



**REPORT OF THE SERVICE DIRECTOR – FINANCE AND PROCUREMENT**

**FINANCIAL MONITORING REPORT: PERIOD 1 2015/2016**

**Purpose of the Report**

1. To provide a summary of the Committee revenue budgets for 2015/16.
2. To request approval for contingency schemes submitted to date.
3. To inform Members of the Council's Balance Sheet transactions.
4. To provide Members with an update from the Procurement Team
5. To provide Members with an update from the Accounts Payable and Accounts Receivable teams.

**Information and Advice**

**Background**

6. The Council approved the 2015/16 budget at its meeting on 26 February 2015. As with previous financial years, progress updates will be closely monitored and reported to management and Committee each month.

**Summary Revenue Position**

7. The table below summarises the revenue budgets for each Committee for the forthcoming financial year. To date no variances have been reported.

**Table 1 – Summary Revenue Position**

<b>Committee</b>	<b>Annual Budget £'000</b>	<b>Actual to Period 1 £'000</b>	<b>Year-End Forecast £'000</b>	<b>Latest Forecast Variance £'000</b>
Children & Young People	139,236	6,398	139,236	-
Adult Social Care & Health	208,613	12,673	208,613	-
Transport & Highways	58,383	3,517	58,383	-
Environment & Sustainability	29,974	(1,768)	29,974	-
Community Safety	2,904	(724)	2,904	-
Culture	12,784	440	12,784	-
Policy	24,395	1,300	24,395	-
Finance & Property	32,444	4,576	32,444	-
Personnel	2,878	(1,592)	2,878	-
Economic Development	1,050	339	1,050	-
Public Health	5,195	(8,746)	5,195	-
<b>Net Committee (under)/overspend</b>	<b>517,856</b>	<b>16,413</b>	<b>517,856</b>	-
Central items	(5,797)	(3,134)	(5,797)	-
Schools Expenditure	25	25	25	-
Contribution to/(from) Traders	(688)	956	(688)	-
<b>Forecast prior to use of reserves</b>	<b>511,396</b>	<b>14,260</b>	<b>511,396</b>	-
Transfer to / (from) Corporate Reserves	(10,303)	-	(10,303)	-
Transfer to / (from) Departmental Reserves	(7,829)	-	(7,829)	-
Transfer to / (from) General Fund	(6,038)	-	(6,038)	-
<b>Net County Council Budget Requirement</b>	<b>487,226</b>	<b>14,260</b>	<b>487,226</b>	-

### Requests for contingency

8. The Council's budget includes a contingency budget of £5.1m to cover redundancy costs, slippage of savings and unforeseen events.
9. In October 2014, Members approved £100,000 from contingency to fund the initial costs of a formal independent review into historic abuse at former County Council run children's homes. This review, led by the Nottinghamshire and Nottingham Safeguarding Children Boards, was to start when the formal police investigation was completed. It was anticipated that additional resources would be required once the review was underway. In 2014/15 expenditure of £30,000 was incurred. Approval is now sought for the balance of the initial approval to be transferred to Children and Young People Committee.
10. A bid of £62,500 has been submitted by the Economic Development Committee to meet Nottinghamshire's share of D2N2 Local Enterprise Partnership match funding. Each of the four upper tier Local Authorities contribute the same amount to lever in £250,000 from central government in 'core funds'.

11. A request for contingency has been submitted by the Adult Social Care and Health Committee to provide £400,000 funding to support costs associated with the Care Act 2014 if required.
12. A request for contingency has been submitted by the Transport and Highways Committee to provide £250,000 funding to support works required to maintain trees along roadsides and the consequences of tree diseases if required.
13. A request for contingency has been submitted by the Personnel Committee to invest £250,000 in both 2015/16 and 2016/17 to support the Council's on-going Leadership Development Programme.
14. A request for contingency has been submitted by the Personnel Committee to invest £100,000 from contingency to further the Council's commitment to the Apprenticeship Training Scheme.

### **Progress with savings and risks to the forecast**

15. Council on 26 February 2015 approved savings proposals of £31m for delivery over the four year period 2015/19. These proposals are in addition to those approved by County Council in February 2014. 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.

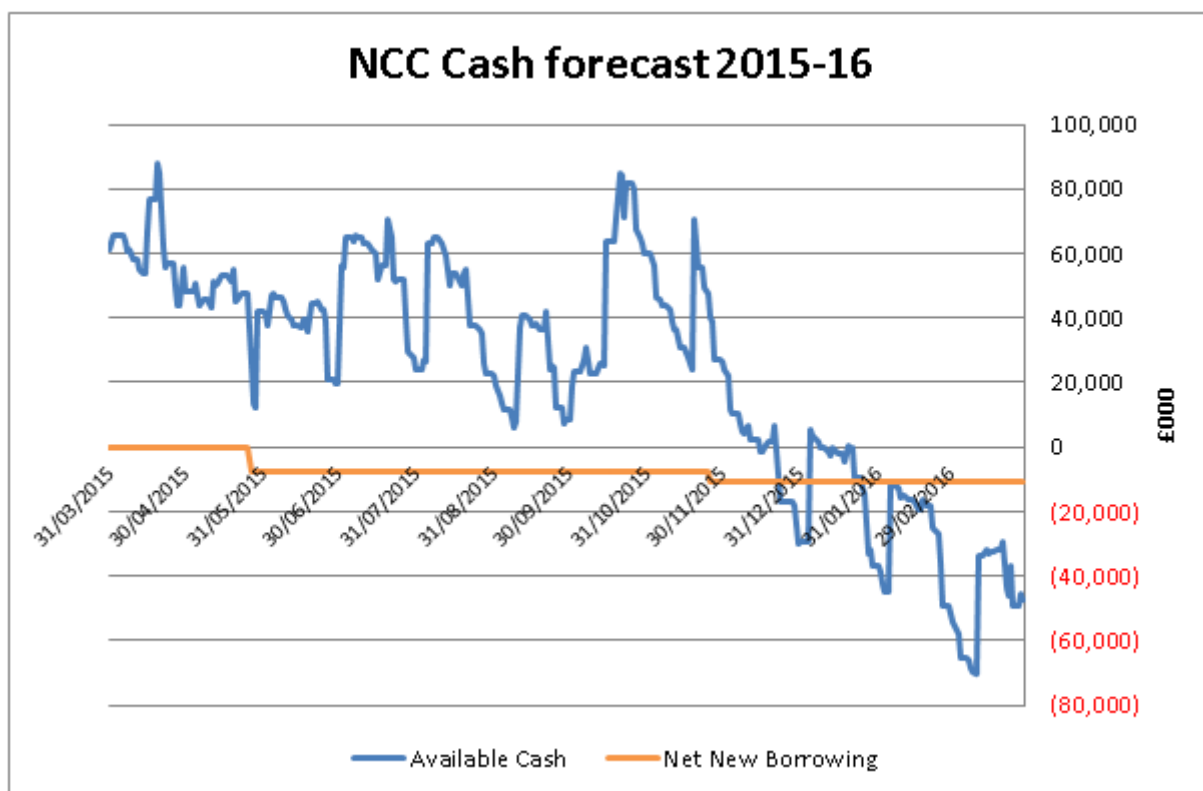
### **Balance Sheet**

#### **General Fund Balance**

16. Members will be asked to approve the 2014/15 closing General Fund Balance of £27.0m at Council on 26 June 2015. The 2015/16 budget approves utilisation of £6.0m of balances which will result in a closing balance of £21.0m at the end of the current financial year. This is 4.3% of the budget requirement.

### **Treasury Management**

17. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group. The following chart shows the actual cash flow position to date and forecasts for the remainder of the year. Cash inflows are typically higher at the start of the year due to the front loading receipt of Central Government grants, and the payment profile of precepts. However, cash outflows, in particular capital expenditure, tend to increase later in the year. The higher cash balances towards the end of the year are largely as a result of the net new borrowing.

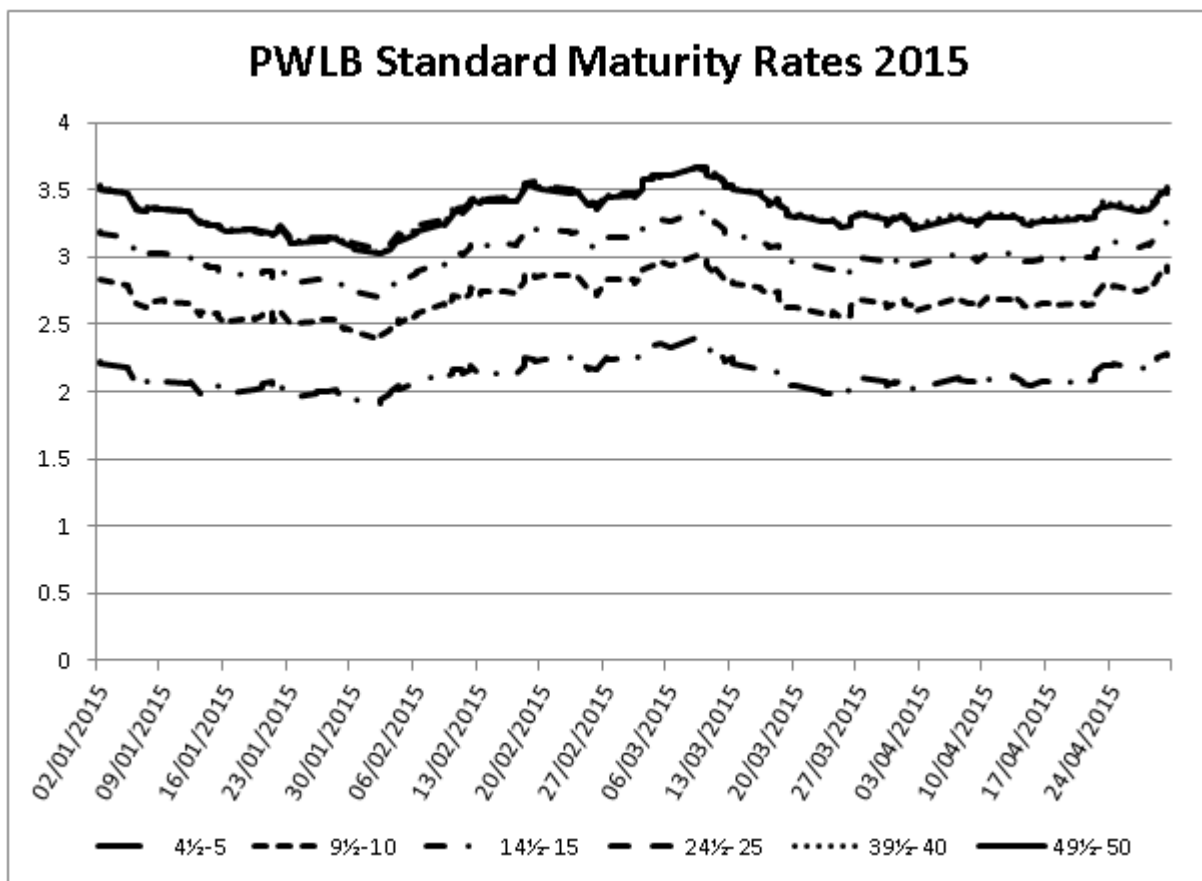


18. The chart above gives the following information:

<b>Available cash</b>	Surplus cash (invested in call accounts or money market funds) or a shortfall of cash indicating a need to borrow.
<b>Net new borrowing</b>	New loans taken during the year net of principal repayments on existing borrowing.

19. Daily cash management aims for a nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. The net new borrowing will include new loans from PWLB, the market or other local authorities, but during April there was no new borrowing.

20. PWLB rates have been monitored closely and new borrowing is taken when rates have decreased. Longer term rates fell during 2014, but are now largely equal to where they were at the beginning of the calendar year. The Council is 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 during 2015.

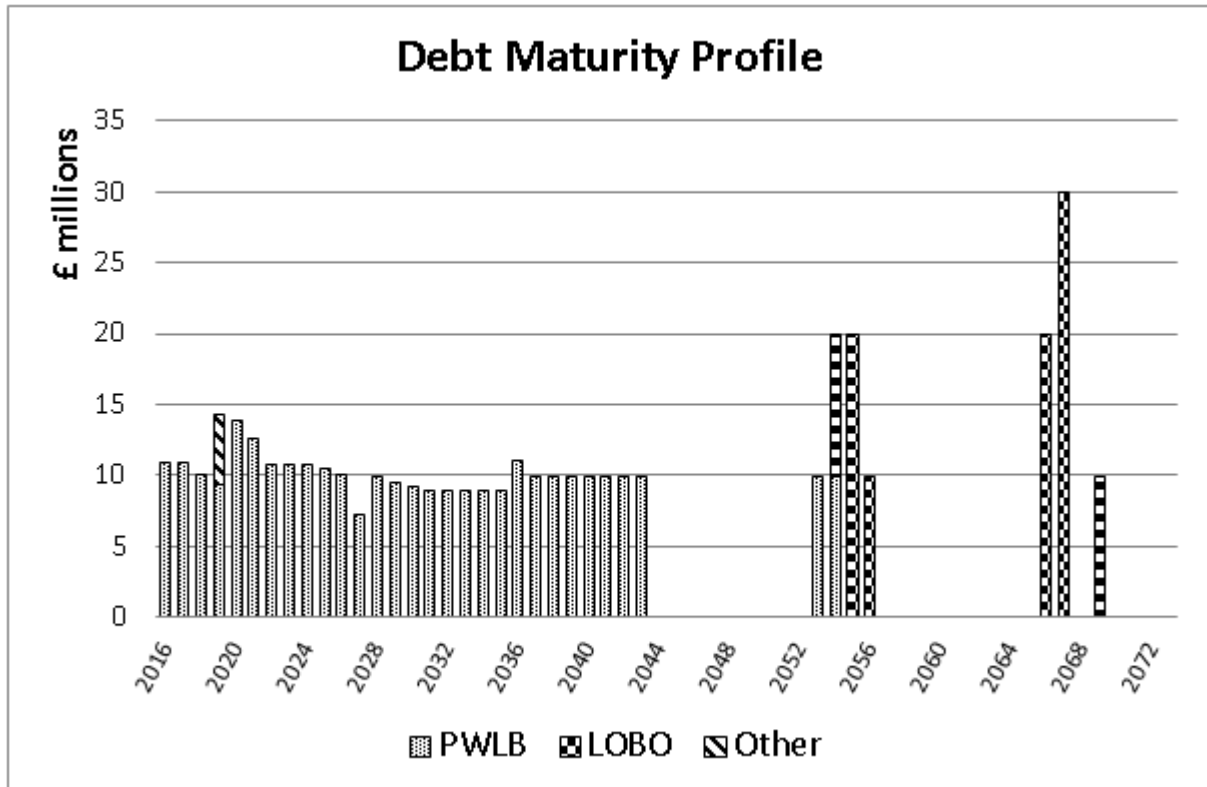


21. The Treasury Management Strategy for 2015/16 identified a need for additional borrowing of £78m to fund the capital programme, replenish internal balances and to replace maturing debt. This will be adjusted after the out-turn Capital Financing Requirement for 2014/15 has been finalised.

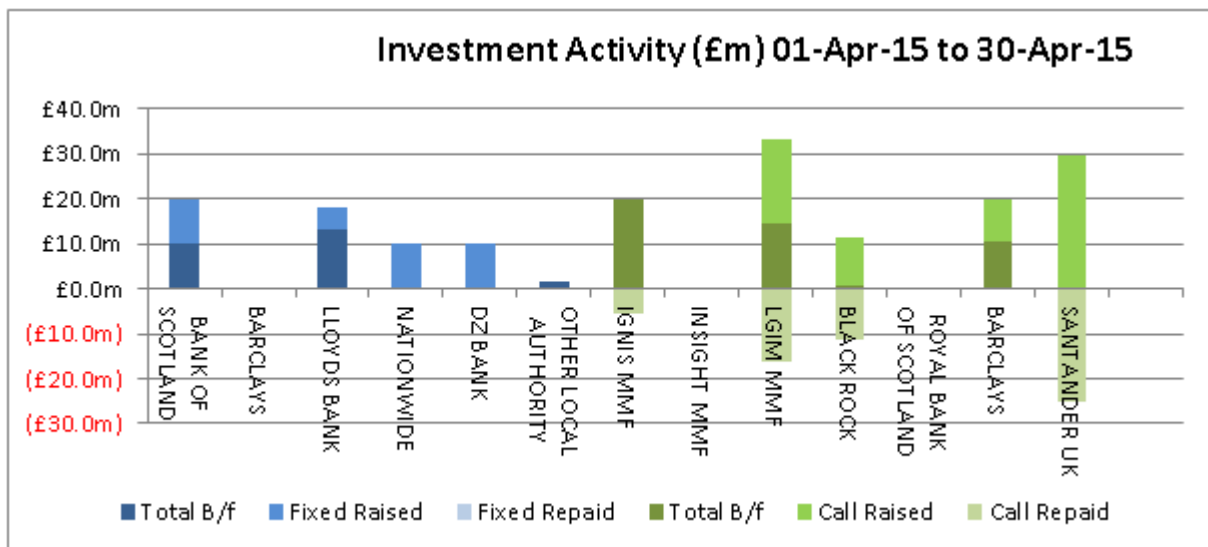
22. Borrowing decisions will take account of a number of factors including:

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

23. As the cash flow forecast above indicates, additional borrowing is likely to be undertaken later in the calendar year, once cash balances start to fall. 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 38 years. Longer-term borrowing (maturities up to 55 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). The 'other' loan denotes more recent borrowing from the money markets where the main objective was to minimise interest costs. Refinancing of these loans has been factored into the Treasury Management Strategy.



24. The investment activity for 2015/16 to the end of April 2015 is summarised in the chart and table below. Outstanding investment balances totalled £23m at the start of the year and £50.150m at the end of the period. This increase reflects the forecast cash flow profile for the year and the net new borrowing.



	<b>Total B/f</b>	<b>Total Raised</b>	<b>Total Repaid</b>	<b>Outstanding</b>
	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>
BANK OF SCOTLAND	10,000	10,000	-	20,000
LLOYDS BANK	13,000	5,000	-	18,000
NATIONWIDE	-	10,000	-	10,000
OTHER LOCAL AUTHORITY	1,500	-	-	1,500
IGNIS MMF	20,000	-	(5,600)	14,400
LGIM MMF	14,550	18,700	(16,400)	16,850
BLACK ROCK	500	10,900	(11,400)	-
BARCLAYS	10,650	9,350	-	20,000
SANTANDER UK	-	29,500	(25,150)	4,350
	<b>70,200</b>	<b>93,450</b>	<b>(58,550)</b>	<b>105,100</b>

## Debt Recovery Performance

25. The overall debt at the end of 2014/15 increased from Period 11 by over £7.75m to £27.7m. This was due to a high value of invoices (over £30.0m) being raised during period 12. The over six month debt has decreased by £0.2m on Period 11.

## Invoices Raised

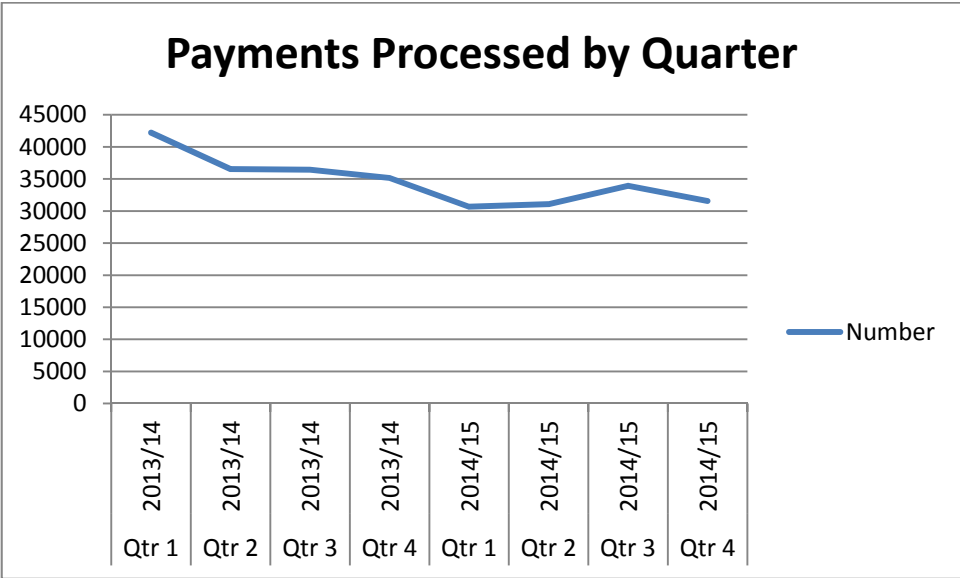
	<b>Quarter 4</b>	<b>Year to date</b>
Number	40,016	183,085
Value	£58,926,666	£193,660,394

## Debt Position

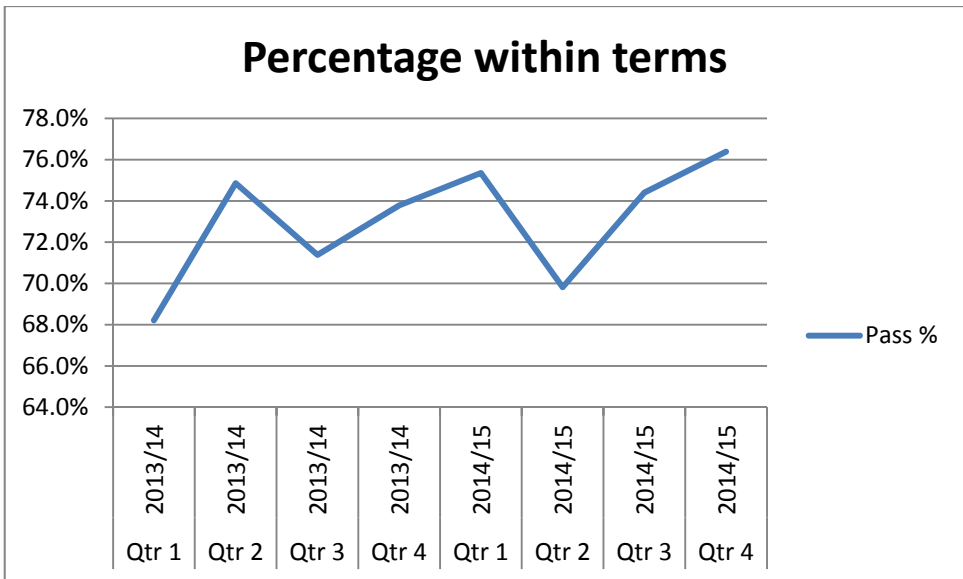
	<b>Statutory</b>	<b>Non-Statutory</b>	<b>Total</b>
Total	£9,091,803	£18,627,622	£27,719,425
Over 6 months	£4,411,080	£967,140	£5,028,357
% over 6 months	45.7%	4.7%	18.1%

**Accounts Payable (AP) Performance**

26. The chart below shows that the number of invoices processed by Accounts Payable has fallen gradually over the last two years. Much of the recent fall is due to the introduction of the Managed Service Provider (MSP) for agency staff. This replaces a large number of small value invoices with one consolidated weekly invoice for all staff operating under the MSP.



27. The percentage within terms figure for the quarter ended 31 March 2015 was 76.4% of 31,551 invoices paid. The chart below shows some fluctuation but performance has increased in recent quarters following ongoing work with Accounts Payable, Procurement, business units and suppliers to simplify and standardise processes. This work is continuing under the Procure To Pay project.



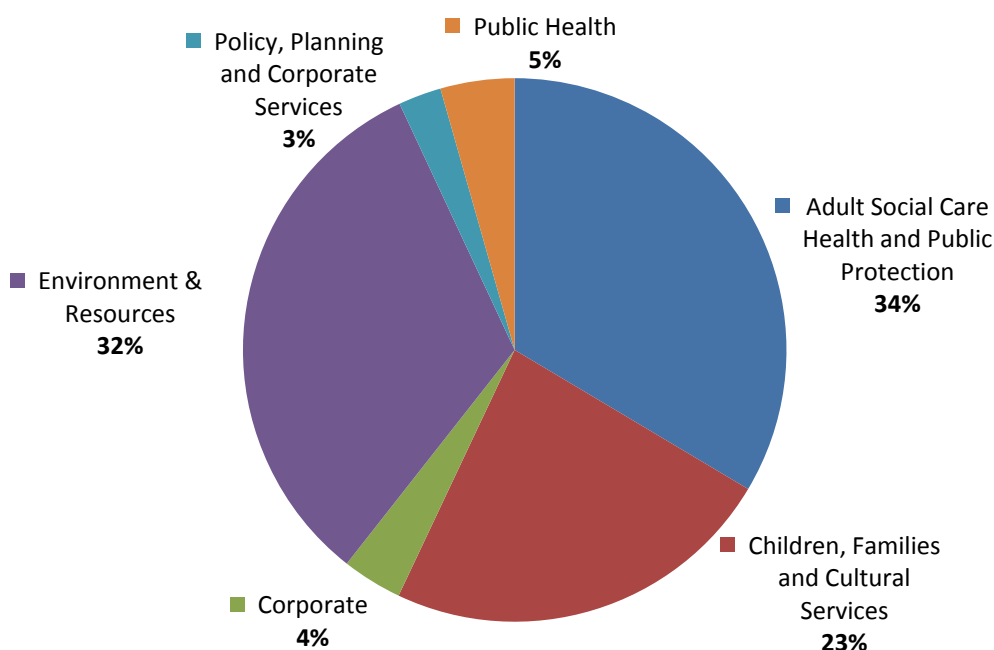


28. The debt recovery and accounts payable performance information will continue to be reviewed at an operational level on a fortnightly basis. The strategic performance information will be compiled for this report to Committee on a quarterly basis with the next update to be included in the Period 3 report.

### Procurement Performance

29. As an organisation, NCC has spent £635m with external suppliers in 2014/15 which is a decrease of £33m from the previous financial year. The top 6% (451) of suppliers account for 80% (£480m) of the total supplier spend. The remaining 94% (7,097 suppliers) have a total expenditure of £121m with an average spend of £17,000.

30. The chart below shows how the total amount spent, in period, is divided across areas, almost 60% of all expenditure going through Care (ASCHPP & CFCS) and over 30% through Highways and Property (E&R).



31. The Council's preferred ordering route is through the Business Management System (BMS). The team have been working with stakeholders to improve the way that we procure to ensure compliance. Orders that are processed through BMS are classified as Compliant Purchase Orders (Compliant). Non Purchase Orders (or Non-Compliant) are those purchases that are made outside of any system.

Retrospective Orders are non-compliant in that they have been raised following the delivery of the goods/services. Interface Orders are those that are out of scope and are paid through another system e.g. Framework. Purchase Orders are beneficial to the organisation as they provide visibility of what we spend. Currently:

- Compliant ordering has increased by 4% from 37% to 41% of the total
- Non-compliant (non PO) ordering has decreased from 27% to 25% of the total
- Interface Orders have decreased from 28% to 27% of the total

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

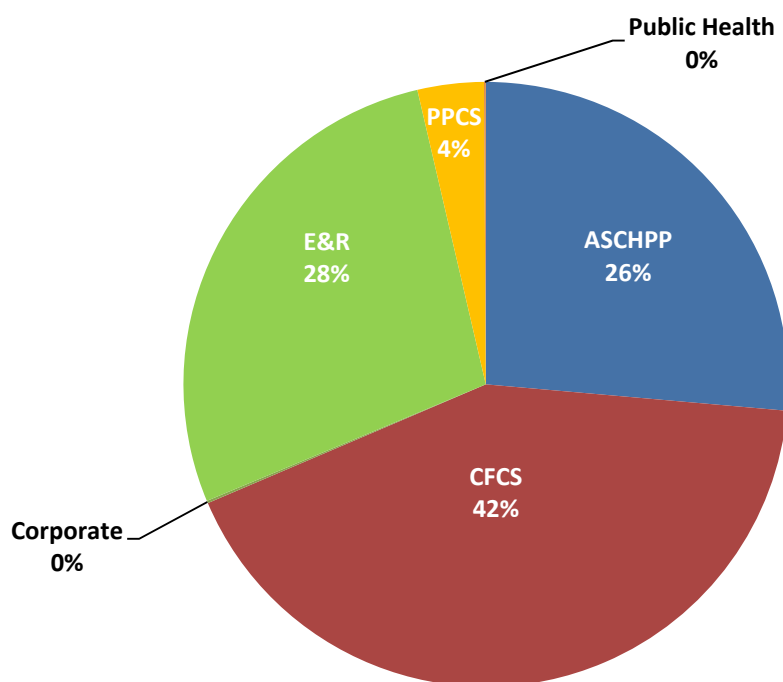
Department	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
ASCHPP	451	383	335	443	392	444	428	357	299	411	431	419
Children, Families and Cultural Services	938	869	880	861	833	657	689	679	582	542	586	851
Corporate	5	2	2	2	6	-	3	-	1	1	1	-
E&R	911	721	823	720	570	596	824	637	501	609	570	784
PPCS	81	68	73	59	40	92	109	85	80	97	53	99
Public Health	4	-	1	1	1	2	1	1	2	1	3	1

33. The table below shows the percentage of retrospective spend as a percentage of total spend by Department for the 2014/15 financial year.

Department	Total Spend (£m)	Retrospective Spend (£m)	Percentage
ASCHPP	259.1	21.5	8.3%
Children, Families and Cultural Services	258.5	39.3	15.2%
E&R	209.8	42.1	20.1%
PPCS	18.2	7.2	39.6%
Corporate	25.7	1.6	6.2%
Public Health	29.3	0.1	0.1%

34. 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. The chart below identifies the percentage of total Red orders by Directorate year to date.

## % of red orders by directorate of total red orders



35. The category managers are working with stakeholders to address these figures.

36. A full list of ongoing developments within the Procurement Team is included in Appendix A.

### Statutory and Policy Implications

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

### RECOMMENDATIONS

- 1) To note the individual Committee revenue budgets for 2015/16.
- 2) To approve the contingency requests received to date.
- 3) To note the Council's Balance Sheet transactions.
- 4) To note the performance of the Procurement Team.
- 5) To note the performance of the Accounts Payable and Accounts Receivable teams.

## **Nigel Stevenson Service Director – Finance & Procurement**

### **For any enquiries about this report please contact:**

Glen Bicknell - Senior Accountant, Financial Strategy and Accounting

### **Constitutional Comments (HD 15/05/2015)**

38. Committee has the authority to determine recommendations within the report.

### **Financial Comments (GB 15/05/2015)**

39. 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'