



**AGENDA ITEM:
SUMMARY**

Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	3 June 2020
PART:	1
If Part II, reason:	

Title of report:	Provisional Financial Outturn 2019/20
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Nigel Howcutt, Assistant Director (Finance & Resources) James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To provide details of the financial outturn position for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	That Committee note the financial outturn for the Council for 2019/20.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<u>Financial</u> This report outlines the financial position for the Council for 2019/20 and so summarises the financial implications for service decisions for the financial year. <u>Value for Money</u> Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.
Risk Implications	This reports outlines the financial position for the Council for 2019/20 and in so doing quantifies the financial risk associated with service decisions for the financial year.
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken.
Health And Safety Implications	There are no Health and Safety implications arising from this report.

Consultees	The position reported within this report has been reviewed and discussed with relevant Council Officers.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account MRP – Minimum Revenue Provision

1. Executive Summary

- 1.1 The provisional year-end financial outturn is showing a balanced budget on the General Fund. There are variances across service areas as highlighted in section 4, but the overall budget is showing a balanced position. It should be noted that the recharge to the HRA and Collection Fund adjustments are yet to be finalised, and the outturn position may be subject to change as a result of these.
- 1.2 This year's outturn position has been analysed as part of the normal year-end review, to ensure that any one-off items have been challenged and any new savings have been identified and will be captured in the base budgets going forward. In addition, ongoing pressures have been reviewed to ensure the budget for 2020/21 has been realigned to a suitable level.
- 1.3 The HRA has seen an operating surplus of £357k. After technical adjustments to the bad debt provision of £527k, this surplus is increased to £884k. This position does not include the final movements on depreciation or corporate recharges which are yet to be finalised.
- 1.4 Housing and Community General Fund Capital budgets have seen an overspend of £0.6m. More detail is provided in Section 6 of this report.
- 1.5 The HRA Capital programme is showing slippage of £0.8m and overspend of £0.6m.

2. Introduction

- 2.1 The purpose of this report is to present the Council's Provisional Outturn for 2019/20, prior to the production of the Statement of Accounts. Outturn is reported for the following:
- General Fund
 - Housing Revenue Account (HRA)
 - Capital Programme
- 2.2 The Council's outturn position is a primary source of information for the production of the Statement of Accounts. The outturn position detailed in this report will be subject to further amendment as work continues on the preparation of the Accounts. The Final Outturn position, along with movements in reserves, will be reported to Audit Committee for sign off on 17 September 2020, subject to confirmation of this date at Full Council.

3. General Fund Revenue Account

- 3.1 The General Fund revenue account records the income and expenditure associated with all Council functions, except the management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).
- 3.2 Appendix A provides an overview of the General Fund provisional outturn position.
- 3.3 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

Table 1	Current Budget	Provisional Outturn	Variance	
	£000	£000	£000	%
Finance & Resources	13,761	14,111	350	2.5%
Strategic Planning and Environment	10,005	10,877	872	8.7%
Housing & Community	1,620	1,700	80	4.9%
Total	25,386	26,688	1,302	5.1%
Investment Property	(4,317)	(4,325)	(8)	0.2%
Core Funding	(21,070)	(22,364)	(1,294)	6.1%
Contribution (to)/ from General Fund Working Balance	(1)	(1)	0	

3.4 Core Funding - £1,294k additional funding / reduction in expenditure

There is a combination of additional government grant income and a reduction in expenditure forecast, to yield a benefit of £1,294k against core funding budgets. These include:

- £491k expected surplus relating to retained growth in business rates. The final retained growth will be confirmed in the final outturn position.
- Increased new burdens funding of £258k across services. This funding is not ring-fenced for a specific use and has therefore been treated as core funding. The material items are £100k relating to the Revenues and Benefits service to support the implementation of welfare reform changes such as the migration from Housing Benefit to Universal Credit, and £69k relating to Private Sector Housing.
- £165k surplus relating to the Minimum Revenue Provision. The Minimum Revenue Provision (MRP) is a minimum amount which a Council must charge against its revenue budget each year for the financing of capital expenditure which has been initially funded by borrowing. The MRP is £165k lower than budgeted for 2019/20, resulting from below-budget capital expenditure in 2018/19.
- £279k surplus on Investment Income - General Fund Investment Income has exceeded budget as balances of cash reserves are higher than had been

anticipated due to lower than budgeted capital expenditure in 2018/19 and the early part of 2019/20.

- £75k additional income from the HRA for work carried out such as void garden clearances.

3.5 The following sections provide an analysis of the projected outturn and major budget variances for the Housing and Community Scrutiny area.

4. Housing and Community

Table 2 Housing and Community	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	3,964	3,966	2	0.0%
Premises	946	645	(301)	(31.8%)
Transport	18	9	(9)	(50.0%)
Supplies & Services	1,455	1,516	61	4.2%
Transfer Payments	55	1	(54)	(98.2%)
Income	(5,575)	(5,223)	352	(6.3%)
Capital Charges	1,083	1,083	0	0.0%
Earmarked Reserves	(326)	(297)	29	(8.9%)
Total	1,620	1,700	80	4.9%

4.1 Premises - £301k underspend against budget

The underspend relates to the ongoing upkeep and maintenance costs for the Garages service. A full stock condition survey has been commissioned which will drive a targeted long-term investment strategy for investment in the garage stock. The results of this are expected in 2020/21 and will be reported back to Members.

4.2 Income - £352k pressure against budget

The pressure relates to the Garage service income not being achieved and is a continuation of 2018/19 position. Void rates continue at around 31%. A consolidated garage management strategy is being developed to improve occupancy levels, and progress will be reported back to Members in 2020/21. During budget setting the income budget for garages was reviewed and reduced by £200k for 2020/21.

5. Housing Revenue Account (HRA)

5.1 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The forecast outturn position for the HRA is shown at Appendix B.

5.2 The projected HRA balance at the end of 2019/20 is a surplus of £884k. This position does not include the final movements on depreciation or corporate

recharges which are yet to be finalised. A balanced outturn position for the HRA can be achieved by either increasing or decreasing the final revenue contribution to capital for the HRA. Alternatively an additional contribution to HRA reserves could be made, to ensure any surplus can be used flexibly in the future. This will be a decision for Members to take once the final outturn position for 2019/20 is confirmed in 2020/21.

5.3 Dwelling rents - £357k overachievement of income

The forecast overachievement of income includes the following:

- £160k of additional income is being recovered through Housing Benefit. This relates to Housing Benefit subsidy for tenants in supported housing.
- £82k overachievement of rental income due to budget expectations on new build sites being set prudently in advance of allocations and rent levels being agreed.
- £30k surplus due to re-let properties moving to the correct rent level (known as Formula Rent).
- £65k reduction in rental income being passed back to the General Fund from General Fund properties being used by the HRA. This figure can only be validated at year end.

5.4 Tenants' and Leaseholder Charges

These lines broadly offset each other and budget have been realigned for Budget 2020/21 to reflect an increase in Leaseholder Charges following an increase number of Right to Buy sales.

5.5 Contribution towards Expenditure – underachievement in income of £171k

The budget for minor capital receipts has not met its target by £100k, and income from tenants' recharges has also been below target by £100k. In contrast additional income of £50k has been received in Feed In Tariffs from renewable energy sources.

5.6 Repairs and Maintenance - £514k underspend against budget

This underspend against budget has arisen as a result of the gain share on Osborne budgets from the open book arrangement of the contract. The gain share is the element of savings made in relation to maintenance works undertaken, and is verified by an independent advisor commissioned by the Council. In the last financial year, this saving has increased by £470k. This demonstrates that the contract is achieving value for money whilst still delivering a high quality housing maintenance service.

5.7 Supervision and Management - £274k underspend against budget

The forecast underspend against budget includes:

- £160k relating to vacancies across the service. Recruitment to these vacancies is currently underway.
- There are also a number of small surpluses across minor budgets in this area, such as £60k in Lifeline equipment expenditure and £35k in Under Occupation Incentive Scheme.

5.8 Provision for Bad Debts - £527k underspend against budget

The full budget for the bad debt provision increase has not been required this financial year, as the level of arrears currently held is sufficiently provided for. Since the introduction of Universal Credit in 2018/19, the HRA business plan has increased bad debt provision by £675k, to account for expected increases in bad debt related to the delayed and late payments of rent by UC. The actual increase in bad debt provision realised over this period has only being £150k.

5.9 Transfer to Housing Reserves - £460k

A contribution of £433k has been made to HRA reserves in order to fund a one-off secondary pension contribution in 2020/21. This is as per the Budget Preparation 2020/21 report to Cabinet of 11 February 2020. £27k of Leaseholder Contributions have also been transferred to the Lift Sinking Fund reserve in line with the terms of the lease, in order to fund major lift replacement works as and when these become necessary.

6. Capital Programme

6.1 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny committee area.

The current budget is the original budget approved by Cabinet in February 2019, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2020/21 rather than 2019/20 ('slippage'), or conversely, where expenditure planned initially for 2020/21 has been incurred in 2019/20 ('accelerated spend').

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

Table 3	Current Budget £000	Rephasing £000	Revised Budget £000	Provisional Outturn £000	Variance	
					£000	%
Housing & Community GF	6,762	26	6,788	7,419	632	9.34%
HRA Total	37,987	(841)	37,146	37,722	576	1.52%
Grand Total	44,749	(815)	43,934	45,142	1,208	2.70%

6.2 General Fund Major Variances

There is an overspend of £0.6m on General Fund budgets, however this can be attributed to 2 fully funded capital schemes:

- Line 155: expenditure £0.2m over budget on Disabled Facilities Grants. This expenditure is fully funded from grant income received from Herts County Council.
- Line 158: Affordable Housing Development Fund: grant expenditure to Housing Associations is £0.4m over budget. This is expenditure on approved schemes to fund the creation of new affordable housing in the borough, and is fully funded from receipts from disposal of properties under Right to Buy (1-4-1 receipts).

6.3 Housing Revenue Account Major Variances

The HRA capital programme is broadly on budget overall, with £0.8m of slippage and overspend of £0.6m.

- Line 201 and 205: slippage of £0.1m on Property and Place Planned Fixed Expenditure. This budget will be utilised in 2020/21 to fund compliance work.
- Line 211: £0.3m of slippage on Martindale. The site has been affected by the Covid-19 outbreak and social distancing requirements which have halted the construction during the latter part of March. Completion is now expected during Quarter 3 of 2020/21.
- Line 214: £0.3m of slippage on Stationer's Place/Magenta Court. As per the Martindale site, this scheme has also been affected by the Covid-19 situation, which has resulted in lower than expected expenditure in March 2020. The site is expected to complete towards the end of Quarter 2 2020/21.
- Line 210 and 222: These lines offset each other, as the budgets for land acquisition of Paradise Fields are built in to the New Build General line.
- Line 216 and 217: overspend of £0.5m on Swing Gate Lane, due to a number of factors including planning requirements, some contamination on site, archaeological issues and client changes.

7. Balances and Reserves

7.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2020 and updated for the reserve movements as set out below.

7.2 In cases where reserves were to be drawn down in 2019/20 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. Where the balance is now required in 2020/21, the carry forward of unspent reserve budgets is recommended.

7.3 Variances over £50k on recommended reserve movements compared to the original budget and additional movements approved in year are as follows. This

section includes approved reserve drawdowns where the amount was not finalised until the end of the financial year.

- Drawdown of £94k from Local Development Framework reserve to fund work on Hemel Garden Communities. Council approved use of the reserve on 18 September 2019 but the amount of expenditure was not known until year end.
- Drawdown of £194k from Invest to Save reserve to fund costs of transfer to Herts Building Control. Council approved use of the reserve on 18 September 2019, but the amount of expenditure was not finalised until year end.
- Drawdown of £54k from Planning Enforcement and Appeals reserve to fund legal costs in Planning, in line with approved use of the reserve.
- Drawdown of £75k from Uninsured Losses reserve to fund Insurance costs.
- Drawdown of £93k from Management of Change reserve to fund New Normal projects. Council approved use of the reserve on 27 November 2019, but the timing of expenditure was not fully known until year end.
- Reduced drawdown of £125k from the Management of Change reserve relating to the cost of the Apprentice scheme. A full year of cost was budgeted, but costs were only incurred from November after conclusion of the recruitment process.

7.4 It has been recommended that Cabinet recommend to Council these additional reserves movements arising from the provisional year-end position, and delegate approval to the Audit Committee for any changes to these movements as a result of the final outturn position following completion of the external audit.

8. Conclusions and recommendations

- 8.1** General Fund budgets are showing a balanced position at outturn, prior to completion of the HRA recharge and Collection Fund adjustments. The HRA is showing a surplus of £884k, prior to accounting adjustments for depreciation and the recharge from the General Fund.
- 8.2** At outturn, against General Fund capital budgets there is a pressure of £0.6m, but these schemes are fully funded. Against Housing Revenue Account capital schemes, budget rephasing of £0.8m is reported with an overspend of £0.6m.
- 8.3** Members are asked to note the financial position for the Council for 2019/20 as at provisional outturn.