

Report to Cabinet

Subject: Budget Outturn and Budget Carry Forwards 2021/22

Date: 6 July 2022

Author: Senior Leadership Team

Wards Affected

Borough-wide

Purpose

This report presents the Budget Outturn and Budget Carry Forwards for 2021/22.

Cabinet is asked to note the final outturn position for 2021/22 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 2021/22 as additions to the 2022/23 budget in accordance with Financial Regulations.
- d) Recommend that Council approve the method of financing the 2021/22 capital expenditure which includes making the determinations required for the minimum revenue provision.

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 2021/22;**
- 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) Approve the capital carry forwards of £1,494,300 included in Appendix 6 for non-committed schemes in excess of £50,000.**
- 5) Refer to Council for approval:**
 - i) The overall method of financing of the 2021/22 capital expenditure as set out in paragraph 3.4;**
 - ii) The determination of the minimum revenue provision for the repayment of debt as set out in paragraph 3.5.**

1 Background

- 1.1** The refreshed Gedling Plan for 2020-23 was approved by Council in March 2021. The Plan sets 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 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 2021/22 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 £11,654,300 approved by Council. Capital budgets have also been monitored by Cabinet to ensure schemes are appropriately profiled, with the current estimate for 2021/22 being approved at £9,453,200.
- 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 Cabinet is required for schemes, which are not contractually committed, with a value over £50,000 for Capital and £10,000 for Revenue. There are twelve capital schemes that require Cabinet 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 2021/22

- 2.1 The actual net revenue expenditure for each Portfolio during 2021/22 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 2021/22 compared to the current estimate. The current estimate is that approved by Cabinet in January 2022, 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 £11,654,300.

The table shows an underspend of £318,100 against the current approved Net Council Budget, equating to **2.7%**. This underspend is primarily due to additional income in Leisure Centres and Waste Services and staffing savings across numerous services due to vacant posts. Whilst budgets have been changed as part of quarterly monitoring to reflect the current position at that time, during the year there still remained a level of uncertainty e.g. when income levels will fully return to pre-Covid levels and estimating when vacant posts will be recruited to.

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 2021/22

	Current Estimate 2021/22	Actual 2021/22	Variance to Current Estimate
	£	£	£
Community Development	1,473,200	1,394,500	(78,700)
Health & Housing	2,932,500	2,457,700	(474,800)
Public Protection	1,575,800	1,881,100	305,300
Environment	5,105,500	5,041,100	(64,400)
Growth & Regeneration	909,800	531,100	(378,700)
Resources & Reputation	2,918,800	1,939,700	(979,100)
Net Portfolio Budget	14,915,600	13,245,200	(1,670,400)
Transfers to/(from) Earmarked Reserves	(3,261,300)	(1,909,000)	1,352,300
Net Council Budget	11,654,300	11,336,200	(318,100)
Less Financing:			
Business Rates (net of coll. fund deficit)	(1,713,700)	(1,235,400)	478,300*
Council Tax	(6,471,100)	(6,471,100)	0
Council Tax Share of (Surplus) / Deficit	47,600	47,600	0
Lower Tier Services Grant	(131,000)	(131,000)	0
Local CTRS Support Grant	(117,700)	(117,700)	0
New Homes Bonus	(106,500)	(106,500)	0
Transfer to/(from) General Fund Balance	(3,161,900)	(3,243,600)	160,200

- * The variance on the financing budgets for business rates is largely due to timing issues relating to Covid Business Rates reliefs and the related Section 31 grants. The estimate for Business Rates assumed the receipt of a Section 31 of grant £475,700 for Covid Additional Relief Fund (CARF) in 2021/22 but this receipt will now be accounted for in 2022/23. Further details on the financing budget variations are set out in 2.3.1 below.

The table above indicates that an additional £160,200 is required as a contribution from the General Fund Balance at 31 March 2022 compared to that estimated, however as detailed in the note above this is largely due to the timing of the CARF grant which has a neutral impact on the General Fund Balance in the medium term.

2.2 General Fund Balance at 31 March 2022

The General Fund Balance as 31 March 2022 is £4,601,000 which is £160,000 lower than the current estimate of £4,761,000.

However, as detailed in paragraph 2.1, this reduction is largely due to the timing of the receipt of the CARF funding which will now be received in 2022/23. Excluding the impact of the CARF receipt which is neutral in the medium term, the underlying position arising from the positive outturn position enables a lower contribution from balances of £315,500, meaning these funds are now available to support future expenditure plans and mitigate emerging risks in the medium term financial plan.

It should be noted that an element of the General Fund Balance will be required to fund the impact of a covid related exceptional collection fund deficit of £1,982,800 which will be paid in 2022/23 as detailed in paragraph 2.3.1 and is not available to support future expenditure plans.

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 2022 are shown at Appendix 2.

2.3 Major General Fund Revenue Variances from Current Estimate

2.3.1 Financing Variances 2021/22

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 2021/22 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 2021/22 is based on the estimates provided to central government in January 2021 in the required statutory returns. Growth recognised in the accounts for 2021/22 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.

2021/22 Business Rates Outturn

	Current Estimate 2021/22 £	Actual 2021/22 £	Variance £
Baseline Funding Level	(3,076,400)	(3,076,400)	0
Retained Growth above Baseline (incl. S31 Grants)	(1,032,600)	(1,075,600)	(43,000)
Tax Income Guarantee (TIG)	45,900	91,500	45,600
Renewables (100% Gedling)	(46,100)	(46,100)	0
Adjustments re previous year	0	0	0
Sub Total	(4,109,200)	(4,106,600)	2,600
S31 Grant to fund exceptional deficit	(2,458,500)	(1,982,800)	475,700
Total Income for 2021/22	(6,567,700)	(6,089,400)	478,300
Collection Fund Deficit/(Surplus)	4,854,000	4,854,000	0
Net Business Rates Income	(1,713,700)	(1,235,400)	478,300

Due to the pandemic the Government extended the rate reliefs available to businesses in 2021/22 reducing the net rates payable by ratepayers and creating an “exceptional deficit” for 2021/22. As demonstrated in the table above, the Council was reimbursed for this loss by the payment of additional S31 Grant totalling £1,982,800. The S31 Grants were received by the General Fund in 2021/22 but the impact of the deficit will fall in 2022/23, creating a mismatch that must be considered when interpreting the true business rates income and General Fund balance at 31 March 2022. In summary the additional S31 grant of £1,982,800 included in the General Fund Balance of £4,601,000 at 31 March 2022 will be required to fund the exceptional deficit in 2022/23 as anticipated in the MTFP.

The variance from the budget above relating to ‘S31 Grant to fund exceptional deficit’ of £475,700 is effectively a timing issue. The MTFP assumed this would be received in 2021/22 and used to fund the exceptional deficit created in 2022/23. This S31 grant will now be received by the General Fund in 2022/23 and used to fund the exceptional deficit created in 2023/24.

The Tax Income Guarantee (TIG) scheme variance of £45,600 relates to the grant income the Council recognised in its 2020/21 accounts being higher than what was due. This is because the government changed the rules of the scheme after the accounts for 2020/21 had been finalised and requiring this to be corrected in 2021/22.

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 Newark and Sherwood District 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 2021/22 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 2021/22 have been estimated with a sum of £233,100 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 Pool for use on economic regeneration projects for the benefit all members.

2.3.2 Net Council Budget Variances 2021/22

An underspend against the Current Net Portfolio 2021/22 of (£1,670,400)) is offset by a net variance on Earmarked Reserve contributions of £1,352,300 to give a net Council Budget underspend of £318,100. The underspend variances can be split between general variances and those relating specifically to proposed movements in Earmarked Reserves (paragraph 2.4) Details of the major variances are detailed below:-

General Major Variances

Reductions in **expenditure** of (£321,000) include

- Other Employee Expenses show an overall saving of (£271,300) against the current estimate; this is mainly due to vacancies in Community Centres, Democratic Management and Representation, Environmental Protection, Community Protection and Dog Control. In addition significant savings have been achieved within Leisure Centres on instructors due to having to operate a reduced programme of classes for a large part of the year (these are back to pre Covid levels in 2022/23).
- Property Expenses show a saving of (£49,900) against the current estimate; this is due to utility expenditure in 2021/22 being lower than anticipated.

It is proposed that £250,000 of these expenditure savings are transferred to a new Inflationary Pressures Contingency Reserve to mitigate this emerging risk materialising in 2022/23 and this has been included in paragraph 2.4.

Increases in Income of (£389,700) include:

- Leisure Services (£203,200) mainly swimming lesson income due to the success of the Big Wave project.
- Waste Services (£92,700) this is due increased waste recycling credits and additional garden waste customers.
- Development Management (£56,600) due to additional Community Infrastructure Levy (CIL) Admin income that has been partially offset by a shortfall in planning fees and pre-application advice income.
- Elections (£37,200) due to income received in respect of the 2019 General Election.

More detailed analysis of variances to the revised budget can be found at Appendix 1.

2.3.3 Budget Implications arising from the Covid-19 Pandemic

2.3.3.1 The financial impact of the Covid-19 pandemic has continued during 2021/22 but to a lesser extent than in 2020/21.

The outturn position of the total net budget impact of the Covid-19 Pandemic compared to that previously reported as part of the Quarter 3 Budget Monitoring report is summarised in the table below demonstrating no further direct impacts in quarter 4:-

Budget Implications Covid-19	<i>Actual 2020/21 For Information</i> £	Q3 Revised Estimate 2021/22 £	Q4 Variance £	Q4 Outturn 2021/22 £
Expenditure Pressures	644,900	55,400	0	55,400
Income Losses	3,260,900	1,114,900	0	1,114,900
Total Budget Pressure	3,905,800	1,170,300	0	1,170,300
Government Grant Funding:				
Emergency Funding	(1,570,000)	(534,700)	(0)	(534,700)
Income Compensation	(1,588,800)	(201,500)	(0)	(201,500)
Job Retention (Furlough)	(362,600)	(50,700)	(0)	(50,700)
Total Grants	(3,521,400)	(786,900)	(0)	(786,900)
Net Total Budget Impact	384,400	383,400	0	383,400

2.3.3.2 Collection Fund Related Impacts

The Quarter 3 Budget Monitoring and Virement Report presented to Cabinet on the 27 January 2022 demonstrated a net budget impact of £311,100 based on the latest information available. During Quarter 4 the amount the Council needs to repay in relation to the TIG grant received during 2020/21 was confirmed by Central Government. This has increased the net budget impact by £45,600 to £356,700 at outturn. Further details relating to the TIG grant overpayment can be found at paragraph 2.3.1.

The cumulative cost of the Covid-19 pandemic for 2020/21 and 2021/22 is £1.1m per the figures detailed above and at paragraph 2.3.3.1.

2.3.3.3 Covid Related Government Grants

In addition to the funding stated above, as part of the Government response to the Covid Pandemic a number of Government Grants have been issued to Local Authorities to distribute to individuals and businesses. The total amount of grants awarded to Gedling in 2021/22 was **£2,938,100**. This includes **£1,961,800** of 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 **£976,300** of grants are directed through the Revenue Accounts and are made 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;

	Grant
	£
Business Support Grants	
Additional Restrictions Business Grants	774,500
Grants for Citizens	
Test & Trace Support Grants	24,500
Admin Support Grants	
Business Grants	130,700
Test & Trace Support	46,600
Total	976,300

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 2021/22, the original programme for the delivery of efficiencies totalled £905,800. The outturn position indicates the following:

Movements on Efficiencies 2021/22	
	£
Approved Efficiency Programme 2021/22	(£905,800)
Quarter 1 Amendments	£0
Quarter 2 Amendments	£31,300
Quarter 3 Amendments	£131,300
Revised Total at Quarter 3	(£743,200)
Proposed Amendments Quarter 4:	
Deferred efficiencies	
Legal Service New Fees and Charges	£42,500
Licensing Fee Increase	£18,000
Street Care removal non-contractual Overtime	£15,000
Building Control Income	£13,000
Provide self-governance services to other local authorities	£5,000
Marketing - Website Advertising	£4,000
Charging Developments for bins	£4,000
Total Quarter 4 Amendments	£101,500
Revised Total Delivered 2021/22	(£641,700)
Variance 2021/22 Programme	£264,100

The £101,500 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 £264,100 which is mainly due to initiatives being deferred to future years and was contained in 2021/22 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 2022 is £6,122,200, £1,352,300 higher than the current estimate of £4,769,900. 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 and contingency funds;

- Variances on planned contributions from reserves mainly due to projects that have been deferred to 2022-23;
- 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 £1,132,276 made up of:

Increases Due to Receipt of New Grants and Additional Income		
Reserve	Reason for Movement	Amount
NNDR Pool Reserve	Contribution from the Nottinghamshire Business Rates Pool for Economic Regeneration Projects	(233,096)
Local Development Framework Reserve	Design Code Pathfinder Grant	(160,000)
		(393,096)

Increases for Future Projects Arising from Service Underspends		
Reserve	Reason for Movement	Amount
Inflationary Pressures Contingency Reserve	Expenditure savings achieved during 2021/22 set-aside to mitigate the potential impact of the cost of living crisis	(250,000)
Transformation Fund Reserve	To support delivery of backlog efficiency programme and projects, savings achieved by utilising existing resources to manage and deliver new burdens	(150,000)
Earmarked Reserves	Savings achieved by utilising existing resources to manage and deliver new burdens to support backlog work	(137,995)
Asset Management Fund Reserve	Estates and property related underspends set aside for increasing asset maintenance demands.	(100,000)
Risk Management Reserve	Transfer to Risk Management reserve for future Health and Safety pressures	(50,000)
Economic Development Fund Reserve	Contributions to support Economic Regeneration projects.	(47,000)
Insurance Reserve	Insurance Premium for future risk management	(2,078)
Other Minor Movements		(2,107)
		(739,180)

2.4.2 Variances in Planned Usage of Earmarked Reserve

Contributions from reserves compared to current estimate of £220,024 analysed as follows:

Additional Contributions from Reserves		
Reserve	Reason for Movement	Amount
Earmarked Reserves	Council Tax Hardship Fund	111,252
	Housing Benefit Test & Trace Support	128,904
CCTV reserve	CCTV replacement programme	42,881
Housing Benefit Reserve	Contribution to Framework Housing Assoc.	22,000
Selective Licensing	Contribution for staffing phase 1	20,056
Insurance Reserve	Contributions for excess costs on claims	34,106
		359,199

Reduced Contributions from Reserves		
Reserve	Reason for Movement	Amount
Community and Crime Reserve	Backfilling of Staff due to Enforcement and Containment work ongoing	(53,410)
	PASC & Waste driver retention payments, due 01/04/22	(21,060)
IT Replacement Fund	Replacement programme funded through capital and agile schemes	(67,900)
Risk Management Reserve	Health and Safety courses/training programme delayed due to impact of Covid	(4,300)
Housing Benefit Reserve	Delay of Temporary Accommodation project	(36,000)
Asset Management Reserve	Deferral of capital schemes, Jubilee House fencing and Property Services consultancy	(39,849)
Local Development Framework Reserve	Lower contribution required due to delays to the Evidence Preparation project.	(27,182)
Apprentice Reserve	Lower number of Apprentices	(18,291)
Earmarked Grants Reserves	Lower Contributions required for Leisure and Community Centres holiday cover	(55,089)
	Community projects delayed delivery	(22,009)
NNDR Reserve	Economic Development Intervention project – ongoing	(46,600)
	RV Finder costs lower	(7,233)
Transformation Fund	Lower contribution required for Projects Officer and Webchat scheme delayed	(4,505)
Selective Licensing	Phase 2 delayed	(99,200)
Economic Development Fund Reserve	Carlton Square Development Capital scheme partially completed	(64,886)
Other Minor Movements		(11,709)
		(579,223)

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 2021/22 which are now proposed to Cabinet for approval.

Description	Balance B/fwd 01/04/21	Movement in Year	Actual Balance 31/3/22
	£	£	£
Business Rates Appeals	1,321,100	327,500	1,648,600
Transferred Housing Stock – Environment Warranties	50,000	0	50,000
Transferred Stock Repairs	50,000	0	50,000
Total	1,421,100	327,500	1,748,600

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 £1,648,600 has been made, representing the Council's estimated share of such liabilities at 31 March 2022.

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 2021/22 which are now proposed to Cabinet for approval.

Sundry Debtor bad debt provision have not significantly changed during 2021/22.

Description	Balance B/fwd 01/04/21 £	Movement in Year £	Actual Balance 31/3/22 £
Sundry Debts	352,400	2,100	354,500
Housing Benefit Debts	2,065,300	(5,600)	2,059,700
Business Rates Debts (GBC Share)	220,200	(12,200)	208,000
Council Tax Debts (GBC Share)	223,800	25,500	249,300
Total	2,861,700	9,800	2,871,500

2.6 Building Regulations Fee Earning Trading Account

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

Building Regulations fee earning account is recovering well from the Covid-19 pandemic and achieved a surplus of £2,800. In addition the new Building Control fees for Street Naming & Numbering are performing well and achieved income of £17,600.

The Building Control Reserve has now moved into a slight surplus of £200.

2.7 Community Infrastructure Levy (CIL)

In 2021/22 the Council raised 38 liability notices totalling £4,037,481 and issued 17 demand notices totalling £4,794,417 for payment. During this time 32 receipts were collected totalling a sum of £3,214,932. Of the £3,214,932 receipts collected, £2,430,843 is to be spend on Strategic Infrastructure Projects that are identified within the Council's annual Infrastructure Funding Statement, £623,342 is to be spent on the locality it has been collected for via Neighbourhood funding and £160,747 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 £5,902,597 as detailed in the table in paragraph 3.4

2.8 Members Pot Outturn 2021/22 and Community Grants

In 2021/22 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.

2.9 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 £127,000 in 2021/22.**

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 2021/22

- 3.1 A summary of the Capital outturn is presented in the table below. Capital outturn totals £6,331,076 compared to an approved budget of £9,543,200 a net underspend of £3,212,124. After accounting for carry forward requests of £3,064,400, there is a reduced 2021/22 financing requirement on the capital programme of £147,724.

The majority of the underspend relates to the Property Flood Resilience scheme (£55,500) due to fewer applications being received than anticipated, the Car Parks Resurfacing scheme (£31,000) and the On-Street Residential Charge Points (£33,500) schemes have been fully delivered to the required standard at a contract price below current estimates.

- 3.2 The details of the outturn for individual schemes by Portfolio area are included at Appendix 5.

Capital Outturn and Proposed Carry Forwards 2021/22

Portfolio	Current Estimate	Actual Expenditure	Variance	Proposed Carry Forward
	2021/22	2021/22		
	£	£	£	£
Community Development	3,700	3,700	(0)	0
Housing, Health & Wellbeing	1,357,500	789,595	(567,905)	567,900
Public Protection	2,300,800	1,253,759	(1,047,041)	1,047,100
Environment	1,501,300	934,976	(566,324)	549,200
Growth and Regeneration	3,403,800	2,785,116	(618,684)	618,700
Resources & Reputation	976,100	563,930	(412,170)	281,500
TOTAL	9,543,200	6,331,076	(3,212,124)	3,064,400

3.3 Proposed Capital Carry Forwards

The capital carry forward requests a total £3,064,400 against the current approved capital programme of £9,543,200 which represents 32% re-profiling for 2021/22. 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:

- Green Homes Grant, re-profiling of scheduled claims and works, delivery expected 2022/23 (£726,600);
- Arnold Market Place, delays caused by sourcing materials (£561,900);
- Temporary Accommodation, purchased 5 of the 8 budgeted properties, remaining purchases (£432,900) to be completed 2022/23;
- Disabled Facilities Grant, still processing Covid-19 Pandemic backlog, delivery is expected 2022/23 (£320,500);
- Lambley Lane Changing Room & Pitch Renovation £156,300;
- Station Road & Burton Road, business case being reviewed, delivery expected 2022/23 onwards (£100,000);
- Carbon reduction initiative (£88,100) schemes to be identified in 2022/23;
- Customer Service Improvement (£65,400) scheduled to be complete in 2022/23;
- Gedling Country Park Charge Points (£62,900)
- Deferral of vehicle replacements due to delays in the supply chain (£58,000);

Appendix 6 details:

- (a) the carry forward requests authorised by the Chief Financial Officer in line with the delegation arrangements totalling £1,570,100
- (b) the carry forward requests totalling £1,494,300 for non-committed schemes in excess of £50,000, which require Cabinet approval. This is mainly for Disabled Facilities Grants, temporary accommodation, King George V provision of public toilets and Lambley Lane changing room and pitch renovation.

3.4 Capital Financing 2021/22

The proposed method of financing the £6,331,076 capital expenditure incurred in 2021/22 is detailed in Appendix 7 and summarised below.

	£
Capital Receipts	631,701
Capital Grants and Contributions	1,849,502
S106 & CIL	57,611
General Fund Revenue Contributions	1,566,008
Borrowing	2,226,254
Total Capital Financing	6,331,076

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 2022 is as follows:

Description	Balance (b fwd) 01/04/2021	Received In Year	Use In Year	Balance 31/03/2022
	£	£	£	£
Usable Capital Receipts	0	631,701	(631,701)	0
Capital Grants Unapplied	803,001	1,913,600	(1,849,502)	867,099
S106 Contributions (conditions satisfied)	0	13,825	(13,825)	0
Community Infrastructure Levy	2,538,369	3,408,014	(43,786)	5,902,597
Total	3,341,370	5,967,140	(2,538,814)	6,769,696

3.5 Determination of Minimum Revenue Provision 2021/22

The Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003/3146 requires each Local Authority to determine the amounts set aside from revenue as a provision for repayment of debt known as the minimum revenue provision:

For 2021/22 the proposed minimum revenue provision is calculated in accordance with the MRP policy for 2021/22 as approved by Council on 4 March 2021 and equates to £573,439.

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. This 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 as well as 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 these 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 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 in the 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 2021/22 this adjustment adds £2,709,862 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.

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 Director of Corporate Resources and S151 Officer.

4.3 Balance Sheet at 31 March 2022

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 decreased by £8.8m to £60.7m due to changes in the discount rate and other assumptions made by the Actuary.
- Short-term creditors have increased by £1.8m. This largely due to S31 grant owing to central government in respect of business rate reliefs paid to billing authorities in 2020/21 being repaid in 2021/22 creating a gross decrease of £6.5m. This decrease has been offset by the receipt of £7.1m in Energy Rebate Grants and £1.2m Covid19 Additional Relief Fund (CARF) received in 2021/22. These will be paid in 2022/23 and are therefore shows as a creditor at 31 March 2022.
- Short term debtors have decreased by £5.7m due largely to sums owing from central government 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 2021/22 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 minimum revenue provision determination is 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 2021/22 Variance Analysis
Appendix 2	Summary General Fund Balance and Earmarked Reserves
Appendix 3	Movement in Earmarked Reserves
Appendix 4	Members Pot 2021/22
Appendix 5	Capital Outturn 2021/22
Appendix 6	Budget Carry Forward Summary
Appendix 7	Capital Financing Summary 2021/22
Appendix 8	Pension Fund Accounting Disclosures

11 Background Papers

Gedling Plan and Budget 2021/22 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: 28 June 2022

Approved by: Monitoring Officer
Date: 28 June 2022

