Blaby District Council

Audit & Corporate Governance Committee

Date of Meeting	30 July 2024
Title of Report	**Unaudited Statement of Accounts 2023/24**
Report Author	Finance Group Manager

1. What is this report about?

1.1 The report sets out details of the Council's financial performance for 2023/24, covering the General Fund, the Capital Programme, the Collection Fund, and treasury management activities.

1.2 It also provides Members with details of the key balance sheet movements that are reflected in the draft Statement of Accounts for 2023/24.

2. Recommendation(s)

2.1 That the financial performance for 2023/24 is accepted.

3. Reason for Decision(s) Recommended

3.1 To give Members the opportunity to comment and ask questions in respect of the Council's financial performance, and unaudited accounts for 2023/24.

4. Matters to consider

4.1 Background

The Council is required to prepare its annual accounts in accordance with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and in line with International Financial reporting Standards (IFRS). The reason for this is to attempt to produce the accounts in a standardised and consistent format across both the public and private sectors, and to give greater transparency to stakeholders.

The Accounts and Audit Regulations require local authorities to publish their audited accounts by 30th September 2024. This means that the public inspection period for 2023/24 must commence on 1st June 2024, meaning that the unaudited accounts had to be signed off by the Executive Director (Section 151) and published on the Council's website by 31st May 2024.

Blaby was one of only 40% of local authorities across England that met the deadline for publishing their unaudited accounts.

To give further context for new Members of the Audit and Corporate Governance Committee, since the onset of Covid-19, local authorities in general have experienced significant delays with the timely completion of the audit of accounts, even though publication dates were relaxed between 2020/21 and 2022/23. These delays have mainly centred around the difficulties that external audit firms have experienced in recruiting suitably qualified public sector auditors, and consequently being unable to adequately resource their audits.

In Blaby's case, the 2019/20 audited accounts were not signed off and published until August 2021, and the audit of the 2020/21 accounts has still not been completed. The consequence of this is that the audit of the Accounts for 2021/22 and 2022/23 has not been undertaken.

Furthermore, until the audits are brought up to date, there is always the possibility that the accounts may need restating due to the passage of time, and this creates uncertainty for the Council when considering its future spending plans.

The Councils new auditors, Azets, are planning on undertaking the audit of the 2023/24 accounts during August 2024, the interim audit was undertaken during April 2024.

4.2 General Fund Revenue Account

The Council's net expenditure for 2023/24 is summarised in Appendix A.

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 General Fund balances. 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.

The 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 table below gives a snapshot of the main variances against the revised budget.

	£	
Underspends and Additional Income		
Investment Income	(404,240)	Due to higher interest rates throughout the year
Establishment	(356.033)	Savings arising from vacant posts
Recovery of overpaid Housing Benefit	(164,311)	Additional housing benefit overpayments identified as recoverable, over and above the expected level
Interest costs	(128,043)	No external borrowing undertaken during the year
National Rail Freight Hub Project	(121,859)	Blaby's share of the project fees that have not been required
Homelessness costs	(108,654)	Expenditure on temporary accommodation was less than anticipated
Overspends and Reduced Income		
Housing Benefit payable net of Subsidy	70,972	Cap on temporary accommodation costs recoverable through subsidy. 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.

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.

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.

General Fund Balances

As a result of the outturn referred to above, £1,699,787 has been added to the General Fund balance. This leaves a year-end balance of £6,564,232. This represents 39.6% of the 2024/25 net budget requirement, after considering planned contributions to support the budget. An increase in the Councils upper limit from 35% to 45% was approved by Cabinet Executive on 24th June 2024.

4.3 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.

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.

4.4 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.

4.5 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, whilst the table below provides a high-level summary of capital expenditure and financing.

Capital Expenditure:	**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)**
Financed by:				
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.

4.6 Treasury Management

Full details of the Council's treasury activities during 2023/24 are included in the Treasury Outturn report to Cabinet Executive on 24th June 2024.

The following table shows the Council's overall treasury position on 31st March 2024 compared with the position 12 months earlier. This excludes other long-term liabilities such as finance lease arrangements.

	Principal at 31st March 2023	**Rate/ Return**	**Average Life**	**Principal at 31st March 2024**	**Rate/ Return**	**Average Life**
PWLB Debt	£5,929,939	2.24%	16.1 years	£5,713,439	2.25%	18.8 years
Market Debt	0	n/a	n/a	0	n/a	n/a
Total debt	**£5,929,939**	**2.24%**	16.1 years	**£5,713,439**	2.25%	18.8 years
Capital Financing Requirement	£14,486,025			£16,560,287		
Over/(under) borrowing	**(£8,556,086)**			**(£10,846,848)**		
Short Term investments	(£25,456,000)	3.98%		(£22,089,000)	5.34%	
Long Term Investments	(£844,874)	4.84%		(£742,726)	5.27%	
Net debt	(£34,856,960)			(£22,831,726)		

The interest rates in the table above are based on the loans and investments outstanding at the year end and are not necessarily the same as the average rate payable during the financial year.

During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure.

4.7 Financial Statements

In 2023/24 there were only minor changes in terms of new accounting standards, none of which had any material effect on the format and content of Blaby's accounts.

Following the publication of the Financial Statement, an adjustment has been made due to an amendment to the calculation of the NNDR levy. An error was made in the initial calculation, with 2 cells missed on the working paper. To prevent this from happening again, the cells have been highlighted so that they show clearly and an additional note made for reference in future years.

The net outturn position was unaffected by this amendment, however there was a movement on the balance sheet reducing the NNDR Income Reserve by £364k.
The Financial statement has been updated accordingly and is shown at Appendix D. The Council's External Auditors, Azets have also been made aware.

The net asset position on the Balance Sheet has decreased from £35.151m on 31st March 2023 to £30.867m at 31st March 2024.

Significant movements on the Balance Sheet include:

- Short Term Investments/Cash and Cash Equivalents have reduced from £25.829m to £22.424m. 1 outstanding short-term investment as at 31st March 2024.
- Land and Buildings have increased from 27.071m to £29.857m. This is due to the purchase of 12 flats and 3 houses, as part of the Councils investment in housing to provide new homes for homeless households.
- Long Term investments have reduced from £0.845 to £0.743m. This is due to the reduction in the Lothbury Property Trust fund, which has been seen over the past 18 months.
- Short Term Borrowing – increased from £0.241 to £0.880m due to the timing of the repayments of a maturity loan.
- Usable Reserves – reduction of £2.186m, mainly due to the application of Section 31 grants from earmarked reserves to mitigate the Collection Fund Deficit that arose in 2020/21 and 2021/22 because of the expanded retail relief granted to businesses.
- Unusable Reserves – these are non-cash backed reserves that reflect adjustments made to bring IFRS-based accounting entries into line with legislative requirements. The Balance Sheet position has changed by £4.284 which is the opposite accounting entry to recognise the movement in the net pension liability.

The Council's overall borrowing fell by £0.217m leading to an increase in the Council's "under-borrowed" position as internal resources continue to be used as a cheaper form of financing capital expenditure than external borrowing.

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

5.1 Not applicable.

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

6.1

Current Risk	Actions to reduce the risks
That the draft accounts are misstated.	The accounts presented at Appendix D are subject to independent inspection by the Council's external auditors, Azets. The audit is not expected to commence until August 2024.

7. Other options considered

7.1 None. It is good practice to give Members an opportunity to review the financial performance and comment on the headline issues affecting the 2023/24 accounts.

8. Other significant issues

8.1 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.

9. Appendix

9.1 Appendix A – General Fund Revenue Account Summary 2023/24

9.2 Appendix B – Earmarked Reserves

9.3 Appendix C – Capital Expenditure and Financing 2023/24

9.4 Appendix D – Unaudited Statement of Accounts 2023/24

10. Background paper(s)

None.

11. Report author's contact details

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