

## **NORTH DEVON COUNCIL**

**REPORT TO:** **STRATEGY AND RESOURCES**  
**Date:** 4<sup>th</sup> November 2019  
**TOPIC:** **PERFORMANCE and FINANCIAL MANAGEMENT**  
**QUARTER 2 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 July to September 2019.
- 1.2 Sections 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 4.4.4)
- 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 September 2019, the latest forecast net budget is £12.605m, which produces a **budget deficit of £0.087m**. (Q1 deficit was £0.028m) We will be working towards reducing this throughout Q3 and Q4 as set out in the measures below in paragraph 4.1.5. Details of all variances 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 £0.232m has been identified at 30<sup>th</sup> September 2019.
- 4.1.4 Operational Services have seen increasing pressure in Q2 on various budgets due to increased levels of missed collections and higher levels of sickness absence. Employee costs are currently forecast to exceed the budget by £0.229m, the main reasons contributing to this overspend are increased use of agency and overtime to cover the inefficiencies above.
- 4.1.5 The Head of Operational Services has outlined plans to address some of these issues by:
- Introducing changes to the workshop to reduce vehicles off the road - The working hours of the vehicle workshop has been extended as part of a trial to increase vehicle availability and to reduce overtime both in the workshop and on the collection crews. The number of technicians has also been increased from 5 to 6 as part of the trial. Previously the workshop has been operating between 6am and 5pm with one technician in at 6am. The workshop will now be operating between 6am and 6pm with two technicians in from 6am to 2pm, two from 8am to 4pm, and two from 10am to 6pm. Productivity will be closely monitored to establish the level of repairs / maintenance that are undertaken between 6am & 7am and 3pm & 6pm (the vehicles need to be available to the collection staff between 7am and 3pm). The intention is to complete more work outside of core hours and to minimise reduced vehicle availability from breakdowns and maintenance. This in turn will reduce / remove the need for collection crews to work beyond 3pm or on a Saturday to “catch up” due to the lack of vehicle availability.
  - Challenging the resource allocation across all Works and Recycling manual sections has identified that the street cleansing team can be reduced by 2 (over the winter months) and they will now be redeployed to assist with cover on the refuse and recycling services which in turn will see a positive reduction in the number of agency staff used for cover. In addition an analysis of winter tonnages has been undertaken for the green collection service. Resource requirements have been challenged across the 10 day collection cycle and crew sizes have been reduced accordingly (in consultation with the staff) this creates a pool of staff that will now be redeployed to cover holiday and sickness across black and recycling services which will produce a positive reduction in agency support. Weekly usage of agency and overtime will now be tracked against the revised projections.
  - The average number of days lost to sickness in Works and Recycling is currently 16.3 days per person compared to 11.1 days per person in 2018/19. The budget includes an average of 10 days per person so the increased level of 16.3 is placing an adverse pressure on the budget which is

being addressed as follows. Officers of Works and Recycling are working closely together with Human Resources to reduce current levels by reviewing each individual case, referring staff to Occupational Health for up to date medical advice on staff capability. All sickness absence reviews will be updated, staff targets will be set and monitored and the Capability Policy will be used to reduce absence levels.

- 4.1.6 The sale of recyclable materials is an uncontrollable variable where we have seen a recent decline in the income, in particular cardboard and paper, current projections show an income deficit of £0.090m.
- 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 £0.028m 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 £0.190m due to a reduction in the larger applications received, this is in line with other authorities experiencing the same pressure. A further decline in large applications could worsen this projection.
- 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 30<sup>th</sup> September 2019, we are assuming a £0.200m increase to the business rates growth already factored into the budget, the growth is now estimated at £1.702m, this estimate is based on the update received from the Devon-wide Pool.
- 4.1.11 At the 30<sup>th</sup> September 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 and (£14.653m) were approved as part of the performance and financial management reports to Strategy and Resources on 3rd June 2019 and 5<sup>th</sup> August 2019 to produce a revised Capital Programme of £10.900m.
- 4.4.3 A capital funding bid for a further £0.030m was submitted to the Project Appraisal Group (PAG) in relation to Refurbishment of Lower Lyndale Public Toilets, Lynmouth. The project is to be funded from the repairs fund. This project has been scored medium to high and has been put forward by the Project Appraisal Group.

4.4.4 Overall variations of (£1.888m) are proposed to the 2019/20 Capital Programme as follows:

▪ **Other variations (+ and -) to 2019/20 Capital Programme £502,036**

<b>Scheme</b>	<b>Amount (£)</b>	<b>Notes</b>
S106 Public Open Space, Bickington, Ilfracombe and North Molton	30,744	Strategy and Resources Committee 1 <sup>st</sup> July 2019
S106 Public Open Space, Braunton BMX Track	17,648	Strategy and Resources Committee 5 <sup>th</sup> August 2019
S106 Public Open Space, Chulmleigh and Ilfracombe	43,708	Strategy and Resources Committee 2 <sup>nd</sup> September 2019
Refurbishment of Lower Lyndale Public Toilets, Lynmouth	30,000	Quarter 2 PAG business case
Coastal Protection and Shoreline Management Plan	(7,658)	Information from budget holder
Leisure Provision at Seven Brethren Bank	(13,206)	Information from budget holder
Disabled Facility Grants	400,800	Additional grant from Better Care Fund

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

<b>Scheme</b>	<b>Amount (£)</b>	<b>Notes</b>
Land Release Fund - Highways	(1,146,230)	Change of scheme name – Virement
Land Release Fund - Seven Brethren	1,146,230	Change of scheme name - Virement

▪ **Project movements (to)/from future years – (£2,390,395)**

<b>Scheme</b>	<b>Amount (£)</b>	<b>Notes</b>
Material Recovery Facility – Infrastructure	(760,000)	Move from 2019/20 to 2020/21
Disabled Facility Grants	(328,617)	Move from 2019/20 to 2020/21
Barnstaple Bus Station Refurbishment	(53,807)	Move from 2019/20 to 2020/21
Pannier Market re-roofing works	(481,000)	Move from 2019/20 to 2020/21
Digital Transformation Asset and Financial	(40,000)	Move from 2019/20 to

Scheme	Amount (£)	Notes
Management		2020/21
Public House corner of Castle Street	(90,000)	Move from 2019/20 to 2020/21
Affordable Housing Fund	(90,000)	Move from 2019/20 to 2020/21
S106 Affordable Housing Higher Westaway, Newton Tracey	(45,000)	Move from 2019/20 to 2020/21
Marine Drive car park resurfacing, Ilfracombe	(65,000)	Move from 2019/20 to 2020/21
Resurfacing to various car parks	(104,004)	Move from 2019/20 to 2020/21
Leisure Provision at Seven Brethren	(332,967)	Re-profile of spend to 20/21 and 2021/22

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

Scheme	Amount (£)	Notes
Land Release Fund - Flood Defence	(1,000,000)	Change of scheme name
Land Release Fund - Seven Brethren	1,000,000	Change of scheme name

4.4.5 The revised Capital Programme for 2019/20 taking into account the budget variations above is £9.012m.

4.4.6 Actual spend on the 2019/20 Capital Programme, as at 30 September 2019 is £2.408m. A number of the larger schemes are due to start shortly.

4.4.7 The overall Capital Programme for 2019/20 to 2021/22 is £30.471m and is broken down as follows:

- 2019/20 £9.012m
- 2020/21 £11.677m
- 2021/22 £9.782m

4.4.8 The Programme of £30.471m is funded by Capital Receipts / Borrowing (£14.056m), External Grants and Contributions (£14.010m) and Reserves (£2.405m).

4.4.9 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.

4.4.10 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.

#### **4.4.11 Release of Funds – 2019/20 Capital Programme**

4.4.12 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:

- |  |            |
|--|------------|
| • Land Release Fund – Seven Brethren           | £2,146,230 |
| • Refurbishment of Lower Lyndale PCs, Lynmouth | £30,000    |
| • Disabled Facility Grants                     | £400,800   |

### **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 30<sup>th</sup> September 2019, was 0.57% (previous year 0.43%).

4.5.3 The return earned on the Council's investments was 0.70% (previous year 0.49%).

4.5.4 £62,206 investment interest was earned during the half year period. (The 2019/20 interest receivable budget is £70,000)

4.5.5 As at 30<sup>th</sup> September 2019, the Council had total external borrowing of £1.250m.

4.5.6 £12,760 interest was paid at an average rate of 2.04% on the PWLB loans during the half year period. (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 30<sup>th</sup> September 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	1,172	1,229	288	110
2 – 3	579	679	137	60
3 – 4	353	377	92	43
4 – 5	222	245	26	17
5 – 6	136	151	37	31
Over 6	211	213	60	43

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 30<sup>th</sup> September 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
629	£60,045.49	Council Tax	84	£82,788.73*
17	£14,142.46	Business Rates	43	£161,588.04**
97	£32,618.56	Housing Benefits	7	£39,841.58

\* 30,556.45 due to bankruptcy (see section 4.6.8)

\*\* 119,171.68 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	56.14%	55.63%



<b>Business rates</b>	57.31%	<b>57.45%</b>
-----------------------	--------	---------------

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 £5.88m at 30<sup>th</sup> September 2019 (previous year £4.21m).

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

<b>Age of debt</b>	<b>30 Sept 2018</b>	<b>30 Sept 2019</b>
	£'000	£'000
3 weeks to 6 months	281	675
6 months to 1 year	40	172
1 to 2 years	67	136
2 to 6 years	279	300
Over 6 years	17	24
<b>TOTAL</b>	<b>684</b>	<b>1,307</b>

4.7.3 The movement in the aged debt above from 2018 to 2019 includes circa £0.240m in relation to housing deposits and £0.250m for planning S106 fees, for which there are payment plans in place for both areas of debt.

4.7.4 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.

4.7.5 As at 30<sup>th</sup> September 2019, the amounts written off were as follows:

<b>Number of Invoices</b>	<b>Written offs - £1,500 &amp; under</b>	<b>Number of Invoices</b>	<b>Written offs - over £1,500</b>
37	£17,607	2	£3,550

## 5 Equalities Assessment

5.1 There are no equality implications anticipated as a result of this report.

## 6 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

## 7 Statement of Internal Advice

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

## 8 Background Papers

None

Author: Jon Triggs, Head of Resources

Date: 15<sup>th</sup> Oct 2019

Lead Member: Councillor Ian Roome

Ref: I:\Projects\Single Report\2019-20 Q2\Q2 Perf & FM - Exec.doc