

North Devon Council

Report to:	Strategy and Resources
Date:	5th July 2021
Topic:	Performance and Financial Management Quarter 4 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 January to March 2021 but also looks at the whole year.
- 1.2 Section 4 deals with headline performance issues. More detailed performance information is available in Appendix F.

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 2021/22 to 2024/25 in section 4.4.88
- 2.5 That funds are released for the capital schemes listed in section 4.4.14
- 2.6 That the sections dealing with Treasury Management (section 4.5), and Debt Management (sections 4.6 and 4.7) be noted.

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 and as at 31 December 2020, the Council was reporting a net surplus of £28,000 against the budget.
- 4.1.2 As at **31 March 2021** it is pleasing to report that the final out turn position is a budget surplus of £593,000, which is an overall movement of £565,000 from the last forecast at quarter 3. The breakdown showing the movements 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, this was exceeded by £189,000 giving an overall actual saving of £389,000.
- 4.1.4 Throughout 2020/21 Central government 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 £251,000 New Burdens grant for SBG and RHLG. Central government also supported local authorities for lost income by paying 75% of any lost income after Councils incur the first 5% variance. This lost income and additional costs have been factored into the above figures in Appendix A along with the anticipated government support.
- 4.1.5 The movement from Q3 of £565,000 can be attributed to:
- £307,000 Additional income from Planning, Building Control and rental income, in particular Butchers Row.
 - £82,000 additional COVID support grant for EH&H and Corporate and Community, where no additional support was bought in and extra duties were covered by existing resources.
 - £123,000 EH&H housing underspend, from less Temporary Accommodation cost and savings on general supplies and services.
 - £53,000 Other smaller savings from various Heads of service
- 4.1.6 The Business Rate Retention scheme was introduced in April 2013 which sees Billing authorities receive a 'baseline' funding but in addition they are exposed to the risks and rewards of retaining a proportion of the income collected. This exposure is mitigated by participation in the Devon-wide pool that collates all of the Business Rate growth and decline and returns a share of the impact to each local authority.
- 4.1.7 As at 31st March 2021 the Collection Fund reserve balance is £9,810,252. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensures the revenue budget is not unduly affected in the year the taxes are collected. Collection Fund deficits/surpluses are reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses are recovered/distributed in the following financial years. This reserve includes an £8,660,000 balance that will be utilised in 2021/22 and 2022/23 to mitigate timing differences of business rate reliefs awarded in 2020/21 that from an accounting perspective impact over the next two financial year; thus leaving the fund reserve with a

residue balance of £1,150,000 protection against future volatility. This is an increase of £417,000 on the previous year end reserve balance.

4.1.8 From the revenue budget surplus of £593,000, it is proposed to set aside this amount into the following earmarked reserves as follows:-

- (£375,000) COVID budget management reserve – There is government funding for Q1 built into the base budget, this will give us extra protection of Q2 and the rest of the financial year.
- (£118,000) – Economic Development reserve – This will bolster capacity for future building and regeneration projects.
- (£50,000) General fund reserve – This still leaves us in the recommended range of 5 - 10%, but gives us a little more protection due to the volatile climate we are currently experiencing.
- (£50,000) Environmental Initiatives reserve – To fund climate action group projects (revenue costs)

4.1.9 At the 31st March 2021 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.

4.1.10 The recommended level of general fund balance is 5%-10% of the council's net revenue budget £669,000 to £1,338,000. The actual general fund reserve at 31 March 2021 is £1,211,000, which is a level of 9.1%.

4.2 Earmarked Reserves 2020/21

4.2.1 Appendix B – Movement in Reserves & 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 Capital Programme is attached as Appendix D – Capital Programme 2020/21.

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 (£8,184,848) were approved as part of the performance and financial

management reports to Strategy and Resources to produce a revised 2020/21 Capital Programme of £7,110,512.

- 4.4.3 Actual spend on the Capital Programme for 2020/21 financial year was £6,170,533. The variance against the budget of £7,110,512 is (£939,979); the majority of which will be carried forward into the 2021/22 Capital Programme to fund on-going projects.
- 4.4.4 In order to pay for the £6,170,533 capital investment the Council funded this from £5,115,391 received from external sources in the form of grants and other assistance, £513,794 of internal resources held specifically for capital projects, £156,623 from capital receipts and £384,725 from internal borrowing.
- 4.4.5 The 2021/22 to 2024/25 Capital Programme is attached as Appendix E – Capital Programme 2021/22 to 2024/25.
- 4.4.6 The Budget and Financial Framework report to Strategy and Resources 1st February 2021, outlined the Capital Programme for the 2020/21 financial year of £7,110,512; 2021/22 financial year of £22,419,916 and 2022/23 financial year of £1,924,488.
- 4.4.7 Project under spends of £917,121 from 2020/21 year are brought forward to produce a revised Capital Programme for 2021/22 year of £23,337,037; 2022/23 financial year of £1,924,488.
- 4.4.8 Further variations of £11,357,807 are proposed to the 2021/22 to 2024/25 Capital Programme as follows:

Scheme	Amount (£)	Notes
Future High Street Fund	965,280	21/22 variation - Full Council 17 th Feb '21
Future High Street Fund	3,010,296	22/23 variation - Full Council 17 th Feb '21
Future High Street Fund	2,573,300	23/24 variation - Full Council 17 th Feb '21
Future High Street Fund	4,395,124	24/25 variation - Full Council 17 th Feb '21
Ilfracombe Water Sports Centre	300,000	21/22 variation – Full Council 24 th Feb '21
Leisure Provision Seven Brethren Bank	51,715	21/22 variation – Self-deploying steps, fully funded by Sport England
S106 Oxford Park Play Area, Ilfracombe – Additional Play Equipment	6,600	Strategy and Resources Committee – 1 st Feb '21
S106 Grant to Braunton Parish Council towards the Enhancement of Chaloners Road Play Area	26,993	Strategy and Resources Committee – 17 th May '21

S106 Grant to Braunton Cricket Club towards the provision of an artificial grass training facility and nets

28,499 Strategy and Resources Committee
– 17th may '21

4.4.9 The revised Capital Programme for 2021/22 to 2024/25 taking into account the budget variations above is £36,619,332 and is broken down as follows:

- 2021/22 £24,716,124
- 2022/23 £4,934,784
- 2023/24 £2,573,300
- 2024/25 £4,395,124

4.4.10 The Programme of £36,619,332 is funded by Capital Receipts / Borrowing (£18,866,483), External Grants and Contributions (£15,511,561) and Reserves (£2,241,288).

4.4.11 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.

4.4.12 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.

4.4.13 Release of Funds – 2021/22 Capital Programme

4.4.14 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:

- Future High Street Fund £10,944,000
- Ilfracombe Water Sports Centre £300,000
- Leisure Provision Seven Brethren Bank £51,715

4.5 Treasury Management

4.5.1 The 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 March 2021, was -0.07% (previous year 0.53%).

4.5.3 The return earned on the Council's investments was 0.16% (previous year 0.71%).

4.5.4 £52,650 investment interest was earned during the financial year. (2020/21 interest receivable budget was £50,000)

4.5.5 As at 31st March 2021, the Council had total external borrowing of £500,000.

4.5.6 £8,905 interest was paid at an average rate of 1.56% on the PWLB loans during the financial year. (2020/21 interest payable budget was £74,000)

4.6 Debt Management

4.6.1 The major areas of credit income are Council Tax, Business Rates, Housing Benefit Overpayment Recoveries 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 March 2021 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	911	1,409	253	579
2 – 3	544	728	80	217
3 – 4	323	446	55	82
4 – 5	209	269	26	44
5 – 6	125	185	15	22
Over 6	181	264	63	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 31 March 2021 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

698	£25,038.30	Council Tax	49	£53,736.22*
59	£1,270.19	Business Rates	71	£76,799.06**
117	£23,647.72	Housing Benefits	6	£13,846.94

* £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	96.80%	95.98%
Business rates	97.07%	92.82%

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 £6,420,000 at 31st March 2021 (previous year £9,280,000).

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

Age of debt	31 Mar 2020	31 Mar 2021
	£'000	£'000
3 weeks to 6 months	697	398
6 months to 1 year	163	99
1 to 2 years	245	387
2 to 6 years	294	391
Over 6 years	43	111
TOTAL	1,442	1,386

4.7.3 The aged debt over 6 years increased by £69,000 in relation to Aylesford Newsprint. Our debt remains lodged with the Administrators pending the sale of the site.

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

4.7.5 As at 31st March 2021, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
81	£48,528	3	£5,684

5 Equality 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

Author: Tony Rumble, Accountancy Manager

Date: 17th June 2021

Ref: I:\Projects\Single Report\2020-21 Q4\Q4 Perf & FM 20-21.doc

