Nottinghamshire County Council

Report to Finance and Major Contracts Management Committee

28 September 2020

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

FINANCIAL MONITORING REPORT: PERIOD 4 2020/21

Purpose of the Report

1. To provide a summary of the Committee revenue budgets for 2020/21.
2. To provide a summary of capital programme expenditure to date, year-end forecasts and approve variations to the capital programme.
3. To inform Members of the Council's Balance Sheet transactions.
4. To request approval for additional contingency requests.
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

Background

7. The Council approved the 2020/21 budget at its meeting on 27 February 2020. As with previous financial years, progress updates will be closely monitored and reported to management and Committee each month.

8. It is important to note that this Financial Monitoring report has been put together at a time when the Council is continuing to respond to the consequences of COVID19. A large number of services, resources, functions, plans and programmes have been re- and de-prioritised as the Council has had to respond to a rapidly changing and fluid situation that has included the regular provision of new guidance and legislation. A report which sets out the impact of COVID19 crisis on the work of Nottinghamshire County Council and the Council's response was reported to Policy Committee on 17 June 2020.

9. A Financial Resilience Group has been set up to consider the financial impact arising from the COVID19 crisis. This Group is focussing on reviewing variables such as additional costs, lost income, impact on savings plans, use of reserves and cash flow position as well as additional grant received from the Government in order to assess the impact upon the Medium-Term Financial Strategy. As set out later in the report, the work of this Group is already identifying

areas which mitigate the financial impact of COVID19 in the current financial year. Regular reports will be provided to the Corporate Leadership Team and Members to keep them informed about the financial implications of the crisis.

Implications of the COVID19 Crisis

10. All Local Authorities are required by the Ministry for Housing, Communities and Local Government to report their forecast financial impact of the COVID19 emergency on a monthly basis. The most recent DELTA4 submission from Nottinghamshire County Council identified a total forecast financial impact of £44.1m in the current financial year. The last return was submitted on 4 September 2020 and is in line with figures reported in this report.

11. The additional pressures on the 2020/21 budget are partially offset by the main £42.1m COVID19 grant allocation received from Central Government. Consequently, the COVID19 funding shortfall as submitted to Government will total £4.6m (£46.7m minus £42.1m).

12. In addition to the main COVID19 grant, the Authority has also received the following COVID19 related grant funding from Central Government :-

    - £3.8m Test and Trace Service Support Grant. This grant provides support to Local Authorities in England towards mitigation and management costs against local outbreaks of COVID-19.
    - £11.5m Adult Social Care Infection Control Grant. 75% of this grant provides support to adult social care providers to help reduce the rate of COVID19 transmission in and between care homes and was given directly to care homes. The remaining 25% of grant is being used to support wider workforce resilience to deliver infection control. The grant must be used to cover eligible expenditure incurred between 13 May 2020 and 23 September 2020.
    - £0.6m Additional Dedicated Home to School Transport Grant. This grant has been made available to ensure that there is sufficient transport capacity so that children can get to school safely and on time.

    The receipt of these grants is factored into the forecast financial position as set out in this report.

13. The Government have also announced a scheme that will help those Local Authorities that have lost income during the pandemic and boost cash flow. The value of this funding is yet to be confirmed and will be reported to a future Finance and Major Contracts management Committee.

14. The pro-forma submitted to the Government does not include other potential significant forecast cost and cash flow implications including Council Tax and Business Rates falls in collection rates (£10m) as well as impacts upon the realisation of capital receipts (£4m). On 2 July, Central Government announced that Council Tax and Business Rates deficits are to be payable evenly over a three-year period rather than in one year as is currently the case.

15. As set out above, the Finance Resilience Group has been established to consider the financial impact arising from the COVID19 crisis. Already, the Group has identified factors that help to mitigate the in-year financial impact of COVID19. For example, in the initial forecast of additional costs associated with COVID19, an estimate of £4m was identified to reflect current year savings that were at risk. Following a further assessment of current year savings

proposals however it has been identified that the vast majority of savings will in fact be achieved by all departments.

16. Also, a review has been undertaken of all non-COVID overspends and underspends across the Council. As a consequence, a number of mitigations have been put in place, particularly in the ASCH&PH department, to reduce down any non-COVID19 variances.

17. The Financial Resilience Group has also initiated a review of the capital programme. As a result of this exercise increased costs associated with the capital programme have been identified. This work has also identified a number of capital schemes that can be re-profiled into future years, thereby reducing the cost of borrowing in the 2021/22 financial year. The details of this work are set out in the capital section of this report.

18. Other themes being investigated by the Finance Resilience Group are set out in the following paragraphs.

19. Departments are continuing to assess both additional costs arising from the COVID19 crisis as well as lost income. Where costs have been incurred but may need to be shared with other organisations, sufficient documentation is being maintained to evidence the recharge at a future date. This information is being reported back to the Ministry of Housing, Communities and Local Government on a monthly basis.

20. Council on 27 February 2020 approved savings proposals of £7.9m for delivery in 2020/21, with further savings identified for the period 2021-24. As set out above, the Finance Resilience Group has undertaken a review of all approved 2020/21 savings proposals and has identified the impact on the current financial year is minimal. 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. The progress of the Council's current savings programme is reported to the Improvement and Change Sub-Committee on a regular basis and highlights all projects that are either experiencing obstacles or are at risk.

21. A thorough review of reserves, both corporate and departmental, is undertaken in each financial year. This exercise has been accelerated in this financial year to identify available resources that may be required to fund additional costs resulting from the COVID19 emergency that are over and above the COVID19 grants that have been received from the Government. In liaison with service representatives and departmental leadership teams, finance colleagues are undertaking a review of all departmental reserves, including revenue grant reserves.

22. In addition to the above work, reviews of the capital programme and capital receipts forecasts will continue. The capital programme review will identify further potential areas of slippage and other amendments required to the programme. Under the Capital Flexibility Directive, the Council has forecasted to use an element of capital receipts to fund one-off costs of transformation. A review is underway to identify if the level of forecast capital receipts will be impacted upon by the COVID19 crisis.

23. Other areas being investigated include a review of pressures and contingency allocations, a review of permanent and temporary over / under spends from the previous financial year, a review of the impact on the tax base and a review of departmental action plans to identify the impact of any revised ways of working on the budget both during the emergency and in the future.

24. The outcome of this work will be reported back to future Finance and Major Contracts Management Committees.

25. It is important to note that considerable uncertainty remains regarding the longer-term implications of responding to the emergency. For instance, it is thought that there is a risk of another COVID19 wave particularly through the Autumn and Winter period. In addition, information continues to be developed regarding significant areas of the Authority's budget including Home to School Transport, Looked After Children (LAC) and Adult Social Care and Health services.

Summary Revenue Position

26. The table below summarises the revenue budgets for each Committee for the current financial year. A forecast position broadly in line with budget is currently predicted. However, there are still significant financial challenges facing the Council over the medium-term continuing the need to be vigilant. Uncertainty still exists and the key message to effectively manage budgets and, wherever possible, deliver in-year savings continues to be reinforced.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 3 £'000	Committee	Annual Budget £'000	Actual to Period 3 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
12,775	Children & Young People's	141,698	34,148	154,464	12,766
15,562	Adult Social Care & Public Health	211,649	51,093	227,533	15,884
8,142	Communities & Place	130,030	36,015	138,265	8,235
3,057	Policy	34,961	11,348	37,899	2,938
(33)	Finance & Major Contracts Management	2,906	4,035	4,042	1,136
(35)	Governance & Ethics	7,571	2,194	7,522	(49)
398	Personnel	15,696	4,948	15,872	176
39,866	**Net Committee (under)/overspend**	**544,511**	**143,781**	**585,597**	**41,086**
(42,729)	Central items	(26,195)	(20,787)	(69,142)	(42,947)
-	Schools Expenditure	21	-	21	-
2,021	Contribution to/(from) Traders	(756)	238	1,394	2,150
(842)	**Forecast prior to use of reserves**	**517,581**	**123,232**	**517,870**	**289**
-	Transfer to / (from) Corporate Reserves	1	(327)	1	-
285	Transfer to / (from) Departmental Reserves	(4,403)	316	(4,876)	(473)
-	Transfer to / (from) General Fund	(631)	-	(631)	-
(557)	**Net County Council Budget Requirement**	**512,548**	**123,221**	**512,364**	**(184)**

Committee and Central Items

The main identified variances can be split between COVID19 and Non-COVID19 reasons as follows:

Table 2 – Variances Split Between COVID19 and Non-COVID19

Committee	COVID19	Non-COVID19	Latest Forecast Variance
Children & Young People	10,931	1,835	12,766
Adult Social Care & Public Health	20,960	(5,076)	15,884
Communities and Place	8,164	71	8,235
Policy	2,702	236	2,938
Finance & Major Contract Management	1,242	(106)	1,136
Governance & Ethics	25	(74)	(49)
Personnel	430	(254)	176
Net Committee (under)/overspend	**44,454**	**(3,368)**	**41,086**
COVID-19 Grant	(42,111)	-	(42,111)
Other Central Items	-	(836)	(836)
Traders	2,246	(96)	2,150
Transfer to / (from) Departmental Reserve	-	(473)	(473)
Net County Council Budget Requirement	**4,589**	**(4,773)**	**(184)**

*It is currently anticipated that the total additional COVID19 costs reported on the next submission to the MHCLG will be £46.7m.

COVID19 Variations

27. The Ministry of Housing, Communities and Local Government requires all local authorities to submit a monthly DELTA data collection return. This return is designed to help departments across central government to understand the impact of the COVID19 pandemic on local authority finances. Nottinghamshire County Council's DELTA4 return was submitted on 31 July 2020 and forecast additional COVID19 pressures totalling £44.1m. It is expected that his figure will increase to £46.7m for the next submission.

Non-COVID19 Variations

Children & Young People's (£1.8m overspend, 1.3% of annual budget)

28. The Youth, Families and Social Work Division is reporting a forecast £0.2m overspend. This is made up of overspends on social work staffing, offset by an underspend on Children with Disabilities homes.

29. The Education, Learning & Skills Division is reporting a £0.3m overspend made up of a £0.5m overspend on school improvement sold service offset by a £0.2m underspend on other budgets. A review of the sold service offer for 2020/21 is underway.

30. The Commissioning and Resources Division is forecasting an overspend of £1.3m. This mainly arises due to general cost increases observed towards the end of 2019/20 and the cost of additional support for complex cases etc. LAC numbers increased dramatically and are believed to be driven by the wider/indirect effects of the pandemic. Net external LAC increased by 22 in July, which is 14 more than predicted. Fortunately, the mix/composition was favourable (Independent Fostering Agency's increased by 9, semi-independent contract by 10 whereas more costly semi-independent spot and residential placements increased by only 3).

Adult Social Care & Public Health (forecast £5.1m underspend, 2.4% of annual budget)

31. The major variances in the Adult Social Care and Public Health Department are as follows:

- Strategic Commissioning and Integration is forecasting an underspend of £1.2m. This has arisen due to additional BCF Health income of £1.1m and an underspend on staffing of £0.1m.

- Direct and Provider Services are forecasting an underspend of £0.7m across all services with a £0.2m underspend on Residential Services and a £0.6m underspending on Day Services, offset by a £0.1m overspend due to non-achievement of savings.

- Living Well and Ageing Well are forecasting an underspend of £2.2m. This consists of an overspend of £5.2m in Living Well, offset by an underspend of £7.4m in Ageing Well.

- Maximising independence is forecasting an underspend of £0.7m, mainly due to the delayed implementation of the workforce review.

32. Public Health is currently forecasting an underspend of £0.3m. This is primarily due to underspends on sexual health and Health Check programmes as a result of the pandemic. Any net underspend will put into reserves at the year.

Trading Services

33. Schools and West Bridgford Catering combined are forecasting a deficit of £2.0m as a result of COVID19.

34. Clayfields is currently forecasting a surplus against its income target of £0.3m. The impact of COVID19 has not been as limiting to accept new admissions as initially expected. As of June 2020, the centre is operating at 95% occupancy and this, along with reduced running expenses and use of overtime, has caused the surplus.

Central Items

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

36. As detailed above, the Authority has received three tranches of COVID19 grant allocations. On 27 March 2020, £22.3m was received from the first tranche of funding. However, due a change in methodology, the Council received a much-reduced allocation of £14.7m from the second tranche. A third allocation of £5.1m was announced on 16 July and takes total COVID19 grant

funding to £42.1m. This amount was not factored into projections when setting the 2020/21 budget in February 2020. It is proposed that a revised budget estimate will be set based upon the understanding of additional COVID 19 costs as at Period 6.

37. Central Items includes a base contingency budget of £4.0m to cover redundancy costs, slippage of savings, additional funding requirements for the 2020/21 pay award and other unforeseen events. Also, in 2020/21 a number of demand and inflationary pressures have been identified that have a degree of uncertainty with regard to likelihood, value and profiling. As such, an additional provision of £2.6m has been made within the contingency to fund these pressures of which £1.4m has already been built into committee budgets at Period 3. All residual funding requirements are currently being reviewed and the Finance and Major Contracts Management Committee or the Section 151 Officer are required to approve the release of contingency funds.

38. There is also a call on the 2020/21 contingency budget from requests that have been previously approved by Finance and Major Contracts Management Committee. These are as follows:

- D2N2 Local Enterprise Partnership - Policy Committee £62,500
- Knife Crime – Children and Young People Committee £100,000
- Children's Centre Transition Costs - Children and Young People Committee £221,000

39. In August 2020, agreement was reached with regard to the Local Government Services' Pay Agreement for 2020/21. Under the agreement, local government has accepted a 2.75% pay increase for 2020/21. This is 0.75% above what was provided for in the Medium-Term Financial Strategy for this financial year and equates to £1.3m additional costs. It is proposed that this additional cost is funded from the Council's contingency budget.

40. A request for contingency of up to £0.1m in 2020/21 has been submitted by Policy Committee (September 2020) to fund early work on the review of the business case for Local Government Review and Stakeholder Engagement.

41. Other Contingency requests approved previously total £1.0m to support communities in their response to the impact of COVID19. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main areas of risk to the forecast

42. As well as the implications arising from the COVID19 emergency the usual budget monitoring process will continue to take place throughout the year to identify all major variations to budget. Progress updates will be closely monitored and reported to management and to Committee on a monthly basis. It is expected that as well as identifying additional costs, areas of reduced costs will also be identified as the Council adapts service delivery during the crisis.

43. The approved 2020/21 budget was set against a background of assumptions and on-going risks, specifically with regard to the demand for Council services in the areas of Children and Adult Social Care where safeguarding takes priority. In Children's Social Care specifically, significant pressures are continuing to be experienced in relation to the rise in Looked After Children external placements. This is due to sustained high numbers and little evidence that the position has stabilised. In addition, the average weekly cost of placements are rising due to complexity of need, market conditions, inflation and limited capacity within the Authority's

own internal residential and foster care provision. These high-risk areas will continue to be monitored closely during the year through the robust monthly budget management process and reported back to Committee.

44. The 2019/20 Local Government Finance Settlement set out a one-year settlement only. As such, further considerable uncertainty beyond 2020/21 will remain until the outcome of the future Comprehensive Spending Review is known.

Balance Sheet
General Fund Balance

45. Members approved the 2019/20 closing General Fund Balance of £22.0m at Council on 23 July 2020. The 2020/21 budget assumes the utilisation of £0.6m of balances which will result in a closing balance of £21.4m at the end of the current financial year. This is 4.4% of the budget requirement.

Capital Programme

46. Table 2 summarises changes in the gross Capital Programme for 2020/21 since approval of the original Programme in the Budget Report (Council 27/02/20):

Table 2 – Revised Capital Programme for 2020/21

	2020/21 £'000	2020/21 £'000
Approved per Council (Budget Report 2020/21)		117,384
Variations funded from County Council Allocations :		
Net slippage from 2019/20 and financing adjustments	9,403	
		9,403
Variations funded from other sources :		
Net variation from 2019/20 and financing adjustments	16,406	
		16,406
Revised Gross Capital Programme		**143,193**

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

Table 3 – Capital Expenditure and Forecasts as at Period 4

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 4 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	35,815	8,192	35,340	(475)
Adult Social Care & Public Health	612	644	684	72
Communities & Place	68,669	5,813	64,898	(3,771)
Policy	35,517	2,894	32,249	(3,268)
Finance & Major Contracts Mngt	180	-	180	-
Governance & Ethics	354	77	299	(55)
Contingency	2,046	-	2,046	-
Total	**143,193**	**17,620**	**135,696**	**(7,497)**

Impact of COVID-19 Crisis on the Capital Programme

48. A review has been undertaken to identify areas of the capital programme where increased costs will be experienced as a result of the COVID-19 crisis. The outcome of this review has identified forecast overspends on the following schemes:-

Scheme	£000
Orchard Special School / Newark Day Centre	413
Sharp Hill Academy	100
Building Works	105
Homes England - Top Wighay	175

It is expected that these additional costs will be absorbed within existing budgets except for the additional costs that are to be incurred against the Orchard School and the Sharp Hill Academy projects, which will be funded from the School Places programme.

It is proposed that the capital programme is varied to reflect that additional costs incurred on the Orchard Special School and Sharp Hill Academy projects will be funded from the School Places Programme.

COVID-19 Capital Programme Review

49. As reported to Finance and Major Contracts Management on 20 July 2020 it is currently anticipated that the Authority will be facing a funding shortfall in 2021/22 of over £26m. As such, the Financial Resilience Group are currently reviewing a number of options in order to mitigate this funding shortfall. To try and reduce the costs of borrowing in 2021/22 an exercise has been undertaken to identify areas of potential saving / re-profiling in those areas of the capital programme that are funded from borrowing in 2020/21. Savings / re-profiling identified to date totals £6.5m and is set out in the paragraphs below. All things being equal, slippage of this magnitude will generate a saving against the cost of borrowing in 2021/22 of approximately £420k. Further opportunities for savings / re-profiling within the capital programme will continue to be explored as the financial year progresses.

Children & Young People's

50. In the Children and Young People's Committee capital programme an underspend of £0.5m has been identified. This mainly relates to slippage relating to the developments taking place at The Mill Adventure Base. Although Phase 1 of the works is progressing as planned it is expected that Phase 2 of the works (£1.0m) will now take place in the next financial year. This is offset by the forecast increased costs that have been identified at Orchard Special School and Sharp Hill Academy as set out in paragraph 46.

It is proposed that the Children and Young People's Committee capital programme is varied to reflect the £1.0m re-profiling of expenditure identified against the Mill Adventure Base project.

Adult Social Care & Public Health

51. In the Adult Social Care and Public Health Committee capital programme. The Authority has received a further £0.6m Disable Facilities Grant which funds the purchase of equipment that can enable adults with special needs to remain in their homes.

It is proposed that the Adult Social Care and Public Health Committee capital programme is varied to reflect the £0.6m Disables facilities Grant received by the Authority.

Communities & Place

52. In the Communities and Place Committee capital programme an underspend of £3.8m has been identified. This relates mainly to re-profiling identified as part of the COVID19 capital programme review that is set out in paragraph 47. In particular, £2.0m of funding associated with the Rushcliffe Recycling Centre has been re-profiled into the next financial year as work continues to prepare a suitable site for the service. Further re-profiling into future years has been identified against the following budgets:-

    - Flood Alleviation and Drainage (£0.6m)
    - Transport and Travel Services (£0.4m)
    - Energy Saving Scheme (£0.5m)

    It is proposed that the Communities and place capital programme is varied to reflect the outcome of the COVID-19 capital programme review.

53. Also, in the Communities and Place capital programme, the Authority has been successful in securing £0.6m external funding from the Environment Agency to carry out works into eight separate areas of the county that are at risk of flooding events.

    It is proposed that the Flood Alleviation and Drainage capital budget is varied by £0.6m, to reflect the £0.6m external funding received from the Environmental Agency.

54. At the Communities and Place Committee meeting on 2 September 2020 Members identified a need to provide funding of £1m to implement a Property Flood Resilience programme. This programme will put in place measures to properties in areas vulnerable to flooding but not covered by Central Governments Flood Protection Grants. It is the Council's ambition that this funding be matched by partners including the Environment Agency.

    It is proposed that the Communities and Place capital programme is varied to reflect the £1.0m funding required to fund the Property Flood Resilience programme, funded from capital allocation.

55. Also, in the Communities and Place capital programme there is a requirement for £2.0m funding to carry out the replacement of the libraries and archives public ICT estate and network replacement. The current public facing ICT estate is coming to the end of life and, if it is not replaced, will see core service provision cease. In addition, the Wide Area Network requires replacement in line with the NCC network replacement programme.

It is proposed that the Communities and Place capital programme is varied by £2.0m to reflect the replacement of the libraries and archives public ICT estate and network replacement.

Policy

56. In the Policy Committee a forecast underspend of £3.3m has been identified. This mainly relates to re-profiling identified as part of the COVID-19 capital programme review that is set out in paragraph 47. Two main areas of re-profiling have been identified through this review as follows:-

    - Computer Equipment Replacement Programme (£1.0m)
    - Better Broadband for Nottinghamshire (£2.0m)

    Slippage of £1.9m has also been identified against the Notts Digital Connectivity programme as delivery has been affected by the COVID19 crisis. These underspends are offset by a £1.4m overspend identified against the Microsoft Enterprise Agreement as additional funds are required to fund the Authority's licence requirements.

    It is proposed that the Policy Committee capital programme is varied to reflect both the re-profiling identified as part of the COVID-19 capital programme review and the additional funds required to service the Microsoft Enterprise Agreement.

57. Also, in the Policy Committee, it is proposed that £0.4m of funding is made available to carry out alteration works at County Hall to accommodate ICT Services and equipment. The services and equipment to be installed are those that are unable to be migrated into the Cloud. In addition, key infrastructure and communications equipment will be provided to ensure continued connectivity from County Hall to services already migrated to the Cloud.

    It is proposed that the Policy Committee capital programme is varied to reflect the £0.4m funding required to fund the alteration works and IT equipment at County Hall, funded from capital allocation.

58. In the Policy Committee capital programme, it is worth noting that the capital programme was varied following the approval of the Investing in Nottinghamshire report which was reported to Policy Committee in February 2020. This report approved significant capital investment of £28.1m to carry out long-term proposals to ensure the best future use of the Council's major office and service building portfolio. This programme of work will be monitoring through the usual capital forecasting process.

Financing the Approved Capital Programme

59. Table 4 summarises the financing of the overall approved Capital Programme for 2020/21.

Table 4 – Financing of the Approved Capital Programme for 2020/21

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People's	22,664	12,512	-	639	35,815
Adult Social Care & Public Health	371	241	-	-	612
Communities & Place	15,636	51,594	1,119	320	68,669
Policy	21,737	12,980	-	800	35,517
Finance & Major Contracts Mngt	-	-	-	180	180
Personnel	354	-	-	-	354
Contingency	2,046	-	-	-	2,046
Total	**62,808**	**77,327**	**1,119**	**1,939**	**143,193**

60. It is anticipated that borrowing in 2020/21 will increase by £0.6m from the forecast in the Budget Report 2020/21 (Council 27/02/2019). This increase is primarily a consequence of:

- £9.4m of net slippage from 2019/20 to 2020/21 and financing adjustments funded by capital allocations.
- Net slippage in 2020/21 of £8.8m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

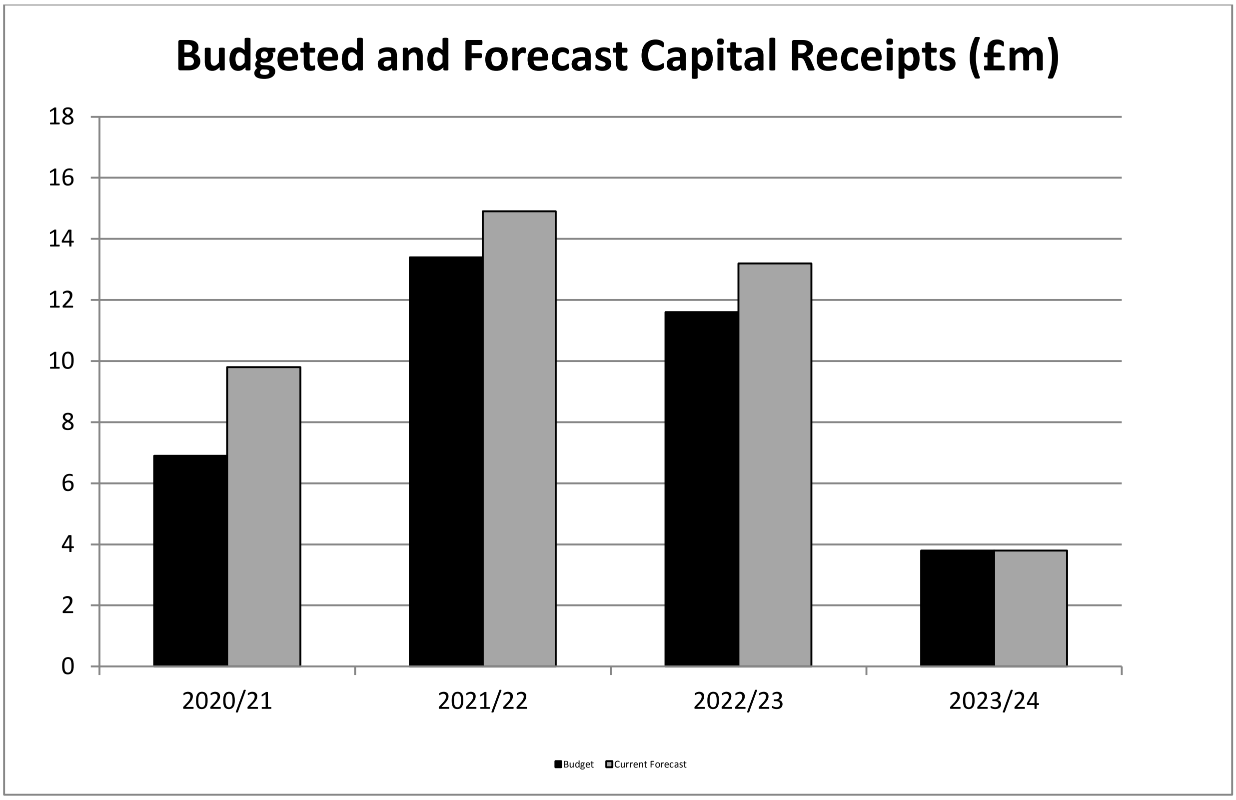
Prudential Indicator Monitoring

61. 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

62. 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.

63. The chart below shows the budgeted and forecast capital receipts for the four years to 2023/24.



64. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2020/21 (Council 27/02/2020). These capital receipts budgets prudently incorporated slippage, giving a degree of "protection" from the risk of non-delivery.

65. The capital receipt forecast for 2020/21 is £6.9m. To date in 2020/21, £0.4m of capital receipts have been received.

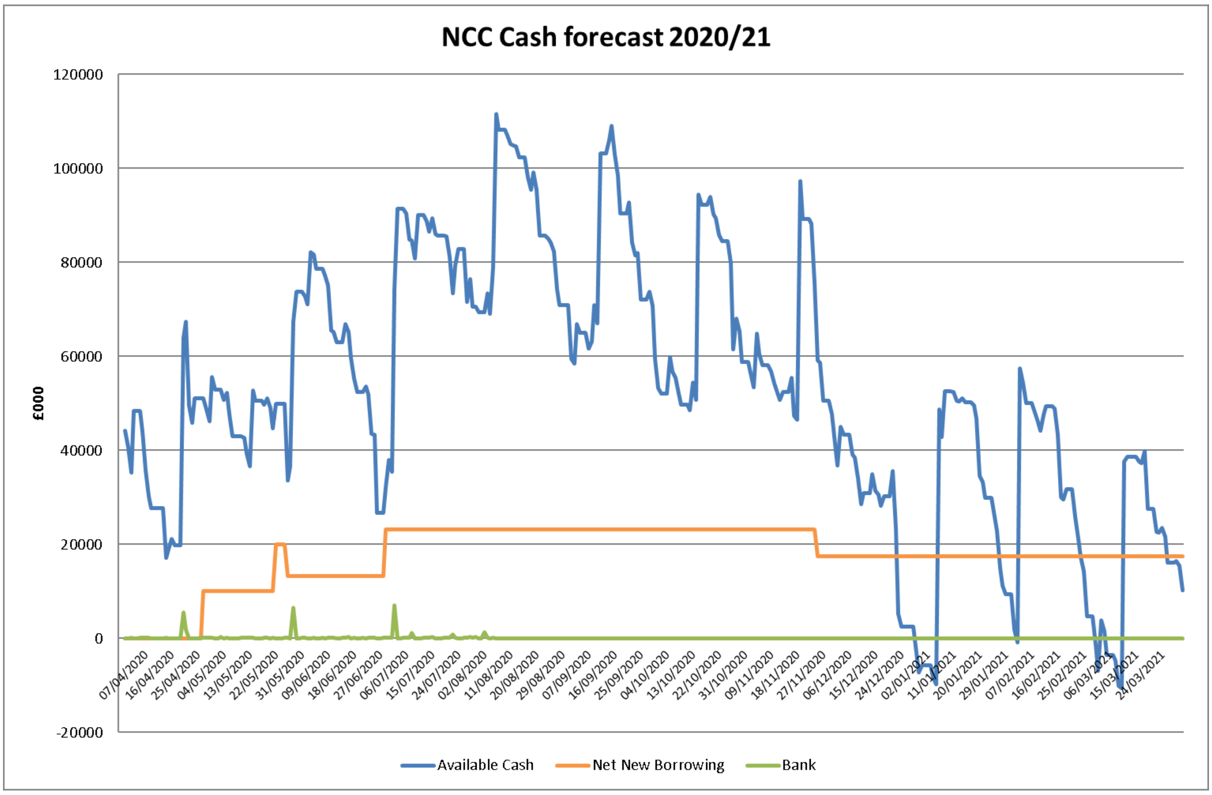
66. The number and size of large anticipated receipts increase the risk that income from property sales will be below the revised forecasts over the next three years. Although the forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales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

67. Current Council policy (Budget Report 2020/21) is to use the first tranche of capital receipts to fund in-year transformation costs. Any capital receipts in excess of this will be 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

68. 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.

69. The Cash forecast chart below shows the current estimated cash flow position for the financial year 2020/21. 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 below reflects this. Also, expected borrowing in support of capital expenditure is not included in the forecast. The chart thereby helps highlight the points in the year when such borrowing will be necessary, and it is monitored daily so that treasury management staff can act comfortably in advance of the cash being required, the aim being to maintain adequate but not excessive liquidity.

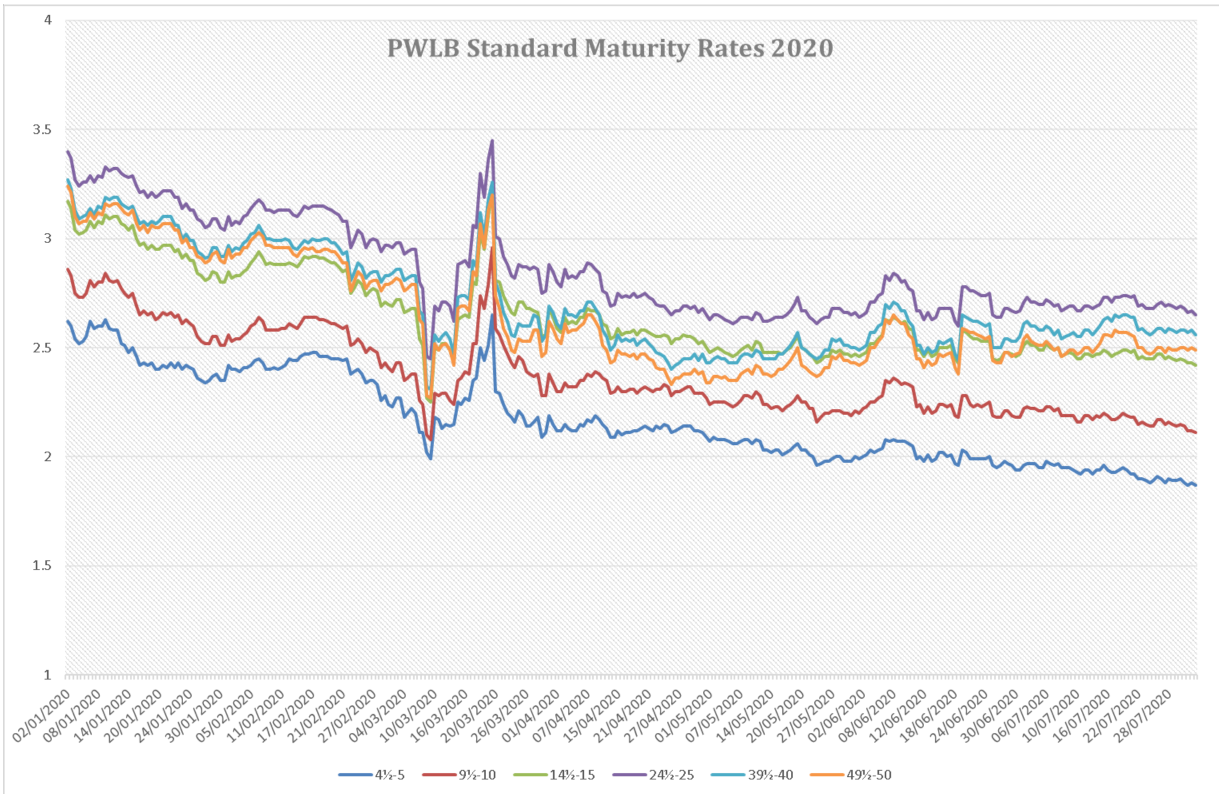


70. The chart above gives the following information:

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.

71. The Treasury Management Strategy for 2020/21 identified a need to borrow approximately £50m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. However, the estimate was revised and increased to £80m after the 2019/20 accounts closure (taking account of slippage). £10m of this was taken in late April, with further £10m tranches in May and June.

72. 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 2020 so far. The initial effects of the coronavirus pandemic and the Government's budgetary response can be seen in early March, with rates declining slowly but steadily since.

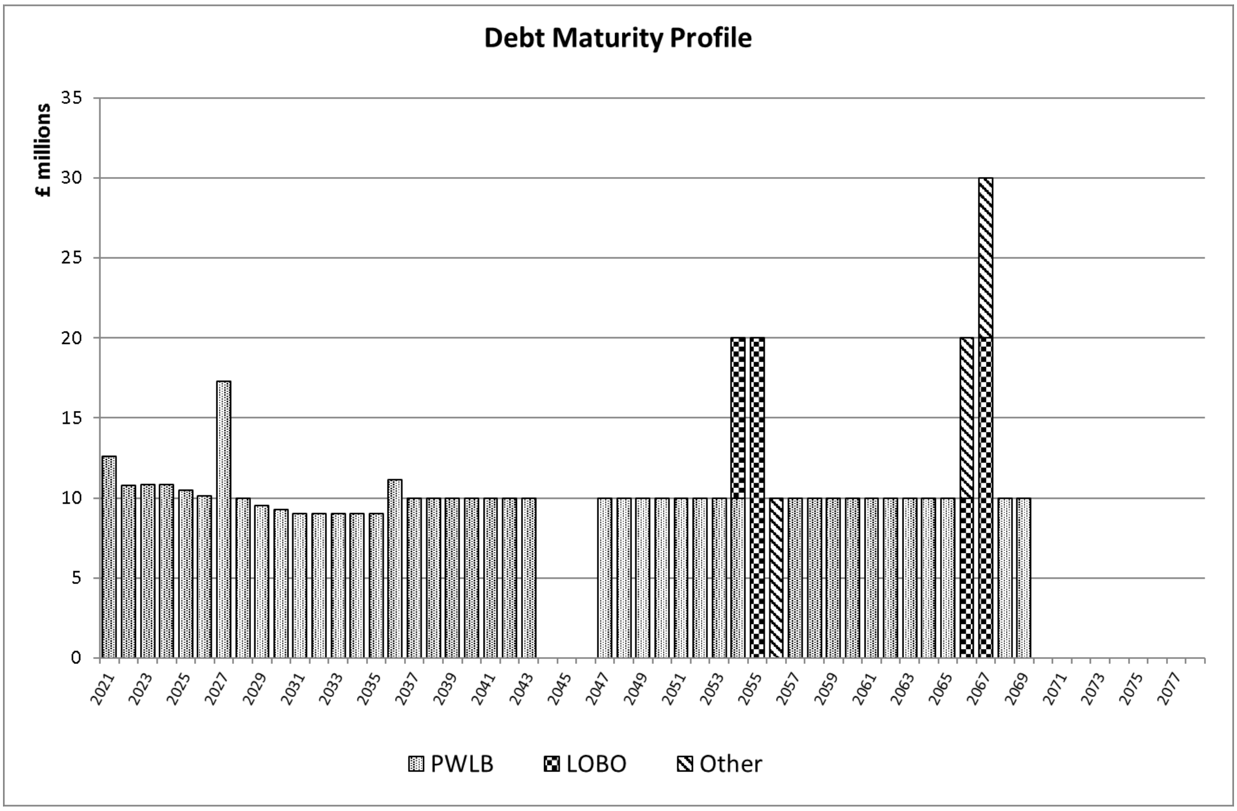


73. Borrowing decisions will take account of a number of factors including:
- expected movements in interest rates
- current maturity profile
- the impact on revenue budgets and the medium- term financial strategy
- the treasury management prudential indicators.

74. 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 50 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.

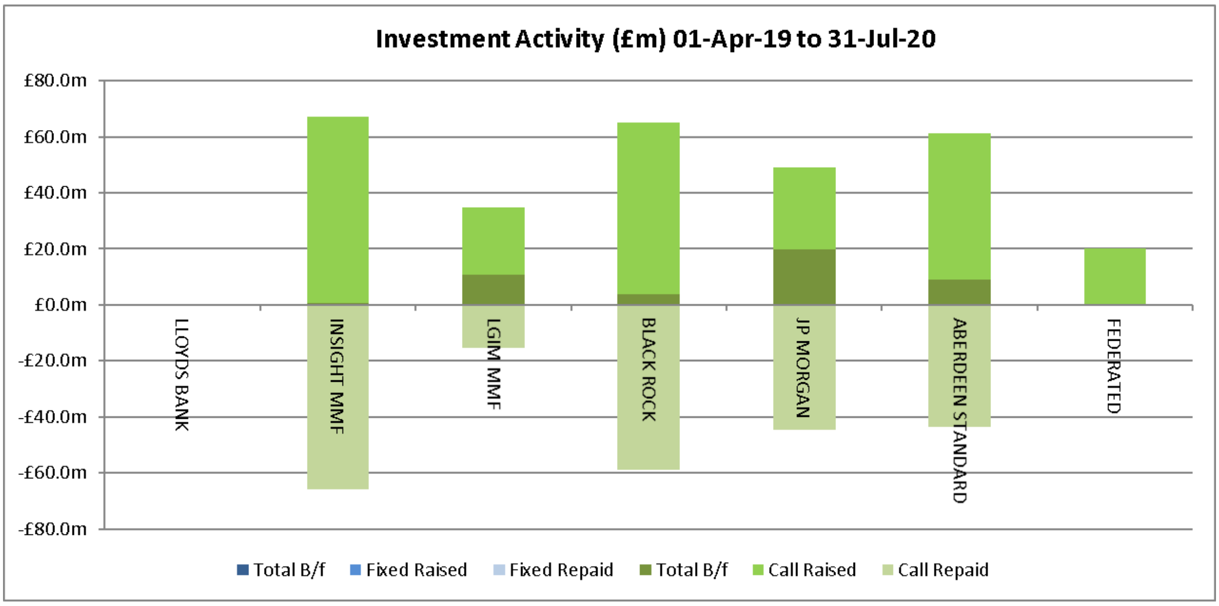
75. Long-term borrowing was also obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken 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.

76. The 'other' loans shown in the chart consists of LOBO loans from Barclays Bank that were converted to standard fixed-term loans in 2016.



77. The investment activity for 2020/21 to date is summarised in the chart and table below. Outstanding investment balances totalled approximately £44m at the start of the year and approximately £69m at the month-end.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
INSIGHT MMF	750	66,600	(65,850)	1,500
LGIM MMF	10,700	24,100	(15,250)	19,550
BLACK ROCK	3,800	61,450	(58,950)	6,300
JP MORGAN	19,800	29,150	(44,550)	4,400
ABERDEEN STANDARD	9,150	52,150	(43,600)	17,700
FEDERATED	-	20,000	-	20,000
Total	**44,200**	**253,450**	**(228,200)**	**69,450**



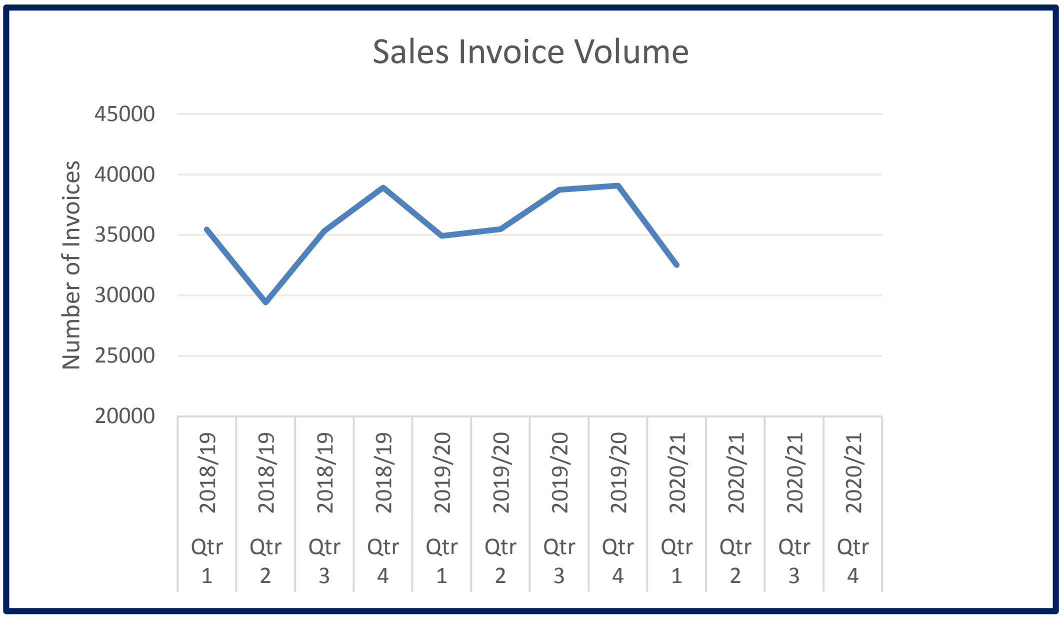
78. As part of the Council's risk management processes all counterparty ratings are regularly monitored, and lending restrictions changed accordingly.

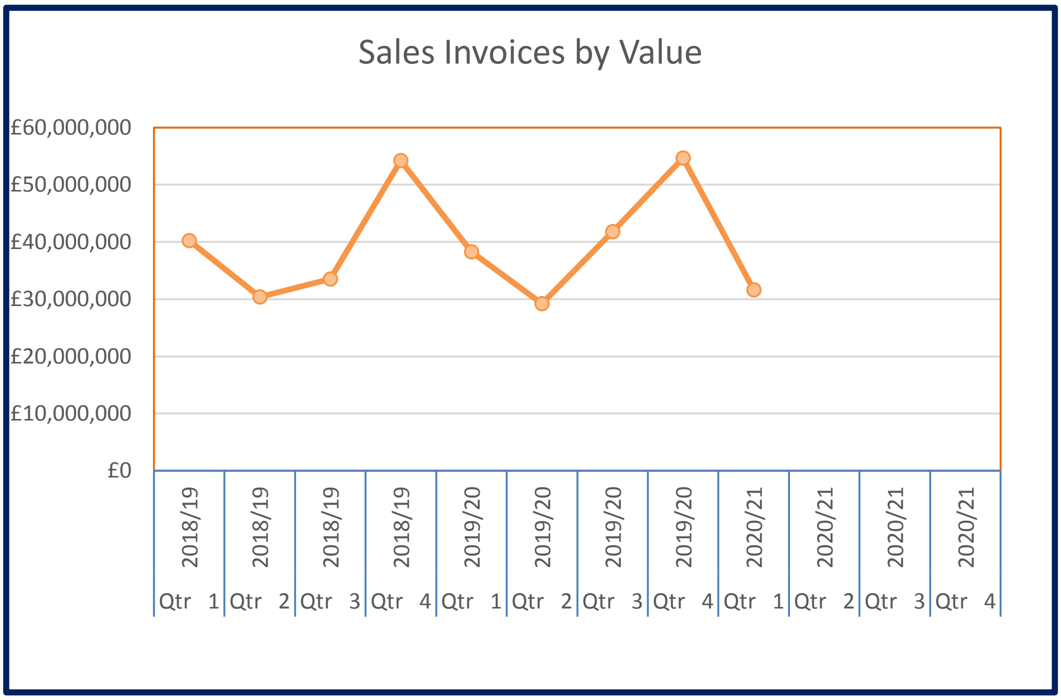
Debt Recovery Performance

79. Sales invoicing trends during Quarter 1 are now showing some significant reductions in income, directly related to the COVID19 pandemic, compared to Quarter 1 in 2019/20 this represents around 2,500 invoices and £6.6m.

Invoices Trends in Quarter

	Quarter 1	Year to date
Number	32,523	32,523
Value	£31,626,209	£31,626,209





Debt Position Q1

80. The debt recovery team have been working on a reduced activity process during Quarter 1 due to COVID19, maintaining call and email contact with debtors but without any enforcement actions. As expected, this is now just beginning to show up as increased debt levels at 6 months. With agreement, this team is now poised to commence full debt recovery procedures.

	Residential & Domiciliary Care (Statutory Debtors)	All Other (Non-Statutory Debtors)	Total
Total	£12,507,770	£12,901,201	£25,408,971
Over 6 months	£6,341,350	£1,135,143	£7,476,493
% over 6 months	50.7%	8.8%	29.4%

81. The Residential and domiciliary debts debt figures continue to be influenced by full cost invoices to service users that have not yet joined the deferred payments scheme. The resulting debts are 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 available funds to make payments.

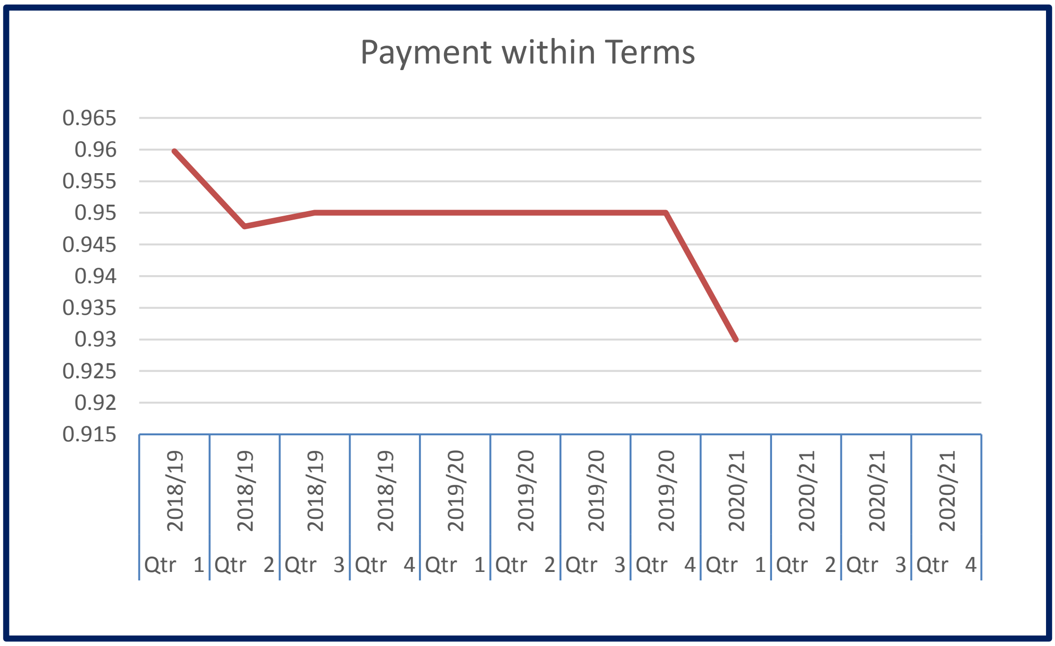
No of Accounts	Total Debt
60	£1.49m

82. The debtor write-off total during Quarter 1 was £61,900 for 86 accounts.

Accounts Payable (AP) Performance

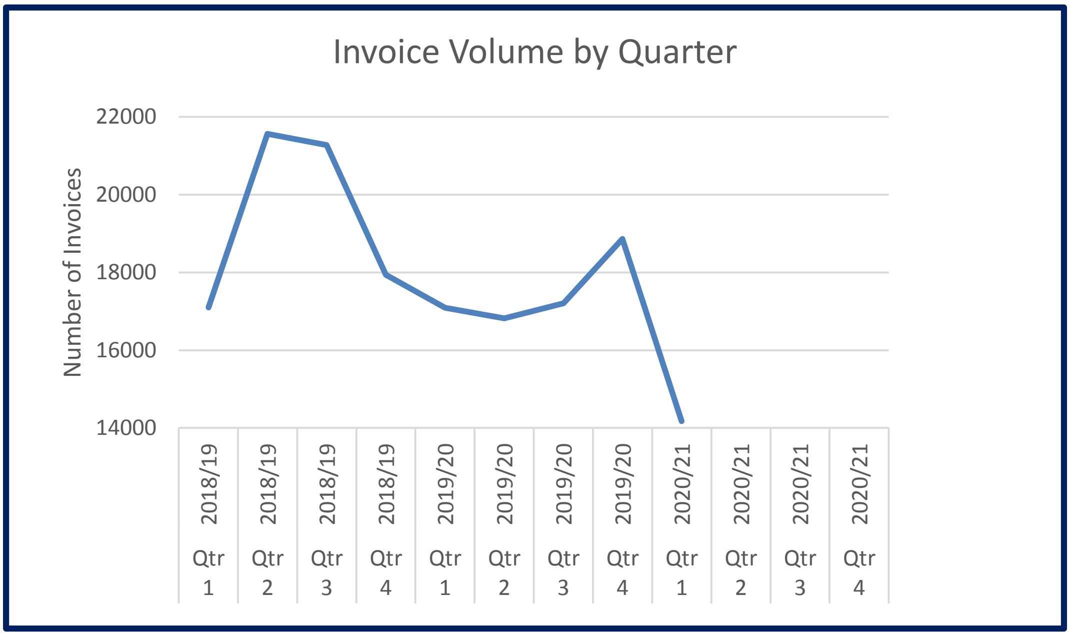
83. During Quarter 1 payment performance has reduced slightly to 93%. For some vendor payments, terms have been reduced to “immediate” in order to help with their cashflow issues during the pandemic; this will cause some invoice types to show as failing against their payment terms, hence reducing the overall performance measure. We have also noted some delays in departments being able to process their authorisations for some invoices.

Payments Within Terms



84. The volume of commercial invoices processed for Quarter 1 shows a decrease. The expectation is that this is directly related to the COVID-19 lockdown.

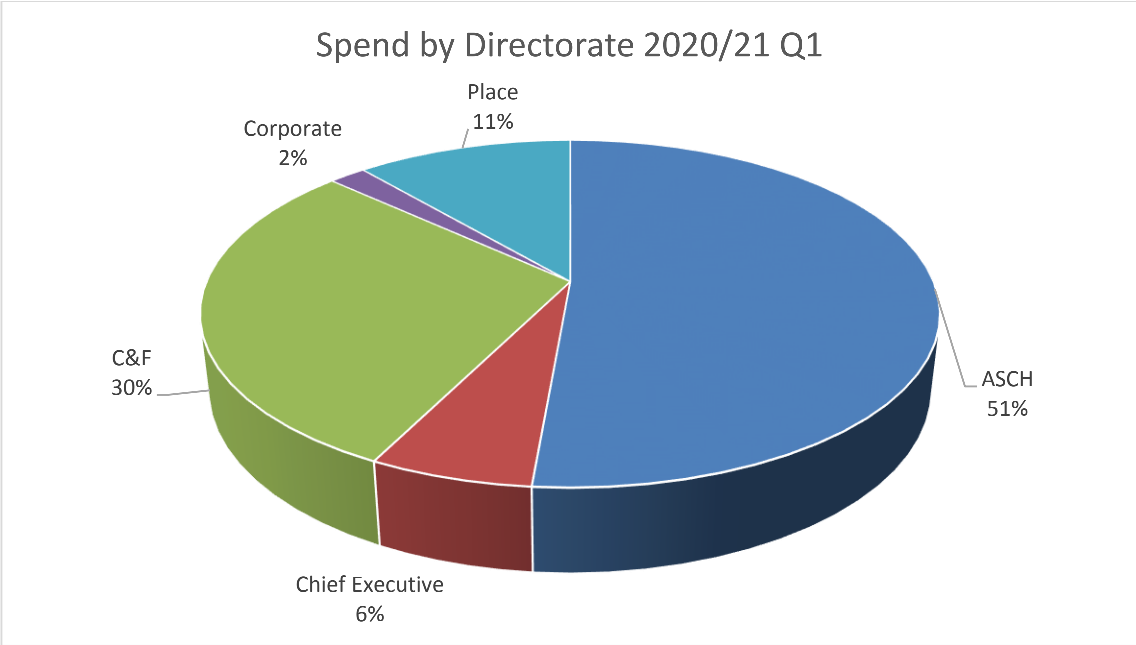
Commercial Invoices Processed



Procurement Performance

85. As an organisation, NCC has spent £147.7m in the first quarter of the financial year 2020-21 with external suppliers. This represents an increase of £20.3m when compared with the same period of the previous financial year. The top 15.7% (496) of suppliers account for 80% (£118.2m) of the total supplier spend. The remaining 84.3% (2,664 suppliers) have a total expenditure of £29.5m with an average spend of £11,091.

86. The chart below shows the total amount spent in the period, by Directorate. ASCH has the highest level of expenditure at 51%, followed by Children's and Family's which makes up a further 30% of spend.



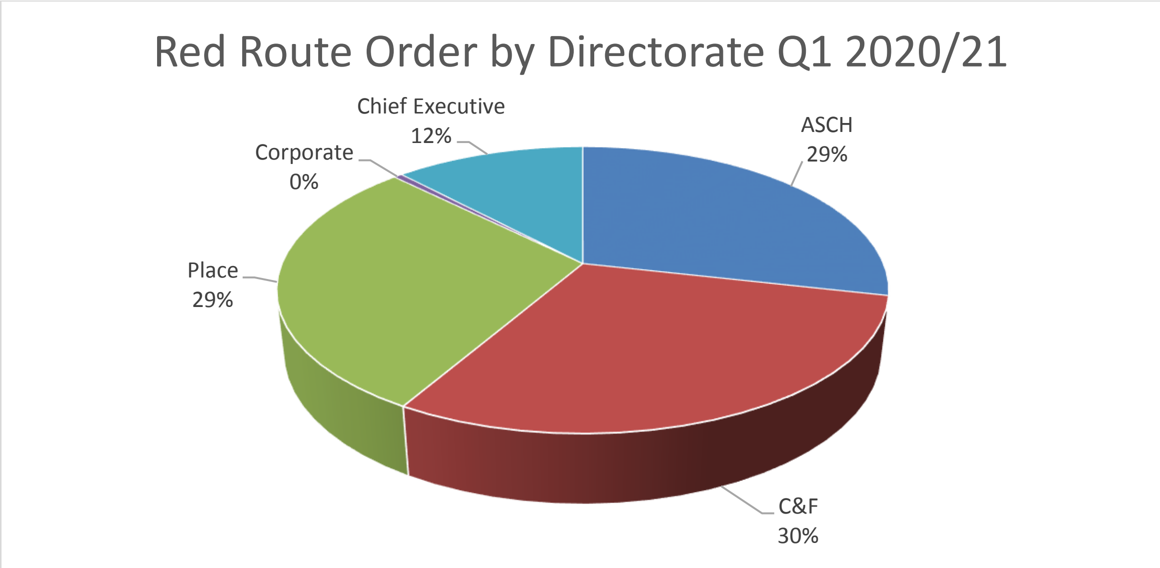
87. The Council's primary ordering route is through BMS. Orders that are processed through BMS are classified as 'Compliant', whilst purchases made outside of the Council's systems are deemed to be 'Non-Compliant'.

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.

88. The table below shows the number of retrospective orders by month and by Department

Department	PO Volume APR 2020	PO Volume MAY 2020	PO Volume JUN 2020	Total Q1 2020/21	Total Q1 2019/20
ASCH	55	43	39	137	219
C&F	128	131	111	370	612
Place	112	106	109	327	542
Corporate	12	5	5	22	32
Chief Executive	84	88	64	236	388
Total	391	373	328	1,092	1,793

89. 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 has decreased from 8,010 to 4,444.The chart below identifies the percentage of Red Route orders by Directorate in Quarter 1 of the 2020/21 financial year. The Procurement Team continue to work with stakeholders to improve these figures.



Statutory and Policy Implications

90. 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 comment on the capital programme expenditure to date, year-end forecasts and approve variations to the capital programme.

3) To comment on the Council's Balance Sheet transactions.

4) To approve the additional contingency requests.

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, Infrastructure and Improvement

For any enquiries about this report please contact:
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Tamsin Rabbitts - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (KK 14/09/2020)

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

Financial Comments (GB 19/08/2020)

92. 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