



Cabinet



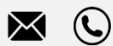
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| Report for: | Cabinet |
| Title of report: | Quarter 2 Financial Monitoring Report 2022-23 |
| Date: | 15 th November 2022 |
| Report on behalf of: | Councillor Graeme Elliot, Portfolio Holder for Corporate Services |
| Part: | I |
| If Part II, reason: | N/A |
| Appendices: | Appendix A – General Fund Summary Appendix B – HRA Summary Appendix C – Capital Programme |
| Background papers: | Budget Report February 2022 Cabinet Quarter 1 Financial Monitoring Report, September 2022 Cabinet. |
| Glossary of acronyms and any other abbreviations used in this report: | N/A |

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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: | To provide Cabinet with a summary of the Council's forecast outturn for 2022/23 as at 30 th September 2022. |
| Recommendation (s) to the decision maker (s): | <ol style="list-style-type: none"> 1. To note the financial outturn position for the General Fund and Housing Revenue account as forecast at Quarter 2. The revenue outturn forecast is a deficit of £0.111m for the General Fund and a deficit of £0.538m for the Housing Revenue Account. The Council's capital programme is forecast on budget, with additional slippage of £3.387m on General Fund schemes and slippage of £17.278m for the HRA. 2. That Cabinet recommends to Council the approval of the draw down of £870k from the Dacorum Development Reserve to fund the 2022/23 employee pay award and; 3. The reallocation of £270k of the HRA revenue contribution to capital. |
| Period for post policy/project review: | The Financial performance of the Council is monitored by the Strategic Leadership Team monthly and is reported to Cabinet and Scrutiny on a quarterly basis. |

1. Background:

This report presents the forecast financial outturn position for the Council as at Quarter 2 2022/23. The report covers the following budgets with associated appendices:

- General Fund (GF) – Appendix A
- Housing Revenue Account (HRA) – Appendix B
- Capital Programme – Appendix C

2. Executive Summary

General Fund revenue budgets are forecasting pressures of £0.111m. This is an improvement on the first quarter pressure of £0.761m. The current pressure is driven by pressures across the Council and the impact of the cost of living.

This report also outlines the impact of the approved national pay award for 2022/23 and it sets out the recommended approach to finance this additional burden in 2022/23 through the use of one-off reserves. This has already been reflected in the updated Medium Term Financial Strategy, which was presented to Cabinet in October 2022.

The revenue outturn forecast for the Housing Revenue Account is a deficit of £0.538m

There is no change to the Council's planned capital programme but the delivery of a number of significant capital projects are being delayed by the current Planning moratorium, leading to re-phasing of the existing programme.

3. General Fund Revenue

Appendix A provides an overview of the General Fund forecast position and the table below provides an overview by directorates as at Quarter 2. Forecast outturn for all General Fund budgets is at Appendix A.

| Directorate | Current Budget £m | Forecast Outturn £m | Variance | |
|---|----------------------|------------------------|--------------|---------|
| | | | £m | % |
| Chief Executives | 0.913 | 0.965 | 0.052 | +5.7% |
| Deputy Chief Executive Residents Services | 12.180 | 12.789 | 0.609 | +5.0% |
| Strategic Director Corporate and Commercial Services | 1.797 | 2.091 | 0.294 | +16.4% |
| Strategic Director People & Transformation | 4.206 | 4.357 | 0.151 | +3.6% |
| Strategic Director Place | 1.396 | 1.245 | (0.151) | (10.8%) |
| Operational Cost | 20.492 | 21.447 | 0.955 | +4.7% |
| Corporate Items | (20.493) | (21.337) | (0.844) | +4.1% |
| Contribution (to)/ from General Fund Working Balance | (0.001) | 0.110 | 0.111 | |

Key Budget Variances for the General Fund

The table below outlines the key financial variance by service area. Full details of the variances can be found in Appendix B.

| Directorate | Key Financial Variance £m | Description |
|--------------------------|---------------------------|--|
| Resident Services | 0.335 | Waste Services employee £735K and fuel costs £150K, offset by high basket rate on recyclables (£600K). |
| Corporate and Commercial | 0.600 | Car Parking Income |
| Place | (0.300) | Commercial Property Income |
| Place | 0.103 | Staffing Pressures, Planning Income, Utilities and Rental Income for the Forum |
| Corporate Items | (0.844) | Treasury Investment Income and HRA Recharge |

Resident Services

The waste service is undergoing significant transformation and route optimisation to reduce the financial pressure in 2022/23 and remove the financial pressures in 2023/24. In the early part of 2022/23, the waste service has benefitted from increased prices for the recyclables sold but these prices have subsequently dropped back to budgeted levels where we expect them to continue in the medium term.

Corporate and Commercial Services

The demand for car parking has reduced since the pandemic and hence income streams have been affected. At the same time there has been an increase in interest rates the Council is receiving and additional returns on its cash balances. Both these items are on ongoing issue and have been accounted for in the 2022 MTFS. Commercial property budgeted income was reduced in 22/23, utilising funds from the Economic Recovery Reserve in the short term, yet the service is over performing in 2022/23. This budget will increase in 2023/24 as part of the Council's unrolling of the economic recovery strategy.

4. Impact of Cost of Living

Cost of living increases are creating additional costs to the Council for 2022-23. At Quarter 2, within Waste Services there is a pressure of £0.150m against fuel that is considered attributable to the rising prices. Following the Government's announcement on the energy cap, we have identified a pressure of £0.223m across the General Fund for energy costs, based on estimated usage over the winter period. This will be reviewed again for Quarter 3 when actual usage will be clearer.

5. The National Local Authority 2022/23 Pay Award.

At present, the quarter 2 financial position does not reflect the impact of the recently approved national pay award. On the 25th July 2022, the National Joint Council (NJC), the negotiating body for Local Government Services workers, made its 2022/23 pay award proposals. These proposals were;

- An increase in salary of £1,925 per employee,
- An increase to allowances of 4.04% (London fringe allowance etc...)
- An additional day's leave per employee

The level of proposed pay increases, in comparison to what was projected in December 2021 as part of the budget setting process, was unexpected and equates to an average increase for Dacorum employees of 5.92%, with the lowest paid local authority staff receiving circa 10%, and officers up to spinal point 15 receiving at least an 8% increase.

As part of the 2022/23 budget setting process, provision for an average increase in salaries of 2.5%, circa £675k annual investment was applied. The total impact of this increase is projected to cost £1.54m across the general fund (GF), leaving a GF pressure of £876k, as detailed in the table below. The HRA has an underlying pressure of circa £271k, as detailed in the table below.

Table 1 2022/23 Financial Pressure

| Financial Pressure 2022/23 | GF 22/23 pressure | HRA 22/23 pressure | Total 22/23 Pressure |
|-----------------------------------|--------------------------|---------------------------|-----------------------------|
| Salaries | 638,321 | 199,492 | 837,812 |
| Allowances | 23,875 | 5,225 | 29,101 |
| Pension | 122,506 | 37,873 | 160,379 |
| NI | 91,383 | 28,251 | 119,634 |
| Total | 876,085 | 270,841 | 1,146,926 |

As of the 1st November, the proposed NJC pay award has been formally approved following 2 of the 3 union's ballot responses supporting the proposals.

Proposed Approach.

The Council's approved Medium Term Financial Strategy planned for this outcome and hence there is not an ongoing medium-term pressure resulting from this decision. There is an in-year pressure as detailed in table 1 above. The proposal is to fund this one off pressure by:

General Fund - A reserve draw down of £870k from the Dacorum Development Reserve (DDR),
HRA – A reallocation of £270k from the revenue contribution to capital reserve.

6. Housing Revenue Account (HRA)

The HRA is projecting a £538k pressure as at quarter 2 the financial performance is summarised in the table below:

| Housing Revenue Account | Current Budget £m | Forecast Outturn £m | Variance £m |
|------------------------------|----------------------|------------------------|----------------|
| Income | (60.198) | (60.895) | (0.697) |
| Expenditure | 60.198 | 61.433 | 1.235 |
| Net Deficit / Surplus | 0.000 | 0.538 | 0.538 |

Appendix C outlines the overall Housing Revenue account forecast.

| Budgeted Surplus/Deficit | £m |
|---|--------------|
| Council tax liability on void properties. | 0.114 |
| Increase in interest rates are expected to generate increased income on treasury investments. | (0.768) |
| Utilities due to increased energy prices | 0.500 |
| General Fund Recharges regarding additional resources supporting HRA | 0.295 |
| Asset Management Strategy | 0.195 |
| Other Minor budget variances | 0.202 |
| Budget Monitoring Quarter 2- HRA Variance | 0.538 |

7. Housing Transformation Improvement Project (HTIP)

The HTIP approved budget is £1.593m; £0.470m of which is being funded through the reduction in the repairs and maintenance budget, £1.023 from reduction to the revenue contribution to capital and £0.100m will be met from previously approved budget. This project is expected to deliver to budget with current project spend of £1.453m.

8. Capital Budget Monitoring

Appendix F shows the forecast capital outturn in detail by scheme, the table below summarises the forecast outturn for the capital programme by Directorate.

The current budget is the original budget approved by Cabinet in February 2022, plus approved amendments.

The 'rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2023/24 rather than 2022/23, or conversely, where expenditure planned initially for 2023/24 has been incurred in 2022/23.

| | Current Budget £m | Rephasing £m | Revised Budget £m | Forecast Outturn £m | Variance | |
|---------------------------|----------------------|-----------------|----------------------|------------------------|----------|-------------|
| | | | | | £m | % |
| Resident Services | 5.456 | (1.597) | 3.859 | 3.859 | 0 | 0.0% |
| People and Transformation | 0.594 | 0.000 | 0.594 | 0.594 | 0 | 0.0% |
| Corporate and Commercial | 0.690 | 0.000 | 0.690 | 0.690 | 0 | 0.0% |
| Place | 5.287 | (1.790) | 3.497 | 3.497 | 0 | 0.0% |
| GF Total | 12.027 | (3.387) | 8.640 | 8.640 | 0 | 0.0% |
| HRA Total | 68.514 | (17.278) | 51.237 | 51.237 | 0 | 0.0% |
| Grand Total | 80.541 | (20.665) | 59.877 | 59.877 | 0 | 0.0% |

General Fund capital budgets are reporting further slippage of £3.387m, relating to the following:

- Fleet Replacement Programme £1.378m. 9 Vehicles and 6 refuse vehicles purchases have been delayed due to the waste transformation review and reviewing options in regards to the type of vehicle being purchased.
- Verge Hardening Programme £0.164m. The project is currently being reviewed by officers to review the best use of these funds within the programme.
- Urban Park (Durrants Lake) £0.109m. Ongoing studies are still being undertaken to decide on the best approach to move this forward.
- Adventure Playgrounds Improvement Programme £0.500m. Delays in progressing the programme due to the restructure and review of the service.
- Creation of New Community Facility and Foodbank at the Hub £0.625K. Due to Planning delays with the moratorium.
- Bellgate Canopy renewal £0.200m. The tender process is still ongoing, meaning the project has been delayed.

HRA capital budgets are reporting slippage of £17.278m. This is mostly due to delays in starting projects due to the planning moratorium.

9. Equalities, Community Impact and Human Rights:

Community Impact Assessments are carried out by specific service when developing their service plans that support the budget setting process

There are no Human Rights Implications arising from this report.

10. Statutory Officer Comments

Monitoring Officer

The report is part of the Council's continual budget monitoring and provides members with the required oversight of the Council's financial position at quarter 2.

Section 151

This report is a S151 Officer report.

11. Sustainability implications (including climate change, health and wellbeing, community safety)

N/A

12. Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

N/A

13. Conclusion

The Financial revenue outturn forecast for the General Fund is a deficit of £0.111m and for the HRA a deficit of £0.538m. The Council's capital programme is forecast on budget, with additional slippage of £3.387m on General Fund schemes and slippage of £17.278m for the HRA.