



South
Cambridgeshire
District Council

Report To: Cabinet 2 October 2019

Lead Cabinet Member(s): Lead Cabinet Member for Finance

Lead Officer: Peter Maddock, Head of Finance

SUBJECT: 2018/2019 HOUSING REVENUE ACCOUNT (HRA) REVENUE AND CAPITAL BUDGET OUTTURN

PURPOSE

1. To receive the HRA revenue and Capital outturn position for the financial year 2018/2019 with Reserve balances as at 31 March 2019, and to agree proposed changes to the Capital Programme.
2. This is not a key decision as there are no additional resource implications directly arising from the report at this stage; the report provides a statement of the year-end financial position and progress with approved capital investment projects.

RECOMMENDATIONS

3. **That Cabinet is requested to consider the report and, if satisfied, to:**
 - (a) **Acknowledge the 2018/2019 revenue outturn position and the net underspend in the year of £2.042 million, and the explanations provided for the variances compared to the approved 2018/2019 revenue budget;**
 - (b) **Acknowledge the consequent increase in the Housing Revenue Account balance as at 31 March 2019 of £1.051million to £11.148 million;**
 - (c) **Recommend to Council the Housing Revenue Account Revenue Budget Carry Forwards in the sum of £0.739 million, identified at Appendix A;**
 - (d) **In relation to the Capital Programme:**
 - (i) **Note the 2018/2019 capital budget outturn of £15,625 million;**
 - (ii) **Recommend to Council the carry forwards of £1.124 million in relation to HRA capital projects due mainly to slippage.**
 - (iii) **To note that a full review of the Capital Programme will be submitted to Cabinet at its November 2019 meeting to include re-phasing of the existing programme and new Capital bids for the next budget cycle.**

REASON FOR RECOMMENDATIONS

4. To advise the Cabinet of the 2018/2019 revenue and capital outturn position, the impact that this will have on the Housing Revenue Account and to consider the carry forward of slippage within the 2018/2019 capital programme. To note that a further review of the Capital Programme performance will be carried out and presented to Cabinet at its meeting on 6 November 2019.

BACKGROUND INFORMATION

2018/2019 Revenue Budget – Outturn

5. This report sets out the 2018/2019 Outturn position with a brief commentary on some of the variances. The Council's draft Statement of Accounts will be submitted to Audit Committee on 26 November 2019 for approval; it is not envisaged that there will be any issues arising that will impact on the Outturn.
6. The table below sets out the outturn position for the Housing Revenue Account:

| | Current Net Budget £ million | Outturn £ million | Variance £ million | % |
|---|---|------------------------------|-------------------------------|----------------|
| Housing Management | 6.995 | 6.671 | (0.324) | (0.05) |
| Housing Repairs | 4.284 | 3.788 | (0.496) | (11.6) |
| Depreciation | 9.881 | 6.455 | (3.426) | (34.7) |
| Interest Payable | 7.193 | 7.193 | 0 | |
| Capital Expenditure funded from Revenue | 2.925 | 5.743 | 2.818 | 96.3 |
| Other Items | 0.122 | 0.112 | (0.010) | (8.2) |
| Gross Expenditure | 31.400 | 29.962 | (1.438) | (4.6) |
| Rents | 28.020 | 28.506 | (0.486) | (1.7) |
| Charges for services and Facilities | 1.804 | 1.747 | 0.057 | 5.6 |
| Interest on Balances | 0.585 | 0.760 | (0.175) | (29.9) |
| Gross Income | 30.409 | 31.013 | (0.604) | (2.5) |
| Contribution (to)/from HRA Balance | 0.991 | (1.051) | (2.042) | (200.0) |

7. HRA expenditure was £1.438 million or 4.6% below expectations and income was £0.604 million or 2.5% above expectations. The net effect was to move from taking £0.991 million from HRA balances to adding £1.051 million to HRA balances a swing of £2.042 million.

8. The key variances are as follows:

| Directorate | £m | Reason for Variance |
|-------------------------|---------|---|
| Housing Revenue Account | (2.042) | <p>The reported underspend against the original budget is due to:</p> <p>i) Significant reduction in level of depreciation charged to the HRA following a review of asset lives, resulting in longer residual lives for many dwellings</p> <p>ii) Increase in direct revenue financing of capital expenditure as a result of the approval of rollovers as part of the outturn process for year 2017/2018</p> <p>iii) underspending in respect of response repair works</p> <p>iv) An increase in the rental income for the year due to removal of the original assumption of the need to hold void dwellings from October 2018 to meet a higher value voids levy.</p> <p>v) An increase in the interest received on cash balances for 2018/19 due to the level of cash balances held.</p> |

9. It is usual practice to submit any requests for budget rollover to 2019/2020 as part of this report and the rollovers are listed with some commentary at **Appendix A**.

Reserves

10. There are two Earmarked Reserves relating to the HRA. These are an insurance reserve holding £1 million and a reserve set up when Housing Self Financing was introduced in 2012 holding £8.5 million. As regards the latter the original intention was that this could be used to pay off some of the self financing debt early but it is now proposed that this be used to fund HRA Capital Expenditure and a recommendation on this will be brought forward in due course. There was no usage or addition to either of these reserves during 2018/2019.

Capital Programme 2018/2019 – Outturn

11. The outturn in relation to the 2018/2019 Capital Programme identifies an expenditure underspend of £2.742 million and equivalent financing underspend. The budget for comparison purposes is the revised budget that was reported to Council on 21 February 2019 as part of the 2019/20 budget papers:

| | Current Net Budget £ million | Outturn £ million | Variance £ million | C/fwd |
|--|---------------------------------|----------------------|-----------------------|--------------|
| New Homes Programme | 8.916 | 8.040 | (0.876) | 0.843 |
| Capitalised Repairs | 7.546 | 6.640 | (0.906) | 0.281 |
| Self-Build Plot Preparation | 0.695 | 0.092 | (0.603) | 0 |
| Re-provision of Existing Homes | 0.910 | 0.799 | (0.111) | 0 |
| Re-Purchase of Shared Ownership Properties | 0.300 | 0.054 | (0.246) | 0 |
| Gross Expenditure | 18.367 | 15.625 | (2.742) | 1.124 |
| Capital Receipts | 3.319 | 2.881 | (0.438) | |
| Major Repairs Reserve | 6.429 | 6.455 | 0.026 | |
| Revenue Funding | 5.095 | 5.538 | 0.443 | |
| Contributions including S106 | 3.524 | 0.751 | (2.773) | |
| Total Funding | 18.367 | 15.625 | (2.742) | |

12. The proposed capital budget rollovers from 2018/2019 to 2019/2020 are identified at **Appendix B** and total £1.124 million.
13. There was an underspend within the New Homes Build Programme of £0.876 million. Most of this is slippage and needs to be carried forward into 2019/2020 to continue with the schemes currently being carried out. The extent of carry forward is identified, by scheme, in Appendix A.
14. There was also an underspend on capitalised repairs of £0.906 million due to delays and some this is requested as a carry forward to 2019/2020.
15. Self build plot preparation costs have been significantly lower than expected with an underspend of £0.603 million identified. A carry over is not requested as the budget in 2019/2020 is felt adequate.
16. The re-provision of existing homes budget was for a specific project at Robinson Court, Gamlingay, which has now completed with an underspend of £0.111 million.
17. The re-purchase of Shared Ownership properties budget is set annually at £0.300 million to cover any necessary purchases. It is not known how many will occur in each year so the underspend of £0.246 million will not need to be carried forward.
18. Funding for the programme was somewhat different than expected with section 106 and other contribution funding being lower due in part to slippage but also due to lower sales of self build plots.

IMPLICATIONS

19. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

20. It is a legal requirement for a Local Authority to set a balanced budget (which can include the use of past surpluses). This report is measuring the actual position against the budget set in February 2018 for 2018/2019.

Policy

21. It is Council Policy and indeed good practice to report on the year end outturn against the budget.

Finance

22. The 2018/2019 Housing Revenue Account budget was approved by Council during February 2018. The latest capital budget was approved during February 2019. This report compares the actual outturn for Housing Revenue Account revenue and capital to the appropriate most recently agreed budgets.

Risk

23. Measuring actuals against budgets is essential for good financial management. A failure to do so carries the risk of not knowing the true financial position.

Environmental

24. There are no environmental implications arising directly from the report.

Equality Analysis

25. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. A relevance test for equality has determined that the activity has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

Effect on Council Priority Areas

26. Timely and robust consideration of the Council's outturn is vital to ensure that the financial position of the Council is effectively managed and monitored.

BACKGROUND PAPERS

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the Public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) In the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 6 February 2019
- Business Plan 2019 - 2014 – Report to Council: 21 February 2019
- Medium Term Financial Strategy (HRA) and HRA Budget – Report to Council: 21 February 2019
- An Organisation for a Sustainable Future – Report to Cabinet: 1 May 2019

APPENDICES

- A 2018/2019 Housing Revenue Account: Proposed Revenue Rollovers
- B 2018/2019 Housing Revenue Account: Proposed Capital Rollovers

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