



North Devon Council

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

Topic: Performance and Financial Management Quarter 2 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 July to Sept 2022, but also looks at the whole year.
- 1.2. Sections 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 2025/26 (sections 4.4.3)
- 2.5. That funds are released for the capital schemes listed in section 4.4.11
- 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 23rd February 2022 at £13,721,640.
- 4.1.2. As at 30th September 2022, the latest forecast net budget is £13,681,640, which produces a forecast budget surplus of £40,000. 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 forecasts we will achieve £441,000. The additional £191,000 is due to timings of filling the capacity building posts throughout the year which were approved as part of the original 2022/23 budget.
- 4.1.4. Temporary Accommodation is under additional cost pressure due to the increase in homelessness cases; the in-year impact of this £200,000 forecast increase in costs has been mitigated by utilising balances from the Homelessness earmarked reserve. Whilst this has alleviated the pressure this year, it does mean this one-off amount from the homelessness reserve can't be utilised for other homelessness initiatives.
- 4.1.5. Within the joint Building Control partnership with Mid Devon DC there has been a decline in income and due to challenges in recruiting to vacant posts, an increase in the use of agency staffing costs which has negatively impacted the trading account. We are now forecasting a net deficit for the Council of £67,000, this includes utilising a £50,000 contribution from the Building Control reserve built up through prior year trading surpluses.
- 4.1.6. 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 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.
- 4.1.7. 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.
- 4.1.8. Other inflationary pressures built into the forecast include additional fuel costs across our fleet of £104,000 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.
- 4.1.9. 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 level of protection and the inflationary pressures being experienced this year will

continue onto the future year's budget gap previously highlighted to Members.

- 4.1.10. 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.
- 4.1.11. 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 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.
- 4.1.12. 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; and an in-year £400,000 transfer into the budget management reserve to replenish this reserve balance to help mitigate future budget fluctuations, thus leaving the fund reserve with a residual balance of £800,000 protection against future volatility. This level of reserve protects the Council against a 40% share of a £2million overall Business Rates income volatility.
- 4.1.13. At the 30th September 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. This has resulted in a forecast £160,000 reduction in loan interest payments in 2022/23 and it is proposed to place this amount into a new Treasury Management reserve to mitigate against higher interest rates as we move into the 2023/24 financial year.
- 4.1.14. 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 £873,280 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 £18,737,365.

4.4.3. Overall variations of (£5,924,591) are proposed to the 2022/23 Capital Programme as follows:

- Other variations (+ and -) to 2022/23 Capital Programme £743,723

Scheme	Amount (£)	Notes
S106 - Fremington Parish Council, Multi Use Games Area, Tews Lane, Roundswell	111,100	Strategy and Resources committee 5 th September 2022
S106 - Tawstock Parish Council to enhance Tower View Recreation Area	15,002	Strategy and Resources committee 5 th September 2022
S106 - Barnstaple and Pilton Cricket club, Clubhouse enhancements at Raleigh Meadow, Barnstaple	25,938	Strategy and Resources committee 5 th September 2022
S106 - Landkey Town Football Club, access and storage improvements at Millenium Green, Landkey	7,900	Strategy and Resources committee 5 th September 2022
S106 - Tawstock Village Hall Enhancements	16,181	Strategy and Resources committee 5 th September 2022
S106 - Crematorium works and creation of memorial gardens	39,704	Strategy and Resources committee 5 th September 2022
S106 - Public realm improvements at Library Square, Barnstaple	62,637	Strategy and Resources committee 5 th September 2022
Harbour Infrastructure	166,585	October 2022 PAG bid funded from the Repairs fund. (Total project cost £430,489, with £47,669 being vired from another capital scheme and £216,235 being added in 2023/24 and fully funded from external grant income.

Scheme	Amount (£)	Notes
Ilfracombe Watersports Commercial Complex	177,328	October 2022 PAG bid paid for by PWLB borrowing and funded fully from additional revenue income.
ICT VDI Licenses	70,000	October 2022 PAG bid funded from the ICT reserve
Fremington River Wall repair	51,348	October 2022 PAG bid funded from the Repairs fund

- Budget virement (transfer) between projects 2022/23

Scheme	Amount (£)	Notes
Marine Drive Car Park resurfacing	(47,669)	Virement to Harbour Infrastructure
Harbour Infrastructure	47,669	Virement from Marine Drive Car Park resurfacing

- Project movements (to)/from future years (£6,668,314)

Scheme	Amount (£)	Notes
Office Technology fund	(385,500)	Slip spend and funding to 2023/24
Pannier Market Re-roofing works	(452,098)	Slip spend and funding to 2023/24
Alexander Road - Access Improvements	(486,711)	Slip spend and funding to 2023/24
Acquisition of Corporate Property	(250,000)	Slip spend and funding to 2023/24
Future high Street Fund	164,931	Bring forward spend and funding from 2023/24
21 Social Rents at Woolacombe	(630,000)	Slip spend and funding to 2024/25
Public Maintenance - Public House corner of castle street	(90,000)	Slip spend and funding to 2023/24
Green Lanes Shopping Centre	(1,833,723)	Slip spend and funding to 2023/24
Planned Maintenance Seven Brethren	(109,250)	Slip spend and funding to 2023/24
Barnstaple Bus Station refurbishment	(26,394)	Slip spend and funding to 2023/24
Material Recovery Facility - Infrastructure	(741,610)	Slip spend and funding to 2023/24
Land release Fund - Seven Brethren	(1,827,959)	Slip spend and funding to 2023/24

- Other variations to the 23/24 Capital Programme £1,150,000

Scheme	Amount (£)	Notes
Harbour Infrastructure	216,235	October 2022 PAG, grant funded
Seven Brethren Flood Defence	1,150,000	S106 funding

4.4.4. The revised Capital Programme for 2022/23 taking into account the budget variations above is £12,812,774.

4.4.5. The revised Capital Programme for 2023/24 taking into account the budget variation above is £14,767,483.

4.4.6. Actual spend on the 2022/23 Capital Programme as at 30th September 2022 is £3,502,949.

4.4.7. The overall Capital Programme for 2022/23 to 2025/26 is £29,122,631 and is broken down as follows:

- 2022/23 £12,812,774
- 2023/24 £14,767,483
- 2024/25 £1,472,374
- 2025/26 £70,000

4.4.8. The Programme of £29,122,631 is funded by Capital Receipts / Borrowing (£11,119,824), External Grants and Contributions (£15,259,161) and Reserves (£2,743,646).

4.4.9. 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.

4.4.10. 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.

4.4.11. Release of Funds – Capital Programme

- All S106 schemes approved at Strategy and Resources on 5th September 2022, total £278,462
- Harbour Infrastructure PAG bid £430,489
- Watersports Commercial Complex £177,328
- ICT VDI Licenses £70,000
- Fremington Quay River Wall repair £51,348
- Seven Brethren Flood Defence £1,150,000

4.5. Treasury management

4.5.1. Bank Rate increased to 1.75% on 4th August 2022 and again to 2.25% on 22th September 2022.

- 4.5.2. The Council's new benchmark rate 7 day SONIA (Sterling Overnight Index Average) at 30th September 2022, was 1.19%.
- 4.5.3. The return earned on the Council's investments was 0.59%. (Previous 0.05%)
- 4.5.4. £59,556 investment interest was earned during the half year period. (2022/23 interest receivable budget was £35,000)
- 4.5.5. As at 30th September 2022, the Council had total external borrowing of £3,000,000.
- 4.5.6. £30,257 interest was paid at an average rate of 2.01% on PWLB loans during the half year period. (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 30th September 2022 are as set out below:

Age in Years	Council Tax		Business Rates	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
1 – 2	1,742	1,650	289	290
2 – 3	1,052	998	423	132
3 – 4	608	744	163	216
4 – 5	396	480	65	59
5 – 6	238	314	42	34
Over 6	373	253	53	62

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 September 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
850	£27,726.00	Council Tax	67	£105,066.41*
39	£6,014	Business Rates	16	£58,874.63**
72	£17,216.06	Housing Benefits	1	£16,125.14

- * £75,638.57 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 at 30th September 2022 are:

	Achieved 2021/22	Achieved 2022/23
Council tax	55.13%	55.80%
Business rates	50.03%	59.61%

4.7. General Debtors

4.7.1. The level of general invoices raised was £6,200,000 at 30th September 2022 (previous year £5,100,000)

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 September 2021	30 September 2022
	£'000	£'000
3 weeks to 6 months	880	1,663
6 months to 1 year	110	98
1 to 2 years	243	234
2 to 6 years	550	491
Over 6 years	131	84
TOTAL	1,914	2,570

4.7.3. The debt aged 3 weeks to 6 months above, included a one off invoice for £1,150,000 raised on 8th September 2022 in relation to flood defence contributions. Without this one-off invoice the total outstanding debt would have been £1,420,000 a reduction in aged debt of £494,000 from the previous year (reduction of 26%).

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 30th September 2022, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
72	£36,615	10	£66,115

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 £47,000. The Capital Programme includes an approved £80,000 project for changing existing lighting for low energy lamps and fittings within NDC occupied buildings.

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 and the environment.

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 19th October 2022