Nottinghamshire County Council

Report to Finance and Property Committee

14 September 2015

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE AND PROCUREMENT

FINANCIAL MONITORING REPORT: PERIOD 4 2015/2016

Purpose of the Report

1. To provide a summary of the revenue position of the County Council for the year to date with year-end forecasts.
2. Request approval for an additional contingency request.
3. To provide a summary of Capital Programme expenditure to date and year-end forecasts.
4. To inform Members of the Council's Balance Sheet transactions.
5. To provide Members with an update from the Procurement Team.
6. To provide Members with an update from the Accounts Payable and Accounts Receivable teams.

Information and Advice

Background

7. The Council approved the 2015/16 budget at its meeting on 26 February 2015. As with previous financial years, progress updates will be closely monitored and reported to both management and Committee on a monthly basis.

Summary Revenue Position

8. Table 1 below summarises the revenue budgets and forecast outturn for each Committee. An overspend of £2.2m is currently predicted. In light of the Council's continuing financial challenges, the key message to effectively manage budgets and wherever possible deliver in-year savings is being reinforced.

Table 1 – Revenue Expenditure and Forecasts as at Period 4

Forecast Variance as at Period 3 £'000	Committee	Annual Budget £'000	Actual to Period 4 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
4,031	Children & Young People	135,685	37,692	139,281	3,596
(420)	Adult Social Care & Health	207,873	53,181	206,153	(1,720)
5	Transport & Highways	58,313	13,337	58,968	655
368	Environment & Sustainability	30,813	11,476	30,817	4
273	Community Safety	2,997	233	3,236	239
(64)	Culture	13,279	5,272	13,212	(67)
(368)	Policy	25,372	7,426	24,892	(480)
(1,102)	Finance & Property	33,677	12,958	32,857	(820)
(106)	Personnel	3,219	614	3,033	(186)
(48)	Economic Development	1,518	635	1,530	12
96	Public Health *	5,217	(908)	5,246	29
2,665	**Net Committee (under)/overspend**	**517,963**	**141,916**	**519,225**	**1,262**
-	Central items	(3,786)	180	(3,786)	-
-	Schools Expenditure	31	31	31	-
-	Contribution to/(from) Traders	(571)	646	(553)	18
2,665	**Forecast prior to use of reserves**	**513,637**	**142,773**	**514,917**	**1,280**
-	Transfer to / (from) Corporate Reserves	(6,363)	-	(6,363)	-
(1,383)	Transfer to / (from) Departmental Reserves	(14,010)	-	(13,080)	930
-	Transfer to / (from) General Fund	(6,038)	-	(6,038)	-
1,282	**Net County Council Budget Requirement**	**487,226**	**142,773**	**489,436**	**2,210**

* The actual net expenditure for Public Health is skewed depending upon the timing of the receipt of grant.

Committee and Central Items

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

Children & Young People (forecast £3.6m overspend)

10. The underlying overspend is £3.1m (after planned use of grant reserves and excluding redundancy costs). This is an increase of £0.4m compared to period 3 mainly due to an increase in the number or residential placements and extension to agency staff contracts. The demand led aspects of the Children's Social Care budget are difficult to predict but it is still the intention to reduce the overspend over the coming months to ensure that the budget balances by the end of the financial year. There are a range of mitigating actions being developed and pursued which has included a letter from the Acting Corporate Director to restrict all non-essential spend and to adhere to vacancy control procedures as part of budget control measures. There is already a base budget review in process for high spending services within the department and meetings in place to identify other options.

11. The Children’s Social Care Division is reporting a forecast net overspend of £3.1m (£3.0m after the planned use of grant reserves), the major contributing variances being:

- £1.5m overspend on staffing due to the continued use of agency staff to cover vacancies in social work and safeguarding teams. This is an increase of £0.3m due to extension of agency contracts;
- £0.7m overspend on Provider Services (Looked After Children placements) due to the difficulty in moving children to lower cost in-house placements. This is an increase of £0.4m due to an increase in residential placements. There is also continuing overspend in the Fostering Service due to the growth of Fostering Futures carers;
- £0.3m overspend on the rest of the Children's Disability Service mainly due to flexible and targeted short breaks and associated childcare;
- £0.4m overspend on the social work practice pilot which includes a forecast extension to the original timescale of 6 months to 31 March 2016.

12. The Education Standards and Inclusion Division is reporting a forecast overspend of £0.5m, due to an overspend on Special Educational Needs and Disability Policy and Provision. This is due to continued demand for home to school transport in excess of the budget.

13. The Youth, Families and Culture Division is forecasting an underspend of £0.3m (£0.5m underspend after the planned use of grant reserves). The main variances are:

- £0.5m underspend on Early Years and Early Intervention relating to contract savings and pension refunds
- There are other minor under and overspends within the division.

14. The Capital and Central Charges area is forecasting a £0.2m overspend due to Insurance charges in excess of the budget allocated for this purpose which is the additional cost of premiums for historic abuse cases.

Adult Social Care & Health (forecast £1.7m underspend)

15. The underlying forecast position is a slight overspend of £0.1m (after the planned use of reserves and excluding redundancy).

16. The Direct and Strategic Services Division is currently reporting a net underspend of £2.5m.The main variances are:

- Residential Services are forecasting an underspend of £1.3m. This is primarily due to an underspend on staffing in the Care and Support Centres. It is envisaged the refurbishment of James Hince Court could be met from within the service budget rather than from the use of reserves.
- Day Services and Employment are forecasting an underspend of £1.1m. This is comprised of £0.7m underspend within Day Services and a £0.4m underspend across Supported Employment. These are primarily due to staffing underspends and additional income offsetting an overspend on Transport Services.
- Strategic Commissioning are forecasting a break even position with staffing and contract reductions offsetting the overspend on the ICELS Pooled Budget.

17. The Access and Public Protection Division is currently reporting a net overspend of £1.2m. The main variances are:
    - The Safeguarding and Adult Access Service is now forecasting a net nil position. The overspend of £0.1m, due to outsourcing OT assessments to the Access Independent Agency, is being offset by underspends on staffing within other parts of the service.
    - Client Contribution income is still forecasting a shortfall of £1.4m. This is due to a general decline in personal budget income.
    - This overspend is partially offset by underspends on software and staffing within the Framework Team (£0.2m) and the Market Development Team (£0.1m).

18. The North and South Divisions are currently forecasting a net combined underspend of £0.4m. This is set within the context of a £2.0m budget reduction across Younger and Older Adults Residential Care. The major variances across the divisions are as follows:

    - Older Adults across the County are currently reporting an underspend of £1.6m, this is a reduction of £0.5m since last month and is due to the base budget review.
    - Younger Adults across the County are reporting an overspend of £2.0m which is a reduction of £1.3m since last month. This is due to the identification of £3.0m double counting as the Supporting People placements are now commissioned on Framework and so are included in the package forecasts, though the budget sat in a different division and was still being forecast there as well. This has now been corrected and offsets the budget reduction.
    - Expenditure under the remit of Service Directors, Principal Social Worker and the Care Act Team costs are reporting an underspend of £0.8m primarily due to delays in recruitment.

19. For information, the above forecast currently includes £0.5m for anticipated Transitions and £0.8m for Predicted needs. So far £1.1m of the original £3.7m budget has materialised

Transport & Highways (forecast £0.7m overspend)

20. This forecast underspend is due to:

    - The Highways Division is predicting a £1.0m overspend mainly due to patching (£0.5m), trees (£0.2m), verges (£0.2m) and drain cleaning (£0.2m).
    - The Transport Division is forecasting a £0.3m underspend, mainly caused by the delayed introduction of tram lines 2 and 3.

Finance & Property (forecast £0.8m underspend)

21. This forecast overspend is due to:

    - £0.4m underspend in Property due to a staffing rationalisation and savings on county office building maintenance in advance of saving requirements in 2016/17, together with additional Estates income;
    - £0.2m underspend on county offices and facilities management due to reduced business rates payable on county offices;
    - £0.1m underspend within Finance and Procurement relating to staff vacancies in advance of saving requirements in 2016/17;

- £0.1m underspend on business support.

Central Items (nil variance)

22. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.

23. The Council's original budget included a contingency of £5.1m to cover redundancy costs, slippage of savings and unforeseen events. As part of the Period 1 Financial Monitoring Report, a number of requests were approved.

24. The Service Director Finance, with agreement from CLT, undertook a review exercise to address the underlying underspend from previous years. A total of £2.45m has been removed from departmental budgets and increased the corporate contingency budget. Table 1 assumes that the full contingency allocation will be used before year end as new requests are likely to emerge.

Request for contingency

25. In addition to the contingency request approved in 2014/15, a request for contingency has been submitted by the Children and Young People's Committee to provide £1.094m over 2015/16 and 2016/17 to support the establishment of a Historic Child Abuse Team. This team will work closely with the police through their on-going investigations into historic child abuse across the County.

Transfer to / (from) reserves

26. Work is ongoing to identify surplus departmental reserves that may be released to support the budget.

27. As part of the opening budget there was a corporately held budget of £4.0m relating to the re-alignment of Public Health expenditure. At the time of creating the budget it was not known which service areas of the Authority this would be allocated to. This has now been identified and the budget moved to these areas.

Progress with savings (forecast shortfall £0.8m in 2015/16)

28. Given the continued financial challenge that the Council is facing, savings schemes were approved as part of the 2015/16 budget process.

29. At period 3, current year unachievable savings of £0.8m were identified with regard to the Children's Disability Service. Given the range of challenges and parental resistance to previous attempts to change the residential sector for disabled children, it was decided not to progress any of the residential options at this stage. The unachieved savings are predicted to be £0.8m in 2015/16, £1.2m in 2016/17 and £1.2m in 2017/18.

30. As at period 4, future year's unachievable savings of £0.8m were identified with regard to the Targeted Re-ablement Service. Given the pressure from acute hospital discharges, the current unmet demand for this service and the need to avoid more expensive costs of care if this service was to reduce, it has been decided not to progress further reductions in this

service beyond those planned in the current year. The unachieved savings are predicted at £0.8m in 2016/17.

31. Future year's slippage against Extra Care Housing savings were identified. Due to the decision to align the closure of the care and support centres with the opening of an extra care scheme in the local area, this has resulted in a delay to the original dates for closure of Kirklands and St Michaels View. As a result there is going to be minor slippage in 2016/17 onwards against the previously revised savings profile. This re-profiling will slip £0.2m from 2016/17 into 2017/18 and £0.2m from 2018/19 into 2019/20.

32. Future year's unachievable savings of £0.2m were identified with regard to the Expansion of Community Based Care saving. On reviewing the programme it is apparent that the current cost of the provision is less than alternative solutions and hence the unlikelihood that savings would be generated through this approach. It is considered more cost effective to concentrate on finding alternatives to formal day services for new users as part of the plan for cost avoidance. Consequently, it has been decided not to progress further reductions in this service beyond those planned the current year. The unachieved savings are predicted at £0.1m in 2016/17 and £0.1m in 2017/18.

33. £650,000 of savings in 2016/17 from the Care Home banding rationalisation project are considered to be unachievable as further developments in the Care Home Market and the proposed introduction of the National Living Wage has meant that any single band fee will have to be higher than previously proposed and so will cost the Council money rather than save any money.

34. The Sherwood Forest Visitor Centre savings were based on the previous project with Discovery Attractions which was aborted when they were unable to secure relevant funding. The project restarted and the recommendation of contract award to RSPB went to Culture Committee on 21 July 2015. The new visitor centre is expected to open in the third quarter of 2017 which means the savings will slip in future years. This re-profiling will slip £0.2m from 2016/17 and £0.1m from 2017/18 making savings of £0.3m in 2018/19.

35. Unachievable savings have been identified with regard to the Centralising Information Management, Performance and Data Functions saving. Efficiencies in both performance management and information management have already been delivered and it is considered that there is limited scope for additional savings. Following the Information Commissioner's Officer Audit of Information Management, alongside the requirement to deliver the Councils Information Management Strategy and Deliver Plan, it is considered that a reduction in the Council's already limited information management resources would represent a risk to the Council at this time. The unachieved savings are predicted at £25,000 in 2015/16 and £160,000 in 2016/17.

36. The recent review of Redefining Your Council (considered by Policy Committee in July 2015) noted that transformation is inherently risky to deliver and that the task of achieving significant budget savings becomes increasingly difficult over time, as change is overlaid upon change. Considerable lessons have been learned from savings projects which have been approved and delivered to date. Whilst programme and project management arrangements have been effective, a stronger approach to the identification and management of the assumptions which underpin projects is being put in place to ensure that they are evidenced and challenged prior to full implementation.

Capital Programme

37. Table 2 summarises changes in the gross Capital Programme for 2015/16 since approval of the original programme in the Budget Report (Council 26/02/15):

Table 2 – Revised Capital Programme for 2015/16

	2015/16 £'000	2015/16 £'000
Approved per Council (Budget Report 2015/16)		112,039
Variations funded from County Council Allocations :		
Net slippage from 2014/15 and financing adjustments	8,886	
		8,886
Variations funded from other sources :		
Net slippage from 2014/15 and financing adjustments	7,866	
		7,866
Revised Gross Capital Programme		**128,791**

38. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 4.

Table 3 – Capital Expenditure and Forecasts as at Period 4

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 3 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	50,328	5,660	48,443	(1,885)
Adult Social Care & Health	7,613	989	5,713	(1,900)
Transport & Highways	39,506	13,100	40,629	1,123
Environment & Sustainability	2,371	107	2,371	-
Community Safety	-	-	-	-
Culture	1,344	621	1,368	24
Policy	2,510	542	1,425	(1,085)
Finance & Property	16,237	3,667	15,061	(1,176)
Personnel	298	20	298	-
Economic Development	7,554	2,331	7,554	-
Contingency	1,030	-	1,030	-
Total	**128,791**	**27,037**	**123,892**	**(4,899)**

39. In the Children and Young People's Committee, there is a total forecast underspend of £1.9m. Improved budget monitoring and more accurate school places programme management has resulted in the early identification of project slippage.

40. Also in the Children and Young People's Committee, it is proposed that the £0.2m Rushcliffe Children's Centre budget is transferred to the Libraries Modernisation programme to reflect that these works were undertaken as part of the Bingham Library capital project.

    It is proposed that the Children and Young People's and Culture capital programme are re-aligned to reflect expenditure associated with the Rushcliffe Children's Centre project.

41. Also in the Children and Young People's Committee, it is proposed that the capital programme is increased by £0.1m to part fund costs associated with major adaptions to parents' homes in order to help meet the needs of their disabled children.

    It is proposed that the Children and Young People's capital programme is varied by £0.1m to reflect the contributions to adaptions as detailed above, funded from revenue.

42. In the Adult, Social Care and Health Committee, there is a total forecast underspend of £1.9m. This is as a result of lower forecast expenditure against the Supported Living programme as initial objectives of the programme have been met with lower than expected capital spend.

43. In the Transport and Highways Committee, a forecast overspend of £1.1m has been identified. This is as a result of over-programming against the road maintenance and renewal and Integrated Transport Measures programmes. Work is on-going to drive this forecast overspend down and to manage within the approved budget.

44. Also in the Transport and Highways capital programme, it is proposed that the Worksop Bus Station capital budget is increased by £0.3m to implement a number of improvements to the scheme which benefit the local community.

    It is proposed that the Transport and Highways capital programme is varied by £0.3m to reflect further improvements to the Worksop Bus Station, funded from capital allocation.

45. Also in the Transport and Highways capital programme, the Highways Team have been successful in levering in £0.8m of Section 106 funding and £0.1m of other external funding to part fund work associated with the Integrated Transport Measures programme.

    It is proposed that the Transport and Highways capital programme is varied by £0.9m to reflect the additional external funding available to part fund the Integrated Transport Measures capital programme.

46. In the Environment and Sustainability Committee, external funding totalling £0.045m has been secured to part fund work against the Supporting Local Communities capital programme.

    It is proposed that the Environment and Sustainability capital programme is varied to reflect the additional external funding available to part fund the Supporting Local Communities capital programme.

47. In the Policy Committee, a total forecast underspend of £1.1m has been identified. This is as a result of the Ways of Working programme now being forecast to complete within the available budget.

It is proposed that the Policy Committee capital programme is varied by £1.1m to reflect the underspend against the Ways of Working programme.

48. In the Finance and Property Committee, a total forecast underspend of £1.2m has been identified. This is mainly as a result of slippage against the Stapleford Boundary Wall project (£0.9m) as measures are put in place to monitor the structure of the wall prior to any necessary remediation works.

It is proposed that the Finance and Property capital programme is varied to reflect the slippage on the Stapleford Boundary Wall project.

Financing the Approved Capital Programme

49. Table 4 summarises the financing of the overall approved Capital Programme for 2015/16.

Table 4 – Financing of the Approved Capital Programme for 2015/16

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	17,724	26,486	717	5,401	50,328
Adult Social Care & Health	6,733	800	45	35	7,613
Transport & Highways	15,757	22,607	-	1,142	39,506
Environment & Sustainability	1,187	684	500	-	2,371
Community Safety	-	-	-	-	-
Culture	1,044	70	-	230	1,344
Policy	2,506	-	-	4	2,510
Finance & Property	14,248	50	-	1,939	16,237
Personnel	-	118	-	180	298
Economic Development	4,109	3,445	-	-	7,554
Contingency	1,030	-	-	-	1,030
Total	**64,338**	**54,260**	**1,262**	**8,931**	**128,791**

50. It is anticipated that borrowing in 2015/16 will increase by £4.0m from the forecast in the Budget Report 2015/16 (Council 26/02/2015). This increase is primarily a consequence of:

- £8.9m of net slippage from 2014/15 to 2015/16 and financing adjustments funded by capital allocations.
- Net slippage in 2015/16 of £4.9m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

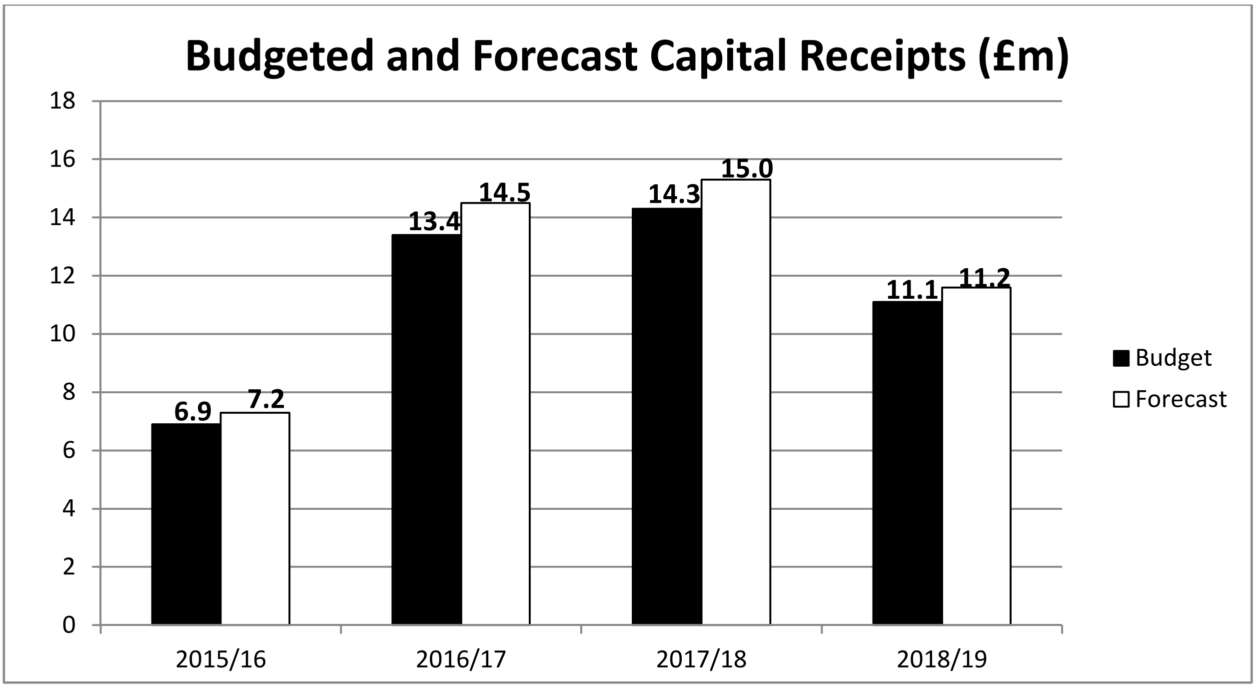
Prudential Indicator Monitoring

51. Performance against the Council's Prudential Indicators is regularly monitored to ensure that external debt remains within both the operational boundary and the authorised limit.

Capital Receipts Monitoring

52. 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.

53. The chart below shows the budgeted and forecast capital receipts for the four years to 2018/19.



54. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2015/16 (Council 26/02/2015). These capital receipts budgets prudently incorporated slippage, giving a degree of "protection" from the risk of non-delivery.

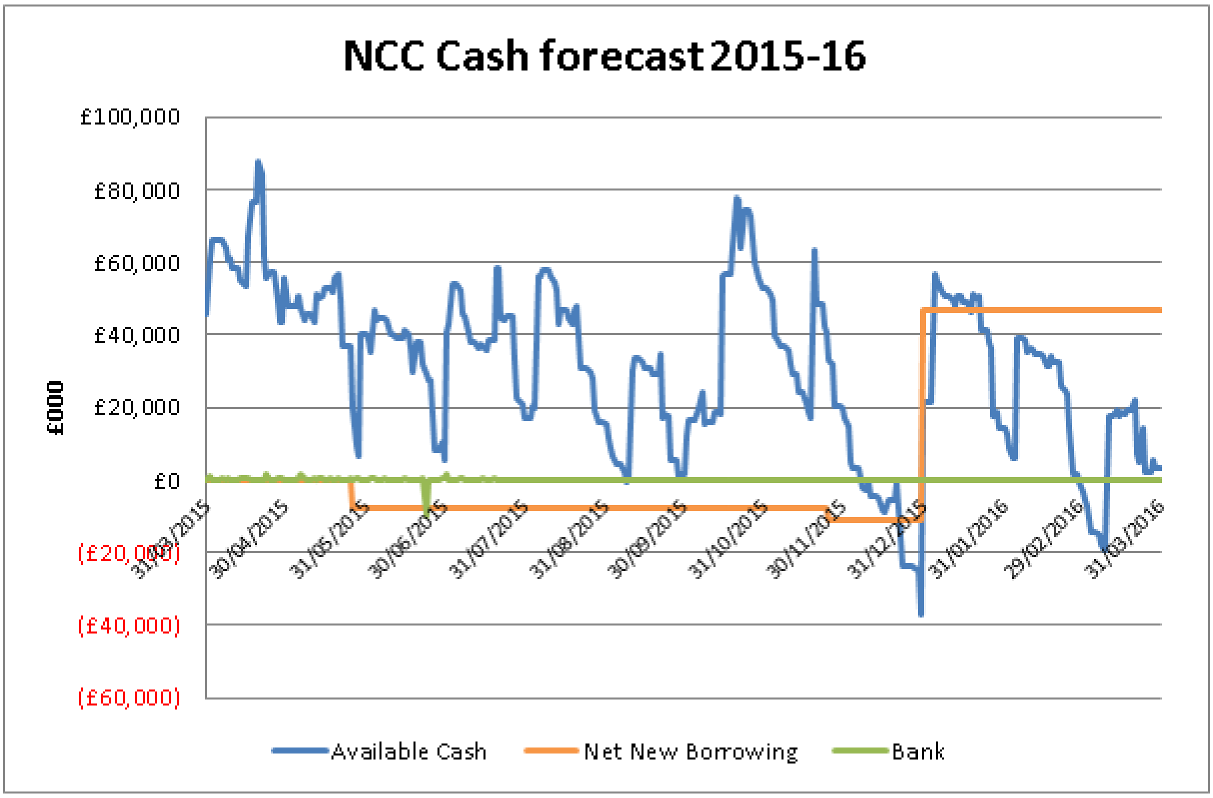
55. The capital receipt forecast for 2015/16 is £6.9m. To date in 2015/16, capital receipts totalling £5.0m have been received.

56. The number and size of large anticipated receipts increase the risk that income from property sales will be below the revised forecasts over the next three years. Although the forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales being lower than the forecast.

57. Current Council policy (Budget Report 2015/16) 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. It is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

Treasury Management

58. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group. The following chart shows the actual cash flow position to date and 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 increase later in the year. For forecasting purposes, the chart below assumes that all remaining borrowing for the year will be taken at 31 December. However, the available cash forecast shows that some of this may need to be borrowed before cashflow turns negative in November/December.

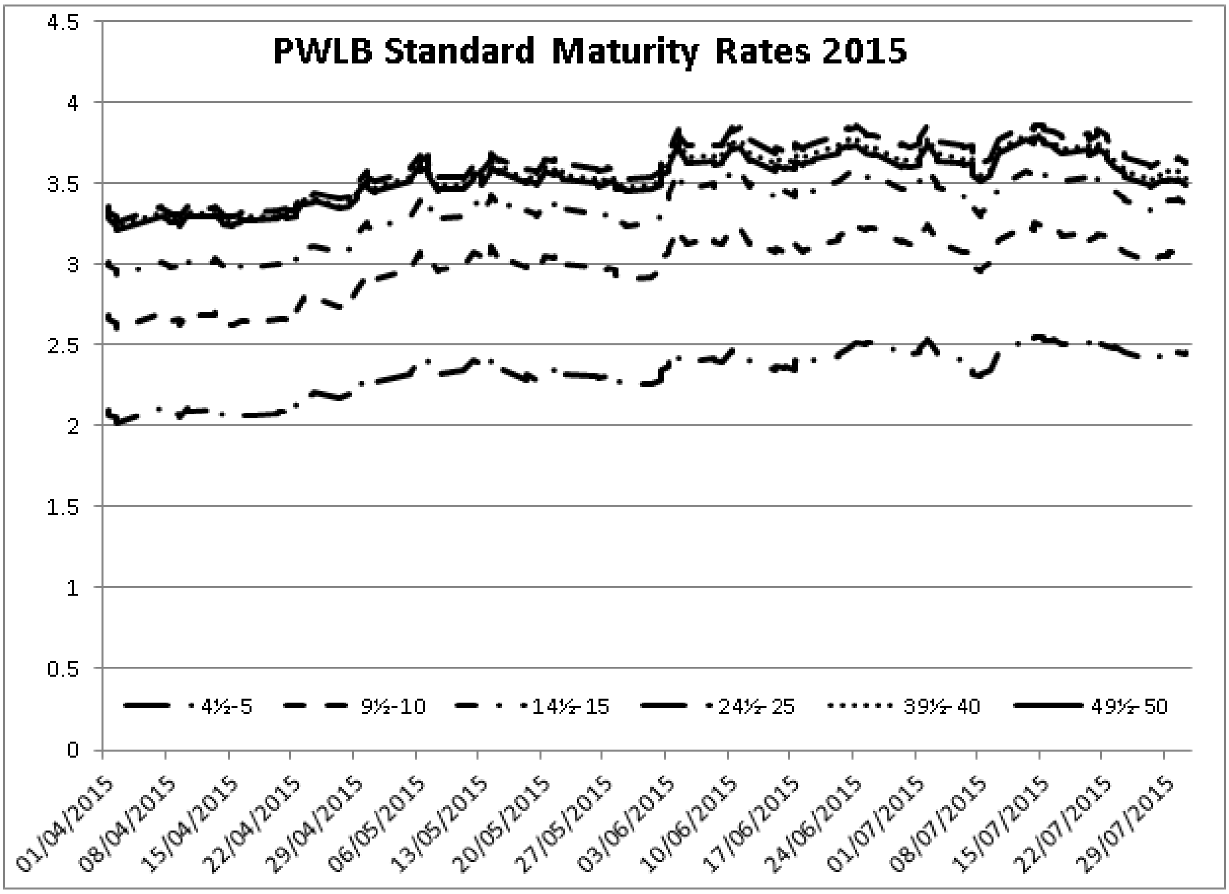


59. The chart above gives the following information:

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

60. Daily cash management aims for a closing nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. The net new borrowing will include new loans from PWLB, the market or other local authority, as well as repayments on existing borrowing. To date for 2015/16 there has been no new borrowing.

61. PWLB rates are monitored closely in order to feed into decisions on new borrowing. Longer term rates are currently slightly higher than they were at the beginning of the year although they have dropped off recently. Shorter term rates have drifted up by nearly 0.5%. The Council is able to take advantage of the PWLB "certainty rate" which is 0.2% below the standard rates. The chart below shows the movement in standard PWLB maturity rates during 2015.



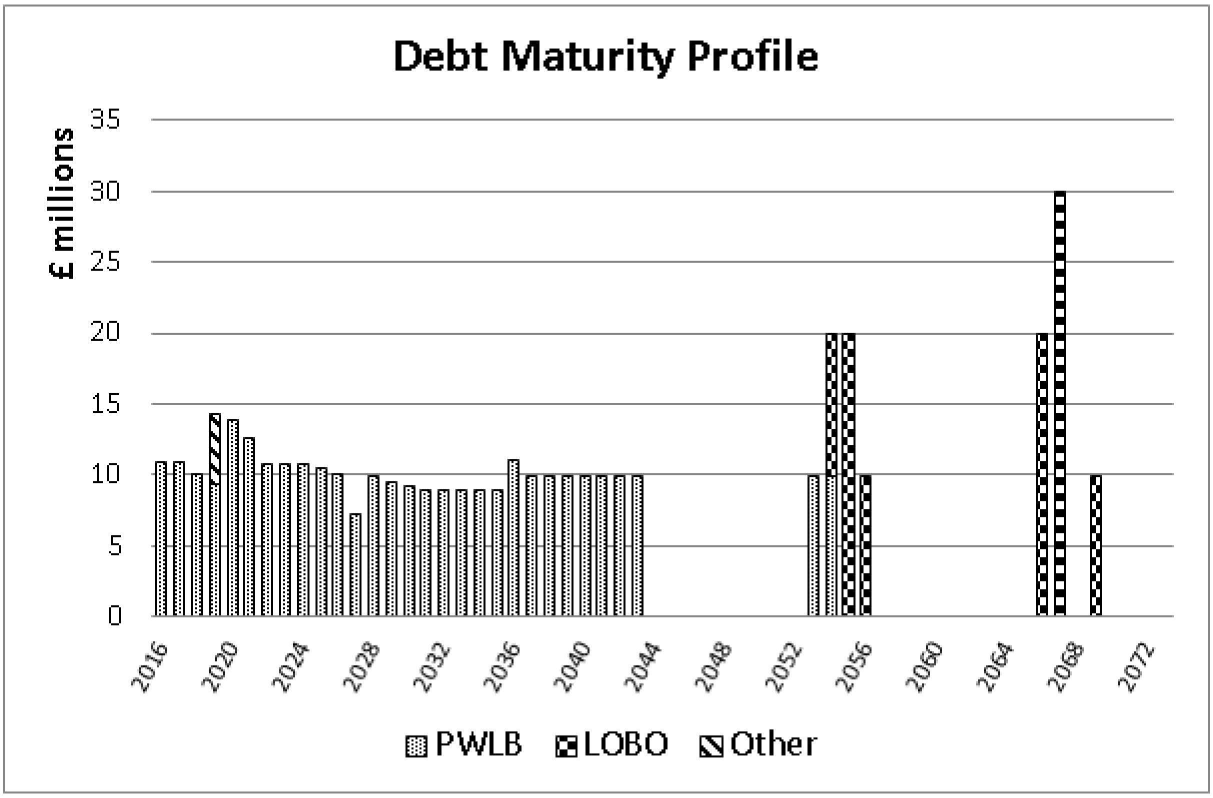
62. The Treasury Management Strategy for 2015/16 identified a need for additional borrowing of £78m to fund the capital programme, replenish internal balances and to replace maturing debt. This has since been adjusted to £58m in light of 2014/15 capital out-turn and revised forecast for capital expenditure during 2015/16.

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

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

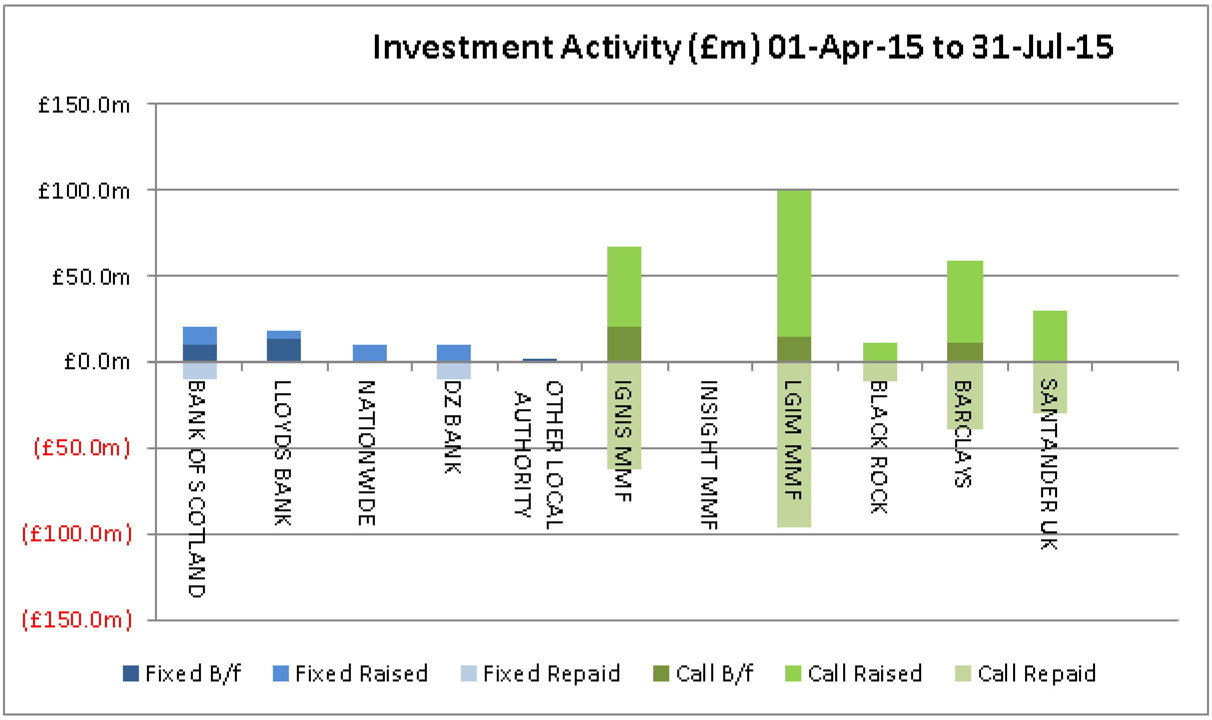
63. As the cashflow forecast above indicates, additional borrowing is likely to be undertaken later in the calendar year, once cash balances start to fall. The maturity profile of the Council's debt portfolio is shown in the chart below. The PWLB loans are reasonably well distributed and have a maximum duration of 38 years. Longer-term borrowing (maturities up to 55 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's

Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender increases the rate at an option point, the Council will repay the loan) and were all taken at rates lower than the prevailing PWLB rate at the time. The 'other' loan denotes more 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.



64. The investment activity for 2015/16 to the end of July 2015 is summarised in the chart and table below. Outstanding investment balances totalled £70.2m at the start of the year and £67.05m at the end of the period. This is in line with the forecast cash flow profile for the year.

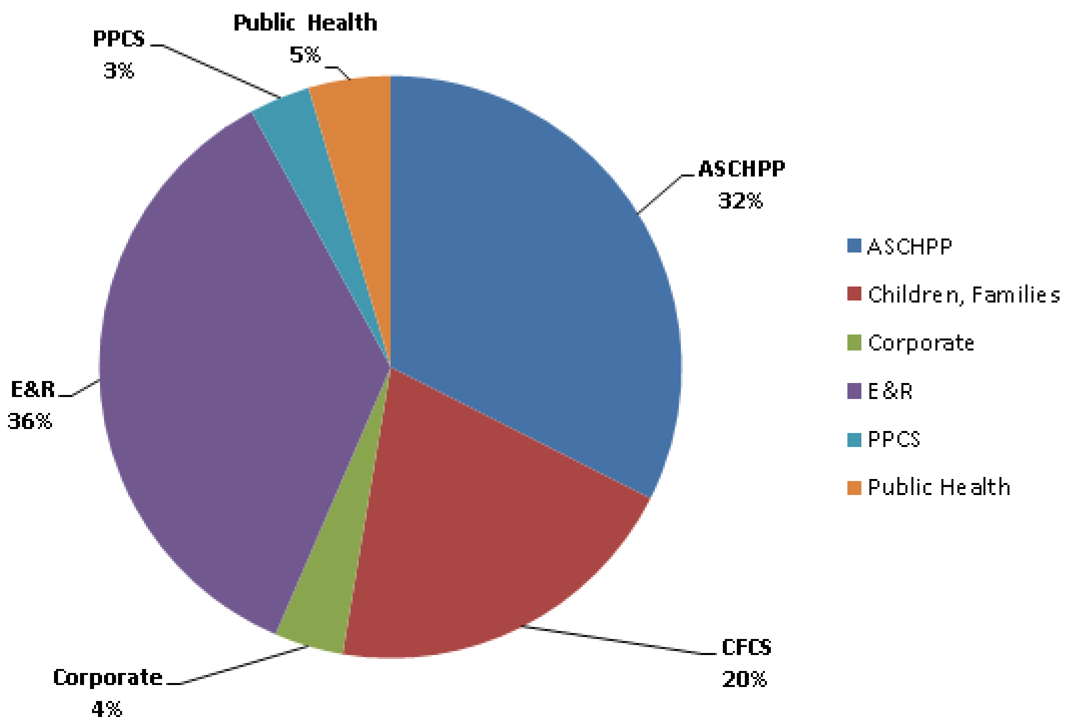
	Total B/F	Total Raised	Total Repaid	Outstanding
	£000	£000	£000	£000
BANK OF SCOTLAND	10,000	10,000	(10,000)	10,000
LLOYDS BANK	13,000	5,000	-	18,000
NATIONWIDE	-	10,000	-	10,000
DZ BANK	-	10,000	(10,000)	-
OTHER LOCAL AUTHORITY	1,500	-	-	1,500
IGNIS MMF	20,000	46,950	(62,600)	4,350
INSIGHT MMF	-	-	-	-
LGIM MMF	14,550	84,950	(96,300)	3,200
BLACK ROCK	500	10,900	(11,400)	-
BARCLAYS	10,650	48,450	(39,100)	20,000
SANTANDER UK	-	29,500	(29,500)	-
	70,200	**255,750**	**(258,900)**	**67,050**



Procurement Performance

65. As an organisation, NCC has spent £225m in the first 4 months of the financial year 2015/16 with external suppliers which is an increase of £10m from the same period of previous financial year.

66. The top 7.4% (364) of suppliers account for 80% (£180m) of the total supplier spend. The remaining 92.6% (4,556 suppliers) have a total expenditure of £45m with an average spend of £9,800. The chart below shows how the total amount spent, in period, is divided across Portfolios, almost 60% of all expenditure going through care (ASCHPP, CFCS and Public Health) and 40% through Highways and Property (E&R).



67. The Council's preferred ordering route is through the Business Management System (BMS). The team have been working with stakeholders to improve the way that we procure to ensure compliance.
    - Orders that are processed through BMS are classified as compliant purchase orders (Compliant)
    - Non purchase orders (or non-compliant) are those purchases that are made outside of any system
    - Retrospective orders – are non-compliant in that they have been raised following the delivery of the goods/services
    - Interface orders are those that are out of scope and are paid through another system e.g. Frameworki

68. Purchase orders are beneficial to the organisation as they provide visibility of what we spend. Currently:
    - Compliant ordering has increased by 20% in the last 4 months from 35.6% to 55.3% of the total spent
    - Non-compliant (non PO) ordering has decreased by 21% in the last 4 months from 42.4% to 20.9% of the total
    - Interface orders has increased only 1% in the last 4 months from 22% to 21% of the total spent

69. Table below shows the number of retrospective orders in a monthly basis across portfolios with a reasonable decrease every month.

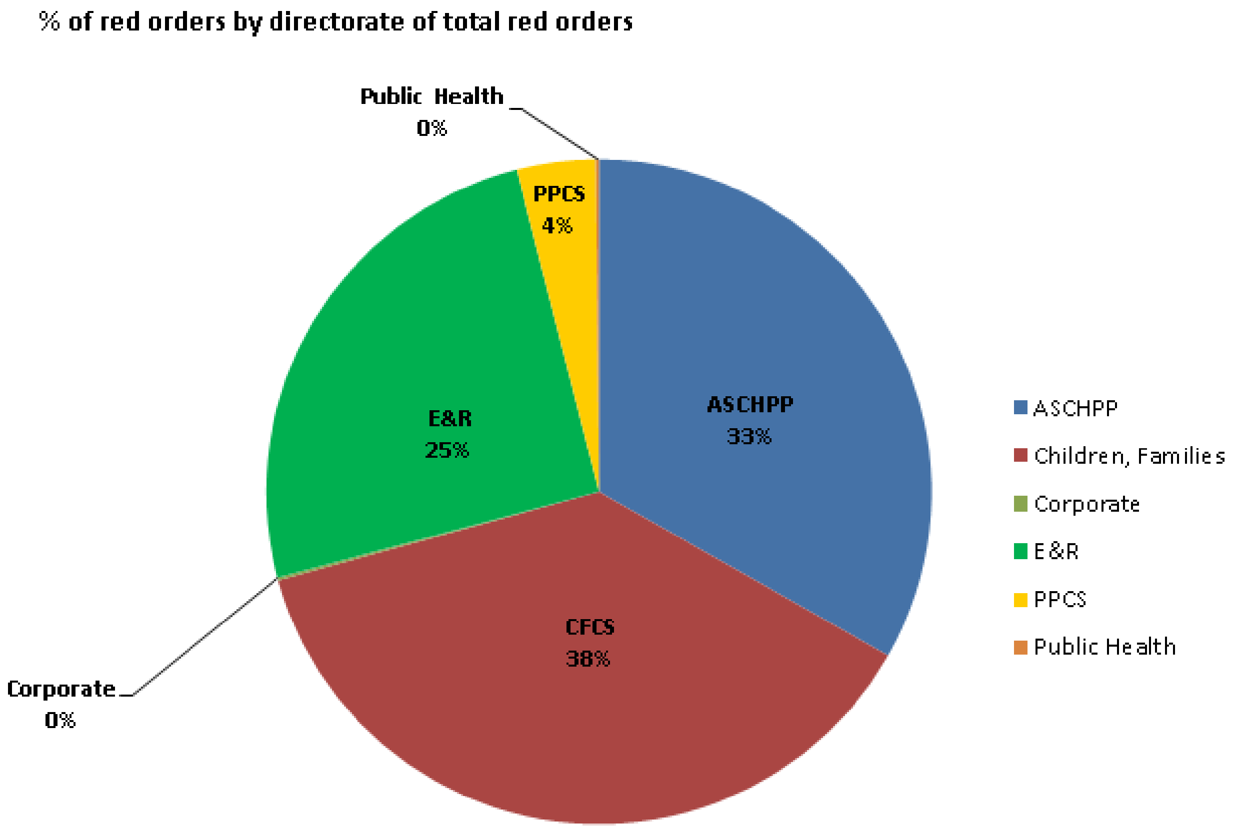
Portfolio	Apr-14	May-15	Jun-15	Jul-15
Adult Social Care, Health and Public Protection	457	349	360	377
Children, Families and Cultural Services	649	496	503	501
Corporate	3	9	0	2
Environment and Resources	521	469	527	426
Policy, Planning and Corporate Services	73	77	71	65
Public Health	2	1	0	5

70. The table below shows the percentage of retrospective spent of each directorates total spent.

	Total Spend	Retrospective Spend	Percentage
Adult Social Care, Health and Public Protection	73,135,731.79	£7,005,636.17	9.58%
Children, Families and Cultural Services	45,554,162.90	£6,873,262.24	15.09%
Environment and Resources	80,194,278.24	£24,573,590.08	30.64%
Policy, Planning and Corporate Services	7,617,828.88	£696,893.27	9.15%
Corporate	8,638,434.76	£1,630,039.55	18.87%
Public Health	10,285,262.84	£6,355.69	0.06%

71. Purchase orders themselves are split into green and red orders. Green orders are those which are raised with the Procurement Centre’s pre-arranged agreements or contracted suppliers. Red orders are those that do not have approved suppliers or contracts set up on BMS, and require additional work.

72. The chart below identifies the percentage of total red orders by Directorate in the first quarter of 2015/16 financial year.



73. The category managers are working with stakeholders to address these figures.

74. A full list of ongoing developments within the Procurement Team is included in Appendix A.

Debt Recovery Performance

75. The overall debt has increased by over £5.90m from period 2, with the vast majority of the increase being in the Non-Statutory debt which accounted for a £5.86m raise. This increase was attributable to an increase in the invoices raised in the period of £8.65m, on period 2. The over 6 months debt increased by £106,000 in the period, with £65,000 increasing within the Non-Statutory debt. The increase in Non-Statutory over 6 months debt was the result of 2 large invoices raised for Catering. Over £100,000 is expected in payments within the next 2 weeks which should decrease the Non-Statutory over 6 months debt during quarter 2.

76. During the first quarter we have received repayment of £3,558 following High Court action, £698 from 3rd Party Debt Collection agencies and £66,713 following other legal action.

77. Debts of £91,669 were written off as unrecoverable in the quarter following all possible legal action.

Invoices raised in quarter

	Qtr 1	Year to date
Number	38,289	38,289
Value	£39,456,285	£39,456,285

Debt Position at 30/6/15

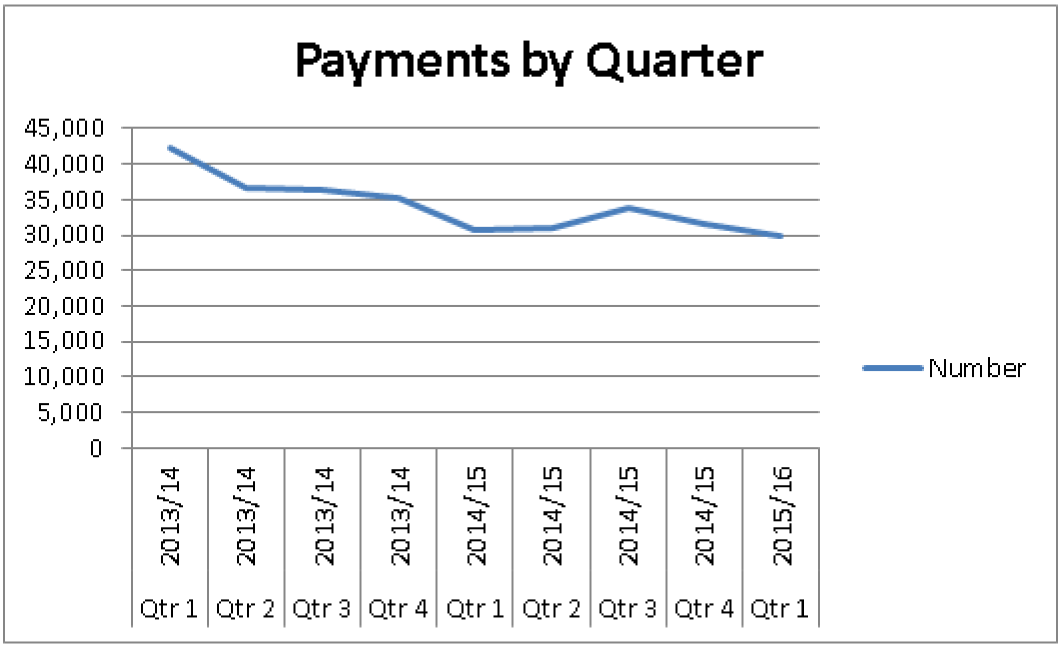
	Statutory	Non-Statutory	Total
Total	£8,795,788	£15,799,615	£24,595,103
Over 6 months	£4,148,718	£896,088	£5,044,805
% over 6 months	47.2%	5.7%	20.5%

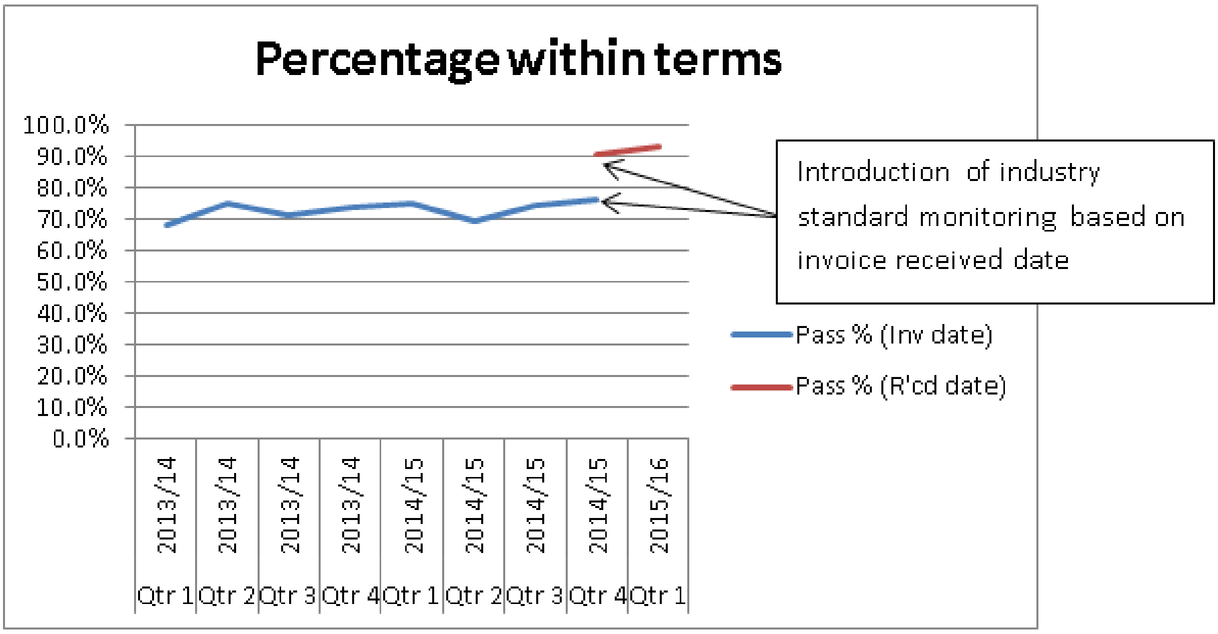
Accounts Payable (AP) Performance

78. As part of the procure to pay (P2P) project a review of how payment within terms performance is measured has been undertaken. Following agreement with the Project Sponsors, the Service Directors for HR & Customer Services and Finance & Procurement we have introduced the Government and Public Sector standard of measuring payment within terms which is to base performance on the date the invoice is received into the Accounts Payable team. Based on this measure the percentage of invoices paid within contractual terms is 93%.

79. The graphs below show that the number of invoices processed by Accounts Payable has fallen gradually. Much of the recent fall is due to the introduction of the Managed Service Provider (MSP) for Agency staff. This replaces a large number of small value invoices with one consolidated weekly invoice for all staff operating under the MSP.

80. As part of the P2P project, two Procure to Pay pilot hubs have been established and went live in May 2015. The Hubs operate within the business support function providing a dedicated procure to pay service within the ASCH&PP and CFCS departments at Lawn View House and Sir John Robinson Way. The benefits of the Hubs will be improved access to compliant sources of supply, greater contract compliance, greater visibility and control and a further improvement in payment processing efficiency.





Statutory and Policy Implications

81. 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

1) To note the revenue budget expenditure to date and year end forecasts

2) To approve the contingency request

3) To note the Capital Programme expenditure to date and year end forecasts and approve variances to the Capital Programme

4) To note the Council's Balance Sheet transactions

5) To note the performance of the Procurement Team

6) To note the performance of the Accounts Payable and Accounts Receivable teams

Nigel Stevenson Service Director – Finance & Procurement

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

Constitutional Comments (HD 04/09/15)

82. Committee has the authority to determine recommendations within the report.

Financial Comments (GB 04/09/2015)

83. The financial implications are stated within the report itself.

Background Papers and Published Documents

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

- 'None'

Electoral Division(s) and Member(s) Affected

'All'