

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 04/09/2023

Subject: Provisional Revenue Outturn Report 2022/23

Report of: Councillor Rowan Ree, Cabinet Member for Finance and Reform

Responsible Director: Sukvinder Kalsi, Strategic Director of Finance

SUMMARY

This report sets out the revenue outturn position for the Council across the General Fund and Housing Revenue Account (HRA) for the 2022/23 financial year.

The strategic operating environment in 2022/23 was one which saw several emerging challenges and pressures not experienced for over a decade. The cost of living has been rising across the UK and across most of the world. Economic shocks arising from the conflict in Ukraine, legacy impacts from the Covid-19 pandemic /Brexit and the economic turbulence in September 2022 have meant that price inflation soared in the financial year. This has been felt most keenly in the energy (particularly gas) and food sectors, where price increases have outstripped real terms growth in wages.

As a response to control inflation to the 2% target level, the Bank of England has increased the base interest rate at every meeting of the Monetary Policy Committee in the 2022/23 financial year, with the base rate increasing from 0.75% at the start of the financial year to 4.25% as of the end of March 2023 (and at 5% at May 2023). The continued rise of interest rates increases the cost of borrowing and capital investment and will affect the household finances of our residents.

Despite the challenges outlined above, the Council's provisional 2022/23 General Fund outturn is a £0.340m (0.2% of the total net budget) underspend whilst maintaining the delivery of key services to residents, visitors, and businesses. This was a marginally better position than the forecast underspend of £0.048m (after mitigations and the use of any corporate contingencies that was reported at Month 9).

The provisional HRA outturn required a draw down from HRA general balances of £5.543m (lower than the forecast £6.329m that was reported at Month 9).

The outturn position is provisional and is subject to audit. The review continues of the balance sheet and final entries cannot yet be confirmed for business rates. Earmarked reserves and General Balances have provisionally decreased by £8.9m (8%) in 2022/23. This includes planned contribution to and from reserves, technical adjustments to smooth the impact of Covid-19 on business rate payers, the addition

of the 2022/23 underspend of £0.340m and the release of £7.071m from the Dedicated Schools Grant (DSG) High Needs Block (HNB) deficit reserve in accordance with the Council’s DSG recovery plan.

RECOMMENDATIONS

1. To note the General Fund underspend of £0.340m (0.02% of budget).
2. To note that the draw down from the Housing Revenue Account general balance of £5.543m which was lower than the projected £6,329m.
3. To note the significant reduction of the Dedicated Schools Grant High Needs Block deficit and the remaining cumulative deficit of £4.748m.

Wards Affected: All

H&F values	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	We need to always confirm that spend fits our council’s priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone’s business, and every penny counts.
Creating a compassionate council	As the Council’s resources have been reduced, we have protected the services on which the most vulnerable residents rely. This budget continues all our previous policies to support residents and also proposes new spending on care packages for disabled children and additional resources to help residents through the cost-of-living crisis. Particularly as the economy struggles, the Council is required to step in to provide additional help to those who find themselves in need of it, and the Council has done that through additional services and individual support.
Building shared prosperity	A significant proportion of services are delivered in partnership with local and national companies, and this will continue to promote all business sectors to the benefit of residents. In addition, there will be increased investment in the Industrial Strategy Delivery and the development and promotion of the STEAM sector strategy.
Doing things with residents, not to	The use of co-production across the Council

them	is embedded and all service matters are developed with the engagement of residents. The Council is continuing the REAP (Resident Experience and Access Programme) Programme to improve residents' access to the services.
Taking pride in H&F	The budget proposals include significant investment in public realm services especially waste collection, street cleaning and open/park spaces. Our new waste contract includes provisions to tackle fly-tipping and collection of food waste.
Rising to the challenge of the climate and ecological emergency	The Council has established a Climate Change Team and the Team has developed a Climate and Ecology Strategy (and is making a significant contribution to the international and national policy debates). It is also securing grants from national programmes to help with improvements of the thermal efficiency of Council properties and homes).

Financial Impact

This report is financial in nature and those implications are contained within.

Andre Mark (Head of Strategic Planning and Investment), 23rd June 2023 and verified by Sukvinder Kalsi, Strategic Director of Finance, 10th July 2023.

Legal Implications

There are no legal implications for this report.

Verified by Jade Monroe, Chief Solicitor, Legal Services 14th June 2023.

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

GENERAL FUND

1. As set out in Table 1 there was a year-end underspend of £0.340million in 2022/23. The main departmental variances are set out in Appendices 1 to 7 along with an update on the financial impact of Covid.

Table 1 – Provisional General Fund outturn 2022/23
(Underspends in brackets)

Department	Revised budget £m	Gross variance £m
Children's Services	53.817	(0.422)
The Economy Department	(16.632)	0.210
The Environment Department	75.491	1.407
Controlled Parking Account	(34.140)	0.000
Finance	2.509	(0.378)
Resources	9.075	0.048
Social Care	68.197	(0.007)
Centrally Managed Budgets	1.002	(1.198)
Total	159.319	(0.340)

SAVINGS PROGRESS

2. The progress of savings delivery against the targets set at the outset of the financial year are set out in Table 2. Details are set out in the appendices to this report.

Table 2 – Savings Performance

Department	Original Target £m	Savings Achieved £m
Children's Services	(0.533)	(0.351)
The Economy Department	(0.235)	(0.235)
The Environment Department	(1.184)	(1,117)
Corporate, Resources and Finance	(0.779)	(0.779)
Social Care	(1.500)	(1.500)
Public Health	(0.170)	(0.170)
Total	(4.401)	(4.152)

HOUSING REVENUE ACCOUNT

3. The Housing Revenue Account made a draw down from balances of £5.543m in 2022/23. This was lower than the £6.329 projected at Month 9. The main variances are detailed in Appendix 8.

Table 3: Provisional Housing Revenue Account outturn

Housing Revenue Account (General Reserve)	£m
Balance as at 31 March 2022	(15.566)
Less: Budgeted appropriation from balances	4.050
Add: additional use of balances	1.493
Balance as at 31st March 2023	(10.023)

DEDICATED SCHOOLS GRANT (DSG)

4. Dedicated schools grant (DSG) is paid in support of local authority schools' and is the main source of income for the schools' budget. It is split between central expenditure and the individual schools' budget (ISB) in conjunction with the local schools' forum.
5. The cumulative balances for the High Needs Block (HNB), Early Years and Schools Block are set out in Table 4. In accordance with the Council's DSG HNB safety valve recovery plan, agreed with the Department for Education (DfE), the cumulative deficit has reduced in 2022/23. This has freed up council reserves that can be used for other purposes.

Table 4: Dedicated Schools Grant – Cumulative Balance

	2022/23 opening balance £m	In-year movement £m	2022/23 closing balance £m
Early Years (surplus)	(0.234)	(0.341)	(0.575)
Schools (surplus)	(0.065)	(0.250)	(0.315)
High Needs (deficit)	11.820	(7.071)	4.748
Total	11.520	(7.662)	3.858

GENERAL FUND RESERVES

6. The latest estimated reserves position is set out in Table 5.

Table 5 – Movement in General Fund reserves (excluding DSG)

	2022/23 opening balance £m	In-year movement £m	2022/23 closing balance £m
General balances	21.4	1.4	22.8
Earmarked reserves	85.9	(8.2)	77.7
Total general balances and earmarked reserves	107.3	(6.8)	100.5
Restricted reserves	9.4	(2.1)	7.3
Total	116.7	(8.9)	107.8
Revenue developer contributions (section 106 and community infrastructure levy)	48.6	2.6	51.2

7. General balances and earmarked reserves have decreased by £6.8m from £107.3m to £100.5m. This increase includes planned contributions to and from reserves, technical adjustments to smooth the impact of Covid-19 on business rate payers, the addition of the 2022/23 underspend of £0.340m and the impact of £7.071m from the DSG Support reserve relating to the Safety Valve Agreement.
8. The figures for reserves and balances continue to be reviewed particularly regarding the finalisation of the business rate entries¹.

EQUALITIES IMPLICATIONS

9. As required by Section 149 of the Equality Act 2010, the Council has considered its obligations regarding the Public-Sector Equality Duty and it is not anticipated that there will be any direct negative impact on groups with protected characteristics, as defined by the Act, from the adjustments to the budgets required because of this report.

RISK MANAGEMENT IMPLICATIONS

10. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.
11. The report recognises the significant pressures facing the HRA, with a significant reduction in the HRA General Reserve being noted for the end of the

¹ In line with the government timetable the business rate entries are not finalised until the end of June.

year. Officers must ensure that costs and income are closely monitored and controlled and that corrective actions to protect and maintain the financial stability of the HRA are agreed and embedded.

Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 20 June 2023

List of Appendices:

Appendix	Title
Appendix 1	Children's Services
Appendix 2	The Economy Department
Appendix 3	The Environment Department
Appendix 3a	Controlled Parking Account
Appendix 4	Finance
Appendix 5	Resources
Appendix 6	Social Care
Appendix 7	Centrally Managed Budgets
Appendix 8	Housing Revenue Account

APPENDIX 1: CHILDREN'S SERVICES

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2022/23 £000s	Year End Net Variance £000s	Explanation of Major Variances (Over £100,000)
Children and Young People's Services	31,864	(863)	<p>£0.224m favourable variance on Looked After Children and Care Leavers SIL (Semi Independent Living) placements, additional UASC (Unaccompanied Asylum-Seeking Children) funding and client related spend.</p> <p>£0.160m favourable variance on legal charges due to reduction in usage of external barristers.</p> <p>£0.200m underspends on staffing and staffing related costs</p> <p>£0.271m favourable variance due to income from shared services.</p>
Education	7,849	952	<p>Adverse position versus budget mainly with respect to Travel Care and Support for children and young people with Education and Healthcare Plans. There continues to be ongoing growth in children and young people requiring transport in line with the increase in demand for children to have Education and Health Care Plans.</p>
Children's Commissioning	5,724	(349)	<p>Contract expenditure for 2021/22 and 2022/23 has been lower than planned due to negotiation with the Health Service partner with respect to management vacancies held. This saving in 2022/23 has been earmarked for reinvestment in targeted mental health services for care experienced young people and unaccompanied asylum-seeking children from 2023/24.</p>
Children's Performance & Improvement	2,799	(125)	<p>Favourable variance due to staffing vacancies held in year (£0.098m) and other non-staffing underspends principally within Family Group Conference</p>

Director of Children's Services	1,495	(39)	
School Funding	4,087	1	
Total	53,817	(422)	

Savings Performance

Children's Services	£000's
Original Savings Target	(533)
Savings Achieved	(351)
<u>Savings Narrative</u>	
<p>Placements – The new block contract has increased by an additional 19 units to make up 17 units overall. The additional capacity has enabled the placements team to move young persons from high-cost placements, or stop new placements being made in high-cost placements, such as high cost SIL, residential and agency fostering.</p> <p>Social, Emotional and Mental Health Review - Health contribution was lower than forecast, however mitigating budget savings were identified.</p>	

APPENDIX 2: THE ECONOMY DEPARTMENT
BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2022/23	Year End Net Variance	Explanation of Major Variances (over £100,000)
	£000s	£000s	
Housing Solutions	9,671	(30)	
Economic Development, Learning & Skills	1,367	(3)	
Planning	(31,126)	0	
Property and Asset Strategy	1,449	246	Property Transformation – £0.171m the cost of the team is expected to be funded from income streams generated. Facilities Management and Corporate Buildings - this relates to lower than budgeted income from corporate buildings of £0.075m.
Growth Services	62	0	
Regeneration & Development	1,929	(3)	
Head of Finance (GP)	16	0	
Total	(16,632)	210	

Savings Performance

Economy	£000's
Original Savings Target	(235)
Savings Achieved	(235)
<u>Savings Narrative</u>	

APPENDIX 3: THE ENVIRONMENT DEPARTMENT

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2022/23	Net Year End Variance	Explanation of Major Variances (Over £100,000)
	£000s	£000s	
Public Realm	43,051	(53)	
Safer Neighbourhoods & Regulatory Services	12,344	737	Private Sector Housing income shortfall Markets income shortfall Markets waste and street cleansing inflationary pressures. CCTV cost pressures
Leisure, Sport, and Culture	7,142	723	Additional parks essential maintenance and rising utility costs. Unfunded community events
Resident Services	12,954	(46)	
Total	75,491	1,361	

Savings Performance

Resources	£000's
Original Savings Target	(1,184)
Savings Achieved	(1,117)
Net Variance	67
<u>Savings Narrative</u>	
Leisure contract savings not delivered (£67k). The leisure industry continues to be affected by the cost-of-living crisis, affecting its ability to both sustain and grow income.	

APPENDIX 3A: CONTROLLED PARKING ACCOUNT
BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2022/23	Year End Net Variance	Explanation of Major Variances (Over £100,000)
	000s	£'000s	
Income	(51,402)	(818)	An overall improved position against budget in relation to Suspensions & Pay and Display
Expenditure	17,262	792	An increase in correspondence and project related costs because of new parking schemes introduced during the year.
Total	(34,140)	(26)	

APPENDIX 4: FINANCE

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2022/23	Year End Net Variance	Explanation of Major Variances (Over £100,000)
	£000s	000s	
Assurance, Programmes & Analytics	1,439	(1)	
Audit, Fraud, Risk and Insurance	1,012	(210)	Vacant posts in audit and a reduction in external contracted internal audit work
Corporate Services	642	36	
Finance	3,417	(221)	Underspend due to in year staffing vacancies following a restructure.
Managed Services	2,132	38	
Procurement and Commercial	1,724	(44)	
Commercial Advertising	(2,400)	25	
Departmental non-controllable budgets	(5,458)	0	
Total	2,509	(378)	

APPENDIX 5: RESOURCES

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2022/23	Year End Net Variance	Explanation of Major Variances (Over £100,000)
	£000s	£000s	
Communications and Communities	796	126	Additional unbudgeted project and campaign work.
Democratic Services, Coroners & Mortuaries	3,009	(386)	Underspends on staffing across a range of services including Coroners and Mortuary, Elections and additional income generated.
Digital Services	12,701	(313)	Underspends on staffing budgets due to vacancies and other operational costs.
Resources Directorate	253	(11)	
Legal Services	(263)	(298)	Staffing underspend from vacant posts and higher than budgeted income received.
Members Support	339	41	
Transformation, Talent and Inclusion	4,691	(86)	
Digital Project Work	0	1,015	Digital services project work was funded from in year revenue budget instead of planned use of earmarked reserves (this includes the modern cloud-based storage solution and the Land and Property Based Case Management System).
Departmental non-controllable budgets	(12,450)	(1)	
Total	9,075	87	

Savings Performance

Resources	£000's
Original Savings Target	(900)
Savings Achieved	(900)
<u>Savings Narrative</u>	

APPENDIX 6: SOCIAL CARE & PUBLIC HEALTH

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2022/23 £000s	Year End Net Variance £000s	Explanation of Major Variances (Over £100,000)
Independent Living, Quality, Performance & Safeguarding	27,241	(232)	Pressures remain within Home Care packages with a net £0.355m overspend were offset by an underspend in placements of (£0.621m).
Specialist Support and Independent Living	27,536	965	Additional pressures on the service (higher cost of support for Learning Disabilities residents, increase in Supported Living unit costs, higher volume and demand for Direct Payments and day care services) offset by savings on staffing budgets.
Commissioning	5,561	(669)	The majority of the underspend (£0.411m) is due to alternative funding for expenditure supporting residents with food, energy, and utility bills. Other areas of underspends were for a range of commissioned variable contracts on lower meals volumes (£0.085m), early achievement of Supporting People contracts savings (£0.085m) and other minor variances (£0.088m).
Public Health	1,533	0	The Public Health ring-fenced grant for 2022/23 was £23.258m. Resources have been carried forward to be spent in 23/24 in line with the grant conditions and to meet Public Health outcomes.
Resources	5,826	(21)	
Social Care Directorate	500	(49)	
Total	68,196	(7)	
<p>The outturn underspend of £0.007m is an improvement of £0.794m compared to the month 9 forecast. The tighter and better managerial controls in place to manage spend has been a big factor in controlling the budget. The outturn position is remarkable given the many changes in the budget from the on-going impact of Covid-19 and cost of living crisis such as the financial pressures resulting from the policy of discharging residents as early as possible from hospital and preventing residents from unnecessary admission into hospital. This led to an increase in home care costs and an additional net increase of 8% in the number of residents receiving</p>			

Departmental Division	Revised Budget 2022/23	Year End Net Variance	Explanation of Major Variances (Over £100,000)
	£000s	£000s	
home care during 2022/23 from the Council. The department has continued to support the impact on the care market providers for on-going costs with a package of measures to support providers including additional support from the market sustainability grant.			

Savings Performance

Social Care	£000's
Original Savings Target	(1,500)
Savings Achieved	(1,500)
<u>Savings Narrative</u>	
The department had two themes for savings in 2022/23 on continuous improvement of services and to improve access to and support provided from our front door. Achievement is evidenced in this outturn with savings of £1.5m been delivered through this strategy.	

Public Health	£000's
Original Savings Target	(170)
Savings Achieved	(170)

APPENDIX 7: CENTRALLY MANAGED BUDGETS

BUDGET REVENUE MONITORING REPORT OUTURN

Departmental Division	Revised Budget 2022/23	Year End Net Variance	Explanation of Major Variances (Over £100,000)
	£000s	£000s	
Corporate & Democratic Core	13,145	(25)	
Housing Benefits	(359)	488	Reduction in overpayment recovery due to lower overpayment volumes.
Levies	1,865	89	
Net Cost of Borrowing	(3,645)	84	
Treasury, Pensions and Insurance	9,278	(286)	One-off reduction in insurance costs due to impact of prior year accrual.
Maternity & redundancy	502	(502)	Redundancy provisions not utilised as not required.
Covid-19 Transfer Payments	267	0	
Other Corporate Items	(20,051)	(1,163)	Balance of unallocated contingency.
Total	1,002	(1,315)	

Savings Performance

Resources	£000's
Original Savings Target	(329)
Savings Achieved	(329)
<u>Savings Narrative</u>	

APPENDIX 8: HOUSING REVENUE ACCOUNT

BUDGET REVENUE MONITORING REPORT OUTURN

Departmental Division	Revised Budget 2022/23	Year End Net Variance	Explanation of Major Variances (over £100,000)
	£'000s	£'000s	
Housing Income	(84,278)	(157)	Lower than expected dwelling rent and service charges income loss mainly due to higher than budgeted void properties offset by additional cost recovery from leaseholder service charges reflecting the recovery of the full cost of providing communal services.
Finance and Resources	9,748	(298)	Staffing and other running cost underspends.
Housing Management	7,233	659	A high level of decants led to an overspend in temporary accommodation and disturbance allowance costs offset by underspends on staffing and running costs.
Resident and Building Safety	10,654	540	Lower than expected staff capitalisation and an overspend on repairs and maintenance costs.
Voids and Repairs	10,975	1,388	Significant and persistent financial pressures due to high volumes of disrepair compensation claims (including the associated legal costs).
H&F Maintenance	3,379	(72)	
Safer Neighbourhoods Place	782	(6)	
	9,817	91	
Regeneration and Development	1,130	(364)	This mainly relates to a forecast underspend on feasibility costs for major development schemes.
Property and Asset Management	4,371	(247)	Capitalisation of stock condition survey costs.
Capital Charges	23,188	(150)	A reduction in the depreciation charge following an external review of the value and life of the housing stock, offset by an increase in borrowing costs due to increases in the internal borrowing rate.
Corporate Support Service	7,050	110	An overspend mainly on ICT-

Recharges			related corporate recharges.
Budgeted draw down from reserves	4,050	1,493	This overspend is additional to the budgeted draw down

Savings Performance

Resources	£000's
Original Savings Target	(3,850)
Savings Achieved	(3,850)