

NORTH DEVON COUNCIL

COUNCIL: 28 SEPTEMBER 2022

PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 1 2022/23

RECOMMENDATIONS OF THE STRATEGY AND RESOURCES COMMITTEE HELD ON 4 JULY 2022

Minute 65: Performance and Financial Management Quarter 1 2022/23

The Committee considered a report by the Director of Resources and Deputy Chief Executive (circulated previously) regarding the Performance and Financial Management for Quarter 1 of 2022/23 together with Minute Extract of Strategy and Resources on 5th September 2022 (circulated previously).

The Director of Resources and Deputy Chief Executive highlighted the following:

- The revenue budget for 2022/23 was approved at Council on 23rd February 2022 at £13,721,640.
- As at 30th June 2022, the latest forecast net budget was £13,718,640, which produced a forecast budget surplus of £3,000. Details were shown in “Appendix A – Variations in the Revenue Budget”.
- The original budget for 2022/23 included a forecast to achieve £250,000 worth of salary vacancy savings. The current position anticipated this would be achieved.
- Temporary Accommodation was under additional cost pressure due to the increase in homelessness cases; the in-year impact of this £120,000 increase in costs had been mitigated by a contribution from the Homelessness earmarked reserve. Whilst this had alleviated the pressure this year it meant that this amount from the homelessness reserve couldn't be utilised for other homelessness initiatives.
- Further to the report to Strategy and Resources Committee on 4th July which detailed the in-year inflationary pressures that the Council were likely to experience this year, most of these were still in line with the July forecast except the potential additional employee costs from the staff pay award being negotiated which was now being predicted at a higher cost following the National Employers pay offer to the Unions.
- The largest variance within Appendix A was the £804,000 National pay award potential additional staffing costs over and above the £280,000 already built into the base budget; this estimate was 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 forward was based upon £1,925 per full time equivalent employee.
- Other inflationary pressures built into the forecast included additional fuel costs across the fleet of £198,000 and additional energy costs of £63,000. To date the Council had not included any further general supplies and services inflationary increases as it would endeavour to control and manage those in year through the existing budgetary framework.
- The inflationary cost pressures mentioned above we were 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, had provided the Council with the protection needed in 2022-23. Moving forwards to future years 2023-24 onwards, the Council wouldn't have the benefit of this protection and the inflationary pressures being experienced this year would continue onto the future year's budget gap previously highlighted to Members.

- The other significant in-year cost pressures that hadn't been included in the current figures yet was the award of costs claim in relation to the Yelland planning appeal; once this amount was known a report would be brought to Members detailing the award of costs amount and setting out how the Council would be funding this cost.
- As at 31st 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 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 includes a £4,523,000 balance that would 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
- At the 30th June 2022 total external borrowing was £3,000,000. The timing of any future borrowing was dependent on how the authority manages its treasury activity and due to current low interest rates and reduced returns on investments it was prudent for the Council to 'internally borrow' and use those monies to fund the Capital Programme.
- The recommended level of general fund balance was 5%-10% of the council's net revenue budget £686,082 to £1,372,164. The forecast general fund reserve at 31 March 2023 was £1,211,000, which was a level of 8.8%.
- The 2022/23 Capital Programme was attached as "Appendix D – Capital Programme 2022/23"
- 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 brought 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.
- Overall variations of (£782,563) were proposed to the 2022/23 Capital Programme as set out in section 4.4.3
- The revised Capital Programme for 2022/23 taking into account the budget variations was £18,737,365.
- Actual spend on the 2022/23 Capital Programme as at 30th June 2022 was £1,904,356.
- The overall Capital Programme for 2022/23 to 2024/25 was £27,012,673 and is broken down as follows: – 2022/23 £18,737,365. – 2023/24 £7,563,434. – 2024/25 £711,874.
- The Programme of £27,012,673 was funded by Capital Receipts / Borrowing (£11,118,848), External Grants and Contributions (£13,614,464) and Reserves (£2,279,361).
- The timing and realisation of capital receipts could be impacted by events beyond the control of the Council and the Council had been able to manage cash flows for projects through internal borrowing.

- The Council also had authority to borrow from the Public Works Loan Board (PWLB) as outlined in the Treasury Management Annual Investment Strategy and the Council currently had external borrowing of £3,000,000.
- Release of Funds – 2022/23 Capital Programme. – There were none for that quarter.
- Treasury Management - Bank Rate increased to 1.00% on 5th May 2022 and again to 1.25% on 16th June 2022.
- The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 30th June 2022, was 1.18%.
- The return earned on the Council's investments was 0.34%. (Previous 0.05%).
- £17,782 investment interest was earned during the quarter. (2022/23 interest receivable budget was £35,000).
- As at 30th June 2022, the Council had total external borrowing of £3,000,000.
- £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.
- The outstanding amounts of Council Tax and Business Rates as at 30th June 2022 were set out in the table on pages 21 and 22 of the report.
- In response to questions, the Director of Resources and Deputy Chief Executive advised the following:
 - The majority of empty buildings around Barnstaple were privately owned and the Council did engage with the owners of empty properties to try and bring them back into use. He added that the Council was also working towards purchasing more properties for temporary accommodation to build upon their small portfolio and that they currently owned six properties, which were utilised for this purpose.
 - The Council had a procurement process to adhere to when commissioning work as part of a disabled facilities grant and were looking at streamlining the process from end to end to attract more contractors and make the process as efficient as possible.

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

The Committee thanked the Head of Resources and Deputy Chief Executive for his report.