

Report to: **Hub Committee**

Date: **13 September 2022**

Title: **2021/2022 Draft Revenue and Capital  
Outturn**

Portfolio Area: **Performance & Resources – Cllr C Edmonds**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **N/A**

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**Recommendations:**

**That the Hub Committee RESOLVES to NOTE the draft Revenue and Capital outturn figures for the 2021/22 financial year including the overall Revenue outturn position of an underspend of £196,000 for 2021/22 (2.7% of the total Budget £7.302 million).**

**1. Executive summary**

- 1.1 This report provides Members with the draft Revenue and Capital Outturn position for 2021/22 and provides a schedule of the Reserve balances at 31 March 2022.
- 1.2 There was an underspend of £196,000 on the outturn position for 2021/22 (2.7% of the net budget of £7.3m), as shown in the Draft Statement of Accounts for 2021/22 published by the end of July 2022.
- 1.3 In accordance with normal accounting practice, this underspend has gone into Unearmarked Reserves, with a view to it being reinvested

in our core services and 'The Plan for West Devon'. Unearmarked Reserves have increased by £196,000 in 2021/22 and total £1.490million at 31 March 2022.

## 2. Background

- 2.1 The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts (SOA). The accounts usually have to be produced and certified by the Chief Finance Officer by 31 May however the Covid 19 pandemic has triggered amendments to this deadline by extending this to the end of July. Ordinarily the Audited Accounts have to be brought to Audit Committee by 31 July but for 2021/22 this has been delayed to the end of November.
- 2.2 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.
- 2.3 The statement of accounts and financial records have been closed, balanced and the draft accounts published and are being audited by our external auditors Grant Thornton during July, August and September. If any alterations are required the details will be reported to the Audit Committee with the external audit accounts report in November. Any impact to revenue or capital resources will be brought to Hub Committee in the Month 7 budget monitoring reports planned for 13 December 2022. The availability of the draft 2021/22 accounts and records for inspection by interested persons have been advertised on our website at <https://www.westdevon.gov.uk/accounts>. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 1 August to 12 September 2022.

## 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. The underspend on the General Fund in 2021/2022 of £196,000 is essentially a break-even position. **The 2021/22 budget was £7.30 million and therefore the saving of £196,000 means that the actual spend was 2.7% less than the budget.** This saving will go into the Council's Unearmarked Reserves which now stand at £1.49 million.

3.2 A summary of the main variations from budget in 2021/22 is provided in the table below:

| <b>ANALYSIS OF VARIATIONS</b><br>(% column shows variation against budget)                                                                                                                                                              | <b>£000</b>  | <b>% variation</b> |   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------|---|
| <b>Reductions in expenditure/additional income</b>                                                                                                                                                                                      |              |                    |   |
| Recycling Credits and Dry Recycling income (transferred to the Waste Earmarked Reserve – note R)                                                                                                                                        | (250)        | 75.8%              | A |
| Housing Benefit payments                                                                                                                                                                                                                | (82)         | -                  | B |
| Salaries savings                                                                                                                                                                                                                        | (81)         | 1.9%               | C |
| Homelessness prevention expenses                                                                                                                                                                                                        | (77)         | 82.8%              | D |
| Staff and Member travel and expenses                                                                                                                                                                                                    | (30)         | 33.0%              | E |
| Trade Waste income                                                                                                                                                                                                                      | (28)         | 186.7%             | F |
| Street Cleaning costs                                                                                                                                                                                                                   | (24)         | 5.0%               | G |
| Garden Waste income                                                                                                                                                                                                                     | (17)         | 6.9%               | H |
| Land Charges income                                                                                                                                                                                                                     | (13)         | 13.7%              | I |
| Compensation from the Government income guarantee scheme for sales, fees and charges for April to June 21 – mainly for car parking income (£44k)                                                                                        | (46)         | -                  | J |
| <b>Increases in expenditure/reduction in income</b>                                                                                                                                                                                     |              |                    |   |
| Car Parking income – net loss is £82,000 after taking into account the Government sales, fees & charges compensation for April to June 21 of £44k – note J                                                                              | 126          | 11.0%              | K |
| COVID-19 expenditure                                                                                                                                                                                                                    | 123          | -                  | L |
| Investment income                                                                                                                                                                                                                       | 70           | 66.7%              | M |
| ICT software and support contracts                                                                                                                                                                                                      | 58           | 11.6%              | N |
| Waste & Recycling – 3 weekly waste collection trials                                                                                                                                                                                    | 50           | -                  | O |
| Joint Local Plan contribution                                                                                                                                                                                                           | 25           | -                  | P |
| Council Tax Collection income                                                                                                                                                                                                           | 13           | 12.7%              | Q |
| Other small variances                                                                                                                                                                                                                   | 7            | -                  |   |
| <b>Sub Total</b>                                                                                                                                                                                                                        | <b>(176)</b> |                    |   |
| <b>Less: Transfer to the Waste and Cleansing Options Review Earmarked Reserve:</b> (Additional recycling credits and dry recycling income transferred to the waste earmarked reserve) – Council CM42 4 <sup>th</sup> December 2018      | 250          | -                  | R |
| <b>Add: Transfer from the COVID Earmarked Reserve:</b> (This is Government funding that was used to support the cost of Covid-19 expenditure and net losses on car parking income in 2021/22) – Council CM39 28 <sup>th</sup> Sept 2021 | (190)        | -                  | S |
| <b>Add: Transfer from the Salary Savings Earmarked Reserve:</b> (to support salary costs) – Council CM57 15 <sup>th</sup> February 2022                                                                                                 | (80)         | -                  | T |
| <b>TOTAL UNDERSPEND FOR 2021/22</b>                                                                                                                                                                                                     | <b>(196)</b> | <b>(2.7%)</b>      |   |

The 2021/22 budget for West Devon was £7.30 million but the actual spend was 2.7% lower, providing an underspend of £196,000 as shown above.

## Notes

- A. **Recycling Credits and Dry Recycling income** – additional income of £250,000 was received in 2021/22, which equates to 75.8% of the budget. This has been transferred to the Waste and Cleansing Options Review Earmarked Reserve (Council CM42 – 4 December 2018) – see note R.
- B. **Housing Benefit payments** – additional income of £82,000 was generated in 2021/22. This is mainly due to unbudgeted Housing Benefit overpayment recoveries.
- C. **Salaries savings** – this is mainly due to staff vacancies in 2021/22.
- D. **Homelessness prevention expenses** - homelessness prevention costs were underspent by £77,000 in 2021/22.
- E. **Savings on staff and Member travel and expenses** – due to Covid 19, a saving of £30,000 was achieved in 2021/22. These savings are due to staff and Members working from home.
- F. **Trade Waste income** - income exceeded the 2021/22 target by £28,000 which equates to 186.7% of the annual income budget of £15,000.
- G. **Street Cleaning costs** – a saving of £24,000 was achieved in 2021/22 in respect of Street Cleaning costs. This mainly related to an underspend on cleansing contract costs.
- H. **Garden Waste income** – income exceeded the 2021/22 target by £17,000 which equates to 6.9% of the annual income budget of £245,000.
- I. **Land Charges income** - income exceeded the 2021/22 target by £13,000 which equates to 13.7% of the annual income budget of £95,000.
- J. **Government Grant Funding for Income Losses** – in line with 2020/21 the Government extended their income guarantee scheme to help compensate Councils for losses of sales, fees and charges income during the first quarter of 2021/22. A compensation claim of £46,000 was made for April to June 2021, of which £44,000 relates to the loss of car parking income.
- K. **Car Parking income** – in 2021/22 there was a shortfall in car parking income of £126,000 out of total budgeted income of £1,147,000 (11%). An amount of £44,000 has been reclaimed from the Government through the sales, fees and charges income compensation scheme for the months of April to June 2021 when the scheme was in operation. This reduced the overall loss of income to £82,000.

In addition, the Council received COVID tranche funding from the Government in 2020/21, to meet COVID losses. This Government grant funding of £190,000 for COVID losses has been approved by Members to be used in 2021/22 to meet both the losses in car parking income and the COVID expenditure incurred in 2021/22. Therefore all of the losses in car parking income in 2021/22 have been funded from Government COVID funding.

- L. **COVID-19 expenditure** – One-off items of direct Covid 19 expenditure such as extra housing costs, ICT and remote working, waste, cleaning costs and community support costs. These costs were included on the monthly DELTA Government returns completed.
- M. **Investment income** – due to the historic low interest rates, a shortfall in investment income of £70,000 was experienced in 2021/22. This equates to 66.7% of the income target.
- N. **ICT Support Contracts** - There are additional costs in respect of ICT support contracts mainly due to,
- Above inflation increases, e.g. Microsoft Licensing
  - Additional costs for new licenses, laptops and accessories due to an increase in the number of users on our network
  - The acquisition of remote diagnostics software as a result of the increase in remote working
  - Disability Access legislation for the website has required the purchase of tools for monitoring compliance and enhancing access
- O. **Waste and Recycling** – The Revenue Budget for 2021/22 included potential additional income of £50,000 in 21/22 and a further £75,000 in 22/23 for income from the possibility to move to a three weekly waste collection. It was stated that this was dependent on the outcome of the results from the three weekly trials. As set out within a separate report to the Hub Committee on 21 September, it was agreed that the trial of the three weekly residual (black sack) collections was not extended to the whole of the Borough in Spring 2022 and this recognised the potential impact of making a major service change at a time when significant structural changes are expected in the waste industry and other external pressures, including the national LGV driver shortage.
- P. **Joint Local Plan Contribution** - a cost pressure of £25,000 was identified in 2021/22 relating to the Joint Local Plan contribution. There is currently no budget for this. A reserve contribution has been approved in the 2022/23 revenue budget. This has been funded from monies set aside in the JLP Earmarked Reserve in previous years, which has now been depleted.

- Q. **Council Tax Collection income** – summons costs recovered in respect of Council Tax and Business Rates were down by 12.7% in 2021/22.
- R. **Transfer to the Waste and Cleansing Options Review Earmarked Reserve** - additional income in respect of Recycling Credits and Dry Recycling of £250,000 was received in 2021/22, which equates to 75.8% of the budget. This has been transferred to the Waste and Cleansing Options Review Earmarked Reserve (Council CM42 – 4 December 2018) – see note R.
- S. **Transfer from the COVID Earmarked Reserve** – At the Hub Committee meeting on 21 September 2021 it was recommended to utilise funding of £190,000 from the COVID-19 Losses Earmarked Reserve in 2021/22, to fund COVID-19 expenditure in 2021/22 and the projected net losses on car parking income in 2021/22 (HC 28/21). This was approved at Council on 28 September 2021 (CM39).
- T. **Transfer from the Salary Savings Earmarked Reserve** – On 15 February 2022 Council approved the use of the Salary Savings Earmarked Reserve (£80,000) to support salary costs in 2021/22 (Council CM57).

## Capital Expenditure

- 3.3 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £1,102,731 million in 2021/22 as shown in **Appendix A** (yellow column). The main areas of expenditure were as follows:
- Housing renovation grants including disabled facilities grants (£0.6m)
  - IT schemes (£0.2m)
  - Purchase of property (£0.2m)
- 3.4 **Appendix A** provides a breakdown of Capital expenditure by project for 2021/22 and shows how each scheme has been funded.

## Borrowing

- 3.5 In 2021/22 the long term borrowing of the Council decreased from £28,342,000 (20/21) to £27,726,000. Short term borrowing increased from £603,000 to £615,000 due to the maturity profile of borrowing.

## Revenue Reserves

- 3.6 The Council maintains both capital and revenue reserves. The management of risk and promoting financial resilience is a key principle of our budget strategy and this has helped facilitate our response to both the Covid pandemic and the current cost of living crisis which will have an impact on the Council's finances as well as the finances of the residents of the Borough. Key to the authority's financial resilience are our reserves, which are at a prudent level.
- 3.7 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.
- 3.8 The movement in the General Fund Balance (Un-Earmarked Reserves) is summarised below. Unearmarked Reserves have increased by £0.196m to £1.490m at 31.3.2022.

| <b>Unearmarked Revenue Reserves</b>                                         | £000         |
|-----------------------------------------------------------------------------|--------------|
| General Fund Balance (Un-Earmarked Revenue Reserve) at 1 April 2021         | 1,294        |
| Surplus for the 2021/22 financial year                                      | 196          |
| <b>General Fund Balance (Un-Earmarked Revenue Reserve) at 31 March 2022</b> | <b>1,490</b> |

- 3.9 A schedule of Reserves is attached at **Appendix B**, which shows the contributions in and out of each Reserve during the year with both the opening and closing balances for 2021/22.
- 3.10 Earmarked Reserves have increased by £0.248m in 2021/22 moving from £8.941m on 1 April 2021 to £9.189m at 31 March 2022 as shown below. The movements in Earmarked Reserves are shown in detail in **Appendix B**.

| <b>Earmarked Revenue Reserves</b>                  | £000         |
|----------------------------------------------------|--------------|
| Earmarked Revenue Reserves at 1 April 2021         | 8,941        |
| Additions to Earmarked Reserves                    | 2,211        |
| Actual Spend of Earmarked Reserves in 2021/22      | (1,963)      |
| <b>Earmarked Revenue Reserves at 31 March 2022</b> | <b>9,189</b> |

- 3.11 The General Fund reserves (which are made up of the Unearmarked Reserves and Earmarked Reserves) have increased by £0.444m from the preceding year and stand at £10.679m at 31 March 2022.
- 3.12 This reflects the 2021/22 surplus of £196,000 and an increase in earmarked reserves of £248,000. Revenue reserves may be used to finance capital or revenue spending plans. The level of Reserves are assessed as adequate for the Council's operations. The Council undertakes a review of the level of its Earmarked Reserves every year as part of the budget setting process.
- 3.13 The total Earmarked Reserves balance at 31 March 2022 of £9.189m includes £1.631m held in the Business Rates s31 Compensation Grant Reserve.
- 3.14 This is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 and 2021/22 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2022/23 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.

### **Capital Reserves**

- 3.15 The Capital Receipts Reserve (which holds capital receipts which can be used to finance capital projects) has a balance of £56,000 as at 31.3.2022. This reflects the fact that the Council has hardly any capital receipts left that can be used to fund capital projects.
- 3.16 The Capital Grants Unapplied Reserve has a balance of £353,000 as at 31 March 2022. This is mainly Disabled Facilities Government Grant which will be utilised in 2022/23.

### **Savings and Additional Income**

- 3.17 In line with the budget monitoring updates this outturn report includes a schedule of the savings and additional income that were identified in the 2021/22 budget setting process and provides a year end position, set out in **Appendix C**.
- 3.18 In 2021/22 £243,000 of savings and additional income were achieved compared to the original target of £344,200. This is mainly due to the reduction in the management fee income from the leisure contract and not proceeding with the three weekly waste trials. Further detail can be found in **Appendix C**.



#### 4. Collection Fund balance as at 31.3.2022

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 £45.8m in 2021/22 and business rates receivable totalled £8.136m for 2021/22. This is shown in Section 4 of the Statement of Accounts for 2021/22.

##### Collection Fund balance

| 2020/21<br>Business<br>Rates<br>£000 | 2020/21<br>Council<br>Tax<br>£000 |                                                            | 2021/22<br>Business<br>Rates*<br>£000 | 2021/22<br>Council<br>Tax<br>£000 |
|--------------------------------------|-----------------------------------|------------------------------------------------------------|---------------------------------------|-----------------------------------|
| 53                                   | (396)                             | Fund balance at 1 April                                    | 7,218                                 | (742)                             |
| 7,165                                | (346)                             | Deficit/(surplus) for year                                 | (4,133)                               | (1,704)                           |
| <b>7,218</b>                         | <b>(742)</b>                      | <b>Fund balance as at 31<br/>March – deficit/(surplus)</b> | <b>3,085</b>                          | <b>(2,446)</b>                    |

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

| 2020/21<br>Business<br>Rates*<br>£000 | 2020/21<br>Council<br>Tax**<br>£000 |                                                            | 2021/22<br>Business<br>Rates*<br>£000 | 2021/22<br>Council<br>Tax**<br>£000 |
|---------------------------------------|-------------------------------------|------------------------------------------------------------|---------------------------------------|-------------------------------------|
| 3,609                                 |                                     | Central Government                                         | 1,542                                 |                                     |
| 650                                   | (518)                               | Devon County Council                                       | 278                                   | (1,706)                             |
|                                       | (81)                                | Devon and Cornwall Police                                  |                                       | (269)                               |
| 72                                    | (31)                                | Devon and Somerset Fire<br>Authority                       | 31                                    | (101)                               |
| <b>4,331</b>                          | <b>(630)</b>                        | <b>Total deficit/(surplus) due to<br/>Preceptors</b>       | <b>1,851</b>                          | <b>(2,076)</b>                      |
| 2,887                                 | (112)                               | West Devon Borough Council                                 | 1,234                                 | (370)                               |
| <b>7,218</b>                          | <b>(742)</b>                        | <b>Fund balance as at 31 March<br/>– deficit/(surplus)</b> | <b>3,085</b>                          | <b>(2,446)</b>                      |

##### Business Rates

4.2 During 2020/21 and 2021/22 local authorities received S31 grants to offset the business rate reliefs given to businesses during lockdown. Under current Collection Fund accounting rules, the S31 grants received in 2020/21 could not be discharged against the Collection Fund deficit until 2021/22 onwards. The deficit on the Business Rates Collection Fund as at

31 March 2022 has reduced from £7.2m to £3.1m following release of some of the S31 compensation grant received in 2020/21 to the Collection Fund. The S31 compensation grant will be applied to the Collection Fund over the next three years to smooth the impact of the Business Rates deficit.

4.3 This deficit is shared between the Preceptors and West Devon Borough Council as shown in the table above. The Preceptors element of this deficit is reflected in the significant reduction in the Business Rates Debtor as at 31 March 2022 detailed in Note 15 to the Statement of Accounts for 2021/22.

### **Council Tax**

4.4 Council Tax income was higher than anticipated in 2021/22 leading to an increase in the Council Tax Collection Fund surplus from £742,000 as at 31 March 2021 to £2.45m as at 31 March 2022. The Preceptors element of this surplus (£370,000 for WDBC) is reflected in the significant increase in the Council Tax Creditor as at 31 March 2022 detailed in Note 18 to the Statement of Accounts for 2021/22.

4.5 In the 2022/23 Budget, the Council has budgeted for a £152,000 collection fund surplus share for WDBC, with a further £175,000 being budgeted for 2023/24.

### **5. Proposed Way Forward**

5.1 Members are advised that the accounts are being audited by our External Auditors, Grant Thornton during July, August and September 2022. Following the Audit, the Statement of Accounts will be brought back to the Audit Committee for approval in November. If any alterations are required the details will be reported to the Audit Committee with the external audit accounts report in November. Any impact to revenue or capital resources will be brought to Hub Committee in the Month 7 budget monitoring reports planned for 13 December 2022.

### **6. 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 | <p>The report provides the draft Revenue and Capital outturn figures for the 2021/22 financial year including the overall Revenue outturn position of an underspend of £196,000 for 2021/22 (2.7% of the total Budget £7.302 million).</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2021/2022, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> <li>• Improving economy, efficiency and effectiveness</li> <li>• Financial Sustainability</li> <li>• Governance</li> </ul> <p>The outcome of Grant Thornton's work in this area will be reported to Members at the Audit Committee meeting on 1 November 2022.</p> |
| 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 2021/22 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, 'A Plan for West Devon'.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 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 8<sup>th</sup> December 2020 'Climate Change and Biodiversity Strategy and Action Plan update'.</p> <p>In March 2021, Council approved to set up an Earmarked Reserve for £200,000 for the Recovery Plan and Corporate Strategy.</p> <p>Further detail is set out in the Council's 'A Plan for West Devon' strategic vision.</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**

Appendix A – Schedule of Capital Programme 2021/22

Appendix B – Schedule of Reserves for 2021/22 (Earmarked and Un-Earmarked)

Appendix C – Summary of Savings and Additional Income 2021/22

### **Background Papers:**

None