

COMMUNITY POLICY DEVELOPMENT GROUP

7 June 2022

REVENUE AND CAPITAL OUTTURN 2021/22

Cabinet Member Cllr Andrew Moore, Cabinet Member for Finance
Responsible Officer Deputy Chief Executive (S151): Andrew Jarrett

Reason for Report: To present the Revenue and Capital Outturn figures for the financial year 2021/22 for both the General Fund (GF) and Housing Revenue Account (HRA).

RECOMMENDATION(S): That Community PDG notes and reports and feeds back to Cabinet any areas of concern.

Relationship to the Corporate Plan: The financial resources of the Council impact directly on its ability to deliver the Corporate Plan prioritising the use of available resources carried forward from 2021/22. The Outturn Report indicates how the Council's resources have been used to support the delivery of budgetary decisions. All future spending will be closely linked to four key priority areas identified in the 2020 – 2024 Corporate Plan.

Financial Implications: Good financial management and administration underpin the entire document. A surplus or deficit on the Revenue Budget will impact on the Council's General Fund balances. The Council's financial position is constantly reviewed to ensure its continued financial health.

Legal Implications: None.

Risk Assessment: Regular financial monitoring information mitigates the risk of over or underspends at year-end and allows the Council to direct its resources to key corporate priorities. Members will be aware that the Council continues to face a financially difficult and uncertain future. As such, the Strategic Risk Register (monitored by Audit Committee) includes a specific risk relating to this issue:

Equality Impact Assessment: No equality issues identified for this report.

Impact on Climate Change: No impacts identified for this report.

1 Executive Summary

- 1.1 This report contains information relating to the Council's overall financial performance for the 2021/22 financial year. The Outturn figures included are provisional and subject to external audit; the findings of which are expected to be reported to Audit Committee in November this year.
- 1.2 Monitoring the Budget is an important part of the Council's performance management framework. The aim is to keep a tight control on spending on services within a flexible budget management framework.
- 1.3 The Revenue Outturn position for the financial year 2021/22 is as follows:

- The General Fund (GF) Revenue Outturn position for 2021/22 is a net under spend of £29k as shown in **Appendix 1a**. The table below assumes this is transferred to the General Fund Reserve.
 - The HRA is a “Self-Financing” account for the Council’s Housing Landlord function, which is budgeted to “breakeven” (net of approved transfers to/from HRA Reserves). The HRA Outturn for 2021/22 is a net under spend of £67k as shown in **Appendix 2**. It is assumed the £67k will be transferred to the ring-fenced HRA Earmarked Reserves, therefore the balance held on the HRA Reserve is unaffected.
- 1.4 Members should note that officers have also identified areas where the carry-forward of some unspent budgets where it will be beneficial to help mitigate the impact of financial pressures and commitments in 2022/23. These are proposed to be transferred into Earmarked Reserves. These are identified within the individual service summaries and within **Appendix 3**.
- 1.5 The Council continued to feel the financial effects of Covid-19 in 2021/22, leading to some significant variances in expenditure incurred, income collected and funding received. The Council has again lost income across Business Rates and Service Fees and Charges and has incurred additional spend in providing support to businesses and local communities. The lost Business Rates income and officer time undertaking the grant payments has been largely compensated by a wide variety of additional grant and compensation schemes. However the lost fee income has only been partially offset as the Government’s Income Compensation was only live during the first quarter of the year.
- 1.6 The Capital Outturn position for 2021/22 is an under spend of £32,340k with the vast majority carried forward as shown in Section 6. A summary is included within **Appendix 4**.
- 1.7 A summary of the Council’s Treasury Management year end position is shown in Section 7.

2 Introduction

- 2.1 Members of the Committee should note that the Outturn report is fundamentally a set of management reports that show the year-end position on all service areas. The Finance Team then have to turn these management reports into the statutory financial statements which are subject to a wide number of complex accounting rules that often significantly change the final picture of a service’s financial position for the year. However, it is important to note that the bottom-line profit or loss for the year remains constant.
- 2.2 Members will be aware from previous experience that the position can change between “in-year” projections and the final Outturn position, mainly due to demand-led service costs and income levels. The budget monitoring process involves a regular review of budgets. Budget Holders, with support and advice from their Accountants, review the position and update their forecasts based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that assumptions and estimates will differ from the eventual outcome.

- 2.3 During the budget setting process, Budget Holders / Accountants continue to ensure that Revenue and Capital Budgets are set on a robust basis and take a prudent view of the likely levels of income and expenditure.

3 Covid-19

- 3.1 The Covid-19 Pandemic continued to have a significant impact on the Council's finances. During the year, the country has been in various degrees of restrictions – ranging from full lock down and cautious social distancing measures. This has affected our staffing levels with additional short term agency support often required to continue to deliver services such as waste collection. Income generated in services such as Leisure and Car Parking was also reduced. Also, the Council has continued to be the vehicle chosen by Government to distribute various grants to local businesses and residents affected by the pandemic. This has significantly diverted team's attention and required additional staffing to cope with the additional requirements placed upon the Council.
- 3.2 Despite these significant impacts, the financial support from Government has been markedly lower in 2021/22 than in the first year of the pandemic. Unring-fenced grant support reduced to £408k (£1,184k in 2020/21) and income compensation was only available during the first quarter of the year. Therefore the amount of compensation reduced from £2,019k in 2020/21 to just £363k in 2021/22. There has however been a number of one-off grants to mitigate the impact on staffing costs arising from the additional requirements such as the grant distribution. These requirements, and the associated financial support, looks set to continue in 2022/23.
- 3.3 Despite this, our financial position has remained robust and our Revenue Outturn position is very close to Budget, at £28k or 0.28% under spent. Each aspect of the overall finances are covered across the following sections.
- 3.4 In 2021/22 the Council has received additional Covid-19 related funding during the year (across 6 grant schemes with a value of circa £9.2m) to help businesses and local communities with financial hardship. The Council treats these funds differently depending on the control it has over the funds.
- Some of the funding, such as the Business Rates Grants are directly passported to Businesses through the claim scheme the Council has put in place. As such the Council is only acting as an "Agent" for this funding and therefore has no control over it. Any unclaimed funding is to be returned to Government. These funds are not included within the "funding" of the Council and any unspent element is held as a creditor on the Balance Sheet.
 - The Council has greater control over other aspects of the additional funding, such as the generic Support Grant tranches and discretionary elements of grant schemes. Here the Council is acting as a "Principal". These are therefore recognised as "funding" for the Council. However as these schemes have now closed they are subject to reconciliation with the Government and any balance due to be returned is now held as a Creditor in the Balance Sheet.

- 3.5 In 2020/21, the Government legislated that the Collection Fund deficits should be smoothed over three years and provided grant funding to smooth the cashflow implication of this. Therefore £3,171k for Business Rates and £115k for Council Tax has been drawn down from reserves to offset the impact of this deficit in year. This process will also occur in 2022/23.
- 3.6 However, the easing of restrictions from the 1 April 2022 hopefully signals the phasing out of these issues and encourages a return to “normal” pre-pandemic activity levels. The economic effects of Covid-19 will continue into 2022/23 and probably beyond. In the medium term, external income levels will need to return to pre-pandemic levels, as without this, it will be necessary for the service budgets within the Medium Term Financial Plan (MTFP) to be adjusted in future years.

4 The General Fund

- 4.1 The summarised General Fund Revenue Outturn Position is provided in **Appendix 1a**, with more detail provided on a service-by-service basis shown in **Appendix 1b**.
- 4.2 Detailed budget monitoring reports were provided to both senior managers and Members throughout 2021/22. This monitoring focused on significant budget variances (+/- £20k), including any remedial action where necessary leading to an estimated overall Outturn position. The final written monitoring report considered by the Cabinet gave a detailed position as at 31 December 2021 and predicted an end of year under spend of £30k for the General Fund. Therefore the final position has remained static.
- 4.3 The table below shows the overall Budget, Actual and Variance, summarised for 2021/22.

Financial Summary for 2021/22	2021/22 Budget £	2021/22 Actual £	2021/22 Variance £
Total Net Cost of Services	12,915,724	10,114,000	(2,801,724)
Other Income and Expenditure	(4,314,110)	(29,135)	4,284,975
Total Budgeted Expenditure	8,601,614	10,084,865	1,483,251
Total Funding	(8,601,614)	(10,113,416)	(1,511,802)
Net Income and Expenditure	0	(28,551)	(28,551)

- 4.4 As described above, there have been some significant variances at an individual service level. A summary explanation of these key variances is shown in **Appendix 1a**, service by service. **Appendix 1b** also provides the detail of the key variances at individual service level to enable full transparency of the position.
- 4.5 Key Variances from the Original Budget

- 4.5.1 **Car parks** – Car parking income is reduced due to lower activity as a result of Covid-19 restrictions and less travel to work or shops. Part of this has been reclaimed under the government’s sales, fees and charges re-imbursement scheme which only ran for the first Quarter of 2021/22. Therefore the lost income for the year is £118k.

- 4.5.2 **Public Health** – This large underspend is largely due to additional S106 income mainly related to Pollution. In addition there were additional Covid-19 related grants received to offset costs incurred. The majority of these variances have been earmarked to offset expenditure in 2022/23.
- 4.5.3 **General Fund Housing** – This variance is due to a mechanical change in the funding of the expenditure. Previously, the Homelessness Grant funding received was added to an earmarked reserve for the following year, therefore there was a lag in the use of the grant. The 2021/22 Grant has been now used in 2021/22 and the planned drawdown from reserves is not required and has been returned to the EMR.
- 4.5.4 **Planning & Regeneration** – similar to Public Health, significant additional S106 income has been received which is proposed to be added to an earmarked reserve. Planning income has also over achieved by nearly £200k on budget, reflecting the current boom in the housing market. Delays incurred in the HAZ project and the Statutory Plan along with additional funding received have contributed £375k to the under spend.
- 4.5.5 **Property Services** – Salary underspends and delays in completing maintenance projects are partially offset by reductions in rental income from the commercial property portfolio.
- 4.5.6 **Revenues & Benefits** – As stated above, additional grant funding has been received to compensate for the additional workload required to make the payments for the various Covid-19 related grant schemes. Housing Benefit overpayment recovery has been better than forecast.
- 4.5.7 **Recreation & Sport** – Similar to Car Parks, fee income is significantly lower than budget (£570k) as a result of Covid-19 restrictions in the early part of the year and lower usage during the remainder of the year. This has been partially offset by savings on utility bills and delays in maintenance projects. These savings have been earmarked for 2022/23.
- 4.5.8 **Waste Services** – the main reason for this overspend is the need for additional agency staffing to cover absences through vacancies, holiday, sickness and training. This is partially offset by a significant increase in the income from recycling materials, particularly for aluminium and cardboard. However the return from the Shared Savings Scheme across Devon was lower than expected. This also includes the reduction experienced in 2020/21 but notified to the Council after the year end.
- 4.5.9 **Non-Service Area** – Interest on investments were significantly higher than forecast due to higher lending to 3 Rivers Developments Ltd that generated interest of £558k and the rise in interest rates in the latter part of the year. The Minimum Revenue Provision was also £65k lower than forecast due to lower than expected capital expenditure.
- 4.5.10 **Pay Award and Thank-you payment** – the 2021/22 Pay Award was approved in March 2022. Previously this had been forecast using a 2%

increase and reported under Corporate Management. By making the agreed 1.75% payment in March, the costs have been charged to the individual service areas, and the forecast removed from Corporate Management. In January, Council staff were thanked for their hard work and dedication during the pandemic and received a payment of £250 in recognition of the outstanding work done. This is again included within each service area.

- 4.6 During the last quarter of the year, a virement was completed to move £18k of budgeted grant funding from Revenues and Benefits into the Council Tax Funding area as it was clarified to not be service specific.
- 4.7 On 1 February 2022, Cabinet agree a move to 3-weekly waste collections (1-2-3 Recycle, Reuse, Reduce). Part of that change is to provide households with a wheeled bin for their waste. Approval is sought to add £750k one-off expenditure to the 2022/23 Revenue Budget, fully funded from Earmarked Reserves, for the purchase of these bins. The cost of the bins are increased slightly since February reflecting the current economic conditions.

5 Reserves

- 5.1 The General Fund Reserve is the major Revenue Reserve of the Council. It is increased or decreased by the surplus or deficit generated on the General Fund in the year. This reserve held a balance of £2,186k at the start of the year. In 2021/22 the final £29k surplus generated in year is proposed to be transferred to this Reserve leaving a balance of £2,215k. If this is approved, the General Fund Reserve will still remain above the recommended minimum level of £2,000k as required by Cabinet agreement on 16 January 2020.

2021/22 Revenue Outturn Position	31 March 2021 £k	In year movement £k	31 March 2022 £k
General Fund Reserve	2,186	29*	2,215

* Pre Audit

- 5.2 In addition to the General Fund Reserve, the Council holds a number of Earmarked Reserves (EMRs) where service underspends are kept so that they can be used to help fund anticipated future expenditure commitments. The net movement of £408k to these reserves and the end of year balances held on them are shown in Appendix 3.
- 5.3 As described above, in 2020/21 a significant amount of s31 Covid-19 grant funding was transferred to the EMR to smooth of the Collection Fund Deficit. For Business Rates, £3,171k has been used to smooth the impact in 2021/22 and the balance of £304k will be drawdown equally in 2022/23 and 2023/24. In addition, a further £1,563k contribution to the smoothing reserve is proposed this year to mitigate the 2021/22 deficit that will impact in 2022/23. For Council Tax, £115k has been used to smooth 2021/22 and the balance of £125k will be drawdown equally in 2022/23 and 2023/24.
- 5.4 The Council (in common with other public bodies) continues to face a difficult financial climate, therefore, it is prudent to retain robust balances to smooth the potential effect to the tax payer of further cuts. The level of Earmarked Reserves in this report further supports the forward planning of the

organisation. This approach to financial management will help to deliver our corporate priorities during the short to medium term whilst mitigating the effect of any future cuts in Government funding as we move towards becoming a self-financing organisation.

6 Housing Revenue Account (HRA)

6.1 This is a ring-fenced reserve in respect of the Council's housing landlord function. It is increased or decreased by the surplus or deficit generated on the HRA in the year. For 2021/22 the Outturn is a net surplus of £67k and Members are requested to approve a transfer to HRA reserves to bring this to zero.

6.2 Some of the key variances within this surplus are explained in paragraph 6.4 and the effect of it on the HRA balance is shown below.

HRA Balance

HRA Reserve Summary	£k
HRA balance @ 31/03/2021	(2,000)
Budget saving achieved in 2021/22	(67)
Net transfer to HRA ring-fenced reserves	67
HRA balance @ 31/03/2022	(2,000)

6.3 Given the positive closing financial position delivered in 2021/22, it is recommended to transfer a sum of £67k into the ring-fenced HRA reserves. Inclusive of budgeted contributions, this has resulted in a net contribution to the Housing Maintenance Fund of £742k. The above position leaves the HRA balance of £2,000k untouched as at 31 March 2022.

6.4 Main budget variances during 2021/22 giving rise to the surplus of £67k include:

- £160k Lower Rental Income due to a higher number of RTBs and delays in processing of the voids backlog; this should improve going forward;
- £286k salary savings due to delays in filling vacancies;
- £361k the budgeted transfer to the Major Repairs Reserve is the higher of the actual spend on maintenance, or the depreciation charge for the year. This year depreciation has been transferred as maintenance spending was reduced due to Covid-19.

For further details, please see the HRA Outturn Summary for 2021/22, which is attached as Appendix 2 to this report.

6.5 The Outturn includes a number of accounting entries 'below the line' that don't affect the revenue position for the HRA, such as Depreciation. For presentational purposes these items have been excluded from the report. Members should note that these items will be shown in full in the Statement of Accounts.

6.6 In addition to the above, the HRA holds a number of Earmarked Reserves. The movements on these during 2021/22 and their closing balances are

shown on Appendix 3. This money is effectively “ring-fenced” and will be held to meet expenditure during 2022/23 and beyond.

7 The Collection Fund

- 7.1 Mid Devon is a Collection Authority for Council Tax and Non-Domestic Rates, and as such, is required to produce a Collection Fund Account for the Mid Devon area.
- 7.2 The Council collects Council Tax on behalf of Devon County Council, Devon Fire and Rescue Service, Devon & Cornwall Police and the Town/Parish Councils. The Council Tax collection rate for 2021/22 was 96.6% (97.0% in 2020/21). This demonstrates how our Revenues section has consistently been effective in collecting the annual charge in extremely challenging economic times. The budget was based upon a collection rate of 96% and therefore this resulted in a closing collection surplus of £2,274k for the year, with Mid Devon's share of this amounting to £303k.
- 7.3 The Non-Domestic Rates collection rate was 98.6% for 2021/22 (96.8% in 2020/21). Again, this demonstrates how our Revenues section has consistently been effective in collecting the annual charge in extremely challenging economic times. This has resulted in a closing collection deficit of £4,348k for the year, with Mid Devon's share of this amounting to £1,739k. This deficit has been offset by the award of additional s31 Grant during the year.

8 Capital Outturn

- 8.1 It is important to recognise the difference between a Revenue and Capital under spend; Revenue is an under spend against a cash budget, Capital is an under spend against an outline approval. Therefore this does not necessarily result in a cash balance to carry forward, instead it generally leads to a lower Capital Financing Requirement (in essence lower borrowing).
- 8.2 A Capital Outturn summary is attached as Appendix 4 to this report. The total Capital Programme is £43,963k, although much of this is planned to be spent in future years. These schemes will continue to be funded as before through a mix of unspent Capital Grants, Capital Earmarked Reserves or Prudential Borrowing.
- 8.3 At the year-end £11,623k has been spent against that total programme. This expenditure has been funded by the use of £1,484k of Capital Receipts (including 1-4-1 receipts), £1,367k grant funding, £2,889k utilisation of reserves and £5,883k through internal borrowing. No further external borrowing has been required during the year.
- 8.4 Of the remaining Budgeted Capital Programme, £30,763k is proposed to be rolled forward into 2022/23 and future years in order to complete on-going projects. In addition there is a net £174k that can be returned to reserves for future prioritisation, consisting of £217k HRA Renewable Energy and an additional £44k drawn down from Disabled Facilities Grant (this includes £106k underspend in year offset by a drawdown of £150k to fund the Lendology loans scheme).
- 8.5 The remaining net £1,403k is the under or over spend on completed projects, or release of funding that is no longer required. The most significant being

Round Hill, which has been sufficiently delayed and altered and therefore required to be resubmitted for consideration in future years and is therefore included in the MTFP. Whereas HRA Regeneration Scheme 1 has been used to deliver the two new Modular Housing schemes in Tiverton and Cullompton.

- 8.6 The movement on the Capital Receipts Reserve for the year is given below:

Capital Receipts Reserve Summary	£k
Balance at 1 April 2021	(5,498)
Sale of Council Houses (29)	(2,733)
General Fund Sales	(17)
Pooling of Housing Capital Receipts to Government	235
Capital Receipts applied in year	1,484
Balance at 31 March 2022	(6,529)

Note – the remaining balance of £6,529k is committed in order to fund any slippage, specific projects in ICT and Private Sector Housing and to balance the Capital Medium Term Financial Plan.

- 8.7 There were no revenue contributions to or from the Capital Earmarked Reserve required to fund capital projects; therefore the balance on this reserve remains at £255k as shown in Appendix 3. This remaining balance is committed to fund any slippage and to balance the Capital Medium Term Financial Plan.
- 8.8 The Council also holds New Homes Bonus which can be used for either Revenue or to support future Capital Programmes, the balance held at 31 March 2022 is £3,295k as shown in Appendix 3; again this remaining balance is fully committed against a mix of support to both the General Fund Revenue Budget and the Capital Medium Term Financial Plan.
- 8.9 Approval is sought to transfer the freehold land at Post Hill, Tiverton from the General Fund to the HRA. On 6 July 2016, the Planning Committee resolved to discharge market housing developers from all affordable housing requirements, upon the completion of the Council's land purchase of part of the site in order for the Council to be the affordable housing provider and meet the policy requirements and wider aspirations of the Tiverton Eastern Urban Extension. The transfer of the land was completed on 6 October 2020. Therefore this is more appropriate to be categorised as an HRA asset. This will transfer the liabilities associated with this site including any capital financial implications to the HRA. However the HRA will also retain all of the benefits generated from its development.

9 Treasury Management

- 9.1 A review of the 2021/22 investment performance, including the details of interest payable, are included within the separate 2021/22 Treasury Outturn Report on this agenda.
- 9.2 During the year, the Council maintained an average balance of £29,796k of internally managed funds. These internally managed funds earned interest of

£54k giving an average rate of return of 0.18%. The comparable performance indicator is the 3 month LIBID rate¹, which was 0.0605%.

- 9.3 As at the 31 March 2022, the Council had short term cash investments totalling £27,000k. In addition, the Council held £5m invested in Churches, Charities and Local Authorities (CCLA) Property Funds earning dividends of £183k (3.67%) in 2021/22.
- 9.4 The Authority holds a 100% interest in 3 Rivers Development Limited, a private limited company engaged in construction in the Mid Devon area. The Authority advances funds to the Company to facilitate operations with the intention that they are repaid from the proceeds of the sale of the developments.
- 9.5 During the year ended 31 March 2022, a net £3,373k was loaned to the Company and the total outstanding loan value at this date was £13,590k. During the year £558k interest was received by the Authority in respect of these loans.
- 9.6 These loans are subject to overarching management review on a regular basis with any impairments made reported within both the periodic monitoring reports and in the year-end financial statements. The year-end review, carried out in compliance with IFRS 9 Financial Instruments, concluded that no further impairments above and beyond the £790k impairment made in 2019/20 in respect of one of the project loans and the working capital loan was necessary.
- 9.7 During 2021/22, the Council lent £2,175k to help build the new NHS hub known as Redlands Primary Care, Crediton. Interest of £47k has been earned from this loan during the year.

10 Procurement Waivers

- 10.1 In exceptional circumstances, there are sometimes justifiable reasons to act outside the contract procedure regulations. These include the following reasons:
- I. The work, goods or materials are urgently required, and loss would be entailed by delay arising from advertising;
 - II. The work, goods or materials required are of such special nature that no advantage would accrue by inviting competitive tenders;
 - III. There is no effective competition for the goods or materials required by reason of the fixing of prices under statutory authority or that such goods or materials are patented or proprietary articles or materials;
 - IV. Transactions, which, because of special circumstances, may (either individually or as a class) be excepted from time to time by the Cabinet of the Council.
- 10.2 In such circumstances, prior written approval of the Deputy Chief Executive (S151) is required and Cabinet will be informed. Below is a list of the Procurement Waivers utilised during the third quarter of this financial year:

¹ The London Interbank Bid Rate (LIBID) is the average interest rate at which major London banks bid for Eurocurrency deposits from other banks in the interbank market.

Ref	Subject of the Waiver	Approximate Value £	Reason Code
1	Housing Options – specialist staff training provided by HQN	£15k	III
2	ICT – Desk phones and headsets ensuring they are compatible with new telephony software being rolled out and delivered in time	£9k	I
3	Planning SLA for ecological advice from Devon County Council	£15k	II
4	Planning – Ecological and ecosystems expertise to support the Culm Garden Village Masterplan	£37k	I

11 Conclusion

- 11.1 Members are asked to note the Revenue and Capital Outturn figures for the financial year 2021/22 and agree the proposed earmarking of surplus funds generated by in-year savings from both the General Fund and the HRA. In addition, Members are requested to approve the ongoing projects on the 2021/22 Capital Programme be rolled forward into the 2022/23 Capital Programme and the transfer of the land at Post Hill, Tiverton from the General Fund to the HRA. Finally, Members are asked to note the use of Procurement Waivers as outline in Section 10.
- 11.2 Achieving an outturn position on budget is a significant achievement given the impacts of Covid-19 on the finances and is a credit to the financial management of the organisation. Collection rates have improved during the year on Business Rates and the Council has made thousands of payments to businesses and local residents across a wide variety of Government Grant schemes helping support them with the financial effects of Covid-19. It has also been possible to make provision for the cost of living pressures that are affecting the Council and outturn with a small under spend. This has been the Council a strong starting position for 2022/23.

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Background Papers:

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