

**REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT****FINANCIAL MONITORING REPORT: PERIOD 8 2022/2023****Purpose of the Report**

1. To provide the Cabinet with a summary of the budget monitoring position as at Period 8.

Information and Advice**Background**

2. The Council approved the 2022/23 budget at its meeting on 24 February 2022. As with previous financial years, progress updates will be closely monitored and reported to management and either the Cabinet Member for Finance or Cabinet each month.

Summary Revenue Position

3. The table below summarises the revenue budgets for each Portfolio for the forthcoming financial year. An underspend of £2.2m (0.4% of the Council's Net Budget Requirement) is currently projected against the budget approved by Full Council in February 2022. As a consequence of this variance and the significant levels of uncertainty and financial challenges facing the Council over the medium term, 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 7	Portfolio	Annual Budget £'000	Actual to Period 8 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000	Percentage Variance to Annual Budget
260	Children & Young People	170,136	109,493	170,124	(12)	(0.01%)
(1,217)	Adult Social Care & Public Health	248,443	139,149	247,111	(1,332)	(0.54%)
941	Transport & Environment	120,838	76,003	120,914	76	0.06%
513	Communities	19,036	5,678	19,272	236	1.24%
(168)	Economic Development & Asset Management	25,660	15,549	25,376	(284)	(1.11%)
(194)	Deputy Leader & Transformation	5,177	2,906	4,729	(448)	(8.65%)
(120)	Finance	17,812	14,119	17,777	(35)	(0.20%)
(485)	Personnel	28,425	18,909	27,791	(634)	(2.23%)
(470)	Net Committee (under)/overspend	635,527	381,806	633,094	(2,433)	
(2,000)	Central items	(51,883)	(66,697)	(53,883)	(2,000)	
	- Schools Expenditure	497	-	497	-	
1,205	Contribution to/(from) Traders	(863)	4,226	488	1,351	
(1,265)	Forecast prior to use of reserves	583,278	319,335	580,196	(3,082)	
	- Transfer to / (from) Corporate Reserves	(6,520)	-	(6,520)	-	
971	Transfer to / (from) Departmental Reserves	(17,286)	293	(16,386)	900	
	- Transfer to / (from) General Fund	-	-	-	-	
(294)	Net County Council Budget Requirement	559,472	319,628	557,290	(2,182)	

Portfolio Variations

Adult Social Care & Public Health (£1.3m underspend, 0.54% of net portfolio budget)

4. The Adult Social Care & Public Health portfolio is currently reporting a forecast underspend of £1.3m. This is mainly due to underspends in Direct & Provider Services (£2.7m), Strategic Commissioning and Integration (£1.4m), Maximising Independence (£0.2m) and Public Health (£0.9m), being partly offset by an overspend in Living Well and Ageing Well (£3.9m).
5. The underspend in Commissioning and Integration Services is due to underspends across a range of budget heads including staffing, overheads, contract spend on supported accommodation and other non-staffing budgets.
6. The underspend in Direct & Provider Services is across all services and is mainly due to the following:
 - Anticipated additional NHS Continuing Healthcare income into residential services which is positive in supporting people with complex health and social care needs.
 - Increased underspend in Day Services due to slippage on recruitment. Although the vacancy rate is high and the majority of posts need to be recruited to maintain service continuity, retaining a proportion of vacancies will assist in redesigning services and job roles in response to the recently launched Day Opportunities Strategy.

7. The forecast overspend in Living Well has increased, mainly due to increases in Long Term Residential and Nursing Care and increased volume of cases.
8. Living Well spend continues to be challenging, particularly in relation to increasing needs and market forces, where there is limited availability of services, particularly for people with complex needs, which results in lack of market competition and high placement costs. A number of actions are being taken to mitigate this as follows:
 - Close oversight of placement decisions through an effective panel process.
 - Joint work with Strategic Commissioning to develop the external provider market and maximise how we utilise contracted services.
 - A focus on taking a strengths-based approach to support, to maximise independence and reduce the need for formal support.
 - Reviewing the transition of young people approaching adulthood to ensure that interventions are timely and cost effective. This will form part of the focused budget setting work over the summer period.
 - A joint programme of work relating to home care and Housing with Care has been set out which will help to develop community alternatives that are cost effective and improve outcomes for our residents.

Personnel (£0.6m underspend, 2.23% of net portfolio budget)

9. The Personnel portfolio is currently reporting a forecast underspend of £0.6m. This consists of forecast overspends in Corporate HR (£0.2m) and Legal Service (£0.2m) offset by underspends in Business Support (£0.5m), Apprentices / Trainees (£0.1m), Communications & Marketing (£0.2m) and Business Services Centre (£0.2m).
10. The Corporate HR overspend is due to reduced income from Schools & Academies buy back income. Legal Services have incurred additional costs due to a lack of court resources meaning cases spending longer within the court system, a need to place reliance on locums and additional work supporting the change in governance arrangements. Underspends are predominantly due to staff vacancies.

Traded Services (£1.4m overspend)

11. The Schools Catering Service forecast includes estimated additional labour costs of £0.5m in-year, as a result of the 2022/23 Local Government pay award and the revised foundation living wage. The forecast also includes the impact of food cost increases of £0.4m. A proposed increase in the price of Free and Universal Infant Free School meals to schools, backdated to April, has also been included in the forecast. The net impact of these changes is that the service is forecast to incur a net operating deficit of £1.7m in 2022/23. The Service will seek to recover additional costs of £0.7m through its SLA and non-SLA contracts with Schools leaving a net deficit of £1.0m to be funded by the County Council. To mitigate the forecast deficit further, a number of other measures are being considered including a revised in-year pricing strategy for paid meals. In addition, the County Office West Bridgford Catering service is forecasting a loss of £0.1m due to increases in salary costs and running expenses.
12. As a result of estimated increased labour costs of £0.5m arising from the 2022/23 pay offer and the revised foundation living wage, the Cleaning & Landscapes Services forecast is revised from a surplus to an anticipated deficit of £0.3m.

Central Items (£2.0m underspend)

13. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
14. Interest projections (both payable and receivable) fluctuate depending on expectations in relation to future rates and anticipated slippage on the capital programme. Current Treasury Management forecasts suggest a net underspend on interest of £2.0m.
15. The Council's budget includes a base contingency budget of £4.0m to cover redundancy costs, slippage of savings and other potential unforeseen events. Also, in 2022/23 further demand and inflationary pressures have been identified that have a degree of uncertainty with regard to likelihood, value and profiling; including assumptions on pay awards. As such, an additional provision of £13.3m was made within the contingency to fund these pressures should they arise. The Cabinet, Cabinet Member for Finance or the Section 151 Officer are required to approve the release of contingency funds.

Requests for Contingency

16. The recent settlement of the 2022/23 Local Government pay award will require a call upon the Contingency budget to nullify the impact upon Portfolio pay budgets. As a consequence, Cabinet approval is sought to drawdown £11.4m to fund associated costs.
17. There has already been a call on the 2022/23 contingency budget from requests that have been approved by the previous Finance Committee, Cabinet or the Section 151 Officer which total £3.5m. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main Areas of Risk within the 2022/23 budget

18. As reported previously, there are significant risks and uncertainties associated with the current environment that local authorities are operating within, both in the short and medium terms. The main financial risks faced by the Council are as follows:-
 - Any on-going financial impact of the COVID19 pandemic and the implications that this may have on the delivery of Council services.
 - The cost pressures factored into the Council's budget may not be sufficient to meet the underlying cost and demand pressures that actually arise, particularly with regard to Adults and Children's Social Care Services, Transport Services, the impact of the National Living Wage, agreement of the pay award, the impact of the proposed Adult Social Care reform as well as any additional burdens identified by Central Government.
 - The COVID19 pandemic coupled with the UK leaving the EU has had a significant impact on the availability of staffing resource particularly in the social care sector as recruiting and retaining care staff across social care services remains difficult. Staff

shortages have also been experienced in catering, facilities management and waste services.

- Whilst the Council is somewhat protected from immediate inflation on direct energy costs through the advanced purchasing arrangement with Crown Commercial Services (CCS), wider inflationary pressures driven by energy costs could have a detrimental impact across a whole range of service areas.
- Fuel prices which are at a record high, will also be felt across all areas of the organisation in due course, with the potential for contracts to become unaffordable for the council or unviable for some service providers.
- Higher costs associated with the capital programme due to material shortages and increases in the cost of construction and other key materials.

Balance Sheet

General Fund Balance

19. Cabinet approved the 2021/22 closing General Fund Balance of £35.2m on 14 July 2022. This balance represents 6.2% of the net budget requirement.

Capital Programme

20. Table 2 summarises changes to the gross Capital Programme for 2022/23 since approval of the original Programme in the Budget Report (Council 24/02/22):

Table 2 – Revised Capital Programme for 2022/23

	2022/23	
	£'000	£'000
Approved per Council (Budget Report 2022/23)		126,879
Variations funded from County Council Allocations : Net slippage from 2021/22 and financing adjustments	4,498	
		4,498
Variations funded from other sources : Net variation from 2021/22 and financing adjustments	1,851	
		1,851
Revised Gross Capital Programme		133,228

21. Table 3 shows actual capital expenditure to date against the forecast out-turn at Period 8.

Portfolio	Revised Capital Programme £'000	Actual Expenditure to Period 8 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	39,845	21,871	32,854	(6,991)
Adult Social Care & Public Health	1,073	418	857	(216)
Transport & Environment	52,556	26,352	52,101	(455)
Communities	2,081	550	2,067	(14)
Economic Devt & Asset Mngt	28,073	4,249	10,465	(17,608)
Finance	7,830	4,252	7,157	(673)
Personnel	106	22	106	-
Contingency	1,664	-	1,664	-
Total	133,228	57,714	107,271	(25,957)

Children & Young People

22. In the Children and Young People's portfolio capital programme, a forecast underspend of £7.0m is currently being reported. This is mainly due to reported slippage of £2.9m identified against the School Building Improvement Programme capital budget, £3.5m re-profiling against the new East Leake School project as well as slippage of £0.4m identified against the Mill Adventure Base scheme. These budgets will be amended as part of the Annual Budget Report 2023/24.

Economic Development and Asset Management (EDAM)

23. In the EDAM portfolio capital programme a forecast underspend of £17.6m has been identified. This mainly relates to £12.2m of slippage against Investing in Nottinghamshire programme as this programme is reviewed. In addition, £1.1m of the Top Wighay Farm Homes England project has been re-profiled into the 2023/24 financial year. Also, the Broadband and 5G Digital Connectivity programmes have been completed at lower than expected cost.

Finance

24. In the Finance portfolio capital programme a forecast underspend of £0.7m has been identified. This is due to reported re-profiling of £0.7m against the EcoSystem capital programme following a programme review.

Variations to the Capital Programme

25. Under the Council's new governance arrangements, the Section 151 officer has approved a number of variations to the capital programme as set out in the following paragraphs. These variations mainly relate to the re-profiling of capital budgets and may also have an impact on the capital programmes for future years. To capture these implications, all capital budget holders will be asked to review the phasing of their capital programmes by financial year. The outcome of this exercise will be reported as part of the Annual Budget Report to Cabinet in January 2023.

Children & Young People (CYPS)

26. **School Places / Hawthorne Primary** - As part of Period 8 capital monitoring, it has been identified that the Hawthorne Primary School project has completed with a minor underspend of £53k. The CYPS portfolio has been varied to reflect the transfer of funding from the Hawthorne School Project back into the School Places Programme.

Transport & Environment (T&E)

27. **Flood Alleviation and Drainage / Southwell Flood Projects** – The cost of the Southwell Flood Mitigation project has increased by £0.4m. This increase is due to a number of factors which include planning costs, additional commuted sum payments, recent material price increases, covid management costs and additional ground / archaeological costs. These costs are all managed and reported to the Southwell project Board chaired by the Service Director – Place and Communities. It was proposed that the additional costs are funded from the Flood Alleviation and Drainage budget. The T&E portfolio capital programme has been varied to transfer £0.4m budget from the Flood Alleviation and Drainage budget to the Southwell Flood Project to reflect the increased costs of the Southwell Flood Project.
28. **Major Infrastructure Projects** - In the T&E portfolio capital programme, additional costs totalling £149k have been identified against the Major Infrastructure Projects programme. It is proposed that these costs are funded from revenue contributions from the T&E portfolio. The T&E portfolio capital programme has been varied by £0.1m to reflect the identified costs, funded from revenue contributions.

Communities

29. **National Water Sports Centre** - In the Communities portfolio capital programme, works required to carry out roof and boiler replacements have been identified at a total cost of £50k. The Communities portfolio capital programme has been varied by £50k to reflect these works, funded from reserves.

Economic Development & Asset Management

30. **Land Release Funding, Eastwood** - In the EDAM portfolio capital programme, it has been reported that the land release funding project in Eastwood has been completed with a £0.2m underspend. The EDAM portfolio capital programme has been varied by £0.2m to reflect the underspend on this project.

31. **Lowmoor / Caudwell Road Projects** - In the EDAM portfolio capital programme, it has been reported that the Homes England projects at Lowmoor Road and Caudwell Road have been completed with a £0.1m underspend. The EDAM portfolio capital programme has been varied by £0.1m to reflect the underspend on these projects.

Financing of the Approved Capital Programme

32. Table 4 summarises the financing of the overall approved capital programme for 2022/23

Table 4 – Financing of the Approved Capital Programme for 2022/23

Portfolio	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People's	21,154	18,441	200	50	39,845
Adult Social Care & Public Health	43	851	-	179	1,073
Transport & Environment	10,189	41,117	726	524	52,556
Communities	1,891	170	20	-	2,081
Economic Devt & Asset Mngt	21,131	5,568	100	1,274	28,073
Finance	4,740	2,040	-	1,050	7,830
Personnel	106	-	-	-	106
Contingency	1,664	-	-	-	1,664
Total	60,918	68,187	1,046	3,077	133,228

33. It is anticipated that borrowing in 2022/23 will decrease by £17.9m from the forecast in the Budget Report 2022/23 (Council 24/02/22). This decrease is primarily a consequence of:

- £4.5m of net slippage from 2021/22 to 2022/23 and financing adjustments funded by capital allocations.
- Net slippage in 2022/23 of £22.4m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

34. Historically, further additional slippage is identified in the final quarter of the year. This coupled with the high level of capital grants received in-year, means that it is likely that the Authority will not need to increase borrowing in this financial year.

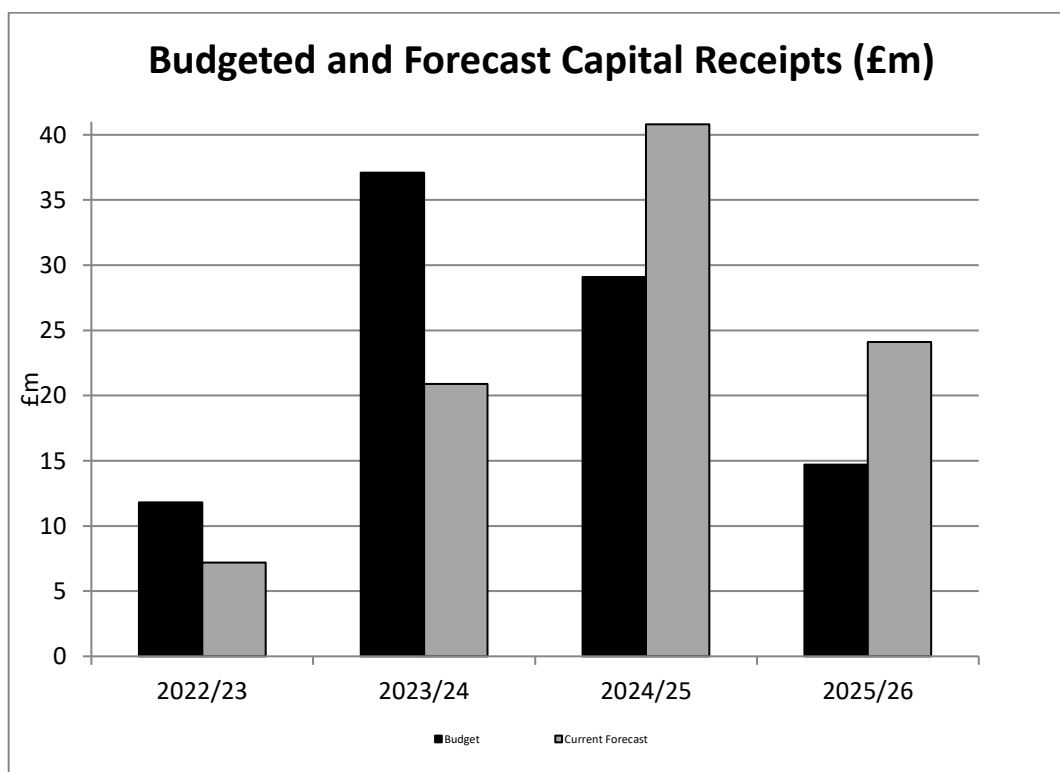
Prudential Indicator Monitoring

35. 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

36. 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.

37. The chart below shows the budgeted and forecast capital receipts for the four years to 2025/26.



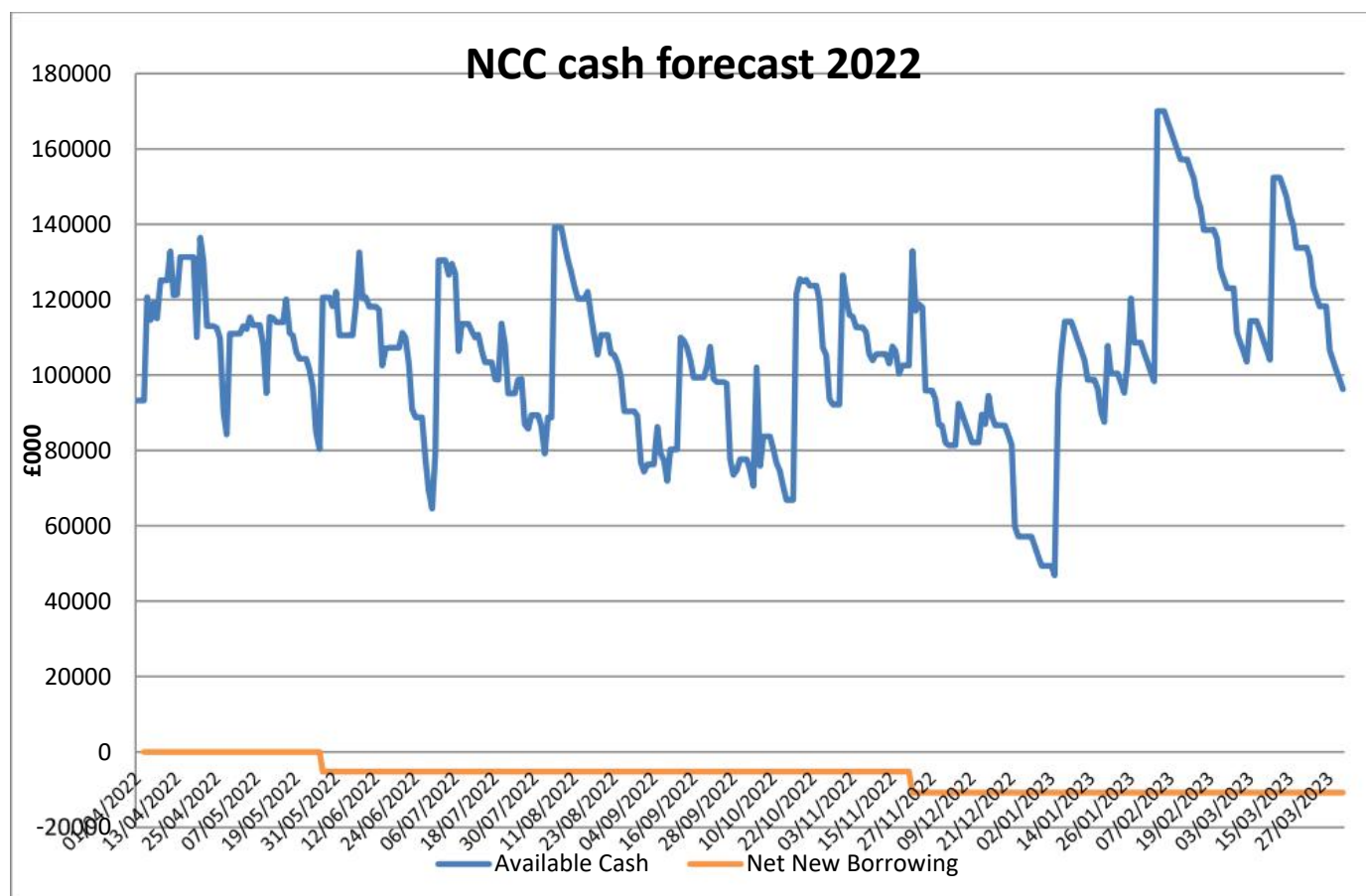
38. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2022/23 (Council 24/02/2022). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery. It is clear that there is an element

of slippage in the programme mainly due to current market conditions but the level of the capital receipt forecast across the MTFS remains consistent.

39. The capital receipt forecast for 2022/23 is £7.2m. To date in 2022/23, £5.1m of capital receipts have been received.
40. 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.
41. Current Council policy (Budget Report 2022/23), to minimise the impact of the cost of borrowing on the revenue budget, is to use capital receipts to the value approved as part of the 2021/22 Budget Report to set against previous years' borrowing thereby reducing the impact of the Minimum Revenue Provision on the revenue accounts. This will enable excess capital receipts to be used to fund future additional capital investment.

Treasury Management

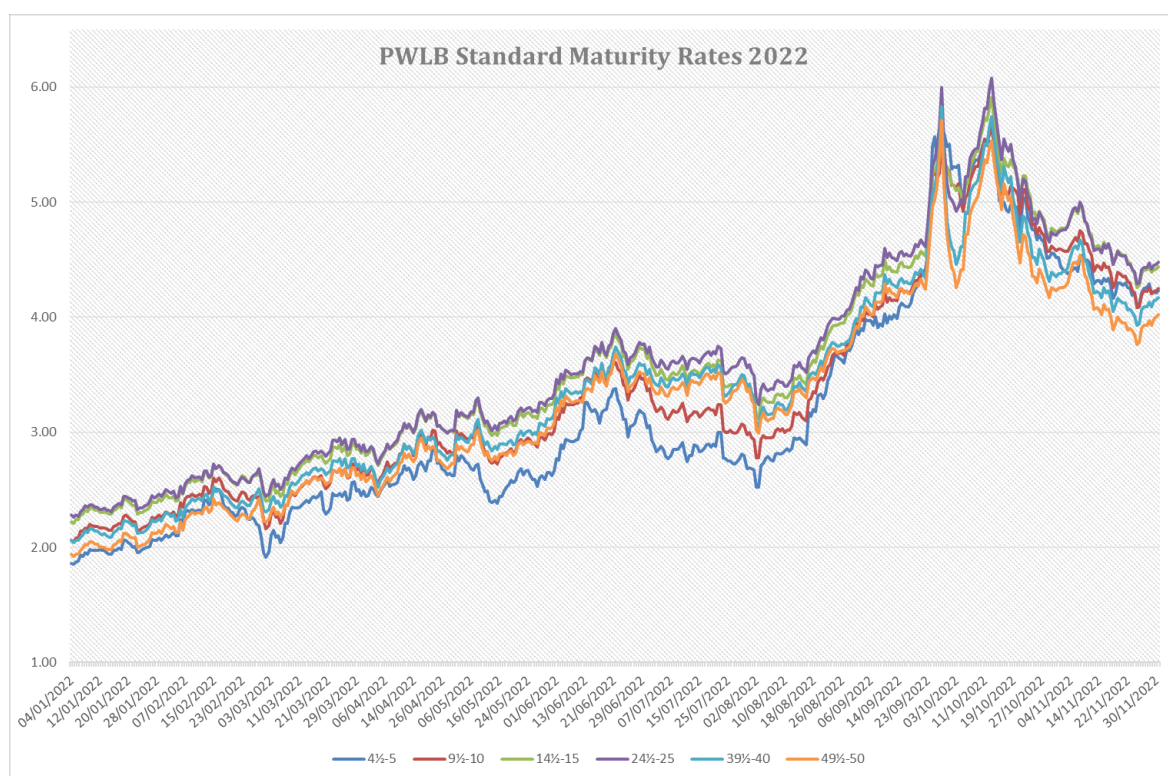
42. Daily cash management aims for a closing nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group (TMG).
43. The cash forecast chart below shows the current estimated cash flow position for the financial year 2022/23. 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.



44. 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.

45. The Treasury Management Strategy for 2022/23 identified a need to borrow approximately £20m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. However, more recent forecasts show that the Council should be able to make use of internal borrowing until next financial year. 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, although rate rises this year have somewhat nullified the benefit of this. The chart below shows the movement in standard PWLB maturity rates over the course of 2022 to date, and incorporates the spike associated with the dramatic fall and recovery of gilt prices in late September.



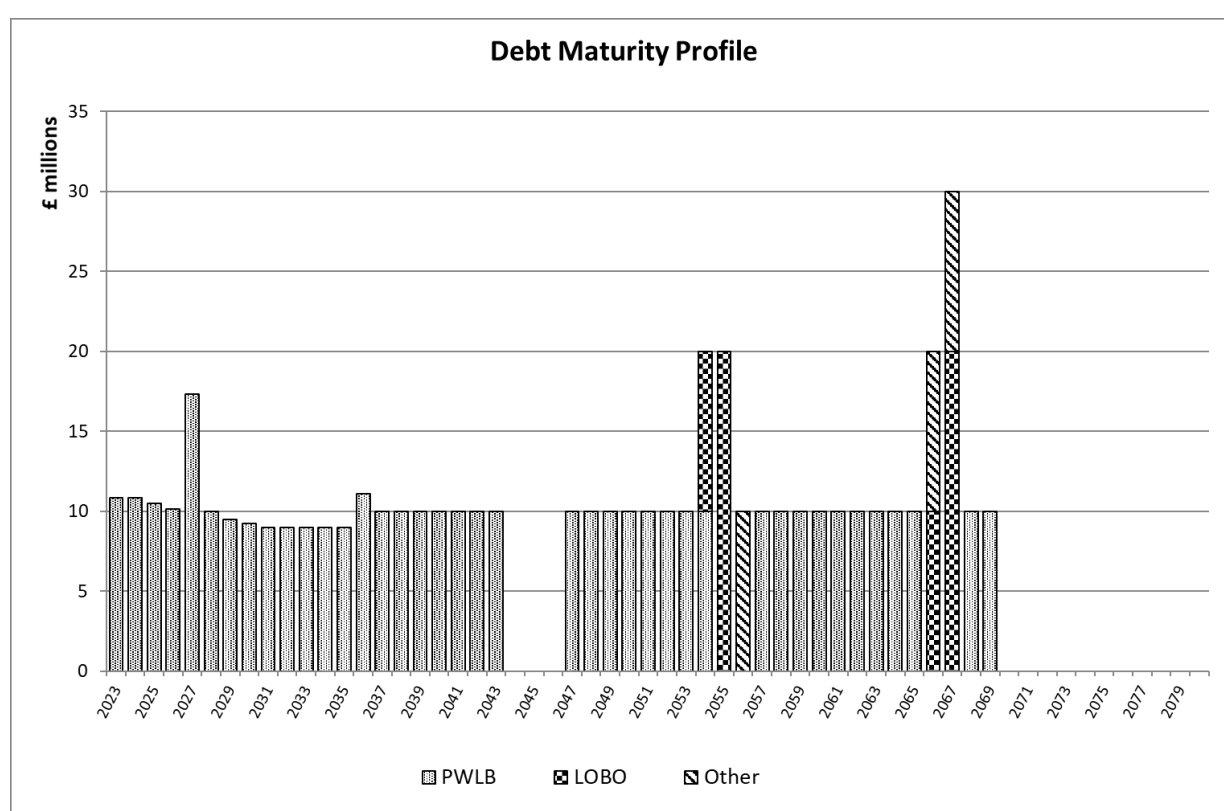
46. Borrowing decisions will take account of a number of factors including:

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

47. 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.

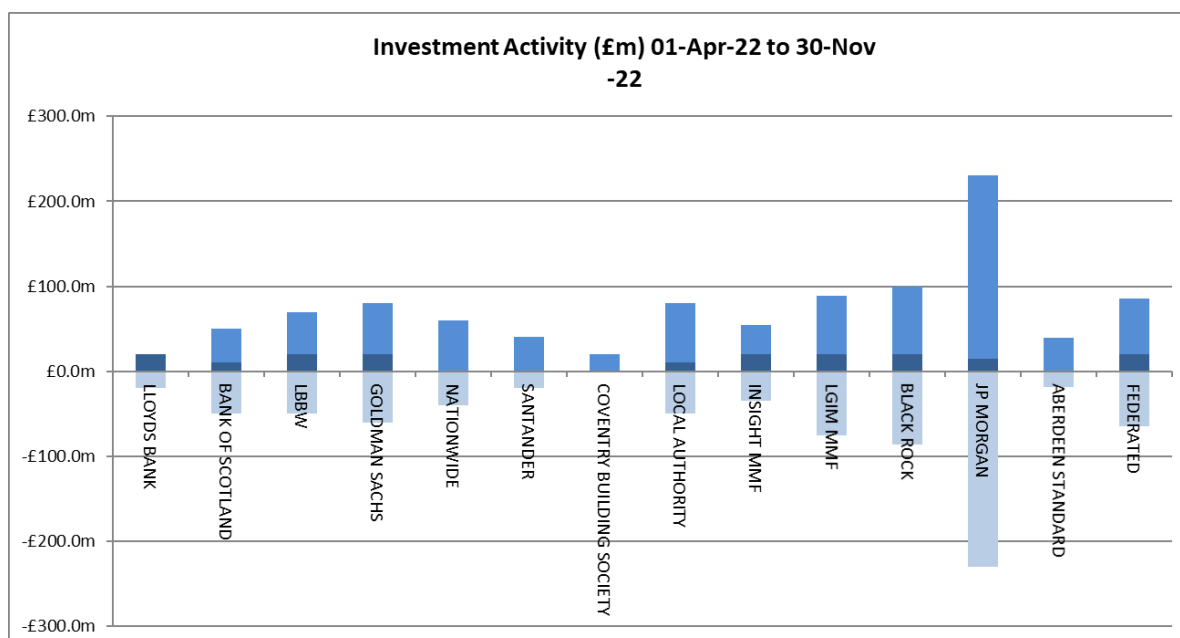
48. Long-term borrowing was also obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken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

49. The 'other' loans shown in the chart consists of fixed-term loans from Barclays Bank.



50. The investment activity for 2022/23 to date is summarised in the chart and table below. Outstanding investment balances totalled approximately £175m at the start of the year and £217m at the end of November.

	Total B/f	Total Raised	Total Repaid	Outstanding
	£000	£000	£000	£000
LLOYDS BANK	20,000	0	-20,000	0
BANK OF SCOTLAND	10,000	40,000	-50,000	0
LBBW	20,000	50,000	-50,000	20,000
GOLDMAN SACHS	20,000	60,000	-60,000	20,000
NATIONWIDE	0	60,000	-40,000	20,000
SANTANDER	0	40,000	-20,000	20,000
COVENTRY BUILDING SOCIETY	0	20,000	0	20,000
LOCAL AUTHORITY	10,000	70,000	-50,000	30,000
INSIGHT MMF	20,000	34,250	-34,250	20,000
LGIM MMF	20,000	68,650	-75,250	13,400
BLACK ROCK	20,000	79,550	-86,400	13,150
JP MORGAN	14,800	215,600	-230,400	0
ABERDEEN STANDARD	0	38,900	-18,900	20,000
FEDERATED	20,000	65,200	-65,200	20,000
	174,800	842,150	-800,400	216,550



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

Statutory and Policy Implications

52. 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.

Other Options Considered

53. To informally brief the Cabinet Member. By noting the latest position as a formal decision, this enables the Council to be more transparent and for all County Councillors and the public to be kept informed of the latest position in a timely manner.

Reasons for Recommendations

54. To enable Cabinet to be fully informed of the latest position with the Council's budget and for that information to be made publicly available.

RECOMMENDATIONS

- 1) For the Cabinet to:-
 - Note the individual Portfolio revenue budgets for 2022/23.
 - Approve the contingency request detailed in the report.
 - Note the summary of capital expenditure to date, year-end forecasts and variations to the capital programme.
 - Note the Council's Balance Sheet transactions.

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For any enquiries about this report please contact:

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Constitutional Comments (GR 11/01/2023)

55. Pursuant to the Nottinghamshire County Constitution the Cabinet has the authority to receive this report and to consider the recommendation contained within it.

Financial Comments (GB 11/01/2023)

56. 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