



## **North Devon Council**

Report Date: Strategy and Resources Committee: 5<sup>th</sup> Sept 2022

### **Topic: Performance and Financial Management Quarter 1 of 2022/23**

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 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 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 2022/23 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 2022/23 was approved at Council on 23<sup>rd</sup> February 2022 at £13,721,640.
- 4.1.2. As at 30<sup>th</sup> June 2022, the latest forecast net budget is £13,718,640, which produces a forecast budget surplus of £3,000. Details are shown in "Appendix A – Variations in the Revenue Budget"

- 4.1.3. The original budget for 2022/23 includes a forecast to achieve £250,000 worth of salary vacancy savings. The current position anticipates this will be achieved.
- 4.1.4. Temporary Accommodation is under additional cost pressure due to the increase in homelessness cases; the in-year impact of this £120,000 increase in costs has been mitigated by a contribution from the Homelessness earmarked reserve. Whilst this has alleviated the pressure this year it does mean this amount from the homelessness reserve can't be utilised for other homelessness initiatives.
- 4.1.5. Further to the report to Strategy and Resources committee on 4<sup>th</sup> July which detailed the in-year inflationary pressures that the Council were likely to experience this year, most of these are still in line with the July forecast except the potential additional employee costs from the staff pay award being negotiated which is now being predicted at a higher cost following the National Employers pay offer to the Unions.
- 4.1.6. The largest variance within Appendix A is the £804,000 National pay award potential additional staffing costs over and above the £280,000 already built into the base budget; this estimate is based on the offered pay award put forward to the Unions by the National Employers pay review body for the 2022-23 year. The pay offer put forwards is based upon £1,925 per full time equivalent employee.
- 4.1.7. Other inflationary pressures built into the forecast include additional fuel costs across our fleet of £198,000 and additional energy costs of £63,000. To date we have not included any further general supplies and services inflationary increases as we will endeavour to control and manage these in year through the existing budgetary framework.
- 4.1.8. The inflationary cost pressures mentioned above we are looking to fund in-year through utilisation of the budget management reserve; this reserve, which was set aside to deal with fluctuations within the budget and built up over the last couple of financial years, has provided the Council with the protection needed in 2022-23. Moving forwards to future years 2023-24 onwards, we won't have the benefit of this protection and the inflationary pressures being experienced this year will continue onto the future year's budget gap previously highlighted to Members.
- 4.1.9. The other significant in-year cost pressure that hasn't been included in the current figures yet is the award of costs claim in relation to the Yelland planning appeal; once this amount is known a report will be brought to Members detailing the award of costs amount and setting out how the Council will be funding this cost..
- 4.1.10. As at 31<sup>st</sup> March 2022 the Collection Fund reserve balance was £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 a £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 residual balance of £1,200,000 protection against future volatility

4.1.11. At the 30<sup>th</sup> June 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.

4.1.12. The recommended level of general fund balance is 5%-10% of the council’s net revenue budget £686,082 to £1,372,164. The forecast general fund reserve at 31 March 2023 is £1,211,000, which is a level of 8.8%.

## **4.2. Earmarked Reserves 2022/23**

4.2.1. “Appendix B – Movement in reserves and Balances” details the movements to and from earmarked reserves in 2022/23

## **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 2022/23 Capital Programme is attached as “Appendix D – Capital Programme 2022/23”

4.4.2. The Budget and Financial Framework report to Full Council 23rd Feb 2022 outlined the Capital Programme for the 2022/23 financial year of £15,833,023. Project underspend of £2,031,062 were bought forward from 2021/22 year and further variations of £1,655,843 were approved as part of the performance and financial management report to Strategy and Resources Committee, to produce a revised 2022/23 Capital Programme of £19,519,928.

4.4.3. Overall variations of (£782,563) are proposed to the 2022/23 Capital Programme as follows:

- Other variations (+ and -) to 2022/23 Capital Programme £63,679

| Scheme  | Amount (£) | Notes  |
|---|------------|--|
| S106 - Enhancement to Chulmleigh Town Hall                    | 6,000      | Strategy and Resources committee 4 <sup>th</sup> July 2022 |
| S106 – Goalpost and grass pitch improvements at Tarka Centre  | 14,204     | Strategy and Resources committee 4 <sup>th</sup> July 2022 |
| S106 – Enhancement of boathouse at Barnstaple Gig club        | 3,475      | Strategy and Resources committee 4 <sup>th</sup> July 2022 |
| S106 – Enhancement of Clubhouse at United services Bowls club | 40,000     | Strategy and Resources committee 4 <sup>th</sup> July 2022 |

- Project movements (to)/from future years (£846,242)

| Scheme                   | Amount (£) | Notes                             |
|--------------------------|------------|-----------------------------------|
| Eco Warm-up Grants       | (203,322)  | Slip spend and funding to 2023/24 |
| Disabled Facility Grants | (642,920)  | Slip spend and funding to 2023/24 |

4.4.4. The revised Capital Programme for 2022/23 taking into account the budget variations above is £18,737,365.

4.4.5. Actual spend on the 2022/23 Capital Programme as at 30<sup>th</sup> June 2022 is £1,904,356.

4.4.6. The overall Capital Programme for 2022/23 to 2024/25 is £27,012,673 and is broken down as follows:

- 2022/23 £18,737,365
- 2023/24 £7,563,434
- 2024/25 £711,874

4.4.7. The Programme of £27,012,673 is funded by Capital Receipts / Borrowing (£11,118,848), External Grants and Contributions (£13,614,464) and Reserves (£2,279,361).

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 £3,000,000.

**4.4.10. Release of Funds – 2022/23 Capital Programme**

- None for this quarter

**4.5. Treasury management**

4.5.1. Bank Rate increased to 1.00% on 5<sup>th</sup> May 2022 and again to 1.25% on 16<sup>th</sup> June 2022.

4.5.2. The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 30<sup>th</sup> June 2022, was 1.18%.

4.5.3. The return earned on the Council's investments was 0.34%. (Previous 0.05%)

4.5.4. £17,782 investment interest was earned during the quarter. (2022/23 interest receivable budget was £35,000)

4.5.5. As at 30<sup>th</sup> June 2022, the Council had total external borrowing of £3,000,000

4.5.6. £15,046 interest was paid at an average rate of 2.01% on PWLB loans during the quarter. (2022/23 interest payable budget was £345,000)

**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 30<sup>th</sup> June 2022 are as set out below:

| Age in Years | Council Tax      |                  | Business Rates   |                  |
|--------------|------------------|------------------|------------------|------------------|
|              | 2021/22<br>£'000 | 2022/23<br>£'000 | 2021/22<br>£'000 | 2022/23<br>£'000 |
| 1 – 2        | 2,253            | <b>1,884</b>     | 884              | <b>411</b>       |
| 2 – 3        | 1,198            | <b>1,085</b>     | 538              | <b>182</b>       |
| 3 – 4        | 649              | <b>786</b>       | 192              | <b>250</b>       |

|        |     |            |    |           |
|--------|-----|------------|----|-----------|
| 4 – 5  | 412 | <b>497</b> | 74 | <b>79</b> |
| 5 – 6  | 248 | <b>328</b> | 45 | <b>40</b> |
| Over 6 | 407 | <b>288</b> | 91 | <b>65</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 30<sup>th</sup> June 2022 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      |
| 428              | £11,466.92 | Council Tax      | 33               | £54,962.35* |
| 23               | £3,563     | Business Rates   | 1                | £2,089.39** |
| 39               | £10,110.87 | Housing Benefits | 1                | £16,125.14  |

- \* £33,510.38 due to bankruptcy (see section 4.6.8)
- \*\* £0.00 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 2021/22 | Achieved 2022/23 |
|-----------------------|------------------|------------------|
| <b>Council tax</b>    | 28.24%           | <b>28.58%</b>    |
| <b>Business rates</b> | 20.88%           | <b>30.09%</b>    |

#### 4.7. General Debtors

4.7.1. The level of general invoices raised was £3,520,000 at 30<sup>th</sup> June 2022 (previous year £3,360,000)

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 2021 | 30 June 2022 |
|---------------------|--------------|--------------|
|                     | £'000        | £'000        |
| 3 weeks to 6 months | 793          | 493          |
| 6 months to 1 year  | 146          | 72           |
| 1 to 2 years        | 337          | 242          |
| 2 to 6 years        | 449          | 504          |
| Over 6 years        | 116          | 94           |
| <b>TOTAL</b>        | <b>1,841</b> | <b>1,405</b> |

4.7.3. There has been a reduction in the outstanding debt of £436,000 compared to the previous year.

4.7.4. 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.

4.7.5. As at 30<sup>th</sup> June 2022, the amounts written off were as follows:

| Number of Invoices | Written offs - £1,500 & under | Number of Invoices | Written offs - over £1,500 |
|--------------------|-------------------------------|--------------------|----------------------------|
| 15                 | £5,582                        | 7                  | £56,724                    |

#### 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 3, Annexe1 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, Finance Manager; Date 5<sup>th</sup> August 2022