

Blaby District Council

Cabinet Executive

Date of Meeting	24 June 2024
Title of Report	Financial Performance 2023/24 This is a Key Decision and is on the Forward Plan.
Lead Member	Cllr. Maggie Wright - Finance, People & Performance (Deputy Leader)
Report Author	Accountancy Services Manager
Strategic Themes	Ambitious and well managed Council, valuing our people

1. What is this report about?

- 1.1 This report sets out the details of the Council's financial performance against the General Fund revenue budget, Business Rates Retention, Council Tax and the Capital Programme for the year ended 31st March 2024.

2. Recommendation(s) to Cabinet Executive

- 2.1 That the financial performance for 2023/24 is accepted.
- 2.2 That the Council increases the upper limit for the level of General Fund balances as a percentage of the net revenue budget from 35% to 45%.

3. Reason for Decisions Recommended

- 3.1 The unaudited accounts for 2023/24 were published on 31st May 2024. Whilst the accounts are still subject to external audit, it is important to give Members early sight of the outturn to assist with the financial planning process.

4. Matters to consider

- 4.1 Background
The Council's net expenditure for 2023/24 is summarised by Portfolio in Appendix A, with a more detailed breakdown of the main variances shown below.

When the Quarter 3 budget review report was presented to Cabinet Executive in February 2024, the forecast was that a contribution to General Fund balances of £318,257 would be made. This was partly due to underspends in the Establishment, and the Investment income exceeding the budget. As at 31st March 2024, the Council had achieved a significant surplus for 2023/24, resulting in a contribution of £1,699,787 transferred to the General Fund balance. It should be noted however, that earmarked

reserves have been utilised to support this outturn position during the year which has reduced Earmarked reserves from £12.7m down to £9.8m and overall the Council's reserves have reduced by £1m.

This surplus has arisen due, primarily, to vacant posts during the financial year, investment income performing significantly better than budgeted as interest rates have continued to rise, and recovery of overpaid Housing Benefit exceeding the budget. Although this is an extremely positive outcome for 2023/24, it does not eliminate the risk of the future budget gap highlighted in the Medium Term Financial Strategy (MTFS). Furthermore, the bank rate is expected to gradually reduce over the course of the financial year, meaning that investment income will be unlikely to reach the same level in 2024/25 and beyond.

The annual pay award for 2024/25 has not yet been agreed. The council has budgeted 3% within services, and an additional 1% held centrally. For every 1% that the pay award exceeds the budget, the cost will be approximately £164,000. Whilst vacant posts may reduce the financial impact, they create additional pressure on the rest of the workforce and can affect service delivery standards unless filled quickly.

The most significant variances against the revised budget are set out in the following paragraph.

Expenditure Variances

The variances against the revised budget are detailed below. These have been adjusted to exclude unspent budgets carried forward to 2024/25, and contributions to earmarked reserves.

	Note	Variance (£)	
<u>Reduced Expenditure</u>			
Establishment	1	(356,033)	
Interest Costs	2	(128,043)	
National Rail Freight Hub Project	3	(121,859)	
Homelessness Costs	4	(108,654)	
Software Maintenance	5	(63,399)	
Consultancy fees	6	(59,334)	
Building Control Partnership	7	(42,119)	
Furniture, Materials and Equipment	8	(39,069)	
Other Supplies and Services	9	(37,892)	
Purchase of Domestic Bins	10	(33,851)	
Travel and Subsistence	11	(33,304)	
Hired Services	12	(32,810)	
			(1,092,512)
<u>Additional Income</u>			
Investment Income	13	(404,240)	
Recovery of Overpaid Housing Benefit	14	(164,311)	
S106 Monitoring Income	15	(64,422)	
Planning Fees & Charges	16	(46,461)	
New Burdens Grant	17	(45,990)	
			(725,424)
<u>Increased Expenditure</u>			
Housing Benefit Payable net of Subsidy	18	70,972	
Bad Debt Provision and Write-offs	19	49,244	
			120,216

Reduced Income			
Liability Orders	20	55,308	
Other variances	21		55,308
Net Variance			340,263
			(1,946,530)

Notes re variances

1. Establishment – The Council has experienced significant turnover in its workforce since the pandemic. Vacancies across a number of services contribute to the underspend, most noticeable in Democratic Services, Human Resources, Service Transformation and Planning Enforcement. An additional £145,000 was added to the budget during the year for the increase in the pay award. However, this additional provision was not required as the cost of the pay award was absorbed by the underspends across services arising from vacancies.
2. Interest payable fell below budget due to no external borrowing being taken up in the year.
3. National Rail Freight Hub Project – The underspend relates to Blaby's share of project fees that have not been required.
4. The Council has seen an increase in expenditure on homelessness following the pandemic and the impact of the cost of living crisis. The budget had been increased to accommodate the rising costs, however expenditure on temporary accommodation was less than anticipated.
5. Reduced software costs, most noticeably in Performance and HR.
6. This budget covers professional support in respect of forestry advice, archaeological and ecological advice, conservation and historic buildings, and various other one-off work in relation to, e.g., planning appeals
7. See paragraph covering the Leicester Building Control Partnership below.
8. Reduced expenditure for furniture, materials and equipment across numerous services.
9. Reduced expenditure across numerous departments for supplies and services.
10. The Council makes budget provision for purchasing bins for new properties or to replace lost and damaged bins. The amount required will vary according to demand and growth in the district.
11. The Council has seen a reduction in expenditure on travel costs over the past few years following the pandemic, and the increase in meetings and training sessions being held remotely.
12. Reduced costs incurred for Hired Services within the Tourism and Refuse and Recycling teams.
13. See paragraph covering Key Income below.
14. This represents additional housing benefit overpayments identified as recoverable, over and above the expected level. Some of this will be recovered via deductions from ongoing benefit payments, although some will be subject to ongoing payment arrangements and recovery action.
15. Increased S106 income received in Development Strategy.
16. The budget for Planning fees was revised during the year following a reduction in income received in the 1st half of the year, however as at quarter 3 the income had surpassed the profiled budget, and a surplus was forecast for the end of the financial year.

17. New burdens funding is generally provided by the government to cover administrative costs arising from new initiatives. The variance relates to funding received for Council Tax Collection and for Local Land Charges.
18. Linked to homelessness and the provision of bed and breakfast accommodation. There has been considerable pressure on the Housing team to provide temporary accommodation for homeless families and individuals. Whilst we have been quite successful in recovering much of the cost through housing benefit, there is a knock-on impact on our ability to reclaim those costs through housing benefit subsidy. This is because there is a rent cap in place that limits the amount of subsidy recoverable, and as a result in recent years we have seen a widening gap between the amount of benefit paid and the amount that we can recoup from government. It is envisaged that the purchase of 15 properties, with the support of funding from the Local Authority Housing Fund, will assist in reducing the need to use bed and breakfast accommodation in the future.
19. Based on a review of outstanding debts on 31st March 2024. Most of the balance shown in the table (£49,244) relates to historic rent deposits given to customers to assist them in securing rented accommodation.
20. Court fee income has fallen below budget, this is partly due to a reduction in courts proceedings undertaken during the year to recover Council Tax debt. In year collection rates have however remained at normal levels (97.39% for 2023/24). The Council will continue to attempt to collect the remaining outstanding Council Tax.
21. This includes all other net variances with an individual value of less than £30,000.

Key Income Streams

The following table provides an analysis of the performance of the Council's key income streams during the year:

	Approved Budget (£)	Revised Budget (£)	Actual Income (£)	Variance against Approved Budget (£)	Variance against Revised Budget (£)
Planning Fees	(560,000)	(500,000)	(546,461)	13,539	(46,461)
Building Control Fees	(1,260,480)	(1,060,480)	(1,091,068)	169,412	(30,588)
Land Charges	(247,000)	(236,500)	(200,143)	46,857	36,357
External Investment Interest	(360,000)	(1,300,000)	(1,699,508)	(1,339,508)	(399,508)
Refuse and Recycling	(1,722,500)	(1,699,500)	(1,690,360)	32,140	9,140
Car Parks	(331,000)	(226,000)	(235,549)	95,451	(9,549)
Leisure Income	(544,268)	(673,260)	(673,260)	(128,992)	0
Total	(5,025,248)	(5,695,740)	(6,136,349)	(1,111,101)	(440,609)

NB: brackets indicate excess income.

Investment income significantly outperformed the budget due to the higher interest rates throughout the year. However, we have seen reduced income from Land Charges since the pandemic. The short fall in refuse and recycling income is due to a reduction in recycling credits.

The above table does not show the full picture in respect of the Building Control Partnership or the Car Park Account, further detail on which is provided later in this report.

Carry Forward of Unspent Budgets

As part of the closedown process an exercise has been undertaken to identify where it is reasonable to carry forward unspent budgets from 2023/24 to the new financial year. As a rule, this applies to one-off project related budgets, which are usually externally funded. A total of £2,257,478 has been carried forward to 2024/25, of which £2,005,935 relates specifically to external funding, which is ring fenced and cannot be used for anything other than what it is initially intended for.

Leicestershire Building Control Partnership

The table below provides a summary of the partnership account for 2023/24.

	Revised Budget £	Final Outturn £	Variance £
Employee Costs	1,325,985	1,172,884	(153,101)
Transport Costs	56,333	52,647	(3,686)
Supplies and Services	51,150	39,166	(11,984)
Blaby Overheads and Support Services	66,000	66,000	0
Total Expenditure	1,499,468	1,330,697	(168,771)
Total Income	(1,085,480)	(1,115,570)	(30,090)
Net Expenditure	413,988	215,127	(198,861)
Partner Contributions	(326,305)	(169,563)	(156,742)
Cost to Blaby	87,683	45,564	(42,119)

As can be seen in the table above, Employee costs were below budget, this is mainly due to vacancies in the team. Unspent training budget totalling £40,376, has been carried forward to be used during 2024/25.

Within Supplies and Services is unspent budget totalling £18,674, which relates to publicity and promotion. This has also been carried forward to be used in 2024/25 to help with marketing of the partnership.

Fees and charges income exceeded the budget, and due to this and the other areas of underspend identified, the overall outturn is a positive variance of £198,861.

The agreement that partners signed up to is that any loss or surplus will be shared in accordance with the application data from the previous three years. Therefore, of the £198,861 surplus against the budgeted position, Blaby's share is £42,119.

Car Parking Account

The following table sets out the net position in relation to the car parking account in 2023/24.

	Revised Budget £	Final Outturn £	Variance £
Premises Costs	96,133	96,662	529
Supplies and Services	43,118	30,419	(12,699)
Enforcement Contract	47,000	33,263	(13,737)
Overheads and Support Services	107,093	79,294	(27,799)
Capital Financing Costs	27,014	30,824	3,810
Total Expenditure	320,358	270,462	(49,896)
Contributions towards Expenses	0	0	0
Fees and Charges	(226,000)	(235,620)	(9,620)
Penalty Charge Notices	(12,000)	(14,849)	(2,849)
Total Income	(238,000)	(250,469)	(12,469)
Net (Surplus)/Deficit	82,358	19,993	(62,365)

Whilst car parking income has not returned to the level it was prior to the pandemic, we have seen a small increase in the income during 2023/24, which, along with expenditure savings, has brought the car parking account much closer to achieving its breaking even target.

Earmarked Reserves

In addition to the General Fund balance the Council also maintains several Earmarked Reserves. Some of these are set aside for specific purposes whilst others have been created to mitigate the uncertainties that still surround local government funding and to support Spend to Save opportunities. A detailed breakdown of the movement on Earmarked Reserves appears at Appendix B. The overall balance on Earmarked Reserves has decreased from £12,735,996 at the beginning of the financial year to £9,812,871 as at 31st March 2024.

The Earmarked Reserves are routinely reviewed at each year end, to ensure that they are still required and/or they are reflective of the purpose for which they are maintained. This review has been undertaken by the Executive Director (Section 151) and, it is proposed that the Choice Based Lettings Reserve is redesignated as the "Homelessness Grant Reserve" to accurately reflect the purpose for which it is now held.

A new reserve has been set up named Business Rates Pool Reserve. The Council, along with Leicestershire County Council, Leicester City Council, all Leicestershire District Councils and Leicester, Leicestershire, and Rutland Fire Authority since 2015/16 pooled Business Rates under the Rates Retention Scheme, allowing additional monies raised through Business Rates to be retained in the sub region. In previous years applications were submitted for the monies to be distributed by the LLEP, to fund projects to support economic growth and infrastructure connected to this, as per the terms of the pooling arrangement. In recent years however, the distribution

of the pooled monies has been revised to distribute across the participating Council's on agreed basis with Pool members utilising their allocation to support "economic health and vibrancy of our communities.

The distributed pool monies for 2020/21 and 2021/22 which were received by the Council in the year have been transferred to the reserve. These will be used to support the Economic Development in 2024/25 onwards, with further consideration as to how this reserve will contribute to the Council's financial position in future years.

General Fund Balances

The General Fund balance has been increased by £1,944,787, comprising the following: year-end balance of £6,564,232. The increase comprises the following:

	£
Addition to balances arising from 2023/24 performance	1,699,787
Transfer from Contractual Losses Support Reserve (approved by Cabinet Executive July 2023)	445,000
Transfer to Huncote Major Incident Reserve (approved by Council October 2023)	(200,000)
	1,944,787

This has resulted in a year end balance of £6,564,232, representing 39.6% of the 2024/25 net budget requirement, after considering planned contributions to support the budget. This compares favourably with the 30.4% estimated at budget stage, enhancing the Council's resilience going into 2024/25. However, as the Council's upper policy limit has been exceeded, it is recommended that the limit is increased to 45% to allow headroom for future additions to the balances where applicable.

4.2 Business Rates Retention

When setting the budget for 2023/24 it was expected that business rates income would be approximately £48.0m, of which Blaby's share would be £19.2m (40%). This allowed for around £0.5m of growth from unoccupied units at Fosse Park that were expected to be brought into the rating list during the year. Various reliefs, such as small business rate relief, empty property relief, and retails, hospitality and leisure relief were also netted off the gross rates payable, as well as provisions for appeals and bad debts.

The outturn income from business rates in 2023/24 was £49.5m of which Blaby's share was just under £19.8m. The difference between the budgeted NNDR income and the outturn position flows through the Collection Fund, resulting in a surplus on 31st March 2024. This will then be taken into account when setting the budget for 2025/26. Out of Blaby's 40% share of the £19.2m estimated income, the Council is required to pay a tariff to central government (£14.0m) and a levy on growth (£2.3m), giving a net income from business rates of £2.5m. This is supplemented by Section 31 grant compensation in

respect of various reliefs implemented by government (£2.4m). The Council also must make good its share of the estimated deficit on 31st March 2023, which equates to a further £1.5m, although this is covered by the Section 31 Grant Reserve. A further £0.8m was taken from the NNDR Income Reserve to bring the net of all NNDR-related transactions to the £5.8m estimated when the budget was set.

The following table below shows the main variances between the estimated position on the NNDR1 return, and the final outturn.

	NNDR 1 £	NNDR 3 £	Variance £
Gross Rates Payable	(57,651,239)	(54,930,692)	2,720,547
Transitional Arrangements	1,947,203	1,336,552	(610,651)
Mandatory Reliefs	2,815,811	2,993,740	177,929
Discretionary Reliefs	85,056	92,929	7,873
Unoccupied Property	1,600,000	955,092	(644,908)
Discretionary Relief funded by S31 Grant	1,811,550	944,885	(866,665)
Net Rates Payable	(49,391,619)	(48,607,494)	784,125
Interest paid on refunds to ratepayers	0	30,567	30,567
Provision for Bad Debts/Write-offs	494,000	342,109	(151,891)
Provision for Appeals	2,717,000	(20,959)	(2,737,959)
Transitional Protection Payments	(1,947,203)	(1,336,552)	610,651
Cost of Collection Allowance	103,866	103,866	0
Non-Domestic Rating Income	(48,023,956)	(49,488,463)	(1,464,507)

Gross rates payable were £2.7m lower than forecast but this was largely due to the impact of appeals that were settled during 2023/24. Caution was exercised when completing the NNDR1 return in respect of the potential for businesses to close due to the pressures of the cost-of-living crisis.

Ultimately, though, this did not materialise to the extent that was expected. The bad debt provision for arrears is based upon an assessment of the level of arrears outstanding at year end, and the likelihood of this being recovered. The appeals provision was reviewed at year end in light of outstanding checks, challenges, and appeals submitted to the Valuation Office Agency (VOA). The result of this is that the provision was reduced to take account of appeals that had been either settled or withdrawn during the year, and it will be noted that the scale of the reduction is similar in value to the variance against the gross rates payable. Since a new rating list was implemented on 1st April 2023, there are only a very limited number of appeals remaining against the 2017 rating list, and it is unusual for any new appeals to come forward in respect of expired rating lists.

In overall terms, the Business Rates Collection Fund has moved from a deficit of £3,238,781 on 31st March 2023 to a surplus of £1,509,052 on 31st March 2024. Blaby's share of that surplus is £603,622 (£1,295,511 deficit on 31st March 2023).

Due to the way in which local authorities are required to account for business rates income, the year-end surplus will not be felt until 2025/26. The Council has allowed for an estimated deficit of £237,154, when setting the 2024/25 budget; the difference between the estimated deficit and actual

surplus on 31st March 2024 will be brought into account in the 2025/26 budget setting process. The remaining balance of £1,516,792 in the Section 31 Grant Reserve was utilised in 2023/24 to cover Blaby's share of the estimated deficit on 31st March 2022.

4.3 Council Tax

The Council Tax Collection Fund has moved from a deficit of £829,079 on 31st March 2023 to a deficit of £815,382 at the end of 2023/24. This represents an in-year surplus of £13,697. The outturn position was not as good as anticipated when setting the 2024/25 budget, where a deficit of £626,809 was anticipated. This is due to the impact of historic bad debts written off during the financial year.

Blaby's share of the deficit on 31st March 2024 is £114,460 compared with the previous year deficit share of £117,574.

Accounting for council tax is like NNDR, in that any difference between the estimated income and the outturn income flows through the Collection Fund in the form of a surplus or deficit. That surplus or deficit will then be factored in when setting the 2025/26 budget.

4.4 The Capital Programme

In 2023/24 the Council spent £6,996,593 on Capital schemes, compared with the latest Capital Programme budget of £11,857,490. This represents an underspend of £4,860,897 or 40.99% against planned capital expenditure, of which £4,386,430 has been carried forward to 2024/25 to enable the schemes to be completed.

Appendix C shows expenditure against the budget by scheme.

<u>Capital Expenditure:</u>	Approved Budget £	Revised Budget £	Actual Outturn £	(Under)/ Overspend £
Invest to Save Schemes	600,000	4,515,250	2,643,473	(1,871,777)
Essential/Contractual Schemes	2,290,500	5,097,471	2,747,762	(2,349,709)
Desirable Schemes	68,000	84,000	78,410	(5,590)
Externally Funded Schemes	660,000	2,160,769	1,526,948	(633,821)
Other Schemes	0	0	0	0
Contingency Budget	0	0	0	0
Total Capital Expenditure	3,618,500	11,857,490	6,996,593	(4,860,897)
<u>Financed by:</u>				
Borrowing	2,295,500	6,205,895	2,858,707	(3,347,188)
Capital Receipts	525,000	1,675,424	1,536,582	(138,842)
Earmarked Reserves	92,000	107,000	371	(106,629)
Revenue Contributions	0	112,811	4,000	(108,811)
External Funding	706,000	3,756,360	2,596,933	(1,159,427)
Total Capital Financing	3,618,500	11,857,490	6,996,593	(4,860,897)

The main variances against budget are as follows:

- Regeneration Property – Underspend of £662,067. Approval was given at Council on 25th October 2023 to use the budget set aside for strategic investment for the purchase of 16 dwellings to reduce homelessness pressures. This followed the award of grant funding from the Local Authority Housing Fund. In total £2,597,933 has been spent during 2023/24.
- Disabled Facilities Grants (DFGs) – Underspend of £512,789. DFG allocation has been increased by central government over recent years. Following the pandemic there has been an increase in more complex cases, due to the impact on residents' health which take longer to complete.
- Income Management System – Underspend of £220,000. Progress was delayed whilst officers explored various procurement options ahead of the contract expiry date of 31st March 2024. However, a new contract was agreed shortly before year end, to take effect from 1st April, and implementation is underway. The upgrade involves moving to a Cloud-based software solution as well as new modules that will enhance our compliance with Payment Card Industry (PCI) data security standards and provide the option of bank-to-bank payments for customers.
- Electric Vehicle Infrastructure for Depot – Underspend of £720,000. Additional funding was approved at Council on 26th September. Work on the project commenced at the end of 2023/24 and the project is currently progressing through the planning stages.
- HR & Payroll System – Underspend of £111,114. The second phase of the project is due to be undertaken during 2024/25, £100,000 has been carried forward towards this next stage.
- ICT: IT infrastructure Improvements - £497,378: the project was delayed pending the outcome of the options appraisal which was taken to Council on 27th February 2024.
- Walk and Ride, Blaby – Underspend of £140,000. The project is being delivered by Leicester City Council. The project is expected to complete during 2024/25, and the Council's share of the costs will be transferred on completion.
- Strategic Review: Land Rear of Enderby Leisure Centre – Underspend of £503,710. The project is currently in progress with public engagement currently taking place in preparation for submission and consideration in the local plan process.
- Strategic Asset Review – Underspend of £250,000. The project is to commence in 2024/25.
- Solar Panels for the Depot – Underspend of £456,000. The panels are expected to be installed during 2024/25.
- Fleet Vehicle Replacement Programme – Underspend of £364,238. Due to the maintenance programme followed by the Vehicle Maintenance team, and the work undertaken on the vehicles, the life of the vehicles has increased and therefore the requirement to replace so often has reduced.

5. What will it cost and are there opportunities for savings?

5.1 Financial implications are included in the main body of this report.

6. What are the risks and how can they be reduced?

6.1

Current Risk	Actions to reduce the risks
That the unaudited accounts are misstated and require amendment	The 2023/24 accounts are subject to independent examination by the Council's external auditors, Azets. The Audit of the prior year accounts for 2020/21, 2021/22 and 2022/23 which were subject to independent examination by Ernst and Young (EY) have not yet been concluded. Any revisions to those years accounts may have a corresponding impact on the 2023/24 accounts, although any agreed amendments are already reflected. The deadline for publication of the audited accounts is by 30 th September 2024. If any amendments are required as a result of the audit, financial implications will be reported back to Cabinet Executive at the earliest opportunity following publication.

7. Other options considered

7.1 None

8. Environmental impact

8.1 No direct impact arising from this report.

9. Other significant issues

9.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

10. Appendix

10.1 Appendix A – General Fund Revenue Account: Performance against Budget

10.2 Appendix B – Earmarked Reserves and General Reserve Balances

10.3 Appendix C – Capital Expenditure against Budget

11. Background paper(s)

11.1 None

12. Report author's contact details

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