

## **NORTH DEVON COUNCIL**

**COUNCIL: 21 JULY 2021**

### **PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 4 OF 2020/21**

#### **REPORT OF THE POLICY DEVELOPMENT COMMITTEE HELD ON 15 JULY 2021**

##### **Minute 15: PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 4 OF 2020/21**

The Committee considered a report by the Head of Resources to the Strategy and Resources Committee of 5th July together with minute extract (circulated previously) regarding Performance and Financial Management Quarter 4 2020/21.

The Head of Resources provided an update to the Committee in relation to the financial pressures from the previous report.

The Accountancy Services Manager outlined the report and drew the Committee's attention to the following points:

- 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.
- As at 31 March 2021 it was pleasing to report that the final out turn position was a budget surplus of £593,000, which was an overall movement of £565,000 from the last forecast at quarter 3. The breakdown showing the movements were shown in Appendix A – Variations in the Revenue Budget.
- 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.

The movement from Q3 of £565,000 could 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.

Throughout 2020/21 Central government announced and paid local authorities 4 tranches of support funding totalling £1,575,000 for North Devon. The Council had 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 had been factored into the figures in Appendix A of the report together with the anticipated government support.

As at 31st March 2021 the Collection Fund reserve balance was £9,810,252. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensured the revenue budget was not unduly affected in the year the taxes were collected. Collection Fund deficits/surpluses were reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses were recovered/distributed in the following financial years. This reserve included an £8,660,000 balance that would 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 was an increase of £417,000 on the previous year end reserve balance.

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

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

He outlined the figures for the earmarked reserves for 2020/21 together with strategic contingency reserve, which were detailed in appendices B and C of the report.

Actual spend on the Capital Programme for 2020/21 financial year was £6,170,533. The variance against the budget of £7,110,512 was (£939,979); the majority of which would be carried forward into the 2021/22 Capital Programme to fund on-going projects.

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.

The 2021/22 to 2024/25 Capital Programme was attached as Appendix E – Capital Programme 2021/22 to 2024/25.

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.

Project under spends of £917,121 from 2020/21 year were brought forward to produce a revised Capital Programme for 2021/22 year of £23,337,037; 2022/23 financial year of £1,924,488.

Further variations of £11,357,807 were proposed to the 2021/22 to 2024/25 Capital Programme.

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

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

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

In response to a number of questions, the Head of Resources and the Accountancy Services Manager advised the following:

- The COVID budget management reserve provided the Council with some additional protection for the 2021/22 year with the forecast continued reduction in fees income. The money was placed back into the reserves to enable the surplus from the previous year to be utilised in 2021/22 if required.
- With the Furlough scheme scheduled to end this year, there will be an additional pressure on the customers' ability to pay and the Council was predicting a reduction in collection rates of council tax and business rates upon the budget.
- The current plan was to maintain the general fund reserve at the current level of £1.2m (9%) on the upper end.
- Pay and display income from the car parks had reduced by £1.2m at quarter 3 but was actually down by almost £1.5m at year end.
- The estimated 75% government reimbursement for lost income was a credit to the Council of £1.4m.
- Car park income had recovered in June 2021 although other income sources were slightly down but not to the level seen in 2020.
- The Council had balanced the budget through government funding and had not taken out any loans to cover budget shortfalls. The tourism industry was expected to bring additional income into the North Devon area.

RESOLVED that the decisions and recommendations of the Strategy and Resources Committee be endorsed.

The Chair expressed his thanks and appreciation to the Finance team for their continued hard work.