

## **Report to Cabinet**

**Subject:** Budget Outturn and Budget Carry Forwards 2019/20

**Date:** 2 July 2020

**Author:** Senior Leadership Team

### **Wards Affected**

Borough-wide

### **Purpose**

This report presents the Budget Outturn and Budget Carry Forwards for 2019/20.

Cabinet is asked to note the final outturn position for 2019/20 and:

- a) Approve the movements on earmarked reserves and provisions;
- b) Note the capital carry-forward budgets approved by the Chief Financial Officer in accordance with Financial Regulations;
- c) Approve the carry forward of non-committed capital budgets from 2019/20 as additions to the 2020/21 budget for referral to Council, in accordance with Financial Regulations;
- d) Recommend that Council approve the method of financing the 2019/20 capital expenditure which includes making the Capital Determinations required by the Local Government and Housing Act 1989.

### **Key Decision**

This is a key decision

## **Recommendation(s)**

**Members are recommended to:**

- 1) Note the Budget Outturn figures for 2019/20;**
- 2) Approve the movements in Earmarked Reserves and Provisions as detailed in paragraphs 2.4 and 2.5 respectively;**
- 3) Note the capital carry forwards approved by the Chief Financial Officer included in Appendix 6, being amounts not in excess of £50,000 and committed schemes above £50,000.**
- 4) Refer to Council for approval:**
  - i) The capital carry forwards of £1,120,000 included in Appendix 6 for non-committed schemes in excess of £50,000;**
  - ii) The overall method of financing of the 2019/20 capital expenditure as set out in paragraph 3.4;**
  - iii) The capital determinations regarding financing and debt provisions as set out in paragraph 3.5.**

## **1 Background**

- 1.1** A refreshed Gedling Plan for 2019/20 was approved by Council on 5 March 2019. The Plan set out the priorities, objectives and top actions for the Council along with the associated budgets.
- 1.2** The Council has made a commitment to closely align budget and performance management. This is in line with accepted good practice.
- 1.3** To deliver this commitment, systems to monitor performance against revenue and capital budgets, improvement activity and performance indicators have all been brought together and are now embedded in the way the Council works. Whilst the budget and performance information is presented in 2 separate reports, they are reported to Cabinet together and will appear on the same agenda.

- 1.4 This report highlights continued good management of the Revenue and Capital budgets.
- 1.5 During 2019/20 Cabinet received the usual Gedling Plan quarterly monitoring reports and approved a number of budget amendments to align resources to meet identified budget pressures, managing within the overall maximum revenue budget of £11,676,000 approved by Council. Capital budgets have also been monitored by Cabinet to ensure schemes are appropriately profiled, with the current estimate for 2019/20 being approved at £4,611,800.
- 1.6 The Council's Financial Regulations allow for the carry forward of capital and revenue budgets to the new financial year where there is an underspend against the approved budget. Approval of full Council is required for schemes, which are not contractually committed, with a value over £50,000 for Capital and £10,000 for Revenue. There are four capital schemes that require Council approval. The Chief Financial Officer has delegated authority to approve all other carry forwards subject to reporting the source of the underspend and the subsequent use of the carry forward to the Portfolio Holder.

## **2 General Fund Revenue Budget Outturn 2019/20**

- 2.1 The actual net revenue expenditure for each Portfolio during 2019/20 is detailed in Appendix 1, together with explanations of major variances in expenditure and income.

The table below summarises the actual net expenditure for each Portfolio in 2019/20 compared to the current estimate. The current estimate is that approved by Cabinet in February 2019, adjusted by budget virements in the fourth quarter. During the financial year Cabinet approved a number of budget amendments as part of the quarterly monitoring process all of which were contained within the original budget of £11,676,000.

The table shows a minor overspend of £57,435 against the current approved Net Council Budget, equating to **0.49%**. This minor overspend is primarily due to additional contributions being made to bad debt provisions that have been assessed as prudent as part of the closure of the Council's accounts (as detailed in paragraph 2.5), and a loss of income following the closure of the Council's leisure centres in March due to the restrictions arising from the Covid-19 pandemic.

Given the extent of financial challenges facing the Council this minor overspend presents a robust outturn position for the Council which still leaves total reserve balances above the estimated position as detailed in Appendix 2.

## **General Fund Revenue Outturn 2019/20**

	<b>Current Estimate 2019/20</b>	<b>Actual 2019/20</b>	<b>Variance to Current Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Community Development	1,885,500	1,818,629	(66,871)
Health & Housing	2,508,800	2,418,471	(90,329)
Public Protection	1,578,900	1,639,001	60,101
Environment	4,952,100	4,995,586	43,486
Growth & Regeneration	930,900	811,290	(119,610)
Resources & Reputation	1,203,600	863,404	(340,196)
<b>Net Portfolio Budget</b>	<b>13,059,800</b>	<b>12,546,381</b>	<b>(513,419)</b>
Transfers to/(from) Earmarked Reserves	(1,383,800)	(812,946)	570,854
<b>Net Council Budget</b>	<b>11,676,000</b>	<b>11,733,435</b>	<b>57,435</b>
Less Financing:			
Revenue Support Grant	0	(10,320)	(10,320)
Business Rates (net of coll. fund deficit)	(3,978,300)	(3,954,679)	23,621
Council Tax	(6,034,700)	(6,034,700)	0
New Homes Bonus	(482,000)	(482,040)	(40)
<b>Transfer to/(from) General Fund Balance</b>	<b>(1,181,000)</b>	<b>(1,251,696)</b>	<b>70,696</b>

### **2.2 General Fund Balance at 31 March 2020**

The General Fund Balance as 31 March 2020 is £3,909,200 which is £70,700 lower than the current estimate of £3,979,900. This leaves less in balances, which can be used to support the Future Budget and MTFP. The level of balances remain above the minimum required in the Council's Medium Term Financial Plan.

The £70,700 variance from the estimated closing General Fund Balance is analysed as follows:

- a) A reduction in Business Rates income resulting in an increased contribution from balances of £23,600;
- b) Additional Revenue Support Grant enabling a contribution to balances of (£10,300) (see 2.3.1);
- c) The Revenue Budget overspend requiring an increased contribution from balances of £57,400.

Details of the total reserves held at 31 March 2020 are shown at Appendix 2.

## 2.3 **Major General Fund Revenue Variances from Current Estimate**

### 2.3.1 **Financing Variances 2019/20**

Reasons for the variances in General Fund financing budgets are explained in the paragraphs below:

#### **Revenue Support Grant (RSG)**

Prior to 2018/19 the Government top-sliced part of the RSG to part fund the safety net system in the business rates retention scheme effectively earmarking resources based on an estimate of the funds that would be required for that scheme. The resources required to fund the safety net were ultimately not all required due to sufficient funds being available from the levy on the growth of high-earning authorities therefore the top-sliced sums have been redistributed across Local Government on the basis of original funding allocations. This has resulted in additional grant funding of **£10,320** being allocated to Gedling.

#### **Business Rates Retention**

Under the business rates retention scheme the portion of a local authority's income that comes from retained business rates will change according to movements in its local business rates income (which could move up or down) to provide an incentive for supporting local business growth.

The 2019/20 local government finance settlement provided each local authority with its baseline funding level against which movements in income will be measured. For Gedling this is £3,027,122.

Business Rates income in 2019/20 is based on the estimates provided to central government in January 2019 in the required statutory returns. Growth recognised in the accounts for 2019/20 is determined by a complex model in which it is initially recognised as income based on the estimated position, and is then adjusted in the following year, as required by regulation, via the Collection Fund (surplus)/deficit calculation which is based on actual outturn figures.

## 2019/20 Business Rates Outturn

	<b>Current Estimate 2019/20</b>	<b>Actual 2019/20</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Baseline Funding Level	(3,027,100)	(3,027,122)	(22)
Retained Growth Above Baseline (incl. S31 Grants)	(1,002,500)	(978,909)	23,591
Renewables (100% Gedling)	(235,300)	(235,319)	(19)
<b>Total Income 2019/20</b>	<b>(4,264,900)</b>	<b>(4,241,350)</b>	<b>23,550</b>
Collection Fund Deficit/(Surplus)	286,600	286,671	71
<b>Net Business Rates Income</b>	<b>(3,978,300)</b>	<b>(3,954,679)</b>	<b>23,621</b>

## Business Rates Pooling

Gedling is a partner in a pooling arrangement with the other Nottinghamshire authorities (excluding the City). Under this arrangement each Member makes the levy payments, if applicable, into the Pool that would ordinarily have been required to be paid to central government had the Pool not been in operation. The Pool surplus funds are then distributed by Nottinghamshire County Council (as lead authority) to Pool Members on the basis of a Memorandum of Understanding. This ensures no Member is worse off by being in the Pool, by offering an equivalent “safety net mechanism” to that offered by central government for authorities not in a Pool, and then sharing any remaining surplus.

No sum has been retained by the Pool in 2019/20 for use on strategic infrastructure and countywide issues and the Pool surplus has been allocated to Pool Members in accordance with the Memorandum of Understanding, to spend on projects in their areas.

The Pool outturn figures for 2019/20 have been finalised with a sum of £313,115 identified for redistribution to Gedling. This income is recognised in the Portfolio outturn figures and it is proposed that it be transferred to earmarked reserves for spend on economic development projects. All retained Pool surpluses will be held by the County Council on behalf of the Pool for use on economic regeneration projects.

### 2.3.2 Net Council Budget Variances 2019/20

An underspend against the Current Net Portfolio 2019/20 of (£513,419) is offset by a net variance on Earmarked Reserve contributions of £570,000 to give a net Council Budget overspend of £57,435. The overspend variances can be split between general variances and those relating specifically to

proposed movements in Earmarked Reserves (paragraph 2.4) as detailed below:

### **General Major Variances in Excess of £50,000**

Reductions in **expenditure** include:

- Employee Expenses show an overall net saving of £65,000 against the current estimate, this is mainly due to vacancies in Customer Services, Economic Development, Public Protection and Waste.

Increases in **expenditure** include:

- Increase in Debtors bad debt provisions of £65,000 (see para 2.5).

Reductions in **income** include:

- Rent Allowances – £121,200 mainly due to reduced overpayments recoveries and increased bad debt provision partially offset by a transfer from reserves.

Increases in **Income** include:

- A contribution of £313,200 from the Nottinghamshire Business Rates Pool for the 2019/20 surplus offset by a transfer to reserves for spend on the economic development programme.

### **Effect of Covid-19 on 2019/20 Outturn**

In light of the Covid-19 Pandemic a number of initiatives were approved in order to alleviate some of the pressure put on Residents and Local Businesses through a Covid-19 Rapid Response Project. Although the majority of the Covid-19 financial pressures relate to 2020/21 there were some that had an immediate impact in the 2019/20 budget, these are set out below:

- Loss of Leisure income relating due to closure of the leisure centres in March - £33,000;
- Additional PPE for Waste staff - £24,000 funded by a contribution from the Transformation Reserve.

### **Efficiency Programme – Outturn Position**

Since 2014/15 Council have approved four separate budget reduction programmes totalling £6.5m net of risk provision. Previous progress has been positive and budget reductions achieved have been in line with the profiled estimate. Of the total programme, £2.6m was planned for delivery over 2019/20 to 2022/23.

In terms of 2019/20, the original programme for the delivery of efficiencies totalled £1,086,300. The outturn position indicates the following:

<b>Movements on Efficiencies 2019/20</b>	
	<b>£</b>
<b>Approved Efficiency Programme 2019/20</b>	<b>(1,086,300)</b>
Quarter 1 Amendments	52,200
Quarter 2 Amendments	308,700
Quarter 3 Amendments	74,600
<b>Revised Total at Quarter 3</b>	<b>(650,800)</b>
<b>Proposed Amendments Quarter 4: Deferred Projects into 2020/21</b>	
Rents above inflation	2,000
Gedling Country Park Café Income	8,500
<b>Total Deferred</b>	<b>10,500</b>
<b>Total Quarter 4 Amendments</b>	<b>10,500</b>
<b>Revised Total Delivered 2019/20</b>	<b>(640,300)</b>
<b>Variance 2019/20 Programme</b>	<b>446,000</b>

The £10,500 quarter 4 deferrals are included in the variances detailed in Appendix 1. In summary, the outturn of the efficiency programme delivery was a shortfall of £446,000 which is mainly due to initiatives being deferred to future years and was contained in 2019/20 by underspends identified during quarterly monitoring.

#### 2.4 Movement In Earmarked Reserves

Reserves requirements have been reviewed and transactions completed within the portfolio analysis. Earmarked Reserves are sums of money set aside to provide financing for future service expenditure plans and include specific external grants and contributions received.

The balance on Earmarked Reserves at 31 March 2020 is £5,981,800, £570,900 higher than the current estimate of £5,410,900. A full list of movements on Earmarked Revenue Reserves is included in Appendix 3 and these are proposed to Cabinet for approval. Reasons for the variance between the estimated and actual earmarked reserves are included in the portfolio analysis at Appendix 1 and include:

- new contributions to reserves due to new grants and additional income, or underspends in one-off budgets for specific projects;
- variances on planned contributions from reserves mainly due to projects that have been deferred to 2020-21;
- additional contributions from reserves to fund budget pressures arising during the year.

The tables below shows a summary of total movements in earmarked reserves from the current approved estimate.

#### 2.4.1 New Contributions to Earmarked Reserves

Included in the Earmarked Reserves proposed for approval are new contributions to reserves totalling £510,900 made up of:

<b>Increases Due to Receipt of New Grants and Additional Income</b>		
<b>Reserve</b>	<b>Reason for Movement</b>	<b>Amount</b>
NNDR Pool Reserve	Contribution from the Nottinghamshire Business Rates Pool	(313,200)
Selective Licensing	Income received to fund the project in future years.	(41,400)
Earmarked Grants Reserve	New Burdens Grant Custom Self Build	(17,500)
	Community Relation Grants including Social Prescribing	(34,000)
	Heritage Brought Alive Grant	(7,500)
	Additional Brexit Preparation Grant	(17,500)
		<b>(431,100)</b>

<b>Increases for Future Projects Arising from Service Underspends</b>		
<b>Reserve</b>	<b>Reason for Movement</b>	<b>Amount</b>
Efficiency and Innovation Reserve	IT Digital agenda underspend	(38,000)
Property Management Reserve	Consultancy for Asset Valuations	(10,800)
Joint Use Maintenance Reserve	Contributions to provide for future planned maintenance	(32,100)
Other Minor Movements		1,100
		<b>(79,800)</b>

<b>Total Contributions to Reserves</b>	<b>(510,900)</b>
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## 2.4.2 Variances in Planned Usage of Earmarked Reserve

Contributions from reserves have reduced by £60,000 compared to current estimate analysed as follows:

<b>Additional Contributions from Reserves</b>		
<b>Reserve</b>	<b>Reason for Movement</b>	<b>Amount</b>
Earmarked Grants Reserve	Required Software upgrades in Housing Benefits & Rateable Value Finder	71,900
	Parks - vandalism repairs at Arnot Hill Park	30,000
Housing Benefits Reserve	Rent Allowances Increases	85,200
	Council Tax - Care Leavers Allowance	5,000
	Council Tax - Discretionary Grants	7,400
Asset Management Reserve	Civic Centre Refurbishments	20,000
Insurance Reserve	Excess on Insurance Claims	9,400
CCTV Replacement Reserve	Additional expenditure on CCTV replacements	13,000
		<b>241,900</b>

### **Offset with:**

<b>Reduced Contributions from Reserves – Underspent Projects Deferred to 2019-20</b>		
<b>Reserve</b>	<b>Reason for Movement</b>	<b>Amount</b>
NNDR Pool Reserve	Strategic Intervention Town Centre Pots for delivery in 2020/21	(74,200)
Asset Management Reserve	Deferred capital schemes Conway Road Recreation Ground and Security Barriers at the Depot	(26,000)
Housing Benefit Reserve	Reduced contribution required for Temporary Accommodation due to additional Homelessness reduction grant received in year	(36,480)
Local Plan Reserve	Deferral of the CIL review and underspend on Evidence Preparation	(50,000)
IT Replacement Fund	Temporary pause in the replacement programme.	(21,000)
Transformation Fund	Lower contribution required for selling Legal Services project and Leisure Marketing Officer	(43,000)

Apprentice Reserve	Lower number of Apprentices	(16,800)
Community and Crime Reserve	Empty Homes Officer post now being funded by base budget	(13,100)
Efficiency and Innovation reserve	Lower expenditure on Plastic Clever Council deferred to 2020/21	(5,800)
	H&S E-learning deferred to 2020/21	(5,500)
Property Management Fund	No Expenditure in Year	(7,500)
Other Minor Movements		(2,500)
		<b>(301,900)</b>
<b>Total Contributions from Reserves</b>		<b>(60,000)</b>

## 2.5 Movement in Provisions

Provision requirements have been reviewed and transactions completed within the outturn analysis. Provisions are made when an event has taken place that gives the Council an obligation that probably requires settlement but where the timing and precise amounts are uncertain. The table below details the movements in Provisions for 2019/20 which are now proposed to Cabinet for approval.

Description	Balance B/fwd 01/04/19	Movement in Year	Actual Balance 31/3/20
	£	£	£
Business Rates Appeals	853,000	342,800	1,195,800
Transferred Housing Stock – Environment Warranties	50,000	0	50,000
Transferred Stock Repairs	50,000	0	50,000
<b>Total</b>	<b>953,000</b>	<b>342,800</b>	<b>1,295,800</b>

Business Rate Appeals - The Business Rate Retention regime places a liability on the Council to refund ratepayers who successfully appeal against the rateable value of their properties on the rating list. A provision of £1,195,800 has been made, representing the Council's estimated share of such liabilities at 31 March 2020.

Transferred Stock Environmental Warranties - to provide for the payment of excesses under the Environmental Warranty provided to Gedling Homes under the Large Scale Voluntary Transfer (LSVT) arrangement. An excess of £25,000 makes it likely that the Council will be required to meet certain expenses over the life of the policy.

Transferred Stock Repairs - to provide for work required under warranties on the transferred properties referred to above.

## Provisions for Bad Debts

Bad debts provisions are an estimate of the amount that will remain uncollectable after a certain time period and will require write off in the future accounts of the Council. They are calculated on the age and amounts of debt owed to the Council based on a hierarchical percentage i.e. the older the debt the greater the likelihood of non-collection. The table below details the movements in Bad Debts Provisions for 2019/20 which are now proposed to Cabinet for approval.

<b>Description</b>	<b>Balance B/fwd 01/04/19 £</b>	<b>Movement in Year £</b>	<b>Actual Balance 31/3/20 £</b>
Sundry Debts	157,300	65,000	222,300
Housing Benefit Debts	1,919,400	104,300	2,023,700
Business Rates Debts (GBC Share)	128,000	25,400	153,400
Council Tax Court Costs	138,200	32,900	171,100
<b>Total</b>	<b>2,342,900</b>	<b>227,600</b>	<b>2,570,500</b>

## 2.6 Building Control Fee Earning Trading Account

There is a statutory requirement to break even on the Building Control Fee Earning account to ensure the service is not subsidised by the council tax payer.

Building control fees were lower than expected therefore the remaining balance on the Building Control Reserve £10,130 has been drawn down leaving the account in deficit by £2,600. Fees and expenditure will be reviewed to ensure that the deficit can be recouped in the future.

## 2.7 Community Infrastructure Levy (CIL)

In 2019/20 the Council raised 24 liability notices totalling £447,178 of which £394,870 has been invoiced for payment and £52,308 is still to be collected. Of the £394,870 invoices raised £294,158 is to be spent on strategic infrastructure projects that are identified on the Regulation 123 list, £19,743 is to be spent on the locality it has been collected for via Neighbourhood funding and £80,969 is to fund administration costs as permitted under the Regulations. The total balance now available to spend on infrastructure projects is £1,432,746 as detailed in the table in paragraph 3.4.

## 2.8 **Members Pot Outturn 2019/20 and Community Grants**

In 2019/20 the Members Pot budget was £82,000 of which £82,000 has been spent on grants to third parties as detailed in Appendix 4.

Despite ongoing financial pressures the Council was still able to provide financial support to voluntary and charitable organisations, Parish Council grants £11,300, Citizens Advice Bureau £40,000, Gedling Play Forum £5,000, We R Here £10,000, Newstead Miners Welfare Trust £2,700 and Groundwork Greater Nottingham £1,500.

## 2.9 **Gedling Country Park Café 1899**

Gedling Borough Council and Nottingham City Council Trading Operations have entered into a service concession contract to operate the commercial catering outlet within Gedling Country Park. The facility is operated by Nottingham City Council and all operating costs and income are split on a 50/50 basis.

The café is currently in its third year of operation. Due to Covid-19 the café closed for operation on 23rd March 2020 resulting that one week's loss of income during 2019/20. Gedling's actual profit share from the agreement for the year 2019/20 totalled £11,516 compared to an estimated share of £20,000.

## 2.10 **Support Service Recharges and Capital Financing Variations (Non Controllable)**

Detailed explanations of major variations at individual portfolio holder level are included at Appendix 1. Global changes in respect of the treatment of support services and capital financing can mask the detail of performance in individual areas and these 'non controllable costs' are also highlighted separately (see paragraphs below).

### **Support Service Recharges**

The budgets of all central support, service administration and fleet providers have been monitored and updated as part of the quarterly budget monitoring process. Reallocation of support costs has been undertaken as part of the accounts closedown process based on actual outturn figures and therefore variances between the central support budgets and actual recharges have occurred as a result of this reappraisal. Variances resulting from the reappraisal of central support and service administration have occurred across the board, but the entries themselves do not impact on the budget requirement or the amount to be raised by Council Tax. **Overall, support services have underspent compared to the current estimate by £101,700 in 2019/20.**

### Capital Financing Charges

Capital financing charges reflected in the Council's service department budgets include amortisation and depreciation.

Amortisation charges relate to the cost of Capital schemes where no asset is created and the capital expenditure is therefore charged to revenue in the year it occurs e.g. disabled facilities grants. Budget variances may occur because of capital scheme under and overspends and carry forwards/slippage. Depreciation reflects the usage of capital assets within the services and budget variances can occur due to the revaluation of assets.

### 3. Capital Outturn 2019/20

- 3.1 A summary of the Capital outturn is presented in the table below. Capital outturn totals £3,107,071 compared to an approved budget of £4,611,800 a net underspend of £1,504,729. After accounting for carry forward requests of £1,507,100 the final increased financing requirement on the capital programme is £2,371. The small over-spend of £2,371 is mainly due to additional expenditure in 2019/20 on the Arnold Market scheme after it was deferred to 2020/21.
- 3.2 The details of the outturn for individual schemes by Portfolio area are included at Appendix 5.

#### Capital Outturn and Proposed Carry Forwards 2019/20

Portfolio	Current Estimate 2019/20	Actual Expenditure 2019/20	Variance	Proposed Carry Forward
	£	£	£	£
Community Development	3,700	0	(3,700)	3,700
Housing, Health & Wellbeing	264,300	226,142	(38,158)	37,900
Public Protection	1,110,000	1,027,066	(82,934)	83,000
Environment	1,450,100	1,143,825	(306,275)	303,800
Growth and Regeneration	300,000	305,225	5,225	0
Resources & Reputation	1,483,700	404,813	(1,078,887)	1,078,700
<b>TOTAL</b>	<b>4,611,800</b>	<b>3,107,071</b>	<b>(1,504,729)</b>	<b>1,507,100</b>

### 3.3 Proposed Capital Carry Forwards

The capital carry forward requests a total £1,507,100 against the current approved capital programme of £4,611,800 which represents 33% re-profiling for 2019/20. The level of funding available to finance the carry forwards is

projected to be sufficient. The majority of the capital re-profiling is in relation to the following:

- Deferral of (£900,000) due to an unsuccessful bid for a potential commercial investment. These funds will be available for alternative investment opportunities in 2020/21;
- The Car Park extension at Gedling Country park which has been delayed due to bad weather and the cessation of works towards the end of the year due to the Covid-19 Pandemic. (£102,600);
- Deferral of the Conway Road Recreation Ground project of (£91,800), commencement on site was delayed due to inclement weather and ground conditions, and further delays due the Covid-19 Pandemic.
- Disabled Facilities Grant, some schemes delayed due to the Covid-19 Pandemic delivery is expected 2020/21 (£83,000).
- Deferral of the refurbishment of Civic Centre Toilets (£72,000) which is due to start early in 2020/21;
- Maximisation of asset life of vehicles with purchases now taking place in 2020/21 - (£51,600);
- Purchase of IT equipment due to a deferral of the rollout of Windows 10 and Agile working, - (£65,000)
- Delay in the progression of the Viewing Platforms at Gedling Country Park due to inclement weather and the outbreak of the Covid-19 Pandemic – (£42,800);
- Deferral of the installation of the security barriers at the Depot (£40,000).

Appendix 6 details:

- (a) the carry forward requests authorised by the Chief Financial Officer in line with the delegation arrangements totalling £387,100;
- (b) the carry forward requests totalling £1,120,000 for non-committed schemes in excess of £50,000, which requires Council approval. This is for Disabled Facilities Grants, Commercial Property Investments, Civic Centre public toilets and IT equipment replacement.

### 3.4 Capital Financing 2019/20

The proposed method of financing the £3,107,071 capital expenditure incurred in 2019/20 is summarised below and full details are included in Appendix 7.

	£
Capital Receipts	581,346
Capital Grants and Contributions	1,279,194
S106 & CIL	405,734
General Fund Revenue Contributions	178,800
Borrowing	661,997
<b>Total Capital Financing</b>	<b>3,107,071</b>

### Usable Capital Reserves

A reserve is created for a specific purpose or to cover contingencies. In accordance with the accounting code, these usable reserves must be separately identified between those that are retained for Capital purposes, and those that are retained for Revenue purposes.

Capital reserves are used to fund the capital programme within the year and the position as at 31 March 2020 is as follows:

<b>Description</b>	<b>Balance Bfwd 01/04/19</b>	<b>Received In Year</b>	<b>Use In Year</b>	<b>Balance 31/03/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Usable Capital Receipts	0	578,791	(578,791)	0
Capital Grants Unapplied	274,640	1,227,748	(1,279,193)	223,195
S106 Contributions (conditions satisfied)	0	405,733	(405,733)	0
Community Infrastructure Levy	1,138,599	294,157	0	1,432,746
<b>Total</b>	<b>1,413,239</b>	<b>2,506,429</b>	<b>(2,263,717)</b>	<b>1,655,941</b>

### 3.5 Capital Determinations 2019/20

The Local Government and Housing Act 1989 requires each Local Authority to determine how its capital expenditure has been financed together with the amounts set aside from revenue as a provision for repayment of debt:

- (i) Section 42(2)(g) of the Local Government and Housing Act 1989 requires the Authority to determine the amount of expenditure which has been met out of money provided by other persons. This is:

	<b>£</b>
Capital grants receivable	1,279,194
Capital contributions	405,734

- (ii) Section 60(2) of the Act requires the Authority to determine the amount of usable capital receipts to be applied to meet expenditure incurred for capital purposes for 2019/20. This figure is £581,346.
- (iii) Section 63(1) of the Act requires the Authority to determine the amounts set aside from revenue accounts as provision for repayment of debt, known as the minimum revenue provision (MRP). This is calculated in accordance with the MRP policy for 2019/20 as approved by Council on 4 March 2019 and equates to £570,814.

## **4. Statement of Accounts**

### **4.1 Technical Adjustments to Revenue**

The Council is required to comply with International Financial Reporting Standards (IFRS) in the production of its Statement of Accounts which requires a number of technical adjustments to be made to portfolio totals. The adjusted totals are then presented in the Comprehensive Income and Expenditure Statement within the Statement of Accounts.

Adjustments will be made in respect of Employee Benefits i.e. holiday pay and pensions, and impairments arising from asset revaluations and further details are provided below. The adjustments themselves do not impact on the budget requirement or the amount to be raised by Council Tax and therefore do not affect the General Fund balance. No budgets are set for them and managers do not have direct control of the costs. They are therefore not included within the Outturn Portfolio balances at paragraph 2.1.

#### **Pension Benefits**

IFRS reporting standards require recognition in the Accounts of the benefit entitlements earned by employees during the period rather than the actual amount of employer's pension contributions payable upon which charges to council tax are based. Adjustments will be made to the service revenue accounts Net Costs of Services to remove the actual pension contributions payable and replace them with the benefit entitlements earned as provided by the Actuary. For 2019/20 this adjustment adds £1,794,300 to the Net Cost of Services.

#### **Asset Impairment**

A capital asset impairment review is undertaken each year end by the Council's valuer. An assessment is made of whether the asset values currently held in the Council's Balance Sheet reflect both the current physical and market conditions and determine if an adjustment is required. If an asset is impaired i.e. the value is assessed to be lower than that currently held, then the asset value is written down with the accounting loss being charged to the Comprehensive Income and Expenditure Statement. In 2019/20 the impact of Covid-19 is expected to have an impact on the valuations of Assets, revised data which is more up-to date is now available to us, we are currently reviewing this data in order to more accurately assess the impact of the Pandemic on Asset Values as at 31 March 2020.

## 4.2 Pensions

The details regarding the Council's share of the Nottinghamshire County Council Pension Fund are provided for Members consideration at Appendix 8.

Barnett Waddingham are the Pension Fund's appointed Actuary, and their report sets out the assumptions used to prepare the IAS19 pension figures which are reported in Gedling's accounts. It is required that these assumptions are reviewed prior to agreeing their use and inclusion in the Statement of Accounts, and this review has been completed by the Assistant Director - Finance.

## 4.3 Balance Sheet at 31 March 2020

Consideration of the Council's Balance Sheet does not feature significantly in the budget setting and monitoring, and yet if not managed and reviewed correctly, a number of balances may be hidden that could have a major impact on the revenue outturn in any one year. Balance sheet valuation and management is at the heart of changes being driven by International Financial Reporting Standards, and it is therefore important that in reviewing the Final Accounts, due consideration is given to the main features of the Balance Sheet and year to year changes as follows:

- Property, Plant and Equipment and Investment Property has reduced by £0.3m to £32.7m. This is due to depreciation of £1.9m offset with increased asset valuations of £0.1m and by capital expenditure additions of £1.5m e.g. investment in Vehicles, Plant and Equipment and Community Assets.
- The Pension Liability has increased by £2.2m to £49.2m due to changes in the discount rate and other assumptions made by the Actuary

## **5 Alternative Options**

This report provides a statement of financial performance against the approved budget for 2019/20 and as such there are no alternative options. The proposals for budget carry forwards are in accordance with requirements of Financial Regulations and are submitted for Member consideration.

The approval of the capital financing method and determinations are statutorily required and as resources available for capital financing are severely restricted there are no alternative options available.

## **6 Financial Implications**

- 6.1 As detailed in the report.

## **7 Legal Implications**

7.1 None arising directly from this report.

## **8 Equalities Implications**

8.1 None arising directly from this report.

## **9 Carbon Reduction/Environmental Sustainability Implications**

9.1 None arising directly from this report.

## **10 Appendices**

Appendix 1	General Fund Revenue Outturn 2019/20 Variance Analysis
Appendix 2	Summary General Fund Balance and Earmarked Reserves
Appendix 3	Movement in Earmarked Reserves
Appendix 4	Members Pot 2019/20
Appendix 5	Capital Outturn 2019/20
Appendix 6	Budget Carry Forward Summary
Appendix 7	Capital Financing Summary 2019/20
Appendix 8	Pension Fund Accounting Disclosures

## **11 Background Papers**

Gedling Plan and Budget 2019/20 and Quarterly Budget Monitoring Reports

## **12 Reasons for Recommendations**

12.1 To ensure members are informed of the financial performance against the Gedling Plan and to comply with statutory requirements for capital financing.

### **Statutory Officer Approval**

**Approved by:** Chief Financial Officer  
**Date:** 23/06/20

**Approved by:** Monitoring Officer  
**Date:** 23/06/20