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Finance and Resources

Overview and Scrutiny Committee

Report for:	Finance and Resources Overview and Scrutiny Committee
Title of report:	Financial Performance Quarter 1 2022-23
Date:	6th September 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 Forecast Outturn Position Q1 2022-23 Appendix B – HRA Forecast Outturn Position Q1 2022-23 Appendix C – Projected Capital Outturn Q1 2022-23
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

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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 projected outturn 2022-23 as at quarter 1 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendation (s) to the decision maker (s):	1. That Committee note the financial position for 2022-23 as at Quarter 1.
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 Council's forecast outturn for 2022-23 as at the 30 June 2022. The report covers the following budgets with associated appendices:

- General Fund – Appendix A. A pressure against budget of £0.872m is forecast.
- Housing revenue Account (HRA) – Appendix B. A pressure of £1.040 is forecast.
- Capital Programme – Appendix C. General Fund Budgets are forecasting re-phasing to future years of £13.740m (14.5% of the budget). The HRA capital programme is forecast to budget.

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 Scrutiny Committee	Current Budget £m	Forecast Outturn £m	Variance	
			£m	%
Finance & Resources	7.556	8.033	0.477	6.3%
Strategic Planning and Environment	10.987	11.746	0.759	6.9%
Housing and Community	1.949	2.002	0.053	2.7%
Total Operating Cost	20.492	21.781	1.289	6.3%
Core Funding	(20.493)	(20.910)	(0.417)	2.0%
(Surplus)/ Deficit	(0.001)	0.871	0.872	

2.3 Key variances against General Fund and HRA service areas (greater than £0.100m) are outlined in sections 3-7 below.

3 General Fund Position- Finance and Resources and Core Funding

Table 2 – Finance and Resources Quarter 1	Current	Forecast	Variance	
	Budget	Outturn	£m	%
	£m	£m	£m	%
Chief Executives	0.913	0.968	0.055	6.0%
Resident Services	0.527	0.515	(0.012)	(2.3%)
Corporate and Commercial	3.377	3.812	0.435	12.9%
People and Transformation	3.456	3.506	0.050	1.4%
Place	(0.717)	(0.768)	(0.051)	7.1%
Total Operating Cost	7.556	8.033	0.477	6.3%
Core Funding	(20.493)	(20.910)	(0.417)	2.0%

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

3.2 Place- net additional income of £0.051m

The net variance for Place is below £0.100m and comprises some relatively large variances. The Council's investment property portfolio has performed strongly during the first quarter projecting to achieve additional income of around £0.300m over budgeted levels. This is partly offset by staffing pressures within the Property Services team £0.140m, a shortfall against income targets in other areas and other minor pressures.

3.3 Corporate and Commercial- net pressure of £0.435m

There is a pressure on car parking income budgets of £0.500m, with demand for parking down by circa 15% on pre- Covid levels. The position is being closely monitored. The pressure is partly offset by other minor favourable variances within the service.

3.4 Core Funding- additional income of £0.417m

Due to the increase in interest rates the Council is receiving higher returns on treasury investments of £0.230m over budget. An increase to the HRA recharge income of £0.187m is expected as a result of additional general fund employee costs.

4 General Fund Position- Strategic Planning and Environment

Table 3 – Strategic Planning and Environment Quarter 1	Current	Forecast	Variance	
	Budget	Outturn	£m	%
	£m	£m	£m	%
Resident Services	10.688	11.417	0.729	6.8%
People & Transformation	(0.114)	(0.113)	0.001	(0.9%)
Place	0.411	0.439	0.028	6.8%
Total Operating Cost	10.987	11.746	0.758	6.9%

4.1 Resident Services – pressure of £0.729m

Waste Services is continuing to experience significant budgetary pressures with employee costs circa £0.700m and fuel costs circa £0.150m, combined with a commercial waste shortfall of £0.100m are causing a pressure on budgets of £0.925m. This is offset by £0.300m by the high prices we are receiving for recyclables.

5 General Fund Position- Housing and Community

Table 4 – Housing and Community General Fund Quarter 1	Current	Forecast	Variance	
	Budget	Outturn	£m	%
	£m	£m	£m	%
Resident Services	0.965	1.027	0.062	0.064
Corporate and Commercial	(1.823)	(1.811)	0.012	(0.007)
People and Transformation	1.104	1.098	(0.006)	(0.005)
Place	1.703	1.688	(0.015)	(0.009)
Total Operating Cost	1.949	2.002	0.053	0.027

5.1 At Q1 2022-23 there are no significant variances (greater than £0.100m) against Housing and Community service areas to report. The financial performance of all service areas continues to be monitored and any change in this position will be brought before Members in future reports.

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 projected HRA balance at the end of 2022-23 is a pressure of £1.040m. Work relating to the Council's Housing Transformation Improvement Programme (HTIP) is driving this pressure. Mitigation for this pressure has since been agreed via a reduction in expected expenditure against other approved HRA budgets, notably Repairs and Maintenance and the Revenue Contribution to Capital. This mitigating arrangement will be reflected in future financial reports.

6.3 Supervision and Management - £1.254m pressure against budget

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

- £1.6m committed to the Housing Transformation Improvement Programme (HTIP). £0.570m is expected to be funded from approved repairs and maintenance budgets. The balance is expected to be funded via a reduction in the budgeted revenue contribution to capital. As a result, this budget pressure is expected to reduce at quarter 2.
- £0.187m recharge costs from the General Fund for additional employee costs to support the HRA.
- An additional request will be made in the September Cabinet report for growth to the HRA for £0.05m for the addition of tenancy sustainment officers.

6.4 Rent, Rates and Taxes - £0.114m over budget

This pressure has arisen due to Council Tax liability for empty homes.

7 HRA- Technical and Accounting Adjustments £0.359m over achievement in income

7.1 In addition to the service-related variances above, technical adjustments have arisen. Following an increase in interest rates, returns on investments are having a favourable impact on the HRA budget.

8 Capital Programme

8.1 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 2022, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred but will now be in 2023/24 rather than 2022/23 ('slippage'), or conversely, where expenditure planned initially for 2023/24 has been incurred in 2022/23 ('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 Outturn 2022-23	Current Budget £m	Re-phasing (To)/from future years £m	Revised Budget £0m	Forecast Outturn £m	Variance	
					£m	%
Finance and Resources	17.287	(13.700)	3.586	3.586	0	0.9%
Strategic Planning and Environment	4.520	0.000	4.520	4.520	0	0.0%
Housing & Community	3.960	(0.039)	3.920	3.920	0	0.0%
GF Total	25.767	(13.740)	12.027	12.027	0	0.0%
HRA Total	68.514	0.000	68.514	68.514	0	0.0%
Grand Total	94.281	(13.740)	80.541	80.541	0	0.0%

8.2 General Fund Capital Programme Major Variances

General Fund capital budgets are reporting slippage of £13.740m. The slippage of includes the following items:

- Line 65: Slippage of £13.700m against Berkhamsted Leisure Centre redevelopment while alternative options are considered.
- Line 130 Alarm Receiving Centre £0.034m – work is being undertaken on programme and specification. This is expected to slip to future financial years.

8.3 Housing Revenue Account Major Variances

The HRA capital programme is forecast to be on budget for 2022/23. Note the following items:

- Line 177: Overspend of £0.250m on M&E Contracted Works offset by
- Line 179 Underspend of £0.250m on DBC Commissioned Capital Works

The New build programme is currently reporting as on budget this will be reviewed at quarter 2 once it is understood how the current planning moratorium will impact the programme of works

8.4 Supplementary Capital Budget Request

A request will be made in the September Cabinet report for a capital budget of £1m to be created for the re-purchase of Right To Buy properties. The Council has first refusal on the subsequent sale of homes purchased under Right to Buy, if the property is offered for sale within ten years of the original purchase. It is proposed that capital budget is earmarked for this purpose.

9 Equalities, Community Impact and Human Rights

9.1 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.

9.2 There are no Human Rights Implications arising from this report.

10 Sustainability implications

10.1 There are no specific sustainability implications arising from this report.

11 Council infrastructure

11.1 The content of this report sets out the implications of the Council's activities for its financial resources for 2022-23.

12 Conclusions

12.1 A forecasted outturn for 2022-23 at quarter 1, there is a pressure of £0.870m against Council General Fund budgets. Housing Revenue Account budgets are reporting a pressure of £1.040m.

11.2 A forecasted outturn 2021-22 at Quarter 1, General Fund capital budgets are reporting slippage of £13.740m with a balanced budget for the Housing Revenue Account capital schemes.