



## OPEN REPORT COUNCIL

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**Council – 24 November 2022**

### **AMENDED REVENUE OUTTURN 2021/22**

#### **Report of the Director of Resources**

#### **Report Author and Contact Details**

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#### **Wards Affected**

District-wide

#### **Report Summary**

In July 2022 the provisional outturn was calculated as £732,113. This was approved by Council on 28<sup>th</sup> July 2022. Following that report the production of the statutory Statement of Accounts continued. This process highlighted a number of errors which needed to be corrected, some of which have adjusted the overall surplus, and therefore transfer to general fund reserves.

These corrections are significant, increasing the surplus from £732,113 to £2,395,035. This report describes the impact of the corrections and seeks approval for the additional surplus to be transferred to specific reserves.

#### **Recommendations**

1. That the amended revenue outturn for 2021/22 and variance analysis be noted;
2. That an additional transfer of £1,610,572 to the General Reserve be approved;
3. That an additional transfer of £52,350 to Committed Expenditure Reserve be approved.

#### **List of Appendices**

Appendix 1 – Updated Outturn

Appendix 2 – Variance Analysis

Appendix 3 – Updated Reserves

#### **Background Papers**

Previous report to Council – 28 July 2022

**Consideration of report by Council or other committee**

No

**Council Approval Required**

Yes

**Exempt from Press or Public**

No

## AMENDED REVENUE OUTTURN 2021/22

### 1. Background

- 1.1 In July 2022 the provisional outturn was calculated as £732,113. This was approved by Council on 28<sup>th</sup> July 2022. The surplus of £732,113 was 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.
- 1.2 Following the July report, the production of the statutory Statement of Accounts continued. This process highlighted a number of errors which needed to be corrected, some of which have adjusted the overall surplus. This report describes the impact of the corrections and seeks approval for the additional surplus to be transferred to specific reserves.
- 1.3 The accounts for 2021/22 are still subject to external audit review. Should the audit process identify further errors, these will be reported to the Governance and Resources Committee or full Council, as appropriate.

### 2. Key Issues

- 2.1 As a consequence of the corrections to the 2021/22 revenue outturn, there is a positive impact on the revenue account surplus with a further £1.66m, which will be available to fund one-off expenditure pressures and transition costs within the medium term financial plan. Notwithstanding the surplus in 2021/22, the Council continues to face real terms budgetary pressures during a period of intense inflationary increases.
- 2.2 As explained above, there are a number of technical errors that contributed towards the increased surplus for 2021/22. These are set out in the table below.

Table 1 – Impact to the General Fund and Outturn position

	£
Surplus declared to Council in July	(732,114)
Add Transfer from revenue grant reserve to revenue omitted formula error	(14,000)
Add REFCUS correction (expenditure included in outturn but income excluded)	(1,861,529)
Add Collection Fund court costs	(77,839)
Less accumulated absence correction	114,108
Less duplicated debtors correction	54,161
Reversal of Capitalised Salaries	6,111
Accrual for VAT due for Ice Cream concessions	37,383
Additional Housing Accruals	80,860
Correction of error in 2020/21 surplus	13
Add back Payment In Advance omitted	(2,190)
Actual Surplus for 2021/22	<u><u>(2,395,035)</u></u>

- 2.3 Whilst some of the adjustments are due to the net effect of a number of reversals or additional accruals identified, the main correction is due to REFCUS expenditure (Revenue Expenditure Funding Capital Under Statute). REFCUS expenditure is a technical adjustment which should go “in and out” of the Council’s accounts. However, an error in the way the figures were produced for the July Council report meant that while REFCUS expenditure was picked up in the report, the corresponding credit was not.
- 2.4 A number of other revenue account items have been recoded which change the variance analysis but have no impact on the outturn or general fund reserves. These relate in the main to capital categorisation and the grossing up of accumulated depreciation and gross book value which appears to have been incorrectly removed in the last 2 years. A full reconciliation has now taken place between the Fixed Asset Register and the financial ledger in order to correct these figures. A few miscoded invoices have also been corrected in relation to income being coded as expenditure through the feeder system. This has now been corrected. The miscoded invoices and some of the budget variances might have been spotted earlier if more frequent budget monitoring and reconciliations had taken place throughout the year.

### **3. Options Considered and Recommended Proposals**

- 3.1 An updated outturn position is presented in Appendix 1. For the additional surplus of £1,662,922 it is recommended that £52,350 be transferred to the Committed Expenditure Reserve and the remaining £1,610,572 be transferred to the General Reserve (to be available to ease inflationary pressures in the short / medium term).
- 3.2 A variance analysis demonstrating where the variance in the net cost of services for 2021/22 has been generated is presented in Appendix 2. An analysis of variances over £10,000 is underway to identify if they are one-off or ongoing. All ongoing variances will be incorporated into the Medium Term Financial Plan. However, so far it appears that the vast majority of the surplus relates to additional grant income, income and reduced expenditure in relation to the waste contract and staff vacancies and is therefore a one-off benefit.
- 3.3 An updated Summary of Reserves is presented in Appendix 3. This assumes that Members approve the transfers recommended in this report.
- 3.4 An improved budget monitoring process is being developed which should ensure that budget variances are identified much more promptly during the financial year to prevent a recurrence of significant variances only being identified following the reported out-turn. This will allow emerging budget pressures to be identified and action to be taken in a more timely manner.
- 3.5 Members will be aware from previous reports that throughout this period there have been numerous vacancies within the Financial Services Team that have been very difficult to recruit (one of the senior accountant roles has advertised

4 times with salary enhancements and has been vacant for over 12 months). As a consequence, the team have had to engage temporary accountants / interims who whilst being technically competent and proficient, are unfamiliar with the District Council's accounting processes and procedures. This has placed significant pressure upon the team and the wider organisation such that it has not been possible to carry out all functions to the usual standards, frequency and deadlines.

- 3.6 Regular budget monitoring is part of the Council's standard policies and procedures and such procedures have proven to be robust over a sustained period of time. However, the loss of corporate organisational knowledge and experience aligned to increased staff turnover, has resulted in some budget monitoring policies and procedures not being implemented as robustly as is required. However, the recent recruitment of a Financial Services Manager and the engagement of an Interim Financial Services Manager have provided objective views and brought new solutions to address some long standing problems (e.g. improvements to budget monitoring processes). A recruitment exercise is currently underway for a Principal Accountant and Senior Accountant. The new Financial Services Manager is also leading a review of the structure, roles and responsibilities of the Financial Services Team, as well as considering the internal controls and frameworks that should be in place (e.g. regular reconciliations). Should this identify a requirement for additional resources, a report will be presented to a future Council meeting.

#### **4. Financial and Resource Implications**

- 4.1 The report identifies an additional revenue account surplus of £1,662,922.
- 4.2 Given the current climate in relation to inflationary pressures, particularly in relation to pay, supplier contracts (e.g. waste) and fuel/energy, savings or additional income are likely to be required to ease pressures in the current financial year and to balance budgets in future financial years. The increase in General Reserves from £2m to £4m in this financial year will help to ease the transition by funding one-off expenditure in the short / medium term, while a more sustainable financial plan is developed.
- 4.3 The financial risk of this report is assessed as low.

#### **5. Legal Advice and Implications**

- 5.1 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.

#### **6. Equalities Implications**

- 6.1 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. There are not perceived to be any equalities implications resulting from the recommendations in this report

## **7. Climate Change Implications**

7.1 There are not perceived to be any direct climate change impacts resulting from the recommendations in this report.

## **8. Risk Management**

8.1 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 2023/24 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 2023/24. 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

## **9. Report Authorisation**

Approvals obtained from:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Paul Wilson	16/11/2022
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	16/11/2022
Monitoring Officer (or Legal Services Manager)	James McLaughlin	16/11/2022

## Appendix 1 – Updated Outturn position 2021/22

	Actual 2021/22	Revised Budget 2021/22	Variance from Revised Budget 2021/22	Actual Previous Year (2020/21)	Variance between Financial Years
	£	£	£		
Chief Executive	348,893	381,707	(32,814)	361,253	(12,360)
Community and Environmental Services	2,283,280	3,421,712	(1,138,432)	4,778,361	(2,495,081)
Corporate Services	1,885,657	1,992,396	(106,739)	1,777,763	107,894
Housing Services	(139,949)	586,350	(726,299)	(355,184)	215,235
Regeneration and Policy	1,276,348	668,432	607,916	(160,831)	1,437,179
Regulatory Services	929,450	1,353,020	(423,570)	1,037,268	(107,817)
Resources	2,484,318	2,835,372	(351,054)	2,441,860	42,458
<b>Net cost of Services</b>	<b>9,067,997</b>	<b>11,238,989</b>	<b>(2,170,992)</b>	<b>9,880,489</b>	<b>(812,492)</b>
<b>Non Service Items:</b>					
Interest on Balances	(63,098)	(37,000) <sup>▼</sup>	(26,098)	(86,522) <sup>▼</sup>	23,424
Borrowing Interest Paid	223,450	225,150 <sup>▼</sup>	(1,700)	223,901	(451)
Statutory Debt Repayment	100,849	100,849	0	98,801	2,048
Loan Premium Due	110,924	110,924	0	110,924	0
Income from Investment Properties	(101,055)	(102,556)	1,501	(101,055)	0
<b>Net Revenue Expenditure</b>	<b>9,339,067</b>	<b>11,536,356</b>	<b>(2,197,289)</b>	<b>10,126,537</b>	<b>(787,471)</b>
<b>Appropriations to / from Reserves</b>	<b>(1,980,156)</b>	<b>(4,782,817)</b>	<b>2,802,661</b>	<b>6,766,245</b>	<b>(8,746,401)</b>
<b>Funding Requirement</b>	<b>7,358,910</b>	<b>6,753,539</b>	<b>605,371</b>	<b>16,892,782</b>	<b>(9,533,872)</b>
<b>Funded by:</b>					
<b>External Funding</b>					
Retained Business Rates including S31 Grant Payments to and from Pool	(5,542,586)	(2,868,832)	(2,673,754)	(6,838,194)	1,295,608
Business Rate Collection Fund (Surplus)/ Deficit	3,949,040	3,949,040	0	(130,596)	4,079,636
CT Collection Fund (Surplus)/ Deficit	99,271	80,418	18,853	(102,632)	201,903
Rural Services Delivery Grant	(420,990)	(420,990)	0	(401,179)	(19,811)
Lower Tier Services Grant	(71,358)	(71,358)	0	0	(71,358)
New Homes Bonus	(397,613)	(397,613)	0	(630,790)	233,177
New Burdens Grant	(597)	0	(597)	0	(597)
Other Government Grants	(796,141)	(419,083)	(377,058)	(2,398,000)	1,601,859
<b>Total External Funding</b>	<b>(3,180,974)</b>	<b>(148,418)</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>0</b>	<b>(6,391,391)</b>	<b>(181,580)</b>
<b>Total Funding</b>	<b>(9,753,945)</b>	<b>(6,721,389)</b>	<b>(3,032,556)</b>	<b>(16,892,782)</b>	<b>7,138,837</b>
<b>Outturn</b>	<b>(2,395,035)</b>	<b>32,150</b>	<b>(2,427,185)</b>	<b>0</b>	<b>(2,395,035)</b>
<b>Transfers to / (from) Reserves</b>	<b>2,395,035</b>	<b>(32,150)</b>			
<b>Total</b>	<b>0</b>	<b>0</b>			
<b>Previously agreed transfers to reserves</b>					
General Fund Top-up to £1.2m	200,161				
Customer Innovation	200,000				
Committed Expenditure	108,392				
General Fund - to fund inflationary pressures 22/23	223,560				
	732,114				
<b>Additional transfers to reserves</b>					
Additional General Fund Transfer	1,610,572				
Additional Committed Expenditure Reserves Transfer	52,350				
	2,395,036				

## Appendix 2 – Summary of Outturn Variances (Net Cost of Services)

### Variances by Directorate

Directorate	Total Amount £	Revised Budget £	Variance £
Chief Executive	348,893	381,707	(32,814)
Community and Environmental Services	2,283,280	3,421,712	(1,138,432)
Corporate Services	1,885,657	1,992,396	(106,739)
Housing Services	(139,949)	586,350	(726,299)
Regeneration and Policy	1,276,348	668,432	607,916
Regulatory Services	929,450	1,353,020	(423,570)
Resources	2,484,318	2,835,372	(351,054)
<b>Total</b>	<b>9,067,997</b>	<b>11,238,989</b>	<b>(2,170,992)</b>

### Variance by Spending Category

Area	Total Amount £	Revised Budget £	Variance £	Comments
Employees	7,815,262	7,996,397	(181,135)	Vacancy management and inability to recruit
Holding/Collection Accounts	727	0	727	
Income	(20,595,517)	(19,635,627)	(959,890)	Additional Grant income and Fees and Charges received including £0.5m in relation to the waste contract KPI breach
Other Financial Transactions	(76,228)	(20,000)	(56,228)	
Premises	1,479,062	1,784,020	(304,958)	Savings across utility and premises costs - some due to Covid-19 delays
Supplies & Services	5,969,798	5,069,299	900,499	Additional grants paid to individuals and business - covered by additional income above
Third Party Payments	4,850,932	4,978,339	(127,407)	Underspend on leisure centre management and Hathersage Pool (transferred to reserves for 22/23)
Transfer Payments	9,188,156	10,641,467	(1,453,312)	Reduction to Rent allowance costs. Income also reduced but masked above by additional grant income received
Transport Related	435,806	425,094	10,712	
<b>Total</b>	<b>9,067,997</b>	<b>11,238,989</b>	<b>(2,170,992)</b>	

### Appendix 3 – Updated Summary of Reserves\*

Reserves	Balance at 31 March 2021 £	Contribution in 2021/22 £	Used in 2021/22 £	Balance at 31 March 2022 £
Revenue Reserves	(1,999,853)	(2,034,293)	0	(4,034,146)
Capital Reserves	(3,817,629)	(1,829,030)	2,832,851	(2,813,808)
Earmarked Reserves	(20,970,179)	(4,884,532)	8,115,326	(17,739,385)
Total	(26,787,661)	(8,747,856)	10,948,177	(24,587,340)

\*Assuming that Members approve the transfers recommended in this report.