Nottinghamshire County Council

Report to Finance & Property Committee
22 April 2013

Agenda Item:

REPORT OF THE SERVICE DIRECTOR – FINANCE & PROCUREMENT

FINANCIAL MONITORING REPORT

Purpose of the Report

1.1 To provide a summary of the financial position of the County Council for the year to date including year-end forecasts.

1.2 To note the Capital Programme expenditure and latest forecasts.

Information and Advice

2. Background

2.1 This report is part of the regular financial monitoring reporting cycle and is the last monitoring of the year before the Council's final outturn report for 2012-13.

3. Summary Financial Position

3.1 At the beginning of the current financial year, the Corporate Leadership Team took a decision to hold back an element of the base budget, in a central contingency, in light of the previous financial year's savings. This amounted to £9.25m and was in addition to the already established corporate contingency. It was agreed that if this money was required to offset in-year spending pressures, it would be released back to the relevant departments. Given that this trend has been consistent over the financial year to date, the £4m that was held centrally relating to Children and Young People has now been transferred back to the department.

3.2 As previously reported, earmarked reserves have been set aside in previous financial years from both Children and Young People and Adults Social Care & Health to fund part of the expenditure being incurred in the current year. As detailed below, this reduces the overall position in Children and Young People to less than £2m and just over £2m in Adults Social Care. Based upon the County Council's financial performance in recent years, the level of savings achieved in year is expected to remain at a level that more than offsets this.

3.3 After the budgeted contribution to the General Fund of £4.9m, the forecast out-turn position overall for the County Council is a saving of £9.7m. This is an increase in the expected saving of £1.6m since the last monitoring report.

3.4 Table 1 summarises the revenue position of the County Council.

Table 1 – Summary Financial Position

Previously reported Variance £'000	Committee	Annual Budget £'000	Actual to Period 11 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
2,591	Children & Young People	160,458	124,146	162,383	1,925
2,074	Adult Social Care & Health	195,009	174,367	197,197	2,188
(98)	Transport & Highways	61,302	54,838	61,710	408
487	Environment & Sustainability	27,596	22,612	27,858	262
(57)	Community Safety	4,178	2,784	4,047	(131)
338	Culture	14,382	11,776	14,585	203
(545)	Policy	27,020	24,828	26,656	(364)
(537)	Finance & Property	29,871	28,455	29,240	(631)
(953)	Personnel	4,375	1,686	3,407	(968)
(21)	Economic Development	864	671	843	(21)
3,279	**Net Committee (under)/overspend**	525,055	446,163	527,926	2,871
(11,600)	Central items	(28,131)	(17,519)	(46,031)	(17,900)
(8,321)	**Forecast prior to use of reserves**	**496,924**	**428,644**	**481,895**	**(15,029)**
Expenditure funded by Reserves					
(1,289)	Adult Social Care & Health	7,929	3,571	6,067	(1,862)
Contribution from Reserves					
(600)	Children & Young People	0	0	(424)	(424)
1,289	Adult Social Care & Health	(7,929)	0	(6,067)	1,862
(309)	Culture	0	0	(114)	(114)
(909)	**Total impact of Departmental reserves transfers**	**0**	**3,571**	**(538)**	**(538)**
1,201	Transfer to / (from) Corporate reserves	(2,690)	(1,733)	3,217	5,907
0	Transfer to / (from) General Fund	4,930	0	4,930	0
(8,029)	**Net County Council**	**499,164**	**430,482**	**489,504**	**(9,660)**

4. Committee and Central Items

4.1 The main variations that have been identified are explained in the following section.

Children and Young People
(forecast £1.501m net overspend, after the application of reserves)

4.2 Children's Social Care division is reporting a forecast net overspending of £4.2m due to the continuing demands on all areas of the service, the main components of this being:

- £1.3m on external placements (£1.7m in period 10)
- £1.7m on agency staff, with continuing problems around filling vacancies, particularly in social work teams and the Safeguarding and Independent Review Service
- £0.9m on legal fees

4.3 Youth Families & Culture division is reporting a forecast net underspend of £2.0m. This is expected to be achieved through:

- £2.4m underspend due to savings around the new commissioning arrangements for the Early Years and Early Intervention Service.
- £0.8m underspend on the Targeted Support and Youth Justice, & Young People's, Services due to vacancy savings (£0.4m in each)
- (Offset by) overspends within the Executive Support Budget relating to the non-achievement of business case savings & under provision in staffing budgets, all of which have been addressed for 2013-14 as part of the Base Budget Review

4.4 Education Standards and Inclusion division is reporting a forecast net underspend of £0.2m consisting of:

- £0.4m underspend against the budget for the Preferred Travel Scheme
- £0.1m underspend on statutory school transport
- £0.3m overspend on Special Educational Needs home to school transport

Adult Social Care & Health
(forecast £2.188m net overspend after the application of reserves)

4.5 The ASCH Committee budget contained a planned use of £7.9m of earmarked reserves to fund specific projects and posts within the department. There has been some delay and slippage with these projects and posts, so the latest forecast against reserves is £6.1 million. The impact of both the expenditure and financing of these projects and posts is shown separate to the base Committee spend, and can be seen in the middle section of Table 1. The net overspend of £2.2m is prior to the application of any of the £8m corporate contingency budget held for Adult Social Care & Health.

4.6 Joint Commissioning division is forecast to be overspent by £2.0m against the base budget. This is comprised of a forecast shortfall of £2.8m in Client Contribution Income compared to this year's budget, a £0.4m overspend on County Enterprise Foods and a £0.1m overspend on the Integrated Community Equipment Service (ICES) Pooled Budget. This is offset by a £0.4m underspend on Business Support and a £0.9m underspend on Commissioning.

4.7 Older Adults division is currently reporting a forecast overspend of £0.5m against the base budget. This is primarily due to forecast overspends on Community Care of £1.9m. This is partially offset by a forecast underspend of £1.0m on the Service Directors development budget and slippage on the refurbishment of the Care and Support Centres of £0.4m.

4.8 Younger Adults division is currently reporting a forecast underspend of £0.3m against the base budget. This is comprised of forecast underspends of £0.7m within the Service Director's budget, £0.4m within Day Services, £0.3m in Learning Disability Residential Units and £0.2m within Physical Disability. These forecast underspends are partly offset by a forecast shortfall on Continuing Health Care income of £1.0m and a forecast overspend of £0.3m on Mental Health.

4.9 Members are asked to note that the County Council has recently received £10.5m from Health Partners in the form of Section 256 agreements to be used for specific purposes. The £0.5m from Bassetlaw PCT will be used in the current financial year and so has been included within the forecast above. The remaining £10m from County PCT is for use on future projects and so will be put into earmarked reserves for the use specified by the agreements. Therefore it has not been included in the above forecast.

Transport & Highways (forecast £0.408m net overspend)

4.10 The net reported overspend is caused by additional costs on winter service of £0.6m due to the exceptional weather conditions requiring additional salt use and out of hours delivery of service needed. In addition, overspends in Road Lighting energy of £0.4m due to higher tariff costs being incurred; along with additional expenditure on verges and hedges £0.3m (including the £0.15m A57 project); repairs following accidents and vandalism £0.4m and traffic costs of £0.2m associated with the Jubilee and Olympic torch route events. This is mainly offset by vacancy savings in relation to posts in the Highways Division, together with additional Section 38 income towards the cost of inspecting new developments.

Policy (forecast £0.843m net overspend, after the Improvement Programme reserve £1.207m)

4.11 The main variance within this Committee relates to £1.2m within the Improvement Programme due to slippage in the Ways of Working Programme. The Improvement Programme reserve will be adjusted to reflect this delay in spend to 2013/14. Offset against this is an overspend on staffing costs within the Business Support Centre.

Finance & Property (forecast £0.631m net underspend)

4.12 The Finance & Property Committee is forecast to underspend by £0.6m; of which £0.3m is due to vacancies within Financial Services and IT Services, partly offset in IT by additional line rentals. Procurement is forecast to under-spend by £0.3m due to additional income received centrally following investigation of payments.

Personnel (forecast £0.968m net underspend)

4.13 The variance within this Committee is due to savings on training costs within the Workforce and Organisational Development budget and vacancies held within the HR service to ensure early delivery of the savings for 2013/14 and that these can be achieved through voluntary redundancy.

Central Items (forecast £13.2m net saving, after £4.7m transfer to reserves)

4.14 Central Items primarily consists of interest and payments on cash balances and borrowing, together with various grants and contingency.

4.15 Interest payments are currently forecast to be £4.2m less than the original budget. This is primarily due to slippage on the capital programme, together with higher cash balances during 2012/13 than originally expected, resulting in a reduction in the Council's borrowing requirement.

4.16 The 2012/13 Contingency budget was originally set at £15.6m, of which, £10.0m was earmarked for redundancy. As reported at paragraph 3.1, the budget has increased by a net £5.25m following departmental transfers. The total contingency budget is therefore £20.85m.

4.17 Redundancy payments made in the current financial year to date total £6.0m. A further £0.5m is expected to paid in the remainder of the year, taking the total forecast, including pension strain, to £6.5m. This is lower than previous expectations, which were based on average payments per employee. The 2011/12 provision of £5.2m will be used to meet part of this expense.

4.18 A new Section 188 notice was published on 31 October 2012 and the consultation period for this concluded on 29 January 2013. Although the related costs are likely to fall in the new financial year, the County Council will have to make a provision in 2012/13 for the expected redundancy costs of 2013/14. The size of the provision is based on the number of posts affected and the average redundancy cost in 2012/13. An initial estimate equates this to £4m and this figure has been included in the current forecast. Given that there is a £10m redundancy contingency, it is possible that up to £4.7m will be available, and, subject to approval, this may be transferred to the Redundancy reserve, for future years use. The final figures will not be known until the end of the financial year - should the final figure vary from this, the balance transferred will be adjusted as appropriate. The figure in Table 1 includes the £4.7m estimate in the use of reserves line.

4.19 Approved requests against the general contingency to date total £2.7m, a list of approved schemes is included at Appendix A. No further requests have been submitted since the previous financial monitoring report.

Transfer to/from Reserves (forecast £1.2 net overspend)

4.20 Due to slippage in the Improvement Programme, £1.2m will be required in 2013/14, as referred to in paragraph 4.11 above.

Transfer to/from General Fund (forecast in line with budget)

4.21 The latest forecast includes the budgeted £4.9m contribution to General Fund balances. Given the forecast underspend, a further contribution to General Fund balances and Capital Projects reserve will be made. The 2013/14 budget report to Council (28/02/13) assumed an underspend of at least £7m would occur, with £2m to be contributed to General Fund balances and £5m to the capital projects reserve. Future years funding has taken this into account.

5. Progress with savings and risks to the forecast

5.1 The Council is now in its second full year of the savings programme having successfully delivered over £70m in 2011/12. The target for the current financial year is £34.8m. Officers monitor the deliverability of individual schemes and targets as part of the budget monitoring process and reflect achievability in the forecast outturn. The base budget review has identified some movement in the savings and realignments have been made to 2013/14 budget where appropriate.

6. Capital Programme

Approved Capital Programme

6.1 Table 2 summarises changes in the gross Capital Programme for 2012/13 since approval of the original programme in the Budget Report (Council 23/02/12):

Table 2 – Revised Capital Programme for 2012/13

	2012/13	
	£000	**£000**
Approved per Council (Budget Report 2012/13)		**118,622**
Variations funded from County Council Allocations:		
Net slippage from 2011/12 and financing adjustments	13,568	
Approved variations to February Council Report	2,238	
Re-phasing / slippage from 2012/13 to future years	(12,657)	
		3,149
Variations funded from other sources:		
Net slippage from 2011/12 and financing adjustments	67	
Approved variations to February Council Report	(837)	
Re-phasing / slippage from 2012/13 to future years	(3,936)	
		(4,706)
Revised gross Capital Programme		**117,065**

Capital Monitoring

6.2 Table 3 shows actual capital expenditure to date against the forecast outturn at period 11.

Table 3 – Capital Expenditure and Forecasts as at Period 11

Committee	Revised Capital Programme £'000	Actual Expenditure to Period 10 £'000	Forecast Outturn £'000	Expected Variance £'000
Children & Young People	39,854	25,512	39,569	(285)
Adult Social Care & Health	4,418	3,840	4,201	(217)
Transport & Highways	38,602	33,800	38,967	365
Environment & Sustainability	5,171	3,320	5,332	161
Community Safety	3	9	28	25
Culture	5,147	3,449	5,147	0
Policy	8,902	5,794	8,954	52
Finance & Property	14,880	8,455	13,673	(1,207)
Personnel	88	69	88	0
Contingency	0	0	0	0
TOTAL	**117,065**	**84,248**	**115,959**	**(1,106)**

6.3 In Children and Young People's Committee, minor slippage has been identified on both the School Kitchen programme and the Edwinstowe Respite Centre project.

6.4 In Adult Social Care and Health Committee, minor slippage has been identified on both the Day Services Modernisation and Bassetlaw Specialist Day Centre projects.

6.5 In Transport & Highways Committee, there is planned over-programming on Roads Maintenance and Renewals schemes. A corresponding overspend is currently forecast, although it is anticipated that the expenditure forecast will reduce prior to year end. Slippage of £0.3m has been identified against the Transport and Travel Service budget as a result of delivery problems at suppliers. A delay in the purchase of properties has resulted in slippage of £0.4m against the Worksop Bus Station project.

6.6 In Environment and Sustainability Committee, there is a planned over-programming on the Local Improvement Services Programme. A corresponding overspend is currently forecast although it is anticipated that the expenditure forecast will reduce prior to year end.

6.7 In Finance & Property Committee, slippage of £0.2m is anticipated against the Renewable Heat Boiler programme and a further £0.8m slippage is expected against the Microsoft Enterprise Agreement and other IT capital projects. In addition, slippage of £0.2m has been identified against the Sun Volt programme as the next phase of installations are identified.

6.8 Net acceleration of £0.3m expenditure funded by capital allocations has been identified in departmental capital monitoring returns. Slippage of £1.4m has been identified in the Capital Programme of expenditure funded from other sources.

Financing the Approved Capital Programme

6.9 Table 4 summarises the financing of the overall approved Capital Programme for 2012/13.

Table 4 – Financing of the Approved Capital Programme for 2012/13

Committee	Capital Allocations £'000	Grants & Contributions £'000	Revenue £'000	Reserves £'000	Gross Programme £'000
Children & Young People	19,545	20,198	0	111	**39,854**
Adult Social Care & Health	4,185	15	45	173	**4,418**
Transport & Highways	12,755	25,103	0	744	**38,602**
Environment & Sustainability	4,090	776	305	0	**5,171**
Community Safety	3	0	0	0	**3**
Culture	4,561	70	0	516	**5,147**
Policy	8,902	0	0	0	**8,902**
Finance & Property	13,257	0	0	1,623	**14,880**
Personnel	0	0	0	88	**88**
Contingency	0	0	0	0	**0**
TOTAL	**67,298**	**46,162**	**350**	**3,255**	**117,065**

6.10 It is anticipated that borrowing in 2012/13 will increase by £3.5m from the forecast in the Budget Report 2012/13 (Council 23/02/12). This increase is a consequence of:

- £13.6m of net slippage of expenditure from 2011/12 to 2012/13 and financing adjustments funded by capital allocations; and
- £2.2m approved variations made to the capital programme throughout the current financial year.
- £0.3m anticipated further acceleration of borrowing identified in departmental capital returns.

offset by:

- Approved variations, including re-phasing and slippage of schemes, resulting in a net reduction of £12.6m of capital expenditure funded by capital allocations.

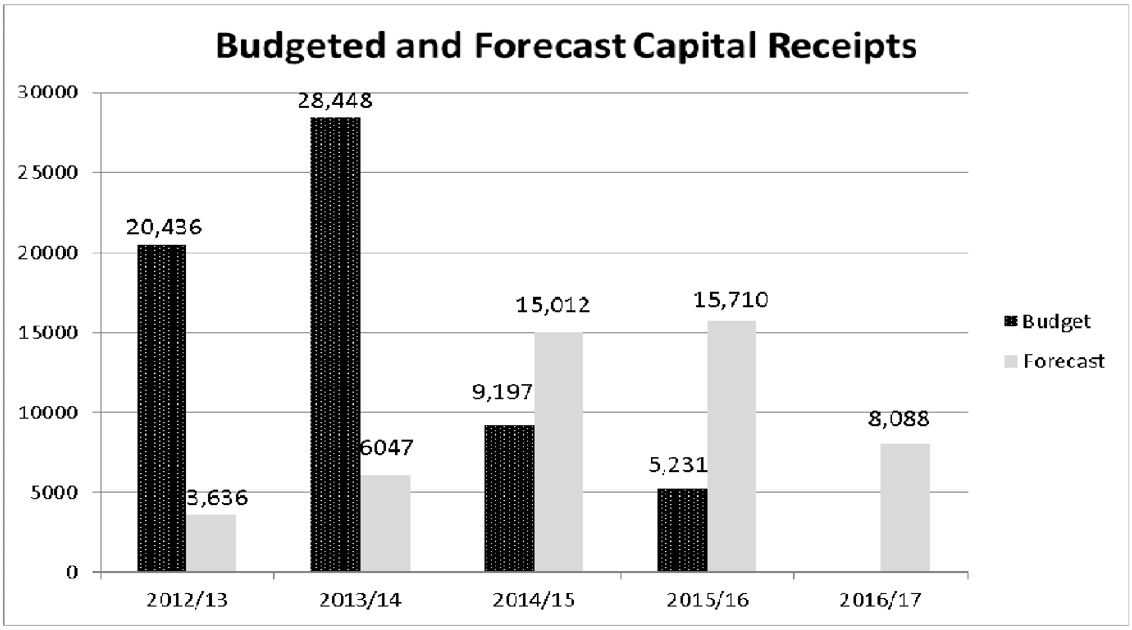
Prudential Indicator Monitoring

6.11 Performance against the Council's Prudential Indicators is regularly monitored and, to date during 2012/13, external debt has remained within both the Operational Boundary and the Authorised Limit.

Capital Receipts Monitoring

6.12 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. They also include an estimated £50k of vehicle receipts.

6.13 The chart below shows the budgeted and forecast capital receipts for the five years to 2016/17.



6.14 The dark bars in the chart show the budgeted capital receipts included in the Budget Report 2012/13 (Council 23/02/2012). These capital receipts budgets prudently incorporated slippage, giving a degree of "protection" from the risk of non-delivery. The bars also incorporate anticipated slippage.

6.15 The forecast for 2012/13 includes £2.4m of capital receipts already realised and £1.1m of capital receipts for properties which are close to sale, i.e. offers have been received or conditional sales have been agreed.

6.16 The forecasts for 2012/13 and 2013/14 are significantly below the budgeted figures incorporated in the Budget Report 2012/13. This is due mainly to slippage and reduced estimates of some particularly large receipts for development sites. Expert advice is taken on such sites and decisions to delay sales take into account the Council's objective of maximising the value of receipts.

6.17 The number and size of large anticipated receipts increase the risk that income from property sales will be even lower than the revised forecasts over the next three years. Although the revised forecasts incorporate an element of slippage, a delay in receiving just two or three large receipts could result in sales being lower than these forecasts. For example, a scenario in which £4m of capital receipts are realised in 2012/13 and £9m of capital receipts are realised in 2013/14 would not be considered unlikely. This would represent a reduction of £36m from the budgeted level of capital receipts for 2012-14.

6.18 Current Council policy (Budget Report 2012/13) is to set capital receipts against the principal of previous years' borrowing. This reduces the amount of Minimum Revenue Provision (MRP) to be set aside each year. The lower than anticipated level of 2012/13 capital receipts is expected to result in a £0.4m increase in the amount of MRP to be set aside from revenue in 2012/13. It will also tend to increase interest payable, although the actual level of this will also depend on a range of other factors. The revenue impact of capital receipts slippage will be offset by any slippage in capital expenditure funded by borrowing.

6.19 As highlighted in the Budget Report 2012/13, the Council's medium-term forecasts were predicated on an ambitious level of capital receipts. Given current concerns about further revenue reductions, it is important to regularly monitor capital receipt forecasts and their effect on the overall revenue impact of the Capital Programme. The implication of the significantly reduced capital receipt forecasts for 2012/13 and 2013/14 reiterate the importance of the Council keeping tight control of capital expenditure.

7. Balance Sheet

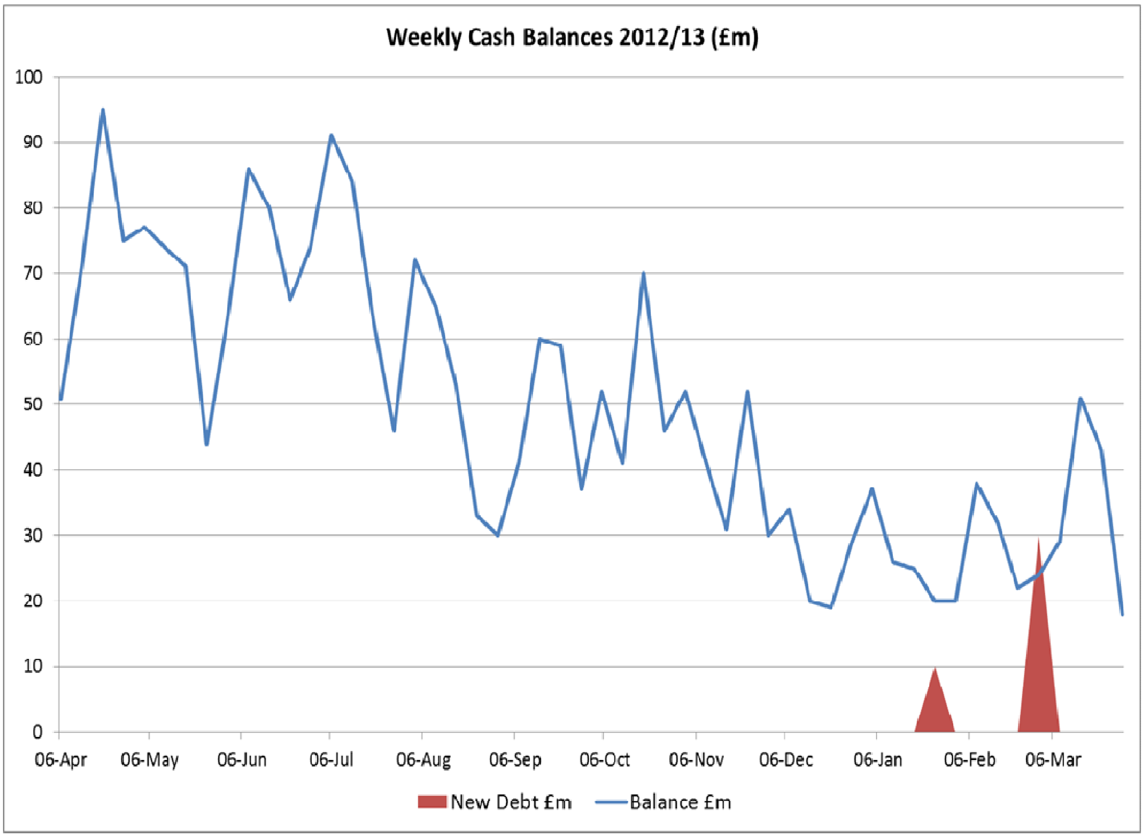
Impact on County Fund Balances

7.1 The Final Accounts Report for 2011/12 showed that County Fund Balances stood at £29.7m at 31/3/12. The 2012/13 budget planned to contribute £4.9m to balances which would increase County Fund Balances to £34.6m, around 7% of the Budget Requirement.

7.2 Latest forecasts include the planned contribution of £4.9m, which could be increased further depending on the predicted in-year savings. The Budget report approved at Council (28th February 2013) approved the use of £15.1m of County Fund balances in 2013/14.

Treasury Management

7.3 Cash flow is kept under constant monitoring by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group. The following graph shows the actual cash balances to date and the forecasts for the remainder of the year. 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. However, cash outflows, in particular capital expenditure, tend to occur later in the year. The peaks and troughs in the graph reflect the temporary investment and repayment of surplus cash balances. The Council aims to keep cash balances relatively low as part of its approach to managing treasury risks. This works to minimise borrowing costs and reduce exposure to counterparty risk.

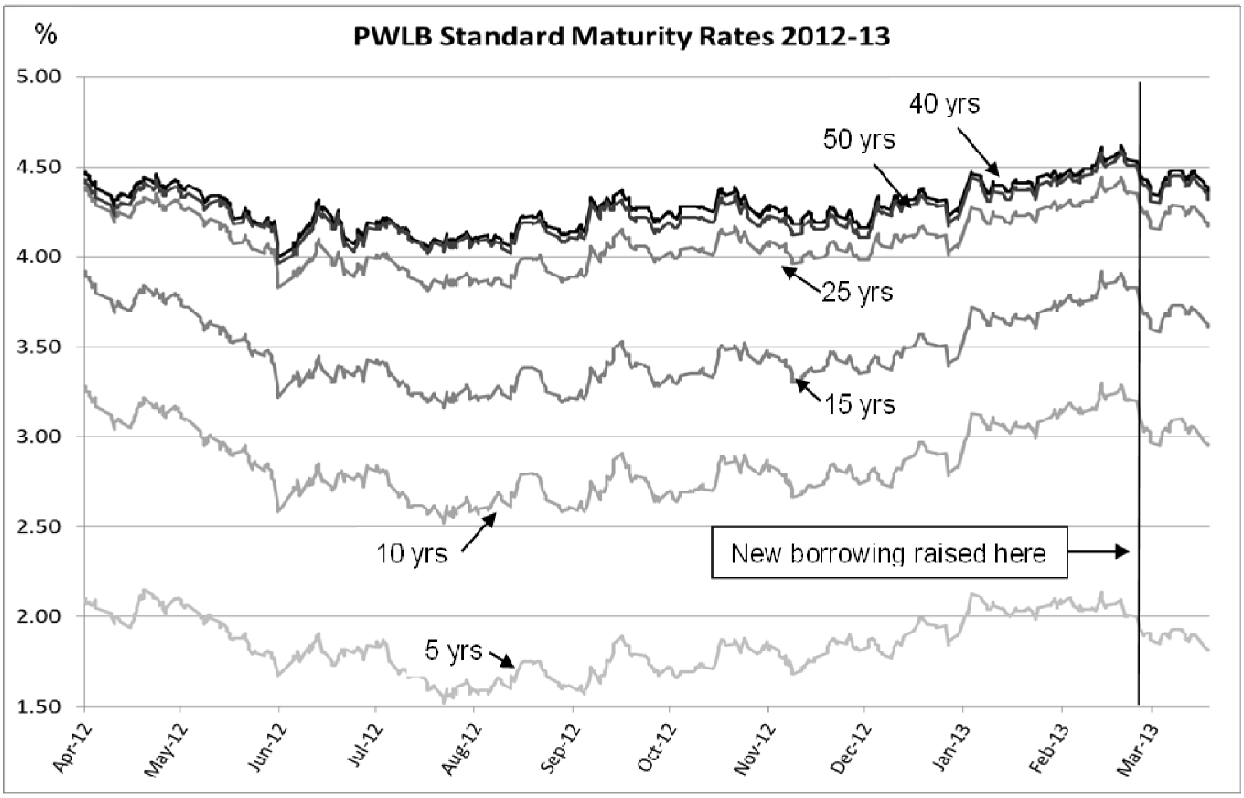


7.4 The red triangles in the chart show where new long-term borrowing has been undertaken. The treasury strategy for 2012/13 identified a need for additional borrowing of £100m to replenish cash reserves and to fund the capital programme. However, the general fund underspend of £40m at the end of 2011/12 and slippage of the capital programme has enabled sufficient cash balances to be maintained for much of the year without recourse to external borrowing.

7.5 Borrowing decisions take account of a number of factors including:

- Current interest rates and recent trends
- The impact of new debt on revenue budgets
- The maturity profile of existing debt

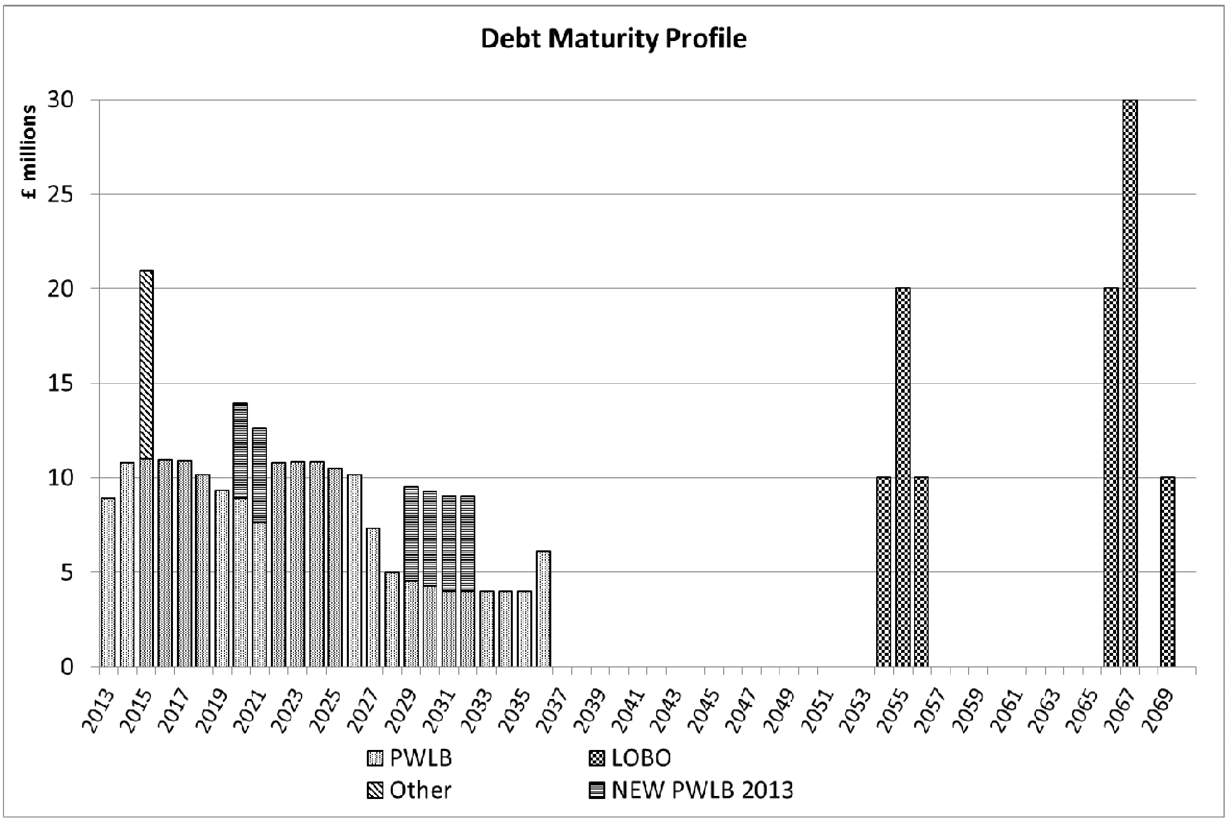
7.6 PWLB rates have been steadily increasing since July 2012 as shown in the chart below and the delay in borrowing has minimised the additional interest cost in 2012/13. Another factor in delaying borrowing was the announcement in the 2012 Budget of a 20 basis point reduction in PWLB rates for authorities applying for the “certainty rate”. This did not become effective until November. In January, the Treasury Management Group approved £40m of borrowing to be undertaken before the end of the financial year to fund the capital programme and cover the temporary cash flow shortfalls.



7.7 In January, £10m of short-term loans was raised from the money markets to benefit from continuing low rates. Two loans of £5m each were taken, both at sub-1% interest rates. At the end of February £30m in new loans was raised from the PWLB across a range of maturities. The timing of the new PWLB borrowing is indicated on the chart above and demonstrates the ongoing monitoring of interest rates. The average interest rate on long term borrowing at the start of 2012/13 was 5.74% and has now reduced to 5.44%. The average rate in 2013/14 (for existing borrowing) will be 5.13%. The table below shows the detail of the recent borrowing.

Lender	Type	Start	End	Term	Rate	Advance
				(years)		£
PWLB	Maturity Loan	28/02/2013	25/11/2029	16.8	3.69%	5,000,000
PWLB	Maturity Loan	28/02/2013	25/05/2028	15.3	3.57%	5,000,000
PWLB	Maturity Loan	27/02/2013	25/05/2031	18.3	3.88%	5,000,000
PWLB	Maturity Loan	27/02/2013	25/05/2030	17.3	3.82%	5,000,000
PWLB	Maturity Loan	27/02/2013	25/05/2020	7.3	2.48%	5,000,000
PWLB	Maturity Loan	27/02/2013	25/05/2019	6.3	2.22%	5,000,000
						30,000,000
MARKET LOANS						
Oxfordshire County Council	Maturity Loan	22/01/2013	22/07/2014	1.5	0.75%	5,000,000
Wakefield District Council	Maturity Loan	22/01/2013	22/01/2015	2.0	0.80%	5,000,000
						10,000,000

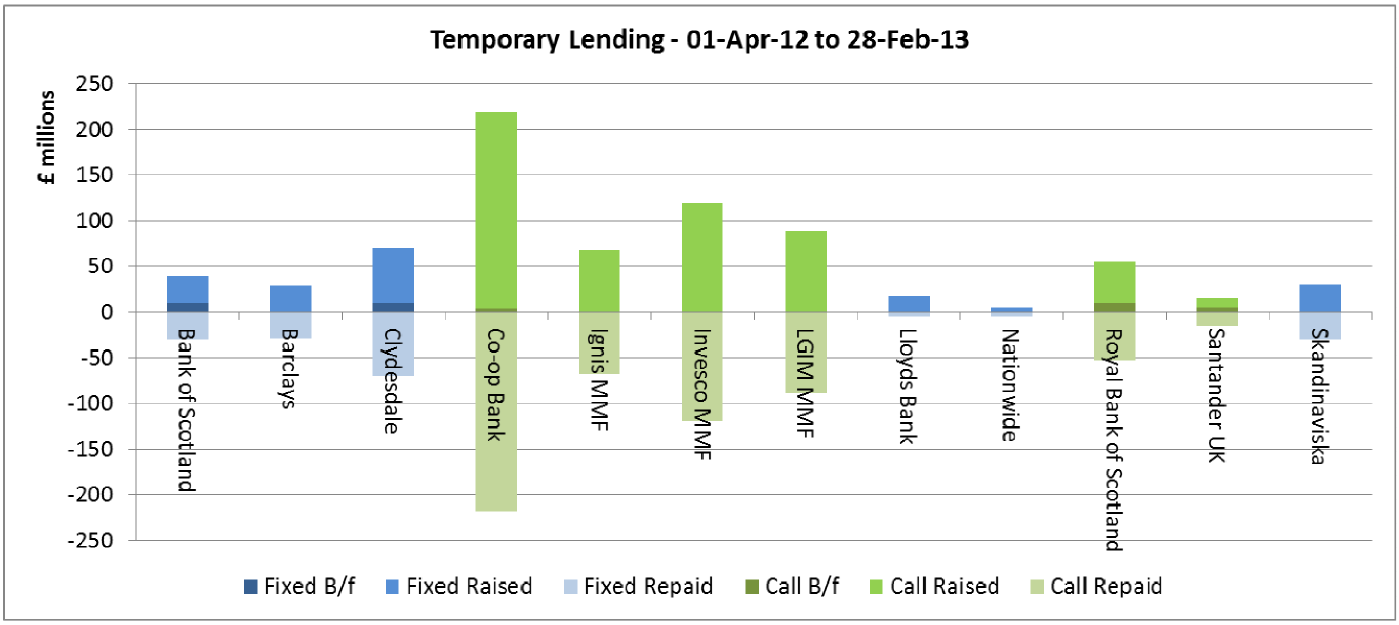
7.8 The maturity profile of the Council's debt portfolio is shown in the table below. The PWLB loans are reasonably well distributed and have a maximum duration of 23 years. Longer-term borrowing (maturities up to 56 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). The 'other' loans denote the recent borrowing from the money markets where the main objective was to minimise interest costs. These loans will be refinanced in the coming years for terms of up to 2 years, provided short-term rates continue to look favourable.



Investments

7.9 The Council's TM policy includes criteria for assessing counterparties for investment. Treasury Management Group approves a lending list based on these criteria and also market availability of institutions. The investment activity for 2012/13 to the end of February 2013 is shown in the table and chart below. A large proportion of the investments have been in call accounts or short-term fixed investments of up to 364 days. The call account with the Co-operative Bank is the most easily accessible and so is mainly used to maintain liquidity. As part of the local authority mortgage scheme the Council placed a £2m 5 year deal with Lloyds in February.

Nottinghamshire County Council									
Temporary Lending:	01-Apr-12	to	28-Feb-13						
	Fixed Term Deals			**Call Accounts & Money Market Funds**				**Outstanding**	**Outstanding**
	Fixed B/f	**Fixed Raised**	**Fixed Repaid**	**Call B/f**	**Call Raised**	**Call Repaid**		**31-Mar-12**	**28-Feb-13**
Bank of Scotland	10,000,000	30,000,000	-30,000,000	0	0	0		10,000,000	10,000,000
Barclays	0	29,100,000	-29,100,000	0	0	0		0	0
Clydesdale	10,000,000	60,000,000	-70,000,000	0	0	0		10,000,000	0
Co-op Bank	0	0	0	3,500,000	215,100,000	-217,000,000		3,500,000	1,600,000
Ignis MMF	0	0	0	0	67,500,000	-67,500,000		0	0
Invesco MMF	0	0	0	0	119,200,000	-119,200,000		0	0
LGIM MMF	0	0	0	0	89,100,000	-89,100,000		0	0
Lloyds Bank	0	17,000,000	-5,000,000	0	0	0		0	12,000,000
Nationwide	0	5,000,000	-5,000,000	0	0	0		0	0
Royal Bank of Scotland	0	0	0	10,000,000	44,750,000	-52,850,000		10,000,000	1,900,000
Santander UK	0	0	0	5,000,000	10,000,000	-15,000,000		5,000,000	0
Skandinaviska	0	30,000,000	-30,000,000	0	0	0		0	0
	20,000,000	**171,100,000**	**-169,100,000**	**18,500,000**	**545,650,000**	**-560,650,000**		**38,500,000**	**25,500,000**



7.10 The approved lending list for 2013/14 is attached as Appendix B. The list currently has no Eurozone institutions but has had two additional money market funds added.

Debtors and Creditors

7.11 The Business Support Centre has recently taken responsibility for the accounts payable function and is reviewing performance data and management information with several projects planned over the coming months. Already underway is a project to review the end to end business processes for the recovery of non-statutory debt. The objectives are to develop and implement a common end to end process, improve the invoicing process and develop and implement a debt recovery policy including corporate invoicing standards and payment channel strategy. The lessons learned from this project will be used to support the review of other debt types. Key comparative data will be available from the start of the new financial year, on an on-going basis.

8. Future developments & strategic issues

8.1 A number of major initiatives to improve financial awareness and accountability across the Authority are also progressing. The March meeting of this Committee approved the revised finance structure and the enabling process for the remaining levels of the new structure has commenced. The Base Budget review has enabled all managers to engage in setting their own budgets for 2013/14 and financial training to managers is also taking place through the Leadership Development Programme.

Statutory and Policy Implications

9.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

10.1 To note the current position regarding monitoring of revenue expenditure.

10.2 To note the income received from Health Partners in the form of Section 256 agreements(as reported at section 4.9)

10.3 To note the current position regarding monitoring of capital expenditure.

10.4 To note that the current level of borrowing is expected to remain within the Council’s prudential limits.

10.5 To note the Treasury Management update.

Paul Simpson
Service Director – Finance & Procurement

For any enquiries about this report please contact:
Pauline Moore - Senior Accountant, Financial Strategy & Accounting
Glen Bicknell - Senior Finance Business Partner, Capital & External Funding

Constitutional Comments (KK 10/04/13)
The recommendations in this report are for noting only, however they do fall within the remit of the Finance and Property Committee.

Financial Comments (PM 27/03/13)
The financial implications are stated in the report.

Background Papers
Nil

Electoral Division(s) and Member(s) Affected
All

Contingency Summary

Appendix A

	2012/13		
	£000	**£000**	**£000**
Redundancy Contingency Budget	10,000		
General Contingency Budget	4,893		
Non-delivery of savings (net of horizontal savings) Budget	1,573		
Net Contingency Budget		**16,466**	
Add on departmental transfers:			
ASCH	8,000		
CFCS	4,000		
E&R	1,000		
T&H	-750		
Procurement	-3,000		
Subtotal additional transfers		**9,250**	
Total contingency budget			**25,716**
Less approved requests:			
CFCS pressure materialised - contingency returned	-4,000		
Multi Agency Safeguarding Hub – part year effect	-312		
Increase contribution to Experience Nottinghamshire	-100		
Procurement Team funding	-440		
Consultancy-End to End review of the Debt Recovery Process	-42		
Dilapidations at Riverside Way	-300		
Contribution to the Royal Visit to Nottingham	-24		
Olympic & Paralympic Legacy Fund	-1,000		
Care Home Refurbishment	-300		
Economic Growth & Tourism	-34		
Rufford County Park	-140		
County Hall mosaic	-30		
Subtotal contingency schemes approved in year			**-6,722**
Redundancy			
Expenditure to date	-6,000		
Further entries expected before 31 March 2013	-500		
Total spend		**-6,500**	
Previous year provision	5,200		
Next year provision estimated for known S188	-4,000		
Subtotal adjustments		**1,200**	
Net redundancy requirement from contingency *			**-5,300**
Reported underspend on contingency			**13,694**

* Note – the estimated £4.7m underspend on redundancy contingency is expected to be transferred to the Redundancy Reserve, once final figures are known. This effectively reduces the overall underspend to £8.994m.

Appendix B

Nottinghamshire County Council - Approved Lending List 2013-14

Banks	Sovereign	FITCH			MOODY'S		S & P	
		long	short	support	long	short	long	short
Bank of Montreal	CAN	AA-	F1+	1	Aa3	P-1	A+	A-1
Bank of Nova Scotia	CAN	AA-	F1+	1	Aa2	P-1	A+	A-1
Bank of Scotland	UK	A	F1	1	A2	P-1	A	A-1
Barclays Bank	UK	A	F1	1	A2	P-1	A+	A-1
Canadian Imperial Bank	CAN	AA-	F1+	1	Aa3	P-1	A+	A-1
Citibank NA	USA	A	F1	1	A3	P-2	A	A-1
Clydesdale Bank	UK	A	F1	1	A2	P-1	BBB+	A-2
Co-operative Bank Plc	UK	BBB+	F2	3	A3	P-2		
Credit Suisse Ag	SWZ	A	F1	1	A1	P-1	A+	A-1
HSBC Plc	UK	AA-	F1+	1	Aa3	P-1	AA-	A-1+
JP Morgan Chase Bank NA	USA	A+	F1	1	Aa3	P-1	A+	A-1
Lloyds TSB Bank	UK	A	F1	1	A2	P-1	A	A-1
National Westminster Bank	UK	A	F1	1	A3	P-2	A	A-1
Nationwide	UK	A+	F1	1	A2	P-1	A+	A-1
Royal Bank of Canada	CAN	AA	F1+	1	Aa3	P-1	AA-	A-1+
Royal Bank of Scotland	UK	A	F1	1	A3	P-2	A	A-1
Santander UK Plc	UK	A	F1	1	A2	P-1	A	A-1
Svenska Handelsbanken	SWE	AA-	F1+	1	Aa3	P-1	AA-	A-1+
Toronto-Dominion Bank	CAN	AA-	F1+	1	Aa1	P-1	AA-	A-1+
UBS Ag	SWZ	A	F1	1	A2	P-1	A	A-1

AAA Rated Money Market Funds

Ignis Sterling Liquidity Fund
LGIM Sterling Liquidity Fund
Insight Liquidity Fund-GBP
BlackRock ICS-Instit GBP Liq Fund

Others

UK Government
UK Local Authorities
Pension Fund Custodian (for Pension Fund balances only)

Minimum Rating Criteria

Minimum ratings from at least 2 rating agencies together with Fitch support rating of 1

Lending up to and including 364 days

	Long Term	Short Term	Support	Money Market Funds
Fitch	***A-***	F1	1	AAAmmf
Moodys	***A3***	P-1	N/a	Aaamf
Standard & Poors	***A-***	A-1	N/a	AAAm

Sovereign Rating	***AA***

Lending over 364 days

	Long-Term	Short-Term	Support
Fitch	***A***	***F1***	1
Moodys	***A2***	***P-1***	N/a
Standard & Poors	***A***	***A-1***	N/a

Sovereign Rating	***AA***

Exceptions to these ratings will be made in respect of the following institutions:
1) the Council's banker (currently the Co-Operative Bank)
2) the Pension Fund custodian (currently State Street)
3) UK banks with significant shareholding by the government (currently RBS and Lloyds TSB Group)
4) UK government