

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT**FINANCIAL MONITORING REPORT: PERIOD 4 2021/22****Purpose of the Report**

1. To provide a summary of the Committee revenue budgets for 2021/22.
2. To request approval for additional contingency requests.
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.
5. To provide Members with an update from the Accounts payable and Accounts Receivable teams.
6. To provide Members with an update from the Procurement team.

Information**Background**

7. 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.
8. 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.
9. As part of this financial monitoring report a revised budget estimate has been set whereby COVID19 grant has been allocated to Committee budgets based on the current known financial pressures caused by the COVID19 virus. This is in line with the process undertaken last year when COVID19 grant was allocated part way through the year, and subsequent budget monitoring was based on the revised budget. As part of this exercise, the Adult Social Care and Public Health budget has been adjusted by £5m to reflect that spending in some areas is lower than initially predicted due to ongoing fluctuations in the level of service and the funding available from other sources (e.g. specific grants, Health / CCG contributions etc.) This budget has been transferred into the Authority's contingency budget to mitigate the

potential impact of significant uncertainty that still exists within the Authority's financial environment.

10. 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.
11. 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

12. The table below summarises the revenue budgets for each Committee for the current financial year. A negligible overspend is currently predicted against the revised budget estimate following allocation of COVID19 grant to mitigate pandemic cost pressures. 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 3 £'000	Committee	Annual Budget £'000	Actual to Period 4 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
5,989	Children & Young People	154,945	39,602	156,188	1,243
(5,341)	Adult Social Care & Public Health	219,852	36,461	219,395	(457)
65	Transport & Environment	113,367	30,142	113,361	(6)
(134)	Communities	18,464	1,771	17,935	(529)
(262)	Economic Development & Asset Management	21,243	4,213	20,921	(322)
80	Policy	3,008	1,934	3,097	89
(16)	Finance	15,632	4,418	15,575	(57)
(18)	Governance & Ethics	7,727	2,488	7,731	4
(146)	Personnel	18,350	6,488	18,312	(38)
217	Net Committee (under)/overspend	572,588	127,517	572,515	(73)
-	- Central items	(33,858)	(28,082)	(33,858)	-
-	- Schools Expenditure	783	-	783	-
988	Contribution to/(from) Traders	679	1,185	679	-
1,205	Forecast prior to use of reserves	540,192	100,620	540,119	(73)
-	- Transfer to / (from) Corporate Reserves	(1,341)	-	(1,341)	-
(4)	- Transfer to / (from) Departmental Reserves	(8,534)	(266)	(8,294)	240
-	- Transfer to / (from) General Fund	-	-	-	-
1,201	Net County Council Budget Requirement	530,317	100,354	530,484	167

Committee and Central Items

COVID19 Pressures

13. 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.
14. Nottinghamshire County Council's DELTA15 return was submitted on 30 July 2021 and forecast additional COVID19 pressures totalled £30.8m. 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 (£1.2m overspend)

15. The underlying overspend is £1.2m after planned use of grant reserves and funding for additional costs related to COVID19.
16. The Youth Families and Social Work Division is forecasting an overspend of £2.4m. This mainly arises due to overspends on social work staffing (£2.0m) and Looked After Children placements (£0.4m) offset by an underspend on Non-looked After Children placements (£0.3m) and a net overspend across other budgets (£0.3m).
17. The Commissioning and Resources Division is forecasting an overspend of £1.2m, which relates directly to children transferred from Minster View which is temporarily closed. The forecast is for a full year pending the outcome of a specific piece of work.

Adult Social Care & Public Health (£0.5m underspend)

18. The Adult Social Care and Public Health Department budget has been revised as set out above, however there are some significant uncertainties around the current forecast as follows:
 - Ongoing impact of COVID19 – grants /service delivery etc
 - The size of winter pressures
 - Market capacity issues
 - Changes to Health funding of hospital discharge packages
 - Ability to get temp/agency staff as currently forecast
 - Ability to deliver savings as currently forecast

Communities (£0.5m underspend)

19. The £0.5m forecast underspend comprises an underspend within Trading Standards (£0.7m), predominantly due to an underspend on the revenue and capital LIS Schemes. In addition, there is a forecast underspend in Registrars (£0.2m) due to additional income from ceremonies that were cancelled in the height of the pandemic. These ceremonies have now been rescheduled to the current financial year due to the easing of restrictions. This is offset by additional costs across a range of other services (£0.4m).

Central Items

20. Central Items primarily consists of interest on cash balances and borrowing, together with various grants, contingency and capital charges.
21. 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. As set out in paragraph 9, this includes a £5.0m budget realignment actioned from the Adult Social Care and Health Committee which will be held in Contingency to fund additional pressures that may emerge during this financial year. The Finance Committee or the Section 151 Officer are required to approve the release of contingency funds.
22. 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 £1.2m.
23. In addition, a report was taken to the June meeting of Policy Committee requesting that contingency funding of £50,000 is made available to fund a resident engagement exercise
24. Furthermore, a report was taken to the June meeting of Children and Young People's Committee requesting contingency funding of £100,000 to fund a one-off payment to the Council's foster carers. This is in recognition of their commitment to caring for some of the Council's most vulnerable children during the COVID19 pandemic.
25. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main areas of risk to the forecast

26. 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.
27. 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. The levels of enquiries currently being made to the Multi-Agency Safeguarding Hub (MASH) and Early Help Unit (EHU) have increased during the pandemic and work is underway to identify any additional resource requirements. 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.

28. 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.

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	16,708	
		16,708
Variations funded from other sources : Net variation from 2020/21 and financing adjustments	21,558	
		21,558
Revised Gross Capital Programme		146,789

31. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 4.

Table 3 – Capital Expenditure and Forecasts as at Period 4

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 4 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	33,375	4,636	33,375	-
Adult Social Care & Public Health	315	92	332	17
Transport & Environment	59,504	11,581	62,549	3,045
Communities	3,982	283	3,461	(521)
Economic Devt & Asset Mngt	38,999	2,999	38,908	(91)
Finance	8,083	3,085	8,083	-
Personnel	151	33	131	(20)
Contingency	2,380	-	2,380	-
Total	146,789	22,709	149,219	2,430

Children and Young People's

32. In the Children and Young People's Committee, section 106 contributions totalling £1.3m have been received by the Authority. It is proposed that this funding will be used to part-fund a capital project to create additional pupil places at the South Notts Academy required as a result of significant local property developments.

It is proposed that the Children and Young people's capital programme is varied to reflect the additional £1.3m section 106 contributions.

Adult Social Care and Public Health

33. In the Adult Social Care and Public Health Committee, the Authority has received a further £0.6m Disabled Facilities Grant which funds the purchase of equipment that can enable adults with special needs to remain in their homes.

It is proposed that the Adult Social Care and Public Health Committee capital programme is varied to reflect the £0.6m Disabled Facilities Grant received by the Authority.

Transport and Environment

34. In the Transport and Environment Committee, an overspend of £3.0m has been identified. This relates to a £5.4m forecast overspend against the Gedling Access Road projects offset by slippage against flood projects (£2.0m) and the Trees for Climate (£0.4m) programme.

35. A forecast overspend of £5.4m has been identified against the Gedling Access Road project. The reasons for the overspend are mainly as a result of workforce issues and unavailability of labour, additional utility costs as well as other COVID19 related issues. Work is on-going to minimise further costs on the scheme and to identify sources to mitigate the funding shortfall. It is proposed that a report to Committee in Autumn will provide further information with regard to this project.

36. The £2.0m forecast underspend against the Flood projects is as a result of expected slippage as a result of a number of factors which include the profiling of schemes as they go through the Environment Agency process and the phasing of capital bids for investment from other external sources.

It is proposed that the Transport and Environment capital programme is varied to reflect the £2.0m slippage identified against the Council's flood alleviation projects.

Communities

37. In the Communities Committee, an underspend of £0.5m has been identified which relates to the Local Improvement Scheme (LIS) programme. A report to Communities Committee in June 2021 set out that no LIS capital application and funding round is run in 2021/22 due to the delay in previous rounds as a result of COVID19.

It is proposed that the Communities Committee capital programme is varied to reflect the transfer of £0.5m of LIS capital funding into capital contingency.

Finance

38. In the Finance Committee, a need has been identified to extend the Computer Equipment Replacement (CERP) programme. The COVID19 pandemic has re-shaped the way that Council employees work and during the past eighteen months more staff have been forced to work remotely thereby impacting upon on the Council's ICT estate.

In 2021/22, a further £2.0m funding is required to ensure that sufficient ICT devices can be purchased to ensure that our workforce can execute their work in an efficient and effective manner with reliable, performant devices. It is proposed that this extension to the CERP programme is funded from COVID19 grant.

It is proposed that the Finance Committee capital programme is varied to reflect the £2.0m additional funding required in 2021/22 to enable the purchase of replacement ICT devices across the Council ICT estate, funded from COVID19 grant.

Financing the Approved Capital Programme

39. 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	17,115	16,243	-	17	33,375
Adult Social Care & Public Health	43	241	-	31	315
Transport & Environment	20,478	37,864	222	940	59,504
Communities	3,920	-	20	42	3,982
Economic Devt & Asset Mngt	27,203	10,996	-	800	38,999
Finance	7,892	-	-	191	8,083
Personnel	151	-	-	-	151
Contingency	2,380	-	-	-	2,380
Total	79,182	65,344	242	2,021	146,789

40. It is anticipated that borrowing in 2021/22 will increase by £19.8m from the forecast in the Budget Report 2020/21 (Council 25/02/2021). This increase is primarily a consequence of:

- £16.7m of net slippage from 2020/21 to 2021/22 and financing adjustments funded by capital allocations.
- Net acceleration in 2021/22 of £3.1m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

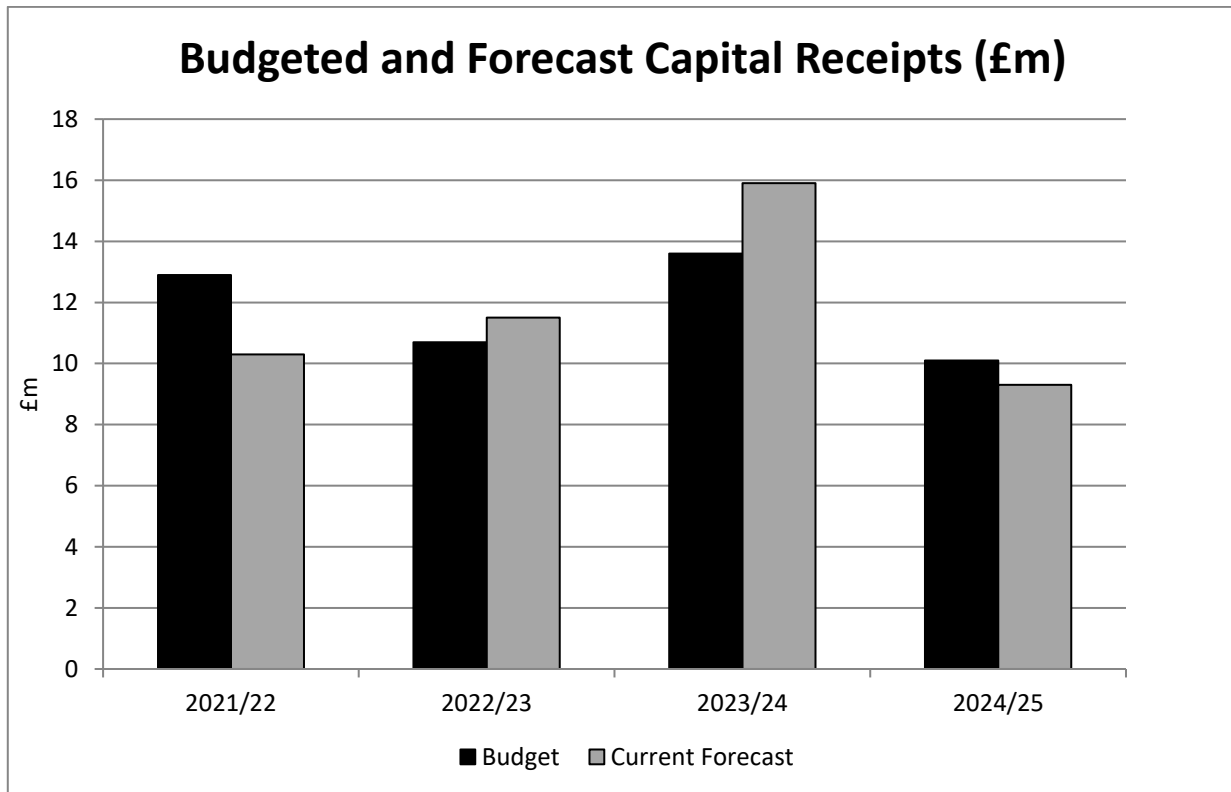
Prudential Indicator Monitoring

41. 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

42. 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.

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



44. 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.

45. The capital receipt forecast for 2021/22 is £10.2m. To date in 2021/22, no capital receipts have been received.

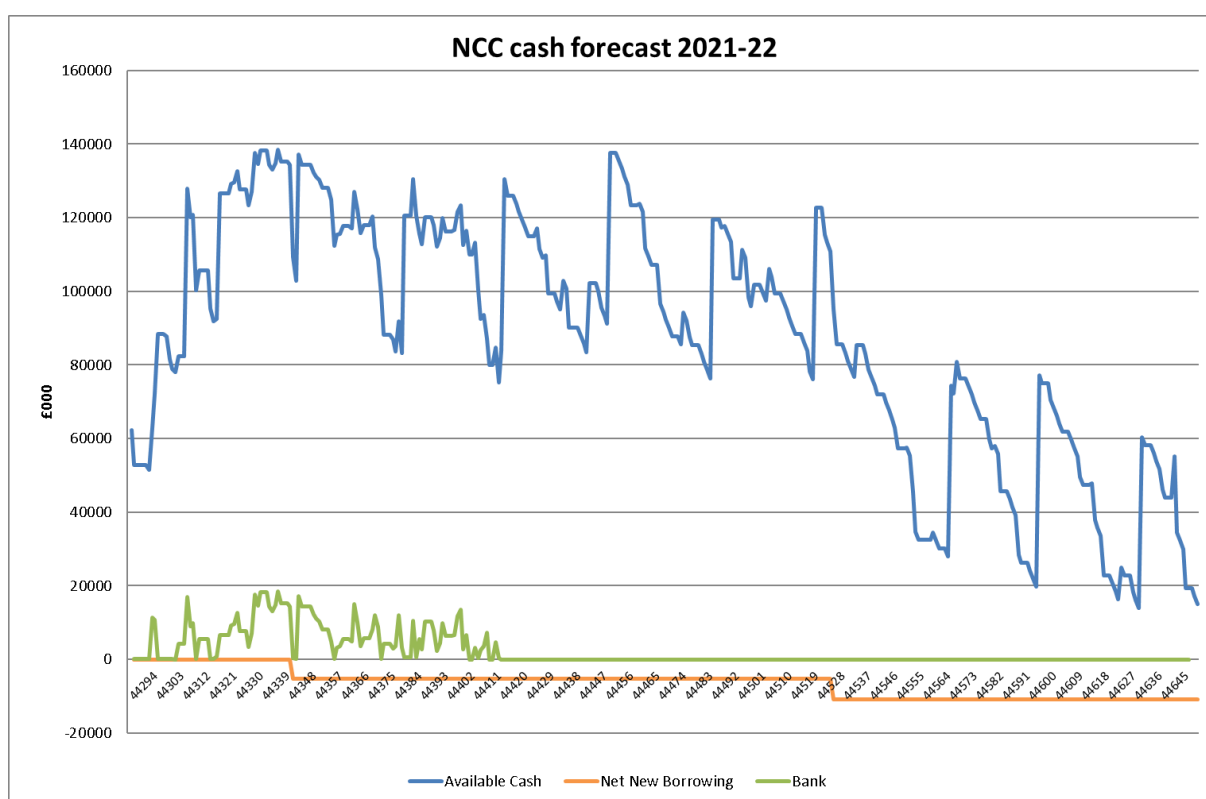
46. The number and size of large anticipated receipts increase the risk that income from property sales will be below the revised forecasts over the next three years. Although the forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales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

47. 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

48. 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).

49. 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.

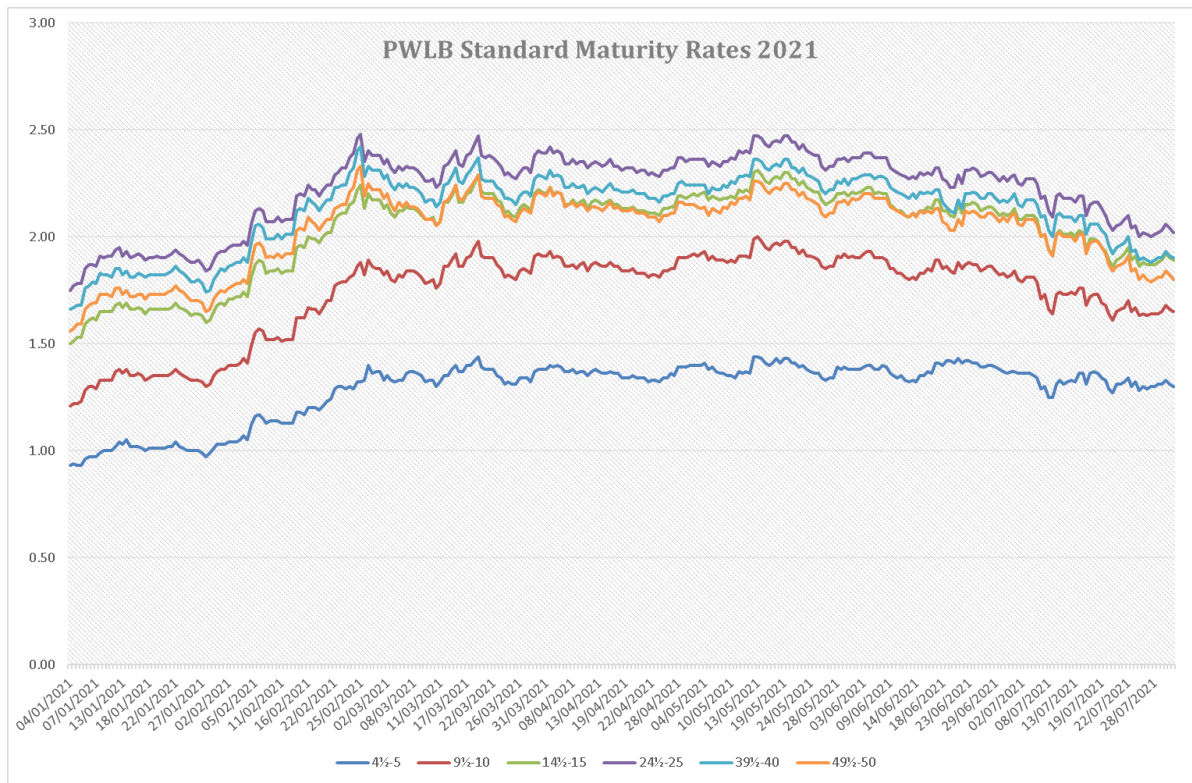


50. The chart above gives the following information:

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.

51. 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.

52. 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.



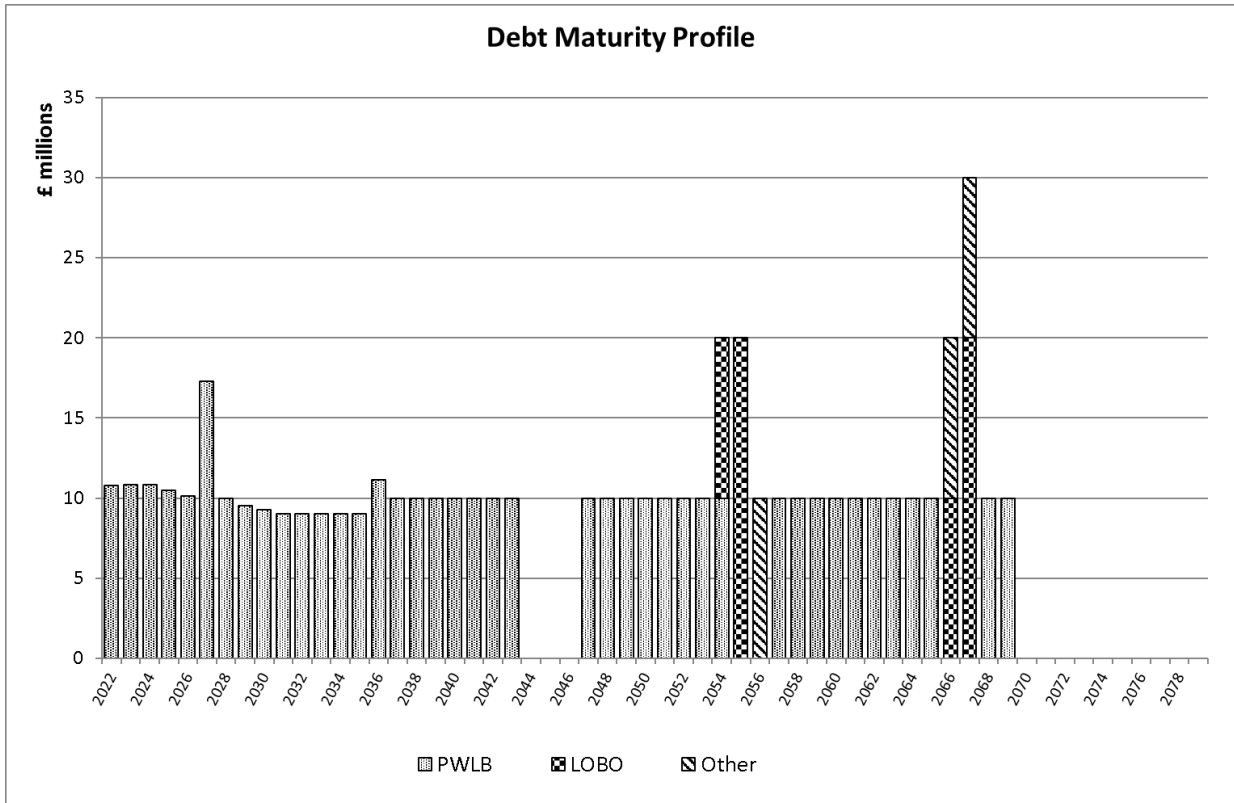
53. Borrowing decisions will take account of a number of factors including:

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

54. 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.

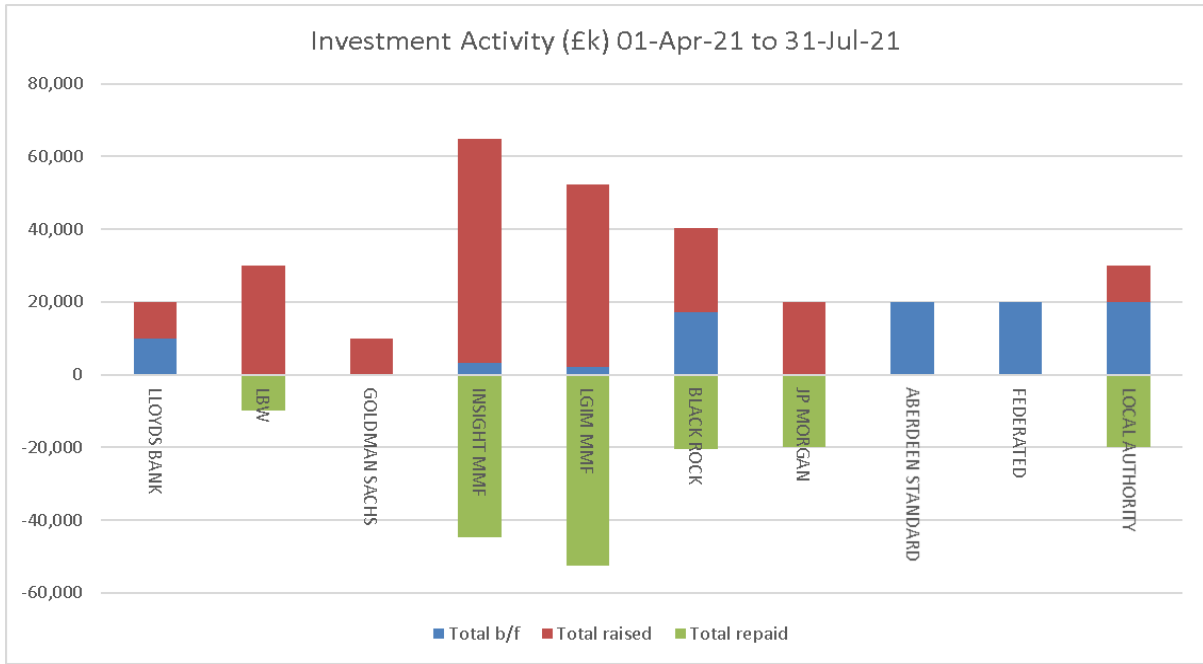
55. Long-term borrowing was also obtained from the market some years ago in the form of ‘Lender’s Options, Borrower’s Options’ loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken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

56. The ‘other’ loans shown in the chart consists of fixed-term loans from Barclays Bank.



57. 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 £140m at the end of July.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
INSIGHT MMF	3,100	61,700	(44,800)	20,000
LLOYDS BANK	10,000	10,000	-	20,000
LBW	-	30,000	(10,000)	20,000
GOLDMAN SACHS	-	10,000	-	10,000
LGIM MMF	2,000	50,400	(52,400)	-
BLACK ROCK	17,100	23,350	(20,450)	20,000
JP MORGAN	-	20,000	(20,000)	-
FEDERATED	20,000	-	-	20,000
LOCAL AUTHORITY	20,000	10,000	(20,000)	10,000
ABERDEEN STANDARD	20,000	-	-	20,000
Total	92,200	215,450	(167,650)	140,000



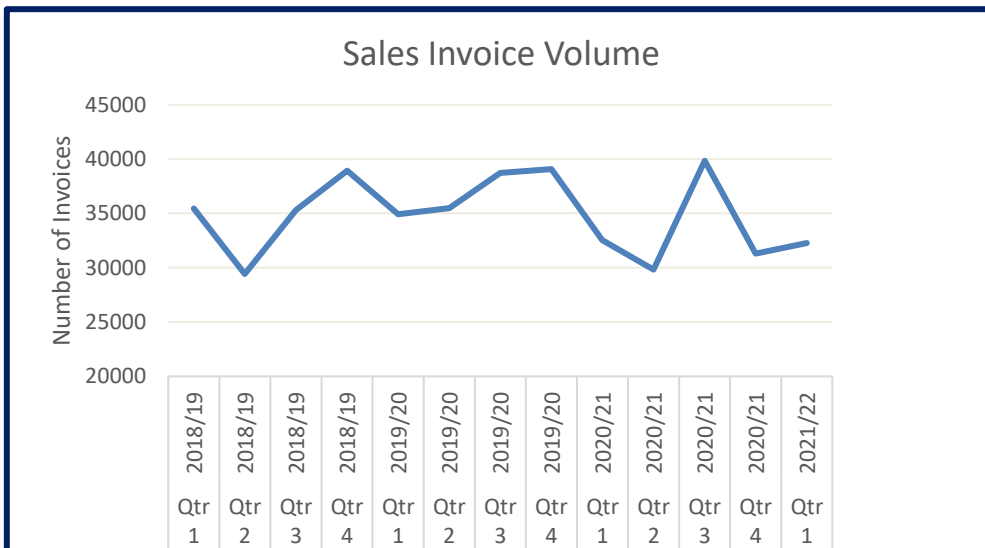
58. As part of the Council's risk management processes all counterparty ratings are regularly monitored and lending restrictions changed accordingly.

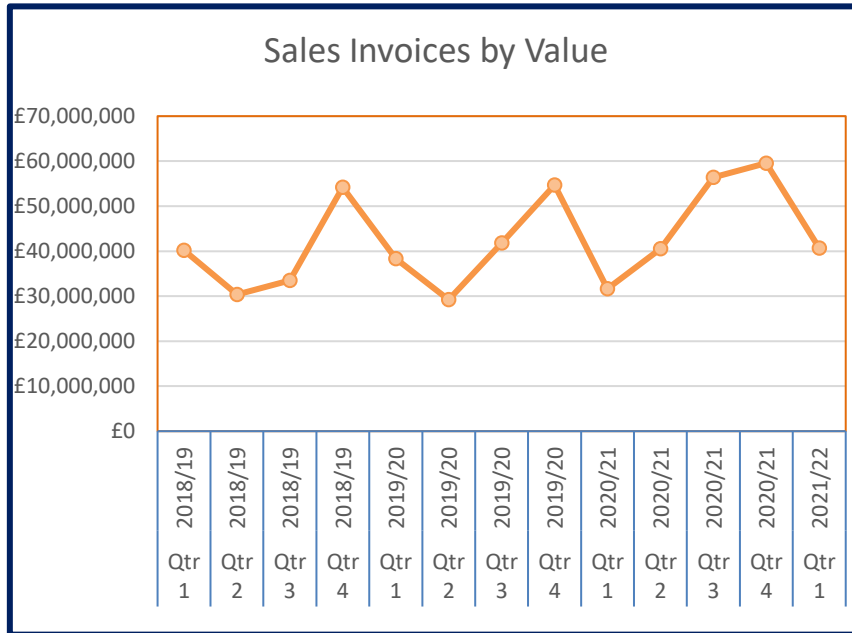
Debt Recovery Performance

59. Sales Invoicing trends during Quarter 1 shows a similar level of activity to Quarter 1 last year. Whereas invoicing values are showing significantly higher with an increase of £9m.

Invoices Raised in Quarter

	Quarter 1	Year to date
Number	32,277	32,277
Value	£40,651,144	£40,651,144





Debt Position Q1

60. Throughout Quarter 1, the debt recovery team have continued to perform pre-COVID19 work processes with regular dunning and debtor contacting strategies.

	Residential & Domiciliary Care (Statutory Debtors)	All Other (Non-Statutory Debtors)	Total
Total	£13,745,838	£14,060,694	£27,806,531
Over 6 months	£7,680,690	£835,206	£8,515,896
% over 6 months	55.9%	5.9%	30.6%

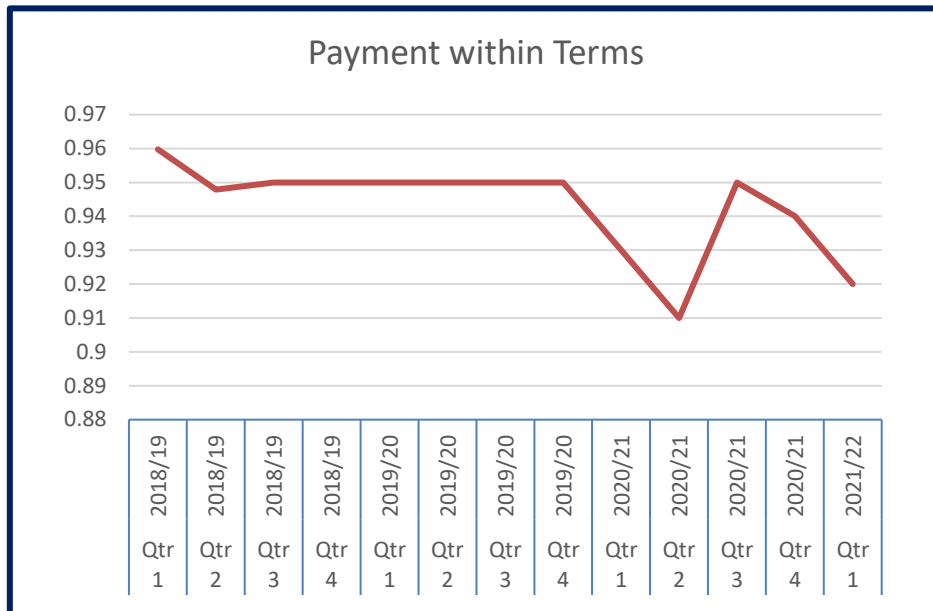
61. The residential and domiciliary debt figures continue to be influenced by full cost invoices to service users that have not yet joined the deferred payments scheme. The resulting debts are a direct effect of the changes brought about by the Care Act. These users are charged full costs for their care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

No of Accounts	Total Debt
70	£1.89m

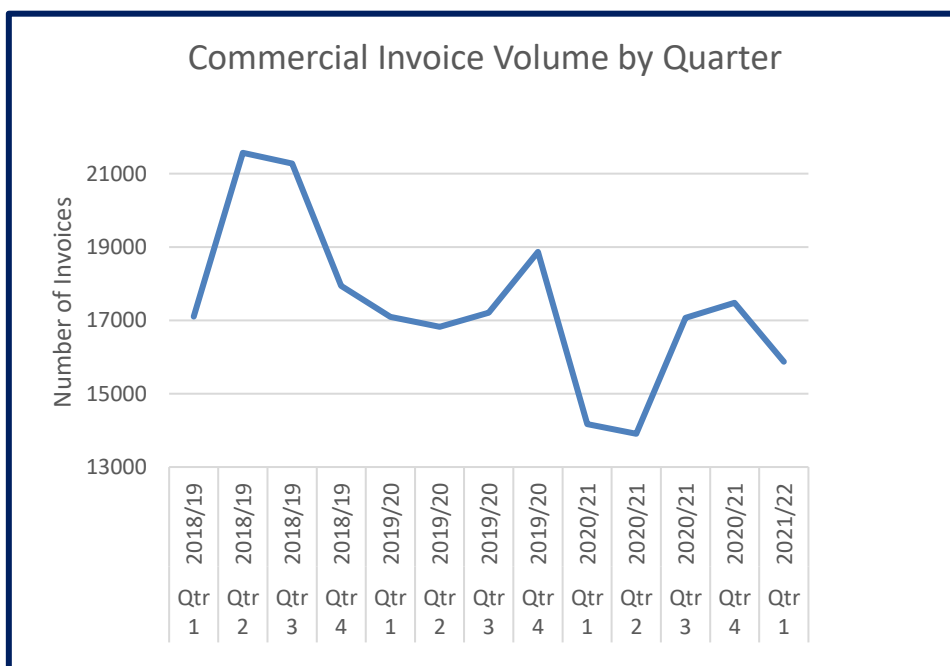
62. The debtor write-off total during Quarter 1 was £33k for 80 accounts, making the write off total to date for 21/22 £33k against 80 accounts.

Accounts Payable (AP) Performance

63. Payment performance for Quarter 1 has been recorded at 92%. This takes account of any known disputed invoices that were paid during Quarter 1 and therefore not counted as a failure against payment terms.

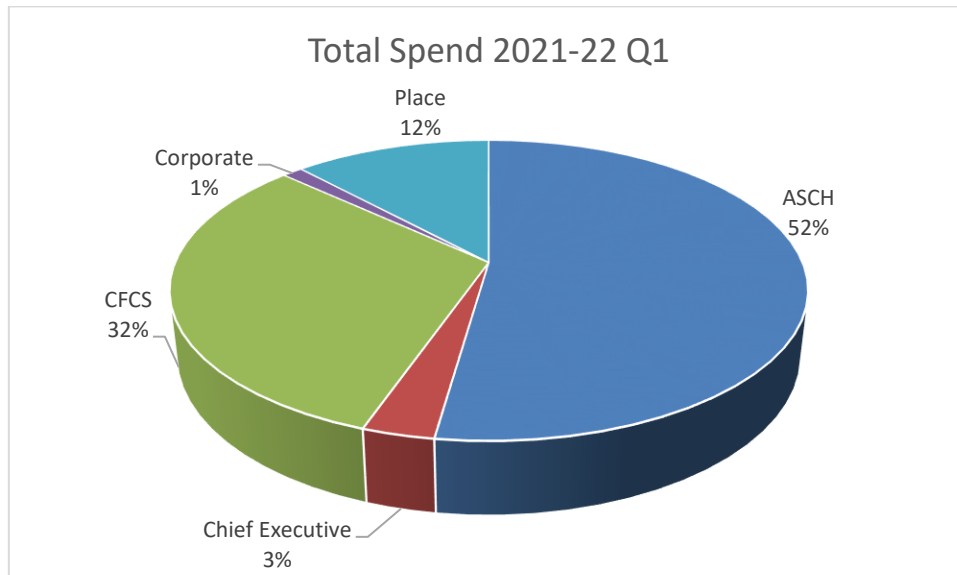


64. The volume of commercial invoices processed for Quarter 1 is 15,872 and shows a 12% increase from this time last year.



Procurement Performance

65. As an organisation, the Authority has spent £133.1m in the first quarter of the financial year 2021/22 with external suppliers. This represents a decrease of £15m when compared with the same period of the previous financial year. The top 16.6% (501) of suppliers account for 80% (106.5m) of the total supplier spend. The remaining 83.4% (2525 suppliers) have a total expenditure of £26.6m with an average spend of £10,546. The chart below shows the total amount spent in the period by Directorate. ASCH has the highest level of expenditure at 52%, followed by Children's and Families which makes up a further 32%.

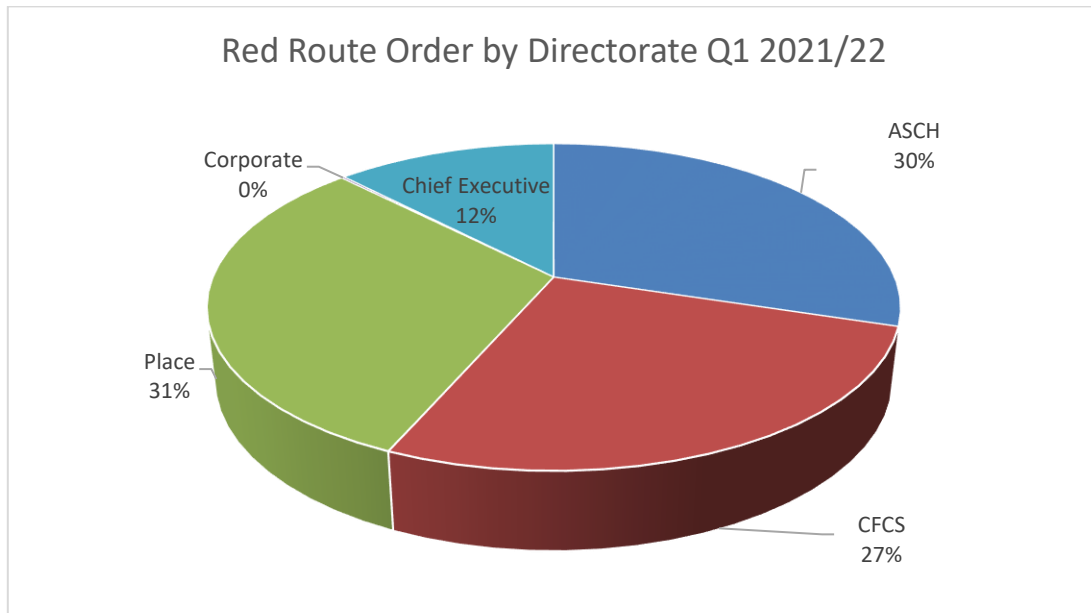


66. The Authority’s primary ordering route is through the Business Management System (BMS). Orders that are processed through BMS are classified as ‘Compliant’, whilst purchases made outside of the Council’s systems are deemed to be ‘Non-Compliant’. Retrospective orders are also classified as “Non-compliant”,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

The table below shows the number of retrospective orders by month and by Department

Profit Centre	PO Volume APR 2021	PO Volume MAY 2021	PO Volume JUN 2021	Total Q1 2021/22	Total Q1 2020/21
ASCH	56	72	38	166	147
CFCS	126	152	127	405	388
Place	177	182	134	493	341
Corporate		13	4	17	22
Chief Executive	66	75	92	233	244
Total	424	494	395	1,313	1142

67. 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 in BMS and require additional work. When compared with the same period in the previous financial year, the volume of ‘Red’ orders has increased from 4444 to 5356. The chart below identifies the percentage of Red Route orders by Directorate in Q1 of the 2021/22 financial year. The Procurement Team continue to work with stakeholders to improve these figures.



Statutory and Policy Implications

68. 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 variations to the capital programme.
- 4) To comment on the Council's Balance Sheet transactions.
- 5) To comment on the performance of the Accounts Payable and Accounts Receivable teams.
- 6) To comment on the performance of the Procurement Team.

Nigel Stevenson Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact:
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 Tamsin Rabbitts - Senior Accountant, Pensions and Treasury Management

Constitutional Comments (GR 26/08/2021)

69. Pursuant to the County Councils constitution this committee has the delegated authority to receive and approve the recommendations contained within this report.

Financial Comments (GB 19/08/2021)

70. 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