

NORTH DEVON COUNCIL

REPORT TO: STRATEGY AND RESOURCES
Date: 5th August 2019
TOPIC: PERFORMANCE and FINANCIAL MANAGEMENT
QUARTER 1 of 2019/20
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 April to June 2019.
- 1.2 Section 4 deals with headline financial performance. More detailed performance information is available in Appendix E.

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 (sections 4.4.3)
- 2.5 That funds are released for the capital schemes listed in section 4.4.11
- 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

4.1 Revenue

- 4.1.1 The revenue budget for 2019/20 was approved at Council on 25th February 2019 at £12.518m.

- 4.1.2 As at 30 June 2019, the latest forecast net budget is £12.546m, which produces a **budget deficit of £0.028m**. Details are shown in “Appendix A – Variations in the Revenue Budget”
- 4.1.3 The original budget for 2019/20 included a forecast to achieve £0.239m worth of salary vacancy savings. The current position forecasts this will be achieved this year; of which £0.140m has been identified at 30th June 2019.
- 4.1.4 The “Recycle more” service changes were introduced on the 5th June 2017; the take up of the new garden waste service has exceeded our expectations, 2017/18 saw a total sign up of 17,320 households, with 2018/19 increasing by a further 814 properties to 18,134. We have estimated that this year’s income will increase by a further 300 properties.
- 4.1.5 The Operational Services employee costs are currently forecast to exceed the current budget by £0.090m and work is being undertaken to identify reasons and corrective actions moving forwards.
- 4.1.6 The sale of recyclable materials is also an uncontrollable variable where we have seen a recent decline in the income, in particular cardboard and paper.
- 4.1.7 The Shared Savings Scheme income is our 50% contribution from Devon County Council savings from the reduction in residual waste collected. The £0.082m additional income is the estimate based on current activity and estimated savings per tonne.
- 4.1.8 There has been a reduction in the forecast planning fee income of £0.065m due to a reduction in the larger applications received, which is in line with other authorities experiencing the same pressure.
- 4.1.9 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.
- 4.1.10 At 30th June 2019, we are assuming a £0.050m increase to the business rates growth already factored into the budget, the growth is now estimated at £1.552m and we will reflect any further changes once we receive an update from the Devon-wide Pool monitoring within the Quarter 2 report.
- 4.1.11 At the 30th June 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.
- 4.1.12 The recommended level of general fund balance is 5%-10% of the council’s net revenue budget (£0.626m to £1.252m). The forecast general fund reserve at 31 March 2019 is £1.161m, which is a level of 9.3%.

4.2 Earmarked Reserves 2019/20

4.2.1 “Appendix B – Movement in reserves and Balances” details the movements to and from earmarked reserves in 2019/20.

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 2019/20 to 2021/22 Capital Programme is attached as “Appendix D – Capital Programme”

4.4.2 The Budget and Financial Framework report to Executive 4th February 2019 outlined the Capital Programme for the 2019/20 financial year of £9.609m. Project under spends of £1.234m were brought forward from 2018/19 year and further variations of £14.710m were approved as part of the performance and financial management report to Strategy and Resources on 3rd June 2019 to produce a revised Capital Programme of £25.553m.

4.4.3 Overall variations of (£14.653m) are proposed to the 2019/20 Capital Programme as follows:

▪ **Other variations (+ and -) to 2019/20 Capital Programme – £28,176**

Scheme	Amount (£)	Notes
S106 Bickington, Ilfracombe and North Molton	30,744	Strategy and Resources 1 st April
S106 Variation to Long Bridge Wing	(2,568)	Variation to budget

▪ **Budget virement (transfer) between projects 2019/20**

Scheme	Amount (£)	Notes
Disabled Facility Grants	(50,000)	Use of the Better Care Fund for Home Energy Solution
Home Energy Solution	50,000	Use of the Better Care Fund for Home Energy Solution

▪ **Project movements (to)/from future years – (£14.681m)**

Scheme	Amount (£)	Notes
Disabled Facility Grants	(£300,000)	Slip spend to 20/21
Leisure Provision at Seven Brethren	(£13,044,675)	Re-profile of spend to 20/21 and 21/22
Water Sports Centre	(£1,336,619)	Re-profile of spend to 20/21

▪ **Other virements (transfer between projects 2020/21)**

Scheme	Amount (£)	Notes
ICT Skype for Business	(140,250)	Virement
End User Assets & IT Assets in Data Centre	140,250	Virement

▪ **Other virements (transfer between projects 2021/22)**

Scheme	Amount (£)	Notes
ICT Skype for Business	(197,770)	Virement
End User Assets & Assets in Data Centre	197,770	Virement

4.4.4 The revised Capital Programme for 2019/20 taking into account the budget variations above is £10.900m.

4.4.5 Actual spend on the 2018/19 Capital Programme, as at 30 June 2019 is £0.835m. A number of the larger schemes are due to start shortly.

4.4.6 The overall Capital Programme for 2019/20 to 2021/22 is £29.969m and is broken down as follows:

- 2019/20 £10.900m
- 2020/21 £11.352m
- 2021/22 £7.717m

4.4.7 The Programme of £29.969m is funded by Capital Receipts / Borrowing (£14.064m), External Grants and Contributions (£13.530m) and Reserves (£2.375m).

4.4.8 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.

4.4.9 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.

4.4.10 Release of Funds – 2019/20 Capital Programme

4.4.11 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:

- | | |
|---------------------------------------|-------------|
| • Home Energy Solutions | £250,000 |
| • Leisure Provision at Seven Brethren | £14,730,399 |

4.5 Treasury Management

4.5.1 Bank Rate remained at 0.75% during the quarter.

4.5.2 The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 30th June 2019, was 0.57% (previous year 0.21%).

4.5.3 The return earned on the Council's investments was 0.65% (previous year 0.44%).

4.5.4 £24,963 investment interest was earned during the quarter. (The 2019/20 interest receivable budget is £70,000)

4.5.5 As at 30th June 2019, the Council had total external borrowing of £1.250m.

4.5.6 £6,345 interest was paid at an average rate of 2.04% on the PWLB loans during the quarter. (2019/20 interest payable budget is £42,000)

4.6 Debt Management

4.6.1 The three major areas of credit income are Council Tax, Business Rates 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 30th June 2019 are as set out below:

Age in Years	Council Tax		Business Rates	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
1 – 2	1,392	1,487	431	156
2 – 3	655	761	208	72
3 – 4	388	418	109	47
4 – 5	247	267	33	17
5 – 6	151	162	45	32
Over 6	215	231	76	45

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 30th June 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
293	£21,855	Council Tax	27	£38,135*
10	£14,352	Business Rates	26	£57,966**
67	£20,954	Housing Benefits	4	£18,955

* £19,746.65 due to bankruptcy (see section 4.6.8)

** 1,728.50 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 2018/19	Achieved 2019/20
Council tax	28.81%	28.59%
Business rates	32.14%	31.96%

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 £4m at 30th June 2019 (previous year £3.2m).

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

Age of debt	30 Jun 2018	30 Jun 2019
	£'000	£'000
3 weeks to 6 months	427	799
6 months to 1 year	40	195
1 to 2 years	95	58
2 to 6 years	246	301
Over 6 years	30	24
TOTAL	838	1,377

4.7.3 In accordance with the Constitution, irrecoverable debts not exceeding £1,500 can be written off with the authorisation of the Head of Financial Services. The Chief

Financial Officer, in consultation with the Leader of the Council, must authorise write off of debts over £1,500.

4.7.4 As at 30th June 2019, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
16	£6,601	1	£1,800

5 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

6 Statement of Internal Advice

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

7 Background Papers

None

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