



17 June 2019

Agenda Item: 6

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

FINANCIAL MONITORING REPORT: PERIOD 1 2019/2020

Purpose of the Report

1. To provide a summary of the Committee revenue budgets for 2019/20.
2. To request approval for contingency schemes submitted to date.
3. To inform Members of the Council's Balance Sheet transactions.
4. To provide Members with an update from the Procurement Team.
5. To provide Members with an update from the Accounts Payable and Accounts Receivable teams.

Information

Background

6. The Council approved the 2019/20 budget at its meeting on 28 February 2019. As with previous financial years, progress updates will be closely monitored and reported to management and Committee each month.

Summary Revenue Position

7. The table below summarises the revenue budgets for each Committee for the forthcoming financial year. To date no variances have been reported.

Table 1 – Summary Revenue Position

Committee	Annual Budget £'000	Actual to Period 01 £'000	Year-End Forecast £'000	Latest Forecast Variance £'000
Children & Young People's	127,364	6,160	127,364	-
Adult Social Care & Public Health	217,876	3,420	217,876	-
Communities & Place	121,716	3,312	121,716	-
Policy	32,589	6,261	32,589	-
Finance & Major Contracts Management	2,847	170	2,847	-
Governance & Ethics	7,306	398	7,306	-
Personnel	14,848	730	14,848	-
Net Committee (under)/overspend	524,546	20,451	524,546	-
Central items	(21,168)	(8,314)	(21,168)	-
Schools Expenditure	1	-	1	-
Contribution to/(from) Traders	(670)	151	(670)	-
Forecast prior to use of reserves	502,709	12,288	502,709	-
Transfer to / (from) Corporate Reserves	919	-	919	-
Transfer to / (from) Departmental Reserves	(14,101)	-	(14,101)	-
Transfer to / (from) General Fund	(2,099)	-	(2,099)	-
Net County Council Budget Requirement	487,428	12,288	487,428	-

Requests for contingency

8. The Council's budget includes a contingency budget of £4.7m to cover redundancy costs, slippage of savings and unforeseen events.
9. There is already a call on the 2019/20 contingency budget from requests that have been previously approved by Finance and Major Contracts Management Committee. These are as follows :-
 - Delivering and Assuring Major Programme of Work - Policy Committee £650,000
 - Support to Children's Residential Homes – Children and Young People Committee £25,000
 - D2N2 Local Enterprise Partnership - Policy Committee £62,500
 - Great War Memorial Contribution – Policy Committee £25,000
 - Gedling Knife Crime Contribution - Children and Young People Committee £50,000
 - Wifi Phase 2 – Policy Committee £27,000
10. A request for funding of up to £250,000 to support the work of the HS2 delivery team in 2019/20 was submitted to Policy Committee in February 2019. This will be funded from the Business Rates Pool Reserve.

Progress with savings and risks to the forecast

11. Council on 28 February 2019 approved savings proposals of £15.2m for delivery in 2019/20, with further savings identified for the period 2020-23. Officers will continue to monitor the deliverability of individual schemes and targets as part of the budget monitoring process and reflect achievability in the forecast outturn. The progress of the Council's current savings programme is reported to the Improvement and Change Sub-Committee on a regular basis. This report highlights all projects that are either experiencing obstacles or are at risk, the latest being 4 March 2019.
12. The approved 2019/20 budget was set against a background of assumptions and on-going risks, specifically with regard to the demand for Council services in the areas of Children and Adult Social Care where safeguarding takes priority. In Children's Social Care specifically, significant pressures are continuing to be experienced in relation to the rise in Looked After Children external placements. This is due to sustained high numbers and little evidence that the position has stabilised. In addition, the average weekly cost of placements is 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.
13. The Chief Executive and Corporate Directors have issued a Spending Control Framework letter to all budget holders. This instruction emphasises the need to strengthen and improve control over the Council's spending as an absolute necessity. The financial measures required include scrutinising all spending, avoiding any unnecessary spend, recovering full cost on services provided, avoiding unnecessary travel, managing contracts efficiently and challenging our processes to ensure duplication and waste is removed.
14. A thorough review of last year's underspends and overspends will be undertaken to identify the nature of the variances and plans and solutions will be developed to inform the future management of these budgets.
15. A full review of services' reserves will be undertaken and where funds are identified as no longer required, transfers will be actioned. A further review will be undertaken to assess the planned use of reserves against the need to support County Council priorities.
16. The 2018/19 Local Government Finance Settlement reflected the final year of the current Comprehensive Spending Review. As such, considerable uncertainty beyond 2019/20 will remain until the outcome of the 2019/20 Comprehensive Spending Review is known. For example, a number of funding strands will drop out after the current financial year including the Revenue Support Grant (£6.9m), the Business Rates Levy Account, (£1.6m), Winter Pressures (£3.5m) and the Adults and Children's Social Care Support Grant (£6.0m).

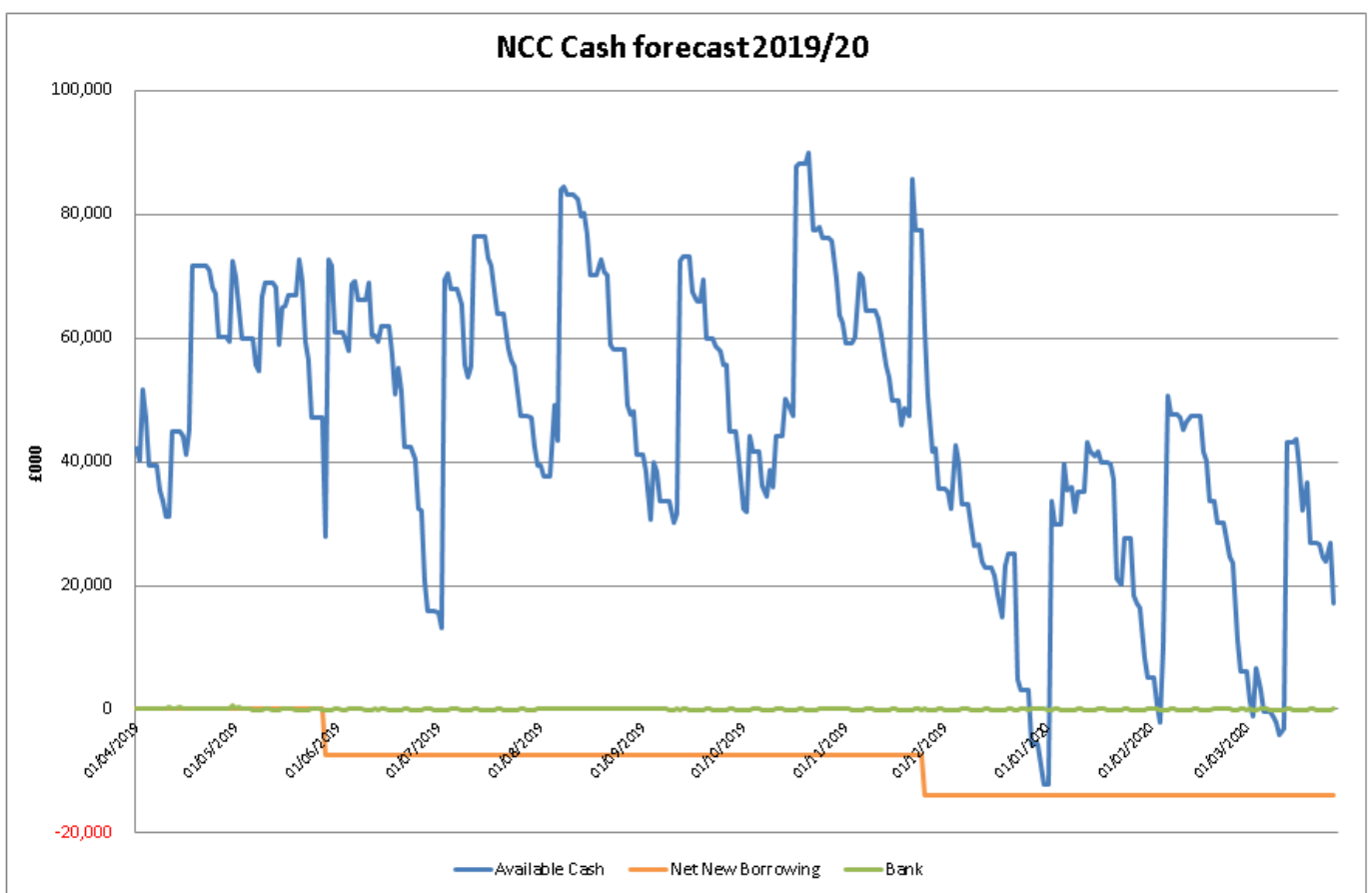
Balance Sheet

General Fund Balance

17. Members will be asked to approve the 2018/19 closing General Fund Balance of £24.1m at Council on 11 July 2019. The 2019/20 budget approves utilisation of £2.1m of balances which will result in a closing balance of £22.0m at the end of the current financial year. This is 4.5% of the budget requirement.

Treasury Management

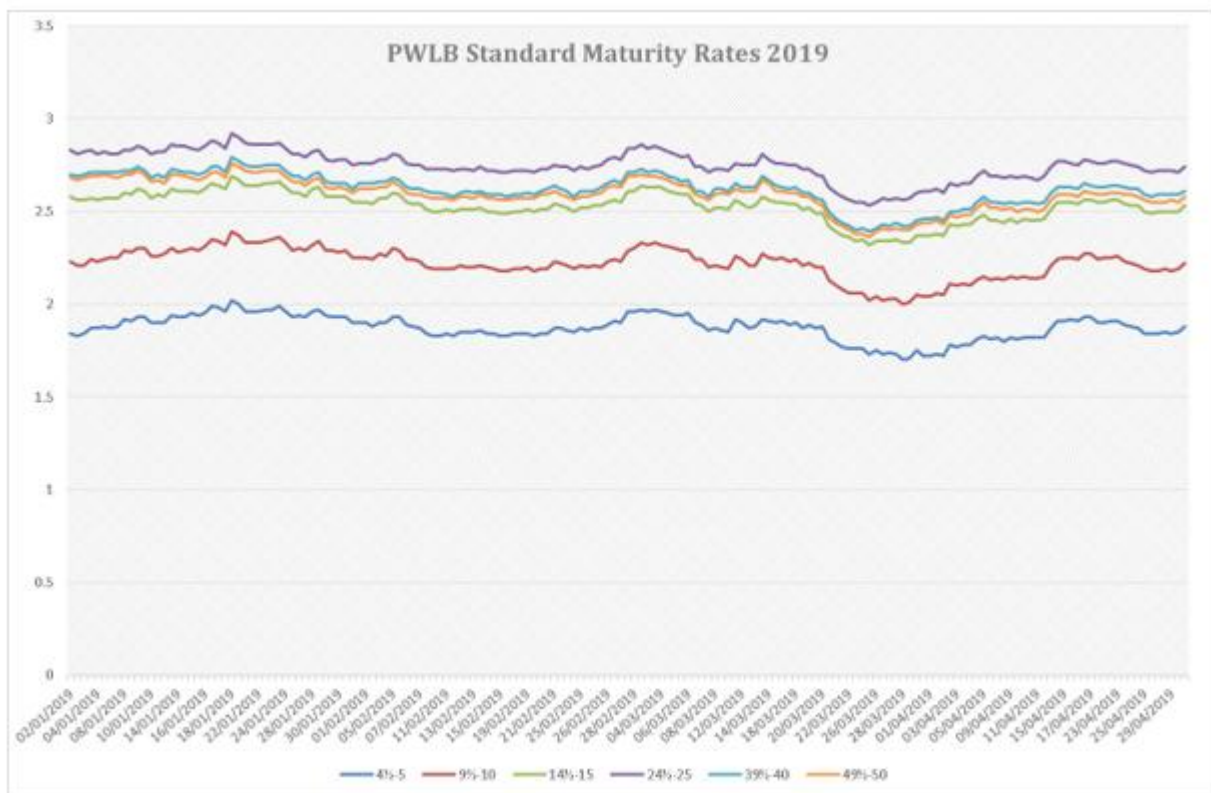
18. Daily cash management aims for a closing nil balance across the Council's pooled bank accounts with any surplus cash invested in accordance with the approved Treasury Management Policy. Cash flow is monitored by the Senior Accountant (Pensions & Treasury Management) with the overall position reviewed quarterly by the Treasury Management Group.
19. The Cash forecast chart below shows the final cash flow position for the financial year 2019/20. 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.



20. 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.

21. The Treasury Management Strategy for 2018/19 identified a need to borrow approximately £7m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. This estimate will be revised after the 2018/19 accounts closure. 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 2019 so far.



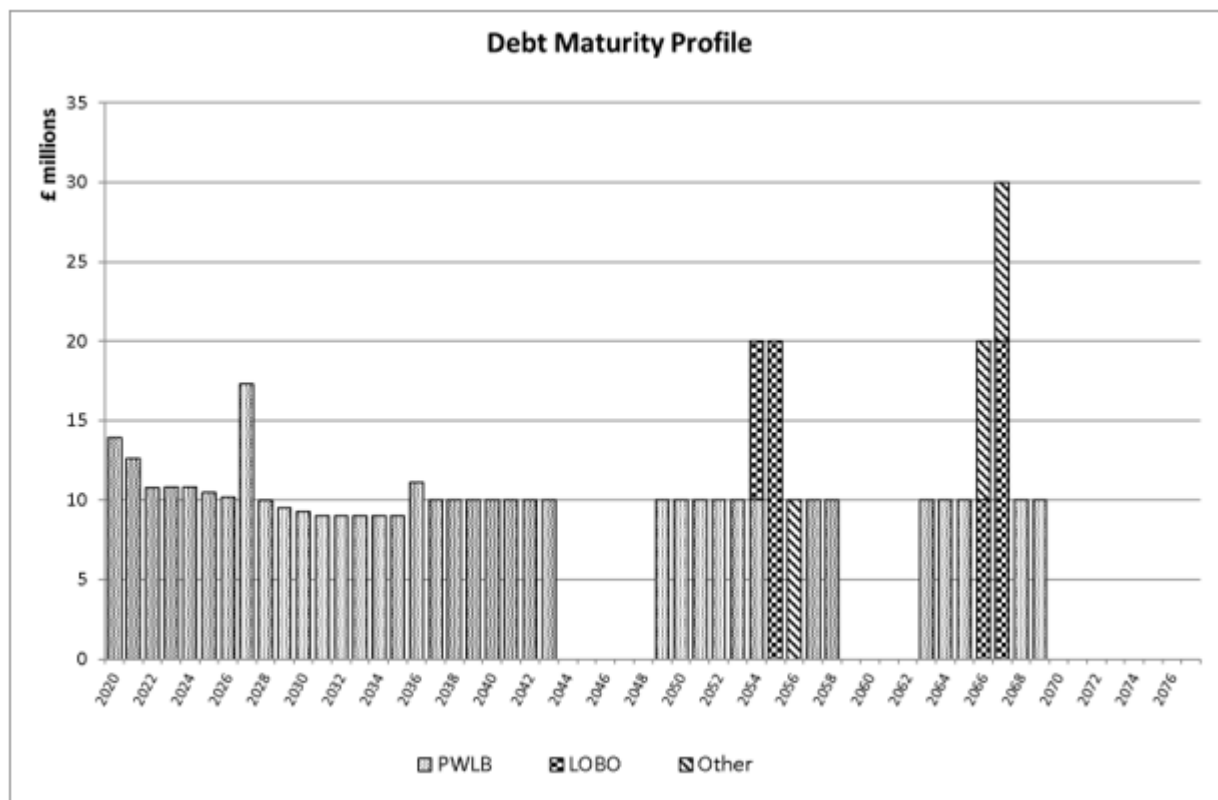
22. Borrowing decisions will take account of a number of factors including:

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

23. 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.

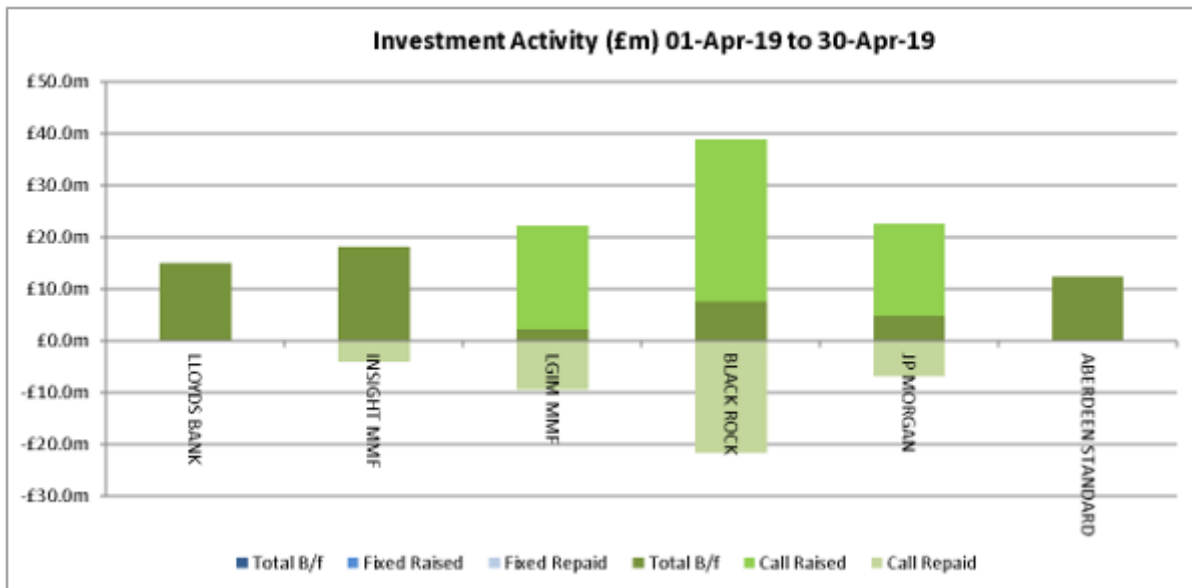
24. Longer-term borrowing (maturities up to 60 years) was obtained from the market some years ago in the form of 'Lender's Options, Borrower's Options' loans (LOBOs). These loans are treated as fixed rate loans (on the basis that, if the lender ever opts to increase the rate, the Council will repay the 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.

25. The 'other' loans denote borrowing from the money markets where the main objective was to minimise interest costs, and also includes loans from Barclays Bank that were converted from LOBOs to fixed-term loans in 2016.



26. The investment activity for 2019/20 is summarised in the chart and table below. Outstanding investment balances totalled approximately £60m at the start of the year and approximately £87m at the month-end.

	Total B/F £ 000's	Raised £ 000's	Repaid £ 000's	Outstanding £ 000's
Lloyds Bank	15,000	-	-	15,000
Insight MMF	18,100	-	(4,100)	14,000
LGIM MMF	2,200	20,000	(9,350)	12,850
Black Rock	7,600	31,250	(21,600)	17,250
JP Morgan	4,900	17,750	(6,850)	15,800
Aberdeen Standard	12,500	-	-	12,500
Total	60,300	69,000	(41,900)	87,400



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

Debt Recovery Performance

28. The overall debt position at the end of Quarter 4 shows the expected increase in sales invoicing where departments record their income prior to financial year end. An increased sales value of £20,000 compared to Quarter 3. However, the debt positions for over 6 months shows a reduction for both residential and domiciliary care and other debtors.

29. 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 (71 accounts totalling £1.7m). 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 for which they have no funds to make payments.

30. The write off total during quarter 4 was £443,000, making a total of £821,000 for the financial year.

Invoices raised in quarter

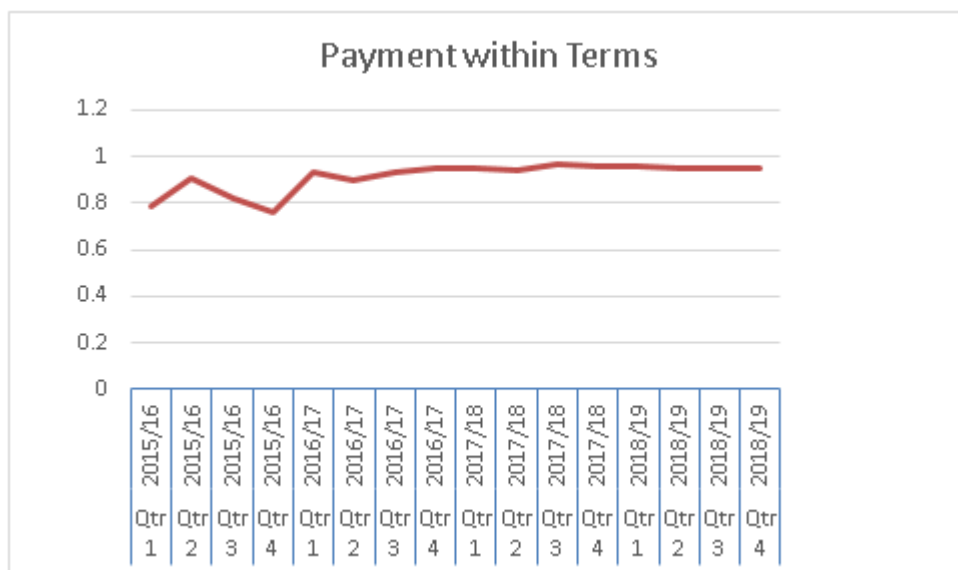
	Quarter 4	Year to date
Number	38,924	139,112
Value	£54,194,329	£158,272,573

Debt position at 31/12/18

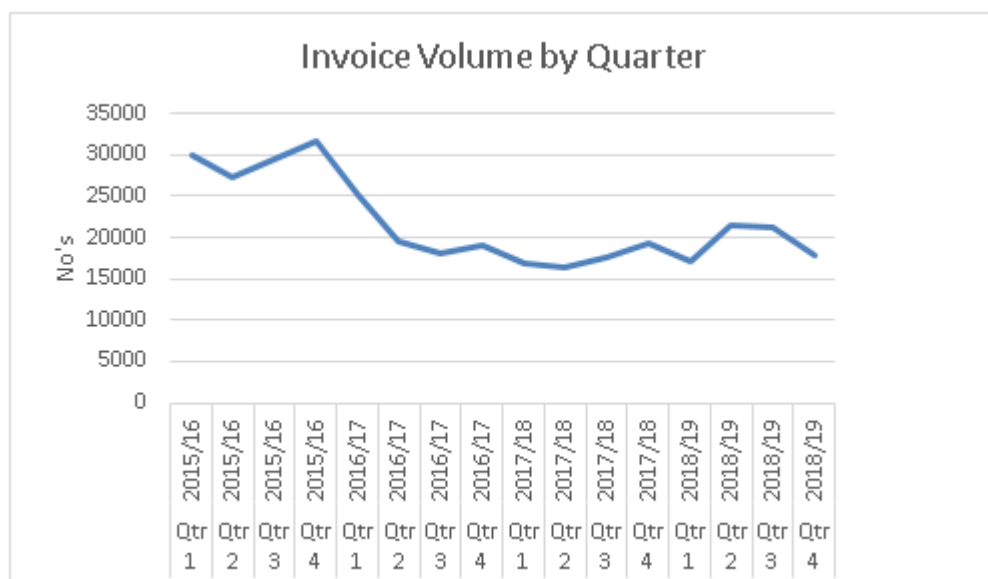
	Residential & Domiciliary Care	All Other	Total
Total	£11,056,085	£23,020,365	£34,076,450
Over 6 months	£5,505,171	£805,554	£6,310,725
% over 6 months	49.8%	3.5%	18.5%

Accounts Payable (AP) Performance

31. In Quarter 4, 95% of commercial invoices were paid within terms and a further 2% are then paid within 7 days of vendor terms. This trend has continued to meet the performance targets. The department also monitors where invoices were paid late and subjected to a dispute and fall outside the late payment compensations legislation. This is done retrospectively and collated for annual reporting requirements.



32. The volume of commercial invoices processed has now stabilised with an expected annual volume nearing 80,000 invoices per year.

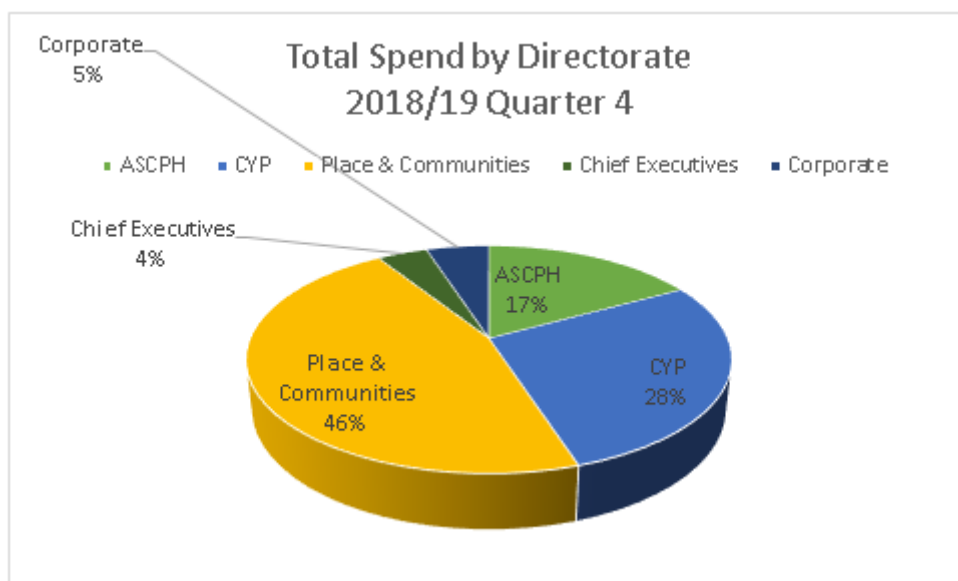


33. The debt recovery and accounts payable performance information will continue to be reviewed at an operational level on a fortnightly basis. The strategic performance information will be compiled for this report to Committee on a quarterly basis.

Procurement Performance

34. As an organisation, NCC has spent £130m in the fourth quarter of the financial year 2018/19 with external suppliers. This represents the same spend when compared with the same period of the previous financial year. The top 4% (135 suppliers) account for 80% (£103.8m) of the total supplier spend. The remaining 96% (2,885 suppliers) have a total expenditure of £26m with an average spend of £9,000.

35. The chart below shows the total amount spent in the period, by Directorate. Place has the highest level of expenditure at 46%, whilst collectively the care related directorates (ASCHPH, CYP) account for about 45% of all spend.



36. The Council's primary ordering route is through BMS. Orders that are processed through BMS are classified as 'Compliant', whilst purchases made outside of the Council's systems are deemed to be 'Non-Compliant'.

Retrospective orders are also classified as non-complaint, as they are typically raised after delivery of goods/services. Services commissioned and managed through other Corporate Systems, for example Mosaic, are out of scope. Purchase Orders are beneficial to the organisation as they provide visibility of what we spend. When compared with the same period of the previous financial year:

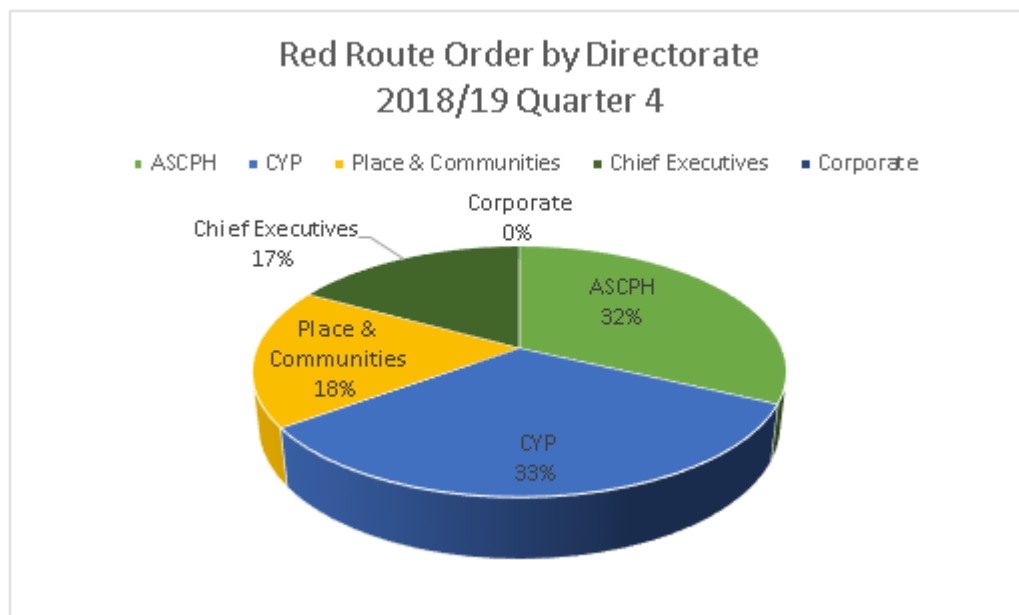
- Compliant ordering has decreased by 2%
- Non-compliant (non-PO) ordering has increased by 2% from 26% to 28% of the total spend

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

Directorate	PO Volume Jan 2019	PO Volume Feb 2019	PO Volume Mar 2019	Total Q4 2018/19	Total Q4 2017/18
ASCHPP	83	74	59	216	344
CFCS	163	178	189	530	830
Place	211	180	190	581	969
Corporate	-	1	2	3	7
Resources	102	91	87	280	334
Total	559	524	527	1,610	2,484

38. Purchase orders themselves are split into Green and Red orders. Green orders are those which are raised with the Procurement Centre's pre-arranged agreements or contracted suppliers. Red orders are those that do not have approved suppliers or contracts set up on BMS and require additional work. When compared with the same period in the previous financial year the volume of 'Red' orders has decreased from 6,379 to 6,067. The chart below

identifies the percentage of Red Route orders by Directorate in the 2018/19 financial year. The Procurement Team continue to work with stakeholders to improve these figures.



Statutory and Policy Implications

39. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

- 1) To comment on the individual Committee revenue budgets for 2019/20.
- 2) To approve the contingency requests received to date.
- 3) To comment on the Council's Balance Sheet transactions.
- 4) To comment on the performance of the Procurement Team.
- 5) To comment on the performance of the Accounts Payable and Accounts Receivable teams.

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For any enquiries about this report please contact:

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Constitutional Comments (KK 05/06/2019)

40. The proposals in this report are within the remit of the Finance and Major Contracts Management Committee.

Financial Comments (GB 16/05/2019)

41. 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