Nottinghamshire County Council

Finance and Property Committee

Monday, 28 April 2014 at 10:30

County Hall, County Hall, West Bridgford, Nottingham NG2 7QP

AGENDA

NOTES:-

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

(3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Members or Officers requiring clarification on whether to make a declaration of interest are invited to contact Paul Davies (Tel. 0115 977 3299) or a colleague in Democratic Services prior to the meeting.

(4) Members are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

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recycled.

(5) This agenda and its associated reports are available to view online via an online calendar - http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

minutes

Meeting	FINANCE AND PROPERTY COMMITTEE
Date	24 March 2014 (commencing at 10.30 am)

Membership
Persons absent are marked with an 'A'

COUNCILLORS

Councillor David Kirkham (Chair)
Councillor Darren Langton (Vice-Chair)

	Reg Adair	Diana Meale
	Nicki Brooks	Liz Plant
	Richard Butler	Darrell Pulk
	Kay Cutts MBE	Ken Rigby
	Stephen Garner	
A	Ex-Officio: Alan Rhodes	

OTHER COUNCILLORS IN ATTENDANCE

Councillor Ian Campbell
Councillor Liz Yates

OFFICERS IN ATTENDANCE

Michael Barnett, Team Manager – Major Projects and Improvements
Paul Davies, Democratic Services Officer
Tim Gregory, Corporate Director, Environment and Resources
Jas Hundal, Service Director, Transport, Property and Environment
Paul Simpson, Service Director, Finance and Procurement
Andrew Stevens, Group Manager, Property Strategy and Compliance
Nigel Stevenson, Group Manager, Corporate Accounting

MINUTES OF THE LAST MEETING

The minutes of the meeting held on 24 February 2014 were confirmed and signed by the Chair.

DECLARATIONS OF INTEREST

Councillor Darrell Pulk declared a private, non-pecuniary interest in the urgent item about Gedling Access Road, because he is Portfolio Holder for Leisure and Development at Gedling Borough Council.
Councillor Nicki Brooks declared a private, non-pecuniary interest in the same item because she is a member of Gedling Borough Council.

AGENDA ORDER

The Chair indicated that the following item would be considered next, because members of the public had attended for this item.

SALE OF LAND BETWEEN WEST CARR ROAD AND ORDSALL ROAD, RETFORD

Councillor Ian Campbell, the local member, expressed his views against the recommendations.

RESOLVED: 2014/023

(1) That approval be given to the sale of land between West Carr Road and Ordsall Road, Retford, subject to contract and planning, as set out in the exempt appendix to the report.

(2) That the above approval be subject to a two month delay to provide an opportunity to explore options for resolving car parking associated with the sale as outlined in the report.

FINANCIAL MONITORING REPORT: PERIOD 10, 2013/14

RESOLVED: 2014/024

(1) That the current position regarding the monitoring of revenue expenditure be noted.

(2) That the contingency requests in section 4 of the report be approved.

(3) That the current position regarding the monitoring of capital expenditure be noted.

(4) That the capital programme variations outlined in section 5 of the report be approved.

(5) That the Balance Sheet update and future developments be noted.

SOUTHWELL LIBRARY CAR PARK MANAGEMENT

RESOLVED: 2014/025

(1) That approval be given to Southwell Library car parking management and charging to be implemented in partnership with Newark and Sherwood District Council as outlined in the report.

(2) That approval be given to the Group Manager, Property Strategy and Compliance and the Group Manager, Legal and Democratic Services, to agree the details of the agreement with Newark and Sherwood District Council.

URGENT ITEM

The Chair had agreed to the following item being considered as urgent, because it was necessary to conclude funding agreements with the Homes and Communities Agency by 31 March 2014.

GEDLING ACCESS ROAD: SCHEME DEVELOPMENT AND FUNDING AGREEMENTS

During discussion, concerns were expressed that the urgent nature of the item had not given the public the usual notice to consider it or comment on it. A further recommendation was therefore agreed so that entering the funding agreements would be delayed for five days, to give the public the opportunity to comment.

RESOLVED: 2014/026

(1) That approval be given for the County Council to enter into a funding agreement with the Homes and Communities Agency (HCA) by 31 March 2014 to secure funding for roundabout works at Arnold Lane, Gedling, with delegated authority to the Corporate Director, Environment and Resources in consultation with the Chair (or Vice-Chair) of Finance and Property Committee and the Chair (or Vice-Chair) of Transport and Highways Committee to approve the final terms of the agreement as necessary once these have been agreed with the HCA.

(2) That approval be given for the County Council to enter into a funding agreement with the HCA by 31 March 2014 to secure funding for land and property acquisition required to construct the Gedling Access Road with delegated authority to the Corporate Director, Environment and Resources in consultation with both the Chair (or Vice-Chair) of Finance and Property Committee and the Chair (or Vice-Chair) of Transport and Highways Committee to approve the final terms of the funding agreement once agreed with the HCA.

(3) That entering the above agreements be delayed for five days from the date of the committee, to give the public the opportunity to comment on the proposals.

(4) That approval be given for the County Council to enter into negotiation with relevant landowners (or their agents) to acquire relevant land and property and

if required to use Compulsory Purchase powers to complete the acquisitions. Progress on land acquisition will be reported to Committee through update reports as required.

WORK PROGRAMME

RESOLVED: 2014/027

That the Committee's work programme be noted.

EXCLUSION OF THE PUBLIC

RESOLVED: 2014/028

That the public be excluded from the remainder of the meeting on the grounds that discussions are likely to involve the disclosure of exempt information described in paragraph 3 of the Local Government (Access to Information) (Variation) Order 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

SALE OF LAND BETWEEN WEST CARR ROAD AND ORDSALL ROAD, RETFORD

RESOLVED: 2014/029

That the information contained in the exempt appendix to the report be noted.

The meeting closed at 11.30 am.

CHAIR

Nottinghamshire County Council

Report to Finance and Property Committee
28 April 2014

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT

FINANCIAL MONITORING REPORT: PERIOD 11 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 provide a summary of Capital Programme expenditure to date and year-end forecasts.

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

1.4 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 £5.8m 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.

3.2 As previously reported, discussions have taken place with Health partners regarding additional in year resources to offset expenditure on jointly funded schemes, in addition to potential Section 256 agreements. The impact on the outturn position has been accounted for in the forecast below. This includes £6.1m of Section 256 money which is being transferred within ASCH to earmarked reserves (as outlined at para 4.10); and £2.7m for jointly agreed priorities being transferred to a separate earmarked reserve. This will ensure funding is available for 2014/15.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 10 £'000	Committee	Annual Budget £'000	Actual to Period 11 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
(3,779)	Children & Young People	158,451	122,768	153,755	(4,696)
2,441	Adult Social Care & Health	215,239	213,730	215,848	609
(94)	Transport & Highways	64,038	57,285	63,616	(422)
(417)	Environment & Sustainability	29,287	23,012	29,076	(211)
30	Community Safety	4,074	2,168	4,048	(26)
37	Culture	15,589	14,239	15,536	(53)
(2,279)	Policy	32,472	27,646	29,906	(2,566)
(226)	Finance & Property	29,811	28,339	29,639	(172)
279	Personnel	3,152	1,669	2,995	(157)
(536)	Economic Development	1,724	1,540	1,164	(560)
(3,577)	Public Health	-	(12,179)	(3,577)	(3,577)
(8,121)	**Net Committee (under)/overspend**	**553,837**	**480,217**	**542,006**	**(11,831)**
(2,486)	Central items	(12,631)	(45,313)	(15,098)	(2,467)
(10,607)	**Forecast prior to use of reserves**	**541,206**	**434,904**	**526,908**	**(14,298)**
1,047	Transfer from Earmarked Reserves	(13,981)	(5,868)	(12,680)	1,301
891	Transfer to/(from) Departmental Reserves	-	-	916	916
-	Transfer to ASCH reserve – CCG contributions	-	-	2,700	2,700
3,577	Transfer to Public Health Reserve	-	-	3,577	3,577
-	Transfer to / (from) General Fund	(15,138)	(15,138)	(15,138)	-
(5,092)	**Net County Council**	**512,087**	**413,898**	**506,283**	**(5,804)**

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

4. Committee and Central Items

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

Children and Young People (forecast £4.7m underspend)

4.2 Children's Social Care Division
The Division is reporting a £1.7m net underspend, the major contributing variances being:

- £1.7m overspend on social work staffing due to the use of agency staff to cover vacancies;
- £0.6m overspend on home to school transport for looked after children;
- £0.1m 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;
- The Children's Disability Service is forecasting an underspend of £0.4m across its services;
- The Adoption Service is forecasting a £0.1m underspend as some inter-agency adoptions anticipated at period 9 are now going to be replaced with internally sourced placements.

4.3 Education Standards & Inclusion
The Division is reporting a forecast underspend of £0.7m. The main variances are:

- £0.3m overspend on Special Educational Needs & Disability home to school, & post 16, transport;
- £0.2m overspend on central & strategic services, largely due to insurance costs exceeding the budget;
- A net £0.1m overspend on Business Support consisting of a £0.3m overspend on the support of Children's Social Care being partially offset by underspends of £0.2m on the support of all other divisions;
- £0.5m underspend on Support to Schools Service (from £0.4m at period 10);
- £0.7m underspend on School Transport Policy (from £0.4m underspend at period 10).

4.4 Youth, Families, & Culture Division
The forecast reflects a net underspend of £2.3m (before the proposed movement on reserves) consisting of:

- £0.9m underspend largely due to staff vacancies across the division;
- £0.3m underspend on the Early Years & Early Intervention Service in relation to contract & transitional savings;
- £0.2m on various smaller savings mainly within Cultural & Enrichment Services;
- £1.0m underspend due to reduced activity on academy conversions; it is proposed that this be transferred to a reserve to top up funding for the priority schools building programme in future years;

4.5 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 £0.6m overspend)

4.6 Older Adults Division
The Division is currently reporting a forecast overspend of £0.4m which is a reduction of £1.6m due to additional contributions from the South CCGs of £1.8m, and Mid Notts CCGs of £0.5m. These are offset by increased commitments on Community Care of £0.3m and reduced use of reserves of £0.4m. The main variances are:

- The overspend on Direct Payments remains at £3.1m;
- The overspends on Long Term Care and Short Term Care have each risen by £0.1m to £0.7m and £0.3m respectively;
- There is also a continuing £0.2m shortfall on the recovery of Third Party payments;
- These are partly offset by a £1.1m underspend in the Care and Support Centres;
- There have been additional contributions from the combined CCGs of £2.3m, which have reduced the forecast use of reserves by £0.5m;
- The remaining difference results from a continued underspend of £1.0m across Day Care and Homecare.

The Older Adults division are still exploring options to reduce the additional costs.

4.7 Joint Commissioning Division
The Division is currently reporting a forecast net overspend of £1.6m which is an increase of £0.7m since last month due to increased spend on Older Adults and Carers and bad debt. The major variances are:

- £3.5m overspend in Operational Policy and Performance including a shortfall in Client Contribution Income of £3.0m and a bad debt provision of £0.5m;
- This is partially offset by £0.3m underspend across the other areas including £0.1m relating to Business Object licenses which are not required;
- £0.6m underspend in Business Change and Support, due mainly to lower salaries and on-costs, with part time employees and vacancies within the three Business Support Centres;
- £0.9m underspend on Joint Commissioning, due to a underspends on Learning Disability Commissioning of £0.3m, Older Adults and Carers of £0.2m currently and Mental Health and Advocacy of £0.3m;
- A continuing £0.1m underspend on Safeguarding.

There is also a £0.9m underspend on Supporting People, which is offset by a corresponding reduction in the use of the reserve.

4.8 Younger Adults Division
The Division is currently reporting a forecast net underspend of £0.4m, which represents a reduction of £0.8m since last month, primarily due to a reduction in the Predicted Needs figures and an increase in the Continuing Health Care income. The major variances are:

- £1.8m overspend on Community Care budgets for Disability Services (a reduction of £0.5m against that reported at period 10). This is due to the reduction in the predicted needs and transitions exceeding the increases in commitments. The amount included for further transitions and predicted needs in this financial year is £0.5m, which is £0.5m less than last month;
- The forecast surplus on Continuing Health Care income has increased by £0.3m to £0.9m due to new contributions for Learning Disability. There is

potentially another £0.6m of at risk income which has been omitted from the forecast;

- The underspend in Day Services has risen slightly to £1.0m and is due to underspends on staffing;
- The underspend in the Short break units remains at £0.3m and is due to underspends on staffing.

There are also reduced underspends on Mental Health Supported Living which are offset by an increase in the use of Reserve.

4.9 Promoting Independence Division

The Division is reporting a forecast net underspend of £1.0m, which is a reduction of £0.4m since last month due to additional contributions of £0.4m from the Mid Nott's CCGs. The underspend comprises:

- £1.5m underspend on the Nottinghamshire Welfare Assistance Fund;
- £0.2m underspend in START;
- These are partly offset by overspends of £0.5m in the Reablement teams, which is a reduction since last month due to additional contributions from the CCGs;
- The overspend in the Intermediate Care Service has fallen by £0.2m to £0.2m due to the additional contributions from the CCGs.

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

4.10 Transfer to / (from) reserves

This forecast includes the anticipated net use of £0.1m of earmarked reserves, which is a reduction of £6.3m. The forecast use of reserves remains at £6.4m, though this is offset by new additions to reserves due to receiving £0.2m to pay for the implementation of the new statutory returns and £6.1m from the following new Section 256 agreements received from the CCGs.

Partner	Purpose	Amount £000
South CCGs	Integrated Health & Social Care scheme	750
South CCGs	Continuation of Community beds (including Gedling Village)	820
South CCGs	Extending Access to GP practice - 2 practice pilot	190
South CCGs	Extending Access to GP practice - One locality roll-out	450
South CCGs	Increased Phlebotomy	75
South CCGs	Extension of support for Falls avoidance	100
South CCGs	Breast Feeding peer support 2 years	62
South CCGs	Parkinson's Disease Nurse 2 years	24
	Sub Total	**2,471**
Mid Notts CCGs	Reablement	1,767
Mid Notts CCGs	Carers	734
Mid Notts CCGs	PRISM/ICTP - hospital social workers	417
Mid Notts CCGs	PH - domestic violence	75
Mid Notts CCGs	PH - Breast Feeding	75
Mid Notts CCGs	Winterbourne	600
	Sub Total	**3,668**
	TOTAL	**6,139**

Policy (forecast £2.6m underspend)

4.11 The main variances are:

- £0.4m due to staff vacancies in Business Support and Customer Services Centres;
- £0.8m due to staff vacancies and reduced expenditure on publications costs in Corporate Strategy and Communications & Marketing;
- £0.1m underspend regarding members allowances and hospitality;
- An underspend of £1.3m in the Improvement Programme relating to slippage in the Ways of Working programme and ICT spend being less than anticipated (£0.5m), together with underspends due to project delays and slippage on the Schools Phase 2, and the PPCS, CFCS, CSC Transformation projects (£0.8m).

Economic Development (forecast £0.6m underspend)

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

Public Health (forecast £3.6m underspend)

4.13 Proposed development funding

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

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

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

4.14 Sexual Health

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

4.15 Public Health Directorate

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

4.16 Other Areas

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

Central Items (forecast £2.5m 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 £2.0m 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. This has been reflected in the 2014/15 budget.

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 £0.8m 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 When the 2012/13 contingency budget was originally set, £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 £3.1m. On 5 November a new Section 188 notice was published listing 758 posts potentially at risk of redundancy, of which 268 are already vacant. A corresponding provision will be made in 2013/14 accounts to meet the costs of redundancy that will be incurred in 2014/15. The redundancy contingency will be used to offset this, and, if required, the general contingency which currently stands at £2.9m may also be used. It is assumed that any surplus will be transferred to the Council's Corporate Redundancy Reserve. The figures in Table 1 reflect the assumption that the allocation for general contingency will be required in full.

4.22 The Council is anticipating additional one-off revenue from the establishment of the new Business Rates mechanism, currently forecast to be in the region of £1m. There have been numerous appeals against Business Rates which have reduced the overall level of receipts forecast. This fluctuation presents a risk to the pooled Business Rates that the Council has with District Council partners. The final position should be confirmed by the outturn report to Council, where a recommendation will be made to transfer the surplus to an earmarked reserve to protect against future volatility.

Progress with savings and risks to the forecast

4.23 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.

4.24 At its meeting on 27 February 2014, the Council approved a set of proposals that will begin to address the financial challenges forecast in the coming years. 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.

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 from 2012/13 and financing adjustments	11,081	
Approved variations to February Council Report	(17,992)	
		(6,911)
Variations funded from other sources:		
Net slippage from 2012/13 and financing adjustments	1,551	
Approved variations to February Council Report	1,873	
		3,424
Revised Gross Programme		**129,469**

Capital Monitoring

5.2 Table 3 shows actual capital expenditure to date against the forecast outturn at Period 11.

Table 3 – Capital Expenditure and Forecasts as at Period 11

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 11 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	61,227	39,756	48,404	(12,823)
Adult Social Care & Health	373	156	233	(140)
Transport & Highways	40,956	37,032	41,666	710
Environment & Sustainability	4,473	3,884	4,613	140
Community Safety	289	369	370	81
Culture	4,000	2,179	3,424	(576)
Policy	5,785	3,938	4,620	(1,165)
Finance & Property	12,221	6,643	12,121	(100)
Personnel	145	0	188	43
Contingency	0	0	0	0
TOTAL	**129,469**	**93,957**	**115,640**	**(13,829)**

5.3 In the Children and Young People's Committee, a forecast underspend totalling £12.8m has been identified mainly as a result of substantial slippage on the Schools Capital Programme. Work at Academies has not progressed as quickly as anticipated (£2.5m) and significant slippage has been experienced on the Phase 3 School Capital Refurbishment and School Place projects (£7.5m).

5.4 Also, in the Children and Young People's Committee, a £1.0m forecast underspend has been identified against the Edwinstowe Respite Centre project. The slippage is as a result of a land purchase delay.

5.5 In the Transport and Highways Committee, a forecast overspend of £0.7m has been identified which is mainly as a result of an overspend on the Highways maintenance budgets of £1.7m which is offset by smaller underspends on the Transport and Travel Services (0.4m) and Mansfield Public Interchange projects (£0.4m).

5.6 In the Culture Committee, a forecast underspend totalling £0.6m has been identified which relates to slippage on National Water Sports Centre capital grant funded activities.

5.7 In the Finance and Property Committee, it is proposed that the Building Works capital budget makes a £1.801m contribution to fund future condition costs associated with the Schools Capital Refurbishment Programme (£1.601m) and the School Places Programme (£0.200m)

It is proposed that the Finance and Property capital programme and Children and Young People's capital programme are varied to reflect the identified contribution.

5.8 In the Policy Committee, a forecast underspend totalling £1.165m has been identified against the Ways of Working projects as delays have been experienced due to the continued presence of asbestos and associated change management issues. Construction delays have also had a knock on effect to IT expenditure profiling.

Financing the Approved Capital Programme

5.9 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	22,694	0	1,375	61,227
Adult Social Care & Health	236	0	45	92	373
Transport & Highways	6,788	21,785	0	12,383	40,956
Environment & Sustainability	3,473	500	500	0	4,473
Community Safety	289	0	0	0	289
Culture	236	2,218	0	1,546	4,000
Policy	5,785	0	0	0	5,785
Finance & Property	11,568	50	0	603	12,221
Personnel	0	0	0	145	145
Contingency	0	0	0	0	0
TOTAL	**65,533**	**47,247**	**545**	**16,144**	**129,469**

5.10 It is anticipated that borrowing in 2013/14 will decrease by £18.6m from the forecast in the Budget Report 2013/14 (Council 28/02/13). This decrease is primarily a consequence of:

- £11.1m 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 £18.0m as approved to February County Council.

- net slippage in 2013/14 of £11.7m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

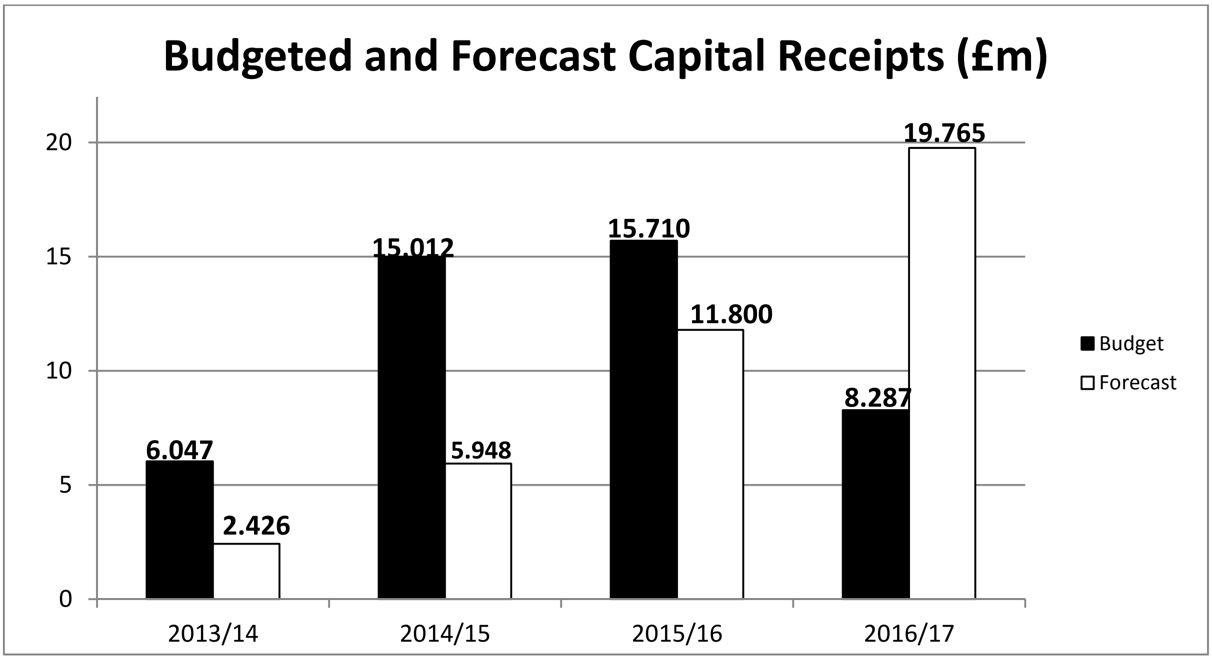
Prudential Indicator Monitoring

5.11 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

5.12 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.

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



5.14 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.

5.15 The forecast for 2013/14 is currently estimated to be £3.621m less than the budgeted capital receipts as a result of slippage.

5.16 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 2013/14 and £9m of capital receipts are realised in 2014/15 would not be considered unlikely. This would represent a reduction of £36m from the budgeted level of capital receipts for 2013-15.

5.17 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.

5.18 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.

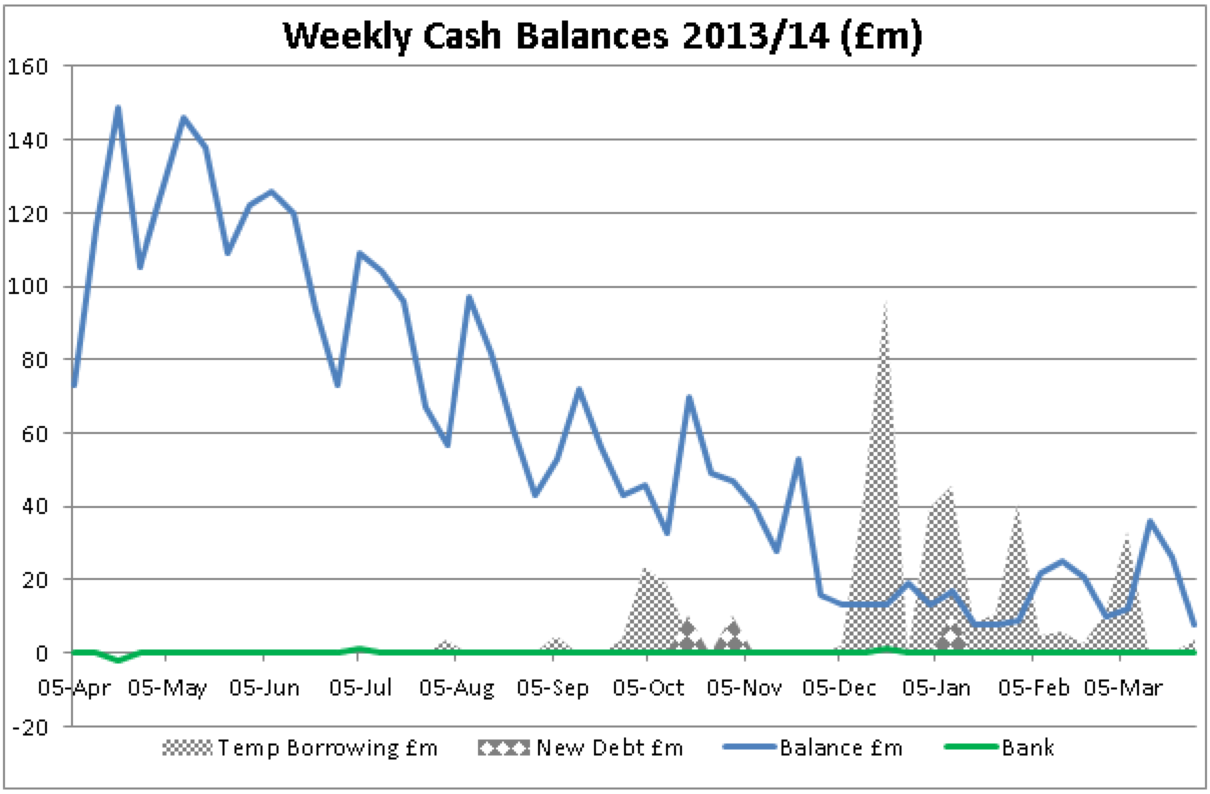
6 Balance Sheet

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, this is just over 5% of the Budget Requirement.

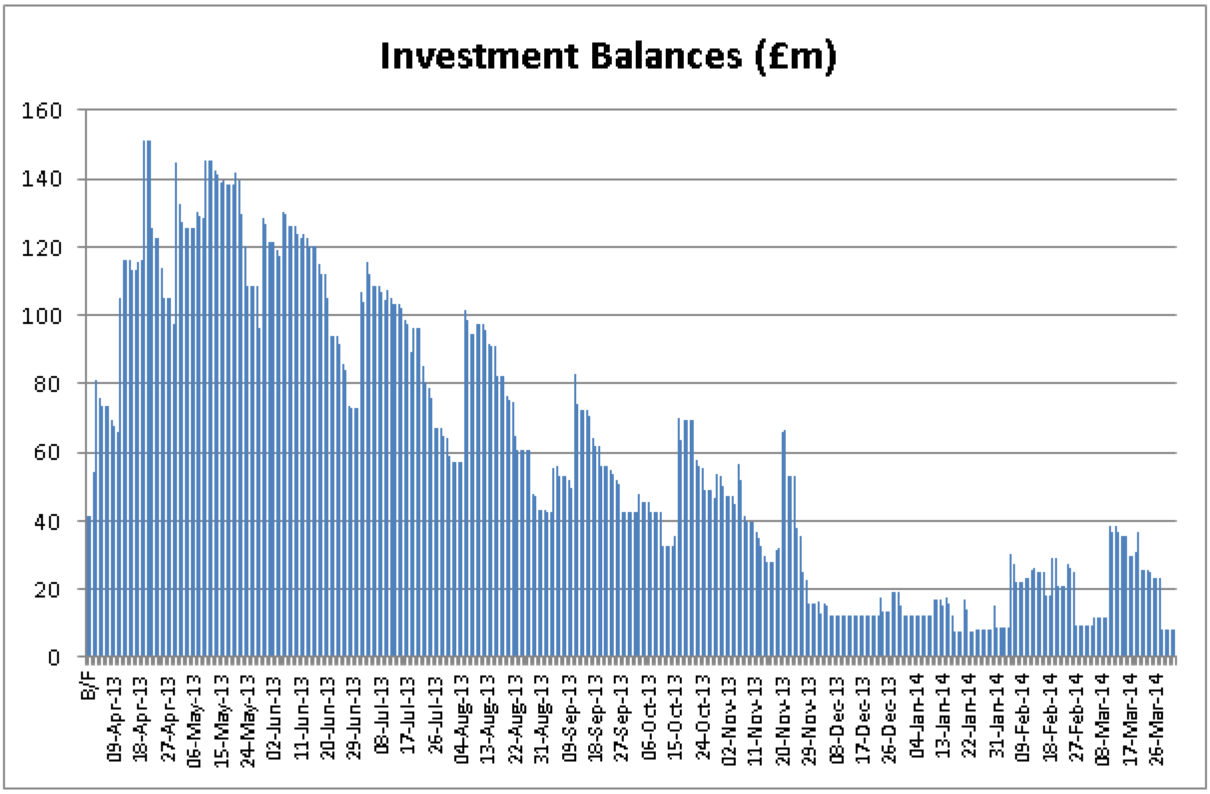
Treasury Management

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

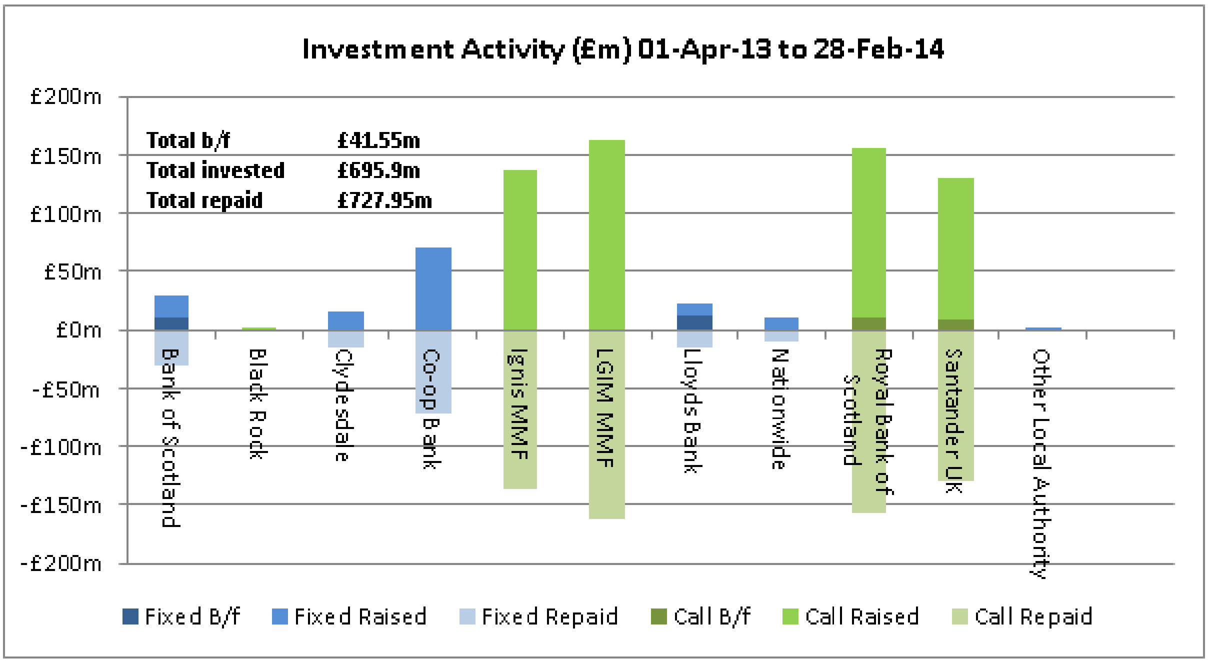


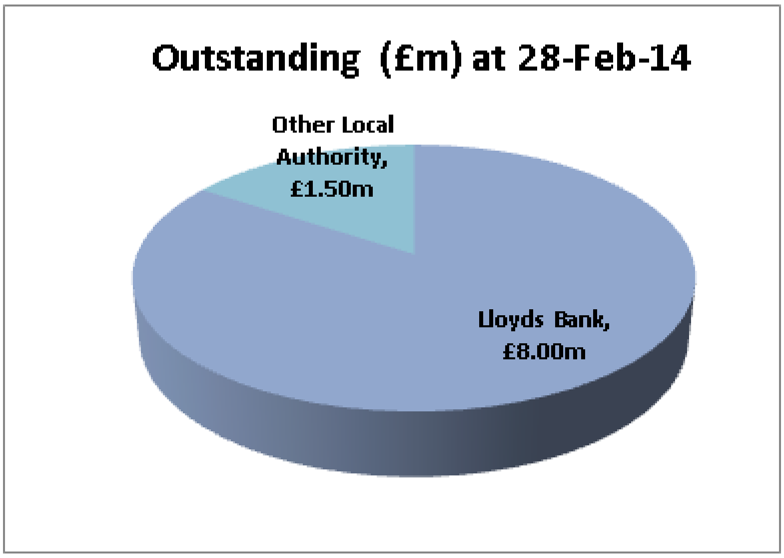
6.3 The treasury strategy for 2013/14 identified a need for additional borrowing of £10m to replenish cash reserves and £30m to fund the capital programme. The chart above indicates that sufficient cash balances have been maintained for much of the year but that external borrowing has been required towards the end of the year. New long term debt of £30m has been approved by the Treasury Management Group of which £20m was taken in October and the remaining £10m in January. Short-term borrowing has been utilised to cover the remaining shortfalls and to minimise interest costs (the average interest rate on the short-term borrowing is 0.43%).

6.3 The daily cash flow process aims for a nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. The policy includes criteria for assessing counterparties for investment and Treasury Management Group approves a lending list based on these criteria and also market availability of institutions. The daily level of invested balances (actual to the end of February and forecast to year end) is shown below.



6.4 The investment activity for 2013/14 to the end of February 2014 is summarised in the charts below. Outstanding investment balances totalled £41.6m at the start of the year and £9.5m at the end of the period. In light of the forecast cash flow profile for 2013/14, a number of fixed term deals have been placed to take advantage of higher rates available for periods up to 364 days. The majority of these matured before the end of 2013.

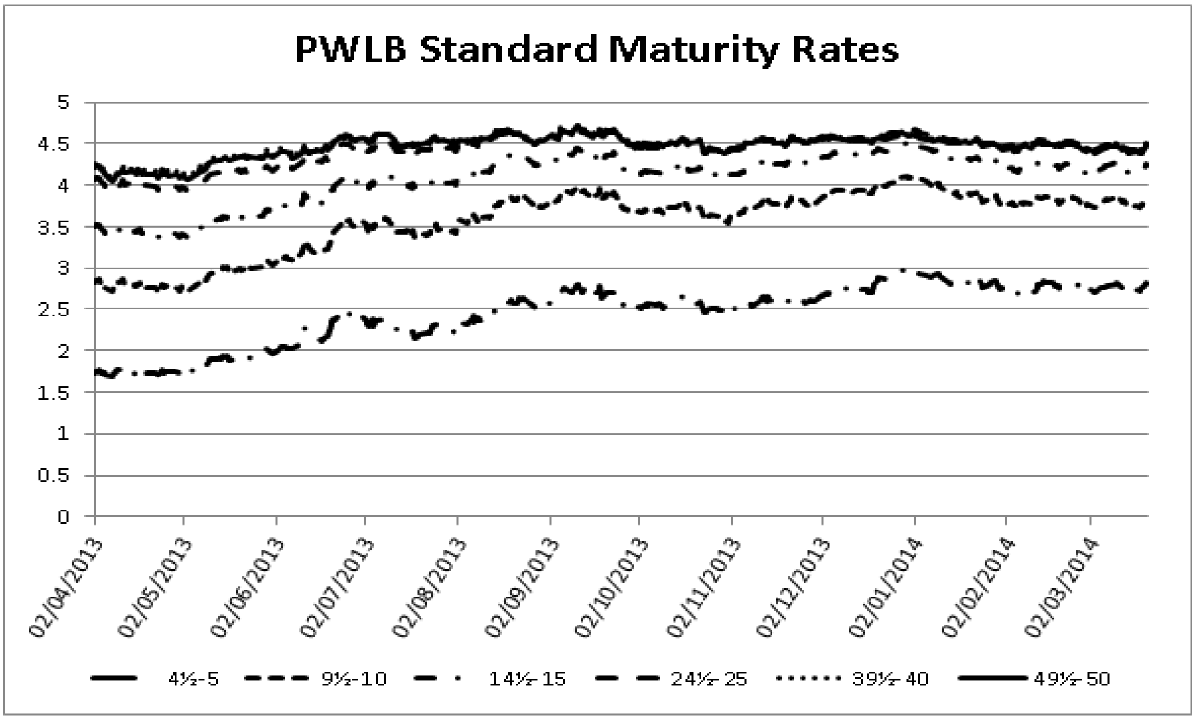




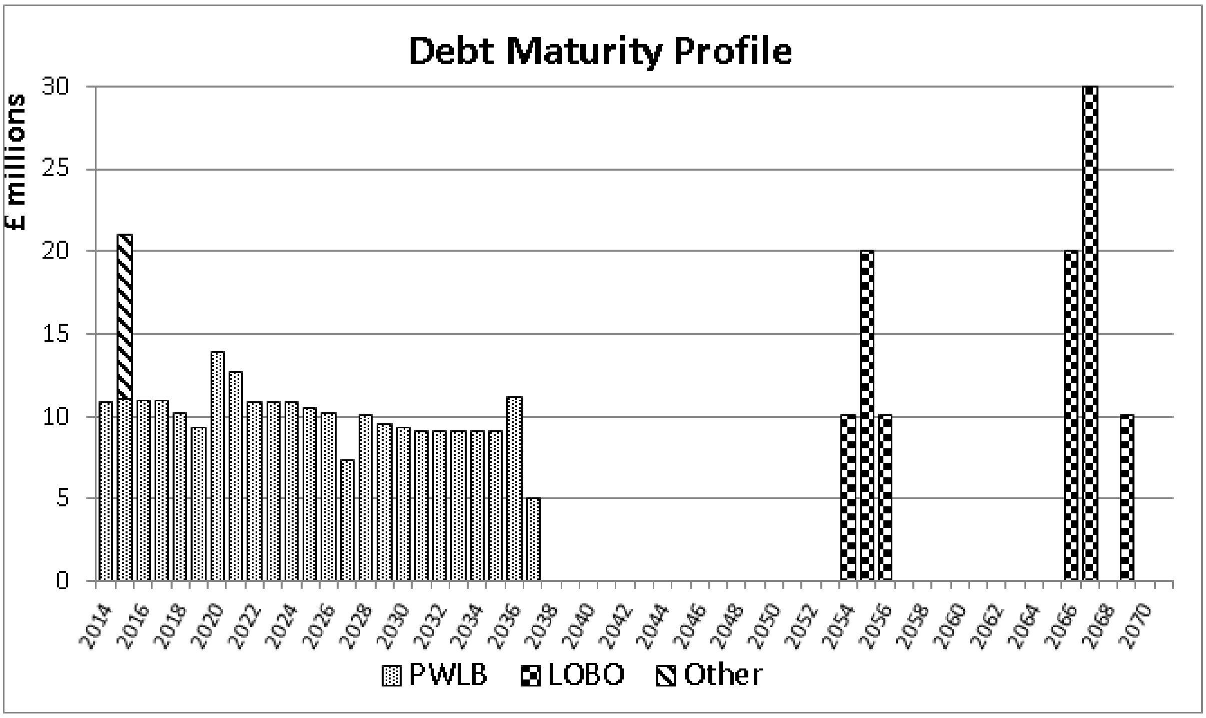
6.5 Borrowing decisions take account of a number of factors including:

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

6.6 The chart below shows the movement in standard PWLB interest rates during 2013/14 to date.



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



Debt Recovery Performance

6.8 Total debt has increased by £1.3m this period. This is because there have been 20 invoices with a value in excess of £100,000 raised; 11 of which are yet to be paid. This trend is likely to continue over period 12 also and the total debt is likely to increase considerably towards the financial year end. This is unlikely to stabilise until period 3 of 2014/15.

6.9 The over 6 months debt has decreased by £138,000 this period; non statutory debt over 6 months has decreased by £100,000 and statutory debt by £38,000. The Council is starting to see more income being received due to the increased movement in the property market in respect of Adult Care Financial Services debt.

6.10 The Council utilises third party debt collection agencies and High Court action to chase outstanding amounts. Currently, these are only used for non-statutory debts (excluding vulnerable adults in this area e.g. meals at home), so the main type of debts which are referred are road traffic accidents, overpayments of salary, overpaid care home fees, and other highways charges. To limit the amount of commission paid, the Council only refers debts between £50.00 and £1,000.00.

6.11 Three different agencies are used, all of whom charge on a 'no collection no fee commission' basis. The net amount collected after costs to date is £5,482, and the Council will always receive more than the cost of collection via this method. The Council has also referred some accounts for High Court action. These are cases where the authority has previously taken court action and obtained a Judgment against the debtor but normal County Court enforcement has been unsuccessful. The net amount collected after costs is £8,016. A further £38,706.91 of the debt is currently being paid by instalments. The Council has received £1,021.37 from third party debt collection agencies and £2,220.75 as a result of Small Claims Court action taken in house during this period.

6.12 Of the amounts written off £23,816.79 relate to Adult Care Financial Services debts. A further £13,293.00 relates to a debt where legal action had been taken but enforcement action was unable to realise sufficient funds from assets to cover the debt. The debtor has now been declared bankrupt.

6.13 There is a high risk that a large invoice for over £35,000 in relation to an Adult Care Financial Services account will fall into the over 6 months debt this period. This is an amount due from the estate of a deceased service user and probate has been applied for to allow the property to be marketed to raise funds to clear the debt.

Table 5 - Invoices raised Period 11 2013/14

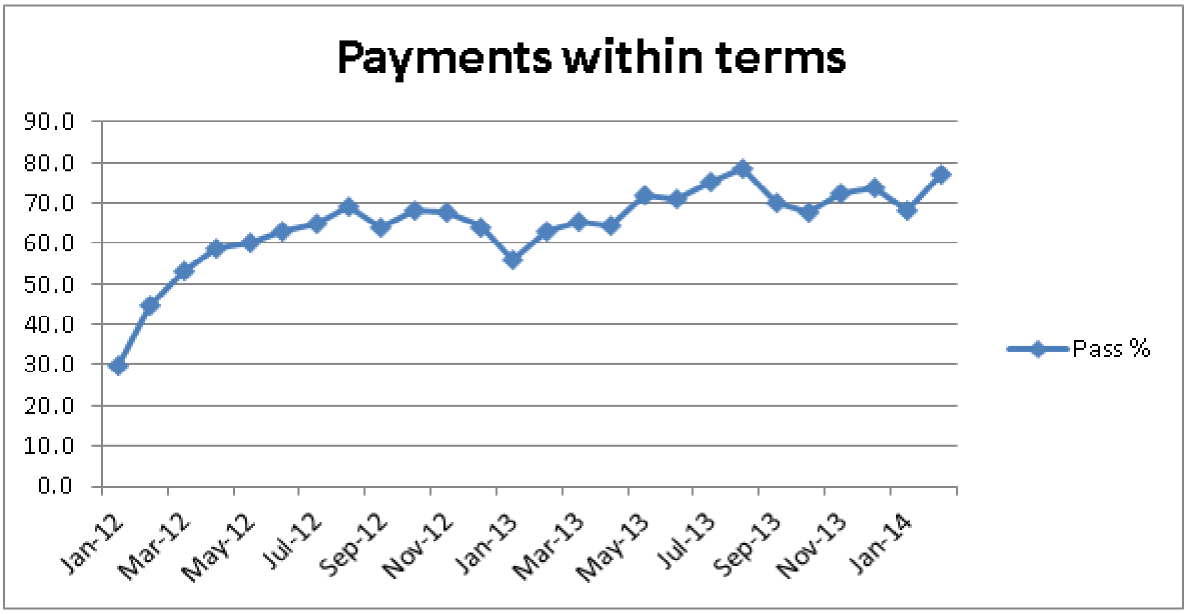
	Period 11	Year to date
Number	13,431	152,454
Value	£13,821,585	£131,207,992

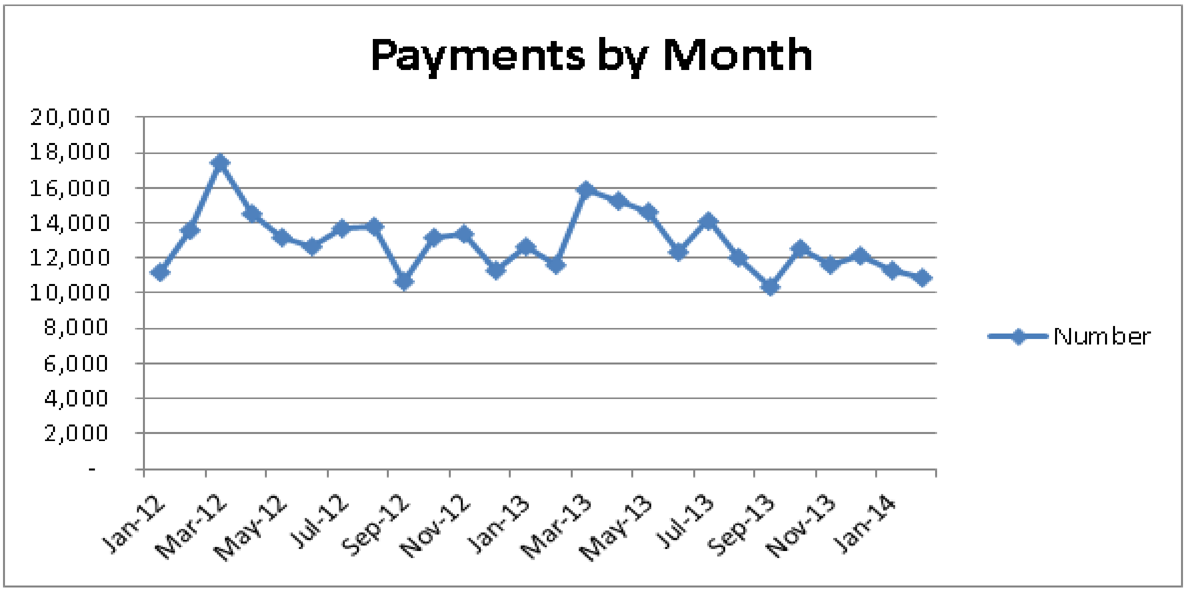
Table 6- Debt Position

	Residential & Domiciliary Care	All other	Total
Total	£7,089,961	£15,724,219	£22,814,180
Over 6 months	£4,728,489	£639,073	£5,367,562
% over 6 months	66.7%	4.1%	23.5%

Accounts Payable (AP) Performance

6.14 The payment within terms figure for February is 77.0% of 10,924 invoices paid. This shows an increase from the figures for January of 68.4% of 11,305 invoices paid. The payment within terms figure for the first 2 weeks of March has remained at 77%, which is a good performance.





6.15 Key tasks currently underway to sustain this improved performance are:-

- Corporate Procurement are progressing well with the tendering and letting of the MSP contract for Agency staff. Agency staff invoices represent around 10% of the total invoices processed by AP staff and include suppliers with the largest number of failures. When in place this contract should improve the ordering and payment process for Agency staff.
- AP / Corporate Procurement have finalised arrangement for issuing short term exemption numbers. AP have communicated numbers to business areas and suppliers. This will improve the time taken to pay invoices whilst a review is undertaken to determine the best procurement route for these suppliers.
- AP are continuing to work with business areas / suppliers who submit late invoices to attempt to resolve this issue.
- A Lean+ review is being undertaken for the NCC P2P process. This will enable best practice to be shared across Departments and will standardise the P2P process and reduce the scope for errors and delays.

7 Future developments & strategic issues

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

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

Statutory and Policy Implications

8.1 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

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

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

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

9.4 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 03/04/2014)
The proposals in this report are within the remit of Finance and Property Committee.

Financial Comments (PM 27/03/2014)
The financial implications are stated in the report.

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

Nottinghamshire County Council

Report to Finance and Property Committee

28 April 2014

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR, FINANCE AND PROCUREMENT

LOCAL AUTHORITY MORTGAGE SCHEME – PROGRESS REPORT

Purpose of the Report

1. To update the Members of Finance & Property Committee on the progress of the Local Authority Mortgage Scheme (LAMS).

2. Update Members on the Council's continued investment in LAMS and note the progress being made in launching further joint schemes with district council partners.

Information and Advice

3. Policy Committee (12 December 2012) approved that the County Council participates and provides finance for the Local Authority Mortgage Scheme (LAMS), which will make it easier for first time buyers to enter the property ladder and assist in alleviating some of the issues around lack of availability of social housing and affordable private rented accommodation.

4. Whilst the County Council is not a housing authority it clearly has a very significant role in terms of promoting economic prosperity within the County. Participation in LAMS, by way of lending to banks in a manner which allows them to make more affordable mortgages available to people who do not currently have the resources to put a significant deposit into a house, will make a significant difference on the property market within the County. There is a potential to aid about 500 first time buyers with approved proposed total investment of £15m in the Nottinghamshire scheme. In addition, there are expected to be knock-on economic benefits to the County of the scheme, although these are more difficult to quantify.

5. The scheme operates by way of the County Council lending an amount of money (the first tranche was set at £2m) to a financial institution that has agreed to be part of the scheme. This loan will be for a 5 year period and the interest payable will be a market rate for a 5 year loan plus an additional margin to protect against some of the risks associated with the default by mortgage holders. This is known as a cash-backed scheme.

6. The loan made to the financial institution is not used to provide the finance for individual mortgages and is merely used as an indemnity against any defaults on the mortgages that occur in the five year period. After this five year period the lender assumes full responsibility for the mortgage and any subsequent defaults, and the loan is returned to the County Council. If there are mortgages that are in arrears by more than a specified period at the end

of the five year period, there will be an agreed ‘hold back’ to cover the possibility of these mortgages ultimately ending in default.

7. Two financial risks to the County Council were identified: firstly that the financial institution defaults on the loan and secondly that their lending criteria are insufficiently stringent and that a significant number of defaults occur. The former of these risks can be minimised, but not alleviated completely, by careful choice of the counterparty. The latter risk is more difficult for the County Council to control and it is important to be comfortable that the financial institution has a risk-aware methodology in respect of the granting of mortgages. It is reasonable to expect them not to take risks with the County Council’s money that they would not take with their own, and this has been confirmed.

8. For any mortgages granted the mortgagee will put down a deposit of at least 5% and the County Council’s loan to the financial institution will indemnify the rest of the loan, down to a 75% level. In the event of a default an invoice would be issued to the County Council to cover the amount of the indemnity provided against the mortgage, less any monies recovered as part of the repossession and sale of the property.

9. As this scheme is specifically for first time buyers Policy Committee approved that the limit for the maximum loan value per property be set to allow properties of up to about £150,000 to be purchased, based on a 5% deposit from the applicant. Assuming a 5% deposit on a £150,000 property (£7,500) is put down by the mortgagee, the mortgage would be for £142,500. As a result the maximum indemnity per property that the authority will be liable for is £30,000. It was anticipated that at this maximum level, for an investment of £2m, over 70 mortgages could be supported.

10. Following approval by the Policy Committee the scheme was launched with the Lloyds Banking Group on 26 February 2013. The scheme, known as the Local-Lend-a-Hand Mortgage Scheme covered all postcodes in Nottinghamshire excluding those in Gedling – which was slightly more complicated due to the fact that it had already launched LAMS within the District with Lloyds.

<u>Nottinghamshire LAMS performance</u>

11. A report to Finance And Property Committee in September 2013 indicated that overall the first tranche has been successful both in allowing a large number of first time buyers to obtain finance towards their homes which they wouldn’t otherwise have been able to do and stimulating the local housing market. There are obvious additional benefits into the local economy through providing this type of support.

12. The first tranche was closed by Lloyds to new applicants in September 2013. However, the scheme was still open as far as completing loans that were already in the pre-approved stage but not yet completed. As a consequence, at the end of February 2014, over 102 loans have now been completed to a total value of £10.2 million.

13. The average value of housed purchased is £102,165 which has meant a larger number of mortgages will be supported than originally anticipated. The average loan value is £95,433 and the average loan to value percentage is 94%. The analysis from Lloyds indicates that nearly 90% of all completions are from individuals who either already lives or works in the

Nottinghamshire LAMS area and in 97% of cases the property purchased is a house or bungalow. In addition, the average age of the Nottinghamshire LAMS applicant is 29.

14. As at the end of February 2014 total indemnity provided has exceeded the original amount of £2 million by £27,600, which will count against the value of subsequent tranches.

15. To demonstrate that there is no reckless lending, Lloyds have confirmed that nationally for every 12 enquiries only 6 will progress to the application stage and 1 in every 6 applications results in a LAMS mortgage. Lloyds have been operating LAMS since March 2011 and to date there have been no mortgage defaults recorded.

<u>Implications of the Governments 'Help to Buy' Scheme</u>

16. The report in September indicated the approach that would be taken for future tranches bearing in mind the extension of the Government's 'Help to Buy' scheme in January 2014 and our desire to work more closely with district partners on the launch of joint schemes.

17. As Members are aware, as the centrepiece of the Chancellor's 2013 Budget, the Government was set to extend the 'Help to Buy' scheme in January 2014. The details of these proposals indicate the scheme will be extended to first time buyers and so will be similar to the Nottinghamshire LAMS, offering buyers the ability to borrow with only a 5 per cent deposit, with the Government providing a guarantee up to 15 per cent of the home loan value. The property value, however, will be set at a much higher level of £600,000, as it is a national scheme and is extended to buyers of all properties, including re-mortgages of property.

18. Towards the end of September 2013 the Lloyds Banking Group announced their withdrawal from LAMS as the Government were to announce the intention to accelerate the introduction of the 'Help to Buy' scheme to the 7 October 2013. The Lloyds Banking Group, through the Halifax, and the Royal Bank of Scotland (including its NatWest brand) were to be the early adopters to the scheme and it was anticipated more banks would join the government's scheme over the coming months. Consequently, the County's launch of a second tranche was postponed.

<u>Joint Schemes with District Partners</u>

19. At the same time Capita, our partner to the set-up of these schemes, indicated that another local financial institution had entered the LAMS market, the Mansfield Building Society, with 3 offices in north Nottinghamshire.

20. The Mansfield Building Society (MBS) scheme would be a non-cashed back scheme, whereby the Council offers guarantees to the financial institution on offering the up to 20% mortgage guarantee for the payment of a premium, typically in the region of £500 per mortgage, which would in effect reflect the risk in offering the guarantee to each mortgage. In non-cash backed schemes it is only upon default of a mortgage whereupon the Council would have to pay over to the financial institution for the level of the indemnity provided on the mortgage (net of any recovery). Similar to the cash backed scheme the length of the indemnity is for a 5 year period. The same conditions would apply as to the maximum loan of £142,500 and the same strict lending criteria would be undertaken for a mortgage as for all mortgage applicants from the financial institution. Consequently, it is anticipated that with

similar low default rates the premiums received would be in excess of any default risk. In addition, as no money is initially lent in a non-cashed backed scheme the initial counterparty default risk would not exist.

21. In addition, later in October 2013, Lloyds announced that they were to re-open their participation in LAMS but only for those authorities that had indicated in September 2013 that they were proposing to launch their schemes.

22. It was indicated in the report to Policy Committee that it was hoped that the Districts and the County can work together for future tranches to increase the amount of funding available. Subsequently, a number of discussions have been held with District partners to launch jointly funded schemes in the districts. Lloyds placed a maximum limit to any one scheme at £2m which in effect limited the first countywide scheme to £2m. As this is the maximum limit per scheme it would be possible increase the maximum amount available across the county as each district scheme would face the maximum £2m limit.

23. As result of Lloyds re-entering the market and the introduction of the Mansfield Building Society it is possible therefore, to have a number of concurrent schemes running in the County that are supported by the County Council, some will overlap district boundaries as they are with different financial institutions; namely;

    a. In any district, jointly with a district council through the Mansfield Building Society (MBS),
    b. In any district, jointly with a district council through the Lloyds Banking Group,
    c. A countywide scheme through Lloyds Banking Group, excluding the areas of Gedling (as they launched their second scheme prior to the conclusion of our first scheme) and any district area where we already have a joint scheme running with the district council through Lloyds. This latter option ensures all county areas are covered with a scheme and opens the potential to have schemes with Lloyds and the Mansfield Building Society operating in the same district boundary.

24. Following successful partnering discussions, over the last few months a number of joint schemes have been launched. At present the following arrangements have been put in place:

    a. Bassetlaw District Council – A £1 million cash-backed scheme with Lloyds, including £0.5 million contribution from the County Council was launched 2 September 2013. A £300,000 non-cashed backed scheme MBS, including £150,000 contribution from the County Council was launched 9 December 2013.
    b. Broxtowe Borough Council – A £1 million cash-backed scheme with Lloyds, including £0.5 million contribution from the County Council was launched 4 February 2014.
    c. Ashfield District Council – A £1 million cash-backed scheme with Lloyds, including £0.5 million contribution from the County Council was launched 30 January 2014. A £300,000 non-cashed backed scheme MBS, including £150,000 contribution from the County Council was launched 25 October 2013

25. In addition, the County Council launched a separate £1 million scheme through Lloyds at the beginning of March 2014 to include those postcodes not covered by the joint schemes, i.e. Rushcliffe, Mansfield and Newark & Sherwood areas, and to take in postcodes that fell between joint schemes, which were not contained in any of the joint schemes.

26. The countywide scheme has retained that the limit for the maximum loan value per property of up to about £142,500. However, the joint schemes have set this value differently depending upon circumstances in their particular district. Hence, the maximum loan value ranges from £125,000 (Ashfield) to £142,500 (Broxtowe).

27. The above arrangements result in a total additional investment of £2.8 million by the County Council through the Lloyds Banking Group (£2.5 million in cash) and the Mansfield Building Society (£300,000 non-cash through guarantees) either directly or through Broxtowe BC, Bassetlaw DC and Ashfield DC. With a total investment into the County of £4.6 million when including the investments made by our district partners.

28. As at the end of February 2013, 13 loans had been completed through the Lloyds schemes, with some of these being the result of transfers from the oversubscribed first countywide scheme. No loans have yet been completed through the Mansfield Building society schemes.

<u>The Future of LAMS</u>

29. Currently Lloyds have suspended the local authority mortgage scheme and have made no announcement as to when they may re-open the scheme. There are also limited options with other financial institutions that have a local presence. Consequently, for all intents and purposes, although we have schemes open at present, the future for further LAMS in Nottinghamshire would appear suspended. As per our previous experience, if Lloyds do re-enter the market and we have closed all our existing schemes, then it may be only for a short period and the Council will make every effort to arrange new schemes with district colleagues and/or a countywide scheme.

30. Along with other Councils, we will continue to lobby Lloyds to re-open LAMS and will work with Capita to encourage other financial institutions that may be willing to operate such schemes in Nottinghamshire.

<u>Summary</u>

31. LAMS offers an effective and risk-aware method of using the authority's reserves to assist in re-invigorating the local housing market by assisting first time buyers to obtain cost-effective mortgages. These reserves should be returned in full in five years' time and in the interim period an attractive rate of interest will be earned, including a premium to mitigate the possibility of mortgage defaults.

32. Overall the first tranche of £2 million has been successful both in allowing a large number of first time buyers to obtain finance towards their homes which they wouldn't otherwise have been able to do and stimulating the local housing market. There are obvious additional benefits into the local economy through providing this type of support. In total, at the end of February 2014 over 100 applications have been completed.

33. The Council has built on the experience of the first tranche with the launch of a number of joint schemes with district partners and a second countywide scheme through the Lloyds Banking Group and the Mansfield Building Society. These schemes are already proving a success across the county.

34. Unfortunately, it was anticipated that the extension of the Government's 'Help to Buy' scheme to first time buyers, being similar to the local authority mortgage schemes would overtake local authority mortgage schemes. This has resulted in the Lloyds Banking Group suspending their involvement with LAMS and until they reverse their decision or another financial institution with a local presence enters the market for LAMS the County Council would not be able to make any further investment in LAMS. As a consequence our involvement with future LAMS is suspended at present.

Reason/s for Recommendations

35. LAMS provides the County Council a very significant role in promoting economic prosperity within the County. Participation in LAMS, by way of lending to banks in a manner which allows them to make more affordable mortgages available to people who do not currently have the resources to put a significant deposit into a house, will assist in 'oiling the wheels' of the property market within the County. This can only be positive for economic growth.

36. There is evidence that there are a large number of individuals, couples and families who are currently in either social housing or private rented accommodation but who have the ability to pay a mortgage and want to buy their first house. The obstacle to them becoming property owners is the need for them to save a significant deposit (sometimes as much as 25% of the property value) before they have access to a mortgage at a reasonable interest rate, or even access to a mortgage at all. LAMS allows these people to buy their first house with a significantly lower deposit than would otherwise be required, and on similar terms to them providing a 25% deposit. The potential for LAMS to assist in 'freeing up' social housing is beneficial to housing authorities and was with this in mind that the County Council has been able to join with some of the district councils within Nottinghamshire to launch a number of schemes.

Statutory and Policy Implications

37. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service 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

38. It is recommended that Members:

(a) Note the success of the Local Authority Mortgage Scheme (LAMS) in Nottinghamshire, in particular the successful partnership arrangements with district councils.

(b) Support the continued investment in LAMS, in particular the joint working with district councils in LAMS. All approvals obtained through Policy Committee on 12 December 2012 with regard to the eligibility criteria will continue to apply.

(c) Note the implication from the extension of the Government's 'Help to Buy' scheme on the future of the LAMS and the current suspension to future investment in LAMS.

(d) A further report will be brought to Finance and Property Committee on the progress of the Nottinghamshire scheme(s), including any update on the situation with the Lloyds Banking Group's suspension of their involvement with LAMS.

Paul Simpson
Service Director - Finance and Procurement

For any enquiries about this report please contact:
Nigel Stevenson
Group Manager – Financial Strategy & Compliance

Constitutional Comments

39. Finance and Property Committee has authority to approve the recommendations set out in this report by virtue of its terms of reference (NAB 15.08.13)

Financial Comments (NS 3/4/2014)

40. The risks associated with establishing a Nottinghamshire LAMS were set out in the report to Policy Committee 12 December 2012; consequently the likelihood of the Authority incurring any material loss is very low.

41. The scheme is financed through the use of reserves. For the cash-backed scheme(s) the financial contribution is time-limited and will be received back after the scheme has been completed. For the non-cashed backed scheme no initial investment is required and it is proposed that the premiums received would be set aside to meet any future defaults.

Background Papers

42. None

Electoral Division(s) and Member(s) Affected
All

Report to Finance & Property Committee

28 April 2014

Agenda Item: 6

REPORT OF SERVICE DIRECTOR TRANSPORT, PROPERTY & ENVIRONMENT

PROPERTY GROUP – VALUE FOR MONEY

Purpose of the Report

1. To provide Members with an overview of the findings from a value for money exercise conducted by the Chartered Institute of Finance and Accountancy (CIPFA) on the service activities undertaken by the Property Group. The report highlights any areas that require further investigation and action.

Information and Advice

2. At the Finance and Property Committee on 16 December 2013 it was reported that a number of property service reviews were being undertaken to establish the cost and quality of the service delivered by the Property Group. The two primary reviews being:-

   a) A Value for Money exercise conducted by CIPFA
   b) A review of project processes undertaken by an independent consultant arranged through SCAPE at nil cost.

3. The project review is currently on-going however, the CIPFA review has been completed and a summary of its findings is outlined within this report.

4. Twenty Two Authorities took part in the exercise covering County Councils, District Councils, Unitary Authorities and two Fire Authorities. The review covered the key workstream elements that are commonly delivered by a corporate property service. It is worth highlighting that due to organisational arrangements energy management is not a function of NCC's property group and is instead located within Waste and Energy Management. As a result the VFM report only details energy spend and not costs of staff management.

<u>High Level Summary</u>

5. The overall report findings are positive with costs for the provision of the property service being generally below average for the amount of activity that is being undertaken. The only exception would appear to be within the area of general estate management. These activity rate costs may be skewed by this team being

multi- tasked and their costs not being apportioned accurately against the individual work streams. This report identifies the need to investigate this issue further.

6. The analysis provided by CIPFA is detailed and therefore an attempt has been made to highlight the main findings within each element of the analysis. These are considered below.

Staffing

7. The report findings consistently identify that salary levels within the property group are the lowest or in the lower quartile if considered in professional groupings. This conclusion is supported by the recent failure to recruit to key professional posts within property, with potential candidates and agencies indicating that the salary offer was too low. Discussions on how best to address this issue, is on-going with principal officers, in consultation with Human Resources.

8. The property Group employs directly the largest number of property staff within the benchmarked group as opposed to other Authorities who are using a different proportion of external resource. Within this workforce there is a relative high aged profile with a low presence of under 25's. This will have potential implications for resource and succession planning in future years as employees reach retirement age. The Property Group's emerging service plan seeks to consider the issue of work force planning during the next 12 months.

9. Working days lost due to sickness are generally below average for the benchmarked group.

Strategic Asset Management

10. Although the number of assets held by NCC is relatively average, the overall floor area occupied represents one of the largest. In comparison to the population size this represents a low proportion. This suggests that NCC has not an unduly large property portfolio for its service delivery needs. Overall the cost of strategic management is in the upper quartile range, yet represents one of the lowest costs for a County Council function.

General Estate Management – acquisitions, disposals, valuations etc.

11. There is relatively a larger number of staff engaged in acquisitions and disposals than the statistical average despite the number of disposals not being unusually high. This group of staff also undertake a very high number of valuations which are undertaken at a benchmarked average cost in relation to the number conducted. It is worthwhile highlighting that the same officers who are undertaking the acquisitions and disposals are also normally undertaking the valuations this could explain why there appears to be a disproportionate number of officers dealing with transactions. **This will require further investigation** to ensure that the operating structure is as efficient as possible.

Design and Construction

12. NCC property is managing almost the largest capital programme amongst the benchmarked group not unsurprisingly as a result engages the largest number of

direct staff to deliver this programme. The analysis reveals a fairly even split between the use of direct staff and procured services. This equates to the third largest spend on delivering the capital programme in the benchmarked group. However, when this spend is compared to the value of the capital programme involved, the cost ratio is low, suggesting the Authority is obtaining good value for money. There is an organisation within the analysis which is a County Council, that is managing a larger capital programme yet seems to be delivering the programme at an average overall cost. CIPFA has indicated that this return seems at odds with overall returns. **It is suggested that the organisation should be contacted** in order to review how the programme is being delivered and to clarify costs in order to determine whether there are any improvement points from this organisation.

Management of Maintenance and Compliance

13. There are two aspects to the analysis, one which relates to the condition of the property estate including budget provision and the cost of managing maintenance.

14. The estate has a relatively low proportion of properties which are in good or satisfactory condition and has the highest proportion of repairs requiring immediate attention (priority 1's) including the second highest overall back-log maintenance situation. This is despite having one of the highest maintenance programmes. This spend is being inflated at present due to additional monies being made available to deal with back-log health and safety related items. This funding is due to cease in financial year 2014/15. This spend represents a low level compared to need although interestingly is similar to other County Councils. Members will be aware from previous reports that action is being taken to prepare a repairs and maintenance strategy for the estate as part of the general process of formulating a new strategic asset management plan. This will assist in ensuring that expenditure is targeted where it is most needed, creating efficiency of spend.

15. It is worth highlighting that the repairs and maintenance figure quoted in the analysis is based on historic data that has since been updated as part of the work associated with the development of the repairs and maintenance strategy. This has indicated an overall reduction in the backlog maintenance. However, the overall figure remains significantly higher than other benchmarked comparators and the conclusion remains valid.

16. The cost of managing this repair and maintenance programme is below average and as a percentage of the maintenance budget represents one of the lowest costs within the benchmarked group. Similarly the number of staff engaged in the process is below average. The cost of undertaking condition surveys when compared to the size of the estate is the lowest overall within the survey.

Management of non-investment property

17. The income producing part of the property estate is producing below average income flows while staffing costs for management are in the upper quartile when compared against income. Similarly the number of staff engaged in this activity is above average but generally low for a county council function. As in estate management these figures may have been skewed due to the staff undertaking a variety of roles and these costs not proportioned against the different disciplines.

18. There is sufficient uncertainty within this activity element to justify **further investigation on how estate management is delivered.** With regards to maximising income, measures are already being actioned and as part of this work, Members will shortly be receiving an extensive review of Agricultural holdings which includes recommendations for improving income flow.

Other Options Considered

19. Failure to review value for money offered by the property group would hinder continuous improvement that is critical at a time of budgetary restraint. Non review was not an option.

Reason/s for Recommendation/s

20. To provide Members with an overview of the findings from a value for money exercise conducted by the Chartered Institute of Finance and Accountancy (CIPFA) on the service activities undertaken by the Property Group. The report highlights any areas that require further investigation and action.

Statutory and Policy Implications

21. 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

It is recommended that:

1. Members note the overall positive results of the value for money exercise conducted by CIPFA on the Property group; and

2. A further report is presented to Members covering those activity areas highlighted within the report that require additional and more detailed investigation.

Jas Hundal
Service Director – Transport, Property & Environment

For any enquiries about this report please contact: Andrew Stevens 0115 977 2085

Constitutional Comments (SSR 2.4.2014)

22. This report is for noting only and therefore not decision is sought for approval by the Finance and Property Committee at this stage.

Financial Comments (TR 3.4.2014)

23. As this report is for noting only, financial comments are not required.

Background Papers and Published Documents

24. None.

Electoral Division(s) and Member(s) Affected

25. Ward(s): n/a
    Member(s): n/a

File ref.: /SB/SB/09998
SP: 2610
Properties affected: 09998 - Various NCC Properties/non-property item

Nottinghamshire County Council

Report to Finance and Property Committee

24 March 2014

Agenda Item: 7

REPORT OF CORPORATE DIRECTOR, POLICY, PLANNING AND CORPORATE SERVICES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2014.

Information and Advice

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-Chair, 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 finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service 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's work programme be noted, and consideration be given to any changes which the committee wishes to make.

Jayne Francis-Ward
Corporate Director, Policy, Planning and Corporate Services

For any enquiries about this report please contact: Paul Davies, x 73299

Constitutional Comments (HD)

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

Financial Comments (PS)

2. 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 & PROPERTY COMMITTEE - WORK PROGRAMME

Report Title	**Brief summary of agenda item**	**For Decision or Information ?**	**Lead Officer**	**Report Author**
28 April 2014				
Monthly Budget & Capital Monitoring Report 2013/14	Budget Capital Monitoring, Capital Receipts, Capital Variations	Decision	Paul Simpson	Pauline Moore
Value for Money Review	Report back on Value for Money and other reviews, including performance indicators for property.			
Local Authority Mortgage Scheme	Progress report	Info	Paul Simpson	Nigel Stevenson
19 May 2014				
Monthly Budget & Capital Monitoring Report 2013/14	Budget Capital Monitoring, Capital Receipts, Capital Variations	Decision	Paul Simpson	Pauline Moore
Property Transactions	Various	Decision	Jas Hundal	Various
ICT Programmes and Performance	Update on projects and performance for Q4	Info	Ivor Nicholson	
Asset Maintenance	Progress Report on property repairs and maintenance	Info	Jas Hundal	Andrew Stevens
16 June 2014				
Monthly Budget & Capital Monitoring Report 2013/14	Budget Capital Monitoring, Capital Receipts, Capital Variations	Decision	Paul Simpson	Pauline Moore
Property Transactions	Various	Decision	Jas Hundal	Various
14 July 2014				
Property Transactions	Various	Decision	Jas Hundal	Various

Report Title	Brief summary of agenda item	For Decision or Information ?	Lead Officer	Report Author
15 September 2014				
Property Transactions	Various	Decision	Jas Hundal	Various
ICT Programmes and Performance	Update on projects and performance for Q1		Ivor Nicholson	
13 October 2014				
Property Transactions	Various	Decision	Jas Hundal	Various
17 November 2014				
Property Transactions	Various	Decision	Jas Hundal	Various
ICT Programmes and Performance	Update on projects and performance for Q2		Ivor Nicholson	
15 December 2014				
Property Transactions	Various	Decision	Jas Hundal	Various