

Finance and Major Contracts Management Committee

Monday, 18 December 2017 at 14:00

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

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|---|--|---------|
| 1 | Minutes of the last meeting 20 Nov 2017 | 3 - 4 |
| 2 | Apologies for Absence | |
| 3 | Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary) | |
| 4 | Financial Monitoring Report Period 7 2017-18 | 5 - 24 |
| 5 | Restructure of the Procurement Service | 25 - 30 |
| 6 | Commercial Development Unit - Service Outcomes and Approval | 31 - 40 |
| 7 | Work Programme | 41 - 46 |

None

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.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Peter Barker (Tel. 0115 977 4416) or a colleague in Democratic Services prior to the meeting.

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

Meeting FINANCE AND MAJOR CONTRACTS MANAGEMENT COMMITTEE

Date 20 November 2017 (commencing at 2pm)

Membership

Persons absent are marked with an 'A'

COUNCILLORS

Richard Jackson (Chair)
Roger Jackson (Vice Chair)
John Ogle (Vice Chair)

John Clarke	Diana Meale
Keith Girling	Mike Pringle
Tom Hollis	Mike Quigley MBE
Eric Kerry	Andy Wetton

OFFICERS IN ATTENDANCE

Mick Allen	Group Manager – Place Commissioning
Pete Barker	Democratic Services Officer
Joanna Cooper	Interim Deputy Programme Director, Nottinghamshire STP
Jayne Francis-Ward	Corporate Director - Resources
Derek Higton	Service Director – Commissioning, Resources & Culture
Nigel Stevenson	Service Director - Finance, Procurement and Improvement

ALSO IN ATTENDANCE

David Gell – Gedling Borough Council

MINUTES OF THE LAST MEETING

An incorrect version of the minutes of the last meeting, held on 16 October 2017, was circulated with the reports in error. The correct version was circulated to all Members at the meeting, taken as read, confirmed, and signed by the Chair.

APOLOGIES FOR ABSENCE

No apologies for absence were received.

DECLARATIONS OF INTERESTS

Councillor Quigley declared a personal interest in item 5, 'Nottinghamshire County Council PFI Schools Management Contracts' because of his involvement with the Diverse Academies Trust and Diverse Academies Learning Partnership, which did not preclude him from speaking or voting on that item.

FINANCIAL MONITORING REPORT: PERIOD 6 2017/2018

RESOLVED: 2017/020

That the variations to the Capital Programme be approved.

NOTTINGHAMSHIRE COUNTY COUNCIL PFI SCHOOLS MANAGEMENT CONTRACTS

RESOLVED: 2017/021

That an update report be brought to a future meeting of the Committee.

BETTER CARE FUND POOLED BUDGET – Q2 2017/18 RECONCILIATION

RESOLVED: 2017/022

That no actions are required as a result of the report.

DISABLED FACILITIES GRANT (DFG) – PRESENTATION

David Gell from Gedling Borough Council gave a presentation on the Disabled Facilities Grant.

RESOLVED: 2017/023

That no actions are required as a result of the presentation.

WORK PROGRAMME

RESOLVED: 2017/024

That Committee receive an update report on the PFI schools management contracts.

The meeting closed at 3.07pm

CHAIR

18 December 2017

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE, PROCUREMENT AND IMPROVEMENT

FINANCIAL MONITORING REPORT: PERIOD 7 2017/18

Purpose of the Report

1. To provide a summary of the Committee revenue budgets for 2017/18.
2. To request approval for additional contingency requests.
3. To provide a summary of capital programme expenditure to date, year-end forecasts and approve the variations to the capital programme.
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.
6. To provide Members with an update from the Procurement Team.

Information and Advice

Background

7. The Council approved the 2017/18 budget at its meeting on 23 February 2017. As with previous financial years, progress updates will be closely monitored and reported to management and Committee each month.

Summary Revenue Position

8. The table below summarises the revenue budgets for each Committee for the current financial year. A £8.0m net underspend 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 – Summary Revenue Position

Forecast Variance as at Period 6 £'000	Committee	Annual Budget £'000	Actual to Period 7 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
152	Children & Young People	119,824	71,033	120,166	342
(1,352)	Adult Social Care & Public Health	209,548	105,038	207,745	(1,803)
(304)	Community & Place	126,228	82,685	126,241	13
301	Policy	34,547	25,115	34,475	(72)
(196)	Finance & Major Contracts Management	3,229	1,847	2,972	(257)
(54)	Governance & Ethics	7,209	4,148	7,156	(53)
(427)	Personnel	16,262	10,805	15,702	(560)
(1,880)	Net Committee (under)/overspend	516,847	300,671	514,457	(2,390)
(5,835)	Central items	(11,024)	(41,423)	(17,204)	(6,180)
	- Schools Expenditure	40	-	40	-
	- Contribution to/(from) Traders	208	1,665	208	-
(7,715)	Forecast prior to use of reserves	506,071	260,913	497,501	(8,570)
219	Transfer to / (from) Corporate Reserves	(15,066)	-	(14,753)	313
466	Transfer to / (from) Departmental Reserves	(10,226)	(693)	(9,985)	241
	- Transfer to / (from) General Fund	(5,500)	-	(5,500)	-
(7,030)	Net County Council Budget Requirement	475,279	260,220	467,263	(8,016)

Committee and Central Items

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

Adult Social Care & Public Health (forecast £1.8m underspend, 0.9% of annual budget)

9. The major variances on care packages are as follows :

- Older Adults across the County are forecasting an increased overspend of £2.9m. This is primarily due to increased Long Term Residential/Nursing placements. Though demand and average package costs are increasing for all services and while this can be contained in year, it is likely to present a pressure in future years.
- Younger Adults across the County are forecast to underspend by £1.9m, due primarily to increased Continuing Health Care income.
- Expenditure on Section 256 commitments is forecasting an overspend of £0.3m. This is offset by an increased use of reserves.
- Direct Services are forecast to underspend by £0.5m on staffing.

10. The Strategic Commissioning, Accessing and Safeguarding Division is reporting an underspend of £1.5m due mainly to overachievement of client contribution income and an underspend on the advocacy contract.

11. The Transformation Division is forecasting an underspend of £0.6m on the Improved Better Care Fund (IBCF) and Care Act, through slippage on various schemes.

12. Public Health is currently forecasting an underspend of £0.5m, due to underspends on the staffing budget, less activity from Payment by Results on Health Check Programmes, Obesity, Smoking and Tobacco. The overall County Council forecast assumes that this net underspend will be transferred to the Public Health reserve.

Personnel (forecast £0.6m underspend, 3.4% of annual budget)

13. This underspending relates mainly to savings of £0.5m associated with holding vacancies in Business Support and in the Business Support Centre in anticipation of future years' budget reductions, together with additional income from the sale of services to schools.

Central Items (forecast £6.2m underspend)

14. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
15. At the time of setting the 2017/18 budget, several funding allocations had not been announced, specifically with regard to the impact of business rates revaluations 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 additional grant of £1.9m will be received in 2017/18.
16. At the Finance and Major Contracts Management Committee in September 2017, it was approved that the contingency budget would be increased by £3.9m to reflect the in-year savings identified in the Adult Social Care and Public Health Committee. Table 1 assumes that this additional contingency budget will not be spent thereby resulting in a £3.9m underspend.
17. The Council's budget includes a permanent contingency of £5.1m to cover redundancy costs, slippage of savings, the November increase of the Living Wage Foundation rates paid to Authority employees, Business Rates Revaluations, the Apprenticeship Levy and unforeseen events. There is currently £3.2m of the permanent contingency budget that remains uncommitted.
18. There is also a net underspend of £0.4m on Pension enhancements, trading organisations, National Non-Domestic Rates and interest charges.

Requests for contingency

19. As reported to Children and Young People Committee in November 2017, a request for contingency has been submitted to provide the funding to meet the costs associated (£160,000) establishing a Social Impact Bond jointly with Nottingham City Council and Derby City Council. The Authority's share of this is £53,333, with an estimate of £20,000 to be spent in 2017/18. However the timing of the spending may be different than planned so any under/overspend on the original 2017/18 allocation will be carried into 2018/19.
20. A budget pressure has been identified in Children and Young People Committee in relation to the Multi-Agency Safeguarding Hub (MASH) and Care Leavers, due to increases in the number of referrals and looked after children. This will form part of the budget process for future years and separate approval sought to add the pressure to the Medium Term Financial Strategy

(MTFS). A temporary contingency request has been received from Children and Young People Committee for £0.2m to address this pressure in 2017/18.

Progress with savings and risks to the forecast

21. Council on 23 February 2017 approved savings proposals of £1.6m for delivery over the four year period 2017-21. These proposals are in addition to those approved previously by County Council. 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.

Balance Sheet

General Fund Balance

22. Members were asked to approve the 2016/17 closing General Fund Balance of £27.7m at Council on 13 July 2017. The 2017/18 budget approves utilisation of £4.5m of balances which will result in a closing balance of £23.2m at the end of the current financial year. This is 4.9% of the budget requirement.
23. Following approval at Finance and Major Contracts Management Committee in June 2017, a further £1.0m of General Fund balance is now earmarked for use to repair potholes across the County.

Consultation on the Proposed Changes to the Prudential Framework of Capital Finance

24. On 10 November 2017, the Department for Communities and Local Government published a consultation on proposed changes to the prudential framework of capital finance. The consultation sets out the Government's intended approach for dealing with two main issues – Investments and the Minimum Revenue Provision.
25. From an investments point of view, whilst the Government does not want to discourage local authorities from investing to deliver local economic regeneration, it believes that local authorities need to demonstrate more transparency and openness with regard to its investment decisions.
26. With regard to the Minimum Revenue Provision (MRP), the Government has decided to clarify the approach to be adopted when changing the methodologies used to calculate MRP. It has been decided that any over-provision that results from a change of MRP methodology cannot be calculated retrospectively.

Capital Programme

27. Table 2 summarises changes in the gross Capital Programme for 2017/18 since approval of the original Programme in the Budget Report (Council 23/02/17):

Table 2 – Revised Capital Programme for 2017/18

	2017/18	
	£'000	£'000
Approved per Council (Budget Report 2017/18)		102,520
Variations funded from County Council Allocations : Net slippage from 2016/17 and financing adjustments	19,655	
		19,655
Variations funded from other sources : Net variation from 2016/17 and financing adjustments	691	
		691
Revised Gross Capital Programme		122,866

28. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 7.

Table 3 – Capital Expenditure and Forecasts as at Period 7

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 7 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	39,813	12,280	35,196	(4,617)
Adult Social Care & Public Health	7,212	346	5,745	(1,467)
Community & Place	50,120	9,923	47,873	(2,247)
Policy	24,706	9,043	23,609	(1,097)
Finance & Major Contracts Mngt	220	(134)	220	-
Personnel	295	7	295	-
Contingency	500	-	500	-
Total	122,866	31,465	113,438	(9,428)

Children & Young People

29. In the Children and Young People's capital programme, a forecast underspend of £4.6m has been identified. This is mainly due to a £4.0m forecast underspend against the Schools Capital Refurbishment Programme. Following scrutiny and challenge of final accounts by the commissioning and delivery property teams, the cost of completed projects is lower than previously forecast. It is also anticipated that an element of the 2017/18 programme will slip into the next financial year as a result of the late notification of grant. A further £0.6m underspend is forecast against the Beardall Street Phase 2 project.

Adult Social Care & Public Health

30. In the Adult Social Care and Public Health Committee capital programme, a forecast underspend of £1.5m has been identified. This mainly relates to a forecast slippage of £1.3m identified against the Supported Living capital programme.

It is proposed that the Adult Social Care and Public Health Committee capital programme is varied to reflect the slippage identified against the Supported Living programme.

Community & Place

31. In the Community and Place Committee capital programme an underspend of £2.2m has been identified. This is mainly as a result of a £1.0m re-profiling of the Flood Alleviation capital programme as the Environment Agency have made changes to their flood investment programme timetable. Also, £0.8m of the Energy Saving Programme has been re-profiled into the next financial year.

It is proposed that the Community and Place Committee capital programme is varied to reflect the re-profiled Flood Alleviation and Energy Saving programmes.

32. As reported to Policy Committee in September 2017, the Authority has been successful in securing a £5m Challenge Fund grant from the Department of Transport to carry out improvement works to the A38/A617 Mansfield and Ashfield Regeneration Route. As part of the grant award there is a requirement for a 10% local contribution. It is proposed that underspends against the Worksop Bus Station (£0.1m) and the A57 Roundabout project (£0.4m) are re-allocated to the Challenge Fund project to fund this contribution.

It is proposed that the Community and Place Committee capital programme is varied to reflect the £0.5m local contribution to the Challenge Fund project funded from underspends as detailed above.

33. The Authority has been successful in securing a £0.7m capital grant from the Sustainable Transport Programme to deliver a cycle network across West Bridgford.

It is proposed that the Community and Place capital programme is varied to reflect the £0.7m capital grant received from the Sustainable Transport Programme.

34. Also in the Community and Place capital programme, the Authority has been successful in securing a £0.4m grant from the Environment Agency to carry out a flood alleviation project in Hucknall Town Centre. This project will deliver an increased level of flood protection to 21 properties in Thoresby Dale, Hucknall and complements work already carried out as part of the Hucknall Town Centre Improvement Scheme.

It is proposed that the Community and Place capital programme is varied to reflect the £0.4m capital grant received from the Environment Agency

Policy

35. In the Policy Committee capital programme an underspend of £1.1m has been identified. This is mainly as a result of forecast underspends against the Gamston Development (£0.5m) and Retford Post 16 Centre (£0.2m) as these projects are now expected to be re-profiled into future financial years.

It is proposed that the Policy Committee capital programme is varied to reflect the re-profiled Gamston Development and Retford Post 16 capital projects.

Financing the Approved Capital Programme

36. Table 4 summarises the financing of the overall approved Capital Programme for 2017/18.

Table 4 – Financing of the Approved Capital Programme for 2017/18

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	29,606	10,068	-	139	39,813
Adult Social Care & Public Health	6,165	984	-	63	7,212
Community & Place	16,320	33,177	188	435	50,120
Policy	23,620	817	-	269	24,706
Finance & Major Contracts Mngt	-	-	-	220	220
Personnel	295	-	-	-	295
Contingency	500	-	-	-	500
Total	76,506	45,046	188	1,126	122,866

37. It is anticipated that borrowing in 2017/18 will increase by £10.0m from the forecast in the Budget Report 2017/18 (Council 23/02/2017). This increase is primarily a consequence of:

- £19.7m of net slippage from 2016/17 to 2017/18 and financing adjustments funded by capital allocations.
- Net slippage in 2017/18 of £9.7m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

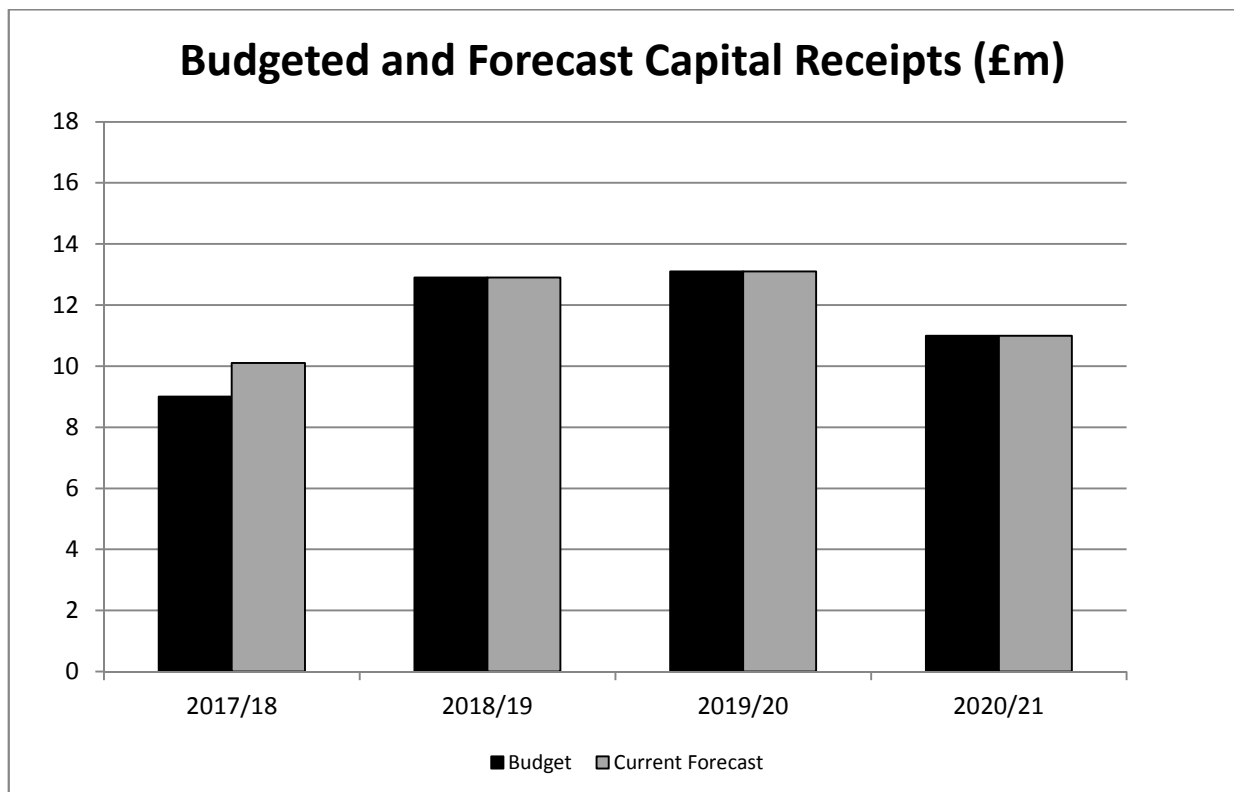
Prudential Indicator Monitoring

38. 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

39. 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.

40. The chart below shows the budgeted and forecast capital receipts for the four years to 2020/21.



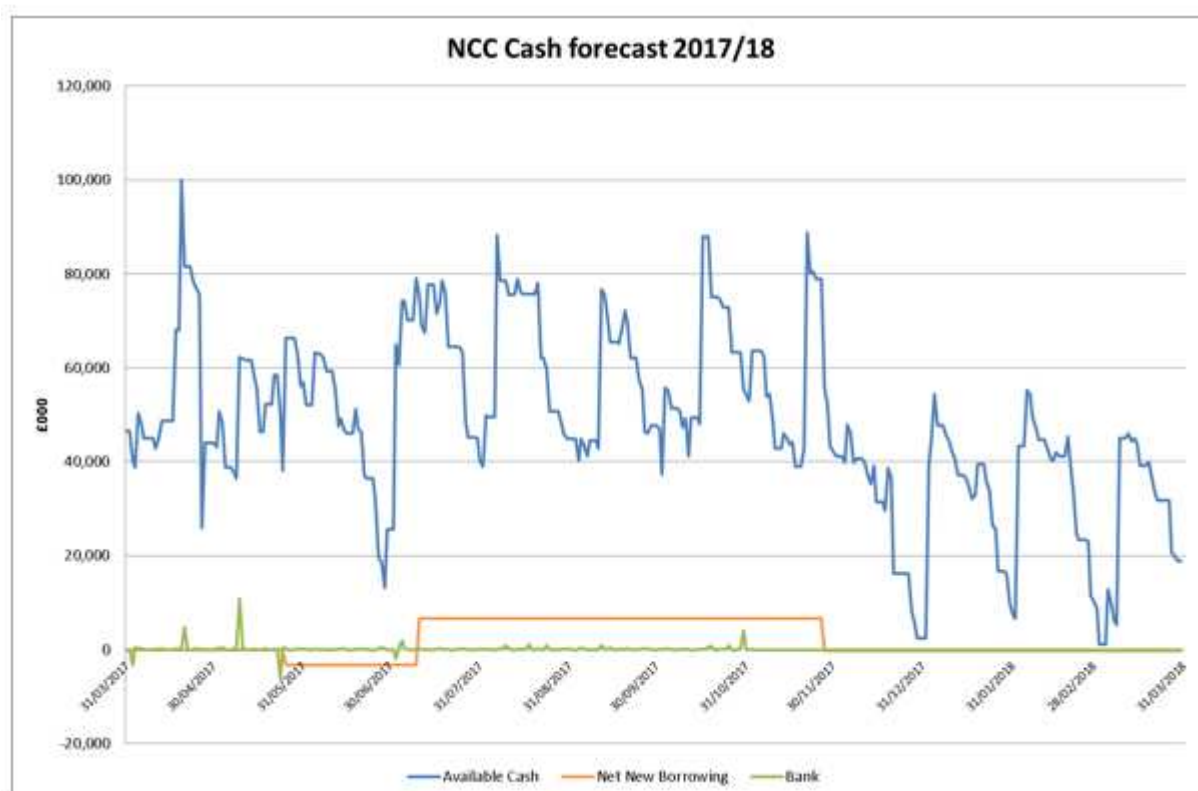
41. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2017/18 (Council 23/02/2017). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery.

42. The capital receipt forecast for 2017/18 is £10.1m. To date in 2017/18, capital receipts totalling £1.4m have been received.

43. 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.
44. A full review of capital receipts is currently being undertaken. The results of this review will be reported in due course and forecasts amended accordingly.
45. Current Council policy (Budget Report 2017/18) is to use the first £2.6m of capital receipts to fund in-year transformation costs. Any capital receipts in excess of this will set 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

46. Daily cash management aims for a closing nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group.
47. The Cash forecast chart below shows the actual cash flow position for the financial year 2017/18. Cash inflows are typically higher at the start of the year due to the front loading receipt of Central Government grants, and the payment profile of precepts. Cash outflows, in particular capital expenditure, tend to increase later in the year, and the chart shows a need for the Council to borrow during the course of the year.



48. The chart above gives the following information:

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

49. The Treasury Management Strategy for 2017/18 identified a need to borrow approximately £30m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. The first £10m tranche of this was taken from PWLB on 10 July. PWLB interest rates continue to be monitored closely to allow changes - or potential changes - in rates to feed into decisions on new borrowing. The Council remains able to take advantage of the PWLB “certainty rate” which is 0.2% below the standard rates. The chart below shows the movement in standard PWLB maturity rates over the course of 2017 so far.



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

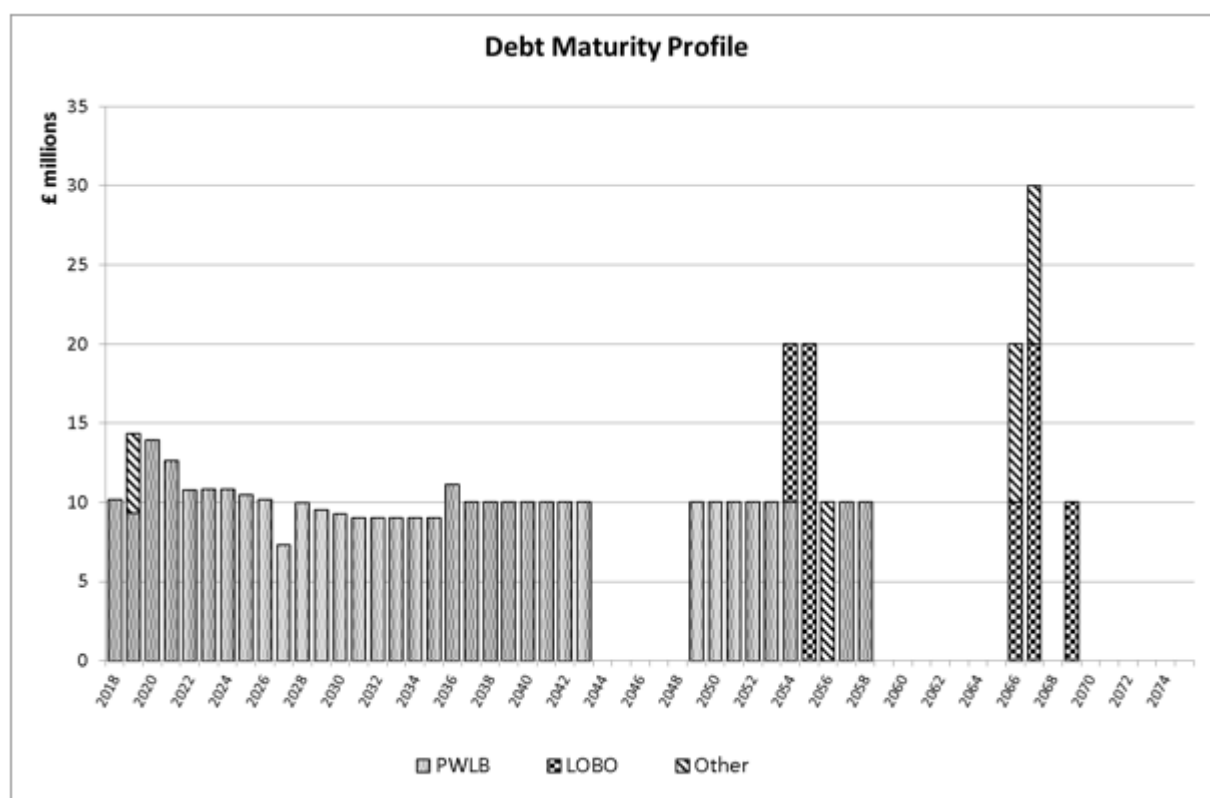
- expected movements in interest rates
- current maturity profile
- the impact on revenue budgets and the medium term financial strategy
- the treasury management prudential indicators.

51. 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 41 years. When deciding on the lengths of future loans the Council will factor in any gaps in its maturity profile, with a view to minimising interest rate risk, but will consider this alongside other financial factors.

52. Longer-term borrowing (maturities up to 52 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 ever opts to increase the rate, the Council will repay the loan) and were all taken at rates lower than the prevailing PWLB rate at the time. However, LOBOs could actually mature at various points before then, exposing the Council to some refinancing risk. Commerzbank, which holds some £20m of Council LOBO

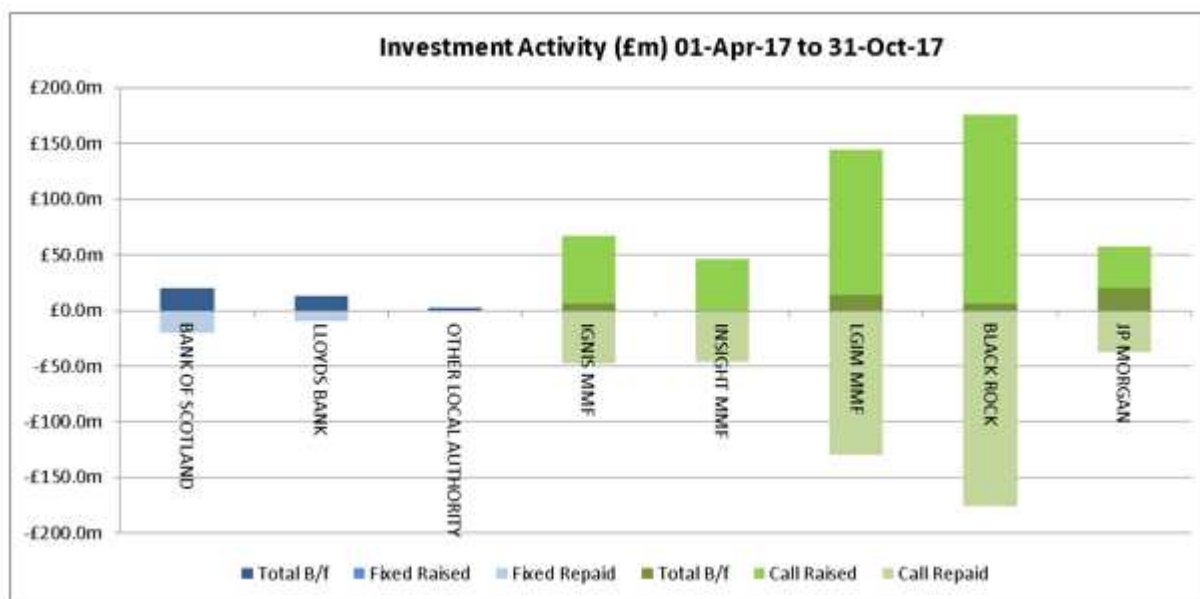
debt, has enquired whether the Council wishes to redeem this for around £26m. The cost of this £6m premium would be negated by replacement debt (from PWLB) having a lower interest rate.

53. The 'other' loans denote borrowing from the money markets where the main objective was to minimise interest costs, and also includes loans from Barclays Bank that were converted from LOBOs to fixed-term loans in 2016.



54. The investment activity for 2017/18 to the end of October 2017 is summarised in the chart and table below. Outstanding investment balances totalled £81m at the start of the year and £60m at the end of the period. This reduction includes the effect of making a £39m contribution to the Nottinghamshire Pension Fund in order to reduce the contributions deficit.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
Bank of Scotland	20,000	-	(20,000)	-
Lloyds Bank	13,000	-	(10,000)	3,000
Other Local Authority	1,500	250	(250)	1,500
IGNIS MMF	6,000	61,450	(47,450)	20,000
Insight MMF	-	46,550	(46,550)	-
LGIM MMF	13,950	130,850	(129,600)	15,200
Black Rock	6,500	169,650	(176,150)	-
JP Morgan	20,000	37,250	(37,250)	20,000
Total	80,950	446,000	(467,250)	59,700



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

Debt Recovery Performance

56. The debt position at the end of Quarter 2 shows decreases in Total Debt and over 6 months debt positions compared to Quarter 1. However, some of this reduction in debt will relate to the cyclical raising of invoices for adult care, although there has been some recent successes in obtaining payment of large property based invoices and accounts from deceased estates.

57. The Residential and non-domiciliary debts debt figures continue to be influenced by full cost invoices to service users that have not yet joined the deferred payments scheme. This debt amounts to £1.8m, a direct effect of the changes brought about by the Care Act. These users are charged full costs for their care which they have no funds to make payments.

58. The write off total as at the end of Quarter 2 was £232,255.

Invoices raised in quarter

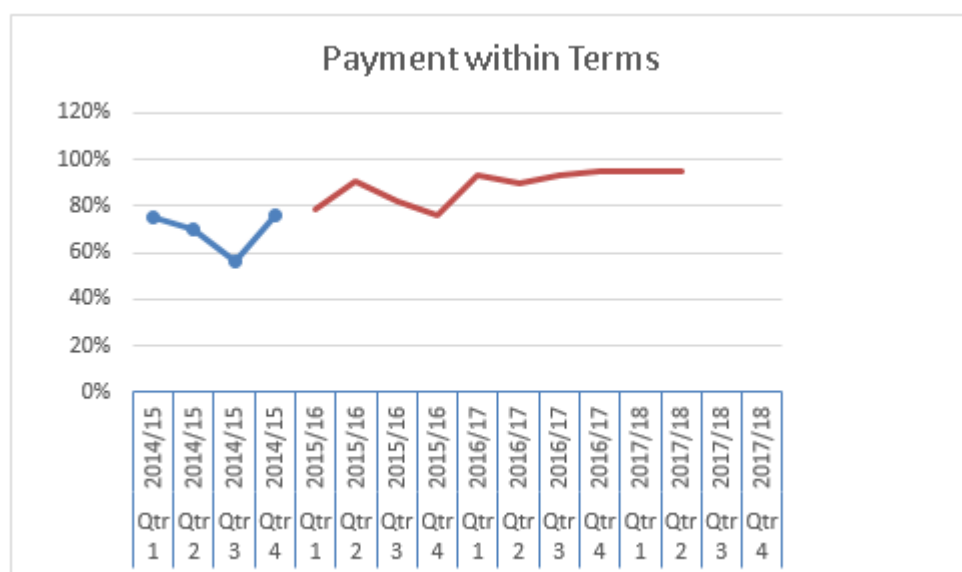
	Quarter 2	Year to date
Number	33,021	76,065
Value	£31,523,232	£77,436,823

Debt position at 30/09/17

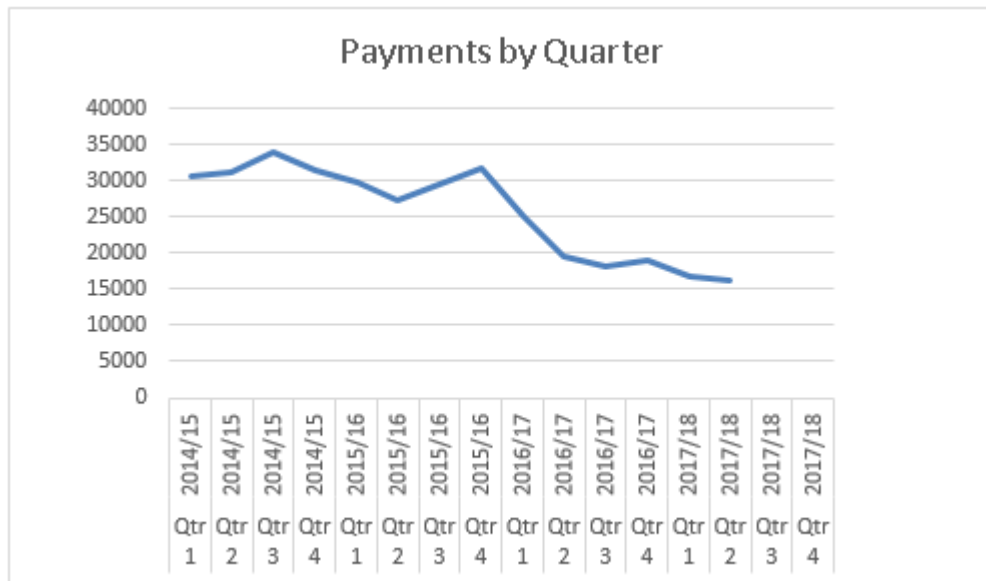
	Residential & Domiciliary Care	All Other	Total
Total	£8,118,010	£8,560,695	£16,678,705
Over 6 months	£5,060,950	£765,287	£5,826,237
% over 6 months	62.3%	8.9%	34.9%

Accounts Payable (AP) Performance

59. Payment Performance for Quarter 2 remains consistent around 95%. The department also monitors where invoices were paid late and subjected to a dispute and fall outside the late payment compensations legislation. This is done retrospectively and collated for annual reporting requirements.

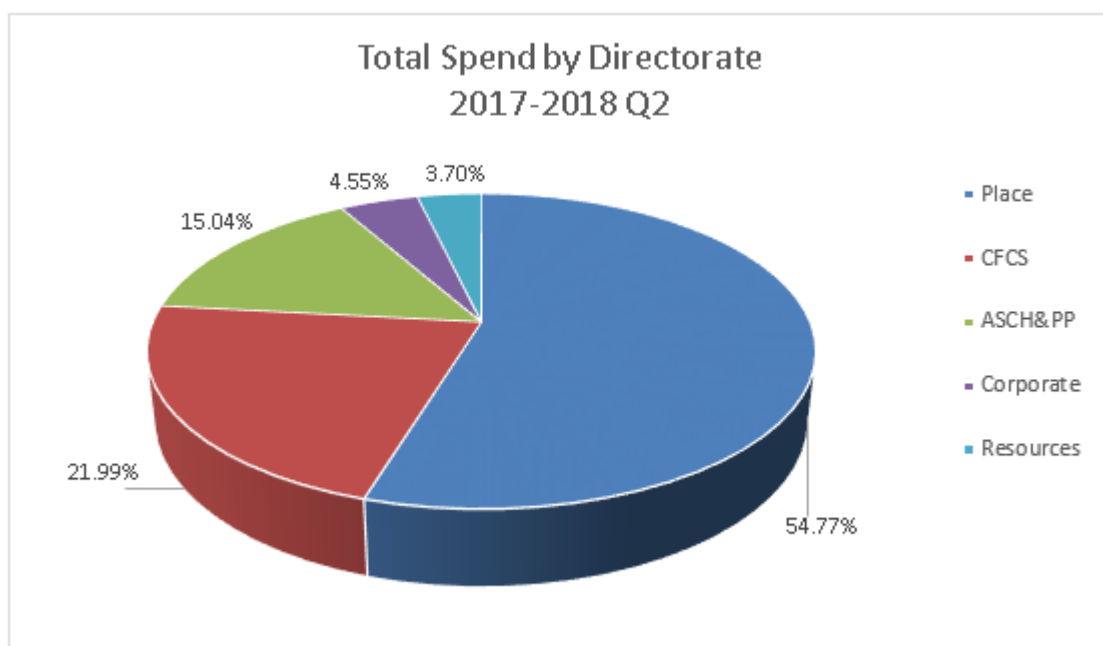


60. The increased use of consolidated invoices and the shift to ASDM's during the last financial year, the volume of invoices attributed to commercial spend continues to reduce with an expected 70,000 documents relating to commercial spend annually.



Procurement Performance

61. As an organisation, NCC has spent £118m in the Second quarter of the financial year 2017/18 with external suppliers. This represents a decrease of £32m when compared with the same period of the previous financial year. The top 5% (168) of suppliers account for 85% (£100m) of the total supplier spend. The remaining 95% (3,198 suppliers) have a total expenditure of £18m with an average spend of £5,600.
62. The chart below shows the total amount spent in the period, by Directorate. Place has the highest level of expenditure at almost 54%, whilst collectively the care related Directorates (ASCH&PP, CFCS) account for about 37% of all spend.



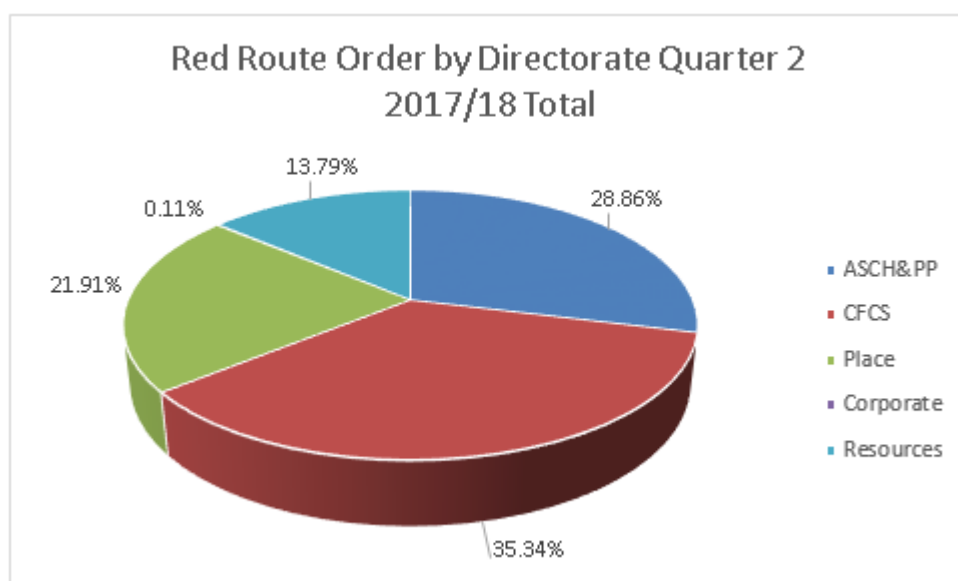
63. The Council's primary ordering route is through BMS. Orders that are processed through BMS are classified as 'Compliant', whilst purchases made outside of the Council's systems are deemed to be 'Non-Compliant'.

Retrospective orders are also classified as non-compliant, as they are typically raised after delivery of goods/services. Services commissioned and managed through other Corporate Systems, for example Frameworki/Mosaic, are out of scope. Purchase Orders are beneficial to the organisation as they provide visibility of what we spend.

64. When compared with the same period of the previous financial year. Compliant ordering remains at 67% for both quarters of the total spend and therefore Non-compliant (non PO) ordering remains at 33% of the total spend. The table below shows the number of retrospective orders by month and by Directorate. The total volume of retrospective orders has reduced overall when compared with Quarter 2 of the previous financial year.

Directorate	PO Volume Jul 2017	PO Volume Aug 2017	PO Volume Sep 2017	Total Q2 2017/18	Total Q2 2016/17
ASCH & PH	123	92	86	301	656
CFCS	224	276	212	712	1,051
Place	236	199	191	626	1,221
Corporate	1	4	-	5	11
Resources	108	98	102	308	352
Total	692	669	591	1,952	3,291

65. 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. When compared with the same period in the previous financial year the volume of 'Red' orders have reduced from 7,184 to 6,404. The chart below illustrates Red Route orders by Directorate as a percentage for Quarter 2 2017/18. The Procurement Team are continuing to work with stakeholders to improve these figures.



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

Statutory and Policy Implications

67. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

- 1) To comment on the revenue budget expenditure to date and year-end forecasts.
- 2) To approve the contingency requests.
- 3) To comment on the capital programme expenditure to date, year-end forecasts and approve the variations to the Capital Programme.
- 4) To comment on the Council's Balance Sheet transactions.
- 5) To comment on the performance of the Accounts Payable and Accounts Receivable Teams.
- 6) To comment on the performance of the Procurement Team.

Nigel Stevenson Service Director – Finance, Procurement and Improvement

For any enquiries about this report please contact:

Keith Palframan - Group Manager, Financial Strategy and Compliance

Tamsin Rabbitts - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (KK 29/11/2017)

68. The proposals in this report are within the remit of the Finance and Major Contracts Management Committee.

Financial Comments (GB 23/11/2017)

69. The financial implications are stated within the report.

Background Papers and Published Documents

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

- 'None'

Electoral Division(s) and Member(s) Affected

- 'All'

Appendix A

Ongoing developments in Procurement:

Action	Target Outcomes	Current status
Developed a procurement customer satisfaction survey.	Gain a better understanding of our customers' requirements and concerns so that we can improve the services that we deliver.	The Customer Satisfaction Survey is in use. Results will be used to inform future improvement.
Opening NCC Framework Agreements to other Authorities	To generate income for the Authority	<p>Work is underway with the Marketing & Digital Team to support the development of an income generating procurement team.</p> <p>We have successfully opened some contracts; example Deprivation of Liberties (DoLs) which has generated interest and use from other local authorities, and a dynamic purchasing system for High Needs Semi Independent Accommodation, with two other Local Authorities looking to utilise it.</p> <p>We are aiming to generate income of £20,000 in 2018/19 from this and other initiatives around supplier rebates.</p>
Supporting County Supplies	Enable County Supplies to become a profitable organisation	Dedicated support has been allocated to County Supplies to support their financial position through a review of procurement practices and activities.

18 December 2017

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR – FINANCE , PROCUREMENT & IMPROVEMENT

RESTRUCTURE OF THE PROCUREMENT SERVICE

Purpose of the Report

1. The purpose of this report is to seek approval for the proposed staffing structure for the Corporate Procurement Service as set out in this report and in the structure chart at Appendix A.

Information and Advice

2. The Corporate Procurement Team is a service that provides advice and guidance to support the four key business areas in the Council. In 2015 the procurement function reviewed its structure in light of changing demands on the service, it recognised that it needed to realign itself to the needs of the business delivering consistent knowledgeable support. The realignment saw the strengthening of the Category Management approach to service delivery.
3. As the County Council continues to evolve the procurement function needs to ensure that it has a clear and unified vision about how it will continue to support the Authority. It was therefore recognised that there needed to be a re-examination of the procurement structure in order to organise the service to;
 - enhance the Category Management approach, strengthening the teams by aligning the Procurement Officers with the Category Teams, ensuring the right people with the right knowledge work together to support the business. This will help to build relationships and offer a more rounded approach to service delivery,
 - utilise the reorganisation of resources to increase partnership working, drive income generation, and work more collaboratively with other public sector partners,
 - develop procurement people for the future through access to working in diverse and interesting teams allowing them to grow their knowledge and work as part of the team to drive leaner and agile ways of working,
 - introduce an apprentice in order to nurture and grow procurement talent.

4. In addition to reviewing the service there is a need to contribute to the Resources Division savings commitments. The consequence of trying to find savings inevitably falls on staffing budgets. The Procurement Service has committed to delivering a £65,000 saving in 2018/19. This is in addition to savings delivered in the 2016/17 financial year, as 1 FTE Category Manager Post and 1 FTE Senior Procurement Officer Post became vacant, a decision was made not to fill them and as a consequence additional savings of £87,000 were released, it is intended that these posts will be removed from the structure as part of this re organisation.
5. Therefore consideration of the current staffing structure has been undertaken. In November 2017 a consultation document on a proposed restructuring of the department was issued. Comments on the proposals were invited by the closing date of 22nd November 2017 having received those responses further consideration was given to the proposals and a formal response was issued on 24th November 2017. This report therefore seeks to implement the proposals for the team.
6. In response to the consultation the final structure is proposed. The posts to be deleted and the proposed establishment are set out in the table below. Appendix A illustrates the current and proposed structures.

Current Structure - Posts	FTE	Proposed Structure - Posts	FTE	Vacancies
Group Manager Procurement	1	Group Manager Procurement	1	0
Team Manager Procurement	1	Team Manager Procurement	0	0
Category Managers	5	Category Managers	4	1
Senior Procurement Officers	7	Senior Procurement Officers	6	1
Procurement Officers	2	Procurement Officers	2	0
Policy & Strategy Officer	1	Policy & Strategy Officer	1	0
Apprentice	0	Apprentice	1	0
Totals	17		15	

Other Options Considered

7. The Procurement Service went through the commercial development unit programme in 2017/18 to explore options for income generation through selling the service and opening contracts for other public bodies to utilise. The programme concluded that there were limited options in generating significant recurrent income without major investment.

Reason/s for Recommendation/s

8. The recommendations are needed to progress the embedding of the new structure.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

10. Provisional estimates for the cost of the new structure suggest that budget savings of up to £65,000 will be generated in a full year from the Procurement Team and these will contribute to the overall savings required by the Finance, Procurement & Improvement Leadership Division.

Public Sector Equality Duty implications

11. The restructuring of the Finance Division will be carried out in accordance with the County Council's employment and equalities policies.

Implications for Service Users

12. One of the main reasons for restructuring the Procurement Service is based on the approach that support services should make an appropriate contribution towards the Council's overall savings target to safeguard front-line service delivery. These reductions are planned to minimise the impact on the quality of the service provided to customers and key stakeholders.

RECOMMENDATION/S

That Committee approves the revised structure for the procurement function as illustrated in Appendix A.

Nigel Stevenson

Service Director for Finance, Procurement & Improvement and Section 151 Officer

**For any enquiries about this report please contact:
Clare Winter - Group Manager, Procurement**

Constitutional Comments (KK 04.12.2017)

The proposal in this report is within the remit of the Finance and Major Contracts Management Committee.

Financial Comments (SES 04/12/17)

The financial implications are set out in the report.

HR Comments (JP 04/12/2017)

Staff and Trade Unions have been fully informed of the rationale for change and have been consulted on the proposed new structure. Where applicable staff will be supported through the redeployment process.

Background Papers and Published Documents

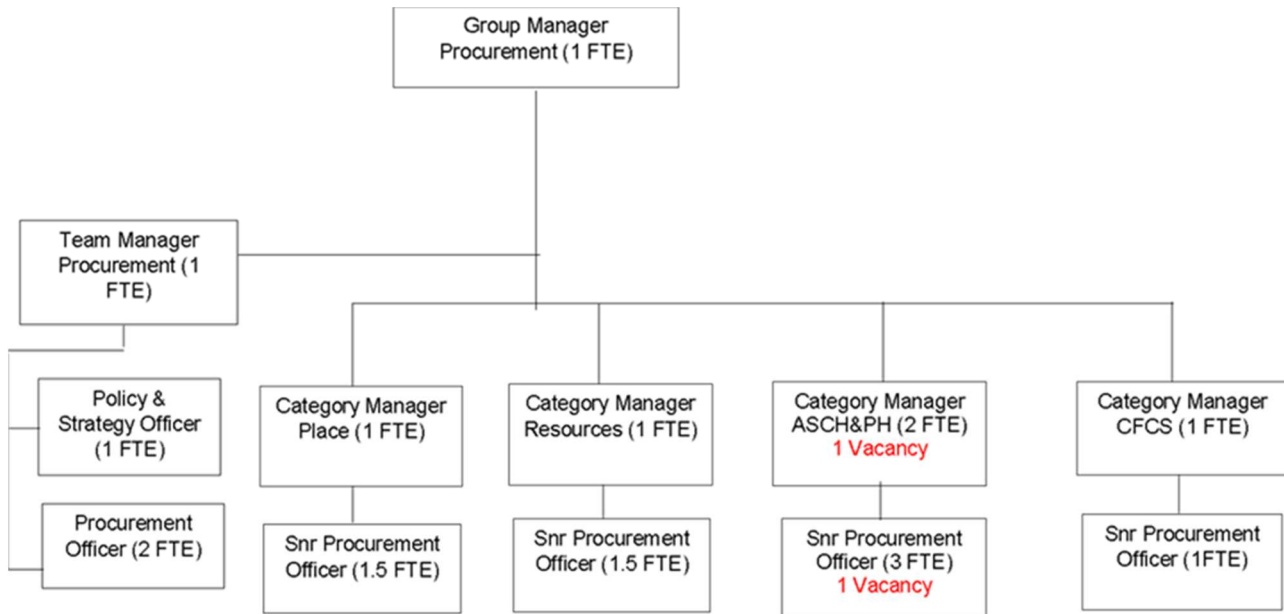
Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

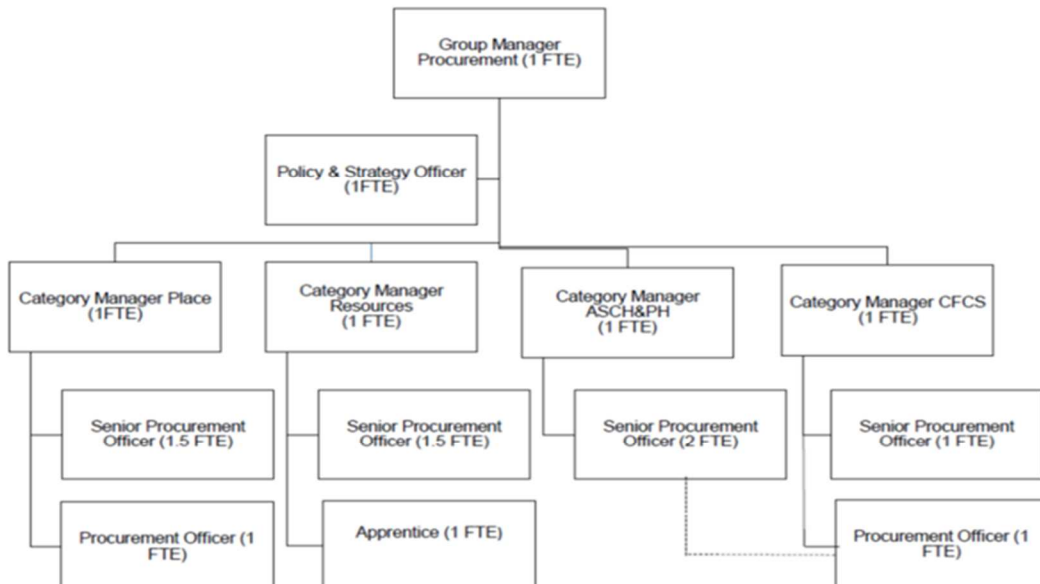
Electoral Division(s) and Member(s) Affected

- All

Current Structure



Proposed Structure



18 December 2017

Agenda Item: 6

REPORT OF THE SERVICE DIRECTOR, COMMUNICATIONS, MARKETING AND COMMERCIAL DEVELOPMENT

COMMERCIAL DEVELOPMENT UNIT: SERVICE OUTCOMES AND APPROVAL

Purpose of the Report

1. To seek approval for the services that have successfully passed through the Commercial Development Unit (CDU) to progress to full implementation of their commercial plans.
2. To seek approval for the next services to enter the Commercial Development Unit.

Information and Advice

3. Policy Committee approved the two-year funding of the Commercial Development Unit in November 2016 following a successful pilot with three services (Education Improvement Service, Outdoor Education, Trading Standards).
4. Since the pilot six more services have entered the commercial development process (Procurement, Brooke Farm, Catering and Facilities Management, Document Services, Energy Services and County Supplies).

The Process

5. Services undergo an 8-week accelerated learning process that provides the commercial skills necessary to build a fully costed, outline business case with four-year financial projections. At the end of the process, the plan is scrutinised by a panel that includes the Chief Executive, the Monitoring Officer, the Section 151 officer and an external business person. The Finance and Major Contracts Committee then makes the decision about whether to give services the go-ahead. Services will then have to take reports to their own committees or other relevant committees to enable specific elements of the commercial plan such as staffing changes.
6. Progress reports are taken to the relevant service committee while services are supported by the Commercial Development Unit for the first 12 months of trading. Early interventions will be made where any services fail to keep on track with income or cost projections.
7. The intention is to get as many services as possible to a position of zero cost or to one where they are returning surplus income to the authority which could be used to support other services.

8. Policy Committee agreed that seed investment for commercial plans would come from an earmarked reserve of £0.5m in the Strategic Development Fund.

Outcome from Commercial Development Unit Cohort 2

9. Three services participated in the second cohort assessment process which took place in July 2018:
- Catering & Facilities Management
 - Document Services Hybrid Mail
 - Brooke Farm (Returning from cohort 1)
10. Each service presented their commercial plan to the panel that consisted of the Chief Executive, Finance Officer, Monitoring Officer and an external business person.
11. **Catering and Facilities Management** – the plan for the Catering Service focuses on retaining and increasing in value the existing catering contracts with schools. Facilities Management are currently struggling to cover costs due to overhead charges and above market value staff wages. The panel felt that the plan still needed further work. The service were asked to return to the next assessment centre after further developing their commercial plan.
12. **Document Services Hybrid Mail** – a hybrid mail solution is where users can send mail from their desktop. The mail is then printed, inserted into envelopes and sorted at a central point so that advantage can be taken of lower print and postal rates. Further savings are achieved in printing and business support. This solution is currently being implemented in the authority. The proposed plan is to allow external organisations to also use the authority's hybrid mail solution which would lead to even greater mail discounts. The service is asking for an investment of £59,000 from the ring-fenced investment pot in order to buy the necessary licences and to achieve the relevant industry accreditation. A four-year sales forecast predicts the investment will be paid back by year two and will deliver almost £150,000 surplus income back to the authority over the next four years. The panel felt that this was a conservative forecast and that the actual return was likely to be higher. A number of public sector partners have already shown an interest in using this system should Members give approval to proceed.
13. **Brooke Farm** – the service, which provides training and employment opportunities for individuals with learning disabilities within a horticultural and farm shop setting, currently costs almost £700,000 a year. The commercial plan could reduce the cost to around £200,000 a year by year 4, whilst enhancing the offer to service users. The main elements of the plan are as follows:
- Adjust prices and product lines to take advantage of the lack of a convenience store in the village
 - Redevelop the shop and café areas to take advantage of the local trade (walkers and after school market)
 - Make more space for plant sales which are one of the best-selling and most profitable ranges
 - Phased withdrawal from the grounds maintenance market which operates at a loss
 - Disposal of land which is not suitable for growing crops / plants – due to poor soil conditions, it is cheaper to buy in than to grow.
 - Install a play area to make it more of a destination for families
 - Improve car parking and access to ensure safety of increased trade

14. These changes would allow Brooke Farm to cover a large percentage of its cost and provide services users the chance to gain a wider range of skills. This may increase the chances of service users being offered employment opportunities.
15. The service would like to invest £353,000 of capital funds for the redevelopment work and the new adventure playground which could be offset from the receipt of the sale of land. Over a four year period the savings and additional income could generate savings of over £689,000 to the authority.

Outcome of Commercial Development Unit Cohort 3

16. Three services participated in the third cohort assessment process which took place in November 2017
 - Catering & Facilities Management (Returning after cohort 2)
 - County Supplies
 - Energy Services
17. Each service presented their commercial plan to the panel that consisted of the Chief Executive, Finance Officer, Monitoring Officer and an external business person.
18. **Catering and Facilities Management** – Further work needs to be undertaken in this area which will now happen outside of the CDU process. A report will be brought back to the committee once this work has been completed.
19. **County Supplies** – County Supplies is a one stop shop for a range of supplies that covers stationery, office furniture, workplace equipment and a host of other items. They only supply the public sector and the main customer base is schools. Over the last 3 years County Supplies has been operating at a loss. The overall commercial plan is to reduce costs and increase income to the point that the business is at least breaking even and delivering a small surplus. This will allow the Authority to consider if it wishes to retain the Service or sell it on. There has been previous interest in purchasing the business. The main points of the commercial plan are:
 - Increased attendance at exhibition events generating an additional £225,000 in sales
 - Lease excess warehouse space generating £17,000 per year
 - Move to SAP software from Chorus saving £55,000 per year
 - Review supplier and reduce product lines saving £58,000 per year
 - Reduce number of printed catalogues saving £2,000 per annum
 - Development of a new website to generate online orders will reduce manual processing. This will incur a one off cost of £50,000, but will save a minimum of £20,000 per year due to reduction in Customer Service Team

The savings and investment should take the service into surplus by 2018/19. The investment of £50,000 to develop the website and £16,000 for procurement support to undertake a further review of procurement of suppliers would be paid back within the 1st year of the commercial plan. This investment will come from the ring-fenced investment pot.

20. Energy Services – The Energy Services Team undertakes work across the Authority to ensure we are consuming energy in an efficient manner and generating savings where possible. It also works with schools to review their energy use and access funding in the form of a loan to implement energy schemes that will save money. The cost of any loan is less than the saving meaning it comes in real terms at no cost to the school. The team include a small management fee within the cost of the loan. Schools also purchase their energy through the team for which a commission is earned as well as securing cheaper energy prices for the Authority. The overall commercial plan is to expand this offer to academies, other public sector bodies and schools outside of Nottinghamshire. The main points of the plan are:

- To market the scheme to a wider audience such as academies, colleges, district councils, and schools in Derbyshire, Leicestershire and Lincolnshire
- To expand the number of schools buying energy through us therefore increasing the amount of rebate we get from the energy suppliers
- To increase staffing by 1 FTE from 2019 in line with increased demand

The overall aim of the service is to get to a zero budget position with its cost to the authority reducing year on year. By 2020/21 it will be delivering a small surplus of £18,000. But as well as being no cost to the Authority it will still be generating savings to the Authority as well as to schools and other public bodies.

21. A summary position of the services that have been through the CDU to date can be seen in table 1 below, a report on the year end trading position will be brought to committee in April 2018.

Table 1: Current position of services in the CDU

Cohort	Service	Status
Pilot	Education Improvement Service	Approved and currently trading in Q3
Pilot	Outdoor Education Service	Approved and currently trading in Q3
Pilot	Trading Standards Commercial Service	Approved and currently trading in Q3
Cohort 1	Brooke Farm	Awaiting approval from members
Cohort 1	Procurement	Withdrew due to no financial return possible
Cohort 2	Catering & Facilities	Returned in Cohort 3, further work required
Cohort 2	Document Services	Awaiting approval from members
Cohort 3	Energy Services	Awaiting approval from members
Cohort 3	County Supplies	Awaiting approval from members

Services recommended for inclusion in Commercial Development Unit Cohort 4

22. The next cohort is due to start in January 2018 and the following services have been recommended following conversations between the service lead and the relevant Committee Chair:

- **Registrations** – This service already provides add on extras in addition to its statutory duties. Going through the CDU would enable them to look at maximising these as well as developing other commercial offers.
- **Early Years** – This service is very similar to the Education Improvement Team that went through the pilot cohort, in that they provide both statutory and traded quality assurance and training to early years providers.
- **County Enterprise Foods** – This service is already trading in terms of the meals service it provides in people homes, but still at a cost to the Authority. The service will be looking to extend the commercial aspects of its offer to cover the adult care costs of the service.

Other Options Considered

23. By not pursuing commercial opportunities it would mean that all the expected savings over the next four years would need to come from service reductions and efficiencies.

Reason/s for Recommendation/s

24. To support the Council's financial position by seeking to reduce the budget needed to run some valued services or, ideally, to return an income to the Council.

Statutory and Policy Implications

25. 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.

Financial Implications

26. These are contained within the body of this report.

Equalities Implications

27. Equalities implications will be considered by each of the services as they develop their commercial plans.

RECOMMENDATION/S

It is recommended that Committee approves:

1. The commercial plans for Hybrid Mail, Brooke Farm, County Supplies and Energy Services with regular updates back to committee as well as a 12-month monitoring by the CDU with the committee deciding if the services should continue trading after that time
2. The inclusion of the three services set out above in the next cohort (cohort 4) of the CDU.

Martin Done

Service Director, Commercial Development and Communications

**For any enquiries about this report please contact: Mark Knight
mark.knight@nottscc.gov.uk**

Constitutional Comments [CEH 08/12/17]

28. The recommendations fall within the remit of the Finance and Major Contracts Committee by virtue of its terms of reference.

Financial Comments [RWK 07/12/2017]

29. The financial implications are set out in the report in paragraphs 12, 15, 19 and 20.

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.

- Commercial Development Unit Report – Policy Committee, November 2016

Electoral Division(s) and Member(s) Affected

- All

Appendix A

Chart A: The projected costs and income for the Hybrid Mail Solution. Forecasts show the project breaking even within two years.

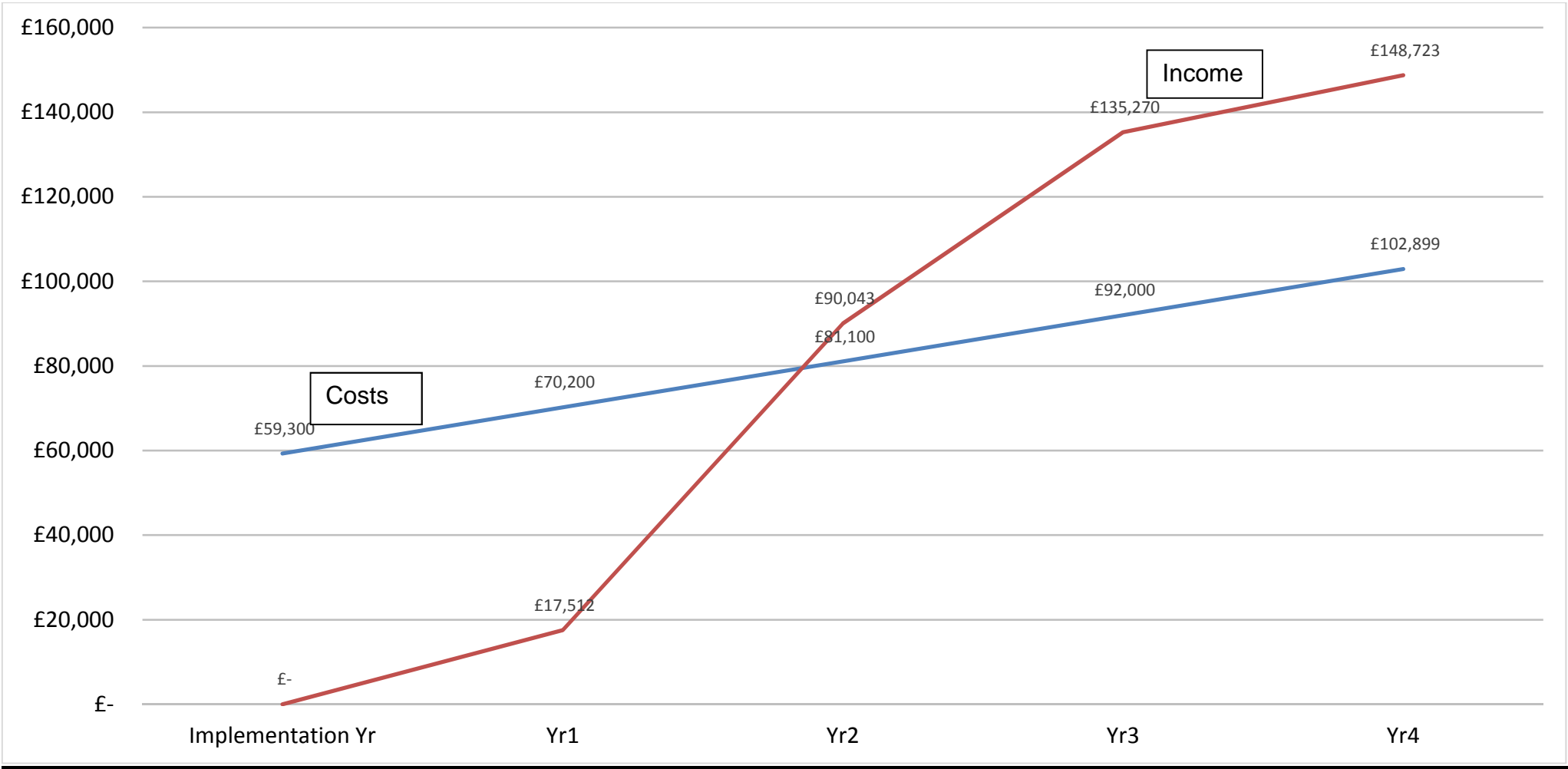


Chart B: The actual and forecast costs, income and net budget from the Authority for Brooke Farm

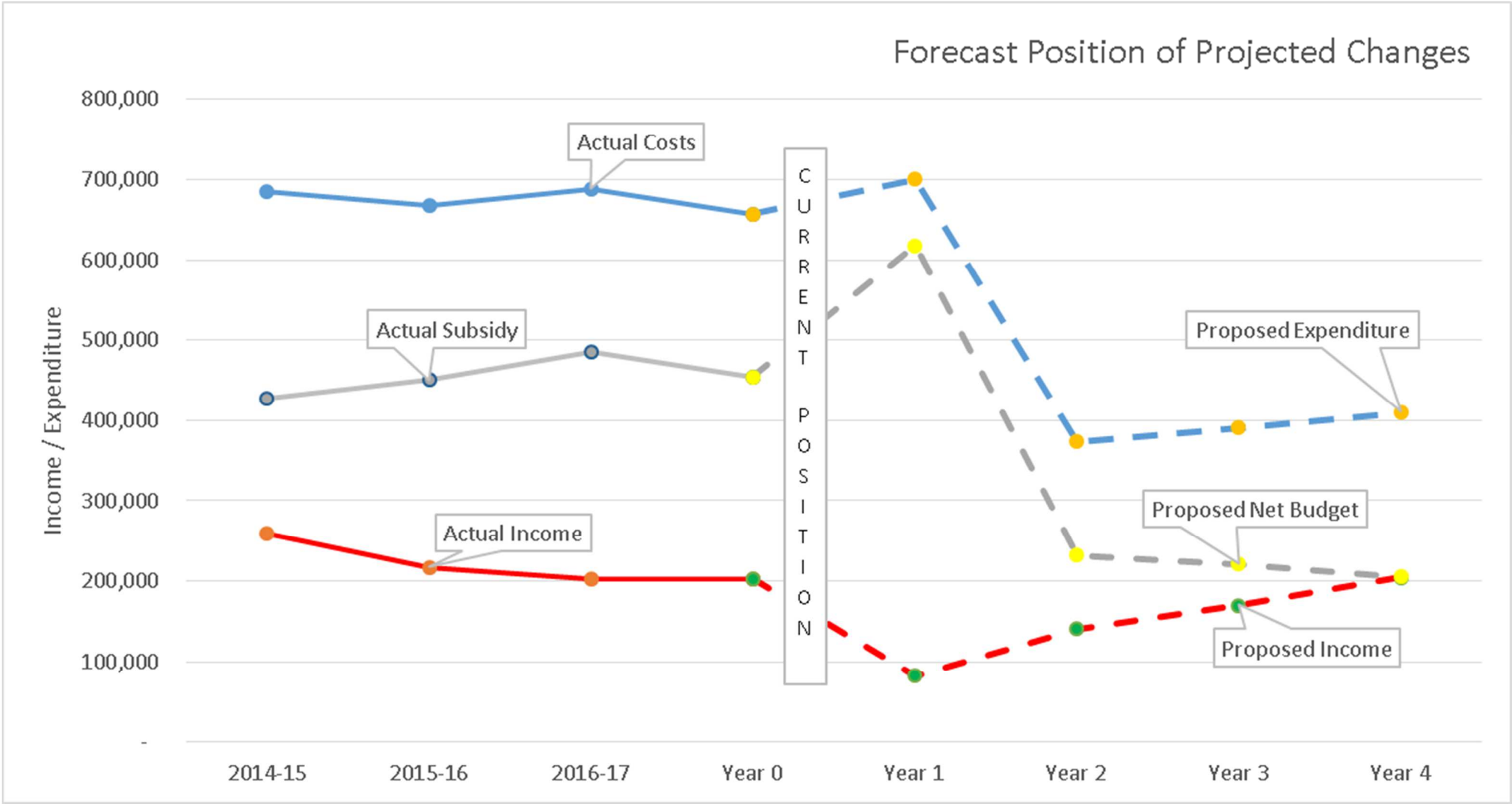
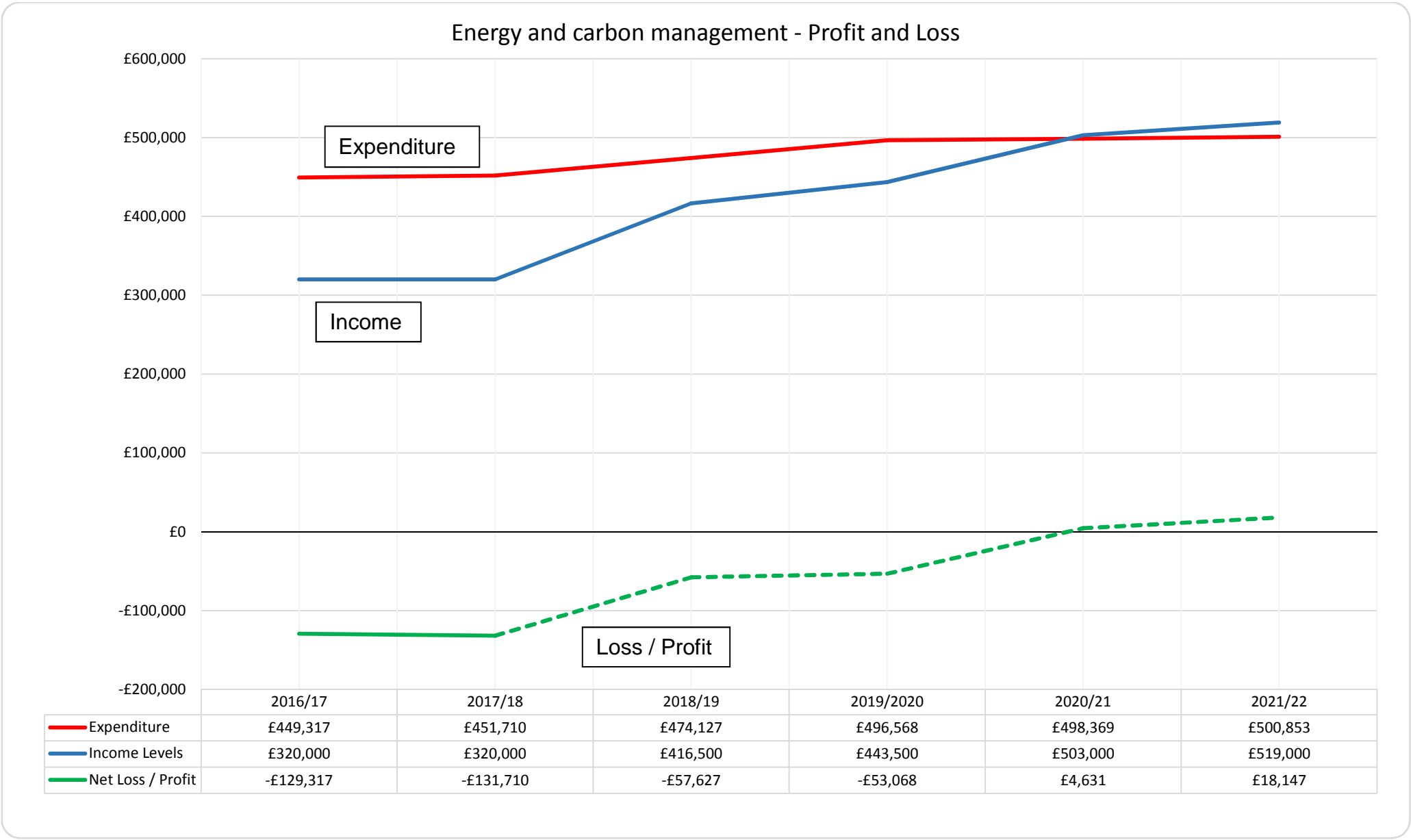


Chart C: The actual and forecast profit and loss position for County Supplies



Chart E: The current and forecast cost, income and profit and loss for Energy Services



18 December 2017

Agenda Item: 7

REPORT OF CORPORATE DIRECTOR, RESOURCES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2018.

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-Chairs, 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 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

- 1) That the Committee considers whether any amendments are required to the Work Programme.

Jayne Francis-Ward
Corporate Director, Resources

For any enquiries about this report please contact: Pete Barker, x 74416

Constitutional Comments (HD)

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

Financial Comments (NS)

9. 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 & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>Lead Officer</u>	<u>Report Author</u>
15 January 2018			
Monthly Budget & Capital Monitoring Report 2017/18	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Contract Update(>£10m)	Standard item	Various	Various
5 February 2018			
Annual Budget Meeting	To recommend to Full Council the financial strategy, annual revenue budget, annual capital budget, and precept on billing authorities	Nigel Stevenson	Glen Bicknell
26 February 2018			
Monthly Budget & Capital Monitoring Report 2017/18	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
BCF Q3 Reconciliation		Joanna Cooper	Joanna Cooper
Contract Update(>£10m)	Standard item	Various	Various

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

19 March 2018			
Monthly Budget & Capital Monitoring Report 2017/18	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Contract Update(>£10m)	Standard item	Various	Various
PFI Schools Management Contracts	Update report	Derek Higon	Mick Allen
23 April 2018			
Monthly Budget & Capital Monitoring Report 2017/18	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Contract Update(>£10m)	Standard item	Various	Various
Risk and Insurance	Update report	Nigel Stevenson	Keith Palframan
General Data Protection Regulation (GDPR)	Implications for contracts	Jayne Francis-Ward	Clare Winter / Heather Dickinson
21 May 2018			
Monthly Budget & Capital Monitoring Report 2017/18	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

BCF Q4 Reconciliation		Joanna Cooper	Joanna Cooper
Contract Update(>£10m)	Standard item	Various	Various
18 June 2018			
Monthly Budget & Capital Monitoring Report 2017/18	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Contract Update(>£10m)	Standard item	Various	Various
16 July 2018			
Monthly Budget & Capital Monitoring Report 2017/18	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Contract Update(>£10m)	Standard item	Various	Various
TO BE PLACED			
Veolia PFI Contract	Details of contract including details of the rolling programme on benchmarking	Mick Allen	Mick Allen
Local Government Finance	Overview report	Nigel Stevenson	Nigel Stevenson
Trading Organisations	Update report	Jas Hundal / Ian Hardy	Jas Hundal / Ian Hardy

