

**Meeting: EXECUTIVE**

Portfolio Area: Resources and Transformation



**Date: 18 July 2023**

## **4th QUARTER REVENUE MONITORING REPORT 2022/23 - GENERAL FUND AND HOUSING REVENUE ACCOUNT**

### **KEY DECISION**

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### **1. PURPOSE**

- 1.1 To update Members on the 2022/23 outturn positions for the General Fund (GF) and Housing Revenue Account (HRA) and to seek approval for revisions to 2023/24 revenue budgets. The revenue spend included within this report is still subject to completion of the 2022/23 audit of accounts.
- 1.2 To update Members on the Council's reserves and balances available to support revenue expenditure.

### **2. RECOMMENDATIONS**

#### **2.1 General Fund**

- 2.1.1 That the 2022/23 actual General Fund net expenditure of £10.423Million be noted, subject to the 2022/23 audit of the Statement of Accounts.
- 2.1.2 That the 2022/23 actual core resources of £9.470Million be noted, subject to the 2022/23 audit of the Statement of Accounts (paragraph 4.4).
- 2.1.3 That carry forward/spend requests totalling £504,650 be approved for the General Fund (paragraph 4.3.1).
- 2.1.4 That the Transfer to reserves of £0.696Million be approved for the General Fund (paragraph 4.7.2).
- 2.1.5 That the changes to the 2023/24 General Fund budget savings totalling £95,000 be approved for the General Fund (section 4.6).

- 2.1.6 That the changes to the 2023/24 General Fund budget to reflect the additional cost associated with the Shared Revenue and Benefits service of £89,000 and adjustment to NDR Levy of £51,000 be approved for the General Fund (section 4.6)
- 2.1.7 That Members note the inflationary pressures outlined in paragraph 4.6.4 and 4.6.5.
- 2.1.8 To approve drawdown of £272K from reserves to fund Revenue Contribution to Capital within the amount included in the GF working budget, (paragraph 4.6.2)
- 2.1.9 That delegated authority is given to the Strategic Director (CFO), following consultation with the Portfolio Holder for Resources and Transformation, to appoint the Council's insurers, following the completion of the tendering exercise (paragraph 4.8).

## **2.2 Housing Revenue Account**

- 2.2.1 That the 2022/23 actual in year HRA deficit of £469,241 be noted, subject to the audit of the Statement of Accounts.
- 2.2.2 That new carry forward requests totalling £922,000 and an ongoing budget saving of £6,300 be approved for the HRA (paragraph 4.13.1).
- 2.2.3 That the Transfer to reserves of £17.244Million be approved for the HRA (paragraph 4.15.2).

## **3. BACKGROUND**

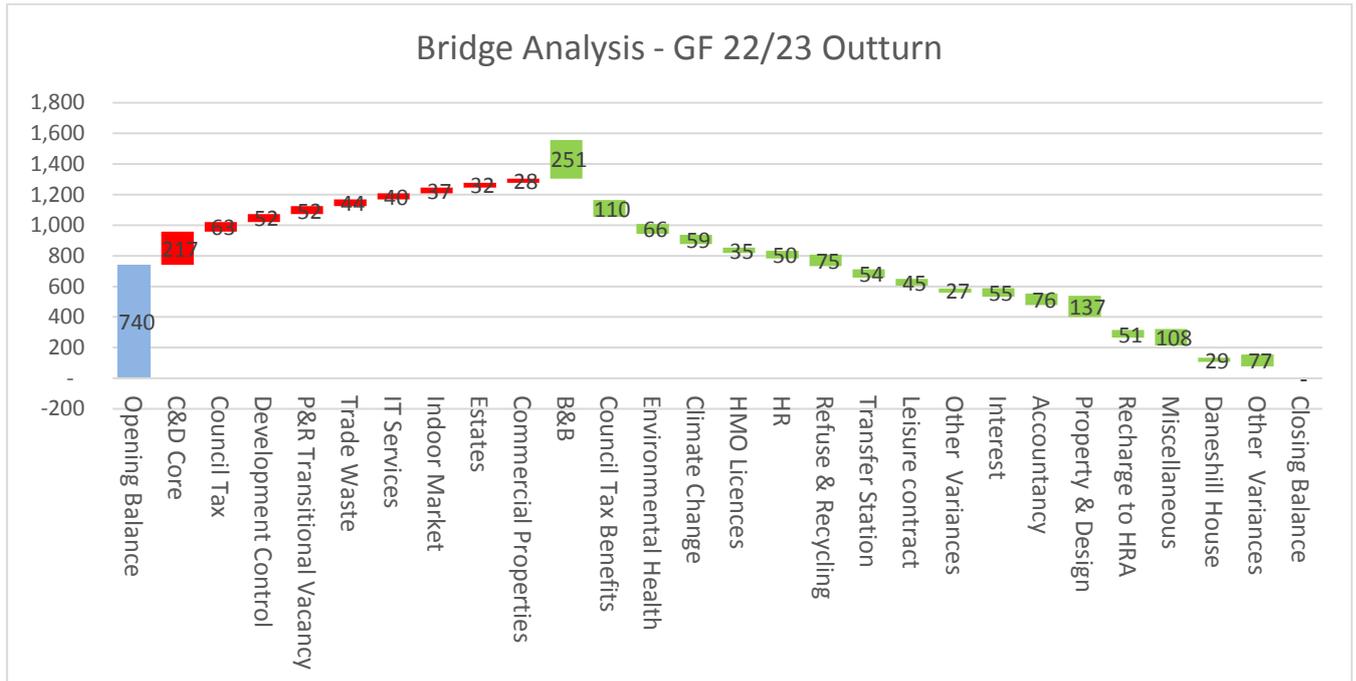
- 3.1.1 The General Fund working revenue budget of £11.164Million was approved by Members at the March 2023 Executive, as part of the Quarter 3 monitoring report.
- 3.1.2 The HRA working revenue budget of £987,320 (deficit) was approved by Members at the March 2023 Executive, as part of the Quarter 3 monitoring report.
- 3.1.3 The Accounts and Audit Regulations contain provisions on financial management, annual accounts and audit procedures. Within the amended regulations there is no requirement for Member approval of the Statement of Accounts prior to the completion of the external audit and only the Responsible Financial Officer is required to certify the presentation of the pre audit annual accounts.
- 3.1.4 In January 2021, the Government consulted on amendments to the Accounts and Audit Regulations 2015 to implement recommendations, to extend the deadline for publishing audited local authority accounts to 30 September from 31 July. The deadline was extended for two years from 2021/22. These regulations came into force on 31 March 2021. The Council currently has the 2020/21 and 2021/22 financial years awaiting to be audited as a result of the well-publicised issues associated with external audit backlogs in local government. The 2019/20 accounts were signed off and published on the 28 April 2023.
- 3.1.5 The publication of the draft statement of accounts for the year ended 31st March 2023 which by legislation is required to be published by 31 May is being delayed due to an outstanding pension valuation report.

#### 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

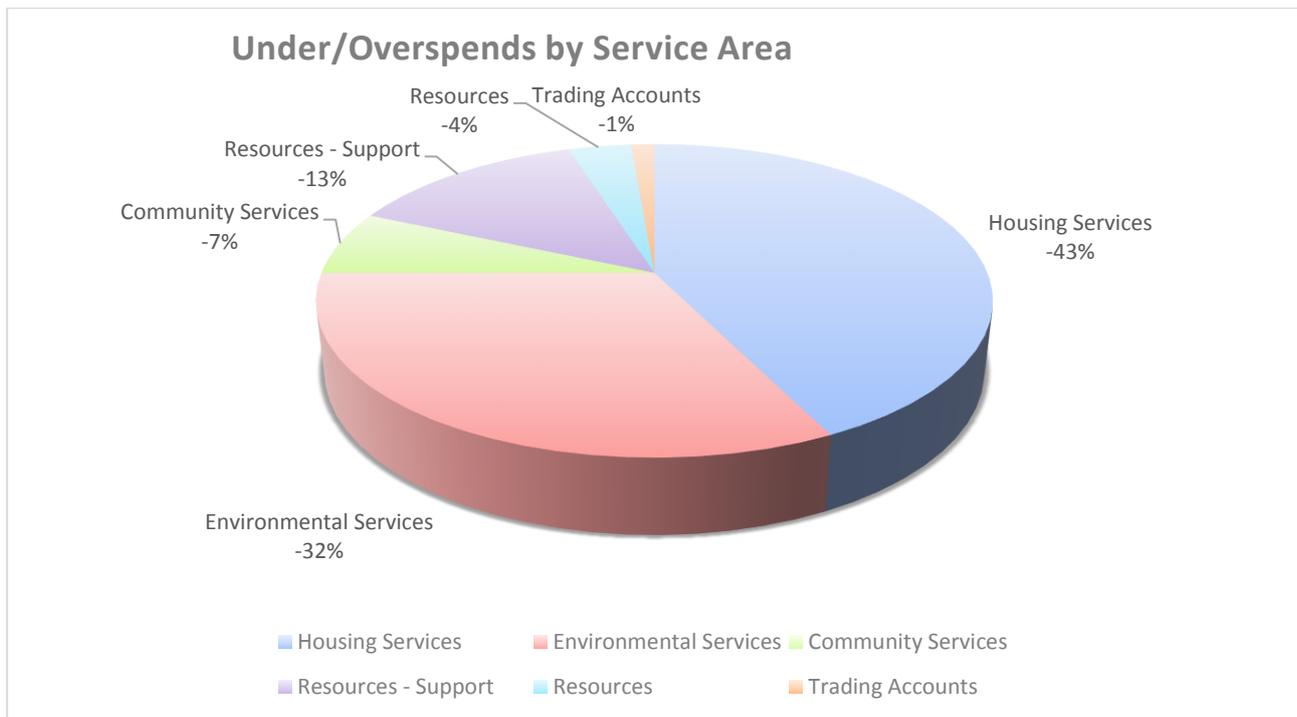
##### 4.1 General Fund 2022/23 outturn

4.1.1 The 2022/23 Services Net Expenditure on the General Fund was £10.423Million, compared to a budget of £11.164Million. The in-year underspend (before the consideration of any carry forward requests), was £740K and net of carry forwards £156K.

4.1.2 The over and underspends versus working budget for General Fund is summarised in the bridge analysis below.



4.1.3 The percentages of over and underspends split by the Service areas are shown in the pie chart below.



4.1.4 The table below represents the monetary value of under or overspends with identified potential ongoing versus one off underspends across Service areas of responsibilities. The underspend related to in part changes to the 2022/23 made in year (£113K or 15%) and not in the base budget. A further 25% or £185K is underspends relating to budgets already reduced as part of the 2023/24 budget setting process and 26% as a result of budgets committed but not yet spent and requested for carry forward.

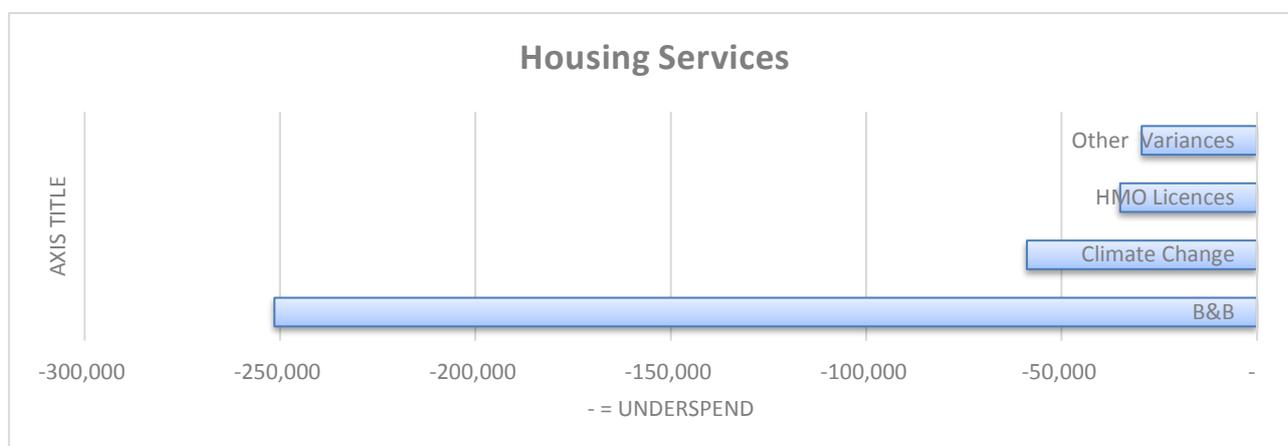
	True Under/Overspends	In Year Increase Budget	Potential Reduction /Increase in Budget for 23/24	Budget Already Reduced in 23/24	Carry Forward	One Off 22/23 Budgets
<b>Housing Services</b>	(315,920)			(185,000)	(35,000)	(95,920)
<b>Environmental Services</b>	(239,145)	(78,000)			(69,000)	(92,145)
<b>Community Services</b>	(49,069)					(49,069)
<b>Resources - Support</b>	(99,934)		(29,000)			(70,934)
<b>Resources</b>	(26,426)		(66,000)		(58,300)	97,874
<b>Trading Accounts</b>	(9,783)	(35,000)			(29,000)	54,217
	<b>(740,277)</b>	<b>(113,000)</b>	<b>(95,000)</b>	<b>(185,000)</b>	<b>(191,300)</b>	<b>(155,977)</b>

## 4.2 Analysis of significant underspends

4.2.1 **Housing Services** contributions to total net underspend was £316K. However, £185K for Bed and Breakfast (B&B) costs had already been reduced following the Councils work to minimise the use of B&B accommodation and this was adjusted in 2023/24 budget setting process. In addition, a carry forward of £35K (section 4.3

for details) has been requested, this would leave a net variance of £96K as one off in year underspends.

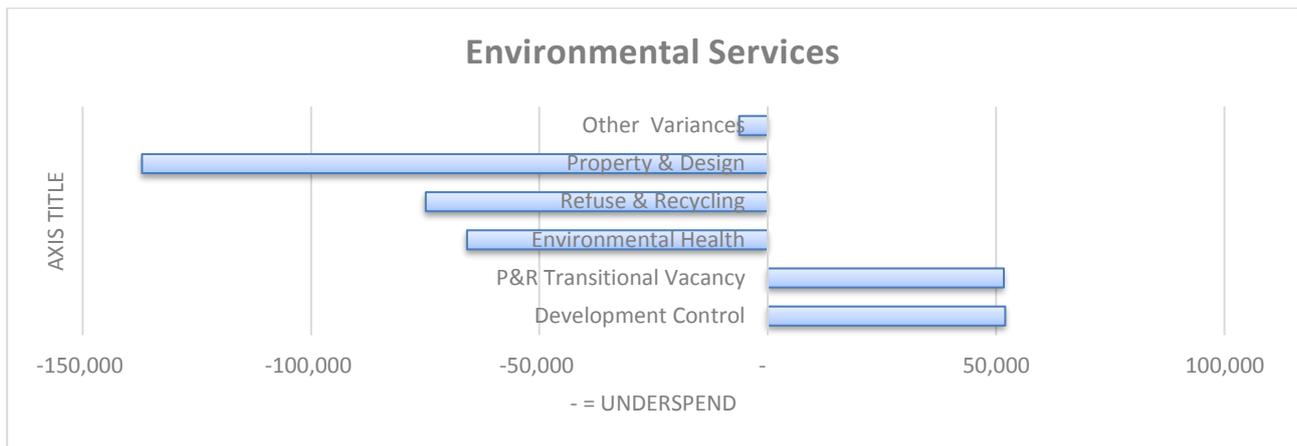
4.2.2 Table below represents a breakdown of the key variances contributing to the £316K.



4.2.3 The reasons for these variances are given below:

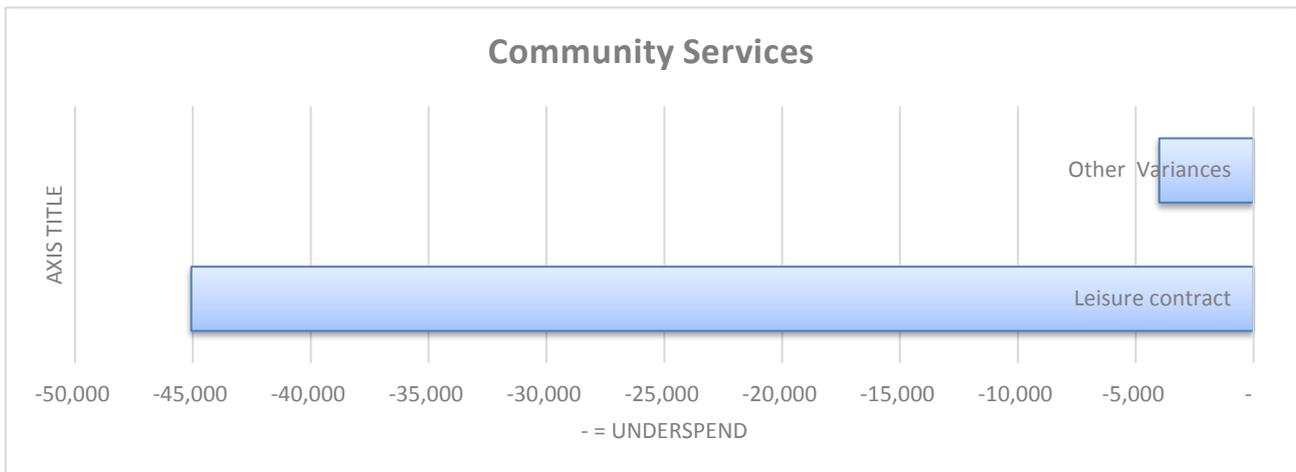
- **House in Multiple Occupation (HMO) licences** – the underspend of £35K resulted through additional income received in year and from consultant fees being lower than budgeted. A carry forward of £35K been requested see detail in paragraph 4.3.
- **Climate Change** had one off underspends (£59K) in the year due to timing of staffing appointments.
- **B&B** costs have seen a significant reduction following Council decision to use existing housing stock accommodation which has resulted in a reduction in costs of £251K for the year. A £185K reduction in budget for the original 2023/24 has already been taken and a review to ascertain, whether any further savings could be achieved in 2023/24 and beyond is underway.
- **Other Variances** – a combination of small underspends across the remaining services.

4.2.4 **Environmental Services** shows a net underspend of £239K. Of this, £78K was because of an increase in budget during the year to support the staffing pressure within Refuse and Recycling. However, following management action the service required less of the additional budget required. A carry forward of £69K (section 4.3 for details) been requested, this would leave a net variance of £92K as one off in year underspends. The breakdown of this is shown in the table below:



- **Property & Design** services shows an underspend of £137K predominantly due to the turnover of staff during the year.
- **Refuse & Recycling** had an increase in working budget of £239K based on estimated costs required to cover resourcing issues. The outturn position showed an improvement in staffing, which resulted in £78K of the additional budget unused.
- **Environmental Health** reported an underspend of £66K. This was as a result of additional COMF funding being used.
- **Planning and Regulatory** reported £52K adverse variance against Transitional Vacancy, the amount the Council assumes will not be spent on salaries due to staff turnover, however, additional staffing requirements during the year were needed to manage an increase in workload.
- **Development Control** saw underachievement of income by £52K due to timing of when fees came in. The working budget (£755K) was estimated based on the pipeline of work (Original Budget was £413K). The increase to the 2022/23 budget will be achieved in 2023/24.
- **Other Variances** – a combination of small underspends across the remaining services.

4.2.5 **Community Services** reported £49K underspend for the year. This predominately (£45K) related to a proportion of unused budget set aside for the new leisure contract procurement costs.



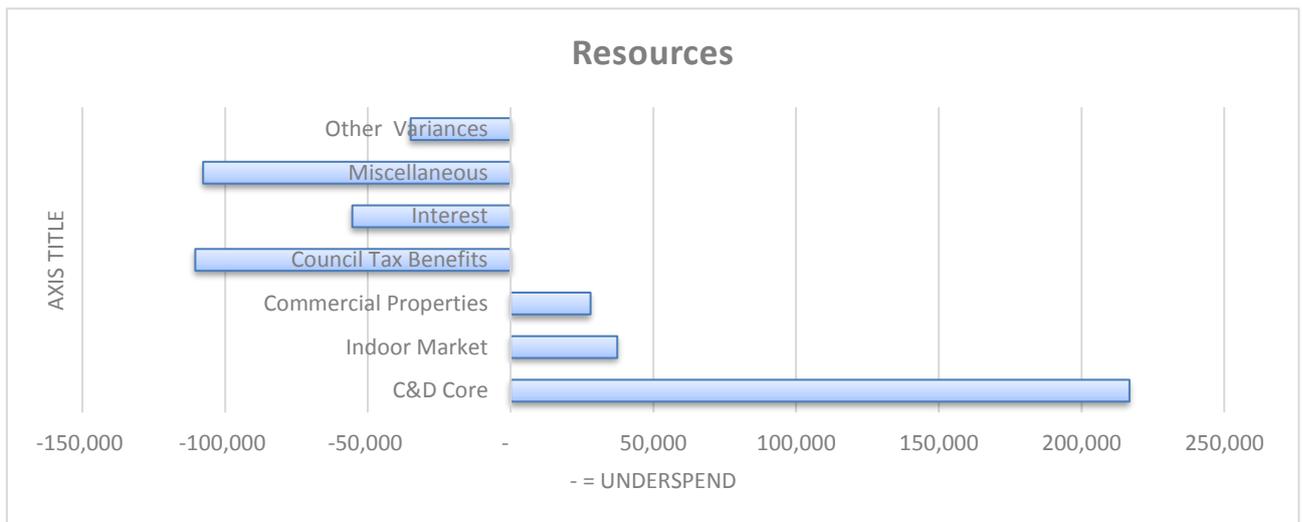
4.2.6 **Resources - Support** contribution to the total underspend was £100K. Of this, £29K will be ongoing savings that can be built into the working budget for 2023/24 and beyond in relation to additional income at Daneshill. This leaves a net variance (one-off) underspend of £71K. The breakdown of the underspend is given below:



- **Other Variances** – a combination of small underspends across the remaining services.
- **Daneshill House** - Commercial income was £29K higher than the original budget. This will be built into the working budget for 2023/24 and contribute to the Council’s Making Your Money Count (MYMC) savings target for 2024/25.
- There was additional **recharge to HRA** of £51K following the increase in utilities and other running costs of services, that meant there was higher proportion recharged to HRA.
- **Accountancy** had high number of vacancies throughout the year resulting in a net underspend of £76K.

- **HR** carried some vacancies throughout the year which resulted in an underspend of £50K.
- **Estates** adverse variance (£32K) resulted from additional agency costs to cover vacancies during the year required to support the Council’s commercial premises.
- **IT services** incurred one off costs for software upgrades and additional staffing which caused an adverse variance of £40K for the year.
- **Council Tax** had an underspend against the budgeted income for legal fees and summons of £63K. Recovery of council tax debt was impacted due to the need to facilitate the distribution of Government grants in relation to cost of living.

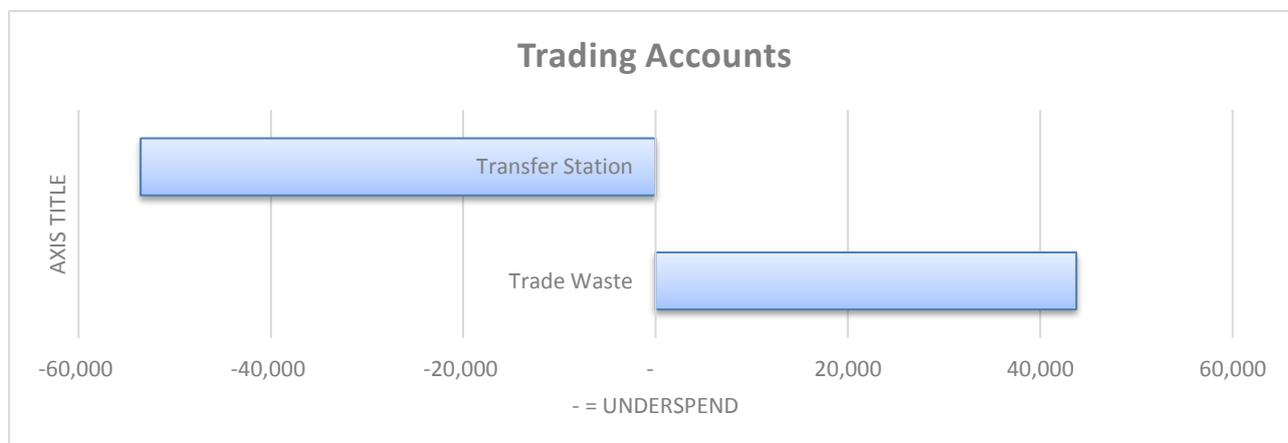
4.2.7 **Resources** reported an underspend of £26K. Of this, £66K will be built into the 2023/24 working budget and the MYMC 2024/24 savings target from increase in Commercial Property rents. The carry forward request for this service was £58K (section 4.3 for details). This leaves an adverse one-off variance of £98K. The detailed analysis is provided below:



- **Miscellaneous** – There was late receipt of Government Grants of £52K (for a number of new burdens £31K, and Levy Account Surplus Grant - £21K) and budgeted Covid spend not required (carry forward from 2021/22).
- Additional **Interest** received (£55K) from Council investments due to the increase in the bank rate during the year where bank rate started the year at 0.5% and ended at 4.25%
- **Council Tax Benefits**. There was £103K of New Burdens funding received in March 2023 for Council Tax Rebates Final Assessment. There is a carry forward request into new financial year of £20K (section 4.3).

- **Commercial Properties** reported adverse variance by £28K for the year. This is because of £80K of additional cost for Bus Interchange (the council is reviewing these costs and are looking to recovery a share back from the bus operators, which would then change the outturn position), which was offset by additional income from Commercial Property rents of £66K.
- **Indoor Market** has seen an increase in utility costs of £12K compared to working budget. A review is being carried out on energy costs for Indoor Market with potential options on reducing usage into future years.
- **C&D (Corporate & Democratic) core** – the adverse variance of £217K predominately resulted from anticipated additional external audit fees (£185K). Fees are always reviewed by the CFO and challenged before any bills are paid. This is an issue across the sector.
- **Other Variances** – a combination of small underspends across the remaining services.

4.2.8 **Trading Accounts** reported £10K net underspend. However, £35K for repairs was a 2021/22 carry forward into 2022/23 and was not needed as this works was capitalised. A carry forward of £29K (see section 4.3 for details) for the transfer station been requested, this would leave a net adverse variance of £54K. A breakdown of the service is below.



- The underspend on **Transfer Station** of £54K predominately related to a carry forward budget (£35K) into 2022/23 for repair works. This was not required during the year, as the costs were capitalised.
- Adverse variance on **Trade Waste** income of £44K was as a result of delays in implementing the total waste solutions business case. There was £54K savings attached to this business case which was not achieved in 2022/23, which is being reviewed in 2023/24.

### 4.3 Carry Forwards

4.3.1 A table of carry forwards/spend requested for approval by Members is shown below and total £505K. The carry forwards requests equate to £191K and spend requests of £313K.

Service Area	Carry Forward/Spend Requests	£
Local Elections	Request to fund the AV improvement works (Webcasting System in the Council Chamber and Committee rooms)	£21,000
Civic Links	To assist fund the Town Twinning event when SBC next host it in 2024	£14,000
Property	To fund the fixed term Garage Asbestos Surveyor	£57,000
Revs & Bens	Unspent Grant to be carried forward	£20,000
HMO Licences	To carry out property inspections	£35,000
Green Travel Plan	To build additional bike hangars	£5,500
Indoor Market	Renovation of indoor market	£3,300
Amenity Woodlands	Unspent Grant for tree planting to be carried forward	£1,800
TRF Station	For retrofitting pay by weight equipment on trade waste vehicle	£29,000
Parking	Implementation costs for on street parking extended hours	£4,700
	<b>TOTAL Carry Forwards</b>	<b>£191,300</b>
Sports Development	To fund the Sports Development project in 23/24	£4,000
Corporate Policy	Extension of Fixed term contract for April 2023	£12,000
HR	To cover consultancy costs (Zellis) for system development works and additional MF costs	£22,000
Estates	To fund Interim Estates Manager	£85,000
Environmental Health	To fund continuation of additional lettings officer	£60,350
Garages	To fund Garage Liaison Officer and to cover disturbance payments to garage licence holders	£130,000
	<b>TOTAL Spend Requests</b>	<b>£313,350</b>

### 4.4 General Fund Core Resources

4.4.1 The budgeted level of Core Funding for 2022/23 (as detailed in the table below), was £9.436Million; the total amount recognised in the 2022/23 pre-audited accounts is £9.470Million, a surplus of £34K.

Core Resources	2022/23 working Budget	2022/23 Outturn	Variance
	£	£	£
Business Rates net of tariff (note 1)	(£2,261,693)	(£2,256,337)	£5,356
Business Rates Levy (note 2)	£1,187,943	£1,534,176	£346,233
Business Rates Collection Fund Surplus/(Deficit) 2020/21 (note 3)	£3,888,119	£3,888,119	£0
Business Rates Collection Fund (Surplus)/Deficit pre - 2020/22	(£142,995)	(£142,995)	£0
Net transfer from S31 NNDR reserve	(£3,622,421)	(£3,622,421)	£0
Section 31 Grant	(£1,822,920)	(£2,208,120)	(£385,200)
Council Tax Collection Fund (Surplus)/Deficit	(£50,090)	(£50,090)	£0
Council Tax SBC Precept	(£6,316,793)	(£6,316,793)	£0
Council Tax Support Grant (finance Settlement)	(£177,337)	(£177,337)	£0
Lower Tier Grant (Finance settlement)	(£117,682)	(£117,682)	£0
Total Core Funding Position	(£9,435,780)	(£9,469,478)	(£33,698)

4.4.2 The reasons for the variances are given below:

- Note 1- Business Rates – The amount of business rates in the General Fund is fixed at the point the budget was approved in February 2022 and was included in the NNDR1 return to Government. Any variance from this amount is accounted for in future years. The small variance related to movement in cost of collection for Business Rates.
- Note 2-Business Rates Levy – The amount of levy payable in 2022/23 is higher than budgeted as the actual business rates income received was higher in the year and this needs to be accounted for in the year.
- Note 3-Section 31 Grant – The amount of Section 31 grant received was higher than the working budget. This is based on actuals for the year and is what the Government needs to compensate councils for, for decisions made nationally around giving reliefs to businesses.

#### 4.5 **2022/23 General Fund Budget**

4.5.1 The outturn position for the General Fund budget is summarised in the table below and will be incorporated in the next General Fund Medium Term Financial Strategy (MTFS) update.

General Fund Outturn Position	2022/23 Working Budget	2022/23 Outturn	Variance
	£	£	£
Services Net Expenditure	£11,163,610	£10,423,336	(£740,274)
Core Resources (including TIG)	(£9,435,780)	(£9,469,478)	(£33,698)
General Fund Outturn Position	<b>£1,727,830</b>	<b>£953,857</b>	<b>(£773,973)</b>
Balance Brought Forward	(£6,907,501)	(£6,907,501)	£0
Use of balances	£1,727,830	£953,857	(£773,973)
Balance Carried Forward	<b>(£5,179,671)</b>	<b>(£5,953,643)</b>	<b>(£773,973)</b>

#### 4.6 Impact on 2023/24 General Fund Budget

4.6.1 There was an underspend to the working budget for Revenue contribution to Capital (RCCO) and this is required in 2023/24 for the following schemes from allocated reserves, where there was a corresponding underspend in reserves:

- Asset Management system £10K;
- Play areas £242K;
- Vehicles £20K.

4.6.2 There are also some identified savings as reported above which have arisen from a review of the 2022/23 outturn, and some new pressures which are recommended for inclusion in the 2023/24 working budget. These are listed below.

Service Area	2023/24 budget impacts	
Commercial properties	Increase in commercial income due 2023/24	(£66,000)
Daneshill House	Increase in commercial rent due 2023/24	(£29,000)
<b>Total savings</b>		<b>(£95,000)</b>
Shared Revenues and Benefits service	Increase in costs due to inflationary pressure on the service	£88,655
<b>Total pressure</b>		<b>£88,655</b>

4.6.3 The 2023/24 General Fund working budget is now projected to be as shown below.

<b>Core Resources</b>	<b>2023/24 Original Budget £'000</b>	<b>2023/24 Working Budget £'0000</b>
<b>Net Expenditure:</b>		
<b>Original Budget</b>	£12,464	£12,464
Q3 Adjustments		£12
NEW Increase inflation on Revs and Bens		£89
Carry Forwards and spend requests		£505
New savings identified		(£95)
<b>Net Expenditure</b>	<b>£12,464</b>	<b>£12,974</b>
<b>Core Resources:</b>		
Government Support - Retained Business Rates (NDR)	(£1,441)	* (£1,390)
S31 Grants	(£2,233)	(£2,233)
Transfer to/from Collection Fund reserve (NDR)	(£1,448)	(£1,448)
Transfer to/from Collection Fund (Ctax)	(£46)	(£46)
3 % guarantee grant	(£79)	(£79)
Service Grant	(£104)	(£104)
District Precept	(£6,541)	(£6,541)
Total Core Resources	(£11,892)	(£11,841)
<b>Use of General Fund Balances</b>	<b>£572</b>	<b>£1,133</b>
<b>General Fund Balance:</b>		
Balance 1 April	(£4,975)	(£5,954)
Use of Balances in Year	£572	£1,133
General Fund Balance 31 March	(£4,403)	(£4,821)

\* Members should note that an adjustment of £51,026 been made to the NDR levy payment to Central Government

4.6.4 The current pay award for 2023/24 is still being negotiated between the unions and employers. The latest offer was the same as 2022/23 of £1,925 per employee which would represent an average 5% across the board against an original budget of 3%. Chief Officers pay has been agreed at 3.5% (0.5% over the original budget for 2023/24). This would currently represent an extra pressure in the region of £380K for 2023/24, this has not been updated in the working budget, until an agreement is confirmed.

4.6.5 Due to the higher levels of inflation being experienced for longer it is likely that the Council's inflationary pressures will increase. The impact of higher inflation on 2023/24 budget as well as increases in interest rates will be undertaken as part of the Quarter 1 Monitor.

## 4.7 Reserves

4.7.1 Allocated Reserves - Some balances are 'ring fenced' and have been set aside for specific purposes. The total value of allocated reserves available for the Council to spend at 31 March 2023 is £5.5Million.

4.7.2 The reserve balances may seem a significant sum but are held for specific purposes, some of which are set out below. These mean they are not available to fund General Fund expenditure with the exception of NDR gains and the income equalisation reserve.

- £1.059Million required to fund the holding costs of assets due for Town Square *(note 1)*
- £656K of NNDR reserves relates to gains generated from previous years *(note 2)*
- £714K to fund the Councils Transformation ambitions and to support the 'Making Your Money Count' priority *(note 3)*
- £429K grant funding ring fenced for homeless and rough sleeper initiatives *(note 4)*
- £750K of Future Council's reserve relates to a new pilot scheme by the Department for Levelling Up, Housing and Communities (DLUHC) in Autumn 2022 to work with a group of eight councils to test and iterate a new approach to help local authorities become more modern and resilient.

Reserves	Opening 2022/23	Use	Closing 2022/23	Use	Closing 2023/24
NHB reserve	(£479)	£227	(£253)	£243	(£10)
Transformation Reserve <i>note 3</i>	(£506)	(£208)	(£714)	£714	£0
Homeless reserve <i>note 4</i>	(£544)	£116	(£429)	£0	(£429)
Planning Delivery	(£62)	(£103)	(£165)	£0	(£165)
Queensway Car Park monies	(£39)	(£39)	(£79)	(£43)	(£122)
Town square reserve <i>note 1</i>	(£649)	(£409)	(£1,059)	£63	(£996)
Regeneration Reserve	(£380)	£116	(£264)	£68	(£196)
Insurance reserve	(£65)	(£13)	(£78)	£10	(£68)
ICT reserve	(£316)	(£11)	(£327)	£0	(£327)
Town centre	(£42)	£30	(£12)	£0	(£12)
Leisure reserve	(£363)	£213	(£150)	£0	(£150)
Commercial Property repair reserve	(£41)	£0	(£41)	£0	(£41)
Capital reserve	(£44)	£24	(£20)	£20	£0
<b>New</b> Future Councils reserve <i>note 5</i>	£0	(£750)	(£750)	£0	(£750)
<b>New</b> Asylum seekers reserve	£0	(£50)	(£50)	£0	(£50)
<b>New</b> Stevenage works	£0	£0	(£53)	£0	(£53)
<b>Total Allocated for use</b>	<b>(£3,532)</b>	<b>(£857)</b>	<b>(£4,443)</b>	<b>£1,075</b>	<b>(£3,367)</b>
Income equalisation Reserve	(£258)	(£200)	(£458)	£50	(£408)
Gains (NNDR) <i>note 2</i>	(£1,017)	£362	(£656)	(£1,568)	(£2,224)
Total Available to support the GF	<b>(£1,275)</b>	<b>£162</b>	<b>(£1,114)</b>	<b>(£1,518)</b>	<b>(£2,632)</b>
<b>Total allocated reserves</b>	<b>(£4,808)</b>	<b>(£696)</b>	<b>(£5,556)</b>	<b>(£443)</b>	<b>(£6,000)</b>

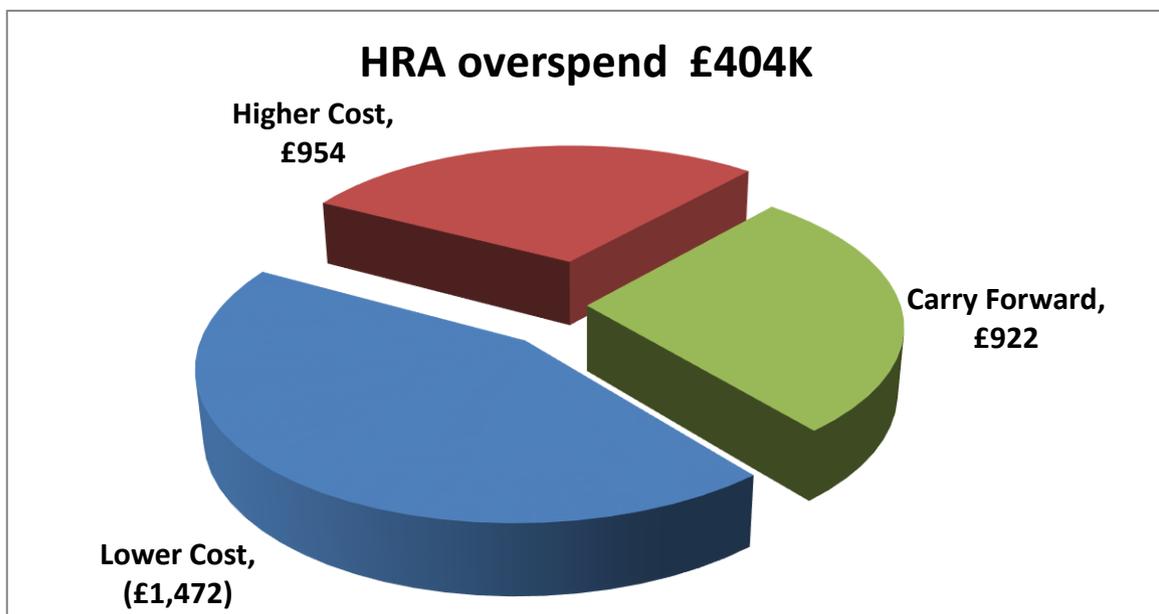
## 4.8 Insurance tender

4.8.1 The Councils main insurance contracts expire on 30 September 2023 and is currently being procured. A request for delegated authority to the Strategic Director (CFO) is required due to the timing of the procurement, does not fit with the executive timetable.

4.8.2 The contracts will be for a period of three years with an option to extend for a further 12 months and then a further 12 months (3+1+1 years).

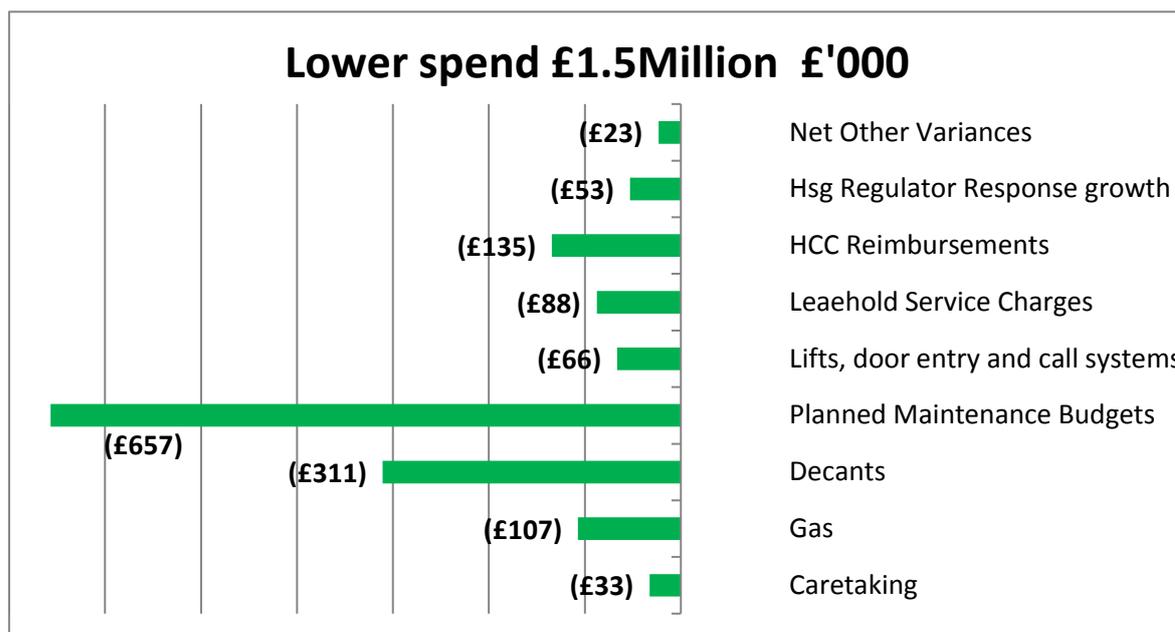
## 4.9 Housing Revenue Account (HRA)

4.9.1 The 2022/23 outturn position on the HRA was an in-year deficit of £469,241, a £518,079 decrease from the working budgeted deficit of £987,320. However, allowing for carry forward requests of £922K, there is an underlying overspend of £404K. The main variances to the working budget are highlighted below.



## 4.10 Lower HRA Costs than budgeted for

4.10.1 There were underspends of £1.472Million which are listed in the chart, together with explanations that are detailed below.

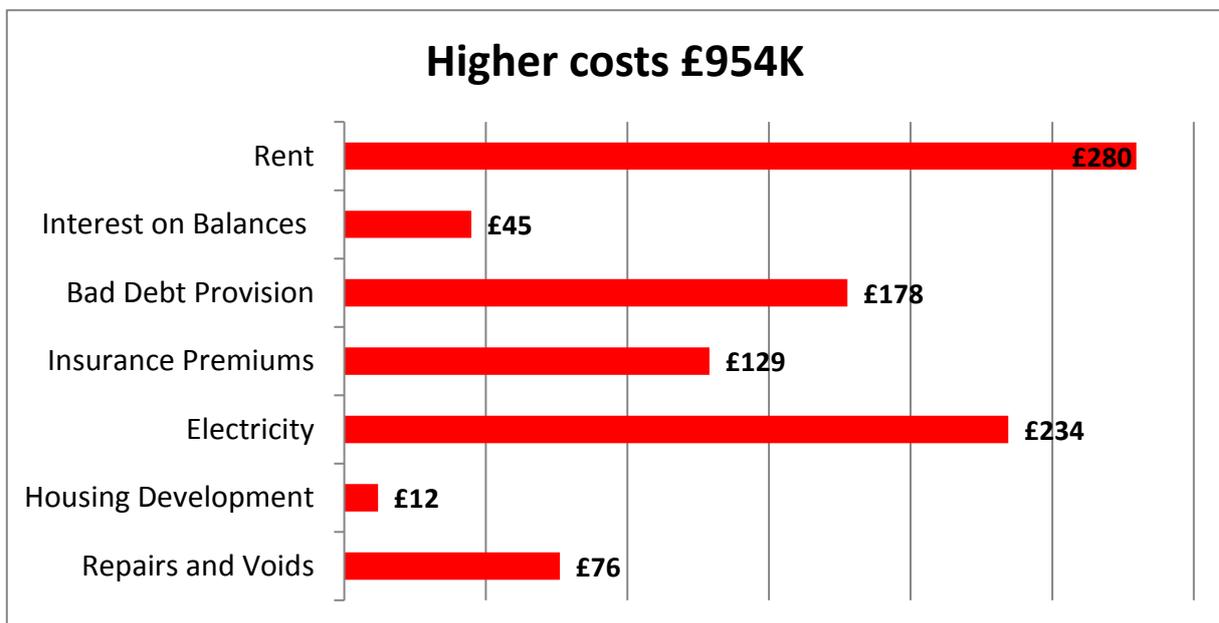


- 4.10.2 **Caretaking Costs £33K** - Savings on employee costs and increased ad-hoc work income, combined to give a saving on the service of £33K for the year.
- 4.10.3 **Gas Costs £107K** – The final gas bills came in lower than the revised estimate of £736K and is linked to lower usage than anticipated in the last estimate, made for the quarter 3 report. The highest gas usage occurs in the last months of the year, making this area difficult to predict. Due to the recent very high increases and their impact on customers with communal heating, this area and the charges linked to it are under regular review for 2023/24.
- 4.10.4 **Decant Budget - £311K** – a large decant budget to enable customers to be moved to new accommodation for redevelopment has been included in the HRA budget for some time. Due to the timing of those developments and opportunities to leave property vacant when existing tenancies end, this has not had to be utilised to date. However, a carry forward request has been made of £170K that has been specifically identified for current schemes and will be required in 2023/24. The remaining budget will return to HRA balances and any future developments requiring this provision will be brought forward when they are identified.
- 4.10.5 **Planned Maintenance Budgets £657K** - in recent years considerably more resource has been allocated in the budget to deal with issues like building safety regulations, cyclical repairs, electrical testing and backlogs like fencing. Unfortunately procuring and scheduling these works has taken some time and has led to a large underspend on the budget in 2022/23. However, this has been offset by carry forward requests on specific schemes listed in paragraph 4.13.1 below.
- 4.10.6 **Lifts Door Entry and Call Systems £66K** – many of the items usually covered by this budget have benefitted from the work being carried out in the Major Repairs programme to flat blocks. This has led to a saving in year, but maintenance costs for vandalism and general repairs are expected to return to normal level once the programme is complete.

- 4.10.7 **Leasehold Service Charges £87K** - there was a combined increase in service charges of £87K for the year and this was a combination of the estimated charges for 2022/23 and any actual adjustment to the prior year. However, these charges are based on cost recovery and will net off against actual expenditure in the HRA.
- 4.10.8 **Herts County Council Reimbursements £135K** – reimbursements from the Government, but managed by Herts County Council, for ongoing post pandemic measures were higher than initially anticipated. This money has helped in offsetting additional costs, at independent living schemes, that the Council had already budgeted to minimise infections and safeguard customers.
- 4.10.9 **New Housing Regulation £53K** – a growth item of £100K was included in the budget to meet initial costs related to the implementation of new housing regulations from the Governments white paper. This is still a developing area and is likely to need further resource in coming HAR budgets, but the full amount was not spent in last year. However, there are carry forward requests that offset this saving included in paragraph 4.13.1 below.
- 4.10.10 **Other underspends £23K** – There were net other under spends on the account of £23K that have not been reported in detail here.

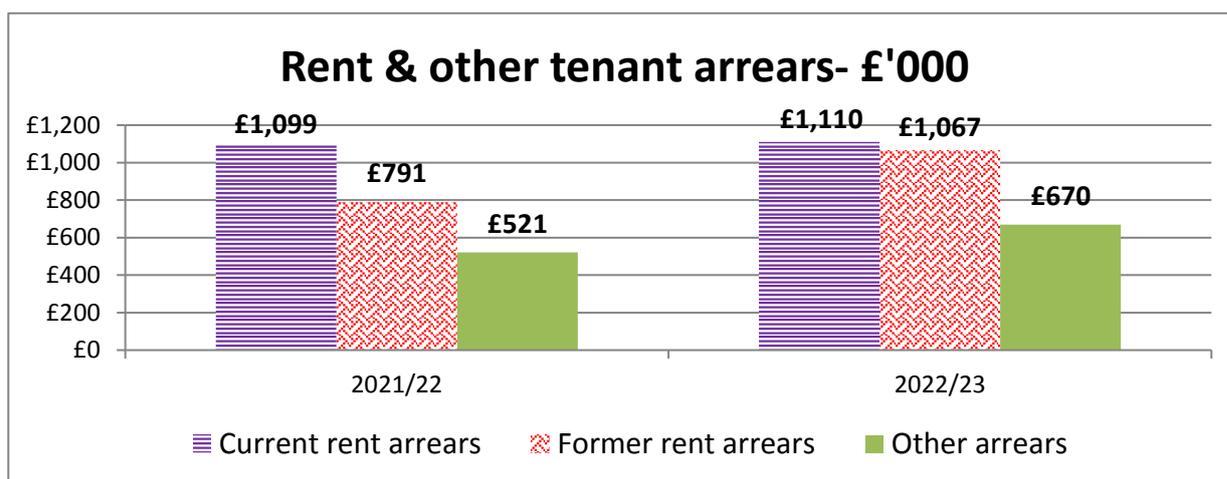
#### 4.11 Higher Costs/Lower income than budgeted for

- 4.11.1 There were higher costs of £954K which are summarised below together with explanations.



- 4.11.2 **Repairs and Voids Costs £76K** – These budgets were slightly above the quarter 3 estimate and are detailed at paragraph 4.12 below.
- 4.11.3 **Housing Development £12K** – As the Housing Development Team has been concentrating on Council schemes, like the Kenilworth development, there has been limited scope to earn fees from other providers for collaborative works, as has been the case in the past. This has led to a small net overspend on the account for the year.

- 4.11.4 **Electricity Costs £234K** – like gas supply, the prices for electricity rose dramatically in the last financial year and had to be recalculated many times. Like gas costs this area is now under increased scrutiny, with additional resources put in to monitoring billing and attempting to minimise costs for customers.
- 4.11.5 **Insurance Premiums £129K** – These premiums are apportioned centrally between the HRA and the General Fund at the end of the year, based on a number of factors, including any increased costs from the insurance companies. The final allocations were higher than estimated and any ongoing impact from these costs will be investigated for 2023/24.
- 4.11.6 **Bad Debt Provision £178K** - a provision is held in the accounts based on the level and type of outstanding debt in the HRA. This mainly relates to rent arrears and a higher provision is allowed for former tenants, where it is normally more difficult to recover outstanding amounts. Current tenant arrears were fairly stable through the year, only increasing by £45K to £1.5Million. However, former tenant arrears rose by £390K, to £1.4Million and these are provided for at a higher percentage. This has led to an increase in the provision of £402K. The total provision now stands at £1.8Million but will only be used if the amounts are deemed to be irrecoverable and are written off.



- 4.11.7 **Interest on Balances £45K** – from the start of the year the budget for expected income earned on balances rose from £278K to £948K. This was due to the increase in base rates by the Bank of England, in response to current inflation levels. At the end of the year a final allocation of interest between the HRA and the GF is made based on balances held and this was slightly lower than the quarter 3 estimate.

## 4.12 Repairs and Voids Service Financial Performance

- 4.12.1 Overall the repairs and voids service had a net overspend to the working budget of £76K for the year, made up of the following variances.
- 4.12.2 **Income £135K** - although income levels are up by around 30% on 2021/22, the outturn for the year still fell short of the working budget set at Q3. This was mainly due to the shortfall in expected void income as a lower number were completed under new contract arrangements than originally projected.

- 4.12.3 **Operative Direct Costs £34K** - agency costs were slightly higher than forecast in the last quarter, partly to cover short term absences.
- 4.12.4 **Cost of Sales (£71K)** – there were lower overall expected cost of subcontractors than forecast, mainly due to the shortfall in void jobs completed, outlined at 4.12.2. However, the saving in subcontractor costs was smaller than the income lost on the uncompleted works.
- 4.12.5 **Indirect Staff Costs £2K** – minor variances to the working budget.
- 4.12.6 **Direct Overheads £75K**- higher overall central recharges contributed towards the negative variance compared to the working budget.
- 4.12.7 The variances above gave an increase in the trading deficit of £175K, but this was offset by savings on the HRA work budgets, mainly resulting from the lower level of completed jobs, set out in 4.12.2, of £99K. This gave a net overspend of £76K for the service in 2022/23.

#### 4.13 Carry Forwards and Savings

- 4.13.1 As part of Quarter 4 monitoring, carry forwards of £922K and an ongoing saving of £6,300 have been identified and listed below.

Service Area	Carry Forward Requests	Carry Forward Value £
Decant Budget	Due to the timing of providing new accommodation to enable re-development schemes a request to carry forward £170,000 has been made.	£170,000
New Housing Regulation	It is requested that the budget underspend is carried forward to complete 3 ongoing projects from this one-off growth.	£53,000
Building Safety	This is a time limited budget within the HRA BP and it is requested to c/f the unspent money to cover planned works.	£500,000
Damp and Condensation	This work area has been heavily revised in response to latest Government and regulator directives, but due to timing of spend it is requested that the underspend is carried forward to complete works in 23/24	£120,000
Fencing	Due to the timing of initiating a work programme for fencing, it is requested that the underspend is carried forward to fund the ongoing programme.	£79,000
<b>Total</b>		<b>922,000</b>

- 4.13.2 The ongoing saving of £6,300 relates to the HRA's share of reduced costs for Daneshill House offices, detailed at 4.2.6 above.

#### 4.14 2022/23 – HRA Out-turn Position

4.14.1 The 2022/23 outturn position on the HRA included in this report and its impact on reserves are summarised in the table below.

HRA Reserves £'000	2022/23 Original Budget	2022/23 Working Budget	2022/23 Actual	Variance to Working
<b>HRA Balance 1 April</b>	<b>(£28,145)</b>	<b>(£28,145)</b>	<b>(£28,145)</b>	<b>£0</b>
In Year (Surplus) / Deficit	(£1,956)	£987	£469	(£518)
<b>HRA Balance 31 March</b>	<b>(£30,101)</b>	<b>(£27,158)</b>	<b>(£27,676)</b>	<b>(£,518)</b>

4.14.2 The current HRA business plan projects that significant revenue balances are needed to allow for the future repayment of borrowing. For 2022/23 the plan anticipated retained balances of £30.8Million held for meeting debt and other obligations. Due to the changes to the budget, during 2022/23, balances are now significantly lower than these levels and this will need to be addressed in the revised business plan for 2024/25.

4.14.3 To show the underlying HRA position more clearly in the accounts, £17.2Million is recommended to be has been transferred to a debt repayment reserve and this represents the next five years of scheduled loan repayments for the HRA.

4.14.4 As with the General Fund it is likely that due to the higher levels of inflation currently being experienced, increased regulatory requirements and higher interest rates for borrowing, there is likely to be significant budget pressure on the HRA in the short to medium term.

4.14.5 There will be a refresh of the HRA Business Plan later in the year, identifying and addressing the current balancing issues in the HRA.

#### 4.15 Usable reserves – Housing Revenue Account

4.15.1 The total value of allocated reserves available for the HRA to spend at 31 March 2023 is £20.8Million consisting of three reserves.

4.15.2 These reserve balances are high, but are held for specific purposes, set out below.

- Interest Equalisation Reserve this was set up to allow the HRA to absorb interest rate increases in the short term. Due to the current variability of interest rates this is highly likely to be needed in the short term and could be utilised in 23/24.
- £208K of transformation costs not spent by 2022/23 have been transferred to a reserve to support the ongoing programme and are likely to be used in the short term.
- As explained in 4.14.3, a reserve has been set up to reflect upcoming debt repayment in the HRA and show a more realistic working balance in the main account.

<b>Reserves £'000</b>	<b>Opening 2022/23</b>	<b>Use</b>	<b>Closing 2022/23</b>	<b>Use</b>	<b>Closing 2023/24</b>
Interest equalisation reserve	(£3,423)	£0	(£3,423)	£0	(£3,423)
Transformation Reserve	(£164)	(£44)	(£208)	£0	(£208)
Debt Repayment Reserve	£0	(£17,200)	(£17,200)	£0	(17,200)
<b>Total Allocated Reserves</b>	<b>(£3,423)</b>	<b>(£17,244)</b>	<b>(£20,831)</b>	<b>£0</b>	<b>(£20,831)</b>

## **5. IMPLICATIONS**

### **5.1 Financial Implications**

5.1.1 This report is financial in nature and consequently financial implications are included above.

### **5.2 Legal Implications**

5.2.1 None identified at this time.

### **5.3 Risk Implications**

5.3.1 Although the Council achieved a surplus in 2022/23, there are still many uncertainties facing the Council in the coming years, from delayed local government funding reform, to cost of living crisis and continual impacts from COVID. The surplus in 2022/23 will improve the financial resilience of the General Fund during this period of increased financial risk. The Council has a Strategy in place to address the financial impacts due to the likely level of funding and the increased uncertainty that income levels are going to be challenging to achieve for some time to come. The Quarter 1 Monitoring report to September Executive will cover this in more detail.

5.3.2 Current HRA balances are higher than the minimum level of balances required, set out in the 2023/24 budget at £3,310,000. However, balances will be needed to repay HRA loans in the medium to long term, mainly related to the self-financing settlement made in 2012. Therefore, the report contains a recommendation to move £17.2Million into a specific debt repayment reserve, to meet the next 5 year's repayment obligations. The ring-fenced account also faces the challenge of high inflation, potentially higher salary increases and increased difficulty in collecting rent in the current economic climate. Higher balances can help to mitigate these risks in the short term, but this would have to be reflected in the medium to long term planning for the HRA when the business plan is reviewed.

### **5.4 Climate Change Implications**

5.4.1 There are no specific climate change implications resulting from this report.

## **5.5 Policy Implications**

5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

## **5.6 Equalities and Diversity Implications**

5.6.1 This report is of a technical nature reflecting the actual spend for the year for the General Fund and HRA. The identified ongoing budget changes reported have arisen through efficiencies and do not change any existing equalities and diversity policies, nor will they impact on any groups covered by statutory equalities duties.

## **BACKGROUND DOCUMENTS**

- BD1 - 3rd Quarterly monitoring report General Fund and Housing Revenue Account
- BD2 – 2022/23 Council Tax and General Fund Budget
- BD3 – 2022/23 Final HRA Budget