Nottinghamshire County Council

Report to Finance and Property Committee

23 February 2015

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE AND PROCUREMENT

FINANCIAL MONITORING REPORT: PERIOD 9 2014/2015

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. To inform Members of progress against savings.
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 Accounts Payable and Accounts Receivable teams.

Information and Advice

Background

6. The Council approved the 2014/15 budget at its meeting on 27 February 2014. 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

7. Table 1 below summarises the revenue budgets and forecast outturn for each Committee. An underspend of £3.3m 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 9

Forecast Variance as at Period 8 £'000	Committee	Annual Budget £'000	Actual to Period 9 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
171	Children & Young People	148,320	95,077	148,342	22
(2,910)	Adult Social Care & Health	216,319	167,873	213,206	(3,113)
(1,017)	Transport & Highways	61,143	43,720	59,891	(1,252)
(93)	Environment & Sustainability	31,075	21,362	30,900	(175)
52	Community Safety	3,039	1,847	3,201	162
133	Culture	13,377	10,676	13,452	75
(2,389)	Policy	27,099	19,618	24,259	(2,840)
(692)	Finance & Property	33,506	36,367	32,562	(944)
(183)	Personnel	3,051	860	2,803	(248)
-	Economic Development	1,357	894	1,340	(17)
(1,423)	Public Health	1,687	(4,129)	(1,015)	(2,702)
(8,351)	**Net Committee (under)/overspend**	**539,973**	**394,165**	**528,941**	**(11,032)**
109	Central items	(10,676)	(36,494)	(8,403)	2,273
-	Schools Expenditure	289	289	289	-
51	Contribution to/(from) Traders	(314)	2,491	(314)	-
(8,191)	**Forecast prior to use of reserves**	**529,272**	**360,451**	**520,513**	**(8,759)**
4,403	Transfer to / (from) Corporate Reserves	(10,332)	(1,991)	(6,960)	3,372
672	Transfer to / (from) Departmental Reserves	(9,494)	(260)	(7,375)	2,119
-	Transfer to / (from) General Fund	(5,184)	-	(5,184)	-
(3,116)	**Net County Council Budget Requirement**	**504,262**	**358,200**	**500,994**	**(3,268)**

Committee and Central Items

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

Adult Social Care & Health (forecast £3.1m underspend)

9. The Deputy Director division is currently reporting a net underspend of £2.8m which is comprised of the following:
   - Deputy Director is forecasting an underspend of £0.1m. This relates to the unallocated budget offset by the recharge income of £0.1m from Public Health. As no usage has been identified, both are now forecast as unspent / unachieved.
   - Strategic Commissioning are forecasting an underspend of £1.2m. This is due to the continued reduction in contracts throughout Early Intervention and Prevention services of £0.9m and an underspend on Assistive Technology equipment of £0.1m which is partly offset by unbudgeted contract payments against the Emergency Night Service of £0.3m.
   - Day Services and Employment are forecasting an underspend of £1.1m of which £1.0m relates to underspends across staffing lines within day services. County Enterprise Foods are still showing a £0.3m underspend due partly to staffing vacancies, but also to additional unbudgeted income from Nottingham City Council and Sweden. This is mitigated by the £0.6m known transport overspend.

- Residential Services are forecasting an underspend of £1.3m. This primarily relates to staffing vacancies and under-utilisation of absence cover within the Care & Support Centres of £0.9m, plus additional Health Income of £0.2m. Additional budget for 1:1 care has resulted in the Short Breaks Units now forecasting an underspend of £0.3m.
- Use of reserves across the service is £0.9m less than budget due to the reduced contract spend throughout Strategic Commissioning.

10. The Access & Public Protection Division is currently forecasting a net overspend of £0.7m against the base budget. This is an increase of £0.2m due to agency spend within Business support and the Data input team and is comprised of the following:
    - There remains an overspend of £0.1m on salaries within the Safeguarding Adults Team.
    - Client Contribution income is still forecasting a shortfall of £1.4m. This is due to reduced income following a large switch from Homecare to Direct Payments and the loss of some Self Funders.
    - These overspends are partially offset by underspends on software within the Framework Team of £0.1m, the Market Development Team of £0.1m and the Business Support function of £0.6m,
    - Use of reserves across the service is £0.1m less than budget due to vacant posts.

11. The North and South Divisions are currently forecasting a combined underspend of £1.3m. The major variances across the divisions are as follows:

    - Older Adults across the County are currently reporting an underspend of £1.6m.
    - Younger Adults across the County are currently reporting a breakeven position.
    - Expenditure under the remit of Service Directors, Principal Social Worker and the Care Act Team costs are reporting an overspend of £1.9m of which £1.6m relates to S.256 expenditure funded from reserve.

12. The above forecast currently includes £0.9m for anticipated Transitions and Predicted needs. This is a £0.2m reduction on what was reported at period 8, and is expected to reduce month on month until year end.

13. The forecast also includes an estimate of £1.5m for assessments that are in the system but have not yet been completed. There is therefore some uncertainty over this forecast and efforts are being made to complete the backlog of assessments as soon as possible.

14. In January the Department for Health (DH) announced a total of £24.945m in extra funding for 65 authorities to help address the current pressures on acute hospitals, as a result of delayed discharges to social care. This was based on an analysis of delayed transfers of care attributed to social care for acute and general beds in hospitals serving each local authority. Councils receiving funding were selected if delayed days, as a proportion of available general and acute hospital beds serving the authority, equated to more than 0.5%.

15. On this basis, delayed transfer of care in Nottinghamshire did not breach this limit and the Council was therefore not allocated any additional funding. However, the argument that all authorities are under intense pressure and should receive additional funding was made to Central Government and after intense discussions, further support has been agreed, of which the Council has been allocated £230,000. The additional funding is intended to provide

support for extra re-ablement and intermediate social care packages, in order to reduce pressures on acute hospitals.

Transport & Highways (forecast £1.3m underspend)

16. This forecast underspend is due mainly to:

- A forecast net underspend on Highways of £0.3m due to underspends on salaries (£0.5m), additional S38 / S278 Income (£0.2m) and Street Lighting Energy (£0.3m). In addition, a shortage of sub-contractors is limiting expenditure on carriageway and footway patching (£0.2m). These are offset by overspends on Trees and Hedges (£0.3m); Verges (£0.2m) and Road Studs and Markings (£0.1m). It is proposed to use underspends from revenue budgets to offset demand led overspends rather than using reserves. Compensation payments estimated at £0.3m are due to businesses affected by tram works and this is now factored into the Highways forecast.
- An underspend of £0.6m on Concessionary Fares due to a delay in the introduction of new tram lines and agreements with Operators, showing a saving due to a slight downturn in passenger trips and tight control of scheme management costs.
- A £0.2m saving on Local Bus Services due to a part year effect of August re-tendering. Some services are being re-instated from January following a review of services and are incorporated in these figures.
- There is an underspend on Salaries and Service Development of £0.1m due to the OBC savings being achieved in 2014/15, rather than over two years, and through reduced consultancy fees. In addition there is a reduction in the costs associated with Smartcard ticketing (£0.1m).

Policy (forecast £2.8m underspend)

17. This underspending is mainly due (£1.9m) to a reduction in the use of external agencies in legal services as a consequence of the digital working and efficiency programme and staff vacancies across the division, together with savings in Members and Civic Services relating to hospitality, running costs and income.

18. A further £0.9m of this net underspending is due to slippage on the Ways of Working Programme, particularly in the area of ICT, together with an underspending against the Transformation Programme which will be offset by a reduced use of the Corporate Reserve in 2014/15.

Finance & Property (forecast £0.9m underspend)

19. This forecast underspend is due to:

- The net underspending within Finance and Procurement of £0.2m relating to staff vacancies partially offset by the cost of agency staff and a reduction in purchasing rebates.
- Property is forecasting an underspending of £0.4m due to achievement of savings and over-recovery of Estates income.
- A County Offices and Facilities Management underspend of £0.3m is due to early achievement of 2015/16 savings from the closure of buildings and efficiency savings.

Public Health (forecast £2.7m underspend)

20. This forecast underspend is due mainly to:

- There is an overall underspend of £0.4m in Obesity and Physical activity due to the retendering exercise not proceeding in October, with the consequent extensions of current contracts until the end of the financial year. £0.2m of the underspending relates to low activity to date within the health check programmes.
- The Health Check Programmes budget is forecast to underspend by £0.2m due to low activity to date.
- The Smoking and Tobacco programme is forecasting an underspend of £0.9m due to savings relating to GP and Pharmacy providers for Stop Smoking Services, together with an overstated adjustment in the current year's accounts for expenditure relating to Prescribing in 2013/14.
- With regard to Substance Misuse a saving of £1.2m has arisen following a full review of contractual commitments in period 9 that identified the double-counting of a contract for the second six months of the financial year following the retendering process in September 2014.

21. The overall County Council forecast assumes that this net underspend will be transferred to the Public Health reserve.

22. Members will recall that a net transfer of £1,085,330 is required from the Public Health grant to CCGs to cover the budget setting anomalies for 2014/15. The anticipated change to the Public Health grant as a result of these funding miscalculations by NHS England is likely to affect the planned delivery of budget reductions for Public Health. Discussions are being held with the Public Health Committee on all aspects of the Public Health Outcomes programme.

23. The Department of Health is undertaking a data collection to identify all funding transfers in response to baseline errors in the PH grant. This review will confirm the current position and agree a long-term solution that avoids the need for recurrent transfers between partners. This may result in the recalculation of the local Public Health grant to exclude the excess funding.

Central Items (Forecast £2.7m overspend)

24. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and movements on reserves.

25. Interest payments fluctuate depending on expectations of future rates and anticipated slippage on the capital programme. Current forecasts suggest a net overspend on interest of £1.9m, further information is included in the Treasury Management update later in this report. The capital programme spending profile has been refreshed as part of the budget process. As such the current year's Minimum Revenue Provision and depreciation charged to the general fund is expected to be £1.3m higher than initial estimates.

26. At the time of setting the 2014/15 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. Throughout the year confirmations are received, and current forecasts suggest a net increase of £0.4m will be received in 2014/15.

27. The Council's budget includes a contingency of £4.1m to cover redundancy costs, slippage of savings and unforeseen events. Several schemes have been approved in the year to date and there is currently £2.3m remaining in the contingency budget. Table 1 assumes that this will be used before year end as further new requests are likely to emerge.

Transfer to / (from) reserves

28. As previously reported work is ongoing to identify surplus departmental reserves that may be released to support the budget. There is still a possibility that the levels assumed when the budget was set may not be achieved and this position is reflected in Table 1 above.

29. As reported under Policy Committee, there is slippage in the transformation programme and Ways of Working which are funded by Corporate Reserves. To match the slippage there is an corresponding reduction in the use of reserves.

Progress with savings

30. Given the continued financial challenge that the Council is facing, savings schemes were approved as part of the 2014/15 budget process with further proposals currently being considered for 2015/16 onwards.

31. As at period 9, current year slippage of £0.8m has been identified across 3 of the high governance savings projects, although across the three year timeframe, the savings are expected to be delivered in full. A number of actions are being taken to address this and officers will continue to monitor the deliverability of individual targets as part of the budget monitoring process. Achievability will be reflected in the forecast outturn. A full list of savings with current status is provided at Appendix A.

Capital Programme

32. Table 2 summarises changes in the gross Capital Programme for 2014/15 since approval of the original programme in the Budget Report (Council 27/02/14):

Table 2 – Revised Capital Programme for 2014/15

	2014/15 £'000	2014/15 £'000
Approved per Council (Budget Report 2014/15)		112,593
Variations funded from County Council Allocations :		
Net slippage from 2013/14 and financing adjustments	17,761	
Approved variations to January F&P Committee	(11,897)	
		5,864
Variations funded from other sources :		
Net slippage from 2013/14 and financing adjustments	6,800	
Approved variations to January F&P Committee	1,314	
		8,114
Revised Gross Capital Programme		**126,571**

33. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 9.

Table 3 – Capital Expenditure and Forecasts as at Period 9

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 9 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	54,303	26,091	38,629	(15,674)
Adult Social Care & Health	2,087	18	1,765	(322)
Transport & Highways	41,990	22,940	35,756	(6,234)
Environment & Sustainability	2,499	1,322	2,419	(80)
Community Safety	4	(1)	4	-
Culture	4,602	2,901	4,098	(504)
Policy	2,994	1,764	3,396	402
Finance & Property	10,799	5,348	11,405	606
Personnel	1,973	1,671	1,903	(70)
Economic Development	5,320	2,091	5,336	16
Contingency	-	-	-	-
Total	**126,571**	**64,145**	**104,711**	**(21,860)**

34. In the Children and Young People's Committee, there is a total forecast underspend of £15.7m. This is mainly as a result of slippage against the following schemes:

35. Forecast slippage totalling £12.0m has been identified against the School Capital Refurbishment Programme (SCRP). This is as a result of a number of projects being placed on hold as the Council awaits the outcome of the Priority School Building Programme 2 bidding process (£3.9m), a number of Academy projects slipping hence delays in the Council's contributions to these schemes (£0.6m), savings made against completed SCRP projects (£1.7m), access and other issues that have delayed elements of the SCRP4 programme.

36. Forecast slippage totalling £2.9m has also been identified against the School Places programme. This is mainly as a result of savings made against completed projects (£1.1m) and delayed contributions to Academy projects (£0.5m). Any remaining slippage relates to the 2015 School Places programme where associated expenditure will be incurred in 2015/16.

37. It is proposed that the Children and Young People's Capital Programme is adjusted as part of the 2015/16 Budget Report to Full Council to reflect that identified slippage will be fully utilised to fund recognised priority school capital projects.

38. Also, in the Children and Young People's Committee, a forecast underspend of £0.4m has been identified against the Short Breaks Capital Programme. This is mainly as a result of an identified contribution to the Edwinstowe Respite Centre project which will not now be required until 2015/16.

39. In the Adult Social Care and Health Committee, a forecast underspend of £0.3m has been identified as a result of minor slippage on the Living at Home programme.

40. In the Transport and Highways Committee, there is a total forecast underspend of £6.2m. This is mainly as a result of slippage on a number of projects as described below:

41. The Hucknall Rolls Royce Development is forecast to incur only minimal preparatory costs in 2014/15. Slippage totalling £3.1m has been identified as the project will now be on site during 2015/16.

42. Work is on-going to secure the Department for Transport funding in support of the Hucknall Town Centre Improvement Scheme. Although progress is being made, only minimal expenditure is forecast to be incurred in this financial resulting in slippage of £3.3m into 2015/16.

43. Also in the Transport and Highways capital programme a forecast slippage totalling £0.3m has been identified against the Street Lighting Renewal programme as a result of technical design issues.

44. The slippage identified in the Transport and Highways Committee is offset by over-programming of £0.9m in the Local Transport Plan and Road Maintenance and Renewal programmes. Work is on-going to drive these forecast overspends down and to manage within approved budgets.

45. In the Culture Committee, a forecast underspend totalling £0.5m has been identified which mainly relates to minor slippage on a small number of library projects as well as a forecast underspend (£0.1m) against the Nottinghamshire Archives Extension project.

46. In the Policy Committee, a forecast 2014/15 overspend totalling £0.4m has been identified against the Ways of Working programme. This is as a result of an error in the Period 8 forecast calculations.

47. In the Finance and Property Committee, a forecast overspend totalling £0.6m has been identified which mainly relates to additional forecast expenditure (£1.2m) against the Planned Maintenance programme relating to urgent works at Sir John Robinson House. This is partially offset by forecast underspends against the Business Management System (£0.2m), the Boiler Replacement Programme (£0.1m) and the Stapleford Boundary Wall (£0.2m).

48. Also, in the Finance and Property Committee, there is an opportunity to agree revised tenancy arrangements at Top Wighay Farm. Further details of these arrangements are detailed in a separate report to this meeting.

    It is proposed that the Finance and Property capital programme is varied by £0.265m, funded from capital contingency, to reflect the revised tenancy arrangements as described above.

49. The capital programme will be re-aligned as part of the Budget Report to Full Council in February 2015 to fully reflect the current forecast expenditure profile.

Financing the Approved Capital Programme

50. Table 4 summarises the financing of the overall approved Capital Programme for 2014/15.

Table 4 – Financing of the Approved Capital Programme for 2014/15

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	19,071	21,344	-	13,888	54,303
Adult Social Care & Health	2,029	13	45	-	2,087
Transport & Highways	13,466	25,727	-	2,797	41,990
Environment & Sustainability	1,236	763	500	-	2,499
Community Safety	4	-	-	-	4
Culture	3,129	530	-	943	4,602
Policy	1,494	-	-	1,500	2,994
Finance & Property	8,337	50	1,900	512	10,799
Personnel	-	1,801	-	172	1,973
Economic Development	527	4,793	-	-	5,320
Contingency	-	-	-	-	-
Total	**49,293**	**55,021**	**2,445**	**19,812**	**126,571**

51. It is anticipated that borrowing for capital purposes in 2014/15 will decrease by £12.4m from the forecast in the Budget Report 2014/15 (Council 27/02/2014). This decrease is primarily a consequence of:

- £17.8m of net slippage from 2013/14 to 2014/15 and financing adjustments funded by capital allocations.
- Variations to the 2014/15 capital programme funded from capital allocations totalling £11.9m as approved to the January Finance and Property Committee.
- Net slippage in 2014/15 of £18.3 of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

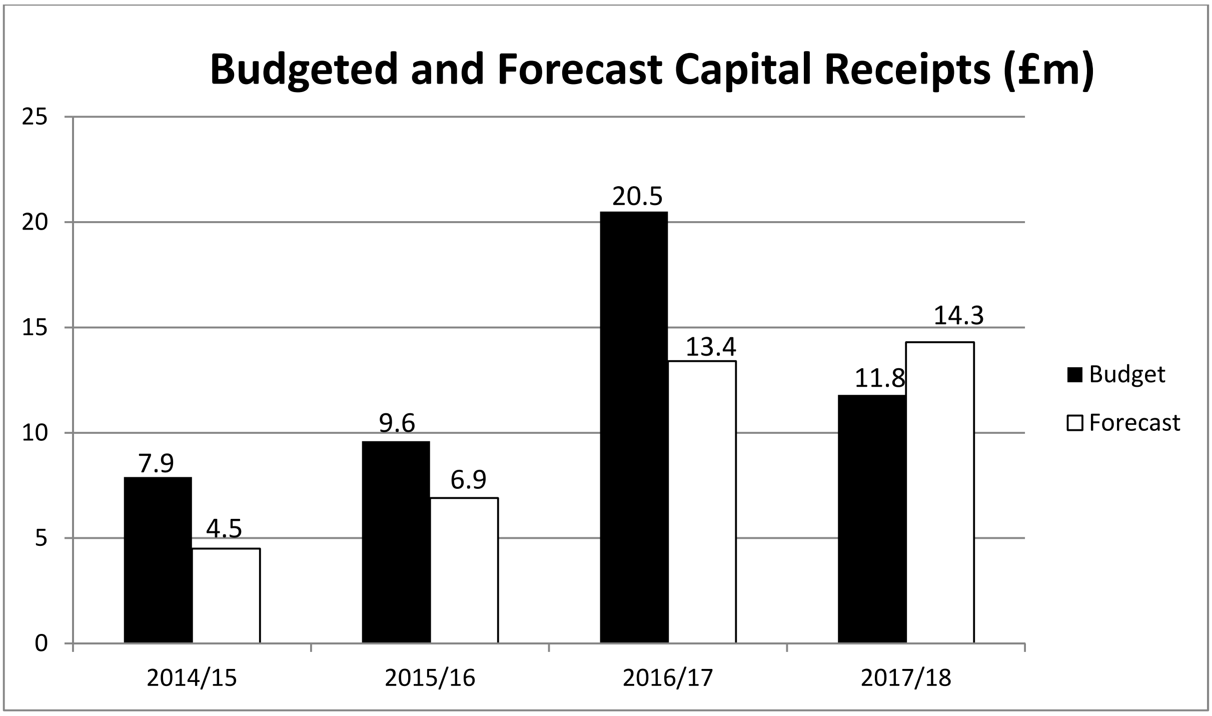
Prudential Indicator Monitoring

52. 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

53. 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.

54. The chart below shows the budgeted and forecast capital receipts for the four years to 2017/18.



55. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2014/15 (Council 27/02/2014). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery.

56. The capital receipt forecast for 2014/15 is £4.5m which is £3.4m less than the budgeted capital receipts as a result of slippage. To date in 2014/15, capital receipts totalling £1.9m have been received.

57. 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 revised 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.

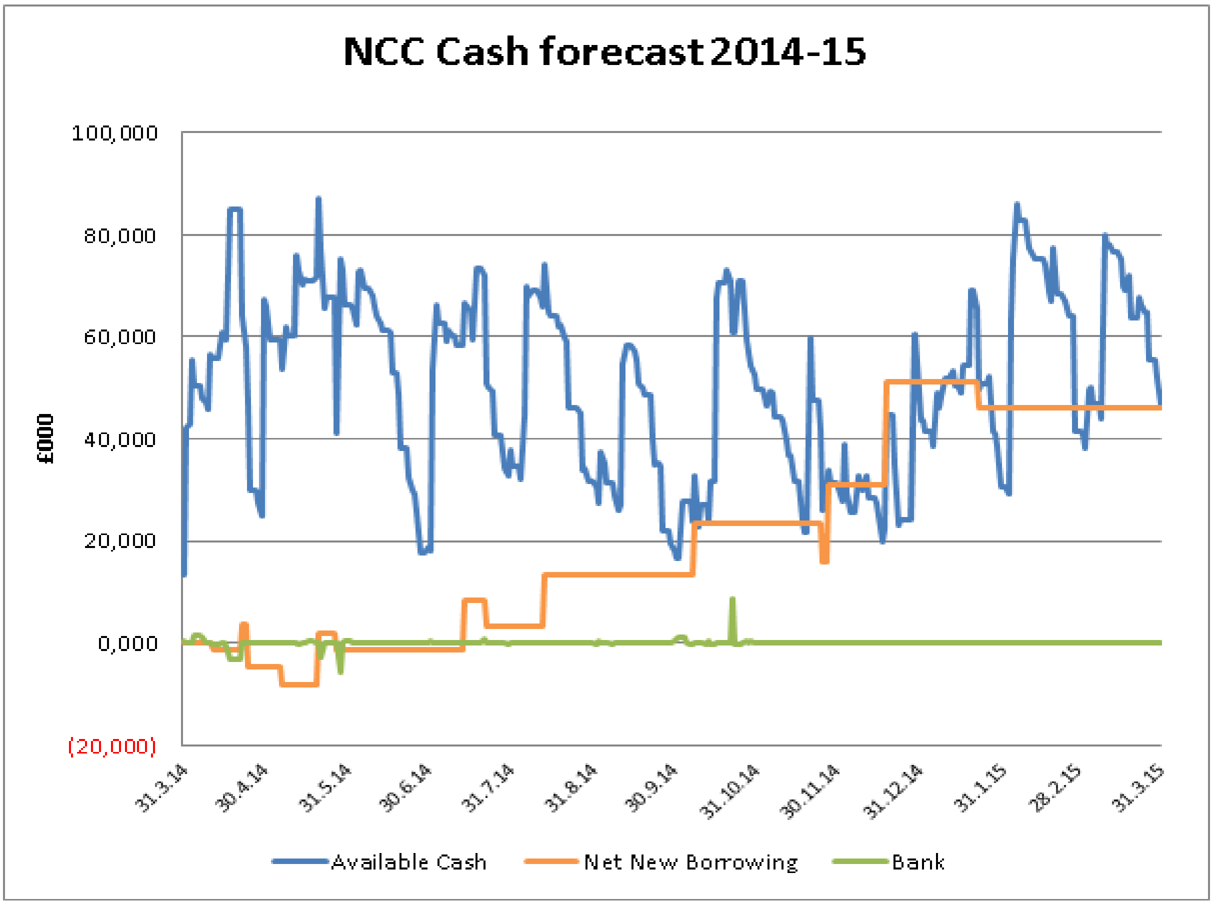
    Current Council policy (Budget Report 2014/15) is to set capital receipts against the principal of previous years’ borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be set aside each year. It is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

Balance Sheet
General Fund Balance

58. Members approved the 2013/14 closing General Fund Balance of £29.1m at Council 26 June 2014. The 2014/15 budget approves utilisation of £5.2m of balances which will result in a closing balance of £23.9m at the end of the current financial year. This is 4.7% of the budget requirement. Should an underspend result at year end, the required use of reserves will reduce, which will ensure balances are available to fund future years’ expenditure.

Treasury Management

59. 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. The higher cash balances towards the end of the year are largely as a result of the net new borrowing.



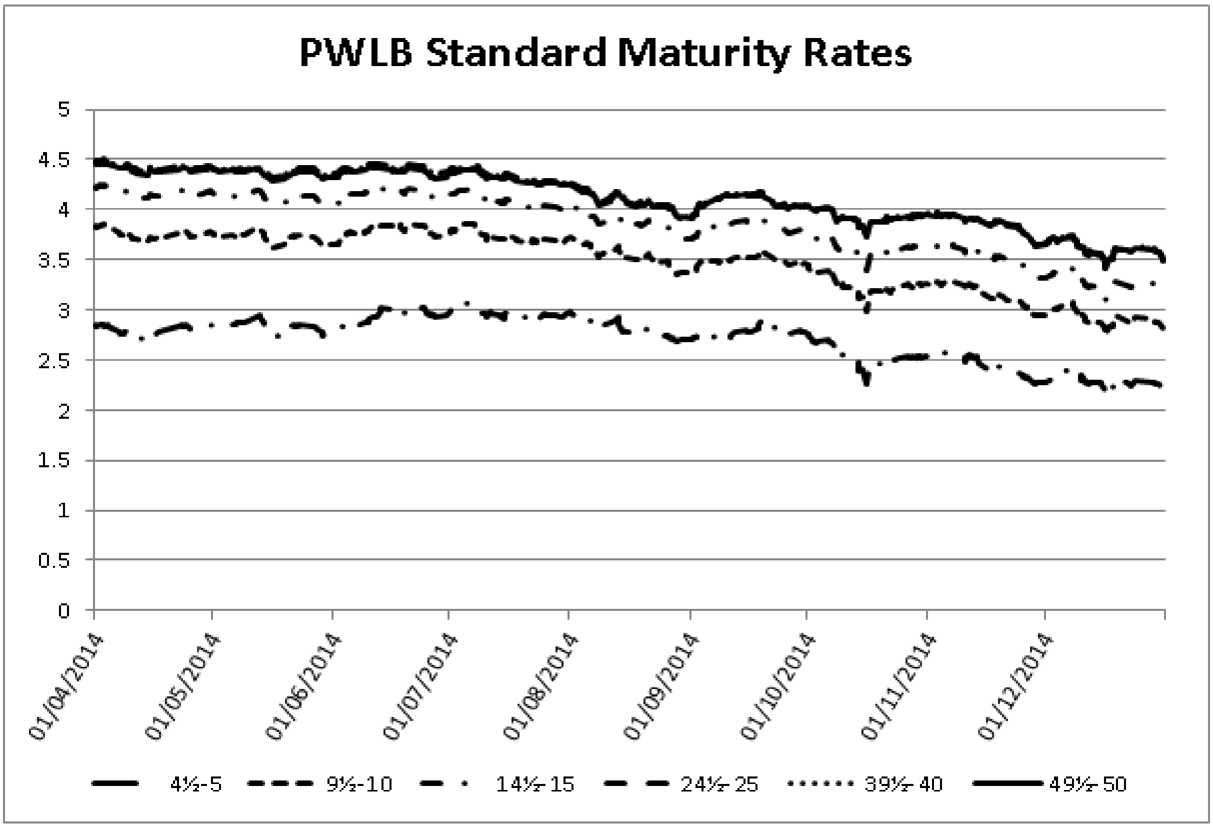
60. The chart above gives the following information:

Bank balance	Daily cleared balance across the pooled bank accounts.
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.

61. Daily cash management 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 net new borrowing shown above includes new loans from PWLB and another local authority as shown below.

Source	Date	New Borrowing (£ 000's)	Period	Rate
Other LA	April 2014	5,000	4 years	2.08%
PWLB	May 2014	5,000	23 years	4.12%
PWLB	May 2014	5,000	24 years	4.13%
PWLB	July 2014	10,000	25 years	4.14%
PWLB	August 2014	10,000	26 years	3.92%
PWLB	October 2014	10,000	27 years	3.83%
PWLB	November 2014	10,000	27 years	3.59%
PWLB	November 2014	5,000	23 years	3.54%
PWLB	December 2014	10,000	37 years	3.32%
PWLB	December 2014	10,000	38 years	3.32%
		80,000		

62. PWLB rates have been monitored closely during the year and new borrowing has been taken when rates have decreased. As the year has progressed, longer term rates have continued to fall and this has enabled the additional borrowing to be taken to minimise long term interest cost. The chart below shows the movement in standard PWLB maturity rates during 2014/15 (the Council is able to take advantage of the PWLB "certainty rate" which is 0.2% below the standard rates).

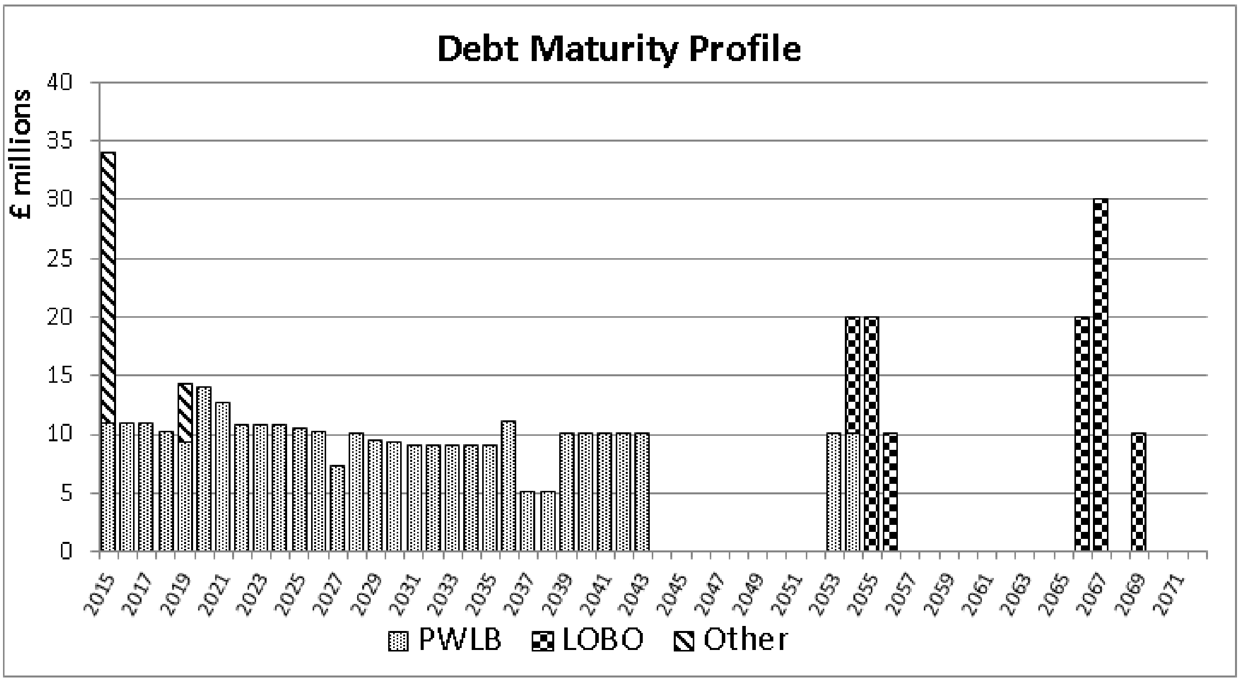


63. The Treasury Management Strategy for 2014/15 identified a need for additional borrowing of £67m to fund the capital programme, replenish internal balances and to replace maturing debt. Short term borrowing was used towards the end of 2013/14 to minimise interest costs and so additional long term borrowing of £21m needs to be factored in to the 2014/15 strategy.

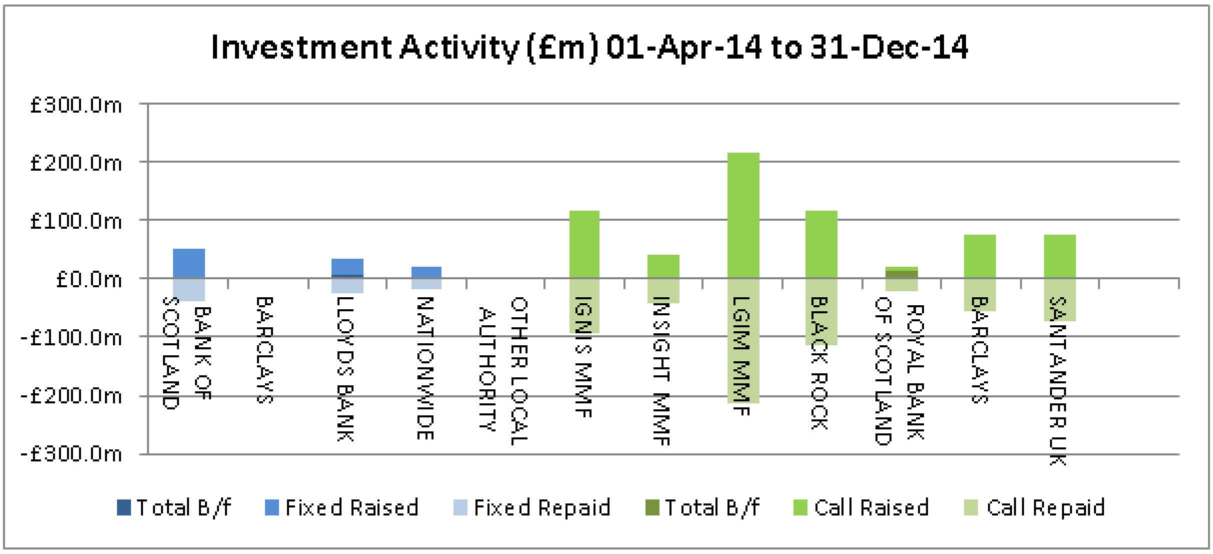
64. Borrowing decisions will take account of a number of factors including:

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

65. Additional borrowing is likely to be undertaken before the year end. 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). The 'other' loans denote 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



66. The investment activity for 2014/15 to the end of December 2014 is summarised in the chart and table below. Outstanding investment balances totalled £23m at the start of the year and £63.3m at the end of the period. This increase reflects the forecast cash flow profile for the year and the net new borrowing.



	Total B/F £ 000	Total Raised £ 000	Total Repaid £ 000	Outstanding £ 000
BANK OF SCOTLAND	-	50,000	-40,000	10,000
BARCLAYS	-	-	-	-
LLOYDS BANK	8,000	25,000	-25,000	8,000
NATIONWIDE	-	19,000	-19,000	-
OTHER LOCAL AUTHORITY	1,500	-	-	1,500
IGNIS MMF	-	116,450	-93,950	22,500
INSIGHT MMF	-	41,850	-41,850	-
LGIM MMF	-	216,050	-214,300	1,750
BLACK ROCK	-	114,810	-114,810	-
ROYAL BANK OF SCOTLAND	13,500	6,500	-20,000	-
BARCLAYS	-	73,950	-54,400	19,550
SANTANDER UK	-	74,450	-74,450	-
	23,000	**738,060**	**-697,760**	**63,300**

67. The new banking arrangements with Barclays Bank went live on 1 October 2014 as a result of the successful tender following the decision by the Co-operative Bank to withdraw from providing banking services to local authorities. All Co-operative Bank accounts are now closed apart for the main General Account. This will be closed shortly once the final fees and charges have been agreed.

Debt Recovery Performance

68. The overall debt has decreased from Period 8 by £4.8M. This is due to a decrease in the Non Statutory debt following an increased level of collection in this sector. The over 6 months debt has decreased by over £48,000 on period 8.

Invoices raised

	Quarter 3	Year to date
Number	48,825	143,069
Value	£47,338,297	£134,733,728

Debt Position

	Statutory	Non- Statutory	Total
Total	£6,978,028	£8,853,396	£15,831,425
Over 6 months	£4,411,080	£967,140	£5,378,221
% over 6 months	63.2%	10.9%	34.0%

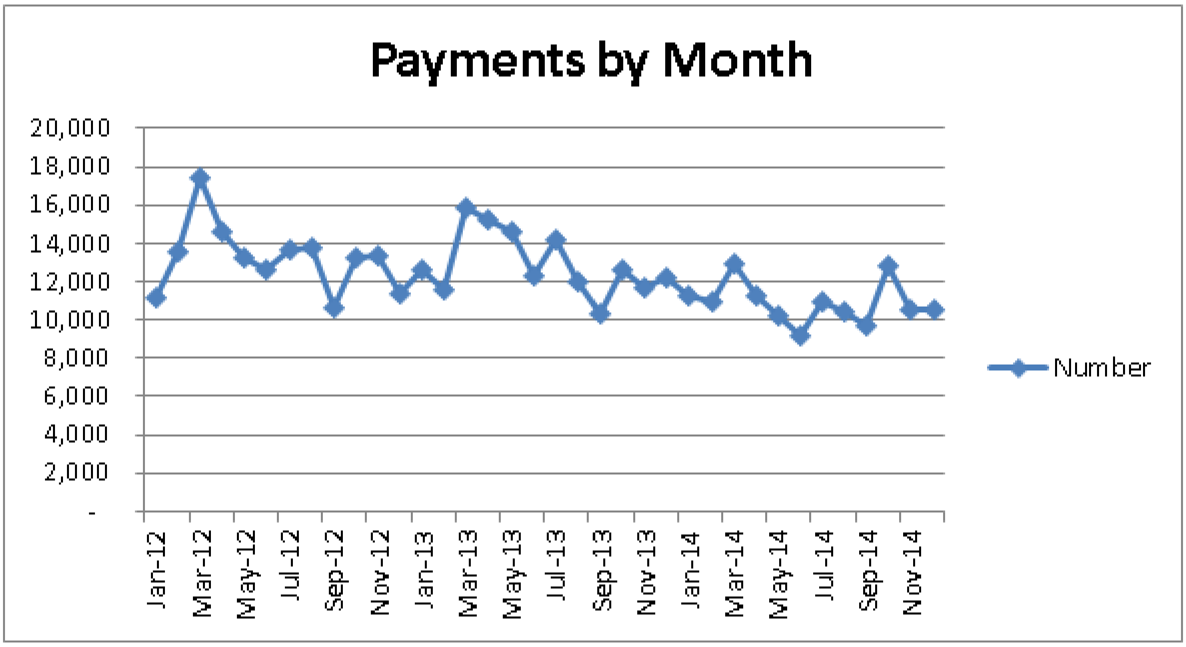
Accounts Payable (AP) Performance

69. The payment within terms figure for December is 77.9% of 10,542 invoices paid. This is a good improvement as payment within terms in previous months had fallen below 70%. Efforts were made to improve the performance in the quarter to December with regular reports of outstanding invoices still with business users being produced. These were circulated and AP and other staff contacted business users to assist with any issues that were delaying approval for payment. This work seems to have been effective with numbers and performance both increasing.

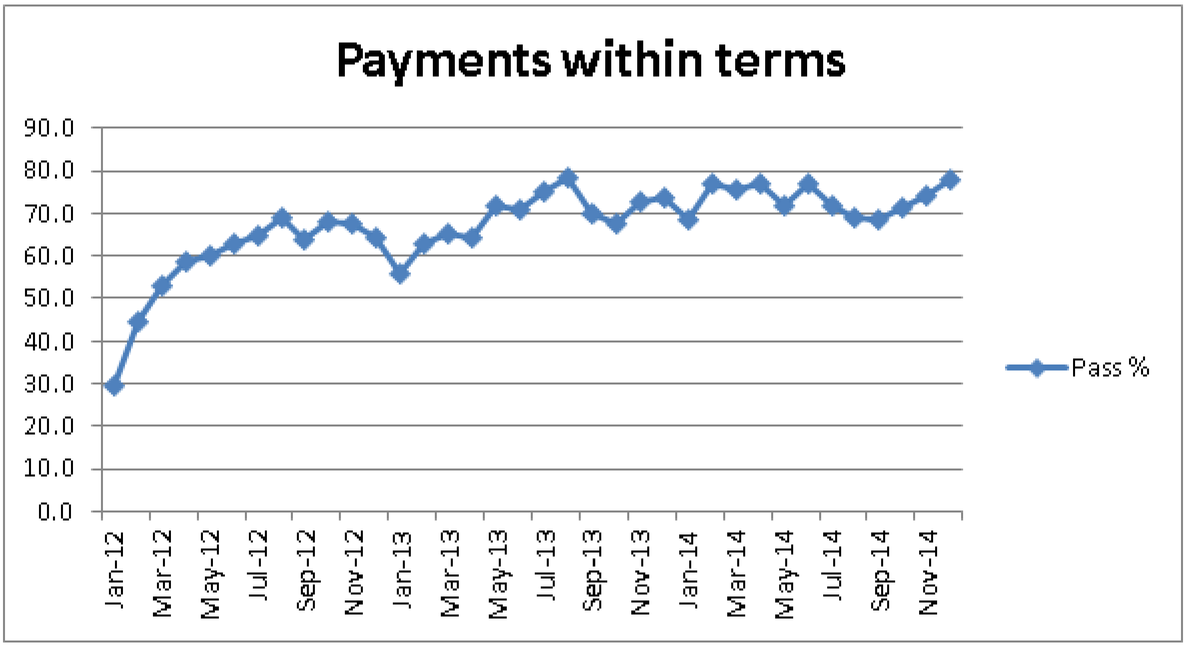
70. As previously reported there are a number of issues which affect payment performance:-

- Ongoing non-compliance with processes and procedures by both business and our suppliers – invoices sent to the business and not direct to AP, failure to comply with the Authority's policy of no purchase order no pay etc. These issues are being addressed as part of the Procure to Pay Project Phase 2 which is now underway. The project team will engage with AP staff, Corporate Procurement, Business Users and Suppliers to simplify and standardise processes and result in an improvement to performance
- The move to engagement of agency staff via Reed Global, the appointed MSP (Managed Service Provider) went live in November 2014 and the phased implementation of revised order, goods receipting and invoicing processes for Agency staff suppliers should radically improve payment within terms for this area of spend. Work is continuing to wind down previous arrangements and clearing old invoices as final accounts are reconciled. This should be completed by the end of January and from this time we should start to see the benefits of a move to the MSP filter through into the payment within term performance.
- Since mid-October the open items report which details outstanding invoices still with departmental business users has been sent out to on a fortnightly basis. In addition AP and other staff will continue to contact business users to assist with any issues that are delaying approval for payment.

Payments Processed



Payment Performance



Statutory and Policy Implications

71. 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 note the progress with savings

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 quarter three performance of the Accounts Payable and Accounts Receivable teams.

Nigel Stevenson 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

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

Financial Comments (PM 26/01/15)

The financial implications are stated within the report itself and have been used to inform the Council's Medium Term Financial Strategy and Budget report to Council 26 February 2015.

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'