



## **North Devon Council**

Report Date: Strategy and Resources Committee: 5<sup>th</sup> February 2024

### **Topic: Performance and Financial Management Quarter 3 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 October to December 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 31<sup>st</sup> December 2023, the latest forecast net budget is £14,693,450, which produces a budget surplus of £73,000. 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 £296,000 based on known vacancies to date.
- 4.1.4. The National pay award negotiations for 2023/24 have been settled and was paid to staff in Novembers' salary, backdated to 1 April 2023. The pay award works out to be an average of 6.7%, the original budget included 4%, and the additional costs of £436,000 have been funded from the Budget Management reserve.
- 4.1.5. As at 31<sup>st</sup> December we are now estimating income growth from Business Rates to be an additional £950,000, we propose to place the £950,000 into the following earmarked reserves:
- Collection Fund reserve                      £450,000
  - Budget Management reserve                £150,000
  - Town Centre Management reserve        £200,000
  - Treasury Management reserve            £150,000
- 4.1.6. 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; Due to the additional business rates income above, we have increased the reserve by a further £450,000, thus leaving the fund reserve with a residue balance of £877,614 protection against future volatility.
- 4.1.7. 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.
- 4.1.8. As at the 31<sup>st</sup> December 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 project spend slippages in the Capital programme and using the cash flow balances for internal borrowing has reduced borrowing costs

on the revenue budget and we are currently forecasting a £274,000 underspend on the interest payable budget.

In addition, due to on-going higher interest rates the Council is also reporting a £380,000 net increase in interest receivable.

There is also no anticipated use of the Treasury Management reserve during 2023/24 and so the full reserve balance of £275,000 and the proposed additional in-year contribution of £150,000 can be carried forwards into 2024/25 to help protect and mitigate against higher borrowing costs in the future financial years.

- 4.1.9. Of the remaining additional business rates income, it is proposed to place £150,000 into the Budget Management Reserve to help protect the budget against future volatility and it is also proposed to place £200,000 into the Town Centre Management Reserve.
- 4.1.10. The Town Centre Management Reserve was utilised in the current year to fund a 6-month extension of the Street Marshall scheme to 31 March 2024. Placing a further contribution into this reserve will provide the Council with appropriate funding to enable this much-valued service to continue. An update report on this scheme and proposals for the medium term will come to Members for approval in March 2024.
- 4.1.11. There has been a drop in the sales price of recycling material and recycling credits receivable totalling £153,000 and this partly mitigated by an increase of £56,000 shared savings scheme income.
- 4.1.12. 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 initial increase in costs of £194,000 has been offset by additional homelessness grant, the quarter 3 position is showing a further increase of £45,000 which has been offset by the additional refugee grant income.
- 4.1.13. Pay and display car park volumes were slightly lower than previous years and we have reflected a £78,000 forecast estimated reduction. We have also seen a further reduction of £38,000 compared to the last reported position in Penalty Charge notice income and this has been reflected in the quarter 3 forecast.
- 4.1.14. Planning Fee income is estimated to recover in quarter 4 due to the increase nationally in planning fees paid for applications.
- 4.1.15. 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 (£4,151,868) 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 £17,095,230.

4.4.3. Overall variations of (£4,384,090) are proposed to the 2023/24 Capital programme as follows:

- Other Variations (+ and -) to 2023/24 Capital Programme  
£216,107

<b>Schemes</b>	<b>Amount (£)</b>	<b>Notes</b>
Alexander Road – Access Improvements	(40,951)	Virement to future High Streets Fund
Future High Streets Fund	40,951	Virement from Alexander Road – Access Improvements
Office Technology Fund – End User Assets	(4,400)	Virement to Greensweep / Bartec
Greensweep / Bartec	4,400	Virement from Office Technology Fund – End User Assets
S106 – Fremington Parish Council Play Equipment Ellerslie Road	55,215	S106 approved at Strategy and Resources 4 <sup>th</sup> September 2023
S106 – Fremington Parish Council Play Equipment Beechfield	39,868	S106 approved at Strategy and Resources 2 <sup>nd</sup> October 2023
S106 – Ilfracombe Seafront project and play equipment	87,024	S106 approved at Strategy and Resources 6 <sup>th</sup> November 2023
S106 Chittlehamholt, Warkleigh and Satterleigh – (including Solar Panels, battery storage, air source heat pumps and toilets)	34,000	S106 approved at Strategy and Resources 4 <sup>th</sup> September 2023

- Project movements (to)/from future years (£4,600,197)

<b>Schemes</b>	<b>Amount (£)</b>	<b>Notes</b>
Acquisition of Land off Frankmarsh	(17,535)	Slip spend and funding to 2024/25
Office Technology – End User assets	(69,867)	Slip spend and funding to 2024/25
Disaster Recovery and Backup	(6,898)	Slip spend and funding to 2024/25
Rural England Prosperity fund	(300,934)	Slip spend and funding to 2024/25
Harbour Infrastructure	(81,648)	Slip spend and funding to 2024/25
Ifracombe Harbour Kiosks	(5,955)	Slip spend and funding to 2024/25
Green lanes	(703,530)	Slip spend and funding to 2024/25
Material Recovery Facility - Infrastructure	(1,629,495)	Slip spend and funding to 2024/25
Seven Brethren Flood Defence	(250,000)	Slip spend and funding to 2024/25
Land release Fund – Seven Brethren	(541,923)	Slip spend and funding to 2024/25
Cultural Development Fund	(138,000)	Slip Spend and funding to 2024/25
ECO Warm up Grants	(18,000)	Slip spend and funding to 2024/25
Future High Street Fund	(836,412)	Slip spend and funding to 2024/25



- Other Variations to the 2024/25 Capital Programme £1,838,655

• Schemes	Amount (£)	Notes
Pannier Market re-roofing works	(452,098)	Virement to future High Street Fund
Alexander Road – Access improvement	(378,175)	Virement to future High Street Fund
Acquisition of Corporate Property	(250,000)	Virement to future High Street Fund
Future High Street Fund	1,080,273	Virement from Pannier Market re-roofing works, Alexander Road – Access improvements and Acquisition of Corporate property
Future High Street Fund – Temporary Accommodation rear of 36 Boutport Street	632,000	Full council approval 4 <sup>th</sup> December
PAG bid Adelaide Terrace/Car park - Wall repairs	561,500	PAG bid – scored high by PAG group
Cultural Development Fund	(870,155)	Slip spend and funding to 2025/26
Future High Street Fund	(2,300,000)	Slip spend and funding to 2025/26

- Other Variations to the 2025/26 Capital Programme £500,000

• Schemes	Amount (£)	Notes
Future High Street Fund – Public Realm	500,000	Full council approval 4 <sup>th</sup> December

4.4.4. The overall revised Capital Programme for 2023/24 to 2025/26 taking into account the budget variations above is £36,825,648 and is broken down as follows:

- 2023/24 £12,711,140
- 2024/25 £20,258,368
- 2025/26 £3,856,140

The actual spend for 2023/24 as at 31<sup>st</sup> December 2023 is £8,298,342.

4.4.5. The Programme of £36,825,648 is funded by Capital Receipts / Borrowing (£15,018,150), External Grants and Contributions (£18,922,742) 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. Future High Street Fund – Temporary Accommodation rear of 36 Boutport street £632,000
- 4.4.8.2. PAG bid – Adelaide terrace / car park wall repairs £25,000 (surveys only)

### **4.5. Treasury Management**

4.5.1. Bank Rate remained at 5.25% for the quarter.

4.5.2. The Council's benchmark rate 7 day SONIA (Sterling Overnight Index Average) at 31<sup>st</sup> December 2023, was 4.97%

4.5.1. The return earned on the Council's investments was 4.33% (previous year 1.12%). 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. £440,059 investment interest was earned during the three quarter period. (2023/24 interest receivable budget was £120,000)

4.5.3. As at 31<sup>st</sup> December 2023, the Council had total external borrowing of £3m.

4.5.4. £45,469 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).



#### 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 31<sup>st</sup> December 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	1,471	<b>1,461</b>	259	<b>464</b>
2 – 3	931	<b>1,018</b>	119	<b>145</b>
3 – 4	709	<b>695</b>	198	<b>54</b>
4 – 5	460	<b>542</b>	59	<b>131</b>
5 – 6	301	<b>349</b>	32	<b>37</b>
Over 6	240	<b>332</b>	37	<b>44</b>
Total	4,112	<b>4,397</b>	704	<b>875</b>

4.6.6. The levels of collections at 31<sup>st</sup> December 2023 are:

	Achieved 2022/23	Achieved 2023/24
<b>Council tax</b>	82.04%	<b>81.60%</b>
<b>Business rates</b>	80.48%	<b>81.40%</b>

#### 4.7. General Debtors

4.7.1. The level of general invoices raised was £7,200,000 at 31st December 2023 (previous year £8,100,000)

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

Age of debt	31 December 2022	31 December 2023
	£'000	£'000
3 weeks to 6 months	636	1,282
6 months to 1 year	184	165
1 to 2 years	224	202
2 to 6 years	452	495
Over 6 years	94	74
<b>TOTAL</b>	<b>1,590</b>	<b>2,218</b>

4.7.3 Of the debt aged 3 weeks to 6 months above, £628k related to Planning Section 106 invoices that we were still in the process of recovering.

#### 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 £50,844. 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, 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 23<sup>rd</sup> January 2024