

Report to: **Executive**

Date: **15 September 2022**

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

Portfolio Area: **Finance and Assets – Cllr H Bastone**

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 Executive 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 £214,000 for 2021/22 (2.2% of the total Budget £9.677 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 £214,000 on the outturn position for 2021/22 (2.2% of the net budget of £9.677m), 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 'Better Lives for All'. Unearmarked Reserves

have decreased by £66,000 in 2021/22 and total £2.056million 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 and Governance 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 and Governance Committee with the external audit accounts report in November. Any impact to revenue or capital resources will be brought to Executive in the Month 7 budget monitoring reports planned for 1 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.southhams.gov.uk/annualaccounts>. 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 £214,000 is essentially a break-even position. **The 2021/22 budget was £9.677 million and therefore the saving of £214,000 means that the actual spend was 2.2% less than the budget.** This saving will go into the Council's Unearmarked Reserves which now stand at £2.056 million.
- 3.2 A summary of the main variations from budget in 2021/22 is provided in the table below:

ANALYSIS OF VARIATIONS 2021/22 (% column shows variation against budget)	£000	% variation	
Reductions in expenditure/additional income			
Car parking income	(420)	13.3%	A
Planning income	(390)	42.4%	B
Dartmouth Lower Ferry income – this was in part offset by additional costs as shown below in note H	(280)	33.9%	C
Trade Waste	(190)	48.7%	D
Business Rates pooling gain	(174)	139.2%	E
Employment estates income	(160)	18.0%	F
Increases in expenditure/reduction in income			
COVID 19 expenditure	225	-	G
Dartmouth Lower Ferry fleet refurbishment, – offset by additional ferry income as shown above in note A	190	475.0%	H
ICT software and support contracts	90	16.8%	I
Planning Salaries	70	7.6%	J
Waste & Recycling – delay to the September 2020 go live date for Devon Aligned Service for all properties. The savings from the green waste element of the waste contract reduced the cost of the service overall in 2021/22 and a one-off amount of £200,000 was transferred into a community composting earmarked reserve as shown below in Q.	65	2.5%	K
Investment income	63	31.0%	L
Repairs and maintenance costs	40	6.2%	M
Joint Local Plan contribution	25	-	N
Council Tax Collection income	25	16.1%	O
Other small variances	87		
Add: Transfer of additional planning income into the planning earmarked reserve – Minute CM 81 (Council 31st March 2022)	320	-	P
Add: Transfer of a one-off amount of £200,000 into a community composting earmarked reserve. This was aligned to the savings in the green waste element of the waste contract in 2021/22 – Minute CM63 (Council 10 th February 2022)	200	-	Q
TOTAL SURPLUS FOR 2021/22	(214)	(2.2%)	

The 2021/22 budget for South Hams was £9.677 million but the actual spend was 2.2% lower, providing an underspend of £214,000 as shown above.

Notes

- A. **Car parking income** – additional income of £420,000 was received in 2021/22 which represents 13.3% of the annual income target. The additional income is mainly from Bigbury and Salcombe (Boat Park and North Sands) car parks.
- B. **Planning income** – additional income of £390,000 was generated in 2021/22. The Planning Improvement Plan report approved at the Executive meeting on 14th October 2021 recommended that part of this additional income is utilised to fund additional staffing costs in planning for 2021/22 (note J – these total £70k). The remaining income of £320,000 has been set aside in the Planning Policy & Major Developments Earmarked Reserve to deal with any future volatility in planning income e.g. due to a reduction in large applications (note P).
- C. **Dartmouth Lower Ferry income** – additional income of £280,000 was received in 2021/22. This equates to 33.9% of the annual income target for Dartmouth Lower Ferry of £827,000.
- D. **Trade Waste** - this mainly relates to savings on tipping fees and extra income on recycling sacks, due to more trade waste being recycled. This also includes additional income from CWR (Controlled Waste Regulation) properties of an extra £20,000.
- E. **Business Rates Pooling gain** – the actual pooling gain for 2021/22 was £299,000, which was £174,000 higher than the estimate of £125,000 (139.2%).
- F. **Employment Estates income** – additional employment estates income of £160,000 was generated in 2021/22 due to high occupancy rates and regular rent reviews.
- G. **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.
- H. **Dartmouth Lower Ferry fleet refurbishment** – additional costs in respect of fleet refurbishment, equipment and professional fees were incurred in respect of Dartmouth Lower Ferry in 2021/22 amounting to £190,000. This expenditure was offset by additional ferry income as shown in note C above.
- I. **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
- J. **Planning salaries** – additional staffing cost within the Development Management Service amounted to £70,000 in 2021/22. This has been met from the additional planning income generated by the service as shown in note B above. At the Executive meeting on 14th October 2021 it was recommended to fund four additional planning specialists and two additional lawyers (shared with West Devon) from additional planning income, which was approved by Council.
- K. **Waste and Recycling** – this is due to the delay to the September 2020 go live date for Devon Aligned Service for all properties. Some costs are associated with continuing to supply single use sacks for recycling and the reprocessing of the recyclable materials in the current global market. The savings from the green waste element of the waste contract reduced the cost of the service overall in 2021/22 and a one-off amount of £200,000 was transferred into a community composting earmarked reserve as shown below in note Q.
- L. **Investment income** – due to the historic low interest rates there was a shortfall in investment income in 2021/22 of £63,000. This equates to 31% of the income target.
- M. **Repairs and maintenance costs** – some additional costs in respect of repairs and maintenance were incurred in 2021/22. These amounted to £40,000, 6.2% of the annual budget.
- N. **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.
- O. **Council Tax Collection income** – summons costs recovered in respect of Council Tax and Business Rates were down by 16.1% in 2021/22.
- P. **Transfer to the Planning Earmarked Reserves** – additional planning income of £320,000 was transferred into the Planning Policy & Major Developments Earmarked Reserve to deal with any future volatility in planning income e.g. due to a reduction in large applications – Minute CM81 (Council 31 March 2022).

- Q. **Transfer to a Community Composting Earmarked Reserve** – this one off contribution of £200,000 was aligned to the savings in the green waste element of the waste contract in 2021/22 – Minute CM63 (Council 10 February 2022).

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 £3.99 million in 2021/22. The main areas of expenditure were as follows:

- residential renovation grants including disabled facilities grants (£1.1m)
- Batson Harbour Depot/Commercial Units (£1.03m)
- scheduled replacement of plant, vehicles and marine infrastructure (£0.38m)
- Dartmouth Health and Wellbeing Hub (£0.35m)
- St Ann's Chapel housing scheme (£0.33m)
- replacement of audio visual equipment and furniture in the Council Chamber (£0.16m)
- purchase of future IT (£0.12m)
- new play areas (£0.10m)
- Affordable Housing (£0.09m)
- purchase of IT replacement hardware (£0.08m)
- purchase of payroll/HR system (£0.04m)

3.4 **Appendix A** provides a breakdown of Capital expenditure by project for 2021/22 and shows how each scheme has been funded.

3.5 In addition, in 2021/22, there was expenditure of £285,441 on the Ivybridge Regeneration project. At the Executive meeting on 7th July 2022 (Minute E.22/22), it was resolved to stop work permanently on the discount food store proposal in Ivybridge. The decision came after the South Hams' Development Management Committee, having considered all of the relevant planning matters, unanimously refused the planning application on 6 July 2022.

3.6 At the Executive meeting it was noted that £483,925 had been invested into the project (this included the £285,441 spent in 2021/22). This expenditure has been financed in the main from the Business Rates Retention Reserve, in accordance with the Council approval in February 2021 which recognised that if the project did not proceed, these would be abortive costs and would

need to be financed from revenue funding rather than capital funding. Therefore the £285,441 is shown in the Net Cost of Services in the 2021/22 Accounts as a revenue cost.

Borrowing

- 3.7 In 2021/22 the long term borrowing of the Council decreased from £14,380,000 (20/21) to £14,284,000. Short term borrowing increased from £94,000 to £96,000. No further external borrowing took place during 2021/22.

Revenue Reserves

- 3.8 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 District. Key to the authority's financial resilience are our reserves, which are at a prudent level.
- 3.9 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.
- 3.10 The movement in the General Fund Balance (Un-Earmarked Reserves) is summarised below. Unearmarked Reserves have decreased by £66,000 in 2021/22 and total £2.056million as below.

Unearmarked Revenue Reserves	£000
General Fund Balance (Un-Earmarked Revenue Reserve) at 1 April 2021	(2,122)
Surplus for the 2021/22 financial year	(214)
Transfer from the General Fund Balance to the Financial Stability Earmarked Reserve (Council 10 February 2022)	280
General Fund Balance (Un-Earmarked Revenue Reserve) at 31 March 2022	(2,056)

- 3.11 This reflects the underspend from 2021/22 of £214,000 offset by a transfer of £280,000 from the General Fund Balance to the Financial Stability Earmarked Reserve. This is a new reserve set up in 2021/22 as part of the 2022/23 Budget process to be available for any future financial pressures from local government funding reforms and any other budget pressures.

- 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 2021/22.
- 3.13 Earmarked Reserves have reduced by £0.655m in 2021/22 moving from £21.494m on 1 April 2021 to £20.839m at 31 March 2022 as shown below. This follows the application of some of the S31 Business Rates compensation grant received in 2020/21 which was held in the S31 Compensation Grant Business Rates Reserve. The movements in Earmarked Reserves are shown in detail in **Appendix B**.

Earmarked Revenue Reserves	£000
Earmarked Revenue Reserves at 1 April 2021	21,494
Additions to Earmarked Reserves	7,096
Actual Spend of Earmarked Reserves in 2021/22	(7,751)
Earmarked Reserve Reserves at 31 March 2022	20,839

- 3.14 The General Fund reserves (which are made up of the General Fund Balance and Earmarked Reserves) have reduced by £0.721 from the preceding year and stand at £22.895m at 31 March 2022. This is mainly due to the reduction in Earmarked Reserves of £0.655m. 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.
- 3.15 The total Earmarked Reserves balance at 31 March 2022 of £20.839m includes £4.26m held in the Business Rates s31 Compensation Grant Reserve.
- 3.16 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

- 3.17 The Capital Receipts Reserve (which holds capital receipts which can be used to finance capital projects) has a balance of £2.95m as at 31.3.2022. These are capital receipts that are committed to finance capital projects within the Capital Programme.
- 3.18 The Capital Grants Unapplied Reserve has a balance of £504,000 as at 31 March 2022. This is mainly Disabled Facilities Government Grant which will be utilised in 2022/23.

Savings and Additional Income

- 3.19 In line with 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**.
- 3.20 In 2021/22 £249,838 of savings and additional income were achieved compared to the original target of £248,809.

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 £83.021m in 2021/22 and business rates receivable totalled £22.865m for 2021/22. This is shown in Section 4 of the Statement of Accounts for 2021/22.

Collection Fund balance

2020/21 Business Rates £000	2020/21 Council Tax £000		2021/22 Business Rates £000	2021/22 Council Tax £000
(63)	(321)	Fund balance at 1 April	18,106	(28)
18,169	293	Deficit/(surplus) for year	(11,755)	(2,715)
18,106	(28)	Fund balance as at 31 March – deficit/(surplus)	6,351	(2,743)

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

2020/21 Business Rates £000	2020/21 Council Tax £000		2021/22 Business Rates £000	2021/22 Council Tax £000
9,053	-	Central Government	3,175	-
1,630	(20)	Devon County Council	572	(1,982)
-	(4)	Devon and Cornwall Police	-	(312)
181	(1)	Devon and Somerset Fire Authority	64	(118)
10,864	(25)	Total deficit/(surplus) due to Preceptors	3,811	(2,412)
7,242	(3)	South Hams District Council	2,540	(331)
18,106	(28)	Fund balance as at 31 March – deficit/(surplus)	6,351	(2,743)

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 £18.1m to £6.4m 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 South Hams District 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 £28,000 as at 31 March 2021 to £2.74m as at 31 March 2022. The Preceptors element of this surplus (£331,000 for SHDC) 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 £181,000 collection fund surplus share for SHDC, with a further £200,000 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 and Governance Committee for approval in November. If any alterations are required the details will be reported to the Audit and Governance Committee with the external audit accounts report in November. Any impact to revenue or capital resources will be brought to Executive in the Month 7 budget monitoring reports planned for 1 December 2022.

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	<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 £214,000 for 2021/22 (2.2% of the total Budget £9.677 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"> • Improving economy, efficiency and effectiveness • Financial Sustainability • Governance <p>The outcome of Grant Thornton's work in this area will be reported to Members at the Audit and Governance Committee meeting on 24 November 2022.</p>

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 2021/22 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, 'Better Lives for All'.
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 17th 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 11th February 2021, as part of the 2021/22 Budget.</p> <p>Further detail is set out in the Council's 'Better Lives for All' strategy.</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