

Harborough District Council



Report to the Cabinet Meeting of 25th March 2024

Title:	Report 1: 2023/24 Performance Report – Financial (Outturn) and Corporate Quarter 3 (Year ending 31 March 2024)
Status:	Public
Key Decision:	No
Report Author:	Carolyn Bland, Head of Financial Services Clive Mason, Director of Resources and S151 Officer
Portfolio Holder:	Cllr Mark Graves, Finance Cllr Paul Beadle, Corporate
Appendices:	1: Summary Revenue Budgets and Capital Programme for 2023/24 Budget and MTFs (2024/25 to 2027/28). 2: 2023/24 Forecast Revenue Outturn and Variance Analysis by Portfolio & Director Service Categorisation. 3: Commentary on 2023/24 Budget Variances Greater than £25,000, by Director Service Categorisation. 4: General Fund Reserves 31.03.2023 5: 2023/24 Forecast Capital Outturn and Variance Analysis 6: Key Activity Quarterly Report Quarter 3 2023/24 7: Strategic Performance Dashboard Quarter 3 2023/24

Executive Summary

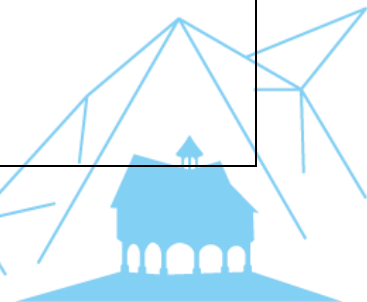
This report combines two reports previously received separately, Financial Performance (Outturn), and Performance. This combined report sets out the forecast financial position (outturn) for the year ending 31 March 2024, based on information at the end of December 2023 for revenue and capital, and covers performance monitoring of the refreshed corporate plan for Quarter 3, October to December 2023.

Financial Performance

Based on the financial position as at 30 December 2023, known income and expenditure commitments and working assumptions, the forecast is:

- i. Revenue is forecasting an underspend of £588k, a variance of 4.7% to the approved budget.
- ii. Capital is forecasting an overspend of £200k, a variance of 1% to the approved budget.

Performance



A refresh of the corporate plan Key Activities was undertaken prior to 01 April 2023, resulting in 31 Key activities for the 2023/24 period.

- i. Appendix 6 contains a report of progress against all 31 Key activities in the Corporate Plan. At the end of Quarter 3 there was one at red status.
- ii. Appendix 7 contains a report of twenty key performance indicators (KPI's). At the end of Quarter 4, four KPI's had a red status.

The links between the red activities/KPI's and outturn have been reviewed and are detailed in paragraph 3.17 below.

Recommendations

That Cabinet:

- **considers and comments on the contents of this report and associated appendices.**

Reasons for Recommendations

The Council's Performance Management Framework requires that both Scrutiny and the Cabinet have a role in monitoring the performance of the Council against its Corporate Delivery Plan. Good financial governance requires the Cabinet to consider and comment on forecast financial outturn. Such commentary demonstrates to customers, partners, and stakeholders that the Council is actively considering the environment within which the Council is operating.

1. Purpose of Report

To update Cabinet in respect of the Quarter 3 forecast outturn for 2023/24 for revenue, capital, and reserves, and provide information on the Council's performance.

2. Background

2.1 This combined report [Financial Performance (Outturn) and Performance] seeks to ensure that trends reflected in the forecast outturn are also reflected in the performance reporting and vice versa. Because many things can occur between the end of December and the end of the financial year, some trends may still not yet be apparent.

2.2 The Council approved the 2023/24 Budget and Medium-Term Financial Strategy (2024/25 to 2027/28) (MTFS); which included the Capital Programme in February 2023. It should be noted that the categorisation of services by Director and Portfolio used in this report, has been revised to reflect current responsibilities/structure and is not based on the structure used for setting the 2023/24 budget.

2.2.1 the **Revenue budget**, the 2023/24 net service expenditure was £12.1m and after capital financing of (£424k), the net expenditure for the delivery of services was £12.5m; over the MTFS period, this increases to £15.1m. This is summarised in **Appendix 1**.

2.2.2 the **Capital Programme**, the 2023/24 programme totals £12.7m, of which £5.3m was in respect of projects brought forward from previous years and £7.4m was in respect of new initiatives for 2023/24. Over the MTFS period the capital programme decreases to £412k.

2.2.3 **Reserves**, Council approved a net contribution to reserves of £4.4m.

- 2.3 Performance is monitored and reported to Officers and Members on a Quarterly basis as part of the Council's Performance Management Framework. Performance Reports are submitted to both Scrutiny and the Cabinet via Quarterly reports. Officers and Members can review performance via Pentana Risk in between these reports at [Corporate Plan 2023/24 \(pentanarpm.uk\)](https://www.pentana.gov.uk/corporate-plan-2023-24).
- 2.4 The key activities within the corporate plan have been refreshed in line with meetings with Heads of Service and the annual service planning process. Following the elections in May 2023, a further refresh considered the new administrations immediate priorities.

3. Details

Revenue Headlines

- 3.1 Providing an accurate forecast outturn based on the financial performance at Quarter 3 can still be challenging as many things can occur between the end of December and the end of the financial year. Finance have been working closely with services, acting as a critical friend to value check their forecast outturns, however it must be remembered that the forecast outturns are the responsibility of respective services.
- 3.2 The forecast outturn for the current financial year and the impact over the MTFS is summarised below.
- 3.3 **2023/24**; In respect of the original net expenditure budget of £12.477m, the forecast outturn, after funding adjustments, is £11.889m, which represents an underspend of the budget by £588k. A "financial" variance analysis based on Director service categorisation is summarised in **Table 1** below. A more detailed analysis based on both Director and Portfolio service categorisation is shown in **Appendix 2** along with an accompanying Reserve analysis. A summary of variances greater than £25k shown in **Appendix 3**.

Summary of 2023/24 Revenue Budget Variances, by Director Service Categorisation				Table 1
Service	Updated Budget £000	Outturn £000	Variance £000	Commentary
Interim Chief Executive	501	435	(66)	Savings in Programme Management.
Interim Deputy Chief Executive (Finance, ICT & Assets)	4,014	3,067	(947)	Increased investment income £1,417k and savings in Director costs, less overspends in Insurance, ICT, external audit and corporate savings not achieved. £60k funded from carry forwards.
Communities	6,620	6,744	124	Overspends in Customer Services, Market, Homelessness and Housing less savings in Car Parking and Harborough Innovation Centre, £30k funded from carry forwards.
Planning	918	1,697	779	Overspend and under recovery of income in Development Control, Strategic Planning and Planning Appeals, £70k funded from carry forwards. Acceleration of local plan funded from Business Rates Pool contribution
Net Direct Cost of Services	12,053	11,943	(110)	
Finance & Assets: Capital Financing (*)	424	424	0	
Net Expenditure	12,477	12,367	(110)	
Approved Carry Forwards from 2022/23	0	(220)	(220)	
Funding of Local Plan Acceleration		(258)	(258)	
Revised Net Expenditure	0	11,889	(588)	

NB.
* Finance & Assets are allocated to this item, but this item (Minimum Revenue Provision) is dependent on other services actioning the capital programme.

Inflationary Costs

3.4 **Pay Award** It should be noted that included within the 2023/24 forecast estimate is a corporate increase in respect of employees pay. In February 2023, the National Employers agreed unanimously to make the following one-year (1 April 2023 to 31 March 2024), full and final offer to the unions representing the main local government NJC workforce, with effect from 01 April 2023:

- An increase of £1,925 (pro rata for part-time employees) permanent addition on all NJC pay points 2 to 43 inclusive.
- An increase of 3.88% on all locally agreed NJC pay points above 44 but below Chief Executive.

This has now been agreed and the additional cost is estimated to be £450k, an overspend of £75k over the budgeted increase. The pay award will be applied to salaries with the November payroll.

Members will recall that as part of the budget they approved the following employee pay indices for 2023/24 and for each year of the MTFS.

- 2023/24: 4.0% (an increase of £375k over 2022/23)
- 2024/25: 3.5%
- 2025/26: 3.0%
- 2026/27 3.0%
- 2027/28 3.0%

Underachievement of Savings

3.5 **Senior Management review** the review of the “target operating model” (the way the Council operates) was delayed initially because of the Council decision to investigate the sharing of senior management. At this time, it is estimated that the remaining underachieved saving is £270k.

Following the appointment of a new Chief Executive in December 2023 a review of this saving has been undertaken. It is considered that of the total £270k, a net £200k can be achieved in 2024/25 without detrimentally affecting performance, going beyond that would put delivery of major projects and services at risk. The underachieved saving of £70k could be considered the cost to the council of non-participation in a shared service with Melton Borough Council.

Reserves

3.6 Inevitably as the Council progresses through any year its use of reserves will flex depending on:

- the macro and micro economic climate that the Council finds itself, and
- along with its need to meet its corporate priorities and statutory obligations.

3.7 As required by the Reserves Strategy, Cabinet is asked to note that through the active management of reserves that the General Fund (Unallocated) Reserve is maintained at 20%, the approved minimum level of reserves.

3.8 Further, members will recall that when the budget was set in February 2023, no contribution from reserves was needed. At 31 March 2023, the Council had revenue

reserves totalling £10.9m; however not all these reserves are useable, and these are shown in **Appendix 4**. Of these reserves, £6.7m are potentially useable and sufficient to meet in-year pressures.

- 3.9 The forecast position of reserves at 31 March 2024 as at 30 September 2023 is £16.3m and is shown in **Appendix 2**. This includes the transfer of £279k from the underspend to the Capital & Contracts Earmarked Reserve to meet the estimated costs of procurement of the environment/waste contract, agreed by Cabinet 04 September 2023 <https://cmis.harborough.gov.uk/cmis5/Document>. Note £300k was proposed but this has been reduced by £21k for which the expense is now forecast to fall before 31 March 2024.
- 3.10 An amount of £1.1m has been transferred to the Projects, Risk and Smoothing Earmarked Reserve towards future costs of the acceleration of the Local Plan, plus £258k transferred against revenue this year to fund the cost forecast to occur before 31 March 2024, total £1.3m. This represents the reconciliation of the receipts due to the Council as part of the final calculations for 2020/21 and 2021/22 by the Leicester and Leicestershire Business Rates Pool. The Council is part of this pooling agreement for business rates (along with Leicestershire County Council, Leicester City Council, the Combined Fire Authority and all of the Leicestershire District Councils).
- 3.11 **Local Plan acceleration** recent Government consultation on the implementation of the Levelling Up and Regeneration Bill has imposed a deadline on local plan preparation under the current system of 30 June 2025. In summary, plans must be submitted by this date or await the introduction of the new planning system, which is expected to place a considerable delay on progress being made on the new local plan for Harborough. Under the Government's draft transitional arrangements, awaiting the introduction of the new planning system would prevent work on the new local plan starting until 2026, or more likely 2027, delaying adoption until at least 2030 which would result in the district not having an up-to-date local plan for several years and place the district at considerable risk of speculative, unplanned development. Currently the council is considering adoption of a local plan in 2026 under an accelerated programme. In respect of 2023/24, the estimated cost of the accelerated programme is £258k which will be entirely financed (net nil) from funding due from the councils share of Leicestershire NDR Pooling as part of the new distribution arrangement agreed by delegation in [April](#) and [May](#) 2023. Future years costs associated with the accelerated programme and requisite funding are addressed elsewhere on this agenda.

Capital Programme

- 3.12 The Capital Programme for **2023/24** totals £12.7m, of which £5.3m was brought forward from previous years and £7.4m is in respect of new initiatives for 2023/24. The forecast outturn is an overspend of £200k. A summary variance analysis is shown in **Table 2**, and a detailed analysis, with associated commentary, is shown in **Appendix 6**.

Summary of 2023/24 Capital Budget Variance Greater than £25,000				Table 2	
Service	Proposed Updated Budget	Outturn	Variance		Commentary
	£000	£000	£000	%	
Capital Projects	19,905	20,105	200	1%	Overspend in relation to delay on finance system implementation

Corporate Performance

- 3.13 Officers are required to monitor and update the performance management software on a regular basis and provide a status of Complete, Green, Amber, or Red for each Key Activity. Definitions of these are as follows:

3.13.1 Appendix 6: Key Activities in Detail

This appendix contains a performance summary of each of the Key Activities identified in the Corporate Delivery Plan for the 2022/23 year including a status (as described in the table below), progress comment and next steps.

Status	Description
Red	Planned actions have not been achieved or have missed their target date. Issues are now impacting on delivery or expected outcomes.
Amber	Most actions completed. Some issues recognised which may impact on the delivery or expected outcomes.
Green	Planned actions completed, project on track. There are no known issues.
Complete	The project has been completed.

3.13.2 Appendix 7: Strategic Performance Dashboard

The Strategic Performance Dashboard consists of the Council's key performance indicators for each corporate priority. It is designed to provide an overview of how the Council is performing against those identified priorities. The Council's Performance Management database contains information on a wider range of performance indicators including further indicators from the Corporate Delivery Plan and operational indicators. The status of these items is categorised as either 'Green' (on or better than the set target), 'Amber' (within a tolerance of 5% below the target) or 'Red' (5% or more below target).

The Direction of Travel column indicates whether the indicator has changed status since the previous month. Direction of Travel is stated as either 'Better,' 'Same' or 'Worse'. Exceptions are addressed through one-to-one Portfolio Holder meetings and the Performance Improvement Board.

Performance Summary

- 3.14 Quarter 3 reported performance indicates one red category within the key activities shown in **Appendix 7** and 1 red activities within the strategic performance (KPI) dashboard shown in **Appendix 8**.

Status of Key Activities

- 3.15 There are 31 Key Activities, and progress against them all is shown in **Appendix 7**. Key activities that display a Red or Amber status are listed below:
- 3.15.1 KA 03.02 (Red) Prepare for the re-procurement of the Environmental services contract - The timeline has moved back for this due to several factors reported in Quarter 2. The

Head of Service is in discussions with the Welland Partnership and are working with WSP consultants.

3.15.2 KA.01.13 (Amber) Review of the Asset Management Plan and developing new operational assets in line with community and council needs. This has been updated to reflect current position:

- **The Symington Building** - Options appraisal report presented to pre-Cabinet on 3 January 2024 with the report to be presented to Cabinet on 15 January 2024.

- **Homelessness accommodation project** - A report on this project was presented to Informal Cabinet meeting on 10/10/2023 giving background information on construction cost increases and future HDC homeless accommodation provision. It was decided to sell the property following the adoption of a revised homeless accommodation strategy.

Status of Strategic Performance Dashboard

3.16 There are currently 19 KPI's on the Strategic Performance dashboard. Performance against these indicators at the end of Quarter 3, is available in **Appendix 7**. 2 KPI's show an amber status at the end of Quarter 3, with 4 at red status. These are:

3.16.1 FS 02 (Red) 90% of payments to creditors within 30 days – HDC went live with a new finance system on 6th November, to ensure the data migration was done correctly the previous system was shut down for 2 weeks which affected volumes and payments within 30 days. Also training of HDC finance and wider staff has affected the performance as the new finance system is bedded in. 43.8% of all invoices were paid within 90 during this period.

3.16.2 DM 01 (Red) 60% of major applications determined within 13 weeks or other agreed time. Following a good Quarter 2, in quarter 3 only 2 of the 7 Major applications were determined on time which equates to 28.6%. this is well below target of 60%, Speed of determination is being monitored regularly by the Director of planning. New resources have now been added to the team to boost the teams performance.

3.16.3 COR 01 (Red) Stage 1 and Stage 2 complaints responded to within 20 working days (%) is currently at 78.6% (target at 90%) – there were still 11 of 14 responses that went out on time.

3.16.4 RS 14 (Red) interventions to empty homes is recorded annually, but recorded in Quarter 3 to show progress towards the end of year target and is at Red status.

3.16.5 CON 10 (Amber) Levels of litter and detritus, this missed the Quarter 3 target by 3.4% with 105 sites out of 124 sites reached this standard. Longer term performance is also showing a downward trend.

3.16.6 RB 01 (Amber) In year council Tax Collection rates. Performance was 0.3% behind target at 83.5% (target 83.7%) This gap in hitting the target is however reducing.

3.16.7 In addition the 2 KPI's around footfall data are not reported on in Quarter 3 performance Some equipment is being installed and trial data is being recorded in Quarter 3. SP01 Numbers of affordable houses built is an annual performance measure.

3.17 The 3 red KPI's and one red key activity referred to above link to forecast outturn as follows; FS 02 is a knock-on effect of the delays to the implementation of the new finance system referred to in **Appendix 3** and KA 03.02 has no financial implications in 2023/24, as the revised cost will be implemented from 2024/25.

4. **Implications of Decisions**

4.1. **Corporate Priorities**

The contents of this report are evidence of how the Council monitors issues that may affect the delivery of its Corporate Priorities.

4.2. **Financial**

This report gives the outturn position for the Council's 2023/24 revenue and capital budgets. Regarding the performance of Planning, if performance does not improve in 2023/24 there is a risk of Government designation. Designation has potential financial implication as applicants have an option to submit planning applications directly to the Planning Inspectorate and paying no application fee to the Council, the planning authority. The risk is recorded in the Corporate Risk Register and control measures are in place to manage this risk.

4.3. **Legal**

The Council is legally required to set and manage a balanced budget.

4.4. **Policy**

No policy issues arise directly from this report.

4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**

Currently, only some of the capital initiatives relating to achieving net zero are being implemented. The capital programme is currently being reviewed and will be reported to a future Cabinet meeting as part of 2024/25 budget setting.

4.6. **Risk Management**

It is important to monitor the position against budget to ensure any issues can be addressed appropriately and in a timely manner. Risks are managed alongside performance through the Council's Performance Management database, Pentana Risk. A Corporate Risk register can be found at [Corporate Risk portal \(pentanarpm.uk\)](https://www.pentanarpm.uk).

4.7. **Equalities Impact**

Equality actions are identified as part of the Business Planning Process and are captured where relevant for each Key Activity.

4.8. **Data Protection**

No data protection issues arise directly from this report.

5. **Summary of Consultation and Outcome**

Consultation has been undertaken with the Portfolio Holder.

6. **Alternative Options Considered**

Not applicable.

7. **Background papers**

Corporate Plan

Performance Management Framework