

Financial Performance Report, Quarter 3 2023/24



Report to:	Cabinet
Date:	21 March 2024
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:	Corporate Leadership Team (01279) 446004 Jacqueline Van Mellaerts, Assistant Director – Finance (01279) 44651
Key Decision:	No
Forward Plan:	Forward Plan Number I015988
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:

- i) The forecast outturn position set out within the report in respect of the General Fund as at the end of quarter 3 (April – December) of 2023/24 is an adverse variance of £371,000.
- ii) The update contained within the report that this has changed to a forecast favourable variance at the end of Period 10 (January 2024) of £26,000.

B Notes:

- i) The forecast outturn position set out within the report in respect of the Housing Revenue Account as at the end of quarter 3 (April – December) of 2023/24 is an adverse variance of £778,000.
 - ii) The update contained within the report that this has increased to a forecast adverse variance at the end of Period 10 (January 2024) of £822,000.
- 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 3 (April – December) of 2023/24 with a projected favourable variance of £2.946 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 3 (April – December) of 2023/24 with a projected favourable variance of £3.358 million.
- E** Approves the Period 9 reprofiling into 2024/25 within the Housing and Non-Housing Capital Programmes included within Appendices C and D.
- 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** Notes the council's Oflog metric data at Quarter 3.

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. Given movements that have been identified in the forecasts for both General Fund and HRA, updates have been included to reflect the current best forecasts as at January 2024 to ensure the most up to date information available is presented for consideration.

Other Options

- A** This report notes the current financial position of Quarter 3 (April – December). It also asks to approve the current Capital Programme position, which includes a number of reprofiled schemes into 2024/25.
- B** Cabinet could consider not to approve the recommendations E & F 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.

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 December 2023 (Quarter 3).

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.

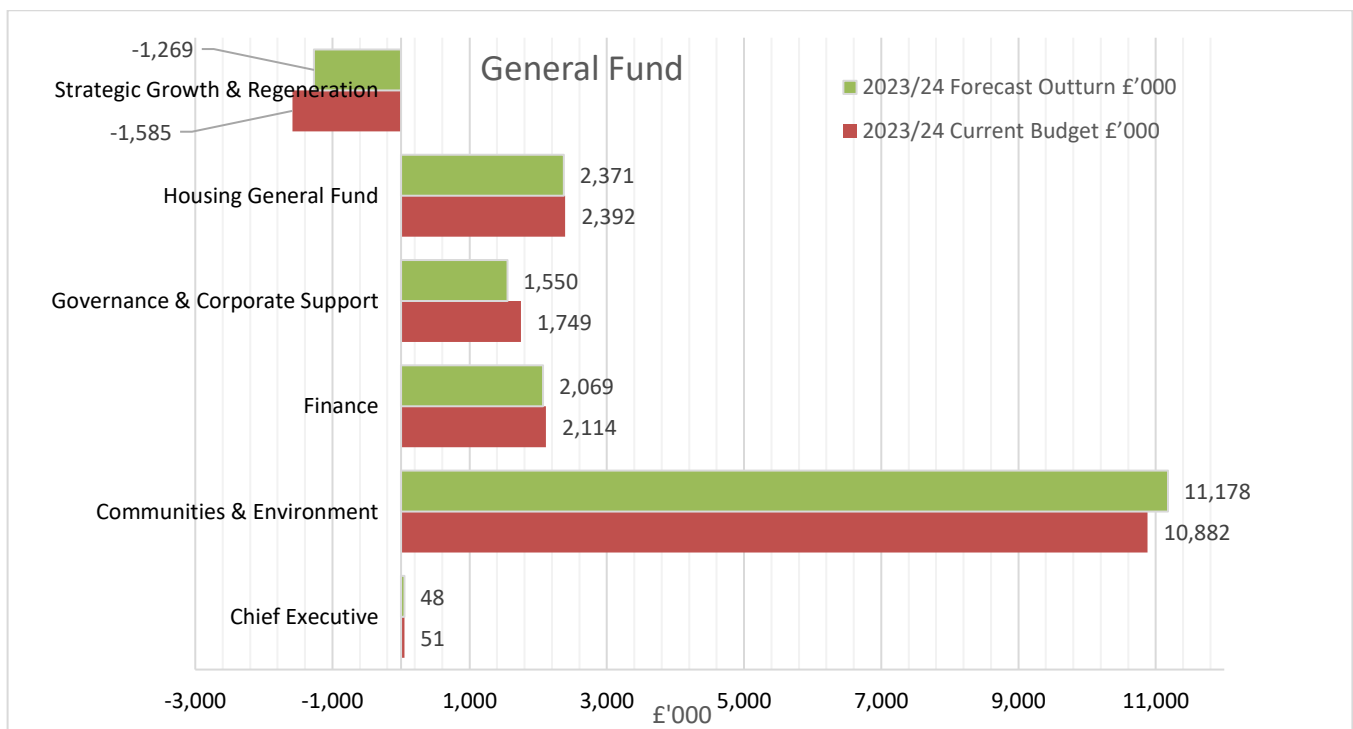
General Fund

6. Based on the activity to the end of December 2023, the General Fund revenue forecast is in an adverse position of £371,000 which is a decrease compared with quarter 2, which was a forecasted favourable variance of £145,000. 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	48	(3)
Communities & Environment	10,882	11,178	296
Finance	2,114	2,069	(44)
Governance & Corporate Support	1,749	1,550	(199)

Housing General Fund	2,392	2,371	(21)
Strategic Growth & Regeneration	(1,585)	(1,269)	316
Total Service Specific Expenditure	15,603	15,947	345
Non Service Specific & Funding	(15,603)	(15,576)	26
General Fund (Surplus)/Deficit	0	371	371
Working Balance as at March 2023			
Working Balance as at March 2023	3,233	3,233	0
Surplus/(Deficit) in Year	0	(371)	(371)
Working Balance C/fwd	3,233	2,862	(371)

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.



Period 10 monitoring (April to January)

8. Although this report considers the Quarter 3 monitoring position, officers have also reviewed the period 10 position (April to January). The period 10 position has improved

significantly and is reported to be a favourable variance of £26,000, resulting in the revised forecast of working balances.

	2023/24 Current Budget £'000	2023/24 Forecast Outturn £'000	2023/24 Variance £'000
Working Balance as at March 2023	3,233	3,233	0
Surplus/(Deficit) in Year	0	26	26
Working Balance C/fwd	3,233	3,259	26

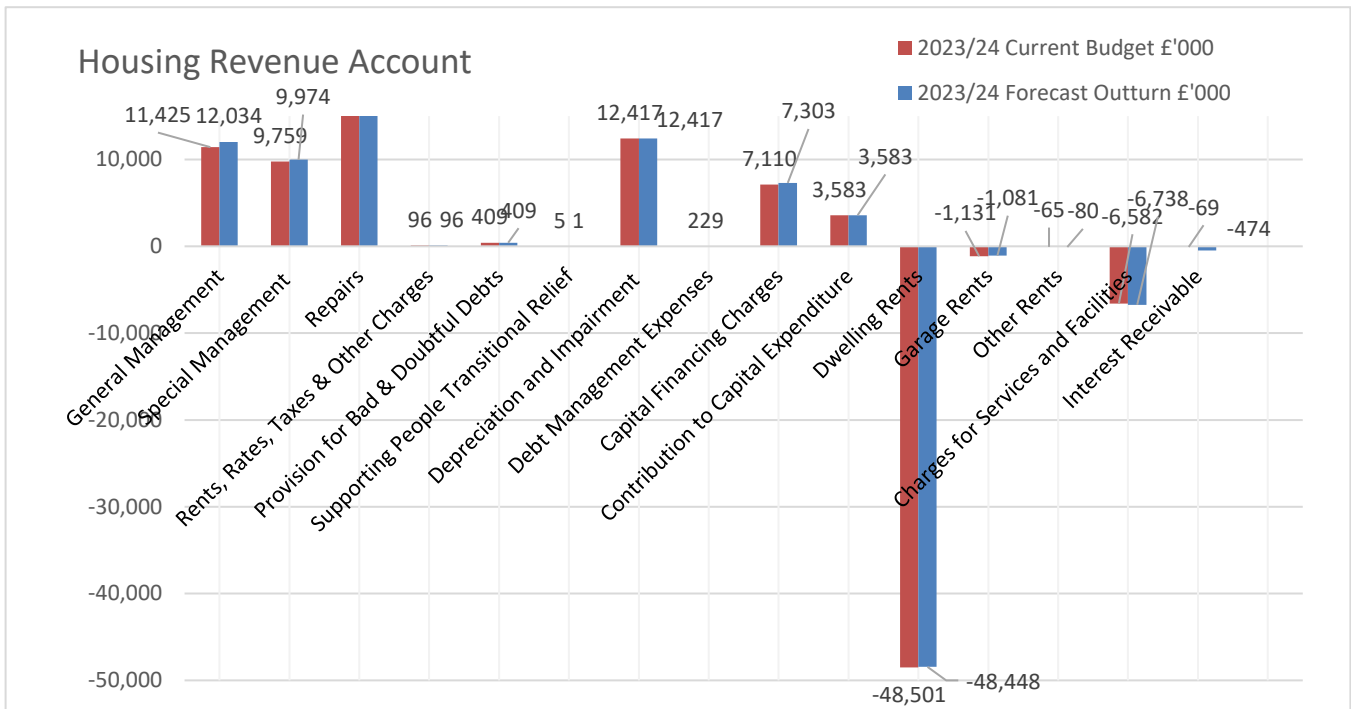
9. This is largely due to capital financing budgets lines being reviewed and aligned to the capital programme requirements. A consequence of this has been an improvement in the forecast of interest receivable/payable favourable variance (£1,075,000) and forecast minimum revenue provision adverse variance (£796,000) which creates a net movement of £279,000 favourable variance.
10. In period 10, Commercial property rent Income reports an improved forecast, resulting in an adverse variance of £80,000. (Quarter 3 reported an adverse variance of £154,000) resulting in a net movement of £74,000 from period 9 (quarter 3) to period 10.
11. Budget monitoring continues to take place and the final outturn will be reported in June, following year end processes throughout April and May.
12. On going discussions are being held with HTS relating to the release of their accrued working capital back to the shareholder and it's anticipated that this will be resolved by the time their financial year reporting takes place.

Housing Revenue Account (HRA)

13. The council approved a HRA budget and net deficit of £5.17 million for 2023/24, including the approved carry forwards in July 2023, thus reducing the forecasted working balance as at 31 March 2024 to £9.656 million.
14. The HRA summary position for Quarter 3 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 £5.17 million, reporting an adverse variance of £778,000 with a revised working balance of £9.656 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	12,034	609
Special Management	9,759	9,974	215
Repairs	15,915	16,164	250
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	7,303	193
Contribution to Capital Expenditure	3,583	3,583	0
Total Expenditure	60,740	61,990	1,251
<u>Income</u>			
Dwelling Rents	(48,501)	(48,448)	54
Garage Rents	(1,131)	(1,081)	50
Other Rents	(65)	(80)	(15)
Charges for Services and Facilities	(6,582)	(6,738)	(156)
Interest Receivable	(69)	(474)	(405)
Total Income	(56,348)	(56,821)	(472)
Balance at 1 April (pre-Audit)	14,826	14,826	0
Surplus / (Deficit) for year	(4,391)	(5,170)	(778)
Balance as at 31 March	10,435	9,656	(778)

15. 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.



Period 10 monitoring (April to January)

16. Since Quarter 3 monitoring has been undertaken, officers have also reviewed the period 10 position (April to January). The period 10 position has declined further and is reported to be an adverse variance of £822,000, resulting in the revised working balances.

Housing Revenue Account	2023/24 Current Budget	2023/24 Forecast Outturn	2023/24 Variance
	£'000	£'000	£'000
Balance at 1 April (pre-Audit)	14,826	14,826	0
Surplus / (Deficit) for year	(4,391)	(5,213)	(822)
Balance as at 31 March	10,435	9,613	(822)

17. This is mainly due to an increase in write offs of invoices that have been recharged to tenants with a revised reporting variance of £150,000 in period 10. (Q3 reported £103,000)

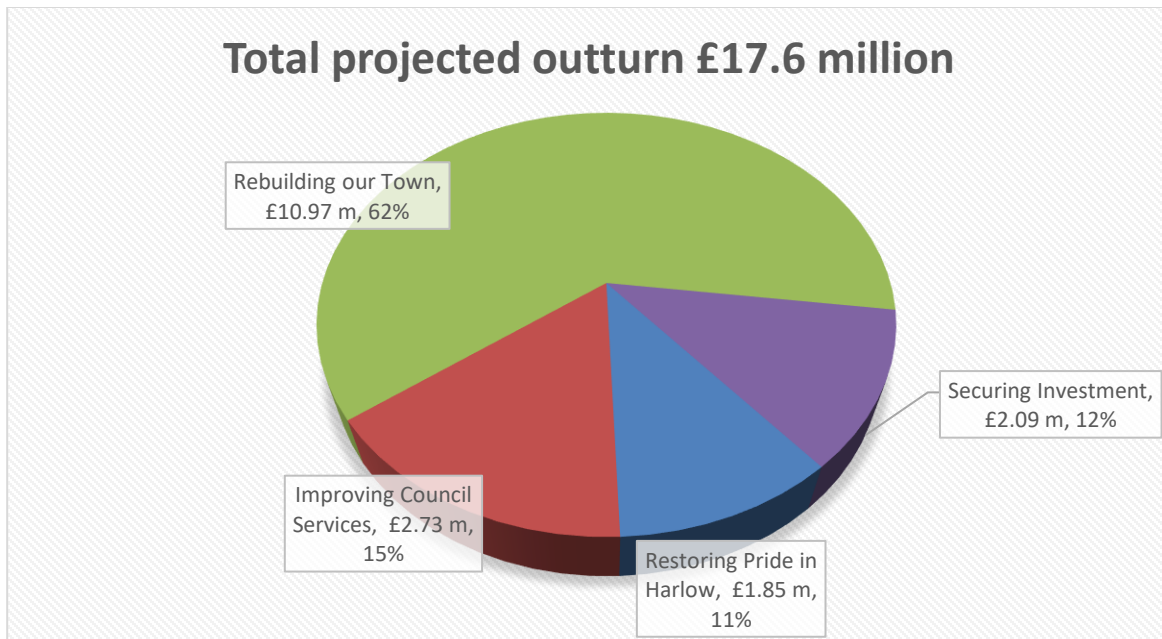
Capital Programme – Non-Housing

18. 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 £20.576 million, following quarter 1 and quarter 2 Reprofiting and Budget allocations that were approved at Cabinet on 7 September 2023 and 30 November 2023.

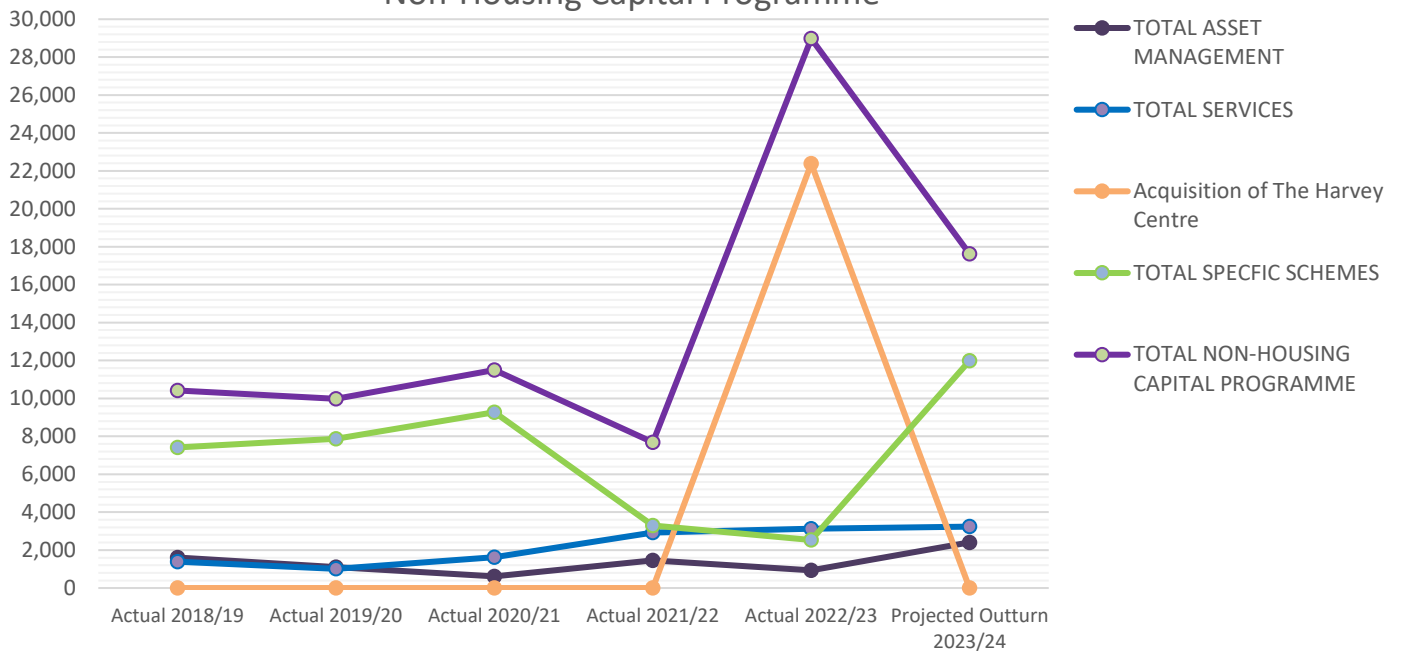
NON HOUSING CAPITAL PROGRAMME QUARTER 3 2023/24							
Schemes	Approved Budget 2023/24 £'000	2022/23 Carry overs £'000	Cabinet Amendments £'000	Current Budget £'000	Projected Outturn £'000	Variance: Outturn to current budget £'000	Period 9 Re-profiling £'000
Latton Bush Centre	845	519	(444)	920	300	(620)	620
Commercial Properties	128	822	(84)	866	326	(540)	492
Highways & Car Parks	185	0	260	445	425	(20)	-
Drainage Works	50	165	(85)	130	29	(101)	80
Community Buildings	491	735	(982)	244	135	(109)	250
Other Public Schemes	95	380	(264)	211	80	(131)	-
Civic Centre	866	387	418	1,671	969	(702)	743
Garages	143	0	-	143	143	(0)	-
Contingency	50	50	(100)	0	0	-	-
TOTAL ASSET MANAGEMENT	2,853	3,058	(1,281)	4,630	2,407	(2,223)	2,185
Communities and Environment	1,239	988	34	2,261	2,011	(250)	348
Governance and Corporate Services	139	11	-	150	159	9	-
Strategic Growth & Regeneration	897	553	(170)	1,280	1,068	(212)	380
OTHER SERVICES	2,275	1,552	(136)	3,691	3,238	(453)	728
Council House Building Programme	3,310	118	(2,908)	520	250	(270)	270
Enterprise Zone	0	0	87	87	87	(0)	-
Innovation Park	0	0	2,000	2,000	2,000	-	-
Levelling Up Fund	0	0	1,295	1,295	1,295	(0)	-
Town Centre Ltd Liability Partnership	0	5,000	-	5,000	5,000	-	-
Towns Fund	5,032	243	(1,922)	3,353	3,353	0	-
OTHER SCHEMES	8,342	5,361	(1,449)	12,255	11,985	(270)	270
TOTAL NON-HOUSING CAPITAL PROGRAMME	13,470	9,971	(2,866)	20,576	17,629	(2,946)	3,183
Reprofiling as at Quarter 2 Required						3,183	
New Budget Allocations Required						(266)	
Quarter 3 Variance (Favourable)/Adverse						(29)	
Requested Virements						-	
Quarter 3 Variance after Quarter 3 recommendations						(29)	

19. 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.
20. 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.



21. As at Quarter 3 the projected outturn of the full programme is forecasted to have a favourable variance of £2.946 million. A full list of variances and commentary is included within Appendix C.
22. Included within the projected outturn, £3.183 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.
23. Also included within the projected outturn, £0.266 million of new schemes have been identified and require a budget allocation to be assigned to them. The projects are all financing with grant funding and is not an increase to the overall financing of the programme.
24. Not including the schemes that are requested to be reprofiled or a new budget allocated, the review has identified a net favourable variance of £29,000.
25. 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.

Non-Housing Capital Programme



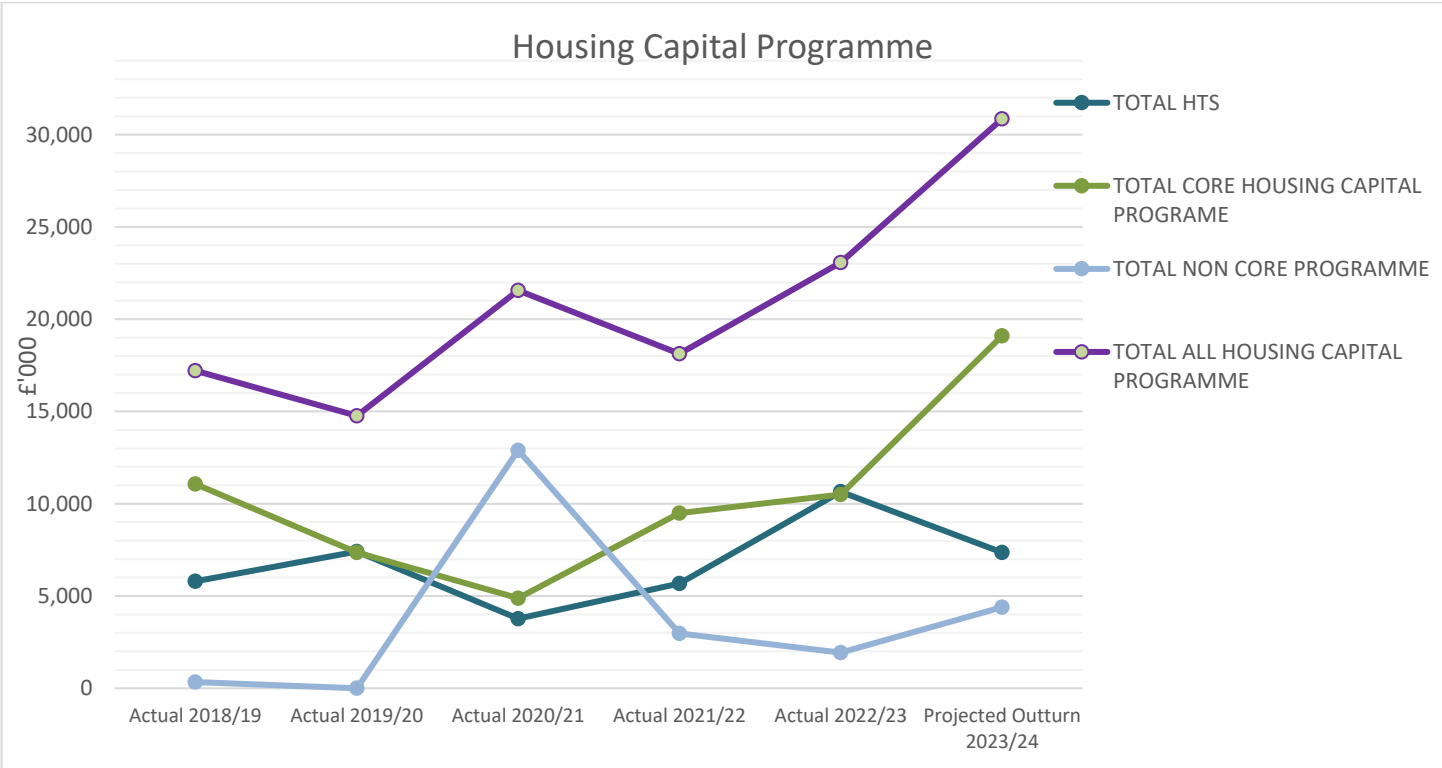
Capital Programme – Housing

26. 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 £34.215 million following reprofiling and budget allocations approved in quarter 2.

HOUSING CAPITAL PROGRAMME QUARTER 3 2023/24							
Schemes	Approved Budget 2023/24	2022/23 Carry overs	Cabinet Amendments	Current Budget	Projected Outturn	Variance: Outturn to current budget	Period 9 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	(591)	6,843	6,863	20	-
Damp & Structural Works	1,600	0	-	1,600	1,700	100	-
Other Works	1,000	0	-	1,000	1,000	-	-
Fire Safety & Compliance	6,840	325	(400)	6,765	6,765	0	-
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	159	18,981	19,100	120	-
Acquisitions	0	0	926	926	926	-	-
Council House Building Programme	13,400	2,656	(9,103)	6,953	3,475	(3,478)	3,091
TOTAL NON CORE PROGRAMME	13,400	2,656	(8,177)	7,879	4,401	(3,478)	3,091
TOTAL ALL HOUSING CAPITAL PROGRAMME	38,891	4,001	(8,677)	34,215	30,857	(3,358)	3,091
Reprofiling as at Quarter 3 Required						3,091	
New Budget Allocations Required						(50)	
Quarter 3 Variance (Favourable)/Adverse						(317)	
Requested Virements						-	
Quarter 3 Variance after Quarter 2 recommendations						(317)	

27. As at Quarter 3 the projected outturn of the full programme is forecasted to have a favourable variance of £3.358 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.

- 28. As at period 9, £3.091 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 4, to quantify if further reprofiling is required.
- 29. Also included within the projected outturn, £0.050 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 D.
- 30. Following the approval of the budget allocations and Budget reprofiling, this will then reduce the favourable net forecasted variance at Quarter 3 to £317,000, which could be reprioritised as the review of the programme progresses. The programme will continue to be monitored and the Quarter 4 position will be reported at the next financial update.
- 31. 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.



Performance

32. The council reports on key performance indicators which are used to inform and drive more effective performance on the part of both the council and those contracted to deliver on its behalf. These performance measures are published monthly on the council's website and will be reported at regular intervals to Cabinet in the new financial year.
33. In 2023 the government established a new performance body for local government called OFLOG. A key role of OFLOG is to provide credible and accessible data for analysing performance across local government to support its improvement. To do this it has brought together a selection of existing metrics across local government including finance, complaints, planning and waste management. The metrics that are relevant to Harlow Council are attached at Appendix E along with comparisons against peer authorities who are similar to Harlow in as many ways as possible. A statistical neighbour group of authorities has been created based on the following features in order to do this; new town status, period of construction, retention of housing stock, authority type. The median reported data for each metric across English councils is also published by Oflog.

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 3. 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: Wendy Makepeace, Assistant Director – Housing and Property

Strategic Growth and Regeneration

The report sets out the financial performance for Strategic Growth and Regeneration service for Quarter 3. 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: James Gardner, Assistant Director - Regeneration

Appendices

Appendix A – General Fund Variances Q3
Appendix B – Housing Revenue Account Variances Q3
Appendix C – Capital Programme Non-Housing Variances Q3
Appendix D – Capital Programme Housing Variances Q3
Appendix E – Oflog Metric Data Q3

Background Papers

Budget 2023/24 and Medium Term Financial Strategy – Council 23rd February 2023
<https://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=123&MId=1480&Ver=4>
2022/23 Financial Outturn - Cabinet 13th July 2023
<https://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=121&MId=2582&Ver=4>
Financial Performance Report Quarter 1 2023/24 – Cabinet 7th September 2023
<https://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=121&MId=2583&Ver=4>

Glossary of terms/abbreviations used

MTFP – Medium Term Financial Plan
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
CLT – Corporate Leadership Team