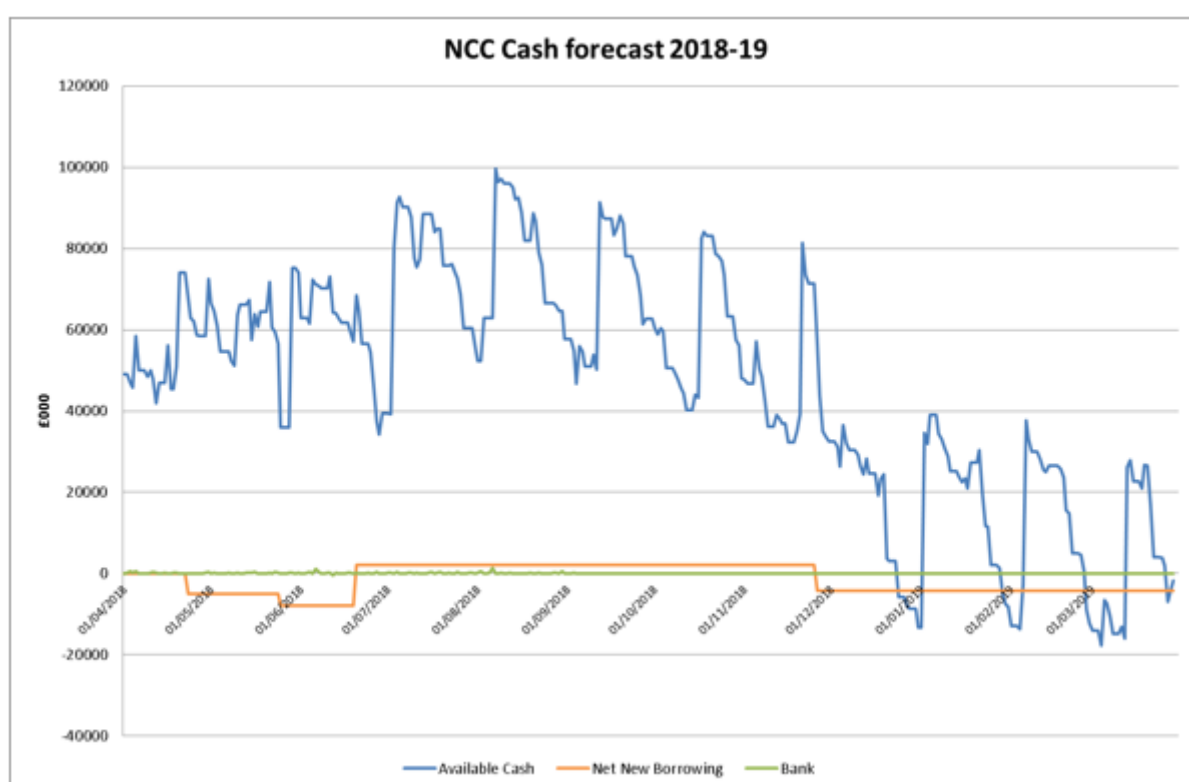
43. The capital receipt forecast for 2018/19 is £9.5m. To date in 2018/19, capital receipts totalling £0.5m have been received.

44. 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.

45. Current Council policy (Budget Report 2018/19) is to use the first £5.4m of capital receipts to fund in-year transformation costs. Any capital receipts in excess of this will be set against the principal of previous years’ borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be set aside each year. It is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

Treasury Management

46. 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.
47. The Cash forecast chart below shows the forecast cash flow position for the financial year 2018/19. Cash inflows are typically higher at the start of the year due to the front loading receipt of Central Government grants, and the payment profile of precepts. Cash outflows, in particular capital expenditure, tend to increase later in the year, and the chart shows a clear need for the Council to borrow during the course of the year.

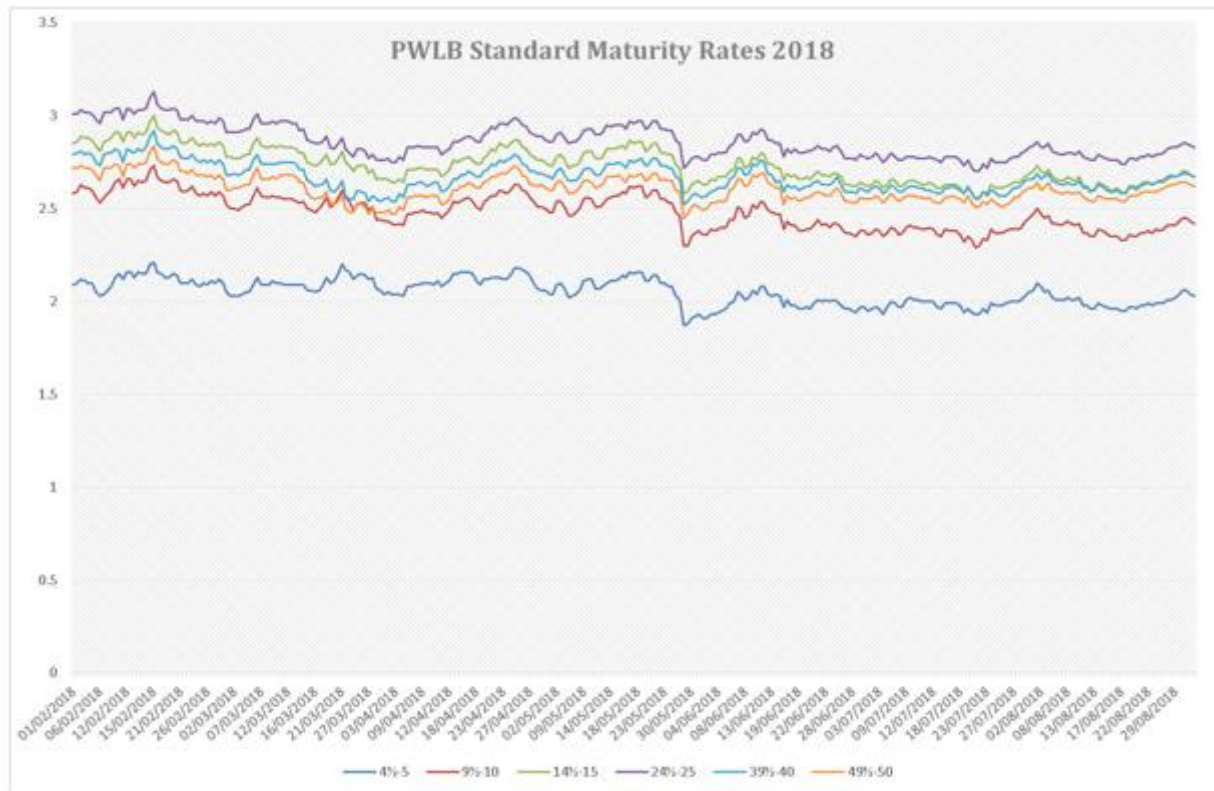


48. The chart above gives the following information:

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

49. The Treasury Management Strategy for 2018/19 identified a need to borrow approximately £45m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. After the 2017/18 accounts closure this forecast

was revised to £52m, and £10m of this was taken in June. PWLB interest rates continue to be monitored closely to allow changes - or potential changes - in rates to feed into decisions on new borrowing. The Council remains able to take advantage of the PWLB “certainty rate” which is 0.2% below the standard rates. The chart below shows the movement in standard PWLB maturity rates over the course of 2018 to date.



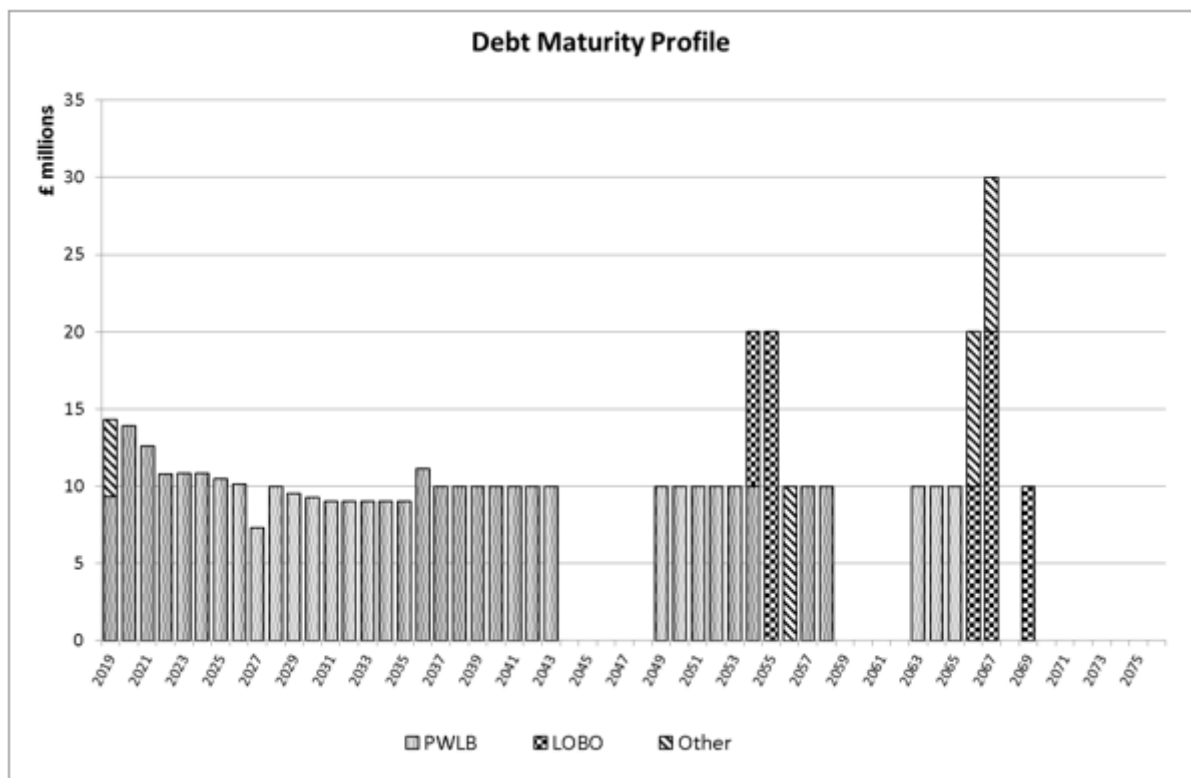
50. Borrowing decisions will take account of a number of factors including:

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

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

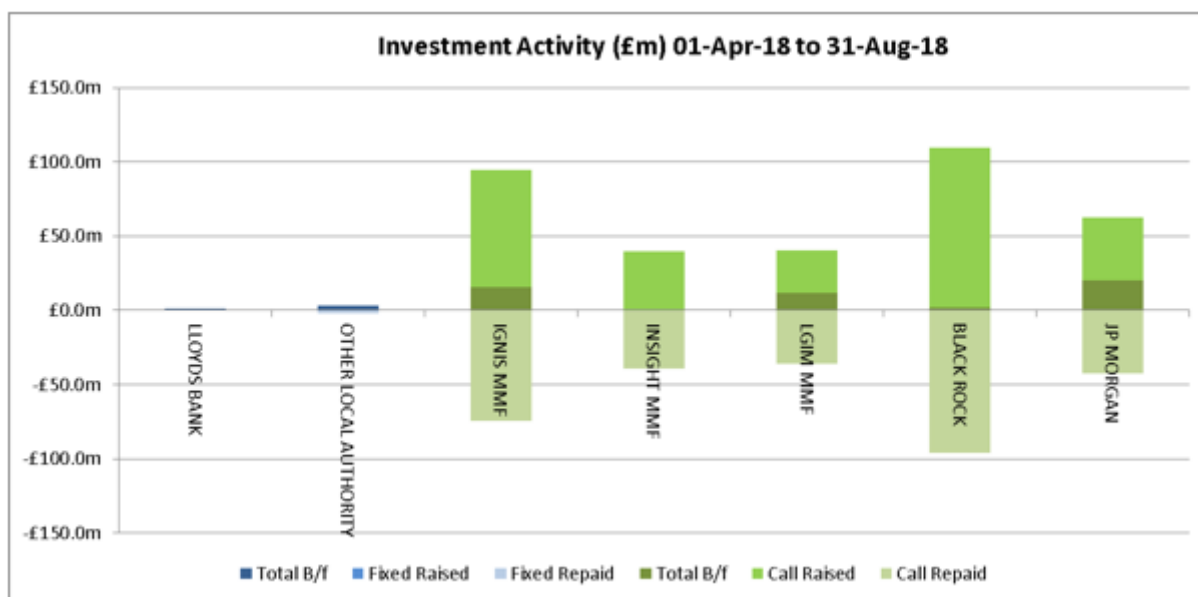
52. Longer-term borrowing (maturities up to 51 years) was obtained from the market some years ago in the form of ‘Lender’s Options, Borrower’s Options’ loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken at rates lower than the prevailing PWLB rate at the time. However, LOBOs could actually mature at various points before then, exposing the Council to some refinancing risk.

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



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

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
Lloyds Bank	1,000	-	-	1,000
Other Local Authority	3,500	-	(2,000)	1,500
IGNIS MMF	15,500	79,150	(74,650)	20,000
INSIGHT MMF	-	39,450	(39,450)	-
LGIM MMF	11,400	29,150	(35,850)	4,700
Black Rock	2,150	107,250	(96,300)	13,100
JP Morgan	20,000	42,300	(42,300)	20,000
Total	53,550	297,300	(290,550)	60,300



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

Statutory and Policy Implications

56.This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

- 1) To comment on the revenue budget expenditure to date and year-end forecasts.
- 2) To comment on the capital programme expenditure to date, year-end forecasts and approve the variations to the capital programme.
- 3) To approve the additional contingency request.
- 4) To comment on allocations released from the demand and inflationary pressures account.
- 5) To comment on the Council's Balance Sheet transactions.

Nigel Stevenson Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

Keith Palframan - Group Manager, Financial Strategy and Compliance

Tamsin Rabbitts - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (KK 10/07/2018)

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

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

Financial Comments (GB 19/09/2018)

58. The financial implications are stated within the report.

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

15 October 2018

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR, FINANCE, INFRASTRUCTURE AND IMPROVEMENT

COMMERCIAL STRATEGY

Purpose of the Report

1. The purpose of this report is to seek approval of the proposed Commercial Strategy attached as Appendix 1

Information

2. The proposed Commercial strategy is a high level framework for the commercial approach of the council across a wide number of activities to ensure a commercial approach is applied across the Council with the aim of helping imbed a commercial approach.
3. The Commercial Strategy builds upon and pulls together a number of strands of work from across the Council such as procurement, commercial development, treasury management and other areas as detailed within the Commercial Strategy.
4. Although this is the first commercial strategy that has been outlined it builds upon the work undertaken so far across numerous projects and draws upon other strategies that have outlined a more commercial approach.
5. Individual commercial plans will be developed using the commercial strategy as a framework once agreed by members.
6. Monitoring of the commercial strategy will be undertaken by the Finance and Major Contracts Management Committee.

Other Options Considered

7. No other options have been considered.

Reason/s for Recommendation/s

8. To ensure that the Council undertakes a commercial approach where relevant with the aim of generating financial savings by embedding a consistent commercial approach within the areas of the scope of the commercial strategy.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the proposed Commercial Strategy annexed to this report is reviewed and agreed by this Committee; and
- 2) The agreed Commercial Strategy is forwarded to Policy Committee for approval

Nigel Stevenson

Service Director Finance, Infrastructure & Improvement

For any enquiries about this report please contact: Mark Knight, Commercial Development Manager

Constitutional Comments (KK 03/10/18)]

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

Financial Comments (SES 02/10/18)

11. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

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

- Procurement Strategy
- Treasury Strategy
- Commercial Development Unit First Year Trading Report

Electoral Division(s) and Member(s) Affected

- All

Appendix 1: Nottinghamshire County Council Commercial Strategy

Overview

Over the years Nottinghamshire County Council has continued to look to commercially innovative ways to deliver services as well as capitalise on its traded services to deliver income to help deliver services that cannot generate income. Whilst excellent progress has been made the progress made so far will not deliver a significant contribution to help meet the significant funding pressures that the Council faces.

The Commercial Strategy aims to increase the contribution that commercial activity can make to help minimise the impact that significant cuts to funding have made and will likely continue in the coming years.

The commercial strategy takes a broad view of commercial activity and its contribution to the financial position of the authority, but also takes into account the positive contribution that traded services can make to the residents and businesses of Nottinghamshire.

Drivers for Commercialisation

- The Council still needs to make significant income and / or savings to offset the reduction in funding
- Our financial position is forcing us to look at more commercially focussed ways of delivering services
- Successful commercialisation across the sector has proven that income generation is possible
- Some success has shown that we do have the skills and knowledge to deliver savings through commercialisation

Principles and Scope of Commercialisation at Nottinghamshire County Council

Commercial awareness and activity can be wide in scope and cover areas such as improved contract management and procurement as well as investments and joint working arrangements. For the purposes of this strategy the scope of commercialisation is:

- Selling services
- Pricing & charging
- Fitness of traded services
- Commercial development
- Investment
- Contract Management
- Procurement

Commercialisation is an approach that should be open to all areas of the Council and should be considered as an option in any service review, but will not always be

an appropriate option. Key opportunities should be chosen to ensure that commercial projects can be resourced without extensive support.

The principles of commercialisation include:

- Open to all options of service delivery
- Risk aware and acceptance that not all commercial ideas will work
- Honesty about current performance
- Prepared to invest when based on analysis and forecast activity
- Make commercial decisions based on commercial analysis

Aims and Objectives

The main aim of the strategy is to deliver a financial return which contributes to the Council's financial position and helps sustain the delivery of services to the residents and businesses of Nottinghamshire. In addition further objectives will be:

- Help enable all non-statutory services to at least cover all their costs
- Establish the current performance of all traded services and forecast the potential commercial performance
- Invest and use our financial strengths to generate new income
- Identify and develop potential commercial ideas
- Develop exit strategies for commercial services with declining markets
- Develop and imbed commercial thinking and skills across the Council

Work Streams / Programmes of Work

Imbedding Commercial Skills

Work is currently underway on an interactive e-learning module that will form part of the key competencies for all Council employees to help provide a basic understanding of commercial concepts and how to apply them. Further commercially focused training is also being developed that can be delivered to groups at different levels. Specific sessions based around particular commercial areas such as cost and pricing are also developed as the need arises.

Employees that participate in the Commercial Development Unit programme are given a much deeper level of commercial understanding through the programme of commercial masterclasses that form the first part of the Commercial Development Programme with a variety of techniques and tools that are applied to the service undergoing the Commercial Development Unit programme.

Development of Commercial Ideas

A number of commercial ideas are being tested through both the Commercial Development Unit process and through service reviews. Any commercial concept should be market tested through these and other methods to establish the level of return on investment and the potential for successful delivery. Any method should be

designed to stress test any commercial idea and the measure of success should be ideas that have a low return on investment or high probability of failure being halted.

The Commercial Development Unit has operated as a stand-alone project and has demonstrated that it can help services deliver additional saving. An additional £400,000 saving was reported for the first pilot cohort. In order to embed this commercial approach further the Commercial Development unit will become part of the transformation programme ensuring that commercial thinking is considered alongside other transformation proposals.

Reviewing Current Commercial Performance

A number of reviews have been initiated in order to establish commercial performance such as the review of the Services for Schools portfolio as well as review into Place that contains some substantial traded activity. These reviews should seek to establish current commercial performance as well as forecasting future activity in order to develop commercial options. A programme of review should be undertaken to establish the commercial performance of all traded services either through the Commercial Development Unit or other review mechanisms.

Any service that undertakes the Commercial Development Unit process is continually monitored to ensure that they stay within the parameters that were forecast as a part of the business case. A system of commercial reporting should be developed in order to give Members regular oversight of commercial performance.

Review of Pricing and Charging

The Council has a host of discretionary services that it is allowed to charge for. Even though the Council cannot make a profit from these services it is allowed to fully recover its costs. This does give scope to offer concessions to certain groups but still recover the full cost of the offer of the discretionary service by variations in pricing for different groups. But the first step in ensuring that full cost recovery can happen and a pricing strategy developed for services is the establishment of the true cost base. Once this baseline cost has been established then the appropriate concessions and pricing can be planned to allow the most vulnerable groups to still access these services whilst protecting the service by recovering the full cost. A review is currently being undertaken to establish all the areas of charging in order to establish a baseline.

Establishment of Alternative Service Delivery and Trading Entities

Currently due to legislation no internal trading service would be able to operate as a profit making service that would pay a dividend. Although traded services may return a surplus in some cases that would offset against a wider budget. Although no service is currently at this point, in the future, if the Council wanted to generate profit from any service, it would need to set up an appropriate trading vehicle such as a trading company. A number of other Councils have set up singular trading companies or other vehicles that all traded activity operates through. This removes the cost of setting up individual trading vehicles, as multiple services can trade through the one trading vehicle. There is currently no need to set up an alternative

trading company, but maybe considered in the future if there was a commercial business case for it.

The Council has instigated a number of Alternative Service Delivery Models in recent years covering Highways (Via), Property (Arc) and Libraries (Inspire). These were developed with the aim of assisting in meeting budget reduction targets, through maintaining service delivery at a lower cost, rather than with the intention of generating significant additional income. All ASDMs have achieved their initial aim and there may be scope for Via and Arc in particular to generate income through increased dividend returns going forward.

Property Investment

The Council does not currently invest in Property for the purpose of revenue returns. Sales of existing property do deliver capital receipts, but in the main the property was not originally acquired for this purpose. A number of other local authorities have begun to invest in commercial property, in some cases investing significant amounts. The Council's experience of managing investment for the Nottinghamshire Pension Fund is that any investment in a single asset class such as property has significant risks. Changes in economic outlook can impact the capital value of the asset or the ability of the asset to generate a revenue return, for example through a major tenant going in to liquidation. Both of these can have significant short term impacts and could lead to a need to reduce spend on services to cover investment shortfalls.

The Council does own a number of commercial units and farms that deliver a return through rental income. Although these commercial properties were not originally purchased for the purpose of generating a commercial return. Analysis of the market will be made to ensure the most appropriate options are reviewed in order to generate a return where possible.

A number of local authorities have invested into residential property investment, particularly where the authority has a responsibility for housing. Again this is an area that requires significant investment but has significant risk and changes in economic outlook can impact a return and lead to a need to reduce spend on services in order to cover investment shortfalls. At this time the Council has no plans to use investments in this way.

Effective Contract Management

Effective contract management will ensure that we get the best from our relationships with our suppliers and partners. The planning stages in the formation of contracts when commissioning is key to ensuring we get best value for the Council and residents as well as maintaining a constructive relationship with suppliers and contractors. The management of contracts requires flexibility on both sides with no surprises and effective management through the agreement and monitoring of key performance indicators. The Council's Procurement Strategy sets out our approach to Contract Management in more detail.

Corporate Procurement and Commercial Financial Management

By taking a commercial approach to procurement we will be able to ensure best value whilst leveraging our buying power. Using market intelligence and data we will strengthen our position when working with suppliers ensuring we work together to understand their cost base and co-design to get the best outcome for the Council and residents. Where possible we will look to establish payment by results contracts without disadvantaging small and third sector organisations. The Council's Procurement Strategy sets out our approach in greater detail.

Investment Strategy

The Council has an Investment Strategy within the overall Treasury Management Strategy, however this is mainly focused on the investment of short term cash balances within the financial year. The Council has reviewed the option to borrow money for the long term at low rates from the Public Works Loan Board (PWLB) to invest with the aim of achieving a return higher than the interest payable, and hence generating an income stream to offset budget cuts. The review highlighted the significant risks with this approach, in particular given the Government's proposals to change accounting rules so that reductions in capital value have to be recognised immediately they occur. At this time the Council has no plans to use investments in this way.

15 October 2018**Agenda Item: 6****REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT AND SECTION 151 OFFICER****DN2 PARTNERSHIP CHILDREN'S SERVICES INTERVENTION
PROGRAMME****Purpose of the Report**

1. To provide members with an update including the outcome of the collaborative procurement exercise undertaken in partnership with Nottingham and Derby City Councils to deliver a Children's Services Intervention Programme that is delivered via a Social Impact Bond and for which the three Councils have secured £3m of government funding.

Information

2. Social Impact Bonds (SIBs) are a commissioning tool that deliver outcome-based contracts and make funding for services conditional on achieving results. Social Investors fund the upfront costs incurred by providers in delivering the services to children and young people and then receive payments based on the positive outcomes achieved for those children and young people. SIBs incentivise the investor and their partners to use evidence informed approaches, i.e. approaches that are known to deliver results, but provide the freedom to adapt their services to the needs of the children and young people throughout the contract duration.
3. The three Councils (known as DN2) have secured £3m of government funding, via its Life Chances Fund, to develop and establish the use of Social Impact Bonds to jointly commission evidence informed services that support children on the edge of care and in care to achieve better social outcomes through achieving stable family type placements and, where possible, to remain at home with their families. DN2 has commissioned an investor-provider consortium to deliver an appropriate range of specialist and evidence-informed interventions to support young people with challenging behaviours and complex needs and who:
 - a) currently live in residential care to step down to foster care; or
 - b) are currently living in foster care and at a high risk of placement breakdown, or of entering residential care, to remain in stable foster care; or
 - c) are currently Looked After by the local authority (LAC) but whom the Council is seeking to re-unify with their birth family or primary carers; or

- d) are currently defined as being *Edge of Care*, i.e. at risk of being taken into care, to remain safely with their families / primary carers.

The project aims to help approximately 160 Nottinghamshire children and young people over four year period during which individual cases may be referred to receive interventions and support from the SIB provider (out of a total of 400 children and young people across the three Councils)

4. As well as better social outcomes, the Council expects cashable efficiency savings to be delivered through commissioning the services through a SIB and these form part of the Children and Families Department's budget savings proposals over the coming years. The £3m of government funding will contribute approximately 25% of the payments made in relation to successful outcomes, which correspondingly reduces the financial risk to the Council. The remaining element of the payment will be made from existing budgets, though these payments – based on young people successfully remaining out of care and / or out of high cost residential placements – will be lower than the cost that the Council would otherwise have incurred in bringing these young people in to care and / or in paying for specialist residential care.
5. At its meeting on 20 November 2017, the Children and Young People's Committee approved the procurement of specialist technical and legal advisors with relevant sector knowledge and experience to assist the three Councils in progressing the project in line with the strict government guidance and timescales. At its meeting on 16 July 2018, the same committee gave approval to completing the procurement process and delegated authority to the Corporate Director for Children and Families, in consultation with the Chairman of the Children and Young People's Committee (or Vice Chair in their absence), to appoint the chosen bidder and enter into the relevant contract/s, subject to certain financial parameters in relation to the overall affordability of the programme.
6. The outcome of the recent collaborative procurement process is that Outcomes for Children (the Core Assets / Family Lives / Big Issue Invest consortium), will deliver the programme of interventions with the contract beginning in October 2018. A presentation will be made at the committee meeting to explain how the three Councils have collaboratively commissioned the investor-provider consortium, and how the contract will work and be managed over the coming 4+ years that it will be in operation.,

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Data Protection and Information Governance

8. A Data Protection Impact Assessment is being completed for the project to ensure any information the Council might share with the successful consortium is compliant with the new General Data Protection Regulations (GDPR).

Financial Implications

9. Finance officers from the County Council have developed the financial parameters for the project and evaluated the bidders' financial submissions – for veracity, relative value and cost effectiveness, and the potential to deliver overall financial benefit to the Council. 25% of outcome payments made under the contract will be drawn from government grant with the remainder being made from within existing budgets.
10. As the nominated *Lead Authority* for the project, the County Council will also be responsible for administering the drawing down and distribution of the government funding via its Life Chances Fund. The process for managing this will be set out within an Inter-Authority Agreement between the three Councils.

Human Resources Implications

11. There are no TUPE or other Human Resources implications attaching to this report. The services are being commissioned to complement the existing services and support provided for Looked After Children and those deemed to be at risk of being taken in to care.

Safeguarding of Children and Adults at Risk Implications

12. The investor-provider consortium comprises established children's services organisations that have a successful track record in the social care sector. Equally, it is a key requirement that the proposed interventions are underpinned by a successful evidence base. Moreover, there is an appropriate process of due diligence built into the selection process.

Implications for Service Users

13. Each of the bidding consortia has committed to engaging with children and young people in the process of mobilising their services if selected and it is anticipated that this will be facilitated through the Council's established processes for engaging with children and young people.

RECOMMENDATION/S

- 1) Members to support the outcome of this procurement exercise and consider if any further updates are required and at what frequency.

Nigel Stevenson

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

For any enquiries about this report please contact:

Jon Hawketts- Group Manager, Commissioning and Placements

Lynn Brammer-Category Manager, CFCS

Constitutional Comments [KK 02.10.2018]

The proposal in this report is within the remit of the Finance and Major Contracts Management Committee.

Financial Comments [SS 03/10/18]

The financial implications of the report are contained within paragraphs 9 and 10 above.

Background Papers and Published Documents

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

- None

Electoral Division(s) and Member(s) Affected

- All

15 October 2018

Agenda Item: 7

REPORT OF THE SERVICE DIRECTOR - CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2018/19.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required

RECOMMENDATION/S

- 1) That the Committee considers whether any amendments are required to the Work Programme.

Marjorie Toward
Customers, Governance and Employees

For any enquiries about this report please contact: Pete Barker, x74416

Constitutional Comments (HD)

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

Financial Comments (NS)

9. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None.

Electoral Division(s) and Member(s) Affected

All

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>Lead Officer</u>	<u>Report Author</u>
19 November 2018			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
BCF Q2 Reconciliation		Joanna Cooper	Joanna Cooper
Arc – Update Report		Derek Higon	Mick Allen
Home Based Care and Support Services Project	Update report	Jane Cashmore / Michael Fowler	Jane Cashmore / Michael Fowler
17 December 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Commercial Development Unit (CDU)	Lessons learnt from the CDU process.	Nigel Stevenson	Mark Knight
Trading Standards Service	Report from CDU re Trading Standards' commercial performance	Nigel Stevenson	Mark Knight
Public Health Contracting	Update on a different approach to Public Health Commissioning and Procurement.	Michael Fowler Category Manager	Clare Winter
General Data Protection Regulation (GDPR) Contract Process	Update Report	Clare Winter	Clare Winter

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

14 January 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Contract Management	Details of process	Clare Winter	Clare Winter
Collaborative Procurement	Update Report	Clare Winter & Lorraine Dennis	Clare Winter
11 February 2019			
Annual Budget Meeting	To recommend to Full Council the financial strategy, annual revenue budget, annual capital budget, and precept on billing authorities	Nigel Stevenson	Glen Bicknell
Local Government Finance	Overview report	Nigel Stevenson	Nigel Stevenson
BCF Q3 Reconciliation		Joanna Cooper	Joanna Cooper
BCF Pool Fund Agreement 2019/20 (TBC)		Joanna Cooper	Joanna Cooper
18 March 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

29 April 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Agency Contract	Provision of agency staff as required across the authority.	Lorraine Dennis Category Manager	Clare Winter
20 May 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Supporting people with homelessness and MH issues	To prevent people losing tenancies and to provide short term accommodation based support.	Michael Fowler Category Manager	Clare Winter
17 June 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Fair Price for Care Project (older adults)	Outcome of consultancy work and how this is going to inform the approach to the market.	Michael Fowler Category Manager	Clare Winter
15 July 2019			
Monthly Budget & Capital Monitoring Report 2018/19	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
TO BE PLACED			
The provision of new schools and school places	Details of the Authority's approach	Derek Higon	Derek Higon

