



<b>Report for:</b>	Cabinet
<b>Title of report:</b>	Financial Performance Quarter 2 2023-24
<b>Date:</b>	21st 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 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

Clare Dempsey, Financial Planning and Analysis Manager



Clare.Dempsey@dacorum.gov.uk / 01442 228264 (ext. 2264)

## Responsible Officer

Fiona Jump, Head of Financial Services



Fiona.Jump@dacorum.gov.uk / 01442 228162 (ext. 2162)

## Corporate Priorities

A clean, safe and enjoyable environment  
Building strong and vibrant communities  
Ensuring economic growth and prosperity

	<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>
<b>Wards affected</b>	All
<b>Purpose of the report:</b>	<ol style="list-style-type: none"> <li>1. 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>• Capital Programme</li> </ul> </li> </ol>
<b>Recommendation (s) to the decision maker (s):</b>	<ol style="list-style-type: none"> <li>1. That Cabinet notes the financial position for 2023-24 as at Quarter 2.</li> <li>2. That Cabinet recommends that Council approves the following supplementary capital budgets representing growth to the Capital Programme: <ul style="list-style-type: none"> <li>• £0.025m for additional works relating to Leisure Courts improvements.</li> <li>• £0.195m to support enhancements to the Council's Leisure facilities. This includes £0.102m for the refurbishment of the lighting at Jarman Park, £0.070m to replace the lift at the Berkhamsted Leisure Centre and a £0.022m contribution towards Building Energy Management System upgrades.</li> </ul> <p>These supplementary capital bids will be financed in line with the Council's approved Capital Strategy.</p> </li> <li>3. That Cabinet notes the following slippage on the capital programme into future years: <ul style="list-style-type: none"> <li>• General Fund £4.114m</li> <li>• Housing Revenue Account £4.523m</li> </ul> </li> </ol>
<b>Period for post policy/project review:</b>	The Council's financial position is reported on an ongoing, quarterly basis.

## 1. Executive Summary

- 1.1 The Quarter 2 financial position of the General Fund is reporting a surplus against budget of £0.536m, the quarter 1 position was a surplus of £0.767, hence there has been a reduction of £0.231m from the first quarter. 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:

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.
- Housing revenue Account (HRA) – Appendix B. A pressure of £0.370m is forecast.
- Capital Programme – Appendix C. General Fund Budgets are forecasting an underspend of £0.001m and re-phasing to future years of £4.114m. 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 General Fund Financial Performance by Scrutiny Committee Quarter 2	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	1.551	13.9%	11.760	0.929
Strategic Planning and Environment	12.049	13.033	0.984	8.2%	13.088	(0.055)
Housing and Community	1.953	2.095	0.142	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)	(3.213)	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>
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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- Finance and Resources and Core Funding

<b>Table 2 – Finance and Resources Quarter 2</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Chief Executive's	0.999	0.969	<b>(0.030)</b>	(3.0%)
Housing & Property	(6.083)	(5.956)	<b>0.127</b>	(2.1%)
Neighbourhood Delivery	0.334	0.382	<b>0.048</b>	14.4%
Corporate and Commercial	6.596	7.548	<b>0.952</b>	14.4%
People and Transformation	4.055	4.457	<b>0.402</b>	9.9%
Place	5.237	5.289	<b>0.052</b>	1.0%
<b>Total Operating Cost</b>	<b>11.138</b>	<b>12.689</b>	<b>1.551</b>	13.9%
<b>Core Funding</b>	<b>(25.140)</b>	<b>(28.353)</b>	<b>(3.213)</b>	12.8%

4.1 Quarter 2 key variances against Finance and Resources service areas are outlined below.

#### 4.2 Housing & Property

There is a continuation of the CCTV pressure of £96k but no additional material changes since quarter 1.

#### 4.3 Corporate and Commercial- net pressure of £0.952m

A final decision on the 2023/24 pay award for Local Government was made on 1<sup>st</sup> November and the final approval calculates to circa 6% on average for Dacorum. This equates to 2% above the budgeted allowance of 4% for 2023/24. It is now projected as part of the 23/24 financial forecast and hence there is an increased variance quarter on quarter of £0.5m across the organisation. This pressure is being reported within the Corporate and Commercial directorate however, the pressure relates to all General Fund directorates.

There are two other material changes to projections quarter on quarter with a £75k reduction in the SABA parking contract in the first half of 23/24 whilst additional recruitment was undertaken and a surplus on the legal service of £53k due to outstanding vacancies.

#### 4.4 People & Transformation – pressure of £0.402m

The forecast outturn pressures are still 0.402m these have not changed significantly since quarter 1. An additional pressure has arisen in the filming income £0.080m offset by underspends on digital licences of £0.068m.

#### 4.5 Core Funding- additional income of £3.213m

Investment returns are dependent on the amount of cash the Council has to invest and the interest on those investments. The quarter 2 review of capital spend forecasts and cash balances shows there is an increase in projected cash balances. Interest forecasts are based on predicted rates supplied by our treasury advisers plus rates of return on investments achieved year to date. The increasing rates by the Bank of England mean that returns we are experiencing have been higher than those predicted. The combination of higher cash balances and interest rate has the effect of increasing the surplus previously reported. The surplus at Quarter 2 is £2.849m.

In addition, due to capital slippage and an in-year underspend of £0.232m on the capital programme, the level of borrowing applied to finance the Council's capital programme is lower than expected, leading to an underspend of £0.232m against the Minimum Revenue Provision.

## 5. General Fund Position- Strategic Planning and Environment

Table 3 – Strategic Planning and Environment Quarter 2	Current	Forecast	Variance	
	Budget	Outturn	£m	%
	£m	£m		
<b>Neighbourhood Operations</b>	11.310	11.461	<b>0.151</b>	1.3%
<b>Housing &amp; Property</b>	0.053	0.088	<b>0.035</b>	66.0%
<b>People &amp; Transformation</b>	(0.114)	(0.035)	<b>0.079</b>	(69.3%)
<b>Place</b>	0.800	1.519	<b>0.719</b>	89.9%
<b>Total Operating Cost</b>	<b>12.049</b>	<b>13.033</b>	<b>0.984</b>	8.2%

### 5.1 Neighbourhood Operations – pressure of £0.151m

Due to vacancies within the service, interim cover and consultancy is causing an increased forecast pressure for Neighbourhood Delivery Management of £0.109m, creating a total projected pressure of £0.657m on staffing within the directorate. The Corporate Leadership posts within the service have been filled at the end of quarter 2 so no further interim management is in place going forward.

Since quarter 1 further garden waste subscriptions have continued. The take up to the scheme is much higher than anticipated when the charge was introduced at the end of 2022/23. The number of subscriptions now in operation for this year are 34,178 which equates to a 70% take up for the service. The total surplus is now £0.758m, an increase of £0.058m from quarter 1.

Recycling income is showing a surplus of £0.134m. This includes additional income arising from the final payment from Hertfordshire County Council for the Alternative Funding Model (AFM), which generated income based on recycling levels of £0.064m. This scheme ended in 2022/23, the final payment received for last financial year has now been paid and was in excess of that forecast at the end of last financial year. The cost for Gate fees for the disposal of recycling materials has risen over the last 6 months, however the current forecast is showing that these costs are currently below budget £0.070m. These costs are driven by the basket rate on recyclables. This market is known to have suddenly declined in price, so the continuation of this underspend cannot be guaranteed moving forward in the medium term.

Maintenance of trees on the Highways has been contracted to Dacorum for a number of years by Hertfordshire County Council. This agreement has now ceased, however a large number of works are still due to be completed for which the Council will receive no further income. This is causing a pressure of £0.150m on the budgets within this area.

## 5.2 Place – pressures of £0.719m

Planning income at quarter 1 reported a pressure on planning fees of £0.500m on land search fees. £0.050m. A number of large applications were placed in August meaning that the planning income pressure has reduced to £0.335m. Land search fees are now reporting an increased pressure now for the full year, total £0.090m.

Following a review of the Place structure, staffing pressure including interim management pressures are forecast for the service £0.254m. The Place restructure has now concluded and the recruitment processes are coming to an end to ensure we have permanent and Fixed Term vacancies filled.

## 6. General Fund Position - Housing and Community

Table 4 – Housing and Community General Fund Quarter 2	Current	Forecast	Variance	
	Budget £m	Outturn £m	£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>0.139</b>	0.071

### 6.1 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 the Customer Services Unit and within Communications and Engagement. A large proportion of this is being funded from the increase in the recharge to the HRA.

### 6.2 Place – Surplus £0.081m

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

### 6.3 Corporate & Commercial £0.071

A movement of 0.080m 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.

## 7 Housing Revenue Account Position

7.1 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.

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

**7.3 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 pay award will 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

**7.4 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 5: 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>

**7.5 Income – surplus £1.064m**

Dwelling rent is forecasting a £0.702m surplus at quarter 2, this 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.

**8. HRA- Technical and Accounting Adjustments**

8.1 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.

8.2 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

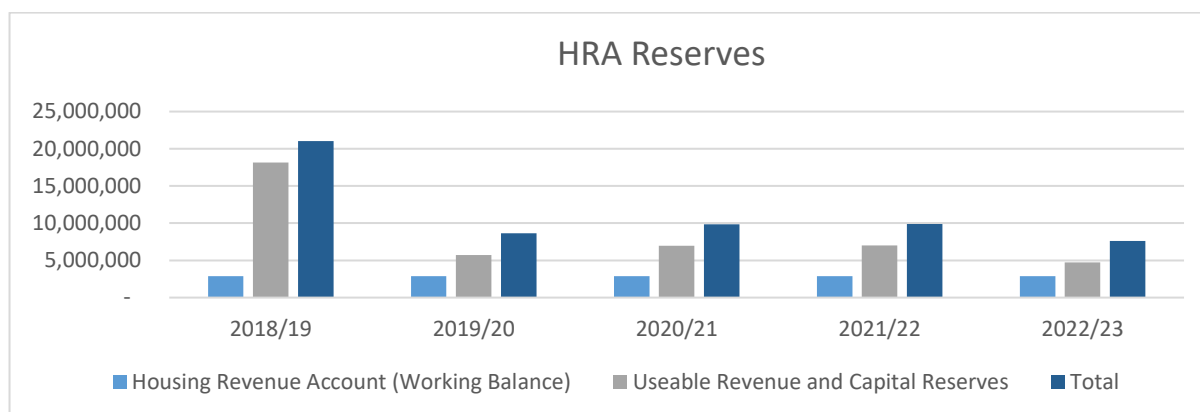
reviewed as part of budget setting and given demand on revenue repairs works this contribution is likely to be removed from future budgets. A reduction in allocation to capital reserves will increase future borrowing requirements and hence will increase future cost of capital projections.

- 8.3 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.

## 9. HRA Reserves

- 9.1 HRA reserves provide a means 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.

- 9.2 Chart 1: HRA reserve levels in since 2018/19



- 9.3 Alongside 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.

- 9.4 As part of the 2023 HRA business planning process, the finance team is 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.

## 10. Capital Programme

- 10.1 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 6-Capital	Current	Re-phasing	Revised	Forecast	
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Outturn Quarter 2	Budget	(To)/from future years	Budget	Outturn	Variance	
	£m	£m	£0m	£m	£m	%
Finance and Resources	6.909	(3.052)	3.857	3.853	(0.004)	(0.1%)
Strategic Planning and Environment	2.888	(0.515)	2.373	2.473	0.100	3.5%
Housing & Community	2.125	(0.547)	1.579	1.472	(0.106)	(5.0%)
<b>GF Total</b>	<b>11.922</b>	<b>(4.114)</b>	<b>7.808</b>	<b>7.798</b>	<b>(0.010)</b>	<b>(0.1%)</b>
<b>HRA Total</b>	<b>69.308</b>	<b>(4.523)</b>	<b>64.784</b>	<b>64.786</b>	<b>0.002</b>	<b>0.0%</b>
<b>Grand Total</b>	<b>81.230</b>	<b>(8.637)</b>	<b>72.593</b>	<b>72.584</b>	<b>(0.008)</b>	<b>(0.0%)</b>

## 10.2 General Fund Capital Programme Major Variances

General Fund capital budgets are reporting slippage of £4.114m. The slippage includes the following items over £0.100m:

- Creation of new Community Facility and Foodbank at the Hub (Dens) £2.550m. This project is linked to the housing development. Tendering for both projects is currently being undertaken.
- Hemel Hempstead Sports Centre – Astro Turf £0.530m. Tendering is due to commence on this project with works expected to take place in 2024/25
- Verge Hardening £0.455m. The verge hardening projects are currently being reviewed with any future works expected to commence in 2024/25.
- Urban Park/education centre (Durrants Lakes) £0.104m. Initial development design in relation to bridges, river and bio-diversity will be undertaken in 2023/24 the balance of the budget will be slipped while these plans are agreed.
- Play areas & Open Spaces £0.387m. Tendering of works for the next play area is expected to commence in November 2023 with works expected to take place from June 2024.

The General Fund is reporting an additional overspend since quarter 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 to approve a supplementary budget of £0.025m to fund these works is included in this report.

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

This report includes a request to Cabinet to recommend to Council to approve a supplementary capital budget of £0.025m relating to improvements to Leisure Courts as described at 10.2. This request represents growth to the allocated budgeted for an existing capital project.

10.5 This report includes a request to Cabinet to recommend to Council to approve a supplementary capital budget of £195k to support enhancements to the Council's Leisure facilities. This includes £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. This request represents growth for new projects that are not currently included in the Council's approved capital programme.

#### **11. Financial implications**

Contained within the body of this report.

#### **12. Legal implications**

There are no direct legal implications arising from this report.

#### **13. 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.

#### **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**

There are no specific sustainability implications arising from this report.

#### **16 Council infrastructure**

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

#### **17 Statutory Comments**

##### **Monitoring Officer:**

This report is part of the Council's financial governance and gives assurance on the financial position at the end of quarter 2 for members to review and note. No further comments to add to the report.

##### **Deputy S151 Officer:**

This is a Deputy s151 Officer report.

#### **18 Conclusions**

18.1 The forecast position for 2023-24 at quarter 2 is a surplus of £0.536m against Council General Fund budgets. Housing Revenue Account budgets are reporting a pressure of £0.370m.

18.2 A forecast position for 2023-24 at quarter 2 is slippage of £4.114m For General Fund capital schemes and £4.523m for the Housing Revenue Account capital schemes.