

**REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT****FINANCIAL MONITORING REPORT: PERIOD 11 2022/2023****Purpose of the Report**

1. To provide the Cabinet with a summary of the budget monitoring position as at Period 11.

Information and Advice**Background**

2. The Council approved the 2022/23 budget at its meeting on 24 February 2022. As with previous financial years, progress updates will be closely monitored and reported to management and either the Cabinet Member for Finance or Cabinet each month.

Summary Revenue Position

3. The table below summarises the revenue budgets for each Portfolio for the forthcoming financial year. An underspend of £1.6m (0.3% of the Council's Net Budget Requirement) is currently projected against the budget approved by Full Council in February 2022. As a consequence of this variance and the significant levels of uncertainty and financial challenges facing the Council over the medium term, the key message to effectively manage budgets and, wherever possible, deliver in-year savings continues to be reinforced.

Table 1 – Summary Revenue Position

| Forecast Variance as at Period 10 | Portfolio | Annual Budget £'000 | Actual to Period 11 £'000 | Year-End Forecast £'000 | Latest Forecast Variance £'000 | Percentage Variance to Annual Budget |
|-----------------------------------|--|---------------------|---------------------------|-------------------------|--------------------------------|--------------------------------------|
| (202) | Children & Young People | 169,203 | 150,529 | 168,717 | (486) | (0.29%) |
| (1,803) | Adult Social Care & Public Health | 248,164 | 203,864 | 245,330 | (2,834) | (1.14%) |
| (201) | Transport & Environment | 120,320 | 101,011 | 120,052 | (268) | (0.22%) |
| (22) | Communities | 19,081 | 13,243 | 19,090 | 9 | 0.05% |
| 17 | Economic Development & Asset Management | 25,373 | 24,351 | 25,335 | (38) | (0.15%) |
| (612) | Deputy Leader & Transformation | 5,177 | 3,945 | 4,426 | (751) | (14.51%) |
| (112) | Finance | 17,881 | 17,013 | 17,738 | (143) | (0.80%) |
| (912) | Personnel | 28,278 | 27,333 | 27,278 | (1,000) | (3.54%) |
| (3,847) | Net Committee (under)/overspend | 633,477 | 541,289 | 627,966 | (5,511) | |
| (2,000) | Central items | (56,342) | (77,247) | (58,342) | (2,000) | |
| | - Schools Expenditure | 700 | - | 700 | - | |
| 2,155 | Contribution to/(from) Traders | (1,227) | 2,167 | 928 | 2,155 | |
| (3,692) | Forecast prior to use of reserves | 576,608 | 466,209 | 571,252 | (5,356) | |
| | - Transfer to / (from) Corporate Reserves | (1,938) | - | (1,938) | - | |
| 1,918 | Transfer to / (from) Departmental Reserves | (15,738) | (653) | (11,930) | 3,808 | |
| | - Transfer to / (from) General Fund | - | - | - | - | |
| (1,774) | Net County Council Budget Requirement | 558,932 | 465,556 | 557,384 | (1,548) | |

Portfolio Variations

Adult Social Care & Public Health (£2.8m underspend, 1.14% of net portfolio budget)

4. The Adult Social Care & Public Health portfolio is currently reporting a forecast underspend of £2.8m. This is mainly due to underspends in Direct & Provider Services (£3.8m), Maximising Independence (£0.5m) and Public Health (£2.3m), being partly offset overspends in Living Well and Ageing Well (£3.7m) and Strategic Commissioning and Integration (£0.1m).
5. Public Health is forecast to underspend by £2.3m, this is an increase in underspend from Period 10 of £1.0m. The £1.0m change is primarily due to a reduction in forecast contract spend, most notably £0.4m on the PHN 0-19 Healthy Families contract. Previously the estimated uplift due to increases in NHS pay settlements was predicting an overspend last period, however NHT are now advising that they are in an underspend position. There is also slippage of £0.14m on Future in Mind, £0.13m on Domestic violence and abuse, plus £75k of funding for Oral Health STP which will now be spent in 23/24. In addition, there is £135k of new government money for Dental with the government now picking up the Fluoridation costs in year.
6. The underspend in Direct & Provider Services is across all services and is mainly due to the following:
 - Anticipated additional NHS Continuing Healthcare income into residential services which is positive in supporting people with complex health and social care needs.
 - Increased underspend in Day Services due to slippage on recruitment. Although the vacancy rate is high and the majority of posts need to be recruited to maintain service

continuity, retaining a proportion of vacancies will assist in redesigning services and job roles in response to the recently launched Day Opportunities Strategy.

7. The forecast overspend in Living Well has decreased, mainly due to a reduction in the volume of cases on the Predicted Need list.
8. Living Well spend continues to be challenging, particularly in relation to increasing needs and market forces, where there is limited availability of services, particularly for people with complex needs, which results in lack of market competition and high placement costs. A number of actions are being taken to mitigate this as follows:
 - Close oversight of placement decisions through an effective panel process.
 - Joint work with Strategic Commissioning to develop the external provider market and maximise how we utilise contracted services.
 - A focus on taking a strengths-based approach to support, to maximise independence and reduce the need for formal support.
 - Reviewing the transition of young people approaching adulthood to ensure that interventions are timely and cost effective. This will form part of the focused budget setting work over the summer period.
 - A joint programme of work relating to home care and Housing with Care has been set out which will help to develop community alternatives that are cost effective and improve outcomes for our residents.

Deputy Leader & Transformation (£0.8m underspend, 14.51% of net portfolio budget)

9. The main reason for the forecast underspend is an underspend in Transformation and Change (£0.7m), an increase of £0.1m from period 10. A restructure of the T&C Group, implemented in June 2021, has led to a period of significant churn in the workforce and underspends currently relate to vacancy gaps pending recruitment.

Personnel (£1.0m underspend, 3.54% of net portfolio budget)

10. The Personnel portfolio is currently reporting a forecast underspend of £1.0m. This consists of forecast overspends in Corporate HR (£0.2m), Complaints (£0.1m) and Legal Service (£0.1m) offset by underspends in Business Support (£0.8m), Apprentices / Trainees (£0.2m), Communications & Marketing (£0.1m), Document Services (£0.1m) and Business Services Centre (£0.2m).
11. The Corporate HR overspend is due to reduced income from Schools & Academies buy back income. Legal Services have incurred additional costs due to a lack of court resources meaning cases spending longer within the court system, a need to place reliance on locums and additional work supporting the change in governance arrangements. Underspends are predominantly due to staff vacancies.

Traded Services (£2.2m overspend)

12. The Schools Catering service forecast includes estimated additional labour costs of £0.4m in-year, as a result of the 2022/23 Local Govt. pay award and revised foundation living wage. The forecast also includes the impact of food cost increases of £0.6m. The service is forecast to incur a net operating deficit of £2.6m in 2022/23. Schools Catering will seek to recover

additional costs of £0.8m through its SLA and non-SLA contracts with Schools, however discussions around this are ongoing and as such full provision has been included. The result is a forecast deficit of £1.80m, to be funded by the County Council.

13. As a result of estimated increased labour costs of £0.5m arising from the 2022/23 Local Govt. pay offer and the revised foundation living wage, the Cleaning & Landscapes service forecast is an anticipated deficit of £0.3m.

Central Items (£2.0m underspend)

14. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
15. Interest projections (both payable and receivable) fluctuate depending on expectations in relation to future rates and anticipated slippage on the capital programme. Current Treasury Management forecasts suggest a net underspend on interest of £2.0m.
16. The Council's budget includes a base contingency budget of £4.0m to cover redundancy costs, slippage of savings and other potential unforeseen events. Also, in 2022/23 further demand and inflationary pressures have been identified that have a degree of uncertainty with regard to likelihood, value and profiling; including assumptions on pay awards. As such, an additional provision of £13.3m was made within the contingency to fund these pressures should they arise. The Cabinet, Cabinet Member for Finance or the Section 151 Officer are required to approve the release of contingency funds.

Requests for Contingency

17. There has already been a call on the 2022/23 contingency budget from requests that have been approved by the previous Finance Committee, Cabinet or the Section 151 Officer which total £15.0m. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main Areas of Risk within the 2022/23 budget

18. As reported previously, there are significant risks and uncertainties associated with the current environment that local authorities are operating within, both in the short and medium terms. The main financial risks faced by the Council are as follows:-
- Any on-going financial impact of the COVID19 pandemic and the implications that this may have on the delivery of Council services.
 - The cost pressures factored into the Council's budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, particularly with regard to Adults and Children's Social Care Services, Transport Services, the impact of the National Living Wage, agreement of the pay award, the impact of the proposed Adult Social Care reform as well as any additional burdens identified by Central Government.
 - The COVID19 pandemic coupled with the UK leaving the EU has had a significant impact on the availability of staffing resource particularly in the social care sector as recruiting and retaining care staff across social care services remains difficult. Staff

shortages have also been experienced in catering, facilities management and waste services.

- Whilst the Council is somewhat protected from immediate inflation on direct energy costs through the advanced purchasing arrangement with Crown Commercial Services (CCS), wider inflationary pressures driven by energy costs could have a detrimental impact across a whole range of service areas.
- Fuel prices which are at a record high, will also be felt across all areas of the organisation in due course, with the potential for contracts to become unaffordable for the council or unviable for some service providers.
- Higher costs associated with the capital programme due to material shortages and increases in the cost of construction and other key materials.

Balance Sheet

General Fund Balance

19. Cabinet approved the 2021/22 closing General Fund Balance of £35.2m on 14 July 2022. This balance represents 6.2% of the net budget requirement.

Capital Programme

20. Table 2 summarises changes to the gross Capital Programme for 2022/23 since approval of the original Programme in the Budget Report (Council 24/02/22):

Table 2 – Revised Capital Programme for 2022/23

| | 2022/23 | |
|--|----------|----------------|
| | £'000 | £'000 |
| Approved per Council (Budget Report 2022/23) | | 126,879 |
| Variations funded from County Council Allocations : Net slippage from 2021/22 and financing adjustments | (29,874) | |
| | | (29,874) |
| Variations funded from other sources : Net variation from 2021/22 and financing adjustments | 3,199 | |
| | | 3,199 |
| Revised Gross Capital Programme | | 100,204 |

21. Table 3 shows actual capital expenditure to date against the forecast out-turn at Period 11.

| Portfolio | Revised Capital Programme £'000 | Actual Expenditure to Period 11 £'000 | Forecast Outturn £'000 | Expected Variance £'000 |
|-----------------------------------|--|--|---------------------------|-------------------------------|
| Children & Young People's | 34,145 | 30,064 | 31,160 | (2,985) |
| Adult Social Care & Public Health | 862 | 573 | 862 | - |
| Transport & Environment | 46,583 | 33,663 | 46,298 | (285) |
| Communities | 1,759 | 1,034 | 1,384 | (375) |
| Economic Devt & Asset Mngt | 9,983 | 5,328 | 9,128 | (855) |
| Finance | 6,766 | 5,008 | 6,474 | (292) |
| Personnel | 106 | 22 | 78 | (28) |
| Contingency | - | - | - | - |
| Total | 100,204 | 75,692 | 95,384 | (4,820) |

Children & Young People's

22. In the Children and Young People's portfolio capital programme, a forecast underspend of £3.0m has been identified. This is mainly due to reported slippage against the Rushcliffe expansion project (2.0m) where grant funding payments to the Academy are now expected to take place in the next financial year. In addition, lesser slippage has been reported against the School Capital Refurbishment Programme (£0.6m) and the Fostering Families programme (£0.3m). Minor variances have also been reported across a number of other budgets.

Economic Development & Asset Management

23. In the EDAM portfolio capital programme, a forecast underspend of £0.9m has been reported. This is due to budget slipping into the next financial year following the review of Council Office buildings.

Variations to the Capital Programme

24. Under the Council's new governance arrangements, the Section 151 officer has approved a number of variations to the capital programme as set out in the following paragraphs.

Children & Young People (CYPS)

25. **School Places Programme** - As part of the Period 11 capital monitoring exercise, slippage of £0.4m has been identified against the School Places programme. Re-profiling of the budget is required as contributions to projects at Academies are not now expected to be made until the next financial year. The CYPS portfolio capital programme has been varied by £0.4m to reflect the identified slippage.
26. **School Building Improvement Programme** – It has been identified that £0.7m of funding against the School Building Improvement Programme budget needs to be re-profiled into the next financial year. This is due to an element of works that are now scheduled to take place in the next financial year to fit around school requirements. The CYPS portfolio capital programme has been varied by £0.7m to reflect the identified re-profiling required.
27. **Rushcliffe Expansion Project** - £2.0m slippage has been identified against the Rushcliffe Expansion project. It is now expected that grant funding payments to the academy will now be paid over in the next financial year. The CYPS portfolio capital programme has been varied to reflect the £2.0m slippage on this project.
28. **Fostering Families** - £0.3m slippage has been identified against the Fostering Families programme as costs associated with a house move project will now take place in the next financial year. The CYPS portfolio capital programme has been varied by £0.3m to reflect the identified slippage.

Transport and Environment (T&E)

29. **Roads Maintenance and Renewals** –As part of the Spring Budget 2023, the Treasury announced an additional £3.3m roads funding grant allocation for the Council in 2023/24. It is proposed that the Transport and Environment portfolio capital programme is varied by £3.3m to reflect the additional roads funding grant allocation received from Central Government.

Communities

30. **Local Improvement Scheme** – As part of the Period 11 capital monitoring exercise, forecast slippage of £0.3m has been identified against the Local Improvement Scheme programme. This rolling programme of grant awards requires slippage into 2023/24 to complete projects as approved by the Cabinet Member for Communities. The Communities portfolio capital programme has been varied by £0.3m to reflect slippage on the Local Improvement Scheme.
31. **Libraries Improvement Programme** - The Council has been successful in securing £50k of external grant funding from the Arts Council England to further the installation of scanning equipment in libraries across Nottinghamshire. The Communities portfolio capital programme has been varied to reflect the £50k grant funding received.

Economic Development & Asset Management (EDAM)

32. **Building Works / Investing in Nottinghamshire** – In the EDAM portfolio capital programme, a forecast underspend of £0.9m has been identified. This is as a result of budget slipping into the next financial year following the review of county office properties. The EDAM portfolio has been varied to reflect the £0.9m slippage identified.

Finance

33. **EcoSystem Platform** - In the Finance portfolio capital programme, a forecast underspend of £0.3m has been identified against the EcoSystem Platform capital programme. This is mainly due to delays in signing off the final contract thereby delaying an element of the central programme costs. The Finance portfolio capital programme has been varied to reflect the £0.3m slippage identified against the EcoSystems Platform project.

Financing of the Approved Capital Programme

34. Table 4 summarises the financing of the overall approved capital programme for 2022/23

Table 4 – Financing of the Approved Capital Programme for 2022/23

| Portfolio | Capital Allocations £'000 | Grants & Contributions £'000 | Revenue £'000 | Reserves £'000 | Gross Programme £'000 |
|-----------------------------------|------------------------------|---------------------------------|------------------|-------------------|--------------------------|
| Children & Young People's | 6,620 | 27,275 | 200 | 50 | 34,145 |
| Adult Social Care & Public Health | 43 | 640 | - | 179 | 862 |
| Transport & Environment | 10,312 | 30,996 | 875 | 4,400 | 46,583 |
| Communities | 1,506 | 170 | 20 | 63 | 1,759 |
| Economic Devt & Asset Mngt | 3,219 | 6,130 | 140 | 494 | 9,983 |
| Finance | 4,740 | 976 | - | 1,050 | 6,766 |
| Personnel | 106 | - | - | - | 106 |
| Contingency | - | - | - | - | - |
| Total | 26,546 | 66,187 | 1,235 | 6,236 | 100,204 |

35. It is anticipated that borrowing in 2022/23 will decrease by £32.3m from the forecast in the Budget Report 2022/23 (Council 24/02/22). This decrease is primarily a consequence of:

- £29.9m of net slippage from 2021/22 to 2022/23 and financing adjustments funded by capital allocations.
- Net slippage in 2022/23 of £2.4m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

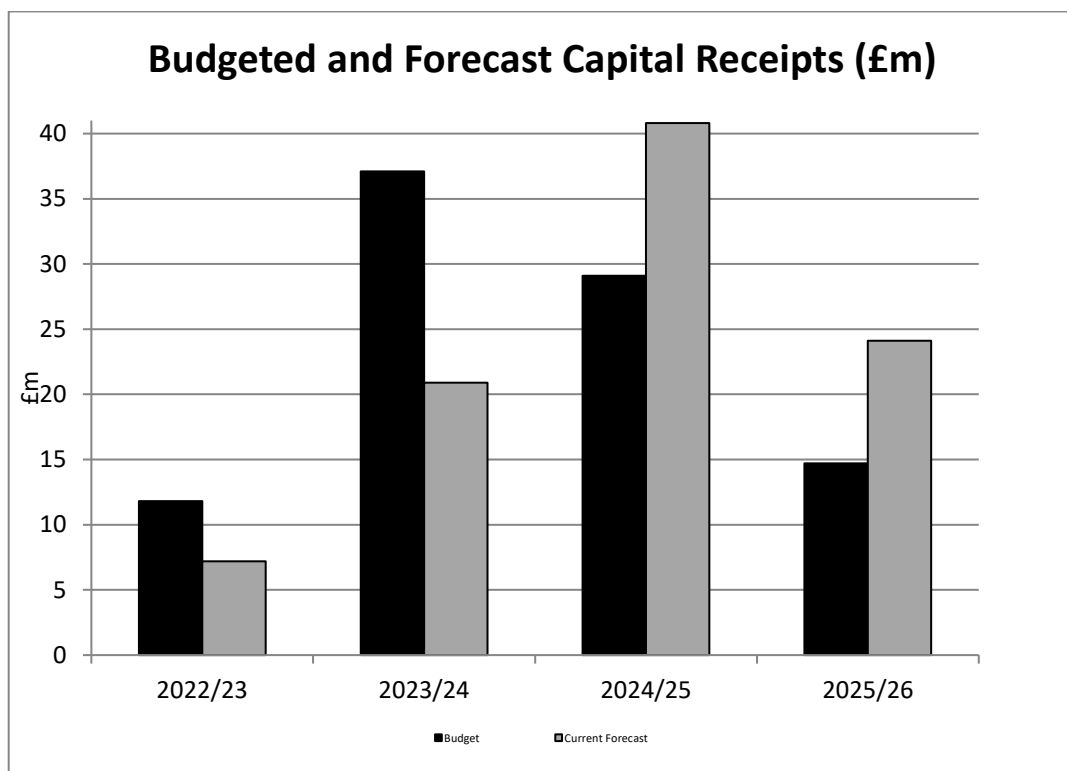
Prudential Indicator Monitoring

36. 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

37. 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.

38. The chart below shows the budgeted and forecast capital receipts for the four years to 2025/26.

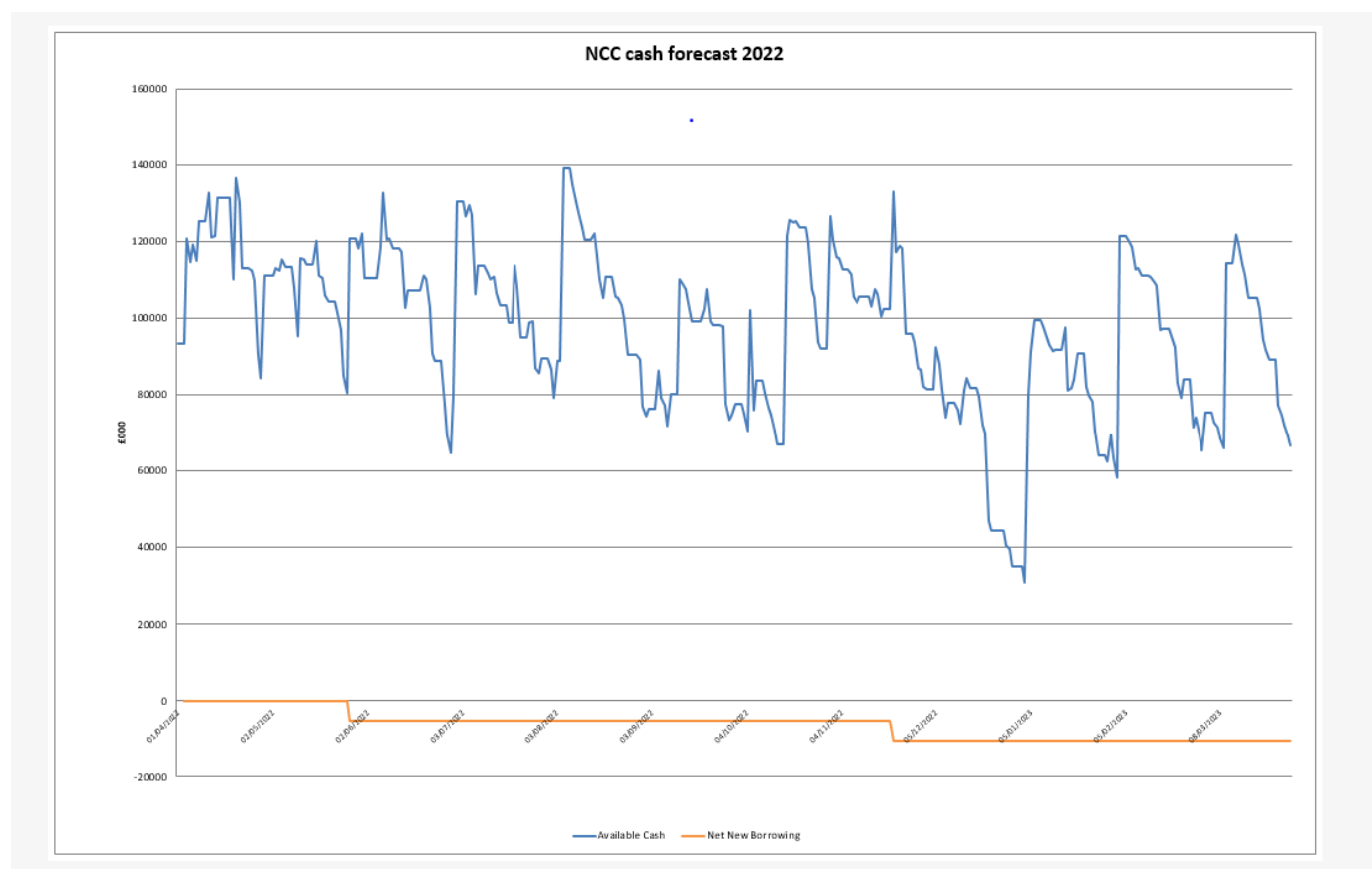


39. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2022/23 (Council 24/02/2022). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery.

40. The capital receipt forecast for 2022/23 is £7.2m. To date in 2022/23, £5.5m of capital receipts have been received.
41. 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.
42. Current Council policy (Budget Report 2022/23), to minimise the impact of the cost of borrowing on the revenue budget, is to use capital receipts to the value approved as part of the 2021/22 Budget Report to set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts. This will enable excess capital receipts to be used to fund future additional capital investment.

Treasury Management

43. 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 (TMG).
44. The cash forecast chart below shows the current estimated cash flow position for the financial year 2022/23. 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 below reflects this. Also, expected borrowing in support of capital expenditure is not included in the forecast. The chart thereby helps highlight the points in the year when such borrowing will be necessary, and it is monitored daily so that treasury management staff can act comfortably in advance of the cash being required, the aim being to maintain adequate but not excessive liquidity.

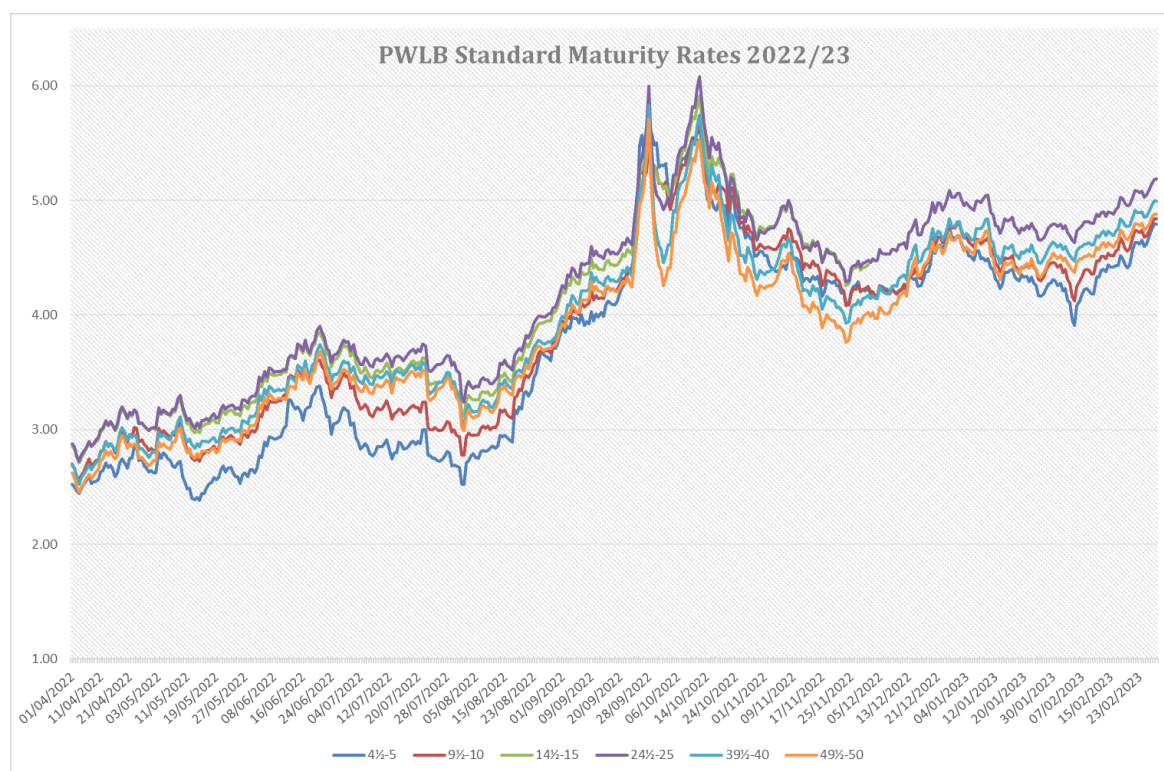


45. The chart above gives the following information:

| | |
|--------------------------|--|
| 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. |

46. The Treasury Management Strategy for 2022/23 identified a need to borrow approximately £20m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. However, more recent forecasts show that the Council should be able to make temporary use of internal borrowing for the foreseeable future. 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, although rate rises this year have somewhat nullified the benefit of this. The chart below shows the movement in standard PWLB maturity rates over the course of 2022/23 to date, and incorporates the spike associated with the dramatic fall and recovery of gilt prices in late September.

47.



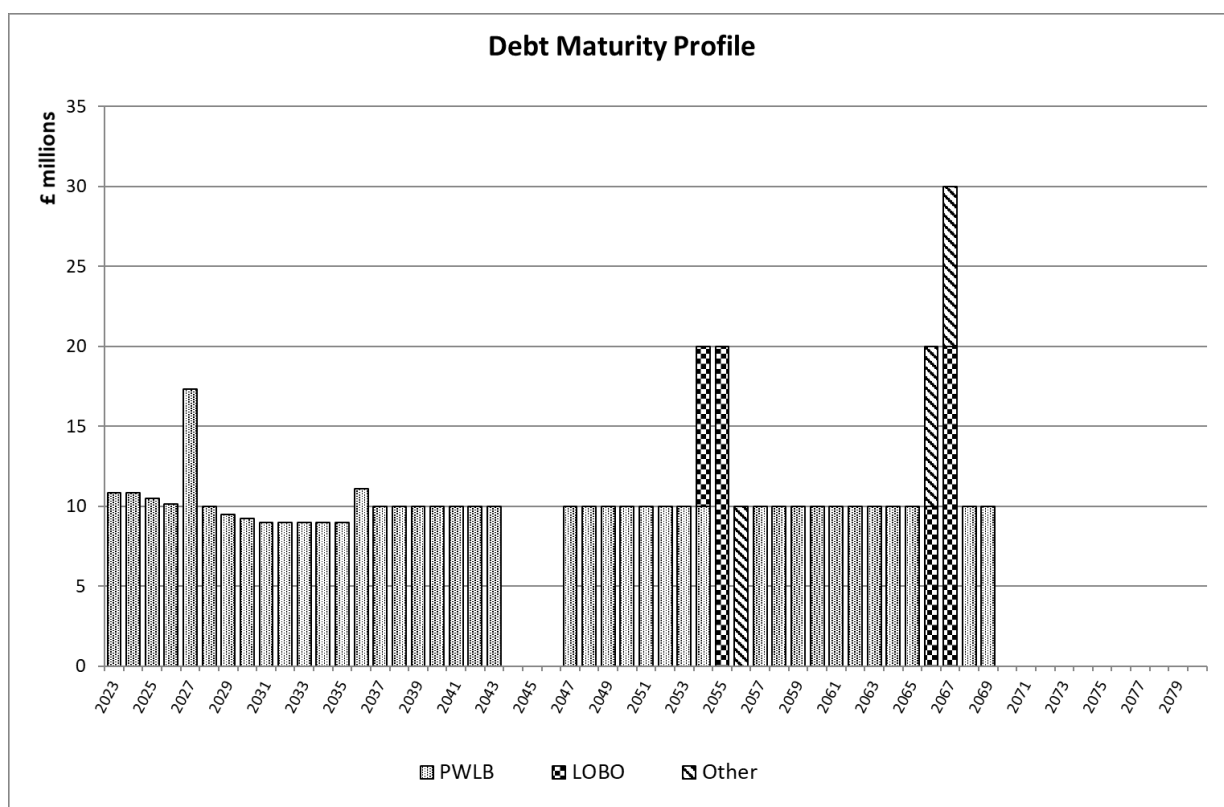
48. Borrowing decisions will take account of a number of factors including:

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

49. 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 50 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.

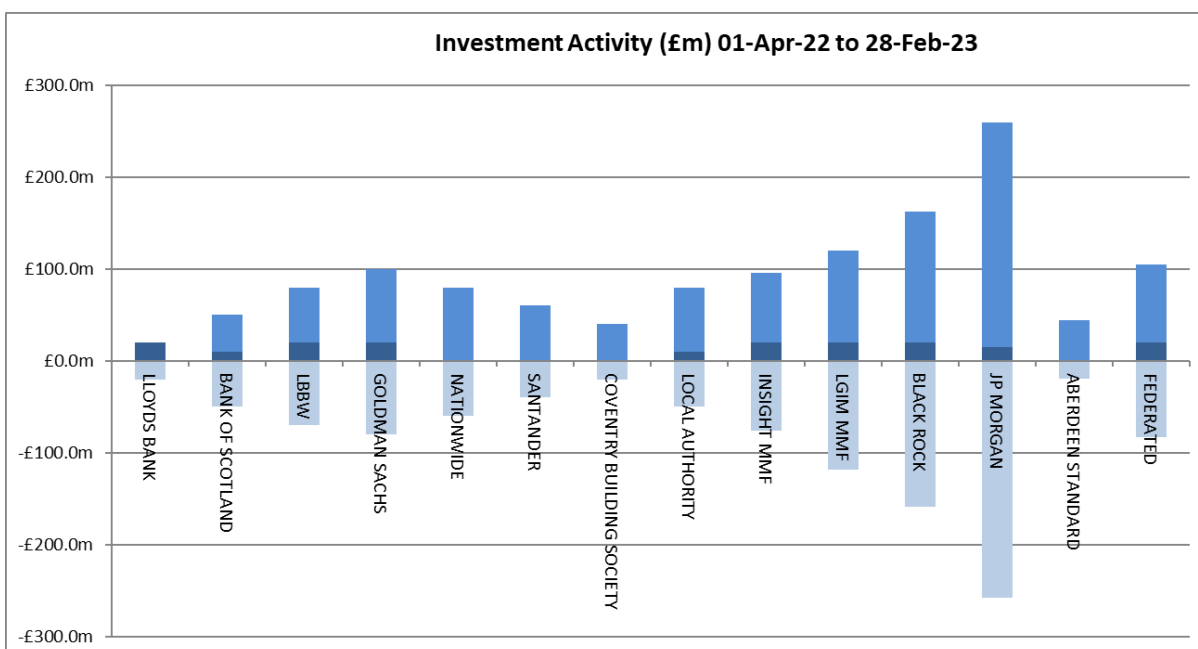
50. Long-term borrowing was also obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken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

51. The 'other' loans shown in the chart consists of fixed-term loans from Barclays Bank.



52. The investment activity for 2022/23 to date is summarised in the chart and table below. Outstanding investment balances totalled approximately £175m at the start of the year and £194m at the end of February.

| | Total B/f £000 | Total Raised £000 | Total Repaid £000 | Outstanding £000 |
|---------------------------|-------------------|----------------------|----------------------|---------------------|
| LLOYDS BANK | 20,000 | 0 | -20,000 | 0 |
| BANK OF SCOTLAND | 10,000 | 40,000 | -50,000 | 0 |
| LBBW | 20,000 | 60,000 | -70,000 | 10,000 |
| GOLDMAN SACHS | 20,000 | 80,000 | -80,000 | 20,000 |
| NATIONWIDE | 0 | 80,000 | -60,000 | 20,000 |
| SANTANDER | 0 | 60,000 | -40,000 | 20,000 |
| COVENTRY BUILDING SOCIETY | 0 | 40,000 | -20,000 | 20,000 |
| LOCAL AUTHORITY | 10,000 | 70,000 | -50,000 | 30,000 |
| INSIGHT MMF | 20,000 | 76,100 | -76,100 | 20,000 |
| LGIM MMF | 20,000 | 99,650 | -118,100 | 1,550 |
| BLACK ROCK | 20,000 | 142,400 | -158,250 | 4,150 |
| JP MORGAN | 14,800 | 244,700 | -257,400 | 2,100 |
| ABERDEEN STANDARD | 0 | 43,900 | -18,900 | 25,000 |
| FEDERATED | 20,000 | 84,500 | -83,200 | 21,300 |
| | 174,800 | 1,121,250 | -1,101,950 | 194,100 |



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

Statutory and Policy Implications

54. 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.

Other Options Considered

55. To informally brief the Cabinet Member. By noting the latest position as a formal decision, this enables the Council to be more transparent and for all County Councillors and the public to be kept informed of the latest position in a timely manner.

Reasons for Recommendations

56. To enable Cabinet to be fully informed of the latest position with the Council's budget and for that information to be made publicly available.

RECOMMENDATIONS

- 1) For the Cabinet to:
 - Note the individual Portfolio revenue budgets for 2022/23.
 - Note the summary of capital expenditure to date, year-end forecasts and variations to the capital programme.
 - Note the Council's Balance Sheet transactions.

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For any enquiries about this report please contact:

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Constitutional Comments (KK 29/03/2023)

57. This report is just for noting.

Financial Comments (GB 22/03/2023)

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