



<b>Report to:</b>	Cabinet	06 September 2021
<b>Lead Cabinet Member:</b>	John Williams - Lead Cabinet Member for Finance	
<b>Lead Officer:</b>	Peter Maddock - Head of Finance	

## 2020/21 Provisional Housing Revenue Account (HRA) Outturn

### Executive Summary

1. To receive the HRA revenue and Capital outturn position for the financial year 2020/21 with Reserve balances as at 31 March 2021, and to agree proposed changes to the Capital Programme.
2. The report provides a statement of the year-end financial position and progress with approved capital investment projects.

### Key Decision

3. No.

### Recommendations

4. It is recommended that Cabinet consider the report and, if satisfied, to:
  - (a) **Note the 2020/21 revenue outturn position and the net underspend in the year of £1.091 million, and the explanations provided for the variances compared to the approved 2020/21 revenue budget;**
  - (b) **Note the overall reduction in the Housing Revenue Account balance as at 31 March 2021 to £4.639 million;**
  - (c) **Recommend to Council the Housing Revenue Account Revenue Budget Carry Forwards in the sum of £0.035 million, in relation to Consultancy costs.**
  - (d) **In relation to the Capital Programme:**
    - (i) **Note the 2020/21 capital outturn of £15.987 million;**
    - (ii) **Recommend to Council the carry forwards to 2020/21 of £1.822 million in relation to HRA Housing improvements due mainly to slippage.**
    - (iii) **Recommend to Council carry forward amounts of £1.213 million to 2021/22 in relation to HRA housebuilding during 2020/21, due to slippage.**

- (iv) Note that a full review of the Capital Programme will be submitted to Cabinet at its October 2021 meeting to include re-phasing of the existing programme and new Capital bids for the next budget cycle.

## Reasons for Recommendations

5. To advise the Cabinet of the 2020/21 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 2021.

## Details

### 2020/21 Revenue Budget – Outturn

6. This report sets out the 2020/21 Outturn position with a brief commentary on some of the variances. The Council's draft Statement of Accounts for 2020/21 and indeed 2019/20 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.
7. The table below sets out the outturn position for the Housing Revenue Account:

	<b>20/21 Net Budget £ million</b>	<b>20/21 Outturn £ million</b>	<b>Variance £ million</b>	<b>%</b>
Housing Management	5.957	6.007	0.050	0.8
Housing Repairs	3.775	3.793	0.018	0.5
Depreciation	6.666	6.666	0.000	0.0
Interest Payable	7.179	7.193	0.014	0.2
Capital Expenditure funded from Revenue	9.188	7.844	(1.344)	(14.6)
Other Items	0.365	0.424	0.059	16.2
<b>Gross Expenditure</b>	<b>33.130</b>	<b>31.927</b>	<b>(1.203)</b>	<b>(3.6)</b>
Rents	29.331	29.070	0.261	0.9
Charges for services and Facilities	1.423	1.229	0.194	13.6
Interest on Balances	0.691	1.034	(0.343)	(50.0)
<b>Gross Income</b>	<b>31.445</b>	<b>31.333</b>	<b>0.112</b>	<b>0.4</b>
<b>Amount (to)/from HRA Balance</b>	<b>1.685</b>	<b>0.594</b>	<b>(1.091)</b>	<b>(64.7)</b>

8. HRA expenditure was £1.203 million or 3.6% below budget and income was £0.112 million or 0.4% below budget. The net effect was a deficit on the HRA of £0.594 million rather than the £1.685 million estimated - £1.091 million lower than expected. This means that The

General HRA reserve has been depleted by £0.594 million from £5.233 million to £4.639 million.

9. The key variances are as follows:

Directorate	£m	Reason for Variance
Housing Revenue Account		The reported underspend against the original budget is due to:
	(1.344)	i) Capital expenditure funded from revenue – Much of this is to fund the new homes capital programme which saw some slippage, particularly from the scheme at Northstowe where start on site has been delayed.
	(0.343)	ii) Interest on Balances - An increase in the interest received on cash balances for 2020/21 was due to holding higher reserve balances than anticipated and the average interest rate achieved on investments being at 2.95% above the 2.7% estimated.
	0.261	iii) Rental income - A decrease in the rental income for the year due to holding several void properties with longer void periods. This occurred during the lockdown periods, which delayed necessary works for some properties requiring significant refurbishment.
	0.194	iv) Service charge income – the lockdown periods restricted use of the Communal Rooms on Sheltered Housing schemes and the reduced utility and maintenance costs incurred is also reflected in the reduced service charges to leaseholders.

10. It is usual practice to submit any requests for budget rollover to 2021/22 as part of this report. There is only one, relating to consultancy, £34,500 for support with the re-tender of the Response and Cyclical Repairs contract.

#### Reserves

11. 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 2020/21.

Capital Programme 2020/21 – Outturn

12. The outturn in relation to the 2020/21 Capital Programme identifies an expenditure underspend of £5.164 million and equivalent financing underspend. The budget for comparison purposes is the revised budget that was reported to Council on 23 February 2021 as part of the 2021/22 budget papers:

	<b>20/21 Net Budget £ million</b>	<b>20/21 Outturn £ million</b>	<b>Variance £ million</b>	<b>C/fwd</b>
New Homes Programme	12.062	10.849	(1.213)	1.213
Capitalised Repairs	8.839	4.609	(4.230)	1.822
Self-Build Plot Preparation	0.100	0.016	(0.084)	0
Re-Purchase of Shared Ownership Properties	0.150	0.513	0.363	0
<b>Gross Expenditure</b>	<b>21.151</b>	<b>15.987</b>	<b>(5.164)</b>	<b>5.040</b>
Capital Receipts	3.155	2.715	(0.440)	
Major Repairs Reserve	7.763	4.609	(3.154)	
Revenue Funding	9.188	7.618	(1.570)	
Contributions including S106	1.045	1.045	-	
<b>Total Funding</b>	<b>21.151</b>	<b>15.987</b>	<b>(5.164)</b>	

13. The original budget for New Homes Programme was reduced by some £15 million from £26.871 million to £12.062 million as it was recognised that due to the Pandemic it was not possible to deliver the original programme as planned. This included the unallocated element of £8.749 million which was re-profiled into future years during the year. In the event an underspend of £1.213 million on the revised position occurred. Start on the scheme in Northstowe has been delayed and did not start in Q4 as planned. There was some slippage on schemes at Bennell Farm, Toft and Impington Lane but there were others such as Orchard Gardens, Melbourn where progress had been better than expected and allocations in 2021/22 were spent in 2020/21. The overall position is that £1.213 million of expenditure expected in 2020/21 needs to be carried forward to 2021/22.
14. There was an underspend on capitalised repairs of £4.23 million due to delays. Much of this was pandemic related and although it was expected that it would be possible to 'catch up' this did not transpire due to a combination of further periods of lockdown and material supply problems. The heating installation programme was particularly affected by both the limited access to properties and severe problems sourcing quantum storage heaters. Shipping delays affected delivery of programmes to replace windows and fire doors. £1.822 million of the underspend is requested as a carry forward to 2021/2022.
15. Self build plot preparation costs have been significantly lower than originally expected and the budget was reduced from £0.152 million to £0.100 million. In the event the actual was lower still at £0.016 million, an underspend of £0.084 million.
16. The re-purchase of Shared Ownership properties budget was set for 2020/21 at £0.150 million to cover any necessary purchases. The budget remained unchanged in the revised estimate however expenditure was somewhat higher at £0.512 million giving an overspend of £0.362 million. It is proposed the overspend reported here is offset by part of the underspend reported in para 13. No carry forward is proposed or indeed necessary because of the nature of the schemes.

17. Funding for the programme was somewhat different than expected too, with major repairs reserve funding, capital receipts usage and revenue funding all being lower due to the reported underspend.

18. It should be noted that the revenue funding for capital differs in the Revenue Outturn table to the Capital Outturn table as £0.226 million of HRA revenue contributions are used to fund the HRA share of ICT expenditure which is accounted for in the General Fund.

## **Options**

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

## **Implications**

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

## **Financial**

21. The 2020/21 Housing Revenue Account budget was approved by Council during February 2020. The latest capital budget was approved during February 2021. This report compares the actual outturn for Housing Revenue Account revenue and capital to the appropriate most recently agreed budgets.

## **Legal**

22. 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 2020 in respect of revenue expenditure and that set in February 2021 for capital expenditure.

## **Risks/Opportunities**

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.

## **Consultation responses**

24. None

## **Alignment with Council Priority Areas**

### **Housing that is truly affordable for everyone to live in**

25. The Council is committed to providing new homes for tenants through the New Build programme which was built into the Capital Programme for 2020/21. This report supports the Council's business plan by recommending carrying forward amounts from 2020/21 to 2021/22 in relation to HRA housebuilding.

## **Background Papers**

- Budget Report – Report to Cabinet: 5 February 2020
- Budget Report to Council - Report to Council: 20 February 2020
- Business Plan 2020 - 2025 – Report to Council: 20 February 2020
- Medium Term Financial Strategy – Report to Council: 20 February 2020

## **Appendices**

None

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