

## **REPORT OF THE CHAIRMAN OF FINANCE COMMITTEE**

### **MANAGEMENT ACCOUNTS 2020/21**

#### **Purpose of the Report**

1. To inform Council of the year end position for the 2020/21 Management Accounts.
2. To request that Council approves the transfer to the General Fund Balances of £10.2m.
3. To inform Council of the position on other reserves of the Authority.
4. To inform Council of the year end position for the 2020/21 Capital Programme, its financing and approve variations to the capital programme.
5. To inform Council that capital expenditure and borrowing in 2020/21 were managed within the Council's Prudential Indicators.
6. To inform Council of Treasury Management activities during 2020/21.

#### **Information and Advice**

##### **Background**

7. It is important to note that this 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 year-end DELTA12 submission from Nottinghamshire County Council was submitted on 30 April 2021 and identified a total gross forecast financial impact of £82.9m in 2020/21. 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. This deadline has now been extended to 19 July. 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.

### 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%)
<b>Net Committee (under)/overspend</b>	<b>553,433</b>	<b>532,259</b>	<b>(21,174)</b>	<b>(3.8%)</b>
Central items	(31,388)	(61,909)	(30,521)	
Contribution to Schools Expenditure	886	886	-	
Contribution to/(from) Traders	3,330	3,028	(302)	
<b>Forecast prior to use of reserves</b>	<b>526,261</b>	<b>474,264</b>	<b>(51,997)</b>	
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	
<b>Net County Council Budget Requirement</b>	<b>512,548</b>	<b>512,548</b>	-	

### 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 Youth, Families and Social Work 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 NCFP, 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 the 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

35. 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**

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

### Insurance Reserve

36. 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

37. 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

38. 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

39. 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

40. 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

41. 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

42. 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

43. 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

44. 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

45. 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

46. 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**

<b>Committee</b>	<b>Revised Budget £'000</b>	<b>Total Outturn £'000</b>	<b>Variance £'000</b>
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)
<b>Total</b>	<b>116,431</b>	<b>104,150</b>	<b>(12,281)</b>

Note: These figures exclude any expenditure incurred directly by schools

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

**Table 4 – Major investment areas 2020/21**

<b>Committee</b>	<b>Scheme</b>	<b>2020/21 Capital Expenditure £'000</b>
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
	Flood Drainage and Alleviation	2,331
Policy	Top Wighay Farm Infrastructure Project	6,439
	Various IT Capital Projects	4,220

### **Capital Programme Variations**

48. 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**

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

49. 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.



50. **School Places Programme** – The School Places programme focuses on the Council’s statutory duty to provide sufficient school places across the county. An analysis of school places sufficiency is undertaken on a regular basis and informs the level of grant received from the Department for Education (DfE). The DfE have confirmed the level of School Places grant for the next two years are as follows:-

<b>Year</b>	<b>£000</b>
2021/22	16,404
2022/23	1,199

**It is proposed that the Children and Young People’s capital programme is varied to reflect the confirmed School Places grant allocations as announced by the DfE.**

51. **Schools Building Improvement Programme** – The Schools Building Improvement Programme focuses on the most immediate condition issues in the Council’s maintained schools building stock. The DfE have recently announced a £9.5m grant allocation that will fund the 2021/22 Schools Building Programme.

**It is proposed that the Children and Young People’s capital programme is varied to reflect the recently confirmed £9.5m DfE grant allocation that will fund the 2021/22 Schools Building Programme.**

52. **Specialist School Capital Grant** – The Council has recently been allocated a High Needs Provision Capital Allocation of £5.3m for 2021/22. This funding will be used to support the provision of high needs places required across the county by September 2022.

**It is proposed that the Children and young People’s capital programme is varied to reflect the recently announced £5.3m High Needs Provision capital allocation.**

53. **Highways Capital Programme** – An element of the Highways capital programme is funded from block grant allocations received from the Department of Transport (DfT). The DfT have recently confirmed that the 2021/22 block allocations for Nottinghamshire total £22.6m. This allocation will contribute towards the funding of the Highways capital programme and is £4.2m more than the estimated figures set out in the approved capital programme.

**It is proposed that the Transport and Environment capital programme is varied to reflect the confirmed block allocations announced by the DfT.**

54. **Top Wighay Farm** – A capital project to fund detailed design, construction of highways infrastructure and related works associated with the Top Wighay Farm project is already incorporated into the capital programme. The project will make the best use of surplus land and enables much needed housing developments to be accelerated. There is a requirement for an additional £2.2m capital allocation to fund increased costs associated with the provision of utilities on to the site, complete drainage works and bring the project to completion. It is proposed that the additional costs are funded from borrowing in the first instance which will be offset by capital receipts generated from the site.

**It is proposed that the Economic Development and Asset Management Committee capital programme is varied by £2.2m to reflect the additional funding required to complete the Top Wighay Farm infrastructure project.**

## Capital Financing

55. The following Table outlines how the 2020/21 capital expenditure has been financed.

**Table 6 - 2020/21 Capital Financing**

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

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

57. 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.

58. 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 2021/22 is £142.0m.

## Statement of Accounts

59. The pre-audited Statement of Accounts were certified by the Service Director – Finance, Infrastructure and Improvement on 9 July 2021 which was ahead of the 31 July 2021 statutory deadline. They have also been published on the Council's website. The external audit has commenced and figures will be provisional, pending the completion of the audit which has to be completed by 30 September 2021.

## Treasury Management Activities

60. All treasury management activities during 2020/21 were carried out within approved limits and adhered to approved policies and practices. Appendix E provides a full report on these activities.

## Statutory and Policy Implications

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

## **RECOMMENDATIONS**

1. To comment on the provisional 2020/21 year-end revenue position.
2. To approve the level of County Fund Balances as set out in paragraph 32 and Appendix A.
3. To comment on the movements in reserves as detailed in paragraphs 33 to 45 and Appendix B.
4. To comment on the Capital Programme and its financing.
5. To approve capital variations as set out in paragraphs 50 to 54.
6. To comment on the Council's 2020/21 Prudential Indicators out-turn as detailed in Appendix D.
7. To comment on the Treasury Management outturn report in Appendix E.

**Councillor Richard Jackson**  
**Chairman of Finance Committee**

**For any enquiries about this report please contact:**  
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### **Constitutional Comments (GR 29/06/2021)**

Pursuant to the Nottinghamshire County Council constitution the Full Council has the authority to receive this report and to make the recommendation contained within it.

### **Financial Comments (GB 01/06/2021)**

The financial implications are set out in the report.

### **Background Papers**

None

### **Electoral Division(s) and Member(s) Affected**

All