

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

FINANCIAL MONITORING REPORT: PERIOD 1 2021/2022

Purpose of the Report

1. To provide a summary of the Committee revenue budgets for 2021/22.
2. To inform Members of 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

Background

6. 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.
7. 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 COVID-19. Central Government has recognised that although there are good reasons to be optimistic about overcoming the virus it also acknowledges 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.
8. All Local Authorities will continue to be required by the Ministry for Housing, Communities and Local Government to report their forecast financial impact of the COVID-19 emergency on a monthly basis. As in the previous financial year, the outcome of these forecasts will be reported to Finance Committee on a regular basis.
9. Departments continue to identify and monitor both additional costs arising from the COVID-19 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

10. The table below summarises the revenue budgets for each Committee for the forthcoming financial year.

Table 1 – Summary Revenue Position

Committee	Annual Budget £'000	Actual to Period 01 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
Children & Young People's	149,466	6,254	149,466	-
Adult Social Care & Public Health	220,378	6,387	220,378	-
Communities & Place	131,873	(1,441)	131,873	-
Policy	37,454	1,628	37,454	-
Finance & Major Contracts Management	2,948	553	2,948	-
Governance & Ethics	7,727	487	7,727	-
Personnel	16,052	657	16,052	-
Net Committee (under)/overspend	565,898	14,525	565,898	-
Central items	(31,864)	(8,531)	(31,864)	-
Schools Expenditure	5	-	5	-
Contribution to/(from) Traders	(550)	379	(550)	-
Forecast prior to use of reserves	533,489	6,373	533,489	-
Transfer to / (from) Corporate Reserves	(1,333)	-	(1,333)	-
Transfer to / (from) Departmental Reserves	(1,839)	-	(1,839)	-
Transfer to / (from) General Fund	-	-	-	-
Net County Council Budget Requirement	530,317	6,373	530,317	-

11. From the Period 2 Financial Monitoring Report onwards, the above table will reflect the new Committee structure as approved at Full Council in May 2021.

Main Areas of Risk within the 2020/21 budget

12. As well as the implications arising from the COVID-19 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.

13. 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 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.

14. The 2020/21 Local Government Finance Settlement set out a one-year settlement only. As such, further considerable uncertainty beyond 2021/22 will remain until the outcome of the future Comprehensive Spending Review is known.

Requests for contingency

15. The Council's budget includes a base contingency budget of £4.0m to cover redundancy costs, slippage of savings and other potential unforeseen events.

16. 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 £3.6m 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.

17. There is already a call on the 2021/22 contingency budget from requests that have been previously approved by Finance and Major Contracts Management Committee or the Section 151 Officer. These are as follows: -

- Delivering and Assuring Major Programmes of Work - Policy Committee £430,000
- Write off of Adult Social Care and Health Income Maximisation savings option £130,000
- Social Impact Bond savings slippage - Children and Young People Committee £250,000
- Transformation and Change Restructure – Improvement and Change Committee £270,000
- Graduate Trainees – Personnel Committee - £77,000

Balance Sheet

General Fund Balance

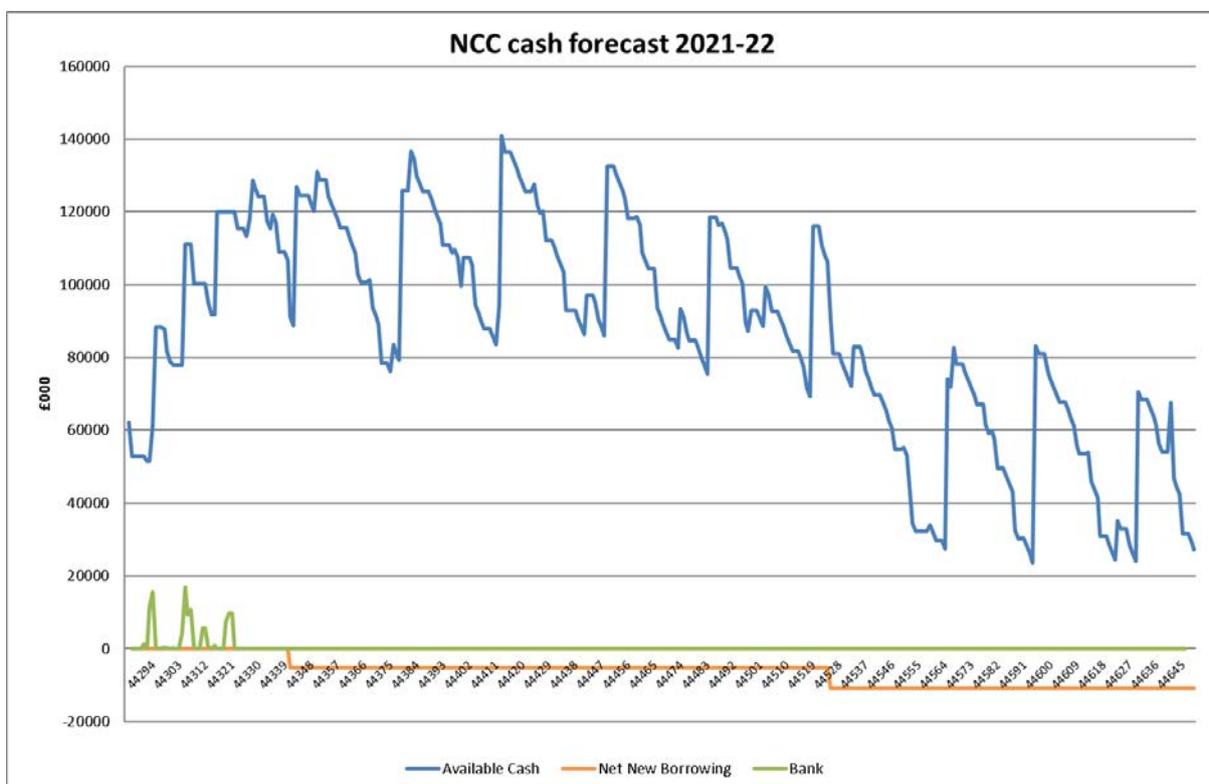
18. Members will be asked to approve the 2020/21 closing General Fund Balance of £32.1m at Full Council on 22 July 2021. This balance represents 5.7% of the net budget requirement.

Capital Programme

19. The 2020/21 capital programme out-turn will be reported to Policy Committee on 21 June 2021 as part of the Draft 2020/21 Management Accounts report. All slippage, acceleration and other adjustments to the capital programme are subject to the approval of this report. The revised 2021/22 capital programme will be reported to Committee in July 2021 as part of the Period 2 Financial Monitoring Report.

Treasury Management

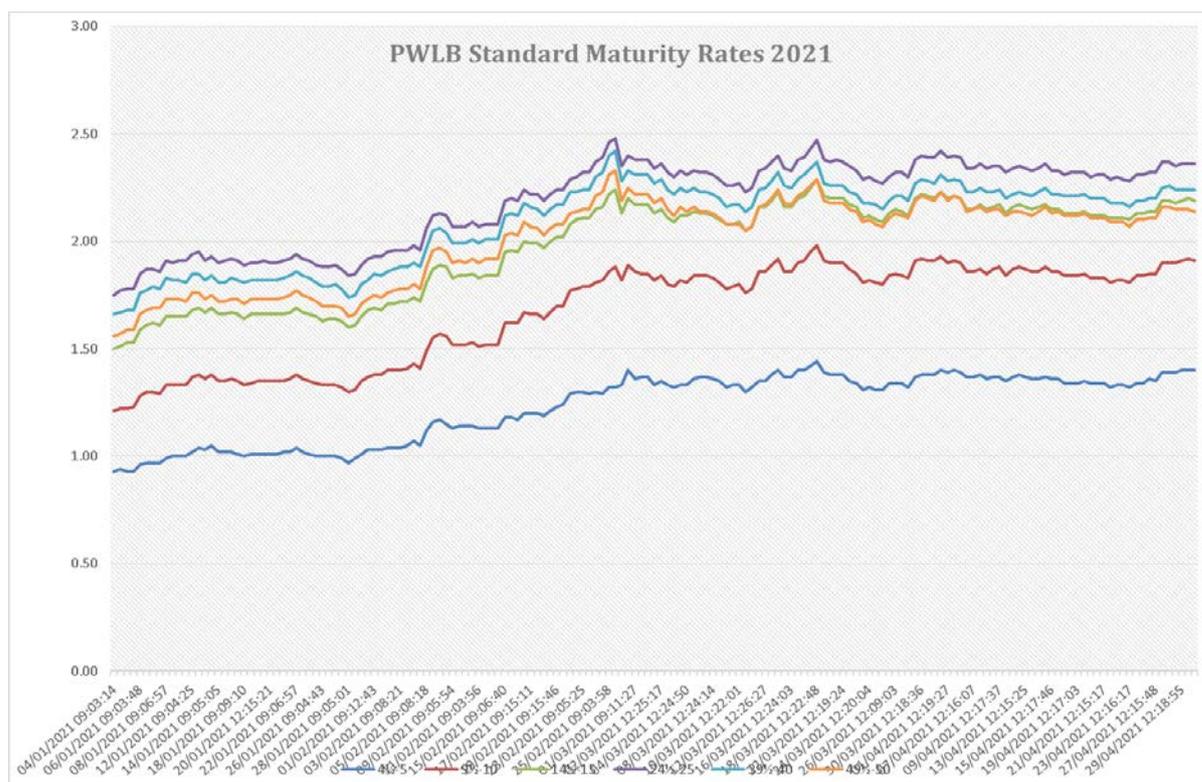
20. Daily cash management aims for a closing nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group.
21. 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.



22. 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.

23. 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. 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 so far.



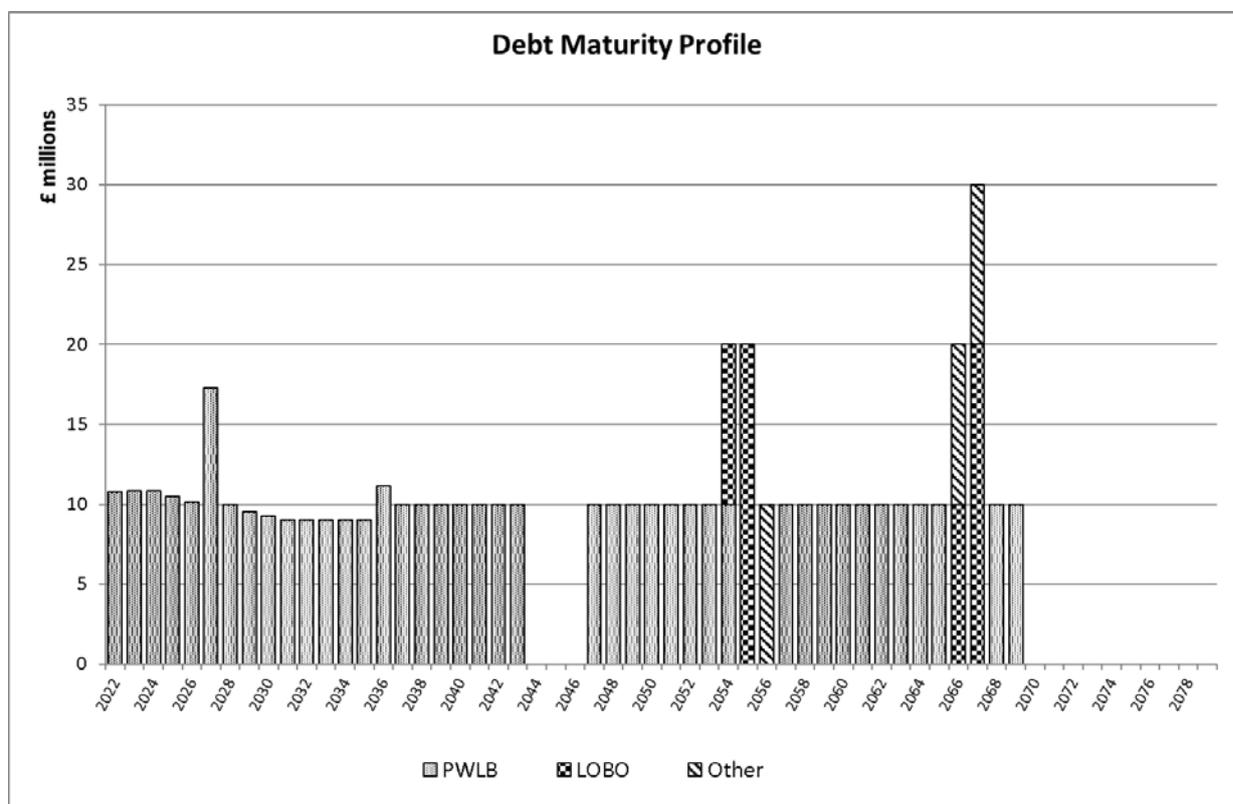
24. Borrowing decisions will take account of a number of factors including:

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

25. 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.

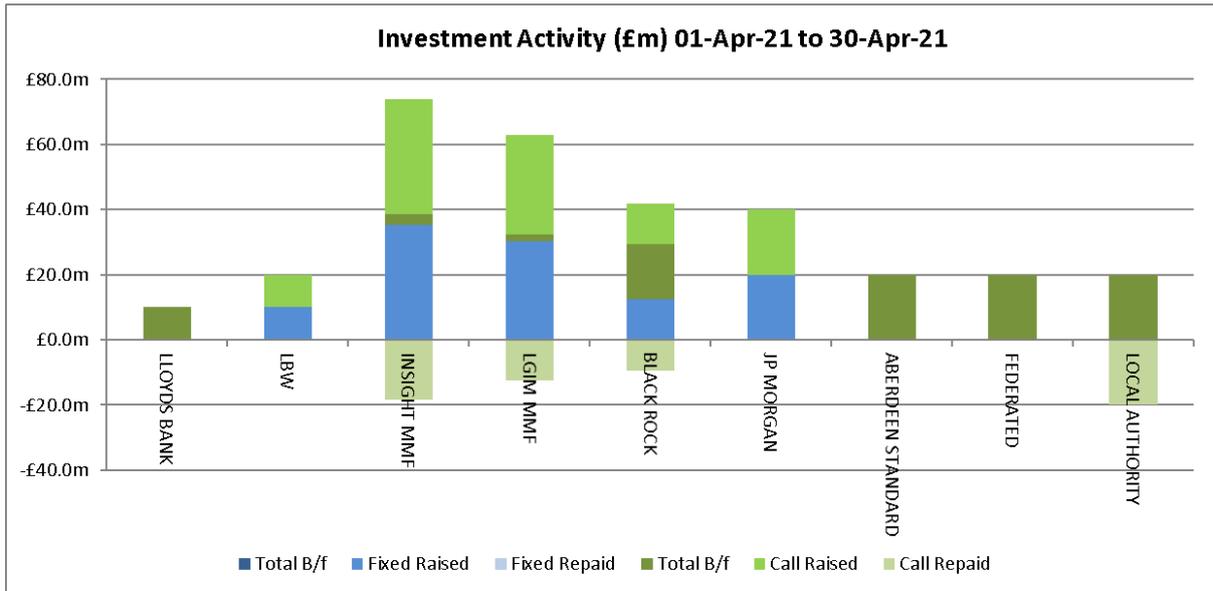
26. Long-term borrowing was also obtained from the market some years ago in the form of ‘Lender’s Options, Borrower’s Options’ loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken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

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



28. 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 £140m at the end of April.

	Total B/f £000	Total Raised £000	Total Repaid £000	Outstanding £000
LLOYDS BANK	10,000	0	0	10,000
LBW	0	10,000	0	10,000
INSIGHT MMF	3,100	35,400	-18,500	20,000
LGIM MMF	2,000	30,400	-12,400	20,000
BLACK ROCK	17,100	12,350	-9,450	20,000
JP MORGAN	0	20,000	0	20,000
ABERDEEN STANDARD	20,000	0	0	20,000
FEDERATED	20,000	0	0	20,000
LOCAL AUTHORITY	20,000	0	-20,000	0
	92,200	108,150	-60,350	140,000



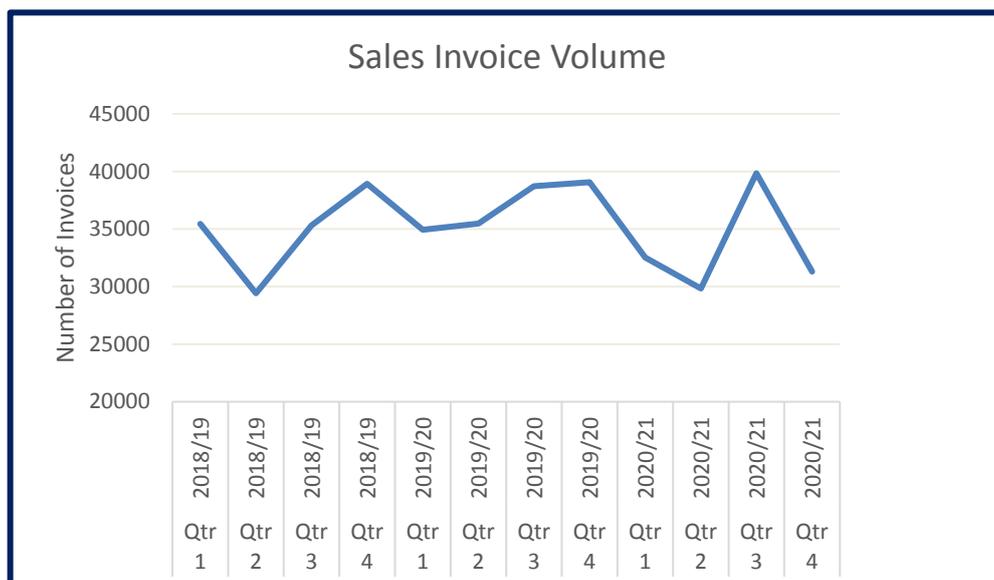
29. As part of the Council's risk management processes all counterparty ratings are regularly monitored and lending restrictions changed accordingly.

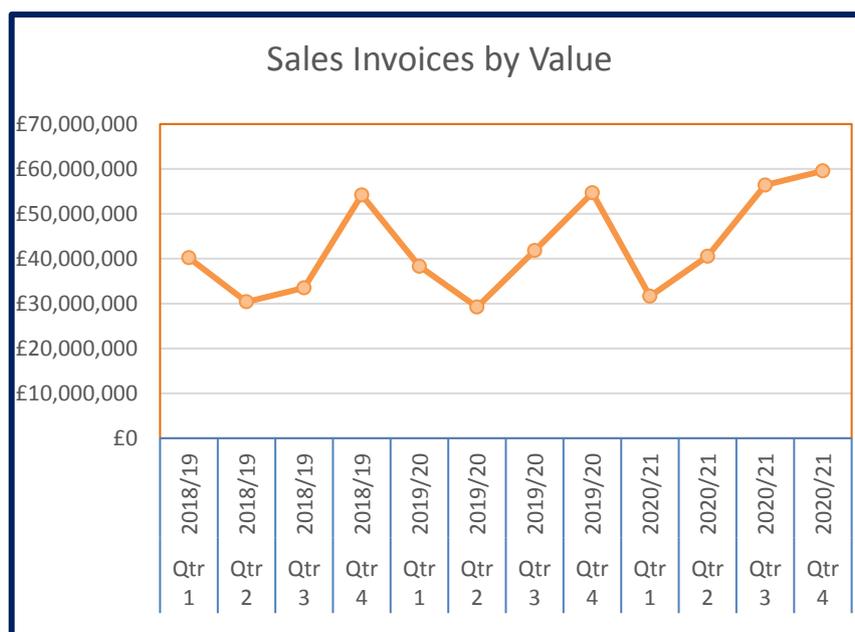
Debt Recovery Performance

30. Sales Invoicing trends during Quarter 4 show an increase in activity with the cumulative invoicing volumes and values now showing normal levels. 2020/21 sees an overall increase in income of £24m.

	Quarter 4	Year to date
Number	31,309	133,513
Value	£59,554,394	£188,112,539

Invoice Trends





Debt Position Quarter 4

31. Throughout Quarter 4, the debt recovery team have continued to perform pre-COVID19 work processes with regular dunning and debtor contacting strategies. This has shown an improved collection performance and a reduction in debt levels.

	Residential & Domiciliary Care (Statutory Debtors)	All Other (Non-Statutory Debtors)	Total
Total	£13,336,014	£30,014,508	£43,350,522
Over 6 months	£7,362,678	£884,783	£8,247,460
% over 6 months	55.2%	2.9%	19.0%

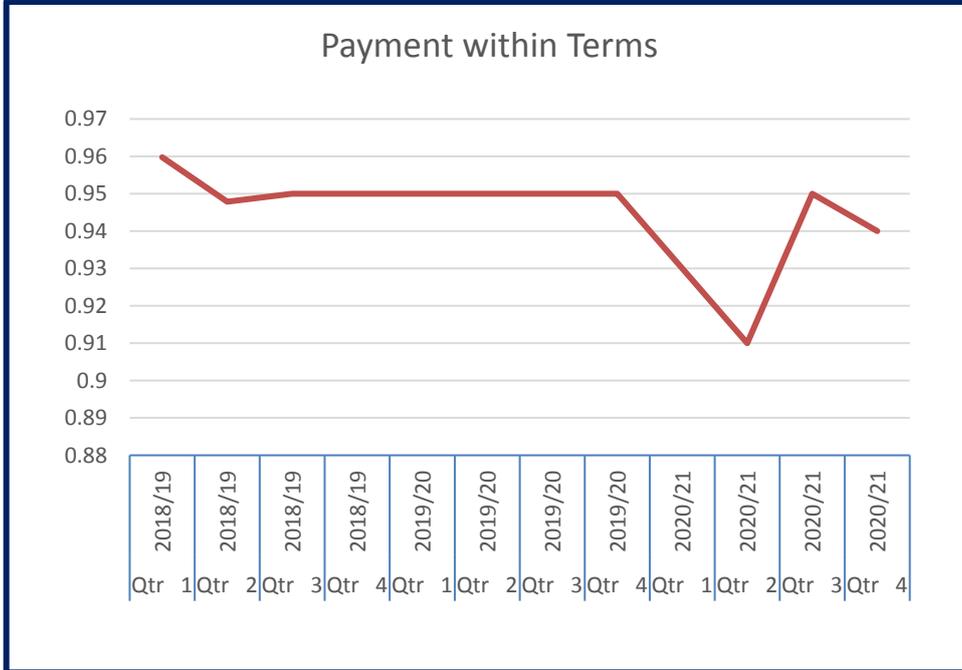
32. The residential and domiciliary debts debt figures continue to be influenced by full cost invoices to service users that have not yet joined the deferred payments scheme. The resulting debts are a direct effect of the changes brought about by the Care Act. These users are charged full costs for their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

No of Accounts	Total Debt
95	£1.88m

33. The debtor write-off total during Quarter 4 was £385k for 194 accounts, making the write off total to date £674k against 534 accounts.

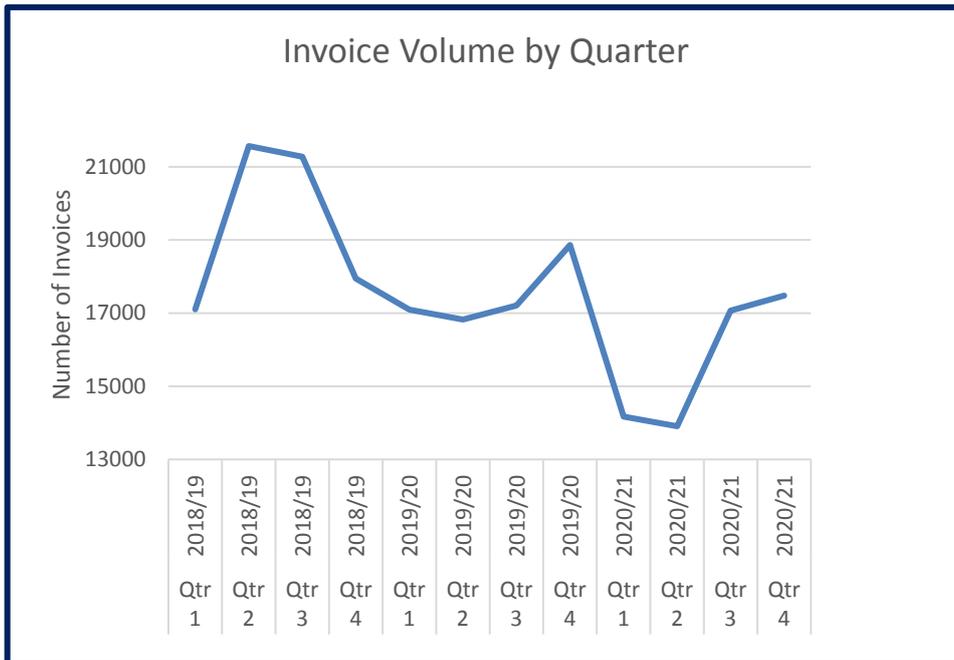
Accounts Payable (AP) Performance

34. Payment performance for Quarter 4 has been recorded at 94%. This takes account of any known disputed invoices have were paid during Quarter 4 and therefore not counted as a failure against payment terms.



35. The volume of commercial invoices processed for Quarter 4 shows an increase in commercial invoicing volumes, but the overall totals for 2020/21 are still around 7k less than 2019/20 volumes.

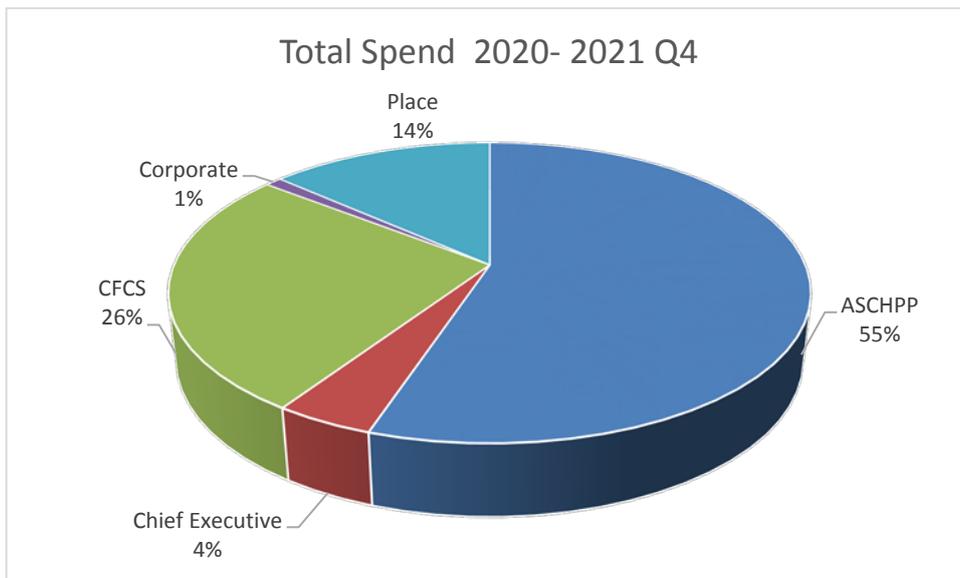
Commercial Invoices Processes



Procurement Performance

36. As an organisation, NCC has spent £142m in the fourth quarter of the financial year 2020/21 with external suppliers. This represents a decrease of £6m when compared with the same period of the previous financial year. The top 12.5% (429) of suppliers account for 80% (113.6m) of the total supplier spend. The remaining 87.5% (3015 suppliers) have a total expenditure of £29.6m with an average spend of £9,421.69.

37. The chart below shows the total amount spent in the period, by Directorate. ASCH has the highest level of expenditure at 55%, followed by Children and Families which makes up a further 26%.

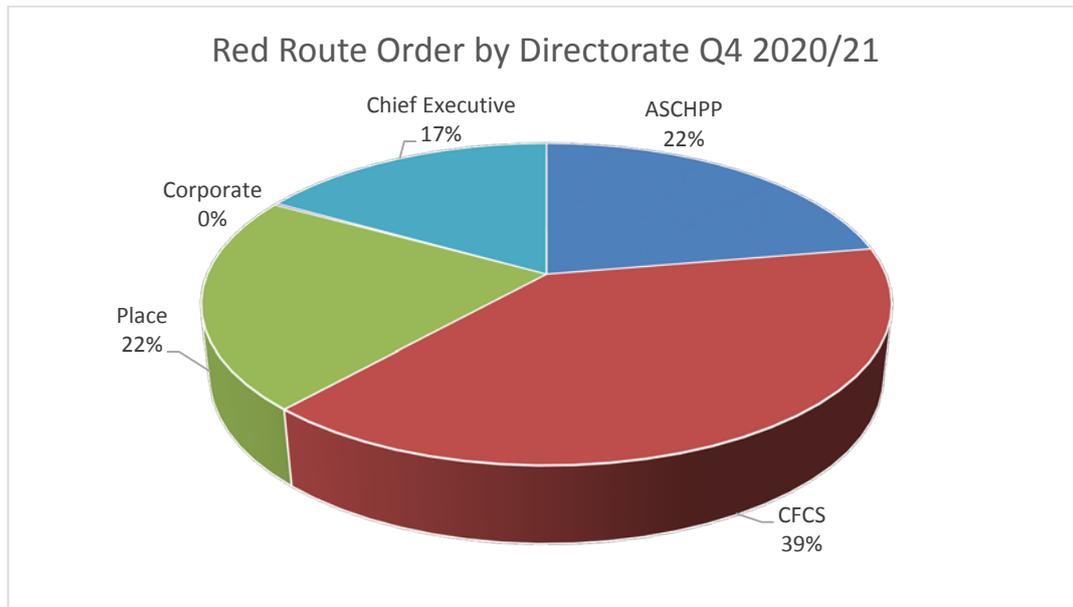


38. The Council’s primary ordering route is through BMS. Orders that are processed through BMS are classified as ‘Compliant’, whilst purchases made outside of the Council’s systems are deemed to be ‘Non-Compliant’. Retrospective orders are also classified as non –compliant, as they are typically raised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

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

Profit Centre	PO Volume JAN 2021	PO Volume FEB 2021	PO Volume MAR 2021	Total Q4 2020/21	Total Q4 2019/20
ASCHPP	20	27	41	88	149
Children, Families a	120	130	154	404	471
Place	110	113	188	411	673
Corporate	2	1	6	9	9
Chief Executive	87	73	127	287	336
Total	339	344	516	1,199	1,638

40. 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 5719 to 5416. The chart below identifies the percentage of Red Route orders by Directorate in Q4 of the 2020/21 financial year. The Procurement Team continue to work with stakeholders to improve these figures.



Statutory and Policy Implications

41. 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 individual Committee revenue budgets for 2021/22.
- 2) To comment on the contingency schemes submitted to date.
- 3) To comment on the Council's Balance Sheet transactions.
- 4) To comment on the performance of the Procurement Team.
- 5) To comment on the performance of the Accounts Payable and Accounts Receivable teams.

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For any enquiries about this report please contact:

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Constitutional Comments (GR 01/06/2021)

42. Pursuant to the Nottinghamshire County Council Constitution this Committee has the delegated authority to receive this report and make the recommendations contained within it.

Financial Comments (GB 20/05/2021)

43. 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