

NORTH DEVON COUNCIL

REPORT TO: STRATEGY AND RESOURCES
Date: 3 June 2019
TOPIC: PERFORMANCE and FINANCIAL MANAGEMENT
QUARTER 4 of 2018/19
REPORT BY: HEAD OF RESOURCES

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 2019 but also looks at the whole year.
- 1.2 Sections 4 to 9 deal with headline performance issues. More detailed performance information is available in Appendix F.

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 movements on the Strategic Contingency Reserve (section 4.3) be noted.
- 2.4 That council approve the variations to the Capital Programme 2019/20 to 2021/22 in section 4.4.9
- 2.5 That funds are released for the capital schemes listed in section 4.4.14
- 2.6 That the sections dealing with Treasury Management (section 4.5), and Debt Management (sections 4.6 and 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 the approved Corporate Plan, as well as progress in delivering service within the Revenue budget and Capital Programme.

4 PRIORITY – RESOURCES AND ASSET UTILISATION

Councillors RICHARD EDGELL & Councillor GLYN LANE

4.1 Revenue

- 4.1.1 The revenue budget for 2018/19 was approved at Council on 21 February 2018 at £12.220m and as at 31 December 2018, the Council was reporting a net deficit of £0.019m against the budget.
- 4.1.2 The last quarter of the financial year has seen some favourable variances since the last reported position; additional income through the one-off pilot year for 100% Business Rate Retention scheme and additional savings achieved throughout our staffing budgets.
- 4.1.3 As at **31 March 2019** it is pleasing to report that the final out turn position is a budget surplus of (£0.754m), which is an overall movement of (£0.773m) from the last forecast at quarter 3. The main reasons for the movement are shown in Appendix A – Variations in the Revenue Budget.
- 4.1.4 The original budget for 2018/19 included a forecast to achieve £0.200m worth of salary vacancy savings. The previous performance report at quarter 3 was forecasting this saving would be exceeded by £0.025m this year; the final quarter of 2018/19 has actually resulted in further employee savings of £0.083m over and above the original target.
- 4.1.5 The “Recycle more” service changes were introduced in June 2017; the take up of the new garden waste service exceeded our expectations; 2017/18 year saw a total sign up of 17,320 properties (the original estimated take up was 13,000 properties). This has grown further in 2018/19 with 18,134 properties signing up for the garden waste service.
- 4.1.6 The implementation of the ‘Recycle more’ project has been a challenge and has resulted in some further additional costs this year together with a further decline in the sale price of recyclable materials, which has meant the original savings target for the year not being achieved. We have also seen a significant reduction in the level of planning fee income of £0.138m due to a reduction in the larger applications received, which is in line with other authorities experiencing the same pressure. However, I am pleased to report that across the authority we have achieved a number of one off savings which have offset the additional costs and the reduced income; and as highlighted above we are now coming in under the original £12.220m budget set for the year.
- 4.1.7 The Business Rate Retention scheme was introduced in April 2013 which sees Billing authorities receive a ‘baseline’ funding but in addition they are exposed to the risks and rewards of retaining a proportion of the income collected. This exposure is mitigated by participation in the Devon-wide pool that collates all of the Business Rate growth and decline and returns a share of the impact to each local authority.
- 4.1.8 For 2018/19 year we built in £1.252m additional income growth into the base budget over and above our ‘baseline’ funding. At 31 December 2018 the forecast position assumed additional income of £0.200m on top of the growth already factored into the budget and a further one-off additional income from the 100% Business Rates Retention Pilot for 2018/19 of £0.750m. The additional one-off income from the Pilot

was placed into four earmarked reserves at the Quarter 3 position to fund future year projects.

4.1.9 The final out turn on the Business Rates Retention scheme has yielded overall additional income of £1.540m, which is a positive variance of £0.590m on the December forecast.

4.1.10 The 2018/19 overall revenue budget surplus of (£0.754m), of which a large element of this variance relates to the above additional income from Business Rates; it is proposed to place £0.236m into the Collection Fund reserve. 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.

4.1.11 The Collection Fund Reserve balance at 31 March 2019 is £1.017m; as mentioned this balance is set aside to smooth the future year's impacts on the budget from the Collection Fund balances; of which the current 40% deficit attributable to this authority is £0.353m. The reserve set aside will cover this contribution back to the Collection Fund over the next two financial years and leaves a residual balance of £0.664m to protect against any future volatility.

4.1.12 The revenue budget surplus of (£0.754m), once the above contribution to the Collection Fund reserve of £0.236m has been made; leaves a residual surplus of (£0.518m). It is proposed to set aside this amount into the following earmarked reserves as follows:-

- £0.050m into Strategic Contingency Reserve to fund projects coming through the Strategy and Resources committee
- £0.075m into Improvement Reserve to fund future service delivery initiatives
- £0.100m into Digital Transformation Reserve to fund further system improvements to our ICT infrastructure
- £0.100m into Repairs Fund Reserve to fund additional enhancements to Council assets (on top of the already planned maintenance)
- £0.193m into a number of smaller Earmarked Reserves to fund already identified specific projects in 2019/20 year

4.1.13 At the 31st March 2019 total external borrowing was £1.250m. The timing of any future borrowing is dependent on how the authority manages its treasury activity and due to current low interest rates and reduced returns on investments it is prudent for the Council to 'internally borrow' and use these monies to fund the Capital Programme. The actual cost of borrowing was £0.531m, a reduction of £0.013m on the budgeted cost of £0.544m. This cost includes both the interest payable on external borrowing and the authority making a 'minimum revenue provision (MRP)' to set aside repaying the principal on the borrowing need.

4.1.14 The recommended level of general fund balance is 5%-10% of the council's net revenue budget (£0.611m to £1.222m). The actual general fund reserve at 31 March 2019 is £1.161m, which is a level of 9.5%.

4.2 Earmarked Reserves 2018/19

4.2.1 Appendix B – Movement in Reserves & Balances details the movements to and from earmarked reserves in 2018/19.

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 2018/19 Capital Programme is attached as Appendix D – Capital Programme 2018/19.

4.4.2 The Budget and Financial Framework report to Executive 5th February 2018 outlined the Capital Programme for the 2018/19 financial year of £5.900m. Project under spends of £1.522m were brought forward from 2017/18 year and further variations of £1.204m, £0.993m, (£1.836m) and (£2.254m) were approved as part of the performance and financial management reports to Executive on 4th June 2018, 4th September 2018, 5th November 2018 and 4th February 2019 to produce a revised Capital Programme of £5.529m.

4.4.3 Actual spend on the Capital Programme for 2018/19 financial year was £4.297m. The variance against the budget of £5.529m is (£1.232m); of which £1.234m will be carried forward into the 2019/20 Capital Programme to fund on-going projects.

4.4.4 In order to pay for the £4.297m capital investment the Council funded this from £2.538m received from external sources in the form of grants and other assistance and used £1.759m of internal resources held specifically for capital projects.

4.4.5 The 2019/20 to 2021/22 Capital Programme is attached as Appendix E – Capital Programme 2019/20 to 2021/22.

4.4.6 The Budget and Financial Framework report to Executive 4th February 2019, outlined the Capital Programme for the 2019/20 financial year of £9.609m; 2020/21 financial year of £2.456m and 2021/22 financial year of £2.374m.

4.4.7 Project under spends of £1.234m from 2018/19 year are brought forward to produce a revised Capital Programme for 2019/20 year of £10.843m; 2020/21 financial year of £2.456m and the 2021/22 financial year of £2.374m.

4.4.8 Further investment of £0.122m has been identified for the period 2019/20 following 3 business cases submitted to the Project Appraisal Group (PAG) for:

- Property Maintenance at the Public House on the corner of Castle Street and the property at 16 Castle Street
- Retaining wall at Watersmeet Car Park Lynton
- Retaining wall at Cross Street Car Park Lynton

4.4.9 Incorporating the investment proposal highlighted above, overall variations of £14.710m are proposed to the 2019/20 to 2021/22 Capital Programme as follows:

▪ **Other variations (+ and -) to 2019/20 Capital Programme – £14,709,899**

Scheme	Amount (£)	Notes
Leisure Provision at Seven Brethren	14,730,399	Full Council - 13 th March 2019
S106 to Georgeham Parish Council for Croyde Play area	40,000	Executive – 4 th March 2019
S106 Braunton BMX	25,000	Executive – 4 th March 2019
Disabled Facility Grant	(221,000)	Adjusted in line with base funding from the Better Care Fund
Museum of Barnstaple- Long Bridge Wing Extension	14,000	Additional changes to the original contract funded by External Grants
Property Maintenance at the Public House on the corner of Castle Street and the property at 16 Castle Street.	90,000	PAG business case
Retaining wall Watersmeet Car Park Lynton	22,000	PAG business case
Retaining wall Cross Street Car Park Lynton	9,500	PAG business case

- **Budget virement (transfer) between projects**

Scheme	Amount (£)	Notes
Disabled Facility Grants	(200,000)	Use of the Better Care Fund for Home Energy Solution
Home Energy Solution	200,000	Use of the Better Care Fund for Home Energy Solution
Contact Centre Telephony System	(86,500)	Combined with the main Telephony system upgrade
ICT Telephony System	86,500	Combined with the main Telephony system upgrade

- **Other variations (+ and -) to 2020/21 Capital Programme – (£221,000)**

Scheme	Amount (£)	Notes
Disabled Facility Grant	(221,000)	Adjusted in line with base funding from the Better Care Fund

- **Other variations (+ and -) to 2021/22 Capital Programme – (£221,000)**

Scheme	Amount (£)	Notes
Disabled Facility Grant	(221,000)	Adjusted in line with base funding from the Better Care Fund

4.4.10 The revised Capital Programme for 2019/20 to 2021/22 taking into account the budget variations above is £29.941m and is broken down as follows:

- 2019/20 £25.553m
- 2020/21 £2.235m
- 2021/22 £2.153m

4.4.11 The Programme of £29.941m is funded by Capital Receipts / Borrowing (£13.058m), External Grants and Contributions (£14.508m) and Reserves (£2.375m).

4.4.12 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.

4.4.13 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 £1.250m.

4.4.14 Release of Funds – 2019/20 Capital Programme

4.4.15 Once funds have been included in the Capital Programme the Constitution requires a separate decision to release those funds. Accordingly the schemes below need the funds to be released so that spending can start within the following three months:

- Museum of Barnstaple, Long Bridge Wing Extension £14,000
- Property Maintenance of the Public House on the corner of Castle Street and the property at 16 Castle Street £90,000
- Retaining wall – Watersmeet Car Park Lynton £22,000
- Retaining wall – Cross Street Car Park Lynton £9,500

4.5 Treasury Management

4.5.1 Bank Rate remained at 0.75% during the final quarter of the financial year.

4.5.2 The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 31st March 2019, was 0.51% (previous year 0.21%).

4.5.3 The return earned on the Council's investments was 0.57% (previous year 0.34%).

4.5.4 £91,803 investment interest was earned during the financial year. (2018/19 interest receivable budget was £60,000)

4.5.5 As at 31st March 2019, the Council had total external borrowing of £1.250m.

4.5.6 £26,942 interest was paid at an average rate of 2.03% on the PWLB loans during the financial year. (2018/19 interest payable budget was £40,000)

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 (£50m) and Business Rates (£30m).

4.6.3 Collection rates are controlled through monitoring:

- the level of write offs
- levels of previous years' outstanding debt
- 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 assumption 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 31st March 2019 are as set out below:

Age in Years	Council Tax		Business Rates	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
1 – 2	757	853	264	184
2 – 3	436	466	147	89
3 – 4	275	292	35	65
4 – 5	166	177	52	19
5 – 6	99	109	39	35
Over 6	160	147	40	50

4.6.6 Irrecoverable debts from previous years not exceeding £1,500 can be written off with the authorisation of the Chief Financial Officer. Decisions on whether to write off debts over £1,500 rest with the Chief Financial Officer, in consultation with the Leader of the Council. As at 31 March 2019 the amount of accounts written off was as follows:

Less than £1,500			More than £1,500	
No. of accounts	Amount		No. of accounts	Amount
971	£81,659.71	Council Tax	155	£163,679.16*
116	£5,661.52	Business Rates	71	£419,585.25**
190	£37,486.14	Housing Benefits	15	£64,728.29

* £68,784.58 due to bankruptcy (see section 4.6.8)

** £290,385.47 due to bankruptcy and company insolvency (see section 4.6.8)

4.6.7 The monitoring of in year collection is carried out against national performance indicators targets of sums collected in year as a percentage of the Net Sums Due for that year.

4.6.8 The majority of the write offs are individual bankruptcy and company insolvency and in a number of cases include liabilities for previous years. In these cases we are unable to recover the debt. However, if at a later date a dividend is paid, the money is allocated to the account and the relevant amount written back on.

4.6.9 The other main reason for write offs is where the person has gone away (no trace). However, write offs are reviewed and where we find the persons contact address the write off is reversed and recovery action continues.

4.6.10 The levels of collection are:

	Achieved 2017/18	Achieved 2018/19
Council tax	97.02%	97.05%
Business rates	97.96%	97.04%

4.6.11 The Authority has received funding from major preceptors to help support the billing and collection of Council Tax and Business Rates which we hope will see an increase in the above collection levels.

4.7 General Debtors

4.7.1 The level of general invoices raised was £7.3m at 31st March 2019 (previous year £5.7m).

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

Age of debt	31 Mar 2018	31 Mar 2019
	£'000	£'000
3 weeks to 6 months	166	251
6 months to 1 year	31	115
1 to 2 years	148	49
2 to 6 years	185	303
Over 6 years	30	20
TOTAL	560	738

4.7.3 In accordance with the Constitution, irrecoverable debts not exceeding £1,500 can be written off with the authorisation of the Chief Financial Officer. The Chief Financial Officer, in consultation with the Leader of the Council, must authorise the write off of debts over £1,500.

4.7.4 As at 31st March 2019, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
117	£28,740	2	£16,397

5 PRIORITY – PARTNERSHIPS AND SHARED SERVICES

Councillor DES BRAILEY

- 5.1 A project to refurbish North Devon Crematorium's Aspen Chapel is now complete. Work began in January to replace and refurbish all elements of the chapel. The chapel, which has remained largely unchanged since it opened over 50 years ago, has new windows, flooring, furniture, technology and improved disabled access.

6 PRIORITY – LOCAL PLAN AND REGENERATION

Councillors PAT BARKER and JEREMY YABSLEY

- 6.1 The Future High Streets fund aims to help local councils and local leaders to implement 'bold new visions' to transform their high streets and make them fit for the future. The Council have submitted a bid for Barnstaple Town Centre, working with partners; as local businesses and people are best placed to understand the challenges facing our town centre. We should hear the outcome of the bid during the summer.
- 6.2 After an initial set back the Council was notified in March that it had been successful in securing £40,000 of grant funding from the Coastal Revival Fund to carry out mapping of cultural assets in Barnstaple Town Centre and provide a vision and delivery plan that will connect our iconic buildings, protect conservation areas and the waterfront. The aim is to ensure that the town's fantastic heritage assets are enhanced whilst boosting their economic impact as a focal point for residents, visitors and businesses.
- 6.3 Work was completed on the installation of new lighting on the arches of one of Barnstaple's most iconic landmarks. North Devon Council illuminated the columns of the arches of Barnstaple's historic Longbridge, as part of a project to improve pedestrian links from the train station to the town. The project had the support of Historic England, Barnstaple Town Centre Management, Barnstaple Town Council and the Barnstaple Coastal Community Team.
- 6.4 The Council secured significant funding from Historic England in order to progress urgent works on Bunksland Farm which is a grade II* listed building dating from the late medieval period. The farm contains historic fabric and features of considerable significance and the project was a joint initiative between the Council and Historic England, working with the owners. The farmhouse is in a very poor condition and has suffered some internal collapse therefore works are required to prevent further deterioration of the building.
- 6.5 North Devon Council provided a full written response to the Select Committee on Regenerating Seaside Towns and Communities during the Call for Evidence. North Devon has a world class coastline and surfing beaches but our coastal communities also have some key issues affecting their ability to diversify and contribute to the overall economic performance of our region.
- 6.6 A director from the Department for the Environment, Food and Rural Affairs visited North Devon to view the great work that has been done by local partners and talk to a wide range of participants, including farmers. The Landscape Pioneer is testing the use of natural capital in determining environmental priorities and agreeing actions to target them. At its heart is an innovative process for creating a shared plan that identifies where investment in natural capital is most needed and securing new investment for

those projects in the Pioneer area. The Landscape Pioneer is led by Natural England (NE) and is based in the North Devon UNESCO Biosphere Reserve.

6.7 A successful workshop was held for members on the new Local Plan and was delivered by officers from Torridge and North Devon, mirroring a similar session for members of Torridge District Council.

7 PRIORITY – THE ENVIRONMENT

Councillor RODNEY CANN

7.1 A five-year strategy and action plan to rid northern Devon of single-use plastics has been agreed by members of the Plastic Free North Devon Consortium. The consortium consists of representatives from a number of charities, voluntary groups and organisations from across North Devon.

7.2 The re-modelled black bin collections went live in February, therefore residual waste is no longer going to landfill. Approximately 35 inductions completed for the new Suez waste transfer station (Devon County Council) which opened on 11th February 2019. The re-modelled garden waste rounds also went live in February,

7.3 New Health & Safety Awareness programme launched for the Operational Services team.

7.4 Recycling presentations given to Georgeham Primary School & Marwood WI.

7.5 The successful Hessian sack trial was continued in the Ilfracombe area.

7.6 Our Environmental Wardens issued 27 Fixed Penalty Notices with total fines given of £5,520 for a range of offences including no waste transfer note/trade waste agreement; littering from a vehicle; dog fouling and unauthorised depositing of waste on land. There were also 4 prosecutions with total fines and costs of £4,902 for littering from a vehicle; fly tipping and breach of a community protection notice.

8 PRIORITY – HEALTH AND WELLBEING

Councillors DICK JONES and BRIAN MOORES

8.1 The council's Safe Sleep provision at the Freedom Centre in Barnstaple was used over 2,000 times this winter, equating to supporting an average 11 people per night. The service offers overnight accommodation, food and support for homeless people throughout the winter months. Of the 111 people who used the service, a third are now in permanent accommodation after being supported by the service.

8.2 We successfully prevented or resolved homelessness for 191 households in the quarter, a 3% increase in comparison to previous quarter.

8.3 We successfully prevented or alleviated rough sleeping for 44 households during the quarter, a 28% reduction in comparison to the previous quarter.

8.4 We provided Temporary Accommodation for 40 households during the quarter period, a 23% reduction of households being placed in our Temporary Accommodation compared to the previous quarter.

- 8.5 We registered 310 new applications on Devon Home Choice, an 11% reduction compared to the previous quarter.
- 8.6 We assisted 60 households into social housing vacancies through Devon Home Choice, a 9% reduction of available vacancies compared to the previous quarter
- 8.7 43 new Disabled Facility Grant applications were received, a 10% increase compared to the previous quarter and 53 Disabled Facility installations were completed in the quarter.
- 8.8 We enabled the completion of 58 new affordable homes for our community.
- 8.9 The Food, Health and Safety team managed a 95% return on their food hygiene inspections for the financial year 2018/19.
- 8.10 Full Council approved the decision to proceed with the construction of a new leisure centre in Barnstaple, which will include a swimming pool, sports hall and exercise studios. The project has attracted grant funding from both the Coastal Communities Fund and Sport England.
- 8.11 Structural repairs have been carried out at the Ilfracombe swimming pool. The whole building has had cavity wall tie replacement.
- 8.12 Bicclescombe Park in Ilfracombe has once again received a prestigious Pride in Parks award. The park has been awarded four out of five stars for demonstrating excellent maintenance and development, good community involvement and care of the environment. Pride in Parks is run by Southwest in Bloom, in conjunction with the Royal Horticultural Society.
- 8.13 The Parks Team have been awarded £15,000 grant through the LGA Parks Improvement Fund for two projects - improvements/enhancements to a previously overgrown area of Southern Slopes in Ilfracombe and enhancements to Castle Green and Mound in Barnstaple.
- 8.14 Improvements have been made at the Greenways play area in Ilfracombe and the Blakeshill Road play area in Landkey thanks for £37,000 worth of developer's contributions (section 106 funds).
- 8.15 Our new Theatres contract started in January under the management of Selladoor Worldwide. The Landmark Theatre re-launched with special guest Sir Ian McKellan.
- 8.16 The Museum successfully acquired the Barnstaple Steam Fire engine, a new exhibit for the museum extension when we re-open in July.

9 PRIORITY – BUSINESS TRANSFORMATION, SERVICE DELIVERY AND PERFORMANCE MANAGEMENT

Councillors DAVID LUGGAR and IAN MEADLARKIN

- 9.1 Satisfaction with the Customer Services team remains high. In quarter four, 94% of customers were satisfied with the service they received, with the average for the whole year being 94.5%.

- 9.2 The council's new email subscription service has gone live. Customers can sign up to get email alerts on subjects of their choice including planning applications, job vacancies and council meetings among others.
- 9.3 The Land Charges Team have kept hold of a top award for their work for the third year in a row. At the Land Data Local Charges Awards the team retained the award for the Best Performing National Land Information Service (NLIS) Level 2 Land Charges Department.
- 9.4 Modern.gov new Democratic System and purchase of iPads to allow all agendas and minutes to be distributed digitally when our existing/new members were elected.
- 9.5 Master.gov new Planning System has been installed, data matched and migrated, training taken place and now undergoing User Acceptance Testing.
- 9.6 iKen new Legal Case Management System has been installed and training delivered.
- 9.7 New Payroll & HR System have seen numerous demonstration and are now down to 2 potential options/suppliers.
- 9.8 All Staff and Members emails moved to Office365 (Cloud) to increase resilience and security. ICT Asset Show & Tell Event giving staff an opportunity to choose an ICT solution to best meet the needs of the business aligned to specific personas.
- 9.9 Skype for Business Telephony and a new Cloud Customer Contact Centre has scoped and the high level designs drafted.
- 9.10 Payment Card Industry (PCI) Compliance moved a step forward in that our Payment Card Environment has now been mapped.

10 Constitutional Context

Article and paragraph	Appendix and paragraph	Referred or delegated power?	A key decision?	In the Forward Plan?
7.12	13, para 4.7	Delegated power	No	No

11 Statement of Internal Advice

- 11.1 The authors (below) confirm that advice has been taken from all appropriate Councillors and officers.

12 Background Papers

None

Author: Jon Triggs and Claire Holm

Date: 22 May 2019

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