



## North Devon Council

Report Date: Strategy and Resources Committee: 4<sup>th</sup> July 2022

### Topic: Performance and Financial Management Quarter 4 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 January to March 2022, but also looks at the whole year.
- 1.2. Section 4 deals with headline financial performance. 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 movement on the Strategic Contingency Reserve (section 4.3) be noted.
- 2.4. To RECOMMEND that Full Council approve the variations to the Capital Programme 2022/23 to 2024/25 (sections 4.4.8)
- 2.5. That funds are released for the capital schemes listed in section (4.4.13)
- 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 24<sup>th</sup> February 2021 at £13,639,000.
- 4.1.2. As at **31 March 2022** it is pleasing to report that the final out turn position is a budget surplus of £604,000 which is an overall movement of £515,000 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 2021/22 included a forecast to achieve £225,000 worth of salary vacancy savings. This was exceeded by £99,000 giving an overall actual saving of £324,000.
- 4.1.4. 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.
- 4.1.5. The above grant of £536,710 was approved and received and we were also anticipating £80,000 re-imburement 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.
- 4.1.6. 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.
- 4.1.7. Members approved in June 2021 to proceed with the acquisition of Green Lanes Shopping Centre; which the Council completed the purchase in November 2021. The purchase of Green Lanes Shopping Centre was a once in a lifetime opportunity to acquire this strategic asset and complement other significant regeneration improvements being delivered within the Barnstaple town centre through the Future High Streets project. The financial modelling demonstrated that revenue income generated from the centre would cover both the repayment of the loan and asset management costs and would return a contribution to the Council which could be used towards mitigating future risks on income volatility, investment back into the centre and the overarching council budget.
- 4.1.8. The financial outturn for the Centre has produced a net return (income less costs) for the 2021/22 year of (£243,600) due to minimal borrowing costs for last financial year as these will start in 2022/23. This is a positive return for the Council for the four and half months ownership in the 2021/22 year. The net return to the Council of (£243,600); of this it is proposed to place £75,000 into an earmarked reserve to protect the council budget and mitigate against any future income volatility that could materialise as we move forwards with the centre and a further £168,600 into an earmarked reserve to fund future asset management initiatives to promote, market and maximise the occupancy of the Centre over the next few years, which we anticipate would then have a positive financial return on ongoing revenue streams.

4.1.9. This is important for the ongoing financial viability of the Centre, however the team have already made positive steps in filling five of the empty units in the last few months and recent feedback from Knight Frank (Commercial Property Specialists) to our team stated *“As we discussed my involvement with Green Lanes is long standing. Prior to your purchase I have to say that the level of voids within the scheme provided a fairly depressing experience however on my most recent visit the overall feel of the scheme had changed with the recent lettings which have been undertaken both improving occupancy levels but also improving the customer ‘experience’ within the scheme”*. This is really positive feedback for the Council and demonstrates our intent to make the Centre a success, both operationally and financially.

4.1.10. The movement from Q3 of £515,000 can be attributed to:

• ICT reduced spend	£78,000
• Waste & Recycling reduced spend	£110,000
• Waste and Recycling Sales income	£74,000
• Car parking income	£60,000
• Crematorium contribution	£41,000
• Employee vacancy savings	£60,000
• Borrowing costs – Interest Payable	£41,000
• Other Reduced costs	£51,000

4.1.11. As at 31<sup>st</sup> March 2022 the Collection Fund reserve balance is £5,722,000. 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 £4,523,000 balance that will be utilised in 2022/23 and 2023/24 to mitigate timing differences of business rate reliefs awarded in 2021/22 that from an accounting perspective impact over the next two financial years; thus leaving the fund reserve with a residue balance of £1,200,000 protection against future volatility.

4.1.12. From the revenue budget surplus of £604,000, it is proposed to set aside the amount into the following earmarked reserves as follows:-

- Repairs Fund £400,000 – to fund capital investment business cases
- Local Plan £100,000 – to fund the cost of the Local review
- Budget Management £104,000 – increase fund to help mitigate inflationary pressures in 2022-23 year

4.1.13. At the 31<sup>st</sup> March 2022 total external borrowing was £3,000,000. 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.

- 4.1.14. 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 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 24<sup>th</sup> 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 £468,895 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 £23,805,932.
- 4.4.3. Actual spend on the Capital Programme for 2021/22 financial year was £21,753,655. The variance against the budget of £23,805,932 is (£2,052,277); the majority of which will be carried forward into the 2022/23 Capital Programme to fund on-going projects.
- 4.4.4. In order to pay for the £21,753,655 capital investment the Council funded this from £4,370,179 received from external sources in the form of grants and other assistance, £374,395 of internal resources held specifically for capital projects, £278,275 from capital receipts and £16,730,806 borrowing internally and externally.
- 4.4.5. The 2022/23 to 2024/25 Capital Programme is attached as Appendix E – Capital Programme 2022/23 to 2024/25.
- 4.4.6. The Budget and Financial Framework report to Strategy and Resources 7th February 2022, outlined the Capital Programme for the 2021/22 financial year of £23,805,932; 2022/23 financial year of £15,833,023; 2023/24 financial year of £6,717,192 and 2024/25 financial year of £711,874.



4.4.7. Project under spends of £2,031,062 from 2021/22 year are brought forward to produce a revised Capital Programme for 2022/23 year of £17,864,085.

4.4.8. Further variations of £1,655,843 are proposed to the 2022/23 to 2024/25 Capital Programme as follows:

<b>Scheme</b>	<b>Amount</b>	<b>Notes</b>
Re-surfacing various car park	(£1,284)	Virement between schemes
Marine drive car park re-surfacing	£1,284	Virement between schemes
Material recovery facility	(£18,390)	Virement between schemes
Work vehicles	£18,390	Virement between schemes
Skype for Business	(£44,156)	Virement between schemes
ICT end user assets	£44,156	Virement between schemes
Marine Drive Car Park Ilfracombe	(£18,615)	Virement between schemes
Ilfracombe Kiosks	£18,615	Virement between schemes
Affordable housing	(£95,000)	Virement between schemes
21 Social Rents at Woolacombe	£95,000	Virement between schemes
Queens Theatre roof	(£128,650)	Virement between schemes
Queens Theatre Flat roof and Redecoration	£128,650	Virement between schemes
ICT 22/23	(£432,570)	Error in original budget
Alexandra Road – Access Improvements	£495,000	Full Council decision
Ilfracombe Water Sports Centre	£150,000	Additional grant income
Disabled Facility Grants	£132,000	Additional grant allocation from BCF
CCTV	(£30,119)	Remaining budget not required
Frankmarsh Woodlands	£63,631	Additional grant income
Leisure Provision Seven Brethren Bank	(£51,714)	Element of Sport England grant to be removed
21 Social Rents at Woolacombe	£535,000	New scheme
Landmark Theatre, Fire alarm	£150,000	22-23 PAG bid funding from Repairs Fund
Fremington Quay River Wall	£68,652	22-23 PAG bid funding from Repairs Fund

Scheme	Amount	Notes
Queen Ann's building, flat roof replacement	£35,000	22-23 PAG bid funding from Repairs Fund
Lynmouth Esplanade sea wall repairs phase 2	£42,167	22-23 PAG bid funding from Repairs Fund
Queens Theatre Flat roof and Redecoration	£185,000	22-23 PAG bid funding from Repairs Fund
Ilfracombe Museum Car park retaining wall repairs	£191,500	22-23 PAG bid funding from Repairs Fund
Change existing lighting for low energy lamps/fittings	£79,879	22-23 PAG bid funding from Repairs Fund
S106 - Pavillion at Georgeham playing field - Georgeham Parish Council	£13,642	S106 approved Strategy and Resources – Feb '22
S106 - Heating system - Lee Bay Memorial Hall	£5,600	S106 approved Strategy and Resources – Feb '22
S106 - Meadow playing field Pavillion - Morthoe Parish council	£3,175	S106 approved Strategy and Resources – Mar '22
Affordable Homes Beechfield Road, Fremington	£20,000	Approved Strategy and Resources Mar '22

4.4.9. The overall Capital Programme for 2022/23 to 2024/25 is £26,948,994 and is broken down as follows:

- 2022/23 £19,519,928
- 2023/24 £6,717,192
- 2024/25 £711,874

4.4.10. The Programme of £26,948,994 is funded by Capital Receipts / Borrowing (£11,118,848), External Grants and Contributions (£13,550,785) and Reserves (£2,279,361).

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 £3,000,000.

#### 4.4.13. Release of Funds – 2022/23 Capital Programme

- Alexandra Road Access Improvements £495,000
- Ilfracombe Water Sports Centre £150,000
- Disabled Facility Grants £132,000
- Frankmarsh woodlands £63,631
- 21 Social Rents at Woolacombe £535,000

• Landmark Theatre, Fire alarm	£150,000
• Fremington Quay River Wall	£68,652
• Queen Ann's building, flat roof replacement	£35,000
• Lynmouth Esplanade, sea wall repairs phase 2	£42,167
• Queens Theatre replacement flat roof and redecoration	£185,000
• Ilfracombe Museum Car park retaining wall repairs	£191,500
• Change existing lighting for low energy lamps/ fittings	£79,879
• Affordable Homes Beechfield Road, Fremington	£20,000

#### 4.5. Treasury management

4.5.1. Bank Rate increased twice during the quarter taking the rate from 0.25% in December 2021 to 0.75% in March 2022.

4.5.2. The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate was -0.07%. Please note the LIBID rate stopped on 31st December 2021. On-going our performance will be compared to the 7 day backward looking SONIA (Sterling Overnight Index Average).

4.5.3. The return earned on the Council's investments was 0.05% (previous 0.16%)

4.5.4. £17,859 investment interest was earned during the financial year. (2021/22 interest receivable budget was £35,000)

4.5.5. As at 31<sup>st</sup> March 2022, the Council had total external borrowing of £3,000,000. Three new PWLB loans were drawn in February 2022 for £2.5m. Please see the Annual Treasury Management Report for further details.

4.5.6. £12,251 interest was paid at an average rate of 1.66% on PWLB loans during the financial year. (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 31<sup>st</sup> March 2022 are as set out below:

	<b>Council Tax</b>	<b>Council Tax</b>	<b>Business Rates</b>	<b>Business Rates</b>
<b>Age in Years</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
1 – 2	1,409	<b>1,216</b>	579	<b>198</b>
2 – 3	728	<b>855</b>	217	<b>279</b>
3 – 4	446	<b>532</b>	82	<b>84</b>
4 – 5	269	<b>348</b>	44	<b>43</b>
5 – 6	185	<b>201</b>	22	<b>38</b>
Over 6	264	<b>138</b>	68	<b>38</b>

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<sup>st</sup> March 2022 the amount of accounts written off was as follows:

<b>Number of accounts where debt is less than £1,500</b>	<b>Amount</b>		<b>Number of accounts where the debt is more than £1,500</b>	<b>Amount</b>
1,938	£198,633.87	Council Tax	241	£231,347.09*
97	£8,102.36	Business Rates	42	£209,254.42**
93	£11,630.01	Housing Benefits	2	£3,613.25

- \* £68,688.27 due to bankruptcy (see section 4.6.8)
- \*\* £31,249.72 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
<b>Council tax</b>	95.98%	<b>96.87%</b>
<b>Business rates</b>	95.23%	<b>97.46%</b>

#### 4.7. General Debtors

4.7.1. The level of general invoices raised was £7,600,000 at 31<sup>st</sup> March 2022 (previous year £6,400,000)

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 2021	31 Dec 2022
	£'000	£'000
3 weeks to 6 months	398	259
6 months to 1 year	99	210
1 to 2 years	387	140
2 to 6 years	391	538
Over 6 years	111	102
<b>TOTAL</b>	<b>1,386</b>	<b>1,249</b>

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 £38k in relation to Aylesford Newsprint which is now due to be written off. In February 2022 we received £31k regarding our claim lodged with the Administrators pending the sale of the site. An overage has also been placed on this land so there is the prospect of further income to be received.

4.7.5. In according 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 31<sup>st</sup> March 2022, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
131	£59,184	6	£14,822

## 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 £49,000.

## 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 3, Annexe 1 1(e) - Delegated.

9.2. Article 4.4 - Referred

## 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 22<sup>nd</sup> June 2022.