Nottinghamshire County Council

Report to Finance and Property Committee
20 January 2014

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT

FINANCIAL MONITORING REPORT: PERIOD 8 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 £2.7m 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 7 £'000	Committee	Annual Budget £'000	Actual to Period 8 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
(2,792)	Children & Young People	158,883	96,218	156,076	(2,807)
2,614	Adult Social Care & Health	215,256	162,019	218,332	3,076
102	Transport & Highways	64,047	47,407	64,209	162
(331)	Environment & Sustainability	29,287	17,046	28,904	(383)
(55)	Community Safety	4,074	1,310	4,056	(18)
(62)	Culture	15,589	10,133	15,481	(108)
(800)	Policy	32,445	20,343	31,551	(894)
(351)	Finance & Property	29,539	23,476	29,353	(186)
5	Personnel	3,152	626	3,393	241
(477)	Economic Development	1,724	868	1,267	(457)
(2,942)	Public Health	-	(7,170)	(3,527)	(3,527)
(5,089)	**Net Committee (under)/overspend**	**553,996**	**372,276**	**549,095**	**(4,901)**
(2,301)	Central items	(12,270)	(50,030)	(14,511)	(2,241)
(7,390)	**Forecast prior to use of reserves**	**541,726**	**322,246**	**534,584**	**(7,142)**
-	Transfer from Earmarked Reserves	(13,981)	-	(13,981)	-
949	Transfer to/(from) Departmental Reserves	-	-	949	949
2,942	Transfer to Public Health Reserve	-	-	3,527	3,527
-	Transfer to / (from) General Fund	(15,138)	-	(15,138)	-
(3,499)	**Net County Council**	**512,607**	**322,246**	**509,941**	**(2,666)**

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 (£2.8m underspend)

4.2 Children's Social Care Division
The Division is reporting a £1.0m net underspend, the major contributing variances being:

- £2.0m overspend on social work staffing due to the use of agency staff to cover vacancies
- £0.5m overspend on home to school transport for looked after children
- £0.3m overspend in the Fostering Service as efforts are made to increase in-house capacity

- The above are offset by a £3.5m underspend on Child Placements due to lower numbers of children requiring these places than originally anticipated. This is an increase of £0.2m in the reported underspend at period 7 due to a reduction in demand for placements, as opposed to the forecast growth.
- The Children's Disability Service is forecasting an underspend of £0.3m across its services.

4.3 Youth, Families, & Culture Division

The forecast reflects a net underspend of £1.8m 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 £3.1m net overspend)

4.5 Younger Adults Division

The Division is currently forecasting a breakeven position. There is still a forecast overspend of £1.2m on Community Care budgets for Disability Services. This is a reduction of £0.8m due to accurate rate increases now being commissioned in Framework as other increases in community care budgets have been offset by a corresponding reduction in the predicted needs and transitions. However it is anticipated that this will reduce further as we get closer to the end of the financial year.

This is partly offset by an increased underspend of £1.0m in Day Services This is mainly due to one off savings relating to furniture and activities budgets, which aren't required in full this year due to the recent reorganisation and refurbishment of the centres and the transfer of the meals income.

There is an underspend in the Short Breaks units of £0.2m, primarily due to very few staff being in the pension scheme.

4.6 Joint Commissioning Division

The Division is currently reporting a forecast overspend of £0.6m which is a reduction of £0.6m since last month due to additional income being received from the Department of Health for Mental Health and Advocacy.

This is comprised of an overspend of £2.8m in Operational Policy and Performance due to a shortfall in Client Contribution Income of £3.0m offset by £0.2m underspend across the other area's including £0.1m relating to Business Object licenses which are not required.

Business Change and Support is showing an underspend of £0.5m mainly due to lower salaries and on-costs due to part time employees and vacancies within the 3 Business Support Centre’s.

Joint commissioning is also showing a £1.6m underspend due to £0.2m on Older Adults and Carers and £0.3m on Mental Health and Advocacy and a £0.8m underspend on Supporting People, which is offset by a lower use of reserves.

4.7 Older Adults Division

The Division is currently forecasting an overspend of £2.5m, which is an increase of £1.0m since last month, due to increases in commitments for Long Term Care and Homecare.

The overspend is due to a £0.2m overspend on long term care, an overspend on Direct Payments of £2.9m and an overspend £0.2m on Short Term Care. There is also a shortfall on the recovery of Third Party payments of £0.2m. These are partly offset by a £0.9m underspend in the Care and Support Centres and a £0.1m underspend on Daycare and other Community Care Support Budgets.

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

4.8 Promoting Independence Division

The Division is currently forecasting a net underspend of £0.8m, which is a reduction of £0.5m.

This is due to a £1.4m underspend on the National Welfare Assistance Fund, which is partly offset by an overspend of £0.6m on the use of agency and overtime within the Reablement Service.

There is also a £0.2m 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 £6.7m of earmarked reserves.

Environment & Sustainability (forecast £0.4 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 12/13 rebate being received in the 13/14 financial year.

Policy (forecast £0.9m underspend)

4.11 The variance mainly relates to staff vacancies in Business Support and Customer Services Centres (£0.4m) and Corporate Strategy and Communications (£0.3m). There is an underspending of £0.2m in reduced members allowances and hospitality.

Economic Development (forecast £0.5m underspend)

4.12 Youth Employment Strategy – A report was taken to the Economic Development Committee on 17th October to re-programme spending up to 2015-16. An earmarked reserve is to be created to be drawn down in later years. The creation of this reserve was approved at the Finance and Property Committee on 11th November. This reserve has been created in December and will be reflected in the period 9 monitoring report.

Public Health (forecast £3.5 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 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 £2.3m 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 £0.5m 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 £1.1m. It is expected that the remaining provision will be required later in the year.

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 marks 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 runs until 17 January 2014. Once the outcome is known, estimates of the required financial provision can be calculated.

4.23 In relation to the general contingency, two schemes have been identified for funding since the last monitoring report and now require approval:

- <u>Forward funding of development sites</u> £170,000, of which at least £40,000 will be required in 2013/14, the remainder will be required in 2014/15

- <u>Lindhurst Scheme</u> £250,000, revenue expenditure relating to capital project bid

4.24 Should these schemes be approved, the balance of contingency would then be £3.1m. It is likely that further contingency requests will be made throughout the year, and, given that a redundancy provision will need to be made in the current year, it is assumed that any surplus will be transferred to the Councils

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 £0.5m. There would be a number of options as to how Members may want to utilise any additional resources.

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. These proposals will be issued for public consultation and this process will continue until the 17th January. The responses to the consultation and the Council's subsequent final proposals for its 2014/15 budget will be set out in the budget reports that will be discussed in 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 (15/07/13)	(1,318)	
Variations approved to F&P Committee (09/09/13)	(4,559)	
Variations approved to F&P Committee (14/10/13)	(2,600)	
Variations approved to F&P Committee (11/11/13)	(656)	
Variations approved to F&P Committee (16/12/13)	(2,150)	
		-202
Variations funded from other sources:		
Net slippage/variations from 2012/13	1,551	
Variations approved to F&P Committee (15/07/13)	2,453	
Variations approved to F&P Committee (09/09/13)	592	
Variations approved to F&P Committee (14/10/13)	1139	
Variations approved to F&P Committee (11/11/13)	127	
		5,862
Revised Gross Programme		**138,616**

Capital Monitoring

Table 3 shows actual capital expenditure to date against the forecast outturn at Period 8.

Table 3 – Capital Expenditure and Forecasts as at Period 8

Committee	**Revised Capital Programme £'000**	**Actual Expenditure to Period 8 £'000**	**Forecast Outturn £'000**	**Expected Variance £'000**
Children & Young People	60,900	31,881	60,842	(58)
Adult Social Care & Health	4,500	263	4,029	(471)
Transport & Highways	40,955	27,422	41,917	962
Environment & Sustainability	4,682	2,619	5,113	431
Community Safety	289	337	289	0
Culture	6,569	840	5,105	(1,464)
Policy	6,168	2,752	5,796	(372)
Finance & Property	13,329	4,986	12,744	(585)
Personnel	145	0	145	0
Contingency	1,079	0	1,079	0
TOTAL	**138,616**	**71,100**	**137,059**	**(1,557)**

5.2 A capital programme review is currently underway to ensure that the County Council's capital programme is aligned as closely as possible to the new administrations priorities. The outcome of the capital programme review will be reported in due course. Out-turn variations identified by Departments at Period 8 are highlighted below:

5.3 In the Transport and Highways Committee, there is a total forecast overspend of £0.962 million mainly as a result of planned over-programming in the Local Transport Plan and Road Maintenance and Renewal programme (£1.502 million). Work is on-going to drive these forecast overspends down and to manage within approved budgets.

5.4 Also in the Transport and Highways Committee, the Rail Improvements budget of £0.300 million for this year and the following two years has been taken out of the programme along with an element of the Green Network budget (£0.240 million)

It is proposed that the Transport and Highways Capital Programme is varied to reflect the identified reductions.

5.5 In the Policy Committee, an underspend of £0.372 million has been forecast mainly as a result of slippage in the Customer Services Centre programme. The introduction of further channel shift technologies is now planned to be introduced in the next financial year.

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

5.6 In the Environment and Sustainability Committee, a forecast overspend totalling £0.431 million has been identified mainly as a result of a forecast overspend of £0.500 million against the Local Improvement Scheme programme. Work is currently on-going to manage this overspend down.

5.7 In the Finance and Property Committee, an overall underspend of £0.585 million has been identified. The majority of this relates to slippage totalling £0.329 million against the Microsoft Enterprise Agreement budget line as 'truing up' costs will not be incurred until June 2014.

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

5.8 Also, in the Finance and Property Committee, slippage totalling £0.199 million has been reported against the Renewable Boiler Replacement Programme budget as a further project has been put on hold subject to the outcome of a service review.

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

5.9 The ICT Division have identified savings totalling £0.080 million against the 2013/14 ICT Infrastructure Replacement Programme.

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

5.10 Finally, in the Finance and Property Committee, the ICT budgets have been re-organised. £0.486 million budget has been removed from existing ICT capital budgets to create an ICT Transition budget. This budget will be used to support the definition and implementation of ICT's new operating structure and also the accelerated delivery of the Computer Equipment Replacement Programme and a number of remedial infrastructure initiatives.

It is proposed that the Finance and Property Committee Capital Programme is varied to reflect the re-organised IT budgets.

5.11 In the Culture Committee Capital Programme, a forecast underspend totalling £1.464 million has been identified. This is mainly due to £1.070 million slippage on the Archives Extension Project as the project has been delayed by planning issues. The project is now progressing well with a start on site date in early 2014.

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

5.12 Also in the Culture Committee Capital Programme minor slippage has been identified on two library projects plus underspends have been identified against the following projects:

Rufford Schemes	£0.118 million
Rufford Improvements	£0.031 million
Tuxford Conservation	£0.045 million

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

5.13 In the Adult, Social Care and Health Committee, although progress has been made and contracts signed with respect to the Living At Home programme, slippage totalling £0.471 million has been identified.

It is proposed that the Adult Social Care and Health Committee Capital Programme is varied to reflect the identified slippage.

5.14 In the Children and Young People's Committee, a number of section 106 contributions have been received into the Council to part fund projects in the Basic Need programme as follows:-

Richard Bonington Primary	£808,222
Arnold View Primary	£48,274
Heymann Primary	£286,894
Coppice Farm Primary	£166,098
Lambley Primary	£94,340
Pierrepont Gamston Primary	£275,109
Kirkby Woodhouse Primary	£468,652

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

Financing the Approved Capital Programme

5.15 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	22,202	0	1,540	60,900
Adult Social Care & Health	2,472	1,891	45	92	4,500
Transport & Highways	7,310	21,685	0	11,960	40,955
Environment & Sustainability	3,682	500	500	0	4,682
Community Safety	289	0	0	0	289
Culture	1,408	1,465	7	3,689	6,569
Policy	6,168	0	0	0	6,168
Finance & Property	12,676	50	0	603	13,329
Personnel	0	0	0	145	145
Contingency	1,079	0	0	0	1,079
TOTAL	**72,242**	**47,793**	**552**	**18,029**	**138,616**

5.16 It is anticipated that borrowing in 2013/14 will decrease by £1.6 million from the forecast in the Budget Report 2013/14 (Council 28/02/13). This decrease is a 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 £11.3 million as approved to November Finance & Property Committee.

- net slippage/reduction in 2013/14 of £1.4 million of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

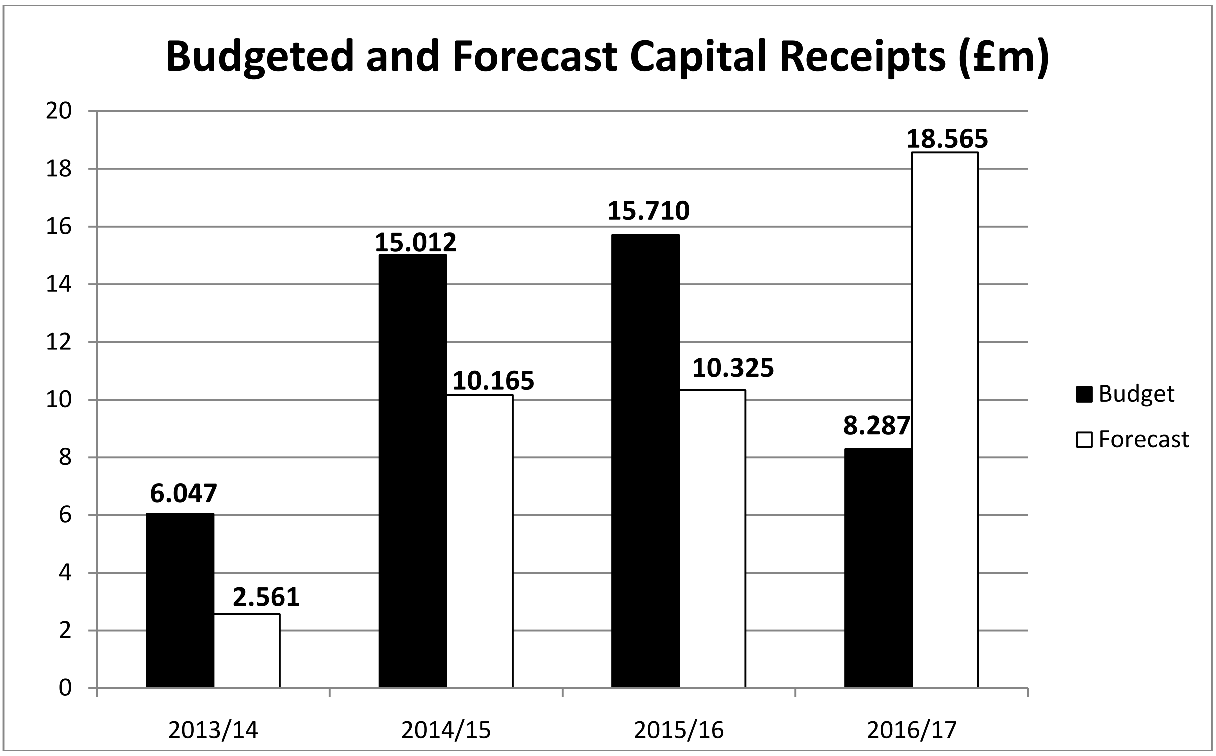
Prudential Indicator Monitoring

5.17 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

5.18 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.

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



5.20 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.

5.21 The forecast for 2013/14 is currently estimated to be £3.486m less than the budgeted capital receipts as a result of slippage.

5.22 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.

5.23 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.

5.24 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.

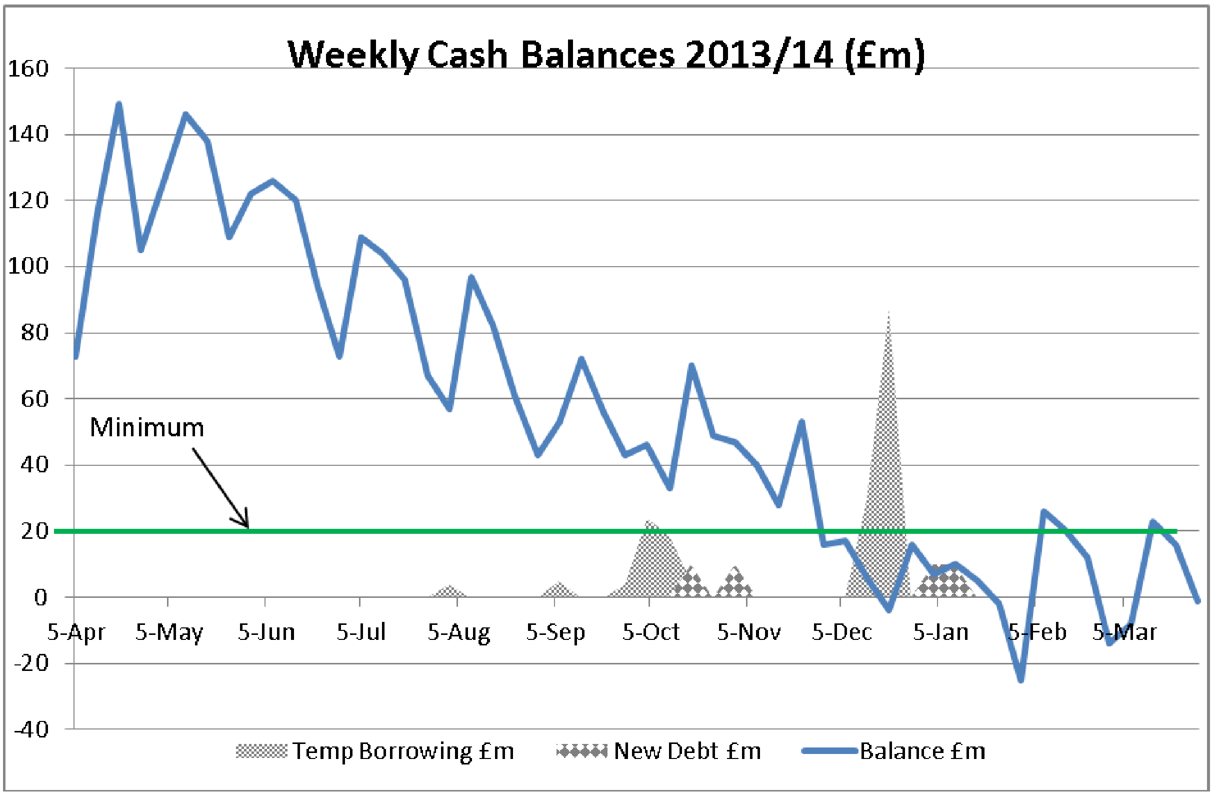
6. Balance Sheet

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 - Period 8

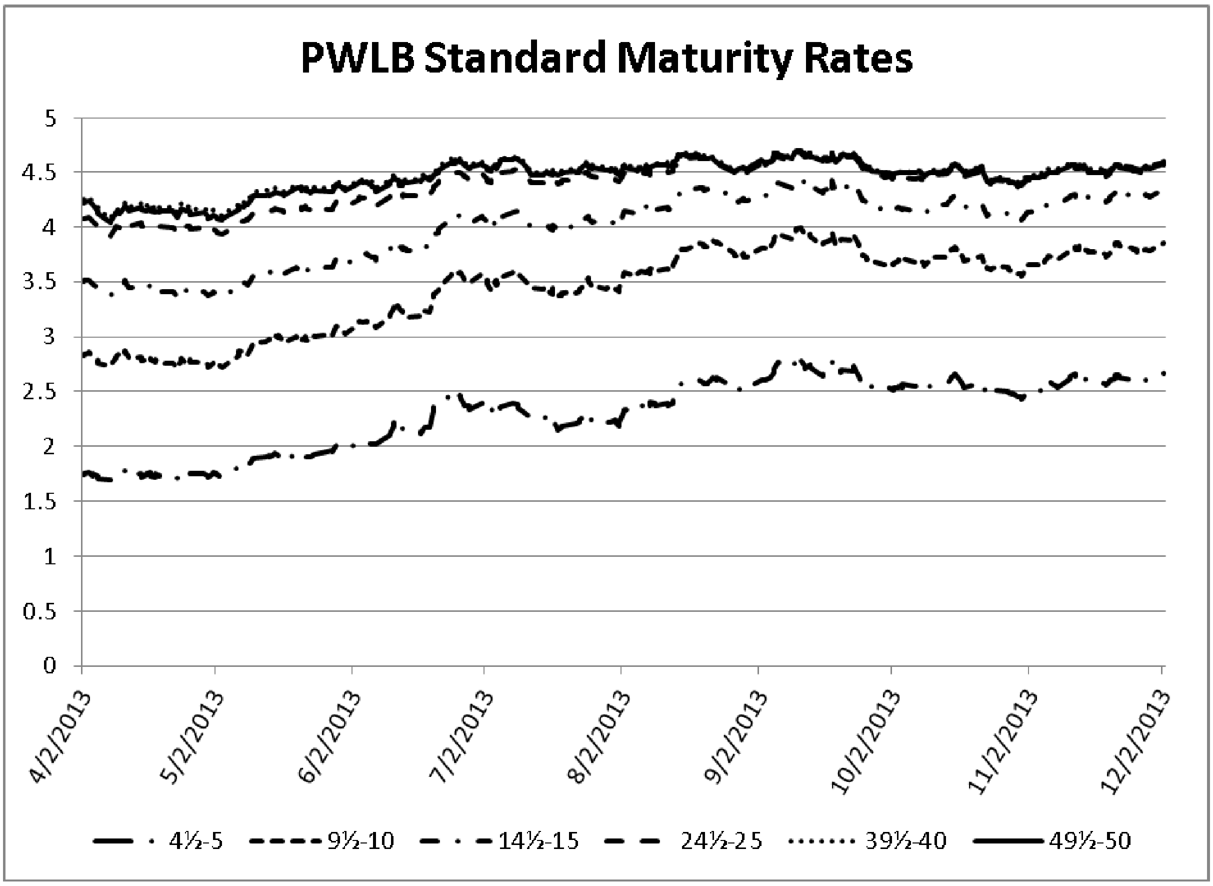
6.2 Cash flow is kept under constant monitoring by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group. The following graph shows the actual cash balances to date and the forecasts for the remainder of the year. Cash inflows 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.



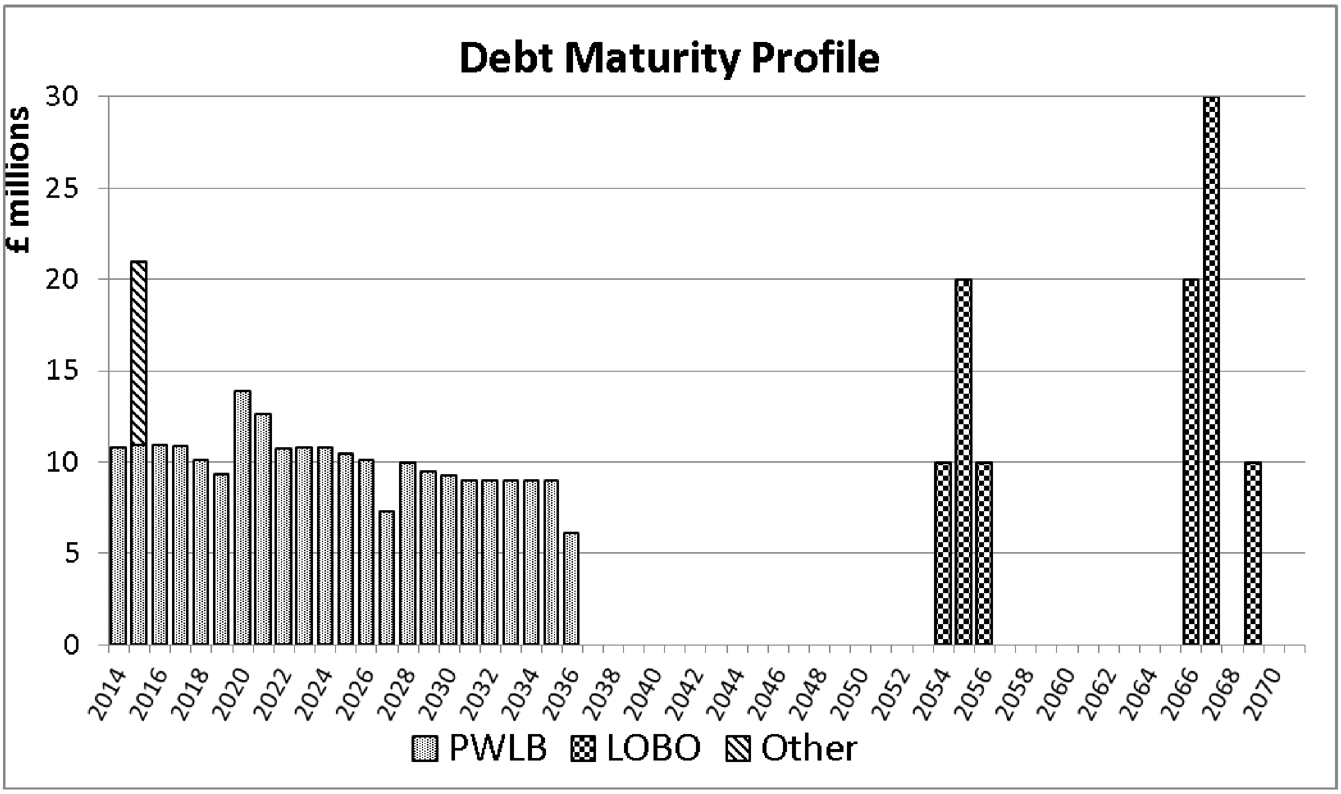
6.3 The treasury strategy for 2013/14 identified a need for additional borrowing of £10m to replenish cash reserves and £30m to fund the capital programme. The chart above indicates that sufficient cash balances will be maintained for much of the year but that external borrowing will be required towards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

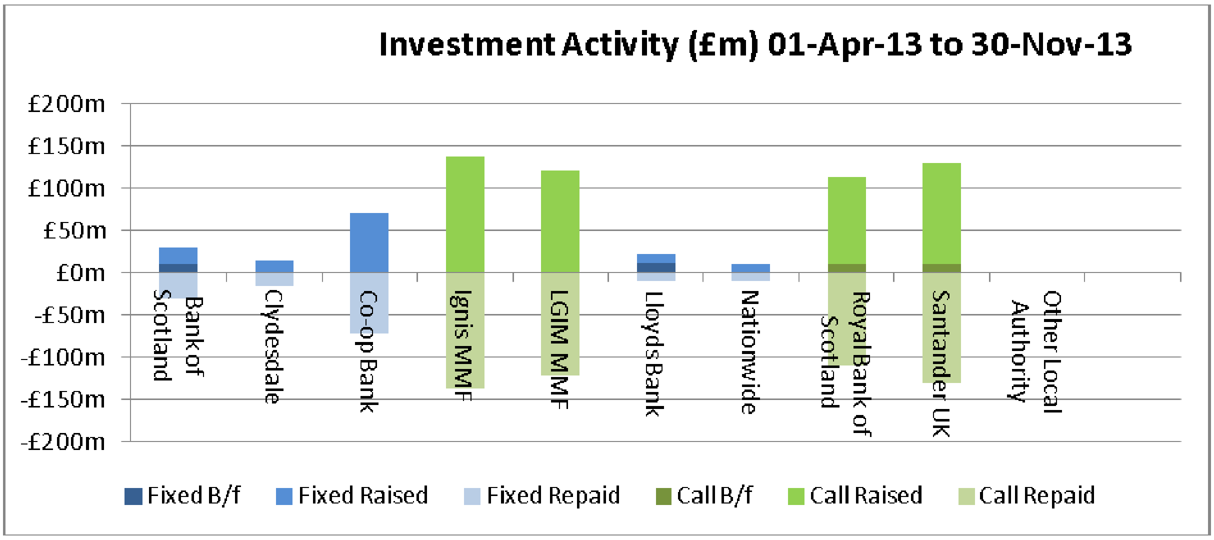


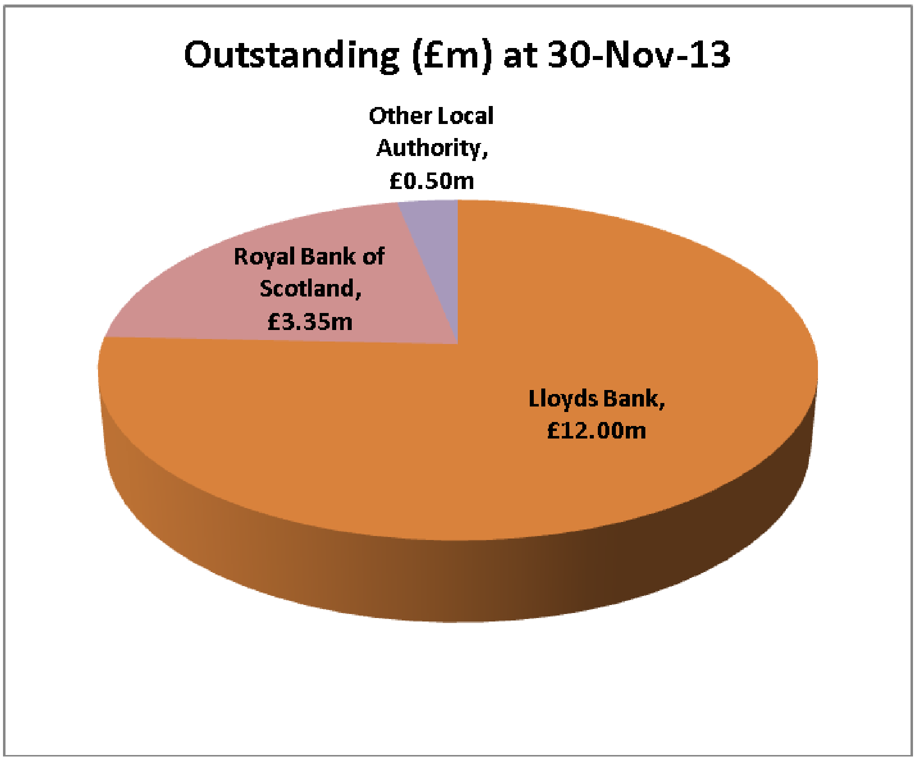
6.6 The maturity profile of the Council's debt portfolio is shown in the table below. The PWLB loans are reasonably well distributed and have a maximum duration of 23 years. Longer-term borrowing (maturities up to 56 years) was obtained from the market some years ago in the form of 'Lender's Options, 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 will be profiled from 20 to 50 years.



Investments

6.7 The Council's Treasury Management 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 November 2013 is shown in the charts below. Outstanding investment balances totalled £41.55 million at the start of the year and £15.85 million 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 are due to mature before the end of 2013.





Debt Recovery Performance

6.8 The overall debt level has fallen slightly to £17.67m. The debt over 6 months has fallen slightly, as has the percentage over 6 months.

Table 5 - Invoices raised Period 8 2013/14

	Pd 8	Year to date
Number	13,659	113,327
Value	10,553,227	84,160,412

Table 6- Debt Position

	Residential & Domiciliary Care	All other	Total
Total	8,670,618	8,998,617	17,669,235
Over 6 months	4,681,779	707,420	5,389,199
% over 6 months	54.0%	7.9%	30.5%

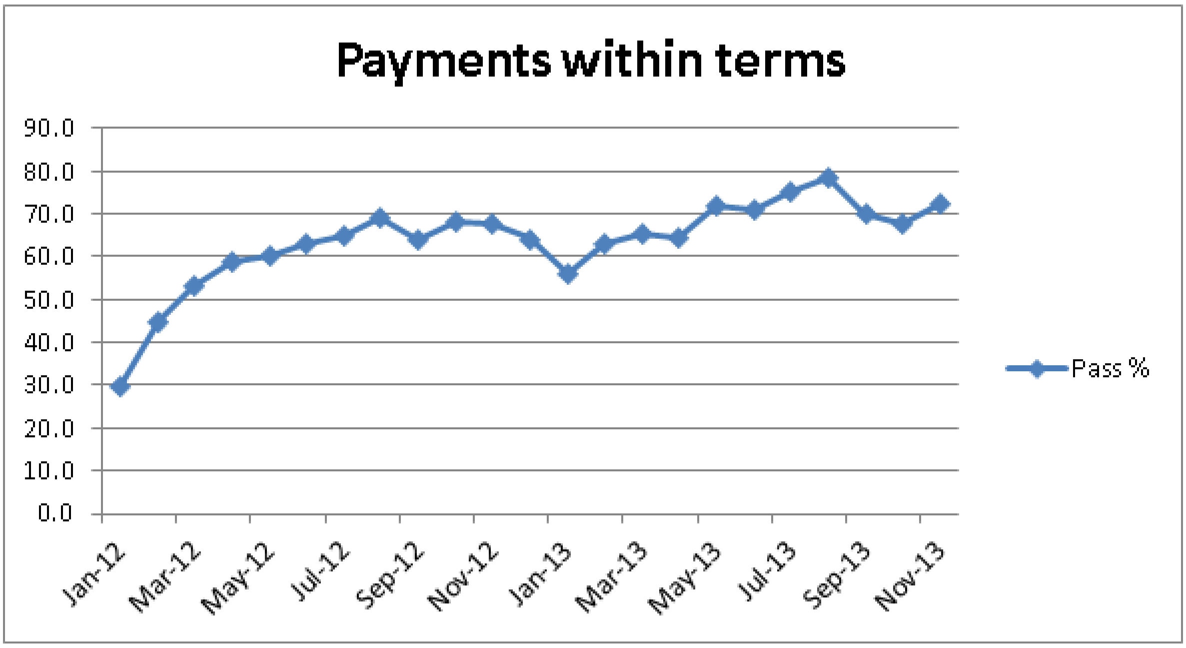
6.9 Work to reduce debt levels continues and some specific comments are set out below:

- We have received £529 from Third Party Debt Collection Agencies and £213 from High Court Enforcement this period. We have received £4,340 in this period as a result of Court Claims issued in house.

- The SAP Work List has been split to create separate Work Lists for residential and domiciliary care & other debt which will enable separate debt collection strategies to be utilised for the different debt types. This will also make managing the work and targeting debts in each area more transparent.
- SAP dunning levels for warning of legal action has been reduced from £175 to £50 & the dunning letters are now automated to issue letters specifying relevant legislation to each customer group. This will reduce the amount of manual letters required, should result in increased payment from reminders and speed up referral of cases for legal action.
- £60,267 has been written off this period - £53,000 of this related to residential and domiciliary care debts.
- There is a risk that a further £20,000 due from the Kirkby Trust will fall into over 6 months debt next period due to the Trust going into Administration. £16,000 owed by Severn Trent Water will fall into the over 6 months as responsibility for the pipes is disputed; this is being reviewed by Highways Department. £17,000 owed by Kenwyn Care Home will move into the over 6 months because liability is disputed over free nursing care; this is with Legal Services for advice.

Accounts Payable (AP) Performance

6.10 The payment within terms figure for November is 72.6% of 11,661 invoices paid. This shows an increase from the figures for October of 67.8% of 12,586 invoices paid.

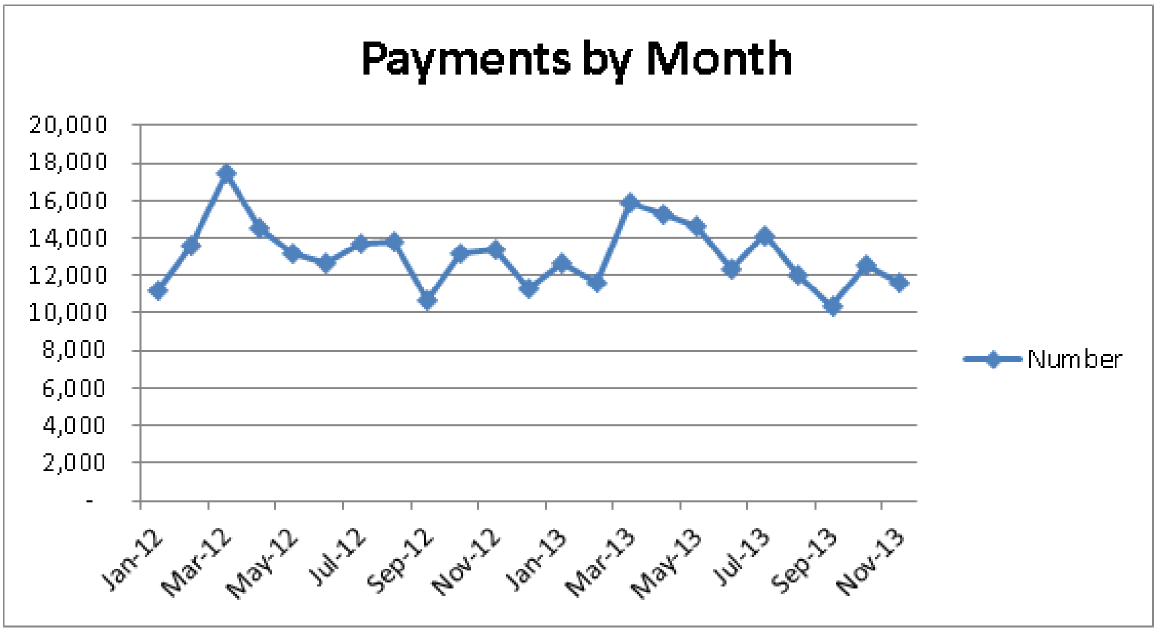


6.11 Whilst the increased performance is welcome the payment within terms figures are remaining around the 70% mark and are showing no signs of a sustained improvement. There are a number of reasons for this and the key ones are set out below:

- Invoices are still being sent direct to Business Units and are taking a large number of days to reach AP. This often means the invoice is overdue before it is even entered into SAP. Staff in AP are contacting vendors, Business Support teams and business users to remind them that invoices must be sent direct to AP for loading into SAP prior to being reviewed and approved.

- There remain significant problems with worklist invoice items not being actioned by the business for considerable periods of time with no reference back to AP.
- Some users act as substitutes for other NCC staff. In some instances individuals cover for a number of other staff and this can result in a large number of invoices sitting in the worklist for one user. AP are working with these users to try and improve the business processes in their area to speed up coding and authorisation of invoices.
- The No PO No Pay strategy is experiencing problems due to the lack of an approved exemption list. An exemption number will be allocated to those business areas and suppliers which do not have to provide a SAP order, for example placing a child in emergency care late at night. AP staff are working to enforce the policy by returning non-compliant invoices but this is taking considerable time and is causing confusion to suppliers.
- Agency staff providers continue to be among the highest failures. Limit orders are being proposed in the absence of a Managed Service contract but there have been delays in the Procurement Centre issuing these orders. Again AP staff are dealing directly with suppliers to try and resolve problems but this takes a great deal of time and means that significant numbers of invoices are not paid within contractual terms.

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



7. Future developments & strategic issues

7.1 Initiatives to improve financial awareness and accountability across the Authority are continuing. The finance restructure is now complete, pending a small number of vacancies which are being dealt with in line with the Council's vacancy protocol.

7.2 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.

7.3 The 2013/14 budget report highlighted funding shortfalls over the medium term and options to balance the Council's Medium Term Financial Strategy were reported to Policy Committee (13 November) and a full consultation process has commenced.

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:

Pauline Moore - Senior Accountant, Financial Strategy and Accounting
Glen Bicknell - Senior Finance Business Partner, Capital and External Funding
Simon Cunnington - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (KK 08/01/2014)

The proposals in this report are within the remit of Finance and Property Committee.

Financial Comments (PM 02/01/2014)

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