



North Devon Council

Report Date: Strategy and Resources Committee: 7th February 2022

Topic: Performance and Financial Management Quarter 3 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 October to December 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 31st December 2021, the latest forecast net budget is £13,550,000, which produces a forecast budget surplus of £89,000. 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 £39,000.
- 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 were also anticipating £80,000 re-imbursment for Q1 loss of Sales, Fees and charges, from the continued Government 75% income reimbursement scheme, this has now been revised down to £64,000 and the change incorporated into Appendix A.
- 4.1.7. At the end of 2020/21 the Council 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. An additional provision has been included within the forecast figures shown in Appendix A for the National Pay Award potentially being settled higher than the original 1% budgeted amount. Negotiations are ongoing between the Unisons and the Employers and we will reflect the outcome of these discussions within the next report.
- 4.1.10. At the 31st December 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.

4.1.11. The recommended level of general fund balance is 5%-10% of the council's net revenue budget £681,950 to £1,363,900. The forecast general fund reserve at 31 March 2022 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 £5,692,492 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 £29,029,529.

4.4.3. Overall variations of (£5,223,597) are proposed to the 2021/22 Capital Programme as follows:

- Other variations (+ and -) to 2021/22 Capital Programme £350,003

Scheme	Amount (£)	Notes
S106 Affordable Housing – Higher Westaway	(45,000)	Scheme no longer going ahead
Trade Waste Software	(32,850)	Software no longer required
S106 Grants and schemes – West Down Parish Council Contribution to open space	68,608	New scheme
S106 Public Open Space – Various projects for Barnstaple, Chulmleigh, Newton Tracey and Witheridge	139,635	Strategy and Resources 1 st November 2021
S106 Public Open Space – Various projects for Filleigh, Newton Tracey and Witheridge	219,610	Strategy and Resources 6 th December 2021



- Project movements (to)/from future years (£5,573,600)

Scheme	Amount (£)	Notes
CCTV service	(30,119)	From 2021/22 to 2022/23 – Delivery of project and Equipment
Acquisition of Corporate Property	(250,000)	From 2021/22 to 2022/23 – Moved into the wider Future High Street Project
Provision of Temporary Accommodation	(259,496)	From 2021/22 to 2022/23 – Project on-going with additional accommodation being delivered at Forches Avenue
Woodland at Frankmarch	(89,000)	From 2021/22 to 2022/23 – Forestry Commission funding successful but awaiting funding agreement, start Sept '22
Ilfracombe Harbour Kiosks	(44,900)	From 2021/22 to 2022/23 – Issues with obtaining work force to undertake project, procurement review required
Public House 16 Castle Street	(90,000)	From 2021/22 to 2022/23 – Issues with gaining access
Affordable Housing delivery grant	(5,000)	From 2021/22 to 2022/23 – Awaiting start date from Community Land Trust

Affordable Housing Fund	(90,000)	From 2021/22 to 2022/23 – Awaiting start date from Community Land Trust
Office Technology Fund – End User Assets	(429,122)	From 2021/22 to 2022/23 – Slipped to gain greater understanding of future requirements
ICT Skype for Business	(84,156)	From 2021/22 to 2022/23 – Invoice in dispute regarding service levels
Material Recovery Facility	(760,000)	From 2021/22 to 2022/23 – Project scope has increased to include wider infrastructure changes at BEC
Land Release Fund – Seven Brethren	(1,879,425)	From 2021/22 to 2022/23 – Timing of the wider scheme
ECO Warm up grants	(509,402)	From 2021/22 to 2022/23 – COVID-19 impact on installers
Disabled Facility Grants	(872,000)	From 2021/22 to 2022/23 – Interruptions in material provision and availability of contractors
Purchase of Strategic Asset	(200,000)	From 2021/22 to 2022/23 – Re-profiling of capital works to later years
Pannier Market Flat Roof	19,020	From 2022/23 to 2021/22 – Budget originally slipped due to issues with gaining access

- Other variations to the 22/23 Capital Programme £512,000

Scheme	Amount (£)	Notes
Additional Forestry Commission grant for the Woodland at Frankmarsh	12,000	Additional grant allocation
Self Build Housing Project	500,000	Government grant for self-build housing projects

4.4.4. The revised Capital Programme for 2021/22 taking into account the budget variations above is £23,805,932.

4.4.5. Actual spend on the 2021/22 Capital Programme as at 31st December 2021 is £18,037,576.

4.4.6. The overall Capital Programme for 2021/22 to 2024/25 is £47,013,021 and is broken down as follows:

- 2021/22 £23,805,932
- 2022/23 £15,778,023
- 2023/24 £6,717,192
- 2024/25 £711,874

4.4.7. The Programme of £47,013,021 is funded by Capital Receipts / Borrowing (£28,274,889), External Grants and Contributions (£17,049,046) and Reserves (£1,689,086).

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

- Woodland at Frankmarsh £12,000 (Additional grant)
- Self-build housing project £500,000 (Government grant)

4.5. Treasury management

4.5.1. Bank Rate remained at 0.15% in December 2021, to 0.25%.

4.5.2. The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 31st December 2021, was -0.07%, (previous year - 0.06%).

4.5.3. The return earned on the Council's investments was 0.04% (previous 0.19%)

4.5.4. £13,536 investment interest was earned during the quarter. (2021/22 interest receivable budget was £35,000)

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

4.5.6. £5,387 interest was paid at an average rate of 1.43% on PWLB loans during the three quarter period. (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 31st December 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	1,409	1,421	579	223
2 – 3	728	935	217	332
3 – 4	446	567	82	95

4 – 5	269	371	44	52
5 – 6	185	219	22	40
Over 6	264	156	68	43

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 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
1,583	£174,606.74	Council Tax	215	£195,947.77*
77	£7,312.14	Business Rates	17	£158,667.31**
71	£11,630.01	Housing Benefits	2	£3,613.25

- * £47,158.13 due to bankruptcy (see section 4.6.8)
- ** £12,300.98 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	81.41%	81.98%
Business rates	81.68%	78.62%

4.7. General Debtors

4.7.1. The level of general invoices raised was £6,500,000 at 31st December (previous year £4,800,000)

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

Age of debt	31 Dec 2020	31 Dec 2021
	£'000	£'000
3 weeks to 6 months	334	539
6 months to 1 year	167	254
1 to 2 years	364	231
2 to 6 years	422	494
Over 6 years	66	132
TOTAL	1,353	1,650

4.7.3. All Heads of Service have been tasked to review their outstanding debts and review processes for effective debt recovery.

4.7.4. 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.

4.7.5. 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.

4.7.6. As at 31st December 2021, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
94	£44,688	1	£2,122

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. An Equality Impact Assessment has been completed.

7. ENVIRONMENTAL ASSESSMENT

7.1 There are not any environmental implications anticipated as a result of this report, as the purpose of this report is to monitor in year performance and financial monitoring. Projects within the Capital Programme will have highlighted any specific environmental impacts associated with those individual schemes when they came forwards for initial funding. The budget papers do contain an earmarked reserve for Environmental Initiatives which is a positive impact and has a balance of £48,000.

8. CORPORATE PRIORITIES

8.1 The Revenue budget supports the wider delivery plan of the Council in achieving the corporate priorities.

8.2 Individual schemes within the Capital Programme support the corporate priorities of improving customer focus, regeneration and commercialisation agenda.

8.3 The acquisition of Green Lanes Shopping Centre and the Future High Street Fund capital projects have a positive impact on both the regeneration priority and also the commercialisation agenda.

9. CONSTITUTIONAL CONTEXT

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

10. STATEMENT OF CONFIDENTIALITY

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

11. BACKGROUND PAPERS

11.1. None

12. STATEMENT OF INTERNAL ADVICE

12.1. The author (below) confirms that advice has been taken from all appropriate Councillors and Officers: Author Tony Rumble, Accountancy Manager; Date 25th January 2022.