

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

FINANCIAL MONITORING REPORT: PERIOD 6 2021/22

Purpose of the Report

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

**Information
Background**

4. 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.
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. 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.
6. 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.
7. 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

8. The table below summarises the revenue budgets for each Committee for the current financial year. An underspend of £1.8m is currently predicted against the revised budget estimate following allocation of COVID19 grant to mitigate pandemic cost pressures. 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 5 £'000	Committee	Revised Annual Budget £'000	Actual to Period 6 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
2,051	Children & Young People	155,487	62,720	157,665	2,178
(260)	Adult Social Care & Public Health	219,120	60,598	215,921	(3,199)
(1,028)	Transport & Environment	112,732	40,621	112,406	(326)
(569)	Communities	18,464	2,766	17,693	(771)
(323)	Economic Development & Asset Management	21,273	7,545	20,889	(384)
72	Policy	3,058	2,757	3,054	(4)
(28)	Finance	15,632	5,871	15,779	147
39	Governance & Ethics	7,727	3,739	7,821	94
(454)	Personnel	18,348	10,342	17,811	(537)
(500)	Net Committee (under)/overspend	571,841	196,959	569,039	(2,802)
	- Central items	(34,422)	(32,262)	(34,422)	-
	- Schools Expenditure	830	-	830	-
(164)	Contribution to/(from) Traders	885	2,375	1,003	118
(664)	Forecast prior to use of reserves	539,134	167,072	536,450	(2,684)
	- Transfer to / (from) Corporate Reserves	(1,341)	-	(1,341)	-
892	Transfer to / (from) Departmental Reserves	(7,476)	(348)	(6,591)	885
	- Transfer to / (from) General Fund	-	-	-	-
228	Net County Council Budget Requirement	530,317	166,724	528,518	(1,799)

Committee and Central Items

COVID19 Pressures

9. 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.
10. Nottinghamshire County Council's DELTA16 return was submitted on 24 September 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 (£2.2m overspend)

11. The underlying overspend is £2.2m after planned use of grant reserves and initial funding for additional costs related to COVID19.
12. The Youth Families and Social Work Division is forecasting an overspend of £0.3m. This mainly arises due to overspends on Looked After Children placements.
13. The Commissioning and Resources Division is forecasting an overspend of £1.9m, which relates to a forecast overspend on external LAC placement costs and the additional costs of children transferred from Minster View which is temporarily closed offset by a reduction in Children's Centre costs and other budgets. A report on the Minster View position is being finalised and will be reported to Children and Young People's Committee in December.

Adult Social Care & Public Health (£3.2m underspend)

14. The Adult Social Care and Public Health Department budget is currently forecasting an underspend of £3.2m, with the main reasons for the increase in underspend from last month being difficulties in recruiting to temporary and permanent vacancies (£0.8m), additional Direct Payment recoups (£0.9m), reductions in homecare commitments in Ageing Well (£0.5m) and predicted need / transition costs in Living Well (£0.5m).
15. The overall position is due to an underspend on Direct & Provider Services (£0.6m) mainly due to staffing vacancies, an underspend in Ageing Well (£2.2m) due to additional client contributions and continuing Discharge to Access (D2A) funding, an overspend in Living Well (£0.6m) due to increased costs of predicted needs and transitions and a net underspend across other budgets (£0.6m).
16. Public Health is underspending by £0.4m, which is offset by reserves movements. This is due to underspends on Sexual health, Substance misuse, Domestic violence and Mental health.
17. Staff turnover and difficulties in recruiting to vacant posts are a risk to service delivery and further mitigations are being reviewed to identify any actions that can be taken to improve the situation.

Communities (£0.8m underspend)

18. The £0.8m forecast underspend comprises an underspend within Trading Standards (£0.8m), predominantly due to an underspend on the revenue and capital LIS Schemes. In addition, there is a forecast underspend in Registrars (£0.3m) 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 (£0.3m).

Personnel (£0.5m underspend)

19. The £0.5m forecast underspend comprises an overspend within Corporate HR (£0.2m) due to maternity cover costs, an underspend in Business Support (£0.4m) due to staff vacancies and an underspend on Apprentices / Trainees (£0.2m) due to delays in recruitment as a result of the COVID19 pandemic and a small underspend (£0.1m) in document services as a result of efficiencies.

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. 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 £1.8m.

23. Table 1 assumes that the remaining contingency budget will be utilised in full for future requests.

Main areas of risk to the forecast

24. 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.

25. 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

26. 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

27. 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

28. 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	12,681	
		12,681
Variations funded from other sources : Net variation from 2020/21 and financing adjustments	24,381	
		24,381
Revised Gross Capital Programme		145,585

29. Table 3 shows actual capital expenditure to date against the forecast outturn at Period 6.

Table 3 – Capital Expenditure and Forecasts as at Period 6

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 6 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People's	33,490	7,924	30,494	(2,996)
Adult Social Care & Public Health	955	256	955	-
Transport & Environment	57,052	19,533	66,121	9,069
Communities	3,482	381	2,665	(817)
Economic Devt & Asset Mngt	37,968	8,673	37,001	(967)
Finance	10,083	4,993	10,083	-
Personnel	151	33	151	-
Contingency	2,404	-	2,404	-
Total	145,585	41,793	149,874	4,289

Children and Young People's

30. In the Children and Young People's Committee, a forecast underspend of £3.0m has been identified. This relates mainly to the Schools Place Programme (£2.5m) where re-profiling is required as commitments to projects at Academies are not now expected to be made until future financial years. There is also an underspend of £0.5m against the Sharphill School capital project. It is proposed that this funding is transferred back into the School Places capital programme.

It is proposed that the Children and Young People's capital programme is varied to reflect that the £0.5m underspend against the Sharphill School capital project is transferred back into the School Places capital project.

Transport and Environment

31. In the Transport and Environment Committee, an overspend of £9.1m has been identified. This mainly relates to an £8.6m forecast overspend against the Gedling Access Road project, as reported in the Gedling Access Road Progress report to this Committee meeting. In addition, the latest Salix programme to provide more energy efficient street lighting across the county has accelerated. As a result, £0.8m funding is required to be brought forward from 2022/23 into the current financial year.

32. The two forecast increases identified above are offset by £0.5m slippage against the 2021/22 Flood Alleviation and Drainage programme as delays have arisen due to technical product testing by a supplier.

It is proposed that the Transport and Environment capital programme is varied to reflect the £0.8m required acceleration against the Salix Street Lighting programme and the £0.5m slippage identified against the Flood Alleviation and Drainage programme.

33. Also, in the Transport and Environment Committee, the Authority has received £0.3m Department for Transport capital grant funding to improve traffic signal improvements across the county.

It is proposed that the Transport and Environment capital programme is varied to reflect the £0.3m external funding received to improve traffic signal improvements across the county.

34. At Finance Committee in January 2021, the Transport and Environment Committee capital programme was varied to include the £1.7m Active Travel Fund (ATF) capital grant received from the Department for Transport. This grant is being used to deliver interventions to encourage more walking and cycling across the Council. It is proposed that £0.4m of the Integrated Transport Measures budget plus £0.5m of the ATF revenue budget is used to further this programme of work.

It is proposed that the Transport and Environment capital programme is varied to reflect £0.5m of ATF revenue budget that will be used to fund capital expenditure as well as the £0.4m contribution from the Integrated Transport Measures budget to further the ATF capital programme.

Communities

35. In the Communities Committee, a forecast underspend of £0.8m has been identified. This relates to slippage identified against the Libraries and Archives ICT Replacement programme as an element of the works will now be undertaken in the next financial year.

It is proposed that the Communities capital programme is varied to reflect the £0.8m slippage identified against the Libraries and Archives ICT Replacement programme.

Economic Development & Asset Management (EDAM)

36. In the Economic Development and Asset Management Committee, an underspend of £0.9m has been identified which relates to the Site Clearance programme. This relates to re-profiling of expenditure pending a review of all site clearance projects.

It is proposed that the Economic Development and Asset Management Committee capital programme is varied to reflect the £0.9m re-profiling of the Site Clearance programme.

37. Also, in the Economic Development and Asset Management Committee, a report was presented to EDAM Committee on 2 November 2021 seeking approval to the £0.6m purchase of land for the purposes of woodland planting. It was proposed that this purchase of land is funded from Department for Environment Food and Rural Affairs external funding.

It is proposed that the Economic Development and Asset Management Committee capital programme is varied to reflect the £0.6m purchase of land for the purposes of woodland planting, funded from external funding.

38. The Council has also been successful in securing £0.3m of Local Authority Treescapes Funding from the Forestry Commission which will be used to fund the planting of trees across the county.

It is proposed that the Economic Development and Asset Management Committee capital programme is varied to reflect the £0.3m Local Authority Treescapes Funding from the Forestry Commission.

39. A report was submitted to the Economic Development and Asset Management Committee on 2 November 2021 that updated the Committee on progress made in delivering the Investing in Nottinghamshire programme. The report set out that the estimated costs of the reviewed programme has been reduced from £27.7m to £22.6m. As such, the capital programme will be amended to reflect both the lower estimated programme cost as well as the revised profiled spend with the excess capital allocation transferring into capital contingency.

Financing the Approved Capital Programme

40. 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	16,358	-	17	33,490
Adult Social Care & Public Health	43	881	-	31	955
Transport & Environment	17,958	37,932	222	940	57,052
Communities	3,420	-	20	42	3,482
Economic Devt & Asset Mngt	26,172	10,996	-	800	37,968
Finance	7,892	2,000	-	191	10,083
Personnel	151	-	-	-	151
Contingency	2,404	-	-	-	2,404
Total	16,358	68,167	242	2,021	145,585

41. It is anticipated that the level of capital allocations used in 2021/22 will increase by £8.6m from the forecast in the Budget Report 2020/21 (Council 25/02/2021). This increase is primarily a consequence of:

- £12.7m of net slippage from 2020/21 to 2021/22 and financing adjustments funded by capital allocations.
- Net slippage in 2021/22 of £4.1m of capital expenditure funded by capital allocation identified as part of the departmental capital monitoring exercise.

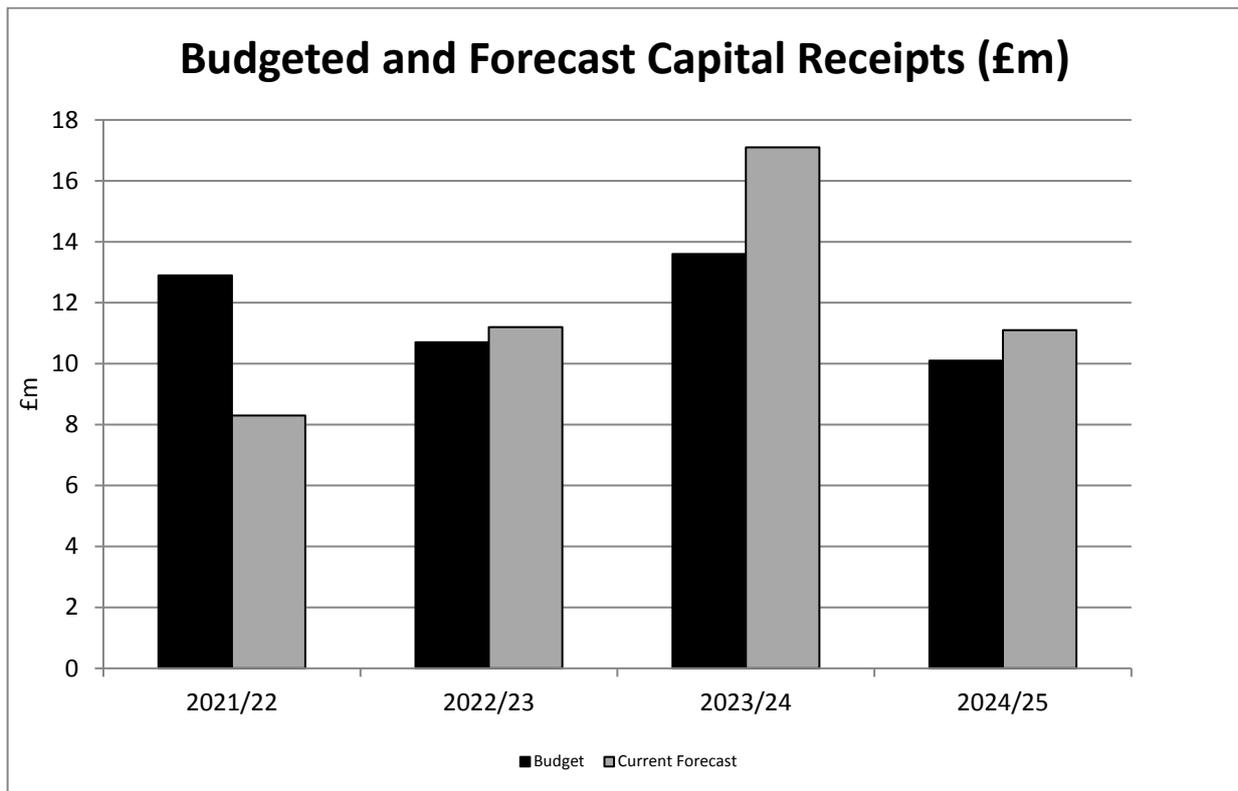
Prudential Indicator Monitoring

42. 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

43. 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.

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



45. 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.

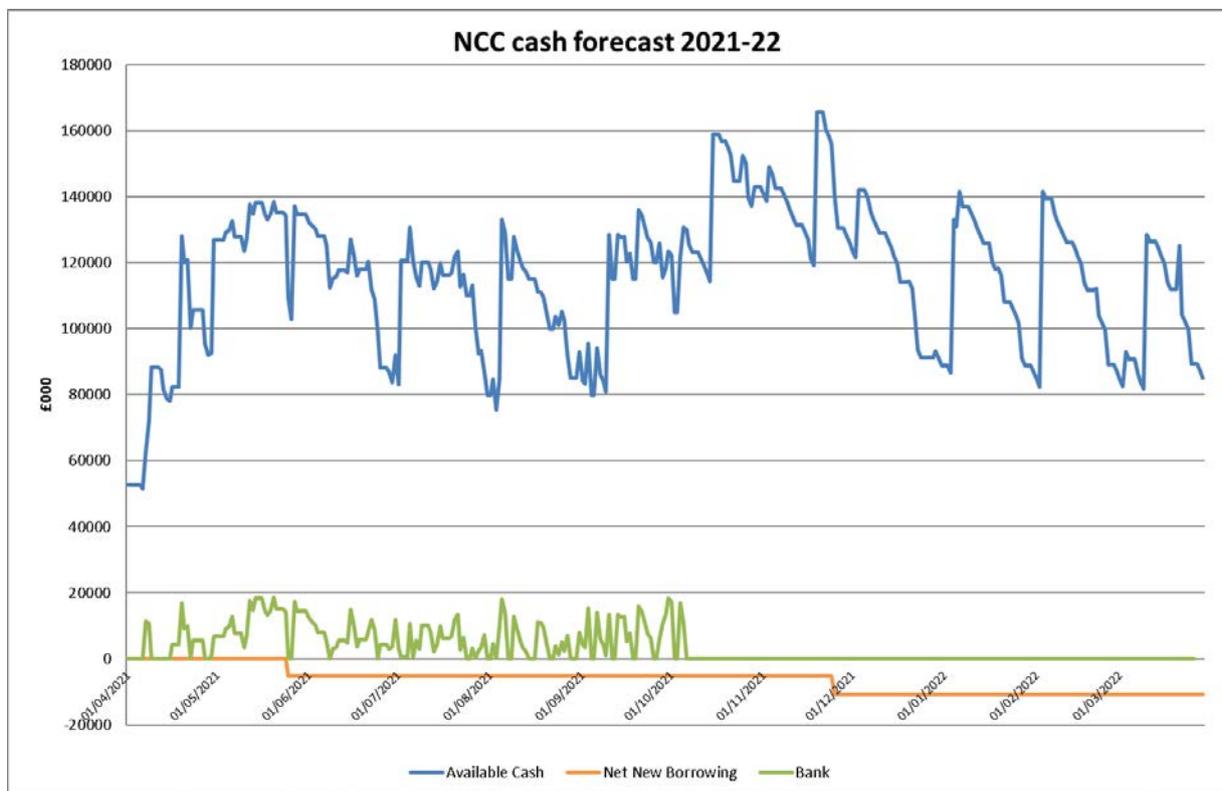
46. The capital receipt forecast for 2021/22 is £8.3m. As at the end of Period 6, £4.2m of capital receipts have been received.

47. 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 at this stage that the forecast capital receipts will be achieved.

48. 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

49. 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).
50. 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.

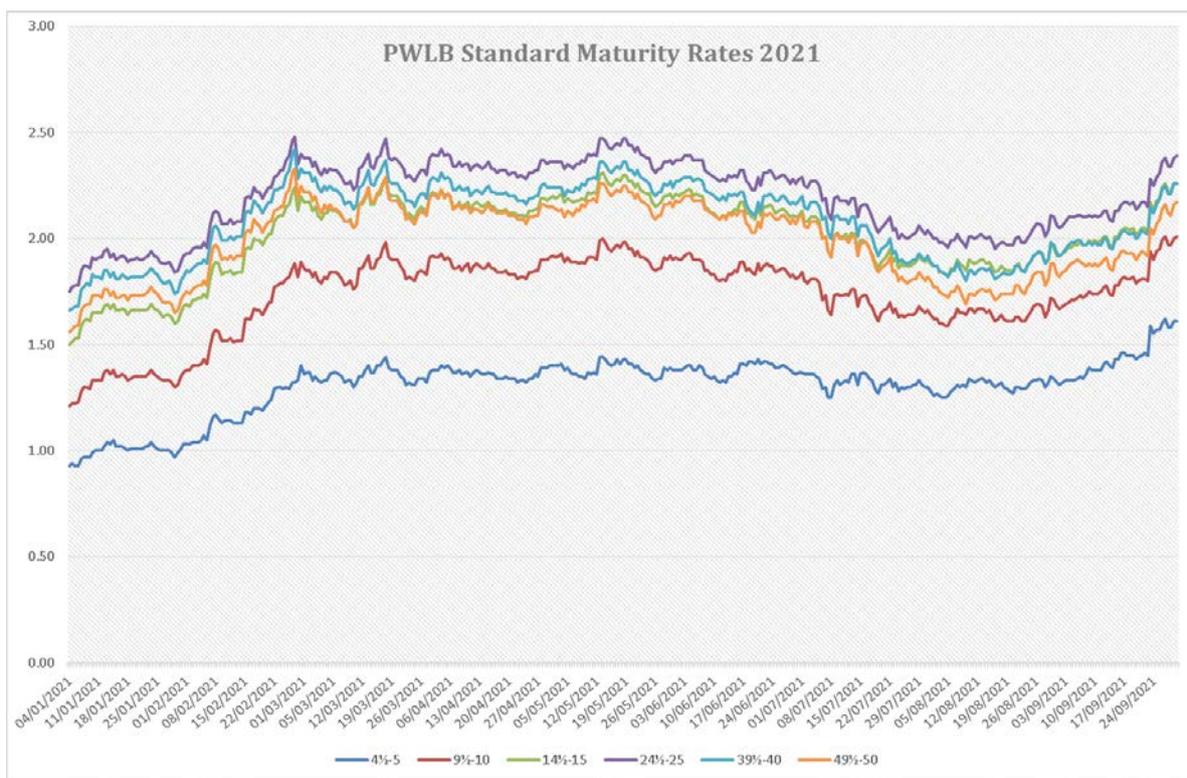


51. The chart above gives the following information:

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.

52. 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.

53. 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.



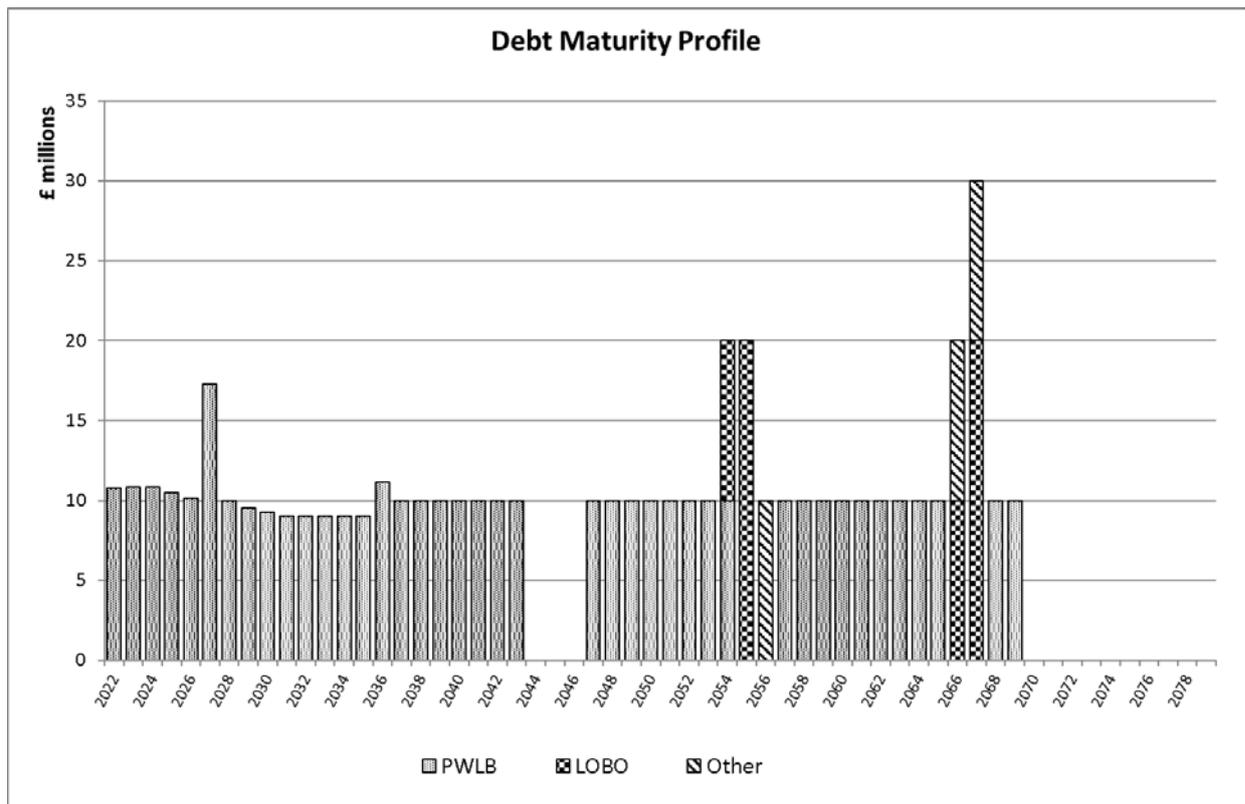
54. Borrowing decisions will take account of a number of factors including:

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

55. 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.

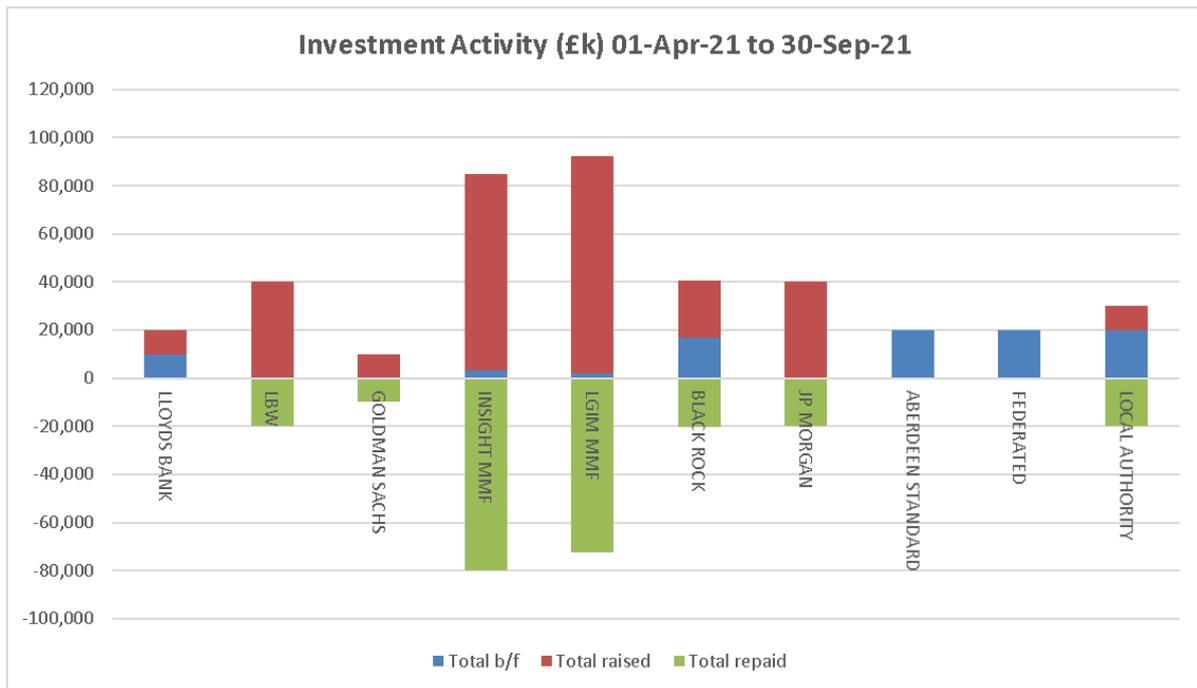
56. Long-term borrowing was also obtained from the market some years ago in the form of ‘Lender’s Options, Borrower’s Options’ loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the loan) and were all taken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

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



58. 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 £155m at the end of September.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
INSIGHT MMF	3,100	81,700	(79,800)	5,000
LLOYDS BANK	10,000	10,000	-	20,000
LBW	-	40,000	(20,000)	20,000
GOLDMAN SACHS	-	10,000	(10,000)	-
LGIM MMF	2,000	90,400	(72,400)	20,000
BLACK ROCK	17,100	23,350	(20,450)	20,000
JP MORGAN	-	40,000	(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	305,450	(242,650)	155,000



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

Statutory and Policy Implications

60. 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 note the revenue budget expenditure to date and year-end forecasts.
- 2) To note the capital programme expenditure to date, year-end forecasts and approve variations to the capital programme.
- 3) To note the Council's Balance Sheet transactions.

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For any enquiries about this report please contact:

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Constitutional Comments (SSR 02/11/2021)

61. The recommendations set out in this report are within the remit of the Finance Committee.

Financial Comments (GB 20/10/2021)

62. 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

