



Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	16th June 2021
PART:	I
If Part II, reason:	

Title of report:	Provisional Financial Outturn 2020/21
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Author/Responsible Officer Nigel Howcutt, Assistant Director (Finance & Resources) Fiona Jump, Group Manager (Financial Services)
Purpose of report:	To update members on the provisional financial outturn position for 20/21 including the; <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendations	It is recommended that Committee note the financial performance in regards to: <ol style="list-style-type: none"> 1. The General Fund projected outturn, 2. The HRA projected outturn 3. The Capital programme financial performance.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<u>Financial</u> This report outlines the financial position for the Council for 2020/21 and so summarises the financial implications of 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 2020/21 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.
Statutory Officer Comments:	Deputy Section 151 Officer: This is a Deputy S.151 Officer 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 MHCLG – Ministry of Housing, Communities and Local Government

1. Executive Summary

- 1.1 The Council has faced significant financial pressures as a result of the Covid-19 pandemic. The provisional year-end financial outturn is showing a deficit of £2.4m on the General Fund, which is consistent with previous forecasts of the effect of the pandemic on Council services. It is proposed that this deficit is funded from a contribution from the Economic Recovery Reserve, which has been set up specifically for this purpose.
- 1.2 It should be noted that Collection Fund and pension adjustments are yet to be finalised, and the outturn position may be subject to change as a result of these.
- 1.3 The HRA is reporting a surplus of £362k. This is a reduction of £2.1m quarter on quarter and is driven predominantly by technical accounting changes related to capital accounting and accounting for bad debt provision as detailed in section 4 of this report. It is proposed that this surplus is transferred to a revenue reserve to allow the surplus to be used flexibly for revenue or capital purposes going forward.
- 1.4 Housing and Community General Fund budgets are showing slippage of £459k and an underspend of £164k.
- 1.5 The HRA Capital programme is showing slippage of £2.7m with an underspend of £2.5m.

2. Introduction

- 2.1 The purpose of this report is to present the Council's Provisional Outturn for 2020/21, 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 8th September 2021.

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.

The table below outlines where significant financial pressures have arisen within Housing and Community Scrutiny service areas:

Table 1	Key Financial Pressure	Description
Scrutiny Committee		
Housing and Community	£0.4m	Garages Income

3.3 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

Table 2	Current Budget	Provisional Outturn	Variance	
	£000	£000	£000	%
Finance & Resources	8,027	11,852	3,825	47.7%
Strategic Planning and Environment	10,906	12,760	1,854	17.0%
Housing & Community	1,666	1,945	279	16.7%
Total	20,599	26,557	5,958	28.9%
Core Funding	(20,599)	(24,199)	(3,600)	17.5%
Deficit to be funded from Economic Recovery reserve	0	2,358	2,358	

3.4 Core Funding - £3.6m additional funding / reduction in expenditure

A surplus of £3.6m has been achieved on corporate grant income that is entirely linked to additional Covid financial support/grants. This includes the following:

- £2.05m of Covid-19 support grant has been received from MHCLG
- £1.34m of Covid Income Guarantee Scheme compensation, which reimburses local authorities for 75% of lost income after the first 5% of the budgeted total.
- £99k of New Burdens funding relating to welfare reform within the Revenues and Benefits service.
- £109k Homelessness Prevention funding utilised to offset service pressures.
- £76k of new burdens funding to support the Local Authority Discretionary Grants scheme.
- £68k of Test and Trace admin support grant.

In addition, there are variances on the following corporate items:

- £140k pressure in General Fund investment income budgets due to the reduction in interest rates announced by the government in March 2020.
- £99k surplus on interest and MRP (Minimum Revenue Provision) charges.
- £122k under budget on the recharge to the HRA. This is due to temporary accommodation void costs being higher than expected. These are initially borne by the HRA as part of the Total Asset Management contract but allocated to the General Fund in line with the ownership of Temporary Accommodation properties.

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 5 Housing and Community	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	4,159	4,286	127	3.1%
Premises	1,003	899	(104)	(10.4%)
Transport	14	3	(11)	(78.6%)
Supplies & Services	1,141	1,116	(25)	(2.2%)
Transfer Payments	5	2	(3)	(60.0%)
Income	(5,701)	(5,262)	439	(7.7%)
Capital Charges	1,083	1,083	0	0.0%
Earmarked Reserves	(38)	(182)	(144)	378.9%
Total	1,666	1,945	279	16.7%

4.1 Employees - £127k over budget

Pressure of £120k in the Garages service - a garages project manager is being employed to manage the investment strategy, which will direct the appropriate long term investment in garages to improve occupancy levels. It is proposed that this is funded from a contribution from the Management of Change reserve.

4.2 Premises - £104k under budget

Underspend of £140k - an underspend has arisen in the Garages service. A considerable amount of refurbishment work was undertaken in the final quarter of the financial year, once a targeted plan of work which would achieve the greatest results was established, however the full budget was not spent in year.

4.3 Income - £439k pressure against budget

Pressure of £400k in Garages income – the void level has remained fairly consistent throughout the financial year at 31%.

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 provisional outturn position for the HRA is shown at Appendix B.

5.2 The HRA balance at the end of 2020/21 is a surplus of £362k. It is proposed that this surplus is transferred to a revenue reserve, where it can be used most flexibly towards revenue or capital requirements going forward.

5.3 Dwelling rents - £0.15m underachievement of income

The void rate has been slightly higher than the budgeted 0.8%, at 1.08%. This is particularly attributable to voids at sheltered schemes.

5.4 Tenants' Charges – pressure of £0.16m

This variance has arisen in service charges income. Service charges are recalculated each year to ensure that the charge received by the tenant accurately reflects the service received. Where there are variations in cost to the tenant from one year to the next, the Council has committed to pass on a maximum increase of CPI +1% (which is in line with current rental policy).

5.5 Interest and Investment Income – underachievement in income of £0.1m

Investment income has not achieved the budgeted target due to a reduction in interest rates earlier in the financial year.

5.6 Repairs and Maintenance - £3.7m underspend against budget

A underspend in Repairs and Maintenance was anticipated early in the financial year due to the restrictions imposed during the Covid-19 pandemic. It has not been possible for internal or intrusive works to take place under the prevailing circumstances. Workstreams have been re-prioritised where possible to carry out

external works and to ensure that all essential, health and safety works have been undertaken as required.

5.7 Supervision and Management - £0.13m underspend against budget

The underspend arises from vacancies and staff turnover in year, plus reduced costs associated with tenants moving which has been much reduced this financial year.

5.8 Provision for Bad Debts and Other Charges - £1.34m above budget

This variance has arisen due to the need to set aside a provision in the sum of £2.0m for other charges payable by the HRA due to policy changes.

The budget line also contains the budget for bad debt provision top up. It had been expected that an increase in arrears of rental income would be seen this financial year, which would require a significant increase to the provision for bad debt. This situation did not arise for two main reasons: firstly the Housing Income team have worked closely with tenants, to arrange payment terms and support with accessing benefits if appropriate. Secondly the level of bad debt provision which existed at the end of financial year 2019/20 was sufficient to ensure the council was well provided for already.

5.9 Depreciation - £2.75m above budget

An increased depreciation charge has been seen this year due to increases in the value of the council's housing stock.

5.10 Revenue Contribution to Capital - £1.54m under budget

Due to underspends in the capital programme predominantly in the budget for Planned Fixed Expenditure as a result of access issues, the capital programme has been fully financed without the need to use the full revenue contribution.

5.11 Transfer to Housing Reserves - £0.80m variance to budget

A contribution of £433k was expected from HRA reserves to fund a one-off secondary pension contribution in 2020/21. Due to overall in year surplus generated overall on the HRA, this was not required in 2020/21.

6. Capital Programme

6.1 Appendix C shows the provisional 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 2020, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2021/22 rather than 2020/21 ('slippage'), or conversely, where expenditure planned initially for 2021/22 has been incurred in 2020/21 ('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.

	Current Budget £000	Rephasing £000	Revised Budget £000	Provisional Outturn £000	Variance £000 %	
Housing and Community GF Total	5,076	(459)	4,617	4,454	(164)	(3.2%)
HRA Total	22,240	(2,681)	19,559	17,027	(2,532)	(11.4%)
Grand Total	27,316	(3,140)	24,176	21,481	(2,695)	(9.9%)

6.2 General Fund Major Variances

The slippage of £459k includes the following items:

- Line 52: Slippage of £0.275m on Affordable Housing Development Fund. This budget will be required in 2021/22 to fund grants of "1-4-1 receipts" to housing associations.
- Line 56: Slippage of £0.2m on Disabled Facilities Grants. The full budget has not been spent this financial year due to restrictions on internal works.

The underspend of £164k includes the following items:

- Line 53: Underspend of £0.2m on the garage developments at Northend and Westerdale. The schemes are now complete and have been delivered slightly under the project budget.

6.3 Housing Revenue Account Major Variances

There is slippage of £2.7m in the HRA capital programme, and underspend of £2.5m. This includes the following items:

- Line 70-75: slippage of £1.5m. The capital maintenance programme has seen a reduction in expenditure following new restrictions announced in January.
- Line 77: £2.0m under budget on Martindale. The scheme is now complete and the full contingency (c. £0.9m) has now been released as this was not required. Potential additional costs due to Covid-19 have also not been as significant as expected.
- Line 79: underspend of £0.55m on Stationers Place. The project is now complete and contingency within the budget has now been released.
- Line 82: accelerated spend of £0.17m on Coniston Road. The scheme is now on site and has progressed more quickly than previously anticipated.

- Line 84: slippage of £0.16m on St Margaret's. The scheme is slightly delayed to due legislative changes as a result of the coronavirus pandemic.
- Lines 88: slippage of £0.8m on Garage Sites. This variance relates to the timing of land appropriation from the General Fund to the HRA. This can take place once planning permission has been granted.

7. Balances and Reserves

7.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2021 and updated for the reserve movements as set out below.

7.2 In cases where reserves were to be drawn down in 2020/21 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 2021/22, the carry forward of unspent reserve budgets is recommended.

7.3 Approved reserve movements to support the payment of upfront pension contributions in 2020/21 are reflected in Appendix D. Any changes in the accounting treatment of these contributions will be presented as part of the final outturn report to Audit Committee.

7.4 Additional reserve movements across are:

- Contribution from Management of Change reserve of £120k to fund one-off costs in the Garages service
- Contribution from Dacorum Development reserve of £81k to fund investigative work at Highbarns
- Contribution from Earmarked Grants reserve to fund Homelessness expenditure £44k
- Transfer of £581k to Covid-19 Hardship Reserve
- Contribution from Economic Recovery Reserve of £2.358m which has been set up specifically to fund the deficit in the General Fund as a result of Covid-19 pressures.