

Report to: **Hub Committee**

Date: **23 July 2024**

Title: **2023/2024 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**

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
lisa.buckle@swdevon.gov.uk

RECOMMENDATION:

That the Hub Committee 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 £149,000 for 2023/24 (1.7% of the total Budget £8.588 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 £149,000 on the outturn position for 2023/24 (1.7% of the net budget of £8.588 million), as shown in the Draft Statement of Accounts for 2023/24 published on 15th July 2024.
- 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 and the Council Plan. Unearmarked Reserves have increased by £149,000 in 2023/24 and total £1.718million 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). The draft Statement of Accounts for 2023/24 will be presented to the Audit and Governance Committee on 23 July 2024.
- 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. 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.
- 2.3 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.westdevon.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 savings and additional income of £1.546 million. This was from extra treasury management investment income (£0.989 million) by realising the opportunity from high interest rates and securing advantageous rates from reviewing market offers on a daily basis. In addition, proactive management action resulted in salary savings from vacancies of £0.237 million.
- 3.3 The Council also secured extra business rates income from identifying renewable energy sites (£0.216m) and generated additional car parking income (£0.104m).

- 3.4 This additional income and savings were offset by the fact that the Council also incurred additional costs and a shortfall in income of £1.480 million (equating to 17.2% of the Council's net budget of £8.588 million). Many of the additional costs were as a result of the current economic climate with high inflation and the cost of living crisis.
- 3.5 The extra costs incurred in the year included the impact of the national local government pay award (£0.130 million), the waste and cleansing service (£0.156 million) and temporary accommodation costs (£0.251 million).
- 3.6 In addition there was an increase in the overall bad debt provision for debtors (£0.094 million) and higher inflation than budgeted mainly in respect of IT, utilities and insurance totalling £0.215 million. The Council also experienced a shortfall in planning income of £0.103 million.
- 3.7 **Therefore there was an overall surplus of £149,000 on the outturn position for 2023/24.**
- 3.8 The 2023/24 budget was £8.588 million and therefore the surplus of £149,000 means that the actual net spend was 1.7% less than the budget. This surplus will go into the Council's Unearmarked Reserves which now stand at £1.718 million.

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

ANALYSIS OF VARIATIONS 2023/24 (% column shows variation against budget)	£000	% variation
Additional income generated		
Treasury Management Income – extra investment income of £0.989m on the Council’s investments (on a budget of £0.4m), 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.	(989)	(247.3%)
Salaries – management action to secure vacancy savings	(237)	(4.4%)
Business Rates – income from identifying renewable energy sites, allowing WDBC to retain all of the business rates income from these sites in accordance with legislation	(216)	-
Car parking pay and display income – additional net income primarily from extra usage.	(104)	(10.4%)
Sub-total	(1,546)	
Increases in expenditure/reduction in income		
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 £298,000. This represents an increase in costs of 84.2% over the amount that is budgeted.	251	84.2%
ICT software and support contracts – additional costs due to price increases which equal or exceed inflation (budgeted amount of £488,000)	145	29.7%
National 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 £130,000 over and above the amount budgeted of £150,000 (3% of pay).	130	86.7%
Waste contract, inflation and increased contract costs – Costs exceeded the contract budget by £156,000 in 2023/24. This is mainly due to additional contract inflation and an increase in the base contract price. Contract inflation is based on the latest published indices for fuel inflation, wage inflation and consumer price index (CPI). The budgeted amount was £2.665million.	156	5.85%
Waste contract - increase in the number of households and collections – to reflect the increase in the number of properties in the Borough	115	4.3%
Planning income shortfall – Planning income is down by £103,000 (21.8%) against the budgeted income target of £473,000	103	21.8%

ANALYSIS OF VARIATIONS 2023/24 (% column shows variation against budget)	£000	% variation
Shortfall in the business rates pooling gain. An actual pooling gain of £157,000 was received, compared to a budgeted pooling gain of £240,000.	83	65.4%
Bad debt provision – increase in the level of the provision for bad and doubtful debts (overall provision of £403,000)	94	-
Employment Estates – shortfall in employment estates income of £71,000 against the budgeted income target of £427,000	71	16.6%
External audit fees – additional fees agreed by PSAA (Public Sector Audit Appointments) and charged by Grant Thornton (external auditors). This was partly for additional audit work carried out nationally, on the areas of pensions and fixed assets.	64	61.5%
Repairs and Maintenance - additional repairs and maintenance costs of £60,000 were incurred in 2023/24. These are larger one-off items of expenditure and this will not be a recurring expense year on year e.g. depot repairs.	60	21.8%
Higher inflation on utility costs – An increase in utility (mainly electricity) prices due to the rise in energy costs and inflationary pressures (budget of £190,000).	50	26.3%
District Elections - the District elections in May 2023 cost £120,200 in 23/24. This cost was mainly financed by an elections earmarked reserve, with the exception of £40,000 which was a cost to the Income and Expenditure Account.	40	-
Additional Insurance costs – higher insurance costs (budget of £83,000)	20	24.1%
Other small variances	98	-
Sub – total	1,480	
Other audit adjustments from previous years		
Housing Benefit debtors adjustment (See Note 1) – an uplift of £83,000 on 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 balance increased from £236,000 to £319,000. There was an external audit recommendation as part of the 22/23 Accounts 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).	(83)	-
Sub – total	(83)	
TOTAL SURPLUS FOR 2023/24	(149)	(1.7%)

The 2023/24 budget for West Devon was £8.588 million but the actual spend was 1.7% lower, providing a surplus of £149,000 as shown above.

Note 1 – Housing benefits debtors adjustment

The net adjustment of £83,000 is a one-off credit to the Income and Expenditure Account.

Capital Expenditure

3.10 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £4.33 million in 2023/24 as shown in **Appendix A** (yellow column). The main areas of expenditure were as follows:

- Purchase of 5 properties in Okehampton for refugees and temporary accommodation as a secondary use (£1.2m) – utilising Government Local Authority Housing Fund grant
- Purchase of 3 properties in Tavistock for refugees and temporary accommodation as a secondary use (£0.8m) – utilising Government Local Authority Housing Fund grant
- Local Housing renovation grants including disabled facilities grants (£1.1m)
- Okehampton Interchange - Transport Hub (£0.5m) – preliminary design and engineering work

3.11 **Appendix A** provides a breakdown of Capital expenditure by project for 2023/24.

Borrowing

3.12 In 2023/24 the long term borrowing of the Council reduced from £27.01 million (2022/23) to £26.37 million. Short term borrowing decreased from £0.71 million to £0.64 million. Total borrowing as at 31 March 2024 has reduced from £27.72 million to £27.01 million. No further external borrowing took place during 2023/24.

Revenue Reserves

- 3.13 Key to the authority's financial resilience are our reserves, which are at a prudent level.
- 3.14 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.
- 3.15 The movement in the General Fund Balance (Un-Earmarked Reserves) is summarised below. Unearmarked Reserves have increased by £149,000 in 2023/24 and total £1.718 million as below.

Unearmarked Revenue Reserves	£000
General Fund Balance (Un-Earmarked Revenue Reserve) at 1 April 2023	1,569
Surplus for the 2023/24 financial year	149
General Fund Balance (Un-Earmarked Revenue Reserve) at 31 March 2024	1,718

The financial metric for Unearmarked Reserves is shown below:
Unearmarked Reserves as a % of net revenue spend equates to
 $\text{£1,718,000} / \text{£8,439,000} = 20.4\%$

- 3.16 Earmarked Reserves have increased by £2.25million in 2023/24 moving from £8.90 million on 1 April 2023 to £11.15 million at 31 March 2024 as shown in the table below:

Earmarked Revenue Reserves	£000
Earmarked Revenue Reserves at 1 April 2023	8,902
Additions to Earmarked Reserves	3,774
Actual Spend of Earmarked Reserves in 2023/24	(1,522)
Earmarked Reserve Reserves at 31 March 2024	11,154

The financial metric for Earmarked Reserves is shown below:
Earmarked Reserves as a % of net revenue spend equates to
 $\text{£11,154,000} / \text{£8,439,000} = 132\%$

- 3.17 The additions to Earmarked Reserves in 2023/24 total £3.77 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). Some of this temporary increase in reserves will reverse back out again in future years, to fund the shortfall on the Collection Fund.
- 3.18 Actual spend of Earmarked Reserves amounted to £1.52 million in 2023/24 and related to capital expenditure and budgeted contributions to be spent from earmarked reserves.

Capital Reserves

- 3.19 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 March 2024. This reflects the fact that the Council has hardly any capital receipts left that can be used to fund capital projects.
- 3.20 The Capital Grants Unapplied Reserve has a balance of £116,000 as at 31 March 2024.

Savings and Additional Income

- 3.21 In line with the 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**.
- 3.22 In 2023/24 £2.09 million of savings and additional income were achieved compared to the original target of £1.11 million. This is mainly due to the additional treasury management investment income generated in 2023/24. Further detail can be found in **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 £51.4 million in 2023/24 and business rates receivable totalled £8.7 million for 2023/24. This is shown in Section 4 of the Statement of Accounts for 2023/24.

2022/23 Business Rates £000	2022/23 Council Tax £000		2023/24 Business Rates £000	2023/24 Council Tax £000
3,085	(2,446)	Fund balance at 1 April	(941)	(3,161)
(4,026)	(715)	Deficit/(surplus) for year	1,986	1,125
(941)	(3,161)	Fund balance as at 31 March – deficit/(surplus)	1,045	(2,036)

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

2022/23 Business Rates* £000	2022/23 Council Tax** £000		2023/24 Business Rates* £000	2023/24 Council Tax** £000
(471)	0	Central Government	523	0
(85)	(2,204)	Devon County Council	94	(1,419)
0	(350)	Devon and Cornwall Police	0	(228)
(9)	(130)	Devon and Somerset Fire Authority	10	(83)
(565)	(2,684)	Total deficit/(surplus) due to Preceptors	627	(1,730)
(376)	(477)	West Devon Borough Council	418	(306)
(941)	(3,161)	Fund balance as at 31 March – deficit/(surplus)	1,045	(2,036)

***Business Rates Collection Fund**

4.2 The balance on the Business Rates Collection Fund as at 31 March 2024 has moved from a £0.94 million surplus to a £1.05 million deficit. This reflects the volatility in Business Rates income and is due to the additional relief granted by Central Government that was funded directly through 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. Therefore, there is funding in the Business Rates S31 Compensation Grant earmarked reserve (£1.22 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 97.78% for business rates for 2023/24.

Council Tax Collection Fund

4.3 The Council collected 98.30% in council tax in 2023/24 (against a target of 97.75%). 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 £3.16 million at 31 March 2023 to a surplus of £2.04 million at 31 March 2024. In the 2023/24 Budget, the Council budgeted for a £377,000 collection fund surplus share for WDBC, with a further £151,000 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.

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 2023/24 financial year including the overall Revenue outturn position of a surplus of £149,000 for 2023/24 (1.7% of the total Budget £8.588 million).</p> <p>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:-</p> <ul style="list-style-type: none"> • Improving economy, efficiency and effectiveness • Financial Sustainability • Governance

Risk	Y	<p>Public Accountability – 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>Resource Planning – 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 8th December 2020 ‘Climate Change and Biodiversity Strategy and Action Plan update’. In March 2021, Council approved to set up an Earmarked Reserve for £200,000 for the Recovery Plan and Corporate Strategy.</p> <p>The West Devon Vision and Strategy sets out the Council’s primary commitments to tackling climate Change and increasing biodiversity as part of the Natural Environment theme.</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