



# Housing and Community

## Overview and Scrutiny Committee



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<b>Report for:</b>	Housing and Community Overview and Scrutiny Committee
<b>Title of report:</b>	Financial Performance Quarter 2 2023-24
<b>Date:</b>	8th November 2023
<b>Report on behalf of:</b>	Cllr Ron Tindall, 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 Forecast Outturn Position Q2 2023-24 Appendix B – HRA Forecast Outturn Position Q2 2023-24 Appendix C – Projected Housing and Community Capital Outturn Q2 2023-24
<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

### Report Author

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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  
Ensuring efficient, effective and modern service delivery

	Climate and ecological emergency
<b>Wards affected</b>	All
<b>Purpose of the report:</b>	<ol style="list-style-type: none"> <li>To provide details of the projected outturn 2023-24 as at quarter 2 for the: <ul style="list-style-type: none"> <li>General Fund</li> <li>Housing Revenue Account</li> <li>Housing and Community Capital Programme</li> </ul> </li> </ol>
<b>Recommendation (s) to the decision maker (s):</b>	<ol style="list-style-type: none"> <li>That Committee note the financial position for 2023-24 as at Quarter 2.</li> </ol>
<b>Period for post policy/project review:</b>	The Council's financial position is reported to committee on an ongoing, quarterly basis.

## 1. Exec Summary:

- 1.1 The Quarter 2 financial position of the General Fund is reporting a surplus against budget of £0.536m, the Quarter 2 position has moved from Quarter 1 of £0.231m. In summary this is due to pressures from the imminent public sector pay award £0.500m, employee cost pressures for Neighbourhood operations of an additional £0.109m, additional expenditure on works to trees £0.150m, £0.254m on Place interim costs while offset by increased investment income of £0.551m, and a reduction in borrowing costs of £0.232m
- 1.2 The HRA is reporting a budget pressure of £0.370m at quarter 2 a quarter on quarter reduction of £0.020m. There are increased pressures of £3.777m on repairs and maintenance, and £0.482m on supervision and management costs. These are offset by increased investment income of 0.313m, income from tenants of £1.179m and the £2.538m removal of the Revenue contribution to capital to support the underlying in year budget pressures.

## 2. Introduction:

- 2.1 This report presents the Council's forecast outturn for 2023-24 as at quarter 2, 30<sup>th</sup> September 2023. The report covers the following budgets with associated appendices:
  - General Fund – Appendix A. A surplus against budget of £0.536m is forecast. Included in this is a pressure of £0.142m against Housing and Community service areas.
  - Housing revenue Account (HRA) – Appendix B. A pressure of £0.370m is forecast.
  - Capital Programme – Appendix C. Housing and Community General Fund Schemes are forecasting an underspend of £0.106m and re-phasing to future years of £0.547m. The HRA capital programme is forecast to budget and re-phasing to future years of £4.523m.

## 3. General Fund Position – all Scrutiny Committee Areas

- 3.1 Appendix A provides an overview of the General Fund forecast outturn position.
- 3.2 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 Quarter 2 £m	Variance		Forecast Outturn at Quarter 1 £m	Movement from quarter 1 to Quarter 2 £m
			£m	%		
Finance & Resources	11.138	12.689	<b>1.551</b>	13.9%	11.760	0.929
Strategic Planning and Environment	12.049	13.033	<b>0.984</b>	8.2%	13.088	(0.055)
Housing and Community	1.953	2.095	<b>0.142</b>	7.3%	1.933	0.162
<b>Total Operating Cost</b>	<b>25.140</b>	<b>27.817</b>	<b>2.677</b>	10.6%	26.781	1.036
Core Funding	(25.140)	(28.353)	<b>(3.213)</b>	12.8%	(27.548)	(0.805)
<b>(Surplus)/ Deficit</b>	<b>0.000</b>	<b>(0.536)</b>	<b>(0.536)</b>		<b>(0.767)</b>	<b>0.231</b>

**3.3** There are several variation changes identified between Quarter 1 and Quarter 2 against General Fund and HRA service areas the material changes are outlined in sections 4-7 below.

#### **4. General Fund Position- Housing and Community**

Table 2 – Housing and Community General Fund Quarter 2	Current Budget £m	Forecast Outturn £m	Variance	
			£m	%
Housing & Property	1.228	1.201	<b>(0.027)</b>	(0.022)
Corporate and Commercial	(2.412)	(2.341)	<b>0.071</b>	(0.029)
People and Transformation	1.239	1.415	<b>0.176</b>	0.142
Place	1.898	1.817	<b>(0.081)</b>	(0.043)
<b>Total Operating Cost</b>	<b>1.953</b>	<b>2.092</b>	<b>0.142</b>	0.073

##### **4.1 People & Transformation – pressure of £0.176m**

A movement of £0.227m is being reported from quarter 1. These overspends relate to additional staffing resources in Customer Services Unit and Communications and Engagement. A large proportion of this is being funded from the increase in the recharge to the HRA.

##### **4.2 Place – Surplus £0.081m**

A surplus for the Old Town Hall is reported, due to strong income being received from operations vacancies within the service of £0.104m.

### 4.3 Corporate & Commercial £0.071

A movement of 0.080 is reported for Corporate and Commercial. Garage Income is currently 2.5% below budget, giving a forecast pressure for the service £0.080m. A large number of garages are currently being repaired focusing on those where there is a waiting list. This will increase the stock available for rent and it is expected that this will increase income for the service.

## 5 Housing Revenue Account Position

**5.1** 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.

**5.2** The projected HRA balance at the end of 2023-24 is a pressure of £0.370m.

### 5.3 Supervision and Management - £1.059 pressure against budget

A pressure of £0.662m is being seen on employee budget due to interim management within the HRA while works continue on the Housing Transformation Improvement Programme along with agency staff covering vacancies across the service.

The assumed pay award would cause a pressure of £0.150m across the HRA.

Recharges from the General Fund for Human resources and communication support are forecasting a pressure of £0.102m

### 5.4 Repairs & Maintenance - £5.090m pressure against budget

Continuing from 2022/23 there has been a continued high demand for repairs and maintenance for housing along with inflationary increases to the works undertaken. The main demand and pressures are from Responsive Repairs and Empty Homes as shown in the table below.

**Table 3: Breakdown of HRA Revenue Repairs and Maintenance Financial Forecast**

	Budget £m	Year to Date Actual	Forecast Outturn	Variance
Main Contract Overheads	2.183	1.329	2.754	0.571
Cyclical Planned Maintenance	0.933	0.352	0.568	(0.366)
Compliance Planned Maintenance	3.301	1.880	3.558	0.257
Responsive Repairs	4.469	3.734	7.536	3.067
Empty Homes	3.745	2.196	5.306	1.560
Garage recharge to General fund	(0.037)	0.006	(0.037)	0
<b>Total</b>	<b>14.594</b>	<b>9.491</b>	<b>19.684</b>	<b>5.090</b>

### 5.5 Income – surplus £1.064m

Dwelling rent is forecasting a £0.702m surplus at quarter 2, is based on current occupancy and voids rates. The budget is based on occupation at budget setting, however when a tenancy changes the new tenant is charged rent based on the target weekly rent for the property which is often higher than the previous tenant. Given the number of void relets this has increased the rental income for the service.

Contribution to expenditure is income received from Leaseholders for works to blocks, this work is then recharged based on actual costs. There have been a significant number of major works completed over the last 12 months resulting in a higher income forecast from contributions.

## 6. HRA- Technical and Accounting Adjustments

**6.1** Cash balances remain higher than budgeted as capital HRA spend is 30% behind budget and hence HRA borrowing is also lower than budgeted resulting in increased returns on cash investments continuing

meaning an additional income at quarter 2 to that forecast in quarter 1 of £0.313m a total over achievement of £1.797m for the HRA.

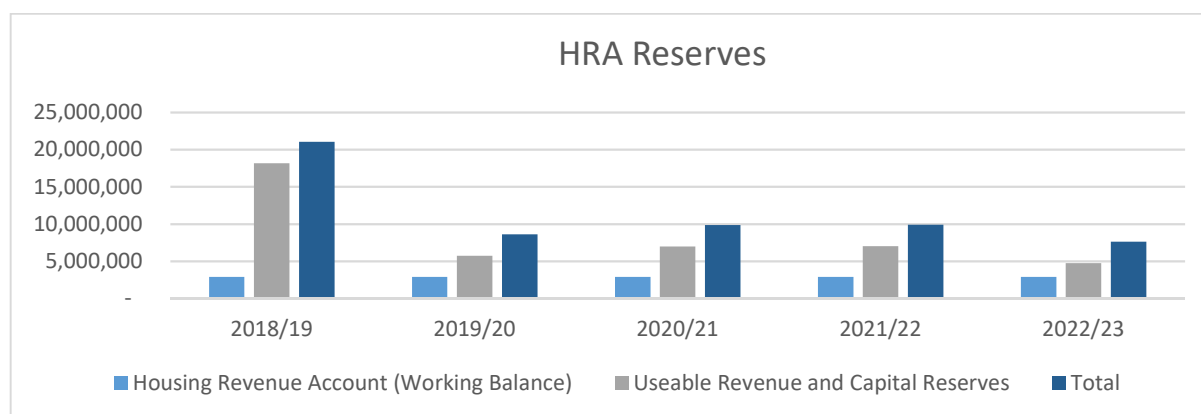
**6.2** Given the pressures and demands on the HRA budgets, it is proposed that the budgeted revenue contribution to capital for 2023/24 will be removed. This contribution is being reviewed as part of budget setting and given demand on revenue repairs works this contribution is likely to be removed from future budgets. A reduction in allocation to capital reserves will increase future borrowing requirements and hence will increase future cost of capital projections.

**6.3** From analysis of debts held at month 6 and a review of prior years' provision contributions, it is expected that the top up of the bad debt provision for 2023/24 is expected to be below budget by £0.250m.

## **7. HRA Reserves**

**7.1** HRA reserves provide a mean by which pressures can be met albeit on a short term basis. Application of these reserve to meet ongoing service pressures is not financially sustainable. HRA reserves are built from surpluses in prior years. Analysis of reserves balances and movement over the last 5 years are shown in the chart below

**7.2** Chart 1: HRA reserve levels in since 2018/19



**7.3** Along key work on expenditure mitigations and income maximisation, it is recommended that the revenue reserves held in the Strategic Acquisition reserve (previously earmarked for supporting the HRA capital programme) be moved to the HRA revenue commitments reserve. This will enable this reserve to be utilised as required to fund future pressures or opportunities identified.

**7.4** As part of the 2023 HRA business plan the finance team are working with the service to assess appropriate short and medium term reserve levels and these will form part of the 2024/25 budget setting process.

## **8. Capital Programme**

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

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

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

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 which are expected to come in under or over budget and projects which are no longer required.

Table 4 - Capital Outturn 2023-24	Current Budget	Re-phasing (To)/from future years	Revised Budget	Forecast Outturn	Variance	
	£m	£m	£0m	£m	£m	%
Housing & Community GF Total	2.125	(0.547)	1.579	1.472	(0.106)	(5.0%)
HRA Total	69.308	(4.523)	64.784	64.786	0.002	0.0%
Grand Total	71.433	(5.070)	66.363	66.258	(0.104)	(0.1%)

## 10.2 General Fund Capital Programme Major Variances

General Fund capital budgets are reporting slippage of £0.547m for Housing and Community scrutiny. The slippage includes the following items over £0.100m:

- Verge Hardening £0.455m. The contract for the completion of verge hardening is currently being agreed with works expected to commence on identified sites in 2024/25.

The General Fund is reporting an additional overspend since Qtr. 1 on capital projects of £0.044m. £0.025m relates to improvements to Leisure Courts. Further works have been identified in relation to approach road works which are not covered by the grant being received for the improvement. A request will be made to Cabinet to approve a supplementary budget of £0.025m to fund these works.

The General Fund is reporting underspends on Capital Projects of £0.155m. Works on Old Town Hall and Aragon Close have completed.

## 10.3 Housing Revenue Account

Following a review of the forecasts and project progression for HRA capital budgets further slippage of £4.523m is reported at quarter 2.

## 10.4 Supplementary Capital Budget and Capital Virement Requests

A request will be made to Cabinet to approve supplementary capital budget of £0.025m relating to improvements to Leisure Courts. Further works have been identified in relation to approach road works which are not covered by the grant being received for the improvement. A request will be made to Cabinet to approve a supplementary budget of £0.025m to fund these works.

- 10.5** A supplementary capital budget of £195k is required to support enhancements to the councils Leisure facilities, including £102k for the refurbishment of the lighting at Jarman Park, £70k to replace the lift at the Berkhamsted Leisure Centre and £22k contribution towards Building Energy Management System upgrades.

## **11. Financial implications**

**11.1** Contained within the body of this report.

## **12. Legal implications**

**12.1** There are no direct legal implications arising from this report.

## **13. Risk implications**

**13.1** 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.

## **14 Equalities, Community Impact and Human Rights**

**14.1** 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.

**14.2** There are no Human Rights Implications arising from this report.

## **15 Sustainability implications**

**15.1** There are no specific sustainability implications arising from this report.

## **16 Council infrastructure**

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

## **17 Conclusions**

**17.1** The forecast position for 2023-24 at quarter 2 is a surplus of £0.536m against Council General Fund budgets. This includes a pressure of X against Housing and Community service areas. Housing Revenue Account budgets are reporting a pressure of £0.370m.

**17.2** A forecast position for 2023-24 at quarter 2 is slippage of £0.547m For General Fund capital schemes and £4.523m for the Housing Revenue Account capital schemes.