



North Devon Council

Report Date: Strategy and Resources Committee: 6th Sept 2021

Topic: Performance and Financial Management Quarter 1 of 2021/22

Report by: Director of Resources and Deputy Chief Executive

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 April to June 2021, but also looks at the whole year.
- 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 movement on the Strategic Contingency Reserve (section 4.3) be noted.
- 2.4. The Council approve the variations to the Capital Programme 2021/22 to 2024/25 (sections 4.4.3)
- 2.5. That funds are released for the capital schemes listed in section 4.4.10
- 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 approved Corporate Plan, as well as progress in delivering services within the revenue budget and Capital Programme.

4. Financial Performance

4.1. Revenue

- 4.1.1. The revenue budget for 2021/22 was approved at Council on 24th February 2021 at £13,639,000.
- 4.1.2. As at 30th June 2021, the latest forecast net budget is £13,630,000, which produces a forecast budget surplus of £9,000. Details are shown in "Appendix A – Variations in the Revenue Budget"

- 4.1.3. The original budget for 2021/22 included a forecast to achieve £225,000 worth of salary vacancy savings. The current position forecasts we will exceed this by £53,000.
- 4.1.4. There is still pressure on the 2021/22 budget due to the Covid-19 pandemic with continued additional costs being incurred and forecast decline in core income sources.
- 4.1.5. Included within the approved budget we factored in a government grant in relation to Covid-19 pressures of £536,710 and also budgeted for £375,000 of additional costs and reduced income, these are already incorporated into Appendix A along with the latest forecast for each service area.
- 4.1.6. The above grant of £536,710 was approved and received and we are also anticipating £80,000 re-imburement for Q1 loss of Sales, Fees and charges, from the continued Government 75% income reimbursement scheme, this is an estimate as the scheme was extended to include the period April to June 2021 only.
- 4.1.7. At the end of 2020/21 NDC placed £375,000 into a Covid Budget management reserve to help mitigate any further adverse variances due to the pandemic in 2021/22, this future protection is still available if required.
- 4.1.8. 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.
- 4.1.9. At the 30th June 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 £681,950 to £1,363,900. The actual general fund reserve at 31 March 2021 is £1,211,000, which is a level of 8.9%.

4.2. Earmarked Reserves 2021/22

4.2.1. "Appendix B – Movement in reserves and Balances" details the movements to and from earmarked reserves in 2021/22

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 2021/22 Capital Programme is attached as "Appendix D – Capital Programme 2021/22"

4.4.2. The Budget and Financial Framework report to Full Council 24th Feb 2021 outlined the Capital Programme for the 2021/22 financial year of £22,419,916. Project underspend of £917,121 were bought forward from 2020/21 year and further variations of £1,379,087 were approved as part of the performance and financial management report to Strategy and Resources Committee, to produce a revised 2021/22 Capital Programme of £24,716,124.

4.4.3. Overall variations of £99,978 are proposed to the 2021/22 Capital Programme as follows:

- Other variations (+ and -) to 2021/22 Capital Programme £516,355

Scheme	Amount (£)	Notes
Disabled Facility Grants	531,570	Increased allocation from Better Care Fund
Online Consultation Software system	(14,700)	Changed to Revenue software costs through a Microsoft application
Underspend on S106 grant to Chulmleigh Parish Council	(515)	Underspend on allocated grant amount

- Budget virement (transfer) between projects 2021/22

Scheme	Amount (£)	Notes
Resurfacing of various car parks	(34,875)	Virement to Jubilee Garden Sea wall project
Jubilee Garden Sea Wall	34,875	Virement from Resurfacing of various car parks

- Project movements (to)/from future years (£416,377)

Scheme	Amount (£)	Notes
Barnstaple Bus Station refurbishment	(46,394)	Slipped to 22/23
Pannier Market re-roofing works	(369,983)	Slipped to 22/23

- Full Council on 14th June approved a project within “Part B” of the meeting in relation to the “Purchase of Strategic asset” – due to the confidential nature and ongoing negotiations it is just noted for this report and not included in the detail above; the detail will be included within the next Performance and Financial Management report.
- 4.4.4. The revised Capital Programme for 2021/22 taking into account the budget variations above is £24,816,102. (Excluding “Purchase of Strategic Asset” mentioned above)
- 4.4.5. Actual spend on the 2021/22 Capital Programme as at 30th June 2021 is £2,259,418.
- 4.4.6. The overall Capital Programme for 2021/22 to 2024/25 is £37,135,687 and is broken down as follows:
- 2021/22 £24,816,102
 - 2022/23 £5,351,161
 - 2023/24 £2,573,300
 - 2024/25 £4,395,124
- 4.4.7. The Programme of £37,135,687 is funded by Capital Receipts / Borrowing (£18,866,483), External Grants and Contributions (£16,042,616) and Reserves (£2,226,588).
- 4.4.8. 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.
- 4.4.9. 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.
- 4.4.10. Release of Funds – 2021/22 Capital Programme**
- Jubilee Garden Seawall £34,875

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 30th June 2021, was -0.08% (previous year -0.04%).
- 4.5.3. The return earned on the Council’s investments was 0.05% (previous 0.32%)

4.5.4. £5,002 investment interest was earned during the quarter. (2021/22 interest receivable budget was £35,000)

4.5.5. As at 30th June 2021, the Council had total external borrowing of £500,000

4.5.6. £1,783 interest was paid at an average rate of 1.43% on PWLB loans during the quarter. (2021/22 interest payable budget was £109,000)

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 assumptions that eventually 97% 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 3% of annual debt.

4.6.5. The outstanding amounts at 30th June 2021 are as set out below:

Age in Years	Council Tax		Business Rates	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
1 – 2	1,851	2,253	765	884
2 – 3	852	1,198	219	538
3 – 4	512	649	80	192
4 – 5	305	412	56	74
5 – 6	201	248	27	45
Over 6	295	407	75	91

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 30th June 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
337	£1,738.51	Council Tax	19	£14,693.32*
18	£811.84	Business Rates	0	£28,000.10**
38	£5,238.59	Housing Benefits	2	£3,613.25

- * £542.86 due to bankruptcy (see section 4.6.8)
- ** £3,313.11 due to bankruptcy (see section 4.6.8)

4.6.7. The monitoring of in year collection carried out against national performance indicators targets 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 normally 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 recover action continues.

4.6.10. The levels of collections are:

	Achieved 2020/21	Achieved 2021/22
Council tax	27.47%	28.24%
Business rates	21.07%	20.88%

4.7. General Debtors

4.7.1. The level of general invoices raised was £3,360,000 at 30th June 2021 (previous year £2,130,000)

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

Age of debt	30 June 2020	30 June 2021
	£'000	£'000
3 weeks to 6 months	349	793
6 months to 1 year	294	146
1 to 2 years	316	337
2 to 6 years	301	449
Over 6 years	50	116
TOTAL	1,310	1,841

4.7.3. The aged debt over 6 years includes £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 offs of debts over £1,500.

4.7.5. As at 30th June 2021, the amounts written off were as follows:

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

5. RESOURCE IMPLICATIONS

5.1. All revenue and Capital impacts have been discussed and highlighted in section 4.

6. EQUALITIES ASSESSMENT

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

7. CONSTITUTIONAL CONTEXT

7.1. Part 2, 4.4 and Part 3, Annexe 1 1(e) - Delegated.

8. STATEMENT OF CONFIDENTIALITY

8.1. This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

9. BACKGROUND PAPERS

9.1. None



10. STATEMENT OF INTERNAL ADVICE

- 10.1. The author (below) confirms that advice has been taken from all appropriate Councillors and Officers: Author Tony Rumble, Accountancy Manager; Date 9th August 2021