Nottinghamshire County Council

Report to Finance and Property Committee
28 April 2014

Agenda Item: 4

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT

FINANCIAL MONITORING REPORT: PERIOD 11 2013/2014

Purpose of the Report

1.1 To provide a summary of the revenue position of the County Council for the year to date with year-end forecasts.

1.2 To provide a summary of Capital Programme expenditure to date and year-end forecasts.

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

1.4 To inform Members of the Council's in year Balance Sheet transactions.

Information and Advice

2. Background

2.1 The Council's budget was approved at the Full Council meeting 28 February 2013. As with the previous financial year, progress updates will be reported to Committee each month.

3. Summary Financial Position

3.1 The Council is forecasting an underspend of £5.8m and therefore may not have to draw down the full £15.1m of general fund reserves as approved in the budget report. In light of the Council's ongoing financial challenges, the key message to effectively manage budgets and wherever possible deliver in-year savings is being reinforced. The impact of this will continue to be monitored and reported to Members, as will the forecast reserves requirement.

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

Table 1 – Summary Revenue Position

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

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

4. Committee and Central Items

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

Children and Young People (forecast £4.7m underspend)

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

- £1.7m overspend on social work staffing due to the use of agency staff to cover vacancies;
- £0.6m overspend on home to school transport for looked after children;
- £0.1m overspend in the Fostering Service as efforts are made to increase in-house capacity;

- The above are offset by a £3.5m underspend on Child Placements due to lower numbers of children requiring these places than originally anticipated;
- The Children’s Disability Service is forecasting an underspend of £0.4m across its services;
- The Adoption Service is forecasting a £0.1m underspend as some inter-agency adoptions anticipated at period 9 are now going to be replaced with internally sourced placements.

4.3 Education Standards & Inclusion

The Division is reporting a forecast underspend of £0.7m. The main variances are:

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

4.4 Youth, Families, & Culture Division

The forecast reflects a net underspend of £2.3m (before the proposed movement on reserves) consisting of:

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

4.5 Given the forecast underspend outlined above, consideration is being given to making a contribution to earmarked reserves to support specific schemes in the following financial year. Final recommendations on this will be made once the year end position across the Council is known.

Adult Social Care & Health (forecast £0.6m overspend)

4.6 Older Adults Division

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

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

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

4.7 Joint Commissioning Division

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

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

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

4.8 Younger Adults Division

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

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

potentially another £0.6m of at risk income which has been omitted from the forecast;
- The underspend in Day Services has risen slightly to £1.0m and is due to underspends on staffing;
- The underspend in the Short break units remains at £0.3m and is due to underspends on staffing.

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

4.9 Promoting Independence Division

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

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

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

4.10 Transfer to / (from) reserves

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

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

Policy (forecast £2.6m underspend)

4.11 The main variances are:

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

Economic Development (forecast £0.6m underspend)

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

Public Health (forecast £3.6m underspend)

4.13 Proposed development funding

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

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

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

4.14 Sexual Health

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

4.15 Public Health Directorate

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

4.16 Other Areas

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

Central Items (forecast £2.5m net underspend)

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

4.18 Interest payments are currently forecast to be £2.0m less than the original budget. This is primarily due to slippage of the 2012/13 capital programme, resulting in a reduction in the Council's borrowing requirement. This has been reflected in the 2014/15 budget.

4.19 At the time of setting the 2013/14 budget, several funding allocations had not been announced and therefore assumptions about certain grants were made, based on the best information available at the time. Since then, confirmations have been received, resulting in a net increase of £0.8m in 2013/14.

4.20 Central items also include the Pension Enhancement budget which relates to the cost of additional years' service awards. These were approved in previous years as this practice is no longer permitted following changes to the pension rules. This budget requires realignment as attrition rates have not kept pace with pension increases. An overspend of £0.4m is predicted in the current year and has been factored into future years budgets.

4.21 When the 2012/13 contingency budget was originally set, £3m was earmarked for redundancy. As in previous years, and in accordance with accounting practice, a provision was set aside in 2012/13 to meet the costs of expected redundancies that will fall in 2013/14. This was based on outstanding Section 188 notices at the time and totalled £1.3m. Redundancy payments made in the current financial year to date total £3.1m. On 5 November a new Section 188 notice was published listing 758 posts potentially at risk of redundancy, of which 268 are already vacant. A corresponding provision will be made in 2013/14 accounts to meet the costs of redundancy that will be incurred in 2014/15. The redundancy contingency will be used to offset this, and, if required, the general contingency which currently stands at £2.9m may also be used. It is assumed that any surplus will be transferred to the Council's Corporate Redundancy Reserve. The figures in Table 1 reflect the assumption that the allocation for general contingency will be required in full.

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

Progress with savings and risks to the forecast

4.23 Since 2010/11 the Council has delivered savings of over £100m with a further £10m expected in the current year. The base budget review identified some movement in the savings and realignments were made to 2013/14 budgets where appropriate.

4.24 At its meeting on 27 February 2014, the Council approved a set of proposals that will begin to address the financial challenges forecast in the coming years. Officers will continue to monitor the deliverability of individual schemes and targets as part of the budget monitoring process and reflect achievability in the forecast outturn.

5. Capital Programme

Approved Capital Programme

5.1 Table 2 summarises changes in the gross Capital Programme for 2013/14 since approval of the original programme in the Budget Report (Council 28/02/13):

Table 2 – Revised Capital Programme for 2013/14

	2013/14	
	£000	£000
Approved per Council (Budget Report 2013/14)		132,956
Variations funded from County Council Allocations:		
Net slippage from 2012/13 and financing adjustments	11,081	
Approved variations to February Council Report	(17,992)	
		(6,911)
Variations funded from other sources:		
Net slippage from 2012/13 and financing adjustments	1,551	
Approved variations to February Council Report	1,873	
		3,424
Revised Gross Programme		**129,469**

Capital Monitoring

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

Table 3 – Capital Expenditure and Forecasts as at Period 11

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

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

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

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

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

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

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

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

Financing the Approved Capital Programme

5.9 Table 4 summarises the financing of the overall approved Capital Programme for 2013/14.

Table 4 – Financing of the Approved Capital Programme for 2013/14

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	37,158	22,694	0	1,375	61,227
Adult Social Care & Health	236	0	45	92	373
Transport & Highways	6,788	21,785	0	12,383	40,956
Environment & Sustainability	3,473	500	500	0	4,473
Community Safety	289	0	0	0	289
Culture	236	2,218	0	1,546	4,000
Policy	5,785	0	0	0	5,785
Finance & Property	11,568	50	0	603	12,221
Personnel	0	0	0	145	145
Contingency	0	0	0	0	0
TOTAL	**65,533**	**47,247**	**545**	**16,144**	**129,469**

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

- £11.1m of net slippage from 2012/13 to 2013/14 and financing adjustments funded by capital allocations.

- Variations to the 2013/14 capital programme funded from capital allocations totalling £18.0m as approved to February County Council.

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

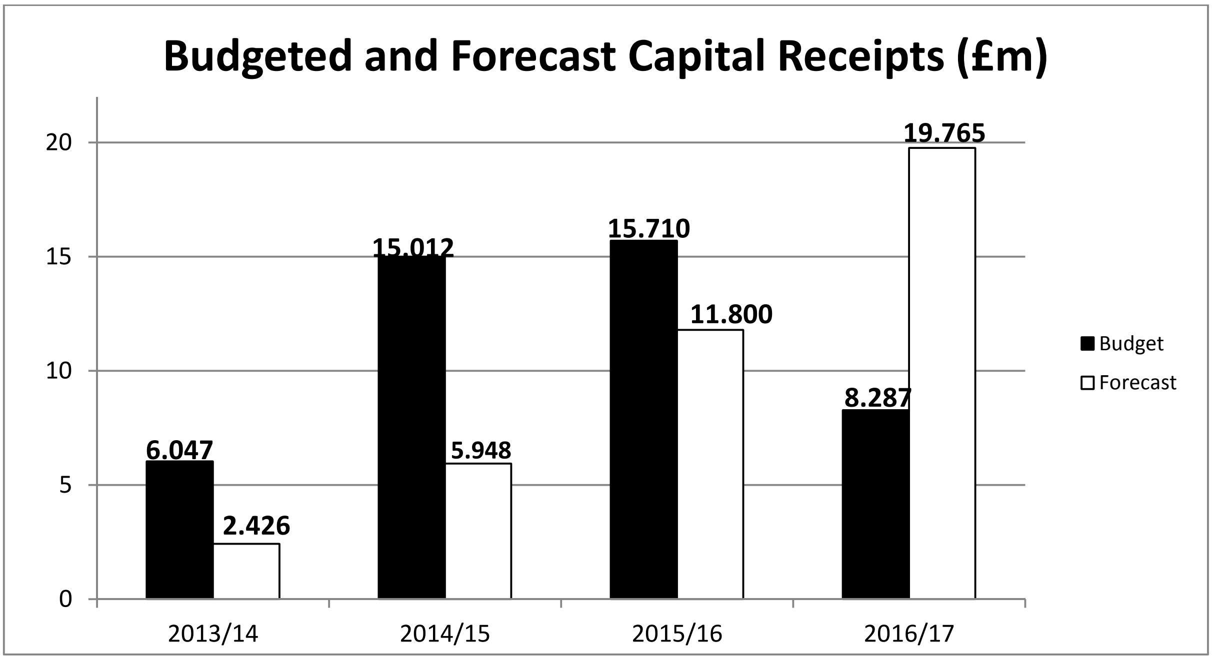
Prudential Indicator Monitoring

5.11 Performance against the Council's Prudential Indicators will be regularly monitored to ensure that external debt remains within both the Operational Boundary and the Authorised Limit.

Capital Receipts Monitoring

5.12 Anticipated capital receipts are regularly reviewed. Forecasts are currently based on estimated sales values of identified properties and prudently assume a slippage factor based upon a review of risk associated with each property. They also include an estimated £50,000 of vehicle receipts.

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



5.14 The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2013/14 (Council 28/02/2013). These capital receipts budgets prudently incorporated slippage, giving a degree of "protection" from the risk of non-delivery. The bars also incorporate anticipated slippage.

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

5.16 The number and size of large anticipated receipts increase the risk that income from property sales will be even lower than the revised forecasts over the next three years. Although the revised forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales being lower than these forecasts. For example, a scenario in which £4m of capital receipts are realised in 2013/14 and £9m of capital receipts are realised in 2014/15 would not be considered unlikely. This would represent a reduction of £36m from the budgeted level of capital receipts for 2013-15.

5.17 Current Council policy (Budget Report 2013/14) is to set capital receipts against the principal of previous years' borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be set aside each year.

5.18 As highlighted in the Budget Report 2013/14, the Council's medium-term forecasts were predicated on an ambitious level of capital receipts. Given current concerns about further revenue reductions, it is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme.

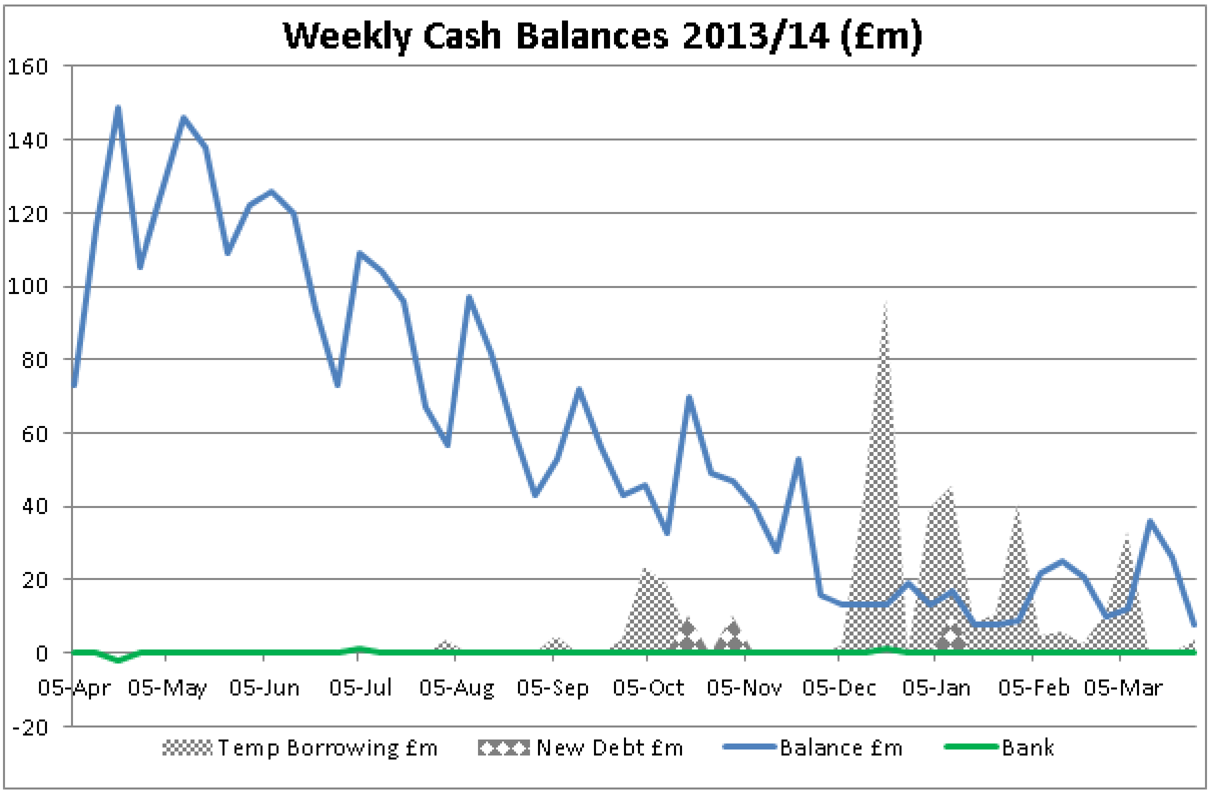
6 Balance Sheet

Impact on General Fund Balances

6.1 Members approved the 2012/13 closing General Fund Balance of £42.1m (Council 11 July 2013). The 2013/14 budget approves utilisation of £15.1m of balances which will result in a closing balance of £27m at 31/03/2014, this is just over 5% of the Budget Requirement.

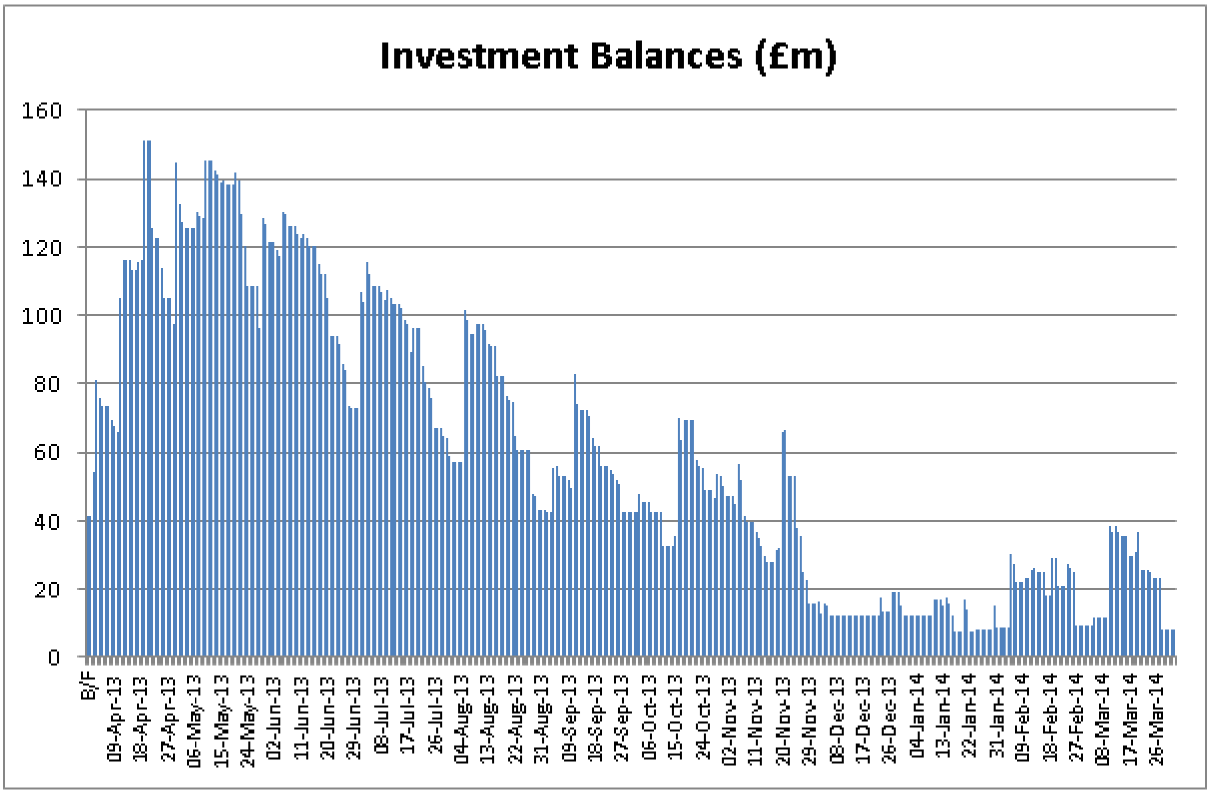
Treasury Management

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

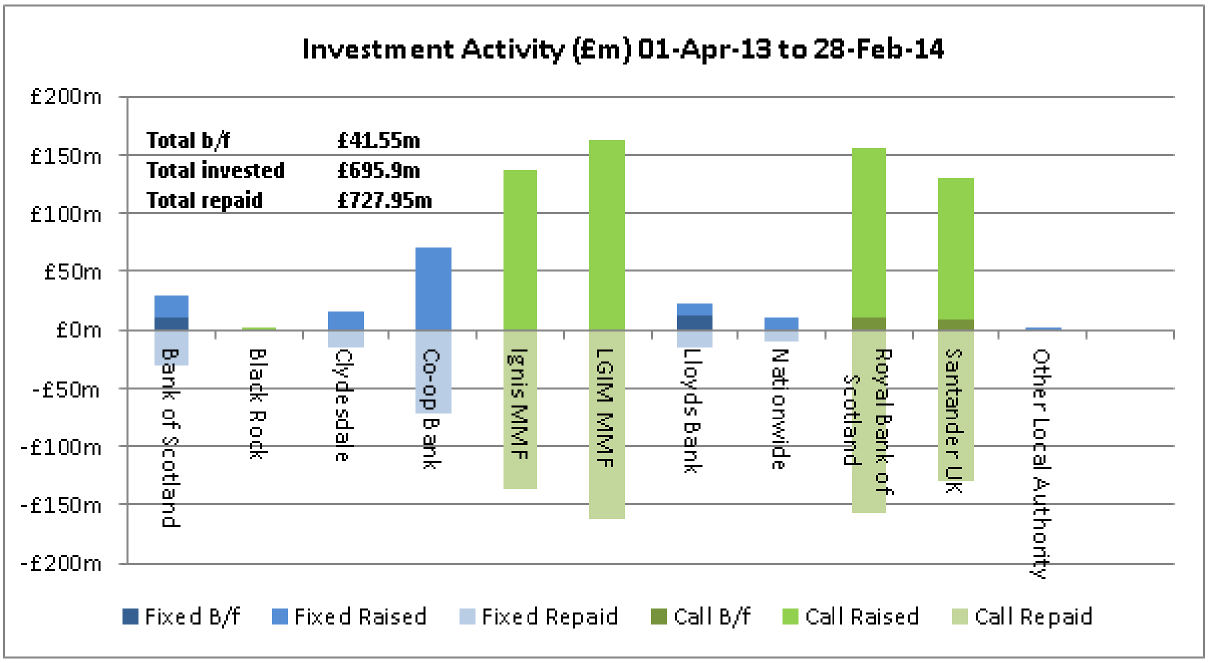


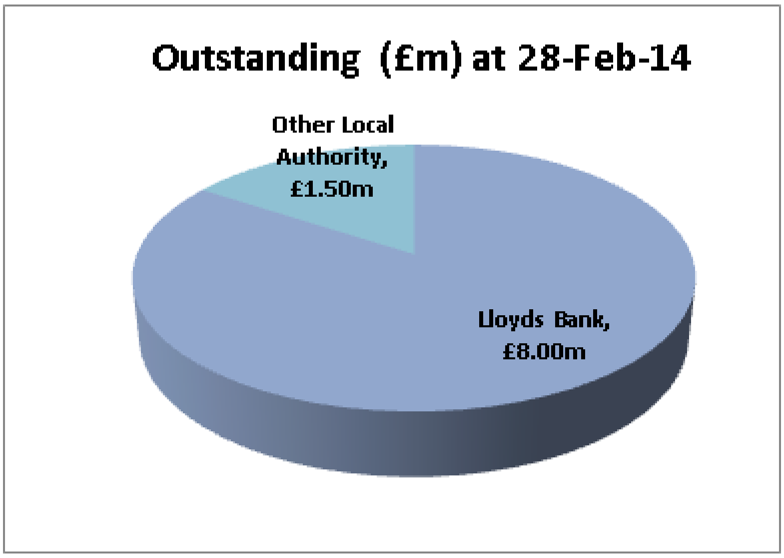
6.3 The treasury strategy for 2013/14 identified a need for additional borrowing of £10m to replenish cash reserves and £30m to fund the capital programme. The chart above indicates that sufficient cash balances have been maintained for much of the year but that external borrowing has been required towards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

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



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

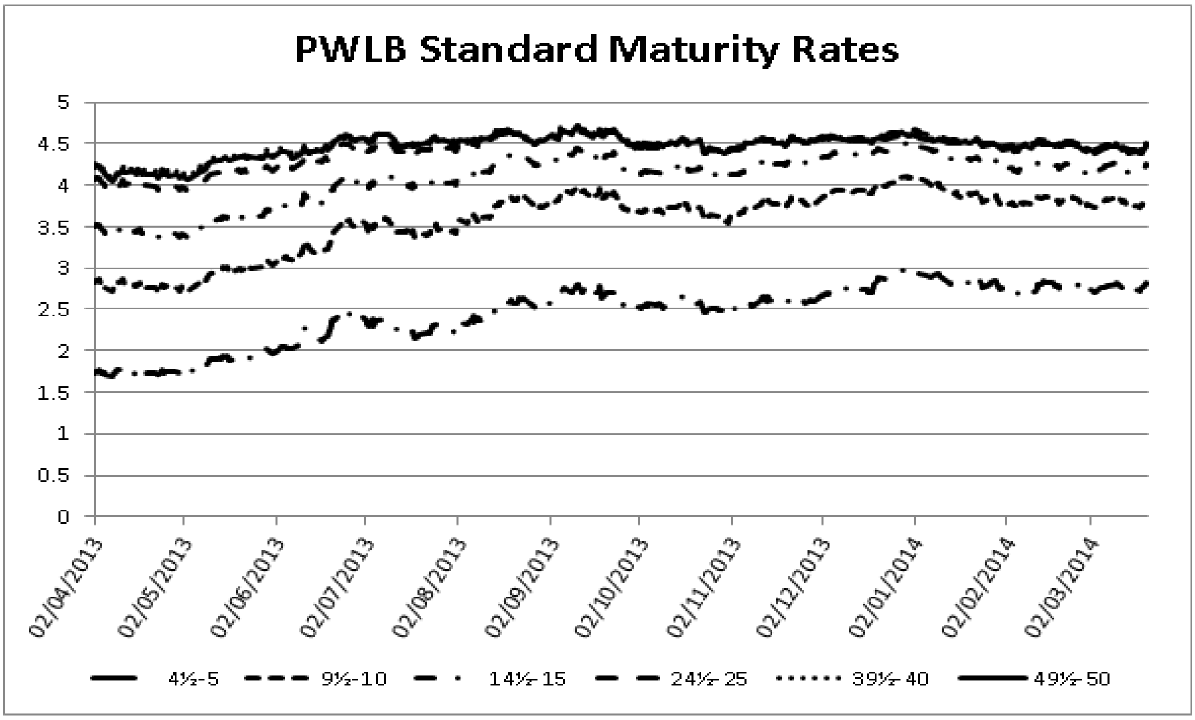




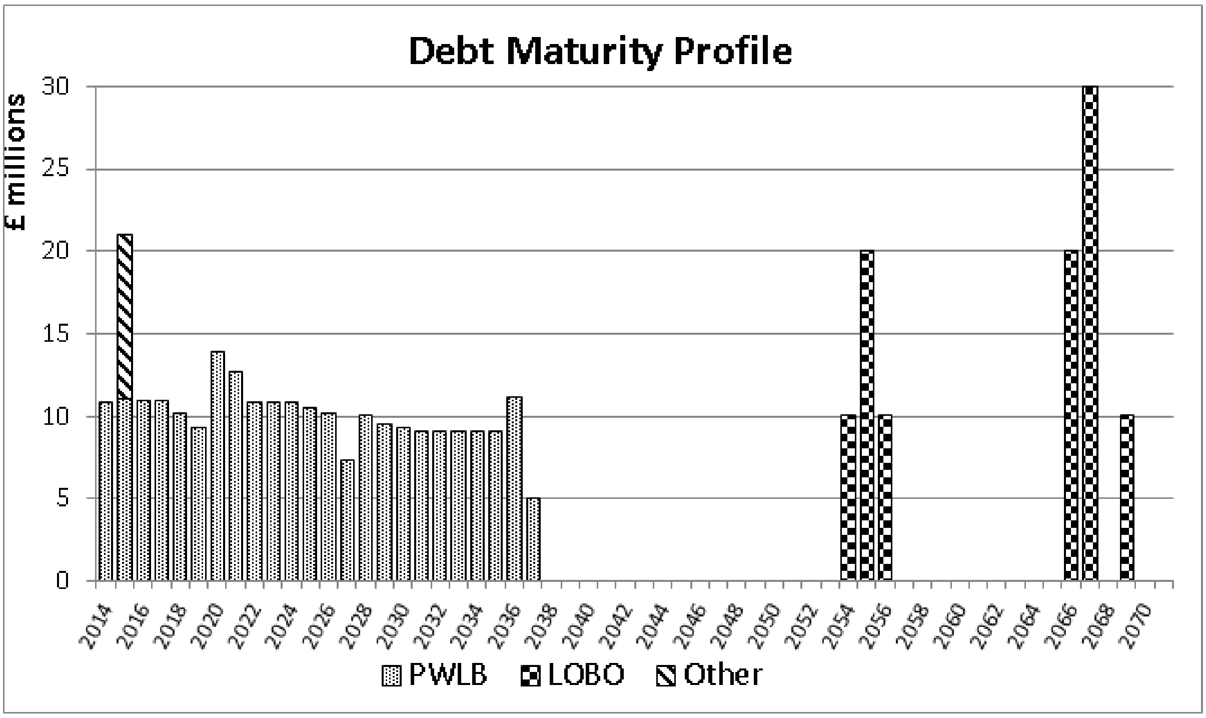
6.5 Borrowing decisions take account of a number of factors including:

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

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



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



Debt Recovery Performance

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

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

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

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

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

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

Table 5 - Invoices raised Period 11 2013/14

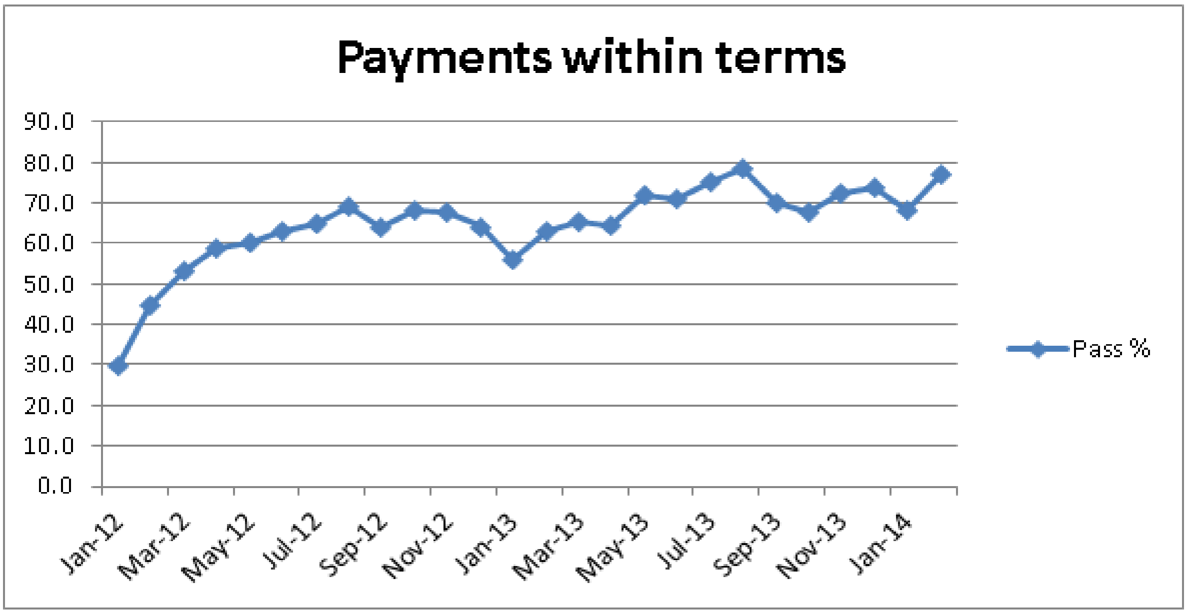
	Period 11	**Year to date**
Number	13,431	152,454
Value	£13,821,585	£131,207,992

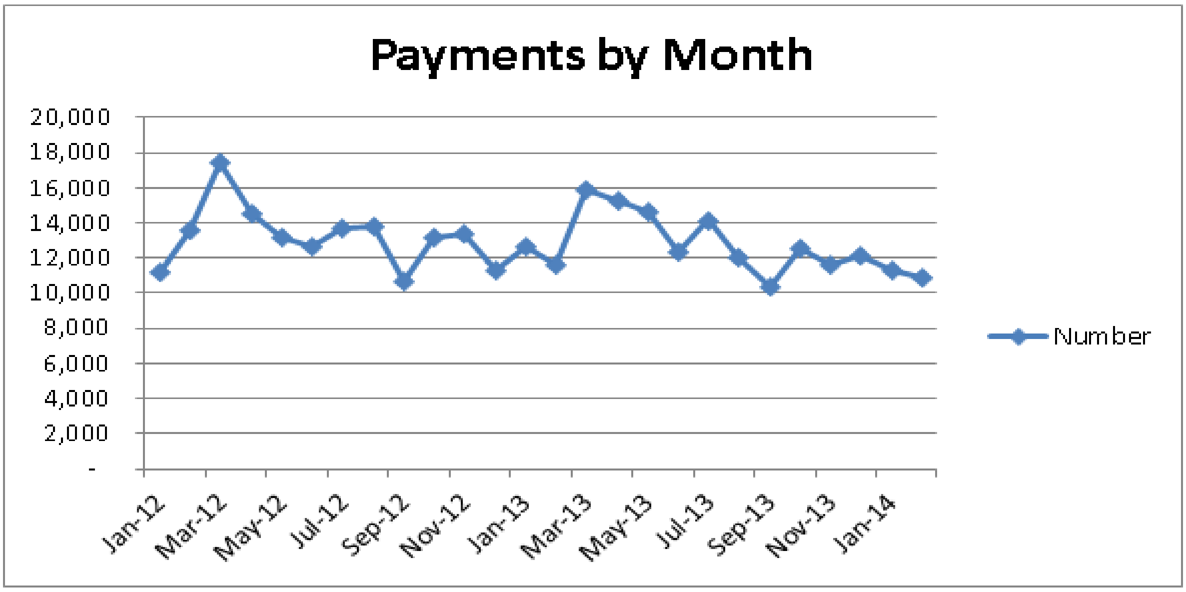
Table 6- Debt Position

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

Accounts Payable (AP) Performance

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





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

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

7 Future developments & strategic issues

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

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

Statutory and Policy Implications

8.1 This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

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

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

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

9.4 To note the Balance Sheet update and future developments.

Paul Simpson Service Director – Finance & Procurement

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

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

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

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