

NORTH DEVON COUNCIL

REPORT TO: **STRATEGY AND RESOURCES**
Date: 1st February 2021
TOPIC: **PERFORMANCE and FINANCIAL MANAGEMENT**
QUARTER 3 of 2020/21
REPORT BY: **HEAD OF RESOURCES**

1 INTRODUCTION

- 1.1 This is one of the series of regular quarterly reports on the council's overall operational and financial performance. The report covers financial as well as operational performance. It mainly covers the quarter from October to December 2020.
- 1.2 Section 4 deals with headline financial performance. More detailed performance information is available in Appendix E.

2 RECOMMENDATIONS

- 2.1 That the actions being taken to ensure that performance is at the desired level be noted.
- 2.2 That the contributions to/from earmarked reserves be approved (section 4.2)
- 2.3 That the movements on the Strategic Contingency Reserve (section 4.3) be noted.
- 2.4 That council approve the variations to the Capital Programme 2020/21 to 2022/23 (sections 4.4.3 to section 4.4.4)
- 2.5 That funds are released for the capital schemes listed in section 4.4.12
- 2.6 That Strategy and Resources notes the sections dealing with Treasury Management (section 4.5), and Debt Management (sections 4.6 and 4.7).

3 REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that appropriate action is taken to allow the council to meet its objectives.
- 3.2 To inform members of actual results compared to the approved Corporate Plan, as well as progress in delivering service within the revenue budget and Capital Programme.

4 PRIORITY – RESOURCES

4.1 Revenue

- 4.1.1 The revenue budget for 2020/21 was approved at Council on 26th February 2020 at £13,380,000.
- 4.1.2 As at 31st December 2020, the latest forecast net expenditure is £13,352,000, which produces a forecast **budget surplus of £28,000**. (Quarter 2 was a forecast budget deficit of £136,000). This £164,000 movement to a surplus combines various surpluses and deficits across the revenue budget, these details are shown in Appendix A – Variations in the Revenue Budget.
- 4.1.3 The original budget for 2020/21 included a forecast to achieve £200,000 worth of salary vacancy savings. The current position forecasts we will achieve £388,000.
- 4.1.4 There is much pressure on the 2020/21 budget due to the Covid-19 pandemic and the Council's income streams have been greatly affected in the first three quarters of 2020/21 and expected to continue through the financial year. Also, additional costs have been incurred by the council in provision of temporary accommodation, additional agency staff for waste and recycling and in supporting the local community.
- 4.1.5 Central government have announced and paid local authorities 4 tranches of support funding totalling £1,575,000 for North Devon. We have also claimed £160,000 in respect of the job retention scheme and received £268,000 New Burdens grant for SBG and RHLG. Central government have announced they will help support local authorities for lost income by paying 75% of any lost income after Councils incur the first 5% variance. The expected lost income and additional costs have been factored into the above figures in Appendix A along with the anticipated government support.
- 4.1.6 The figures shown in Appendix A include a projection for the rest of 20/21 based on the current environment and the continuing COVID-19 impact on our income streams and expenditure.
- 4.1.7 It is anticipated that there will be a reduction in both Council Tax and Business Rates income during 2020/21. However, no reduction for income is being reported for 2020/21 year as the financial effect of any deficit on the Collection Fund income will not have an impact on NDC finances until the following three years.
- 4.1.8 At the 31st December 2020 total external borrowing was £500,000. The timing of any future borrowing is dependent on how the authority manages its treasury activity and due to current low interest rates and reduced returns on investments it is prudent for the Council to 'internally borrow' and use these monies to fund the Capital Programme.
- 4.1.9 The recommended level of general fund balance is 5%-10% of the council's net revenue budget (£669,000 to £1,338,000). The forecast general fund reserve at 31 March 2021 is £1,161,000, which is a level of 8.7%.

4.2 Earmarked Reserves 2020/21

4.2.1 “Appendix B – Movement in reserves and balances” details the movements to and from earmarked reserves in 2020/21.

4.3 Strategic Contingency Reserve

4.3.1 Full details of the Strategic Contingency Reserve movements and commitments are attached as “Appendix C – Strategic Contingency Reserve”.

4.4 Capital

4.4.1 The 2020/21 to 2022/23 Capital Programme is attached as “Appendix D – Capital Programme”.

4.4.2 The Budget and Financial Framework report to Full Council 26th February 2020 outlined the Capital Programme for the 2020/21 financial year of £12,622,028. Project under spends of £2,673,332 were brought forward from 2019/20 year and further variations of (£4,883,332) were approved as part of the performance and financial management report to Strategy and Resources to produce a revised 2020/21 Capital Programme of £10,412,028.

4.4.3 Further variations of (£3,301,516) are proposed to the 2020/21 Capital Programme as follows:

▪ **Other variations (+ and -) to 2020/21 Capital Programme – £174,382**

Scheme	Amount (£)	Notes
S106 – Chulmleigh – Improvements to the Pavilion at the Cricket ground	4,949	Strategy and Resources Committee 13 th November 20
S106 – North Molton Parish Council – Enhancement of Laurels Play Area	12,995	Strategy and Resources Committee 13 th November 20
S106 Instow – Cricket club £2,000, Yacht club £3,550 and Instow parish hall £5,226 improvements	10,776	Strategy and Resources Committee 13 th November 20
S106 Fremington – Enhancement of footpath at Griggs Field	6,213	Strategy and Resources Committee 13 th November 20
S106 Tawstock – Tower View Playing Field	7,587	Strategy and Resources Committee 7 th December 20
Disabled Facility Grants	131,862	Additional Grant Allocation

▪ **Project movements (to)/from future years – (£3,475,898)**

Scheme	Amount (£)	Notes
Ilfracombe Water Sports Centre	(198,682)	Move from 20/21 to 21/22
Affordable Housing Fund	(90,000)	Move from 20/21 to 21/22
S106 Affordable Housing Fund	(45,000)	Move from 20/21 to 21/22
Provision of temporary Accommodation	(260,000)	Move from 20/21 to 21/22
Queens Theatre Flat roof	(130,000)	Move from 20/21 to 21/22
Leisure Provision at Seven Brethren	(750,000)	Move from 20/21 to 21/22
Resurfacing of Various Car Parks	20,000	Move from 21/22 to 20/21
Ilfracombe Harbour Kiosks	(45,000)	Move from 20/21 to 21/22
Office Technology Fund	(100,839)	Move from 20/21 to 21/22
ICT Skype	(84,395)	Move from 20/21 to 21/22
Land Release Fund	(500,000)	Move from 20/21 to 21/22
Eco Warm-up grants	(544,000)	Move from 20/21 to 21/22
Disabled Facility Grants	(375,000)	Move from 20/21 to 21/22

Scheme	Amount (£)	Notes
Maintenance Public House and 16 Castle Street	(90,000)	Move from 20/21 to 21/22
Pannier Market re-roofing	(53,232)	Move from 20/21 to 21/22
Acquisition of Land of Frankmarsh	(89,000)	Move from 20/21 to 21/22
Planned Maintenance of Seven Brethren	(109,250)	Move from 20/21 to 21/22
Digital transformation, Asset and Financial Management System	(40,000)	Move from 20/21 to 21/22
Barnstaple Bus Station	5,000	Move from 21/22 to 20/21
Works Unit Vehicles	3,500	Move from 22/23 to 20/21

4.4.4 Further variations of £1,872,135 are proposed to the 2021/22 Capital Programme as follows:

- Other variations (+ and -) to 2021/22 Capital Programme £1,515,535

Scheme	Amount (£)	Notes
Ilfracombe Water Sports Centre	1,515,535	Additional external grant

- Project movements (to)/from future years £356,600

Scheme	Amount (£)	Notes
Marine Drive Car Park resurfacing – Ilfracombe	(65,000)	Move from 21/22 to 22/23
Works Unit Vehicles	421,600	Move from 22/23 to 21/22

4.4.5 The revised Capital Programme for 2020/21 taking into account the budget variations above is £7,110,512.

4.4.6 Actual spend on the 2020/21 Capital Programme, as at 31st December 2020 is £3,670,294.

4.4.7 The overall Capital Programme for 2020/21 to 2022/23 is £31,419,916 and is broken down as follows:

- 2020/21 £7,110,512

- 2021/22 £22,384,916
- 2021/22 £1,924,488

4.4.8 The Programme of £31,419,916 is funded by Capital Receipts (£14,844,331), External Grants and Contributions (£13,887,256) and Reserves (£2,688,329).

4.4.9 The timing and realisation of capital receipts can be impacted by events beyond the control of the Council and we have been able to manage cash flows for projects through internal borrowing.

4.4.10 We also have authority to borrow from the Public Works Loan Board (PWLB) as outlined in the Treasury Management Annual Investment Strategy and the Council currently has external borrowing of £500,000.

4.4.11 Release of Funds

4.4.12 Once funds have been included in the Capital Programme the Constitution requires a separate decision to release those funds. Accordingly the schemes below need the funds to be released so that spending can start within the following three months:

- | | |
|--|------------|
| • Additional Disabled Facility Grant funding | £131,862 |
| • Ilfracombe Water Sports Centre | £1,515,535 |

4.5 Treasury Management

4.5.1 Bank Rate remained at 0.10% during the quarter.

4.5.2 The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 31st December 2020, was -0.06% (previous year 0.57%).

4.5.3 The return earned on the Council's investments was 0.19% (previous year 0.72%).

4.5.4 £47,538 investment interest was earned during the three quarter period.
(2020/21 interest receivable budget is £50,000)

4.5.5 As at 31st December 2020, the Council had total external borrowing of £500,000.

4.5.6 £7,142 interest was paid at an average rate of 1.59% on the PWLB loans during the three quarter period. (2020/21 interest payable budget is £74,000)

4.6 Debt Management

4.6.1 The three major areas of credit income are Council Tax, Business Rates and General Debtors.

4.6.2 As billing authority, the Council annually raises the bills for Council Tax (£69,000,000) and Business Rates (£32,000,000).

4.6.3 Collection rates are controlled through monitoring:

- the level of write offs
- levels of previous years' outstanding debt

- the level of income collection in the year against the annual sums due to be collected.

4.6.4 The council's budget is based on the assumption that eventually 97.5% of sums due will be collected. To ensure this level is achieved, year on year levels of write offs approved are controlled against a ceiling of 2.5% of annual debt.

4.6.5 The outstanding amounts at 31st December 2020 are as set out below:

Age in Years	Council Tax		Business Rates	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
1 – 2	1,054	1,409	88	579
2 – 3	607	728	58	217
3 – 4	352	446	27	82
4 – 5	226	269	16	44
5 – 6	136	185	28	22
Over 6	192	264	39	68

4.6.6 Irrecoverable debts from previous years not exceeding £1,500 can be written off with the authorisation of the Chief Financial Officer. Decisions on whether to write off debts over £1,500 rest with the Chief Financial Officer, in consultation with the Leader of the Council. As at 31st December 2020 the amount of accounts written off was as follows:

Less than £1,500			More than £1,500	
No. of accounts	Amount		No. of accounts	Amount
457	£26,689.73	Council Tax	37	£45,091.18*
41	£1,270.19	Business Rates	17	£76,799.06**
92	£20,994.45	Housing Benefits	6	£13,946.94

* £42,020.08 due to bankruptcy (see section 4.6.8)

** £23,713.06 due to bankruptcy and company insolvency (see section 4.6.8)

4.6.7 The monitoring of in year collection is carried out against national performance indicators targets of sums collected in year as a percentage of the Net Sums Due for that year.

4.6.8 The majority of the write offs are individual bankruptcy and company insolvency and in a number of cases include liabilities for previous years. In these cases we are unable to recover the debt. However, if at a later date a dividend is paid, the money is allocated to the account and the relevant amount written back on.

4.6.9 The other main reason for write offs is where the person has gone away (no trace). However, write offs are reviewed and where we find the persons contact address the write off is reversed and recovery action continues.

4.6.10 The levels of collection are:

	Achieved 2019/20	Achieved 2020/21
Council tax	82.33%	81.41%
Business rates	81.30%	81.68%

4.6.11 The Authority has received funding from major preceptors to help support the billing and collection of Council Tax and Business Rates which we hope will see an increase in the above collection levels.

4.7 General Debtors

4.7.1 The level of general invoices raised was £4,790,000 at 31st December 2020 (previous year £8,350,000).

4.7.2 A summary of outstanding debt, by age, is set out below with comparison to the previous year.

Age of debt	31 Dec 2019	31 Dec 2020
	£'000	£'000
3 weeks to 6 months	1,587	334
6 months to 1 year	216	167
1 to 2 years	204	364
2 to 6 years	294	422
Over 6 years	30	66
TOTAL	2,331	1,353

4.7.3 In accordance with the Constitution, irrecoverable debts not exceeding £1,500 can be written off with the authorisation of the Head of Financial Services. The Chief Financial Officer, in consultation with the Leader of the Council, must authorise write off of debts over £1,500.

4.7.4 As at 31st December 2020, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
28	£16,479	0	£0

5 EQUALITIES ASSESSMENT

5.1 There are no equality implications anticipated as a result of this report

6 Constitutional context

Article and paragraph	Appendix and paragraph	Referred or delegated power?	A key decision?	In the Forward Plan?
7.12	13, para 4.7	Delegated power	No	No

7 Statement of Internal Advice

7.1 The authors (below) confirm that advice has been taken from all appropriate Councillors and officers.

8 Background Papers

None

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