

**NORTH DEVON COUNCIL**

**REPORT TO: STRATEGY AND RESOURCES**  
Date: 3<sup>rd</sup> February 2020  
**TOPIC: PERFORMANCE and FINANCIAL MANAGEMENT**  
**QUARTER 3 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 October to December 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 to section 4.4.5)
- 2.5 That funds are released for the capital schemes listed in section 4.4.12
- 2.6 That Executive notes the sections dealing with Treasury Management (section 4.5), and Debt Management (sections 4.6 and 4.7).

## **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 £12,518,000.

4.1.2 As at 31<sup>st</sup> December 2019, the latest forecast net expenditure is £12,512,000, which produces a forecast **budget surplus of £6,000**. (Quarter 2 was a forecast budget deficit of £87,000). Details are shown in Appendix A – Variations in the Revenue Budget.

The main variances supporting the £93,000 positive movement from quarter two to quarter three includes savings within the following areas:

- Temporary Accommodation
- ICT Software and Devon WAN contract

4.1.3 The original budget for 2019/20 included a forecast to achieve £239,000 worth of salary vacancy savings. This was reduced to £214,000 as a result of a virement in respect of the redesign of the salary pay structure. The current position forecasts this will be exceeded by £17,000.

4.1.4 A review of procedures and processes within Works and Recycling was carried out at quarter two and we set targeted spend in respect of the vehicle workshop, challenging resources across all Works & Recycling manual sections and to reduce sickness levels. As a result of these changes we factored in a reduction in overtime and agency costs within the quarter 2 projections, I am pleased to report the current figures indicate that these targeted reductions are being achieved, although it will continue to be closely monitored until the end of the financial year.

4.1.5 The sale of recyclable material continues to be an uncontrollable variable where we have recently seen a reduction to zero for glass and cardboard, although the sale price of plastic has increased significantly. The continued volatility remains a risk on-going and will be monitored closely.

4.1.6 At the 31<sup>st</sup> December 2019, we are still assuming a £200,000 increase to business rates growth already factored into the budget, the growth is now estimated to be £1,702,000.

4.1.7 At the 31<sup>st</sup> December 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.

4.1.8 The recommended level of general fund balance is 5%-10% of the council's net revenue budget (£626,000 to £1,252,000). The forecast general fund reserve at 31 March 2020 is £1,161,000, 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 £9,609,022. Project under spends of £1,233,798 were brought forward from 2018/19 year and further variations of £14,709,899, (£14,653,118) and (£1,888,359) were approved as part of the performance and financial management reports to Strategy and Resources on 3rd June, 5<sup>th</sup> August and 4<sup>th</sup> November 2019 to produce a revised Capital Programme of £9,011,242.

4.4.3 Further variations of (£908,967) are proposed to the 2019/20 Capital Programme as follows:

▪ **Other variations (+ and -) to 2019/20 Capital Programme – £580,524**

<b>Scheme</b>	<b>Amount (£)</b>	<b>Notes</b>
CCTV Service	115,000	Strategy and Resources committee 02/09/2019
S106 Bishops Nympton	91,958	Strategy and Resources 07/10/2019
S106 Heanton Punchardon & South Molton	120,963	Strategy and Resources 04/11/2019
Acquisition of Land off Frankmarsh, Barnstaple	335,900	Strategy and Resources 02/12/2019
S106 Instow and Braunton	4,020	Strategy and Resources 06/01/2020
S106 Bickington, Ilfracombe and North Molton	(30,744)	Already included in the S106 capital budget
Wessex Loan and Grant Scheme	(56,573)	Grant allocated to Disabled Facility Grants

▪ **Project movements (to)/from future years – (£1,489,491)**

<b>Scheme</b>	<b>Amount (£)</b>	<b>Notes</b>
Disabled Facility Grants	115,216	From 2020/21
Leisure Provision at Seven Brethren Bank	(204,743)	To 2021/22
Watersports Centre	(8,196)	To 2020/21
Office Technology Reserve	(150,000)	To 2020/21
ICT improve Back-up and Recovery capabilities	(216,140)	To 2020/21
Land Release Fund – Seven Brethren	(1,025,628)	To 2020/21

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

<b>Scheme</b>	<b>Amount (£)</b>	<b>Notes</b>
Vehicle replacement programme	(1,790)	Virement between projects

Scheme	Amount (£)	Notes
Rolling Road – Vehicle workshop	1,790	Virement between projects
Vehicle replacement programme	(25,000)	Virement between projects
HGV Ramps – Vehicle workshop	25,000	Virement between projects

4.4.4 Further variations of (£528,428) are proposed to the 2020/21 Capital Programme as follows:

- Other variations (+ and -) to 2020/21 Capital Programme £52,920

Scheme	Amount (£)	Notes
Leisure Centre – Capitalisation of borrowing interest	52,920	Approved by Full Council as part of the original business case

- Project movements (to)/from future years (£581,348)

Scheme	Amount (£)	Notes
Leisure Provision at Seven Brethren Bank	(581,348)	To 2021/22

4.4.5 Further variations of £171,413 are proposed to the 2021/22 Capital Programme as follows:

- Other variations (+ and -) to 2021/22 capital programme £171,413

Scheme	Amount (£)	Notes
Leisure Centre – Capitalisation of borrowing interest	171,413	Approved by Full Council as part of the original business case

4.4.6 The revised Capital Programme for 2019/20 taking into account the budget variations above is £8,102,276.

4.4.7 Actual spend on the 2019/20 Capital Programme, as at 31<sup>st</sup> December 2019 is £3,795,934.

4.4.8 The overall Capital Programme for 2019/20 to 2021/22 is £31,275,809 and is broken down as follows:

- 2019/20 £8,102,276
- 2020/21 £12,433,869
- 2021/22 £10,739,664

4.4.9 The Programme of £31,275,809 is funded by Capital Receipts (£14,082,815), External Grants and Contributions (£14,618,838) and Reserves (£2,574,156).

4.4.10 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.

4.4.11 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 £1,250,000.

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

4.4.13 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:

- HGV Ramps £25,000

### **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 31st December 2019, was 0.57% (previous year 0.48%).

4.5.3 The return earned on the Council's investments was 0.72% (previous year 0.54%).

4.5.4 £89,785 investment interest was earned during the three quarter period.  
(2019/20 interest receivable budget is £70,000)

4.5.5 As at 31<sup>st</sup> December 2019, the Council had total external borrowing of £1,250,000.

4.5.6 £19,175 interest was paid at an average rate of 2.04% on the PWLB loans during the three quarter 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 31<sup>st</sup> December 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	986	<b>1,054</b>	253	<b>88</b>
2 – 3	519	<b>607</b>	111	<b>58</b>
3 – 4	320	<b>352</b>	73	<b>27</b>
4 – 5	197	<b>226</b>	25	<b>16</b>
5 – 6	118	<b>136</b>	36	<b>28</b>
Over 6	171	<b>192</b>	58	<b>39</b>

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<sup>st</sup> December 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
953	£93,135	Council Tax	133	£122,914*
42	£14,348	Business Rates	62	£227,093**
132	£41,787	Housing Benefits	7	£39,842

\* £46,257 due to bankruptcy (see section 4.6.8)

\*\* £154,129 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:

	<b>Achieved 2018/19</b>	<b>Achieved 2019/20</b>
<b>Council tax</b>	82.98%	<b>82.33%</b>
<b>Business rates</b>	81.89%	<b>81.30%</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 £8,350,000 at 31<sup>st</sup> December 2019 (previous year £5,960,000).

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>31 Dec 2018</b>	<b>31 Dec 2019</b>
	£'000	£'000
3 weeks to 6 months	438	1,587
6 months to 1 year	86	216
1 to 2 years	53	204
2 to 6 years	297	294
Over 6 years	19	30
<b>TOTAL</b>	<b>893</b>	<b>2,331</b>

4.7.3 The movement in aged debt above from 2018 to 2019 includes circa £180,000 in relation to housing deposits and £1,270,000 for planning S106 fees, for which there are payment plans in place for these 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 31<sup>st</sup> December 2019, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
71	£34,716	5	£15,852

## 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	Executive power Delegated	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: 10th January 2020

Ref: I:\Projects\Single Report\2019-20 Q3\Q3 Perf & FM - S&R.doc

