

2 November 2020

Agenda Item: 4

**REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE
AND IMPROVEMENT**

FINANCIAL MONITORING REPORT: PERIOD 5 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, year-end forecasts and approve variations to the capital programme.
3. To request approval for additional contingency requests
4. To inform Members of the Council's Balance Sheet transactions.

**Information
Background**

5. 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.
6. It is important to note that this Financial Monitoring report has been put together at a time when the Council is continuing to respond 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.
7. A Financial Resilience Group has been set up to consider the financial impact arising from the COVID19 crisis. This Group is focussing 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. As set out later in the report, the work of this Group is already identifying areas which mitigate the financial impact of COVID19 in the current financial year. 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

8. 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 DELTA5 submission from Nottinghamshire County Council identified a total forecast financial impact of £46.5m in the current financial year. The next return is due to be submitted on 2 October 2020 when it is expected that the total impact will have decreased to approximately £38.0m as a result of the revised arrangements around the procurement of Personal Protective Equipment (PPE) – see paragraph 10.
9. In addition to the main COVID19 grant, the Authority has also received the following COVID19 related grant funding from Central Government :-
 - £3.8m Test and Trace Service Support Grant. This grant provides support to Local Authorities in England towards mitigation and management costs against local outbreaks of COVID-19.
 - £11.5m Adult Social Care Infection Control Grant plus a second tranche of £9.6m announced on 1 October 2020. 75% of this grant provides support to adult social care providers to help reduce the rate of COVID19 transmission in and between care homes and was given directly to care homes. The remaining 25% of grant is being used to support wider workforce resilience to deliver infection control. The grant must be used to cover eligible expenditure incurred between 13 May 2020 and 23 September 2020.
 - £0.6m Additional Dedicated Home to School Transport Grant. This grant has been made available to ensure that there is sufficient transport capacity so that children can get to school safely and on time.
 - £0.9m Emergency Assistance Grant for Food and Essential Supplies. This grant has been made available to support those people who are struggling to afford food and other essentials due to COVID19.

The receipt of these grants is factored into the forecast financial position as set out in this report.

10. All Authorities received a letter from the Department of Health and Social Care (DHSC) on 4 September 2020 which explained revised arrangements for the distribution of PPE. It set out that the DHSC had procured sufficient PPE to meet national demand and would be able to supply Authorities directly with PPE for all COVID19 use, over and above any Business as Usual use, until 31 March 2021. This supply is being made available free of charge.
11. The Government have also announced a scheme that will help those Local Authorities that have lost income during the pandemic and boost cash flow. The lost income return to the MHCLG is due to be returned by 30 September 2020. The value of this funding is expected to be in the region of £1.2m.
12. The pro-formas submitted to the Government do not include other potential significant forecast cost and cash flow implications including Council Tax and Business Rates falls in collection rates (£13m) as well as impacts upon the realisation of capital receipts (£4m). On 2 July, Central Government announced that Council Tax and Business Rates deficits are to be payable evenly over a three-year period rather than in one year as is currently the case.
13. As set out above, the Finance Resilience Group has been established to consider the financial impact arising from the COVID19 crisis. Already, the Group has identified factors that help to

mitigate the in-year financial impact of COVID19. For example, in the initial forecast of additional costs associated with COVID19, an estimate of £4m was identified to reflect current year savings that were at risk. Following a further assessment of current year savings proposals however it has been identified that the vast majority of savings will in fact be achieved by all departments.

14. Also, a review has been undertaken of all non-COVID overspends and underspends across the Council. As a consequence, a number of mitigations have been put in place, particularly in the ASCH&PH department, to reduce down any non-COVID19 variances.
15. The Financial Resilience Group has also carried out a review of the capital programme. As a result of this exercise increased costs associated with the capital programme have been identified. This work has also identified a number of capital schemes that can be re-profiled into future years, thereby reducing the cost of borrowing in the 2021/22 financial year.
16. Other themes being investigated by the Finance Resilience Group are set out in the following paragraphs.
17. Departments are continuing to assess 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.
18. 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. As set out above, the Finance Resilience Group has undertaken a review of all approved 2020/21 savings proposals and has identified the impact on the current financial year is minimal. 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 and highlights all projects that are either experiencing obstacles or are at risk.
19. 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.
20. In addition to the above work, reviews of the capital programme and capital receipts forecasts will continue. The capital programme review will identify further potential areas of 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.
21. 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.

22. The outcome of this work will be reported back to future Finance and Major Contracts Management Committee meetings.

23. It is important to note that considerable uncertainty remains regarding the longer-term implications of responding to the emergency. For instance, we are beginning to see the emergence of another COVID19 wave which may continue through the Autumn and Winter period. In addition, information continues to be developed regarding significant areas of the Authority's budget including Home to School Transport, Looked After Children (LAC) and Adult Social Care and Health services.

Summary Revenue Position

24. The table below summarises the revenue budgets for each Committee for the current financial year. A forecast underspend of £3.2m is currently predicted. However, there are still significant financial challenges facing the Council over the medium-term which requires a continuing need to be vigilant. Uncertainty still exists and 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 4 £'000	Committee	Annual Budget £'000	Actual to Period 5 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
12,766	Children & Young People's	141,575	45,492	151,230	9,655
15,884	Adult Social Care & Public Health	212,975	74,183	219,965	6,990
8,235	Communities & Place	130,681	39,743	140,212	9,531
2,938	Policy	35,004	16,263	38,511	3,507
1,136	Finance & Major Contracts Management	2,906	4,398	3,944	1,038
(49)	Governance & Ethics	7,572	2,736	7,561	(11)
176	Personnel	15,686	6,651	15,757	71
41,086	Net Committee (under)/overspend	546,399	189,466	577,180	30,781
(42,947)	Central items	(26,799)	(27,481)	(63,624)	(36,825)
-	- Schools Expenditure	21	-	21	-
2,150	Contribution to/(from) Traders	(886)	932	1,387	2,273
289	Forecast prior to use of reserves	518,735	162,917	514,964	(3,771)
-	- Transfer to / (from) Corporate Reserves	1	-	1	-
(473)	- Transfer to / (from) Departmental Reserves	(5,557)	223	(5,001)	556
-	- Transfer to / (from) General Fund	(631)	-	(631)	-
(184)	Net County Council Budget Requirement	512,548	163,140	509,333	(3,215)

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

Committee	COVID19	Non-COVID19	Latest Forecast Variance
Children & Young People	8,988	667	9,655
Adult Social Care & Public Health	12,066	(5,076)	6,990
Communities and Place	10,004	(473)	9,531
Policy	2,808	699	3,507
Finance & Major Contract Management	1,159	(121)	1,038
Governance & Ethics	25	(36)	(11)
Personnel	432	(361)	71
Net Committee (under)/overspend	35,482	(4,701)	30,781
COVID-19 Grant	(42,111)	-	(42,111)
Other Central Items	6,000	(714)	5,286
Traders	2,246	27	2,273
Transfer to / (from) Departmental Reserve	-	556	556
Net County Council Budget Requirement	1,617	(4,832)	(3,215)

COVID19 Variations

25. 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 DELTA5 return was submitted on 4 September 2020 and forecast additional COVID19 pressures totalling £46.5m. The next DELTA submission has a deadline of 2 October 2020 where the forecast COVID19 additional pressures are expected to fall to around £38.0m.

Non-COVID19 Variations

Children & Young People's (£0.7m overspend, 0.5% of annual budget)

26. The Youth, Families and Social Work Division is reporting a forecast £0.2m overspend. This is made up of overspends on social work staffing, offset by an underspend on Children with Disabilities homes.

27. The Commissioning and Resources Division is forecasting an overspend of £0.4m. This mainly arises due to general cost increases observed towards the end of 2019/20 and the cost of additional support for complex cases etc. LAC numbers increased dramatically and are believed to be driven by the wider/indirect effects of the pandemic. Net external LAC increased by 1 in August, which is 1 less than predicted. Fortunately, the mix/composition was favourable

(Independent Fostering Agency's increased by 7, semi-independent contract decreased by 2 and the more costly semi-independent spot and residential placements also decreased by 2).

Adult Social Care & Public Health (forecast £5.1m underspend, 2.4% of annual budget)

28. The major variances in the Adult Social Care and Public Health Department are as follows:

- Strategic Commissioning and Integration is forecasting an underspend of £1.2m. This has arisen due to additional BCF Health income of £1.1m and an underspend on staffing of £0.1m.
- Direct and Provider Services are forecasting an underspend of £0.7m across all services with a £0.2m 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 underspend of £2.2m. This consists of an overspend of £5.2m in Living Well, offset by an underspend of £7.4m in Ageing Well.
- Maximising independence is forecasting an underspend of £0.7m, mainly due to the delayed implementation of the workforce review.

29. Public Health is currently forecasting an underspend of £0.3m. This is primarily due to underspends on sexual health and Health Check programmes as a result of the pandemic. Any net underspend will be put into reserves at the year.

Policy Committee (forecast overspend £0.7m, 2.0%)

30. The major variances in the Policy Committee budget are as follows:

- The Growth and Development budget is forecast to overspend by £0.7m mainly as a result of increased expenditure against vacant and surplus properties and running costs associated with the highways depot.
- There is a forecast overspend of £0.5m against the HS2 delivery budget but it is expected that this will be funded from the NNDR Pool Reserve once the necessary approval has been granted.
- The above overspends are offset by a number of smaller overspends across the Committee.

Trading Services

31. Schools and West Bridgford Catering combined are forecasting a deficit of £2.1m as a result of COVID19.

32. Clayfields is currently forecasting a surplus against its income target of £0.4m. This takes into account a loss of income totalling £0.3m as a result of COVID19.

Central Items (forecast £36.8m underspend)

33. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
34. As detailed above, the Authority has received three tranches of COVID19 grant allocations. On 27 March 2020, £22.3m was received from the first tranche of funding. However, due to a change in methodology, the Council received a much-reduced allocation of £14.7m from the second tranche. A third allocation of £5.1m was announced on 16 July and takes total COVID19 grant funding to £42.1m. This amount was not factored into projections when setting the 2020/21 budget in February 2020. It is proposed that a revised budget estimate will be set based upon the understanding of additional COVID 19 costs as at Period 6.
35. As set out above one of the major impacts on future budget as a result of COVID19 is the implication for the collection rates of both Council Tax and Business Rates. Overall, the County Council's share of this shortfall is estimated to be approximately £13m. As mitigation for this known issue it is proposed that a provision of £6m is made.
36. The remaining underspend is made up of a number of variations relating to interest, general government grant income, pension contributions and the Minimum Revenue Provision.

Contingency Budget

37. 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 £1.9m has already been built into committee budgets at Period 5. 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.
38. As stated above, a provision of £2.6m was set aside in the 2020/21 contingency to fund pressures that had a degree of uncertainty. A number of these pressures have now been confirmed as set out in the following paragraphs.
39. A report to Children and Young People's Committee in June 2020 set out the requirement to fund a number of posts relating to the Children's Social Work Staffing pressure and to provide additional support to the agency staffing budget. A contingency request is sought for £152,000 in 2020/21 and a further £105,000 in 2021/22 to fund these requirements.
40. The report to the Children and Young People's Committee in June 2020 also set out the requirements to fund additional leaving care posts and there is also a need to fund on-going support costs in this area. As such a contingency request is sought for £356,000 in 2020/21 and a further £114,000 in 2021/22 to fund these requirements.
41. A contingency request was submitted to Policy Committee in December 2019 to provide the resources required to deliver and assure major projects within the Place Department. An

exercise has been concluded which justifies that this funding is still required in 2020/21. The contingency request sought for 2020/21 is £650,000.

42. A report to Improvement and Change Sub-Committee in September 2020 outlined the difficulties encountered in achieving the £250,000 Social Impact Bond saving in 2020/21. A contingency request to write off the saving in 2020/21 is sought and future savings of £250,000 in 2021/22 and 2022/23 will be factored into the Medium-Term Financial Strategy. The overall saving against the Social Impact Bond remains unchanged.
43. A report to Improvement and Change Sub-Committee in July 2020 set out the issues encountered with the delivery of the 2020/21 Better Practice in Support Planning for Older Adults savings option. A contingency request is sought to write off £199,000 saving in 2020/21.
44. In addition, a report to the Improvement and Change Sub-Committee in September 2020 also set out the required re-profiling of the Fostering Development saving. A contingency request to write off the £283,000 saving in 2020/21 is sought and future savings of £283,000 in 2021/22 and £357,000 in 2022/23 will be factored into the Medium-Term Financial Strategy. The overall saving against the Fostering Development remains unchanged.
45. Other contingency requests approved previously total £1.0m to support communities in their response to the impact of COVID19. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main areas of risk to the forecast

46. 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.
47. 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.
48. 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

49. Members approved the 2019/20 closing General Fund Balance of £22.0m at Council on 23 July 2020. The 2020/21 budget assumes the 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

50. 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	2,577	
		2,577
Variations funded from other sources : Net variation from 2019/20 and financing adjustments	18,023	
		18,023
Revised Gross Capital Programme		137,984

51. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 5.

Table 3 – Capital Expenditure and Forecasts as at Period 5

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 5 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	34,828	11,856	34,828	-
Adult Social Care & Public Health	1,176	796	1,225	49
Communities & Place	67,764	11,340	66,589	(1,175)
Policy	32,493	6,996	32,366	(127)
Finance & Major Contracts Mngt	180	-	180	-
Governance & Ethics	354	77	299	(55)
Contingency	1,189	-	2,046	857
Total	137,984	31,065	137,533	(451)

Children & Young People's

52. In the Children and Young People's Committee capital programme, the Authority have received notification from the Department of Education of a further £2.0m Schools Capital Maintenance Grant allocation. It is proposed that this funding is used to further both the Schools Building Improvement Programme and the School Access Initiative programme.

It is proposed that the Children and Young People's Committee capital programme is varied to reflect the £2.0m additional Schools Capital Maintenance Grant allocation received from the Department for Education.

Communities & Place

53. In the Communities and Place Committee capital programme an underspend of £1.2m has been identified. This relates mainly to further re-profiling identified against the Flood Alleviation and Drainage programme (£0.6m) and the Rushcliffe Recycling Centre project (£0.5m).

It is proposed that the Communities and Place capital programme is varied to reflect the re-profiling identified against the Flood Alleviation and Drainage programme and the Rushcliffe Recycling Centre.

54. Also, in the Communities and Place capital programme, there is already an approved spend to save initiative to replace lanterns in street lights for lower energy options. The Council has been awarded an additional Salix loan of £0.2m in 2020/21 to further this programme.

It is proposed that the Communities and Place capital programme is varied by £0.2m to reflect the additional allocation in 2020/21

Financing the Approved Capital Programme

55. 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	21,677	12,512	-	639	34,828
Adult Social Care & Public Health	371	805	-	-	1,176
Communities & Place	14,336	52,189	1,119	320	67,964
Policy	18,255	13,438	-	800	32,493
Finance & Major Contracts Mngt	-	-	-	180	180
Personnel	354	-	-	-	354
Contingency	989	-	-	-	989
Total	55,982	78,944	1,119	1,939	137,984

56. It is anticipated that borrowing in 2020/21 will increase by £1.8m from the forecast in the Budget Report 2020/21 (Council 27/02/2019). This increase is primarily a consequence of:

- £2.6m of net slippage from 2019/20 to 2020/21 and financing adjustments funded by capital allocations.
- Net slippage in 2020/21 of £0.8m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

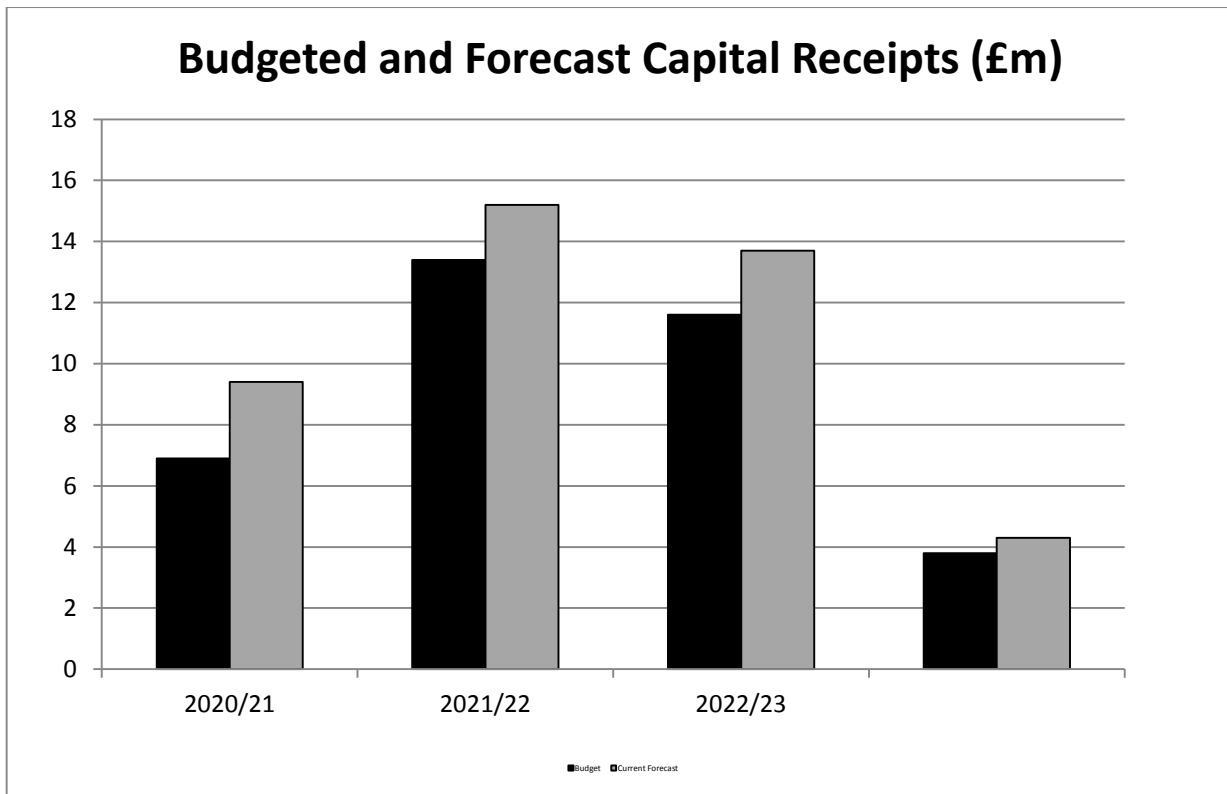
Prudential Indicator Monitoring

57. 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

58. 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.

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



60. 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.

61. The capital receipt forecast for 2020/21 is £6.9m. To date in 2020/21, £0.5m of capital receipts have been received.

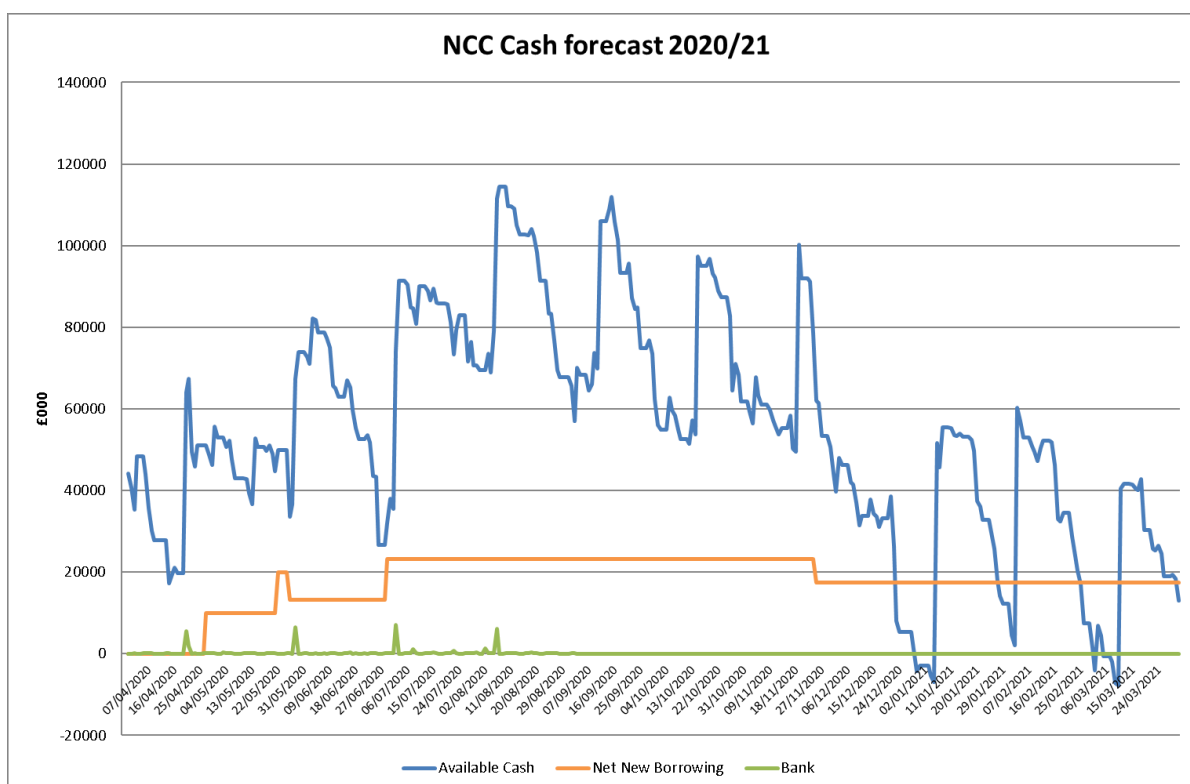
62. The number and size of large anticipated receipts increase the risk that income from property sales will be below the revised forecasts over the next three years. Although the forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales being lower than the forecast.

63. 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

64. 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.

65. 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.

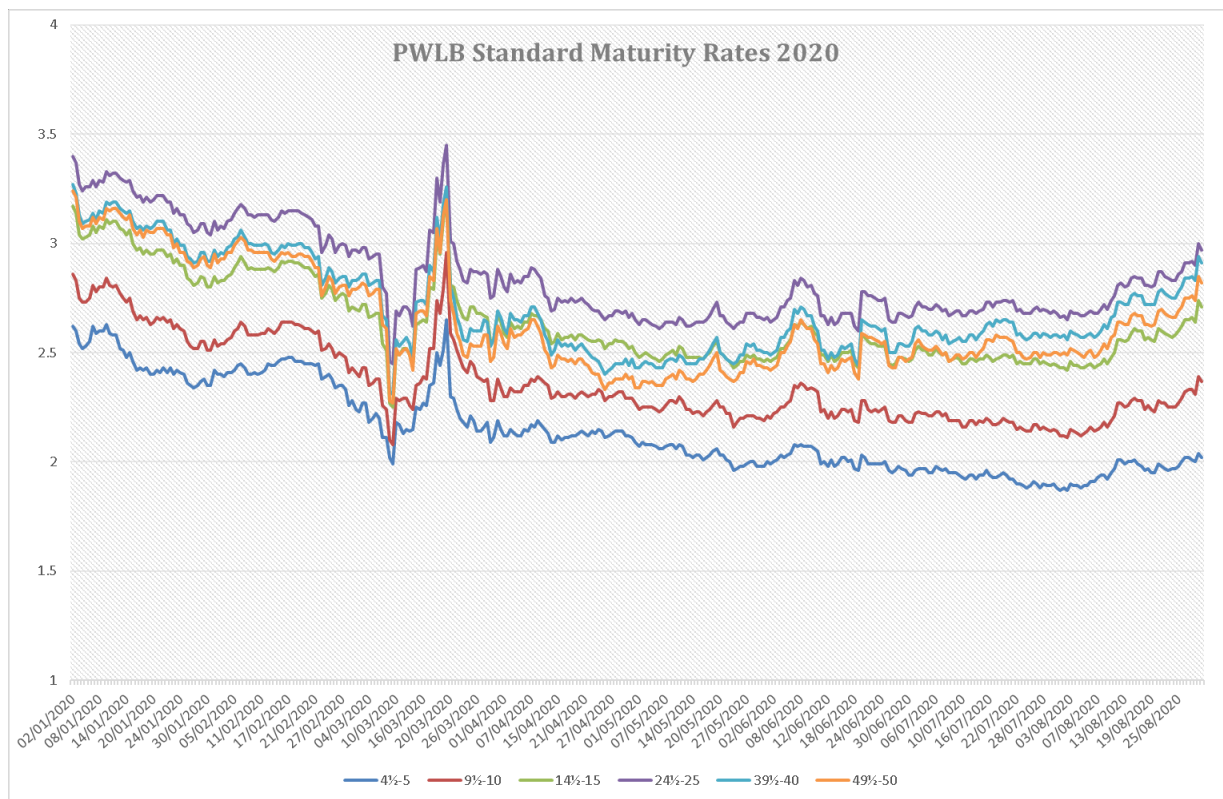


66. The chart above gives the following information:

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.

67. 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 further £10m tranches in May and June.

68. 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 returning only recently to their pre-pandemic levels.



69. The Council is currently in the process of signing a framework agreement with the UK Municipal Bond Agency. This will allow an alternative source of borrowing – bonds - to be considered alongside PWLB loans in future. It is expected that UKMBA interest rates will be lower than PWLB rates. However, this benefit will be slightly offset by a loss of flexibility in choosing the start date of any bond, and a different risk profile should the bond cover a number of other local authorities in addition to Nottinghamshire.

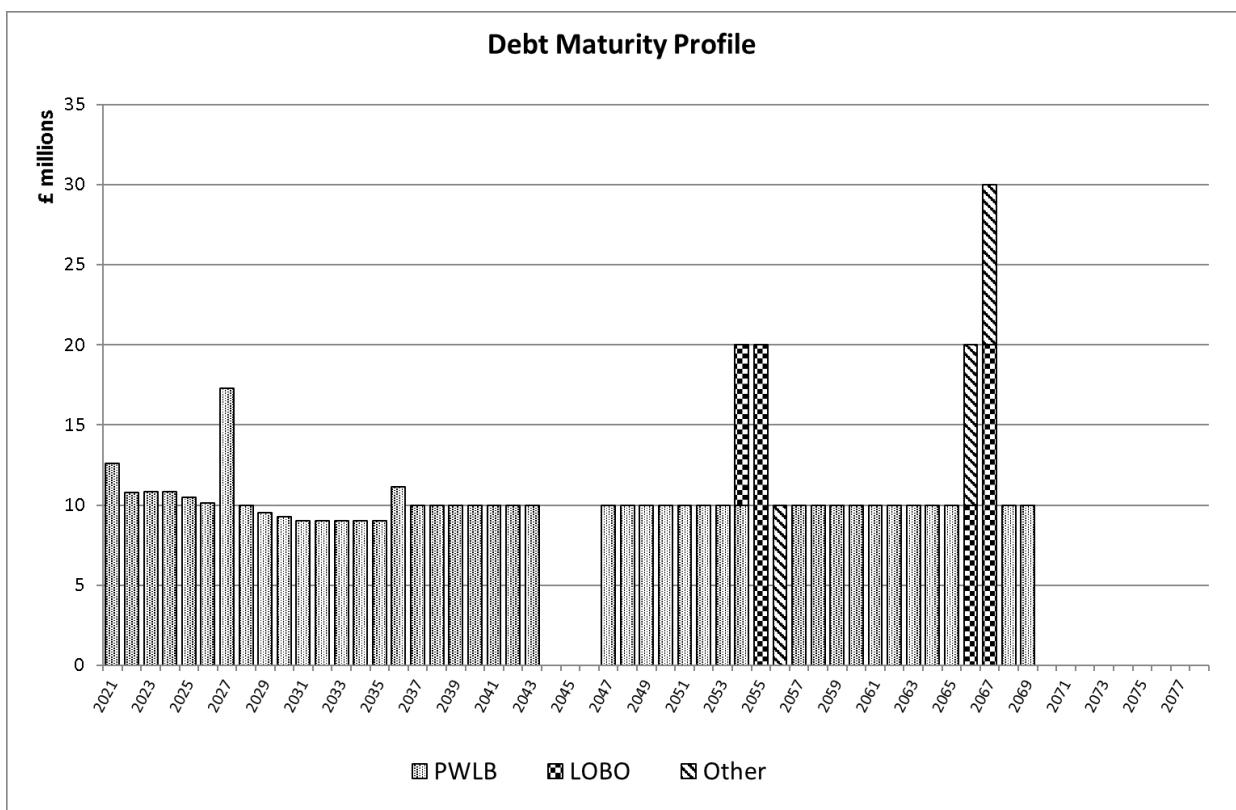
70. Borrowing decisions will take account of a number of factors including:

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

71. 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.

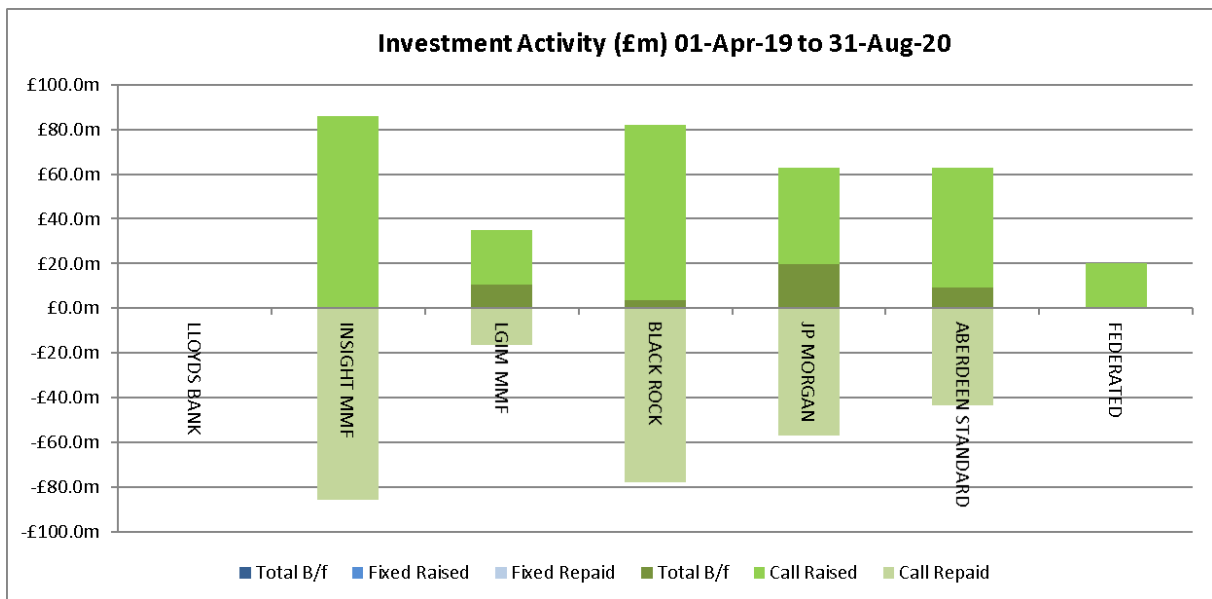
72. Long-term borrowing was also obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken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

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



74. 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 £68m at the month-end.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
INSIGHT MMF	750	85,100	(85,700)	150
LGIM MMF	10,700	24,100	(16,400)	18,400
BLACK ROCK	3,800	78,250	(77,950)	4,100
JP MORGAN	19,800	43,250	(57,050)	6,000
ABERDEEN STANDARD	9,150	53,600	(43,600)	19,150
FEDERATED	-	20,000	-	20,000
Total	44,200	304,300	(280,700)	67,800



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

Statutory and Policy Implications

76. 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, year-end forecasts and approve variations to the capital programme.
- 3) To comment on the Council's Balance Sheet transactions.

4) To approve the additional contingency requests

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 07/10/2020)

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

Financial Comments (GB 24/09/2020)

78. 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

