



PFCC

POLICE, FIRE AND CRIME COMMISSIONER FOR ESSEX

Essex Police, Fire and Crime Commissioner Fire and Rescue Authority

Decision Report

Report reference number: 049-21

Government security classification Not protectively marked

Title of report: Adjustment to Earmarked Reserves – NNDR deficit compensation

Area of county / stakeholders affected: Countywide

Report by: Austin Page - Financial Accounting and Compliance Manager

Date of report: 17th June 2021 (received 28th June 2021)

Enquiries to: Neil Cross (Chief Financial Officer) – neil.cross@essex-fire.gov.uk

1. Purpose of the report

This report is seeking approval to increase the level of Earmarked Reserves by £3.0m in the financial statements for the year ending 31st March 2021. This increase represents the S31 Grant that is due from MHCLG with regards to the national non-domestic rates (“NNDR”) collection deficit that has arisen within the financial year as a result of Covid 19.

2. Recommendations

The Police, Fire and Crime Commissioner is asked to:

- Approve an increase in the Specific Earmarked Reserve for Unspent Government Grants by £3.0m for the year ending 31st March 2021. This is to take account of the S31 Grant which will be paid by MHCLG to support the deficit of £3.2m in the collection of the national non-domestic rates (“NNDR”) that has arisen within the financial year as a result of Covid 19. The grant is expected to be received in January 2022.
- Note that the £3.0m being specifically earmarked will be fully utilised when the payment is due to the Districts later in the year to fund the 2020-21 NNDR deficit that has arisen.
- Note that a government debtor will be recorded in our Annual Statement of Accounts of £3.0m.
- Note that there that there is a financial impact to the Authority of £244,867, as a result of the NNDR collection deficits. This relates to the amount of the deficit that has arisen which is not covered by the government grant.

3. Benefits of the proposal

The government grant was issued with the purpose of providing the Authority with financial support during the COVID-19 pandemic. It is therefore reasonable to allocate any unspent funding in the financial year to a Specific Earmarked Reserve. This funding will then be fully utilised when payment is due to the Districts later in the year, to fund the 2020-21 NNDR deficit that has arisen.

4. Background and proposal

During a financial year ECFRS will receive funding from the Districts for national non-domestic rates (“NNDR”). The funding is based on estimates issued (NNDR1s). At the end of the year the Districts provide an update (NNDR3s) which show whether there has been a surplus or shortfall in collections which is then paid over or clawed back in the following year. In an average year these movements would be immaterial for accounting purposes. However, in 2020/21 the impact of the Covid 19 pandemic on businesses created a very large deficit in national non-domestic rates. The deficit for 2020/21 was approximately 45% of the total anticipated collections and an overpayment to ECFRS of £3.24m which the Districts need to claw back.

A Section 31 grant to cover approximately 75% of the deficit was made available to compensate local authorities for their share of the shortfall in council tax and non-domestic rates collections arising from the COVID-19 pandemic. Guidance on the availability of a Section 31 government grant was issued early in the calendar year with updates continuing until as recently as 4th June 2021 by the Ministry of Housing, Communities and Local Government (see Appendix 1).

The grant will be paid directly to the Authority and is due to be received in early 2022. Upon receipt this will then be paid to the Districts to cover the clawback. As the deficit has been recognised in the year end accounts, to give a true and fair view of the financial position of the Service, the Section 31 Grant income will also be recognised, supported by a debtor on the balance for the year ending 31st March 2021. This is consistent with the treatment in the Grant Thornton guidance (see Appendix 2) under the heading ‘Local Tax Income Guarantee funding for 2020/21.’

Under the CIPFA Code of Practice:

- Where grant income has been received that has no conditions attached to it, but where the grant has yet to be applied and there are restrictions as to how the monies are to be applied, authorities may consider earmarking such revenue grant income until it is applied.
- There is no direct requirement in the Code to earmark reserves as described above.
- However, the responsible finance officer (RFO) will need to consider their responsibility to present a true and fair view of the sums available in the General Fund, for the general purposes of the authority, at the year-end.
- The RFO should ensure that such sums that are required to meet committed expenditure, as set out in grant restrictions, are properly set aside for those purposes and that the nature of the restrictions on these resources are clearly presented to the users of financial statements.

5. Alternative options considered and rejected

The grant income could be retained in General Reserves, however it is deemed more appropriate to allocate this to a Specific Earmarked Reserve given that this will be used to offset the clawback of the deficit in 2021/22. Funding will be released from Earmarked Reserve to offset any future repayments.

6. Strategic priorities

The priorities in the Fire and Rescue Plan have been considered, which include being transparent.

7. Operational implications

There are no operational implications arising from this decision.

8. Financial implications

A summary of the National Non-domestic Rates position for the Authority at 31st March 2021 is included below:

NNDR deficit

Current deficit	3,264,498
S31 Grant *	(3,019,631)
Balance	244,867

It is anticipated that the short fall of funding of £244,867 will be funded from the Authority's reserves.

The information regarding the NNDR deficit has been extracted from the NNDR3 forms which were provided by each District. The 2020-21 NNDR3 provides authorities with a tool by which they can calculate their certified non-domestic rating income as required by Regulation 9 of the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452) (as amended) and calculate the final sums due by way of Section 31 grant in compensation for certain Government funded rates relief measures. The NNDR3 forms provided by the Districts have not yet been audited so there is a possibility that there could be amendments, however it is not expected that these would be material. The information has also been verified by a Strategic Business Partner at Essex County Council.

9. Legal implications

There are no further legal implications arising from this decision.

10. Staffing implications

There are no direct staffing implications arising from this decision.

11. Equality and Diversity implications

This decision does not have any impact on any of the following protected groups as defined within the Equality Act 2010:-

<i>Race</i>	<i>No</i>	<i>Religion or belief</i>	<i>No</i>
<i>Sex</i>	<i>No</i>	<i>Gender reassignment</i>	<i>No</i>
<i>Age</i>	<i>No</i>	<i>Pregnancy & maternity</i>	<i>No</i>
<i>Disability</i>	<i>No</i>	<i>Marriage and Civil Partnership</i>	<i>No</i>
<i>Sexual orientation</i>	<i>No</i>		

The service will ensure that the use of these Earmarked Reserves is managed in an equitable and fair manner which does not unduly impact on any particular group.

12. Risks

There is the risk that, as the NNDR3s have not yet been audited, the numbers may change but it is not anticipated that the movement will be material.

13. Governance Boards

Not applicable.

14. Background papers

Appendix 1 – Grant determination letter, MHCLG.

Appendix 2 – “Accounting for grants in local authority financial statements”, Grant Thornton

Decision Process (049-21)

Step 1A - Chief Fire Officer Comments

(The Chief Fire Officer is asked in their capacity as the Head of Paid Service to comment on the proposal.)

.....I approved this recommendation.....

Sign:  Date:.....28/6/21.....

Step 1B – Consultation with representative bodies

(The Chief Fire Officer is to set out the consultation that has been undertaken with the representative bodies)

N/A.....

Step 2 - Statutory Officer Review

The report will be reviewed by the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority's ("the Commissioner's") Monitoring Officer and Chief Finance Officer prior to review and sign off by the Commissioner or their Deputy.

Monitoring Officer Sign: 
Print: P. Brent-Isherwood
Date: 29 June 2021

Chief Finance Officer Sign: ... 
Print: ...Neil Cross.....
Date: .. 28/6/21

Step 3 – Publication

Is the report for publication? **YES**

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'none' if applicable)

None

If the report is not for publication, the Monitoring Officer will decide if and how the public can be informed of the decision.

Step 4 - Redaction

If the report is for publication, is redaction required:

- 1 Of Decision Sheet NO
- 2 Of Appendix NO

If 'YES', please provide details of required redaction:

.....N/A.....
.....

Date redaction carried out:

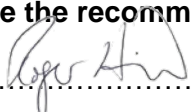
If redaction is required, the Chief Finance Officer or the Monitoring Officer are to sign off that redaction has been completed.

Sign: Print:

Date signed:

Step 5 - Decision by the Police, Fire and Crime Commissioner or Deputy Police, Fire and Crime Commissioner

I agree the recommendations to this report:

Sign:  (PFCC)

Print: ROGER HIRST

Date signed: 29 June 2021