

**Report for: Environment PDG**

**(Please note: This report was presented to the Cabinet on 6 June 2023)**

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Date of Meeting:	20 June 2023
Subject:	<b>REVENUE AND CAPITAL OUTTURN 2022/23</b>
Cabinet Member:	Cllr James Buczkowski, Cabinet Member for Finance
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	N/A
Wards Affected:	All
Enclosures:	Appendix 1a – General Fund Summary Appendix 1b – General Fund Service Variances Appendix 2 – HRA Summary and Variance Analysis Appendix 3 – Movement in Earmarked Reserves Appendix 4 – Capital Programme Summary

### **Section 1 – Summary and Recommendation(s)**

To present the Revenue and Capital Outturn figures for the financial year 2022/23 for both the General Fund (GF) and Housing Revenue Account (HRA).

#### **Recommendation(s):**

**That Cabinet consider the finance position reported and:**

- 1. Note the General Fund Outturn achieved in 2022/23 which shows an overall over spend of £190k (1.38% on the Net Cost of Services Budget) and the Housing Revenue Account which shows an under spend of £312k (2.90% on the Total Direct Expenditure Budget).**
- 2. Approve the transfer of the £190k General Fund over spend to the General Fund Reserve which will decrease the balance to £2,025k; above the**

minimum recommended level of £2,000k. Similarly, approve the transfer of the £312k Housing Revenue Account surplus to the ring-fenced HRA Earmarked Reserves.

3. Approve the Net Transfers from Earmarked Reserves of £2,496k detailed in the General Fund Service Budget Variance Reports shown in Appendix 1a and 1b and summarised in Appendix 3. Similarly, approve the Net Transfers to HRA Earmarked Reserves of £312k as detailed in the HRA Budget Variance Report shown in Appendix 2 and summarised in Appendix 3.
4. Approve the slippage of £7,229k from the 2022/23 Capital Programme and the £29,940k for the schemes to be delivered in 2023/24 or later years. Also approve the virement as explained in para 7.8 for the amalgamation of budgets for the modular developments.
5. Note the procurement waivers used in Quarter 4 of 2022/23, as outlined in Section 10.

## Section 2 – Report

### 1.0 Executive Summary

- 1.1 This report contains information relating to the Council's overall financial performance for the 2022/23 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 October 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 2022/23 is as follows:
  - The General Fund (GF) Revenue Outturn position for 2022/23 is a net over spend of £190k as shown in **Appendix 1a**. The table below assumes this is transferred to the General Fund Reserve. An explanation of variances at service level is included within **Appendix 1b**.
  - 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 2022/23 is a net under spend of £312k as shown in **Appendix 2**. It is assumed this 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 will be beneficial to help mitigate the impact of financial pressures and commitments in 2023/24. 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 some legacy financial effects of Covid-19 in 2022/23 with income levels still recovering to pre-pandemic levels. It has also incurred costs in supporting the Government deliver various grant schemes, particularly in relation to the Cost of Living Crisis. This has been partially compensated by a wide variety of additional grant payments, although some of this remains outstanding at the end of the year.
- 1.6 Along with all other businesses and households, the Council has had increased energy and fuel costs, along with increases in material and labour prices, leading to some significant variances in expenditure incurred, income collected and funding received.
- 1.7 Actual Capital expenditure across the financial year was £17,072k leaving a variance of £10,477k against the 2022/23 Deliverable Budget. Of which, £5,166k is an under spend, £1,918k is an over spend, and £7,229k will slip into future years. The status of the Capital Programme is shown at Appendix 4.
- 1.8 A summary of the Council's Treasury Management year end position is shown in Section 8. Further detail on the Treasury Management position is included within a separate report on this meeting agenda.

## **2.0 Introduction**

- 2.1 Members of the Cabinet 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 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.

## **3.0 The General Fund**

- 3.1 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**.
- 3.2 Detailed budget monitoring reports were provided to both senior managers and Members throughout 2022/23. This monitoring focused on significant budget variances (+/- £20k), including any remedial action where necessary leading to an estimated overall Outturn position. The final written in-year monitoring report considered by the Cabinet gave a detailed position as at 31 December 2022 and predicted an end of year over spend of £436k for the General Fund. Therefore the final position at £190k has improved, mainly due to the receipt of over £100k of Grant funding to compensate for the costs incurred in delivering the various grant schemes.
- 3.3 The table below shows the overall Budget, Actual and Variance, summarised for 2022/23.

<b>Financial Summary for 2022/23</b>	<b>2022/23 Budget £</b>	<b>2022/23 Actual £</b>	<b>2022/23 Variance £</b>
Total Net Cost of Services	13,778,396	13,823,811	45,415
Other Income and Expenditure	(3,517,236)	(3,111,982)	405,254
<b>Total Net Budgeted Expenditure</b>	<b>10,261,160</b>	<b>10,711,829</b>	<b>450,669</b>
<b>Total Funding</b>	<b>(10,260,160)</b>	<b>(10,521,806)</b>	<b>(261,646)</b>
<b>Net Income and Expenditure</b>	<b>0</b>	<b>190,022</b>	<b>190,022</b>

- 3.4 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.
- 3.5 Overarching Variances

#### 3.5.1 **Covid-19 and Cost of Living Crisis**

The Covid-19 Pandemic continued to have a legacy impact on the Council's finances. Income generated in services such as Leisure continued to be below pre-pandemic levels, although have shown recovery during the year. 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 and the increase in energy prices. This has significantly diverted the team's attention and required additional staffing to cope with the additional requirements placed upon the Council. 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 2023/24.

#### 3.5.2 **Local Government Pay Award**

During the year, the Local Government pay award was offered and accepted nationally. As a result of the Cost of Living Crisis, and the rising costs of energy, food and fuel, the uplift of £1,925 per FTE (broadly 6.5% on average) was significantly in excess of the 2% budget assumption. This added c£500k to our staffing costs within the General Fund and c£150k in the HRA.

### **3.5.3 Agency Costs**

The Council continues to struggle with recruitment and retention and has had higher levels of sickness during the year. This has resulted in key services, particularly Waste and Planning having higher usage of agency staff than planned although this is partially offset by the vacancy underspends on the staffing establishment, leading to a net additional cost of £238k. Some of these additional agency costs will be further mitigated through the use of Earmarked Reserves.

### **3.5.4 Bin-it 123**

In October 2022, the Council moved to collecting all non-recyclable waste every three weeks as part of the Council's drive to increase recycling and reduce waste. All other collections remain unchanged – with food waste collected weekly, dry recycling and garden waste (opt-in chargeable service) fortnightly. The implementation cost including providing the new Black Bins and recycling boxes, advertising campaign and additional staff time was £930k. This was largely covered by the planned drawdown from reserves of £762k. Recycling rates improved by 2% from 2021/22, placing us in the top 15% of Councils in the Country.

### **3.5.5 Homes for Ukraine / Homelessness**

Across 2022/23 the Council managed the Homes for Ukraine scheme on behalf of the Government. During 2022/23 we assisted 282 Ukrainians through local host families, community support and subsistence payments at a cost of £650k. A number of staff have been deployed to support this scheme, therefore £80k of the funding has been allocated to cover that staffing cost.

We successfully bid for £141k of funding under the Rough Sleeping Initiative grant scheme and prevented 75 people from becoming rough sleepers.

### **3.5.6 Leisure VAT**

In March 2023, the long awaited outcome of the legal challenge concluded that local authorities' leisure services are provided under a statutory framework and can therefore be treated as non-business for VAT purposes. As such, a significant refund dating back to 2011 is likely. This also means that moving forward, 20% VAT no longer needs to be passed to Government, meaning £300k+ on income is retained.

### **3.5.7 3 Rivers Developments Ltd (3Rivers)**

The Council's subsidiary company, 3 Rivers Developments Ltd, has had a challenging year. It, along with all development companies, has suffered

significant price increases for labour and materials. This has put pressure on the budgets for their live developments and on the potential future opportunities. Alongside, also as a consequence of the Cost of Living Crisis, the housing market has stagnated, adding further pressure as sales income is likely to be reduced.

In addition, towards the end of the financial year the council rejected three submitted business plans, only agreed to support the completion of the live development projects and agreed to commission an option appraisal report externally. This uncertainty has had a financial and confidence impact on the company's 2022/23 trading position and potential future going concern.

The company are currently finalising their trading accounts for the year and this will be made available once completed.

### 3.6 Key Service Variances from the Original Budget

3.6.1 **Car parks** – Car parking income has recovered a little from the reduced lower activity as a result of Covid-19 restrictions and less travel to work or shops. Overall, income was £69k above budget and over £100k above the previous year. This has been achieved across all areas of Pay & Display, Permits and Penalty Notices.

3.6.2 **Public Health** – This underspend is due to vacancy savings, additional S106 income mainly related to Pollution and additional grant funding to cover the additional costs of delivering Government schemes re Covid-19 and Homes for Ukraine. This was offset by agency costs to cover vacancies and the project costs incurred in developing the town centre CCTV solution with Exeter City Council. The majority of these variances have been earmarked to offset expenditure in 2023/24.

3.6.3 **General Fund Housing** – There has been a significant increase in the need to provide temporary accommodation. This has been offset by increases in rental income from those placed in the temporary accommodation and additional homelessness and rough sleeping grant funding.

3.6.4 **Human Resources** – the under spend has been driven by the decision to no longer upgrade the HR Software system. In addition, the service have received income for Apprenticeships and won an award for its outstanding commitment and contribution to the development of apprentice programmes.

3.6.5 **Legal and Democratic Services** – the elections service has had a number of unbudgeted events including a Boundary Review, a District and Parliamentary by-election. This has been more than offset by vacancy savings and lower costs including lower member allowance payments.

- 3.6.6 **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 over £160k on budget. In addition, £800k of additional grant was received for further feasibility work on J28. The S106 funding and the majority of the grant funding has been earmarked to offset expenditure in 2023/24. This is partially offset by the costs incurred through a planning appeal, which is part funded through a reserve created following previously lost appeals, but will now require replenishing. There is also significant delayed expenditure against planned projects, Crediton Masterplan, Cullompton HAZ and the Local Plan. This has also been earmarked to be spent in 2023/24.
- 3.6.7 **Property Services** – Salary underspends and delays in completing maintenance projects are partially offset by the increases in energy costs and minor reductions in rental income from the commercial property portfolio. The under spend has been earmarked to offset expenditure in 2023/24.
- 3.6.8 **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 and energy support related grant schemes. The reduction in Housing Benefit payments was greater than the reduction in the subsidy claim, giving a £40k gain. Similarly, there was an under spend against the Household Support Fund grant.
- 3.6.9 **Recreation & Sport** – Membership and fee income was £236k lower than budget as the service continues its recovery from the reduction in patronage as a result of Covid-19. The service has also been impacted by the higher than budgeted pay award, higher energy costs and increases in material prices. Priority over some planned maintenance work was given to moving two of the centres off mains gas to reduce their carbon footprint, which has been covered by Salix Funding and from Earmarked Reserves. The planned maintenance projects will now be undertaken in 2023/24.
- 3.6.10 **Waste Services** – the main reason for this overspend is the additional salary expenditure with over £300k additional cost across the Pay Award and the need for additional agency staffing to cover absences through vacancies, holiday, sickness and training. In addition, the service suffered from the significant increase in fuel costs. The roll out of Bin-it 123 was largely covered by the planned draw from the Earmarked Reserve, as was the vehicle maintenance and damage repairs. As a result of the increased recycling, income from recycling materials was significantly above budget, as was Garden and Bulky Waste, Trade Waste and the contribution from the Devon Shared Savings scheme.
- 3.6.11 **Non-Service Area** – Interest received on treasury investments were significantly higher (£229k) than budget due to rapid increase in interest rates

following setting the budget. Increased interest charges on lending to 3 Rivers Developments Ltd also generated an additional £241k.

3.6.12 The Council has considered its outstanding loans to 3Rivers given the information available to it regarding the economic conditions and has concluded that it needs to impair some of the loans. If sales proceeds vary from the current forecasts, and if the Council agree a new Business Plan for the company that enables them to progress with new developments, the position will be reviewed again. To mitigate the financial impact of the impairments, the Council will use the leisure VAT refund and remove/reduce the earmarked reserves set aside for Covid-19 recovery and a new Waste Depot site. The opportunity cost of utilising these funds means that should the Council still require a new Waste Depot, it will need to find alternative funding, most likely through borrowing, at additional cost.

#### 4.0 Reserves

4.1 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 £2,215k at the start of the year.

4.2 In 2022/23 the final £190k deficit generated in year is proposed to be transferred to this Reserve leaving a balance of £2,025k; above the recommended minimum level of £2,000k as agreed by Cabinet / Full Council as part of the budget recommendations.

4.3 During the 2023/24 budget setting process a number of late changes were required in order to agree the budget. Given the timing of these changes, it required funding to be taken from the General Fund Reserve, which will reduce the balance below the minimum £2,000k requirement. Cabinet, in consultation with the Deputy Chief Exec (S151), will need to consider whether the minimum level remains appropriate and assuming so, have a plan as to how and over what period it will be replenished back to the £2,000k minimum.

<b>General Fund Reserve</b>	<b>Movement</b>	<b>Balance Held</b>
<b>Balance @ 31 March 2022</b>		<b>£2,215</b>
In Year Movement (* Pre Audit)	(£190k)	
<b>Balance @ 31 March 2023</b>		<b>£2,025</b>
2023/24 Budget Drawdown	(£625k)	
<b>Balance @ 1 April 2023</b>		<b>£1,400</b>

4.4 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 is a reduction of £2,496k in these reserves and the end of year balances held on them are shown in Appendix 3.



4.5 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.

## 5.0 Housing Revenue Account (HRA)

5.1 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 2022/23 the Outturn is a net surplus of £312k and Members are requested to approve a transfer to HRA reserves to bring this to zero.

5.2 Main budget variances during 2022/23 giving rise to the surplus of £312k include:

- £226k salary savings due to delays in filling vacancies, net of pay award;
- £151k lower recharge to the Disabled Facilities Grant due to lower demand for works;
- £350k additional materials costs due to inflationary pressures;
- £149k reduction in service recharges from the General Fund;
- £120k additional Rental Income received and lower bad debt write off;
- £247k additional investment income receipts due to increased interest rates;
- £101k lower interest charges than budgeted;
- £262k depreciation costs higher than budgeted;
- £799k additional Grant funding received from Homes England and One Public Estate to support the modular development projects.

For further details, please see the HRA Outturn Summary for 2022/23, which is attached as **Appendix 2** to this report.

5.3 Given the positive closing financial position delivered in 2022/23, it is recommended to transfer a sum of £312k into the ring-fenced HRA reserves, as shown below. This therefore leaves the HRA balance of £2,000k untouched as at 31 March 2023.

### HRA Balance

HRA Balances Summary	Movement	Balance Held
HRA balance @ 31/03/2022		(£2,000)
Outturn saving achieved in 2022/23	(£312k)	
Net transfer to Renewable Energy Fund Reserve	£59k	

<b>HRA Balances Summary</b>	<b>Movement</b>	<b>Balance Held</b>
Net transfer to Affordable Rent Surplus Reserve	£11k	
Net transfer to Housing Maintenance Fund Reserve	£242k	
<b>HRA balance @ 31/03/2023</b>		<b>(£2,000)</b>

5.4 In addition to the above, the HRA holds a number of other Earmarked Reserves. The movements on these during 2022/23 and their closing balances are shown on Appendix 3. This money is effectively “ring-fenced” and will be held to meet expenditure during 2023/24 and beyond.

## **6.0 The Collection Fund**

6.1 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.

6.2 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 2022/23 was 97.1% (96.6% in 2021/22). The budget was based upon a collection rate of 97.5% and therefore this resulted in a closing collection deficit of £553k for the year, with Mid Devon’s share of this amounting to £73k.

6.3 The Non-Domestic Rates collection rate was 96.8% for 2022/23 (98.6% in 2021/22). This has resulted in a closing collection deficit of £267k for the year, with Mid Devon’s 40% share of this amounting to £107k. In addition to this, the Devon Business Rates Pool is forecast to collectively make a surplus and Mid Devon’s share is forecast as £168k.

6.4 This demonstrates how our Revenues section has consistently been effective in collecting the annual charge in extremely challenging economic times.

## **7.0 Capital Outturn**

7.1 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).

7.2 A Capital Outturn summary is attached as Appendix 4 to this report. The total Capital Programme Approval was £70,896k, although much of this is planned to be spent in future years. Therefore a Deliverable Programme for 2022/23 of £27,549k was set. These schemes will continue to be funded as before through a mix of unspent Capital Grants, Capital Earmarked Reserves or Prudential Borrowing.

7.3 At the year-end £17,072k has been spent leaving a variance of £10,477k against the 2022/23 Deliverable Budget. Of which, £5,166k is an under spend, £1,918 is an over spend, and £7,229k will slip into future years. This can be explained by the following key variances.

### **£5,166k Under spend**

- £3,929k 3Rivers Knowle Lane development following rejection of their Business Plan;
- £500k 3Rivers Post Hill development following rejection of their Business Plan the company could not submit their tender bid;
- £290k net lower than expected Right-to-Buy properties.

### **£1,918k Over spend**

- £694k 3Rivers St George's development, due increased materials prices arising from the Cost Of Living Crisis;
- £86k additional Renewable Energy works;
- £111k upfront costs against a development scheme (Project 41) which has budget approved in 2023/24;
- £607k Post Hill development – tender submissions are currently being reviewed.

### **£7,229k Slippage into future years**

- £3,642k Cullompton Town Centre Relief Road (HIF project) – following the second rejection of a bid for Levelling-up Funding – alternative funding options continue to be explored;
- £1,863k 3Rivers projects including Park Road should the Council approve further work for the company;
- £167k various projects planned to be completed within Leisure – prioritisation has been given to the Salix decarbonisation projects;
- £300k remodelling works and other minor works across the property portfolio – due to resourcing;
- £177k various IT infrastructure works – due to resourcing;
- £62k refurbishment works on the 2 recently purchased House of Multiple Occupation (HMO) to bring them into use;
- £744k various HRA development projects to be completed largely in 2023/24.

7.4 The expenditure has been funded by the use of £865k of Capital Receipts (including 1-4-1 receipts), £5,080k grant funding, £3,905k Revenue Contributions such as S106 or utilisation of reserves and £7,222k through internal borrowing. No further external borrowing has been required during the year.

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

<b>Capital Receipts Reserve Summary</b>	<b>£k</b>
<b>Balance at 1 April 2022</b>	<b>(6,529)</b>
Sale of Council Houses (12)	(1,610)
General Fund Sales	(35)
Pooling of Housing Capital Receipts to Government	0
Capital Receipts applied in year	865
<b>Balance at 31 March 2023</b>	<b>(7,309)</b>

Note – the remaining balance of £7,309k 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.

- 7.6 Only £40k was required from the Capital Earmarked Reserve to fund capital projects; therefore the balance on this reserve remains at £215k as shown in Appendix 3. This remaining balance is committed to fund any slippage and to balance the Capital Medium Term Financial Plan.
- 7.7 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 2023 is £2,883k as shown in Appendix 3; again, of this remaining balance, £993k is committed to support the Capital Medium Term Financial Plan.
- 7.8 Approval is sought to transfer £500k budget from the Garages Redevelopment to the modular developments at St Andrew's and Shapland Place. These projects are interlinked and have always been considered one development project.

## **8.0 Treasury Management**

- 8.1 A review of the 2022/23 investment performance, including the details of interest payable, are included within the separate 2022/23 Treasury Outturn Report on this meeting agenda.
- 8.2 During the year, the Council maintained an average balance of £28,619k of internally managed funds. These internally managed funds earned interest of £539k giving an average rate of return of 1.84%. The comparable performance indicator is the 365 days backward looking SONIA rate , which was 0.9159%.
- 8.3 As at the 31 March 2023, the Council had short term cash investments totalling £16,000k. In addition, the Council held £5,000k invested in Churches, Charities and Local Authorities (CCLA) Property Funds earning dividends of £201k (4.02%) in 2022/23.
- 8.4 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.
- 8.5 During the year ended 31 March 2022, a further £6,540k was loaned to the Company and the total outstanding loan value at this date was £20,075k. During the year £856k interest was charged by the Authority in respect of these loans.

8.6 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 it was prudent to increase the impairment provision 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. A further £4,527k has been impaired.

## **9.0 South West Mutual (SWM)**

9.1 As reported within the Quarter 2 Monitoring Report, the South West Mutual (SWM) continues to struggle to gain legal approval to become a regional bank and secure a banking licence. Although a small number of new investment partners have had discussions, nothing firm has been secured. As such the Board are considering future options. One is to dissolve the Society. However the Board strongly favours effectively putting the organisation into hibernation, minimising costs etc. until such time as significant political or economic changes might present an opportunity to recommence a refreshed version of SWM and continue the work already completed. The Board will meet in May to agree next steps.

## **10.0 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:

Ref	Subject of the Waiver	Approximate Value £	Reason Code
1	ICT Opentext RKYV Document Management System software maintenance renewal.	£18k	I, II and III
2	ICT – IDOX Core System Software Licence and maintenance.	£92k	I, II and III
3	Housing – Electronic Housing Management System, now Housing Enterprise, provided by MRI, formerly Orchard Housing System.	£48k	II
4	Housing – Housing Jigsaw Software, used for Housing Options.	£10k	I
5	HR & Payroll – Zellis Software, extension to contract until new CRM is in place and future requirements are understood.	£118k	I and II
6	HRA – Link Group – financial options appraisal for largescale development works	£15k	I and II
7	Leisure – Renewal of Public Surveillance System (PSS) CCTV at Lords Meadow	£15k	II

## 11.0 Conclusion

- 11.1 Members are asked to note the Revenue and Capital Outturn figures for the financial year 2022/23 and agree the proposed transfers to and from Earmarked Reserves of both surplus funds generated by in-year savings from both the General Fund and the HRA and funding required to offset planned or additional expenditure where necessary.
- 11.2 In addition, Members are requested to approve the ongoing projects on the 2022/23 Capital Programme be rolled forward into the 2023/24 Capital Programme.
- 11.3 Finally, Members are asked to note the use of Procurement Waivers as outline in Section 10.
- 11.4 Achieving an Outturn position close to budget is a significant achievement given the legacy impacts of Covid-19, the Cost of Living Crisis and the implications of the pay award settlement on the finances and is a credit to the financial management of the organisation.

## 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 (CR7).

### **Impact on Climate Change**

The General Fund, Capital Programme and the Housing Revenue Account all contain significant investment in order to work towards the Council's Carbon Reduction Pledge.

### **Equalities Impact Assessment**

No equality issues identified for this report

### **Relationship to 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 into 2023/24. The Outturn Report indicates how the Council's resources have been used to support the delivery of budgetary decisions

## **Section 3 – Statutory Officer sign-off/mandatory checks**

### **Statutory Officer: Andrew Jarrett**

Agreed by or on behalf of the Section 151

**Date: 23/05/2023 via Leadership Team meeting**

### **Statutory Officer: Maria De Leburne**

Agreed on behalf of the Monitoring Officer

**Date: 23/05/2023 via Leadership Team meeting**

### **Chief Officer: Stephen Walford**

Agreed by or on behalf of the Chief Executive/Corporate Director

**Date: 23/05/2023 via Leadership Team meeting**

### **Performance and risk: Dr Stephen Carr**

Agreed by the Corporate Performance & Improvement Manager

**Date: 24/05/2023**

**Cabinet member notified:** No – awaiting confirmation of new Portfolio Holder.

## **Section 4 - Contact Details and Background Papers**

**Contact:** Paul Deal, Corporate Manager for Finance, Property and Climate Change

**Email:** [pdeal@middevon.gov.uk](mailto:pdeal@middevon.gov.uk)

**Telephone:** 01884 23(4254)

**Background papers:** Quarterly Monitoring reports to Cabinet  
2022/23 Budget Report to Cabinet