



North Devon Council

Report Date: Strategy and Resources Committee: 4th September 2023

Topic: Performance and Financial Management Quarter 1 of 2023/24

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 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 E, 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 4.4.3)
- 2.5. That funds are released for the capital schemes listed in section 4.4.8
- 2.6. That the sections dealing with Treasury Management, Debt Management and General Debtors (sections 4.5 to 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 2023/24 was approved at Council on 22nd February 2023 at £14,766,450.
- 4.1.2. As at 30th June 2023, the latest forecast net budget is £14,749,450, which produces a budget surplus of £17,000. Details are shown in "Appendix A – Variations in the Revenue Budget".

- 4.1.3. The original budget for 2023/24 includes a forecast to achieve £250,000 worth of salary vacancy savings. The current position forecasts we will achieve £93,000 based on known vacancies to date, but it is anticipated that the budget of £250,000 will be achieved by the end of the financial year.
- 4.1.4. The National pay award is currently being considered by the Unions; however if the 2023-24 pay award exceeds the budgeted 4% included in the original budget then we would look to fund any shortfall from the Budget Management reserve, which currently has a balance of £814,000.
- 4.1.5. As at 1st April 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.
- 4.1.6. The Valuation Office Agency (VOA) have notified the Council that they are to reduce the Rateable Value of the Museum from £146,000 to £1, this change has been back dated to 2019 and a refund in rates payable has resulted in a net positive impact to the council of £184,000. It is recommended this refund amount be contributed to the Regeneration Reserve for future projects.
- 4.1.7. At the 30th June 2023 total external borrowing was £3,000,000. The timing of any future borrowing is dependent on how the authority manages its treasury activity. Due to on-going higher interest rates the Council is reporting a £90,000 net increase in Interest receivable.
- 4.1.8. The recommended level of general fund balance is 5%-10% of the Council's net revenue budget £738,326 to £1,476,645. The forecast general fund reserve at 31st March 2024 is £1,238,000; which is a level of 8.4%.

4.2. Earmarked Reserves 2023/24

- 4.2.1. "Appendix B – Movement in reserves and Balances" details the movements to and from earmarked reserves in 2023/24

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 2023/24 Capital Programme is attached as “Appendix D – Capital Programme 2023/24”

4.4.2. The Budget and Financial Framework report to Full Council 22nd Feb 2023 outlined the Capital Programme for the 2023/24 financial year of £21,247,098. Project underspend and further variations of £6,921,154 were approved as part of the performance and financial management report to Strategy and Resources Committee, to produce a revised 2023/24 Capital Programme of £28,168,252.

4.4.3. Overall variations of (£5,648,600) are proposed to the 2023/24 Capital programme and £30,000 to 2024/25 Programme as follows:

- Other Variations (+ and -) to 2023/24 Capital Programme
£1,102,992

Schemes	Amount (£)	Notes
Disabled Facility Grant	295,792	Additional Grant Allocation from the Better Care Fund
Licensing Software	40,000	PAG bid – Scored by PAG team as “High priority”, £30,000 in 2024/25
Provision of Temporary Accommodation	767,200	Local Authority Housing Fund Round 2 and DCC Ukraine funding. Approved at Full Council 19 th July 2023
ICT back-up and recovery	(7,703)	Virement between schemes
Office Technology End User Assets	7,703	Virement between schemes
Jubilee Gardens reserved car park retaining wall	(31,447)	Virement between schemes
Ilfracombe Museum Car Park retaining wall repairs	31,447	Virement between schemes

- Project movements (to)/from future years (£6,751,592)

Schemes	Amount (£)	Notes
Seven Brethren Flood Defence	(650,000)	Slip spend and funding to 2024/25
Provision of Temporary Accommodation	1,000,000	Bring forward spend and funding from 2024/25
Green Lanes Shopping Centre	(690,779)	Slip spend and funding to 2024/25
Victoria Pleasure Grounds	(130,000)	Slip spend and funding to 2024/25
Cultural Development Fund	(2,292,000)	Slip spend and funding to 2024/25
Lynmouth Coastal Study	(60,000)	Slip spend and funding to 2024/25
Acquisition of Corporate Property	(250,000)	Slip spend and funding to 2024/25
Material Recovery Facility	1,000,000	Bring forward spend and funding from 2024/25
Future High Street Fund	(3,683,250)	Slip spend and funding to 2024/25
Eco Warm up Grants	(495,563)	Slip spend and funding to 2024/25
Disabled Facility Grants	(500,000)	Slip spend and funding to 2024/25

- Other variations to the 2024/25 Capital Programme £30,000

Schemes	Amount (£)	Notes
Licensing Software	30,000	PAG bid – Scored by PAG team as “High priority”, £40,000 in 2023/24

4.4.4. The overall revised Capital Programme for 2023/24 to 2025/26 taking into account the budget variations above is £35,119,588 and is broken down as follows:

- 2023/24 £22,519,652
- 2024/25 £12,504,936
- 2025/26 £95,000

The actual spend for 2023/24 as at 30th June 2023 is £2,362,552

- 4.4.5. The Programme of £35,119,588 is funded by Capital Receipts / Borrowing (£13,528,650), External Grants and Contributions (£18,609,678) and Reserves (£2,981,260).
- 4.4.6. 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.
- 4.4.7. 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.

4.4.8. Release of Funds – Capital Programme

- 4.4.8.1. Disabled Facility Grants £295,792
- 4.4.8.2. Licensing Software £70,000

4.5. Treasury Management

- 4.5.1. Bank Rate increased by a further 0.5% in June 2023 and currently stands at 5%. A further rise in bank rate is forecasted.
- 4.5.2. The Council's benchmark rate SONIA (Sterling Overnight Index Average) at 30th June 2023, was 4.37%
- 4.5.1. The return earned on the Council's investments was 3.32% (previous year 0.34%). This is an average rate which combines our instant access accounts which can attract lower interest, but provides liquidity, and our longer term investments which are currently attracting a higher rate of interest in excess of 5%.
- 4.5.2. £75,760 investment interest was earned during the quarter. (2023/24 interest receivable budget was £120,000)
- 4.5.3. No new borrowing was undertaken during the quarter, so as at 30th June 2023, total external borrowing remained at £3m.
- 4.5.4. £15,046 interest was paid at an average rate of 2.01% on the PWLB loans during the quarter. (2023/24 interest payable budget was £364,000)

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 (£80,000,000) and Business Rates (£30,000,000).
- 4.6.3. Collection rates are controlled through monitoring:
 - 4.6.3.1. The level of write offs
 - 4.6.3.2. Levels of previous years' outstanding debt

4.6.3.3. 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 97.5% 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 2.5% of annual debt.

4.6.5. The outstanding amounts at 30th June 2023 are as set out below:

Age in Years	Council Tax		Business Rates	
	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
1 – 2	1,884	1,845	411	581
2 – 3	1,085	1,186	182	197
3 – 4	786	794	250	76
4 – 5	497	618	79	129
5 – 6	328	392	40	22
Over 6	288	445	65	45
Total	4,868	5,280	1,027	1,050

4.6.6. The levels of collections at 30th June 2023 are:

	Achieved 2022/23	Achieved 2023/24
Council tax	28.58%	28.44%
Business rates	30.09%	35.27%

4.7. General Debtors

4.7.1. The level of general invoices raised was £2,200,000 at 30th June 2023 (previous year £3,500,000)

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 2022 £'000	30 June 2023 £'000
3 weeks to 6 months	493	615
6 months to 1 year	72	139
1 to 2 years	242	134
2 to 6 years	504	525
Over 6 years	94	77
TOTAL	1,405	1,490

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 forecast year-end 2023-24 balance of £62,584. 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, Annexe 1 para 1 (c) and (d) - 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 24th July 2023

