

6 June 2022**Agenda Item:****REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND
IMPROVEMENT****FINANCIAL MONITORING REPORT: PERIOD 1 2022/2023****Purpose of the Report**

1. To provide the Cabinet Member for Finance with:-
 - A summary of the Portfolio revenue budgets for 2022/23.
 - A summary contingency schemes submitted to date.
 - The Council's Balance Sheet transactions.
 - An update from the Procurement Team.
 - An update from the Accounts Payable and Accounts Receivable teams.

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, 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. At this stage there are no identified variations to the budget approved at Full Council in February 2022. This report, however, sets out a number of risks within the budget that will continue to be assessed as we progress through the year.

Table 1 – Summary Revenue Position

Portfolio	Annual Budget £'000	Actual to Period 1 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
Children & Young People	163,183	6,004	163,183	-
Adult Social Care & Public Health	233,563	(11,094)	233,563	-
Transport & Environment	116,783	(5,918)	116,783	-
Communities	18,388	3,060	18,388	-
Economic Development & Asset Management	24,981	969	24,981	-
Deputy Leader & Transformation	5,067	283	5,067	-
Finance	15,577	1,087	15,577	-
Personnel	25,826	1,444	25,826	-
Net Committee (under)/overspend	603,368	(4,165)	603,368	-
Central items	(36,398)	(6,537)	(36,398)	-
Schools Expenditure	4	-	4	-
Contribution to/(from) Traders	(577)	3,276	(577)	-
Forecast prior to use of reserves	566,397	(7,426)	566,397	-
Transfer to / (from) Corporate Reserves	(3,763)	-	(3,763)	-
Transfer to / (from) Departmental Reserves	(3,162)	-	(3,162)	-
Transfer to / (from) General Fund	-	-	-	-
Net County Council Budget Requirement	559,472	(7,426)	559,472	-

Main Areas of Risk within the 2022/23 budget

4. 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.
- The 2022/23 Settlement reflected a one-year settlement only. As a result, estimated future increases in Central Government grants that are set out in the MTFS may not be in line with future announcements.
- Higher costs associated with the capital programme due to material shortages and increases in the cost of construction and other key materials.

Requests for Contingency

5. The Council's budget includes a base contingency budget of £4.0m to cover redundancy costs, slippage of savings and other potential unforeseen events.
6. 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. As such, an additional provision of £13.3m has been 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.
7. In March 2022, agreement was reached with regard to the Local Government Services' Pay Agreement for 2021/22. Under the agreement, local government has accepted a 1.75% pay increase for 2021/22. This equates to an additional cost of £3.3m and it is proposed that this is funded from the provision made within the Council's contingency budget. Formal approval for this will be sought at the Cabinet meeting in July 2022.
8. In addition, there is already a call on the 2022/23 contingency budget from requests that have been approved by the previous Finance Committee or the Section 151 Officer. These are as follows: -
 - Tour of Britain – Communities Portfolio - £100,000
 - Graduate Trainees – Personnel Portfolio - £58,000
 - Armed Forces Community Budget – Communities Portfolio - £20,000

Balance Sheet

General Fund Balance

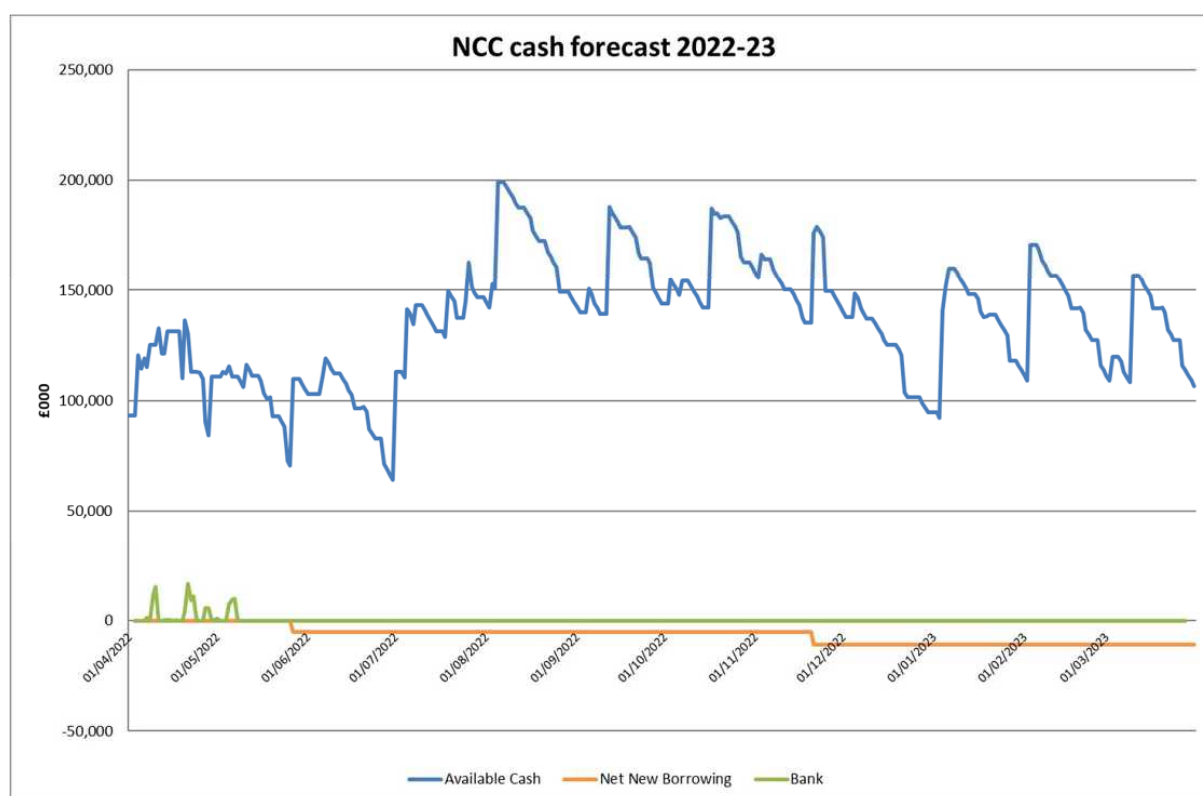
9. Cabinet will be asked to approve the 2021/22 closing General Fund Balance of £35.2m on 14 July 2022. This balance represents 6.2% of the net budget requirement.

Capital Programme

10. The 2021/22 capital programme out-turn will be reported to Cabinet on 14 July 2022 as part of the Draft 2021/22 Management Accounts report. The Section 151 Officer has approved all slippage, acceleration and other adjustments to the capital programme. The revised 2022/23 capital programme will be reported to Cabinet in July 2022 as part of the Period 2 Financial Monitoring Report.

Treasury Management

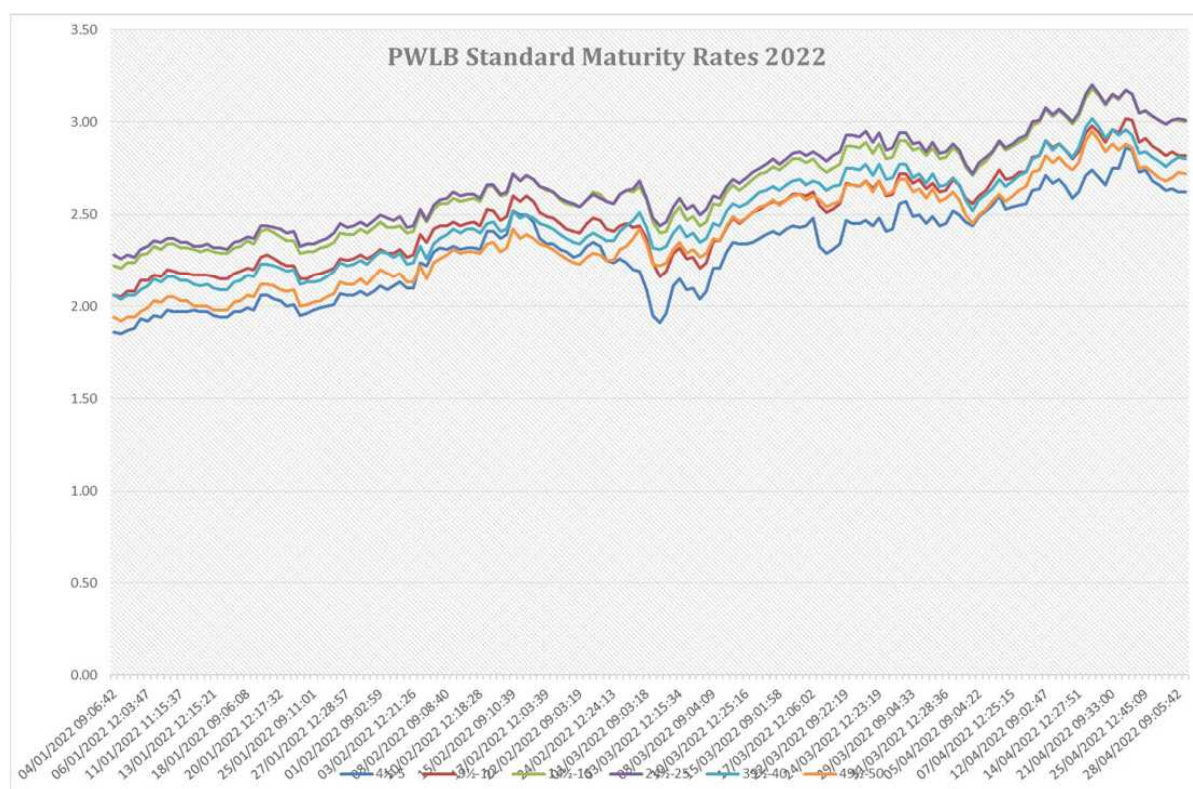
11. Daily cash management aims for a closing nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group (TMG).
12. 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.



13. 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.

14. 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. 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 2022 so far.



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

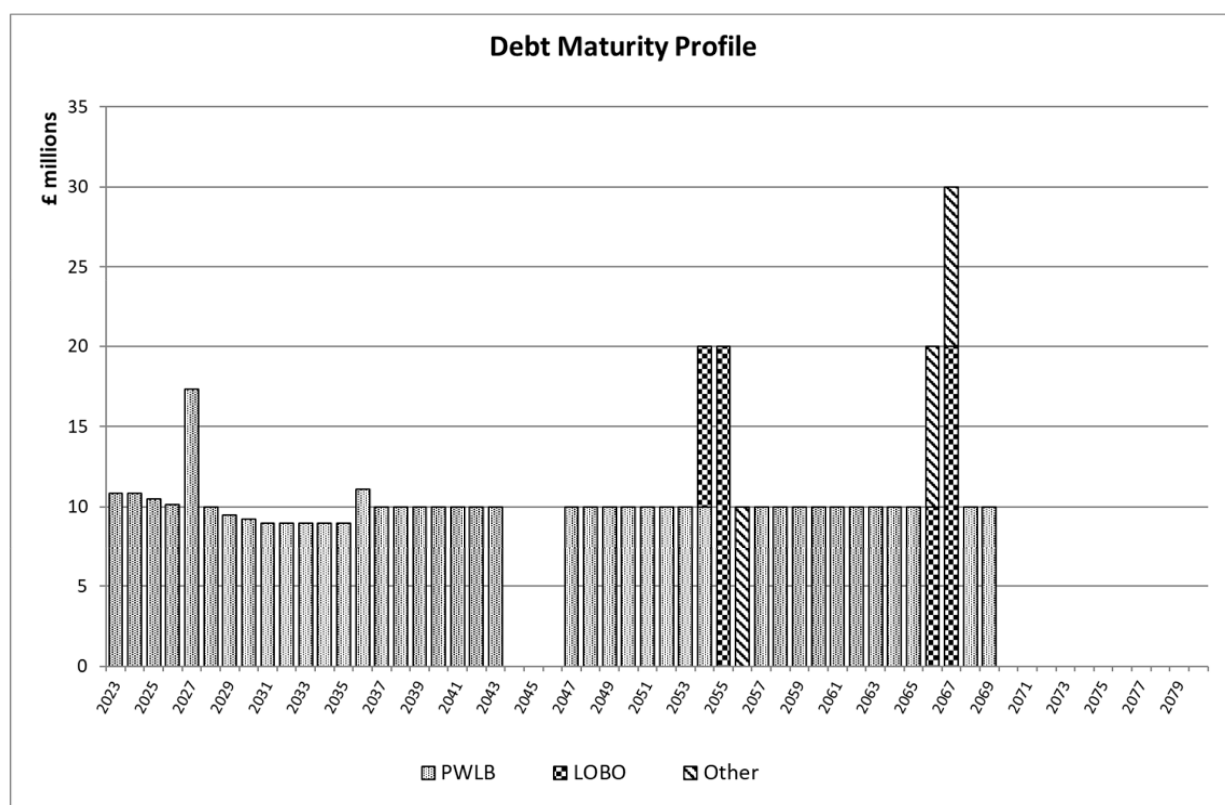
- expected movements in interest rates
- current maturity profile
- the impact on revenue budgets and the medium-term financial strategy
- the treasury management prudential indicators.

16. 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.

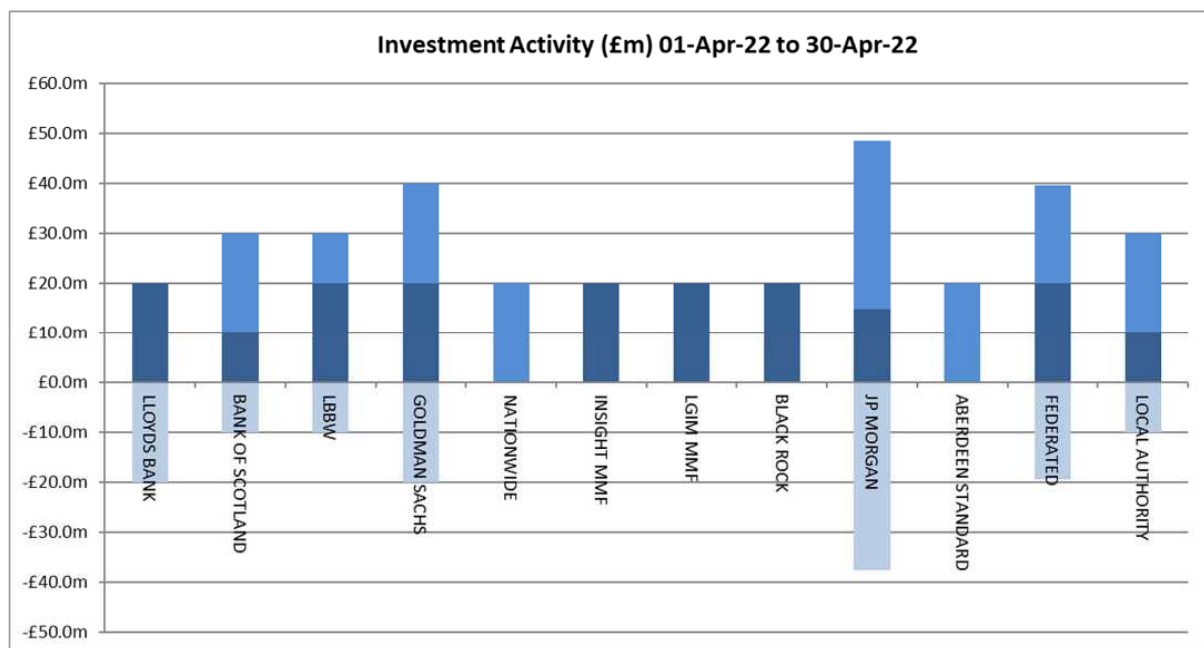
17. Long-term borrowing was also obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken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

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



19. 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 £211m at the end of April.

	Total B/f £000	Total Raised £000	Total Repaid £000	Outstanding £000
LLOYDS BANK	20,000	0	-20,000	0
BANK OF SCOTLAND	10,000	20,000	-10,000	20,000
LBBW	20,000	10,000	-10,000	20,000
GOLDMAN SACHS	20,000	20,000	-20,000	20,000
NATIONWIDE	0	20,000	0	20,000
INSIGHT MMF	20,000	0	0	20,000
LGIM MMF	20,000	0	0	20,000
BLACK ROCK	20,000	0	0	20,000
JP MORGAN	14,800	33,650	-37,600	10,850
ABERDEEN STANDARD	0	20,000	0	20,000
FEDERATED	20,000	19,500	-19,500	20,000
LOCAL AUTHORITY	10,000	20,000	-10,000	20,000
	174,800	163,150	-127,100	210,850



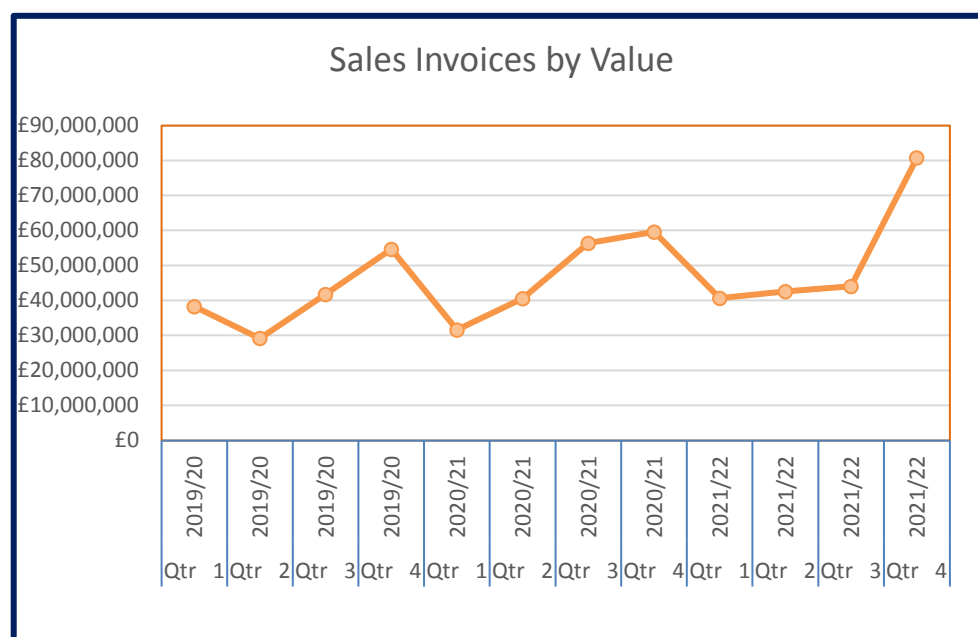
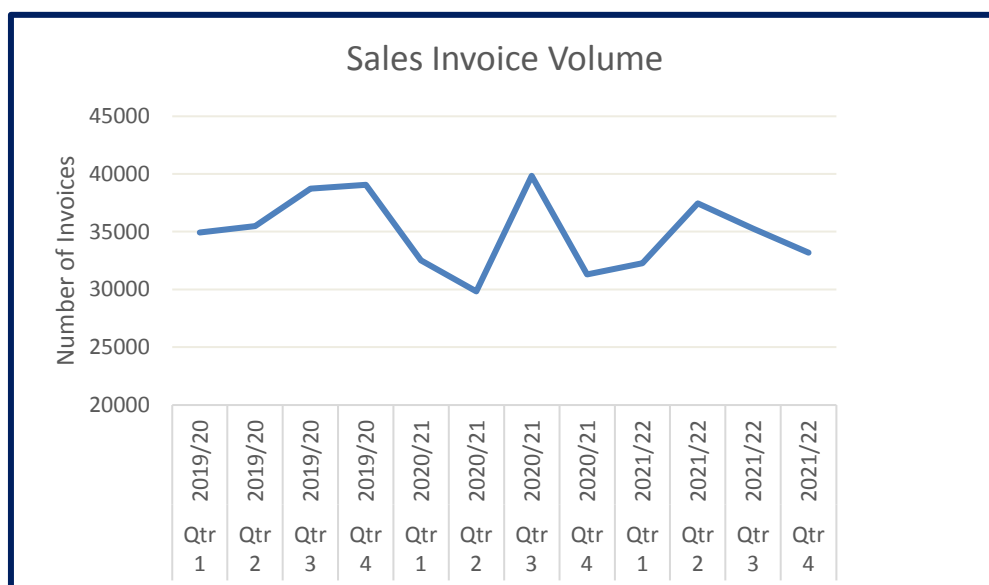
20. As part of the Council's risk management processes all counterparty ratings are regularly monitored and lending restrictions changed accordingly.

Debt Recovery Performance

21. Sales Invoicing trends during 2021/22 show an increase in activity compared to last year. This is partly attributed to an increase in charges to Nottingham and Nottinghamshire Clinical Commissioning Group towards the end of the year and increases in volumes due to changes in billing for personal budget contributions and the Education Support Service.

	Quarter 4	Year to date
Number	33,182	138,170
Value	£80,787,735	£207,985,496

Invoice Trends



Debt Position Quarter 4

22. Throughout Quarter 4, the debt recovery team have continued to perform pre-COVID19 work processes with regular dunning and debtor contacting strategies.

	Residential & Domiciliary Care (Statutory Debtors)	All Other (Non-Statutory Debtors)	Total
Total	£15,375,718	£32,092,575	£47,468,294
Over 6 months	£9,015,063	£959,667	£9,974,727
% Over 6 months	58.6%	3.0%	21.0%

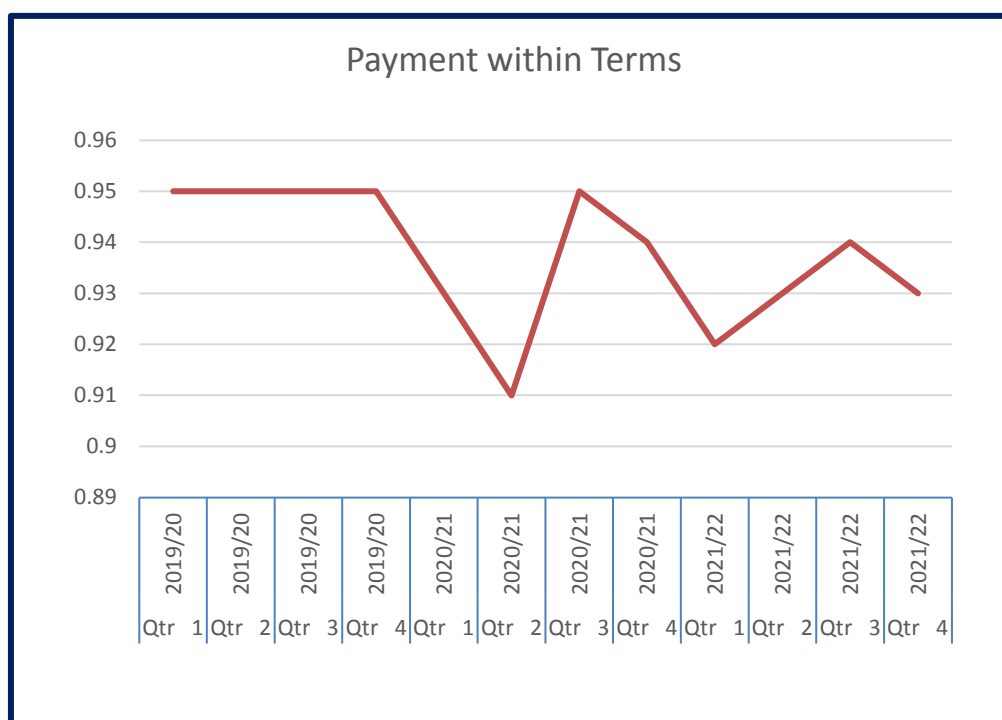
23. The residential and domiciliary debts debt figures continue to be influenced by full cost invoices to service users that have not yet joined the deferred payments scheme. The resulting debts are a direct effect of the changes brought about by the Care Act. These users are charged full costs for their care which they have no available funds to make payments.

No of Accounts	Total Debt
66	£1.63m

24. The debtor write-off total during Quarter 4 was £284k for 187 accounts, making the write off total to date for 2021/22 £698k against 599 accounts.

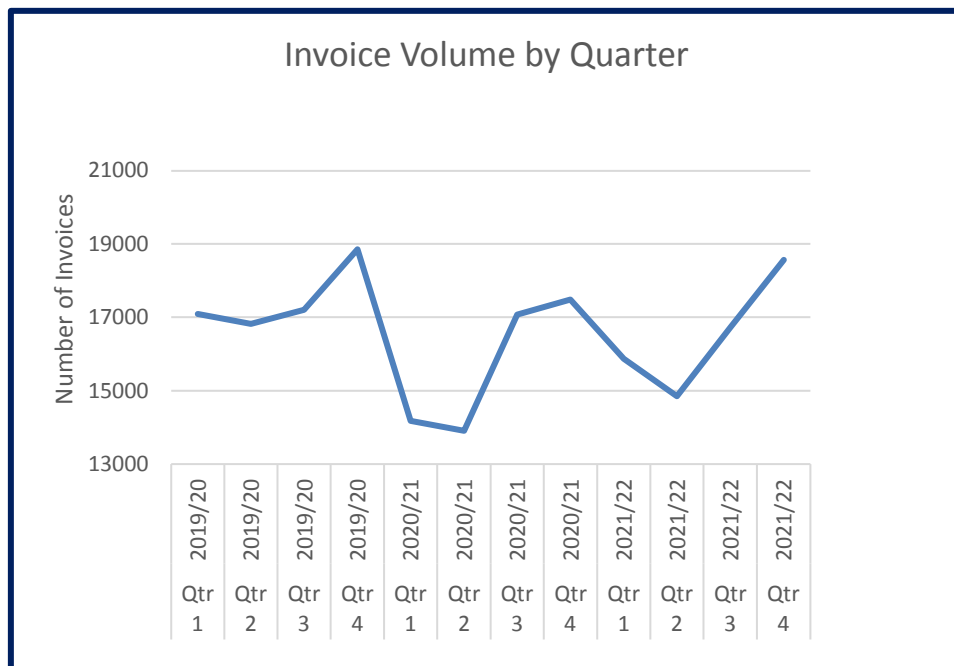
Accounts Payable (AP) Performance

25. Payment performance for Quarter 4 has been recorded at 93%. This takes account of any known disputed invoices that were paid during Quarter 4 and therefore not counted as a failure against payment terms.



26. The volume of commercial invoices processed for Quarter 4 is 18,564 and shows a 6.2% increase from this time last year.

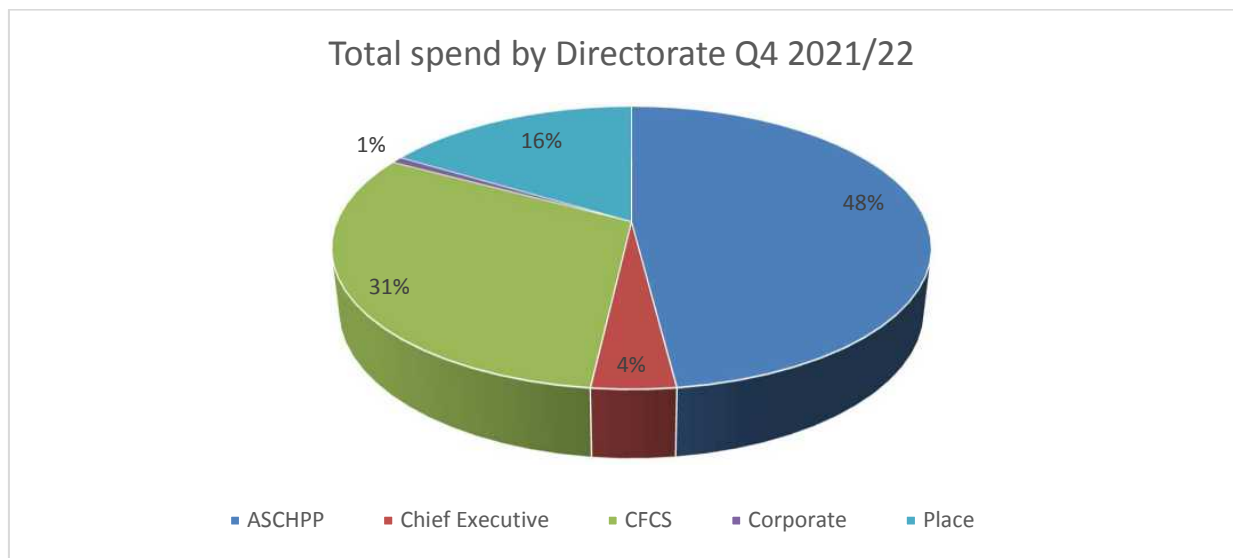
Commercial Invoices Processes



Procurement Performance

27. As an organisation, NCC has spent £169m in the fourth quarter of the financial year 2021-22 with external suppliers. This represents an increase of £27m when compared with the same period of the previous financial year. The top 12.7% (484) of suppliers account for 80% (£135m) of the total supplier spend. The remaining 87.3% (3325 suppliers) have a total expenditure of £34m with an average spend of £10,226.

28. The chart below shows the total amount spent in the period, by Directorate. ASCH has the highest level of expenditure at 48%, followed by Children and Families which makes up a further 31%.

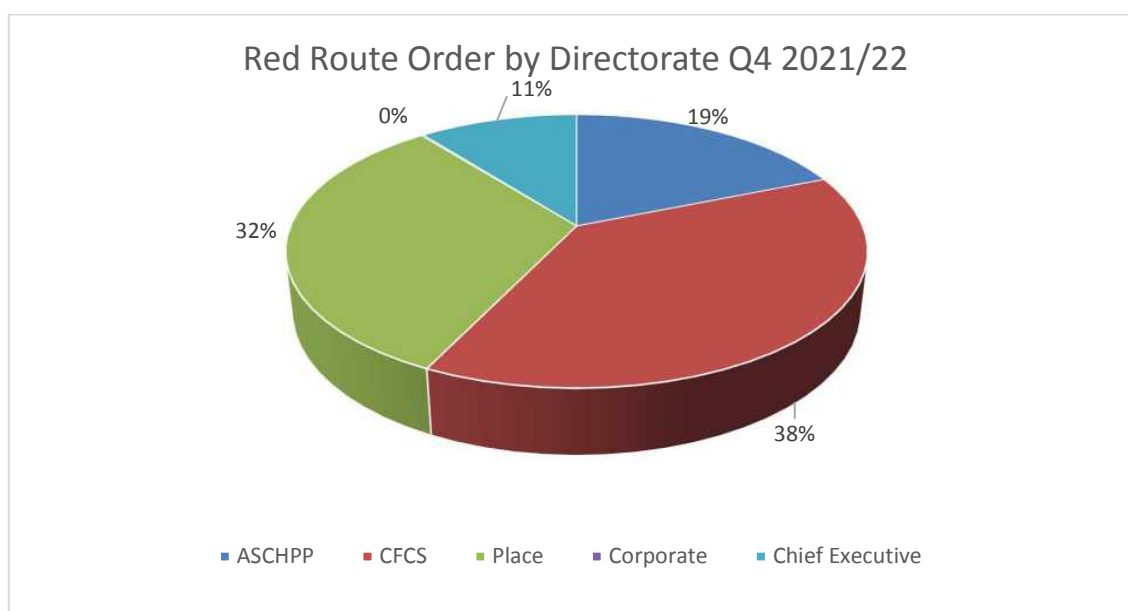


29. The Council's primary ordering route is through BMS. Orders that are processed through BMS are classified as 'Compliant', whilst purchases made outside of the Council's systems are deemed to be 'non-Compliant'. Retrospective orders are also classified as non-compliant, as they are typically raised after delivery of goods/services. Services commissioned and managed through other Corporate Systems (e.g. Mosaic) are out of scope. Purchase Orders are beneficial to the organisation as they provide visibility of what we spend.

30. The table below shows the number of retrospective orders on a monthly basis by department.

Department	PO Volume JAN 2022	PO Volume FEB 2022	PO Volume MAR 2022	Total Q4 2021/22	Total 4 2020/21
ASCHPP	34	35	46	115	96
CFCS	99	121	156	376	450
Place	125	121	160	406	430
Corporate	4		2	6	9
Chief Executive	68	65	108	241	300
Total	330	342	472	1,144	1,285

31. Purchase orders themselves are split into green and red orders. Green orders are those which are raised with the Procurement Centre's pre-arranged agreements or contracted suppliers. Red orders are those that do not have approved suppliers or contracts set up on BMS and require additional work. When compared with the same period in the previous financial year, the volume of 'Red' orders has decreased from 5,416 to 5,311. The chart below identifies the percentage of Red Route orders by Directorate in Q4 of the 2021/22 financial year. The Procurement Team continue to work with stakeholders to improve these figures.



Statutory and Policy Implications

32. 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) For the Cabinet Member for Finance to note:-
 - The individual Portfolio revenue budgets for 2022/23.
 - The contingency schemes submitted to date.
 - The Council's Balance Sheet transactions.
 - The performance of the Procurement Team.
 - The performance of the Accounts Payable and Accounts Receivable teams.

Nigel Stevenson Service Director – Finance, Infrastructure and Improvement

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

Constitutional Comments (GR 31/05/2022)

33. This report is just for noting.

Financial Comments (GB 20/05/2022)

34. 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'

Authorisation

Cabinet Member	Signed	Name Councillor Richard Jackson	Date 06/06/2022
Service Director for Finance, Infrastructure & Improvement and Section 151 Officer	Signed	Name Nigel Stevenson	Date 06/06/2022