

Harborough District Council

Report to the Cabinet Meeting of 4th September 2023



Title:	2023/24 Performance Report – Financial (Outturn) and Corporate Quarter 1 (Year ending 31 March 2024)
Status:	Public
Key Decision:	No
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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: Application of carry forwards from 2022/23 6: 2023/24 Forecast Capital Outturn and Variance Analysis 7: Key Activity Quarterly Report Quarter 1 2023/24 8: Strategic Performance Dashboard Quarter 1 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 June 2023 for revenue and capital, and covers performance monitoring of the refreshed corporate plan for Quarter 1, April to June 2023.

Financial Performance

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

- i. Revenue is forecasting an underspend of £683k, a variance of 5.5% 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 7 contains a report of progress against all 31 Key activities in the Corporate Plan. At the end of Quarter 1 there was one at red status.
- ii. Appendix 8 contains a report of twenty key performance indicators (KPI's). At the end of Quarter 1, 3 KPI's had a red status.

The links between the red activities/KPI's and outturn have been reviewed and are detailed in paragraph 3.15 below.

Recommendations

That Cabinet:

- **considers and comments on the contents of this report and associated appendices.**
- **agrees to the allocation of £300k of the forecast underspend to the “Capital & Contracts Earmarked Reserve” to meet the estimate costs of procurement for environment/waste contract.**

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 1 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 June and the end of the financial year, some trends may 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.

2.1.1 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**.

2.1.2 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.

2.1.3 **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-risk.com/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 1 can be challenging as many things can occur between the end of June 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 is £11.794m, which represents an underspend of the budget by £683k. 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**. It should be noted that it is proposed to set-aside £300k of the forecast underspend into the “Capital & Contracts Earmarked Reserve” to meet the unavoidable costs of procuring the Environment/Waste contract.

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	503	466	(37)	Savings in Programme Management.
Interim Deputy Chief Executive (Finance, ICT & Assets)	3,961	3,194	(767)	Increased investment income £1,246k and savings in Director costs, less overspends in Insurance, ICT, and corporate savings not achieved. £60k funded from carry forwards.
Communities	6,638	6,658	20	Overspends in Trade Waste, Customer Services and Housing less savings in Car Parking and Harborough Grow on Centre, £30k funded from carry forwards
Planning	951	1,272	321	Overspends in Development Control (under recovery of income), Strategic Planning and Planning Appeals, £70k funded from carry forwards
Net Direct Cost of Services	12,053	11,590	(463)	
Finance & Assets: Capital Financing (*)	424	424	0	
Net Expenditure	12,477	12,014	(463)	
Approved Carry Forwards from 2022/23	0	(220)	(220)	
Net Expenditure after Carry Forwards applied	0	11,794	(683)	
Proposed contribution to Waste Contract Procurement costs		300	300	To be agreed
Net Expenditure after Carry Forwards and proposed contribution applied		12,094	(383)	0

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.

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%

If the 2023/24 increase of £1,925 is agreed for local government, the additional cost is estimated to be £452k, a £77k overspend over the budgeted increase. It should be noted that at the time of writing, all three unions rejected the offer. UNISON and Unite have completed their respective strike ballots in July, it is expected they will be announcing next steps in August. GMB will open its strike ballots in September, therefore GMB's ballot timetable means there will be further delays to this year's already protracted pay round.

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 £209k; after including an anticipated saving that may occur during the year. However, this may change depending on the appointment of a new Chief Executive as they consider and propose the staff structure that they will need to deliver the administrations priorities. The cost of implementing any structural change will either be met from in-year savings or from the transformation earmarked reserve.

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, 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. The forecast position of reserves at 31 March 2024 as at 30 June 2023 is £15.5m.

- 3.9 Included in reserves was an amount of £220k regarding carry forwards from 2022/23, as agreed by Cabinet on 10 July 2023 <https://cmis.harborough.gov.uk/cm5/Meetings>. These have been released back into revenue to meet the relevant costs as shown in **Appendix 5**.

Capital Programme

- 3.10 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	%	
Capital Projects	19,905	20,105	200	1%	Overspend in relation to delay on finance system implementation

Corporate Performance

- 3.11 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:

3.11.1 Appendix A: 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.

3.11.2 Appendix B: 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

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

Status of Key Activities

- 3.13 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:
- 3.13.1 KA 03.02 (Red) Prepare for the re-procurement of the Environmental services contract - a different options appraisal for this project has resulted in timelines being delayed.
- 3.13.2 KA.01.08 (Amber) Planning decisions and planning enforcement are maintained in line with the adopted Harborough Local Plan (2011-2031) – decision timelines are also monitored in the strategic performance report. At the end of Quarter 1, the target of 60% for major applications was at 37.5% (equates to three out of eight determined on time), DM02 percentage of minors determined within time target exceed the target. **Appendix 3** gives details of the related financial variance.
- 3.13.3 KA.01.13 (Amber) Review of the Asset Management Plan and developing new operational assets in line with community and council needs. Works that have previously been allocated under the capital programme are being reviewed due to rising costs. A full review of the Councils assets is being considered. **Appendix 7** gives more details on specific projects such as the Symington Building works and review for a new Depo and **Appendix 6** gives details of their inclusion in the Capital Programme.
- 3.13.4 KA 01.04 (Amber) Investment in community facilities through the Section 106 process - 8 non committee applications for funding over the Quarter of which seven have been funded. The sub-committee for grants however has its first meeting with the new administration in Quarter 2.

Status of Strategic Performance Dashboard

- 3.14 There are 20 KPI's on the Strategic Performance dashboard. Performance against these indicators at the end of Quarter 1 (2023/24 year) is available in **Appendix 8**. 3 KPI's show an amber status at the end of Quarter 1, with three at red status. These are:
- 3.14.1 FS 02 (Red) 90% of payments to creditors within 30 days – Performance was at 82.8%.
- 3.14.2 DM 01 (Red) 60% of major applications determined within 13 weeks or other agreed time – In Quarter 1 performance was 37.5%.
- 3.14.3 RS 14 (Red) Number of interventions carried out to encourage owners of empty properties to bring them up to standards - this is a continuation of 2022/23 progress with a vacant post for this work to be carried out - although five were completed in Quarter 1.
- 3.14.4 CON 10 (Amber) Levels of litter and detritus, this missed the Quarter 1 target by 0.8%.

- 3.14.5 COR 01 (Amber) Stage 1 and 2 complaints responded to within twenty working days (90%). Performance was just below target by 4.3%.
 - 3.14.6 RB 01 (Amber) In year council Tax Collection rates of 98.4%. performance was 0.5% behind target.
 - 3.15.7 In addition the 2 KPI's around footfall data are not reported on in Quarter 1 performance due to delays in the installation of new equipment.
- 3.15 The 3 red KPI's and one red key activity referred to above link to forecast outturn as follows; KPI's DM 01 and RS 14 have no financial implications at this point. 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**

Designation also has a potential legal implication for the Council with the power to take certain planning decisions away from the planning authority and give to the Planning Inspectorate. 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://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