

Report To:	CABINET
Date:	13TH DECEMBER 2022
Heading:	2022/23 FORECAST OUTTURN FOR GENERAL FUND, HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL PROGRAMME AS AT SEPTEMBER 2022
Executive Lead Member:	EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN
Ward/s:	ALL
Key Decision:	NO
Subject to Call-In:	NO

Purpose of Report

To summarise the Council's forecast financial outturn position to 31 March 2023 compared to the latest approved budgets for the General Fund, Housing Revenue Account (HRA) and the Capital Programme. The forecast financial outturn is based on the actual financial activity to the 30 September 2022 and forecast costs and income from 1 October 2022 to 31 March 2023.

Recommendation(s)

Cabinet is requested:

- (1) To note the current forecast outturn for the General Fund, Housing Revenue Account (HRA) and Capital Programme for 2022/23.
- (2) To approve the budget adjustments outlined in paragraph 1.6 and section 3.1, Table 3.
- (3) To recommend to Council the amendments to the Capital Programme 2022/23 to 2023/24 and the funding of the Capital Programme as set out in Section 6 and Table 5.
- (4) To note that a Medium-Term Financial Strategy Update report will be brought to Cabinet in January 2023, reflecting the financial impact of the ongoing cost of living crisis.

Reasons for Recommendation(s)

In accordance with the Council's Financial Regulations to report to those charged with Governance, the financial position.

Alternative Options Considered

The financial position has to be reported to those charged with governance therefore there are no other options.

Detailed Information

Budget Monitoring April 2022 to Sept 2022 (General Fund and HRA)

1. Summary Budget for General Fund

- 1.1 Table 1 below sets out the 2022/23 net revenue forecast outturn position based on actual income and expenditure to September 2022 and forecast income and expenditure from October 2022 to March 2023, compared to the current revised budget (based on original budget approved by Council on the 3rd March 2022 and approved budget adjustments to 30th September 2022).
- 1.2 The current General Fund forecast variance against budget is a £570k overspend, being a forecast £910k use of General Fund balances compared to the revised budget of £340k use of General Fund balances.

Table 1 - Net Revenue Forecast to 31 March 2023 by Directorate

General Fund	Revised Budget	Forecast	Current Forecast Variance	Previous Forecast Variance	Change
	£'000	£'000	£'000	£'000	£'000
Directorate					
Chief Executive Officer	657	667	10	0	10
Legal and Governance	1,926	1,903	(23)	0	(23)
Resources and Business Transformation	(651)	(400)	251	113	138
Place and Communities	9,420	9,149	(271)	397	(668)
Housing and Assets	2,324	2,295	(29)	0	(29)
Energy Costs – all Directorates	33	33	0	0	0
Pay Award – all Directorates	0	806	806	0	806
Total Net Directorate Expenditure	13,709	14,453	744	510	234
Net Recharges	(2,927)	(2,927)	0	0	0
Capital Financing	2,591	2,462	(129)	(382)	253
Net Interest Payable /(Receivable)	20	188	168	71	97
Net Revenue Expenditure	13,393	14,176	783	199	584

Funding	(15,273)	(15,273)	0	0	0
Net Revenue Expenditure before transfer to(from) earmarked reserve	(1,880)	(1,097)	783	199	584
Transfer to(from) earmarked reserve	2,220	2,007	(213)	(209)	(4)
Net Revenue Expenditure after transfer to(from) earmarked reserve	340	910	570	(10)	580

- 1.3 Appendix 1 provides details of the variances for each Directorate, Corporate Costs and Funding.
- 1.4 The main changes since the previously reported position are:
- Resources and Business Transformation – Forecast underachievement of council tax recovery costs compared to budget.
 - Place and Communities - Budget adjustment (approved by Cabinet, in previous monitoring report) to recognise the use of the Covid reserve to fund the Liquidated Damages costs on the Leisure Centre building works. Also forecast reduced employee costs due to vacancies.
 - Energy costs – The revised budget and forecast include the estimated impact of increasing energy costs.
 - Pay award – The forecast includes the impact of the national pay award agreed.
 - Net Interest Payable - Higher interest rates increasing the interest earned on investments and the interest payable on balances.
- 1.5 As part of the previous forecast outturn position for 2022/23 as at July 2022, reported to the Cabinet meeting 27 September 2022, approval was given for the use of general fund balances of £152k to increase budgets in service area for further pressure on energy costs. In October 2022 the Government announced details of the Energy Bill Relief Scheme for businesses and other non-domestic customers. The scheme provides support for everyone on a non-domestic contract where a fixed price contract is agreed on or after 1 April 2022; a deemed or variable tariff; or a flexible purchase / similar contract. The Council's energy contracts include price changes at October for all gas supply and October or April for electricity supply; there are two electricity contracts with different assets on each contract. Therefore, it is anticipated the Energy Bill Relief Scheme will apply to the new rates the Council will have to pay from October 2022. Considering the estimated price increases and the relief scheme, it is now anticipated the pressure on energy costs will reduce to £33k. This has been reflected in Table 1 in terms of a revised budget (as within the 152k approved for this purpose) and the forecast for energy costs. Once the new rates and application of the Energy Bill Relief Scheme are fully known, service area budgets will be updated for the revised budgets and forecasts to reflect the increases and this line removed.
- 1.6 The budgets and forecasts included in each Directorate line in the table above are based on a 2% pay award. The current Employers flat rate offer of £1,925 per FTE regardless of grade was agreed in early November. This is an additional General Fund pressure of circa

£850k for 2022/23. This will be partially offset by £44k saving due to the 1.25% cut to National Insurance rates from November announced as part of Central Government mini budget in October, reversing the increase implemented from April 2022. This has been reflected in Table 1 by the inclusion of the pay award line. Cabinet approval is requested for a budget increase of £806k to fund the pay award from the General Fund balance. The impacts will be reflected within each Directorate for the next monitoring report and the pay award line removed.

- 1.7 Appendix 2 provides details of the approved and forecast earmarked reserves movements as at 30 September 2022.

2. General Fund Savings/Efficiencies Monitoring 2022/23

- 2.1 The 2022/23 budget included the proposed savings and efficiencies as detailed in Table 2 below. The forecast achievement of these savings is identified, on the following basis:
- saving has been achieved (green),
 - saving forecast to be achieved but actions are still required to secure the saving (amber),
 - saving will not be achieved (red).

Table 2 - General Fund Savings/Efficiencies Monitoring 2022/23

Saving / Efficiency	Detail	Budgeted Saving	Forecast Achieved Saving	Forecast Saving Shortfall
		£'000	£'000	£'000
Base Budget Review	Detailed line by line review of all General Fund budgets to identify areas of recurrent underspends and over-achievement of income budgets	43	43	0
		597	597	0
Neighbourhood Services	Deletion of vacant Performance Officer post	30	30	0
Place & Wellbeing	Staffing review – net saving	5	5	0
ICT	Renegotiation of Printing contract	5	5	0
Assets	Brook Street and Watnall Road offices rental income	108	108	0
Transformation Team	Staffing efficiencies	12	12	0
Grants	Community and Infrastructure Grants (net)	5	5	0
		805	805	0

- 2.2 The position outlined above shows all £805k savings are forecast to be achieved. £614k (categorised amber) of the £805k forecast savings are anticipated to be achieved, with actions currently being reviewed to ensure they are fully achieved.

3. General Fund Budget Adjustments

- 3.1 Cabinet approval is requested for the following budget adjustments to recognise additional income received in year and to create the corresponding expenditure budgets.

Table 3 – Budget Adjustments 2022/23

Description	£'000
Bed and Breakfast Expenditure	50
Housing Benefit Contribution to Bed and Breakfast Expenditure	(50)
Community Safety Partnership – Sanctuary Scheme income	(30)
Community Safety Partnership – Sanctuary Scheme expenditure	30
Safer Streets – Kirkby income	(158)
Safer Streets – Kirkby Expenditure	158
Place & Wellbeing – Consultancy Fee for Shared Prosperity fund	13
Place & Wellbeing – UK Shared Prosperity Fund development work grant (adjustment to be made once investment plan approved by DLUHC)	(13)

4. Summary for Housing Revenue Account (HRA)

- 4.1 Table 4 sets out the 2022/23 HRA forecast outturn position based on actual income and expenditure to September 2022 and forecast income and expenditure from October 2022 to March 2023, compared to the original budget approved by Council on 3rd March 2022 and approved budget adjustments to 30th September 2022.
- 4.2 Details of any significant variances incorporated within the forecast outturn are detailed in the commentaries below the table.

Table 4 – Housing Revenue Account Forecast to 31 March 2023

Description	2022/23 Revised Budget £'000	2022/23 Forecast Outturn £'000	Current Forecast Variance £'000	Previous Forecast Variance £'000	Change £'000
Income					
Rents, Charges and Contributions	(25,838)	(25,855)	(17)	0	(17)
Interest and investment income	(10)	(500)	(490)	(490)	0
Total Income	(25,848)	(26,355)	(507)	(490)	(17)
Expenditure					
Repairs and Maintenance	8,062	8,378	316	46	270
Supervision and Management	4,386	4,701	315	333	(18)
Interest payable and similar charges	3,548	3,548	0	0	0

Rents, Rates, Taxes and other charges	149	149	0	0	0
Depreciation and impairments of fixed assets	3,947	3,947	0	0	0
Debt Management Costs	44	44	0	0	0
Contribution to the Bad Debt Provision	200	200	0	0	0
Transfer to Major Repairs Reserve	4,199	3,199	(1,000)	0	(1,000)
Capital expenditure funded by the HRA	8,918	9,186	268	0	268
Total Expenditure	33,453	33,352	(101)	379	(480)
Net Cost of HRA Services	7,605	6,997	(608)	(111)	(497)

4.3 Interest and Investment Income

Increased Interest rates in the banking sector will increase the average annual interest rate on the HRA balances. Currently forecasting an increase of £490k but this is open to fluctuation dependant on the economy.

4.4 Repairs and Maintenance

Fuel price increases expected to remain high for the financial year forecasting an increase of £25k. Contractors negotiating changes to terms due to inflationary pressures within the construction industry £21k. Expected pay award above budget of £270k.

4.5 Supervision and Management

Forecasting an overspend due to utility price increases, this has reduced from the previous estimate of £317k to £209k with the Government's 6-month Energy Price Guarantee. Ombudsman fees increased to support the transformation in local complaint handling across the sector envisaged by the Social Housing White Paper £16k as previously reported. Expected pay award above budget of £90k.

4.6 Transfer to the Major Repairs Reserve (MRR)

The current forecast outturn shows the reduced level of financing required from the HRA for the major repair element of the capital programme for 2022/23. This is due to various major works schemes being unable to mobilise resources required to deliver the budget in full in year.

4.7 Capital Expenditure Funded by the HRA

Capital expenditure funded by the HRA is forecast higher than the revised budget due to the schemes estimating higher costs from the rise in construction labour and materials.

5 **HRA Savings/Efficiencies Monitoring 2022/23**

- 5.1 The 2022/23 HRA budget included the proposed savings and efficiencies as detailed in Table below. The forecast achievement of these savings is identified, on the following basis:

- saving has been achieved (green),
- saving forecast to be achieved but actions are still required to secure the saving (amber),
- saving will not be achieved (red).

Table 4 - HRA Savings/Efficiencies Monitoring 2022/23

<u>Saving/Efficiency</u>	<u>Detail</u>	Budgeted Saving	Forecast Achieved Saving	Forecast Saving Shortfall
		£'000	£'000	£'000
Relocation of Housing Staff	Brook Street Office rented out to DWP – staff relocated to Urban Road	215	215	0
Staff Establishment	Lettings Service Review - reduced by 1 Admin post	24	24	0
Staff Establishment	Housing Administration – reduced by 1 Senior Admin post	32	32	0
TOTAL		271	271	0

5.2 This remains as previously reported with all savings being achieved. The forecast achievement of these savings is included within the forecast outturn reported in section 4 of the report.

6 Capital Programme 2022/23

6.1 The current approved Capital Programme for 2022/23 as at 30th September 2022 is £54.954m. Table 5 below details Capital Programme changes proposed of £4.066m increasing the Capital Programme for 2022/23 to £59.020m.

6.2 The increase to the Capital Programme for the Towns Fund Projects is approved under delegated authority but is included for information, the other changes require approval by Full Council.

Table 5 – Capital Programme Proposed Changes 2022/23

	2022/23	2023/24	Total	Funding	Explanation
	£'000	£'000	£'000		
General Fund Schemes					
Towns Fund Projects	4,799	0	4,799	Grant	Further funding released from DLUCH following approval of business cases.
Tree Planting and Habitat Improvements, Ashfield-Wide	4	0	4	Grant	Grant received for £4k from Trees for Cities.
Total General Fund Schemes	4,803	0	4,803		

Housing Revenue Account					
Decent Homes Schemes					
Catch up and Major Repairs	-1,000	1,000	0	HRA Major Repairs	Slippage
Sub Total	-1,000	1,000	0		
Other Housing Revenue Account Schemes					
Maun View Sutton-in-Ashfield	-112	0	-112	HRA Balances	Savings expected on the scheme.
Warwick Close, Kirkby-in-Ashfield	375	375	750	HRA Balances	Cost pressures on the scheme.
Sub Total	263	375	638		
Total HRA Schemes	-737	1,375	638		
Grand Total	4,066	1,375	5,441		

6.2 Table 6 details the proposed Capital Programme 2022/23 including the above adjustments, the actual spend to date as at 30th September 2022 and an explanation of major variances.

Table 6 – Capital Programme Monitoring 2022/23

Description	Actual + Commitments to September 2022 £'000	Proposed December 2022 Capital Programme £'000	Variance to Proposed December 2022 Capital Programme £'000	Comments for major variances
Housing Revenue Account				
<i>Decent Homes Schemes</i>				
Management Fee	0	591	591	Expect to be spent by end of financial year.
Catch Up and Future Major Works	1,622	6,511	4,889	Expect to be spent by end of financial year.
Service Improvements	48	3,119	3,071	Main project commenced October 2022; expected to meet majority of spend by the end of the financial year (subject to weather and access to tenants' homes).
Contingent Major Repairs	41	82	41	
Exceptional Extensive Works	-10	1,010	1,020	Project to commence late in the financial year;
Kirkby & Rural	-80	0	80	Final account to be agreed.
Disabled adaptations - Major adaptations	13	524	511	Subcontractor delays. Tenant moving property so work has had to be re-specified. Unspent amount will be slippage into 23/24 to fund agreed works.
Disabled adaptations - Minor adaptations	155	352	197	Expect to be spent by end of financial year.
Sub Total	1,789	12,189	10,400	
<i>Other Housing Revenue Account Schemes</i>				
Affordable Housing	247	257	10	
Developments Sutton In Ashfield				
Davies Avenue Housing Project	0	1,980	1,980	Expect to be spent by end of financial year.
Devt of Unviable Garage Sites	39	856	817	Expect to be spent by end of financial year.
Kirkby-in-Ashfield				
Investment in New or Existing Dwellings	332	1,200	868	Difficulty in finding viable properties may result in slippage to 2023/24.
Green Homes Grant (HRA)	1	299	298	Under investigation, see overspend on GF scheme.
Green Homes Grant (HRA) (2)	243	450	207	Expect to be spent by end of financial year.
Hucknall Infill Sites	216	250	34	
Housing Vehicles	379	389	10	

Table 6 – Capital Programme Monitoring 2022/23

Maun View Sutton-in-Ashfield	927	3,088	2,161	Expect to be spent by end of financial year.
Northern View, Sutton-in-Ashfield	0	330	330	Expect to be spent by end of financial year.
Warwick Close, Kirkby-in-Ashfield	0	3,000	3,000	Expect to be spent by end of financial year.
Other Housing Revenue Account Schemes (less than £100k)	2	177	175	
Sub Total	2,386	12,276	9,890	
Total	4,175	24,465	20,290	
General Fund				
Annesley Public Open Space	0	106	106	Possible some slippage into 2023/24.
Depot Roof Repairs	121	773	652	Delayed due to Depot site review and investigation work.
Fox Street pop-up food court and car park	56	535	479	Spend ongoing likely to be slippage in 2023/24.
Green Homes Grant (GF)	1	1	0	
Green Homes Grant (GF) (2)	650	275	-375	Under investigation, see underspend on HRA scheme.
Health and Safety works for Kirkby Offices	111	115	4	Small forecast underspend at completion of the works.
Hucknall Car Park - Titchfield Street	0	0	0	
Hucknall Leisure Centre - Fixtures, Fittings and Equipment	-167	357	524	All Leisure Centre FFE budgets and actual are being reviewed. Underspend to be used to fund Lammas FFE overspend – position being finalised and then budget adjustment will be required.
Hucknall Leisure Centre - New Pool	3,367	3,390	23	
Improvement Grants 1996 Act Disabled Facility Grant	571	1,108	537	Expect to be spent by end of financial year.
In District Regeneration	0	3,000	3,000	Dependant on opportunities available.
Kings Mill Reservoir (The King and Miller to Kingfisher)	79	168	89	
Kings Mill Reservoir Car Park Expansion	0	192	192	Spend ongoing likely to be slippage in 2023/24.
Kirkby Leisure Centre	3,894	5,914	2,020	
Lammas Leisure Centre - Fixtures, Fittings and Equipment	1,052	716	-336	All Leisure Centre FFE budgets and actual are being reviewed. Overspend will be funded by underspends on the other Leisure Centre FFE schemes - position being finalised and then budget adjustment will be required.

Table 6 – Capital Programme Monitoring 2022/23

Low Street vacant units	163	3,177	3,014	Spend ongoing but not likely to be fully committed by year end. Delays in business case and governance sign off
New Kirkby LC - Fixtures, Fittings and Equipment	0	440	440	All Leisure Centre FFE budgets - position being finalised and then budget adjustment will be required.
Purchase of Vehicles	1,617	3,681	2,064	Expect to be spent by end of financial year.
Rurals and Open Space	14	120	106	Spend ongoing likely to be slippage in 2023/24. Delays due to scope change and new designs / costs required.
Sutton Academy Community Theatre/Cinema	28	398	370	Spend ongoing likely to be slippage in 2023/24. Delays in design and procurement process
Sutton Maker Space and Business Hub	197	1,117	920	Spend ongoing likely to be slippage in 2023/24. Delays in design and procurement process
Towns Fund Projects	1,120	8,073	6,953	Spend ongoing likely to be slippage in 2023/24.
Other General Fund Schemes (less than £100k)	114	899	785	Area schemes completion may be delayed due to resource issues.
Total	12,988	34,555	21,567	
Grand Total	17,163	59,020	41,857	

Implications

Corporate Plan:

The Revenue and Capital Budgets and Outturn position reflect delivery of the priorities in the Corporate Plan.

Legal:

This report ensures compliance with the Council's approved Financial Regulations. [RLD 23/11/2022]

Finance: [PH 25/11/2022].

Budget Area	Implication
General Fund – Revenue Budget	As set out in the detailed information section of the report.
General Fund – Capital Programme	As set out in the detailed information section of the report.
Housing Revenue Account – Revenue Budget	As set out in the detailed information section of the report.
Housing Revenue Account – Capital Programme	As set out in the detailed information section of the report.

Risk:

Risk	Mitigation
Failure to spend within approved budgets could impact the financial sustainability of the Council.	Regular financial monitoring reports to CLT and Cabinet. Financial Regulations. Finance training for Budget Managers and Budget Holders

Human Resources:

No implications

Environmental/Sustainability

No implications

Equalities:

No implications

Background Papers

Annual Budget and Council Tax 2022/23 and Medium-Term Financial Strategy Update to Council
3rd March 2022

Draft Outturn Report 2021/22 to Cabinet 19 July 2022

2022/23 Forecast outturn for General Fund, Housing Revenue Account (HRA) and Capital Programme as at July 2022 to Cabinet 27 September 2022.

Report Author and Contact Officer

Bev Bull

Chief Accountant

Email: Bev.Bull@ashfield.gov.uk

Tel: 01623 457424

Sponsoring Director

Craig Bonar

Director-Resources and Business Transformation

Email: Craig.Bonar@ashfield.gov.uk

Tel: 01623 457203