

**For publication**

**Budget Outturn Report 2022/23**

|                           |   |
|---------------------------|---|
| <b>Meeting:</b>           | Council                                     |
| <b>Date:</b>              | 19 July 2023                                |
| <b>Cabinet portfolio:</b> | Deputy Leader<br>Cabinet Member for Housing |
| <b>Directorate:</b>       | Finance                                     |

**1.0 Purpose of report**

- 1.1 To report on the draft General Fund Revenue, Housing Revenue Account and Capital Outturns for 2022/23 and provide details of significant variations.
- 1.2 This report precedes the production of the Council’s formal Statement of Accounts, and whilst it is not expected that any further adjustments will alter the final outturn position, it is possible that this could be the case.

**2.0 Recommendations**

This report was considered by Cabinet at its meeting on 18 July, 2023 where it was resolved that the report and its recommendations be supported and referred to Council for approval.

- 2.1 To note the draft General Fund Revenue, Capital Outturn and Housing Revenue Account positions for 2022/23.
- 2.2 To approve the use of the Budget Risk Reserve to cover the General Fund Revenue budget deficit of £292k (paragraph 4.15).
- 2.3 To approve the level of and movement in General Fund Revenue Reserves and Provisions (paragraphs 4.10 to 4.16)
- 2.4 To approve the General Fund Capital financing arrangements (**Appendix A**).

**3.0 Reasons for the Recommendations**

- 3.1 This report forms a key part of formal revenue and capital monitoring against the 2022/23 budget. The information in this report will be incorporated into the published Statement of Accounts 2022/23.
- 3.2 The approval of the budget outturn, in-year movements and reserves are required by corporate financial procedures.
- 3.3 To consider the reserves position given the challenges facing the Council over the period of the Medium-Term Financial Plan (MTFP).

## **4.0 Report Details**

### **Background General Fund Revenue**

- 4.1 The Council approved the General Fund Revenue Budget for 2022/23 on 23 February 2022. The budget was constructed in accordance with the Council's budget principles and the Medium-Term Financial Plan (MTFP) was balanced for the first two financial years with an expectation that the gaps in the latter two years of the MTFP would be met from savings delivered through the Council's Organisational Development programme.
- 4.2 The budget for 2022/23 was produced against the backdrop of the ongoing Covid-19 pandemic and some of the medium and long-term effects of the pandemic relating to the demand for Council services were difficult to project. The budget assumed that income from fees and charges and expenditure levels would return to pre-Covid levels from 2022/23, with the exception of Sports Centre income which was anticipated would take one year longer to recover.
- 4.3 In the months since the MTFP was approved, the national fiscal and economic situation has changed dramatically - these include:
  - Assumptions around the recovery of income streams following the Covid-19 pandemic have not materialised at the levels expected. With the increased pressures on the cost of living, we are seeing that behaviours and habits have changed as disposable income and secondary spend is impacted.
  - Inflation has risen dramatically since the 2022/23 budget was set. In July 2021, the Consumer Price Index (CPI) inflation was 2% rising to 5.4% by the time the 2022/23 budget was being finalised. The MTFP assumes no allowance for general inflation, but specific contractual inflation has been included within the pressures where appropriate. In December 2022, the CPI stood at 10.5%, down from 10.7% in November. As at May 2023, CPI inflation was 8.7%; by far in excess of the Government's 2% target.
  - Many of the Council's contracts attract inflationary uplifts for the coming financial year based on inflation in the preceding September and October.

Furthermore, uplifts in prices agreed in the early part of 2022/23 will not have included the more recent inflation rises which will then factor into costs for 2023/24.

- The prices of food and non-alcoholic beverages continued to rise sharply during 2022/23 and rose by 18.4% in the year to May 2023. The annual inflation rates for this category in March and April were the highest seen in over 45 years.
- In November 2022, the Bank of England increased the bank base rate by 0.75 percentage points to 3% which at the time was the highest rate in 14 years, and warned that the UK was facing its longest recession since records began. Bank rate has increased by a further 2% since then, the latest rise on 22 June taking base rate to 5%; this was the thirteenth rise recorded since December 2021. The increase in interest rates has had an impact on the cost of borrowing.
- The cost-of-living crisis not only impacts on the Council's own expected future costs of supplies, but, also on local businesses' financial viability and the ability of our tenants and residents to pay their bills.
- The level of inflation and the increases in costs are significantly above that which the Council could have reasonably assumed in setting the budget for 2022/23 and for the medium term. The Council has been protected in 2022/23 from the significant increases seen in utility prices as its current energy contracts endure until 31 March 2023. These contracts were secured at rates significantly below the current government cap levels.
- The 2022/23 budget included the additional costs relating to the pay award for 2021/22 and the increase in the National Insurance contribution. It also included an assumption of a 2% pay award for 2022/23. In July 2022, the National Employers offered an increase of £1,925 (equivalent to between 4 and 10%) on all Green Book pay points with effect from 1 April 2022. This led to an estimated pay pressure of **£925k** above the 2% already provided for in the budget.
- The Covid-19 pandemic and Brexit have fundamentally changed the skills landscape, with many local employers struggling to attract, recruit and retain people with the right skills. This has led to skills gaps in the current workforce, skills shortages and difficulties in recruiting across all sectors. The Council has at times had to resort to utilising interim staffing resources pending the achievement of permanent recruitment to specialist roles. Savings from vacant posts have mitigated some of the pay award pressure in year.

4.4 At the end of Period 9 the forecast deficit for 2022/23 was **£470k**, reduced from **£703k** at the end of period 6.

- 4.5 It was acknowledged that the forecast deficit would have major implications for the MTFP, and it was clear that, without further management actions, any adverse variance would increase the financial gap and size of the challenge in future years.
- 4.6 The Council committed to delivering services within its approved budget and has been working collectively to agree clear, robust, and immediate management actions to reduce the adverse forecast. There was an acknowledgement that the Council may need to use a proportion of the Budget Risk Reserve to achieve a balanced outturn.

### **General Fund – Revenue Outturn**

- 4.7 **Table 1** sets out the draft outturn variances of **£292k** for 2022/23. This overspend is driven by unprecedented and unpredicted inflationary pressures upon pay and contracts together with the long-term impacts upon service demands and income from the Covid pandemic.
- 4.8 The 2022/23 pay award is not included within the services lines for period 9 but is included within the outturn figures. This makes direct comparison of the variances between period 9 and outturn difficult.

| <b>Table 1: 2022/23 Outturn- summary of main variances</b>               |                          |                                  |
|--|--------------------------|----------------------------------|
| <b>Budget Movement</b>   | <b>Period 9<br/>£000</b> | <b>Outturn<br/>variance £000</b> |
| Pavements Shopping Centre  | 96                       | <b>136</b>                       |
| Town Centre - Retail Units/ Corporation Street £45k and Bus Station £30k | 16                       | <b>102</b>                       |
| Car Parks (Saltergate £129k, Beetwell Street £166k, Surface £346k)       | 400                      | <b>679</b>                       |
| Cafes (Sports Centre £79k and Market Hall £9k)                           | 45                       | <b>89</b>                        |
| Markets (Market Hall £79k, open market £133k)                            | 150                      | <b>216</b>                       |
| Cultural Venues  | -21                      | <b>-44</b>                       |
| Industrial Units, Calow Lane and Venture House                           |                          | <b>140</b>                       |
| Planning income  | 0                        | <b>318</b>                       |
| Community Safety - additional grant                                      | 0                        | <b>-110</b>                      |
| Sports Centre Increased Income   | -100                     | <b>-73</b>                       |
| Linacre - one off fee recovery   | 0                        | <b>-72</b>                       |

|  |            |                     |
|--|------------|---------------------|
| Homelessness (Bed and Breakfast)                 | 107        | <b>-47</b>          |
| Refuse Contract Indexation                       | 97         | <b>92</b>           |
| Recycling  | 0          | <b>249</b>          |
| ICT service costs                                | 0          | <b>225</b>          |
| other net underspends and mitigations            | -812       | <b>-645</b>         |
| Pay Award (£1,925) / within services for outturn | 925        | Now within services |
| <b>Sub total</b>                                 | <b>903</b> | <b>1,255</b>        |
| Business Rates / pool                            | -433       | <b>-733</b>         |
| Additional S31 Grant                             | 0          | <b>-230</b>         |
| <b>Total deficit</b>                             | <b>470</b> | <b>292</b>          |

#### 4.9 Details of the main variances are set out below:

- Pavements Shopping Centre - Rental income from the Pavements is lower than expected due to the renegotiation of leases to retain tenants and non-renewal of leases, while costs were higher than expected due to additional business rates on vacant units and an increase in agents letting fees.
- Town Centre - Empty retail units in the town centre and in Corporation Street, together with reduced income from the Coach Station contract (£28k).
- Car Parks – Income from all car parks is lower than expected by **£552k** due to the longer than expected recovery of the economy post pandemic, the ongoing economic impact on town centre footfall (the impact of cost inflation on shopping habits and higher fuel prices) and slippage on expected increases in demand arising from delays in the letting of the Elder Way retail units and completion of the Northern Gateway Enterprise Centre.
- Sports Centre Café –The cost of operating the café at Queens Park Sports Centre (QPSC) has been higher than budget estimates, particularly in relation to increased cost of supplies which have been affected by the rise in inflation and increased staffing costs due to long term sickness absence. This has been coupled with lower than expected usage for the majority of 22/23, although this increased during the final quarter of 22/23. A full review of the provision and the relationship of the café to other income generating activities at QPSC has been undertaken.
- Markets – Occupancy levels, and corresponding rental income from market stalls is forecast to be **£133k** lower than anticipated. Chesterfield’s markets have not seen a recovery following the pandemic and it is not anticipated that the situation will improve as the cost-of-living crisis continues. The Market Hall has also seen increased costs and lower than expected rental and service charge income.

- Income from Venues – The MTFP assumed that income from venues would return to pre pandemic levels from 2022/23. Venues have seen small reductions in income from shows, lettings and bar and catering sales, although sales for the key pantomime season were strong.
- Industrial Units and Commercial Properties - Reduction in rental Income and service charges together with increased costs from Industrial Units particularly Venture House, Calow Lane and Staveley workshops.
- Planning Income – It was expected that 3 particular planning applications would be submitted by the end of March 2023. These would have resulted in additional income of approximately **£300k**. It is anticipated that these will now be submitted in 2023/24.
- Community Safety - additional Safer Streets grant received in 2021/22 and applied in 2022/23 to offset investment in well evidenced preventative measures.
- Sports Centres – The MTFP assumed that levels of expenditure and income would return to pre pandemic levels from 2022/23, with the exception of Sports Centres income which we anticipated would take one more year to recover. The income budget was therefore reduced by **£240k** to **£3.5m** for 2022/23. The final months of 2021/22 saw an increase in numbers using the sports centres and this has continued into 2022/23.
- Linacre one off fee and cost recover- reimbursement of the revenue costs associated with the disposal of land at Linacre.
- Homelessness (Bed and Breakfast) - Homelessness services have been under significant pressure, and this will only increase with the cost-of-living crisis and more people facing eviction. Pressures on the General Fund have arisen from the increased use of bed and breakfast temporary accommodation and the need for additional staff. Costs have been mitigated to some extent by maximising the use of external grant funding to pay for staff costs wherever possible.
- Refuse Contract - Indexation of the refuse contract is based on the prevailing rate of CPI in March and is applied from May. The CPI rate to be applied to the contract was higher than the rate included in the budget assumptions, at 7.04%, leading to additional costs of **£95k**.
- Recycling Contract – Contract is based on a cost-plus CPI indexation, which is significantly higher than when the budget was set in February 2022.

- ICT costs – This related to annual application and infrastructure contract inflation, plus inflation on other spend areas; offset in part by temporary underspending on staffing.
- The General Fund includes government grants (S31 grants) to compensate for loss of income from business rates. Grant was provided to meet the deficit in business rates income arising from the Covid-19 business rates reliefs awarded in 2021/22, where the impact of which would not be reflected in the General Fund Revenue budget until 2022/23.
- Business Rates Pool – Chesterfield is a member of the Business Rates Pool which consists of eight Derbyshire district or borough Councils, Derbyshire County Council and Derbyshire Fire Authority. Instead of each borough or district Council paying 50% of their growth above the baseline over to the Government, it is kept within the pool and distributed amongst all the members on an agreed basis. The 2022/23 distribution is subject to audit, but it is expected that there will be a further **£733k** distribution to Chesterfield from the pool.

### General Fund Balances, Reserves and Provisions

- 4.10 General Fund Balance – The General Fund working balance has been set at **£1.5m** and has been informed by the risk assessment undertaken as part of the budget process.
- 4.11 Earmarked Reserves – In addition to the General Fund working balance the Council maintains several other reserves. Earmarked Reserves by their very nature, are set aside and committed for specific purposes.
- 4.12 **Table 2** details the balance of earmarked reserves as at 1 April 2022 of **£18.142m** and the closing balance at 31 March 2023 of **£15.291m** (prior to the allocations within this report). These balances exclude S106 contributions and provisions.

| <b>Table 2: Reserve Balances</b>  |   |  |
|-----------------------------------|---|--|
| <b>Reserve</b>                    | <b>Opening Balance<br/>1 April 2022<br/>£'000</b> | <b>Closing Balance<br/>31 March 2023<br/>£'000</b> |
| Budget Risk Reserve               | 2,384   | 2,437  |
| Repairs and Maintenance - various | 2,945   | 2,630  |
| Service Improvement/ Redesign     | 814   | 706  |
| Insurance                         | 923   | 773  |
| Business Rates Reserve            | 6,550   | 4,117  |
| Other Earmarked Reserves          | 1,957   | 1,398  |
| Enterprise Zone Business Rates    | 2,569   | 3,230  |
| <b>Total Reserves</b>             | <b>18,142</b>                                     | <b>15,291</b>                                      |

4.13 Earmarked Reserves – these reserves are held for specific purposes. The total balance on these reserves decreased by **£2.851m** during the year, the most significant changes include:

- The Budget Risk Reserve – provides a supplement to the General Fund Balance to provide a contingency for unforeseen items. Whilst the balance at the end of the financial year 2022/23 is **£2.437m** there are commitments of £1.8m in 2023/24. The Budget Risk Reserve will need to be replenished as part of the budget process.
- Repairs and maintenance– reduction in corporate contribution together with increase cost of repairs for vehicle and plant. Increased spend on operational property repairs due to backlog from the pandemic.
- Business rates – use of **£2.433m** of reserve to meet the deficit in business rates income arising from the Covid-19 Business Rates Reliefs awarded in 2021/22, the impact of which is reflected in the General Fund Revenue account in 2022/23 due to accounting regulations. The adequacy of this reserve is under review.
- Enterprise Zone Business Rates (Economic Growth) – underspend due to rephasing of spend into future years caused by delays due to the impact of the pandemic.
- Other reserve – budgeted use of various reserves including ICT.

4.14 Provisions – Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the obligation can be made. The Council holds two provisions:

- Transport Company Pensions Provision – this provision has been established to cover the Council’s future liabilities for pension costs relating to employees of the former Transport Company.
- Insurance Provision – An independent review of the value and nature of the Council’s insurance provision has informed the level required.

4.15 The balance of the underspend from 2021/22 (**£440k**) was prudently transferred to the Budget Risk Reserve to mitigate the risks and pressures for 2022/23 and for future years. The General Fund deficit of **£292k** will therefore be met from this reserve.

4.16 It is important to note that many of the reserves and provisions are earmarked for specific purposes. The funds should not, therefore, be regarded as being available for general use. An additional consideration is the fact that the council receives interest from investing the reserves and provisions pending their allocation, income that is used to support the Council’s General Fund Revenue budget.



## Capital Expenditure & Financing

- 4.17 The Capital Programme is aligned to the Capital Strategy and presents the Council's plan for investment related to the purchasing, building and improvement of capital assets. The Capital Programme for 2022/23 was approved as part of the budget setting process in February 2022. An update to the Programme was included in the budget monitoring report to Cabinet on 19<sup>th</sup> July 2022 and as part of the 2023/24 Capital Programme report to full Council in February 2023.
- 4.18 Actual expenditure on schemes in 2022/23 was **£5.421m** compared with the original budget estimate for the financial year of **£10.929m** (as at Feb 2022) and **£11.984m** (as at Feb 2023).
- 4.19 **Appendix A** provides details of the General Fund Capital Programme expenditure and financing arrangements at year end (2022/23).
- 4.20 The main reasons for the variances from the revised budget estimate in February 2023 (**£6.563m**) include slippage on the following schemes:
- Stephenson Memorial Hall (**£1.666m**) – re-phasing of the budget, as approved by the Department of Levelling up, Housing and Communities (DLUHC), with more works due in 2023/24 and 2024/25 than originally estimated. There is no change to the expected completion date for the project.
  - Hollis Lane Link Road Phase 1 (**£1.318m**) – re-phasing of the scheme contribution to Derbyshire County Council as more works now due in 2023/24 than originally expected.
  - Staveley 21 (**£611k**) – re-phasing of the budget with more works now due in 2023/24 than originally expected.
  - Waterside Basin Square Development (**£1.399m**) – re-phasing of the budget into 2023/24.
  - Green Homes Grants (**£730k**) – a reduction in spend during 2022/23 that arose as a result of a shortage of available contractors in the sector who were able to carry out the Green Homes Grant improvements. A specialist contractor has now been procured and we are therefore able to issue grant support.
- 4.21 There were no significant overspends on any capital schemes during 2022/23.
- 4.22 The financing of the programme has been reduced accordingly particularly in relation to Capital Grants (**£3.718m**) and in the amount of borrowing required (**£2.685m**) to reflect the reduction in the capital programme spending.

## Capital Receipts

- 4.23 The movement on useable capital receipts in the financial year 2022/23 is summarised in the **table 3** below. **£359k** of General Fund capital receipts were used to finance spend in 2022/23.

| <b>Table 3 - Useable Capital Receipts</b>      |                   |                  |                |
|--|-------------------|------------------|----------------|
| <b>Movement in Capital Receipts</b>            | Gen Fund<br>£'000 | Housing<br>£'000 | Total<br>£'000 |
| Balance b/forward 1 <sup>st</sup> April        | 1,077             | 3,168            | 4,245          |
| Add: Receipts in the year                      | 1,822             | 6,205            | 8,027          |
| Less: Applied to capital expenditure           | (359)             | (4,970)          | (5,329)        |
| <b>Balance c/forward 31<sup>st</sup> March</b> | <b>2,540</b>      | <b>4,403*</b>    | <b>6,943</b>   |

\* The Housing balance of £4.403m relates to the retained 'one-for-one' element of RTB receipts.

## Housing Revenue Account - Revenue Outturn 2022/23

- 4.24 The Housing Revenue Account (HRA) is a statutory account which records expenditure and income relating to council dwellings and the provision of services to tenants.
- 4.25 Since the HRA budget was approved in February 2022, the national fiscal and economic situation has changed dramatically and a number of in year pressures have emerged, particularly in relation to unprecedented and unpredicted inflationary pressures around energy, fuel, contracts, building materials, interest rates (including the cost of borrowing), and pay budgets. This has led to increased costs in service delivery and an increase in demand for our services. The HRA will need to be monitored carefully to ensure that it remains sustainable over the medium term and over the period of the 30-year business plan.
- 4.26 For the financial year 2022/23 the HRA reported a reduction in the balances of **£6.912m**. This represents a movement of **£273k** compared to the forecast reduction in the balance of **£6.639m** reported at quarter 3 – period 9. The main variances are set out in **table 4** below:

| <b>Table 4 – 2022/23 summary of Outturn and variances against the Revised Estimate</b> |                          |                                   |                       |                              |
|--|--------------------------|-----------------------------------|-----------------------|------------------------------|
| <b>Description</b>   | <b>Original Estimate</b> | <b>Forecast /Revised Estimate</b> | <b>Actual 2022/23</b> | <b>Variances against the</b> |

|  | <b>2022/23</b>  |                 |                 | <b>Revised Estimate</b> |
|--|-----------------|-----------------|-----------------|-------------------------|
|  | £'000           | £'000           | £'000           | £'000                   |
| Net rents  | (37,408)        | (37,027)        | (36,777)        | 250                     |
| Non-Dwelling Rents                                     | (950)           | (946)           | (924)           | 22                      |
| Service Charges and other income                       | (1,032)         | (1,362)         | (1,398)         | (36)                    |
| <b>Total Income</b>                                    | <b>(39,390)</b> | <b>(39,335)</b> | <b>(39,099)</b> | <b>236</b>              |
| <u>Expenditure</u>                                     |                 |                 |                 |                         |
| Supervision and Management -General                    | 8,278           | 7,835           | 7,715           | (120)                   |
| Supervision and Management -Special                    | 2,240           | 2,203           | 2,899           | 696                     |
| Rent, rates, taxes and other charges                   | 248             | 344             | 349             | 5                       |
| Repairs and Maintenance                                | 9,483           | 11,294          | 11,402          | 108                     |
| Depreciation and contribution to Major Repairs Reserve | 11,801          | 12,131          | 13,065          | 934                     |
| Interest and Debt Management Expenses                  | 4,602           | 4,476           | 4,530           | 54                      |
| Bad Debt Provision                                     | 370             | 370             | 363             | (7)                     |
| Provision for the repayment of debt                    | 1,869           | 1,869           | 1,869           | 0                       |
| Direct Revenue Financing                               | 3,405           | 5,452           | 3,819           | (1,633)                 |
| <b>Total Expenditure</b>                               | <b>42,296</b>   | <b>45,974</b>   | <b>46,011</b>   | <b>37</b>               |
| <b>Deficit / (Surplus)</b>                             | <b>2,906</b>    | <b>6,639</b>    | <b>6,912</b>    | <b>273</b>              |
| HRA working balance B/F                                | (6,339)         | (13,572)        | (13,572)        | 0                       |
| <b>HRA working balance C/F</b>                         | <b>(3,433)</b>  | <b>(6,933)</b>  | <b>(6,660)</b>  | <b>273</b>              |

4.27 HRA Services Deficit for the year **£6.912m** – refers to the net position of revenue income (e.g., rents) less revenue expenditure (e.g., management costs and housing repairs expenditure). The reduced surplus is due to:

- Rents income is reduced by **£250k** due to an increase in the level of void properties.
- Supervision and Management costs have increased by a net **£576k** due to increased employee costs together with reduced income and HRA homelessness costs.
- Repairs and Maintenance budgets were increased during the year by £1.8m. Inflation has risen dramatically since the 2022/23 budget was set and the repairs and maintenance budget have been increased by the Consumer Price Index (CPI) in September 2022 i.e., 10.1%. This was to reflect the increased costs of raw materials combined with supply chain issues impacting on staff productivity and the ability to cover costs. There is also a backlog of repairs work as we have emerged from the pandemic which has been factored into 2022/23. As approved as part of the Council's financial strategy (Cabinet, 10<sup>th</sup>

November 2020), in September 2020 Housing Property Services moved to a cost recovery model, where the full cost of providing the service is retained within the HRA. Many of the costs of delivering the service are fixed e.g., labour and overheads, any under recovery of these costs have been reallocated to the revenue and capital works in proportion to the spend.

- Depreciation charges have increased to reflect the increase in valuation of the housing stock – this has been transferred to the Major Repairs Reserve and used to fund the Capital Programme.
- Direct Revenue Financing - The capital budget for 2022/23 was due to be funded by capital receipts, depreciation/major repairs reserve, with the remainder funded from revenue balances. Due to the cost pressures on the revenue account, and to maintain a prudent working balance, capital expenditure funded from revenue has been reduced to **£3.819m**, which is **£1.633m** less than the revised estimate. Additional borrowing will need to be taken out to cover the gap, which will result in an increase in future interest payments. Further work will need to be undertaken to understand the impact on the 2023/24 budget and the impact on the 30-year business plan.

### **Housing Revenue Capital Outturn**

- 4.28 **Appendix B** provides a summary of expenditure on capital schemes in 2022/23. Schemes are funded by borrowing, right to buy receipts, other capital receipts and Direct Revenue Financing.
- 4.29 During the course of the year the capital budget schemes were updated and some elements re-profiled into 2023/24.
- 4.30 Total expenditure was **£24.854m** against the revised budget of **£22.010m**. The final outturn figure was **£2.834m** (13%) over budget after the re-apportioning of the Housing Property Services overheads, and the acceleration of the property improvement schemes during the course of the year.
- 4.31 As part of the continuous review of the capital programme, scheme budgets will be re-assessed based on current progress and expected completion dates with any revisions being brought back to cabinet for approval.
- 4.32 Capital Receipts - The movement on useable capital receipts in 2022/23 is summarised in **Table 3**. The receipts received during the year (**£6.205m**) were generated from 90 right to buy sales and the sale of land at Linacre Road.

### **HRA Balances and 40-year Business Plan**

- 4.33 The financial strategy for the HRA is to deliver a balanced and sustainable budget which is self-financing in the longer term, and which reflects both the requirements of tenants and the strategic vision and priorities of the Council.

- 4.34 The HRA is not permitted to run at an overall deficit and risks will continue to be identified and managed effectively. A minimum balance of **£3.4m** is maintained to avoid the risk of a negative balance in the event of an exceptional cost arising. The HRA balance was anticipated to fall to **£3.856m** in 2023/24, due to increased capital spend.
- 4.35 The HRA balance is in line with expectations, primarily by reducing the direct financing of the capital programme and can be maintained at or above the minimum set by Council of **£3.4m** over the period of the business plan. However, the increase in costs set out in the MTFP, lower than inflationary increases in income, increased costs from inflationary pressures and increased spending on the capital programme, will have a detrimental impact on HRA balances and reduce the ability to provide further revenue contribution to capital spending. This will necessitate the requirement for additional borrowing (if within the parameters of the business plan) or scale back spending either on service provision or within the capital programme.
- 4.36 The business plan will be kept under review as part of the ongoing revenue monitoring and will be updated when the full impact of the 2022 stock condition survey has been reviewed and understood.
- 4.37 A refreshed business plan will be reported to Cabinet as part of the budget process for 2024/25.

### **Implications for the current year and the Medium- term Financial Plan**

- 4.38 Whilst this report focuses on the 2022/23 outturn position, it is anticipated the implications of the Covid-19 pandemic will have a significant impact on the Council's finances for a number of years. The current economic uncertainty and resulting inflationary pressures, particularly on energy and staffing costs will impact on the Council's forecast spend and will continue to be monitored throughout the year.
- 4.39 Effective budget monitoring and forecasting will be critical to understanding the budget pressures and ensuring that there are appropriate plans in place to manage and mitigate financial risks. In-year financial management processes have been enhanced and strengthened across the Council. The new process has been rolled out to budget managers in June 2023 for period 2 (May 2023). The quarter 1 forecasts will be presented to Cabinet in September 2023.

## **5 Alternative options**

- 5.1 There are no alternative options to present as the closure of accounts is governed by statute.

## **6 Implications for consideration – Financial and value for money**

- 6.1 The report in its entirety considers the financial and value for money implications of maintaining balanced General Fund Revenue, Capital and Housing Revenue budgets over the medium-term whilst ensuring sufficient resources are available to enable the Council to deliver on its agreed priorities and objectives.

## **7 Implications for consideration – Legal**

- 7.1 The Accounts & Audit Regulations 2015 require the council to produce an annual Statement of Accounts prepared in accordance with proper accounting practices.

## **8 Implications for consideration – Human resources**

- 8.1 There are no human resource implications arising from the matters considered in this report.

## **9 Implications for consideration – Council Plan**

- 9.1 Every effort has been made throughout 2022/23 to maintain General Fund Revenue, Housing Revenue, and Capital funds at levels that have enabled the Council to continue to deliver on the priorities and objectives that it has set itself in the final year of the Council Plan 2019-2023
- 9.2 The maintenance of adequate General Fund Revenue reserves and provisions over the medium term is also essential in demonstrating delivery against the third Council Plan priority of delivering value for money services.

## **10 Implications for consideration – Climate Change**

- 10.1 Climate change impact assessment is not required to be undertaken for the closure of accounts process. Such assessments are undertaken as part of the decision-making processes for specific spending plans.

## **11 Implications for consideration – Equality and diversity**

- 11.1 A full equality and diversity impact assessment is not required to be undertaken for the closure of accounts process. Such assessments are undertaken as part of the decision-making processes for specific spending plans.

## **12 Implications for consideration – Risk management**

- 12.1 In preparing the year end accounts, some elements are based on assumptions regarding risks and uncertainties. Any assumptions made take account of historical experience, current trends, and other relevant factors.

- 12.2 The year-end accounts are subject to an audit process conducted by independent external auditors.

### **Decision information**

|                            |  |
|----------------------------|--|
| <b>Key decision number</b> |  |
| <b>Wards affected</b>      |  |

### **Document information**

| <b>Report author</b>   | <b>Contact number/email</b>   |
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| <b>Background documents</b><br>These are unpublished works which have been relied on to a material extent when the report was prepared.<br><i>This must be made available to the public for up to 4 years.</i> |   |
| <b>Appendices to the report</b>  |   |
| Appendix A   | General Fund Capital Programme  |
| Appendix B   | Housing Revenue Account Capital Programme   |

## APPENDIX A

### GENERAL FUND CAPITAL PROGRAMME 2022/23

|  | Original<br>£'000 | Revised<br>£'000 | Actual<br>£'000 | Variance<br>Rev to<br>Act<br>£'000 |
|--|-------------------|------------------|-----------------|------------------------------------|
| <b><u>CAPITAL EXPENDITURE:</u></b>           |                   |                  |                 |                                    |
| Home Repairs Assistance                      | 554               | 300              | 69              | (231)                              |
| Disabled Facilities Grants                   | 2,256             | 1,386            | 1,008           | (378)                              |
| Green Homes Grants                           | 0                 | 1,409            | 679             | (730)                              |
| Waterside Basin Square Development           | 720               | 1,926            | 527             | (1,399)                            |
| Northern Gateway – Public Realm              | 0                 | 149              | 95              | (54)                               |
| Northern Gateway – Enterprise Centre         | 0                 | 493              | 263             | (230)                              |
| Brushfield Recreation Ground                 | 50                | 50               | 50              | 0                                  |
| Stand Road Bowls Pavilion                    | 0                 | 0                | 2               | 2                                  |
| IT Transformation Project                    | 276               | 395              | 395             | 0                                  |
| Tapton Terrace Flood Resilience Work         | 0                 | 33               | 0               | (33)                               |
| Staveley Town Deal – DRIIVe                  | 3,100             | 200              | 181             | (19)                               |
| Staveley Town Deal – Construction Skills Hub | 65                | 88               | 0               | (88)                               |
| Staveley Town Deal – Staveley 21             | 500               | 642              | 31              | (611)                              |
| Hollis Lane Link Road – Phase 1              | 0                 | 1,405            | 87              | (1,318)                            |
| Calow Lane Industrial Units                  | 312               | 0                | 8               | 8                                  |
| Stephenson Memorial Hall                     | 2,457             | 2,579            | 913             | (1,666)                            |
| Revitalising the Heart of Chesterfield       | 359               | 604              | 648             | 44                                 |
| UK shared Prosperity Fund                    | 0                 | 33               | 17              | (16)                               |
| HS2 Station Masterplan                       | 280               | 292              | 342             | 50                                 |
| Vehicles (from vehicles reserve)             | 0                 | 0                | 106             | 106                                |
| <b>Grand Total</b>                           | <b>10,929</b>     | <b>11,984</b>    | <b>5,421</b>    | <b>(6,563)</b>                     |

|                                    | Original<br>£'000 | Revised<br>£'000 | Actual<br>£'000 | Variance<br>Rev to<br>Act<br>£'000 |
|------------------------------------|-------------------|------------------|-----------------|------------------------------------|
| <b><u>CAPITAL FINANCING</u></b>    |                   |                  |                 |                                    |
| Borrowing: General                 | 1,588             | 4,018            | 1,333           | (2,685)                            |
| Grants & Contributions - see below | 9,341             | 7,312            | 3,594           | (3,718)                            |
| Capital Receipts                   | 0                 | 642              | 359             | (283)                              |
| Contributions from reserves        | 0                 | 12               | 135             | 123                                |



|   |               |               |              |                |
|---|---------------|---------------|--------------|----------------|
| <b>Cumulative surplus / (deficit) c/f</b> | <b>10,929</b> | <b>11,984</b> | <b>5,421</b> | <b>(6,563)</b> |
|---|---------------|---------------|--------------|----------------|

|   | <b>Original<br/>£'000</b> | <b>Revised<br/>£'000</b> | <b>Actual<br/>£'000</b> | <b>Variance<br/>Rev to<br/>Act<br/>£'000</b> |
|---|---------------------------|--------------------------|-------------------------|--|
| <b>CAPITAL GRANTS etc:</b>                                    |                           |                          |                         |  |
| Flood Risk Management Grant – EA                              | 0                         | 21                       | 0                       | (21)   |
| Disabled Facilities Grants (BCF/PCT)                          | 2,810                     | 1,686                    | 1,130                   | (556)  |
| Green Homes Grants  | 0                         | 1,409                    | 626                     | (783)  |
| Revitalising the Heart of Chesterfield – Business Rate Growth | 150                       | 496                      | 0                       | (496)  |
| Levelling Up Fund – Stephenson Memorial Hall                  | 2,457                     | 2,553                    | 891                     | (1,662)                                      |
| Levelling Up Fund – Town Centre Transformation                | 209                       | 108                      | 648                     | 540  |
| Staveley Town Deal Funding                                    | 3,665                     | 930                      | 211                     | (719)  |
| Arts Council – Stephenson Memorial Hall                       | 0                         | 26                       | 22                      | (4)  |
| UK Shared Prosperity Fund                                     | 0                         | 33                       | 17                      | (16)   |
| Brushfield Recreation ground – Viridor                        | 50                        | 50                       | 49                      | (1)  |
| <b>Grants Total</b>   | <b>9,341</b>              | <b>7,312</b>             | <b>3,594</b>            | <b>(3,718)</b>                               |

**APPENDIX B**

**HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2022/23**

| Capital Scheme  | Original Budget<br>2022/23 | Revised Budget<br>2022/23 | Outturn<br>2022/23 | Variance<br>against the<br>Revised<br>Budget |
|---|----------------------------|---------------------------|--------------------|--|
|   | £                          | £                         | £                  | £  |
| Kitchens  | 750,000                    | 300,000                   | 696,644            | 396,644                                      |
| Bathrooms + WC  | 300,000                    | 130,000                   | 197,890            | 67,890                                       |
| Central Heating   | 550,000                    | 188,700                   | 277,970            | 89,270                                       |
| Rewiring, smoke detector and CO detector                                      | 500,000                    | 55,500                    | 92,966             | 37,466                                       |
| Electrical testing  | 300,000                    | 0                         | 0                  | 0  |
| Blocks Refurbishments inc. environmental works                                | 5,183,756                  | 5,183,756                 | 5,941,905          | 758,149                                      |
| Blocks Cyclical Programme   | 800,000                    | 444,000                   | 359,587            | (84,413)                                     |
| Communal Lighting Replacement to blocks                                       | 1,200,000                  | 1,200,000                 | 1,000,453          | (199,547)                                    |
| Internal Soil Stacks  | 100,000                    | 55,500                    | 26,363             | (29,138)                                     |
| Tenant oncosts  | 50,000                     | 50,000                    | 41,558             | (8,442)                                      |
| Property Improvement catch-up works   | 3,500,000                  | 2,200,000                 | 2,876,635          | 676,635                                      |
| Sheltered Refurbishment - LOWGATES  | 3,450,000                  | 2,000,000                 | 2,690,010          | 690,010                                      |
| Property Improvement other  | 0                          | 0                         | 0                  | 0  |
| <b>Externals;</b>   |                            |                           |                    | 0  |
| Roof Renewals including loft insulation, S&F's, hanging tiles and metal roofs | 750,000                    | 943,500                   | 1,421,089          | 477,589                                      |
| DPC/Damp Works and Pointing General   | 500,000                    | 100,000                   | 176,485            | 76,485                                       |
| Fences + gates, footpaths + drives inc. new off-street parking                | 750,000                    | 50,000                    | 127,292            | 77,292                                       |
| Windows and Doors   | 400,000                    | 75,000                    | 106,268            | 31,268                                       |
| <b>Future Major Works Total</b>   | <b>19,083,756</b>          | <b>12,975,956</b>         | <b>16,033,114</b>  | <b>3,057,158</b>                             |
| <b>Contingent Major Repairs;</b>  |                            |                           |                    |  |
| Asbestos Removal Works  | 200,000                    | 100,000                   | 0                  | (100,000)                                    |
| Asbestos Management / R&D Surveys   | 500,000                    | 200,000                   | 219,820            | 19,820                                       |
| Fire Risk Works   | 1,500,000                  | 1,500,000                 | 2,553,619          | 1,053,619                                    |
| Fire Remedials  |                            | 1,220,600                 | 0                  | (1,220,600)                                  |
| Fire Risk Assessments   | 50,000                     | 50,000                    | 27,110             | (22,890)                                     |
| Compliance  | 100,000                    | 100,000                   | 146,570            | 46,570                                       |
| <b>Contingent Major Repairs Total</b>   | <b>2,350,000</b>           | <b>3,170,600</b>          | <b>2,947,119</b>   | <b>(223,481)</b>                             |
| <b>Environmental Works + Related Assets;</b>                                  |                            |                           |                    |  |
| Footpath Proactive Maintenance  | 100,000                    | 111,000                   | 0                  | (111,000)                                    |
| Structural Works  | 200,000                    | 100,000                   | 230,442            | 130,442                                      |
| Holme Hall Estate Improvements  | 100,000                    | 50,000                    | 0                  | (50,000)                                     |
| <b>Environmental + Related Assets Total</b>                                   | <b>400,000</b>             | <b>261,000</b>            | <b>230,442</b>     | <b>(30,558)</b>                              |

|   |                   |                   |                   |                  |
|---|-------------------|-------------------|-------------------|------------------|
| <b>Exceptional Extensive;</b>   |                   |                   |                   |                  |
| External Wall Insulation / Render programme works                         | 250,000           | 0                 | 0                 | 0                |
| <b>Exceptional Extensive Total</b>  | <b>250,000</b>    | <b>0</b>          | <b>0</b>          | <b>0</b>         |
| <b>Adaptations;</b>   |                   |                   |                   |                  |
| Disabled Adaptations  | 750,000           | 950,000           | 1,685,137         | 735,137          |
| <b>Disabled Adaptations Total</b>   | <b>750,000</b>    | <b>950,000</b>    | <b>1,685,137</b>  | <b>735,137</b>   |
| <b>Improvements;</b>  |                   |                   |                   |                  |
| Neighbourhood Action Plan-Barrow Hill Imps                                | 500,000           | 500,000           | 437,433           | (62,567)         |
| Common Room Refurbishment (Wimbourne etc)                                 | 50,000            |                   | 0                 | 0                |
| <b>Improvements Total</b>   | <b>550,000</b>    | <b>500,000</b>    | <b>437,433</b>    | <b>(62,567)</b>  |
| <b>New Build;</b>   |                   |                   |                   |                  |
| <b>New Build - Site to be identified -Barrow Hill &amp; Belmont Drive</b> |                   |                   |                   |                  |
| New Build construction - Markham Court                                    | 220,000           | 100,000           | 7,327             | (92,673)         |
| New Build construction - Middlecroft cluster                              | 1,832,617         | 700,000           | 489,989           | (210,011)        |
| New Build construction - Aston Court                                      | 800,000           | 0                 | 0                 | 0                |
| New Build construction - Westwood Avenue                                  | 2,210,000         | 0                 | 14,032            | 14,032           |
| New Build construction - Mastin Moor (Miller, Edale + Lansbury/Rose)      | 2,250,000         | 300,000           | 89,219            | (210,781)        |
| New Build - Brockwell Court   | 0                 | 0                 | 20,175            | 20,175           |
| New Build feasibility (fees)  | 50,000            | 50,000            | 117,051           | 67,051           |
| <b>New Build Total</b>  | <b>7,362,617</b>  | <b>1,150,000</b>  | <b>737,794</b>    | <b>(412,206)</b> |
| <b>Miscellaneous spend;</b>   |                   |                   |                   |                  |
| Property Acquisitions   | 2,500,000         | 2,552,632         | 2,552,632         | 0                |
| Stock condition survey  | 200,000           | 200,000           | 200,144           | 144              |
| Northgate Upgrade   | 250,000           | 250,000           | 29,717            | (220,283)        |
| <b>Miscellaneous Spend Total</b>  | <b>2,950,000</b>  | <b>3,002,632</b>  | <b>2,782,493</b>  | <b>(220,139)</b> |
|   |                   |                   |                   |                  |
| <b>TOTAL</b>  | <b>33,696,373</b> | <b>22,010,188</b> | <b>24,853,531</b> | <b>2,843,343</b> |