

Report to Cabinet

Subject: Budget Outturn and Budget Carry Forwards 2020/21

Date: 8 July 2021

Author: Senior Leadership Team

Wards Affected

Borough-wide

Purpose

This report presents the Budget Outturn and Budget Carry Forwards for 2020/21.

Cabinet is asked to note the final outturn position for 2020/21 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 2020/21 as additions to the 2021/22 budget for referral to Council, in accordance with Financial Regulations;
- d) Recommend that Council approve the method of financing the 2020/21 capital expenditure which includes making the Capital Determinations required by the Local Government and Housing Act 1989.

Key Decision

This is a key decision because the proposal includes financial implications that are above the threshold of £0.5m determined by Council for decisions to be regarded as a Key Decision

Recommendation(s)

Members are recommended to:

- 1) Note the Budget Outturn figures for 2020/21;**
- 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 £1,129,800 included in Appendix 6 for non-committed schemes in excess of £50,000;**
 - ii) The overall method of financing of the 2020/21 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 2020/21 was approved by Council on 5 March 2020. 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 2020/21 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 £11,602,700 approved by Council. Capital budgets have also been monitored by Cabinet to ensure schemes are appropriately profiled, with the current estimate for 2020/21 being approved at £4,100,900.
- 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 six 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 2020/21

- 2.1 The actual net revenue expenditure for each Portfolio during 2020/21 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 2020/21 compared to the current estimate. The current estimate is that approved by Cabinet in February 2020, 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 £11,602,700.

The table shows an underspend of £274,800 against the current approved Net Council Budget, equating to **2.3 %**. This underspend is primarily due to savings across all Leisure Centres including additional furlough grant income for Leisure staff arising from the Covid-19 pandemic related restrictions and closures. Whilst budgets have been changed as part of quarterly monitoring to reflect the current position at that time, there was uncertainty around timelines for easing restrictions therefore staffing budgets for re-opening remained in place for the final quarter. As restrictions continued, further savings have been made which have been offset against associated loss of income.

During Quarterly monitoring £320,600 use of earmarked reserves was approved to support the expected Covid related deficit expected in the budget,

however, due to an improved outturn position these contributions are no longer required and have been returned to the appropriate reserves as detailed in paragraph 2.4.2.

Given the extent of financial challenges facing the Council this underspend presents a robust outturn position for the Council and allows a contribution to reserve balances which is above the estimated position as detailed in Appendix 2.

General Fund Revenue Outturn 2020/21

	Current Estimate 2020/21	Actual 2020/21	Variance to Current Estimate
	£	£	£
Community Development	1,551,200	1,382,000	(169,200)
Health & Housing	4,650,900	3,662,600	(988,300)
Public Protection	1,570,400	1,271,000	(299,400)
Environment	5,657,400	5,152,000	(505,400)
Growth & Regeneration	1,135,450	1,000,300	(135,100)
Resources & Reputation	(1,700,400)	(3,189,400)	(1,489,000)
Net Portfolio Budget	12,864,940	9,278,500	(3,586,400)
Transfers to/(from) Earmarked Reserves	(1,262,240)	2,049,400	3,311,600
Net Council Budget	11,602,700	11,327,900	(274,800)
Less Financing:			
Business Rates (net of coll. fund deficit)	(8,401,500)	(8,610,300)	(208,800)
Council Tax	(6,283,600)	(6,348,700)	(65,100)
New Homes Bonus	(382,700)	(382,700)	00
Transfer to/(from) General Fund Balance	(3,465,100)	(4,013,800)	(548,700)

The variances on the financing budgets of business rates and council tax are largely due to the timing of the Governments Tax Income Guarantee (TIG). The current Medium Term Financial Plan (MTFP) assumed that the TIG would be accounted for in 2021/22, but guidance subsequently confirmed that it should be recognised in 2020/21. The TIG receivable has been calculated as £65,100 for Council Tax and £253,800 for Business Rates (see paragraph 2.3.1 for full variance analysis for business rates).

Following preparation of the MTFP, the Government also changed the rules regarding the calculation of the TIG to prevent the potential for the manipulation of contributions to the Business Rate Appeals Provision, to effectively minimise rates income and therefore maximise TIG. For Gedling this results in a reduction of £403,000 on that assumed in the MTFP in

2021/22.

The table above indicates a surplus of £549,000 as a contribution to the General Fund Balance at 31 March 2021, however it is drawn to Members' attention that this is not all available to support future expenditure plans due to the profiling of the impact of the business rates retention scheme on the General Fund.

As demonstrated above, a surplus of £209,000 was made on business rates in 2020/21. The MTFP prepared in January 2021 included the impact of the estimated 2020/21 outturn on business rates spread over the period 2021/22 to 2023/24, however the actual outturn position indicates a shortfall over the same period of £511,000. The 2020/21 surplus of £209,000 will therefore be carried forward in the General Fund Balance to partly fund this shortfall. A further £302,000 will be required to make up the loss and to maintain the assumptions in the MTFP. **This leaves the sum of £38,000 available to support future expenditure plans.**

2.2 General Fund Balance at 31 March 2021

The General Fund Balance as 31 March 2021 is £7,923,000 which is £549,000 higher than the current estimate of £7,374,000.

This increase in balances, is primarily required to fund the impact of a reduced 2020/21 business rates outturn position in the medium term (as detailed in the note above). The level of balances remain above the minimum required in the Council's Medium Term Financial Plan of (£1.0m).

Details of the total reserves held at 31 March 2021 are shown at Appendix 2.

2.3 Major General Fund Revenue Variances from Current Estimate

2.3.1 Financing Variances 2020/21

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

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 2020/21 local government finance settlement provided each local authority with its baseline funding level against which movements in income will be measured. For Gedling this was £3,076,444.

Business Rates income for 2020/21 is based on the estimates provided to central government in January 2020 in the required statutory returns. Growth recognised in the accounts for 2020/21 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 years, as required by regulation, via the next Collection Fund (surplus)/deficit calculation - which is based on actual outturn figures.

2020/21 Business Rates Outturn

	Current Estimate 2020/21 £	Actual 2020/21 £	Variance £
Baseline Funding Level	(3,076,400)	(3,076,400)	0
Retained Growth above Baseline (incl. S31 Grants)	(1,119,000)	(884,900)	234,100
Tax Income Guarantee (TIG)	0	(253,800)	(253,800)
Renewables (100% Gedling)	99,500	99,400	(100)
Adjustments re previous year	0	(1,500)	(1,500)
Sub Total	(4,095,900)	(4,117,200)	(21,300)
S31 Grant to fund exceptional deficit	(4,621,100)	(4,808,600)	(187,500)
Total Income for 2020/21	(8,717,000)	(8,925,800)	(208,800)
Collection Fund Deficit/(Surplus)	315,500	315,500	0
Net Business Rates Income	(8,401,500)	(8,610,300)	(208,800)

In the face of the pandemic the Government hugely expanded the rate reliefs available to businesses, and accordingly reduced the net rates payable by ratepayers, creating an “exceptional deficit” for 2020/21. As demonstrated in the table above, the Council was reimbursed for this loss by the payment of additional S31 of the Local Government Act 2003 grant totalling £4.8m. However, these were received by the General Fund in 2020/21 when the impact of the deficit will fall in following years, creating a mismatch that must be considered when interpreting the true business rates income and General Fund balance at 31 March 2021. In summary the additional S31 grant of £4.8m included in the General Fund Balance of £7.9m at 31 March 2021 will be required to fund the exceptional deficit in 2021/22 as anticipated in the Council’s medium term financial plan (MTFP), as discussed above.

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.

The Pool surplus for 2020/21 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 2020/21 have been finalised with a sum of £284,100 identified for redistribution to Gedling. This income is recognised in the Portfolio outturn figures and has been transferred to earmarked reserves for spend on economic development projects. Remaining 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 2020/21

An underspend against the Current Net Portfolio 2020/21 of (£3,586,400) is offset by a net variance on Earmarked Reserve contributions of £3,311,600 to give a net Council Budget underspend of £274,800. The underspend 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

Reductions in **expenditure** of (£559,900) include:

- Leisure Services show an overall underspend of (£460,000), of which £235,000 is offset with transfers to reserves, resulting in a net underspend of (£225,900) This is made up as follows:

Employee savings due to vacant posts, casual staff, and lower holiday cover against the current estimates of (£297,300), due to additional Covid related closures and higher Furlough income due to additional staff being placed on furlough between January and March. This has been partially offset by a contribution to reserves of £111,000 to cover the additional holiday cover requirement in 2021/22;

Other underspends of (£95,000) have been identified which relate to savings on Joint Use funds, base maintenance, savings on utilities and promotional expenditure, these have been partially offset with a contribution to reserves of £83,000 to progress projects in 2021/22;

Additional Furlough Payments of (£84,200) due to extended furlough scheme and (£41,000) Cinema grant from the British Film Industry partially

offset by reduced Leisure Income of £56,900 from quarter 4 closures and transfers to reserves of £41,000.

- Excluding Leisure, other Employee Expenses show an overall net savings of **(£129,000)** against the current estimate; this is mainly due to vacancies in Parks & Street Care,, Community Centres and Customer Services, Organisational Development & Corporate Management savings;
- Housing Benefits reduced rent allowance of **(£81,000)** due to overpayment recoveries and additional housing benefits administration subsidy; Fleet Management **(£49,000)** underspend on supplies & services and vehicle sale;
- Savings in Trade Waste disposal costs of **(£75,000)** due to a reduction in tonnage due to business closures during Covid 19 related lockdown periods.

Increases in **expenditure** of **£210,000** include:

- Increase in provision for bad debts due to the suspension of debt recovery during the pandemic;
 - Sundry Debtors £130,000
 - Housing Benefits £40,000
- Additional redundancy payments and pension strain costs of £40,000

Reductions in **income** of **£61,000** include:

- Planning – £61,000 reduced income in planning and pre application advice due to the impact of Covid 19, additional previously reported during monitoring, which has been partially offset with income from the Governments Income Compensation scheme.

Increases in **Income** of **(£263,000)** include:

- Waste management income budgets were reduced to reflect the impact of Covid 19 during the course of the year, however income on Garden Waste, Bulky Waste and recycling credits have recovered beyond expectations by **(£113,000)**;
- Car Parking – **(£102,000)** net increase mainly due to car park enforcement income showing an improved position from previous Covid related reductions;
- An increase in income of **(£48,000)** due to an improved position on Trade Waste which was reduced due to Covid and an increase in rent for the Civic Centre.

2.3.3 Budget Implications arising from the Covid-19 Pandemic

The financial impact of the Covid-19 pandemic is significant, as highlighted in the report to Cabinet on 18 June 2020 detailing the Council's response work and the subsequent on-going impacts of two further lockdowns.

Expenditure

In addition to the amounts reported to Cabinet in the Quarter 3 Budget Monitoring Report, estimated additional expenditure pressures of £103,300 have been identified bringing the total estimated Covid-19 related expenditure to £644,900 for the full financial year.

Covid-19 Related Expenditure at Outturn	
	£
Covid related expenditure reported at Quarter 3	541,600
Quarter 4 Expenditure	
Adjustment for expenditure on Homelessness	(14,600)
Leisure PPE, screens and cleaning	2,400
Waste additional drivers	11,000
Street Care additional drivers	2,000
Parks additional agency staff, signage for parks & play areas & cleaning products for equipment & vehicles	52,500
Cemeteries agency staff	18,000
Corporate - equipment for Covid 19 response and cleaning Civic Centre	11,300
Domestic violence	10,400
Expenditure Pressures relating to Deferred Efficiencies	
PASC Removal of non-contractual overtime	10,300
Additional expenditure at Quarter 4	103,300
Total additional Covid-19 related expenditure	644,900

Income

Quarter 3 reported estimated income losses for the full year of £3,312,300. However, further savings and additional pressures have been identified and are detailed in the table below. The table below shows an overall improvement in income loss from that previously reported totalling (£51,400) mainly relating to Car Parks, Waste Services, Community Centres and Planning resulting in a total net income reduction for 2020/21 of £3,260,900.

Covid-19 related Income losses at Quarter 4	
	£
Covid Related Income Losses reported at Quarter 3	3,312,300
Quarter 4 position	
Community Centres Additional Furlough and savings	(25,300)
Recovered income on Trade Waste	(29,700)
Car Parks - Savings on enforcement contract	(122,500)
Improved position on summons income	(31,200)

Licencing Income	67,700
Planning Fees reduction due to suspension of work on development sites	56,300
Arnold market restricted trading	5,000
Reduction in Legal Income	20,000
Reduction in Training	10,000
Deferred Efficiencies due to Covid	
Selling Legal services and in-house pest control	22,300
Recovery of Income on Deferred Efficiencies	
Selling Legal Services and in-house Pest Control	(24,000)
Quarter 4 Covid-19 impact on Income	(51,400)
Total Covid-19 Impact on Income for 2020/21	3,260,900

2.3.4 Income Compensation Scheme

The income compensation scheme recognises the impact the pandemic has had on income from sales, fees and charges. This scheme provides compensation for unforeseen losses that are irrecoverable during 2020/21, and is to be extended to include the first three months of 2021/22. The scheme operates on a principles-based approach and includes a 5% deductible rate based on the 2020/21 approved budget, with the government providing compensation for 75p in every pound of relevant loss of eligible income thereafter. The scheme is restricted to compensating irrecoverable net losses, specifically from those customer and client receipts, which are charged in return for a service, where demand has been reduced due to Covid, but excludes commercial revenues, including property rents.

The grant is accessed by completing three financial returns each covering a four-month period. The table below shows the expected Income Compensation reported at Quarter 3 compared to the final outturn position.

Income Compensation	
	£
April - July Claim	(683,000)
August - November Claim	(499,600)
Forecast December - March	(417,400)
Income Compensation Expected at Qtr3	(1,600,000)
Actual at Outturn	(1,588,800)
Variance	11,200

Total Covid Related Income Losses	3,260,900
Income Compensation Grant	(1,588,800)
Net Impact on Income Budgets	1,672,100

Income losses of **£3,260,900** include all Covid related income losses incurred

in 2020/21, however as stated above not all of these losses are eligible for the Income Compensation scheme. The net loss after applying the Income Compensation Grant was **£1,672,100** as shown in the above table, of which **£764,000** relates directly to Leisure Services. This equates to only 49% of our Covid related income losses being covered by the Government's income compensation scheme.

2.3.5 Central Government Funding Covid Related Pressures

During the course of the pandemic, the Government has announced various sources of grant funding to support local authorities in responding to the pandemic and cover the Council's expenditure pressures, income shortfalls and employee expenses relating to enforced closures. The table below sets out these funding streams:

Funding	Current Estimate £	Outturn £	Movement £
Emergency Funding (4 Tranches)	1,570,000	1,570,000	0
Income Compensation Scheme	1,600,000	1,588,800	11,200
Job Retention (Furlough) Scheme	268,000	362,600	(94,600)
Total Estimated Grant Funding	3,438,000	3,521,400	(83,400)

2.3.6 Overall Covid Related Impact on 2020/21 Budget

The outturn position of the total net budget impact of the Covid-19 pandemic compared to that previously reported at quarter 3 is:

Budget Implications Covid-19	Quarter 3 £	Outturn £	Movement £
Expenditure Pressures 2020/21	541,600	644,900	103,300
Income Losses 2020/21	3,312,300	3,260,900	(51,400)
Total Budget Pressure 2020/21	3,853,900	3,905,800	51,900
Total Grant Funding 2020/21	(3,438,000)	(3,521,400)	(83,400)
Net Total 2020/21 Budget Impact	415,900	384,400	(31,500)

In summary, the 2020/21 net budget impact of Covid 19 now reported at Outturn is £384,400 a decrease in net costs of £31,500, compared to that previously reported mainly due to additional furlough grants received.

Note: Collection Fund Losses and Debt Recovery

In addition to the pressures detailed in the table above Covid has also had an adverse impact on the collection of Business Rates, Council Tax and Sundry Debts as follows:

- A net reduction in Business Rates income arising from the 2020/21 collection, compared to the budget in the medium term, of £511,000 as detailed in paragraph 2.1;
- A net reduction in expected Council Tax income in the medium term of £15,000;
- the suspension of sundry debt recovery during Covid has resulted in an increased bad debts provision of £172,000 as detailed in paragraph 2.5.

2.3.7 Government Grants

In addition to the funding stated above, as part of the Government response to the Covid Pandemic a number of Grants have been issued to Local Authorities to distribute to individuals and Businesses. The total amount of grants awarded to Gedling was **£34,336,600**, of this £28,006,100 were Mandatory Grants, where the Council acts as an Agent of the Government to award grants directly in line with set grant conditions and restrictions. Mandatory Grants are held on the Balance Sheet with any unpaid amounts repaid to the Government.

The remaining **£6,330,600** of grants are directed through the Revenue Accounts and are made of up of Discretionary Grants, which the Council have distributed as part of individual Council approved schemes, specific grants for delivery of specified outcomes and administration grants which recognise the additional workload faced by the Council. These grants are detailed in the table below;

Covid Grants		
	Grant	Contribution to Reserves at Outturn
	£	£
Business Support Grants		
Discretionary Business Grants	897,200	
Additional Restrictions Business Grants	3,405,200	540,400
Local Restriction Support Grants (Open)	230,700	
Grants for Citizens		
Test & Trace Support Grants	150,000	131,000
Council Tax Hardship Relief Grants	873,100	112,200
Specific Use Grants		
Outbreak Contain & Enforcement	248,800	
Compliance & Enforcement	48,700	
Winter Assistance	40,800	
Admin Support Grants		
Business Grants	355,300	191,700
Test & Trace Support	33,600	22,100
Housing Benefits	23,600	
Council Tax Hardship Relief	23,500	

Total	6,330,600	997,400
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As detailed above some of these grants include a contribution to reserves for the following reasons:

- Additional Restrictions Grants £540,400 which will be paid out to eligible businesses in 2021/22;
- Test & Trace Grant £131,000 for award to eligible Citizens in 2021/22;
- Business Grant Administration a contribution to reserves at outturn of £191,745 to administer new awards to businesses in 2021/22 and to enable catch up and back fill requirements in 2021/22);
- Test & Trace Admin Support of £22,076 to administer new awards in 2021/22 and enable catch up and back fill as required.

2.3.8 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 2020/21, the original programme for the delivery of efficiencies totalled £808,000. The outturn position indicates the following:

Movements on Efficiencies 2020/21	
	£
Approved Efficiency Programme 2020/21	(808,000)
Quarter 1 Amendments	256,500
Quarter 2 Amendments	88,800
Quarter 3 Amendments	54,600
Application of the 2020/21 Budget Risk Reserve	(100,000)
Revised Total at Quarter 3	(508,100)
Proposed Amendments Quarter 4:	
Deferred efficiencies	
Legal Income	10,200
Provide self-governance services to OLA	3,400
Total deferred Q4	13,600
Deferred efficiencies due to Covid-19	
PASC Removal of non-contractual overtime	10,300
Pest Control services in-house	5,500
Legal Income from Selling Services	16,800
	32,600

Achievement of deferred efficiencies re covid	
Gedling Country Park Café Income	(12,000)
Building Control income	(7,000)
Garden waste customers	(5,000)
Total achievement of deferred efficiencies	(24,000)
Total Quarter 4 Amendments	22,200
Revised Total Delivered 2020/21	(485,900)
Variance 2020/21 Programme	322,100

The £22,200 quarter 4 amendments are included in the variances detailed in Appendix 1. In summary, the outturn of the efficiency programme delivery was a shortfall of £322,100 of which £262,700 was due to projects being deferred to 2021/22 due to delays caused by Covid 19. The achievement of deferred efficiencies of (£24,000) relate to areas where budgets were initially reduced due to the impact of the Covid 19 pandemic however, income has recovered above expectations.

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 2021 is £8,031,150, £3,311,572 higher than the current estimate of £4,719,578. 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:

- Reduced contributions previously forecast as required to maintain Cabinet's maximum budget due to Covid pressures;
- 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 2021-22;
- 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 of £2,256,172 made up of:

Increases Due to Receipt of New Grants and Additional Income		
Reserve	Reason for Movement	Amount
ARG Reserve	Additional Restrictions Grant received to give financial assistance to local businesses during Covid	(540,400)
NNDR Pool Reserve	Contribution from the Nottinghamshire Business Rates Pool for Economic Regeneration Projects	(284,065)
Selective Licensing	Income received to fund the project in future years.	(30,192)
Earmarked Grants Reserve	New Burdens Covid Grant Test & Trace Discretionary Grant	(131,000)
	New Burdens Covid Grant Test & Trace Administration Grant	(22,076)
	Council Tax Hardship Relief Covid funding	(112,152)
	Community Relations Grants including Community Development Officer	(41,300)
	New Burdens Covid business grants administration funding	(191,745)
	Contributions for Improvements to Parks from grants and donations	(9,373)
	DEFRA Property Flood Resilience Grant	(10,769)
	Humanitarian projects ongoing	(28,300)
Leisure Strategy Reserve	Arnold Theatre Cinema grant	(41,000)
		(1,442,372)

Increases for Future Projects Arising from Service Underspends		
Reserve	Reason for Movement	Amount
Community and Crime Reserve	Staff saving due to Enforcement and Containment work for back log catch-up	(229,612)
IT Replacement Fund	Temporary pause in the Digital Agenda scheme	(49,000)
Joint Use Maintenance Reserve	Contributions to provide for future projects	(28,228)
Efficiency and Innovation Reserve	IT Digital transformation agenda and H&S E learning projects	(70,600)
Housing Benefit Reserve	Staff saving due to Enforcement and Containment work for catch-up	(11,000)
Risk Management Reserve	Health & Safety projects due to Covid related delays	(6,700)
S106 Revenue Reserve	Howbeck Road Open Space Scheme	(30,956)
Insurance Reserve	Insurance Premium for future risk management	(27,938)
Asset Management Reserve	Contributions to provide for future planned maintenance	(109,600)

Transformation Fund Reserve	Contributions to provide for future projects	(104,000)
Leisure Strategy Reserve	Contributions towards legal costs and Big Wave project	(28,250)
Leisure Strategy Reserve	Untaken leave due to staff being on furlough resulting in additional holiday cover in 2021/22	(115,400)
Other Minor Movements		(2,516)
		(813,800)

2.4.2 Variances in Planned Usage of Earmarked Reserve

Contributions from reserves compared to current estimate of £1,055,400 analysed as follows:

Additional Contributions from Reserves		
Reserve	Reason for Movement	Amount
Joint Use Maintenance Reserve	Refurbishment of the changing facilities at Calverton LC	39,637
NNDR Pool Reserve	Contribution to RV Finder and Property Inspector	28,539
Economic Development Reserve	Contribution to Arnold Market	36,287
Insurance Reserve	Fewer Insurance Claims	19,951
		124,414

Reduced Contributions from Reserves		
Reserve	Reason for Movement	Amount
Leisure Strategy Reserve and Transformation Reserve	Lower amount needed to support the Covid effects on the budget due to additional government grants received	(320,600)
Community and Crime Reserve	Cancelled events and postponed Memorial project	(13,000)
IT Replacement Fund	Temporary pause in the replacement programme and deferred capital and agile schemes.	(327,300)
Housing Benefit Reserve	Delay of Hospital to Home project due to Covid	(29,000)
Efficiency and Innovation Reserve	Lower contribution required for Agresso upgrade and E learning project	(42,582)
Asset Management Reserve	Deferral of capital schemes, car parks resurfacing	(100,230)
Local Development Framework Reserve	Lower contribution required for Evidence Preparation project.	(44,450)
Apprentice Reserve	Lower number of Apprentices	(16,800)
Earmarked Grants Reserves	Lower Contributions required for Community Relations project, Council Tax software and Severe weather recovery scheme	(65,300)
Earmarked Grants Reserves	Arnold Theatre Lift project delayed reduced contribution from base maintenance	(41,200)

Earmarked Grants Reserves	Spring Project and Heritage projects delayed delivery	(23,360)
Transformation Fund	Lower contribution required for Arnold Town Centre transformation project and Local Government Review	(67,793)
Selective Licensing	Reduced contribution due to Covid related deferral of staffing	(88,200)
		(1,179,814)

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 2020/21 which are now proposed to Cabinet for approval.

Description	Balance B/fwd 01/04/20	Movement in Year	Actual Balance 31/3/21
	£	£	£
Business Rates Appeals	1,195,800	125,300	1,321,100
Transferred Housing Stock – Environment Warranties	50,000	0	50,000
Transferred Stock Repairs	50,000	0	50,000
Total	1,295,800	125,300	1,421,100

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 £1,321,100 has been made, representing the Council's estimated share of such liabilities at 31 March 2021.

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 2020/21 which are now proposed to Cabinet for approval.

Sundry Debtor bad debt provision has increased significantly in 2020/21, this is a consequence of Covid-19 and the suspension of debt recovery action during the pandemic. This increase is expected to be temporary as dedicated resource is being employed to progress debt recovery during 2021/22.

Description	Balance B/fwd 01/04/20 £	Movement in Year £	Actual Balance 31/3/21 £
Sundry Debts	222,300	130,100	352,400
Housing Benefit Debts	2,023,700	41,600	2,065,300
Business Rates Debts (GBC Share)	153,400	66,800	220,200
Council Tax Debts (GBC Share)	171,100	52,700	223,800
Total	2,570,500	291,200	2,861,700

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 income has been impacted by the Covid-19 pandemic during 2020/21 however the budget has achieved a breakeven position through the utilisation of £3,900 from Covid-19 income compensation scheme.

The Building Control Reserve remains at a £2,600 deficit carried forward from 2019/20. Fees and expenditure will be reviewed to ensure that the deficit can be recouped in the future.

2.7 Community Infrastructure Levy (CIL)

In 2020/21 the Council raised 31 liability notices totalling £2,571,683 and issued 15 demand notices totalling £1,524,665 for payment. During this time 17 receipts were collected totalling a sum of £561,705. Of the £561,705 receipts collected, £427,166 is to be spend on Strategic Infrastructure Projects that are identified within the Council's annual Infrastructure Funding Statement, £106,455 is to be spent on the locality it has been collected for via Neighbourhood funding and £28,085 is to fund administration costs as permitted under the Regulations.

The total balance now available to spend on strategic infrastructure projects in the Borough is £2,538,369 as detailed in the table in paragraph 3.4.

2.8 Members Pot Outturn 2020/21 and Community Grants

In 2020/21 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, Carlton Town Football Club £10,000, Citizens Advice Bureau £40,000, Gedling Play Forum £2,450, We R Here £10,000 and £14,900 to the Covid 19 related Humanitarian Hub.

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 fourth year of operation. Due to Covid-19 the café closed for operation on 23rd March 2020, the café resumed trading in late June as a takeaway only service in line with Government guidance. Gedling's Budgeted profit share for 2020/21 was £20,000 which was reduced to £15,200 to allow for the closure and potential the Covid impact, however actual income increased due to lower operating costs incurred by the takeaway only service, the result was an increased profit share totalling £22,100.

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 £580,000 in 2020/21**, which is mainly due to a significantly lower expenditure on the IT replacement programme and a pause on the Agile-working project due to the Covid 19 Pandemic, also lower recharges on Corporate Management due to a Management Restructure and in year vacancies.

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 2020/21

- 3.1 A summary of the Capital outturn is presented in the table below. Capital outturn totals £2,321,750 compared to an approved budget of £4,100,900 a net underspend of £1,779,150. After accounting for carry forward requests of £1,787,400 the final increased financing requirement on the capital programme is £8,250. The small over-spend of £8,250 is due to accelerated expenditure in 2020/21 on the Killisick Recreation Ground scheme which was not expected to be incurred until 2021/22.
- 3.2 The details of the outturn for individual schemes by Portfolio area are included at Appendix 5.

Capital Outturn and Proposed Carry Forwards 2020/21

Portfolio	Current Estimate	Actual Expenditure	Variance	Proposed Carry Forward
	2020/21	2020/21		
	£	£	£	£
Community Development	3,700	0	(3,700)	3,700
Housing, Health & Wellbeing	188,900	141,878	(47,022)	54,900
Public Protection	1,292,000	887,603	(404,397)	405,800
Environment	1,049,100	821,143	(227,957)	227,400
Growth and Regeneration	550,000	130,492	(419,508)	419,500
Resources & Reputation	1,017,200	340,635	(676,565)	676,100

TOTAL	4,100,900	2,321,750	(1,779,150)	1,787,400
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3.3 Proposed Capital Carry Forwards

The capital carry forward requests a total £1,787,400 against the current approved capital programme of £4,100,900 which represents 43% re-profiling for 2020/21. 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:

- Disabled Facilities Grant, schemes delayed due to the Covid-19 Pandemic and the inability for contractors to work inside peoples homes, delivery is expected 2021/22 (£405,800);
- Deferral of the Carlton Square project to conclude final delivery plans, completion expected in Autumn 2021 (£306,000);
- Deferral of vehicle replacements due to Covid related delays in the supply chain, and maximisation of asset life - (£163,000);
- Deferral of the Property Flood Resilience Grant scheme due to Covid related delays in securing surveyor inspections (£130,000);
- Short delay in the commencement of the Arnold Market Project, due for completion in Spring 2022 (£113,500);
- Car Park Resurfacing project delayed due to a re-tendering exercise, completion expected June 2021 (£110,000);
- Re-profile of the Carbon Reduction scheme in order to identify measures that have maximum impact on reducing the Council's carbon footprint, identified schemes will commence in the Spring of 2021 (£89,100);
- Small delay on the completion of Roadway Resurfacing project due for completion in May 2021 (£88,700);
- Re-profile for IT equipment acquisition due to a refresh of the Agile working project in light of post Covid working arrangements, (£85,400)
- Deferral of the completion of On-Street Residential Charge Points grant funded scheme due to a later commencement date than anticipated (£83,900).

Appendix 6 details:

- (a) the carry forward requests authorised by the Chief Financial Officer in line with the delegation arrangements totalling £657,600;
- (b) the carry forward requests totalling £1,129,800 for non-committed schemes in excess of £50,000, which requires Council approval. This is mainly for Disabled Facilities Grants, replacement vehicles car park and roadway resurfacing, and IT equipment replacement (full details are set out in appendix 6).

3.4 Capital Financing 2020/21

The proposed method of financing the £2,321,750 capital expenditure incurred in 2020/21 is summarised below.

	£
Capital Receipts	590,572
Capital Grants and Contributions	1,190,664
S106 & CIL	150,591
General Fund Revenue Contributions	120,987
Borrowing	268,937
Total Capital Financing	2,321,750

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 2021 is as follows:

Description	Balance Bfwd 01/04/2020 £	Received In Year £	Use In Year £	Balance 31/03/2021 £
Usable Capital Receipts	0	590,572	(590,572)	0
Capital Grants Unapplied	223,196	1,770,139	(1,190,664)	802,671
S106 Contributions (conditions satisfied)	0	98,014	(98,014)	0
Community Infrastructure Levy	1,432,746	1,158,200	(52,577)	2,538,369
Total	1,655,942	3,616,925	(1,931,827)	3,341,040

3.5 Capital Determinations 2020/21

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:

	£
Capital grants receivable	1,190,664
Capital contributions	150,591

- (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 2020/21. This figure is £590,572.
- (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 2020/21 as approved by Council on 5 March 2020 and equates to £569,011.

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 2020/21 this adjustment adds £2,307,900 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.

As in 2019/20, the Covid 19 pandemic is expected to have had an impact on the valuations of Assets at 31 March 2021.

4.2 Pensions

The details regarding the Council's share of the Nottinghamshire County Council Pension Fund are provided for Members consideration at Appendix 7.

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 Director of Corporate Resources and S151 Officer.

4.3 Balance Sheet at 31 March 2021

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:

- The Pension Liability has increased by £20.3m to £69.5m due to changes in the discount rate and other assumptions made by the Actuary.
- Short-term creditors have increased by £10.9m, largely due to S31 grant owing to central government in respect of business rate reliefs paid to billing authorities in the first instance, and balances remaining on the covid national business grant support scheme.
- Short term debtors have increased by £9.7m, largely due to sums owing from central government and Nottinghamshire County Council in respect of the exceptional business rates deficit due to rates reliefs

5 Alternative Options

This report provides a statement of financial performance against the approved budget for 2020/21 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 The legal implications are detailed in the body of the 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 2020/21 Variance Analysis
Appendix 2	Summary General Fund Balance and Earmarked Reserves
Appendix 3	Movement in Earmarked Reserves
Appendix 4	Members Pot 2020/21
Appendix 5	Capital Outturn 2020/21
Appendix 6	Budget Carry Forward Summary
Appendix 7	Pension Fund Accounting Disclosures

11 Background Papers

Gedling Plan and Budget 2020/21 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: 30 June 2021

Approved by: Monitoring Officer
Date: 30 June 2021