

Financial Performance Report, Quarter 2 2023/24



Report to:	Cabinet
Date:	30 November 2023
Portfolio Holder:	Councillor James Leppard, Portfolio Holder for Finance and Governance
Lead Officer:	Simon Freeman, Deputy Chief Executive and Director of Finance (01279) 446228
Contributing Officers:	Senior Management Board (01279) 446004 Jacqueline Van Mellaerts, Assistant Director – Finance (01279) 44651
Key Decision:	No
Forward Plan:	Forward Plan Number I015975
Call In:	This item is not subject to call in procedures because the recommendations are within the scope of Corporate Strategy and the original budget approved by Full Council in February 2023
Corporate Priorities:	All priorities
Wards Affected:	None Specifically

Recommended that the Cabinet:

- A** Notes the forecast outturn position set out within the report in respect of the General Fund as at the end of quarter 2 (April – September) of 2023/24 with a projected favourable variance of £145,000.
- B** Notes the forecast outturn position set out within the report in respect of the Housing Revenue Account as at the end of quarter 2 (April – September) of 2023/24 with a projected adverse variance of £543,000.

- C** Notes the forecast outturn position set out within the report in respect of the Non-Housing Capital Programme as at the end of quarter 2 (April – September) of 2023/24 with a projected adverse variance of £0.383 million.
- D** Notes the forecast outturn position set out within the report in respect of the Housing Capital Programme as at the end of quarter 2 (April – September) of 2023/24 with a projected favourable variance of £8.994 million.
- E** Approves the Period 6 reprofiling into 2024/25 within the Housing and Non-Housing Capital Programmes included within Appendices C and D to the report.
- F** Recommends to Full Council the approval of the Budget allocations identified for 2023/24 within the Housing and Non-Housing Capital Programmes included within Appendices C and D to the report.
- G** Approves the virements for the Non-Housing and Housing Capital Programme identified within the tables included in paragraphs 19 and 27 of the report.

Reason for decision

- A** To ensure Cabinet reviews financial performance against the approved 2023/24 budgets for General Fund, Housing Revenue Account and Capital Programmes and to ensure corporate priorities are fully funded to enable a timely delivery.

Other Options

- A** This report notes the current financial position of Quarter 2 (April – September). It also asks to approve the current Capital Programme position, which includes a number of virements and reprofiling into 2024/25.
- B** Cabinet could consider not to approve the recommendations E,F & G set out above. The current budget of the Housing and Non-Housing Capital Programmes would not be updated to reflect the latest known position and would also mean priorities are not fully funded. Members would have another opportunity to review the Capital Programme at the Quarter 3 (April – December) in March 2024 and also during the budget setting process to be reported to Cabinet in February 2024.

Background

1. On 23 February 2023, Full Council set a Medium-Term Financial Strategy, (MTFS) which reported the General Fund Budget, Housing Revenue Account (HRA) and Capital Programmes for Housing and Non-Housing for 2023/24.

2. On 13 July 2023, Cabinet noted the 2022/23 financial outturn, and approved carry forwards of £190,000 for General Fund, £241,000 for HRA, £9.971 million for Non Housing Capital programme (NHCP) and £4.001m for Housing Capital programme (HCP). As well as the movement on 2022/23 Earmarked Reserves.
3. In the previous financial year, Financial Performance information was combined with the Council's Key Performance Indicators and Complaints data. Monthly finance reports are now taken to joint Cabinet/SMB meetings for regular monitoring as well as monthly performance reports. The performance data is now reported separately on the Council's website monthly: <https://www.harlow.gov.uk/your-council/spending-and-performance/performance>.
4. This report provides a financial update for 2023/24, based on operational and financial impacts for the period April to September 2023 (Quarter 2).

Issues/Proposals

5. The General Fund, Housing Revenue Account and Capital programmes summaries are included within this report. and individual breakdown of variances from each fund is included within the additional appendices.

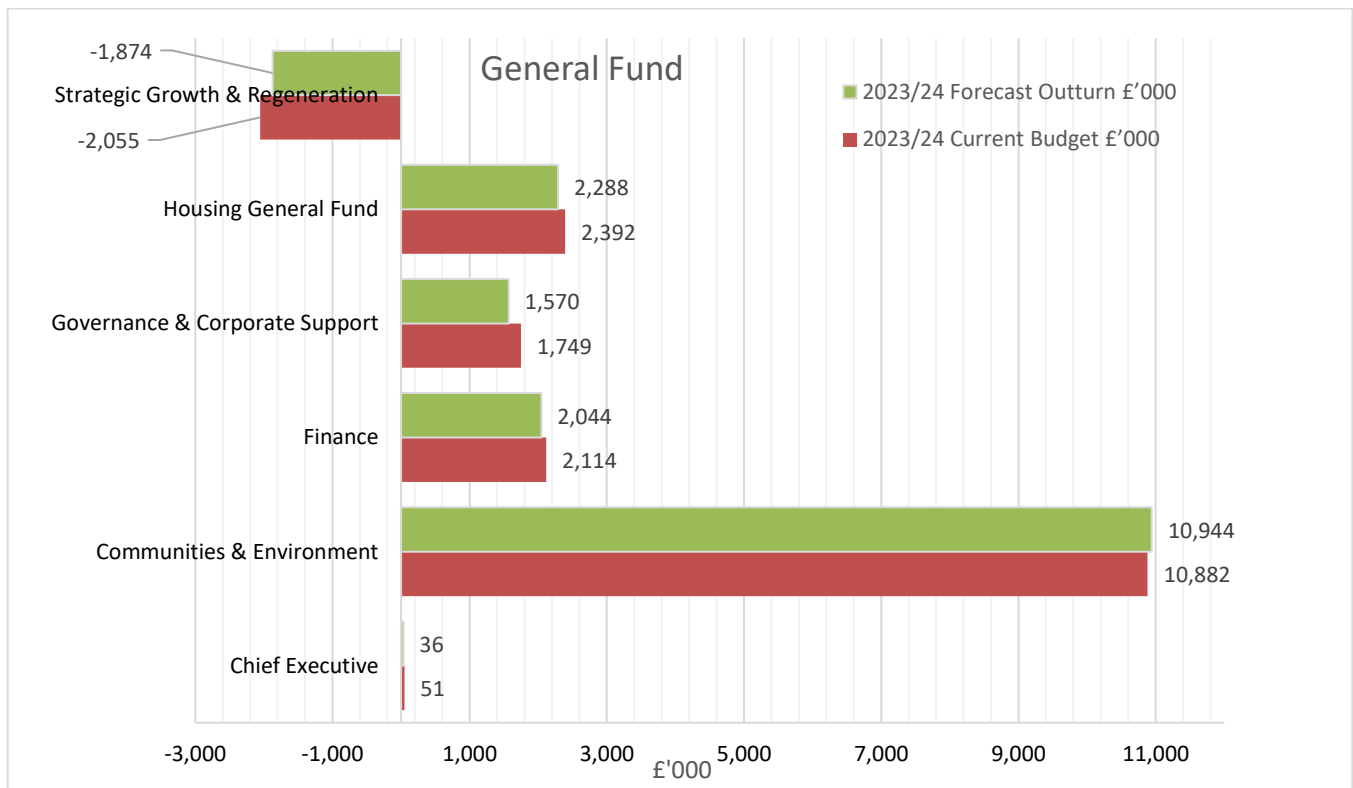
General Fund

6. Based on the activity to the end of September 2023, the General Fund revenue forecast is in a favourable position of £145,000 which is a further improvement compared with quarter 1 which forecast a favourable variance of £114,000. Appendix A provides a breakdown of major key variances and explanation of the position set out in the table below.

	2023/24 Current Budget £'000	2023/24 Forecast Outturn £'000	2023/24 Variance £'000
Chief Executive	51	36	(15)
Communities & Environment	10,882	10,944	62
Finance	2,114	2,044	(70)
Governance & Corporate Support	1,749	1,570	(179)
Housing General Fund	2,392	2,288	(104)
Strategic Growth & Regeneration	(2,055)	(1,874)	81

Total Service Specific Expenditure	15,133	14,908	(225)
Non Service Specific & Funding	(15,133)	(15,053)	80
General Fund (Surplus)/Deficit	0	(145)	(145)
Working Balance as at March 2023			
Working Balance as at March 2023	3,233	3,233	0
Surplus/(Deficit) in Year	0	145	145
Working Balance C/fwd	3,233	3,378	145

7. The data is also displayed in a bar chart below, showing the current budget (Red) compared to forecast outturn (Green) by departmental service plan.



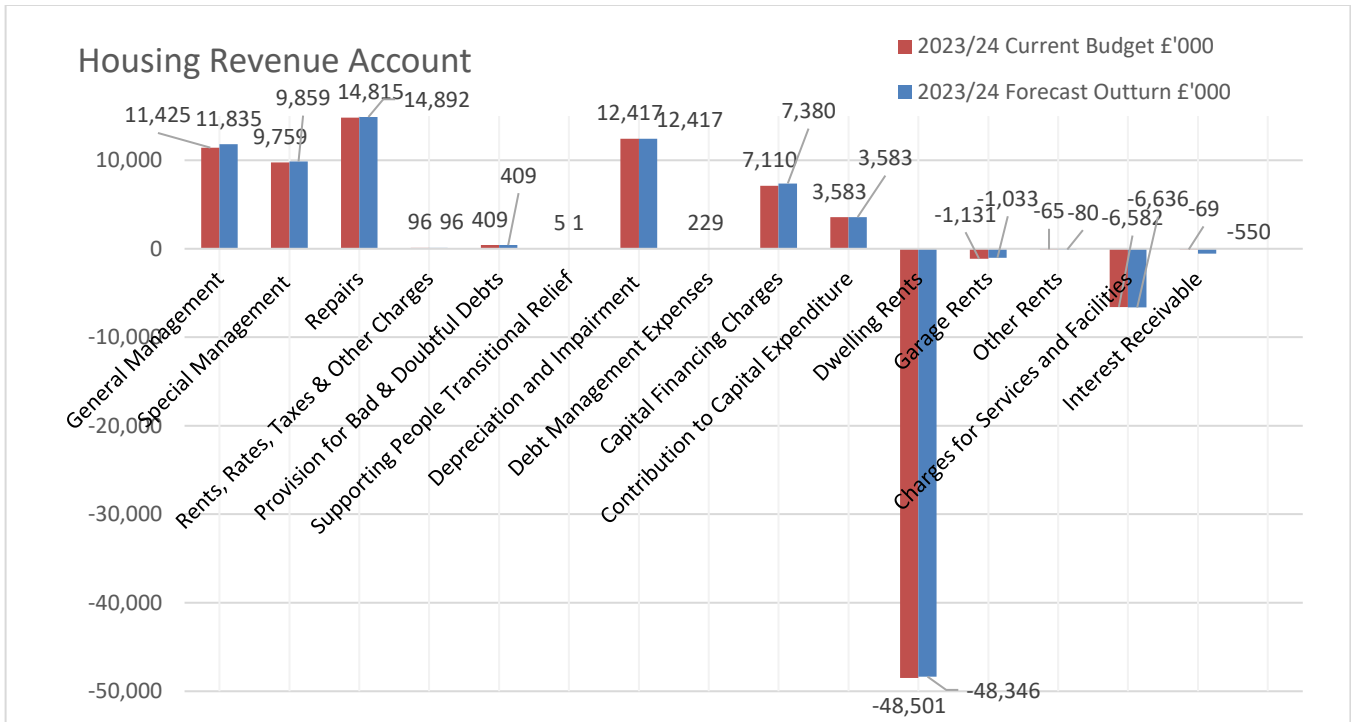
Housing Revenue Account (HRA)

8. The Council approved a HRA budget and net deficit of £3.293 million for 2023/24, including the approved carry forwards in July 2023, thus reducing the forecasted working balance as at 31 March 2024 to £11.533 million.
9. The HRA summary position for Quarter 2 of 2023/24 are summarised in the table below and explanation of the variances within Appendix B. The forecast outturn is expected to

increase to £3.836 million, reporting an adverse variance of £543,000 with a revised working balance of £10.99 million.

Housing Revenue Account	2023/24 Current Budget £'000	2023/24 Forecast Outturn £'000	2023/24 Variance £'000
<u>Expenditure</u>			
General Management	11,425	11,835	410
Special Management	9,759	9,859	100
Repairs	14,815	14,892	77
Rents, Rates, Taxes & Other Charges	96	96	0
Provision for Bad & Doubtful Debts	409	409	0
Supporting People Transitional Relief	5	1	(4)
Depreciation and Impairment	12,417	12,417	0
Debt Management Expenses	22	9	(13)
Capital Financing Charges	7,110	7,380	270
Contribution to Capital Expenditure	3,583	3,583	0
Total Expenditure	59,641	60,481	840
<u>Income</u>			
Dwelling Rents	(48,501)	(48,346)	155
Garage Rents	(1,131)	(1,033)	98
Other Rents	(65)	(80)	(15)
Charges for Services and Facilities	(6,582)	(6,636)	(54)
Interest Receivable	(69)	(550)	(481)
Total Income	(56,348)	(56,645)	(297)
Balance at 1 April (pre-Audit)	14,826	14,826	0
Surplus / (Deficit) for year	(3,293)	(3,836)	(543)
Balance as at 31 March	11,533	10,990	(543)

10. The data is also displayed in a bar chart below, showing the current budget (Red) compared to forecast outturn (Blue) by HRA Expenditure and Income lines.

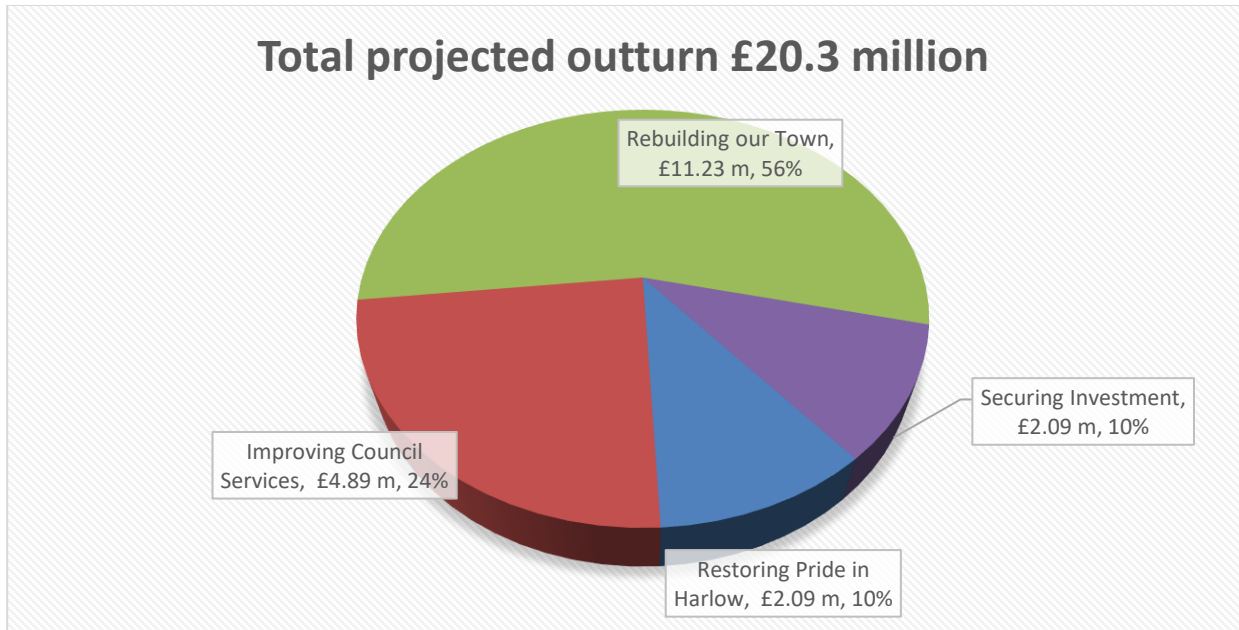


Capital Programme – Non-Housing

- A summary of the Non-Housing Capital Programme (NHCP) is shown in the table below. The Council approved a budget of £13.471 million in Feb 2023, and subsequently £9.971 million of carryovers in July 2023. The total NHCP Programme for 2023/24 is £19.91 million, following Quarter 1 Reprofile and Budget allocations that were approved at Cabinet on 7 September 2023.

NON HOUSING CAPITAL PROGRAMME QUARTER 2 2023/24							
Schemes	Approved Budget 2023/24	2022/23 Carry overs	Q1 Cabinet Amendments	Current Budget	Projected Outturn	Variance: Outturn to current budget	Period 6 Re-profiling
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Latton Bush Centre	845	519	-	1,364	921	(443)	773
Commercial Properties	128	822	-	950	807	(143)	240
Highways & Car Parks	185	0	90	275	445	170	-
Drainage Works	50	165	(85)	130	109	(21)	-
Community Buildings	491	735	(90)	1,136	247	(889)	250
Other Public Schemes	95	380	(238)	237	175	(62)	-
Civic Centre	866	387	120	1,373	1,473	100	-
Garages	143	0	-	143	143	-	-
Contingency	50	50	-	100	0	(100)	-
TOTAL ASSET MANAGEMENT	2,853	3,058	(203)	5,708	4,320	(1,388)	1,262
Communities and Environment	1,239	988	-	2,227	2,288	61	7
Governance and Corporate Services	139	11	-	150	150	-	-
Strategic Growth & Regeneration	897	553	-	1,450	1,280	(170)	-
OTHER SERVICES	2,275	1,552	-	3,827	3,718	(109)	7
Council House Building Programme	3,310	118	(3,328)	100	520	420	(420)
Enterprise Zone	0	0	-	0	87	87	-
Innovation Park	0	0	-	0	2,000	2,000	-
Levelling Up Fund	0	0	-	0	1,295	1,295	-
Town Centre Ltd Liability Partnership	0	5,000	-	5,000	5,000	-	-
Towns Fund	5,032	243	-	5,275	3,353	(1,922)	3,059
OTHER SCHEMES	8,342	5,361	(3,328)	10,375	12,255	1,880	2,639
TOTAL NON-HOUSING CAPITAL PROGRAMME	13,470	9,971	(3,532)	19,910	20,293	383	3,908
Reprofiling as at Quarter 2 Required						3,908	
New Budget Allocations Required						(4,574)	
Quarter 2 Variance (Favourable)/Adverse						(283)	
Requested Virements						283	
Quarter 2 Variance after Quarter 2 recommendations						0	

12. Since April, a review of the Non-Housing Capital programme has been ongoing with Officers and Cabinet members to align the programme to the council's five priorities for 2023/24.
13. The graphic below shows the breakdown of how the total NHCP projected outturn has been reprioritised and aligned with the five priorities for 2023/24. It should be noted that the Fixing Council Housing priority is included within the Housing Capital Programme and the Securing Investment into Harlow priority is predominately funded from revenue resources.



14. As at Quarter 2 the projected outturn of the full programme is forecasted to have a favourable variance of £20.3 million. A full list of variances and commentary is included within Appendix C.
15. Included within the projected outturn, £3.908 million of scheme's are requested to be re-profiled into the 2024/25 programme. For clarification, this expenditure and therefore financing is still required for the scheme, but the expenditure will be committed in a future year. By reprofiling the budget into a later year, means that no additional future financing for the scheme will be required. A breakdown of the schemes requested to be reprofiled into 2024/25 are included within Appendix C. The reprofiling also includes two projects that require monies to be brought forward from 2024/25.
16. Also included within the projected outturn, £4.574 millions of new schemes have been identified and require a budget allocation to be assigned to them. £2.574 million of the new schemes are funded externally with grant funding or insurance settlement, and do not require additional financing. However, £2 million in respect of the innovation park, shown in the table below, will require additional financing from Capital receipts. A breakdown of all the schemes requested to have a budget allocation for 2023/24 are included within Appendix C.

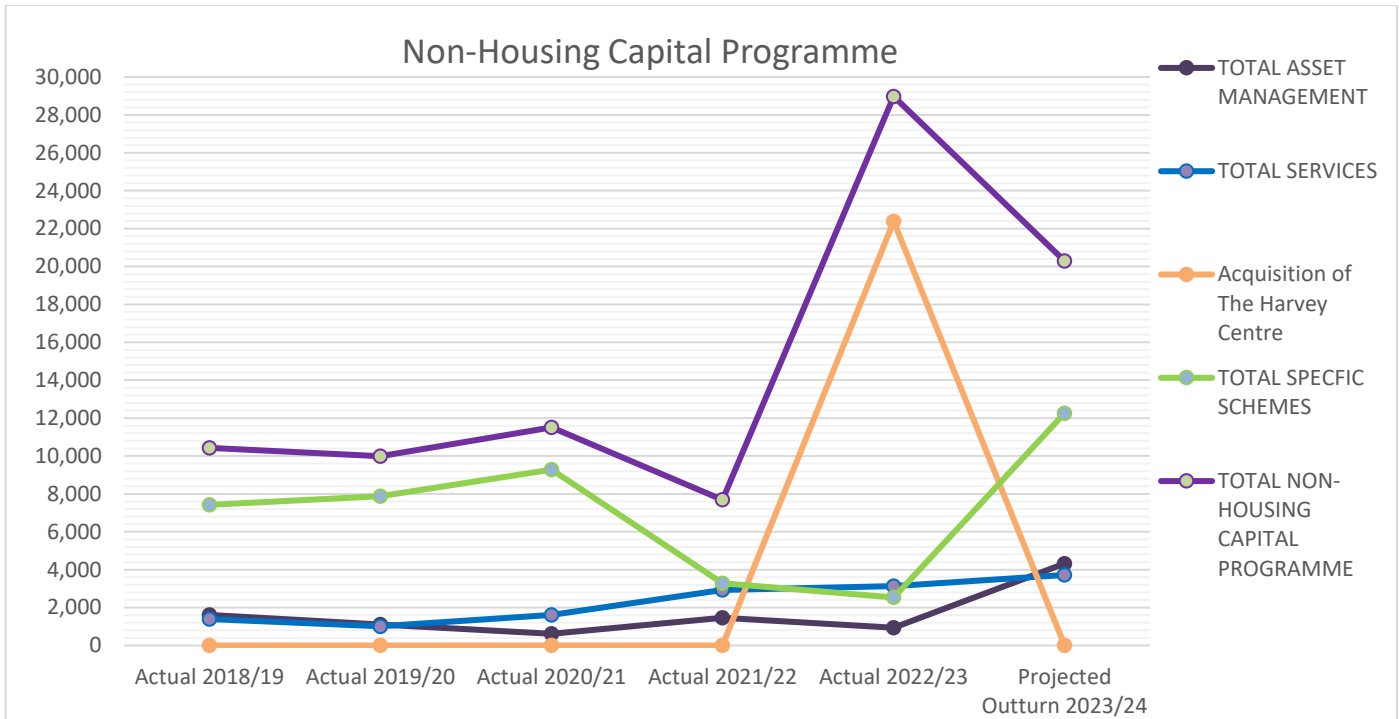
Budget Allocation from	Amount £'000	Budget Allocation to	Reason
Capital receipts	2,000	Innovation Park	NEW PROJECT – Works are required at the Innovation Park to fund the fit-out of the new Café (Estimated £750K), spoil removal (Estimated £1.2m) and wider landscaping to the Central Heart (Estimated £300K), in order to provide service provision to the park and facilitate land sales, which will replenish Capital Receipts after disposal.

17. Not including the schemes that are requested to be reprofiled or a new budget allocated, the review has identified a net favourable variance £283,000.
18. When a Budget is transferred to another budget service heading it is called a virement. There are several virements which have been identified and discussed with the Chief Executive and Leader that exceed officer limits and requires Cabinet approval.
19. Three projects have been identified that required additional funds from within the capital programme in order to progress further, which are listed below. A new project has also been identified for Civic Centre Enhancements, and it is intended that the expected favourable variance within the programme can be utilised to fund the required works.

Virement from	Amount £'000	Virement to	Reason
Osler House Re-Roofing	329	Latton Bush Centre - Boiler	ADDITIONAL FUNDS REQUIRED – The projected outturn currently assumes as overspend of £329k, as the cost of the boilers have increased. It is anticipated that more efficient boilers will mitigate the impact of energy price rises. Virements are required from underspends within the Capital programme in order to facilitate the increase. The project will likely be completed in Spring 2024.
Osler House – Internal Contingency	144 90	Mead Park - Boiler	ADDITIONAL FUNDS REQUIRED – The projected outturn currently assumes as overspend of £234k, as the cost of the boilers have increased. It is anticipated that more efficient boilers will mitigate the impact

	234		of energy price rises. Virements are required from underspends within the Capital programme in order to facilitate the increase. The project will likely be completed in Spring 2024.
Osler House Re-Roofing	61	Civic Centre Enhancements	NEW PROJECT – Civic Centre improvement works are required to ensure the offices are in fit condition for staff. This includes soft refurbishment on Kitchens, toilets, painting and reorganisation of furniture for new meeting rooms. Various virements from projects have been identified to fund this project.
Potter Street	108		
Bush Fair Pavilion	77		
Contingency	10		
Asbestos Removal	27		
	283		
Estate Renewal Fund	170	Street Signage	ADDITIONAL FUNDS REQUIRED – The projected outturn currently assumes the total cost to replace all the street signage will be £220,000. Additional funds can be sources from the estate renewal fund.

20. Following the approval of the above virements, this will then reduce the favourable net forecasted variance at Quarter 2 to zero, which shows the programme being actively managed in year for existing and new schemes. The programme will continue to be monitored and the Quarter 3 position will be reported at the next financial update.
21. A line chart has also been produced to show actual data for the last 5 years of the Non-Housing Capital Programme. The graph shows the ongoing investment within the Programme with a specific peak in 2022/23 following the acquisition of the Harvey Centre.



Capital Programme – Housing

22. A summary of the Housing Capital Programme (HCP) is shown in the table below. The Council approved a budget of £38.891 million in February 2023, (including the New Council House Building Programme) and subsequently £4.001 million of carryovers in July 2023. The total HCP Programme for 2023/24 is £42.892 million.

23. No reprofiling was agreed at the last Cabinet meeting on 7 September, for period 3, in order to establish a budget for the garage demolition programme. Following recommendation at the previous Cabinet meeting on 7 September, virements totalling £1.295 million were agreed with the Section 151 Officer for the Garage demolition programme and have been applied in the table below.

HOUSING CAPITAL PROGRAMME QUARTER 1 2023/24							
Schemes	Approved Budget 2023/24	2022/23 Carry overs	Q1 Cabinet Amendments	Current Budget	Projected Outturn	Variance: Outturn to current budget	Period 6 Re-profiling
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HTS Internal Works - ASC	1,090	0	-	1,090	1,090	-	-
HTS Internal Works - Compliance	1,460	168	309	1,937	1,937	-	-
HTS Internal Works - Energy Efficiency	0	175	-	175	175	-	-
HTS Internal Works - Environmental Estates Work	0	0	-	0	0	-	-
HTS Internal Works - Aids & Adaptations	0	24	-	24	24	-	-
HTS Internal Works - Roofing	0	0	-	0	0	-	-
HTS Internal Works - Internal	4,355	0	(771)	3,584	3,584	-	-
HTS Internal Works - Garages	195	149	-	344	344	-	-
HTS Internal Works - Sumners Farm Close	342	57	(197)	202	202	(0)	-
TOTAL HTS	7,442	573	(659)	7,355	7,355	(0)	-
External Works	7,106	328	(391)	7,043	6,843	(200)	200
Damp & Structural Works	1,600	0	-	1,600	1,720	120	-
Other Works	1,000	0	-	1,000	1,000	-	-
Fire Safety & Compliance	6,840	325	(100)	7,065	6,765	(300)	300
Energy Efficiency Works	1,103	49	-	1,152	1,152	0	-
Housing IT	400	71	(145)	326	326	(0)	-
Garage Demolition Programme	0	0	1,295	1,295	1,295	-	-
TOTAL CORE HOUSING CAPITAL PROGRAMME	18,049	772	659	19,481	19,101	(380)	500
Acquisitions	0	0	-	0	926	926	-
Council House Building Programme	13,400	2,656	-	16,056	6,516	(9,540)	10,075
TOTAL COUNCIL HOUSE BUILD PROGRAMME	13,400	2,656	-	16,056	7,442	(8,614)	10,075
TOTAL ALL HOUSING CAPITAL PROGRAMME	38,891	4,001	-	42,892	33,898	(8,994)	10,575
Reprofiling as at Quarter 2 Required						10,575	
New Budget Allocations Required						(2,361)	
Quarter 2 Variance (Favourable)/Adverse						(780)	
Requested Virements						463	
Quarter 2 Variance after Quarter 2 recommendations						(317)	

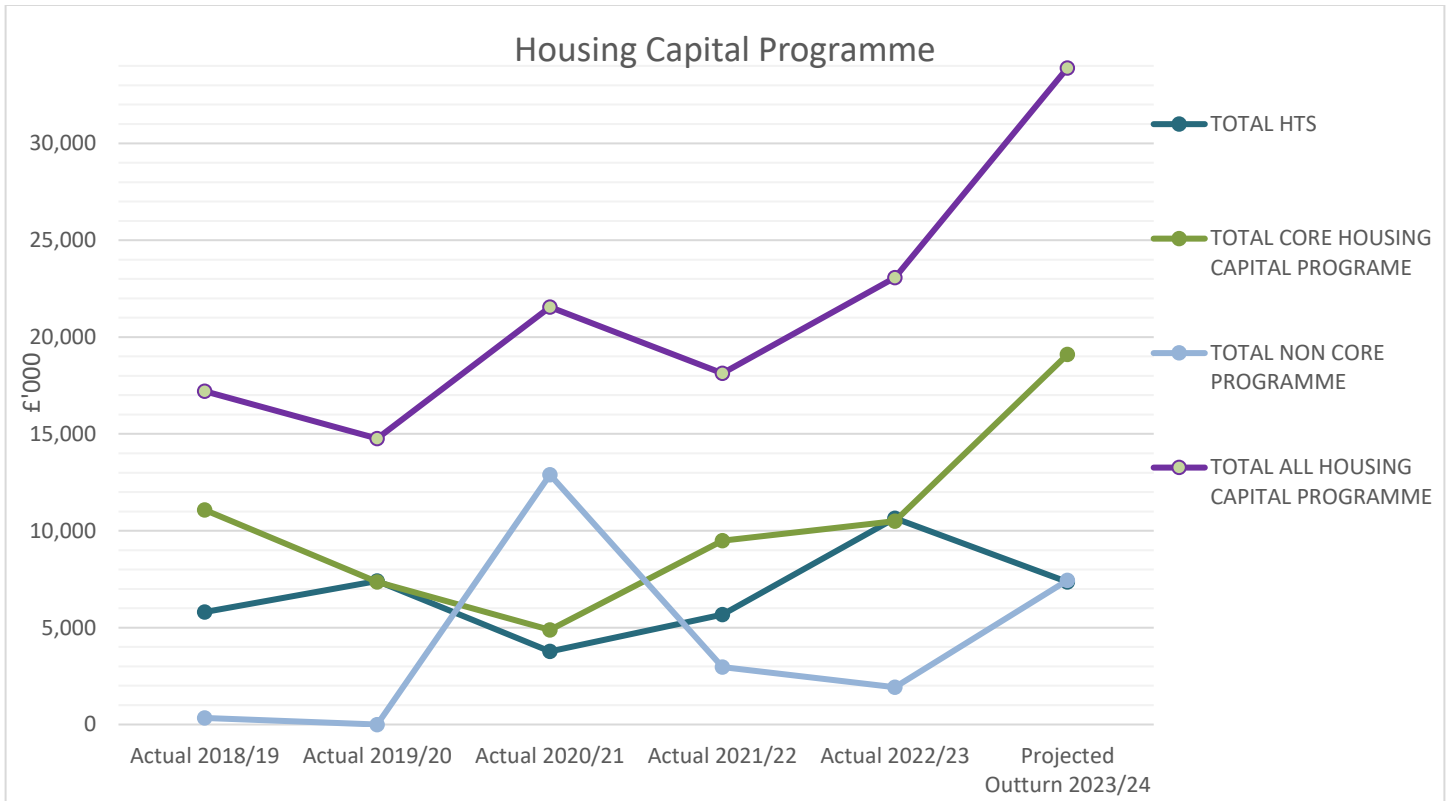
24. As at Quarter 2 the projected outturn of the full programme is forecasted to have a favourable variance of £8.994 million. The favourable variance is largely due to a number of New Build projects, that either require to be reprofiled into the 2024/25 programme or no further expenditure is required. A full list of variances and commentary is included within Appendix D.
25. As at period 6, £10.575 million of scheme's are requested to be re-profiled into the 2024/25 programme. For clarification, this expenditure and therefore financing is still required for the scheme, but the expenditure will be committed in a future year. By reprofiling the budget into a later year, means that no additional future financing for the scheme will be required. A breakdown of the schemes requested to be reprofiled into 2024/25 are included within Appendix D. Some projects need further review in Quarter 3, to quantify if further reprofiling is required.
26. Also included within the projected outturn, £2.361 million of new schemes have been identified and require a budget allocation to be assigned to them. The new schemes are funded from Right to Buy Receipts, and additional borrowing. A breakdown of the

schemes requested to have a budget allocation for 2023/24 are included within Appendix E.

27. Following Shareholder Sub Committee, on 15 November 2023, it was recommended that HTS (Housing and Regeneration) Ltd dispose of five properties and Harlow Council purchase three of the properties being sold, approx £926k. To facilitate the delivery of this preferred option the following virement is requested below to ensure the Capital Financing is in place. It is proposed that 50% of the expected cost of the acquisition will be funded from Right to Buy Receipts (£463k) and the following 50% will be funded from the Red Lion Lane Project which is no longer progressing as it was deemed unviable.

Virement from	Amount £'000	Virement to	Reason
Red Lion Lane	463	HTS Acquisitions	NEW PROJECT – To utilise the budget of Red Lion Lane to fund the purchase of three properties which HTS are disposing

28. Following the approval of the above virements, this will then reduce the favourable net forecasted variance at Quarter 2 to £317,000, which could be reprioritised as the review of the programme progresses. The programme will continue to be monitored and the Quarter 3 position will be reported at the next financial update.
29. A line chart has also been produced to show actual data for the last 5 years of the Housing Capital Programme. The Graph shows increased investment within the total Programme with a specific peak in 2020/21 following the acquisition of house purchases.



Implications

Equalities and Diversity

This report is to note the financial position of Harlow Council and does not require an Equality Assessment as the recommendations will not have a disproportionate adverse impact on anybody with a protected characteristic.

Climate Change

This report has no direct impact on climate change, however individual projects and service will have an impact and would have been considered within the commentary of the report.

Communities and Environment

The report sets out the current financial performance of the services within Community and Environment and highlights any specific matters that require the attention of the Cabinet. At this stage the report highlights that the service is operating within both the revenue and capital allocations approved by Council for the 2023/24 financial year.

Author: Simon Freeman, Deputy Chief Executive and Director of Finance

Finance

The financial implications are implicit within the report

Author: Simon Freeman, Deputy Chief Executive and Director of Finance

Governance and Corporate Services

The Cabinet, under the terms of Part 3 (iii) of the Constitution is responsible for Review the use and allocation of assets and resources within approved budgets. Article 14 of the Council's Financial Regulations places the responsibility of officers reporting on income, expenditure and resources along with its progress on its Capital Programme with the Cabinet.

Author: Simon Hill, Director of Governance and Corporate Services

Housing

The report sets out the financial performance for the Housing service for Quarter 2. The Financial data is shown within the Summaries for General Fund, HRA, Non-Housing and Housing Capital Programmes, with specific narrative included within the Appendices.

Author: Neil Euesden, Interim Director of Housing

Strategic Growth and Regeneration

The report sets out the financial performance for Strategic Growth and Regeneration service for Quarter 2. The Financial data is shown within the Summaries for General Fund, HRA and Non-Housing Capital Programme with specific narrative included within the Appendices.

Author: Andrew Bramidge, Chief Executive

Appendices

Appendix A – General Fund Variances Q2

Appendix B – Housing Revenue Account Variances Q2

Appendix C – Capital Programme Non-Housing Variances Q2

Appendix D – Capital Programme Housing Variances Q2

Background Papers

Budget 2023/24 and Medium Term Financial Strategy – Council 23 February 2023

<https://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=123&MId=1480&Ver=4>

2022/23 Financial Outturn - Cabinet 13 July 2023

<https://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=121&MId=2582&Ver=4>

Financial Performance Report Quarter 1 2023/24 – Cabinet 7 September 2023

<https://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=121&MId=2583&Ver=4>

Glossary of terms/abbreviations used

MTFS – Medium Term Financial Strategy

GF – General Fund

HRA – Housing Revenue Account

NHCP - Non Housing Capital Programme

HCP – Housing Capital Programme.

CHBP – Council House Building Programme

SMB – Senior Management Board