



Finance and Resources

Overview and Scrutiny Committee



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Report for:	Finance and Resources Overview and Scrutiny Committee
Title of report:	Financial Performance Quarter 2 2024/25
Date:	5 th November 2024
Report on behalf of:	CLlr William Allen, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A – General Fund Revenue Q2 2024/25 Appendix B – Housing Revenue Account Q2 2024/25 Appendix C – Capital Programme Q2 2024/25
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

Report Author and Responsible Officer

Joe Bowden, Financial Planning and Analysis Manager



Joe.Bowden@dacorum.gov.uk / 01442 2282258 (ext. 2258)

Fiona Jump, Head of Financial Services



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

Corporate Priorities

Community engagement: Engage with residents and partners to have a real say on our services and the borough

Service improvement and delivery:
Running the Council efficiently and putting residents at the heart of everything we do

	<p>Vibrant communities: Foster arts, culture and leisure opportunities</p> <p>Sustainable future: Take action on the Climate and Ecological Emergency</p> <p>Clean, safe and green: Provide a clean, safe and green-focussed environment</p> <p>Homes to be proud of: Enable well-maintained and affordable homes, where people want to live</p> <p>Proud and thriving borough: Realise our potential as a great place to live and work with a thriving business community</p>
Wards affected	All
Purpose of the report:	<p>1. To provide details of the Quarter 2 position 2024-25 for the:</p> <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendation (s) to the decision maker (s):	To note the Quarter 2 2024-25 forecast financial outturn position for the General Fund, Housing Revenue Account and Capital Programme.
Period for post policy/project review:	The Council's financial position is reported to committee on an ongoing, quarterly basis.

1. Executive Summary and Key Forecast Outturn Figures

This report presents the forecast outturn position for the Council as at 30 September 2024, Q2 2024/25.

- 1.1** The General Fund is reporting a forecast surplus against budget of £0.645m. This net surplus position is driven by the favourable performance of the Council's treasury management investments against target, the result of larger than expected cash balances. The position includes pressures against service budgets and income targets, with some continuing from 2023/24. Included in these are: Environmental Services (pressure of circa £0.2m), Property Services (pressure of £0.5m) and Temporary Accommodation costs (pressure of £0.3m).
- 1.2** The Housing Revenue Account (HRA) is the Council's housing landlord function and is accounted for separately to General Fund services. At Q2, the HRA is reporting a balanced budget. A surplus is forecast against income targets, the result of reduced void rates and higher than expected performance related to supported housing charges. There are forecast pressures against supervision and management costs and repairs and maintenance.
- 1.3** The Council operates a capital programme across its General Fund and Housing Revenue Account that represents investment in its assets. General Fund capital schemes are forecast as broadly on budget

overall, with slippage of £0.703m. The slippage relates to delays to some Property Services schemes and verge hardening.

- 1.4** HRA capital schemes are forecasting an overspend of £0.244m and accelerated spend of £1.000m. The overspend relates to work on new build developments. The accelerated spend relates to roof works on Council homes previously scheduled for 2025/26.

2. Summary Narrative and Forward Look

- 2.1** The Council set a balanced budget for 2024/25 in February 2024. This budget addressed known variances arising during 2023/24. As part of the 2023/24 provisional outturn report, it was identified that risks remained within the Council’s financial position for 2024/25. Included within this were costs relating to the Council’s Waste Services. These pressures are included in the forecast outturn for 2024/25 as at Q2 of the current financial year. General Fund income pressures for 2024/25 have been identified against investment properties, parking and temporary accommodation.
- 2.2** Within the Housing Revenue Account, the demand for repairs and maintenance to Council homes represents the biggest ongoing risk for the financial sustainability of the Council’s housing landlord function. This is reflected in the Q2 2024/25 forecast financial position for the HRA. The Housing and Property service will monitor this closely to try to reduce budget pressures where possible.
- 2.3** Staffing costs also represent a risk to the HRA, with agency appointments to posts being made and permanent recruitment on hold as the service awaits the outcome of the Housing Transformation Improvement Programme review.
- 2.4** All General Fund and HRA risks are being closely monitored by service leads with support from the Council’s Finance team. Emerging variances to budget and associated mitigating actions will be communicated to Members as part of the Council’s regular financial reporting arrangements.

3. General Fund Position – all Scrutiny Committee Areas

- 3.1** Appendix A provides an overview of the General Fund forecast outturn position. The table below provides an overview by scrutiny area.

Budgets have been realigned across Scrutiny Committee areas between the Q1 Financial Performance report and the Q2 Financial Performance report to reflect changes to the remit of Overview and Scrutiny set out in the Council’s Constitution.

Table 1- General Fund Position by Scrutiny Area	Current Budget £m	Forecast Outturn £m	Variance	
			£m	%
Finance & Resources	9.066	9.658	0.592	6.5%
Strategic Planning and Environment	12.052	12.937	0.885	7.3%
Housing & Community	1.481	1.615	0.134	9.0%
Operational Cost	22.599	24.210	1.611	7.1%
Core Funding	(22.600)	(24.856)	(2.256)	10.0%
Contribution (to)/ from General Fund Working Balance	(0.001)	(0.646)	(0.645)	

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

Table 2 – Finance and Resources	Current	Forecast	Variance	
	Budget	Outturn	£m	%
	£m	£m	£m	%
Chief Executives	1.347	1.367	0.020	1.5%
Housing & Property	(2.126)	(1.536)	0.590	(27.8%)
Corporate and Commercial	3.382	3.441	0.059	1.7%
People and Transformation	6.463	6.386	(0.077)	(1.2%)
Total Operating Cost	9.066	9.658	0.592	6.5%
Core Funding	(22.600)	(24.856)	(2.256)	10.0%

4.1 Key variances for 2024/25 reported against Finance and Resources General Fund service areas are outlined below.

4.2 Housing and Property

A pressure of £0.105m is reported on Civic Halls in respect of income, utilities and repairs. Included in this are costs and income relating to Victoria Hall, Tring and Berkhamsted Civic Centre and the Council's Community Centres.

Agency costs for surveyors within the Property team represent a pressure of £0.105m. Market-forces supplements are now in place to support ongoing recruitment and retention within the service.

The commercial and operational property portfolio is reporting a net pressure of circa £0.290m, including increased maintenance, service charges and utility costs. This includes a pressure against current income targets.

4.3 Corporate and Commercial

Price increases relating to the processing of card payments received by the Council present additional costs of £0.050m across Financial Services and Revenues and Benefits.

Legal Services are forecasting a staffing underspend totalling £0.060m relating to the vacant Head of Service post (due to be filled) and Licensing staff. The expected recovery of court costs and other fees due to Legal Services from third parties is forecast to deliver a further £0.090m for the year.

4.5 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 higher than expected, generating an additional £2.112m. This is linked to slippage on the Council's capital programme leading to an increased level of cash balances for

investment. Capital programme re-phasing (slippage and accelerated expenditure) is explained at section 8 of this report.

The forecast recharge for services provided from the General Fund to the HRA additional income of £0.107m. This will be offset by costs incurred by General Fund services carrying out work for the HRA, shown within the net cost of services.

5. General Fund Position- Strategic Planning and Environment

Table 3 – Strategic Planning and Environment	Current	Forecast	Variance	
	Budget	Outturn	£m	%
	£m	£m	£m	%
Neighbourhood Operations	8.190	8.751	0.561	6.8%
Housing & Property	0.053	0.073	0.020	37.7%
People & Transformation	(0.114)	(0.031)	0.083	(72.8%)
Place	3.923	4.144	0.221	5.6%
Total Operating Cost	12.052	12.937	0.885	7.3%

5.1 Key variances for 2024/25 reported against Strategic Planning and Environment General Fund service areas are outlined below.

5.2 Neighbourhood Operations

Pressures on budgets within Environmental Services at Q2 total £0.169m relating to staffing costs across the service. These have been incurred in relation to sickness and service demands. Surplus garden waste income to target of £0.060m is forecast, offset by an expected shortfall against cesspool income £0.060m

There is a £0.073m pressure relating to repairs and maintenance in Clean, Safe and Green. Garages income is forecast to achieve £0.050m above target. The service has focused on increasing occupancy of the Council's garages.

There is a forecast shortfall against parking income targets of £0.300m. The announcement of a General Election in the summer has brought a delay to the consultation process for proposed changes to car parking fees and an associated pressure of £0.100m. There is a further £0.100m pressures associated with the recent call- in of a decision on changes to car – parking fees. The final £0.100m relates to trends in car park usage which support a further shortfall against income targets.

A forecast pressure of £0.080m is reported on Trees and Woodlands works, a continuation of pressures reported in 2023/24. A review of tree works requirements and risks identified is being undertaken to assess the medium-term outlook for this service.

5.3 People & Transformation

A pressure of £0.070m is reported in relation to Filming budgets for 2024/25. Income has been lower than budget during the year. The income position continues to be closely monitored.

5.4 Place

There are pressures against Business Centre income and expenditure budgets £0.05m. These are under ongoing review. There are other smaller pressures across Place service.

6. General Fund Position- Housing and Community

Table 4 – Housing and Community General Fund	Current Budget	Forecast Outturn	Variance	
	£m	£m	£m	%
Housing & Property	1.481	1.615	0.134	0.090
Total Operating Cost	1.482	1.615	0.133	0.090

6.1 Variances for 2024/25 reported against Housing and Communities General Fund service areas are outlined below.

6.2 Housing and Property

Demand for Temporary Accommodation continues to grow, the net impact on revenue budgets is forecast at £0.298m. This assumes that demand continues at the current level. Increased demand has meant an increased level of repairs to maintain Temporary Accommodation assets and also the use of alternative provision in the form of hotel accommodation. Hotel accommodation is forecast to cost the Council £1.095m in 2024/25. The service is making use of grant funding (£0.153m) to meet some of the costs in this area. Other income received in relation to temporary accommodation totals £2.005m. Temporary accommodation costs are increasing for many local authorities. The Council has undertaken a deep dive review of the service to help identifying means of mitigation. The impact of the measures will be reflected in future financial reports.

There are underspends across other areas of the directorate partly offsetting the temporary accommodation pressure including staffing underspends £0.163m.

7 General Fund reserve requests

7.1 The following reserve requests will be made to Cabinet to recommend to Full Council to approve.

- Draw down of £0.33m from the Dacorum Development Reserve to support costs associated with vehicle and staffing costs in Environmental Services.
- Draw down of £0.036m from the Dacorum Development Reserve to support costs associated with the temporary Head of Strategic Planning post.
- Draw down of £0.052m from the Leisure Reserve to support costs associated with repairs to the Berkhamsted Leisure Centre swimming pool.
- Draw down of £0.075m from the Management of Change Reserve to support costs associated with customer service training for staff.
- Draw down of £0.05m from the Dacorum Development Reserve to support costs associated with civic events.
- Drawn down from the invest to save reserve for roundabout planting- £0.040m
- Drawn down from the invest to save reserve for the parking strategy- £0.025m

8 Housing Revenue Account Position

- 8.1** 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 forecast outturn position for the HRA is shown at Appendix B.
- 8.2** At Q2 2024/25, the HRA is forecasting a balanced position. This is summarised below.

Table 5: Summary Housing Revenue Account Position

Housing Revenue Account	Current Budget £m	Forecast Outturn £m	Variance £m
Income	(71.736)	(72.944)	(1.208)
Expenditure	69.927	71.135	1.208
Net Deficit / (Surplus)	(1.809)	(1.809)	0.000
Transfer to/(from) the HRA working balance and other reserves	1.809	1.809	0
Overall Total	0	0	0

- 8.3** Variances for 2024/25 reported against Housing Revenue Account service areas are outlined below.

8.4 Income

Surplus income of £1.208m is reported at quarter 2. This relates to reduced void rates and income from supported housing charge (total £0.910m). When the budget was created for the supported housing charge, the project was in the early stages of development and a conservative estimate was used as an income target, that is now being exceeded. Non- dwelling charges to tenants and leaseholders are expected to exceed target by £0.100m in total, this is offset by associated expenditure. Investment income is expected to exceed target by £0.200m for the HRA.

8.5 Repairs & Maintenance

A pressure of £0.525m is reported for repairs and maintenance of Council homes. Works relating to damp and mould are giving rise to pressures of £0.750m. This pressure is partly offset by a reduction in expected work relating to Empty Homes and other anticipated underspends.

8.6 Supervision and Management

There is a net staffing pressure within the service of £0.319m relating to interim cover for vacant posts.

The HRA continues to experience a high level of utility costs, a forecast pressure of approximately £0.326m.

It is anticipated that legal cases involving disrepair will be a cost of £0.320m to the HRA in 2024/25. Work is ongoing to profile anticipated costs in current and future years. Additional legal support is required to assist in disrepair claims, forecast at £0.105m. Other compensation from Property Services has contributed a cost of £0.059m.

Continuing the use of consultants for asbestos work has a forecasted cost of £0.184m however, this is partly offset by three vacant asbestos roles in Safe Homes.

There is a reduction in costs associated with the Supporting People budget (£0.112m) which will help support additional resource within the cleaning team.

9. Capital Programme

9.1 Appendix C shows the projected capital 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 2024, plus approved amendments.

The 're-phasing' column refers to projects where expenditure is still expected to be incurred but will now be in 2025/26 rather than 2024/25 ('slippage'), or conversely, where expenditure planned initially for 2025/26 has been incurred in 2024/25 ('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.

All overspends will be monitored closely. Associated supplementary budget requests will be brought to Cabinet to recommend to Council later in the financial year as appropriate.

Table 6- Capital Outturn 2024/25	Current Budget	Re-phasing (To)/from future years	Revised Budget	Forecast Outturn	Variance	
	£m	£m	£0m	£m	£m	%
Finance and Resources	4.139	(0.073)	4.066	4.068	0.001	0.03%
Strategic Planning and Environment	3.861	(0.630)	3.231	3.231	0.000	0.00%
Housing & Community	1.331	0.000	1.331	1.339	0.008	0.58%
GF Total	9.332	(0.703)	8.629	8.638	0.009	0.09%
HRA Total	58.447	1.000	59.447	59.683	0.235	0.40%
Grand Total	67.779	0.297	68.076	68.320	0.244	0.36%

9.2 General Fund Capital Programme

General Fund capital budgets are broadly on budget.

General Fund budgets are reporting slippage of £0.703m. The slippage includes the following items over £100k:

- Verge hardening- £0.455m arising from delays to the programme

9.3 Housing Revenue Account Capital Programme

The HRA is reporting overspends on capital projects of £0.235m. This relates to new housing developments, which has seen significant inflationary increases and additional costs from employer's agents. Planned expenditure on roof works of £1.000m has been brought forward from 2025/26 via accelerated spend.

Supplementary capital budget requests

This following supplementary capital budget request will be presented to Cabinet to recommend to Full Council for approval:

- £630k for the installation of solar panels at Hemel Hempstead Leisure Centre. This work is 100% grant funded.
- £0.245m supplementary capital budget to support inflationary costs associated with the construction of new Council housing developments.

10. Financial implications

10.1 Contained within the body of this report.

11. Legal implications

11.1 There are no direct legal implications arising from this report.

12. Risk implications

12.1 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.

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

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

15 Council infrastructure

15.1 The content of this report sets out the implications of the Council's activities for its financial resources for 2024/25.

16 Conclusions

16.1 The position for 2024/25 is a surplus of £0.645m against Council General Fund budgets. Housing Revenue Account budgets reporting a balanced position.

16.2 There is slippage against the Council's overall Capital Programme of £0.297mm and a forecast overspend of £0.244m