

NORTH DEVON COUNCIL

COUNCIL: 23 NOVEMBER 2022

PERFORMANCE AND FINANCIAL MANAGEMENT QUARTER 2 2022/23

**RECOMMENDATIONS OF THE POLICY DEVELOPMENT COMMITTEE HELD ON
17 NOVEMBER 2022**

Minute 75: Performance and Financial Management Quarter 2 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 2 of 2022/23 together with Minute Extract of Strategy and Resources on 7th November 2022 (circulated previously).

The Accountancy Services Manager highlighted the following:

- The revenue budget for 2022/23 was approved at Council on 23 February 2022 at £13,721,640.
- As at 30 September 2022, the latest forecast net budget was £13,681,640, which produced a forecast budget surplus of £40,000. 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 forecasts the Council would achieve £441,000. The additional £191,000 was due to timings of filling the capacity building posts throughout the year, which were approved as part of the original 2022/23 budget.
- Temporary Accommodation was under additional cost pressure due to the increase in homelessness cases; the in-year impact of this £200,000 forecast increase in costs had been mitigated by utilising balances from the Homelessness earmarked reserve. Whilst this alleviated the pressure this year, it does mean this one-off amount from the homelessness reserve could not be utilised for other homelessness initiatives.
- Within the joint Building Control Services, partnership with Mid Devon District Council there had been a decline in income, and due to challenges in recruiting to vacant posts, an increase in the use of agency staffing costs which had negatively impacted the trading account. The Council was now forecasting a net deficit of £67,000; this included utilising a £50,000 contribution from the Building Control reserve built up through prior year trading surpluses.
- Further to the report to Strategy and Resources Committee on 4 July 2022, which detailed the in-year inflationary pressures that the Council were likely to experience this year, most of those forecasts were still in line with the July 2022 forecast; with the exception of 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, as detailed 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 was based upon £1,925 per full time equivalent employee.

- Other inflationary pressures built into the forecast included additional fuel costs across the Council's fleet of £104,000 and additional energy costs of £63,000.
- The inflationary cost pressures mentioned were looking to be funded 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 would not have the benefit of this level of 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 pressure that had not been included in the current figures 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 31 March 2022 the Collection Fund reserve balance was £5,722,000 as detailed in paragraphs 4.1.11 and 4.1.12 of the report.
- This reserve included 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 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 protected the Council against a 40% share of a £2million overall Business Rates income volatility.
- At the 30 September 2022 total external borrowing was £3,000,000. This had resulted in a forecast £160,000 reduction in loan interest payments in 2022/23 and it was proposed to place this amount into a new Treasury Management reserve to mitigate against higher interest rates moving into the 2023/24 financial year.
- 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%.
- "Appendix B – Movement in reserves and Balances" detailed the movements to and from earmarked reserves in 2022/23.
- Full details of the Strategic Contingency Reserve movements and commitments were shown at "Appendix C – Strategic Contingency Reserve".
- The 2022/23 Capital Programme was detailed at "Appendix D – Capital Programme 2022/23".
- The Budget and Financial Framework report to Full Council 23 February 2022, outlined the Capital Programme for the 2022/23 financial year of £15,833,023. Project underspend of £2,031,062 was brought 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.
- Overall variations of minus £5,924,591 were proposed to the 2022/23 Capital Programme as detailed in paragraph 4.4.3 of the report.

- Actual spend on the 2022/23 Capital Programme as at 30 September 2022 was £3,502,949.
- The overall Capital Programme for 2022/23 to 2025/26 was £29,122,631 and the break down detail was shown at paragraph 4.4.7 of the report.
- The Programme of £29,122,631 was funded by Capital Receipts / Borrowing (£11,119,824), External Grants and Contributions (£15,259,161), and Reserves (£2,743,646).
- It was recommended that the following funds be released from the 2022/23 Capital Programme:
 - All S106 schemes approved at Strategy and Resources Committee on 5 September 2022, total £278,462.
 - Harbour Infrastructure PAG bid £430,489.
 - Water Sports Commercial Complex £177,328.
 - ICT VDI Licenses £70,000.
 - Fremington Quay River Wall repair £51,348.
 - Seven Brethren Flood Defence £1,150,000.
- Treasury Management as detailed in paragraph 4.5 of the report.
- Debt Management as detailed in paragraph 4.6 of the report.
- General Debtors as detailed in paragraph 4.7 of the report:
- Performance information as detailed in Appendix E of the report.

In response to a question regarding the set level of Council Tax with regards to £5.00 verses the 4.99%, the Accountancy Services Manager advised that the final figures would not be clear until the Council received the government settlement in mid-December 2022.

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

The Chair thanked both the Head of Governance and the Accountancy Services Manager for their reports.