



Cabinet

Report for:	Cabinet
Title of report:	Financial Performance Quarter 1 2023-24
Date:	12th September 2023
Report on behalf of:	Cllr Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A – General Fund Forecast Outturn Position Q1 2023-24 Appendix B – HRA Forecast Outturn Position Q1 2023-24 Appendix C – Projected Capital Outturn Q1 2023-24
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

	<p>Ensuring efficient, effective and modern service delivery</p> <p>Climate and ecological emergency</p>
Wards affected	All
Purpose of the report:	<ol style="list-style-type: none"> 1. To provide details of the projected outturn 2023-24 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):	<ol style="list-style-type: none"> 1. That Cabinet note the financial position for 2023-24 as at Quarter 1. 2. To approve the following revenue budget virement: <ul style="list-style-type: none"> • £0.100m from the Transformation Service to the Digital service, relating to system licence costs. 3. To approve the following capital budget virement: <ul style="list-style-type: none"> • £0.254m from Hemel Garden Community capital projects to support specific capital works at Buncefield Lane (£0.190m) and Grand Union canal improvements (£0.064m). 4. To approve the following supplementary capital budgets, to be funded by capital grant: <ul style="list-style-type: none"> • £0.109m for improvement works to tennis courts across the borough. 5. To recommend to Council to approve the following additional slippage on the capital programme from 2022-23 : <ul style="list-style-type: none"> • £1.000m relating to the buy-back of Council Homes purchased under Right to Buy Purchases. 6. To recommend to Council to approve the following draw down from the Council's General Fund revenue reserves:

	<ul style="list-style-type: none">• £0.057m from the Council's Litigation reserve, to support historic pension settlement costs.
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 2023-24 as at quarter 1, 30 June 2023. The report covers the following budgets with associated appendices:

- General Fund – Appendix A. A surplus against budget of £0.766m is forecast.
- Housing revenue Account (HRA) – Appendix B. A pressure of £0.390m is forecast.
- Capital Programme – Appendix C. General Fund Budgets are forecasting a pressure of £0.07m and re-phasing to future years of £23.780m. The HRA capital programme is forecast to budget and re-phasing to future years of £17.682m.

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	10.937	11.760	0.823	7.5%
Strategic Planning and Environment	12.299	13.088	0.789	6.4%
Housing and Community	1.903	1.933	0.030	1.6%
Total Operating Cost	25.139	26.781	1.642	6.5%
Core Funding	(25.140)	(27.548)	(2.408)	9.6%
(Surplus)/ Deficit	(0.001)	(0.767)	(0.766)	

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 Budget £m	Forecast Outturn £m	Variance	
			£m	%
Chief Executives	0.999	0.999	0.000	0.0%
Housing & Property	(6.083)	(5.930)	0.153	(2.5%)
Neighbourhood Delivery	0.334	0.382	0.048	14.4%
Corporate and Commercial	6.861	7.167	0.306	4.5%
People and Transformation	4.055	4.373	0.318	7.8%
Place	4.771	4.769	(0.002)	(0.0%)
Total Operating Cost	10.937	11.760	0.823	7.5%

Core Funding	(25.140)	(27.548)	(2.408)	9.6%
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3.1 Key variances against Finance and Resources service areas (greater than £0.100m) are outlined below.

3.2 Housing & Property – pressure of £0.153m

Pressures on Civic Halls in respect of income, utilities and repairs are being reported, including those relating to Victoria Hall, Tring and Berkhamsted Civic Centre and the Council's Community Centres.

3.3 Corporate and Commercial- net pressure of £0.306m

3.3.1 A pressure of £0.385m is being forecast in respect of the delivery of income associated with the Council's commercial programme. The commercial programme is focused on developing a stronger commercial culture and ethos in Council service delivery. The Commercial income targets are being reviewed and re assessed as part of the Council's Medium Term Financial Strategy (MTFS) delivery. The pressure is partly offset by underspends across the directorate due to vacant posts.

3.3.2 The Council has incurred legal expenses of £0.057m in respect of an historic and expected pension settlement. This report includes a request to Cabinet to recommend to Council a reserve drawdown from the Council's Litigation reserve in order to cover these costs.

3.4 People & Transformation – pressure of £0.318m

3.4.1 A £0.200m saving for 2023-24 associated with the Council's customer strategy is not expected to be achieved until future years. The service is progressing the strategy, having identified processes and areas for improvement. The project will now look at the level of digital support required in order to streamline manual process and implement changes.

3.4.2 This report includes a request to Cabinet to approve a virement of £100k of revenue budgets from the Transformation service, where it is held, to the Digital Service. The budget is currently held in the Transformation service, earmarked for licence costs associated with the Council's digital platform. The virement will simply move the budget to the service that is leading on this procurement work.

3.5 Core Funding- additional income of £2.408m

A surplus of £2.298m is forecast for treasury investment income for 2023-24. Since the treasury investment income target was set, a number of factors impacting performance against this target have changed. £20.298m of the capital programme was slipped from 2022-23 to 2023-24, meaning cash balances are higher than expected when the income target was originally calculated. In addition, interest rates have risen higher than expected and are staying higher for longer periods than originally anticipated. These factors mean that the monies held in investments is higher and generating higher returns for 2023-24. This is not projected to continue into 2024-25 as cash balances are expected to reduce as the capital programme develops. The Council is expecting to take on both GF and HRA borrowing in the medium term to support its capital programme. The approved capital programme for the current and next financial year, prior to inclusion of the 2022/23 slippage was approved at:

- 2023/24 £114m (GF - £33m, HRA - £81m)
- 2024/25 £88m (GF - £26m, HRA £62m)

4 General Fund Position- Strategic Planning and Environment

Table 3 – Strategic Planning and Environment Quarter 1	Current	Forecast	Variance	
	Budget	Outturn	£m	%
	£m	£m		
Neighbourhood Operations	11.310	11.399	0.089	0.8%
Housing & Property	0.053	0.098	0.045	84.9%
People & Transformation	(0.114)	(0.165)	(0.051)	44.7%
Place	1.050	1.756	0.706	67.2%
Total Operating Cost	12.299	13.088	0.789	6.4%

4.1 Neighbourhood Operations – pressure of £0.089m

4.1.1 Staffing pressures for waste services are forecast to be £0.520m for the year, due to additional agency requirements to meet service demand. The waste transformation program is nearing completion with the new rounds having commenced from the beginning of August. The breakdown of this pressure is split between current operational structures causing a pressure £0.250m, and the new rounds including staff absence pressures are expected to cause a further pressure of £0.270m for the remaining 8 months of the year. The pressure in 23/24 is a significant reduction on 22/23 financial pressures due to the implementation of the route optimisation project and further cost reductions are expected going forward.

4.1.2 There is a pressure of £0.175m on hire vehicle budgets due to the ongoing breakdowns from the existing fleet. The service is working with the supplier to find a resolution to the problems and options to reduce / control these pressures moving forwards.

4.1.3 A surplus of £0.700m on Garden Waste income is reported. Take up of the scheme is much higher than anticipated when the charge was introduced at the end of 2022-23 and hence the underlying service financial pressure is significantly reduced.

4.2 Place – pressures of £0.706m

The planning service has seen the pressures on planning income continue from 2022-23. The income pressure for 2023/24 is £0.500m for planning income and £0.050m for land searches fees. The pressures are linked to the impact of the current economic conditions on developers and the associated adverse impact on planning income. There are smaller pressures across the service contributing to the balance of pressures.

5 General Fund Position- Housing and Community

Table 4 – Housing and Community General Fund Quarter 1	Current	Forecast	Variance	
	Budget	Outturn	£m	%
	£m	£m		
Housing & Property	1.228	1.231	0.003	0.002
Corporate and Commercial	(2.412)	(2.421)	(0.009)	0.004
People and Transformation	1.239	1.341	0.102	0.082

Place	1.848	1.782	(0.066)	(0.036)
Total Operating Cost	1.903	1.933	0.030	0.016

At Q1 2023-24 there are no significant variances (greater than £0.100m) against Housing and Community service areas to report. The variance of £0.102m against People and Transformation comprises small pressures across the service. 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 2023-24 is a pressure of £0.390m.

6.3 Supervision and Management - £0.577m pressure against budget

A pressure of £0.577m is being seen on employee budget due to interim management £0.279m within the HRA while works continue on the Housing Transformation Improvement Programme. Agency staff covering vacancies across the service are causing pressures of £0.365m. This pressure is offset by a number of vacancies across the service £0.062m.

6.4 Repairs & Maintenance - £1.313m pressure against budget

A pressure of £1.313m is being forecast due to demands on repairs and maintenance remaining high, including that relating to void properties and the completion of damp and mould works. The service is working on a number of strategies to ensure that pressures are contained and where possible reduced for the remaining 9 months of 2023-24. The current economic inflationary pressures significantly impact on this particular service's ability to manage cost pressures.

7 HRA- Technical and Accounting Adjustments £1.484m over achievement in investment income

Like the General Fund, in recent years due to the pandemic and the planning moratorium, the HRA saw a large amount of capital slippage, £55.938m, which has increased the balances held in investments at the start of 2023-24. This has led to a surplus of £1.484m from the investment of those cash balances. The cash balances for the HRA are expected to significantly decrease during 2023-24 as the capital programme progresses. It is still expected that the HRA will require borrowing to fund its capital expenditure by the end of 2023-24.

8 Capital Programme

8.1 Appendix C shows the projected capital provisional outturn in detail by scheme.

8.1.1 The table below summarises the overall capital outturn position by Scrutiny committee area.

8.1.2 The current budget is the original budget approved by Cabinet in February 2023, plus approved amendments.

8.1.3 The 'rephasing' column refers to projects where expenditure is still expected to be incurred but will now be in 2024-25 rather than 2023-24 ('slippage'), or conversely, where expenditure planned initially for 2024-25 has been incurred in 2023-24 ('accelerated spend').

The 'Variance' column refers to projects that are expected to come in under or over budget and projects which are no longer required.

Table 5- Capital Outturn 2023- 24	Current	Re-phasing	Revised	Forecast	Variance	
	Budget	(To)/from future years	Budget	Outturn	£m	%
	£m	£m	£0m	£m	£m	%
Finance and Resources	25.952	(19.152)	6.800	6.770	(0.030)	(0.44%)
Strategic Planning and Environment	6.261	(3.373)	2.888	2.988	0.100	3.46%
Housing & Community	3.380	(1.254)	2.125	2.125	0.000	0.00%
GF Total	35.593	(23.780)	11.813	11.883	0.070	0.59%
HRA Total	86.989	17.682	69.308	69.308	0.000	0.00%
Grand Total	122.582	(41.462)	81.121	81.191	0.070	0.09%

8.2 General Fund Capital Programme Major Variances

8.2.1 General Fund capital budgets are reporting slippage of £23.780m. The slippage includes the following items over £0.100m:

- Fleet Replacement Programme £0.750m, additional time taken to review the requirements of fleet moving forward and delays in delivery of orders.
- Commercially sensitive projects £4.002m, while review of options and viability is considered.
- Car parking refurbishment £0.135m and Water Gardens Drainage £0.035m, while options and procurement are undertaken.
- Leisure centre improvement programme £13.850m. Options for the future developments are being designed and will be considered by Members, significant spend now unlikely in 2023/24.
- Disabled Facilities Grant £0.344m. Based on capacity within the team, some of the funding is expected to be carried forward to future years.
- Automation Programme £0.170m, Civica Customer Experience £0.150m, Future Vision of Customer Relationship Management (CRM) system £0.435. These projects are all linked to the new digital platform. This project is due to commence December 2023 and complete during 2024-25.
- The Bury £2.623m. This project is still under review to determine the best use of the site moving forwards.
- Adventure Playground Improvement Programme £0.911m due to a review of the service and project requirements moving forward.

8.2.2 The General Fund is reporting overspend on capital projects of £0.070m. £0.100m 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 fall within budget in future years.

8.3 Housing Revenue Account

HRA capital budgets are reporting slippage of £17.682m. The housing development programme is being reviewed. Some projects, including Cherry Bounce and Garages Sites, are currently on hold while options and assessments are considered in the context of increasing project costs linked to the challenging current economic climate.

8.4 Supplementary Capital Budget and Capital Virement Requests

8.4.1 This report includes a recommendation to Cabinet to approve a virement of General Fund capital budgets in relation to the Hemel Garden Community programmes, in order to allocate the approved budget to the projects being undertaken, as shown in appendix C. The Council received funding from central government in 2022-23 for various works relating to Hemel Garden Communities. The associated budget has been held against one project in the capital programme (Nickey Line improvements), and it is to be moved out to specific projects as they are identified.

8.4.2 This report also includes a recommendation to Cabinet to approve a supplementary capital budget request of £0.109m for improvement works to tennis courts across the borough; to be funded via a capital grant that the Council is to receive for this purpose.

8.4.3 Cabinet is asked to recommend to Council to approve slippage of £1.000m of HRA capital budgets relating to the buy-back of Council Homes purchased under Right to Buy Purchases. There are several purchases coming to completion but the timing meant they were delayed from 22/23 into the present year. This budget was approved during 2022/23 and unspent during that year. Approval of the request will allow this unspent budget to be added to the capital programme for 2023-24.

9. Financial implications

Contained within the body of this report.

10. Legal implications

There are no direct legal implications arising from this report.

11. 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.

12 Equalities, Community Impact and Human Rights

12.1 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.

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

13 Sustainability implications

There are no specific sustainability implications arising from this report.

14 Council infrastructure

The content of this report sets out the implications of the Council's activities for its financial resources for 2023-24.

15 Statutory Comments

Monitoring Officer:

This report forms part of the Council's regular financial monitoring and provides members with an overview of the Council's financial position at the close of quarter 1. The Monitoring Officer has no further comments to add to the report.

Deputy S151 Officer:

This is a Deputy S151 Officer report

16 Conclusions

- 16.1 The forecast position for 2023-24 at quarter 1 is a surplus of £0.766m against Council General Fund budgets. Housing Revenue Account budgets are reporting a pressure of £0.390m.
- 16.2 A forecast position for 2023-24 at quarter 1 is slippage of £23.780m For General Fund capital schemes and £17.682m for the Housing Revenue Account capital schemes.