



# Finance and Resources

## Overview and Scrutiny Committee

<b>Report for:</b>	Finance and Resources Overview and Scrutiny Committee
<b>Title of report:</b>	Provisional Financial Outturn 2022/23
<b>Date:</b>	6 <sup>th</sup> June 2023
<b>Report on behalf of:</b>	Councillor Sally Symington, Portfolio Holder for Corporate & Commercial Services
<b>Part:</b>	I
<b>If Part II, reason:</b>	N/A
<b>Appendices:</b>	Appendix A – General Fund Revenue Provisional Outturn 2022/23 Appendix B – Housing Revenue Account Provisional Outturn 2022/23 Appendix C – Capital Programme Provisional Outturn 2022/23
<b>Background papers:</b>	None.
<b>Glossary of acronyms and any other abbreviations used in this report:</b>	GF – General Fund HRA – Housing Revenue Account

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<b>Corporate Priorities</b>	<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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<b>Wards affected</b>	All
<b>Purpose of the report:</b>	To provide details of the provisional financial outturn 2022/23 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> </ul>
<b>Recommendation (s) to the decision maker (s):</b>	To note the provisional 2022-23 provisional financial outturn position and associated reserve movements for the General Fund, Housing Revenue Account and Capital Programme.
<b>Period for post policy/project review:</b>	The Council's financial position is reported to committee on an ongoing, quarterly basis.

## 1 Introduction/Background:

The report presents the provisional 2022/23 financial outturn position for the Council as at 31<sup>st</sup> March 2023. The final position for the year is subject to:

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

This report reflects agreed directorate structures for 2022/23. Future reports and budgets will be aligned to the new structures in place for 2023/24.

## 2. Executive Summary

The General Fund revenue budget is forecasting an underlying surplus of £0.65m. A request will be taken to Cabinet to recommend to Full Council that this surplus be transferred to Dacorum Development reserve to fund future initiatives.

The Housing Revenue Account (HRA) is forecasting a residual pressure of £2.289m at year end. This pressure is proposed to be met from a drawdown from HRA revenue reserves. Full Council approved the draw-down of £0.830m from HRA reserves to support HRA pressures in February 2023. A request for a further draw down for the additional £1.459m will be taken to Cabinet to recommend to Full Council.

General Fund capital is reporting further slippage of £3.073m from the position report at quarter 3 2022/23 and an overspend of £0.075m.

HRA capital has additional slippage from the position reported at quarter 3 2022/23 of £5.741m and a broadly balanced provisional outturn position.

## 3. General Fund Revenue

Appendix A provides an overview of the General Fund forecast outturn position. The table below provides an overview by directorate.

Scrutiny Area	Current Budget	Forecast	Variance	
	£m	£m	£m	%
Finance & Resources	8.579	8.547	(0.032)	(0.4%)
Strategic Planning and Environment	10.987	12.768	1.781	16.2%
Housing & Community	1.949	1.548	(0.401)	(20.6%)
<b>Operational Cost</b>	<b>21.515</b>	<b>22.863</b>	<b>1.348</b>	6.3%
Core Funding	(21.516)	(22.928)	(1.412)	6.6%
<b>Contribution (to)/ from General Fund Working Balance</b>	<b>(0.001)</b>	<b>(0.065)</b>	<b>(0.064)</b>	

The table below provides an overview for by scrutiny area.

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## Key Budget Variances in the General Fund

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

Directorate	Key Financial Variance £m	Description
Resident Services	0.704	Waste Services pressures include employee costs £0.686m, fuel costs £0.172m, vehicle hire £0.200m, and £0.143m commercial waste shortfall. Income offset some of these costs including (£0.574m) higher recyclable income in the first half of 2022/23 and a reduction in Disposal Costs of (£0.087m). A pressure on income from the crematorium and burial services of £0.164m.
Corporate and Commercial	0.117	Car Parking Income shortfall £0.514m and costs relating to Berkhamsted Leisure Centre £0.300m. Offset by reduction in car parking contract fees £0.134m, Garage repairs £0.283m and the removal of the additional National Insurance Contributions £0.280m.
Place	(0.528)	Commercial Property Income improved performance.
Place	0.161	Staffing Pressures, Planning Income and Utilities. Partly offset by Rental Income for the Forum, Planning Vacancies and Covid Outbreak Management Fund (COMF) funding.
Corporate Items	(2.435)	Treasury Investment Income including the crematorium loan interest (£1.530m), Interest payable reductions (£0.227m) due to the £10.5m loan repayment, government grants (£0.354m) and increased HRA Recharge (£0.305m).
All services	0.719	Impact of 2022/23 pay award.

### Resident Services

The pressures in waste services employees and hire vehicles totals £0.968m for 2022/23. 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. This work is expected to come into effect during 2023/24 and address all current issues and financial challenges. The route optimisation project is due to be initiated in July 2023 and is projected to reduce waste service costs by circa £1m.

A benefit of £0.570m was seen in 2022/23 for haulage and gate fee costs in relation to the waste disposal costs on recyclables. At the start of 2022/23, the basket price for recyclables was very high, generating an income for the authority. The market has since declined to previous levels and the disposal of these materials has returned to costs and therefore no benefit is expected in 2023/24.

Budgeted income for the cemeteries service, which includes income for the new crematorium saw a pressure of £0.160m, mainly being rental income from the crematorium.

### Corporate and Commercial

Garages repairs and maintenance has an underspend of £0.280m. Stock condition survey results were received at the end of 2022/23. 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 income for 2022/23 resulted in a pressure of £0.510m, as a result of reduced use of the car parks. Car parking contract costs have reduced significantly since a change in contract which has meant processing costs have reduced and outturn is £0.130m.

Leisure income of £0.330m has been received in 2022/23 above budget and as per previous approval, will be moved to reserves to smooth any future budget implications resulting from the current leisure contract.

Following a review of technical treatment of spend previously recorded as capital expenditure in relation to consultancy and surveys at Berkhamsted Leisure Centre, this has been moved and allocated to revenue, £0.300m.

A surplus of £0.280m in respect of budget for the National Insurance contributions is gained following the reversal of the Government's introduction of the increased contributions for the Health care system. This budget has been removed from the 2023/24 budgets.

Legal and Democratic services have had a number of vacant posts in 2022/23. For Legal services interim cover has been used to cover the work within the service causing a pressure of £0.100m. This is offset by vacancies within member support and electoral registration of £0.080m.

### **Place**

A pressure on planning income of £0.360m for 2022/23, driven by in- year legal restrictions on the issuing of planning decisions that have since been lifted. Delays in planning applications are still being seen by the service as developers adjust to the new post moratorium arrangements. Wider economic uncertainty is expected to have an impact on planning income into 2023/24. In addition the above has had an impact on land charges income of £0.060m.

A number of vacant posts have been seen within the planning service in 2022/23 with recruitment and retention problems. Some of these posts have been filled by agency cover, however there is an underspend of £0.190m.

Investment property income has seen a surplus of £0.530m. For 2023/24 the income budgets have been increased, following reintroduction of income targets reduced following covid, together with savings agreed in the last financial year. In addition, The Forum continued to receive income for office space that was not budgeted for, generating income in 2022/23 of £0.230m.

The following requests will be taken to Cabinet to recommend to Full Council:

- To drawdown £0.050m from the Dacorum Development reserve for Community Infrastructure Levy (CIL) admin costs to cover the shortfall in income collected for 2022/23 following the planning moratorium.
- To transfer £0.153m of income collected to fund future mitigation work to a Suitable Alternative Natural Greenspace (SANG) Reserve.

### **People and Transformation**

Filming income has an outturn pressure of £0.050m. Filming income consists of three income streams, namely 'Filming Fees and Charges', 'Venue Hire' and 'Parking'. Both 'Filming Fees and Charges' and 'Venue Hire' are in line or exceeding the proposed income targets. The shortfall in income is based on the parking income target set for the 2022/23 financial year. This income target was based on previous years parking income achieved from filming activities.

Pressure on Human Resources budgets of £0.110m relating to recruitment and staffing costs within the service. There has been a large volume of recruitment across the authority in 2022/23 resulting in associated cost pressures.

### **Impact of Cost of Living**

Cost of living increases are creating additional costs to the Council for 2022/23. At outturn, within Waste Services and Clean Safe and Green there is a pressure of £0.170m against fuel that is considered attributable to the rising prices, resulting in a pressure of £0.410m across the General Fund.

In February 2023, Full Council approved a draw down from the Inflationary Pressures reserve to fund £0.284m of inflationary costs. 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.

### HRA Recharge

Services within the Council’s General Fund provide support to the Council’s landlord function, the Housing Revenue Account. This includes Senior and Corporate management, Human Resources, Legal and Financial services, amongst others.

The tier 2 management restructure agreed at the start of the 2022/23 financial year impacted the recharge to the HRA, as have additional support services have been provided to the HRA to assist with the Housing Transformation Improvement Programme. The variance to the HRA recharge budget for 2022/23 is forecast to be £0.305m, made up as follows:

CLT Restructure	£0.100m
Additional HR Support	£0.059m
Enhanced Communications support	£0.022m
HRA Management Costs	£0.197m
Support Services Management Costs	(0.074m)

### Corporate Items

The impact of the continuing rise in the Bank of England interest rates and a return on the crematorium loan has had a positive impact on interest received on our cash balances for 2022/23; resulting in an additional £1.530m on budget.

Additional new burdens grant has been received in respect of work the Council has undertaken in 2022/23 in the administering of Covid schemes and other energy schemes. This grant, along with further government grants, provide a £0.350m surplus at year end.

There is a pressure of £6.000m against Taxation relating to the Collection Fund (Council Tax and Business Rates), supported by a combination of business rates grant and proposed reserve funding. During the year, the Council made an expected payment of £8.000m in respect of a Collection Fund deficit arising from the impact of the pandemic. Funding to support the payment was received from the government in previous financial years and transferred to the Funding Equalisation Reserve. Business rates grants received for 2022/23 have been higher than expected, meaning that a balance of £2.850m, proposed to be drawn down from the Funding Equalisation Reserve where it is held, is now required to support the deficit payment. This request will be taken to Cabinet to recommend to Full Council.

### 4. Housing Revenue Account (HRA)

The HRA has a pressure of £2.289m. This is summarised as follows

Housing Revenue Account	Current Budget £m	Forecast Outturn £m	Variance £m
Income	(60.198)	(61.556)	(1.358)
Expenditure	60.198	63,845	3.647
<b>Net Deficit / Surplus</b>	<b>0.000</b>	<b>2.289</b>	<b>2.289</b>

Appendix B outlines the overall Housing Revenue account provisional outturn. The table below shows the major variances to the budget.

<b>Budgeted Surplus/Deficit</b>	<b>£m</b>
Council tax liability on void properties.	0.126
Increase in interest rates are expected to generate increased income on treasury investments.	(1.042)
Increased cost of responsive and empty home repair costs, Damp and Mould works	5.242
Utilities due to increased energy prices	0.459
General Fund Recharges regarding additional resources supporting HRA	0.378
Asset Management Strategy/Team	0.195
Pay Award Impact	0.280
Bad Debt Provision	(0.474)
Revenue Contribution to Capital	(3.284)
Depreciation	0.815
Other Minor budget variances	0.272
<b>Budget Monitoring - HRA Variance</b>	<b>2.289</b>

In February 2023, Full Council approved the draw down £0.830m from reserves to support pressures in the HRA. A further request will be made for the additional £1.459m. Significant growth in repairs and maintenance arose as a result of inflationary increases and demand for works to our Housing properties. Pressures seen in 2022/23 are projected for 2023/24. The service has proposed mitigating actions for 2023/24. These include the development of efficiency plans with key contractors, work to reduce the average cost of empty home refurbishment costs and re-phasing works where possible.

## 5. 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 Scrutiny.

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	%
Finance & Resources	1.944	-1.168	0.777	0.810	0.033	4.24%
Housing & Communities	3.496	-0.970	2.526	2.529	0.003	0.10%
Strategic Planning and Environment	2.286	-0.935	1.351	1.390	0.039	2.90%
<b>GF Total</b>	<b>7.727</b>	<b>-3.073</b>	<b>4.654</b>	<b>4.729</b>	<b>0.075</b>	<b>1.60%</b>
<b>HRA Total</b>	<b>40.616</b>	<b>-5.741</b>	<b>34.875</b>	<b>34.884</b>	<b>0.009</b>	<b>0.03%</b>
<b>Grand Total</b>	<b>48.343</b>	<b>-8.814</b>	<b>39.529</b>	<b>39.613</b>	<b>0.084</b>	<b>0.21%</b>

General fund capital budgets are reporting further slippage of £3.073m, relating to the following:

- Disabled Facilities Grants £0.344m due to continued carry forward of grant following covid.

- Waste Services IT Upgrade £0.080m due to the waste transformation project is ongoing and the requirements for the system are still being reviewed to ensure the system upgrade produces benefits.
- Depot Improvements £0.060m & Waste Transfer Site £0.262m due to increased costs for the works, the project is being reviewed and the scope of works being reassessed to complete essential works in line with the budget.
- Chipperfield Car Park resurfacing £0.200m, due to delays in contracting for the project. The project is due to be completed by Q2 of 2023/24
- Fleet Replacement Programme £0.294m due to continued delays are seen from reviewing requirements and options and supply chain delays.
- Car Parking refurbishment £0.135m due to review of drainage requirements being undertaken and ongoing work with the Environment Agency and contractors.
- Multi-Functional Devices (MFDs) £0.090m due to reduced usage since the pandemic meaning the life of the existing assets has extended. A review of document management across the Council is being undertaken and includes the requirements for the MFD's moving forwards.
- Hemel Garden Communities projects, including Nickey Line Improvements - £0.552m. Government grant was awarded in 2022/23 and the service is working with Hertfordshire County Council to complete the project to meet the grant requirements.
- Aragon Close £0.119m – the project has completed and final invoices are awaited from the supplier.

HRA capital budgets are reporting slippage of £5.741m. The housing development programme has been delayed due to the planning moratorium seeing a further £3.193m slippage. This includes Paradise Depot, Marchmont, Randalls Ride and Garage Sites. In addition Eastwick Row has been delayed following the contractor going into administration. Further slippage of £2.547m for Housing Property is a result of increased demand on revenue repairs and maintenance and procurement negotiations delaying planned projects.

The General Fund is reporting an overspend on capital projects of £0.075m. £0.056m relates to Wheeled Bins and Boxes. The service has experience continuing high level of demand for replacement bins following the deterioration of existing bins splitting and requiring replacement. A large proportion of the defective bins have now been replaced and therefore spend is expected to reduce inline for future years.

A request will be taken to Cabinet to recommend to Full Council to draw down £0.350m from the vehicle replacement reserve in 2022/23 for the financing of the Vehicle Replacement programme spend.

Cabinet will be asked to approve the following supplementary capital budget requests, both of which are grant funded.

For 2022/23:

- £0.670m Hemel Garden Communities projects, including Nickey Line improvements.

For 2023/24:

- £0.415m Off-street Residential Charge point Scheme.

The HRA is reporting a minor overspend of £0.009m on its capital programme for 2022/23.

## **6. Financial and value for money implications**

These are set out in the body of the report.

## **7. Legal implications**

There are no direct legal implications arising from this report.

## **8. Risk implications**

Regular monitoring and reporting on the Council's financial position is one of the key ways in which the organisation manages the potential risk of the weakening of its financial resilience.



**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)**

There are no direct sustainability implications arising from this report.

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

The implications for the financial resources of the Council are contained within the body of the report.

**12. Conclusion**

At provisional outturn 2022/23, there is a surplus of £0.065m against Council General Fund budgets. Housing Revenue Account budgets are reporting a deficit of £2.289m.

At provisional outturn 2022/23, General Fund capital budgets are reporting additional slippage of £3.073m with a pressure of £0.075m. Against Housing Revenue Account capital schemes, there is additional slippage of £5.741m and a pressure of £0.009m.

The provisional outturn position for the Council for 2022/23 will be reported to Cabinet in June 2023. This report will include recommendations on reserve movements and supplementary capital budgets as outlined in this report.