

**REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE
AND IMPROVEMENT****FINANCIAL MONITORING REPORT: PERIOD 10 2021/22****Purpose of the Report**

1. To provide a summary of the Committee revenue budgets for 2021/22.
2. To request approval of additional Contingency allocations.
3. To provide a summary of capital programme expenditure to date, year-end forecasts and approve variations to the capital programme.
4. To inform Members of the Council's Balance Sheet transactions.

**Information
Background**

5. The Council approved the 2021/22 budget at its meeting on 25 February 2021. 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. Central Government has recognised that although there are good reasons to be optimistic about overcoming the virus it also acknowledged that many of the challenges posed by COVID19 will not go away immediately. As such, the Council has been awarded a £16.1m COVID19 grant in 2021/22 to help fund the on-going challenges associated with the virus.
7. It is also important to note that considerable uncertainty does still remain regarding the longer-term implications of recovering from the pandemic both from an expenditure and income perspective. 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.
8. Departments continue 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 will be maintained to evidence the recharge at a future date.

Summary Revenue Position

9. The table below summarises the revenue budgets for each Committee for the current financial year. An underspend of £2.6m is currently predicted against the revised budget estimate following allocation of COVID19 grant to mitigate pandemic cost pressures. In-year issues associated with the COVID19 pandemic continues to make forecasting a challenge for budget holders. However, as a consequence of the significant levels of uncertainty and financial challenges facing the Council over the medium term, the key message to effectively manage budgets and, wherever possible, deliver in-year savings is being reinforced.

Table 1 – Summary Revenue Position

Forecast Variance as at Period 9 £'000	Committee	Revised Annual Budget £'000	Actual to Period 10 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
1,729	Children & Young People	153,839	122,875	154,915	1,076
(2,926)	Adult Social Care & Public Health	218,640	142,195	213,744	(4,896)
(197)	Transport & Environment	112,935	86,357	113,101	166
(336)	Communities	18,596	15,192	18,141	(455)
(718)	Economic Development & Asset Management	21,977	15,562	21,191	(786)
(269)	Policy	3,078	4,176	2,827	(251)
174	Finance	15,969	14,538	16,174	205
271	Governance & Ethics	7,724	6,423	7,977	253
(652)	Personnel	18,308	16,966	17,482	(826)
(2,924)	Net Committee (under)/overspend	571,066	424,284	565,552	(5,514)
-	- Central items	(36,382)	(80,159)	(36,382)	-
-	- Schools Expenditure	1,339	-	1,339	-
823	Contribution to/(from) Traders	1,192	1,267	1,673	481
(2,101)	Forecast prior to use of reserves	537,215	345,392	532,182	(5,033)
-	- Transfer to / (from) Corporate Reserves	(1,871)	-	(1,871)	-
1,955	Transfer to / (from) Departmental Reserves	(5,027)	1,166	(2,617)	2,410
-	- Transfer to / (from) General Fund	-	-	-	-
(146)	Net County Council Budget Requirement	530,317	346,558	527,694	(2,623)

Committee and Central Items

COVID19 Pressures

10. 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.
11. Nottinghamshire County Council's DELTA18 return was submitted on 28 January 2022 and forecast additional COVID19 pressures totalled £65.1m. It is proposed that these costs will be funded from a combination of specific and general COVID19 grants received from Central Government.

Committee Variations

Children & Young People's (£1.1m overspend)

12. The underlying overspend is £1.1m after planned use of grant reserves and initial funding for additional costs related to COVID19. This is a decrease of £0.6m from last month predominantly due to a reduction in the number of agency staff and in the number of looked after children (LAC).
13. The Youth Families & Social Work Division is forecasting a net underspend of £0.8m with small variations across a range of budgets.
14. The Commissioning and Resources Division is forecasting an overspend of £2.2m, which relates to a forecast overspend on external LAC placement costs and the additional costs of children transferred from Minster View offset by a reduction in Children's Centre costs and other budgets.
15. Education, Learning & Skills Division is forecasting an underspend of £0.3m due to additional Covid funding of increased costs for Education, Health and Care Plans for children who have special education needs.

Adult Social Care & Public Health (£4.9m underspend)

16. The Adult Social Care and Public Health Department budget is currently forecasting an underspend of £4.9m which is an increase of £2.0m from last month. The increase in underspending is due to reduced forecasts in Daycare and Predicted Needs costs, increased staffing vacancies and increased income.
17. The overall position is due to an underspend on Direct & Provider Services (£0.9m), an underspend in Living Well and Aging Well (£0.9m) mainly due to reductions in staffing and care package forecasts in Ageing Well and a net underspend across other budgets (£1.8m), due to savings across non staffing budgets and increased income.
18. Public Health is underspending by £1.3m, which is offset by reserves movements. This is due to staff working on COVID agendas and lower service take ups due to COVID.
19. Staff turnover and difficulties in recruiting to vacant post are a risk to service delivery and further mitigations are being reviewed to identify any actions that can be taken to improve the situation.

Economic Development & Asset Management (£0.8m underspend)

20. The £0.8m forecast underspend comprises underspends within Facilities Management (£0.2m), Property & Estates (£0.3m), Investment & Growth (£0.1m) and savings across a range of other budgets (£0.2m), mainly due to staff vacancies and small savings on other budgets such as travel.

Personnel (£0.8m underspend)

21. The £0.8m forecast underspend comprises an overspend within Corporate HR (£0.1m) due to reduced income, an underspend in Business Support (£0.5m) due to staff vacancies an

underspend on Apprentices / Trainees (£0.2m) due to delays in recruitment as a result of the COVID19 pandemic and a small net underspend (£0.2m) across a range of other budgets.

Central Items

22. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
23. Central Items includes a base contingency budget of £4.0m to cover redundancy costs, slippage of savings and other unforeseen events. Also, in 2021/22 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 £8.6m has been made within the contingency to fund these pressures should they arise. The Finance Committee or the Section 151 Officer are required to approve the release of contingency funds.
24. There has already been a call on the 2021/22 contingency budget from requests that have been previously approved by Finance Committee or the Section 151 Officer totalling £1.8m.
25. In addition, a report was taken to the Economic Development and Asset Management Committee in January requesting contingency funding of £62,500 towards the Local Enterprise Partnership match funding.
26. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main areas of risk to the forecast

27. 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.
28. The approved 2021/22 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, early indications suggest that significant pressures are continuing to be experienced in relation to the Children's Social Work staffing budget. This is due to the need to employ agency staff as well as the rise in costs associated with Looked After Children external placements due to accommodation issues and sustained high numbers. 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. Within Adult Social Care difficulties are being experienced in recruitment and retention, particularly when many sectors are experiencing similar issues, with some starting to increase salaries and offer bonuses (sign on and retention). The position will continue to be closely monitored

Balance Sheet

General Fund Balance

29. Members approved the 2020/21 closing General Fund Balance of £32.1m at Full Council on 22 July 2021. The 2021/22 budget assumes no utilisation of the General Fund and so the closing balance is forecast to be £32.1m at the end of the current financial year. This is 5.7% of the budget requirement.

Capital Programme

30. Table 2 summarises changes in the gross Capital Programme for 2021/22 since approval of the original Programme in the Budget Report (Council 25/02/21):

Table 2 – Revised Capital Programme for 2021/22

	2021/22	
	£'000	£'000
Approved per Council (Budget Report 2021/22)		108,523
Variations funded from County Council Allocations : Net slippage from 2020/21 and financing adjustments	(22,672)	
		(22,672)
Variations funded from other sources : Net variation from 2020/21 and financing adjustments	26,173	
		26,173
Revised Gross Capital Programme		112,024

31. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 10.

Table 3 – Capital Expenditure and Forecasts as at Period 10

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 9 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	19,894	13,366	19,844	(50)
Adult Social Care & Public Health	971	405	971	-
Transport & Environment	57,903	40,282	57,051	(852)
Communities	2,064	740	1,864	(200)
Economic Devt & Asset Mngt	20,958	11,606	19,673	(1,285)
Finance	10,083	7,528	9,126	(957)
Personnel	151	82	161	10
Contingency	-	-	-	-
Total	112,024	74,009	108,690	(3,334)

Transport & Environment

32. In the Transport and Environment Committee, an underspend of £0.9m has been identified. This is mainly as a result of the Energy Saving Scheme now forecasting an underspend of £0.8m as expenditure is re-profiled into the next financial year.

It is proposed that the Transport and Environment Committee capital programme is varied to reflect the £0.8m re-profiling identified against the Energy Saving Scheme budget.

33. Also, on the 7 March 2022, the Department for Transport announced the 2022-25 Highways Maintenance Block and Integrated Transport Block funding allocations. It was confirmed that Nottinghamshire's annual funding allocations for this period are in line with 2021/22 allocations and also with the allocations approved as part of the Annual Budget Report 2022/23.

Economic Development & Asset Management

34. In the Economic Development and Asset Management Committee capital programme a forecast underspend of £1.3m has been identified. This is mainly as a result of forecast underspends against the Social Housing Decarbonisation Fund (£0.6m) and the Investing in Nottinghamshire programme (£0.5m) as works identified against these two programmes have been re-profiled into the next financial year.

It is proposed that the Economic Development and Asset Management Committee capital programme is varied to reflect the £0.6m re-profiling identified against the Social Housing Decarbonisation Fund and the £0.5m re-profiling identified against the Investing in Nottinghamshire programme.

Finance

35. In the Finance Committee capital programme a forecast underspend of £1.0m has been identified. This is mainly as a result of slippage identified against the Microsoft Enterprise Agreement budget as discussions over licence conversions continue.

It is proposed that the Finance Committee capital programme is varied to reflect the £1.0m slippage identified against the Microsoft Enterprise Agreement budget.

Financing the Approved Capital Programme

36. Table 4 summarises the financing of the overall approved Capital Programme for 2021/22

Table 4 – Financing of the Approved Capital Programme for 2021/22

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People's	6,481	12,854	509	50	19,894
Adult Social Care & Public Health	43	881	16	31	971
Transport & Environment	14,284	38,038	234	5,347	57,903
Communities	2,028	-	20	16	2,064
Economic Devt & Asset Mngt	8,923	10,539	646	850	20,958
Finance	7,892	2,000	-	191	10,083
Personnel	151	-	-	-	151
Contingency	-	-	-	-	-
Total	39,802	64,312	1,425	6,485	112,024

37. It is anticipated that the level of capital allocations used in 2021/22 will decrease by £25.6m from the forecast in the Budget Report 2021/22 (Council 25/02/2021). This decrease is primarily a consequence of:

- £22.7m of net slippage from 2020/21 to 2021/22 and financing adjustments funded by capital allocations.
- Net slippage in 2021/22 of £2.9m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

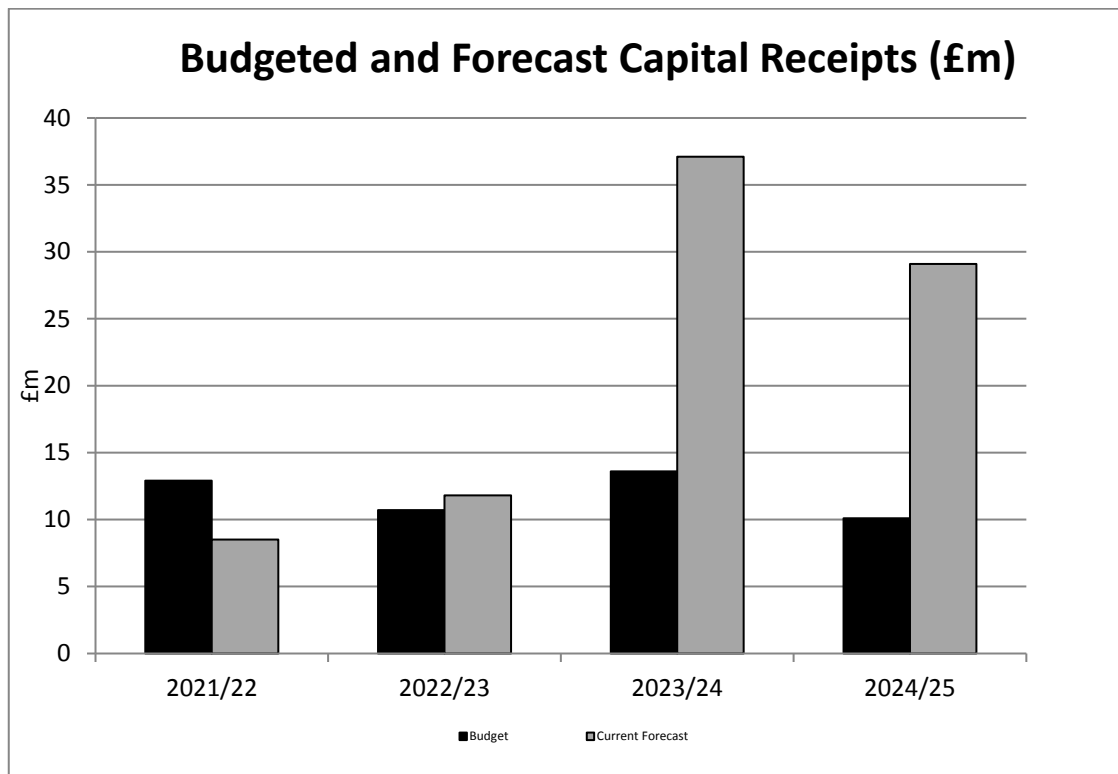
Prudential Indicator Monitoring

38. 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

39. 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.

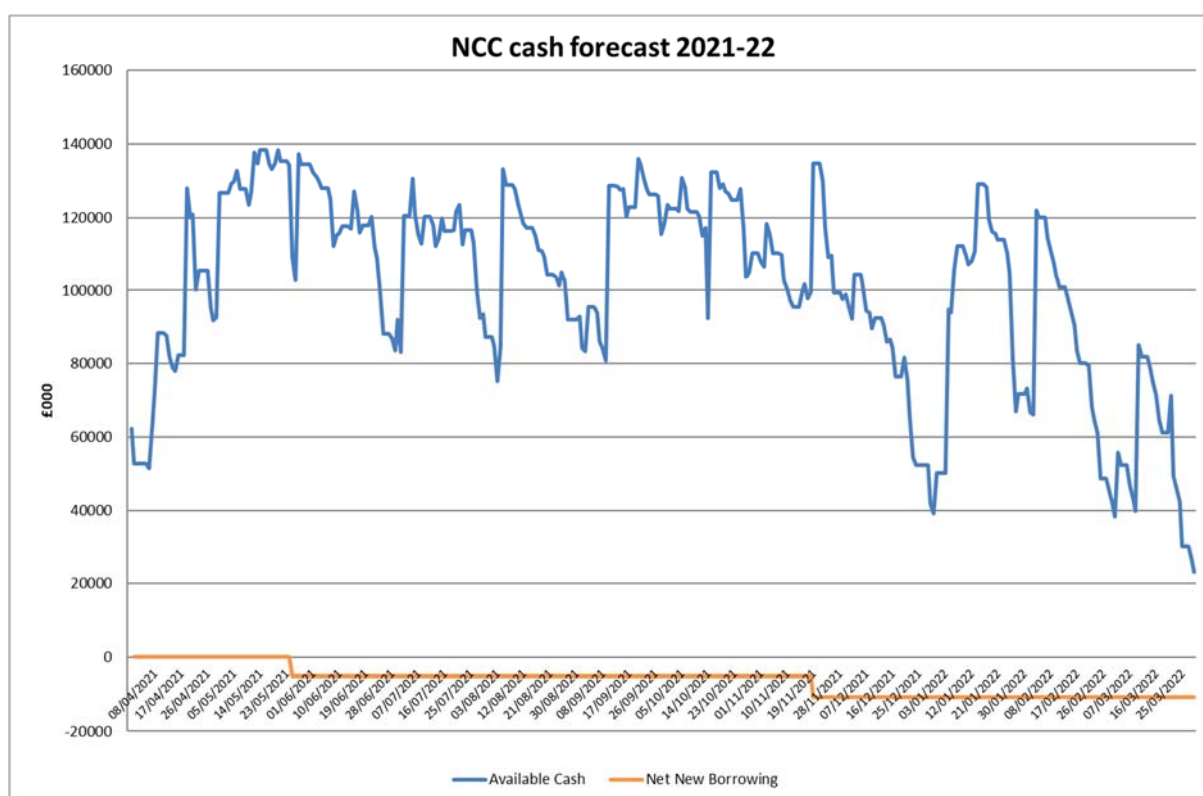
40. The chart below shows the budgeted and forecast capital receipts for the four years to 2024/25.



41. The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2021/22 (Council 25/02/2021). These capital receipts budgets prudently incorporated slippage, giving a degree of “protection” from the risk of non-delivery.
42. The capital receipt forecast for 2021/22 is £8.5m. As at the end of Period 10, £5.9m of capital receipts have been received. Following review of the capital receipts, forecasts have increased significantly in the final two years of the MTFS as a result of favourable market conditions.
43. 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. Having said that, the property team are confident that the forecast capital receipts position will be achieved.
44. Current Council policy (Budget Report 2021/22) 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

45. 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).
46. The cash forecast chart below shows the current estimated cash flow position for the financial year 2021/22. 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.

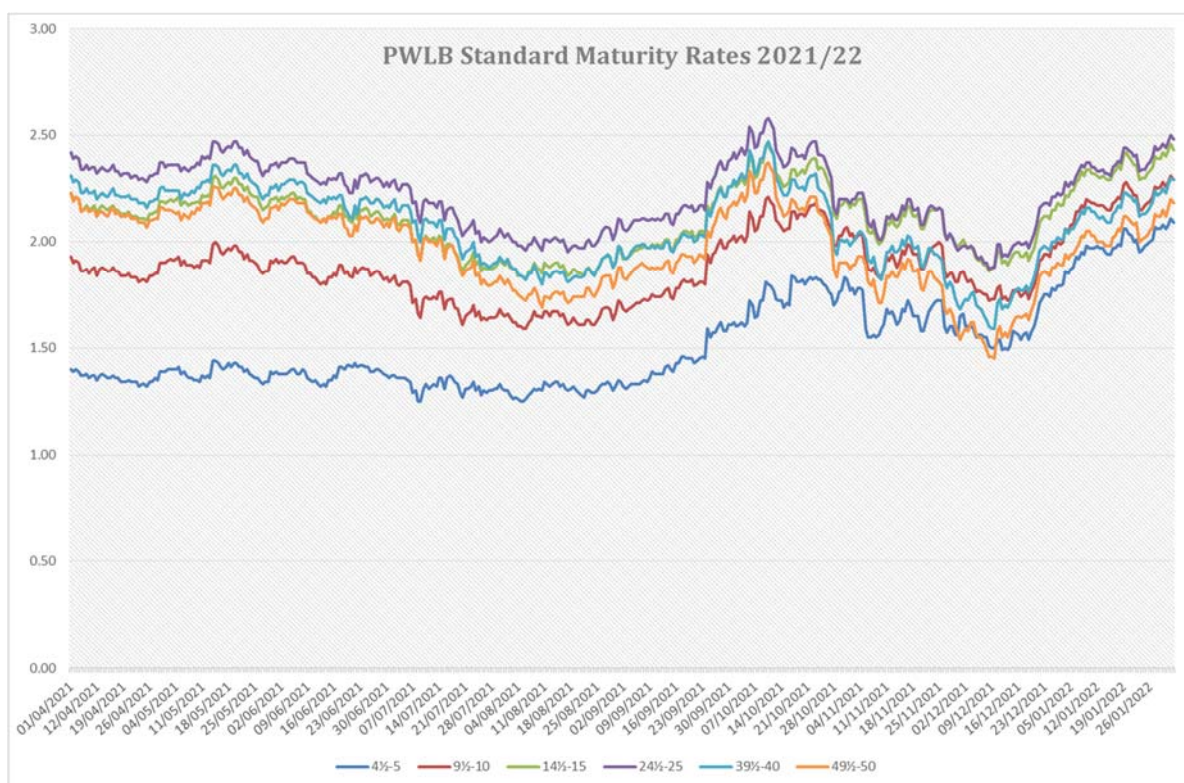


47. The chart above gives the following information:

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.

48. The Treasury Management Strategy for 2021/22 identified a need to borrow approximately £70m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. However, this figure has reduced due to slippage and higher than expected cash balances have meant that all remaining borrowing can be deferred until 2022/23.

49. 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 2021/22 so far.



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

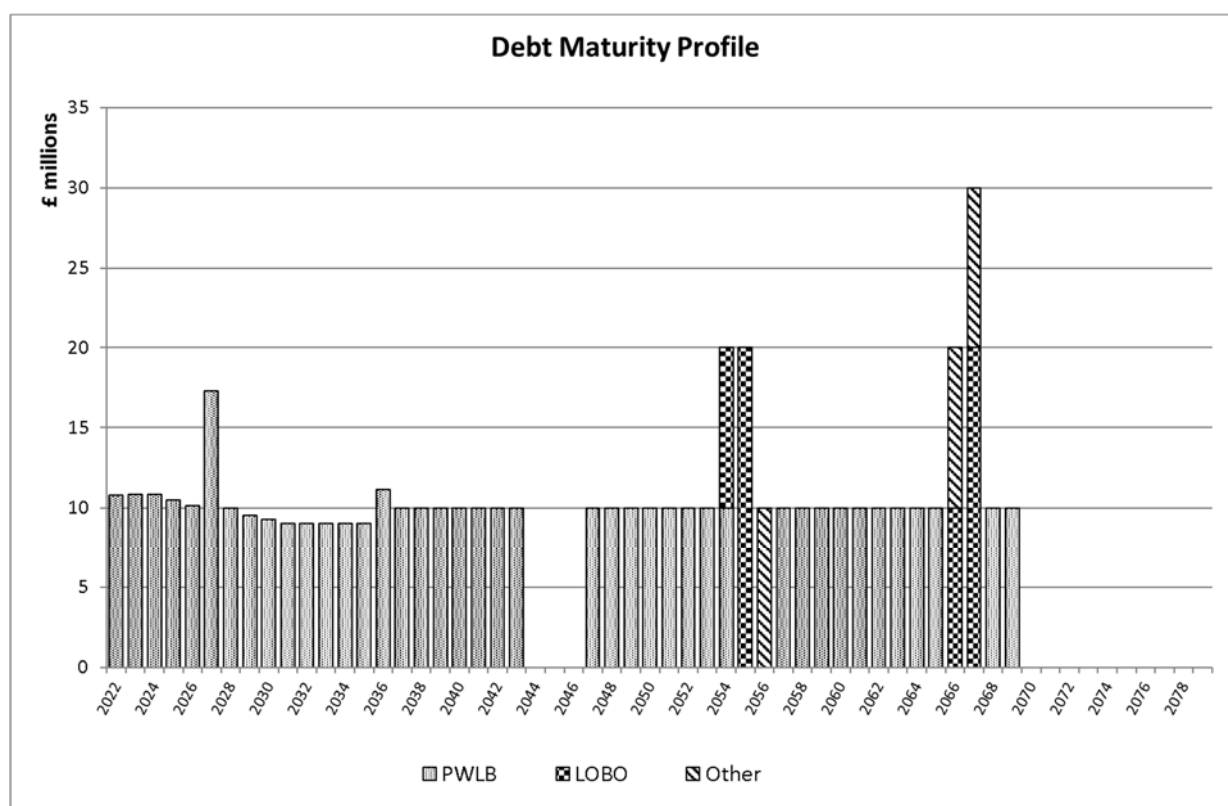
- expected movements in interest rates
- current maturity profile
- the impact on revenue budgets and the medium- term financial strategy
- the treasury management prudential indicators.

51. 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.

52. 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,

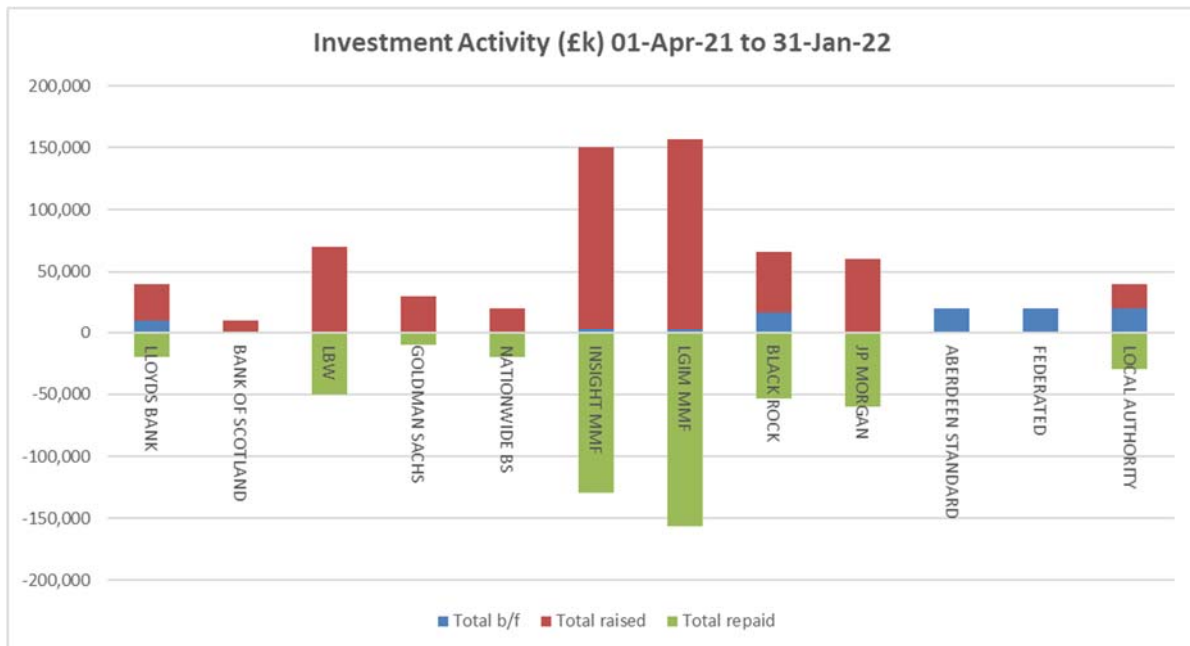
LOBOs could actually mature at various points before then, exposing the Council to some refinancing risk.

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



54. The investment activity for 2021/22 to date is summarised in the chart and table below. Outstanding investment balances totalled approximately £92m at the start of the year and approximately £152m at the end of January.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
INSIGHT MMF	3,100	146,700	(129,800)	20,000
LLOYDS BANK	10,000	30,000	(20,000)	20,000
LBW	-	70,000	(50,000)	20,000
GOLDMAN SACHS	-	30,000	(10,000)	20,000
LGIM MMF	2,000	154,350	(156,350)	-
BLACK ROCK	17,100	48,900	(53,450)	12,550
NATIONWIDE BS	-	20,000	(20,000)	-
BANK OF SCOTLAND	-	10,000	-	10,000
JP MORGAN	-	60,000	(60,000)	-
FEDERATED	20,000	-	(750)	19,250
LOCAL AUTHORITY	20,000	20,000	(30,000)	10,000
ABERDEEN STANDARD	20,000	-	-	20,000
Total	92,200	589,950	(530,350)	151,800



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

Statutory and Policy Implications

56. 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 approve additional contingency requests.
- 3) To comment on the capital programme expenditure to date, year-end forecasts and approve capital variations.
- 4) To comment on the Council's Balance Sheet transactions.

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For any enquiries about this report please contact:

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Constitutional Comments (KK 03/03/2022)

57. The proposals in this report are within the remit of the Finance Committee.

Financial Comments (GB 21/02/2022)

58. 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