

EXECUTIVE – 16 NOVEMBER 2023

GENERAL FUND AND HRA OUTTURN REPORT 2022-23

Executive Summary

This report identifies and analyses the outturn position, financial year 2022/23, for the General Fund (GF) and the Housing Revenue Account (HRA).

Recommendations

The Executive is requested to:

RESOLVE That

the reported outturn position be noted.

Reasons for Decision

Reason: To analyse the outturn position for the General Fund and Housing Revenue Account for financial year 2022/23.

The Executive has the authority to determine the recommendation(s) set out above.

Background Papers:	Medium Term Financial Strategy (MTFS), General Fund, Service Plans, Budgets and Prudential Indicators 2022-23
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1.0 Introduction

- 1.1 This Outturn report completes the financial monitoring cycle for 2022/23 and details performance against budget.
- 1.2 Appendix 1 - Annual Financial Monitoring - contains budget and provisional outturn information including main variances for all General Fund (GF) service areas.
- 1.3 Appendix 2 - Housing Revenue Account - contains budget and provisional outturn information including main variances for the HRA.
- 1.4 All variances are being examined for ongoing cost implications to ensure they do not impact on the Medium Term Financial Strategy (MTFS). Compensating savings are being sought as part of the work where there are unavoidable cost implications.
- 1.5 The provisional outturn forms the basis of the Annual Statement of Accounts which are currently being prepared under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and International Financial Reporting Standards (IFRS).

2.0 General Fund Revenue

- 2.1 The unaudited draft overspend to budget is £9.123m for services, partially offset by an underspend on Investment projects and transformation funded from Revenue of £0.065m.

Table 1 - Draft outturn

2021/22	2022/23	Original Estimate	Out Turn	Variance
£'000		£'000	£'000	£'000
9,916	Communities	10,188	11,457	1,269
(1,621)	Place	(12,711)	(5,055)	7,656
6,100	Resources	6,819	7,017	198
14,395	Net Cost of Services	4,296	13,419	9,123
4,264	Investment Projects	1,494	1,179	(315)
0	Transformation	(250)	0	250
18,659	Total Cost to General Fund	5,540	14,598	9,058

- 2.2 The original estimate was approved by Council on 10 February 2022 with the £5.5m cost to the general fund to be met from existing reserves.
- 2.3 The GF net cost of services variance to budget mainly reflects ongoing pressures on commercial estate and car parking income together with a reduction of £0.7m for central services costs charged to the HRA. Further information is available in Appendix 1 - Annual Financial Monitoring.
- 2.4 Amendments to this report may be necessary and further information is given in paragraph 4 - Implications (Finance and Risk) - of the report.

3.0 Housing Revenue Account

Table 2 – Draft outturn

2021/22	2022/23	Original Estimate	Out Turn	Variance
£'000		£'000	£'000	£'000
(17,938)	Total Income	(19,324)	(18,727)	597
13,511	Operating Costs	14,635	14,444	(191)
(4,427)	Contribution from operations	(4,689)	(4,283)	406
5,247	Net interest (incl. premiums)	5,494	5,487	(7)
820	Net (Surplus) / Deficit	805	1,204	399

3.1 The original estimate was approved by Council on 10 February 2022 with the deficit to be met from existing reserves.

3.2 The net deficit of £1.204m reflects an under recovery of energy from service charges offset by a reduction in Central Services charges of £700k

4.0 Implications

Finance and Risk

4.1 This report is financial in nature with implications and risks identified in the body of the report.

4.2 General reserves are held for risk mitigation and potential management of unforeseen circumstances particularly in times of economic volatility. When the 2022/23 budget was presented the level of reserves was assessed as being sufficient to deal with the identified in year pressures. However current detailed work in progress may impact on this view which will need further analysis for the going concern principle that underpins the statement of accounts.

4.3 At an Extraordinary Meeting of the Council on 20 June 2023 a report under Section 114 (3) of the Local Government Finance Act 1988 was presented by the interim Section 151 Officer and was endorsed by Council. Key issues identified in the report are currently being examined and amendments to the GF outturn for 2022/23 may be necessary, particularly in respect of Key issues in paragraphs 4 and 5 of the 114 notice report.

4.4 Other financial work in progress that may change the final outturn position includes capital transfers to revenue, and Interest payable and receivable.

4.5 The 2022/23 Budget identified changes to the Housing Revenue Account (HRA) in respect Sheerwater regeneration and the completion of the outsourced New Vision Homes (NVH) contract.

4.6 Sheerwater regeneration financial impact includes a planned demolition of HRA properties. As these properties become vacant, they are withdrawn from service awaiting demolition. A report to the Executive on 5 October 2023 identified that the regeneration project would be brought to a close and it is estimated that this will return 106 units to the Housing stock in the HRA. Gross annual rental income is forecast to increase by approx. £650,000 from 2024/25 potentially easing medium to long term pressure in the HRA budget.

4.7 The NVH external contract terminated in March 2022 and a revised structure was implemented to introduce an in-house service supplemented with external contractors for maintenance and repairs. Savings were not declared on this project in the budget as a prudent approach balancing Council staff savings with potential increases in contractor fees was proposed. The

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outturn includes savings in staff in line with the Green Book for December 2022 and some additional cost in repairs and maintenance. The full impact of the change to an in-house service is currently being compiled as part of the central services project highlighted in paragraph 2.3. In addition, due to a technical oversight £371,976 of anticipated charges for work completed in 2021/22 not invoiced was duplicated and is shown as an underspend to Budget in the outturn for 2022/23.

- 4.8 Further work has also been carried out in 2023/24 to examine potential sustainability issues in the HRA. This includes an analysis of central service costs and the apportionment between the GF and other areas including the HRA. Initial findings indicate that structural changes in the Council have not been reflected in the allocation system used to recharge central services and additional work will be needed to update the methods and allocation keys as part of the 2024/25 Budget. Impact on the GF is currently estimated at £700,000 for 2022/23 reflecting reduced recharges to the HRA with a final position to be determined when the work is complete. As well as looking forwards the work is also examining historical records from 2018 onwards to determine if recharges require amendment. GF service adjustments for 2024/25 Budget will need to reflect potentially revised recharges in any savings calculations going forwards.
- 4.9 A revised reserves position will be presented when financial implications of items in paragraphs 4.3; 4.4; and 4.8 above have been determined.

Equalities and Human Resources

- 4.10 There are no equalities or human resource implications arising from this report.

Legal

- 4.11 There are no legal implications arising from this report.

5.0 Engagement and Consultation

- 5.1 None.

REPORT ENDS

Annual Financial Monitoring

Table 3 General Fund Service analysis

2021/22 Actual £ 000		2022/23		
		Estimate £ 000	Outturn £ 000	Variance £ 000
	Communities			
3,146	Community Support	3,206	3,952	746
3,629	Health and Well Being and Cultural Development	3,753	4,246	493
2,429	Housing	2,646	2,488	(158)
712	Independent Living	583	771	188
9,916		10,188	11,457	1,269
	Place			
1,801	Sustaining the Local Economy	(4,457)	(1,875)	2,582
8,529	Environmental Quality	8,998	8,900	(98)
(11,951)	Place Making	(17,252)	(12,080)	5,172
(1,621)		(12,711)	(5,055)	7,656
	Resources			
3,732	Democratic Services	5,152	3,961	(1,191)
313	Corporate Services	278	954	676
2,055	Customer Support Services	1,389	2,102	713
6,100		6,819	7,017	198
14,395	Net Cost of Services	4,296	13,419	9,123
4,264	Investment Programme Revenue Projects	1,494	1,179	(315)
0	Transformation	(250)	0	250
18,659	Total Cost to General Fund	5,540	14,598	9,058

Variances to budget are broadly in line with estimated position contained in the December 2022 - Performance and Financial monitoring information (December Green Book) presented to the Executive on 23 March 2023, with the following exceptions:

Sustaining the Local Economy

1. Additional Overspend of £411k mainly loss of car parking income £231k and additional costs in car park operations £130,000.

Place making

2. Additional Overspend of £2,625k mainly associated with lower income from estate management. Some tenants in Dukes House have vacated during the year and the ongoing impact of this rent loss is being examined as part of the follow up actions from the MTFs report.
3. Planning staff shortages resulted in a temporary staff premium of £101,000.

Corporate Services

4. Following a review of charges, a £700k reduction has been applied to HRA recharges for services. Work is continuing, to identify any past or future budget implications.

Customer Support Services

5. Overspend of £713k mainly due to additional demand for Housing benefit and expenditure outside of the subsidy system.

Housing Revenue Account

Table 4 HRA Service analysis

2021/22 Actual £ 000		2022/23		
		Estimate £ 000	Outturn £ 000	Variance £ 000
(16,497)	Rent	(17,439)	(17,360)	79
(1,441)	Service Charges	(1,885)	(1,367)	518
(17,938)	Net Income	(19,324)	(18,727)	597
7,520	Supervision & Management	8,023	7,561	(462)
2,255	Repairs & Maintenance	2,620	2,517	(103)
3,700	Contribution to Major Repairs Reserve (Depn)	3,956	4,295	339
36	Debt Management	36	71	35
13,511	Operating Costs	14,635	14,444	(191)
(4,427)	Contribution from operations	(4,689)	(4,283)	406
5,247	Net Interest	5,494	5,487	(7)
820	(Surplus) / Deficit	805	1,204	399

- Rent Income was £79k under budget due to additional void properties.
- Service charges were also affected by void properties with lost income of £89k. Heating Charges for 2022/23 were set in late 2021 prior to the extent of energy price increases being known. Lost income reflects an under recovery, in that challenging period, of £429k.
- Supervision & Management charges were £462k lower than budget primarily due to lower staffing costs and vacancies, £430k and lower legal and other expenses, £74k together with the reversal of the NVH over accrual from 2021/22, £179k. Offset by higher energy costs £117k; decant / removal costs, £54k; and higher contribution to the provision for bad and doubtful debts, £50k reflecting an increase in arrears during the year.
- Repairs and Maintenance cost underspend was mainly due to the reversal of the NVH over accrual from 2021/22 £168k and lower Statutory maintenance charged to revenue of £62k. Offset by higher council tax charges on void properties, £77k and additional responsive repairs, £50k.
- Contribution to the Major repairs reserve equals the amount of the Depreciation charge in year. These charges are based on assets at the end of the preceding year. In 2022/23 the cost of the Hale end court facility was omitted from the budget which has an annual charge of £339k. This charge and will need to be reflected in current and future budgets.
- Debt management increase in costs reflects additional brokerage costs for loans taken out in year on behalf of the HRA.