

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

DRAFT MANAGEMENT ACCOUNTS 2020/21

Purpose of the Report

For Committee to consider:-

1. The year-end position for the 2020/21 draft Management Accounts.
2. The year-end position of the Authority's reserves.
3. The final position on 2020/21 contingency requests.
4. The year-end position for the 2020/21 Capital Programme and it's financing.

This report also seeks that Committee:-

5. Recommends that the transfer to the General Fund Balance of £10.2m is submitted for approval by County Council.
6. Approves variations to the Capital Programme.

Information and Advice

Background

7. It is important to note that this draft Management Accounts report has been put together at a time when the Council is continuing to respond to the consequences of COVID-19. A large number of services, resources, functions, plans and programmes have been re- and de-prioritised as the Council has had to respond to a rapidly changing and fluid situation that has included the regular provision of new guidance and legislation.
8. Throughout the year, all Local Authorities have been required by the Ministry for Housing, Communities and Local Government to report their forecast financial impact of the COVID19 emergency on a monthly basis. The most recent DELTA12 submission from Nottinghamshire County Council was submitted on 30 April 2021 and identified a total gross forecast financial impact of £82.9m in the current financial year. These costs have been offset by a number of COVID19 specific grants that have been received from Central Government.
9. In addition, all Authorities received a letter from the Department of Health and Social Care (DHSC) on 4 September 2020 which explained revised arrangements for the distribution of PPE. It set out that the DHSC had procured sufficient PPE to meet national demand and would be able to supply Authorities directly with PPE for all COVID19 use, over and above any Business as Usual use, until 31 March 2021. This supply is being made available free of charge and is now expected to be extended into the 2021/22 financial year.

10. The Government also announced a scheme that helped those Local Authorities that lost income during the pandemic. The total value of funding allocated to Nottinghamshire totals £2.2m and relates to lost income up to the end December 2020. This scheme will continue into the first quarter of 2021/22.
11. It is important to note that considerable uncertainty remains regarding the longer-term implications of responding to the emergency. On 22 February, the Government announced a four-step plan to ease England's lockdown which could see all legal limits on social contact lifted by 21 June, subject to strict conditions being met. In addition, information continues to be developed regarding significant areas of the Authority's budget including Home to School Transport, Looked After Children (LAC) and Adult Social Care and Health services.
12. Despite the COVID19 pandemic, the financial position of the County Council has continued to be monitored throughout the financial year, with monthly reports to the Corporate Leadership Team and the Finance and Major Contracts Management Committee providing an update of progress, thus ensuring decision makers had access to financial information on a timely basis. This report is the draft out-turn for 2020/21 with final figures to be confirmed at a future County Council meeting.

Summary Financial Position

13. Committee budgets are showing a net underspend of £21.2m or 3.8% of net Committee budgets. This compares to a Period 11 forecast underspend of £12.5m.
14. The level of General Fund balances, subject to approval by County Council, will increase by £10.2m to £32.1m.
15. The detailed figures are summarised in the appendices to this report. Table 1 shows the summary revenue position of the County Council.

Table 1 – Summary Financial Position

Committee	Final Budget £'000	Draft Out-turn £'000	Draft Variance £'000	Percentage Variance to Annual Budget
Children & Young People	149,400	147,369	(2,031)	(1.4%)
Adult Social Care & Public Health	202,539	186,471	(16,068)	(7.9%)
Communities & Place	135,769	135,581	(188)	(0.1%)
Policy	37,730	37,197	(533)	(1.4%)
Finance & Major Contracts Management	3,927	3,009	(918)	(23.4%)
Governance & Ethics	7,751	7,841	90	1.2%
Personnel	16,317	14,791	(1,526)	(9.4%)
Net Committee (under)/overspend	553,433	532,259	(21,174)	(3.8%)
Central items	(31,388)	(61,909)	(30,521)	
Contribution to Schools Expenditure	886	886	-	
Contribution to/(from) Traders	3,330	3,028	(302)	
Forecast prior to use of reserves	526,261	474,264	(51,997)	
Transfer to / (from) Corporate Reserves	(22,736)	12,020	34,756	
Transfer to / (from) Departmental Reserves	9,654	16,095	6,441	
Transfer to / (from) General Fund	(631)	10,169	10,800	
Net County Council Budget Requirement	512,548	512,548	-	

Net Committee Spend

16. The overall net underspend within the Committees is £21.2m and the principal reasons for the variations are detailed below.

Children & Young People (£2.0m underspend, 1.4% of Committee budget)

17. The major contributing variances are:

- A £0.2m overspend in the Social, Families and Social Works Division due to a £0.8.m overspend on social work staffing. The overspend has arisen due to a combination of additional staff capacity to respond to increased workloads and to maintain manageable caseloads, temporary cover for new posts to be established and the continued need for agency workers in some areas. This is offset by £0.6m underspends elsewhere in the Division.
- £1.4m net underspend on Children's Centres. The majority of the underspend is temporary i.e. £0.3m gainshare income from the Nottinghamshire Children and Families Partnership, approximately £0.6m on direct staffing due to vacancies and a 3.5% temporary subsidy on the NHS Employers pension rate for 2020-21.
- £0.6m net underspend on External Looked After Children Placements (LAC), although it should be noted that this is after the addition of £6.4m of temporary COVID19 funding. Since the beginning of April 2020 external LAC numbers have grown by a net of 55 from 445 to 500 at the end of March 2021. The original pre-COVID19 estimate was for numbers to reach 505 by 31 March 2021 (also before any positive effects of the Social Impact Bond and increased internal fostering which were still at early stages). During 2020, numbers grew rapidly during the pandemic and at one point were projected to reach 550.
- There is a net underspend of £0.2m across a range of other budgets.

Adult Social Care & Public Health (£16.1m underspend, 7.9% of Committee budget)

18. Within Adult Social Care and Public Health the main variances were:

- An underspend of £1.5m on Day Services due primarily to staffing underspends.
- An underspend of £10.1m on Ageing Well due to reductions within long term Residential / Nursing care. Homecare and Short Term Residential/Nursing care were predicted to exceed budget considerably, however many of the COVID19 related costs borne by the Council have been funded by specific Government grants and by contributions from Health.
- An underspend of £1.4m across the Maximising Independence Service, mainly on staffing due to vacancies arising from the delayed implementation of the workforce review and staff being redirected from Direct Services into this service during the first part of the pandemic.
- There is a net underspend of £1.6m across a range of other budgets,

19. In addition, there was a £1.5m underspend in Public Health. This was primarily due to redirecting staff to work on the COVID19 response rather than their usual work. As the Public Health Grant is ringfenced, this underspend has been transferred to reserves for use in future years.

Communities & Place (£0.2m underspend, 0.1% of Committee budget)

20. There is an overspend of £0.5m against the Highways contract with Via due mainly to additional winter maintenance charges of £0.4m and flooding costs due to storm Christoph of £0.1m. This was offset by a Highways Retained Client underspend of £1.2m mainly due to additional S38/S278 income of £0.7m due to post lockdown improvements in the building trade and energy savings of £0.3m due to ongoing replacement of old street lighting bulbs with energy efficient bulbs.
21. There was a £0.9m overspend against Waste Services as a result of additional waste collected from residential properties as more residents were working from home. Counter to this, there was a reduction in trade waste income as offices were closed.
22. The out-turn on Concessionary Fares is £0.7m below budget, due to reduced payments to bus and tram operators for concessionary travel, in line with agreed reimbursements.
23. Emergency Planning & Registration was overspent by £0.4m due to lost income in the Registration Service and additional costs within Coroners.
24. There is a net underspend of £0.1m across a range of other budgets.

Policy (£0.5m underspend, 1.4% of Committee budget)

25. The underspend mainly relates to staffing savings across a range of services and an underspending of £0.2m in the Economic Development Initiative budget due to reprioritisation/slippage of projects due to the effects of the pandemic.

Finance & Major Contracts Management (£0.9m underspend, 23.4% of Committee budget)

26. The underspend has arisen due to staffing savings within Procurement, Internal Audit and Risk and Insurance teams and savings in staff related budgets such as travel, room hire etc. In addition, some COVID19 related costs initially budgeted within this Committee have been funded by grants or recharged to other areas.

Governance & Ethics (£0.1m overspend, 1.2% of Committee budget)

27. There are no major variances to report.

Personnel (£1.5m underspend, 9.4% of Committee budget)

28. The underspend is mainly due to staffing vacancies and proactive efficiency savings across Business Support, Business Services Centre service and Corporate HR, where there was a proactive strategy to hold vacant posts to ensure the delivery of future known savings requirements.

Traders Services (£0.3m underspend)

29. Traders are expected to be cost neutral each year, with any underspend being transferred to reserves to fund future expenditure and any overspend being covered by a use of reserve. 2020/21 was a difficult trading year as a result of the COVID19 pandemic. However, with the help of grant funding received from Central Government a small reported surplus has been achieved.

Central Items (£30.5m underspend)

30. Central Items primarily consists of interest on cash balances and payments on borrowing, contingency allocations, capital charges and various general grants. The key variances relate to unspent contingency budget (£2.3m) and Other Government Grants (£25.3m) and are

summarised below. Other additional variations (net total £2.9m underspend) within the central items category are detailed in Appendix A.

- **Contingency (£2.3m underspend) (for detail please refer to Appendix C)**

As reported to Finance and Major Contracts Management Committee throughout the year, the contingency base budget was increased by £2.6m to reflect a number of demand and inflationary pressures with a high degree of uncertainty with regard to likelihood, value and profiling. Whilst a number of these pressures have materialised and were subsequently released to Committee budgets, there remained an overall underspend of £2.3m against a total 2020/21 budget of £6.6m. A detailed breakdown of how this budget was utilised is provided in Appendix C of this report.

- **Government Grants (£25.3m underspend)**

Several non-ringfenced grants sit centrally, however values are not normally confirmed until after the budget is set in February of each year resulting in year-end variances to budget. Within this underspend, any COVID19 related grant not allocated to Committees during 2020/21 has been set aside to fund future pandemic related issues. This includes mitigation of associated shortfalls in collection rates for both Council Tax and Business Rates.

- **Statutory Provision for Debt Redemption (£0.2m overspend)**

The Council is under a statutory duty “to determine for the current financial year an amount of Minimum Revenue Provision (MRP) which it considers to be prudent”. The MRP charged to the General Fund in 2020/21 has been determined at £11.6m. This higher than expected charge is due mainly to higher than forecast borrowing in 2019/20.

- **Interest and Dividends (£1.3m underspend)**

Interest payments depend upon Treasury Management decisions taken in relation to expectations of future rates and anticipated slippage on the capital programme. Variances against each of these factors coupled with other interest and dividends received in year have achieved an underspend of £1.3m in 2020/21.

Movements on Balances and Reserves (for detail please refer to Appendix B)

Reserves Strategy

31. The Authority’s reserves strategy was approved as part of the 2021/22 Annual Budget Report to Full Council in February 2021. The strategy included planned contributions to reserves to fund specific future priorities as well as planned use of reserves to fund in-year expenditure. To reflect the approved strategy in the 2020/21 accounts together with other emerging factors the necessary adjustments have been made. The level of reserves will continue to be reviewed on a regular basis as part of the Authority’s Financial Management processes. Further detail of the movement on balances and reserves are set out below.

General Fund Balances

32. The Council meeting on 27 February 2020 approved the use of £0.6m of General Fund Balances. Given the events that have emerged throughout 2020/21, the Council’s funding position has been impacted by a significant range of temporary funding provided to assist the response to the COVID19 pandemic. This includes four tranches of Core COVID19 grant funding totalling £47.1m which was not factored into projections when setting the 2020/21 budget. As a consequence of reasons provided above, the Council has achieved a favourable closing position so that no contribution from the General Fund is required. However, there are still significant challenges facing the Council over the medium-term and as such the closing balance of the Council’s General Fund is proposed to increase from £22.0m to £32.1m.

Other Earmarked Reserves

33. At the end of 2020/21 other 'earmarked' reserves totalled £139.0m, an increase of £26.0m since 31 March 2020. This consists of the following:

- **PFI Reserves**

34. A total of £28.1m of reserves are held for PFI schemes and this equates to 20.2% of other earmarked reserves. The arrangements for calculating PFI grant result in more grant being received in the early years of a PFI scheme than is needed to meet the payments to providers of the service. These surpluses need to be kept in an earmarked reserve to cover the corresponding deficits in later years. The amounts set aside at the end of 2020/21 are shown in the table below.

Table 2 – PFI set aside as at 31/03/2021

PFI Scheme	£'000
East Leake Schools	2,910
Bassetlaw Schools	876
Waste	24,275
Total	28,061

- **Insurance Reserve**

35. The Authority operates a self-insurance scheme and covers risks up to an agreed amount. External insurers cover risks in excess of this figure. The Insurance Reserve is set aside to cover possible insurance claim losses that are not yet known. The closing balance of this reserve is £36.7m.

- **Capital Projects Reserve**

36. The Capital Projects Reserve supports the Medium-Term Financial Strategy as well as current and future capital commitments. In 2020/21 there was a net contribution to the reserve of £4.4m. As at 31 March 2021, the balance on the Capital Projects Reserve is £7.5m.

- **Strategic Development Fund**

37. It was approved that this reserve supports future year costs associated with the Council's transformation agenda. The balance of this reserve has been increased by £9.6m to £12.4m.

- **Workforce Reserve**

38. It has been approved that this reserve will cover pay related costs including National Living Wage increases and Pension Strain, as well as covering Pension Contributions and Redundancy. The balance as at 31 March 2021 remains at £6.1m.

- **Earmarked for Services Reserves**

39. All departments have various reserves for specifically identified purposes. In addition, International Financial Reporting Standards requires some grant income such as Public Health and Section 256 grants to be carried on the Balance Sheet as a reserve balance. During the year, these departmental balances increased by a net £12.6m to £49.3m.

- **NDR Pool Reserve**

40. The pool was established in April 2013 when a new funding mechanism was introduced with the seven District and Borough Councils. There was a net decrease of £0.8m in this reserve

during 2020/21. Of the £9.3m year-end balance, £8.8m relates to the County's share of the pool surplus, the remaining balance (£0.5m) is funding set aside for N2.

- **COVID-19 Reserve**

41. On 19 March 2020, the Government announced £1.6bn of additional funding for Local Government to help respond to coronavirus pressures across all services. Nottinghamshire County Council's share of this emergency fund totalled £22.3m. This funding was received on 27 March 2020 and, given its un-ringfenced nature, was transferred to a COVID-19 reserve to fund emergency costs in the next financial year. This funding was utilised in full during 2020/21 as part of the Authority's immediate response to the pandemic.

- **COVID Recovery Reserve**

42. In 2020/21, the Authority received three further tranches of un-ringfenced COVID19 core funding totalling £24.8m. The unspent element of this funding has been appropriated to a specific COVID Recovery Reserve. This reserve will assist the Authority in its continued response to the pandemic by helping to mitigate against significant uncertainty in relation to both service demand and the economic impact on Council funding. The closing balance on this reserve is £19.3m.

- **Council Tax Equalisation Reserve**

43. As a result of pressures associated with the Coronavirus pandemic, billing authorities have estimated a larger-than-normal deficit on the 2020/21 Collection Fund. To alleviate the short-term cost pressure, Central Government has mandated for the estimated deficit to be spread over the three years 2021/22 to 2023/24. To recognise the impact of this phasing arrangement, a reserve has been created with a closing balance of £2.3m.

- **Earmarked Reserves**

44. Earmarked reserves contain balances of reserves previously held under services but have been deemed no longer required for their original purpose. Such reserves will be used to help deliver the Medium-Term Financial Strategy and the balance remains at £3.2m.

Capital Expenditure

45. Capital Expenditure in 2020/21 totalled £104.150m. Table 3 shows the final 2020/21 Capital Programme broken down by Committee.

Table 3 – 2020/21 Capital Expenditure

Committee	Revised Budget £'000	Total Outturn £'000	Variance £'000
Children & Young People	25,565	22,343	(3,222)
Adult Social Care & Public Health	1,312	1,115	(197)
Communities & Place	63,546	56,437	(7,109)
Policy	25,474	24,014	(1,460)
Finance & MCM	180	38	(142)
Personnel	354	203	(151)
Total	116,431	104,150	(12,281)

Note: These figures exclude any expenditure incurred directly by schools.

46. The major areas of investment in 2020/21 are listed in Table 4 below.

Table 4 – Major investment areas 2020/21

Committee	Scheme	2020/21 Capital Expenditure £'000
Children & Young People	School Places Programme	5,271
	School Capital Refurbishment Programme	5,146
	Orchard Special School	5,196
	Sharphill Primary New School	5,124
Communities & Place	Road Maintenance & Renewals	24,528
	Gedling Access Road	18,364
	Integrated Transport Measures	4,337
	Street Lighting	2,244
Policy	Flood Drainage and Alleviation	2,331
	Top Wighay Farm Infrastructure Project	6,439
	Various IT Capital Projects	4,220

Capital Programme Variations

47. The changes in the gross Capital Programme for 2020/21, since its approval at Council (27/02/20) are summarised in Table 5 below.

Table 5 2020/21 Capital Programme

	£'000
Approved per Council (Budget Report 2020/21)	117,384
Variations funded from County Council Allocations : Net slippage from 2019/20 and financing adjustments	(23,583)
Variations funded from other sources : Net slippage from 2019/20 and financing adjustments	10,349
Revised Gross Capital Programme	104,150

48. To comply with financial regulations, every item of capital expenditure incurred by the Council must be approved, irrespective of how it is funded. Specific variations require approval by Committee as set out in the following paragraph.

49. A Major Infrastructure Programme is already approved within the Communities and Places capital programme. This programme of work is available to advance necessary works required to ensure that major infrastructure improvement schemes are ready for funding opportunities as they arise. A contribution of £0.5m from the Business Rates Pool has been agreed with Districts and a further £1.0m external funding contribution has been received to further this programme of work.

It is proposed that that the Communities and Place Committee capital programme is varied to reflect the additional £1.5m additional funding.

50. In addition, in the Communities and Place Committee has secured an additional £0.8m of external funding to carry our flood alleviation and drainage works at Titchfield.

It is proposed that that the Communities and Place Committee capital programme is varied to reflect the additional £0.8m of external funding to carry out further drainage works at Titchfield.

51. Also, in the capital programme, a number of section 106 contributions have been received to fund capital works. Contributions to the value of £0.6m have been received to carry out works across the county's highways infrastructure and a further £0.3m have been received to carry out works at schools to increase capacity as result of local developments.

It is proposed that that the Communities and Place Committee capital programme is varied by £0.6m and the Children and Young people's capital programme is varied by £0.3m to reflect the additional section 106 contributions received by the Authority.

52. A small number of minor variations to the Capital Programme also require approval from the Service Director – Finance, Infrastructure and Improvement. These variations are set out in Appendix D.

Capital Financing

53. The following Table outlines how the 2020/22 capital expenditure has been financed.

Table 6 - 2020/21 Capital Financing

	Revised Budget (£'000)	Out-turn (£'000)	Variance (£'000)
Funding Source:			
Prudential Borrowing	32,115	29,822	(2,293)
Capital Grants	81,049	72,087	(8,962)
Revenue / Reserves	3,267	2,241	(1,026)
Gross Capital	116,431	104,150	(12,281)

54. Capital receipts for 2020/21 totalled £9.4m with £1.8m of this being deferred into 2021/22, leaving £7.6m to be utilised in 2020/21. This is £0.7m more than anticipated in the 2019/20 budget report. These capital receipts have been used, per the capital flexibility directive, to fund one-off transformational costs incurred during the year and to repay prior year borrowing.

55. Total borrowing for the year is £29.8m, which is £2.3m less than the revised budget for 2020/21 of £32.1m.

56. The Capital Programme for 2021/22 will be monitored to ensure that borrowing for 2021/22 is managed within the prudential limits for the year. Funding by borrowing in 2021/22 is now projected to be £77.4m and the size of the revised Capital Programme for 2020/21 is £142.0m.

Statement of Accounts

57. The pre-audited Statement of Accounts will be certified by the Service Director – Finance, Infrastructure and Improvement before 1st August to meet the statutory requirements. They will subsequently be published on the Council's website. The external audit will then take place and therefore figures will be provisional, pending the completion of the audit which has to be completed by 30 November 2021.

Statutory and Policy Implications

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

RECOMMENDATIONS

That Committee considers:-

- 1) The provisional 2020/21 year-end revenue position.
- 2) The year-end position and movement of the Authority's reserves as detailed in paragraphs 31 to 44 and Appendix B.
- 3) The final position on 2020/21 contingency requests as detailed in Appendix C.
- 4) The year-end position for the 2020/21 Capital Programme and its financing.

This report also seeks that Committee:-

- 5) Recommends that the transfer to the General Fund Balances of £10.2m, as set out in paragraph 32 and Appendix B, is submitted for approval by County Council.
- 6) Approves the capital variations as set out in paragraph 49 and 51 and Appendix D.

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For any enquiries about this report please contact:

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Constitutional Comments (GR 01/06/2021)

Pursuant to the Nottinghamshire County Council Constitution this Committee has the delegated authority to receive this report and make the recommendations contained within it.

Financial Comments (GB 13/05/2021)

The financial implications are set out in the report.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All