

Report to: **Executive**  
Date: **18 July 2024**  
Title: **2023/24 Draft Revenue and Capital Outturn**  
Portfolio Area: **Finance – Cllr J Brazil**  
Wards Affected: **All**  
Urgent Decision: **N** Approval and clearance obtained: **Y**  
Date next steps can be taken: **N/A**

Author: **Pauline Henstock** Role: **Head of Finance Practice and Deputy S.151 Officer**  
**Lisa Buckle** **Corporate Director for Strategic Finance (S151 Officer)**

Contact: [pauline.henstock@swdevon.gov.uk](mailto:pauline.henstock@swdevon.gov.uk)  
[lisa.buckle@swdevon.gov.uk](mailto:lisa.buckle@swdevon.gov.uk)

**RECOMMENDATION:**

**That the Executive RESOLVES to NOTE the draft Revenue and Capital outturn figures for the 2023/24 financial year including the overall Revenue outturn position of a surplus of £29,000 for 2023/24 (0.25% of the total Budget £11.738 million).**

**1. Executive summary**

- 1.1 This report provides Members with the draft Revenue and Capital Outturn position for 2023/24.
- 1.2 There was a surplus of £29,000 on the outturn position for 2022/23 (0.25% of the net budget of £11.738 million), as shown in the Draft Statement of Accounts for 2023/24 which will be published on 15<sup>th</sup> July 2024. This is very close to a break-even position.
- 1.3 In accordance with normal accounting practice, this surplus has gone into Unearmarked Reserves, with a view to it being reinvested into our core services. Unearmarked Reserves have increased by £29,000 in 2023/24 and total £2.14 million at 31 March 2024.

## **2. Background**

- 2.1 The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA).
- 2.2 The draft Statement of Accounts for 2023/24 will be presented to the Audit and Governance Committee on 25 July 2024.
- 2.3 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process since it confirms the availability of reserves and balances for future use.
- 2.4 The statement of accounts and financial records have been closed, balanced and the draft accounts published and Bishop Fleming will commence the external audit at the end of July 2024.
- 2.5 If any alterations are required following the audit of the Accounts, the details will be reported to the Audit and Governance Committee with the external audit accounts report in October 2024. The availability of the Draft 2023/24 Accounts has been published on our website at the link below:  
<https://www.southhams.gov.uk/your-council/budgets-and-finance/budgets-and-spending/annual-accounts>

## **3. Outcomes/outputs**

### **Revenue Expenditure**

- 3.1 Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity.
- 3.2 In 2023/24, the Council generated £2.21million of additional income and savings (equating to 18.8% of the Council's net budget of £11.738 million). This was from extra treasury management investment income (£1.1million) by realising the opportunity from high interest rates and securing advantageous rates from reviewing market offers on a daily basis. The Council also generated additional car parking income (£0.39million) primarily as a result of increased usage. Employment estates generated extra income of £0.309million due to high occupancy rates and the Council secured extra business rates income from identifying renewable energy sites. In addition proactive management action resulted in salary savings from vacancies of £0.13million.

- 3.3 This additional income and savings were offset by the fact that the Council also incurred additional costs and a shortfall in income of £2.18 million (equating to 18.6% of the Council's net budget of £11.738 million). Many of the additional costs were as a result of the current economic climate with high inflation and the cost of living crisis.
- 3.4 The extra costs incurred in the year included the impact of the national local government pay award (£0.56 million), the waste and cleansing service (£0.38 million) and temporary accommodation costs (£0.26 million). In addition there was an increase in the overall bad debt provision for debtors (£0.23 million) and higher inflation than budgeted mainly in respect of IT, utilities and insurance totalling £0.39 million. The Council also experienced a shortfall in planning income of £0.12 million.
- 3.5 **Therefore there was an overall surplus of £29,000 on the outturn position for 2023/24.**
- 3.6 The 2023/24 budget was £11.738 million and therefore the surplus of £29,000 means that the actual net spend was 0.25% less than the budget. This is essentially a break-even position. This surplus will go into the Council's Unearmarked Reserves which now stand at £2.14 million.

3.7 A summary of the main variations from budget in 2023/24 is provided in the table below:

<b>ANALYSIS OF VARIATIONS 2023/24</b> (% column shows variation against budget)	<b>£000</b>	<b>% variation</b>
<b>Additional income generated</b>		
Treasury Management Income – extra investment income of £1.1m on the Council’s investments (on a budget of £0.8m), from higher interest rates and effective proactive management of the Council’s daily cashflows and investments. The Council secures advantageous rates from reviewing market offers on a daily basis.	(1,103)	(137.9%)
Car parking pay and display income – additional net income primarily from extra usage.	(387)	(11.3%)
Employment estates – additional income of £0.309m over the budgeted income of £1.117m, due to high occupancy rates.	(309)	27.7%
Business Rates – income from identifying renewable energy sites, allowing SHDC to retain all of the business rates income from these sites in accordance with legislation	(207)	-
Salaries – management action to secure vacancy savings	(134)	(1.2%)
Business Rates – additional business rates pooling gain achieved over the budgeted amount of £300,000.	(69)	(23.0%)
<b>Sub - total</b>	<b>(2,209)</b>	
<b>Increases in expenditure/reduction in income</b>		
National local government pay award – the national employer’s pay offer for 2023/24 of £1,925 per scale point or a 3.88% increase for scale point 44 upwards, was significantly higher than the budgeted provision of 3%. The pay award resulted in additional salary costs of £559,000 including £320,000 for the waste and cleansing staff.	559	200%
Waste and Cleansing – the overspend of £0.384m equates to 4.9% of the net budget of £7.74m. The Council rolled out the Devon Aligned Service in November 2023 (as detailed in the Executive report of 7 March 2024). There were more recycling and refuse rounds than initially anticipated. There were also inflationary rises, for example the cost of agency staff and a reduction in the price being able to be achieved in the sale of recycle due to the downturn in the economy.	384	4.9%
Homelessness (temporary accommodation) costs – additional expenditure on temporary accommodation over and above what is claimable through the DWP subsidy. This is due to a number of factors beyond the Council’s control such as the housing crisis and a lack of accommodation. The budgeted amount was £339,000. This represents an increase in costs of 77% over the amount that is budgeted.	261	77.0%
Bad debt provision – increase in the level of the provision for bad and doubtful debts (overall provision of £0.769m).	226	-

<b>ANALYSIS OF VARIATIONS 2023/24</b> (% column shows variation against budget)	<b>£000</b>	<b>% variation</b>
Planning – planning income is down by £120,000 (11%) against the budgeted income target of £1.08 million. In addition advertising costs were £52,000 higher than budgeted. Along with other small variances this produces an overall variance of £189,000 which equates to 19.4% of the net planning budget of (£973,000).	189	19.4%
ICT software and support contracts – additional costs of £155,000 due to price increases which equal or exceed inflation (budgeted amount of £558,000).	155	27.8%
Higher inflation on utility costs on all Council services – An increase in utility (mainly electricity) prices due to the rise in energy costs and inflationary pressures (budget of £1.2m).	121	10.1%
Additional Insurance costs – higher insurance costs (budgeted amount of £434,000).	118	27.2%
Follaton House – additional business rates and cleaning costs	79	27.3%
External audit fees – additional fees agreed by PSAA (Public Sector Audit Appointments) and charged by Grant Thornton. This was partly for additional audit work carried out nationally, on the areas of pensions and fixed assets.	63	52.2%
Other small variances	25	-
<b>Sub - total</b>	<b>2,180</b>	
<b>Other one-off adjustments</b>		
Housing Benefit debtors adjustment ( <b>See Note 1</b> ) – a write down of the housing benefits debtors balance at 31.3.24 was required to reflect the correct balance – this is a one-off adjustment at the year end. The debtors balance reduced from £417,000 to £221,000. This reduction of £196,000 was partially offset by a decrease in the bad debt provision of £21,000. The one-off adjustment follows the implementation of an external audit recommendation as part of the 22/23 Audit to address this issue in the 23/24 Accounts. This resulted from a report run from the NEC system which was showing an incorrect balance for housing benefits debtors. This was a system error which has now been put right. Many Councils have had the same issue with the NEC software (revenues and benefits system).	175	-
Household support scheme admin grants – grants received in 2023/24 which are available to finance the one-off cost of the housing benefit debtors adjustment	(84)	-
Other new burdens grants – grants received in previous financial years which have been brought into the Income and Expenditure account in 23/24, to finance the one-off cost of the housing benefit debtors adjustment	(91)	-
<b>Sub - total</b>	<b>-</b>	
<b>TOTAL SURPLUS FOR 2023/24</b>	<b>(29)</b>	<b>(0.25%)</b>

The 2023/24 Budget for South Hams was £11.738 million but the actual net spend was 0.25% lower, providing a surplus of £29,000 as shown above. This is essentially a break-even position.

**Note 1 - Housing Benefit debtors adjustment** – a write down of the housing benefits debtors balance at 31 March 2024 from £417,000 to £221,000 was required in 2023/24 to reflect the correct position. The reduction of £196,000 is partially offset by a decrease in the Housing Benefits bad debt provision of £21,000. This one-off adjustment at the year-end follows the implementation of an external audit recommendation from the 2022/23 Audit to address this issue. This resulted from a report run from the NEC system which was showing an incorrect balance for housing benefits debtors. This was a system error which has now been put right. Many Councils have had the same issue with the NEC software (revenues and benefits system).

The net adjustment of £175,000 is a one-off cost to the Income and Expenditure Account. This adjustment has been funded from the household support scheme admin grants received in 2023/24 (£84,000) and other new burdens grants received in previous years (£91,000).

### **Capital Expenditure**

3.8 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £9.66 million in 2023/24. The main areas of expenditure were as follows:

- Purchase of 8 properties in Sherford (£2.31 million), utilising Government Local Authority Housing Fund grant funding
- Purchase of waste fleet (£1.74 million)
- residential renovation grants including disabled facilities grants (£1.50 million)
- St Ann's Chapel housing scheme (£0.94 million)
- Purchase of 3 properties in Ivybridge (£0.85million), utilising Government Local Authority Housing Fund grant funding
- Torr Quarry depot improvement (£0.35 million)
- Batson Harbour Depot (£0.33m)
- Affordable Housing – purchase of Westville Flats (£0.15m)

3.9 **Appendix A** provides a breakdown of Capital expenditure by project for 2023/24 and shows how each scheme has been funded.

## Borrowing

3.10 In 2022/23 the long term borrowing of the Council reduced from £13,825,000 (2022/23) to £13,364,000. Short term borrowing has increased from £459,000 to £461,000. This is due to the profiling of the debt repayments where long term borrowing has moved to short term borrowing. Total borrowing as at 31 March 2024 has reduced from £14,284,000 to £13,825,000. No further external borrowing took place during 2023/24.

3.11 The average fixed rate of interest on the borrowing is 2.547%.

## Revenue Reserves

3.12 Key to the authority's financial resilience are our reserves, which are at a prudent level.

3.13 The provision of an appropriate level of balances is a fundamental part of prudent financial management, enabling the Council to build up funds to meet known and potential financial commitments.

3.14 The movement in the General Fund Balance (Un-Earmarked Reserves) is summarised below. Unearmarked Reserves have increased by £29,000 in 2023/24 and total £2.142 million as below.

<b>Unearmarked Revenue Reserves</b>	<b>£000</b>
General Fund Balance (Un-Earmarked Revenue Reserve) at 1 April 2023	(2,113)
<b>Surplus for the 2023/24 financial year</b>	<b>(29)</b>
General Fund Balance (Un-Earmarked Revenue Reserve) at 31 March 2024	(2,142)

The financial metric for Unearmarked Reserves is shown below:  
Unearmarked Reserves as a % of net revenue spend equates to  
 $\text{£2,142,000} / \text{£11,709,000} = 18.3\%$

- 3.15 Earmarked Reserves have increased by £49,000 in 2023/24 moving from £15.424 million on 1 April 2023 to £15.473 million at 31 March 2024 as shown in the table below:

<b>Earmarked Revenue Reserves</b>	<b>£000</b>
Earmarked Revenue Reserves at 1 April 2023	15,424
Additions to Earmarked Reserves	7,794
Actual Spend of Earmarked Reserves in 2023/24	(7,745)
<b>Earmarked Reserve Reserves at 31 March 2024</b>	<b>15,473</b>

The financial metric for Earmarked Reserves is shown below:  
 Earmarked Reserves as a % of net revenue spend equates to  
 $\frac{£15,473,000}{£11,709,000} = 132\%$

- 3.16 The additions to Earmarked Reserves in 2023/24 total £7.79 million and mainly relate to budgeted contributions to Earmarked Reserves, the receipt of New Homes Bonus income, the receipt of business rates income and section31 compensation grants for business rates relief for collection fund accounting purposes (part of closing the business rates collection fund). This temporary increase in reserves will reverse back out again in future years, to fund the shortfall on the Collection Fund.
- 3.17 Actual spend of Earmarked Reserves amounted to £7.74 million in 2023/24. This mainly related to the following:
- Capital expenditure of £2.56 million funded from earmarked reserves. This included funding from the waste and plant earmarked reserve to fund the waste fleet and funding from the Ukraine Humanitarian crisis earmarked reserve towards the cost of purchasing three properties in Sherford.
  - Waste and cleansing service – a £2m reserve contribution to fund exceptional transitional costs for bringing the waste and recycling service back in house in October 2022. (Council 12th July 2022 and 22nd September 2022) and to fund the one off-costs of implementing Devon Aligned Service (Council 14 December 2023).
  - Budgeted contributions to be spent from earmarked reserves totalling £1 million. This mainly relates to the New Homes Bonus contribution to fund the base budget and £0.4m from the Business Rates Retention earmarked reserve to smooth the volatility in Business Rates income.

## Capital Reserves

3.18 The Capital Receipts Reserve (which holds capital receipts which can be used to finance capital projects) has a balance of £2.43 million as at 31 March 2024. These are capital receipts that are committed to finance capital projects within the Capital Programme. The Capital Grants Unapplied Reserve has a balance of £214,000 as at 31 March 2024.

## Savings and Additional Income

3.19 In line with budget monitoring updates this outturn report includes a schedule of the savings and additional income that were identified in the 2023/24 budget setting process and provides a year end position, set out in **Appendix B**.

3.20 In 2023/24 £4.185 million of savings and additional income were achieved compared to the original target of £2.482 million. This is mainly due to the additional treasury management investment income generated as per **Appendix B**.

## 4. Collection Fund balance as at 31 March 2024

4.1 The Collection Fund shows the transactions of the Billing Authority in relation to the collection of Council Tax and Business Rates from taxpayers and its distribution to local authorities and the Government. The income from Council Tax totalled £92.56 million in 2023/24 and Business Rates receivable totalled £25.18 million for 2023/24. This is shown in Section 4 of the Statement of Accounts for 2023/24.

<b>2022/23 Business Rates £000</b>	<b>2022/23 Council Tax £000</b>		<b>2023/24 Business Rates £000</b>	<b>2023/24 Council Tax £000</b>
6,351	(2,743)	Fund balance at 1 April	(5,957)	(2,832)
(12,308)	(89)	Deficit/(surplus) for year	7,158	930
<b>(5,957)</b>	<b>(2,832)</b>	<b>Fund balance as at 31 March – deficit/(surplus)</b>	<b>1,201</b>	<b>(1,902)</b>

The balance on the Collection Fund is split between the preceptors as follows:

<b>2022/23 Business Rates £000</b>	<b>2022/23 Council Tax £000</b>		<b>2023/24 Business Rates £000</b>	<b>2023/24 Council Tax £000</b>
(2,978)	-	Central Government	601	-
(536)	(2,045)	Devon County Council	108	(1,376)
-	(324)	Devon and Cornwall Police	-	(220)
(60)	(121)	Devon and Somerset Fire Authority	12	(80)
<b>(3,574)</b>	<b>(2,490)</b>	<b>Total deficit/(surplus) due to Preceptors</b>	<b>721</b>	<b>(1,676)</b>
(2,383)	(342)	South Hams District Council	480	(226)
<b>(5,957)</b>	<b>(2,832)</b>	<b>Fund balance as at 31 March – deficit/(surplus)</b>	<b>1,201</b>	<b>(1,902)</b>

### **Business Rates Collection Fund**

4.2 The balance on the Business Rates Collection Fund as at 31 March 2024 has moved from a £5.957 million surplus to a £1.201 million deficit. This reflects the volatility in Business Rates income and the deficit on the Collection Fund is due to the additional business rate relief that was granted by Central Government to retail, hospitality and leisure businesses and funded directly through a section 31 grant.

The Local Government Accounting Regulations for Business Rates means there is a timing delay between receipt of the section 31 grant in the General Fund and when it is released into the Collection Fund. There is funding in the Business Rates S31 Compensation Grant earmarked reserve (£3.217 million) to offset this deficit at 31 March 2024 which will be applied in 2024/25. This reserve is a holding account.

The section 31 grant is to reimburse the Council for the business rate relief which was awarded to businesses by the Government (75% rate relief for businesses in the retail, hospitality and leisure sector, up to a cash cap of £110,000 per business).

The Council has a collection rate of 98.9% for business rates for 2023/24, which is likely to put the Council in the top quartile nationally for its collection of business rates income.

## Council Tax Collection Fund

4.3 The Council collected 98.35% in council tax in 2023/24 (against a target of 98%). This is expected to be top quartile performance for 2023/24 when compared to other Councils nationally. These collection rates are published around the Summer/Autumn time.

4.4 Taking into account surpluses distributed to the Preceptors in 2023/24 the overall balance on the Council Tax Collection Fund has reduced from a surplus of £2.83 million at 31 March 2023 to a surplus of £1.90 million at 31 March 2024.

4.5 In the 2023/24 Budget, the Council budgeted for a £332,000 collection fund surplus share for SHDC, with a further £59,000 being budgeted for 2024/25.

## 5. Proposed Way Forward

5.1 Members are advised that Bishop Fleming will commence the external audit of the accounts at the end of July 2024. Following the Audit, the Statement of Accounts will be brought back to the Audit and Governance Committee for approval in either October or December 2024.

## 5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.
Financial implications to include reference to value for money	Y	The report provides the draft Revenue and Capital outturn figures for the 2023/24 financial year including the overall Revenue outturn position of a surplus of £29,000 for 2023/24 (0.25% of the total Budget £11.738 million). As part of Bishop Fleming's external audit of the Statement of Accounts for 2023/2024, they will assess the arrangements the Council has in place for:- <ul style="list-style-type: none"><li>• Improving economy, efficiency and effectiveness</li><li>• Financial Sustainability</li><li>• Governance</li></ul>

Risk	Y	<p><b>Public Accountability</b> – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 which is recognised by statute as representing proper accounting practice.</p> <p><b>Resource Planning</b> – the Council takes into account any significant issues when developing the Council’s Medium Term Financial Strategy.</p>
Supporting Corporate Strategy		The Annual Statement of Accounts supports all of the Thematic Delivery Plans within the Council’s strategic vision, the Council Plan.
Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
Climate Change – Carbon / Biodiversity Impact		<p>A report was presented to Council on 17<sup>th</sup> December 2020 ‘Climate Change and Biodiversity Strategy and Action Plan update’. The report set out the proposed allocation of the £400,000 in the Climate Change Earmarked Reserve.</p> <p>A further £200,000 funding for the Climate Change Action Plan was approved by Council on 11<sup>th</sup> February 2021, as part of the 2021/22 Budget. The South Hams Vision and Strategy, the Council Plan sets out the Council’s primary commitments to tackling climate change and increasing biodiversity.</p> <p>During 2023/24 £330,000 of funding has been available to support climate and biodiversity projects.</p>
<i>Comprehensive Impact Assessment Implications</i>		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

**Supporting Information**

**Appendices:**

**Appendix A** – Schedule of Capital Programme 2023/24 – Actual expenditure for the 2023/24 financial year.

**Appendix B** - Summary of Savings and Additional Income 2023/24

**Background Papers:** None