



<b>Report for:</b>	Cabinet
<b>Title of report:</b>	Financial Performance Quarter 3 2023-24
<b>Date:</b>	13 <sup>th</sup> February 2024
<b>Report on behalf of:</b>	Cllr Ron Tindall, Leader of the Council and 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 Q3 2023-24 Appendix B – HRA Forecast Outturn Position Q3 2023-24 Appendix C – Projected Capital Outturn Q3 2023-24
<b>Background papers:</b>	Agenda item 1 Cabinet 21 <sup>st</sup> November 2023 – Financial Monitoring Report Quarter 2 2023-24
<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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<p><b>Corporate Priorities</b></p>	<p>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</p>
<p><b>Wards affected</b></p>	<p>All</p>
<p><b>Purpose of the report:</b></p>	<ol style="list-style-type: none"> <li>1. To provide details of the projected outturn 2023-24 as at quarter 3 for the: <ul style="list-style-type: none"> <li>• General Fund</li> <li>• Housing Revenue Account</li> <li>• Capital Programme</li> </ul> </li> </ol>
<p><b>Recommendation (s) to the decision maker (s):</b></p>	<ol style="list-style-type: none"> <li>1. That Cabinet notes the financial position for 2023-24 as at Quarter 3.</li> <li>2. That Cabinet recommends to Council to approve the following Reserve Drawdowns: <ul style="list-style-type: none"> <li>• £0.100m Funding for Luton Airport Legal costs - £0.050m from the Dacorum Development reserve and £0.050m from the Local Development Framework reserve.</li> <li>• £0.025m drawdown to fund additional Customer Support Unit (CSU) support for Garden waste renewals from the Management of Change reserve</li> </ul> </li> <li>3. That Cabinet recommends to Council to approve the following reserve transfer: <ul style="list-style-type: none"> <li>• £0.020m for funding of an update to the Council Human Resources System Itrent in 2024-25. There is one off provision in 2023-24 budgets for this upgrade, work on which has now slipped to 2024-25.</li> </ul> </li> <li>4. That Cabinet recommends to Council to approve the following supplementary capital</li> </ol>

	<p>budgets representing growth to the Capital Programme:</p> <ul style="list-style-type: none"> <li>• £2.265m relating to a payment to Hightown Housing Association for the provision for affordable housing in the borough at 66 Books, Wood End Lane. This expenditure was approved by Cabinet in February 2023. Full Council approval is now required to increase the capital programme budget accordingly.</li> <li>• Provision of Electric Vehicle Charging Points (EVCP) in the borough, funded entirely by government grant £0.415m.</li> </ul> <p>5. That Cabinet notes the following additional slippage on the capital programme to future years:</p> <ul style="list-style-type: none"> <li>• General Fund £1.404m</li> <li>• Housing Revenue Account £6.804m</li> </ul>
<p><b>Period for post policy/project review:</b></p>	<p>The Council's financial position is reported to Cabinet on an ongoing, quarterly basis.</p>

## 1. Executive Summary

1.1 The quarter 3 2023-24 financial position of the General Fund is reporting a surplus against budget of £0.236m. This represents a reduction of £0.300m on the surplus reported at quarter 2 (£0.536m). The quarter on quarter change is accounted for by the additional cost pressures being reported since the quarter 2 financial position was presented to Cabinet in November 2023. Key additional costs include:

- additional employee costs within Neighbourhood Operations £0.175m
- additional expenditure on works to trees in the borough £0.080m
- a reduction in income received in relation to services provided to the HRA (HRA recharge) £0.459m

These additional pressures are partly offset by:

- increased investment income £0.203m
- further government grants £0.170m
- reduction in staffing pressures within the Place directorate £0.115m.

1.2 The Housing Revenue Accounts (HRA) is the Council's housing landlord function and is accounted for separately to the General Fund service. At quarter 3, the HRA is reporting a budget pressure of £0.620m. This represents an increase in reported pressures of £0.250m from the position reported at quarter 2 (£0.370m). The quarter on quarter increase includes:

- pressures of £0.280m on utility costs at sheltered housing schemes
- additional supervision and management costs of £0.145m.

These are partly offset by additional forecast income from tenants of £0.108m.

## 2. Introduction:

2.1 This report presents the Council's forecast outturn for 2023-24 as at quarter 3, 31<sup>st</sup> December 2023, with a focus on changes to the forecast since quarter 2. The report covers the following budgets with associated appendices:

- General Fund revenue position – Appendix A. A surplus against budget of £0.236m is forecast.
- Housing Revenue Account (HRA) revenue position – Appendix B. A pressure of £0.620m is forecast.
- Capital Programme – Appendix C. General Fund Budgets are forecasting an underspend of £0.050m and re-phasing (programme slippage) to future years of £1.404m. The HRA capital programme is forecast and re-phasing to future years of £6.804m.

## 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 3	Current Budget £m	Forecast Outturn Quarter 3 £m	Variance		Forecast Outturn at Quarter 2 £m	Movement from quarter 2 to Quarter 3 £m
			£m	%		

Finance & Resources	10.701	11.850	<b>1.149</b>	10.7%	12.689	(0.839)
Strategic Planning and Environment	12.049	13.576	<b>1.527</b>	12.7%	13.033	0.543
Housing and Community	1.953	2.066	<b>0.113</b>	5.8%	1.953	0.113
<b>Total Operating Cost</b>	<b>24.703</b>	<b>27.492</b>	<b>2.789</b>	11.3%	<b>27.817</b>	(0.325)
Core Funding	(24.703)	(27.728)	<b>(3.025)</b>	12.2%	(28.353)	0.625
<b>(Surplus)/ Deficit</b>	<b>0.000</b>	<b>(0.236)</b>	<b>(0.236)</b>		<b>(0.536)</b>	<b>0.300</b>

3.3 Sections 4-7 below provide further information on the material changes to the Council's General Fund and HRA financial position between quarter 2 and quarter 3.

#### 4. General Fund Position- Finance and Resources and Core Funding

Table 2 – Finance and Resources General Fund Quarter 3	Current Budget	Forecast	Variance	
	£m	£m	£m	%
Chief Executives	0.999	0.942	<b>(0.057)</b>	(5.7%)
Housing & Property	(6.083)	(5.896)	<b>0.187</b>	(3.1%)
Neighbourhood Delivery	(0.387)	(0.230)	<b>0.157</b>	(40.6%)
Corporate and Commercial	6.880	7.465	<b>0.585</b>	8.5%
People and Transformation	4.055	4.321	<b>0.266</b>	6.6%
Place	5.237	5.248	<b>0.011</b>	0.2%
<b>Total Operating Cost</b>	<b>10.701</b>	<b>11.850</b>	<b>1.149</b>	10.7%
<b>Core Funding</b>	<b>(24.703)</b>	<b>(27.728)</b>	<b>(3.025)</b>	12.2%

4.1 Changes to the variances between quarter 2 and quarter 3 reported against Finance and Resources General Fund service areas are outlined below.

#### 4.2 Corporate and Commercial

The Legal services income is reporting a surplus of £0.045m. This income is in relation to recovery of legal costs incurred following action being undertaken.

Staffing underspends across the service have increased from £0.053m in quarter 2 to £0.093m in quarter 3. This includes an underspend relating to the Head of Legal and Democratic Services which is currently vacant.

#### 4.3 People & Transformation

There are additional staffing costs, including interim costs, across the directorate of £0.206m. This is an increase of £72k from equivalent costs reported at quarter 2. Included in this are costs relating to work carried out for the Housing Revenue Account, which are recovered as part of a recharge made to the Housing Revenue Account for services provided to it by the General Fund.

#### 4.4 Core Funding

Core Funding covers key corporate funding income and expenditure and includes General Fund investment income, government grants and income from Council Tax and Business rates.

Cash balances and interest rates remain high generating an additional £0.200m on the quarter 2 forecast. This is linked to further slippage on the Council's capital programme leading to an increased level of cash balances for investment. Capital programme rephasing (slippage and accelerated expenditure) is explained at section 8 of this report.

Further government grants are now forecast to those originally budgeted, creating an overall surplus of £0.200m against government grants. This represents a further £0.170m of government grants from those reported at quarter 2. The additional grant funding includes New Burdens funding to administer the energy rebate scheme and Welfare Reform obligations.

The forecast recharge for services provided from the General Fund to the HRA has reduced to £5.219m. A number of posts previously paid for from General Fund budgets and recharged to the HRA are now paid directly for through the HRA. Following analysis of recharges and service pressures a reduction in the forecast income for the General Fund is reported.

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

Table 3 – Strategic Planning and Environment Quarter 3	Current Budget	Forecast Outturn	Variance	
	£m	£m	£m	%
Neighbourhood Operations	11.310	12.123	0.813	7.2%
Housing & Property	0.053	0.083	0.030	56.6%
People & Transformation	(0.167)	(0.187)	(0.020)	12.0%
Place	0.853	1.557	0.704	82.5%
<b>Total Operating Cost</b>	<b>12.049</b>	<b>13.576</b>	<b>1.527</b>	<b>12.7%</b>

5.1 Changes to the variances between quarter 2 and quarter 3 reported against Strategic Planning and Environment General Fund service areas are outlined below.

#### 5.2 Neighbourhood Operations

The pressure reported on works relating to trees has increased by £0.080m at quarter 3. The service is working on a backlog of safety works required to trees around the borough. A significant amount of works will be undertaken in quarter 4 2023-24 as the service seeks to maximise contractor capacity during a time of the year that is optimum for undertaking tree maintenance.

Fleet services have seen an increase in works to the Council's fleet, which has led to a forecast pressure on fleet repairs and maintenance of £0.052m at quarter 3.

Waste Agency pressures have increased by £0.175m from the reported position at quarter 2. This is due to agency usage being higher over the initial winter period than previously forecast. The service is working closely with Financial Services to monitor its requirements and the associated financial impact. The service is looking to significantly reduce the number of agency workers per day from the end of January and throughout February.

### 5.3 Place

At quarter 3, forecast planning income has increased by £0.050m from the position reported in quarter 2, reducing the overall pressure reported against planning income and land charges to £0.400m. Planning fees, which are determined by statute, were increased in January as notified by the government. This appears to have led to more applications being made for smaller planning applications in the period to the end of December.

Place directorate forecast interim cost pressures has reduced by £0.115m in quarter 3 from that forecast at quarter 2. This is associated with delays in recruitment within Place, Communities and Enterprise. The total pressure within the Place directorate relating to interim and restructure costs is £0.139m

## 6. General Fund Position- Housing and Community

Table 4 – Housing and Community General Fund Quarter 3	Current Budget	Forecast Outturn	Variance	
	£m	£m	£m	%
Housing & Property	1.228	1.275	<b>0.047</b>	0.038
Neighbourhood Delivery	(2.369)	(2.280)	<b>0.089</b>	(0.038)
Corporate and Commercial	(0.043)	(0.063)	<b>(0.020)</b>	0.465
People and Transformation	1.239	1.424	<b>0.185</b>	0.149
Place	1.898	1.710	<b>(0.188)</b>	(0.099)
<b>Total Operating Cost</b>	<b>1.953</b>	<b>2.066</b>	<b>0.113</b>	0.058

Community grants are forecasting a new underspend of £0.080m at quarter 3, as a result of a reduction in applicants compared to previous financial years. The service is looking at how to increase engagement in the process and will work with the voluntary sector as part of this process. This is the only significant change in budget variance within Housing and Community General Fund service areas reported since presentation of the quarter 2 position.

## 7 Housing Revenue Account Position

**7.1** The HRA is a ring-fenced account relating to the Council's landlord functions. It is accounted for separately from General Fund services. 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 £0.620m. This position is being carefully monitored. Should there be a deficit on the HRA at the end of the financial

year, a request will be brought to Members to apply funds held in reserve to balance the financial position for the HRA as a one-off measure.

**7.3** Further information is provided below at 7.4 and 7.5 on changes to the forecast position since quarter 3.

### **7.3 Supervision and Management**

Additional pressures of £0.340 are being forecast at quarter 3 from the position reported at quarter 2.

Included within this is a pressure at quarter 3 relating to forecast utility costs for sheltered housing £0.280m.

The pressure of £0.340m also includes additional costs from the General Fund for services provided to the HRA. General Fund recharges to the HRA have been reviewed at quarter 3 to identify the impact of the restructures across the organisation and forecast spend following the pay award. The recharge to the HRA is forecast at £5.219m for the year 2023-24, previously £4.999m at Q2, an increase of £0.220m.

There are other reductions in forecast expenditure within Supervision and Management, which individually are under £50k. These make up the balance of the £0.340m.

### **7.4 Repairs & Maintenance**

There is a small overall movement in the reported position for repairs and maintenance.

The forecasts for repairs and maintenance have increased by £0.290m between quarter 2 and quarter 3.

Offsetting this increased pressure is a gain share from the main housing repairs contract. This is forecast at quarter 3 at £0.283m. The gain share is not budgeted within the HRA budgets. The gain share has the effect of reducing the pressures on HRA repairs and maintenance costs.

**Table 5: Breakdown of HRA Revenue Repairs and Maintenance Financial Forecast**

	<b>Budget £m</b>	<b>Year to Date Actual</b>	<b>Forecast Outturn</b>	<b>Variance</b>
Main Contract Overheads	2.183	2.048	2.748	0.565
Contract Pain and Gain	0.000	(0.026)	(0.283)	(0.283)
Cyclical Planned Maintenance	0.933	0.404	0.545	(0.388)
Compliance Planned Maintenance	3.301	2.559	3.424	0.123
Responsive Repairs	4.469	5.808	7.881	3.412
Empty Homes	3.745	4.043	5.422	1.677
Recharge to GF	(0.037)	0.000	(0.037)	0.000
<b>Total</b>	<b>14.594</b>	<b>14.835</b>	<b>19.700</b>	<b>5.106</b>

### **7.5 Income**

Dwelling rent is forecasting a surplus at quarter 3. This is based on current occupancy and voids rates £0.812m, an increase of £0.091m from quarter 2.

## **8. General Fund reserve transfer requests**

This report includes the following reserve transfer requests:

- £0.100m Funding for Luton Airport Legal costs - £0.050m from the Dacorum Development reserve and £0.050m from the Local Development Framework reserve.



- £0.025m drawdown to fund additional Customer Support Unit (CSU) support for Garden waste renewals from the Management of Change reserve.

## 9. Capital Programme

### 9.1 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 Outturn Quarter 3	Current	Re-phasing	Revised	Forecast	Variance	
	Budget	(To)/from future years	Budget	Outturn	£m	%
	£m	£m	£0m	£m		
Finance and Resources	4.492	(0.866)	3.626	3.598	(0.029)	(0.64%)
Strategic Planning and Environment	2.323	(0.895)	1.428	1.528	0.100	4.31%
Housing & Community	3.843	0.357	4.200	4.081	(0.119)	(3.10%)
<b>GF Total</b>	<b>10.658</b>	<b>(1.404)</b>	<b>9.255</b>	<b>9.207</b>	<b>(0.048)</b>	<b>(0.45%)</b>
<b>HRA Total</b>	<b>65.784</b>	<b>(6.804)</b>	<b>58.980</b>	<b>58.982</b>	<b>0.002</b>	<b>0.00%</b>
<b>Grand Total</b>	<b>76.442</b>	<b>(8.208)</b>	<b>68.235</b>	<b>68.188</b>	<b>(0.046)</b>	<b>(0.06%)</b>

### 9.2 General Fund Capital Programme Major Variances

General Fund capital budgets are reporting slippage of £1.404m. The slippage includes the following items over £0.100m:

- Future vision of the Council's Digital Platform (formerly known as Customer Relationship Management (CRM) system) £0.149m. – The project is progressing with expenditure being reviewed. Additional temporary resource is being recruited to deliver this project.
- Rossgate Shopping Centre £0.250m - Building Services have confirmed they anticipate the works starting before the end of the financial year. Payments will be staged monthly in arrears and the majority of cost will fall into the new financial year.
- Roof Replacement Programme £0.200m - The works are being slipped to allow time to undertake an open tender process for the works specification and seek approval to tender and award the works via the Council's Commercial Board.

- Long Chaulden Roof £0.055m - Recent repairs to persistent leaks seem to have been successful. The worst of the winter weather is not yet over and funds may be required to undertake further improvements early in the new financial year.
- Disabled Facilities Grant (0.343m) - the budget was slipped in quarter 2. Following a review of applications, this budget is now expected to be spent in 2023/24.
- Waste Transfer Site Upgrade works £0.162m - Improvements to the lighting is expected to commence March 2024 with future works being undertaken during 2025/26.
- Fleet Replacement Programme £0.529m - Due to vacancies within the service and a review of requirements, further budget is being slipped – a review of the programme is being undertaken in quarter 4 to ensure the programme is on track for 2024/25.
- Chipperfield Common carpark £0.100m - Awaiting approval from secretary of State to allow resurfacing works to commence.

### **9.3 Housing Revenue Account**

Following a review of the forecasts and project progression for HRA capital budgets, further slippage of £6.804m is reported at quarter 3.

### **9.4 Supplementary Capital Budget Requests**

This report includes a request to Cabinet to recommend to Council to approve the following supplementary capital budget requests:

- £2.265m relating to a payment to Hightown Housing Association for the provision for affordable housing in the borough at 66 Books, Wood End Lane. This expenditure was approved by Cabinet in February 2023. As payments to Hightown are finalised, Full Council approval is now required to increase the capital programme budget accordingly. This will be funded using retained 141 receipts from the sale of Council housing.
- £0.415m relating to the provision of Electric Vehicle Charging Points (EVCP) in the borough, funded entirely by government grant £0.415m.

## **10. Financial implications**

Contained within the body of this report.

## **11. Legal implications**

There are no direct legal implications arising from this report.

## **12. 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.

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

**13.1** 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.

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

## **14 Sustainability implications**

There are no specific sustainability implications arising from this report.

## **15 Council infrastructure**

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

## **16 Statutory Comment**

### **Monitoring Officer:**

This report is part of the Council's financial governance and gives assurance on the financial position at the end of quarter 3 for Members to review and note. No further comments to add to the report.

### **Deputy S151 Officer:**

This is a Deputy s151 Officer report.

## **17 Conclusions**

**17.1** The forecast position for 2023-24 at quarter 3 is a surplus of £0.236m against Council General Fund budgets. Housing Revenue Account budgets are reporting a pressure of £0.620m.

**17.2** A forecast position for 2023-24 at quarter 3 is slippage of £1.404m for General Fund capital schemes and £6.804m for the Housing Revenue Account capital schemes.