

NORTH DEVON COUNCIL

REPORT TO: STRATEGY AND RESOURCES COMMITTEE
Date: 3rd August 2020
TOPIC: PERFORMANCE and FINANCIAL MANAGEMENT
QUARTER 4 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 January to March 2020 but also looks at the whole year.
- 1.2 Section 4 deals 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 2020/21 to 2022/23 in section 4.4.88
- 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

4.1 Revenue

- 4.1.1 The revenue budget for 2019/20 was approved at Council on 25th February 2019 at £12,518,000 and as at 31 December 2019, the Council was reporting a net surplus of £6,000 against the budget.
- 4.1.2 As at **31 March 2020** it is pleasing to report that the final out turn position is a budget surplus of £241,000, which is an overall movement of £235,000 from the last forecast at quarter 3. The main reasons for the movement are shown in Appendix A – Variations in the Revenue Budget.
- 4.1.3 The original budget for 2019/20 included a forecast to achieve £214,000 worth of salary vacancy savings, this was exceeded by £31,000 giving an overall actual saving of £245,000.
- 4.1.4 A review of procedures and processes within Works and Recycling was carried out at quarter 2 and we set targeted spend in respect of the vehicle workshop, challenging resources across all Works and Recycling services and to reduce sickness levels. As a result of these changes we factored in a targeted reduction in overtime and agency costs within the quarter 2 projections. The Q3 position forecast a net deficit position of £312,000 for the services, the outturn position has shown this deficit to increase by a further £57,000 in the final quarter due to further pressure on employees, vehicle costs and tipping charges. However, the level of overspend seen in the final quarter, some of which would have been impacted by events of the last 2 weeks of March, was around 50% the level of budget variance seen in the first three quarters.
- 4.1.5 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.
- 4.1.6 At 31 December 2019 we were forecasting additional Business Rates income of £200,000, the outturn position improved on this by a further £6,000, with overall business rate growth of £206,000.
- 4.1.7 As at 31st March 2020 the Collection Fund reserve balance was £732,620. 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. This is a healthy balance which provides some protection against future volatility.
- 4.1.8 From the revenue budget surplus of £240,615, it is proposed to set aside this amount into the following earmarked reserves as follows:-
- (£9,689) Museum Development – For the Museum garden path
 - (£17,144) Office Technology – ICT spend committed to but not paid in 19/20
 - (£46,000) Leisure Centre replacement – Works at Seven Brethren

- (£18,000) Building Control Partnership reserve – 50% of surplus to protect against loss of income in 20/21
- (£10,000) Harbour Repairs – Fender repairs
- (£13,522) Lynton Agency – 19/20 works not completed due to COVID-19
- (£100,000) Repairs fund – Additional contribution for planned maintenance
- (£26,260) Legal Services - External Legal Fees

4.1.9 At the 31st March 2020 total external borrowing was £1,250,000. 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.

4.1.10 The recommended level of general fund balance is 5%-10% of the council’s net revenue budget £626,000 to £1,222,000. The actual general fund reserve at 31 March 2020 is £1,161,000, which is a level of 9.3%.

4.1.11 The Covid-19 pandemic has had, and will continue to have a considerable impact upon the Council. The government’s lockdown announced on 23rd March 2020, has meant that many businesses have been forced to close – significantly impacting on the local economy and upon sources of core income to the Council. In addition the Council has incurred additional expense ensuring the most vulnerable in our community are cared for, the homeless are kept safe during this period and ensuring that key front-line services such as collecting waste and recycling are maintained throughout the crisis.

4.1.12 These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact upon the public and businesses in the last two weeks of March. The impact is being felt with losses across major income sources such as parking, commercial waste, planning fees and income from our pannier market, together with reductions in the collection of taxation income from council tax and business rates.

4.1.13 As part of closing the year-end accounts for 2019/20 we looked at the amount of debt outstanding to the Council and have reviewed the level of bad debt provision made and increased some areas of the provision to ensure that we prudently make provision for any impact from the pandemic. Any such increased provision cost is accounted for within the 2019/20 accounts and included within the overall outturn surplus shown in this report. Of course, it is early days in terms of the recovery and these provisions are estimates; however they will be monitored ongoing through this year and reported as part of in-year monitoring as the true scale of its impact on the Council’s finances will be felt during 2020/21.

4.2 Earmarked Reserves 2019/20

4.2.1 Appendix B – Movement in Reserves & 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 Capital Programme is attached as Appendix D – Capital Programme 2019/20.

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 (£2,715,545) were approved as part of the performance and financial management reports to Strategy and Resources Committees, producing a revised Capital Programme of £8,127,275.

4.4.3 Actual spend on the Capital Programme for 2019/20 financial year was £5,453,943. The variance against the budget of £8,127,275 is (£2,673,332); all of which will be carried forward into the 2020/21 Capital Programme to fund on-going projects.

4.4.4 In order to pay for the £5,453,943 capital investment the Council funded this from £3,976,541 received from external sources in the form of grants and other assistance, £604,986 of internal resources held specifically for capital projects, £328,655 from capital receipts and £543,761 from internal borrowing.

4.4.5 The 2020/21 to 2022/23 Capital Programme is attached as Appendix E – Capital Programme 2020/21 to 2022/23.

4.4.6 The Budget and Financial Framework report to Strategy and Resources 3rd February 2020, outlined the Capital Programme for the 2020/21 financial year of £12,622,028; 2021/22 financial year of £10,739,664 and 2022/23 financial year of £2,701,570.

4.4.7 Project under spends of £2,673,332 from 2019/20 year are brought forward to produce a revised Capital Programme for 2020/21 year of £15,295,360; 2021/22 financial year of £10,739,664 and the 2022/23 financial year of £2,701,570.

4.4.8 Further variations of £715,224 are proposed to the 2020/21 to 2022/23 Capital Programme as follows:

▪ **Other variations (+ and -) to 2020/21 Capital Programme – £715,224**

Scheme	Amount (£)	Notes
Disabled Facility Grants	322,756	In line with 20/21 grant allocation from DCC (Better Care Fund)
S106 Southern Slopes	(5,255)	To be funded from the Repairs fund – Error in funding, was always meant to be funded from revenue
S106 Shirwell	(3,600)	Project no longer viable
S106 Berrynarbor – Play equipment and refurbishment of Manor Hall	21,942	Strategy and Resources committee 3 rd February '20
S106 Kings Nympton – Refurbishment of Kitchen in Parish Hall and footpath in playing field	10,050	Strategy and Resources committee 2 nd March '20
S106 Chulmleigh – Enhancement of the playing field car park	20,500	Strategy and Resources committee 4 th May '20
S106 South Molton – Contribution towards new site at Limers lane for South Molton Football club	60,526	Strategy and Resources committee 4 th May '20
S106 Fremington Quay – Wall Repair	30,000	Strategy and Resources committee 6 th July '20
S106 Kingsnympton – Play equipment	8,305	Strategy and Resources committee 6 th July '20
Acquisition of Corporate Property	250,000	Strategy and Resources committee 2 nd March '20

▪ **Project movements (to)/from future years – (£2,693,317)**

Scheme	Amount (£)	Notes
Work unit Vehicles	72,892	From 21/22 to 20/21
Office Technology Fund	(160,000)	To 21/22 from 20/21
Leisure Centre Provision Seven Brethren	(1,300,000)	To 21/22 from 20/21
Pannier Market re-roofing	(400,000)	£400,000 from 20/21 with £300,000 going to 21/22 and £100,000 to 22/23
Watersports Centre	(854,815)	To 21/22 from 20/21
Barnstaple Bus Station	(51,394)	To 21/22 from 20/21

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

Scheme	Amount (£)	Notes
Resurfacing of Various Car Parks	(49,208)	Virement between projects
Esplanade Wall – Lynmouth Car Park	49,208	Virement between projects
Disabled Facility Grants	(525,000)	Virement between projects
Eco Grants – Energy Efficiency Improvement Grants	525,000	Virement between projects
Plot 1 Seven Brethren	(109,250)	Virement between projects
Planned Maintenance Seven Brethren	109,250	Virement between projects

4.4.9 The revised Capital Programme for 2020/21 to 2022/23 taking into account the budget variations above is £29,451,818m and is broken down as follows:

- 2020/21 £13,317,267
- 2021/22 £13,332,981
- 2022/23 £2,801,570

4.4.10 The Programme of £29,451,818 is funded by Capital Receipts / Borrowing (£14,844,331), External Grants and Contributions (£12,035,158) and Reserves (£2,572,329).

4.4.11 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.

4.4.12 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.

4.4.13 Release of Funds – 2020/21 Capital Programme

4.4.14 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:

• Esplanade Wall – Lynmouth Car Park	£49,208
• Disabled Facility Grants	£322,756
• Acquisition of Corporate Property	£250,000
• Planned Maintenance Seven Brethren	£109,250
• Eco Grants - Energy Efficiency Improvement Grants	£525,000

4.5 Treasury Management

4.5.1 The Bank Rate was cut twice during the quarter to help protect the UK economy from the disruption caused by the Covid-19 outbreak. On 19th March the bank rate was 0.10%.

4.5.2 The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 31st March 2020, was 0.53% (previous year 0.51%).

4.5.3 The return earned on the Council's investments was 0.71% (previous year 0.57%).

4.5.4 £143,315 investment interest was earned during the financial year. (2019/20 interest receivable budget was £70,000)

4.5.5 As at 31st March 2020, the Council had total external borrowing of £1,250,000.

4.5.6 £25,450 interest was paid at an average rate of 2.04% on the PWLB loans during the financial year. (2019/20 interest payable budget was £42,000)

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 2020 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	853	911	184	253
2 – 3	466	544	89	80
3 – 4	292	323	65	55
4 – 5	177	209	19	26
5 – 6	109	125	35	15
Over 6	147	181	50	63

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 2020 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
1,246	£111,245.94	Council Tax	180	£185,384.75*
55	£15,256.55	Business Rates	71	£275,659.14**
217	£39,945.14	Housing Benefits	17	£76,086.67

* £98,612.84 due to bankruptcy (see section 4.6.8)

** £157,671.38 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	97.05%	96.80%
Business rates	97.04%	97.07%

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 £9,280,000 at 31st March 2020 (previous year £7,300,000).

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 2019	31 Mar 2020
	£'000	£'000
3 weeks to 6 months	251	697
6 months to 1 year	115	163
1 to 2 years	49	245
2 to 6 years	303	294
Over 6 years	20	43
TOTAL	738	1,442

4.7.1 The movement in aged debt above from March 2019 to March 2020 includes circa £150k in relation to housing deposits and £140k for planning S106 fees, for which there are payment plans in place for these areas of debt. There were also two invoices outstanding totalling £231k in relation to recycling credits, these have been cancelled and re-issued following discussions with the debtor. *(The recycling credit invoices have now been paid)*

4.7.2 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.

4.7.3 As at 31st March 2020, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
76	£35,276	5	£15,852

5 EQUALITY 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

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Ref: I:\Projects\Single Report\2010-20 Q4\Q4 Perf & FM.doc

