

## **NORTH DEVON COUNCIL**

### **POLICY DEVELOPMENT COMMITTEE: 10<sup>TH</sup> SEPTEMBER 2020**

#### **MINUTE EXTRACT OF THE STRATEGY AND RESOURCES COMMITTEE HELD ON 3<sup>RD</sup> AUGUST 2020 IN RESPECT OF ITEM 7 ON THE POLICY DEVELOPMENT COMMITTEE AGENDA**

##### **159 Performance and Financial Management Quarter 4 2019/20**

The Committee considered a report by the Head of Resources (circulated previously) regarding the Performance and Financial Management Quarter 4 2019/20.

The Accountancy Services Manager highlighted the following:

- The revenue budget for 2019/20 was approved at Council on 25 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.
- As at 31 March 2020 the final outturn position was a budget surplus of £241,000, which was an overall movement of £235,000 from the latest forecast at quarter 3. The reasons for the movement were detailed in Appendix A of the report.
- 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.
- 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 quarter 3 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.
- As at 31 December 2019 additional Business Rates income was forecast of £200,000. The outturn position improved on this by a further £6,000 with overall business rate growth of £206,000.
- As at 31 March 2020 the Collection Fund reserve balance was £732,620. This was a healthy balance which provided some protection against future volatility.
- From the revenue budget surplus of £240,615, it was proposed to set aside this amount into earmarked reserves as detailed in paragraph 4.1.8 of the report.
- 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, had 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 had incurred additional expense ensuring the most vulnerable in our community were cared for, the homeless were kept safe during this period and ensuring that key front-line services such as collecting waste and recycling were maintained throughout the crisis.
- 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 was being felt with losses across major income sources such as parking, commercial waste, planning fees and

income from our panner market, together with reductions in the collection of taxation income from council tax and business rates.

- 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 was 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.
- Appendix B "Movement in Reserves and Balances" detailed the movements to and from earmarked reserves in 2019/20.
- Appendix C "Strategic Contingency Reserve" detailed the movements and commitments.
- Appendix D "Capital Programme 2019/20". The revised Capital Programme was £8,127,275. 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 would be carried forward into the 2020/21 Capital Programme to fund on-going projects. 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.
- Appendix E "Capital Programme 2020/21 to 2022/23".
- Project under spends of £2,673,332 from 2019/20 year were 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.
- Further variations of £715,224 were proposed to the 2020/21 to 2022/23 Capital Programme as detailed in paragraph 4.4.8 of the report.
- 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).
- Once the funds had been included within the Capital Programme the Constitution required a separate decision to release those funds. The schemes detailed in paragraph 4.4.14 detailed the schemes where funds needed to be released so that funding could start within the following three months.
- Treasury Management (paragraph 4.5) and Debt Management (paragraphs 4.6 and 4.7) of the report.
- Appendix F "Service Plan Performance Indicators".

In response to questions, the Head of Resources advised the following:

- It was disappointing that the overspend for the Waste and Recycling service had continued. The income was volatile. Work was being undertaken with managers in relation to reducing the level of sickness absence. Work was also being undertaken to review the infrastructure such as the delivery of the vehicle fleet and workshop and to make the process as efficient as possible. It was important that the service infrastructure was stable prior to consideration of rolling out the three weekly collection of residual waste.
- The number of vehicles held under the operators licence had increased from 48 to 61 to ensure that the correct level was being held in line with the number of vehicles. There were no additional costs to this element.
- The remaining budget for the Watersports Centre was £1.3m as detailed in Appendix E which was over two financial years. The original budget was £1.5m with funding

secured from the Coastal Communities fund. The costs for building the centre at Larkstone was now estimated to be nearer £2.8m.. The Council had submitted a funding bid to the Local Enterprise Partnership for further government funding two weeks ago and was awaiting the outcome. If the bid was unsuccessful, then other options would be explored to make the project viable. The project needed to be viable in both revenue and capital expenditure. Once the funding was in place, then the Council would seek to deliver the project in the most economic and viable way and mitigate the concerns that had been previously raised.

- Even though the Council had a positive financial outcome for the year 2019/20, the Council faced unprecedented financial pressures for this and future financial years. The Government had awarded funding of just under £1.2m to the Council towards additional cost pressures. The Government had also recently made an announcement regarding fees and charges income and the Council was awaiting further technical guidance. The Council have experienced significant loss in income areas such as car parks revenue and are anticipating losses in collection of Council Tax and Business Rates. The Council was continuing to lobby the Government regarding further financial contributions as opposed to spreading the taxation losses over a three year period. As soon as confirmation had been received the budget and Medium Term Financial Plan would be revised and brought to Members.
- Many service plan deadlines had been revised and extended as a result of the Covid19 pandemic.

In response to a question, the Head of Place advised the following:

- Deadlines for actions P PBP 05 19/20, CE P 02 18/19 and CEP 07 17/18 had been extended to dates in 2021/22. He would review the completion dates to ensure that the dates were accurate and that actions were delivered as soon as practical.

In response to a question, the Chief Executive advised:

- That the Corporate Plan would be refreshed following the outcomes of the Peer Review. The Plan would then filter down to service plans. Members would have the opportunity to work with officers from October 2020 onwards and the service plans would be presented to Committee early next year.

RESOLVED:

- (a) That the actions being taken to ensure that performance is at the desired level be noted;
- (b) That the contributions to/from earmarked reserves as detailed in paragraph 4.2 be approved;
- (c) That the movements on the Strategic Contingency Reserve as detailed in paragraph 4.3 be noted;
- (d) That funds be released for the capital schemes listed in paragraph 4.4.14;
- (e) That the sections dealing with Treasury Management (paragraph 4.5) and Debt Management (paragraphs 4.6 and 4.7) be noted.

RECOMMENDED:

- (f) That Council approve the variations to the Capital Programme 2020/21 to 2022/23 in paragraph 4.4.8.