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Cabinet

Report for:	Cabinet
Title of report:	Provisional Financial Outturn 2021-22
Date:	12th July 2022
Report on behalf of:	Cllr Graeme Elliot, Portfolio Holder for Corporate Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A – General Fund Revenue Provisional Outturn 2021-22 Appendix B – Housing Revenue Account Provisional Outturn 2021-22 Appendix C – Capital Programme Provisional Outturn 2021-22
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

Report Author

Fiona Jump, Head of Financial Services

Fiona.Jump@dacorum.gov.uk / 01442 228162 (ext. 2162)

Responsible Officer

Nigel Howcutt, Chief Finance Officer

Nigel.Howcutt@dacorum.gov.uk / 01442 22862 (ext. 2662)

Corporate Priorities	A clean, safe and enjoyable environment Building strong and vibrant communities

	Ensuring economic growth and prosperity Providing good quality affordable homes, in particular for those most in need Ensuring efficient, effective and modern service delivery Climate and ecological emergency
Wards affected	All
Purpose of the report:	1. To provide details of the provisional financial outturn 2021-22 for the: • General Fund • Housing Revenue Account • Capital Programme
Recommendation (s) to the decision maker (s):	1. That Cabinet notes the provisional financial outturn position for 2021-22. 2. That Cabinet recommends to Council to approve the following General Fund reserve movements in respect of 2021-22: • £0.009m surplus Filming income to be transferred to the Dacorum Development Reserve, to be drawn down in 2022-23 for work on town centre improvements. • £0.216m surplus CIL admin income to be transferred to the Dacorum Development Reserve to support the costs of CIL administration in future years. • £0.565m overall General Fund surplus to be transferred to a new reserve- Inflationary Pressures- in order to meet unexpected inflationary pressures brought about by fluctuations in the current economy. 3. That Cabinet recommends to Council to approve the following General Fund reserve movements in respect of 2022-23: • £0.022m draw down from the Dacorum Development reserve to support the cost of the Armed Forces event in 2022-23.

	• £0.020m draw down from the Dacorum Development reserve to support the cost of the Queen's Baton relay event in 2022-23. • £0.150m reserve draw down from the Dacorum Development reserve for Berkhamsted Leisure Centre redevelopment planning. 4. That Cabinet recommends to Council to approve an HRA transfer of £0.020m to the HRA Lift sinking fund reserve. 5. That Cabinet recommends to Council to approve the following slippage on the capital programme: • £2.777m to be slipped to 2022-23 in respect of General Fund capital schemes. • £0.595m to be slipped to 2022-23 in respect of Housing Revenue Account capital schemes.
Period for post policy/project review:	The Council's financial position is reported to committee on an ongoing, quarterly basis.

1 Introduction:

1.1 This report presents the provisional financial outturn position for the Council as at 31 March 2022. The final position for the year is subject to:

- the finalisation of reserve movements
- The completion of the audit of the Council's accounts by the Council's external auditors Grant Thornton UK LLP.

1.2 The General Fund revenue account records the income and expenditure associated with all Council functions, except the management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).

1.3 General Fund revenue outturn – across all scrutiny committee areas, General Fund revenue budgets are reporting a surplus of £0.565m. It is recommended that Cabinet recommends to Council that this surplus be transferred to a newly created Inflationary Pressures earmarked reserve, to help the Council meet unexpected inflationary pressures that may arise as a result of the current economic climate.

1.4 The General Fund position includes a draw-down of funding from the Economic Recovery Reserve (ERR) to cover Covid- related pressures, an approach which was previously approved by Council. The ERR was specifically set up to fund pressures associated with Covid.

1.5 Housing Revenue Account outturn – The HRA is reporting a balanced outturn position. There are various pressures and underspends within this position which are detailed in this report.

1.6 General Fund Capital budgets are reporting further slippage of £2.777m and a pressure of £1.078m. The slippage is the combined position across a number of different schemes. The pressure is driven by expenditure on the Highbarns stabilisation project and expenditure on Garages. Highbarns expenditure was previously approved for revenue reserve funding and, following additional technical advice, will now be capitalised. The Garages expenditure was approved by Cabinet in March 2022.

1.7 HRA Capital – there is further slippage of £0.595m in the HRA capital programme and an underspend of £0.141m. The slippage relates predominantly to commissioned capital works on the Council's housing stock.

2 General Fund Position – all Scrutiny Committee Areas

2.1 Appendix A provides an overview of the General Fund forecast outturn position.

2.2 The table below provides an overview by Scrutiny area of the provisional outturn for controllable budgets within the General Fund.

Table 1- General Fund Provisional Outturn 2021-22	**Current Budget £m**	**Forecast Outturn £m**	**Variance**	
			£m	**%**
Finance & Resources	7.300	7.300	**0**	0.0%
Strategic Planning and Environment	10.950	10.884	**(0.066)**	(0.6%)
Housing and Community	1.857	2.046	**0.189**	10.2%

Total Operating Cost	**20.107**	**20.230**	**0.123**	0.6%
Core Funding	(20.107)	(20.795)	**(0.688)**	3.4%
(Surplus)/ Deficit	**0**	**(0.565)**	**(0.565)**	

3 General Fund Position- Finance and Resources and Core Funding

Table 2 – Finance and Resources Provisional Outturn 2021-22	**Current Budget £m**	**Forecast Outturn £m**	**Variance £m**	**%**
Resident Services	0.466	0.548	**0.082**	17.6%
Place	(2.239)	(2.796)	**(0.557)**	24.9%
People and Transformation	2.862	3.148	**0.286**	10.0%
Corporate and Commercial	4.805	4.962	**0.157**	3.3%
Other Corporate	1.406	1.438	**0.032**	2.3%
Total Operating Cost	**7.300**	**7.300**	**0**	0.0%

3.1 Key variances against Finance and Resources service areas (greater than £0.100m) are outlined below.

3.2 Place- additional income of £0.557m

The Council's investment property portfolio has performed strongly during the financial year, leading to additional income over budgeted levels.

3.3 People and Transformation- pressure of £0.286m

The additional expenditure incurred within People and Transformation relates to approved Council's Transformation Programme costs attributable to the HRA of £0.100m. These additional costs are offset by increased recharges from the HRA to the General Fund, shown as a favourable variance to budget against 'Core Funding' in Table 1 above.

3.4 Corporate and Commercial- pressure of £0.157m

The pressure within Corporate and Commercial Services relates to additional costs incurred during the year relating to the Council's insurance requirements, including those for the HRA. These additional costs are offset by increased income from the HRA to the General Fund, shown as a favourable variance to budget against 'Core Funding' in Table 1 above.

3.5 Core Funding- favourable variance of £0.688m

The Council has received additional grant funding from the Government during the financial year, £0.575m over budget assumptions. In addition, the level of income recovered by the General Fund for services provided to the HRA has exceeded budget by £0.291m. The balance of the position on corporate funding relates to lower than expected returns on the Council's investments, driven by the relatively low interest rates applicable for 2021-22.

4 General Fund Position- Strategic Planning and Environment

Table 3 – Strategic Planning and Environment General Fund Outturn 2021-22	Current Budget £m	Forecast Outturn £m	Variance £m	%
Resident Services	10.106	10.055	**(0.051)**	(0.5%)
Place	0.844	0.829	**(0.015)**	(1.8%)
Total Operating Cost	10,950	10,884	**(0.066)**	(0.6%)

4.1 Strategic Planning and Environment budgets are reporting a relatively small favourable variance to budget overall. Included within this are some significant variances. This includes a pressure against Waste Services £0.700m, funded via previously approved reserve draw- downs and a favourable variance to budget arising from gates fees on co-mingled recycling, £0.360m.

5 General Fund Position- Housing and Community

Table 4 – Housing and Community General Fund Outturn 2021-22	Current Budget £m	Forecast Outturn £m	Variance £m	%
Resident Services	0.495	0.796	**0.301**	60.8%
Place	0.320	0.267	**(0.053)**	(16.6%)
People and Transformation	1.065	1.024	**(0.041)**	(3.8%)
Corporate and Commercial	(0.023)	(0.041)	**(0.018)**	78.3%
Total Operating Cost	**1.857**	**2.046**	**0.189**	**10.2%**

5.1 Key variances against Housing and Community service areas (greater than £0.100m) are outlined below.

5.2 Resident Services- £0.301m pressure against budget

A pressure of £0.310m has arisen against the budget for Temporary Accommodation (TA) income.

This has arisen from void properties in the Council's hostels and in properties used for TA. During 2021-22 it has not been possible to achieve maximum capacity on all units and would have been unsafe to do so due to the pandemic. In properties being used for TA, there were a high number of void properties due to complexity of the work required to ensure the properties are fit for purpose.

The pressure is also driven by a project to convert new units into TA. This has taken longer than anticipated due to the extensive work that is required in converting the properties into suitable accommodation, including obtaining planning permission.

The pressure is offset partly by other minor underspends within the Strategic Housing Service.

6 Housing Revenue Account Position

6.1 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The provisional outturn position for the HRA is shown at Appendix B.

6.2 The HRA is reporting a balanced provisional outturn position for 2021-22.

6.3 Dwelling Rents - £0.250m under achievement in income

The void rate on dwellings is running slightly higher than the budgeted 0.8%, at 1.16%. This is particularly attributable to voids at sheltered schemes as a direct result of the pandemic.

6.4 Contribution towards Expenditure - £0.520m over achievement in income

Additional income over budget for minor capital receipts and rechargeable works has been achieved during the year.

6.5 Repairs and Maintenance - £0.100m underspend against budget

There is an underspend of £0.180m against responsive repairs, offset by a pressure of £0.080m on planned works.

6.6 Supervision and Management - £0.980m pressure against budget

This pressure is comprised of a number of items including the following:

- £0.180m share of the Council's Transformation programme costs. This figure includes £0.100m of costs incurred by the General Fund and recovered by the HRA recharge process, the balance being Transformation costs incurred directly by the HRA. The funding of these costs from the HRA was previously approved by Council during 2021-22.
- £0.200m of expenditure required to ensure asbestos compliance
- £0.240m in additional insurance costs.

Included within the total pressure is a £0.450m technical adjustment relating to an upfront pension contribution made during 2020-21. This payment was budgeted for in 2020-21 but in agreement with external audit, is accounted for in 2021-22 against supervision and management costs.

6.7 Rent, Rates and Taxes - £0.150m over budget

This pressure has arisen due to Council Tax liability from the change in empty homes discount from 3 months to 1 month. This pressure was seen in 2020-21 and is continued into 2021-22. The budget for these costs has been adjusted for 2022-23.

7 Housing Revenue Account- Technical and Accounting Adjustments

7.1 In addition to the service-related variances above, technical adjustments have arisen. They can be balanced by a reduction in the revenue contribution to capital.

7.2 Interest and Investment Income - £0.150m under achievement in income

This pressure has arisen due to interest rates remaining very low following the Bank of England base-rate reduction in March 2020. Income targets have been adjusted for 2022-23 budgets.

7.3 Interest Payable - £200k surplus

A revised forecast outturn is reported based on an updated interest schedule and interest charges are lower than budgeted.

7.4 Provision for Bad Debts - £0.600m surplus

Whilst tenants have needed the support of the service during a challenging year, the budget allocation to top up the bad debt provision has not been required in full. Arrears are down 10% year on year and collection rates are up, therefore the bad debt provision is estimated to be lower than budgeted. The full projected impact of pandemic and Universal Credit on bad debt has not been realised to date.

7.5 Depreciation - £2.630m over budget

An increased depreciation charge has been seen this year to due increases in the value of the Council's housing stock.

8 Reserve movements

It is recommended that Cabinet recommends to Council to approve the following reserve movements:

General Fund Reserve movements currently incorporated in the reported provisional outturn 2021-22 position:

- £0.009m surplus Filming income to be transferred to the Dacorum Development Reserve, to be drawn down in 2022-23 for work on town centre improvements.
- £0.216m surplus CIL admin income to be transferred to the Dacorum Development Reserve to support the costs of CIL administration in future years.

Other General Fund reserve movements:

- £0.565m overall General Fund bottom line surplus to be transferred to a new reserve- Inflationary Pressures- in order to meet unexpected inflationary pressures in 2022-23 brought about by fluctuations in the current economy.
- £0.022m draw down from the Dacorum Development reserve to support the cost of the Armed Forces event in 2022-23.
- £0.020m draw down from the Dacorum Development reserve to support the cost of the Queen's Baton relay event in 2022-23.
- £0.150m reserve draw down from the Dacorum Development reserve for Berkhamsted Leisure Centre redevelopment planning.

HRA reserve movements incorporated into the reported position:

- £0.020m transfer from HRA revenue to the Lift sinking fund reserve.

9 Capital Programme

9.1 Appendix C shows the projected capital provisional outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny committee area.

The current budget is the original budget approved by Cabinet in February 2021, plus approved in year amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred but will now be in 2022/23 rather than 2021/22 ('slippage'), or conversely, where expenditure planned initially for 2022/23 has been incurred in 2021/22 ('accelerated spend').

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

Table 5- Capital Provisional Outturn 2021-22	Current Budget £000	Re-phasing (To)/from future years £000	Revised Budget £000	Forecast Outturn £000	Variance £000	Variance %
Finance and Resources	3.699	(0.584)	3.115	3.658	0.543	14.7%
Strategic Planning and Environment	2.610	(0.335)	2.275	2.437	0.163	6.2%
Housing & Community	3.639	(1.858)	1.781	2.153	0.372	10.2%
GF Total	**9.948**	**(2.777)**	**7.170**	**8.248**	**1.078**	**10.8%**
HRA Total	**21.616**	**(0.595)**	**21.021**	**20.880**	**(0.141)**	**(0.7%)**
Grand Total	**31.563**	**(3.372)**	**28.191**	**29.128**	**0.937**	**3.0%**

9.2 General Fund Capital Programme Major Variances

General Fund capital budgets are reporting further slippage of £2.777m. The slippage of includes the following items:

- Line 58: Slippage of £0.222m against Rossgate Shopping Centre structural works relating to phase 2 of the works.
- Line 86: Slippage of £0.330m on the Fleet Replacement programme due to delays in delivery of new fleet from manufacturers.
- Line 106: Accelerated spend of £0.222m against the Berkhamsted Leisure Centre redevelopment.
- Line 109: Slippage of £0.135m against car park refurbishment works
- Line 153: Slippage of £0.273m against Disabled Facilities Grant. Not all grant budgeted to be spent in 2021-22 has been allocated. The unspent balance will be carried into 2022-23.
- Line 157: slippage of £0.488m against payment of capital grants to Registered Providers (RPs) (Affordable Housing Development Fund). Delays in RP developments mean that Council contributions to these developments have slipped to meet revised programme builds.
- Line 159: Slippage of £0.275m against the creation of new temporary accommodation units.
- Line 160- slippage of £0.824m against the creation of affordable housing move on units at Aragon Close.

There is a pressure of £0.372m against General Fund capital budgets, including the following items:

- Line 152: a pressure of £0.293m on garages. This additional spend was approved by Cabinet in March 2022.
- Line 202: and overspend of £0.630m on stabilisation works at Highbarns. These works originally received approval for funding via revenue reserves and will now be capitalised.

Note that the following schemes includes expenditure funded by external grant funding or other external contributions, which offsets the stated pressure:

- Line 120: Rolling programme- hardware.
- Line 137: Adventure Playgrounds
- Line 116: CCTV equipment refresh

9.3 Housing Revenue Account Major Variances

There is further slippage of £0.595m in the HRA capital programme. This includes the following items:

- Line 178: Slippage of £0.281m on Planned Fixed Expenditure relating to the Asset Management contract.
- Line 181: Slippage of £0.213m relating to communal gas and heating.
- Line 182: Slippage of £1.051m relating to DBC commissioned capital works.
- Accelerated spend of £0.614m against the Council's new build housing programme.

There is a minor underspend of £0.141m against the HRA capital programme. The represents less than 1% of the current budget.

10 Financial and Value for Money implications

Contained within the body of the report

11 Legal Implications

The Council has a statutory responsibility to make arrangements for the proper administration of its financial affairs. This report forms part of these arrangements.

12 Equalities, Community Impact and Human Rights

Community Impact Assessments on Council activities are carried out by relevant services with responsibility for those activities. A separate Community Impact Assessment has not been carried out in respect of this report.

There are no Human Rights Implications arising from this report.

13 Sustainability implications

There are no specific sustainability implications arising from this report.

14 Council infrastructure

The content of this report sets out the implications of the Council's activities for its financial resources for 2021-22.

15 Statutory Comments

Deputy Monitoring Officer

No comments to add to the report.

Deputy s151 Officer

This is a Deputy s151 Officer report.

16 Conclusions

16.1 At provisional outturn 2021-22, there is a surplus of £0.565m against Council General Fund budgets. Housing Revenue Account budgets are reporting a balanced position.

16.2 It is proposed that the General Fund surplus be transferred to a newly created Inflationary pressures reserves to support unexpected inflationary costs that may arise in 2022-23 and beyond.

16.3 At provisional outturn 2021-22, General Fund capital budgets are reporting additional slippage of £2.777m with a pressure of £1.078m Against Housing Revenue Account capital schemes, there is additional slippage of £0.595m and an underspend of £0.141m.