



Finance and Resources

Overview and Scrutiny Committee

Report for:	Finance and Resources Overview and Scrutiny Committee
Title of report:	Quarter 2 Financial Monitoring Report 2022-23
Date:	6 th December 2022
Report on behalf of:	Councillor Graeme Elliot, Portfolio Holder for Finance and Resources
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:	GF – General Fund HRA – Housing Revenue Account

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Corporate Priorities	<p>A clean, safe and enjoyable environment</p> <p>Building strong and vibrant communities</p> <p>Ensuring economic growth and prosperity</p> <p>Providing good quality affordable homes, in particular for those most in need</p> <p>Ensuring efficient, effective and modern service delivery</p> <p>Climate and ecological emergency</p>
Wards affected	All

Purpose of the report:	To provide Committee 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):	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.
Period for post policy/project review:	The Financial performance of the organisation is monitored by the Strategic Leadership Team monthly and reported to cabinet and scrutiny on a quarterly basis.

1 Background:

The 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 an improvement on the first quarter pressure of £0.761m. The current pressure is driven by pressures across the Council and the impact of cost of living.

This report also outlines the impact of the approved national pay award for 2022/23 and the recommended approach to finance that additional burden in 2022/23, through the use of one off reserves. This has already been reflected in the updated Medium Term Financial Strategy, 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 councils planned capital programme but the delivery of a number of significant capital projects are being delayed by the current Planning moratorium, leading to rephrasing 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 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 with the increase in interest rates the council is receiving additional returns on its cash balances, both these items are on ongoing issue and have been accounted for the 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.

2. 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.

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

On the 25th July 2022 the National Joint Council (NJC), the negotiating body for Local Government Services workers, made 2022/23 pay award proposals. These proposals were;

- 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.

4. 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

5. 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 delivery to budget with current project spend of £1.453m.

6. Capital Budget Monitoring

Appendix C 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	Rephasing	Revised Budget	Forecast Outturn	Variance	
	£m	£m	£m	£m	£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 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 Assessment 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 Sustainability implications (including climate change, health and wellbeing, community safety)

N/A

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

N/A

12 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.