

Finance and Major Contracts Management Committee

Monday, 20 July 2020 at 14:00

Virtual meeting, <https://www.youtube.com/user/nottsccl>

AGENDA

- 1 To note the appointment by Full Council on 11 June 2020 of Councillor Richard Jackson as Chairman, and Councillor Roger Jackson and Councillor John Ogle as Vice Chairmen of the Committee for the 2020-21 municipal year.
- 2 To note the membership of the Committee for the 2020-21 municipal year as follows: Councillors Richard Jackson, Roger Jackson, John Ogle, John Clarke, Keith Girling, Tom Hollis, Eric Kerry, Diana Meale, Mike Pringle, Alan Rhodes and Gordon Wheeler.
- 3 Minutes of the last meeting held on 10 February 2020 3 - 4
- 4 Apologies for Absence
- 5 Declarations of Interests by Members and Officers:- (see note below)
(a) Disclosable Pecuniary Interests
(b) Private Interests (pecuniary and non-pecuniary)
- 6 Financial Monitoring Report Period 2 2020 - 21 5 - 22
- 7 Update on the Council's Medium Term Financial Strategy 23 - 30
- 8 Work Programme 31 - 34

Notes

- (1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.
- (2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

- (3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

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

- (4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.
- (5) This agenda and its associated reports are available to view online via an online calendar - <http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>

Meeting FINANCE AND MAJOR CONTRACTS MANAGEMENT COMMITTEE

Date 10 February 2020 (commencing at 2.00pm)

Membership

Persons absent are marked with an 'A'

COUNCILLORS

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

John Clarke	Diana Meale
Keith Girling - A	Mike Pringle
Tom Hollis	Alan Rhodes
Eric Kerry	Gordon Wheeler

SUBSTITUTE MEMBERS

Richard Butler for Keith Girling.

OTHER COUNTY COUNCILLORS IN ATTENDANCE

Neil Clarke MBE

OFFICERS IN ATTENDANCE

Pete Barker	Democratic Services Officer
Kaj Ghattaora	Group Manager, Procurement
Nigel Stevenson	Service Director, Finance, Infrastructure & Improvement

1. MINUTES OF THE LAST MEETING

The minutes of the last meeting held on 13 January, having been circulated to all Members, were taken as read and were confirmed, and were signed by the Chair.

2. APOLOGIES FOR ABSENCE

The following apology for absence was reported:

Keith Girling – medical / illness.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. BUDGET REPORT

RESOLVED: 2020/004

That a report be prepared for County Council on 27 February 2020 based on the budget proposals as set out in the report, including the proposed Council Tax and Adult Social Care Precept increases as prescribed in the Central Government funding model.

5. FINANCIAL MONITORING REPORT: PERIOD 9 2019/20

RESOLVED: 2020/005

That the request for additional budgets in 2019/20 and 2020/21 be approved.

6. UPDATE ON PROCUREMENT OF EXTERNAL PARTNER

RESOLVED: 2020/006

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

7. WORK PROGRAMME

RESOLVED: 2020/007

That, in addition to the regular LEC reports, a report on the capital receipts process be brought to a future meeting of Committee.

The meeting closed at 2.20pm

CHAIR

20 July 2020

Agenda Item: 6

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

FINANCIAL MONITORING REPORT: PERIOD 2 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 and year-end forecasts.
3. To inform Members of the Council's Balance Sheet transactions.

Information Background

4. 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.
5. It is important to note that this Financial Monitoring report has been put together at a time when the Council is responding 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.
6. A Financial Resilience Group has been set up to consider the financial impact arising from the COVID19 crisis. This Group will focus 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. 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

7. 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 submission from Nottinghamshire County Council identified a total forecast financial impact of £49.5m in the current financial year.
8. These additional pressures on the 2020/21 budget are partially offset by both grant allocations received from Central Government and a call on the Authority's General Fund balance. The Authority has already received two 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. Total COVID19 grant funding of £37.0m has been received to date. An amount of £3.6m from the General Fund balance has also been identified that has been set aside on a risk assessment basis for emergencies and unforeseen circumstances.
9. Consequently, the shortfall submitted to Government totals £12.5m (£49.5m minus £37m).
10. The pro-forma submitted to the Government, however, does not include other potential significant forecast cost and cash flow implications including Council Tax and Business Rates falls in collection rates (£10m) and impacts upon the realisation of capital receipts (4m). There may also be significant increased costs associated with the capital programme which will emerge following a full review of the capital programme. These areas, as well as all other assumptions contained within the MTFS, are being reviewed as part of the work being undertaken by the Finance Resilience Group.
11. As set out above a Finance Resilience Group has been convened to consider the financial impact arising from the COVID19 crisis. The main themes of the areas of review are set out in the following paragraphs.
12. Departments are being asked to identify and monitor 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.
13. 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. The Finance Resilience Group is undertaking a review of all approved savings proposals to identify the impact on 2020/21 and future years. The impact is to be split between unachievable savings and slippage of savings proposals. 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. This report highlights all projects that are either experiencing obstacles or are at risk.
14. 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.

15. In addition to the above work, reviews of the capital programme and capital receipts forecasts are underway. The capital programme review will identify potential areas of increased cost, 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.
16. 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.
17. The outcome of this work will be reported back to future Finance and Major Contracts Management Committees.

Summary Revenue Position

18. The table below summarises the revenue budgets for each Committee for the current financial year. A £15.8m net overspend is currently predicted. As a consequence of the in-year overspend and the significant financial challenges facing the Council over the medium term, the key message to effectively manage budgets and, wherever possible, deliver in-year savings is being reinforced.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 1 £'000	Difference	Committee	Annual Budget £'000	Actual to Period 2 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
-	12,789	Children & Young People	142,141	10,452	154,930	12,789
-	23,970	Adult Social Care & Public Health	211,788	7,017	235,758	23,970
-	6,406	Communities & Place	129,776	13,844	136,182	6,406
-	4,694	Policy	34,880	3,523	39,574	4,694
-	(173)	Finance & Major Contracts Management	2,929	4,854	2,756	(173)
-	(37)	Governance & Ethics	7,572	1,097	7,535	(37)
-	255	Personnel	15,697	2,123	15,952	255
43,300	-	Unallocated COVID19 Costs	-	-	-	-
43,300	47,904	Net Committee (under)/overspend	544,783	42,910	592,687	47,904
(36,994)	(36,994)	Central items	(26,539)	(25,880)	(63,533)	(36,994)
-	-	Contribution to Schools Expenditure	(59)	-	(59)	-
4,484	4,484	Contribution to/(from) Traders	(596)	1,210	3,888	4,484
10,790	15,394	Forecast prior to use of reserves	517,589	18,240	532,983	15,394
-	-	Transfer to / (from) Corporate Reserves	22	-	22	-
-	378	Transfer to / (from) Departmental Reserves	(4,432)	146	(4,054)	378
-	-	Transfer to / (from) General Fund	(631)	-	(631)	-
10,790	15,772	Net County Council Budget Requirement	512,548	18,386	528,320	15,772

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 Reasons

Committee	COVID19	Non- COVID19	Latest Forecast Variance
Children & Young People	10,596	2,193	12,789
Adult Social Care & Public Health	22,361	1,609	23,970
Communities and Place	6,303	103	6,406
Policy	4,264	430	4,694
Finance & Major Contract Management	0	(173)	(173)
Governance & Ethics	0	(37)	(37)
Personnel	366	(111)	255
Net Committee (under)/overspend *	43,890	4,014	47,904
COVID-19 Grant	(36,994)		(36,994)
Traders	4,605	(121)	4,484
Transfer to / (from) Departmental Reserve	0	378	378
Net County Council Budget Requirement	11,501	4,271	15,772

* In addition to the £43.9m COVID19 set out here, a further £5.6m of COVID19 costs were identified below the line. The total additional COVID19 costs reported to the MHCLG therefore totals £49.5m (see paragraph 7).

COVID19 Variations

19. 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 DELTA3 return was submitted on 19 June 2020 and forecast additional COVID19 pressures totalling £49.485m. These forecast additional pressures are highlighted in dark grey on the above table.

Non-COVID19 Variations

Children & Young People's (£2.2m overspend)

20. The Education, Learning & Skills Division is reporting a non-COVID19 overspend of £0.4m made up of a £0.5m overspend on school improvement sold service offset by a £0.1m underspend on other budgets. A review of the sold offer for 2020/21 is underway.
21. The Commissioning and Resources Division is forecasting a non-COVID19 overspend of £1.6m. This mainly arises due to an £1.2m that is mainly due to general cost increases observed towards the end of 2019-20 and the cost of additional support for complex cases etc. Net external LAC growth of 4 in May appeared normal compared with 11 in April which was "excessive" and probably due to the pandemic/lockdown. Further analysis on costs reveal that the overall average weekly placement cost increases from mid-March are largely due to the pandemic and the extra measures that need to be taken to keep young people, families and workers safe. There is a net £0.4m overspend across other budgets.
22. In addition, the Youth, Families and Social Work Division is reporting a non-COVID19 overspend of £0.2m.

Adult Social Care & Public Health (forecast £1.6m overspend)

23. The major variances in the Adult Social Care and Public Health Department are as follows:
- Strategic Commissioning and Integration is forecasting an overspend of £0.6m. This is made up of a £0.6m reduction in transport income.
 - Direct and Provider Services are forecasting an underspend of £0.8m across all services with a £0.3m 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 overspend of £2.7m. This consists of an overspend of £3.9m in Living Well, offset by an underspend of £1.2m in Ageing Well.
 - Maximising Independence is forecasting an underspend of £0.6m.
24. Public Health is currently forecasting an underspend of £0.3m, mainly due to underspends on programmes curtailed by the pandemic. Any net underspend will be added to reserves at year end.

Trading Services

25. Schools Catering is forecasting a deficit of £3.6m as a result of COVID19. This will be reviewed once appropriate charges to NCC Schools have been calculated in consultation / agreement with NCC Schools and Government guidance. Cleaning & Landscapes also has a projected deficit of £0.3m as a result of COVID19 and there is currently no reserve to fund these overspends.
26. Clayfields is currently forecasting a shortfall against its income target of £0.5m as the facility is unable to accept new admissions due to the pandemic.

Central Items

27. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
28. As detailed above, the Authority has received two 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. Total COVID19 grant funding of £37.0m has been received to date. This is an amount in excess of what was expected to be received at the time of setting the 2020/21 budget.
29. 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 £1.7m has already been built into committee budgets at Period 2. 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.
30. Other Contingency requests approved previously total £1.0m to support communities in their response to the impact of Coronavirus. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main areas of risk to the forecast

31. 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.

32. 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.
33. 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

34. Members will be asked to approve the 2019/20 closing General Fund Balance of £22.0m at Council on 23 July 2020. The 2020/21 budget approves 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

35. 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	£'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	5,524	
		5,524
Revised Gross Capital Programme		132,311

36. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 2.

Table 3 – Capital Expenditure and Forecasts as at Period 2

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 2 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	35,815	3,139	35,836	21
Adult Social Care & Public Health	612	449	661	49
Communities & Place	57,787	491	57,791	4
Policy	35,363	989	36,527	1,164
Finance & Major Contracts Mngt	180	-	180	-
Governance & Ethics	354	-	299	(55)
Contingency	2,200	-	2,200	-
Total	132,311	5,068	133,494	1,183

Financing the Approved Capital Programme

37. 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	40,712	1,119	320	57,787
Policy	21,583	12,980	-	800	35,363
Finance & Major Contracts Mngt	-	-	-	180	180
Personnel	354	-	-	-	354
Contingency	2,200	-	-	-	2,200
Total	62,808	66,445	1,119	1,939	132,311

38. It is anticipated that borrowing in 2020/21 will increase by £10.5m 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 acceleration in 2020/21 of £1.1m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

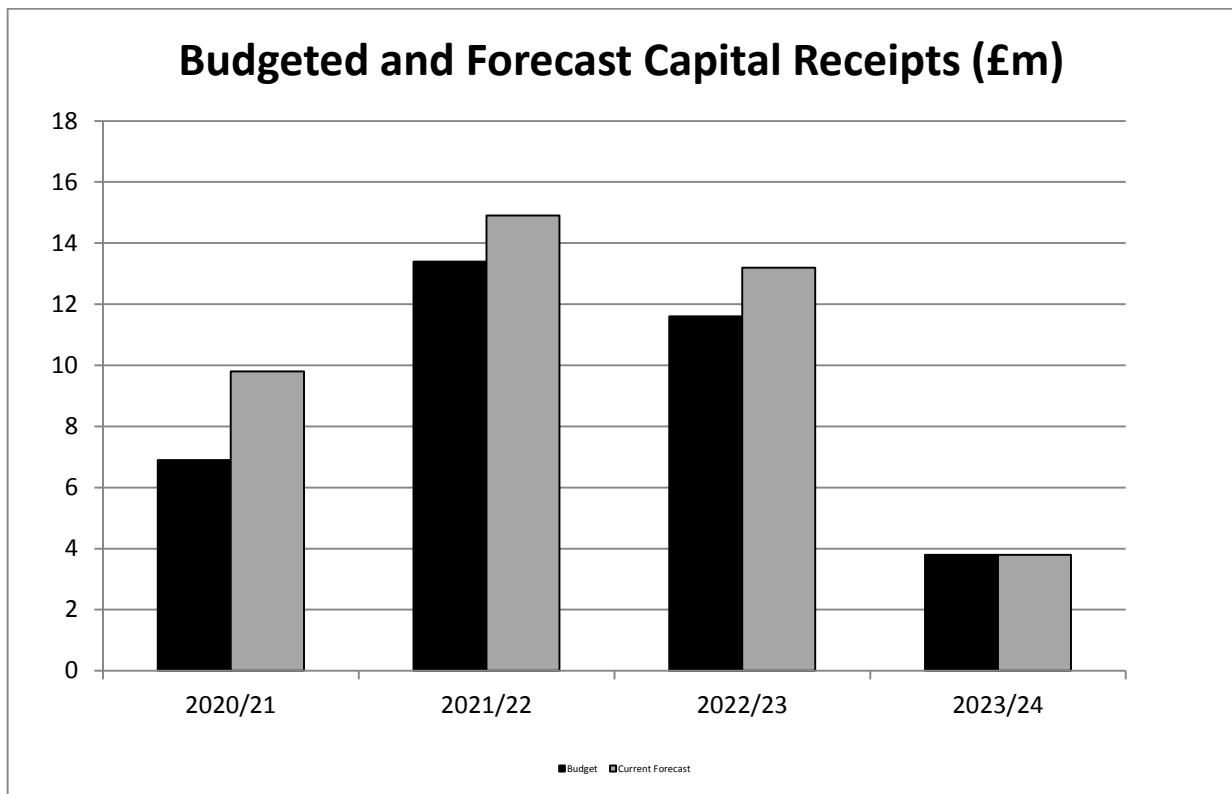
Prudential Indicator Monitoring

39. 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

40. 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.

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



42. 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.

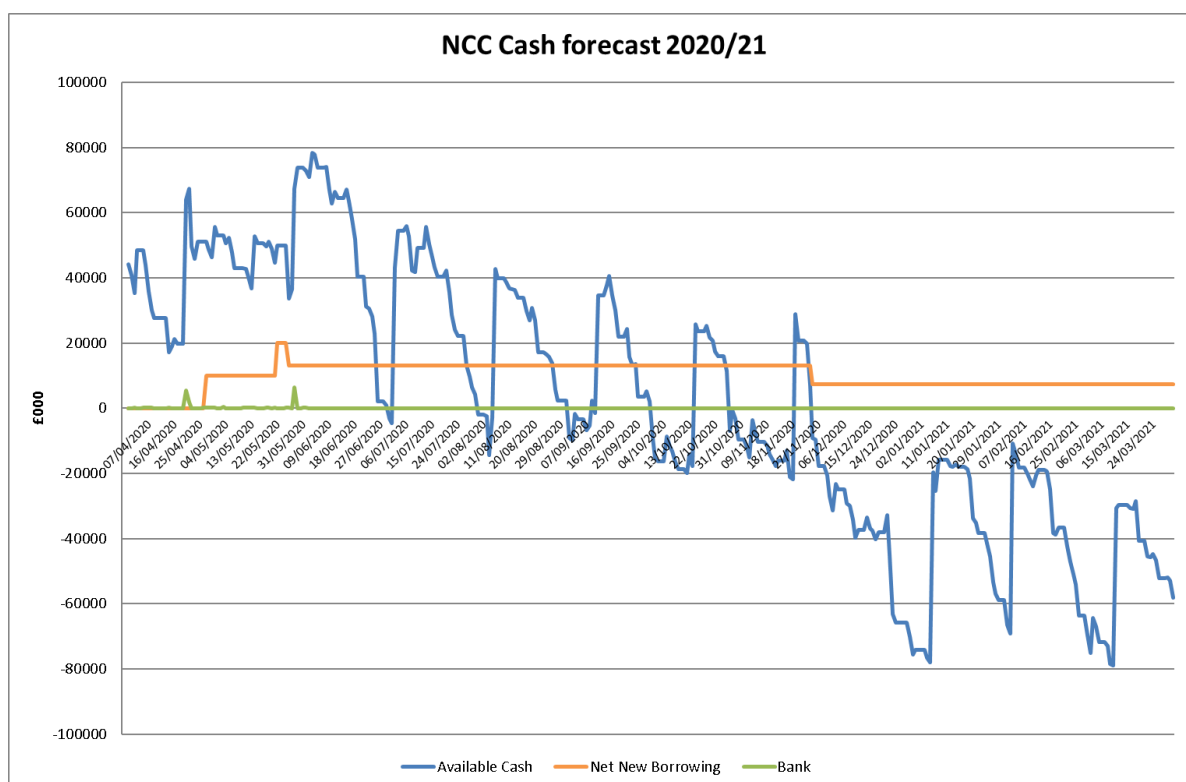
43. The capital receipt forecast for 2020/21 is £6.9m. To date in 2020/21, no capital receipts have been received.

44. 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.

45. 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

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

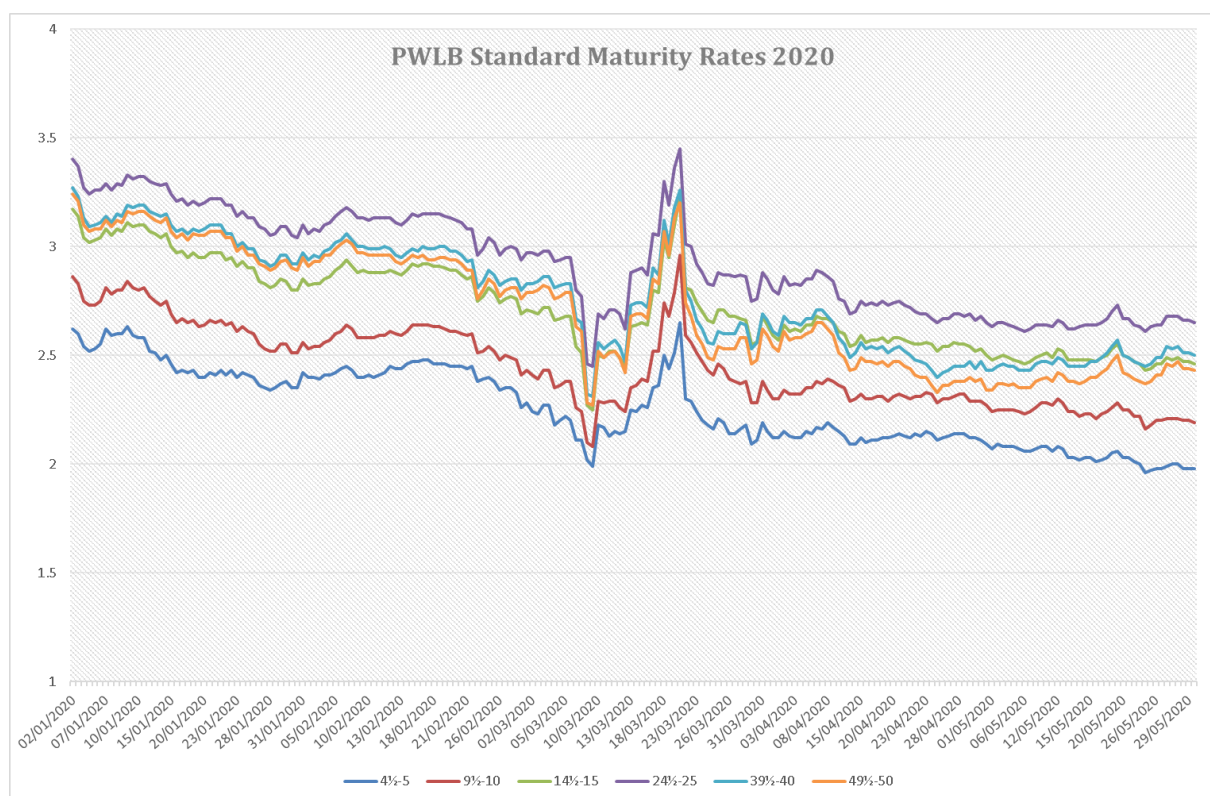


48. The chart above gives the following information:

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

49. The Treasury Management Strategy for 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 a further £10m in late May.

50. 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.



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

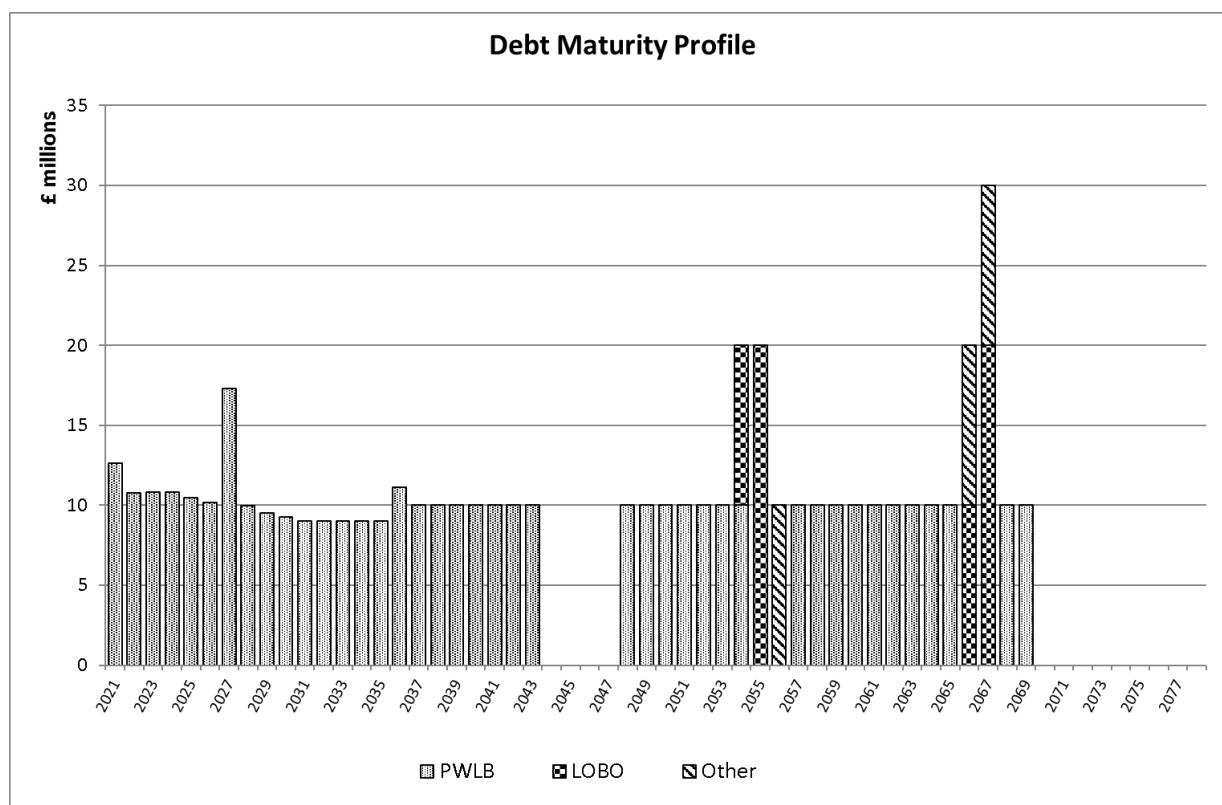
- expected movements in interest rates
- current maturity profile
- the impact on revenue budgets and the medium term financial strategy
- the treasury management prudential indicators.

52. 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.

53. 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

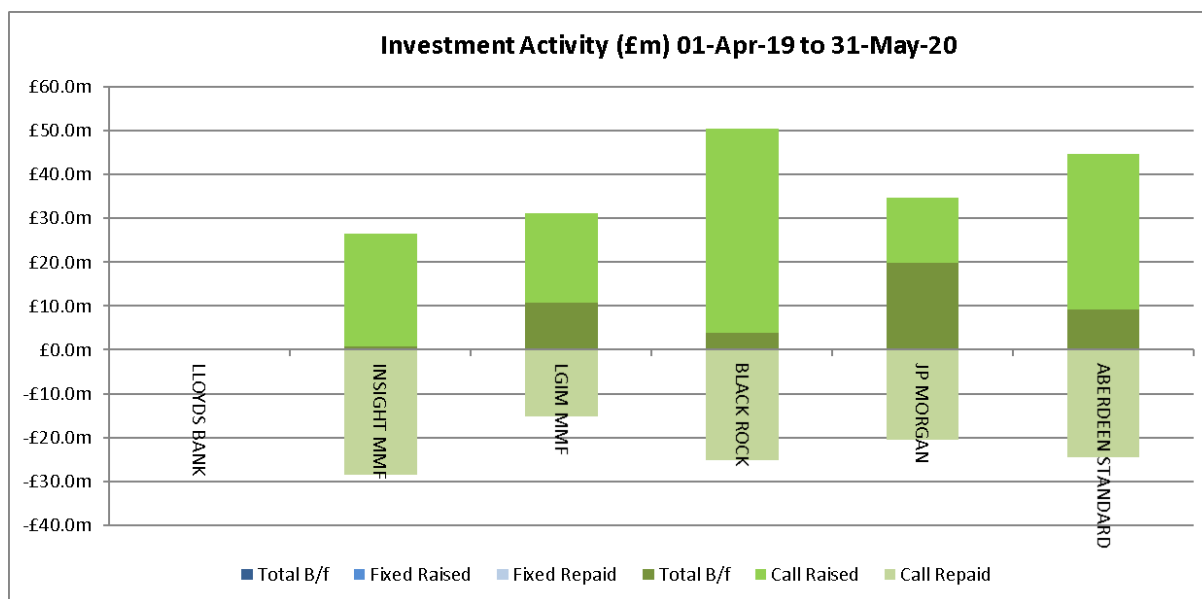
loan) and were all taken at rates lower than the prevailing PWLB rate at the time. However, LOBOs could actually mature at various points before then, exposing the Council to some refinancing risk.

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



55. 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 £74m at the month-end.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
INSIGHT MMF	750	25,800	(28,550)	(2,000)
LGIM MMF	10,700	20,550	(15,150)	16,100
BLACK ROCK	3,800	46,750	(25,100)	25,450
JP MORGAN	19,800	14,950	(20,450)	14,300
ABERDEEN STANDARD	9,150	35,450	(24,600)	20,000
Total	44,200	143,500	(113,850)	73,850



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

Statutory and Policy Implications

57. 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 and year-end forecasts.
- 3) To comment on the Council's Balance Sheet transactions.

Nigel Stevenson Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:
 Keith Palframan - Group Manager, Financial Services
 Tamsin Rabbitts - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (KK 07/07/2020)

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

Financial Comments (GB 07/07/2020)

59. 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

**REPORT OF THE SERVICE DIRECTOR FINANCE, INFRASTRUCTURE AND
IMPROVEMENT & SECTION 151 OFFICER****UPDATE ON THE COUNCIL'S MEDIUM TERM FINANCIAL STRATEGY****Purpose of the Report**

1. The purpose of this report is to provide an update on the financial impacts of the Council's response to the Covid-19 emergency, consider these impacts upon the Medium Term Financial Strategy (MTFS) and the actions being taken by the Council.

Information

2. The Coronavirus crisis has required a significant shift to the focus of Council activities to enable the Council to respond effectively and support those who are most vulnerable, both using its own resources and as part of a broader public service response to the emergency. The Council has prioritised its Adults and Children's social care functions, and its related work with health and community partners to support those most vulnerable to the virus
3. As a consequence of responding to Covid-19, services, resources, functions, plans and programmes have been re- and de-prioritised as the Council has responded to a rapidly changing and fluid situation that has included the regular provision of new guidance and legislation. National measures in place to stop the spread of COVID-19 mean some services have necessarily been altered, reduced or suspended. This update reports against the departmental Improvement and Change Portfolios contained within the Council's refreshed Departmental Strategies approved by Policy Committee in May 2019 with effect from end May 2020
4. Policy Committee has received a number of reports over this period setting out the details of the Council's response which have included setting out the consequential financial implications and the Government grants that have been provided.
5. Considerable work has been undertaken throughout the Council to understand the overall financial impact of Covid-19. It is important to caveat the estimates, given that the impacts continue to be part of an emerging picture and will continue to be refined and monitored. Some of the assumptions are easier to determine whilst others, such as Home to School Transport, can only be estimated for now. Other impacts, such as council tax and business rates, are more difficult to assess as we are reliant upon information from the District and Borough Councils for estimation and these will be dependent on the length of lock down and the impacts upon the local economy. They will impact in 2021/22 and potentially beyond.

Funding Announcements Timeline

6. 11th March 2020 – the Rt Hon Rishi Sunak MP delivered the 2020 Spring Budget. At the time the UK had only 373 confirmed cases of coronavirus and 6 deaths; the impact of the virus on the UK was not expected to be significant. The Chancellor said that to “support the NHS and other public services, I am also setting aside a £5bn emergency response fund – and will go further if necessary”. He set out a number of funding arrangements, the most significant being.
 - £500m hardship fund - distributed to billing authorities to support vulnerable people in their area. The fund is expected to take the form of council tax relief.
 - Coronavirus Business Interruption Loans of up to £1.2m for small and medium sized businesses.
 - Extended Retail Discount – later extended further by removing the £51,000 Rateable Value cap
 - Those businesses will also be eligible for grants of £3,000 – later increased to £10,000
 - Temporary Discount for pubs on their business rates bill increased from £1,000 to £5,000
7. 17th March – the Government announces £3.2m for homelessness to help rough sleepers self-isolate.
8. 19th March – the Government announced the first tranche of £1.6bn of additional funding to support local authorities in responding to the COVID-19 pandemic. (£1.39bn distributed via the Adult Social Care Relative Needs Formula and the remaining £0.29bn via the Settlement Funding Assessment (SFA)). The un-ringfenced funding was intended to help local authorities “address any pressures they are facing in response to the COVID-19 pandemic, across all service areas”. Government expected that this funding would be spent on social care in councils and would complement the £1.3bn allocated to the NHS.
9. 24th March - The Local Government Secretary confirmed that, to ease cashflow problems, the Government was bringing forward the payment of the £3.4bn of grants that were due to be paid to local authorities through 2020-21. The £3.4bn consists of the already announced £1.6bn of support for local authorities for COVID-19 pressures, and the initial £1.8bn grant for business rates reliefs measures.
10. 16th April – To help with cashflow; councils were allowed to defer £2.6bn of Business Rates payments to Central Government and £850m in Social Care Grants will be paid up front.
11. 18th April – a second tranche of £1.6bn funding for local authorities is announced. Allocations were not published until the 28th April and this time the grant was distributed on a per head basis, which was then split 65:35 between upper and lower tiers (with 3% for fire & rescue).
12. 13th May - A new £600 million Infection Control Fund is announced to tackle the spread of coronavirus in care homes. The funding, whilst allocated to local authorities (based on the number of care home beds adjusted by the Area Cost Adjustment as a share of the national number of care home beds), is to be passed directly to care homes. However,

administration of the scheme is problematic due to grant conditions and European state aid considerations.

13. 22nd May – £300m announced for local authorities to implement Track and Trace. Allocations were eventually published on 11th June and are based on the 2020-21 Public Health Grant allocations.
14. 24th May - £50m from the European Regional Development Fund (ERDF) to support the safe re-opening of high streets. Allocations to billing authorities are calculated on a per-head basis (as a proxy for high street footfall) with a minimum grant of £30,000.
15. 11th June - £63m announced for local authorities in England to help those who are struggling to afford food and other essentials due to coronavirus. Although it is anticipated that this funding will be allocated to Upper Tier authorities, at the time of writing allocations are yet to be announced.
16. 2nd July – a Comprehensive Package of support to authorities is announced. This includes £500m to be distributed to meet additional costs and further monies to support lost income above a 5% threshold and co-payment basis of 75p in the £. Council tax and business rates deficits arising in 2020/21 will be allowed to be deferred over the following 3 years. Details on allocations and income definitions expected to be announced in coming weeks.

Financial Impacts upon the Council

17. Work continues across all service areas looking at the additional costs and lost income. In many areas it is still only possible to make estimates of the likely additional costs
18. Based on Government guidance around the monthly financial return to MHCLG, the initial work has been extended to assess the impact over the first 4 months of the financial year (April to July) of 2020/21, although clearly the impact is going to go on well beyond this date and some estimates include additional costs extending for some months beyond July.
19. The figures include an estimated 50% slippage or loss of savings proposals built in to the 2020/21 budget. Further work is being undertaken to review each saving proposal and to more accurately estimate the 2020/21 impact.
20. As requested by Government the County Council's figures do not include the impact of any shortfall in council Tax or Business Rates, this information has been provided by collection authorities on behalf of all preceptors. An estimate of the possible impact on the Council is set out below.
21. The anticipated additional pressures and loss of income for the County Council will be updated through the normal financial monitoring processes and regularly reviewed by the Corporate Financial Resilience Group (see paragraphs 33 and 34). It is anticipated that a further financial return to Government will be required mid-July. The summary table below sets out the estimated additional costs by Department as at 19th June 2020 as submitted to MHCLG.

Additional Costs By Department (19/06/20)

	£000
ASC&H	19,809
C&F	10,335
Place	10,198
Chief Executives	5,143
Savings at risk	4,000
Total	49,485

22. The Council has received a total of £37.0m in two tranches of funding towards these additional costs and lost income. An initial tranche of £1.6bn of additional funding was announced in March 2020. The NCC share of this was £22.3m and this was received in late March. A second tranche of a further £1.6bn for Local Government was announced on 20th April. This allocation is based on a per capita basis, and there is a 65:35 split between county and district authorities. The NCC share of this is £14.6m and was received on 14th May.
23. The Government has also announced a further £600m to support infection control in care homes. The NCC share of this is £11.4m, however it should be noted that this must be passported to care homes based on Government criteria and cannot be used to fund additional costs.
24. As at the 19th June the Council is facing a shortfall in funding of £12.5m; however, this is before any consideration of impacts upon council tax and business receipts during 2020/21. In addition, the latest Budget Monitoring Report, shown elsewhere on the Agenda, indicates some financial issues are arising that may not be related to Covid-19. Presently these are forecast to be £3.9m by year-end; however, it is early in the year and Management will be taking action to understand and minimise the effect of these on the Council.
25. Last February Budget Report established the amounts due from District Councils for council tax and the adult social care precept at £388m in 10 instalments. Once set these are legally binding and any delays mean that the County Council can charge interest on the overdue amount. In normal circumstances Districts would pass over the scheduled amounts and any over or under collection would be corrected in the following financial year. Districts have raised concerns that if there were to be a significant reduction in collection rates, they would be unable to make the payment unless they received support from Central Government. District Councils have reviewed May collection rates and have assessed the likely impact on collection during 2020/21. Overall the County Council share of the shortfall is estimated to be circa £8m, although this figure will be regularly updated as each month's collection data is reviewed.
26. Similarly, District Councils have indicated a potential shortfall in Business Rates. The estimated impact on County Council based on May's collection rates is £2m. As with Council Tax this will be subject to regular review.
27. There may be an ongoing impact on both Council Tax and Business Rates of a reduced tax base due to e.g. increased council tax discounts, slowdown of new housing developments, reduction in physical premises required by businesses which will need to be reflected in an updated MTFS.

Implications to the Medium Term Financial Strategy (MTFS)

28. Given the scale of the financial challenge now faced by the Council it is necessary to refresh the Council's MTFS. The response to the Covid-19 emergency has resulted in immediate and significant financial implications for the local economy, communities and residents as well as the Council itself. The longer-term impact of Covid-19 in Nottinghamshire will continue to emerge over time and will need to be continued to be assessed. When the Council set its Budget last February and approved the Medium Term Financial Strategy it had achieved a balanced budget in 2020/21 through 2021/22. With shortfalls in funding appearing in 2022/23 and 2023/24 of £28.3m. The Council had already identified a number of savings and was developing a longer-term strategy for transformation to meet the shortfall in the later 2 years of the MTFS.
29. Many of the original assumptions in the Council's MTFS will have significantly altered. These include but are not limited to:
- Staffing, placement costs and care packages in social care
 - Protective Personal Equipment (PPE)
 - The ability to deliver savings identified in 2020/21
 - Commercial Income from sold services to schools
 - Dividends received from subsidiary and associated companies
 - Collection and tax base related to council tax, adult social care precept and business rates
 - Home to school transport costs
30. Although more work is required to review all the assumptions in the MTFS and assess the fuller impacts of COVID-19 upon the Council's finances it is possible to provide an indication of the likely impacts based on the current revised assumptions based on our experience so far. This would consider:
- The likely impact of the latest announcement on the Comprehensive Support Package to Local Government, with an estimate on funding and the ability to spread the cost of the likely deficit on the Collection Fund over the following 3 years
 - Reflect the potential impacts upon our services in future years where possible
 - Pressures emerging in 2020/21 that are not yet identified as being Covid-19 related
 - The likely erosion of the tax base that may take some years to recover
31. The anticipated shortfall of funding in the current year is anticipated to be £10.8m based on an assumed grant as set out in paragraph 30, which will require to be met from a combination of the Council's General Fund Balance and other Earmarked Reserves.
32. Although it is too early to estimate beyond 2021/22 the combination of the factors set out in paragraph 30, would see an anticipated shortfall in funding appearing in 2021/22 of over £26m. Further work is required to monitor the impacts of responding to the Covid-19 emergency together with all the assumptions in the MTFS and the Council will continue to press Government for the funding to meet the additional costs the Council has faced, and potentially will face in 2021/22.

	Temporary	Permanent			3 year total gap in base £m
	2020/2021 £m	2021/2022 £m	2022/2023 £m	2023/2024 £m	
Opening MTFS Funding Gap	0.0	0.0	14.9	13.4	28.3
CV19 additional gap (incl. CT/BR)	22.5				
Assumed additional Govt Grant	-6.0				
CT/BR Deficit 2020/21 spread over 3 years	-10.0	3.3	0.1	-0.1	
<u>Ongoing Funding Issues from CV19</u>					
Potential Tax Base erosion		6.0	-3.0	-3.0	
Estimated ongoing costs of CV-19		15.0			
2020/21 Overspend Non-CV19	4.3				
Use of reserves	-10.8	2.0	1.6	1.2	
Impact on MTFS	0.0	26.3	13.6	11.5	51.4

Actions Taken by the Council in light of the financial challenges

33. A Corporate Financial Resilience Group consisting of senior finance staff, key Departmental Service Directors and Legal Services has been established to assess the impact of additional costs and lost income arising out of the COVID-19 emergency on the MTFS of Nottinghamshire County Council.

34. The Group will review all aspects of the financial impact and will report regularly to Corporate Leadership Team and to Members and Committees. The Terms of Reference for the Group are set out below:

- To review all ongoing, routine spend by the Council and identify any savings or cost reductions that might be available to offset additional costs
- To undertake a review of the reserves held by the Council and identify any that could be utilised to fund additional costs if required
- To review the capital programme and capital receipts forecast and assess the impact on the revenue budget
- To review the cashflow position of the Council and ensure sufficient balances are available to fund additional costs
- To identify and review any other areas which may impact on the MTFS (tax base, move back to 'business as usual' etc.)
- To update the Council's MTFS for the short and medium term and provide regular updates to Corporate Leadership Team and Members on the financial implications
- To complete the monthly MHCLG financial returns on additional spend
- To review revised ways of working arising out of the emergency and identify good practice that should be

35. The Leader of the Council continues to directly press Government Ministers to ensure adequate funding is provided in this year and through the Local Government Settlement for 2021/22. The County Councils Network commissioned work with the support of the Society of County Treasurers (SCT) from Grant Thornton to demonstrate to MHCLG the anticipated financial implications now and the longer-term financial implications that member counties will face because of responding to the Covid-19 emergency. In addition, the Chief Executive

and the Service Director for Finance, Infrastructure & Improvement also, through their relevant professional associations, are lobbying hard to MHCLG for the appropriate financial support.

Reason for Recommendations

36. To ensure the Committee is kept up to date on the financial implications of responding to the Covid-19 emergency and the potential implications upon the MTFS.

Statutory and Policy Implications

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

RECOMMENDATIONS

38. It is recommended that the Committee:

- 1) Considers the financial implications of the Council's response to the Covid-19 emergency and the likely impacts on the Council's MTFS.
- 2) Recognises and comments upon the approach and actions being taken by the Council.

Nigel Stevenson

Service Director Finance, Infrastructure and Improvement & Section 151 Officer

For any enquiries about this report please contact:

Nigel Stevenson (0115 9773033)

Constitutional Comments (KK 08/07/2020)

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

Financial Comments (NS 7/7/2020)

40. The report details the financial challenges facing the Council in responding to the Covid-19 emergency and the actions it is taking.

41. Under section 151 of the Local Government Act 1972 there is a requirement for Local Authorities to put into place appropriate arrangements for the financial administration of each Authority. Each authority has an individual responsible for discharging those statutory arrangements, known as the Section 151 Officer (S151 Officer). If, in the professional judgement of the S151 Officer, based upon the best information available to them, the Council is unable to deliver a balanced budget in 2020/21, they are required to issue a Section 114 Report.

42. The S151 Officer will keep the financial position of the Council under constant review. If a professional judgement is made that the issuing of a Section 114 notice is necessary, a report will be prepared and issued after suitable consultation within the Council and with the External Auditor. It would also be necessary to provide updates to Governance & Ethics Committee and the Opposition Leadership. After the issue of such a report further spending controls would be in place to cease all but spend on statutory activity

Background Papers

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

20 July 2020

Agenda Item: 8

REPORT OF THE SERVICE DIRECTOR - CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2020/21.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.
3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.
4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.
5. The meeting dates and agenda items are subject to review in light of the ongoing COVID-19 pandemic.

Other Options Considered

6. None.

Reason/s for Recommendation/s

7. To assist the committee in preparing its work programme.

Statutory and Policy Implications

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

RECOMMENDATION/S

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

Marjorie Toward
Customers, Governance and Employees

For any enquiries about this report please contact: Pete Barker, x74416

Constitutional Comments (HD)

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

Financial Comments (NS)

10. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None.

Electoral Division(s) and Member(s) Affected

All.

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

<u>Report Title</u>	<u>Brief summary of agenda item</u>	<u>Lead Officer</u>	<u>Report Author</u>
28 September 2020			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
CYP Budget	Update Report	Colin Pettigrew	Laurence Jones
Inspire – ICT Replacement	Details of requirements	Derek Higton	Mick Allen
PPE Procurement	PPE Procurement arrangements as part of Recovery Work	Kaj Ghattaora	Kaj Ghattaora
2 November 2020			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Procurement Pipeline	Outline for the Council's Procurement Pipeline from 2020 onwards	Kaj Ghattaora	Kaj Ghattaora
Domestic Violence Contract	Update on the procurement of Domestic Violence Services	Kaj Ghattaora	Michael Fowler
30 November 2020			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
18 January 2021			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
8 February 2021			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
Budget Report			

FINANCE & MAJOR CONTRACTS MANAGEMENT COMMITTEE – WORK PROGRAMME

15 March 2021			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
19 April 2021			
Monthly Budget & Capital Monitoring Report 2020/21	Budget Capital Monitoring, Capital Receipts, Capital Variations	Nigel Stevenson	Glen Bicknell
TO BE PLACED			
Agency Staffing Update	Progress report	Kaj Ghattaora	Lorraine Dennis