

Report to: **Hub Committee**

Date: **19 September 2023**

Title: **2022/2023 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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**RECOMMENDATION:**

**That the Hub Committee RESOLVES to NOTE the draft Revenue and Capital outturn figures for the 2022/23 financial year including the overall Revenue outturn position of an underspend of £79,000 for 2022/23 (1.0% of the total Budget £7.770 million).**

**1. Executive summary**

- 1.1 This report provides Members with the draft Revenue and Capital Outturn position for 2022/23 and provides a schedule of the Reserve balances at 31 March 2023.
- 1.2 There was an underspend of £79,000 on the outturn position for 2022/23 (1.0% of the net budget of £7.770m), as shown in the Draft Statement of Accounts for 2022/23 published on 30 June 2023.
- 1.3 In accordance with normal accounting practice, this underspend has gone into Unearmarked Reserves, with a view to it being reinvested into our core services and the new Corporate Strategy. Unearmarked Reserves have increased by £79,000 in 2022/23 and total £1.569million at 31 March 2023.

## 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 2022/23 were presented to the Audit and Governance Committee on 25 July 2023 and can be found at the following link under Item 5: <https://democracy.swdevon.gov.uk/ieListDocuments.aspx?CIId=130&MIId=1910&Ver=4>. This report gave the background around the timing of the publication of the Accounts and advised that Grant Thornton are unable to complete the audit of the 2022/23 Accounts by the deadline of 30 September 2023 due to their lack of staffing capacity.
- 2.3 As mentioned in a letter received from Lee Rowley MP on 18 July 2023 only 27% of Councils nationally have had their Accounts for 2021/22 signed off by their Auditors. **West Devon Borough Council is within this 27%, the 2021/22 Accounts were signed off by Grant Thornton on 22 November 2022 ahead of the end of November deadline.**
- 2.4 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.
- 2.5 The statement of accounts and financial records have been closed, balanced and the draft accounts published and will be audited by our external auditors Grant Thornton during the winter months. If any alterations are required the details will be reported to the Audit and Governance Committee with the external audit accounts report in March 2024. Any impact to revenue or capital resources will be brought to Hub Committee in the Month 10 budget monitoring reports planned for 5 March 2024.

## 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 2022/23 the Council incurred additional costs and a shortfall in income of £1.162m (equating to 15% of the Council's net budget of £7.770million). Many of the additional costs were as a result of the current economic climate with high inflation and the cost of living crisis. The extra costs incurred in the year included the impact of the local government pay award (£230,000) and inflation (over the amount budgeted) for the waste contract and IT costs totalling £289,000. In addition there were additional waste contract costs totalling £328,000 and the Council experienced a shortfall in planning income of £185,000 plus a net income shortfall in car parking of £78,000.
- 3.3 These extra costs and shortfall in income were offset by the Council generating additional investment income from treasury management of £575,000, as a result of the Council realising the opportunity from high interest rates. Overall £1.241m of additional income and reductions in costs were achieved in 2022/23 equating to 16% of the Council's net budget of £7.770 million. This was generated from various services including the extra investment income, salary savings and a reduction in homelessness prevention costs.
- 3.4 Therefore there was an overall surplus of £79,000 on the outturn position for 2022/23. **The 2022/23 budget was £7.770 million and therefore the underspend of £79,000 means that the actual spend was 1.0% less than the budget.** This saving will go into the Council's Unearmarked Reserves which now stand at £1.569 million.
- 3.5 A summary of the main variations from budget in 2022/23 is provided in the table below:

<b>ANALYSIS OF VARIATIONS 2022/23</b> (% column shows variation against budget)	<b>£000</b>	<b>% variation</b>	
<b>Reductions in expenditure/additional income</b>			
Treasury Management Income – extra investment income on the Council's investments following the recent successive increases in interest rates to 5% as the Bank of England looks to tackle surging inflation	(575)	2300.0%	A
Salary savings – partly due to vacancy savings and partly due to a reduction of £86K in WDBC salary costs following a review of the shared services apportionments for 22/23 (Audit Committee report 14.3.23). West Devon shares the cost of its workforce with South Hams. The £86K reflects the changes in the apportionments from South Hams DC bringing the 77 waste service back in house.	(258)	5.7%	B
Homelessness prevention costs – Mainly due to additional unbudgeted grant income from the Homelessness prevention grants (including top ups).	(203)	-	C
Receipt of small unbudgeted in-year government grants	(40)	-	D
Savings on pension costs due to increased continuing national mortality rates	(26)	5.7%	E

<b>ANALYSIS OF VARIATIONS 2022/23</b> (% column shows variation against budget)	<b>£000</b>	<b>% variation</b>	
Additional trade waste income	(25)	166.8%	F
Additional garden waste income	(23)	9.3%	G
Other small variances	(91)	-	
<b>Increases in expenditure/reduction in income</b>			
National pay award – the national employer’s pay offer for 2022/23 of £1,925 on all NJC pay points was significantly higher than the budgeted provision of 3%. The pay award resulted in additional salary costs.	230	255.6%	H
Waste and recycling contract additional costs – There are additional costs in 22/23 relating to the uplift in the waste and recycling contract sum, effective from 1 July 2022 (Hub Committee report 12 July 2022)	218	13.2%	I
Waste contract inflation – the actual rate of inflation on the contract was 12.2% and was significantly higher than the budgeted provision of 3%. Contract inflation is based on fuel inflation, wage inflation and consumer price index, all of which were higher than when the budget was set due to the rise in energy costs and inflation.	200	250.0%	J
Waste contract – increase in the number of households/collections from natural property growth.	110	4.4%	K
Planning income shortfall – Planning income is down by £185,000 (39%) against the budgeted income target of £473,000.	185	39.1%	L
ICT software and support contracts – additional costs from above inflation increases, increased number of users on the Council’s network and increase in remote working.	89	18.4%	M
Shortfall in car parking income – There is an income shortfall of £168,000 (16%) against the budgeted income target of £1.036m. Covid and online shopping continue to have an impact and town centre car parks have not made a full recovery. Savings in other areas have partly offset the shortfall in income.	78	6.8%	N
Homelessness 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. This has been offset by additional grant income shown above.	52	16.0%	O
<b>TOTAL UNDERSPEND FOR 2022/23</b>	<b>(79)</b>	<b>(1.0%)</b>	

The 2022/23 budget for West Devon was £7.770 million but the actual spend was 1.0% lower, providing an underspend of £79,000 as shown above.

### **Notes**

- A. **Treasury Management income** – investment income is up by 2300% in 2022/23, which equates to additional income of £575,000. This follows the recent successive increases in interest rates to 5% as the Bank of England looks to tackle surging inflation. The rate of return achieved on investments was 3.96% (Link Services March 2023 report).

- B. **Salary savings** – these savings have been generated partly due to vacancies in 2022/23. In addition following a review of the shared services apportionments for 22/23 (Audit Committee report 14.3.23) WDBC salary costs have reduced by £86,000. West Devon shares the cost of its workforce with South Hams. The £86,000 reflects the changes in the apportionments from South Hams DC bringing the waste service back in house.
- C. **Homelessness prevention costs** – this saving of £203,000 is mainly due to additional unbudgeted grant income from the Homelessness prevention grants (including top ups). As set out in the grant conditions, this Government grant is ring-fenced for 2022/23.
- D. **In-year government grants** – various small unbudgeted government grants have contributed to a saving of £40,000 in 2022/23.
- E. **Pension cost savings** – due to increased continuing national mortality rates there is a saving on pension costs of £26,000 (5.7%) in 2022/23.
- F. **Trade waste income** - income exceeded the 2022/23 target by £25,000 which equates to 166.8% of the annual income budget.
- G. **Garden waste income – additional** income of £23,000 was generated in 2022/23 which equates to 9.3% of the annual income budget of £245,000.
- H. **National pay award** - the impact of the employer's pay offer for 2022/23 of £1,925 on all NJC pay points, was significantly higher than the budgeted provision of £90,000 (3%). The proposed pay award resulted in additional salary costs of £230,000.
- I. **Waste and Recycling contract additional costs** – there are additional costs in 2022/23 relating to the uplift in the waste and recycling contract sum, effective from 1 July 2022. Further detail is set out in the Hub Committee report of 12 July 2022, 'Waste and recycling services contract update'.
- J. **Waste contract inflation** - the actual rate of inflation on the contract for 2022/23 is 12.2%. This is significantly higher than the budgeted provision of £90,000 (3%). This has resulted in additional contract costs of £200,000 in 2022/23. Contract inflation is based on the latest published indices for fuel inflation, wage inflation and consumer price index (CPI).
- K. **Waste, recycling and cleansing contract – increase in number of properties** – there is an uplift in the waste collection, recycling and cleansing contract costs of £110,000 in 2022/23 to reflect the increase in the number of properties across the Borough over the last two financial years. The number of properties has increased from 26,140 in March 2021 to 26,679 in October 2022. Going forward an annual cost pressure for additional properties of £50,000 has been built into the base budget for 2023/24.

- L. **Planning income shortfall** – planning income is down by £185,000 (39%) in 2022/23 against the budgeted income target of £473,000.
- M. **ICT software and support contracts** - There are additional costs of £89,000 in respect of ICT support contracts in 2022/23 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
- N. **Shortfall in car parking income** – There is an income shortfall of £168,000 (16%) in 2022/23 against the budgeted car parking income target of £1.036m. Covid and online shopping continue to have an impact and town centre car parks have not made a full recovery. Savings in other areas have partly offset the shortfall in income leading to an overall net shortfall of £78,000. The income target has been reduced in the 2023/24 budget by £150,000.
- O. **Homelessness costs** – additional expenditure on temporary accommodation over and above what is claimable through the DWP subsidy has been incurred in 2022/23. This is due to a number of factors beyond the Council's control such as the housing crisis. This has been offset by additional grant income shown above in note 'C'.

## Capital Expenditure

- 3.6 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £2.049 million in 2022/23 as shown in **Appendix A** (yellow column). The main areas of expenditure were as follows:
- Housing renovation grants including disabled facilities grants (£1.1m)
  - Green Homes Grants (£0.5m)
  - IT scheme (£0.2m)
- 3.7 **Appendix A** provides a breakdown of Capital expenditure by project for 2022/23 and shows how each scheme has been funded.

## Borrowing

- 3.8 In 2022/23 the long term borrowing of the Council decreased from £27,726,000 (2021/22) to £27,012,000. Short term borrowing increased from £615,000 to £714,000. 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 2023 has reduced from £28,341,000 to £27,726,000. No further external borrowing took place during 2022/23.

## Revenue Reserves

- 3.9 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.
- 3.10 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.
- 3.11 The movement in the General Fund Balance (Un-Earmarked Reserves) is summarised below. Unearmarked Reserves have increased by £79,000 to £1.569m at 31.3.2023.

<b>Unearmarked Revenue Reserves</b>	£000
General Fund Balance (Un-Earmarked Revenue Reserve) at 1 April 2022	1,490
Surplus for the 2022/23 financial year	79
<b>General Fund Balance (Un-Earmarked Revenue Reserve) at 31 March 2023</b>	<b>1,569</b>

- 3.12 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 2022/23.
- 3.13 Earmarked Reserves have reduced by £0.287m in 2022/23 moving from £9.189m on 1 April 2022 to £8.902m at 31 March 2023 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 2022	9,189
Additions to Earmarked Reserves	2,655
Actual Spend of Earmarked Reserves in 2022/23	(2,942)
<b>Earmarked Revenue Reserves at 31 March 2023</b>	<b>8,902</b>

- 3.14 The General Fund reserves (which are made up of the Unearmarked Reserves and Earmarked Reserves) have reduced by £0.20m from the preceding year and stand at £10.47m at 31 March 2023.
- 3.15 This reflects the 2022/23 surplus of £79,000 and an decrease in earmarked reserves of £287,000. 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.
- 3.16 The total Earmarked Reserves balance at 31 March 2023 of £8.9m includes £307,000 held in the Business Rates s31 Compensation Grant Reserve. 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 2023/24 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**

- 3.17 The Capital Receipts Reserve (which holds capital receipts which can be used to finance capital projects) has a balance of £70,000 as at 31.3.2023. This reflects the fact that the Council has hardly any capital receipts left that can be used to fund capital projects.
- 3.18 The Capital Grants Unapplied Reserve has a balance of £312,000 as at 31 March 2023. This is mainly Disabled Facilities Government Grant which will be utilised in 2023/24.

## Savings and Additional Income

3.19 In line with the budget monitoring updates this outturn report includes a schedule of the savings and additional income that were identified in the 2022/23 budget setting process and provides a year end position, set out in **Appendix C**.

3.20 In 2022/23 £423,000 of savings and additional income were achieved compared to the original target of £271,000. This is mainly due to the additional recycling income generated. Further detail can be found in **Appendix C**.

## 4. Collection Fund balance as at 31.3.2023

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 £48.1m in 2022/23 and business rates receivable totalled £8.888m for 2022/23. This is shown in Section 4 of the Statement of Accounts for 2022/23.

### Collection Fund balance

2021/22 Business Rates £000	2021/22 Council Tax £000		2022/23 Business Rates £000	2022/23 Council Tax £000
7,218	(742)	Fund balance at 1 April	3,085	(2,446)
(4,133)	(1,704)	Deficit/(surplus) for year	(4,026)	(715)
<b>3,085</b>	<b>(2,446)</b>	<b>Fund balance as at 31 March – deficit/(surplus)</b>	<b>(941)</b>	<b>(3,161)</b>

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

2021/22 Business Rates £000	2021/22 Council Tax £000		2022/23 Business Rates £000	2022/23 Council Tax £000
1,542	0	Central Government	(471)	0
278	(1,706)	Devon County Council	(85)	(2,204)
0	(269)	Devon and Cornwall Police	0	(350)
31	(101)	Devon and Somerset Fire Authority	(9)	(130)
<b>1,851</b>	<b>(2,076)</b>	<b>Total deficit/(surplus) due to Preceptors</b>	<b>(565)</b>	<b>(2,684)</b>
1,234	(370)	West Devon Borough Council	(376)	(477)
<b>3,085</b>	<b>(2,446)</b>	<b>Fund balance as at 31 March – deficit/(surplus)</b>	<b>(941)</b>	<b>(3,161)</b>

## Business Rates

**4.2 The Council collected 98.95% of business rates in 2022/23, which was in the top quartile of all Councils nationally.** A new earmarked reserve was created in 2020/21 called the s31 Compensation Grant (Business Rates) Reserve. This was set up to hold the s31 grant received in 2020/21 and 2021/22 totalling £3.85m to offset the business rate reliefs given to businesses during the pandemic and the 2020/21 Tax Income Guarantee s31 grant for Business Rates (£0.15m). Under current Collection Fund accounting rules, the s31 grants received are not discharged against the Collection Fund deficit until the following year. In 2021/22 £2.37m s31 grant was discharged to the Business Rates Collection Fund and a further £1.32m in 2022/23.

4.3 The balance on the Business Rates Collection Fund as at 31 March 2023 has moved from a £3.1m deficit to a £0.9m surplus following the release of this s31 compensation grant to the Collection Fund in 2022/23. This compensation grant (amounting to £307,000 as at 31 March 2023) will continue to be applied to the Collection Fund to smooth the impact of the Business Rates deficit.

## Council Tax

**4.4 The Council collected 98.34% in council tax in 2022/23 which was in the top quartile of all Councils nationally.** This was against a target of 97% and this has resulted in an increase in the Council Tax Collection Fund surplus from £2.45m as at 31 March 2022 to £3.16m as at 31 March 2023. The Preceptors' element of this surplus (£376,000 for WDBC) is reflected in the large increase in the Council Tax Creditor as at 31 March 2023 detailed in note 18 to the Statement of Accounts for 2022/23.

4.5 In the 2022/23 Budget, the Council budgeted for a £152,000 collection fund surplus share for WDBC, with a further £377,000 being budgeted for 2023/24.

## 5. Proposed Way Forward

5.1 Members are advised that the accounts will be audited by our External Auditors, Grant Thornton during the winter months. Following the Audit, the Statement of Accounts will be brought back to the Audit and Governance Committee for approval in March. If any alterations are required the details will be reported to the Audit and Governance Committee with the external audit accounts report in March. Any impact to revenue or capital resources will be brought to Hub Committee in the Month 10 budget monitoring reports planned for 5 March 2024.

## 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 2022/23 financial year including the overall Revenue outturn position of an underspend of £79,000 for 2022/23 (1.0% of the total Budget £7.770 million).</p> <p>As part of Grant Thornton’s external audit of the Statement of Accounts for 2022/2023, 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 a future Audit and Governance Committee meeting.</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 2022/23 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 2022/23

Appendix B – Schedule of Reserves for 2022/23 (Earmarked and Un-Earmarked)

Appendix C – Summary of Savings and Additional Income 2022/23

### **Background Papers:**

None