

2020/21 OUTTURN REPORT (PERIOD 12 BUDGET MONITORING REPORT)

Summary:

This report presents the provisional outturn position for the 2020/21 financial year which shows a General Fund underspend of £752,223. It also provides an update in relation to the Council's capital programme. Details are included within the report of the more significant year-end variances compared to the current budget for 2020/21. The report also makes recommendations for contributions to reserves.

The report provides a final budget monitoring position for the 2020/21 financial year. The report makes recommendations that provide funding for ongoing commitments and future projects.

Options considered:

Conclusions:

The revenue outturn position as at 31 March 2020 shows an overall underspend of £752,223. The final position allows for £255,917 from budget and grant underspends to be rolled forward within Earmarked Reserves to fund ongoing and identified commitments for which no budget has been allocated in 2021/22. The position as reported has been used to inform the production of the statutory accounts which will then be subject to audit by the Council's external auditors.

Recommendations:

Members are asked to consider the report and recommend the following to Full Council:

- a) The provisional outturn position for the General Fund revenue account for 2020/21;**
- b) The transfers to and from reserves as detailed within the report (and appendix C) along with the corresponding updates to the 2021/22 budget;**
- c) Allocate the surplus of £752,223 to the Delivery Plan Reserve;**
- d) The financing of the 2020/21 capital programme as detailed within the report and at Appendix D;**
- e) The balance on the General Reserve of £2.326 million;**
- f) The updated capital programme for 2021/22 to 2024/25 and scheme financing as outlined within the report and detailed at Appendix E;**
- g) The outturn position in respect of the Prudential Indicators for 2020/21 as detailed in Appendix F and;**
- h) The roll-forward requests as outline in Appendix H are approved.**

Reasons for

Recommendations:

To approve the outturn position on the revenue and capital accounts used to produce the statutory accounts for 2020/21.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report and which do not contain exempt information)

<i>Budget Monitoring Reports, NNDR returns</i>	
Cabinet Member(s): Cllr Eric Seward	Ward(s) affected All
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Executive Summary

This report presents the provisional outturn position for the 2020/21 financial year and is essentially the period 12 budget monitoring position. This has been used to inform the production of the Council's statutory accounts which will then be subject to external audit review.

The outturn position as now reported shows a General Fund underspend of £752k.

Due to the timing of the submission of some of the statutory returns the outturn position does include estimates for benefits and business rates – any variance on these to the final audited position will be managed through the respective earmarked reserves upon the completion of the audit.

The reported position allows for some underspends to be carried forward to the new financial year, for example where works or projects have not been completed and budget provision does not exist in 2021/22. Other roll forwards have been made, for example in relation to grants that were received but not spent in the year such as a number of the housing and COVID related grants. Overall roll forwards total £256k.

Section 3 of the report highlights some of the more major variances

Capital Programme – the report also updates the current capital programme for slippage of capital budgets between financial years and capital projections for future years and highlights how the current programme is funded through a mixture of Council and external resources.

This year as part of the work to prepare the Council's budget for 2022/23, services will participate in a Zero Based Budgeting exercise. This will better align the budgets set with the Corporate priorities that are to be delivered. A further update will be provided to Members as the process progresses.

The General Reserve remains above the recommended balance.

1. Introduction

1.1 This report presents the provisional outturn position for the 2020/21 financial year which has been used to inform the production of the Council's statutory accounts which will be subject to audit review ahead of presentation to the Governance, Risk and Audit Committee (GRAC).

1.2 Due to the impact of the Coronavirus the deadlines for the statutory annual accounts have been extended. The draft statements now have to be published by the 31 July, with public inspection commencing before 1 August and this

deadline was met. The external audit of the 2020/21 accounts is not yet scheduled.

- 1.3 Commentary on the more significant year-end variances is included within the report with further supporting information provided within the appendices.
- 1.4 The report also includes a current forecast position statement on the level of reserves along with the outturn and financing position for the 2020/21 capital programme. The capital programme for the period 2021/22 to 2024/25 has been updated to take account of the outturn position and is included within this report and appendices.
- 1.5 All budgets have been monitored during the year by Service and Finance Officers with regular reports being presented to Cabinet and Overview and Scrutiny. The period 10 budget monitoring report was presented to Cabinet in February which covered the first 10 months of the year up to the end of January 2021. At the time this report was forecasting a General Fund overspend of £164,729.
- 1.6 The outturn position for the year ending 31 March 2021 is a net £752,223 surplus. This report now presents the final budget monitoring position for the year. The contents of this report will be considered by the Overview and Scrutiny Committee on 15th September 2021.

2. Revenue Account – Outturn 2020/21

- 2.1 The revenue account position for the year shows a total surplus of £752,223 as detailed at Appendix A. This is after allowing for transfers to Earmarked Reserves for current and known commitments. The transfers to and from reserves in the year are made in line with the Council's policy framework for Earmarked Reserves as approved as part of the annual budget setting process. Earmarked Reserves are typically used to set aside funds for known or specific liabilities. Transfers to Earmarked Reserves have been made for the following:
 - a) Where an underspend has occurred within a service, mainly due to the timing of work not being completed as planned (by 31 March 2021), and also where no future budget exists or where there is a one-off commitment that continues into the 2021/22 financial year;
 - b) Where external funding has been received in 2020/21 for which the expenditure has not yet been incurred;
 - c) Where the 2020/21 budget allowed for expenditure to be funded from an Earmarked Reserve, but the spend has not yet been incurred as planned and therefore the funds remain in the Earmarked Reserve until 2020/21.

Estimates Included in the Accounts

- 2.2 Due to having additional time to prepare the 2020/21 financial statements there has been a reduced requirement to include estimates within the figures. However, the provisional outturn position still includes some significant figures which are subject to external audit, these are in relation to Benefit Subsidy and Business Rates Retention.

- 2.3 **Benefit Subsidy** - The benefit subsidy return was completed and submitted by 6 May 2021 and will be subject to external audit review later in the year. Depending on the outcome from the external audit review there could be an impact on the overall financial position, for example should subsidy be due to the Department for Work and Pensions. It is for this reason that the Council holds a Benefits Earmarked Reserve to mitigate any such impact.
- 2.4 **Business Rates** - Under the current system an element of the business rates is retained locally (split between the County (10%) and Districts (40%)) with the balance (50%) being returned to Central Government. The budget for the year was informed by the baseline funding and the NNDR1 position. The outturn position is based on the National Non Domestic Rates (NNDR3) Return which is submitted annually, in a normal year the deadline for this return is April but due to the impact of COVID-19 has been slipped this year to 30 June 2021 and the return was successfully completed by the revised deadline.
- 2.5 In the same way that council tax operates a 'Collection Fund' which distributes the precepts/shares of council tax collected to the respective authorities, the business rates collection fund distributes the respective shares of business rates based on the NNDR return. Should the actual income collected from business rates exceed or not meet the anticipated amounts there would be a surplus or deficit on the fund. As with the benefits subsidy above, the Council operates a Business Rates Earmarked Reserve to help mitigate against any potentially negative impacts of these arrangements.
- 2.6 Table 1 shows the main variances across the standard expenditure headings which comprise the Net Cost of Services. Details of the variances at the service level are provided at section 3.

Table 1 - 2020/21 Subjective Analysis	2020/21 Updated Budget	2020/21 Outturn	Variance	
	£	£	£	%
Employee Costs	12,699,549	13,186,639	487,090	3.84
Premises	3,061,447	3,350,311	288,864	9.44
Transport Related Expenditure	304,624	211,333	(93,291)	(30.62)
Supplies & Services	75,312,853	107,924,312	32,611,459	43.30
Transfer Payments	22,208,430	22,259,214	50,784	0.23
Support Services - Charges In	10,527,560	11,348,229	820,669	7.80
Support Services - Charges Out	(10,777,864)	(11,496,848)	(718,984)	6.67
Capital Financing Costs	2,661,871	5,338,599	2,676,728	100.56
Income	(98,258,299)	(128,973,399)	(30,715,100)	31.26
Total cost of services	17,740,171	23,148,390	5,408,219	30.49

- 2.7 The reasons for some of the movements included in the summary above are as follows, further details are included at section 3:
- a) **Employee Costs** – Employee costs were increased due to extra staffing requirements caused by the COVID 19 pandemic, in both the response and recovery phases. There were also variances relating to adjustments in current service cost on the Local Government Pension Scheme. This

adjustment reflects the difference between the cash contributions the Council has made in to the Pension Fund during the year and the value of pensions accumulated in the year calculated by the actuary. These additional costs are reversed out under net operating expenditure and have no bottom line impact on the revenue outturn position although the increase is reflected in long term liabilities on the Balance Sheet.

- b) **Premises** – There have been increased premises costs relating to additional cleaning and fogging required in some of the Council's buildings and other assets due to the COVID 19 pandemic.
- c) **Supplies and Services** – The majority of this variance relates to £30,705,102 payments made to local businesses under the discretionary business grant schemes. This was fully funded by MHCLG.
- d) **Transfer Payments** - This relates to additional payments made due to Council Tax Hardship and 'Test and Trace' payments made to individuals who were self-isolating.
- e) **Capital Financing Costs** – This is due to an increased Depreciation and REFCUS (revenue expenditure funded by capital under statute) charges for the year across a number of the Council's services.
- f) **Income** – There were significant income variances for the year, including:
 - Car Parking – there was a reduction in car parking income of £701,794. This was due to the effects of the national lockdowns and restrictions on travel.
 - COVID 19 related grants - £114m was received from various sources during the year, relating to the response to the COVID 19 pandemic, some of which are shown here. These included grants to be disbursed to businesses, grants relating to homelessness and rough sleeping, and unringfenced general grants. None of these had been budgeted for. At the end of the year, there was £15.8m unspent, which has been carried forward into 2021/22. More detail can be found at Appendix G.
 - Commercial Waste – there was a reduction in income of £191,995 due to businesses suspending or cancelling collections due to the lockdowns and further economic impacts of the COVID 19 pandemic. This was partially offset by a corresponding reduction in the costs of collecting the waste, with the net loss of income being £67,013.
 - There was a reduction in Planning fee income of approximately £110k across Planning and Building Control. These have been included in the Councils Sales, Fees and Charges Compensation Scheme return to MHCLG.

3. Revenue Account – Detailed Commentary 2020/21

- 3.1 This section of the report highlights the more significant direct cost and income variances compared to the current budget. Further commentary on some of the smaller variances is also included within Appendix B which accompanies this report. Accounting standards require a number of notional charges to be made to service accounts. Notional charges include transactions in relation to capital charges, revenue expenditure funded from capital under statute (REFCUS) and pension costs, and whilst they do not have an impact on the 'bottom line' i.e. the surplus or deficit for the year, they are included for reporting purposes. Appendix A shows the overall revenue position including notional

charges; however, to assist reporting and explaining 'real cash' variances, Table 2 provides a summary of the position excluding notional charges.

Table 2 - 2020/21 Revenue Account (Excluding Notional Charges)	Updated Budget	Outturn	Variance
	£	£	£
Service Area:			
Corporate and CLT	277,015	156,932	(120,083)
Community, Economic Development & Leisure	2,759,636	3,819,257	1,059,621
Customer Services and ICT	790,586	549,322	(241,264)
Environmental Health	3,814,606	3,285,547	(529,059)
Finance and Assets	3,793,479	5,616,510	1,823,031
Legal and Democratic Services	1,637,068	1,556,522	(80,546)
Planning	2,266,200	2,391,279	125,079
Net Cost of Services	15,338,590	17,375,369	2,036,779
Parish Precepts	2,520,143	2,520,143	0
Net Interest Receivable/ Payable	(952,877)	(1,227,050)	(274,173)
Capital Financing	3,399,967	1,866,706	(1,533,261)
Contribution to /(from) Earmarked Reserves	(2,413,720)	10,081,525	12,495,245
Contribution to /(from) General Reserve	(95,864)	(77,392)	18,472
Net Service Expenditure/Income to be met from government Grant & Taxpayers	17,796,239	30,539,301	12,743,062
Government Grants and Council Tax	(17,796,239)	(30,539,301)	(12,743,062)
Net (Surplus)/Deficit for the year	0	0	0

- 3.2 **Service Variances** – The following provides commentary of the more significant variances (over/under £50,000), excluding those relating to Capital Charges, across the seven service groupings, more detailed variance explanations are provided within the detailed appendices. These figures represent service variances before any additional contributions to/ (from) reserves and revenue contributions to capital.

Service and Details

Corporate And CLT

Corporate Leadership Team – There was a variance of (£115,840) due to lower salary costs and on-cost incurred following the officer restructure. This resulted in lower internal recharges to other services.

Community, Economic Development and Leisure

Car Parking – There were adverse variances of £60,722 relating to NNDR due to the increase in the multiplier and a loss of transitional relief. There was reduced income of £701,794 due to the national lockdowns and restrictions on travel, meaning fewer visits were able to be made to NNDC carparks over the year. This was somewhat mitigated by increased visitors over the summer months following an increase in popularity of 'staycations'.

Service and Details

Leisure – There was an adverse variance of £610,819 relating to the leisure management fee. This was due to extra payments to the contractor for support as a result of the COVID 19 pandemic and the restrictions on the opening of leisure facilities. This was partially offset by £202,342 received as a grant from the National Leisure Recovery Fund.

Foreshore (Community) – There is a variance of £52,960 on the Lifeguard contract, which was not able to be delivered during the national lockdown periods.

Tourism – The delivery of the Tourism Sector Support Package (TSSP) caused a variance of £177,728 against the gross cost of the Tourism service. This was partially offset by £150,000 in grant funding.

Health & Communities – There were unclaimed Sustainable Communities grants totalling £110,154. This funding has been moved to earmarked reserve to fund these grants in future years.

Customer Services and ICT

IT Support Services – There are adverse variances in this service relating to additional computer purchases (£54,945) and maintenance costs (£52,245) as a result of the COVID 19 pandemic which necessitated home working for the majority of staff. There is an adverse variance of £93,650 against software licensing which is the result of the withdrawal of the Microsoft Government Framework which we previously used to realise cost reductions on the Microsoft software used by the Council.

Homelessness – There were adverse variances of £463,576 relating to Bed & Breakfast charges and £65,864 relating to COVID related placements. Some of this was recoverable through the subsidy.

Democratic and Legal Services

Benefits Administration – Additional staffing costs of £66,225 were incurred due to the increase in workload as a result of the COVID 19 pandemic.

Environmental Health

Environmental Protection – There were a number of favourable variances across Environmental Health related to staffing, as staff undertaking COVID specific activities we funded through the Community Outbreak Management Fund (COMF) grant. These staff are now shown within the Environmental Protections service, resulting in an adverse variance of £225,626 in this service.

Waste Collection and Disposal - there was a reduction in income of £191,995 due to businesses suspending or cancelling commercial waste collections due to the lockdowns and further economic impacts of the COVID 19 pandemic. This was partially offset by a corresponding reduction in the costs of collecting the waste, with the net loss of income being £67,013.

Finance and Assets

Revenue Services – There is a variance of £30,705,102 relating to payments made to businesses under the discretionary business grants schemes that were funded by MHCLG.

Service and Details

Administration Buildings – Additional repairs and maintenance costs of £85,127 were incurred above the budgeted level.

Property Services - There were large adverse variances on repairs and maintenance (£64,164) and equipment, consumables and cleansing (£110,035), the majority of which relates to extra work done due to the COVID 19 pandemic.

Public Conveniences – There was an adverse variance on repairs and maintenance relating to Legionella corrective works.

Planning

Development Management – There was a reduction in planning fee income of £79,643 which was eligible to be included within the Sales, Fees and Charges Compensation Scheme return. There was also a variance of £56,108 due to adjustments relating to current service Pension costs.

Major Developments – There was an adverse variance within the service of £77,314 relating to increased professional fees in relation to legal support for planning appeals.

Non Service Expenditure and Income

- 3.3 The non-service expenditure and income predominantly relates to investment income. The original income budget for 2020/21 anticipated £1.218m would be earned in interest and dividends, at an average rate of 3.26%. A total of £1.128m was earned from investments over the year from at an average rate of interest of 2.20%. This resulted in an adverse variance against the budget of £90k in respect of investment income. There are other minor variances in relation to things such as grassed area deposits and car loans.
- 3.4 Investment balances were at times higher than anticipated in the budget although the overall rate of interest earned was slightly lower than budget. Uncertainty around timings of payments resulted in some of this cash being kept in shorter term investments, affecting the overall rate of return but positively impacting on the level of income received. The Council's strategy of keeping liquid cash low, while instead borrowing short term rolling loans was carried out successfully during the year.
- 3.5 The Council has taken a strategic decision to continue to invest in pooled funds using balances which are not anticipated to be required in the medium to long-term (three to five years). These pooled funds are anticipated to provide a higher income return than alternative financial instruments and achieved an average interest rate of 3.46% in the year. Due to the COVID pandemic, market uncertainty has been high, and the capital values of these pooled funds have fluctuated as the value of underlying assets (such as equity and corporate bonds) have changed. At the end of the year, there is a large unrealised capital gain on these funds, which overall offsets the large losses experienced in March 2020, although at an individual fund level some are above March 2020 levels and some are still below. The Council does not intend to sell these investments, and will instead borrow short term cash should it be required, rather than redeem investments at this time.
- 3.6 Borrowing Interest shows a favourable variance of £355k against the original budget of £358k. During the year, less borrowing was required than anticipated. This is due to the Council making use of cash inflows relating to COVID grants

to avoid making the planned borrowing. Timing differences between the Council receiving money and being required to make repayments to MHCLG meant that borrowing was only required towards the end of the financial year.

- 3.7 The Treasury Management Annual Report is included as a separate item on this Agenda and provides more details on the performance of the Treasury Management activity for the year.

Retained Business Rate Income

- 3.8 The Council was part of the Norfolk Business Rates Pool for the 2020/21 financial year.
- 3.9 To support businesses during the COVID 19 pandemic with the effects of the national lockdown, the Government granted 100% retail relief for the retail, hospitality and leisure sectors, and also 100% relief for nurseries. The value of this relief totalled £16m for the North Norfolk District. Although full compensation was provided to the Authority by the Government through section 31 grants, the announcement was made after the NNDR1 form had been completed and the NDR budget for the year had been set. This meant that there has been a deficit created on the Collection Fund for the year as the amount of NDR income receivable is lower than budgeted for. This deficit is shared between North Norfolk District Council, Norfolk County Council and Central Government in the shares outlined above in 2.4. Due to cash flow problems being experienced by Local Authorities, the Government paid over the entirety of the section 31 grant, whereas normally an Authority would only receive its proportionate share. The local share due to North Norfolk District Council is 40% of the grant received, and the remaining 60% has been accrued at year end in anticipation of returning it to Central Government.
- 3.10 There are large variances on Retained Business Rates due to the timing difference between Section 31 grant being received and accounted for, and the accounting for the Council's share of the deficit on the Collection Fund (which is one financial year later). This money has been transferred to the Business Rates Reserve to offset the anticipated deficit which will affect the Council in the 2021-22 financial year.

4. Reserves

- 4.1 The Council holds a General Reserve for which the recommended balance for 2020/21 is £2.1 million. The purpose of holding a General Reserve is to provide a working balance to help cushion the impact of uneven cash flows and to provide a contingency to help cushion the impact of unexpected events or emergencies.
- 4.2 In addition to the General Reserve the Council holds a number of Earmarked Reserves that are held to meet known or predicted liabilities. The Earmarked Reserves also provides a means at the year-end for carrying funds forward to the new financial year to fund ongoing commitments and known liabilities for which no separate revenue budget exists.
- 4.3 There are a number of Earmarked Reserves that have balances, yet the timing of the use of the reserve is yet to be agreed. For example, the Business Rates reserve which is held to negate any negative impacts on the General fund resulting from business rates appeals awarded.

- 4.4 Section 3 of the report has highlighted a number of service areas where an underspend has occurred in the year and a transfer to reserves had been made to ensure funds are available to meet future spending commitments. Unlike capital budgets, underspends on revenue budgets in the year are not automatically rolled forward at the year-end where there is an annual budget provision. Where the underspend represents a grant received which has not yet been fully utilised or there has been a delay in the planned use, the unspent grant has been rolled forward.
- 4.5 Central Government granted the Council money to help with the increased costs of responding to the pandemic and for other COVID 19 related purposes. Some of these grants are to be spent in the 2021-22 financial year, so have been moved to Earmarked Reserves until the corresponding expenditure occurs. The Earmarked Reserve balance is also inflated by the section 31 grant mentioned in section 3.9 and 3.10, which will be transferred back into the surplus or deficit on provision of services in the 2021-22 financial year to offset the Collection Fund deficit that has arisen as a result of COVID 19. The value of grant to be transferred back is assumed to be £6.1m, which will leave a balance on the Business Rates Reserve of £3.9m.
- 4.6 The accounting requirements for the COVID 19 related grants differ dependent on whether the Council is acting as either a principal or an agent or whether they are non-ringfenced grants. In general terms if the Council has discretion on grant scheme criteria they are acting as a principal and the transactions will be included in the Comprehensive Income and Expenditure Statement (CIES) in the Council's Statement of Accounts, where there is no discretion the Council acts as an intermediary agent and transactions will not be shown in the CIES.
- 4.7 A summary of the COVID 19 related grants received in the year, along with expenditure incurred against these is shown in Appendix G.
- 4.8 The transfers to and from reserves (general and earmarked) are included within the reserves statement as detailed at Appendix C. This appendix outlines the purpose of each reserve and shows the planned use over the current four-year budget period. The updated budget projections were forecasting a movement of £2,509,584 out of earmarked reserves. At outturn the final transfer made was £10,004,133 inwards, resulting in a variance of (£12,513,717), the most significant of which were as follows;
- Business Rates Reserve – (£8,173,212) – This relates to the transfer of Section 31 grant as described in section 4.5.
 - Grants Reserve - (£1,445,667) – This largely relates to COVID grants which had unspent balances at 31st March 2021 where expenditure is planned during 2021/22.
 - Housing Reserve - (£563,450) – There was a lower than budgeted transfer out of this reserve relating to Community Housing Fund monies funding the Capital Programme as expenditure was lower than anticipated. This was coupled with higher movements into the Reserve of unspent balances on grants.
- 4.9 The General Reserve balance at 31 March 2021 stands at is £2.327 million, which is above the minimum recommended balance.

5. Capital Programme 2020/21

- 5.1 This section of the report presents the financing of the capital programme for 2020/21, together with the updated programme for the financial years 2021/22 to 2024/25. Appendix D provides the detail of the outturn on the 2020/21 capital programme for all service areas, together with the financing for all schemes. The updated capital programme for 2021/22 to 2024/25 is attached at Appendix E.
- 5.2 The outturn position for the 2020/21 capital programme at Appendix D, highlights where schemes have reprofiled between years. The reasons for reprofiling include where schemes have not progressed as originally planned, and the funding is requested to be carried forward to the new financial year, or where schemes have progressed ahead of schedule and there is a requirement to bring back funding from the 2021/22 budgets.
- 5.3 In total the expenditure on the capital programme for the year was £14,741,518 compared to an updated budget of £16,569,383 which resulted in an underspend of £1,827,866. The variance was mainly due to timing differences with projects not progressing as originally budgeted. Significant variances are detailed in the tables below.
- 5.4 There has been a requirement to reprofile from the 2021/22 budgets where schemes have either progressed slightly earlier than anticipated or where the level of expenditure has been higher than that profiled to be incurred during the financial year (see Table 3 for significant variances). The updated programme for 2021/21 onward (Appendix E) reflects these adjustments.

Table 3 - Capital Schemes where Reprofiling is required from 2021/22 Budget over £100,000

Capital Scheme	Re-profiled Amount £
Splash Leisure Centre Reprovision	477,701
Waste Vehicles	419,953

- 5.5 Schemes completed in 2020/21 – In total there were fifteen schemes within the capital programme which were identified as being completed during the financial year. Table 4 provides a summary of the schemes along with any final project variance, and commentary on financing implications where necessary.

Table 4 - Capital Schemes Completed within the 2020/21 Financial Year

Capital Scheme	Variance £ (Under) / Over	Financing Commentary
Local Property Investment Fund	(265,836)	The units at Hornbeam Road were complete in 2020-21, but further commercial spend cannot incur in 2021-22 as this will result in restrictions on PWLB borrowing. The underspent held within reserves, will be transferred to the

		Major Repair Reserve as approved by Cabinet.
Purchase of New Car Park Vehicles	0	This scheme is complete, on budget.
Bacton Car Park	426	This scheme is complete with a small overspend
Purchase of Property Services Vehicle	17,744	Additional vehicle purchased, funded by a revenue contribution.
Laundry Loke – Victory Housing	0	The agreed contribution has now been paid in full.
Fakenham Extra Care	1,024	This project is now complete, with an overspend met by capital receipts.
Gypsy and Traveller Short Stay Stopping Facilities	(8,534)	The grant for this scheme has now been fully applied. Future costs have been accounted for within the revenue budget.
Cromer Pier Structural Works – Phase 2	(7,817)	This project is now complete and came in under budget.
Bacton and Walcott Coastal Management Scheme	234,405	The sandscaping programme is now complete, with final accounts reconciled. Financing was met mainly by grants and contributions, with the residual £183K met by capital receipts.
Holt Country Park Play Area	398	This scheme is complete, with a small overspend
Environmental Health IT System Procurement	(472)	The project is now complete, with a small underspend.
Back Scanning of Files	2,588	Project now complete, with the overspend met by capital receipts.
Housing Options System	(19,350)	This project is now complete and came in under budget.
Revenue & Benefits IT System Licences	0	The project was completed on budget.
Concerto Asset Management System	0	The system was implemented on budget.

- 5.6 Schemes which did not complete in 2020/21 and underspent their allocation for the year had their budget reprofiled into 2021/22. There were five schemes with slippage in excess of £100,000.

Table 5 - Budget Slippage from 20-21 to the 21-22 Capital Programme over £100K

Capital Scheme	Re-profiled Amount £
Public Conveniences	387,873
Compulsory Purchase of Long Term Empty Properties	184,823
Shannoeks Hotel	396,174
Community Housing Fund	407,993
Provision of Temporary Accommodation	135,273
Coastal Adaptions	247,493

6 Capital Programme – 2021/22 Update

6.1 Appendix E shows the updated capital programme for the period 2021/22 to 2024/25. The capital programme has been updated to reflect the slippage identified within this report, together with the capital outturn position. It also includes schemes which have already received formal approval by Cabinet, the 2021/22 budget report and P10 monitoring report which went to Full Council in March. For reference, new capital schemes starting in 2021/22 are listed in Table 6.

Table 6 – New Capital Schemes Commencing 2021/22

Capital Scheme	Approved Budget 2021/22 £	Financing Commentary
Car Park Ticket Machine Replacement Programme	85,500	Financed by Capital Receipts.
Weybourne Car Park Public Convenience	16,000	Works to be met by Capital Receipts.
Fakenham Urban Extension	1,800,000	Agreed to be met by the Delivery Plan Reserve £0.8m, Business Rate Pool £0.5m and Norfolk Strategic Fund £0.4m.
Community Renewal – Fakenham	800,000	Funded by the Community Renewal Fund £0.6m and Delivery Plan Reserve £0.2m.
Community Renewal – North Walsham	800,000	Funded by the Community Renewal Fund £0.6m and Delivery Plan Reserve £0.2m.

S106 Enabling	500,000	Financed by S106 Commuted Sums.
Provision of Temporary Accommodation – Purchase of additional TA properties.	546,270	Financed by underspends; £0.5m DFG Grant and the remainder from a prior project.
Sheringham Enabling Land	110,000	Met by Capital Receipts.
Refurbishment of Chalets in Cromer and Sheringham	60,000	Financed by Capital Receipts.

- 6.2 Budgets have been removed for capital programmes relating to assets that have been agreed to be sold in 2021/22. This is reflected in Appendix E, and listed in Table 7 below.

Table 7 – Budget removed for cancelled Capital Projects 2021/22

Capital Scheme	Removed Budget 2021/22 £
Fair Meadow Improvements	33,350
Fair Meadow Annexe	55,000
Parkland Improvements	86,676

- 6.3 Appendix E has been updated to include additional budget requested to complete current approved schemes in 2021/22. Table 8 details the budget required with funding implications for approval.

Table 8 – Additional budget request for approved schemes 2021/22

Capital Scheme	Additional Budget Requested 2021/22 £	Financing Commentary
Deep History Coast	5,000	Additional budget required to complete the project for landscaping works.

- 6.4 The outturn position in respect of the Prudential indicators is also included for information within Appendix F.

7. Update on Central Government Reviews and Budget Setting for 2022/23

- 7.1 The Council is undertaking a Zero Based Budgeting exercise as part of its budget setting for the 2022/23 financial year. Service managers have been asked to complete returns for each operational unit of the Council which contain a Gold and Silver budget option, along with Capital Bids, Fees and Charges and Support Service Charges where relevant. Once this initial process is complete an update will be provided to Members.
- 7.2 It now looks likely that the Fair Funding Review and Review of the Business Rates Retention Scheme will not be complete for a start on 1st April 2022. This has not been officially confirmed by MHCLG, but the timelines for required consultation are now so tight that officers believe it is no longer feasible to be completed in this financial year. This means that many of the funding pressures that had been forecast for 2022/23 could happen in 2023/24 instead.
- 7.3 Work on the Spending Review, which sets Departmental Expenditure Limits (DELs) for each Government department also appears to be delayed. This will make forecasting the overall amount of money that MHCLG are likely to have to distribute, difficult.

8 Financial Implications and Risks

- 8.1 The more significant risks in relation to the outturn position for 2020/21 and the ongoing financial position are summarised below.
- 8.2 **Under and Overspends** - This outturn report has identified a number of underspends at the service level; some have occurred due to factors outside of the Council's control which has meant that expenditure has not been incurred as planned. Where applicable service underspends have been carried forward within Earmarked Reserves to fund one-off costs or where projects have been delayed until the 2021/22 financial year. Similarly, there have been some areas of overspending.
- 8.3 **Housing Benefit Subsidy** – as mentioned earlier in the report the outturn position includes the unaudited benefits subsidy position. Expenditure of £21.093 million has been incurred in the year to be recovered from subsidy payable by the Department for Work and Pensions (DWP). The final position will not be confirmed until the claim has been audited by the Council's external auditors and signed off by the DWP later in the year. Much of the risk around changes to the claim and subsidy recoverable is reduced by the Benefits Earmarked Reserve which is maintained to help mitigate the impact of any claw back from the DWP following the final audited subsidy claim. The nationwide economic impact of COVID-19 has caused a spike in claimant numbers.
- 8.4 **Temporary accommodation** – the Council saw a shortfall in housing benefit subsidy in 2020/21 of £431,441 which all related to unrecoverable Temporary Accommodation costs. The Council is currently acquiring local properties to use directly to help manage the cost of this provision. This cost is however still increasing year on year at an alarming rate and will be closely monitored during the next financial year.
- 8.5 **Business Rates Retention Scheme** – Local Authority funding from business rates is open to risks around funding fluctuations due to increases and decreases in the rateable values (RV) of non-domestic properties and successful appeals against the RV. The NNDR 3 return was submitted slightly later this year at the end of July (rather than April) as a result of COVID-19 and will be subject to external audit review as part of the final accounts audit work.

Any changes to the figures included in the outturn position could have an impact on the General Fund balance. Furthermore, there is a risk of business rates appeals and whilst the NNDR returns do include assumptions around provisions for appeals and backdating, these elements could be subject to fluctuations. The Valuation Office Agency (VOA), who hear the appeals, currently have a backlog and are slow to clear outstanding appeals increasing the risk of the Council needing to pay out large refunds in rates. These risks are again however mitigated by the Business Rates Earmarked Reserve.

- 9 Sustainability** – None as a direct consequence of this report.
- 10 Equality and Diversity** – None as a direct consequence of this report.
- 11 Section 17 Crime and Disorder considerations** – None as a direct consequence of this report.