

Title: Final Accounts 2021/22
Lead Officer: Andrew Rollins (01926 456013)
Portfolio Holder: Councillor Hales
Wards of the District directly affected: All

Summary

The report provides a summary on the draft 2021/22 outturn with appendices, with the draft Statement of Accounts (available on the website) providing a detailed analysis. An update against the audit timeline is given. Members are asked to note the draft financial position for 2021/22 as detailed in the report, and the decisions made under delegated authority.

Recommendation(s)

- (1)** That Cabinet notes the final revenue outturn positions of the General Fund (GF) and the Housing Revenue Account (HRA), being £0.045m and £1.096m favourable respectively.
 - (2)** To note the Capital Programme shows a variation of £27.6m under budget, noting the level of slippage carried forward to 2022/23 as set out in Appendix D.
 - (3)** To note the allocations of the revenue surpluses which have been appropriated to the General Fund Balance Reserve and HRA Capital Investment Reserve under delegated authority.
 - (4)** To note the final position for Revenue Slippage and approves the Earmarked Reserve (EMR) requests of £2.347m General Fund and £0.469m HRA (Appendix C), with the requests having been approved under delegated authority by the Head of Finance in conjunction with the Finance Portfolio Holder.
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Background/Information

1.1 Outturn

1.1.1 The final draft outturn positions upon closure of the accounts are as follows:

	Latest Budget £'000	Actual £'000	Variation £'000
General Fund	9,890	9,845	-45
HRA	-2,797	-3,893	-1,096
Capital Programme	76,175	48,575	-27,600

1.1.2 General Fund (Revenue)

1.1.2.1 The outturn for the General Fund Revenue Services for 2021/22 presents a favourable variation of £0.045m. Should there be any change to the variation because of the External Audit (which commenced on 5th September), members will be updated accordingly.

1.1.2.2 The significant General Fund variations are presented in the table below

Description	Variation £'000	Favourable / Adverse
Employee Costs	-616	F
R&M	-1,039	F
CCTV	-118	F
Spa Centre	78	A
Rental income (Catering Contract)	84	A
Commonwealth Games	-295	F
Building Control Income	-61	F
Local Land charges Income	100	A
Bereavement Services	233	A
Car Park income	23	A
Waste Collection Income	870	F
Watercourses & Culverts Fee Income	135	A
Benefits	537	A
Payment Channels	62	A
Investment Interest Income	-104	F
HRA Recharge	30	A
Projects	122	A

1.1.2.3 An analysis by Portfolio is shown at Appendix A. IAS19 adjustments and capital charging have been excluded from the variations above as these are reversed out of the Net Expenditure position.

1.1.2.4 Net Business Rates Retained Income to the General Fund is favourable by £4.904m against the revised Budget. This is due to the way that government compensated councils through S31 grants for administering its Covid support programmes, primarily in the form of Business Rates Reliefs and Business Grants.

- 1.1.2.5 Investment Interest is lower than that budgeted. An increase on the return from the Crewe Lane loan has been offset by the commencement of Housing Investment programmed expenditure means that there have been less balances to invest. The Annual Treasury Management Report is due to be presented to Overview and Scrutiny Committee alongside this report on 28th September, and will provide more information on the 2021/22 performance. The Table below summaries the HRA and GF position.

	Latest Budget £'000's	Actual £'000's	Variation £'000's	Fav / Adv
General Fund	-1,524	-1,628	-104	F
HRA	-304	-15	289	A
Total Interest	-1,828	-1,643	185	A

- 1.1.2.6 Employee costs are underspent by £616k in 2021/22. The key driver of this was staffing vacancies totalling £596k across a number of services, in particular Assets, Community protection (Environmental Health), Environment & Operations (Green space development and ranger services), Revenues & Customer Services, and Development Services. Vacancies have been offset with additional staffing costs (overtime, agency staffing) where necessary, at a cost of £505k (£21k over budget). Recruitment and retention remain a key challenge for the organisation.

1.1.3 Assets

- 1.1.3.1 The Planned, preventative maintenance (PPM) corporate repairs programme is funded through a combination of revenue and reserve funding from the Corporate Assets Reserve, in that order. In 2021/22, £149k has been drawn down from the Corporate Assets Reserve due to expenditure in year of £562k. Expenditure was significantly lower in year on the PPM programme than was originally set in as part of the Budget Setting Report in February 2021 (Where £1.541m of works had been agreed, including slippage from 2020/21, supported by a £1.128k draw down from the Corporate Assets Reserve). The key drivers of the reduction in expenditure in year were delays caused by resourcing issues on both the side of WDC and the contractors, in part still as a result of COVID-19 and an increase in demand for construction services. As part of Budget Setting for 2022/23, £561k of these delayed works have been carried forward as part of the Earmarked Reserve request (see section 1.5).

1.1.4 Community Protection

- 1.1.4.1 A new CCTV maintenance contract has been agreed in year resulting in savings against the recurring budget.

1.1.5 Culture, Tourism & Leisure

- 1.1.5.1 Reduced income has been received across many of our cultural sites, in particular the Royal Spa Centre, because of remaining COVID-19 restrictions and delays to shows / events using the facilities. Some of the loss has been offset against reduced expenditure costs incurred and the receipt of

recovery grants in-year.

- 1.1.5.2 Rental income from Jephson Gardens Restaurant and Pump Rooms has not been received in year, resulting in an adverse variance of £38k.
- 1.1.5.3 Delays have been incurred in the delivery of some preparations for the Commonwealth Games taking place in July-August 2022, resulting in an underspend in 2021/22. Funding relating to the Games will be carried forward to 2022/23 (as an Earmarked Reserve), to match delivery against Birmingham 2022 deadlines.

1.1.6 Development Services

- 1.1.6.1 There has been higher than forecast non-fee earning work recharged to Daventry and Rugby in 2021/22.
- 1.1.6.2 The carry forward of local land charges planning income into 2022/23 for applications not yet fully determined has been higher than anticipated, reducing this year's income figure. This income will be reflected in the following year and therefore we may see a reversal of this position in 2022/23.

1.1.7 Environment & Operations

- 1.1.7.1 Bereavement Services saw a significant increase in the demand for its services in the prior year, in part driven by COVID-19. However, as the district has started seeing fewer cases and deaths, activity levels have fallen to pre-pandemic levels, bring reduced demand for services at the Crematorium against forecast.
- 1.1.7.2 Car Park income has continued to be down on pre-pandemic levels as a result in changing user habits. The increased prevalence of remote working has reduced footfall at a number of central urban car parks across the district, and a reduction in season tickets issued. Car parks linked with green spaces have continued to see high levels of activity.
- 1.1.7.3 Income received for the sale of recycled materials collected through our waste services has continued to be high, as the market value of goods has increased significantly over the two years since our waste contractor last estimated the amount we would receive. Demand for bulky item collections also has remained high with people continuing to spend more time at home driven by remote working.
- 1.1.7.4 Watercourses & Culverts – Contract income was estimated for budget setting based on the tender process, and were set too high. This has been updated for 2022/23.

1.1.8 Finance

- 1.1.8.1 Housing benefits presented an adverse net variance of £537k, driven by a reduction in the subsidy on benefit overpayments.
- 1.1.8.2 Increased payment processing charges as more people are paying online. The pandemic has increased the speed at which the transition to online payments has taken place.
- 1.1.8.3 There has been a reduced recharge to the Housing Revenue Account this year from the General Fund for support services provided. Support services are currently driven as a proportion of costs incurred by services.

1.2 Housing Revenue Account

- 1.2.1 The Latest Budget for the HRA allocated £2.797m to be appropriated to the HRA Capital Investment Reserve. The actual outturn for 2021/22 resulted in £3.893m being transferred, an increase of £1.096m. This is summarised in Appendix B.
- 1.2.2 Staffing resources across the Housing Revenue Account have seen similar issues to those impacting the Assets teams. Sickness and recruitment challenges have been present and are likely to continue going forwards in the immediate future.
- 1.2.3 Delays to repairs and maintenance work due to issues with access and contractor availability as a result of COVID-19 have resulted in an underspend in year of £733k. Major and cyclical repairs have both been affected by these issues. It is expected that access will improve in 2022/23 and enable contractors to complete the works necessary to maintain the housing stock.
- 1.2.4 There has been a favourable variation in the bad debts provision. Arrears over the pandemic have been lower than expected, in part due to the support provided by central Government. Therefore the bad debt provision has not required increased resourcing. Given the current cost of living issues facing society, the provision will be monitored going into and through 2022/23.

1.3 Capital

- 1.3.1 Capital Expenditure showed a favourable variance against the latest budget of £27.6m. This is comprised of the Housing Investment Programme and Other Services. The table below summarises Budget and Expenditure by Fund. A comprehensive breakdown of the variations and their drivers, and the level of budget to either be returned to reserves or slipped to 2022/23, being provided in Appendix D.

	Latest 2021/22 £'000	Actual 2021/22 £'000	Variance 2021/22 £'000
Housing Investment Programme	58,114	35,481	-22,633
Other Services	18,061	13,094	-4,967
Total Capital	76,175	48,575	-27,600

- 1.3.2 The key drivers of the variations are:

- Slippage at housing development schemes in part still impacted by the effects of COVID-19, including the Triangle at Europa Way, Cublington Waverly Riding School and Oakley Grove Phase 2.
- Covid-19 access to existing housing stock has delayed contractors in being able to get into properties, impacting on the fitting of kitchens, bathrooms, aids and adaptations and electrical fitments.
- Delays to the commencement of development at both Kenilworth leisure centre sites, which was originally due to commence in January 2022, due to the discharging of planning conditions and the volatility of the current construction market.

- 1.3.3 Appendix D provides a comprehensive breakdown of the variations and their drivers, and the level of budget to either be returned to reserves or slipped to

2022/23.

1.4 General Fund and HRA balances

- 1.4.1 In November 2016 (Budget Review Report) Members approved that any surplus or deficit on the General Fund balance was to be appropriated to or from the General Fund Balance. Under this agreed delegation, £0.045m. has been allocated.
- 1.4.2 Similarly, it was agreed for the Housing Revenue Account, that the balance be automatically appropriated to/from the HRA Capital Investment Reserve. £1.096m has been transferred in 2021/22.

1.5 Earmarked Reserves

- 1.5.1 As part of the Final Accounts process, requests have been approved under delegated authority by the Head of Finance for Revenue Earmarked Reserves. These are for previously agreed projects where it had not been possible to complete as budgeted within 2021/22 and will therefore need to carry forward budget to 2022/23.
- 1.5.2 These totalled £2.347m for the General Fund and £0.469m for the HRA, and are outlined in detail in Appendix C. Requests are considered against budget outturn within the specific projects and services, with requests approved only where there is sufficient budget available.
- 1.5.3 Members will note these are considerable sums. Key Earmarked approvals for the General Fund include set up budget relating to the new waste contract, The Commonwealth Games, delays to Planned Preventative Maintenance (PPM) and Climate action funded works. For the HRA the main approval is for delayed major repairs relating to the Housing Investment Programme (HIP), and consultancy budget to support ongoing housing development projects.
- 1.5.4 It is recommended that the Executive note the position on Revenue slippage. As in previous years, expenditure against these Budgets will be regularly monitored and reported to the Executive as part of the Budget Review Process.

2 Alternative Options available to (name of Committee/Cabinet etc.)

- 2.1 The report is a statement of fact. However, how the outcomes might be treated can be dealt with in a variety of ways, mainly the alternatives are to not allow any, or only allow some of the earmarked reserve requests to be approved.

3 Consultation and Member's comments

- 3.1 The Finance Portfolio holder notes the significant size of Earmarked Reserve requests and advises that these continue to be monitored in light of the current deficit presented in the Financial Strategy. These will be reported on again in the Q2 Budget report in December.

4 Implications of the proposal

4.1 Legal/Human Rights Implications

- 4.1.1 The proposals are in line with current legislation where applicable.

4.2 Financial

- 4.2.1 The Final Accounts for 2021/22 represent a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.
- 4.2.2 The variances coming out of the 2021/22 Final Accounts will continue to be reviewed with the relevant Budget Managers to understand their causes, and any implications for future budgets and to tighten monitoring for the future.

4.3 Council Plan

- 4.3.1 In respect of Warwick District Council's Business Plan this proposal will have the following relevance and impact as set out below.

External:

- 4.3.2 People - Health, Homes, Communities
- 4.3.3 Services - Green, Clean, Safe
- 4.3.4 Money - Infrastructure, Enterprise, Employment

Internal:

- 4.3.5 People – Effective Staff
- 4.3.6 Services – Maintain or Improve Services. The Council's Budget seeks to allocate the Council's financial resources to ensure the Council's services continue to be provided in accordance with Council policies and priorities, and resources for projects are similarly prioritised.
- 4.3.7 Money - Firm Financial Footing over the Longer Term. The Council's Medium Term Financial Strategy seeks to allocate the Council's financial resources to ensure the Council's services continue to be provided in accordance with Council policies and priorities, and resources for projects are similarly prioritised.

4.4 Environmental/Climate Change Implications

- 4.4.1 WDC has a budget of £500,000 per annum for Climate Change. The use of this budget will be outlined within the outturn position.

4.5 Analysis of the effects on Equality

- 4.5.1 Not relevant.

4.6 Data Protection

- 4.6.1 Not relevant.

4.7 Health and Wellbeing

- 4.7.1 Not relevant.

5 Risk Assessment

- 5.1 The draft accounts were published on our website on 5th September. This is after the statutory deadline of 1st August, with a delay notice being uploaded in its place as per legislation. These will then be available for public inspection, while also subject to a review by External Audit. The main risk is that External

Audit identifies significant material errors that require amendment.

- 5.2** Were significant material errors to be identified, there is a risk that having to make these amendments could delay the completion of the audit, and therefore the ability for the Statement of Accounts to be signed off at the Audit and Standards Committee on 21st November. The statutory deadline for statement sign-off, audit completion and the publication of the Statement of Accounts for 2021/22 is 30th November, so we would have little scope to achieve the necessary sign offs in time if we missed this date.
- 5.3** The risks have been assessed and mitigated through continual reviews of the Statement of Accounts processes annually since 2018/19, when a number of new working practices and procedures to improve the efficiency and accuracy of the Final Accounts process were introduced. These changes have been continually improved upon annually.

6 Conclusion/Reasons for the Recommendation

- 6.1** The report and supporting appendices will enable the Council to ensure members and other stakeholders continue to be informed on the most up to date financial position of the Council. It will enable decisions to be made based upon these positions to ensure that the Council can continue to operate within a balanced budget.

Background papers:

General Fund 2022/23 Budgets and Council Tax (Cabinet 10 February 2022 – Item 6)

Supporting documents:

Appendix A – GF Summary 2021/22

Appendix B – HRA Summary 2021/22

Appendix C – Earmarked Reserve Requests Summary 2021/22

Appendix D – Capital Variations 2021/22

Report Information Sheet

Please complete and submit to Democratic Services with draft report

Committee/Date	Cabinet – 10 August 2022	
Title of report	Quarter 1 Budget Report 2022-23	
Consultations undertaken		
Consultee *required	Date	Details of consultation /comments received
Ward Member(s)		
Portfolio Holder WDC		Councillor Hales
Financial Services *		Steven Leathley
Legal Services *		
Other Services		
Chief Executive(s)		Chris Elliot
Head of Service(s)		Andrew Rollins
Section 151 Officer		Andrew Rollins
Monitoring Officer		Andrew Jones
CMT (WDC)		
Leadership Co-ordination Group (WDC)		
Other organisations		
Final decision by this Committee or rec to another Ctte/Council?		Recommendation to :Cabinet / Council F&A Committee
Contrary to Policy/Budget framework		No
Does this report contain exempt info/Confidential? If so, which paragraph(s)?		No
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?		No
Accessibility Checked?		Yes