Nottinghamshire County Council	Report to Cabinet
	9 November 2011
	Agenda Item:8

REPORT OF THE CABINET MEMBER FOR FINANCE AND PROPERTY

FINANCIAL MONITORING REPORT – PERIOD 6 2011/12

1. PURPOSE OF THE REPORT

1.1 To provide Cabinet with a summary of the financial position of the County Council for the first six months of the 2011/12 financial year, including year end forecasts. To request approval of contingency allocations as outlined in the report.

INFORMATION AND ADVICE

2. Background

2.1 This report follows the Financial Monitoring Report for period 5 submitted to October Cabinet and is the quarterly budget monitoring statement. Figures in this report and the related review of resources required will feed into the budget setting process.

3. Summary Financial Position

3.1 Table one below sets out the summary revenue position of the County Council, which is analysed in detail at Appendix A. Section 4 of this report shows the analysis of the variances by Portfolio:

Table 1 – Summary Financial Position

	Year-to-Date			Forecast		
Portfolio	**Budget £'000**	**Actual £'000**	**Variance £'000**	**Budget £'000**	**Actual £'000**	**Variance £'000**
Children & Young People	72,924	66,604	(6,320)	163,224	167,948	4,724
Adult Social Care & Health	96,664	94,265	(2,399)	218,164	216,216	(1,948)
Transport & Highways	16,564	14,481	(2,083)	57,503	58,259	756
Environment & Sustainability	10,529	10,430	(99)	28,431	28,240	(191)
Community Safety	2,072	1,200	(872)	4,491	4,227	(264)
Culture & Community	8,144	5,920	(2,224)	15,106	15,297	191
Leader	3,475	3,293	(182)	6,847	6,847	0
Deputy Leader	9,035	7,199	(1,836)	15,694	17,694	2,000
Finance & Property	12,257	10,486	(1,771)	30,512	29,777	(735)
Personnel & Performance	2,666	2,534	(132)	3,648	3,648	0
Net Portfolio (under)/overspend	**234,330**	**216,412**	**(17,918)**	**543,620**	**548,153**	**4,533**
Corporate Items	**(20,488)**	**(8,868)**	**11,620**	**(36,995)**	**(44,878)**	**(7,883)**
Net County Council	**213,843**	**207,544**	**(6,298)**	**506,625**	**503,275**	**(3,350)**

4. Portfolios & Corporate Items

4.1 The major Year End Forecast variations are explained below:

Children and Young People's Services (forecast £4,724,000 net overspend)

4.2 As highlighted in the previous month's budget monitoring report, the Children's Social Care budget is under pressure due to increasing numbers of Looked After Children. This will be funded in the current year by a central contingency and a budget pressure has been included in the medium term plan for forthcoming years.

4.3 Staffing levels within the portfolio are being closely monitored, with recruitment to the fieldwork teams reducing the cost of temporary agency staff, and managed vacancies elsewhere in the portfolio contributing further savings to mitigate against the overspend referred to above.

Adult Social Care & Health (forecast £1,948,000 net underspend)

4.4 The additional income forecast following the governments Fairer Contribution Policy continues to be monitored. It was previously reported that pressures elsewhere in the portfolio would partially offset the additional income, but latest estimates suggest that these pressures can be managed, and the full benefit of the additional income can be realised.

Transport & Highways (forecast £756,000 net overspend)

4.5 Street-lighting energy costs are forecast to be circa £1m higher than anticipated. Managers are actively exploring savings opportunities to offset this, with savings in employee expenses and additional transport income currently forecast.

Environment and Sustainability (forecast £191,000 net underspend)

4.6 As previously reported, the portfolio is forecasting an underspend due to savings in the costs of the Carbon Reduction Scheme.

Community Safety (forecast £264,000 net underspend)

4.7 Additional income in the Registrars Service and in Trading Standards is forecast.

Culture and Community (forecast £191,000 net overspend)

4.8 The current overspend relates to non-achievement of budgetary savings on maintenance of the green estate, together with a shortfall in income. Management action is being undertaken to identify appropriate savings to meet the shortfall, which has already reduced since period 5 budget monitoring.

Deputy Leader (forecast £2,000,000 net overspend)

4.9 As previously reported, a shortfall of £2m is expected against the procurement savings target within this portfolio due to efforts being focussed on supporting the delivery of approximately £40m procurement savings included across the portfolios.

Finance and Property (forecast £735,000 net underspend)

4.10 Savings in Facilities Management and contract cleaning have been identified across County Offices and have been included within the medium term plan proposals for future years.

Corporate Items (forecast £7,883,000 net underspend)

4.11 "Corporate Items" consists primarily of interest and principal payments on cash balances and borrowing together with the contingency, and various grants.

As previously reported, there is a net reduction in interest payable due to the phasing of the capital programme negating the need to undertake additional borrowing.

The Contingency, approved when setting the 2011/12 Budget, has been set at £25.6m. This predominantly includes funding for redundancies; CYP Safeguarding; DoH Grant Balance, and the general contingency. It is likely that up to £5m will be required in connection with Children's Social Care as noted in para 4.2 above. Requests totalling £337,000 have been approved to date, and a further request is outlined below:

- A temporary transfer of £30,000 as a contribution to the 2011/12 "I Pledge" Youth Crime Prevention Programme

The level of grant received centrally is greater than budget, due to receipt of Local Services Support Grant (LSSG) of £1.7m.

Summary Comments

4.12 The overall position to date indicates an underspend of £3.35m, compared to the original position. This represents an increase in underspend of £0.998m since period 5 reporting. This is mainly due to efforts to generate additional savings in Children & Young People, Culture & Community and Transport & Highways Portfolios to alleviate the overspends reported here. In addition, income budgets in Adult Social Care & Health continue to be closely monitored as highlighted above.

4.13 Where other variations have been reported, efforts are being made to identify compensating savings. Building on the success of the last financial year, ongoing measures to avoid non-essential spend are once again being pursued, to maximise underspends whilst ensuring essential service delivery. Total underspends achieved will contribute to balancing the budget in the Medium Term Plan. The overall situation will be subject to detailed monitoring and be reported to the Portfolio Holders and Cabinet on a regular basis.

5. Progress with savings & risks to the forecast

5.1 Monitoring of savings projects indicates that portfolios are achieving spending reductions during the current year, with 93% of the savings projects either complete or on target. However, it is possible that some project savings, whilst anticipated to be delivered at present, may run in to difficulties and fail to deliver, either in value and/or timescale.

2011/12 Expected Savings - Summary By Department

Department	Expected Savings (£000's)	Completed (£000's)	On Target (£000's)	Experiencing Obstacles (£000's)	At Risk (£000's)	Compromised (£000's)	No Status (£000's)
Adults Social Care, Health and Public Protection	27,921	11,525	15,352	138	30	876	
Children, Families and Cultural Services	23,921	15,069	8,184	668			
Policy, Planning and Corporate Services	4,887	3,407	1,381	99			
Environment & Resources	15,656	12,961	1,809			886	
Horizontal	3,948		1,318	850	1,600		180
Total	76,333	42,962	28,044	1,755	1,630	1,762	180
% of Total		**56.28%**	**36.74%**	**2.3%**	**2.14%**	**2.31%**	**0.24%**

5.2 As previously reported, projects classed as ‘compromised’ primarily relate to energy savings on street lighting (due to volatility in the market) and the sale of residential care homes (due to a delay in the process and no bids being received for six of the homes).

6. Capital Programme

Approved Capital Programme

6.1 The following table summarises changes in the gross Capital Programme for 2011/12 since approval of the original programme in the budget report (24/02/11):

	2011/12 £000	£000
Approved per Council (Budget Book 2011/12)		**113,360**
Variations funded from County Council Allocations:		
Net slippage from 2010/11 and financing adjustments	23,131	
Variations noted at Cabinet 12/10/11	(4,607)	
Residential Homes: Payment to PCT (County Council 22/09/11)	605	
Day Services Modernisation: Re-phasing (Cabinet 12/10/11)	1,009	
Variations to the Anticipated Future Schemes budget	(1,614)	
		18,524
Variations funded from other sources:		
Net slippage from 2010/11 and financing adjustments	6,269	
Variations noted at Cabinet 12/10/11	1,617	
Day Services Modernisation: Re-phasing (Cabinet 12/10/11)	321	
Kingsway Primary School (Cabinet 12/10/11)	35	
Other approved variations (Finance & Property Portfolio 25/10/11)	70	
		8,312
Revised gross Capital Programme		**140,196**

Capital Monitoring

6.2 The table below shows actual capital expenditure to date against the forecast outturn at period 6.

Portfolio	Revised Capital Programme £'000	Actual Expenditure to Period 6 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	52,932	13,854	38,492	(14,440)
Adult Social Care & Health	4,178	124	4,178	0
Transport & Highways	41,728	11,864	41,885	157
Environment & Sustainability	6,192	1,107	6,130	(62)
Culture & Community	8,332	1,940	6,211	(2,121)
Deputy Leader	5,378	145	3,863	(1,515)
Finance & Property	13,204	5,693	12,356	(848)
Personnel & Performance	840	86	840	0
Anticipated Future Schemes	7,412	0	5,000	(2,412)
TOTAL	**140,196**	**34,813**	**118,955**	**(21,241)**

6.2.1 In the CYPS Portfolio, slippage of £1.12 million has been identified on Section 106 Projects due to issues at Beardall Street Primary, Fernwood School and Richard Bonington School. Due to planning issues and subsequent redesign of the scheme, it is anticipated that the Special School Programme will slip by about £2.62 million. Anticipated slippage on the Basic Need (Phase 2) Programme, Schools Condition Initiative (Phase 2) and School Access Initiative total £9.8 million and are related to the focus on the school capital bidding round. Expenditure from the Beardall Street Primary budget is to slip by an estimated £0.26 million due to ongoing issues. Slippage of £70,000 is expected on Primary Capital Programme expenditure with respect to the Ryton Park Primary project retention. Slippage of £0.57 million is expected on the Edwinstowe Respite Centre due to access negotiations delaying the project.

6.2.2 The forecast spend on Transport & Highways Portfolio schemes exceeds the approved budget by £0.16 million, reflecting deliberate over-programming of Local Transport Plan schemes. Forecasts will be kept under close review.

6.2.3 In the Culture & Community Portfolio, the West Bridgford Library scheme is expected to slip by £2.1 million due to issues with the granting of permissions.

6.2.4 In the Deputy Leader Portfolio, the Customer Services Centre scheme is currently under review and it is anticipated that £0.38 million of the budget for this scheme will not be used in 2011/12. There is slippage within the Deputy Leader Portfolio of approximately £1.14 million and in the Finance & Property Portfolio of £0.8 million, both relating to the Ways of Working Programme, indicative of delays in the scheme.

6.2.5 The 2011/12 Capital Programme approved by County Council in February 2011 incorporated budget for Anticipated Future Schemes. Much of this budget has already been allocated to capital schemes. Many further potential schemes require their funding from 2012/13 onwards and therefore it is anticipated that not all the Anticipated Future Schemes budget will be utilised in this financial year.

6.3 Overall, actual capital expenditure to the end of period 6 was £34.8 million, which amounts to 24.8% of the gross programme. This is significantly below profiled spend up to period 6 (based on an average for the last five years) of 37.0% and suggests that there will again be significant slippage in the Capital Programme.

6.4 Net slippage/reduction of £20.1 million of expenditure funded by capital allocations has been identified, in addition to slippage/reduction of £1.1 million of expenditure funded from other sources.

6.5 Based on profiles and previous years' figures, it is forecast that a further £15 million of slippage/reductions will be identified before year end. Past history suggests that only 40% of Capital Programme slippage relates to borrowing. It would therefore be reasonable to assume that the forecast further scheme slippage/reductions will yield an additional reduction in borrowing of £6.0 million in 2011/12. These figures are best estimates as at period 6 and will be subject to revision over the remaining periods of the year.

Financing the Approved Capital Programme

6.6 The following table summarises the financing of the overall approved Capital Programme for 2011/12.

Portfolio	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	20,844	30,957	743	388	**52,932**
Adult Social Care & Health	2,841	929	0	408	**4,178**
Transport & Highways	18,172	22,827	443	286	**41,728**
Environment & Sustainability	4,725	917	550	0	**6,192**
Culture & Community	6,922	1,183	3	224	**8,332**
Deputy Leader	5,378	0	0	0	**5,378**
Finance & Property	12,083	0	0	1,121	**13,204**
Personnel & Performance	0			840	**840**
Anticipated Future Schemes	7,365	47	0	0	**7,412**
TOTAL	**78,330**	**56,860**	**1,739**	**3,267**	**140,196**

6.7 It is anticipated that borrowing in 2011/12 will decrease by £7.1 million from the forecast in the Budget Book 2011/12. This decrease is a consequence of:

- variations, including re-phasing of schemes, resulting in a net reduction of £4.1 million of capital expenditure funded by capital allocations
- net slippage/reduction in 2011/12 of £20.1 million of expenditure funded by capital allocations, identified in departmental capital monitoring returns and as part of the 10-year budgeting process
- approximately £6.0 million of forecast further slippage/reductions funded by capital allocations

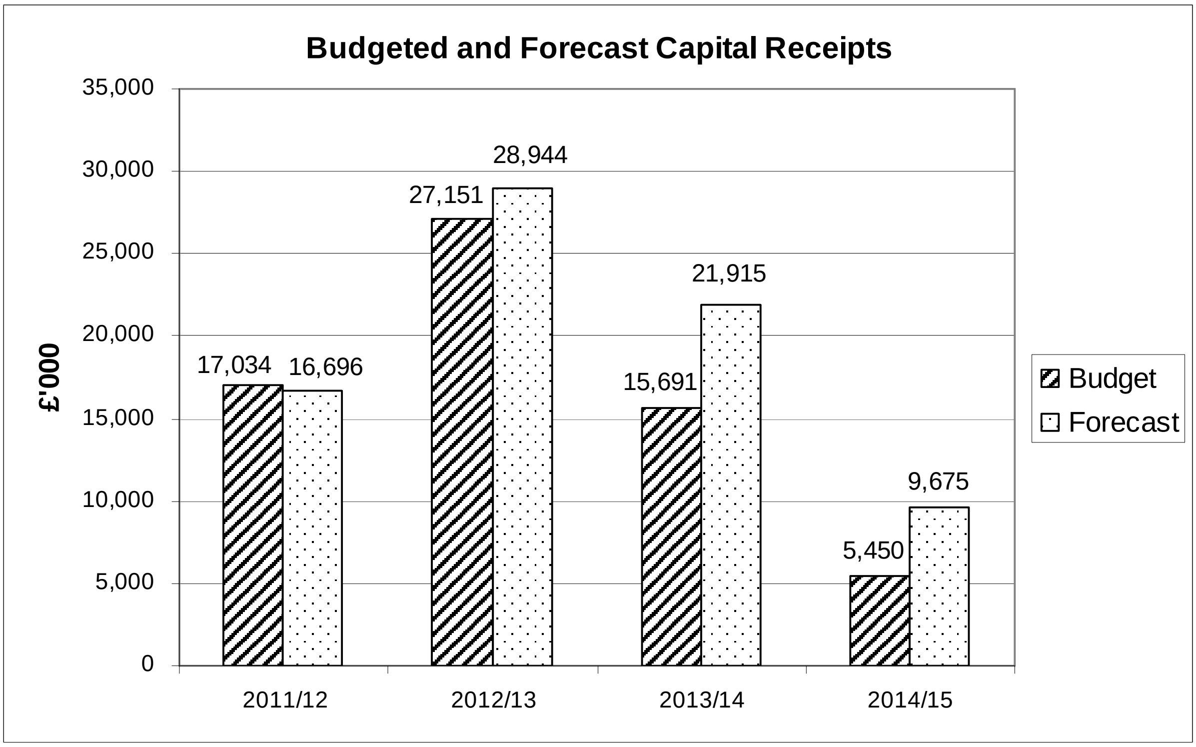
offset by:

- £23.1 million of net slippage of expenditure from 2010/11 to 2011/12 and financing adjustments funded by capital allocations.

6.8 Taking into account the adjustments set out above, the revised projection of borrowing for 2011/12 is £52.2 million, which is £7.1 million lower than the Budget Book 2011/12 figure of £59.3 million.

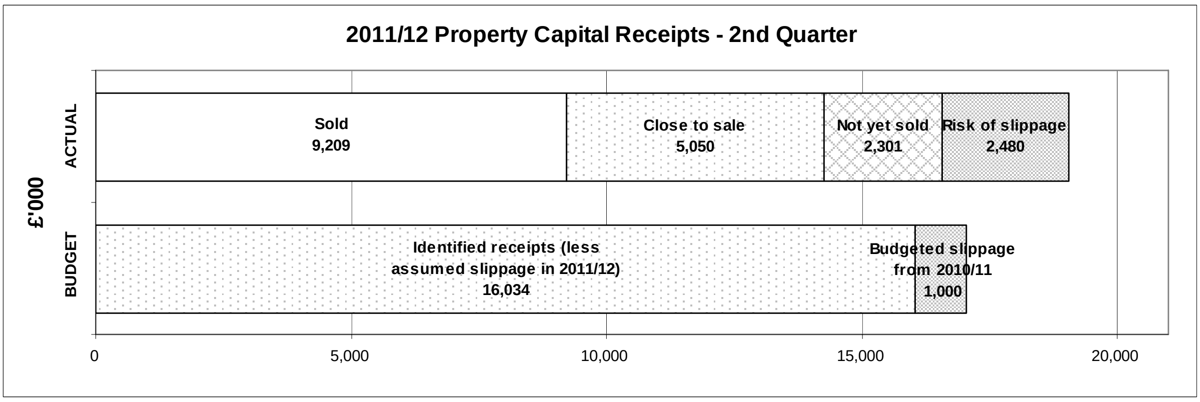
Capital Receipts

6.9 Anticipated capital receipts are regularly reviewed. Forecasts are based on estimated sales values of identified properties with a prudent adjustment to allow for slippage of future receipts to the following year (other than for properties already sold subject to planning, etc.). They also include an estimated £0.1 million of vehicle receipts. The chart below shows the budgeted and forecast capital receipts for the four years to 2014/15.



6.10 The 2011/12 forecast is approximately £0.3 million less than the budgeted figure, mainly due to slippage to 2012/13 of an expected capital receipt for surplus land. Forecasts prudently exclude properties which may be subject to project/policy decisions.

6.11 The following chart shows this year's progress to date in realising property capital receipts, relative to the Budget Book 2011/12 forecast.



6.12 Any slippage in capital receipts will tend to increase the underlying level of Council borrowing. However, the impact of any such slippage is expected to be more than offset by slippage in capital expenditure financed from borrowing.

Balance Sheet

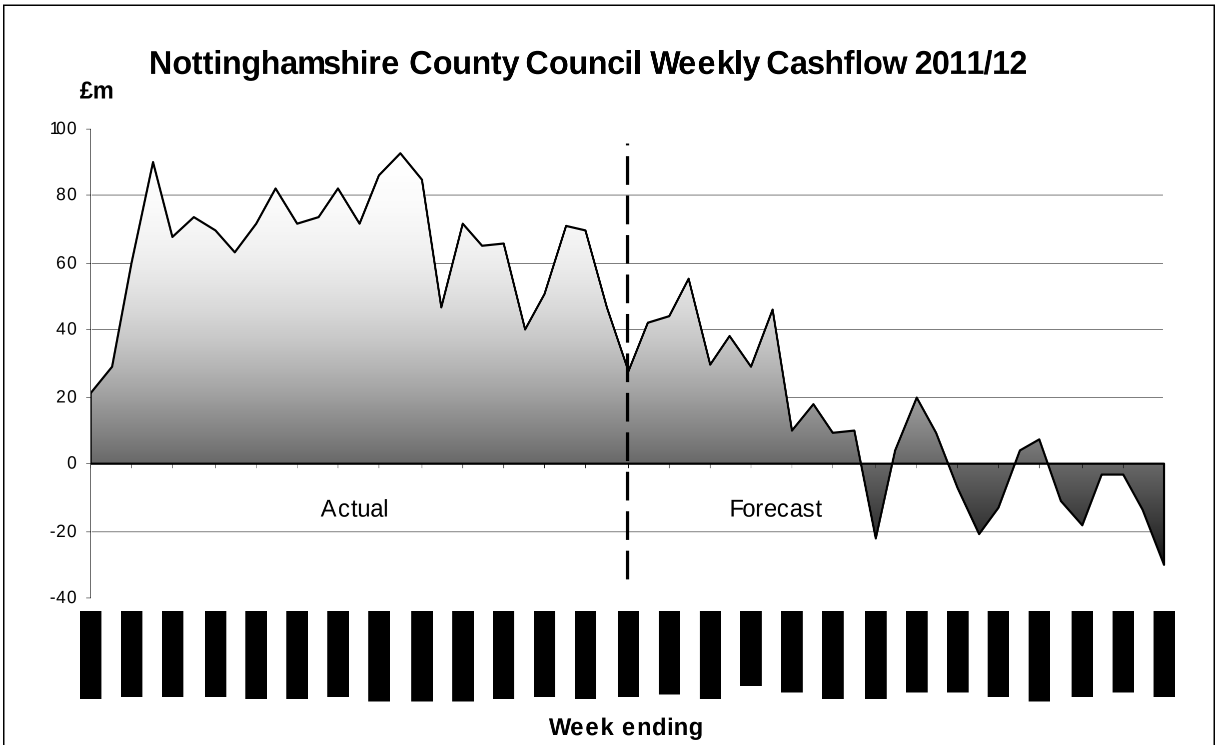
Impact on County Fund Balances

7.1 The Final Accounts Report for 2010/11 showed that County Fund Balances stood at £28.1 million at 31/3/11. The 2011/12 Budget planned to use £5.1 million balances which would reduce County Fund Balances to £23.0 million, around 4.7% of the Budget Requirement.

7.2 It is anticipated that any underspendings identified at the year end will first be used to avoid the use of balances. Any additional underspend could be used to fund the cost of redundancies.

Cash Flow

7.3 Cash flow is kept under constant monitoring by the Investment Manager 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 year ahead:



7.4 The reduction in cash balances towards the end of the year reflects the general "front loading" of grants from central government and the impact of capital spending.

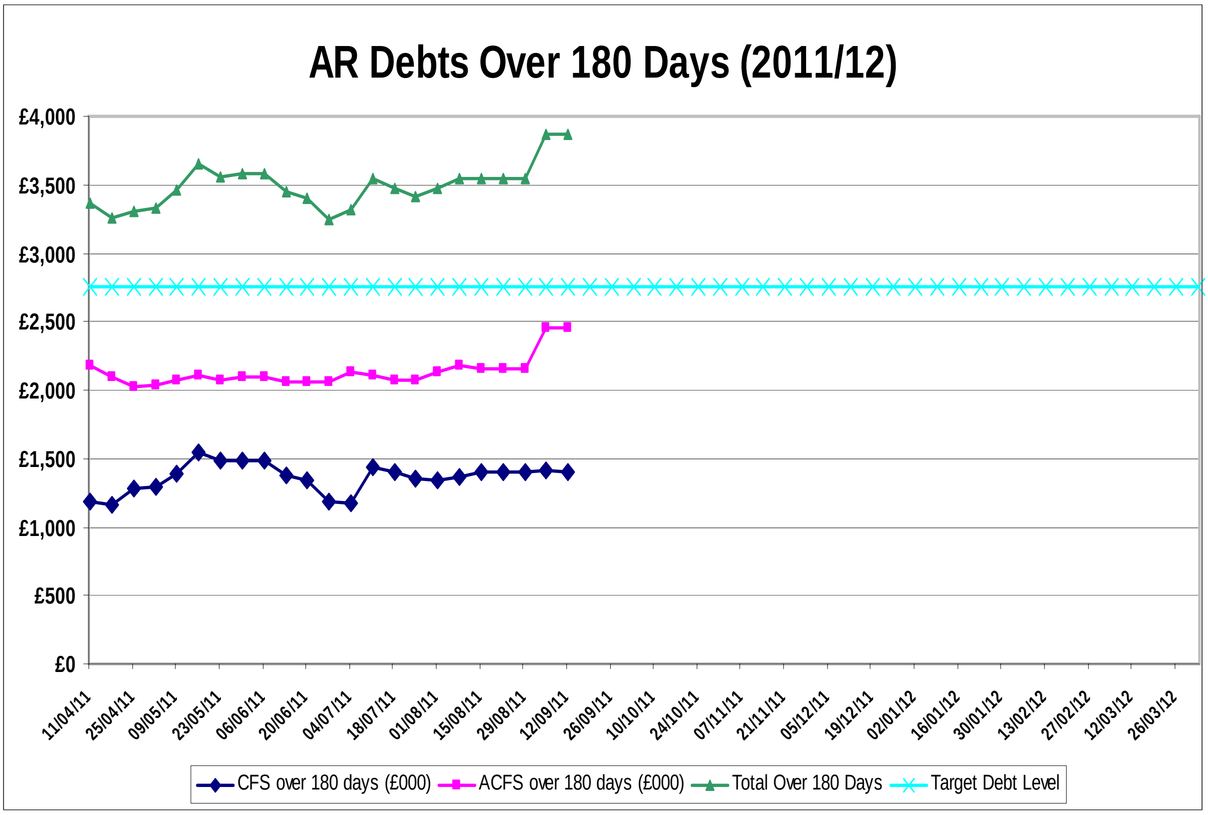
7.5 The forecast in the graph above has been adjusted to reflect the recent reduction in the Dedicated Schools Grant due to schools becoming Academies. Reductions in grant will be mostly offset by a reduction in expenditure. Current forecasts indicate that additional borrowing may be required to cover cash flow shortfalls in this financial year. However, final borrowing decisions will take into account several other factors, including the level of interest rates and longer term requirements.

Debtors

7.6 The Council closely monitors outstanding debt with particular attention to longer term debt, defined as debts overdue by 181 days or more. As at 3rd October long term debt totalled £3.859 million.

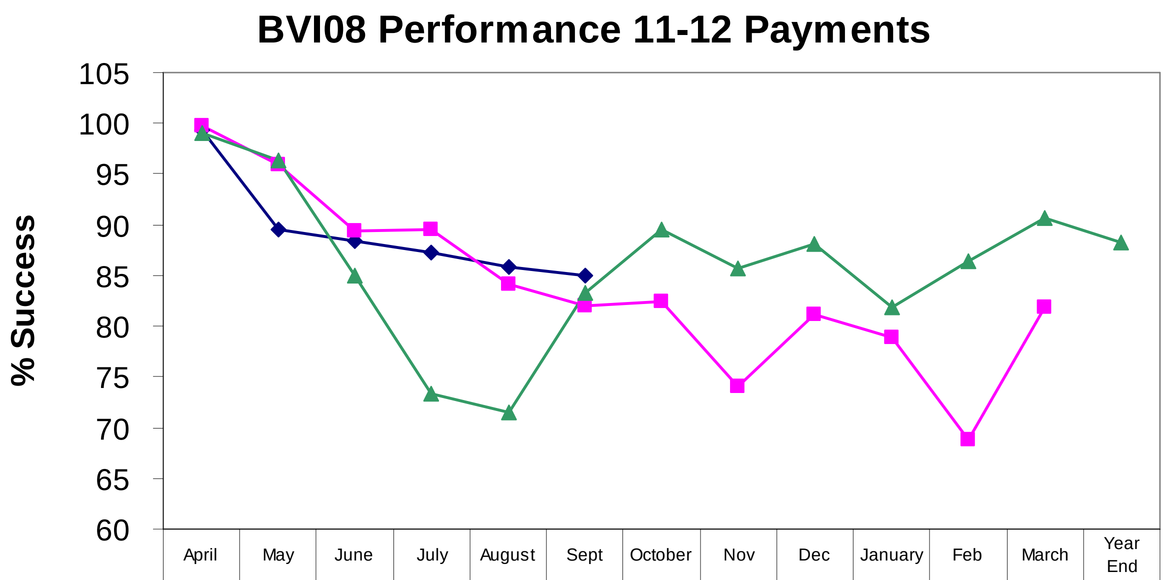
7.7 The target for longer term debt has been set at £2.8m. The figure is comprised of Adult Care Financial Services (ACFS) debt and general debt. Whilst general debt has been relatively stable, ACFS Debt has suffered a sharp increase in recent weeks, as illustrated in the graph below. This is due to instalment plans being cancelled prior to the original BMS go-live date of 3rd October. However, this was only partially completed before the revised date was agreed. Therefore there may be another increase as the revised go-live date approaches.

7.8 The Council's debt collection process will continue to pursue recovery of these balances and the implementation of BMS will facilitate an increased capability in debtor reporting which in turn should assist in the overall recovery process.



Creditors

7.9 At the end of September the percentage of invoices paid within 30 days was 84.96%. Despite a reduction in staff and work pressures for the new BMS system, performance improvements have been made against previous years. This is illustrated in the graph below.



	April	May	June	July	August	Sept	October	Nov	Dec	January	Feb	March	Year End
'11-12'	99.31	89.49	88.36	87.32	85.89	84.96							
'10-11'	99.68	95.98	89.36	89.52	84.18	82.03	82.46	74.11	81.14	78.84	68.80	81.84	
'09-10'	99.08	96.40	85.01	73.39	71.55	83.23	89.57	85.65	88.09	81.80	86.36	90.63	88.30

Month

8 Future developments & strategic issues

8.1 There are a number of issues that the Finance Department will be managing over the coming months. Most notable is the implementation of the Business Management System due to go live at the end of November. This will have far reaching implications for the financial management arrangements of the County Council, and will enable financial information to be more easily accessible for staff and senior managers. It will also assist in supporting the Finance Departments desire to significantly improve on the time in which financial reports are produced, which in turn will support better, more informed decision making and enhance accountability.

8.2 BMS will also provide a platform in which new initiatives can be introduced that will bring a more commercial approach to financial management and reporting. These include the implementation of monthly accruals accounting, the introduction of a “quarterly hard close” process and a new accountability framework.

8.3 Looking further a field, the government’s proposals to repatriate business rates (NNDR) may have significant consequences for local authorities. Major uncertainties remain, most importantly what it will mean in the medium term for local resources and how the two-tier split (County/District) will be managed.

8.4 The Government have also issued a further consultation paper on the Council Tax system and the proposal to allow local authorities local discretion in setting council tax benefits. Whilst not directly applicable to Counties at this time, there is the opportunity for benefits to be managed on County wide basis rather than by individual districts and this possibility will need to be carefully monitored.

9 STATUTORY AND POLICY IMPLICATIONS

This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service. Where such implications are material they are described in the text of the report. Appropriate consultation has been undertaken and advice sought on these issues as required.

10 RECOMMENDATION

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

10.2 To approve the allocation from contingency as set out in paragraph 4.11.

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

10.4 To note the previously reported variations to the Capital Programme.

10.5 To note that the level of borrowing and its impact on the revenue budget are under review.

10.6 To note the current position regarding monitoring of capital receipts.

CLLR REG ADAIR
CABINET MEMBER FOR FINANCE AND PROPERTY

For any enquiries about this report please contact:
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CONSTITUTIONAL COMMENTS

It is a function reserved for Council to set the budget and policy framework. This includes setting the annual contingency amounts. Cabinet has the authority to allocate funds from contingency in line with the budget set by Council in February 2011 and subject to the limitations within the budget report. [KK 25/10/11]

FINANCIAL COMMENTS
The financial implications are as set out in the report.

BACKGROUND PAPERS
Papers listed below are available for inspection:

Detailed Monitoring Statements
Detailed Verto Report
Internal Management Reports

ELECTORAL DIVISIONS AND MEMBERS AFFECTED
All