

Council

28 July 2022

Report of the Director of Resources

## **PROVISIONAL REVENUE OUTTURN 2021/22**

### **PURPOSE OF REPORT**

This report provides details of the provisional financial outturn for the District Council's Revenue spending for the year ended 31<sup>st</sup> March 2022 and significant variations from the revised budget.

### **RECOMMENDATION**

That the following transfers to reserves for 2021/22 are approved:

1. A budgeted transfer of £30,000 to the Elections Reserve
2. A budgeted transfer of £50,000 to the Local Plan Reserve
3. A budgeted transfer of £150,000 to the Vehicle Renewals Reserve
4. A budgeted transfer of £142,000 to the Waste Vehicle Reserve
5. A transfer of £4,129,079 of Revenue Grants received in the year to Revenue Grants Unapplied Reserve
6. A transfer of £604,625 Capital Receipts received during the year to Capital Receipts Reserve
7. A transfer of £1,224,185 Capital Grants Received during the year to Capital Grants Unapplied Reserve
8. A transfer of £8,613,380 from Reserves to cover Revenue expenditure within the year
9. A transfer of £2,340,689 from Reserves to cover Capital expenditure within the year
10. The surplus of £732,113 be transferred to Reserves as follows:
  - (i) A transfer of £200,161 to General Reserve to top-up this reserve to £1.2m
  - (ii) A transfer of £108,392 to Committed Expenditure Reserve
  - (iii) A transfer of £200,000 to Customer Innovation Reserve
  - (iv) A transfer of £223,560 to General Reserve to fund inflationary pressures in 2022/23 onwards.

Members note that subject to the approval of recommendations above the revenue account for 2021/22 is balanced.

### **WARDS AFFECTED**

All

### **STRATEGIC LINK**

The Council's Revenue Budget assists in delivering the priorities and targets within the Corporate Plan, by allocating budgets to specific projects.

The Revenue Budget specifically address the following priority area: "People: Achieve a sustainable financial position by prudent management of resources and reviewing services".

The provisional financial position as at 31<sup>st</sup> March 2022 will be reflected in an updated Medium-Term Financial Plan which will be presented in the Autumn.

## 1 SUMMARY

- 1.1 The provisional outturn on the revenue account for 2021/22 was a surplus of £732,113 against revised estimates. Key reasons for the surplus are given in the report below.
- 1.2 If the recommendations of this report are approved, the provisional outturn is that Council has increased to its general fund balances from £1,999,839 to £2,423,560 at 31 March 2022 and reduced the earmarked reserves from £20,970,179 to £17,664,545m for the same period.

## 2 REVENUE SPENDING

- 2.1 The General Fund contains all services that the Council is responsible for providing. During 2021/22 the Council faced a number of challenges in successfully managing its financial position.
- 2.2 The Summary Revenue Account, comparing the outturn with the revised budget, is shown at Appendix 1.
- 2.3 The most significant variances against the revised estimates are shown in Appendix 3.

### Reserves and Balances as at 31 March 2021

- 1.1 The table below shows a summary of General Fund Reserves and Provisions.

Reserves	Balance at 31 March 2021 £	Contribution in 2021/22 £	Used in 2021/22 £	Balance at 31 March 2022 £
Revenue Reserves	(1,999,839)	(423,721)	0	(2,423,560)
Capital Reserves	(3,817,629)	(1,828,810)	2,838,963	(2,807,477)
Earmarked Reserves	(20,970,179)	(4,809,472)	8,115,106	(17,664,545)
Total	(26,787,647)	(7,062,004)	10,954,069	(22,895,581)

- 1.2 The detailed position on reserves and balances, following the recommendations set out above, can be seen in Appendix 2. It is important to appreciate that many of the reserves and provisions are earmarked for specific purposes, and accordingly these funds should not be regarded as being available for general use.
- 1.3 Revenue balances carried forward at 31 March 2022 total £2,423,560 (31 March 2021 £1,999,839). This balance is significant as it reflects the revenue balances that are generally available for new expenditure. The Council has determined that it is prudent to maintain a working balance of £1m to meet emergencies and contingencies, and to assist with cash flow along with a minimum of £1.2m in General Reserves. This balance will also be required in the event that the Council does not achieve the savings required to balance the budget in any financial year.

- 1.4 The Council holds a number of earmarked reserves to finance future capital and revenue expenditure. The value of earmarked reserves held at 31 March 2022 is £17,664,545 (31 March 2021 £20,970,179). An analysis of earmarked reserves is contained in Appendix 2.
- 1.5 A five year projection of reserves is also shown in Appendix 2 although it should be noted that at this point only the actuals for 2022 have been amended with all other previous Medium Term Financial Planning (MTFP) assumptions unchanged. A full review of the MTFP will follow in the autumn.

### **Council Tax and Business Rates Collection**

- 1.6 Derbyshire Dales District Council collects council tax on behalf of Derbyshire County Council, Derbyshire Fire and Rescue Authority and Derbyshire Police Authority. Amounts collected, bad debts written off and any surplus or deficit on the collection fund are distributed according to precepts. In 2021/22 £59.3m (£55.4m in 2020/21) was collected from council tax payers; this represents 96% of council tax that was due by 31 March (95.7% collected in 2020/21). The final year-end position on the Council Tax Collection Fund is a deficit of £0.41m, (2020/21 £1.026m deficit).
- 1.7 During 2021/22 the Council was part of a business rates pool with other Derbyshire Authorities, and business rates were collected on behalf of Derbyshire County Council and Derbyshire Fire and Rescue Authority. Amounts collected, bad debts written off and any surplus or deficit on the collection fund are distributed according to prescribed shares. In 2021/22, £14.7m was collected from business rate payers (£9.1m in 2020/21 – the reduction in 2020/21 reflected covid rate reliefs); this represents 96.7% of business rates that were due by 31 March, (87.4% collected in 2020/21). The final year-end position on the National Non Domestic Rates (NNDR) Collection Fund is a deficit of £8.6m (2020/21 £11.8m deficit).
- 1.8 As highlighted previously in this report the Council received section 31 grants during the year in respect of expanded retail relief and nursery relief to compensate the Council and the precepting authorities for the reduction in the overall business rates collectable debit. The Council has also received Council Tax Income Guarantee compensation. These balances have been transferred into Earmarked Reserves to significantly offset the deficits that will be recognised in 2022/23.
- 1.9 Derbyshire Dales District Council's share of these surplus and deficits is taken into account when setting the council tax for the following financial year.

### **Statement of Accounts**

- 1.10 The recommendations made in this report have been reflected in the draft Statement of Accounts, which will be published on the Council's website by 31 July 2022. The Statement of Accounts is subject to an independent audit, carried out by Mazars LLP. The audited Statement of Accounts will be presented for approval at the Council meeting to be held in November 2022, as the audit is not expected to be completed in time to report to the Governance & Resources Committee.

### **3 RISK ASSESSMENT**

#### **3.1 Legal**

The Council has a legal duty to set a balanced budget and has a general duty to act in the public interest in managing the custody of public funds. The accounts have been prepared by qualified personnel using accepted principles for to ensure proper accountability. The legal risk is therefore low.

#### **3.2 Financial**

The recommended transfers to reserves will help to provide funding for potential future liabilities that the Council may face in delivering its capital programme and meeting the future costs of the waste collection service.

Given the current climate in relation to inflationary pressures, particularly in relation to pay and fuel, which have a subsequent impact of all goods and services, significant savings are likely to be required in 2022/23 and beyond. The full impact of these implications will be modelled and reported to the autumn term meeting. The increase in General Reserves from £2m to £2.4m in this financial year help to ease the transition by funding one off expenditure.

#### **3.3 Corporate Risk**

The Council's financial position is taken into account in determining all the priorities in the Corporate Plan. The Council is expected to deliver significant savings or approve the use of reserves to balance the 2022/23 budget. "Financial Resilience" has been identified on the Council's Strategic Risk Register and has been assessed as high risk, pending the delivery of the required savings and the outcome of the Local Government Finance Settlement for 2022/23. The consequences of failing to identify the required savings are shown as:

- Lack of resources available to deliver the core Council activities
- Controls not performed or overlooked due to time and resource pressures.
- Cash flows are not available to maintain standards and quality of service provision.
- Increase in claims made to the Council
- Initiatives, development programmes etc. around capital enhancements, car park maintenance etc. may not be performed resulting in members of the public hurt or public property damaged.

### **4 OTHER CONSIDERATIONS**

- 4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, health, human rights, personnel and property.
- 4.2 There are not perceived to be any direct climate change impacts resulting from the recommendations in this report.

### **5 CONTACT INFORMATION**

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## **6 BACKGROUND PAPERS**

None

## **7 ATTACHMENTS**

- Appendix 1 Summary of Revenue Outturn 2021-22.
- Appendix 2 Summary of Revenue Balances, Provisions and Reserves 31 March 22.
- Appendix 3 Analysis and explanation of significant variances during the year

## APPENDIX 1 - SUMMARY OF REVENUE OUTTURN 2021-22

	Actual 2021/22	Original Budget 2021/22	Revised Budget 2021/22	Variance from Original Budget 2021/22	Variance from Revised Budget 2021/22	Actual Previous Year (2020/21)	Variance between Financial Years
	£	£	£		£		
Chief Executive	341,521	371,397	381,707	(29,876)	(40,186)	361,253	(19,732)
Community and Environmental Services	2,482,184	3,221,396	3,421,712	(739,212)	(939,528)	4,778,361	(2,296,177)
Corporate Services	1,871,159	1,972,854	1,992,396	(101,695)	(121,237)	1,777,763	93,397
Housing Services	919,856	586,350	586,350	333,506	333,506	(355,184)	1,275,040
Regeneration and Policy	1,263,077	610,792	668,432	652,285	594,645	(160,831)	1,423,908
Regulatory Services	1,310,683	1,174,825	1,353,020	135,858	(42,337)	1,037,268	273,415
Resources	2,548,532	2,780,575	2,835,372	(232,043)	(286,840)	2,441,860	106,672
<b>Net cost of Services</b>	<b>10,737,012</b>	<b>10,718,189</b>	<b>11,238,989</b>	<b>18,823</b>	<b>(501,977)</b>	<b>9,880,489</b>	<b>856,523</b>
<b>Non Service Items:</b>							
Interest on Balances	(63,098)	(37,000)	(37,000)	(26,098)	(26,098)	(86,522)	23,424
Borrowing Interest Paid	223,450	225,150	225,150	(1,700)	(1,700)	223,901	(451)
Statutory Debt Repayment	100,849	100,849	100,849	0	0	98,801	2,048
Loan Premium Due	110,924	110,924	110,924	0	0	110,924	0
Income from Investment Properties	(101,055)	(102,556)	(102,556)	1,501	1,501	(101,055)	0
<b>Net Revenue Expenditure</b>	<b>11,008,082</b>	<b>11,015,556</b>	<b>11,536,356</b>	<b>(7,474)</b>	<b>(528,274)</b>	<b>10,126,537</b>	<b>881,544</b>
<b>Appropriations to / from Reserves</b>	<b>(1,986,249)</b>	<b>(4,419,167)</b>	<b>(4,782,817)</b>	<b>2,432,918</b>	<b>2,796,568</b>	<b>6,766,245</b>	<b>(8,752,494)</b>
<b>Funding Requirement</b>	<b>9,021,832</b>	<b>6,596,389</b>	<b>6,753,539</b>	<b>2,425,443</b>	<b>2,268,293</b>	<b>16,892,782</b>	<b>(7,870,950)</b>

**Funded by:**

**External Funding**

Retained Business Rates including S31 Grant							
Payments to and from Pool	(5,542,586)	(2,868,832)	(2,868,832)	(2,673,754)	(2,673,754)	(6,838,194)	1,295,608
Business Rate Collection Fund (Surplus)/ Deficit	3,949,040	3,949,040	3,949,040	0	0	(130,596)	4,079,636
CT Collection Fund (Surplus)/ Deficit	99,271	80,418	80,418	18,853	18,853	(102,632)	201,903
Rural Services Delivery Grant	(420,990)	(420,990)	(420,990)	0	0	(401,179)	(19,811)
Lower Tier Services Grant	(71,358)	(71,358)	(71,358)	0	0	0	(71,358)
New Homes Bonus	(397,613)	(397,613)	(397,613)	0	0	(630,790)	233,177
New Burdens Grant	(597)	0	0	(597)	(597)	0	(597)
Other Government Grants	(796,141)	(294,083)	(419,083)	(502,058)	(377,058)	(2,398,000)	1,601,859
<b>Total External Funding</b>	<b>(3,180,974)</b>	<b>(23,418)</b>	<b>(148,418)</b>	<b>(3,157,556)</b>	<b>(3,032,556)</b>	<b>(10,501,391)</b>	<b>7,320,417</b>
<b>District Council Tax Requirement</b>	<b>(6,572,971)</b>	<b>(6,572,971)</b>	<b>(6,572,971)</b>	<b>0</b>	<b>0</b>	<b>(6,391,391)</b>	<b>(181,580)</b>
<b>Total Funding</b>	<b>(9,753,945)</b>	<b>(6,596,389)</b>	<b>(6,721,389)</b>	<b>(3,157,556)</b>	<b>(3,032,556)</b>	<b>(16,892,782)</b>	<b>7,138,837</b>
<b>Outturn</b>	<b>(732,113)</b>	<b>0</b>	<b>32,150</b>	<b>(732,113)</b>	<b>(764,263)</b>	<b>0</b>	<b>(732,113)</b>
<b>Proposed Transfers to / (from) Reserves</b>	<b>732,113</b>		<b>(32,150)</b>				
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>				

APPENDIX 2: SUMMARY OF REVENUE BALANCES, PROVISIONS AND EARMARKED RESERVES  
(Note this includes the proposed transfers set out in the body of the report).

<b>Revenue Funding</b>	Balance at 31st. March 2021 £	Contribution in 2021/22 £	Use in 2021/22 Revenue £	Use in 2021/22 Capital	Balance at 31st. March 2022 £	Estimated Contribution in 2022/23 £	Estimated Use use in 2022/23 Revenue £	Estimated Use in 2022/23 Capital	Estimated Balance at 31st. March 2023 £
<b>Revenue Balances</b>									
General Fund Working Balance	(1,000,000)	0	0	0	(1,000,000)	0	0	0	(1,000,000)
General Reserve	(999,839)	(423,721)	0	0	(1,423,560)	0	0	0	(1,423,560)
	<b>(1,999,839)</b>	<b>(423,721)</b>	<b>0</b>		<b>(2,423,560)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,423,560)</b>
<b>Capital Balances</b>									
Capital Receipts	(2,555,435)	(604,625)	1,244,607	0	(1,915,453)	(150,000)	0	899,853	(1,165,600)
Capital Grants Unapplied	(1,262,195)	(1,224,185)	0	1,594,356	(892,024)	(2,569,972)	0	2,831,230	(630,766)
	<b>(3,817,629)</b>	<b>(1,828,810)</b>	<b>1,244,607</b>	<b>1,594,356</b>	<b>(2,807,477)</b>	<b>(2,719,972)</b>	<b>0</b>	<b>3,731,083</b>	<b>(1,796,366)</b>
<b>Earmarked Reserves</b>									
Business Rates Fluctuations Reserve	(716,496)	0	0	0	(716,496)	(510,669)	0	0	(1,227,165)
Capital Programme Reserve	(1,709,759)	0	0	575,155	(1,134,603)	(177,068)	0	884,912	(426,759)
Carsington Improvements	(33,452)	0	0	0	(33,452)	0	0	0	(33,452)
Committed Expenditure Reserve	(335,318)	(108,392)	16,450	0	(427,260)	0	17,204	0	(410,056)
Corporate Plan Priority Reserve	(201,471)	0	0	0	(201,471)	0	0	47,227	(154,244)
COVID Funding Reserve	(608,040)	0	565,040	0	(43,000)	0	0	0	(43,000)
Customer Innovation Project	(153,068)	(200,000)	105,467	0	(247,600)	0	171,434	0	(76,166)
Economic Development Reserve	(280,372)	0	52,585	0	(227,787)	(150,000)	235,559	58,000	(84,228)
Elections Reserve	(128,056)	(30,000)	0	0	(158,056)	(30,000)	0	0	(188,056)
Funding Uncertainties Reserve	(508,406)	0	0	0	(508,406)	0	0	0	(508,406)
Information Technology Reserve	(371,889)	0	37,250	26,648	(307,991)	0	71,125	111,151	(125,715)
Insurances Reserve	(464,473)	0	0	0	(464,473)	0	0	0	(464,473)
Investment Fund / Invest to Save Reserve	(562,510)	0	0	0	(562,510)	0	0	562,510	0

<b>Revenue Funding</b>	Balance at 31st. March 2021 £	Contribution in 2021/22 £	Use in 2021/22 Revenue £	Use in 2021/22 Capital	Balance at 31st. March 2022 £	Estimated Contribution in 2022/23 £	Estimated Use use in 2022/23 Revenue £	Estimated Use in 2021/22 Capital	Estimated Balance at 31st. March 2023 £
Job Evaluation	(150,000)	0	0	0	(150,000)	0	0	0	(150,000)
Local Plan Reserve	(205,936)	(50,000)	55,832	0	(200,104)	(30,000)	74,829	0	(155,275)
Member / Officer Indemnity	(25,000)	0	0	0	(25,000)	0	0	0	(25,000)
Major Repairs Reserve	0	0	0	0	0	(12,660)	0	0	(12,660)
Revenue Grants Unapplied	(13,384,837)	(4,129,080)	6,536,150	0	(10,977,767)	(532,919)	2,911,384	0	(8,599,302)
Vehicle Renewals Reserve	(573,379)	(150,000)	0	0	(723,379)	(300,000)	0	791,666	(231,713)
Waste Fluctuations Reserve	(555,188)	0	0	0	(555,188)	0	0	0	(555,188)
Waste Vehicles Reserve	(2,529)	(142,000)	0	144,529	0	0	0	0	0
	<b>(20,970,179)</b>	<b>(4,809,472)</b>	<b>7,368,774</b>	<b>746,333</b>	<b>(17,664,545)</b>	<b>(1,743,316)</b>	<b>3,481,535</b>	<b>2,455,466</b>	<b>(13,470,860)</b>
<b>TOTAL</b>	<b>(26,787,647)</b>	<b>(7,062,003)</b>	<b>8,613,380</b>	<b>2,340,689</b>	<b>(22,895,581)</b>	<b>(4,463,288)</b>	<b>3,481,535</b>	<b>6,186,549</b>	<b>(17,690,785)</b>

The General Fund Working Balance is specified as a “controlled reserve” for the purposes of Section 26 of the Local Government Act 2003.



	Actual Balance at 31st. March 2022 £	Estimated Balance at 31st. March 2023 £	Estimated Balance at 31st. March 2024 £	Estimated Balance at 31st. March 2025 £	Estimated Balance at 31st. March 2026 £	Estimated Balance at 31st. March 2027 £
Major Repairs Reserve	0	(12,660)	(35,260)	(67,860)	(107,860)	(147,860)
Revenue Grants Unapplied	(10,977,767)	(8,599,302)	(8,384,908)	(8,324,908)	(8,324,908)	(8,324,908)
Vehicle Renewals	(723,379)	(231,713)	(300,000)	(600,000)	(900,000)	(1,200,000)
Waste & Recycling Reserve	(555,188)	(555,188)	(555,188)	(555,188)	(555,188)	(555,188)
Waste Vehicles Reserve	0	0	0	0	0	0
	<b>(17,664,545)</b>	<b>(13,470,860)</b>	<b>(12,855,767)</b>	<b>(13,188,367)</b>	<b>(13,588,367)</b>	<b>(13,958,367)</b>
<b>Capital Expenditure Financing</b>						
Capital Receipts	(1,915,453)	(1,165,600)	(1,160,600)	(1,160,600)	(1,160,600)	(1,160,600)
Capital Grants Unapplied	(892,024)	(630,766)	(630,766)	(630,766)	(630,766)	(630,766)
	<b>(2,807,477)</b>	<b>(1,796,366)</b>	<b>(1,791,366)</b>	<b>(1,791,366)</b>	<b>(1,791,366)</b>	<b>(1,791,366)</b>
<b>TOTAL</b>	<b>(22,895,581)</b>	<b>(17,690,785)</b>	<b>(17,070,692)</b>	<b>(17,403,292)</b>	<b>(17,803,292)</b>	<b>(18,173,292)</b>

## APPENDIX 3 – ANALYSIS AND EXPLANATION OF SIGNIFICANT VARIANCES

Directorate	Actual 2021/22	Budget 2021/22	Variance	Explanation	One-off or Ongoing Saving
Chief Executive	341,521	381,707	(40,186)	£22k underspend in corporate and Post entry training due to Covid. This has been transferred to committed expenditure reserve for 22/23 expenditure. Remainder a combination of underspends on medical examinations, long service awards and apprentices.	One-off saving
Community and Environmental Services	2,482,184	3,421,712	(939,528)	£152k underspend on staffing mainly due to unfilled vacancies £206k underachievement in Income due to a combination of Covid-19 and poor service on the Waste contract. This is offset by £472k KPI breach income on the waste contract along with £300k reduced costs, £100k additional income due to increased recycling rates and £87k due to increased rates and service provision.	One-off saving
Corporate Services	1,871,159	1,992,396	(121,237)	Increase in Local Land Charges £23k. Income for Elections £115k in 2021 where a significant proportion of the costs had already been incurred in 20/21 financial year. This is offset by an increase in legal fees of £23k which will be ongoing.	Increases in income are one-off however the increased legal fees are ongoing and therefore need to be considered as part of budget setting.
Housing Services	919,856	586,350	333,506	£39k underspend in staffing costs within Housing Strategy. Additional costs of £1.2m are covered by an increase in S106 income of £740K, increased grant income of £60k with the remainder being covered by a transfer from reserves from previous S106 funding.	Staffing is ongoing and already built into the 22/23 budget. Increase in income is likely to continue however this income is earmarked and will therefore be matched by an increase in expenditure or will be transferred to reserves.

Directorate	Actual 2021/22	Budget 2021/22	Variance	Explanation	One-off or Ongoing Saving
Regeneration and Policy	1,263,077	668,432	594,645	Covered by release of £642k reserves from Revenue Grants Unapplied Carried forward from 20/21 in relation to Covid-19 Additional Restrictions Grant. Underspend of £40k within Employees due to unfilled vacancies	One-off saving
Regulatory Services	1,310,683	668,432	(42,337)	Underspend within Employees due to unfilled vacancies	One-off saving
Resources	2,548,532	2,835,372	(286,840)	£33k reduction in Revenue and Benefits contract mainly due to a reduction in Housing / Rent allowances which was off set by a corresponding reduction in grant income. Overspend of £33k in Agency staffing not fully offset by vacancy savings. £294k underspend due to expenditure being recorded across the directorates	One-off saving
			(501,977)		