





Finance and Resources Overview and Scrutiny Committee

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| Report for: | Finance and Resources Overview and Scrutiny Committee |
| Title of report: | Quarter 3 Financial Monitoring Report 2022-23 |
| Date: | 1 st February 2023 |
| 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 – General Fund Overview by Scrutiny Area Appendix C – HRA Summary Appendix D– Capital Programme |
| Background papers: | Budget Report February 2022 Cabinet Quarter 1 Financial Monitoring Report, September 2022 cabinet. Quarter 2 Financial Monitoring Report, November 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> |
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| Wards affected | All |
| Purpose of the report: | To provide Committee with a summary of the Council's forecast outturn for 2022/23 as at 31 st December 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 3. 2. The revenue outturn forecast is a deficit of £0.836m for the General Fund to be funded from one off reserve requests to cover pay and fuel inflationary pressures. 3. The HRA has a deficit of £4.113m for the Housing Revenue Account. It is proposed that these additional inflationary costs will be funded through a reduction in revenue contributions to capital and from reserves. 4. The Council's capital programme is forecast on budget, with additional slippage of £2.009m on General Fund schemes and slippage of £10.621m 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 3 2022/23. The report covers the following budgets with associated appendices:

- General Fund (GF) – Appendix A
- General Fund Overview by Scrutiny Area – Appendix B
- Housing Revenue Account (HRA) –Appendix C
- Capital Programme – Appendix D

2. Executive Summary

The General Fund revenue budget is forecasting an underlying pressure of £0.836m, this is an increased pressure of £0.725m from quarter 2. Included in this pressure is the £0.719m which is directly attributable to the December implementation of the enhanced 22/23 pay award and will, as planned at quarter 2, be funded by the use of reserves. This pay award pressure has been budgeted for in the 2023/24 proposed budget.

The HRA is forecasting a pressure of £4.113m, this is an increased pressure of £3.575m from quarter 2 reporting. The largest single pressure in the HRA service, which equates to over 75% of this cost pressure (circa £3.1m) is due to the increased repairs and maintenance works being undertaken and the increasing costs to deliver these services. These were reported to Cabinet in January as part of a report on the Total Asset Management Contract. These cost pressures have been budgeted for in the proposed 2023/24 draft budget.

Capital Budgets for General Fund and HRA are reporting to budget with additional slippage at Quarter 3 of £2.099m for General Fund and £10.621m for HRA.

3. General Fund Revenue

Appendix A provides an overview of the general fund forecast position and the table below provides an overview by directorate as at Quarter 3. Forecast outturn for all General Fund budgets is at Appendix A.

| Directorate | Current Budget £m | Forecast Outturn £m | Variance | |
|---|----------------------|------------------------|--------------|--------|
| | | | £m | % |
| Chief Executives | 0.913 | 0.969 | 0.056 | +6.1% |
| Deputy Chief Executive Resident Services | 12.180 | 13.816 | 1.636 | +13.4% |
| Strategic Director Corporate and Commercial Services | 1.797 | 1.882 | 0.085 | +4.7% |
| Strategic Director People & Transformation | 4.206 | 4.603 | 0.397 | +9.4% |
| Strategic Director Place | 1.396 | 1.415 | 0.019 | +1.4% |
| Operational Cost | 20.492 | 22.685 | 2.193 | +10.7% |
| Corporate Items | (20.493) | (21.850) | (1.357) | +6.6% |
| Contribution (to)/ from General Fund Working Balance | (0.001) | 0.835 | 0.836 | |

The table below provides an overview for each scrutiny area and Appendix B provides a breakdown of the General Fund forecast position by directorate for each scrutiny area.

| Scrutiny Area | Current Budget £m | Forecast Outturn £m | Variance | |
|---|----------------------|------------------------|--------------|--------|
| | | | £m | % |
| Finance & Resources | 7.557 | 8.684 | 1.127 | +14.9% |
| Strategic Planning and Environment | 10.987 | 12.285 | 1.298 | +11.8% |
| Housing & Community | 1.949 | 1.717 | (0.232) | -11.9% |
| Operational Cost | 20.493 | 22.686 | 2.193 | 10.7% |
| Core Funding | (20.493) | (21.850) | (1.357) | 6.6% |
| Contribution (to)/ from General Fund Working Balance | 0.000 | 0.836 | 0.836 | |

Key Budget Variances for the General Fund

The table below outlines the key financial variance by service area.

| Directorate | Key Financial Variance £m | Description |
|--------------------------|---------------------------|---|
| Resident Services | 0.689 | Waste Services employee costs £775K and fuel costs £284K, vehicle hire £164k, £154K commercial waste income offset by higher recyclable income in the first half of 2022/23 (£600K). |
| Corporate and Commercial | (0.110) | Car Parking income shortfall £600K offset by reduction in car parking contract fees £255k, Garage repairs £300K and the removal of the additional National Insurance Contributions £280K. |
| Place | (0.300) | Commercial Property income improved performance. |
| Place | 0.161 | Staffing pressures, Planning income and utilities. Partly offset by rental income for the Forum |
| Corporate Items | (1.357) | Treasury investment income (£800k), interest payable (£94k), government grants (£136k) and HRA Recharge (£327k). |
| All services | 0.719 | Impact of 2022/23 pay award. |

Resident Services

The pressures in waste services employees and hire vehicles forecast totals £0.864m for 22/23. This is caused by staff resources, increased rounds and maintaining additional fleet. Work is underway to review the service demands following growth in the borough and how the routes can be managed to provide the service with less financial risk. The route optimisation project is due to be initiated in June 2023 is projected to reduce waste service costs by circa £1m.

Corporate and Commercial Services

Garages repairs and maintenance are now forecasting an underspend of £0.300m. The stock condition survey results are due in January 2023 and the outcome of this will allow the service to understand where to focus repair works moving forward. The major works have been delayed until the outcome of the stock condition survey and the next steps in the garage strategy are confirmed.

Car parking contract costs have reduced significantly since a change in contract which has meant processing costs have reduced and outturn is now projected to underspend by £0.255m.

A request in respect of Leisure income will be made to Cabinet in the quarter 3 report. Leisure income has exceeded budget expectations by £0.300m in 2022/23. It is recommended that this is used to create a leisure reserve. The contract is currently under review with the third party and there is a potential risk in regards to income over the next few years, this reserve will help to smooth the impact of the risk to budgets.

Place

Pressures on planning income of £0.300m is forecast for 2022/23. This has been driven by the moratorium that has recently been lifted. Delays in planning are still being seen by the service whilst the industry adjusts to the new post moratorium arrangements combined with the current economic climate impacting the building industry, the wider economic uncertainty is expected to have an impact on planning income into 23/24 as well.

Impact of Cost of Living

Cost of living increases are creating additional costs to the Council for 2022-23. At Quarter 3, within Waste Services and Clean Safe and Green there is a pressure of £0.284m against fuel that is considered attributable to the rising prices. Following the government's announcement on the energy cap, a pressure of £0.223m has been identified across the General Fund for energy costs, based on estimated usage over the winter period.

A request to Cabinet as part of the quarter 3 report will be made recommending that the budget pressure of £0.284m for fuel be funded from the inflationary reserve. The 2023/24 budgets have had inflationary increases of 20% for fuel and utilities and the fuel and utility costs along with the government's policy response to these pressures will be closely monitored

An announcement on the staff pay award was announced on 1st November, and remunerated to staff in the December 2022 payroll. This has brought a pressure on staffing budgets totalling £0.719m, a formal request will be taken to Cabinet with the quarter 3 report requesting to fund this pressure from the pensions reserve to offset this in year pressure. The impact of the proposed pay awards for 22/23 are incorporated into the 2023 MTFS.

Corporate Items

The impact of the continuing rise in the Bank of England interest rates has had a positive impact on interest received on our cash balances for 2022/23 we are forecasting an additional £0.800m on budget.

Following a review of interest payments and debt held the council took the opportunity in December 2022 to repay a £10.527m PWLB loan for the general fund. This decision resulted in a discount on sums due for interest and principal. £0.094m benefit relating to interest in 2022/23 and the very favourable PWLB terms also reduced the principle debt by £0.606m.

Additional new burden grants have been received in respect of work the Council has undertaken in 2022/23 in regards to the administering of Covid grants and other energy schemes that total £0.136m.

Revenues and Benefits

At the start of 2022/23, the collection percentages of council tax and business rates had increased significantly to close to pre-pandemic levels. However this improvement has been lessening over the last quarter. At the end of Q3 collection levels are nearer to those of the past two years, which suggests that the outturn for 2022/23 will be of a similar level.

The projected council tax total amount collected for the current year will be about 5% higher in cash terms than 2021/22 and hence roughly in line with the budget as the service is collecting less in year income but at the same time collecting more outstanding arrears from past years.

However, given the probable reasons for the collection difficulties being the squeeze on household and business budgets it does not appear likely that there will be significant improvement during 2023/24. This will continue to be monitored as usual as part of the wider Council performance monitoring processes.

Key Corporate Strategy Delivery

The following outlines the current financial position for the 3 key corporate projects supported by use of reserves.

Hemel Garden Communities

The table below shows the forecast spend for 2022/23:

| | |
|--|----------------|
| | £m |
| Prior Years Spend | 1.216 |
| Funding | |
| Unspent contributions and reserve funding carried forward from 2021/22 | (1.017) |
| 2022/23 additional DBC reserve funding allocation | (0.300) |
| Contribution from partners | (0.500) |
| Total available funding | (1.817) |
| Forecast spend in 2022/23 | 1.264 |
| Funding to carry forward to 2023/24 | (0.554) |

The majority of the 22/23 expenditure is on staffing, £0.735m.

The project is funded to 2025/26 from both Dacorum reserves and contributions from third party partners. Additional expenditure is forecast for the year to develop the HGC Transport Plan, Transformation Plan and Framework Plan.

At present the project is forecasting pressures in the latter years of the project: £0.03m (23/24), £0.24m (24/25) and £0.57m (25/26). Future government grants for the later years of the project are uncertain.

Commercial Programme

The Commercial Programme is supported by £0.400m of reserve funding, approved during 2021/22.

The table below shows the forecast spend for 2022/23:

| | |
|---|----------------|
| | £m |
| Reserve funding brought forward from 2021/22 | (0.384) |
| 2022/23 Forecast Expenditure | 0.247 |
| Reserve funding to carry forward to 2023/24 | (0.137) |

The majority of the forecast expenditure for 2022/23 relates to consultancy support for the development of the strategy and business cases associated with the Commercial Programme.

Hemel Place

Hemel Place is funded from £0.500m reserve funding approved during 2021/22.

The table below shows the forecast spend for 2022/23:

| | |
|--|----------------|
| | £m |
| Reserve funding brought from 2021/22 | (0.314) |
| 2022/23 Forecast Expenditure | 0.311 |
| Reserve funding to carry forward to 2023/24 | (0.003) |

The majority of the forecast spend is on staffing and consultancy to deliver the strategy. The current forecast indicates that the reserve funding for this work will be fully spent in 22/23.

4. Housing Revenue Account (HRA)

A pressure of £4.113m is reported at Quarter 3. This is summarised as follows

| Housing Revenue Account | Current Budget £m | Forecast Outturn £m | Variance £m |
|------------------------------|-------------------|---------------------|--------------|
| Income | (60.198) | (60.897) | (0.699) |
| Expenditure | 60.198 | 65.010 | 4.812 |
| Net Deficit / Surplus | 0.000 | 4.114 | 4.114 |

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) |
| Increased cost of responsive and empty home repair costs, Damp and Mould works | 3.110 |
| Utilities due to increased energy prices | 0.500 |
| General Fund Recharges regarding additional resources supporting HRA | 0.327 |
| Asset Management Strategy/Team | 0.195 |
| Pay Award Impact | 0.280 |
| Other Minor budget variances | 0.386 |
| Budget Monitoring Quarter 3- HRA Variance | 4.114 |

As part of the quarter 3 Cabinet report the requests will be made to Cabinet to approve the reallocation of the revenue contribution to capital for 22/23 and an additional drawdown £0.830m from HRA revenue reserves to fund the projected pressures for 22/23. The draft HRA 2023/24 budget has projected significant growth in repairs and maintenance along with growth in supervision and management of the services in line with the pressures seen in 2022/23 and projected pressures detailed for 2023/24. These growth items include increases for costs due to inflation with significant elements of these costs funded from increased income from rent.

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. The forecast cost of the project is currently £1.550m.

6. Capital Budget Monitoring

Appendix D 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 | 4.012 | (0.845) | 3.167 | 3.161 | -0.006 | -0.20% |
| People and Transformation | 0.594 | (0.379) | 0.215 | 0.215 | 0 | 0.0% |
| Corporate and Commercial | 0.690 | (0.430) | 0.260 | 0.260 | 0 | 0.0% |
| Place | 3.497 | (0.446) | 3.052 | 3.055 | 0.003 | 0.10% |
| GF Total | 8.793 | (2.099) | 6.694 | 6.691 | (0.003) | -0.04% |
| HRA Total | 51.237 | (10.621) | 40.616 | 40.616 | 0 | 0.0% |
| Grand Total | 60.029 | (12.720) | 47.310 | 47.307 | (0.003) | -0.01% |

General fund capital budgets are reporting further slippage of £2.099m, relating to the following:

- Fleet Replacement Programme £0.669m due to continued delays are seen from reviewing requirements and options and supply chain delays.
- Health and Safety software system £0.040m reviewing options within the digital strategy.
- Play Areas and Open Spaces £0.135m tendering for the next phase of installation is ongoing installations will be in 2023/24.
- Hemel Hempstead sports centre Astro Turf £0.280 procurement and tendering is ongoing with installation expected in 2023/24
- Digital Projects totalling ££0.379m following recent recruitment to Head of Service ongoing work to review requirements and implementation is still ongoing.
- Rossgate Shopping Centre £0.290m Phase one of the project is close to completion with phase 2 commencing in 2023/24.
- Bennettsgate Structural Works £0.052m procurement for the project is still ongoing meaning works will not take place in 2022/23
- Nickey Line Bridge £0.030m discussion with Hertfordshire County Council are still ongoing delaying the commencement of the project.

HRA capital budgets are reporting slippage of £10.621m. The housing development programme has been delayed due to the planning moratorium seeing a further £6.626m slippage. Slippage of £3.994m for Housing Property is a result of increased demand on revenue repairs and maintenance and procurement negotiations delaying planned projects.

7. 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.

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

N/A

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

N/A

10. Conclusion

The Financial revenue outturn forecast for the General Fund is a deficit of £0.836m and for the HRA a deficit of £4.113m. The Council's capital programme is forecast on budget, with additional slippage of £2.099m on General Fund schemes and slippage of £10.621m for the HRA.