



## **North Devon Council**

Report Date: Monday, 3 July 2023

### **Topic: Performance and Financial Management Quarter 4 2022-2023**

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 2023, 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, which sets out our five programmes and the projects sitting underneath, with updates on progress to date and those new and historic key results and reportable key performance information.

#### **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 2023/24 to 2025/26 (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 Debt Management and General Debtors (sections 4.5 and 4.6) 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 31<sup>st</sup> March 2023, it is pleasing to report that the final out turn position is a budget surplus of £693,000, which is an overall movement of £674,000 from the last forecast at Q3. The breakdown showing these movements are shown Appendix A – "Variations in the Revenue Budget"

4.1.3. The last quarter of the financial year has seen some favourable variances since the last reported position; most notably planning fee income, a reduction in the forecasted Temporary Accommodation costs, additional interest receivable, and additional Business Rates & Government grant income.

4.1.4. The movement from Q3 of £674,000 can be mainly attributed to:

Adverse variances:

- £116,000 Benefit subsidy
- £40,000 Pannier Market income
- £151,000 Yelland Appeal – costs award provision

Favourable variances:

- £99,000 Temporary accommodation
- £110,000 Planning fees
- £41,000 Contribution from the Crematorium
- £395,000 Business Rates and Pooling income
- £136,000 Interest receivable
- £180,000 Government Grants

4.1.5. The original budget for 2022/23 included a forecast to achieve £250,000 worth of salary vacancy savings. As at the 31<sup>st</sup> March 2023 we actually achieved £476,000. £287,000 is due to timings of filling the capacity building posts throughout the year which were approved as part of the original 2022/23 budget, leaving £189,000 general vacancy savings.

4.1.6. The cost of living pressures with double digit inflation continuing for the whole of 2022/23, peaking at 14.2% in Oct 2022 and still near that peak at the end of the March 2023 at 13.5%, resulted in the Council utilising fully the £936,000 budget management reserve in 2022/23. Due to the favourable variances and a transfer in year from the Collection fund reserve we have replenished this reserve to a balance of £815,000 to provide us with resilience to similar inflationary pressures during 2023/24.

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 produced a net return (income less costs) for the 2021/22 year of (£243,600) due to minimal borrowing costs as these commenced in 2022/23. The 2022/23 trading position produced a net return of (£291,000), including borrowing costs. This is a positive return for the Council and is in line with our original forecasting.

4.1.9. As at 31<sup>st</sup> March 2023 the Collection Fund reserve balance held is £1,340,177. 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 £912,563 balance that will be utilised in 2023/24 and 2024/25 to mitigate timing differences of business rate reliefs awarded in 2022/23 that from an accounting perspective impact over the next two financial years; thus leaving the fund reserve with a residue balance of £427,614 protection against future volatility.

4.1.10. From the revenue budget surplus of £693,000, it was proposed to set aside the amount into the following earmarked reserves:-

- Office Technology £120,000 – to fund capital business case
- Repairs Fund £214,000 – to fund capital business cases
- Budget Management £279,000 – mitigate 2023/24 inflationary pressures
- Insurance Reserve £80,000 – mitigate 2023/24 higher insurance costs

4.1.11. At the 31<sup>st</sup> March 2023 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 previously unprecedented low interest rates and reduced returns on investments it was prudent for the Council to ‘internally borrow’ and use these monies to fund the Capital Programme. This has resulted in a £275,000 reduction in loan interest payments and an increase in interest receivable of £266,000 in 2022/23. £275,000 has been placed into a new Treasury Management reserve to mitigate against higher interest rates as we move into the 2023/24 financial year. Please see the Annual Treasury Management report that is on this agenda for more information in relation to the term and rate of current borrowing.

4.1.12. The recommended level of general fund balance is 5%-10% of the Council’s net revenue budget. It is pleasing to report that the combination of in year measures and robust budget management saw the

Council through the financial pressures and resulted in a general fund reserve balance at 31 March 2023 of £1,238,000, which is a level of 9.0%.

#### **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 (£8,358,572) 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 £9,505,513.

4.4.3. Actual spend on the Capital Programme for 2022/23 financial year was £7,577,736. The variance against the budget of £9,505,513 is (£1,927,777); the carry forward to 2023/24 is £1,930,171 (the difference being £2,394, relating to a £3,260 over spend on Vehicles and £866 not required on DVI licences), to fund on-going projects.

4.4.4. In order to pay for the £7,577,736 capital investment the Council funded this from £4,401,845 received from external sources in the form of grants and other assistance, £468,957 of internal resources held specifically for capital projects, £252,991 from capital receipts and £2,453,943 through a mixture of internally and externally borrowing.

4.4.5. The 2023/24 to 2025/26 Capital Programme is attached as “Appendix E – Capital Programme 2023/24 to 2025/26”.

4.4.6. The Budget and Financial Framework report to Strategy and Resources 6th February 2023, outlined the Capital Programme for the 2022/23 financial year of £9,505,513; 2023/24 financial year of £21,247,098; 2024/25 financial year of £5,324,344 and 2025/26 financial year of £95,000.



4.4.7. Project under spends of £1,930,171 from 2022/23 year are brought forward to produce a revised Capital Programme for 2023/24 year of £23,177,269.

4.4.8. Further variations of £4,990,983 are proposed to the 2023/24 and £399,000 to the 2025/26 Capital Programme as follows:

<b>Schemes for 2023/24</b>	<b>Amount (£)</b>	<b>Notes</b>
Disaster Recovery and Back-up testing	100,000	2023-24 PAG bid funded from ICT reserve
Stone Bench landing Ilfracombe Harbour – Masonry repair	45,336	2023-24 PAG bid funded from the Repairs Fund
South Quay, Ilfracombe	168,000	2023-24 PAG bid funded from the Repairs Fund
S106 – Berrynarbour PC, Boulodromes	3,360	S106 approve at Strategy and Resources Feb '23
S106 – Atherington PC, adventure trim trail	23,745	S106 approve at Strategy and Resources Mar '23
S106 – Bishops Nympton Parish Hall, air source heat pump and solar panels	20,000	S106 approve at Strategy and Resources Mar '23
S106 – North Devon Homes – Barn Park Play area Braunton	17,123	S106 approve at Strategy and Resources Mar '23
S106 – Morthoe PC, play equipment	30,118	S106 approve at Strategy and Resources Mar '23
S106 – Witheridge PC, village hall play area fencing	17,000	S106 approve at Strategy and Resources Mar '23
S106 – Braunton PC, recreation ground play equipment	66,372	S106 approve at Strategy and Resources Mar '23
S106 – Braunton PC, Knowle Play area equipment	6,929	S106 approve at Strategy and Resources Mar '23
Community Led Housing Models	520,985	Approved Full Council March '23
Purchase of Temporary Accommodation – Local Authority Housing Fund	1,001,081	Approved Full Council March '23
Ilfracombe Water Sports Centre (IWSC)	40,000	Completion delay – Funded from IWSC reserve
Cultural Development Fund	2,450,000	CDF and Bridge Trust funding

Schemes for 2023/24	Amount (£)	Notes
Lime Kiln, Larkstone Cove regeneration	111,325	Change in funding from Regeneration reserve to grant funding from Rural England Prosperity fund
Rural England Prosperity Fund	400,934	External Grant for spend in 2023/24
Lynmouth Coastal Study Claim	80,000	Funded from Environment Agency Grant
<b>2024/25</b>		
Rural England Prosperity Fund	399,000	External grant for spend in 2024/25

4.4.9. The overall revised Capital Programme for 2023/24 to 2025/26 taking into account the budget variations above is £33,986,596 and is broken down as follows:

- 2023/24 £28,168,252
- 2024/25 £5,723,344
- 2025/26 £95,000

4.4.10. The Programme of £33,986,596 is funded by Capital Receipts / Borrowing (£13,528,650), External Grants and Contributions (£17,546,686) and Reserves (£2,911,260).

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 – Capital Programme**

4.4.13.1. Disaster Recovery and Back-up Testing £100,000

4.4.13.2. Stone bench landing Ilfracombe Harbour masonry repair £45,336

4.4.13.3. South Quay Ilfracombe £168,000

4.4.13.4. Community Led Housing Models £520,985

4.4.13.5. Purchase of Temporary Accommodation (Local Authority Housing fund) £1,001,081

4.4.13.6. Ilfracombe Water Sport Centre £40,000

- 4.4.13.7. Cultural Development Fund £2,450,000
- 4.4.13.8. Rural England Prosperity Fund £799,934
- 4.4.13.9. Lynmouth Coastal Study Claim £80,000

#### 4.5. Debt Management

- 4.5.1. The major areas of credit income are Council Tax, Business Rates, Housing Benefit overpayment Recoveries and General Debtors.
- 4.5.2. As billing authority, the Council annually raises the bills for Council Tax (£69,000,000) and Business Rates (£32,000,000).
- 4.5.3. Collection rates are controlled through monitoring:
  - 4.5.3.1. The level of write offs
  - 4.5.3.2. Levels of previous years' outstanding debt
  - 4.5.3.3. The level of income collection in the year against the annual sums due to be collected.
- 4.5.4. 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.
- 4.5.5. The outstanding amounts at 31<sup>st</sup> March 2023 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	1,216	<b>1,302</b>	198	<b>223</b>
2 – 3	855	<b>849</b>	279	<b>99</b>
3 – 4	532	<b>657</b>	84	<b>169</b>
4 – 5	348	<b>420</b>	43	<b>31</b>
5 – 6	201	<b>277</b>	38	<b>25</b>
Over 6	138	<b>225</b>	38	<b>36</b>
Total	3,290	<b>3,730</b>	680	<b>583</b>

- 4.5.6. The levels of collections at 31<sup>st</sup> March 2023 are:

	Achieved 2021/22	Achieved 2022/23
<b>Council tax</b>	96.87%	<b>97.23%</b>
<b>Business rates</b>	97.46%	<b>97.05%</b>



#### 4.6. General Debtors

4.6.1. The level of general invoices raised was £9,600,000 at 31<sup>st</sup> March 2023 (previous year £7,600,000)

4.6.2. A summary of the outstanding debt, by age, is set out below with comparison to the previous year.

Age of debt	31 March 2022	31 March 2023
	£'000	£'000
3 weeks to 6 months	259	265
6 months to 1 year	210	125
1 to 2 years	140	255
2 to 6 years	538	413
Over 6 years	102	70
<b>TOTAL</b>	<b>1,249</b>	<b>1,128</b>

#### 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 year-end 2022-23 balance of £82,814. The Capital Programme includes an approved £80,000 project for changing existing lighting for low energy lamps and fittings within NDC occupied buildings. There is also a £75,000 budget spread across 3 financial years for funding towards LED lighting on car parks and other Council assets.

#### 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, Annex 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 13<sup>th</sup> June 2023