

NORTH DEVON COUNCIL

POLICY DEVELOPMENT COMMITTEE: 2ND JULY 2024

**MINUTE EXTRACT OF THE STRATEGY AND RESOURCES COMMITTEE HELD
ON 1ST JULY 2024 IN RESPECT OF ITEM 7 ON THE POLICY DEVELOPMENT
COMMITTEE AGENDA**

22. PERFORMANCE AND FINANCIAL MANAGEMENT Q4 2023-24

The Committee considered a report by the Director of Resources and Deputy Chief Executive (circulated previously) regarding Performance and Financial Management Q4 203-24.

The Finance Manager highlighted the following:

Revenue

- The revenue budget for 2023/24 was approved at Council on 22 February 2023 at £14,766,450.
- As at 31 March 2024, it was pleasing to report that the final out turn position was a budget surplus of £630,000, which was an overall movement of £557,000 from the last forecast at quarter 3. The breakdown showing these movements were shown in “Appendix A – Variations in the Revenue Budget” of the report.
- The last quarter of the financial year had seen a number of variances since the last reported position; most notably, reduction in both Planning fee income, Parking Charge Notice income and additional electricity costs throughout our assets; these had been offset by additional income, interest receivable, less interest payable on borrowing and additional Business Rates income.
- The net movement from quarter 3 of £557,000 can be mainly attributed to:

Adverse variances:

- £89,000 Reduction in Parking Charge Notice income
- £191,000 Premises Electricity
- £132,000 Planning fee income
- £81,000 External Audit fee
- £70,000 Insurance premiums
- £75,000 Transfer of Public Conveniences

Favourable variances:

- £66,000 Work and Recycling Transport
- £54,000 Temporary Accommodation costs
- £46,000 Building Control Partnership
- £41,000 Crematorium income

- £57,000 Additional Grant income
 - £91,000 Interest receivable and payable
 - £760,000 Business Rates income
 - £52,000 Contribution from Community Housing reserve.
- A detailed breakdown of variations in the revenue budget could be seen on pages 37 and 38 of the report.
 - The original budget for 2023/24 included a forecast to achieve £250,000 worth of salary vacancy savings. As at 31 March 2024, £332,000 had actually been achieved.
 - The National pay award negotiations for 2023/24 had been settled and was paid to staff in November 2023 salary, backdated to 1 April 2023. The pay award worked out to be an average of 6.7%, the original budget included 4%, and the additional costs of £436,000 had been funded from the Budget Management reserve.
 - 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.
 - The financial outturn for the Centre produced a net return (income less costs) for:
 - 2021/22 year of (£243,600) due to minimal borrowing costs as these commenced in 2022/23.
 - 2022/23 trading position produced a net return of (£291,000), including borrowing costs.
 - 2023/24 trading position produced a net return of (£237,000), this includes £150,000 from the income volatility reserve due to the financial impact of losing Wilko in August 2023. This reserve having been created in 2021/22 for this purpose to protect the council in the event of a tenant loss and smooth the budgetary impact.
 - As at 31st March 2024 the Collection Fund reserve balance held was £1,790,180. This earmarked reserve was created to deal with the timing impacts of the Collection Fund (Business Rates), which ensured the revenue budget was not unduly affected in the year the taxes were collected. Collection Fund deficits/surpluses were reversed out to bring the revenue account back to the budgeted figure for the year; the deficits/surpluses were recovered/distributed in the following financial years. This reserve included an £1,246,078 balance that would be utilised in 2024/25 and 2025/26 to mitigate timing differences of business rate reliefs awarded in 2023/24 that from an accounting perspective impacted over the next two financial years; thus

leaving the fund reserve with a residue balance of £544,102 protection against future volatility.

- From the revenue budget surplus of £630,000, it was proposed to set aside the amount into the following earmarked reserves:
 - Corporate Property income volatility reserve - £150,000
 - Insurance Reserve - £280,000 – mitigate 2024/25 higher insurance costs
 - Digital Transformation Financial system reserve - £200,000.
- As at the 31 March 2024 total external borrowing was £3,000,000. The timing of any future borrowing was dependent on how the authority managed its treasury activity.
- Due to project spend slippages in the Capital programme and using the cash flow balances for internal borrowing, this has reduced borrowing costs and has resulted in a £304,000 underspend on the interest payable revenue budget and in addition an increase in interest receivable of £441,000 over and above the budgeted amount in 2023/24. There was no requirement to use 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 forward into 2024/25 to help protect and mitigate against higher borrowing costs in the future financial years.
- The recommended level of general fund balance was 5%-10% of the Council's net revenue budget £738,326 to £1,476,645. The forecast general fund reserve at 31 March 2024 was £1,238,000; which was a level of 8.4%.

Earmarked Reserves 2023/24

- “Appendix B (of the report) – Movement in reserves and Balances” detailed the movements to and from earmarked reserves in 2023/24.

Strategic Contingency Reserve

- Full details of the Strategic Contingency Reserve movements and commitments were attached as “Appendix C (of the report) – Strategic Contingency Reserve”.

Capital

- The 2023/24 Capital Programme was attached as “Appendix D (of the report) – Capital Programme 2023/24”.
- The Budget and Financial Framework report to Full Council 22 February 2023 outlined the Capital Programme for the 2023/24 financial year of £21,247,098. Project underspend and further variations of (£8,535,958) 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 £12,711,140.
- Actual spend on the Capital Programme for 2023/24 financial year was £10,146,403. The variance against budget of £12,711,140 was (£2,564,737); the carry forward to 2024/25 was £2,528,087 (the difference being £36,650,

relating to):

- (£94) Greensweep / Bartec migration, small overspend– project complete.
 - £3,158 Landmark Theatre, Fire alarm– project complete, remaining budget not required.
 - £33,311 Ilfracombe Watersports Centre– project complete, carry forwards £22,734 as contingency and return remaining £33,311.
 - £257 Queen Ann’s building, flat roof replacement, small underspend, project complete.
 - £18 Queens Theatre replacement flat roof and redecoration, small underspend, project complete.
- In order to pay for the £10,146,403 capital investment the Council funded this from £7,400,238 received from external sources in the form of grants and other assistance, £1,025,988 of earmarked reserves held specifically for capital projects, £277,322 from the Capital receipts reserve and £1,442,855 through internally borrowing.
 - The 2024/25 to 2026/27 Capital Programme was attached as “Appendix E – (of the report) Capital Programme 2024/25 to 2026/27”.
 - The Budget and Financial Framework report to Strategy and Resources 5 February 2024, outlined the Capital Programme for the 2023/24 financial year of £12,711,140, 2024/25 financial year of £20,258,368, 2025/26 financial year of £3,856,140.
 - Project underspends of £2,528,087 from 2023/24 year were brought forward to produce a revised Capital Programme for 2024/25 year of £22,786,455.
 - Further variations of £1,828,292 were proposed to the 2024/25, £1,211,965 to the 2025/26 and £1,211,965 to the 2026/27.
 - Capital programme as follows:

Schemes	Amount (£)	Notes
Removal of Local Authority Housing Fund Round 2	(552,000)	Approved by Strategy and Resources 8th January 2024
Various S106 schemes	358,020	Approved by Full Council 21st February 2024
Hub fit out in Green lanes	220,000	Approved by Strategy and Resources 5 February 2024
Material Recovery Facility	350,060	Variation to existing budget, Approved by Full Council 27 March 2024
Office Technology – end User assets	(100)	Virement to Green sweep software (spend was in 2023- 24)

Ilfracombe Pool Photovoltaic LED Lighting	88,347	New external grant from Sport England
Disabled Facility Grants	1,363,965	Better Care Fund grant allocation for 2024-25
2025/26		
Disabled Facility Grants	1,211,965	Better Care fund allocation (base amount)
2026/27		
Disabled Facility Grants	1,211,965	Better Care fund allocation (base amount)

Release of Funds – Capital Programme

- Ilfracombe Pool Photovoltaic LED Lighting - £88,347
- Disabled Facility Grants - £1,363,965
- Section 4.5 of the report detailed the Treasury Management activity.

The Head of Programme Management and Performance highlighted the following in relation to Appendix F of the report:

- The Housing and Community Safety Programme – three bids had been prepared to go for the County’s net zero fund, two of which had been invited to go further for two projects in Ilfracombe (community housing and the Community Land Trust), these projects were currently on hold due to the election.
- Households in temporary accommodation remains high, staff are working hard to find alternative solutions.
- National Refugee week was celebrated with a lunch ‘meet and eat’ Ukranian and Afghan refugees were invited along to share food from their culture. This was supported by the Pickwell Foundation and other voluntary groups.
- An Expression of Interest had been submitted for round three of the Local Authority Housing Fund to purchase another four houses – currently on hold until a new Government had been formed after the election.
- The Community Safety Partnership bid was submitted to the Crime Commissioners Office for their Anti-Social Behaviour hotspot funding. Barnstaple fell into tier one so would qualify for extra Policing.
- The Community Safety Partnership have support a reintroduced a night bus during the summer time, from Barnstaple to Bideford and a new route to Ilfracombe.
- The Regeneration and Economic Growth Programme had arranged several cultural activities with over 7000 people having attended.
- The Pannier Market had been shortlisted in the heritage category of the Michelmores Property awards 2024.
- Works had commenced at Queen Street and Bear Street car parks and at Alexandra Road.

- The Seafront play area in Ilfracombe had been formally opened in March 2024.
- Customer Focus Programme – the team continued to collate call failure figures with the main reason for a call due to missed bin collections.
- 1700 people had signed up to the self-serve council tax portal.
- The new Hub plans continuing and about to go out to tender.
- Cyber security continuing to be rolled out to staff to ensure the Council is protected from Cyber-attacks. It had been agreed that cyber protection training would also be rolled out to members in the near future.
- The Environmental Enhancement Programme – Yeo Valley Woodland won the Community Woodland Category of the Community Woodland Devon competition.
- Ilfracombe Swimming pool had been awarded £85,000 from the Sport England Swimming Pool improvement fund to install solar and LED lighting at the swimming pool.
- Funding had been secured to draft a green hydrogen road map for Northern Devon.
- The major infrastructure works in the Recycling Hall had commenced.
- The Organisational Development Programme – A Leadership Graduate had been secured.
- A staff party funded by UNISON and the Senior Management Team was held to thank staff for their hard work.

The Director of Resources and Deputy Chief Executive gave the following replies to questions asked:

- There was a financial consideration behind the purchase of Green Lanes but the key driver was around the Town Centre improvement through regeneration as well as to fill empty units.
- The budgeted net return figure accounted for borrowing costs and after all the service charges for the Centre, vacant unit provision and also included car park income.
- The loss of Wilko in 2023 had an impact on the income stream but staff worked hard to secure a new tenant in the unit but this came with an initial rent-free period, any financial improvement would be seen in 2024/25 when rent payments from the new tenant started to come through.
- An income volatility reserve had been set up previously and reinvestment into that reserve made to cushion future impacts that might affect income.
- The Collection Fund Reserve was set up to smooth the time lag in accounting of Business Rates to receipt of credit for business rates reliefs from Government.
- Any further rate relief gained could be added to the reserve to top up the remaining balance of £544,102, which the balance was felt to be more than comfortable going forwards.
- In relation to the Temporary Accommodation figure, shown on page 26 of the report, of £2.4 million spend on provision of accommodation was the capital programme cost of purchasing the properties.
- The revenue cost for the provision of prevention of homelessness, as shown on page 37 of the report, was £185,000 above the budgeted figure. There

were reserves set up which were utilised in 2023/24 to help cushion these additional costs.

Councillor Prowse wanted to highlight the reduction in income, due to reduced parking fines; this showed a flexibility on the Council's part i.e. the introduction of ½ hour parking ticket options and the increased use of the mobile phone application Ringo to pay for parking online.

Councillor Prowse went on to declare an interest in the Regeneration and Economic Growth Programme as he was a Trustee of Bridge Trust.

In response to a question about the Cultural Development Fund progress. The Head of Place, Property and Regeneration advised the Committee that there was a £2.4 million budget for the Cultural Development Fund and the project was on track and works continuing. Improvement works for access to and use of the Bridge Chambers building was underway as part of this fund. In addition funding had been used for the creation of way finding signage which was progressing. 7000 people had been involved in cultural activities.

The Director of Resources and Deputy Chief Executive added that the Capital Programme funding table on page 31 of the report showed the capital figure for this project and was on track.

Councillor C Leaver thanked everyone involved in the Fringe theatre fest which had held its 19th event at the weekend.

The Chief Executive advised the Committee in relation to the provision of temporary accommodation put in a national context other Local Authorities were buying up housing stock to use as temporary accommodation. A recently publicised report whereby Crawley, a Council with a similar sized budget to North Devon's, had been paying £5.7 million in temporary accommodation housing costs as opposed to £450,000 in 2019. They were paying £1 in every £3 collected by council tax in temporary accommodation costs.

The Director of Resources and Deputy Chief Executive added that North Devon Council spent just under £500,000 on temporary accommodation last year the net cost of this would have been a lot higher had we not purchased our own properties.

Councillor Prowse asked for it to be minuted that this was a very positive report.

RESOLVED:

- (a) That the actions being taken to ensure that performance was at the desired level be noted;
- (b) That the contributions to/from earmarked reserves be approved as detailed in section 4.2 of the report;
- (c) That the movement on the Strategic Contingency Reserve (section 4.3 of the report) be noted;
- (d) That funds be released for the capital schemes listed in section 4.4.13 of the report;

(e) That the sections dealing with Debt Management and General Debtors (sections 4.5 and 4.6 of the report) be noted.

RECOMMENDED:

That the Council approve the variations to the Capital Programme 2024/25 to 2026/27 as detailed in section 4.4.8 of the report.