

NORTH DEVON COUNCIL

REPORT TO: STRATEGY AND RESOURCES
Date: 2nd November 2020
TOPIC: PERFORMANCE and FINANCIAL MANAGEMENT
QUARTER 2 of 2020/20
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 2020.
- 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 2020/21 to 2022/23 (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 2020/21 was approved at Council on 26th February 2020 at £13,380,000.

- 4.1.2 As at 30 September 2020, the latest forecast net budget is £13,516,000, which produces a **forecast budget deficit of £136,000**. (Q1 deficit was £385,000). Details of all variances are shown in “Appendix A – Variations in the Revenue Budget”.
- 4.1.3 The original budget for 2020/21 included a forecast to achieve £200,000 worth of salary vacancy savings. The current position forecasts this will be exceeded this year; we are currently predicting to achieve £245,000.
- 4.1.4 There is much pressure on the 2020/21 budget due to the Covid-19 pandemic and the Council’s income streams have been greatly affected in the first two quarters of 2020/21 and this is expected to continue through the financial year. Also additional costs have been incurred by the council in provision of temporary accommodation, additional agency staff for waste and recycling and in supporting the local community.
- 4.1.5 Central government have announced and paid local authorities 3 tranches of support funding totalling £1,189,000 for North Devon. We have also claimed £160,000 in respect of the job retention scheme and received £170,000 New Burdens grant for SBG and RHLG. Central government have announced they will help support local authorities for lost income by paying 75% of any lost income after Councils incur the first 5% variance. The expected lost income and additional costs have been factored into the figures in Appendix A along with the anticipated government support.
- 4.1.6 The figures shown in Appendix A include a projection for the rest of 20/21 based on the current environment and continuing Covid-19 impact on our income streams. Any further worsening of the predicted situation or increased restrictions imposed by government would need to be taken into account and built into the figures and members updated accordingly.
- 4.1.7 It is anticipated that there will be a reduction in both Council Tax and Business Rates income during 2020/21 as a result of the pandemic. However, no reduction for income is being reported for 2020/21 year as the financial effect of any deficit on the Collection Fund income will not have an impact on NDC finances until later years as the Government also announced that deficits on this taxation income can be spread over the next 3 financial years.
- 4.1.8 It is difficult to quantify the full impact of Covid-19 at this stage with any certainty, however the financial pressure on the Council will be substantial through 2020-21 and beyond – even after taking into account the above mentioned emergency Covid-19 funding announced by the Government. The Council does have both general fund and earmarked reserve balances which it could call upon in 2020-21 to mitigate the economic impact being experienced but clearly this would have much longer term solvency implications for the authority.
- 4.1.9 Moving forwards, the Council will reset its Medium Term Financial Strategy in recognition of the impact of the pandemic and the refresh of the Council’s strategic objectives. The changing environment and ‘new normal’ in which we are likely to find ourselves will require the Council to review the services it provides, how these are delivered and the outcomes that are of the highest priority.

4.1.10 The recommended level of general fund balance is 5%-10% of the council's net revenue budget (£669,000 to £1,338,000). The forecast general fund reserve at 31 March 2021 is £1,161,000 which is a level of 8.7%.

4.1.11 At the 30th September 2020 total external borrowing was £500,000. 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.

4.2 Earmarked Reserves 2020/21

4.2.1 "Appendix B – Movement in reserves and Balances" details the movements to and from earmarked reserves in 2020/21.

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 2020/21 to 2022/23 Capital Programme is attached as "Appendix D – Capital Programme"

4.4.2 The Budget and Financial Framework report to Full Council 26th February 2020 outlined the Capital Programme for the 2020/21 financial year of £12,622,028. Project under spends of £2,673,332 were brought forward from 2019/20 year and further variations of (£2,356,424) were approved as part of the performance and financial management report to Strategy and Resources to produce a revised 2020/21 Capital Programme of £12,938,936.

4.4.3 Two capital funding bids for a further £166,000 were submitted to the Project Appraisal Group (PAG) in relation to new Trade Waste software £36,000 and Repairs to the Queens Theatre's flat roof £130,000. The projects are to be funded from the Improvement reserve and repairs fund respectively. The projects have been scored and have been put forward by the Project Appraisal Group.

4.4.4 Overall variations of (£2,526,908) are proposed to the 2020/21 Capital Programme as follows:

▪ **Other variations (+ and -) to 2020/21 Capital Programme £185,002**

Scheme	Amount (£)	Notes
S106 South Molton Rugby Club, Drainage works	9,002	Strategy and Resources Committee 1 st September 20
S106 Combe Martin Parish Council – Clubhouse refurbishment	10,000	Strategy and Resources Committee 1 st September 20
Trade Waste software	36,000	Quarter 2 PAG business case
Queens Theatre – Flat roof repairs	130,000	Quarter 2 PAG business case

▪ **Project movements (to) / from future years**

Scheme	Amount (£)	Notes
Land Release Fund	(1,500,000)	Move from 2020/21 to 2021/22
Material Recovery Facility	(760,000)	Move from 2020/21 to 2021/22
Leisure Provision at Seven Brethren	(500,000)	Move from 2020/21 to 2021/22
Vehicle replacement reserve	48,090	Move from 2022/23 to 2020/21
Vehicle replacement reserve	468,892	Move from 2022/23 to 21/22

4.4.5 The revised Capital Programme for 2020/21 taking into account the budget variations above is £10,412,028.

4.4.6 Actual spend on the 2020/21 Capital Programme, as at 30 September 2020 is £1,630,714.

4.4.7 The overall Capital Programme for 2020/21 to 2022/23 is £29,729,999 and is broken down as follows:

- 2020/21 £10,412,028
- 2021/22 £17,033,383
- 2022/23 £2,284,588

4.4.8 The Programme of £29,729,999 is funded by Capital Receipts / Borrowing (£14,844,331), External Grants and Contributions (£12,147,339) and Reserves (£2,738,329).

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 £500,000.

4.4.11 Release of Funds – 2020/21 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:

- | | |
|-----------------------------------|----------|
| • Trade Waste Software | £36,000 |
| • Queens Theatre flat roof repair | £130,000 |

4.5 Treasury Management

4.5.1 Bank Rate remained at 0.10% during the quarter.

4.5.2 The average 7 day LIBID (inter-bank bid rate), the Council's benchmark rate at 30th September 2020, was -0.06% (previous year 0.57%).

4.5.3 The return earned on the Council's investments was 0.24% (previous year 0.70%).

4.5.4 £40,689 investment interest was earned during the half year period. (The 2020/21 interest receivable budget is £50,000)

4.5.5 As at 30th September 2020, the Council had total external borrowing of £500,000.

4.5.6 £5,340 interest was paid at an average rate of 1.66% on the PWLB loans during the half year period. (2020/21 interest payable budget is £74,000)

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 (£69,000,000) and Business Rates (£32,000,000).

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 September 2020 are as set out below:

Age in Years	Council Tax		Business Rates	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
1 – 2	1,229	1,599	110	670
2 – 3	679	789	60	224
3 – 4	377	477	43	92
4 – 5	245	281	17	50
5 – 6	151	190	31	25
Over 6	213	275	43	69

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 September 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
215	£15,797.69	Council Tax	20	£26,530.55*
19	£3,617.22	Business Rates	5	£20,792.85**
83	£16,398.95	Housing Benefits	5	£11,986.28

* £23,459.45 due to bankruptcy (see section 4.6.8)

** £20,383.67 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 2019/20	Achieved 2020/21
Council tax	55.63%	54.63%
Business rates	57.45%	57.23%

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 £3,300,000 at 30th September 2020 (previous year £5,880,000).

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

Age of debt	30 Sept 2019	30 Sept 2020
	£'000	£'000
3 weeks to 6 months	675	283
6 months to 1 year	172	226
1 to 2 years	136	394
2 to 6 years	300	367
Over 6 years	24	57
TOTAL	1,307	1,327

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 September 2020, the amounts written off were as follows:

Number of Invoices	Written offs - £1,500 & under	Number of Invoices	Written offs - over £1,500
0	£0	0	£0

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

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