

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 27 JUNE 2023



Title of Report	PROVISIONAL FINANCIAL OUTTURN 2022/23	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder	
Background Papers	<u>Quarter 3 Performance Report 2022-23</u>	Public Report: Yes
		Key Decision: Yes
Financial Implications	The expected final position on the General Fund is a surplus of £0.91m compared to a budgeted surplus of £1.20m, representing a £0.29m deficit on the budgeted position.	
	The expected final position on the HRA is a surplus of £0.73m, after appropriations. This compares to a budgeted surplus position of £0.06m and represents a £0.67m improvement on the budgeted position.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications arising from the report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	There are none.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To present an overview of the Council's provisional financial outturn for 2022/23.	
Reason for Decision	Requirement of Financial Procedure Rules.	
Recommendations	CABINET IS RECOMMENDED TO: <ol style="list-style-type: none"> NOTE THE 2022/23 PROVISIONAL OUTTURN POSITION FOR GENERAL FUND REVENUE, SPECIAL EXPENSES AND HOUSING REVENUE ACCOUNT. APPROVE THE TRANSFER OF THE UNSPENT RESERVES TO THE MEDIUM TERM FINANCIAL PLAN RESERVE AS DETAILED IN SECTION 3.7 AND APPENDIX 1 ON GENERAL FUND. APPROVE THE CREATION OF THE EARMARKED RESERVES DETAILED IN APPENDIX 2 ON GENERAL FUND REVENUE AND SPECIAL EXPENSES. NOTE THE 2022/23 PROVISIONAL OUTTURN POSITION FOR CAPITAL FOR GENERAL FUND AND HOUSING 	

	<p>REVENUE ACCOUNT.</p> <p>5. APPROVE THE GENERAL FUND CAPITAL PROGRAMME SAVINGS TO BE REALLOCATED, DETAILED ON TABLE 2, ARE KEPT IN THE CAPITAL PROGRAMME TO DEAL WITH INFLATIONARY PRESSURES AS REQUESTED IN SECTION 3.5.6 WITH FURTHER DETAIL IN APPENDIX 3.</p> <p>6. APPROVE THE CARRY FORWARD OF THE UNDERSPENT GENERAL FUND AND HOUSING REVENUE ACCOUNT CAPITAL PROGRAMMES TO 2023/24 AS DETAILED IN TABLE 3 AND TABLE 8 IN THE REPORT WITH FURTHER DETAIL ON APPENDIX 3.</p> <p>7. DELEGATE ANY AMENDMENTS TO RESERVE MOVEMENTS AND CAPITAL CARRY FORWARDS TO THE S151 OFFICER IN CONSULTATION WITH THE CORPORATE PORTFOLIO HOLDER FOLLOWING FINALISATION OF THE OUTTURN POSITION.</p>
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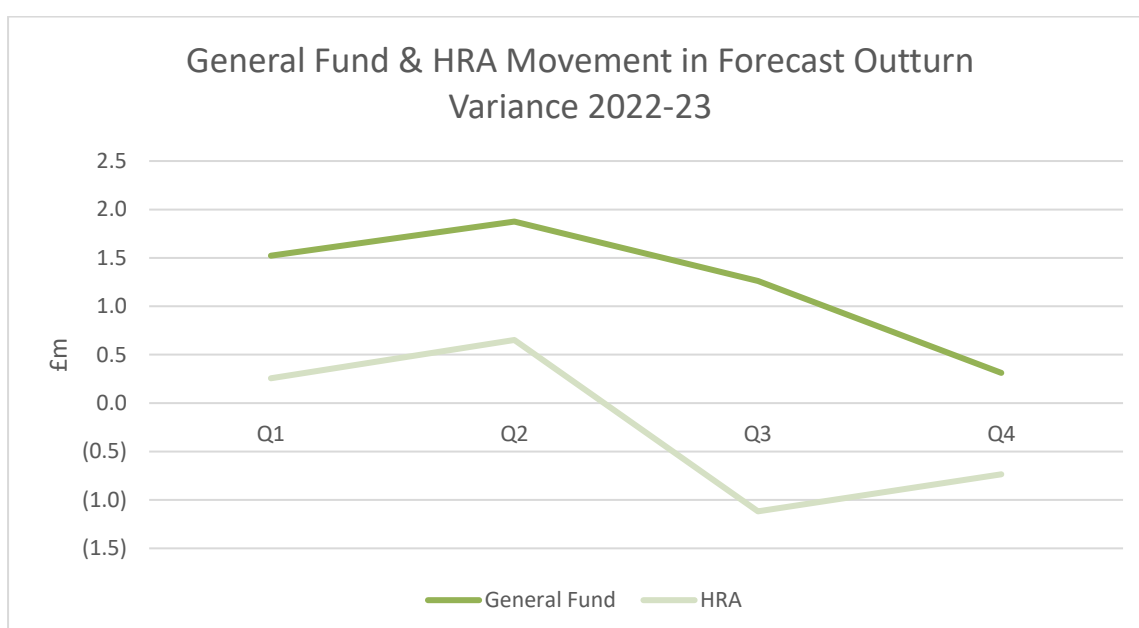
1.0 INTRODUCTION

- 1.1 The Council is required to produce Financial Statements each year which 'give a true and fair view' of the financial position and transactions of the Council. The accounts have been prepared under the International Financial Reporting Standards since 2010/11.
- 1.2 This report summarises the main elements of the Council's financial performance in 2022/23 and the results are referred to as 'provisional' as the financial ledger has not yet been closed down. Some figures are based on budget or 'best estimates' and are still to be finalised after which they are subject to external audit and so may change. The major items still to be actioned which are included in the forecast in the provisional outturn are as follows:
- The Business Rates accounts have not yet been completed, therefore, the forecast of £5m retained growth is based on figures from the 31st December 2022. We have an earmarked reserve to cover the shortfall. The shortfall is mainly due to the deficits from 2020/21 and 2021/22 relating to Covid.
 - S106 income of £2.1m was received in year, of which £0.6m was used to fund expenditure with the remaining £1.5m set aside to finance expenditure in future years, this has no net impact on the Planning and Infrastructure figures in Table 1. The calculation of interest on S106 balances has not been performed for this provisional outturn.
 - The capital grants and contributions applied provisional amount for the year is £0.56m which is made up of Disabled Facilities Grant (DFG) expenditure and spend to improve air quality in the Borough.
- 1.3 The final outturn position will be reported to members later in the year after the audit has been completed, with progress updates reported through the quarterly finance reports to Cabinet during 2023/24.
- 1.4 The Council expects to publish the 2022/23 accounts in draft form on the Council's website by November 2023. The final accounts will be considered and approved by the Audit and Governance Committee in March 2024 after they have been audited.

- 1.5 An annual review of earmarked reserves has been undertaken. This review assessed a number of new requests and existing reserves requested to be carried forward. Further detail in respect of reserves can be found in section 3.6 on General Fund and section 5.5 on the Housing Revenue Account.

2.0 FINANCIAL PERFORMANCE

- 2.1 The finance service operates a 'Finance Business Partner' delivery model. A key part of this includes budget holders and finance colleagues meeting in 'finance clinics' on a quarterly basis. The key areas of focus within finance clinics is to review budgetary variances and revise in year forecasts, identify and manage the timely expenditure of earmarked reserves in order to drive value for money and in particular, reduce unexpected results in respect of the General Fund.
- 2.2 As in previous years, variances have occurred between both quarterly forecasts and provisional outturn. This is illustrated in the graph below:



- 2.3 As can be seen from the graph above, on General Fund, in quarter 2 it was identified the Council was heading for a significant overspend due to inflation/non delivery of Journey to Self Sufficiency Savings (J2SS) target. Plans were put in to place to proactively manage spend and ensuring services worked within budgets available. As part of quarter 3 financial reporting there were several financial challenge sessions held with the S151 Officer, Directors and Heads of Service along with the Finance Manager and the respective Financial Business Partner. The purpose of these challenge sessions was to ensure that any large areas of underspending still being reported to be spent had robust spend plans in place and all areas of both under and overspending were identified and reviewed. Following these sessions, quarter 3 showed an improved forecast outturn position of (£0.6m) which continued with the provisional outturn position of a further (£1.0m).
- 2.4 Looking at the same graph above, in quarter 2 the Housing Revenue Account budgets were forecast to be heading for a small overspend due to non-delivery of J2SS targets. For quarter 3, the Finance Business Partner, working with budget managers, challenged any large underspends during finance clinics with budget holders. This contributed to a £1.8m improvement in the forecast. For outturn the underspend was reduced by £0.4m

mainly due to an overestimation of income at Q3.

- 2.5 In recent years, services have made significant improvements in developing fit for purpose budgets and forecasting the Council's financial position in year. Going forward service areas will be required to continue to seek to better understand their variances and ensure forecasts are included during the year and reported to members, thereby reducing unanticipated results at year end.
- 2.6 The Finance team has successfully implemented a new finance system which went live on 1 April 2023. Phase 2 of this project is also now well underway which will further provide a number of benefits to the organisation including the ability for real time information to be accessed by officers across all Council services, increased engagement from users due to it being more accessible and user friendly along with the benefit of the automation of a number of processes which will allow finance resources to be redirected to more value added activities.

3.0 GENERAL FUND

3.1 General Fund Revenue Provisional Outturn

- 3.1.1 The provisional outturn position on the General Fund is set out in Table 1 of this report which shows a provisional surplus £0.91m for the year compared to a budgeted surplus of £1.20m. This represents a reduction in the budgeted contribution to reserves of £0.29m. This is largely due to the unachieved Journey to Self Sufficiency (J2SS) savings of £0.9m detailed in 2.2.1 below. Further details on the most significant variances on services for 2022/23 are explained below in 2.2.

Table 1 – 2022/23 General Fund Revenue Provisional Outturn

GENERAL FUND REVENUE 2022/23	Revised Budget £'000	Provisional Outturn £'000	Variance £'000
Chief Executives	282	289	7
Human Resources & Organisational Development	725	660	(65)
Legal & Commercial Services	1,487	1,521	34
Total Chief Executive's Department	2,494	2,470	(24)
Strategic Director of Place	348	345	(3)
Community Services	6,623	6,920	297
Planning and Infrastructure	1,032	1,066	35
Economic Development	893	823	(70)
Joint Strategic Planning	12	12	(0)
Total Director of Place	8,908	9,166	259
ICT	1,200	1,244	44
Customer Services	898	926	28
Property	214	398	184
Revenues and Benefits	886	629	(257)
Finance	1,095	1,532	438
Strategic Housing	625	521	(105)
Total Director of Housing & Customer Services	4,918	5,250	332
J2SS Savings	(895)	0	895
Corporate and Democratic Core	41	39	(1)
Non-Distributed Costs	241	225	(15)
Net Cost of Services	15,707	17,150	1,446
Net Recharges	(1,685)	(2,087)	(402)

GENERAL FUND REVENUE 2022/23	Revised Budget £'000	Provisional Outturn £'000	Variance £'000
Net Cost of Services after Recharges	14,022	15,063	1,044
Net Financing Costs	1,762	1,627	(136)
Investment Income	(5)	(624)	(619)
Localisation of Council Tax Grant	32	32	0
Debt Restructuring Premium	0	23	23
Net Revenue Expenditure	15,811	16,121	312
New Homes Bonus	2,218	2,218	0
Transfer from Collection Fund	153	153	0
Services Grant	166	166	0
Lower Tier Services Grant	201	153	(48)
Other Grants	0	52	52
Council Tax	5,642	5,642	0
Levy Account Surplus	0	20	20
National Non-Domestic Rates Baseline	2,404	2,404	0
Business Rates Growth & Renewables	6,222	5,177	(1,045)
Business Rates Reserve	0	1,045	1,045
Total Funding	17,006	17,030	24
General Fund Surplus/(Deficit)	1,195	909	(288)

3.1.2 The Council changed the management structure in May 2023. The above table is shown under the old structure in line with the reporting structure for the 2022/23 financial year.

3.2 Major Variances – 2022/23 Provisional Outturn to Revised Budget

3.2.1 **Journey to Self Sufficiency (J2SS) £895k** – the 2022/23 budget included a savings target of £895k for J2SS savings which remain unachieved. This savings target has been removed from the 2023/24 budget.

3.2.2 There was an unfunded pay award over and above the 2% originally included in the budget which led to an estimated increase in salary costs of £508k. These additional salary costs are included in the service areas and have been taken into account in the figures and variance analysis above.

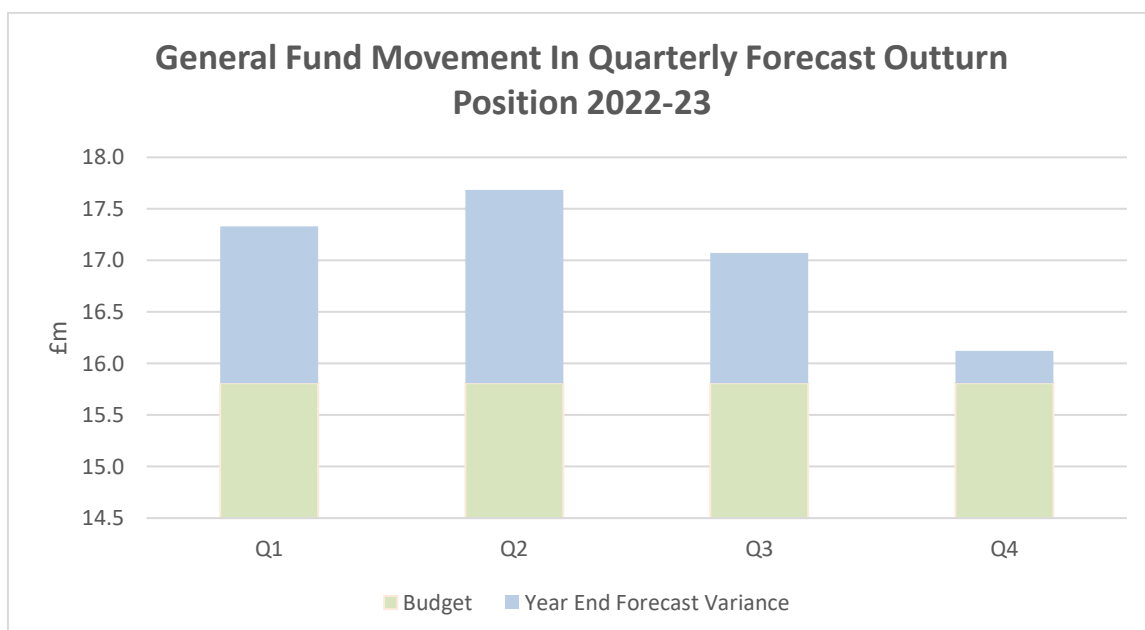
3.2.3 **Property £184k** – there were various overspends on Property, the main large areas were consultancy, general repairs, property valuations and a loss of rental income totalling £122k.

3.2.4 **Community Services £297k** – there were a large number of adverse variances across Community Services including salaries, overtime and agency staff totalling £460k along with higher fuel costs of £127k. More specifically on Waste Services there was an under recovery of income of £176k on green bins and the cost of hiring vehicles due the delay of delivery of new refuse vehicles costing £121k. There were some favourable variances on Waste Services including (£521k) increased recycling income, (£78k) on trade refuse disposal costs and a saving of (£75k) on bins and boxes now purchased through capital generating a saving on revenue. On Environmental Protection there was an overspend of £146k largely attributable to New Market £83k, caused by reduced income of £52k and increased utility costs, repairs and equipment. Leisure Services had an overall underspend of (£53k) largely due to increased income from Grounds Maintenance recharges offset by an overspend on the Sports and Leisure Management Ltd contract due to higher utility costs being claimed back.

- 3.2.5 **Revenues and Benefits (£257k)** – there has been increased income of (£69k) from summons income along with additional New Burdens grant income totalling (£198k).
- 3.2.6 **Strategic Housing (£105k)** – Unallocated grant of (£193k) has been used to offset expenditure on homeless prevention which includes an overspend on Bed and Breakfast of £144k and agency staff of £38k.
- 3.2.7 **Finance £438k** – there were large overspends on salaries and agency costs of £280k along with the new finance system of £158k (£66k salaries and £92k agency costs). These costs were largely offset by recharges to capital and the HRA of (£257k). There were further overspends on Procurement consultancy of £151k and Insurance of £68k.
- 3.2.8 **Net Financing Costs (£136k)** – Minimum Revenue Provision was £92k less than budget due to savings and delays in the completion of the 2021/22 capital programme and £44k saving on borrowing interest. At the time of setting the 2022/23 budget the Council had forecast that temporary borrowing would be required during the year, however no new borrowing was required.
- 3.2.9 **Investment Income (£619k)** – the Council has earned more income from investments due to the dramatic rise in interest rates over the last year which has seen interest rates rise from historical lows of 0.1% to 4.5%. Additionally, the Council has higher excess balances to invest than forecast due to slippages in the capital programme, grant balances being held awaiting recall from Central Government and higher income from income streams than originally forecast.

3.3 Major Variances - Quarter 3 to Provisional Outturn

- 3.3.1 The latest forecast outturn position reported to Cabinet was at quarter 3 and was an overspend of £1.27m, therefore, the variance upon outturn compared to this position is (£1.0m).
- 3.3.2 The graph below shows in more detail how the forecast outturn position improved from quarter 2 to the end of the financial year.



3.3.3 There was a considerable amount of work undertaken by the Finance team working with service managers and budget holders before reporting the quarter 3 position which showed an improved position of (£0.6m) between quarter 2 and quarter 3. Despite this there was still a further large movement between quarter 3 and the provisional outturn position of (£1.0m). The main reasons for this movement are detailed below:

- **Housing and Community Services Directorate (£353k)** – largely due to (£231k) on Revenues and Benefits from additional New Burdens grant income received (£120k) which we were not notified of until the end of March 2023 so was not included in the quarter 3 forecast outturn position. Along with this there were assumptions made that some grant income received would be fully spent but this did not materialise. Strategic Housing had a movement of (£88k) from utilising higher levels of grant income to fund expenditure than originally planned.
- **Place Directorate (£268k)** – this relates to several favourable variances, the largest being Planning (£98k) from an underspend on consultants relating to the Local Development Framework (£87k). Economic Development had a favourable movement of (£74k) from an underspend on Coalville Regeneration consultancy (£33k) and Business Focus Consultancy (£40k). Environmental Protection's favourable movement of (£49k) was largely due to an underspend on the Air Quality Strategy (AQS) (£31k). This was in part due to an assumption that monies would be transferred to an earmarked reserve in quarter 3 which was not approved and partly due to the action plan for the AQS not being as costly as originally forecast for 2022/23. This will not impact on the 2023/24 delivery as the manager has confirmed that there is sufficient funding for the day-to-day work along with additional funding available in the current ear marked reserve to cover the understanding of the new Department for Environment, Food and Rural Affairs (DEFRA) requirements in relation to air quality once they are published.
- **Investment Income (£230k)** – higher interest rates than forecast along with higher excess balances to invest than projected.

3.3.4 During the last nine months there have been a number of improvements implemented to improve financial processes, reporting and governance, including:

- A review of the financial strategy to remove savings target without any plans in place to deliver them and over reliance on business rates growth to meet on-going costs.
- A new finance system from April 2023 which going forward will provide managers the ability to access up-to-date financial information available on their dashboards with the aim of having better financial management and control and improving the forecasting of variances.
- A full and robust review of service earmarked reserves including challenge sessions to ensure adequate spend plans are in place and a timeline for when these reserves will be required/spent.
- Enhancing the capacity of internal audit to strengthen financial governance.
- Working with services to manage within their 2022/23 budgets, including finance clinics and challenge sessions.

3.5 GENERAL FUND CAPITAL PROGRAMME

3.5.1 The table below details the outturn for the year on the Council's general fund capital programme.

Table 2 – 2022/23 General Fund Capital Programme Provisional Outturn

Department	Original Budget	Prior Year C/fwd	In-year Changes	Revised Budget	Outturn	Variance	Carry-Forward to Future Years	Savings available to be reallocated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property	8,310	2,904	1,100	12,313	4,387	(7,926)	7,749	177
Community Services	956	1,260	289	2,506	859	(1,647)	1,633	15
ICT	256	10	212	478	451	(27)	27	
Waste Services	1,323	2,290	0	3,613	143	(3,470)	3,469	
Total	10,845	6,464	1,601	18,910	5,840	(13,070)	12,878	192

3.5.2 Total capital expenditure was £5.84m against a revised budget position of £18.91m. Savings of £0.19m was recorded from completed projects. It is proposed that the savings contribute towards budget pressures being experienced on the accommodation programme. Property services department recorded the highest spend during the year with spend on both the commercial estate and buildings used for service delivery.

3.5.3 Schemes with significant expenditure during the year included:

- **The Accommodation Programme** - This is the refurbishment of the Council offices and consists of modernisation works on Whitwick business centre, Stenson House and the new Customer Centre. Spend for the 2022/23 year was £3.48m and the project is due to complete in summer 2023.
- **Appleby Magna Caravan Site** – Redevelopment of the caravan site has been completed. Spend for the year was £0.50m with final retention fees to be paid later this year.
- **Finance System Review:** The new finance system went live in April 2023. Phase one has been launched with a few teething problems to resolve. Phase 2 implementation will take place in the second half of this year. Spend for the year was £0.33m

3.5.4 The capital programme also had significant variances during the year with most of the underspends requested to be carried forward to future years. Extensive budget review sessions have been held with departments to robustly profile carried-forward budgets to the appropriate future financial years. The below table details profiling of the carried-forward budgets on the general fund programme.

Table 3 – Reprofiled 2022/23 Budget Carry-Forwards

Department	Reprofiled to 23/24	Reprofiled to 24/25	Reprofiled to 25/26	Total
	£'000	£'000	£'000	£'000
Property	3,117	3,480	1,152	7,749

Department	Reprofiled to 23/24	Reprofiled to 24/25	Reprofiled to 25/26	Total
Community Services	521	1,112		1,633
ICT	27			27
Waste Services		3,469		3,469
Total	3,665	8,061	1,152	12,878

3.5.5 Schemes with significant carried-forward budgets include:

- **Marlborough centre renovation:** Delay in obtaining planning approval mean that £3.49m of the budget has been carried forward to future years to complete the scheme.
- **Fleet replacement programme:** Long lead times for procured vehicles as well as difficulty in sourcing appropriate green vehicles meant spend was low during the year and £3.47m of the budget carried forward to the 24/25 year to deliver the project.
- **Marlborough Square improvements:** Section 278 (Highways Act 1980) approval is required from the county council for the scheme to go ahead. Delay in this process mean that £2.38m of the budget has been carried-forward to the 23/24 year to deliver the scheme.

3.5.6 Members are asked to approve the savings available to be reallocated, detailed in Table 2, are carried forward into 2023/24 to mitigate inflationary pressures that are arising from the capital programme.

3.6 GENERAL FUND RESERVES

- 3.6.1 The Council holds reserves that are earmarked for a particular purpose and are set aside to meet known or predicted future expenditure in relation to that purpose. The reserves are monitored alongside the budget as part of monthly monitoring.
- 3.6.2 As part of the year end close down earmarked reserves are requested by various departments. Requests are either to carry forward existing reserves that remain unspent or to create new reserves from under spends within the current budget year if that underspend is from a budget area that aligns with the purpose of the reserve to be carried forward. These reserves are checked by the Finance Team for accuracy before being presented to the S151 Officer.
- 3.6.3 There has been a robust review of reserves with the aim of freeing up service earmarked reserves for transfer to the MTFP reserve. This is to provide funds for service improvement/business efficiency to enable the Council to deliver the transformation required to deliver its funding in the MTFP.
- 3.6.4 Assuming that reserves are utilised in line with the timescales agreed as part of their approval, reserves represent an effective means of utilising surpluses and underspends and ensuring delivery of projects.
- 3.6.5 Best practice indicates that reserves, if set aside for specific purposes should be spent in accordance with projections. As detailed in paragraph 1.5 above, finance clinics now focus on ensuring that earmarked reserves are expended in a timely manner in line with

the purposes in which they have been set aside.

3.6.6 The General Fund exceeds the agreed minimum level of balances.

3.6.7 Table 4 below summarises the position in respect of earmarked reserves and other reserves held by the council. Full details by service can be found in Appendix 1 and a list of newly approved reserves found in Appendix 2.

Table 4 – Usable Reserves as at 31st March 2023

Reserves	Balance at 31/03/2022 £m	In Year changes £m	No longer required £m	Balance at 31/03/2023 £m
<u>General Fund</u>				
General Fund Earmarked Reserves	9.02	(2.46)	(0.56)	6.01
General Fund General Reserves (agreed minimum balance)	1.54	0.00	0.00	1.54
Medium Term Financial Plan (MTFP) Reserve	6.16	0.63	0.56	7.36
	16.72	(1.83)	0.00	14.91
<u>Other</u>				
S106 as at 31st March 2022 (see paragraph 3.6.08)	1.97			1.97
	18.69	(1.83)	0.00	16.88

3.6.8 The S106 reserve balance shown above has not been updated for 31 March 2023. Once spending commences on a S106 agreement, the Council will count the remaining balance amongst its reserves. This is whether or not it is the Council spending the sums or (as is more usual) the sums are to be transferred to another organisation who delivers the agreed works. The calculation for this has not been performed as part of the provisional outturn process. The final outturn position will be reported to members later in the year.

3.6.9 In 2022/23, £3m of the £9m existing General Fund earmarked reserves brought forward are forecast to be spent as illustrated in Appendix 1.

3.6.10 For 2022/23, £307k of earmarked requests have been approved by the Section 151 Officer as illustrated in Appendix 2.

3.6.11 A number of existing General Fund reserves were not requested or approved, resulting in £560k to be transferred to the Medium Term Financial Plan (MTFP) reserve. Therefore, the General Fund balance level of reserves retained for expenditure is £6.01m.

3.7 Medium Term Financial Plan Reserve (MTFP)

3.7.1 The Medium Term Financial Plan reserve (previously the Journey to Self-Sufficiency reserve), is a separately maintained reserve and is now forecast to be £7.36m. This is following the transfer of £0.91m estimated surplus for 2022/23, £0.56m from the release of earmarked reserves less £0.27m transferred to earmarked reserves to fund some of the 2023/24 budgeted contribution from reserves. This will provide funds for service improvements/business efficiency to enable the Council to deliver the transformation required to deliver its funding in the MTFP.

4.0 SPECIAL EXPENSES

- 4.1 The provisional outturn on Special Expenses of £713k is a saving of £74k against a budgeted expenditure of £787k. The budgeted contribution from Special Expense reserves was £179k, with the provisional outturn as £105k.
- 4.2 This saving was largely due to reduced Planned Preventative Maintenance (PPM) expenditure of (£83k) and additional burial income of (£15k) offset by smaller areas of overspending on repairs/maintenance of £9k and Christmas Decorations of £13k. Table 5 below gives further details.

Table 5 – 2022/23 Special Expenses Revenue Provisional Outturn

	Approved Budget	Provisional Outturn	Provisional Variance
	£'000	£'000	£'000
SPECIAL EXPENSES			
Special Expenses	804	652	(152)
Net Financing Costs	(17)	(17)	0
Contribution to Earmarked Reserves	0	78	78
Expenditure Requirement	787	713	(74)
Precept	576	576	0
Localisation of Council Tax Support Grant	32	32	0
Transfer from/(to) reserves	179	105	(74)

- 4.3 As detailed in Table 6 below, the provisional opening Special Expenses Reserves are £92k and are to be increased by £44k from earmarked reserves being released back to balances but with £105k required to fund the provisional deficit the reserve now stands at £31k.

Table 6 – 2022/23 Special Expenses Reserves Provisional Outturn

	Provisional Outturn
	£'000
SPECIAL EXPENSES	
Special Expenses Reserves 01.04.22	92
Earmarked Reserves - to be returned to balances	44
Contribution towards Deficit 2022/23	(105)
Special Expenses Reserves 31.03.23	31

- 4.4 The 2022/23 financial year has seen the Special Expenses drawdown £105k from reserves which is not a sustainable position. Significant work has been undertaken as part of the

2023/24 budget process to ensure the Special Expenses work within their budget and are financially sustainable. Further work is planned for 2023/24, including a review of the Special Expenses Policy, to ensure that a minimum of 10% balances are retained for each of the ten special expense areas. As at the 31 March 2023, two accounts were in a deficit position, one was below the minimum requirement and the remaining seven had balances above the minimum requirement.

5.0 HOUSING REVENUE ACCOUNT (HRA)

5.1 HRA Revenue Outturn

- 5.1.1 The expected final position on the HRA is a surplus of £0.8m, after appropriations. This compares to a budgeted surplus position of £0.06m and represents a £0.74m improvement on the budgeted position. This is mainly due to a shortfall in charges to capital schemes offset by a reduced revenue contribution to capital. The financial performance of the HRA is summarised in Table 3.
- 5.1.2 The final surplus on the account will be added to the HRA balance which stood at £8.5m at the start of 2022/23.
- 5.1.3 Table 7 shows the provisional outturn for the HRA. A more detailed table can be found in Appendix 4.

Table 7 - 2022/23 Housing Revenue Account Provisional Outturn

HOUSING REVENUE ACCOUNT 2022/23	Revised Budget	Provisional Outturn	Variance
	£'000	£'000	£'000
Net Income from Operations	(3,615)	(2,012)	1,603
Appropriations	3,550	1,210	(2,340)
NET (SURPLUS)/DEFICIT	(65)	(802)	(737)

5.2 Major Variances – 2022/23 Provisional Outturn to Revised Budget

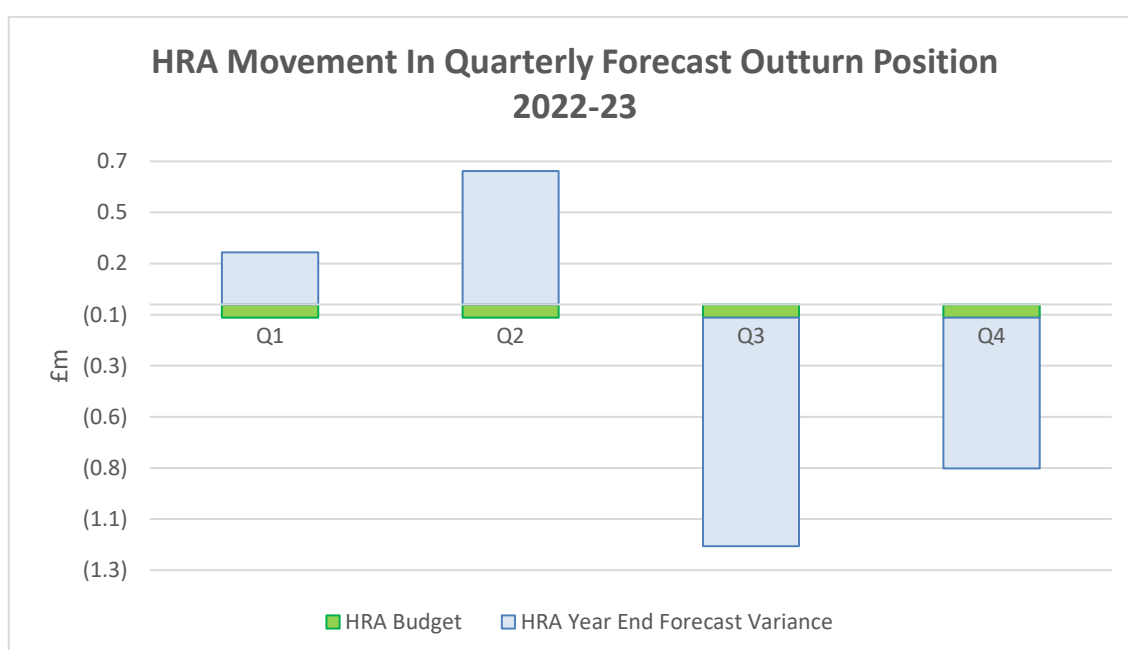
- **Repairs and Maintenance £1,098k** – This is largely due to under recovery of costs from capital schemes which stems from initial problems following the introduction of the new Housing Management System. The service has put in measures to ensure these issues do not continue in 2023/24. To compensate for this, there is proposed to be a lower contribution to capital, see below.
- **Journey to Self Sufficiency (J2SS) £325k** – the 2022/23 budget included a savings target of £325k for J2SS savings which remain unachieved. This savings target has been removed from the 2023/24 budget.
- **Depreciation £254k** – Based on the actual level of housing stock and expected lives of assets.

- **Revenue Contribution to Capital Outturn (£2,340k)** – Reduced to compensate for the reduced recharge to capital and the overall lower than budgeted expenditure on capital.

5.3 Major Variances - Quarter 3 to Provisional Outturn

5.3.1 The latest forecast outturn position for the HRA reported to Cabinet was at quarter 3 and was a surplus of £1.2m, therefore, the variance upon outturn compared to this position is £0.38m.

5.3.2 The graph below shows how the forecast outturn position has changed from quarter to quarter through the financial year. The green section shows the budget which remained constant throughout the year at £0.065m whilst the light blue shows the variance. The two portions together show the forecast outturn for each quarter.



5.3.3 Considerable work was undertaken by the Finance team working with service managers and budget holders before reporting the quarter 3 position, which showed an improved position of (£1.8m) between quarter 2 and quarter 3. There was a relatively small reduction in underspend (£0.38m) overall between quarter 3 and the provisional outturn position, however there were large movements on Repairs and Maintenance, Revenue Contribution to Capital and income, these are detailed below:

- **Repairs and Maintenance £1,800k** – This adverse movement is largely due to the under recovery of costs from capital which was expected to be resolved (£1.49m). The unrecovered costs related to the new Housing Management System not being up to date with completed jobs by the Internal Repairs Team as well insufficient records to enable staff time spent on schemes to be charged to capital. Work has been completed to address both of these issues.
- **Revenue Contribution to Capital (£2,340k)** – This was amended at quarter 4 to compensate for depreciation, unrecovered capital costs and in the context of a slippage on the capital programme.

- **Income £596k** – Income was overestimated at quarter 3. The process has been amended to improve the accuracy of the income estimate in 2023/24.

5.4 Housing Revenue Account Capital Programme

5.4.1 The table below details the outturn on the HRA capital programme.

Table 8 – 2022/23 HRA Capital Programme Provisional Outturn

Scheme	Original Budget	Prior Year C/fwd	In-year Changes	Revised Budget	Outturn	Variance	Carry-Forward to Future Years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Improvements and Modernisation	12,064	4,730	0	16,794	4,973	(11,821)	11,821
New Build	2,965	4,737	0	7,702	1,663	(6,039)	6,039
Total	15,029	9,467	0	24,496	6,636	(17,860)	17,860

5.4.2 Total capital expenditure for the year was £6.64m and a revised budget of £24.50m. The variance and budget carried forward for the year was £17.86m.

5.4.3 Projects delivered during the year included:

- **Acquisitions and New build programme:** A total of 27 housing units were acquired across a number of sites including Newbold Coleorton, Brickworks Lane and Ravenstone.
- **Home improvement programme:** During the year, just over £0.35m was spent installing new kitchens and bathrooms in a number of properties. Work was also done to improve heating, windows, roofing as well as major fire safety works.

5.4.4 The programme however had significant variances. The budget underspends have been carried forward to future years to deliver the HRA capital programme. Extensive budget review sessions have been undertaken with departments to robustly profile the underspends to the appropriate future financial years. The table below details the profiled budgets.

Table 9 – Reprofiled 2022/23 Budget Carry-Forwards on the HRA Capital Programme

Scheme	Reprofiled to 23/24	Reprofiled to 24/25	Reprofiled to 25/26	Total
	£'000	£'000	£'000	£'000
Improvements and Modernisation	1,512	7,732	2,577	11,821
New Build	395	4,233	1,411	6,039
Total	1,907	11,965	3,988	17,860

5.4.5 The schemes with significant underspends included:

- **Acquisitions and New build programme:** Site preparation and hoarding works is

currently ongoing on Queensway, Woulds court, Cedar grove and The Oaks meaning spend across these site was low. Also, most of the new build schemes were at the design stage during the year but construction works are anticipated to get underway from the 2023/24 year for some of the sites. The programme underspend of £6.04m is being carried forward to future years to enable delivery of more new builds and acquisitions.

- **Home improvement programme:** Delays in the zero carbon programme (retro-fitting existing dwellings to make them more environmentally friendly) resulted in most of the variance experienced during the year. Challenges with resourcing the teams responsible for delivering some of the maintenance programme (such as sheltered housing improvements, electrical upgrades, off-street parking works etc.) also contributed to the low spend experienced during the year. The £11.82m underspend will be carried forward to future years to continue with the programme delivery.

5.5 HRA Reserves

- 5.5.1 The HRA currently has a balance of £9.3m. A minimum balance of £1.0m is maintained to ensure the HRA has sufficient funding to cover unforeseen revenue expenditure and the remaining £8.3m to be used for capital projects and for the repayment of debt.
- 5.5.2 There has been a review of earmarked reserves in 2022-23 and as a result, all earmarked reserves have been transferred to a Medium Term Financial Planning reserve for the HRA. This will enable reserves to be allocated corporately to achieve strategic aims.
- 5.5.3 Table 10 shows a summary of usable HRA reserves.

Table 10 – HRA Usable Reserves as at 31st March 2023

Reserves	Balance at 31/03/2022 £m	In Year changes £m	No longer required £m	Balance at 31/03/2023 £m
<u>Housing Revenue Account</u>				
Earmarked Reserves	0.53		(0.53)	0
HRA Medium Term Financial Plan Reserve	0	0.53		0.53
HRA Balance	8.50	0.80		9.3
	9.03	1.33	(0.53)	9.83
HRA Capital Receipts	8.15	3.17		11.31
	17.18	4.50	(0.53)	21.14

- 5.5.4 The balances for HRA Balance and HRA Capital Receipts are pre-capital financing for 2022/23. These balances will be used to finance the £6.6m capital outturn.

Policies and other considerations, as appropriate	
Council Priorities:	Our financial position affects all of our council priorities.
Policy Considerations:	Not applicable

Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	Not applicable
Consultation/Community Engagement:	Not applicable
Risks:	<p>The report sets out that despite a surplus of £0.91m the Council actually experienced a deficit position of £0.29m against budget on the general fund, largely because of the unachieved J2SS savings target. This means the Council was unable to set aside the budgeted £1.20m surplus to reserves, which reduces the Council's ability to mitigate anticipated financial deficits in the medium term. This risk will be explored later in the year with the update to the medium-term financial plan.</p> <p>For the Housing Revenue Account, the slippage on the capital programme leads to a number of risks, both financial in increased costs and non-financial in condition of properties etc. On revenue, systems and revised processes need to be bedded in to ensure expenditure is coded correctly and forecast movements reduced to facilitate financial and service planning. These risks will be explored through the HRA business plan.</p>
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