



## **North Devon Council**

Report Date: Strategy and Resources Committee: 6<sup>th</sup> November 2023

### **Topic: Performance and Financial Management Quarter 2 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 July to September 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 22<sup>nd</sup> February 2023 at £14,766,450.
- 4.1.2. As at 30<sup>th</sup> September 2023, the latest forecast net budget is £14,698,450, which produces a budget surplus of £68,000. 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 £142,000 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 for 2023/24 is currently being considered by the Unions; we have included a provision within the forecast based upon the current offer made, this works out to be an average of 6.7%, the original budget included 4%, and the additional costs estimated to be £436,000 have been funded from the Budget Management reserve.
- 4.1.5. As at 1<sup>st</sup> 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 £228,000. It was recommended within the Q1 report that this refund be placed into the Regeneration Reserve for future projects.
- 4.1.7. As at the 30th September 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 slippages in the Capital programme and using the cash flow balances for internal borrowing has reduced borrowing costs on the expenditure budget and we are currently forecasting a £164,000 underspend on the interest payable.  
There is also no anticipated use of the Treasury Management reserve during 2023/24 and so the full reserve balance of £275,000 can be carried forwards to help protect and mitigate against higher borrowing costs in the future Financial years.  
Due to on-going higher interest rates the Council is also reporting a £250,000 net increase in Interest receivable.
- 4.1.8. The costs of Temporary Accommodation have increased, the average cost per night have increased from £60 to £70 per night. The volume of

cases presenting as homeless is also increasing but this partly mitigated by the on-going programme of purchasing Temporary Accommodation properties. The increase in costs of £194,000 has been offset by additional homelessness grant.

4.1.9. 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 31<sup>st</sup> 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 £1,272,554 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 £22,519,652.

4.4.3. Overall variations of (£5,424,422) are proposed to the 2023/24 Capital programme as follows:

- Other Variations (+ and -) to 2023/24 Capital Programme (£203,547)

<b>Schemes</b>	<b>Amount (£)</b>	<b>Notes</b>
Replacement street cleaning vehicle – Lynton Agency	20,000	Q2 PAG bid – Funded from the Repairs fund
Harbour Commercial boat operator Kiosk	23,496	Q2 PAG bid – Funded from the repairs fund
Disabled Facility Grant	96,957	Additional Grant Allocation - Better Care fund
ICT Skype for Business	(40,000)	Skype project finished
Landmark Theatre, Fire Alarm	(100,000)	Reduction in Contract costs
Community Led Housing Models	(204,000)	Change in scheme funding per Strategy and Resources report October '23

- Project movements (to)/from future years (£5,220,875)

<b>Schemes</b>	<b>Amount (£)</b>	<b>Notes</b>
Pannier Market re-roofing works	(452,098)	Slip spend and funding to 2024/25
Seven Brethren Flood Defence	(250,000)	Slip spend and funding to 2024/25
Retaining Wall – Cross Street Car Park Lynton	(9,500)	Slip spend and funding to 2024/25
Public Maintenance – Public House corner of castle street	(90,000)	Slip spend and funding to 2024/25
Ilfracombe Museum Carpark retaining wall repairs	(222,947)	Slip spend and funding to 2024/25
Fairview and Brookdale Carparks	(395,000)	Slip spend and funding to 2024/25
Alexander Road – Access Improvement	(378,175)	Slip spend and funding to 2024/25
Community Led Housing models	(316,985)	Slip spend and funding to 2024/25 £226,000 and 2025/26 £90,985
Land Release Fund – Seven Brethren	(£597,792)	Slip spend and funding to 2024/25
Future High Street Fund	(2,004,874)	Slip spend and funding to 2024/25
Self-Build Housing Projects	(493,504)	Slip spend and funding to 2024/25
Eco Warm up Grants	(10,000)	Slip spend and funding to 2024/25

4.4.4. The overall revised Capital Programme for 2023/24 to 2025/26 taking into account the budget variations above is £34,916,041 and is broken down as follows:

- 2023/24 £17,095,230

- 2024/25 £17,634,826
- 2025/26 £185,985

The actual spend for 2023/24 as at 30<sup>th</sup> September 2023 is £5,321,855

- 4.4.5. The Programme of £34,916,041 is funded by Capital Receipts / Borrowing (£13,324,650), External Grants and Contributions (£18,706,635) and Reserves (£2,884,756).
- 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 £96,957
- 4.4.8.2. Replacement street cleaning vehicle – Lynton Agency £20,000
- 4.4.8.3. Harbour Commercial boat operator Kiosk £23,496

### **4.5. Treasury Management**

- 4.5.1. Bank Rate increased by a further 0.25% in August 2023 and currently stands at 5.25%.
- 4.5.2. The Council's benchmark rate 7 day SONIA (Sterling Overnight Index Average) at 30<sup>th</sup> September 2023, was 4.71%
- 4.5.1. The return earned on the Council's investments was 4.01% (previous year 0.59%). 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. £240,000 investment interest was earned during the half year period. (2023/24 interest receivable budget was £120,000)
- 4.5.3. As at 30<sup>th</sup> September 2023, the Council had total external borrowing of £3m.
- 4.5.4. £30,258 interest was paid at an average rate of 2.01% on the PWLB loans during the half year period. (2023/24 interest payable budget was £364,000). The Treasury Management reserve still has a balance of £275,000 for future protection against higher borrowing costs in 2024/25 onwards.

### **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 30<sup>th</sup> September 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	1,650	<b>1,647</b>	290	<b>484</b>
2 – 3	998	<b>1,106</b>	132	<b>172</b>
3 – 4	744	<b>747</b>	216	<b>72</b>
4 – 5	480	<b>586</b>	59	<b>134</b>
5 – 6	314	<b>370</b>	34	<b>31</b>
Over 6	253	<b>382</b>	62	<b>50</b>
Total	4,439	<b>4,838</b>	793	<b>943</b>

4.6.6. The levels of collections at 30<sup>th</sup> September 2023 are:

	Achieved 2022/23	Achieved 2023/24
<b>Council tax</b>	55.80%	<b>55.26%</b>
<b>Business rates</b>	59.61%	<b>58.38%</b>

#### 4.7. General Debtors

4.7.1. The level of general invoices raised was £4,800,000 at 30<sup>th</sup> September 2023 (previous year £6,200,000)

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 2022	30 September 2023
	£'000	£'000
3 weeks to 6 months	513	430
6 months to 1 year	98	143
1 to 2 years	234	145
2 to 6 years	491	530
Over 6 years	84	76
<b>TOTAL</b>	<b>1,420</b>	<b>1,324</b>

## 5. RESOURCE IMPLICATIONS

5.1. All revenue and Capital impacts have been discussed and highlighted in section 4.

## 6. EQUALITIES ASSESSMENT

6.1. These will have been completed prior to this report as part of the individual project processes.

## 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 £53,334. 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. An EAC will have been submitted separately for these schemes.

## 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 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 18<sup>th</sup> October 2023