

8 February 2021

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

FINANCIAL MONITORING REPORT: PERIOD 9 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 a variation to the capital programme.
3. To inform Members of the Council's Balance Sheet transactions.

Information Background

4. 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.
5. 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.

Implications of the COVID19 Crisis

6. A summary of the COVID19 related grants received by the Authority to date are set out in the table below:-

Grant	County Council Allocation (£m)	Conditions	Use
COVID19 Funding (1)	22.3	None	Reduce financial deficit
COVID19 Funding (2)	14.7	None	Reduce financial deficit
COVID19 Funding (3)	5.1	None	Reduce financial deficit
COVID19 Funding (4)	5.0	None	Reduce financial deficit
Infection Control (1)	11.5	Yes + clawback	Pass to providers for transmission reduction measures and support workforce resilience.
Infection Control (2)	9.6	Yes + clawback	Pass to providers for transmission reduction measures and support workforce resilience.
Test and Trace	3.8	Yes + clawback	Mitigation against and management of local outbreaks of COVID19
Contain Management Funding	6.6	Yes + Clawback	Mitigation against and management of local outbreaks of COVID19
Additional Contain Management Funding	0.7	Yes + clawback	Mitigation against and management of local outbreaks of COVID19
Emergency Assistance Grant	0.9	Subject to monitoring & evaluation	Support to those struggling to afford food and other essentials
COVID Winter Grant	2.3	None	To support vulnerable households throughout the winter period.
Sales, Fees and Charges	1.2	None	To mitigate against lost net income to July 2020
COVID Bus Services Support Grant	1.0	None	
Additional Home to School Transport	1.0	Subject to retrospective claim	New funding for additional dedicated school transport capacity.

The receipt of these grants are factored into the forecast financial position as set out in this report. COVID19 related Government Grants continue to be announced and any further allocations to this Council will be reported to future Committees.

7. 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 DELTA8 submission from Nottinghamshire County Council was submitted on 11 December 2020 and identified a total gross forecast financial impact of £85.9m in the current financial year. The deadline for the DELTA9 submission is 29 January 2021.

8. 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 and is now expected to be extended into the 2021/22 financial year.
9. 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 first lost income return to the MHCLG was submitted on 30 September 2020. The value of funding allocated to Nottinghamshire totals £1.2m and relates to lost income up to the end of July 2020. The second lost income return to the MHCLG was submitted in December 2020. It is expected that the second tranche of funding received will total approximately £1.0m. It has been announced that this scheme will continue into the first quarter of 2021/22.
10. It is important to note that considerable uncertainty remains regarding the longer-term implications of responding to the emergency. For instance, there has been an emergence of a further COVID19 wave and a more infectious variation of the virus which may continue through the 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

11. As detailed above, the Authority has received four tranches of main COVID19 grant allocations totalling £47.1m as part of the total grants that have been provided. This amount was not factored into projections when setting the 2020/21 budget in February 2020. A revised budget estimate was therefore set whereby COVID19 grant was allocated across Committee budgets based on the current known financial impact of the COVID19 crisis. The revised budget estimate is reflected in Table 1.

12. The table below summarises the revenue budgets for each Committee for the current financial year. A forecast underspend of £7.4m is currently predicted. However, there are still significant financial challenges facing the Council over the medium-term which require 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 8 £'000	Committee	Revised Annual Budget £'000	Actual to Period 9 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
(237)	Children & Young People's	150,288	107,611	149,793	(495)
(3,627)	Adult Social Care & Public Health	211,672	124,435	206,411	(5,261)
(257)	Communities & Place	137,282	106,750	137,420	138
476	Policy	38,787	29,397	38,728	(59)
(42)	Finance & Major Contracts Management	4,478	5,525	4,449	(29)
(24)	Governance & Ethics	7,773	5,678	7,839	66
(745)	Personnel	16,317	13,114	15,520	(797)
(4,456)	Net Committee (under)/overspend	566,597	392,510	560,160	(6,437)
(1,379)	Central items	(30,605)	(72,992)	(32,344)	(1,739)
-	- Schools Expenditure	319	-	319	-
37	Contribution to/(from) Traders	3,353	1,558	3,464	111
(5,798)	Forecast prior to use of reserves	539,664	321,076	531,599	(8,065)
-	- Transfer to / (from) Corporate Reserves	(22,906)	2,979	(22,906)	-
77	Transfer to / (from) Departmental Reserves	(3,579)	374	(2,909)	670
-	- Transfer to / (from) General Fund	(631)	-	(631)	-
(5,721)	Net County Council Budget Requirement	512,548	324,429	505,153	(7,395)

Committee and Central Items

Adult Social Care & Public Health (£5.3m underspend, 2.5% of annual budget)

13. The major variances are as follows:

- Strategic Commissioning and Integration is forecasting an overspend of £2.4m. This has arisen due to a reduction in transport income (£0.9m), increased claim costs and PPE (£3.4m) offset by additional BCF Health income (£1.1m) and underspending on staff and other costs and use of reserves (£0.8m).
- Direct and Provider Services are forecasting an underspend of £1.3m across all services with an underspend on Residential Services (£0.3m) and an underspending on Day Services (£1.1m), offset by an overspend due to non-achievement of savings (£0.1m).

- Living Well and Ageing Well are forecasting an underspend of £4.8m. This consists of an overspend in Living Well (£2.4m), offset by an underspend of in Ageing Well (£7.2m). The increase in underspend from last month is mainly due to additional Health income.
- Maximising independence is forecasting an underspend of £1.6m, mainly due to the delayed implementation of the workforce review and additional COVID 19 income offsetting the new EDAASS Home First Response contract.

Personnel (forecast £0.8m underspend, 4.9% of annual budget)

14. The major variances in the Personnel Committee relate to staffing vacancies in the BSC (£0.2m), reduced apprentice costs due to recruitment difficulties in the current circumstances (£0.1m), reduced training costs as training is taking place on-line (£0.1m) and Business Support vacancies (£0.4m).

Central Items (forecast £1.7m underspend)

15. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
16. As set out above, a revised budget estimate has been set whereby COVID19 grant has been allocated across Committee budget based on current, known financial impact of the COVID19 crisis. Any grant not allocated to Committees at this time has been set aside to fund further in-year COVID related issues and to cover future shortfalls in collection rates of both Council Tax and Business Rates.
17. The reported 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

18. 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 were identified that had a degree of uncertainty with regard to likelihood, value and profiling. As such, an additional provision of £2.6m was added to the contingency to fund these pressures. All funding requirements continue to be reviewed and the Finance and Major Contracts Management Committee or the Section 151 Officer are required to approve the release of contingency funds.
19. 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 materialised and subsequently been released to Committee budgets (£2.2m). Other contingency requests that have been previously approved and distributed to Committees total £2.8m and Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Progress with savings and risks to the forecast

20. Council on 27 February 2020 approved savings proposals of £7.8m for delivery in 2020/21, with further savings identified for the period 2021-24. The progress of the Council's current savings programme is reported to the Improvement and Change Sub-Committee on a regular basis. The latest report to Improvement and Change Sub-Committee on 23 November 2020 highlighted that a number of savings projects required a change to their delivery profile – Social Impact Bond (£0.3m 2020/21), Developing of the Fostering Service (£0.3m 2020/21) and Housing with Care (£0.3m 2021/22). The write-off of savings in relation to Better Practice in Support Planning for Older Adults 65 years+ (£0.2m 2020/21) was reported to this Committee in the Period 5 Monitoring Report. 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.
21. 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.
22. 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.

Balance Sheet

General Fund Balance

23. 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

24. 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	(3,415)	
		(3,415)
Variations funded from other sources : Net variation from 2019/20 and financing adjustments	20,470	
		20,470
Revised Gross Capital Programme		134,439

25. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 9.

Table 3 – Capital Expenditure and Forecasts as at Period 9

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 9 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	35,813	20,168	29,553	(6,260)
Adult Social Care & Public Health	1,217	951	1,266	49
Communities & Place	67,033	30,520	67,352	319
Policy	29,130	13,217	26,072	(3,058)
Finance & Major Contracts Mngt	180	12	180	-
Personnel	354	203	354	-
Contingency	712	-	712	-
Total	134,439	65,071	125,489	(8,950)

Children & Young People's

26. In the Children and Young People's Committee, an underspend of £6.3m has been identified. This mainly relates to the School Places programme where there are a number of projects at Academy schools where the funding is not now expected to be transferred until future financial years. Also, it is now expected that any expenditure associated with the £1.3m Increasing Residential Capacity for Looked After Children budget will now be incurred in the next financial year.

It is proposed that the Children and Young People's capital programme is varied to reflect the £1.3m re-profiling of the Increasing Residential Capacity for Looked After Children capital budget.

Policy

27. In the Policy Committee an underspend of £3.0m has been identified. This relates mainly to two Homes England funded projects where delays to the external funding agreement have resulted the projects slipping into the next financial year. This slippage will be reflected in the Annual Budget Report to Full Council in February 2021.

Financing the Approved Capital Programme

28. 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	13,497	-	639	35,813
Adult Social Care & Public Health	371	805	-	-	1,176
Communities & Place	12,461	53,084	1,119	320	66,984
Policy	14,414	13,916	-	800	29,130
Finance & Major Contracts Mngt	-	-	-	180	180
Personnel	354	-	-	-	354
Contingency	712	-	-	-	712
Total	49,989	81,302	1,119	1,939	134,349

29. It is anticipated that borrowing in 2020/21 will decrease by £9.1m from the forecast in the Budget Report 2020/21 (Council 27/02/2020). This decrease is primarily a consequence of:

- £3.4m of net slippage from 2019/20 to 2020/21 and financing adjustments funded by capital allocations.
- Net slippage in 2020/21 of £5.7m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

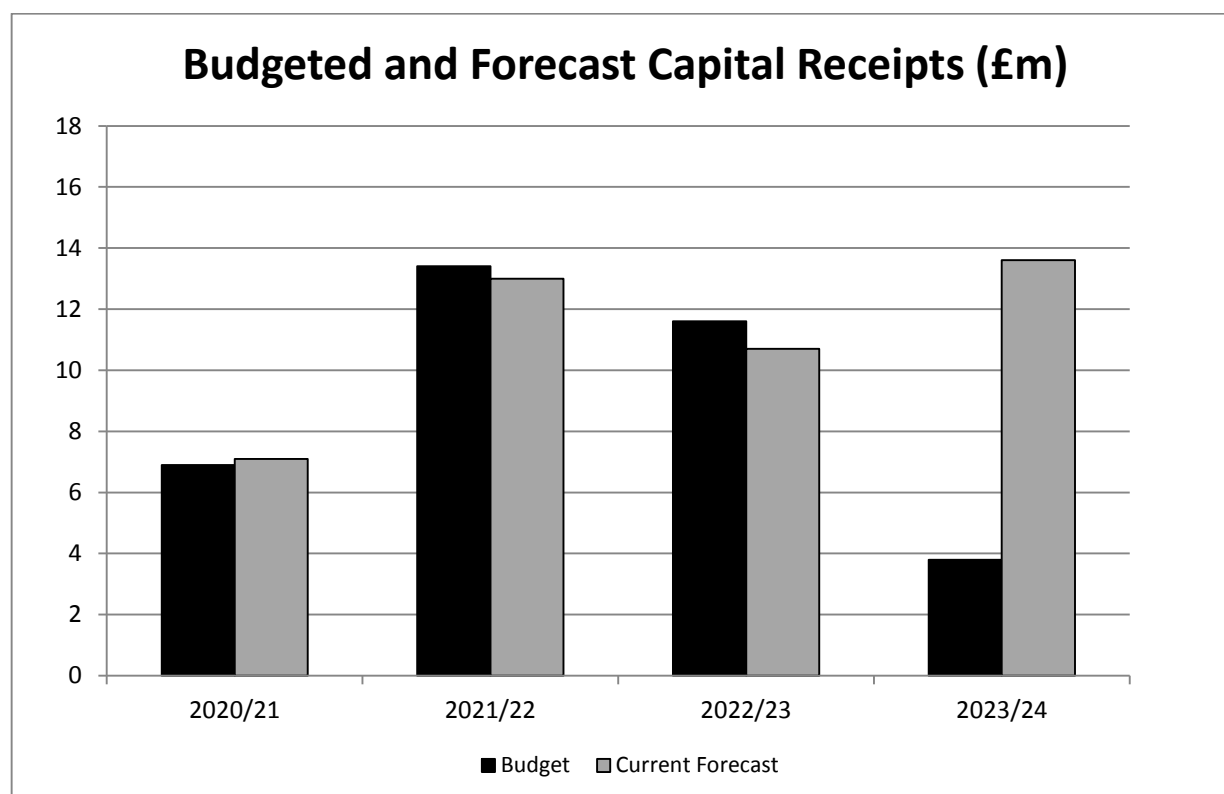
Prudential Indicator Monitoring

30. 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

31. 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.

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



33. 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.

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

35. 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.

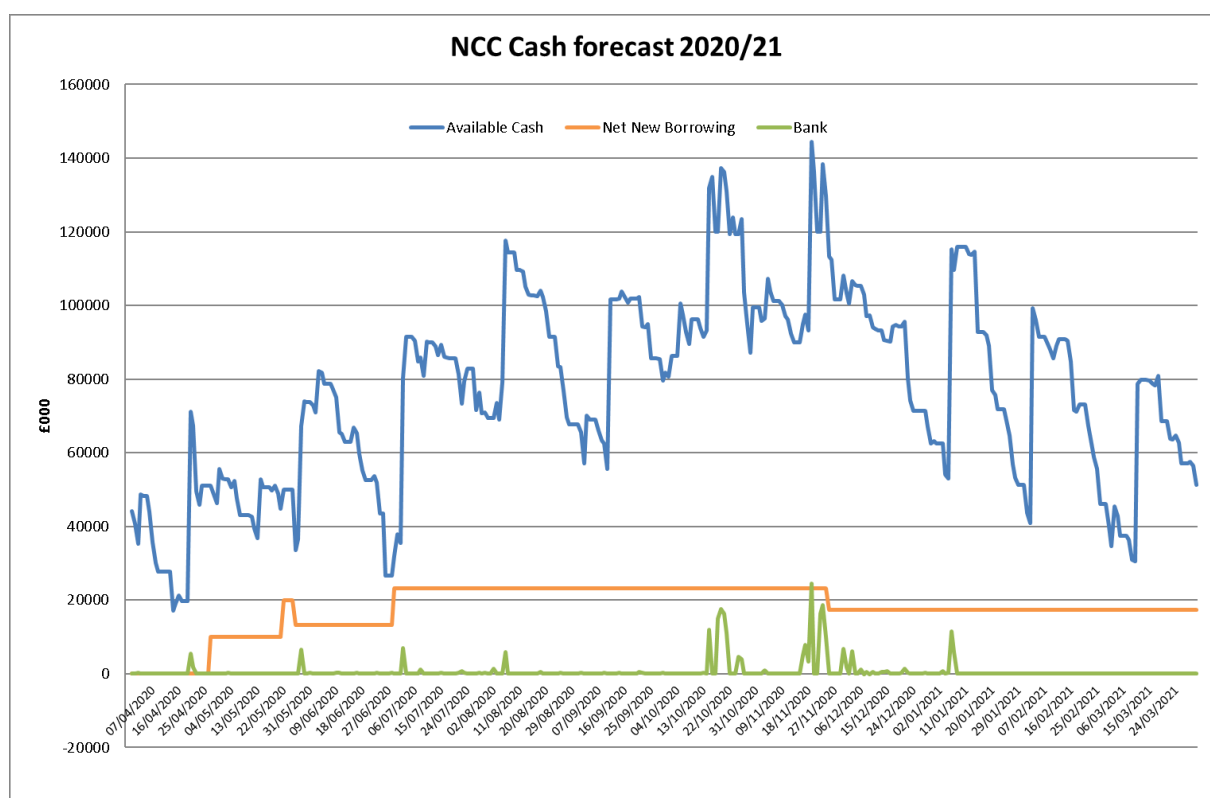
36. Current Council policy (Budget Report 2020/21) is to use the first tranche of capital receipts to fund in-year transformation costs. Any capital receipts in excess of this will be set against the

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

37. 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.

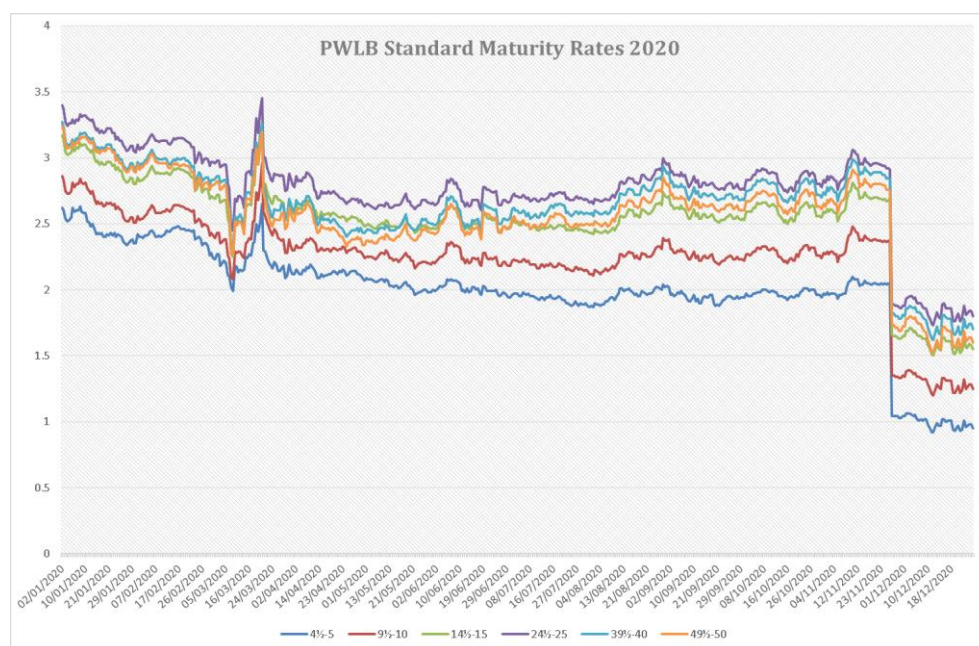
38. The cash forecast chart below shows the current estimated cash flow position for the financial year 2020/21. Cash inflows are typically higher at the start of the year due to the front-loading receipt of Central Government grants, and the payment profile of precepts. Cash outflows, in particular 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.



39. 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.

40. 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 two further £10m tranches in May and June.
41. After updating the capital programme forecasts in October and re-assessing cashflow to April 2021 it looks like no further borrowing will be required this financial year. Indeed, as can be seen from the above graph, the Council's instant-access cash balance exceeded its normal maximum limit of £140m in November. However, TMG anticipated this a few days in advance and approved a temporary increase in the Barclays Bank limit
42. 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. The effect of the PWLB policy change in November (which effectively reversed the 100bp increase introduced in late 2019) can also be seen.



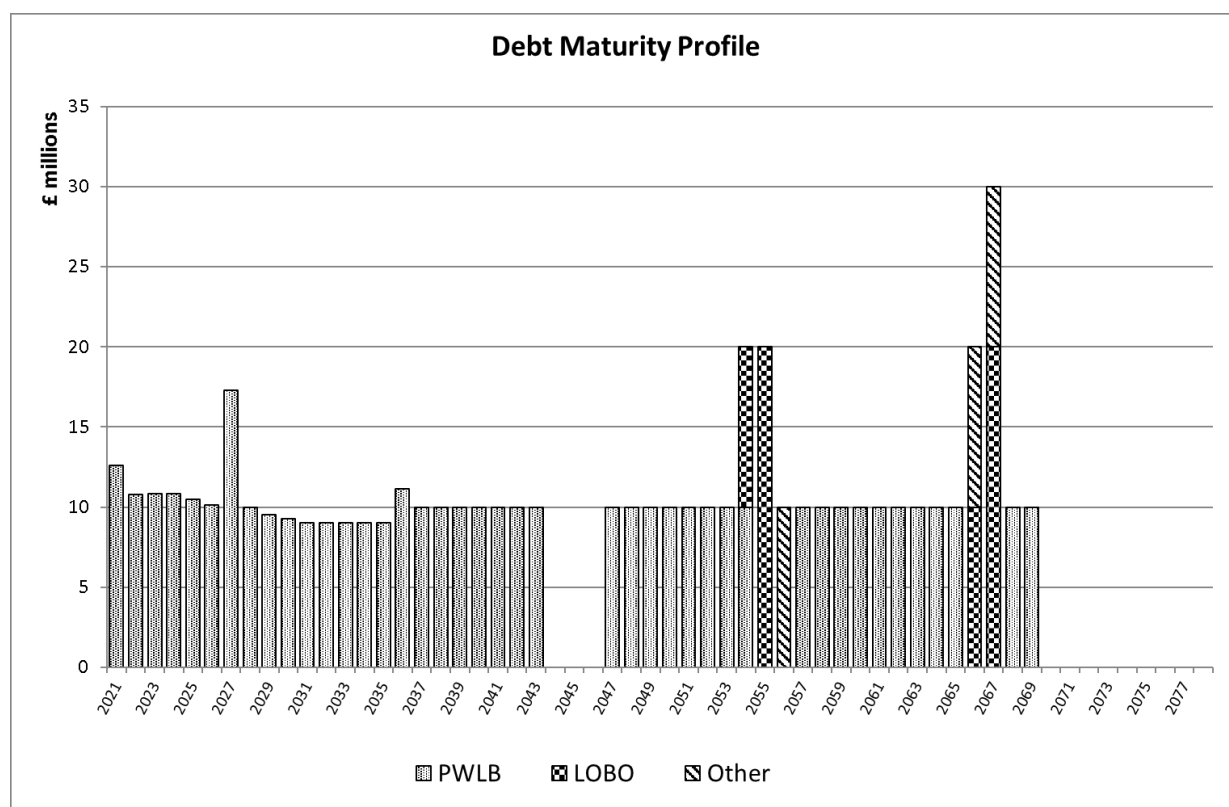
43. Borrowing decisions will take account of a number of factors including:
- expected movements in interest rates

- current maturity profile
- the impact on revenue budgets and the medium- term financial strategy
- the treasury management prudential indicators.

44. 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.

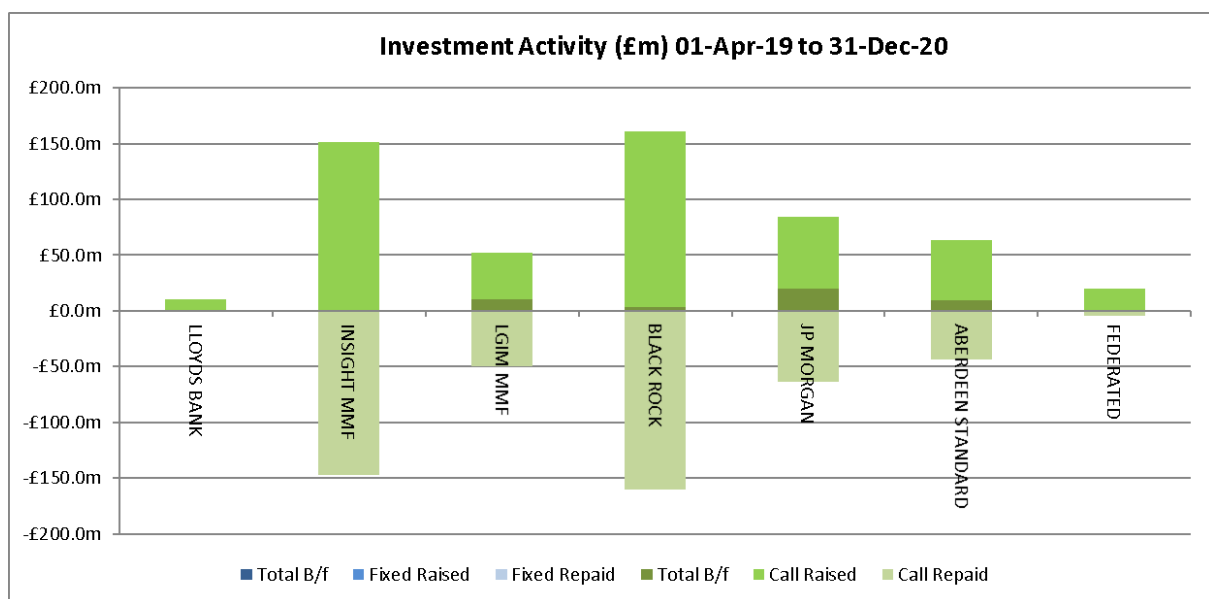
45. Long-term borrowing was also obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken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

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



47. 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 £72m at the month-end.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
LLOYDS BANK	-	10,000	-	10,000
INSIGHT MMF	750	150,350	(147,200)	3,900
LGIM MMF	10,700	41,500	(49,450)	2,750
BLACK ROCK	3,800	157,050	(160,350)	500
JP MORGAN	19,800	64,200	(64,000)	20,000
ABERDEEN STANDARD FEDERATED	9,150	54,350	(43,600)	19,900
	-	20,000	(4,600)	15,400
Total	44,200	497,450	(469,200)	72,450



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

Statutory and Policy Implications

49. 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 and year-end forecasts and approve the variation to the capital programme as set out in paragraph 27.
- 3) To comment on the Council's Balance Sheet transactions.

Nigel Stevenson Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:

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Constitutional Comments (CH 27/01/2021)

50. The Finance and Major Contracts Management Committee has the responsibility for the financial management of the Authority and it can approve variations to the capital programme up to £2 million pounds. The recommendations therefore fall within the remit of and can be considered by Committee.

Financial Comments (GB 20/01/2021)

51. 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

