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Audit Committee

Report for:	Audit Committee
Title of report:	Final Outturn 2022-23
Date:	20 th 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 Revenue Final Outturn 2022-23 Appendix B – Housing Revenue Account Final Outturn 2022-23 Appendix C – Capital Programme Final Outturn 2022-23 Appendix D- Reserves position as at 31 st March 2023
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
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	<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:	<ol style="list-style-type: none"> 1. To provide details of the Final Outturn 2022-23 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 Committee review the final financial outturn for 2022-23 (Appendices A and B) and note the final financial outturn position for 2022-23. 2. That Committee approve the following reserve movement for 2022-23, as set out at sections 2.7 and 4.4 of this report: <ul style="list-style-type: none"> • Transfer to the Savings Efficiency reserve of £250k relating to interest due to the Council from a loan to West Herts Crematorium. • Transfer to the Savings Efficiency reserve of £111k relating to the final surplus position on the General Fund for 2022-23. • A transfer to HRA lift reserves of £22k to support the cost of lift replacements in Council HRA properties. • A draw down from HRA revenue reserves of £1.459m to balance the outturn position for the Housing Revenue Account for 2022-23. 3. That Committee review the Capital Programme Outturn for 2022-23 (Appendix C). 4. That Committee review the balances on earmarked reserves as at 31st March 2023 (Appendix D).

1 Introduction:

1.1 This report presents the final financial outturn position for the Council for 2022-23. Under the Council's Financial Regulations, Audit Committee have delegated powers to approve final movements to the Council's financial reserves following the external audit of the Council's accounts.

1.2 A provisional outturn position was presented to Cabinet on 18th July 2023. The reported provisional outturn position included the following:

- General Fund (GF) revenue budgets: a surplus of £0.065m. Cabinet recommended to Council that this surplus be transferred to the Dacorum Development reserve to fund future initiatives.
- Housing Revenue Account (HRA) revenue budgets: a final residual pressure of £2.289m at year end. Full Council had previously approved the draw-down of £0.830m from HRA reserves to support HRA pressures in February 2023. Audit Committee are asked to approve a further draw down for the additional £1.459m required to bring the HRA to balanced position for 2022-23.
- The GF capital programme: further slippage of £3.073m and an overspend of £0.075m. The slippage is the combined position across a number of different schemes. These include:
 - Hemel Garden Communities capital projects
 - Car park re-surfacing and refurbishment
 - The fleet replacement programme
 - Depot improvements and works at the waste transfer site.

An overspend relating to the purchase of wheeled bins for waste collection.

- The HRA capital programme: further slippage of £5.741m and a broadly balanced outturn position. The slippage relates predominantly to the impact of restrictions on the granting of planning approval in place during 2022-23, together with delays on capital works to the Council's housing stock arising from increased demand on revenue repairs and maintenance.

1.2 This final outturn report for 2022-23 has been produced following finalisation of reserve movements for the year, audit work undertaken in conjunction with our external auditors and the publication of the Audit Findings Report by the Council's external auditors.

1.3 The overall position for HRA revenue, GF capital and HRA capital are unchanged from the position reported to Cabinet at provisional outturn.

1.4 The position for GF revenue at final outturn is a balanced outturn position. This position now includes:

- The reserve transfers recommended by Cabinet for approval to Council as part of provisional outturn report.
- The final reserve transfers proposed for Audit Committee approval at section 2.7 below and the recommendations to this report.

2 General Fund Revenue Outturn

2.1 Appendix A provides an overview of the General Fund forecast outturn position. This is summarised in the table below. Note, under local authority financial reporting conventions, negative figures (also denoted in brackets) represent income or a surplus, whilst positive figures represent expenditure or a budget pressure/deficit.

Table 1- General Fund Provisional Outturn 2022-23	Current Budget £m	Forecast Outturn £m	Variance	
			£m	%
Finance & Resources	14.615	15.964	1.349	9.2%
Housing and Community	0.904	0.791	(0.113)	(12.5%)
Strategic Planning and Environment	10.457	11.698	1.241	11.9%
Net Cost of Services	25.976	28.453	2.477	9.5%
Investment Property	(3.853)	(4.328)	(0.475)	12.3%
Other Core Funding items including recharge to the HRA	(20.493)	(20.331)	0.162	(0.8%)
Contribution To/ (From) Earmarked Reserves	(1.630)	(3.794)	(2.164)	132.8%
(Surplus)/ Deficit	0.000	0.000	0.000	

2.2 Key variances (greater than £0.100m) are summarised below. These were reported to Cabinet as part of provisional outturn. Some overspends contained within the deficit position against 'Net cost of services' have been funded by additional draw-downs from revenue reserves during 2022-23, following Full Council approval in year. These additional reserve draw-downs are reflected in the 'surplus' shown against 'Contribution To/ (From) Earmarked Reserves. The surplus indicates that more funding was drawn down from reserves that originally budgeted for.

The main change from provisional outturn relates to interest income of £250k from a loan to West Herts Crematorium. Further information is provided at 2.7 below.

2.3 Finance and Resources

Car parking income for 2022-23 resulted in a pressure of £0.510m, as a result of reduced use of the car parks.

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.

2.4 Strategic Planning and Environment

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 has taken place 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 associated changes in operational activity commenced during summer 2023.

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 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.

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. These costs have been supported by an additional draw down from the Council's inflationary pressures 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.

A pressure on planning income and land charges income of £0.420m for 2022-23, which was driven by in-year legal restrictions on the issuing of planning decisions, which have since been lifted. Delays in planning applications are still being seen by the service as developers adjust to the new post moratorium arrangements.

2.5 Housing and Community

Garages repairs and maintenance has an underspend of £0.280m. Garage 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. Major works have been delayed until the outcome of the stock condition survey was known.

2.6 Investment Property and Core Funding

Investment property income has seen a surplus of £0.530m. As part of the Council's response to the expected impact of the pandemic on key income streams, income targets for the service were reduced, to be gradually increased over a period of four years. For 2023/24 the income budgets have been increased. The Forum receive income for office space that was not expected at the time of budget setting, generating income in 2022-23 of £0.230m.

The impact of the continuing rise in the Bank of England interest rates and high cash balances has had a positive impact on interest received on the Council's cash balances for 2022-23. This has resulted in an additional £1.530m of income over budget. During the external audit process, the Council identified that £250k of interest due to the Council in relation to a loan granted to West Herts Crematorium needed to be accounted for in 2022-23. This was raised with the Council's auditors and an adjustment made to the accounts accordingly.

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. The Council also received a higher level of business rates grants than expected. Overall, these contributed to a £5.308m surplus of grant income at year end.

During the year, the Council made an expected but unbudgeted 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, transferred to the Funding Equalisation Reserve in previous year and drawn down in 2022-23. As referred to above, business rates grants received for 2022-23 have been higher than expected. These have been transferred to the Funding Equalisation reserve. Overall a net balance of £2.850m was drawn down from the Funding Equalisation Reserve to support movements on the Collection Fund.

2.7 General Fund Reserve movements

The following additional reserve movements are incorporated into the final outturn position from the provisional outturn.

- Transfer to the Savings Efficiency reserve of £250k relating to interest due to the Council from a loan to West Herts Crematorium.

- Transfer to the Savings Efficiency reserve of £111k relating to the final surplus position on the General Fund for 2022-23.

3 Housing Revenue Account Position

3.1 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 final outturn position for the HRA is shown at Appendix B.

3.2 The HRA is reporting a balanced final outturn position for 2022-23. The movements between provisional and final outturn all relate to reserve movements and are set out section 4.3 below.

3.3 Dwelling Rents - £0.106m additional income over budget.

The variance represents less than 0.2% of the budget for rental income. When rental budgets are set, an adjustment is made for an assumed level of void (empty) properties. Performance on rental income has been slightly better than expected.

3.4 Interest and Investment Income - £1.042m additional income over budget

The impact of the continuing rise in the Bank of England interest rates and high cash balances has had a positive impact on interest received on our cash balances for 2022-23; resulting in an additional £1.042m on budget for the HRA.

3.5 Contribution towards Expenditure - £0.245m over achievement in income

Additional income over budget for minor capital receipts and rechargeable works has been achieved during the year.

3.6 Repairs and Maintenance- £5.242m pressure

There has been an increase in the cost of responsive and empty home repairs due to the impact of inflation. In addition, the cost of damp and mould works have contributed to the outturn pressure.

3.7 Supervision and Management and Recharges- £1.281m pressure against budget

This pressure is comprised of a number of items including the following:

- The additional impact of the 2022-23 pay award over and above assumptions at budget setting £0.280.
- The additional costs of the Asset Management team £0.195m
- The increased costs of utilities due to inflationary increases £0.459m
- £0.305m of additional expenditure incurred relating to the use of General Fund services to support the HRA.

3.6 Other Expenditure (Rent, Rates and Taxes, Provision for Bad Debt)- £0.344m underspend

Whilst tenants have needed the support of the service during the year to help manage their position with respect to rent and other amounts due to the Council, the budgeted allocation to top up the bad debt provision has not been required in full.

4 Housing Revenue Account- Technical and Accounting Adjustments

4.1 In addition to the service-related variances above, the technical adjustments have arisen during the year.

4.2 Depreciation - £0.815m over budget

An increased depreciation charge has been seen this year to due increases in the value of the Council's housing stock.

4.3 Revenue Contribution to Capital - £3.284m under budget

The Council budgets for a revenue contribution to support the HRA capital programme. During 2022-23, this funding was used instead to support transformation work with the HRA and to help meet the cost of pressures on across the service, particularly against repairs and maintenance.

4.4 HRA Reserve movements

The following additional reserve movements are incorporated into the final outturn position from the provisional outturn.

- A contribution to the Council's HRA Lift reserve of £22k, to support future lift replacements in HRA properties.
- A draw- down of £0.830m from HRA revenue reserves to support HRA pressures, previously approved by Full Council in February 2023.
- A draw further down from HRA revenue reserves of £1.459m to balance the outturn position for the Housing Revenue Account for 2022-23. This additional requirement was outlined in the provisional outturn position to Finance and Resources Overview and Scrutiny Committee and Cabinet.

5 Capital Programme

5.1 Appendix C shows the projected capital final outturn in detail by scheme. The position is unchanged from provisional outturn.

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.

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

Table 2- Final Outturn 2022-23	Current Budget £000	Re-phasing (To)/from future years £000	Revised Budget £000	Forecast Outturn £000	Variance	
					£000	%
Finance and Resources	1.944	-1.168	0.777	0.810	0.033	4.24%
Strategic Planning and Environment	3.496	-0.970	2.526	2.529	0.003	0.10%
Housing & Community	2.286	-0.935	1.351	1.390	0.039	2.90%
GF Total	7.727	-3.073	4.654	4.729	0.075	1.60%
HRA Total	40.616	-5.741	34.875	34.884	0.009	0.03%
Grand Total	48.343	-8.814	39.529	39.613	0.084	0.21%

5.2 General Fund Capital Programme Major Variances

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 impact of the pandemic on the completed works funded by the grant.
- Waste Services IT Upgrade £0.080m, due to the waste transformation project. The requirements for the system are under review 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.
- Fleet Replacement Programme £0.294m, due to delays arising from a review of requirements 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. Reduced usage since the pandemic has meant that the life of the existing assets has extended.
- Hemel Garden Communities projects, including Nickey Line Improvements - £0.552m. Government grant was awarded in 2022-23 to fund these projects. 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.

The General Fund is reporting an overspend on capital projects of £0.075m. £0.056m relates to Wheeled Bins and Boxes. The service has experienced 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.

5.3 Housing Revenue Account Major Variances

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.

There is a minor overspend of £0.009m against the HRA capital programme. This represents less than 1% of the 2022-23 HRA programme budget.

6 Financial and Value for Money implications

6.1 Contained within the body of the report

7 Legal Implications

7.1 The Council has a statutory responsibility to make arrangements for the proper administration of its financial affairs. This report forms part of these arrangements.

8 Equalities, Community Impact and Human Rights

8.1 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.

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

9 Sustainability implications

9.1 There are no specific sustainability implications arising from this report.

10 Council infrastructure

10.1 The content of this report sets out the implications of the Council's activities for its financial resources for 2022-23.

11 Conclusions

11.1 At final outturn 2022-23, there is a balanced position against Council General Fund and Housing Revenue Account budgets following proposed movements to and from General Fund and HRA revenue reserves. Audit Committee are asked to approve the final reserve movements for 2022-23.

11.2 At final outturn 2022-23, General Fund capital budgets are reporting slippage of £3.073m and an overspend of £0.075m. Against Housing Revenue Account capital schemes, there is slippage of £5.741m. The HRA capital programme spent broadly to budget.