



**Report To:** Cabinet 2 September 2020

**Lead Cabinet Member(s):** John Williams Lead Cabinet Member for Finance

**Lead Officer:** Peter Maddock, Head of Finance

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## **2019/2020 Provisional Housing Revenue Account (HRA) Revenue and Capital Outturn**

### **Executive Summary**

1. To receive the HRA revenue and Capital outturn position for the financial year 2019/2020 with Reserve balances as at 31 March 2020, 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) **Note the 2019/2020 revenue outturn position and the net underspend in the year of £2.001 million, and the explanations provided for the variances compared to the approved 2019/2020 revenue budget;**
  - (b) **Note the overall reduction in the Housing Revenue Account balance as at 31 March 2020 to £5.358 million;**
  - (c) **Recommend to Council the Housing Revenue Account Revenue Budget Carry Forwards in the sum of £0.020 million, in relation to tenant participation;**
  - (d) **In relation to the Capital Programme:**
    - (i) **Note the 2019/2020 capital budget outturn of £22,647 million;**
    - (ii) **Recommend to Council the carry forwards to 2020/21 of £1.611 million in relation to HRA Housing improvements due mainly to slippage.**

- (iii) Recommend to Council the bringing forward of £1.530 million from 2020/21 in relation to HRA housebuilding during 2019/20, due to works being ahead of expectations.
- (iv) Note that a full review of the Capital Programme will be submitted to Cabinet at its October 2020 meeting to include re-phasing of the existing programme and new Capital bids for the next budget cycle.

## Reasons for Recommendations

4. To advise the Cabinet of the 2019/20 revenue and capital outturn, the impact that this will have on the Housing Revenue Account and to consider the necessary amendments to the Capital Programme. To note that a further review of the Capital Programme will be presented to Cabinet at its meeting on 19 October 2020.

## Details

### 2019/2020 Revenue Budget – Outturn

5. This report sets out the 2019/2020 Outturn position with a brief commentary on some of the variances. The Council's draft Statement of Accounts for 2019/20 and indeed 2018/19 are still to be audited and there is a possibility that the figures within this report will change; therefore the outturn needs to be considered as provisional.
6. The table below sets out the outturn position for the Housing Revenue Account:

	<b>19/20 Net Budget £ million</b>	<b>19/20 Outturn £ million</b>	<b>Variance £ million</b>	<b>%</b>
Housing Management	7.603	7.227	(0.376)	(4.9)
Housing Repairs	4.301	3.970	(0.331)	(7.7)
Depreciation	6.663	6.663	0	0.0
Interest Payable	7.179	7.185	0.006	0.0
Capital Expenditure funded from Revenue	12.622	12.374	(0.248)	(2.0)
Other Items	0.149	0.162	0.013	8.7
<b>Gross Expenditure</b>	<b>38.517</b>	<b>37.581</b>	<b>(0.936)</b>	<b>(2.4)</b>
Rents	27.953	28.406	(0.453)	(1.6)
Charges for services and Facilities	2.227	2.359	(0.132)	(5.9)
Interest on Balances	0.546	1.026	(0.480)	(87.9)
<b>Gross Income</b>	<b>30.726</b>	<b>31.791</b>	<b>(1.065)</b>	<b>(3.5)</b>
<b>Amount (to)/from HRA Balance</b>	<b>7.791</b>	<b>5.790</b>	<b>(2.001)</b>	<b>(25.7)</b>

7. HRA expenditure was £0.936 million or 2.4% below budget and income was £1.065 million or 3.5% above budget. The net effect was a deficit on the HRA of £5.790 million rather than the £7.791 million estimated - £2.001 million lower than expected. This means that The General HRA reserve has been depleted by £5.790 million from £11.148 million to £5.358 million.

8. The key variances are as follows:

Directorate	£m	Reason for Variance
Housing Revenue Account	(2.001)	<p>The reported underspend against the original budget is due to:</p> <ul style="list-style-type: none"> <li>i) Housing Management - The charge to the HRA for Corporate Management was reassessed and resulted in a lower charge than previously and now better reflects the actual cost to the HRA.</li> <li>ii) Repairs – There was an underspend in respect of response repair works. The level of spend is notoriously difficult to predict and can be weather dependent increasing particularly if there is a hard winter.</li> <li>iii) Capital expenditure funded from revenue – Much of this is to fund capital improvements and the new homes programme both of which were underspent when compared to the original budget. There were delays to the heating replacements and rewiring programmes leading to underspend and there was also some slippage in the new homes programme.</li> <li>iv) Rental income - An increase in the rental income for the year due to the budget still containing the assumption that we might need to hold properties void pending sale to meet the high value voids levy proposed by central government. This policy has now been shelved and does not need to be accounted for going forward.</li> <li>v) Interest on Balances - An increase in the interest received on cash balances for 2019/20 due to the average interest rate achieved on investments being at 2.91% well above the 2% estimated.</li> </ul>

9. It is usual practice to submit any requests for budget rollover to 2020/2021 as part of this report. There are only two both relating to tenant participation, £10,000 for the tenant representatives' election and £10,000 for training.

#### 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. There was no usage or addition to either of these reserves during 2019/20.

## Capital Programme 2019/2020 – Outturn

11. The outturn in relation to the 2019/2020 Capital Programme identifies an expenditure underspend of £0.586 million and equivalent financing underspend. The budget for comparison purposes is the revised budget that was reported to Council on 20 February 2020 as part of the 2020/21 budget papers:

	<b>19/20 Net Budget £ million</b>	<b>19/20 Outturn £ million</b>	<b>Variance £ million</b>	<b>C/fwd</b>
New Homes Programme	14.803	16.333	1.530	(1.530)
Capitalised Repairs	7.825	5.730	(2.095)	1.611
Self-Build Plot Preparation	0.190	0.076	(0.114)	0
Re-Purchase of Shared Ownership Properties	0.415	0.508	0.093	0
<b>Gross Expenditure</b>	<b>23.233</b>	<b>22.647</b>	<b>(0.586)</b>	<b>0.081</b>
Capital Receipts	4.718	3.913	(0.805)	
Major Repairs Reserve	6.663	5.730	(0.933)	
Revenue Funding	10.912	12.114	1.202	
Contributions including S106	0.940	0.890	(0.050)	
<b>Total Funding</b>	<b>23.233</b>	<b>22.647</b>	<b>(0.586)</b>	

12. There was an overspend within the New Homes Build Programme of £1.530 million. Whilst there was some slippage on schemes at Bennel Farm, Toft and Impington Lane there were others such as Babraham Road, Sawston and Grace Crescent, Hardwick where progress had been better than expected and allocations in 2020/21 were spent in 2019/20. The overall position is that £1.530 million of expenditure expected in 2020/21 needs to be brought forward to 2019/20.
13. There was an underspend on capitalised repairs of £2.095 million due to delays and £1.611 million of this is requested as a carry forward to 2020/2021.
14. Self build plot preparation costs have been significantly lower than originally expected and the budget was reduced from £0.540 million to £0.190 million. In the event the actual was lower still at £0.076 million, an underspend of £0.114 million.
15. The re-purchase of Shared Ownership properties budget was set for 2019/20 at £0.300 million to cover any necessary purchases. This was revised upwards to £0.415 million but expenditure was higher still at £0.508 million giving an overspend of £0.093 million. Because the overspend reported here is more or less offset by the underspend reported in para 14 no carry forward is proposed or indeed necessary because of the nature of both schemes.
16. Funding for the programme was somewhat different than expected too, with major repairs reserve funding, capital receipts usage and section 106 usage being lower due to slippage. Revenue funding was more in line with the original estimate due to better progress on the Housebuilding programme than expected.
17. It should be noted that the revenue funding for capital differs in the Revenue Outturn table to the Capital Outturn table as £0.260 million of HRA revenue contributions are used to fund the HRA share of ICT expenditure which is accounted for in the General Fund.

## Options

18. Other options involve not agreeing some or all of the carry forward amounts but this could lead to delays and unfinished works.

## 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 2019 in respect of revenue expenditure and that set in February 2020 for capital expenditure.

### ***Policy***

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

### ***Finance***

22. The 2019/2020 Housing Revenue Account budget was approved by Council during February 2019. The latest capital budget was approved during February 20. 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
- Budget Report to Council - Report to Council: 21 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

## **Appendices**

None

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