

**Meeting:** EXECUTIVE

**Agenda Item:**

Portfolio Area: Resources

**Date:** 8 JULY 2020



## **4th QUARTER REVENUE MONITORING REPORT 2019/20 - GENERAL FUND AND HOUSING REVENUE ACCOUNT**

### **KEY DECISION**

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### **1. PURPOSE**

- 1.1 To update Members on the 2019/20 outturn positions for the General Fund and Housing Revenue Account (HRA) and to seek approval for revisions to 2020/21 revenue budgets, subject to completion of the 2019/20 audit of accounts.
- 1.2 To update Members on the Council's reserves and balances available to support revenue expenditure.

### **2. RECOMMENDATIONS**

#### **2.1 General Fund**

- 2.1.1 That the 2019/20 actual net expenditure on the General Fund of £6,965,145 be noted, subject to the 2019/20 audit of the Statement of Accounts.
- 2.1.2 That carry forward requests totalling £794,510 be approved for the General Fund (paragraph 4.3.1).
- 2.1.3 That the ongoing pressure from 2020/21 of £14,970 on the General Fund be approved.
- 2.1.4 That part of the additional 2019/20 business rate gains (£788, 106) are set aside in an allocated reserve to protect the General Fund against business rate losses in 2020/21, (paragraph 4.2.14).

#### **2.2 Housing Revenue Account**

- 2.2.1 That the 2020/21 actual in year deficit on the HRA of £1,482,648 be noted, subject to the audit of the Statement of Accounts.

2.2.2 That new carry forward requests totalling £390,440 be approved for the HRA (paragraph 4.7.8).

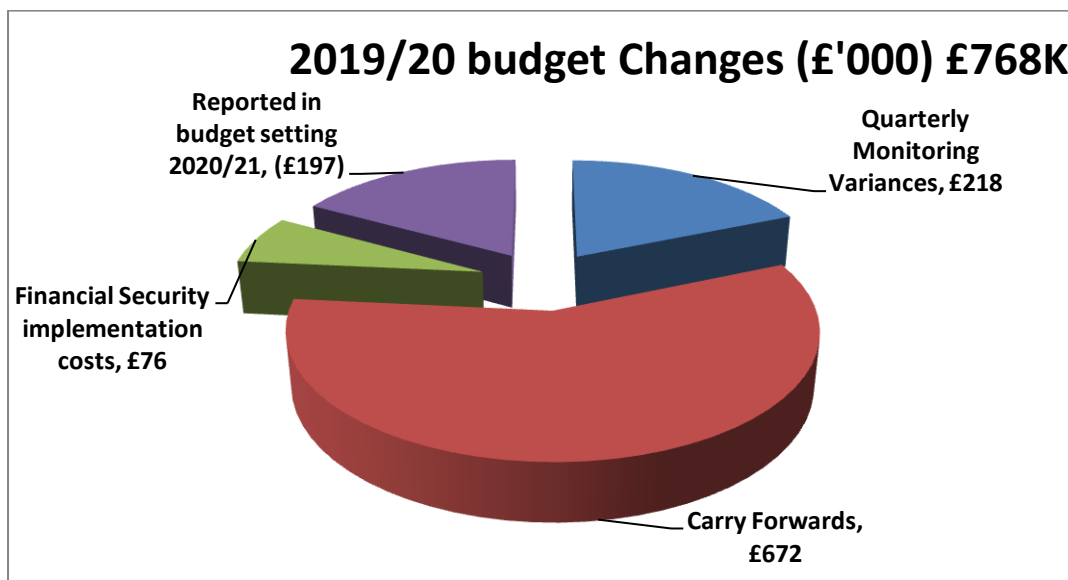
### 3. BACKGROUND

3.1 The Accounts and Audit Regulations contain provisions on financial management, annual accounts and audit procedures. Within the amended regulations there is no requirement for Member approval of the Statement of Accounts prior to the completion of the external audit and only the Responsible Financial Officer must certify the presentation of the pre audit annual accounts. This would normally be by the 31 May 2020 for financial year end of 31 March 2020. However, in response to the COVID-19 crisis, the publication date for the 2019/20 pre audit accounts has been put back to 31<sup>st</sup> August and the publication date for the final, audited accounts has been moved from 31 July to 30 November 2020. The aim is to publish the draft Statement of Accounts on the Council's website accompanied by the Annual Governance Statement by 30 June 2020.

3.2 This report therefore includes unaudited outturn figures which may be subject to change following the completion of the external audit for the financial year 2019/20.

#### 3.3 General Fund

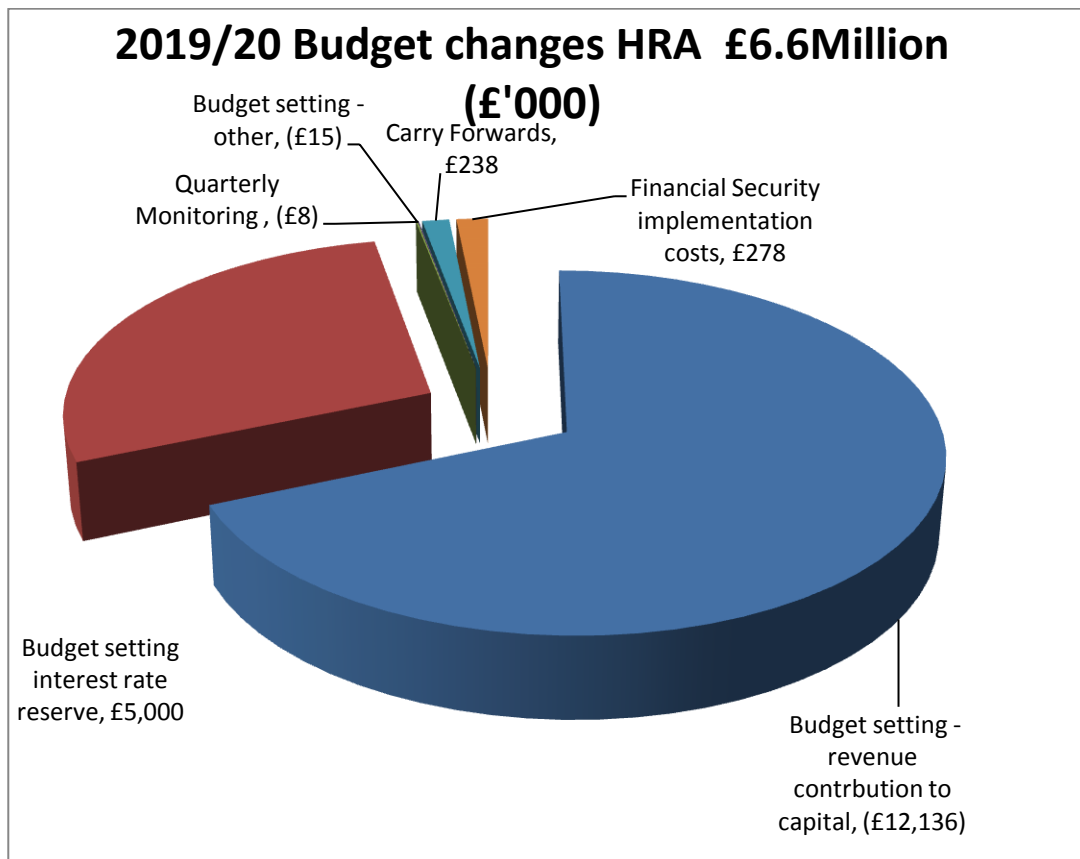
3.3.1 The Council's original 2019/20 General Fund net revenue budget of £8,802,520 was approved at Council on 27 February 2019. Subsequently Members have approved net budget increases of £768,160 (including carry forwards totalling £671,770) giving a 2019/20 working budget of £9,570,680.



\* (£) indicates reduction in spend /increase in income

### 3.4 Housing Revenue Account (HRA)

3.4.1 The Council's HRA net revenue budget of £9,076,320 was approved at Council 30 January 2019. Subsequently Members have approved budget decreases of £6,643,870 giving a 2019/20 working budget of £2,432,450



\* (£) indicates reduction in spend /increase in income

## 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

### 4.1 General Fund 2019/20 outturn

4.1.1 The 2019/20 outturn position on the General Fund is net expenditure of £6,965,145. The overall reduction to the working budget (before the annual transfer to the capital reserve and carry forward requests) was £2,993,598.

4.1.2 The planned but unbudgeted transfer to the capital reserve is £350,000 leaving a revised net underspend of £2,605,535, however this includes:

- Carry forward requests of £794,510, which if approved will be spent in 2020/21, (see paragraph 4.3.1).
- COVID19 grants of £45,305
- COVID net losses £187,808
- Reduction in use of revenue contribution to capital of £1,217,930 as approved in the June 2020 Executive COVID recovery report.

## 4.2 General Fund Underspends

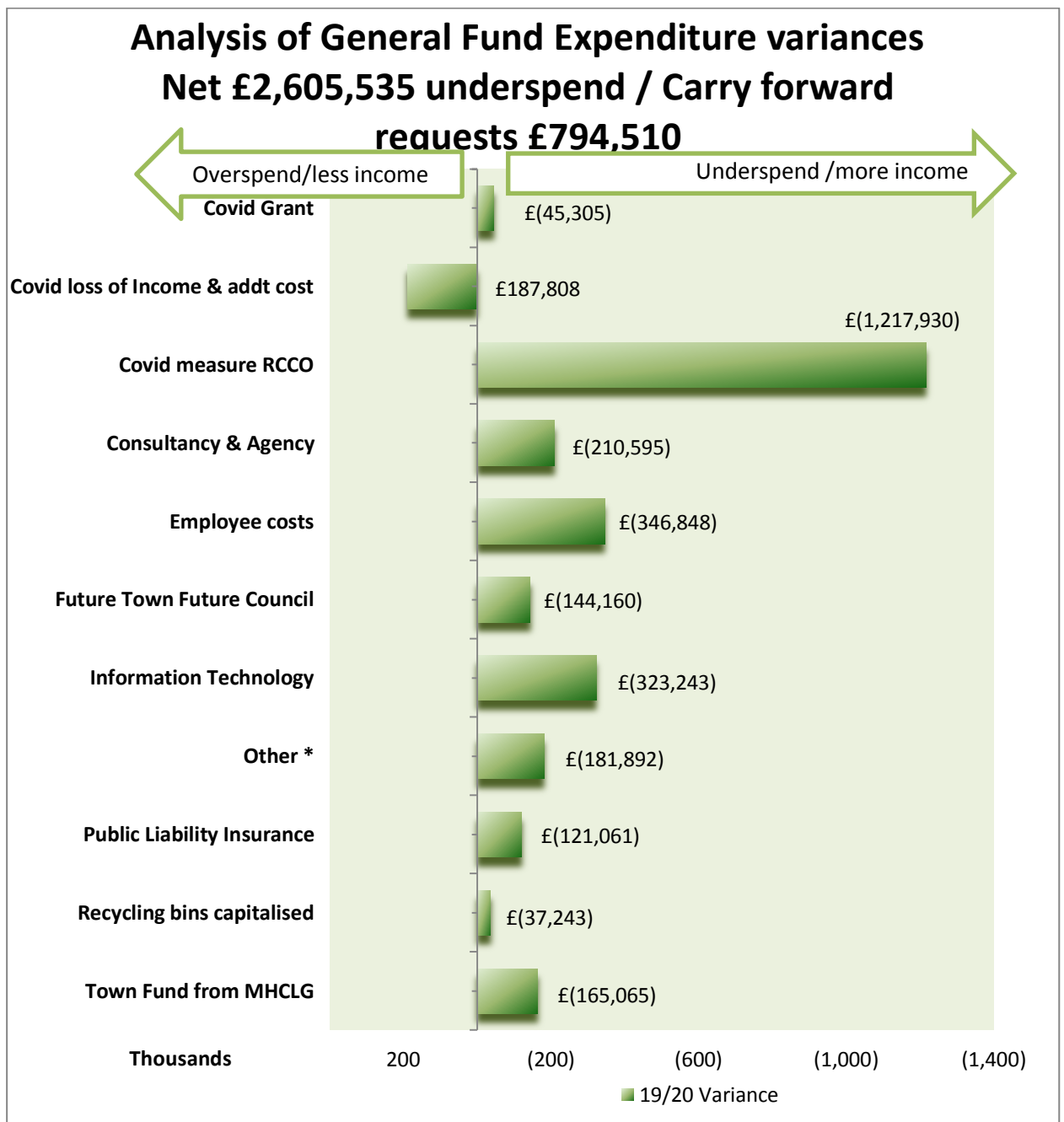
4.2.1 The underlying underspend for 2019/20 is higher as a result of actions approved as part of the June Executive with some of those actions summarised above. The June report reviewed the Medium Term Financial Strategy and the impact of Covid19 on the Council's General Fund Budget assessing the financial impact of income and cost pressures resulting from the Covid19 pandemic. The General Fund yearend balance has improved since the June MTFS COVID Report however, the full extent of this year and future year COVID losses and levels of government grants is not yet known. The MTFS and the anticipated impact on the General Fund of COVID-19 will be revised by 30<sup>th</sup> September 2020. The variance can be seen in the table below.

General Fund	June MTFS Covid Report	Q4 Outturn Report	Variance
<b>General Fund Net Expenditure:</b>			
Outturn 2019/20	6,909,265	6,965,145	<b>55,880</b>
Variance made up of:			
NDR retained pilot gains (originally shown in net cost of services and budgeted at £275K in core resources)	(£ 793,015)		
Transfer to NDR Reserve to cover 2020/21 potential losses (recommended in June report) **	£788,106		
Other GF changes in June	£60,789		
<b>Total variance</b>	<b>55,880</b>		
<b>Core Resources:</b>			
<b>Total Core Resources 2019/20:</b>	<b>(£ 8,754,074)</b>	<b>(£ 9,100,889)</b>	<b>(£ 346,815)</b>
Variance made up of:			
NDR pilot surplus now shown in GF *	£275,000		
Increased Business Rates due in 2019/20	(£ 621,816)		
<b>Total variance</b>	<b>(£ 346,816)</b>		
<b>Total net variance</b>			<b>(£ 290,935)</b>
<b>Net contribution to balances</b>	<b>(£ 1,844,808)</b>	<b>(£ 2,135,744)</b>	<b>(£ 290,936)</b>

*\*in the original budget pilot gains due were budgeted in core resources rather than in the General Fund net budget, this has been corrected at outturn.*

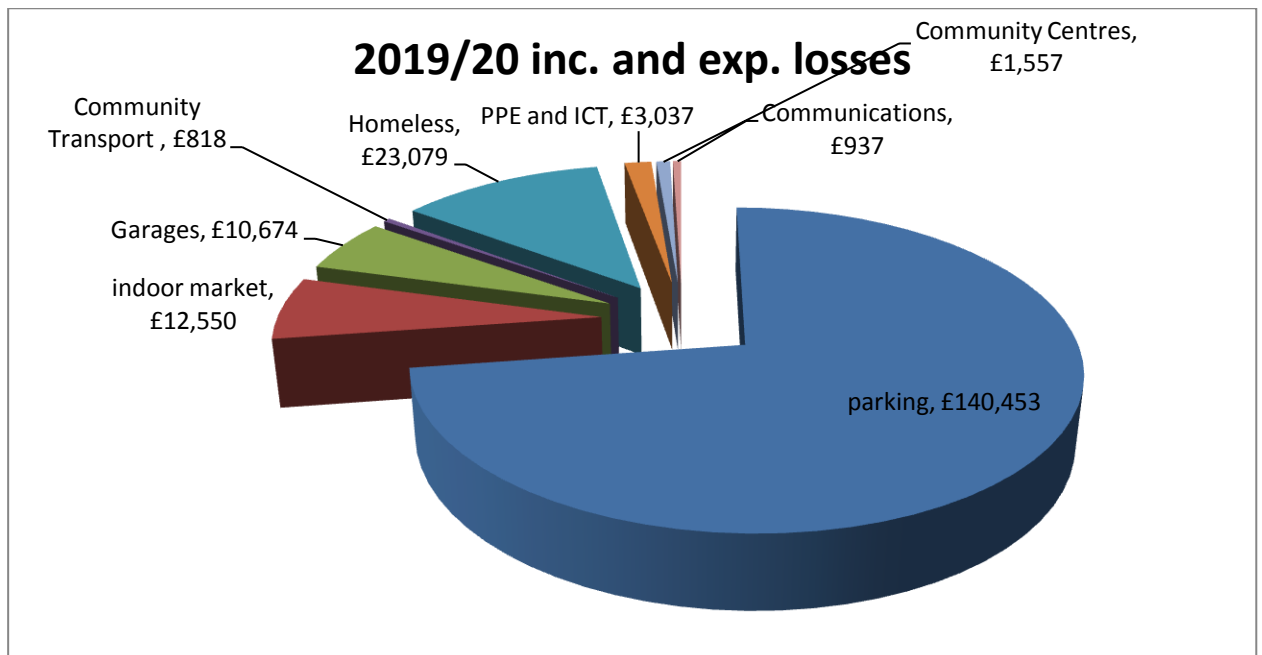
*\*\* June COVID report paragraph 4.10.3 ' Potential NDR additional gains for 2019/20 currently being reviewed of £477K (subject to Pilot gains of £275K being realised, not yet known) if this was achieved recommend ring fenced for 2020/21 NDR gains if the £1Million was not achieved'.*

4.2.2. The 2019/20 under spend is analysed by category in the following chart.



4.2.3 **March impact of COVID19 and subsequent actions approved by the Executive can be summarised below:**

- **Government Grant underspend £45,305** - The initial Government Grant was received in March for Covid19. A further £871,563 was received in May 2020.
- **Covid loss of income and additional costs overspend £187,808** (*reported as £184,000 in the June report*) - the immediate impact of COVID is summarised in the chart below:



- **COVID Measure Revenue Contribution to Capital Outlay – underspend £1,217,930.** This was approved in the June Executive report as a measure to improve the resilience of General Fund and has been substituted by the use of ring fenced receipts in the short term.

4.2.4 **Consultancy & Agency – underspend £210,595.** These budgets cover the use of specialist external consultants including security, waste and legal. The main underspends are from the following;

- Estates underspend £40k – this is requested to be carried forward to complete the Corporate Landlord project
- Waste Disposal underspend £39k - £30k relates to payments to HCC based on tonnages and these were lower than forecast, the remaining £9k is across the Transfer station, Clinical waste and skips
- Corporate Policy underspend £34k – this budget is for various projects including the Resident survey. £10k has been requested to be carried forward to develop the Council’s performance management tool
- Cost of Democracy underspend £18k – returning unspent Brexit grant to balances
- Court costs underspend £10k – this budget is for Council Tax court costs
- Other smaller underspends make up the remaining £69k

4.2.5 **Employee costs – underspend £346,848.** The underspend on employee costs includes carry forward requests of £149,150, due to the timing of time limited and grant funded posts. The remaining underspend of £197,698 is a result of one Assistant Director post that has been vacant for a substantial part of the financial year, vacant posts during Business Unit reviews until they have been completed and timings in recruiting to other vacant posts.

4.2.6 **Future Town Future Council – underspend £144,160.** This underspend is requested to carry forward and will be used to deliver transformation across the Council.

4.2.7 **Information Technology – underspend £323,243.** The underspend on Information Technology includes carry forward requests of £236,130 due to timing of the

implementation of parts of the IT Strategy. The remaining underspend of £87,113 is mainly due to the part year purchase of new Microsoft Licences £50k and Digital Platform costs £40k.

- 4.2.8 **Other – underspends of £181,892.** Included within this is the NDR gain from the Hertfordshire pilot arrangement with Hertfordshire Councils £793,015 and the transfer to the NDR Reserve to cover losses anticipated in 2020/21 £788,106 (see paragraph 4.2.14). The remainder are other smaller variances across the General Fund with carry forward requests of £80,010.
- 4.2.9 **Public Liability Insurance – underspend £121,061.** The Council have appointed new insurance underwriters and they have a different approach to the level of provision needed for public liability insurance to the Council's previous underwriters. The provision makes allowance for a "strong likelihood" of claims rather than previously making allowance for "all" potential claims.
- 4.2.10 **Recycling bins capitalised – underspend £37,243.** Following a year-end review of costs for recycling bins a transfer of costs to capital was undertaken resulting in this one off in year saving.
- 4.2.11 **Town Fund Grant – underspend £165,065.** The Council is one of 100 Councils selected across the country to receive a grant of £173,030 from the MHCLG. The grant is to support work required to form a Town Investment fund for submission in 2020/21. Subject to a two stage process this could lead to the Council receiving up to £25M of capital funding. The underspend is requested for carry forward to 2020/21.
- 4.2.12 **Non Domestic Rate (NDR):** - In 2019/20 Stevenage was part of the Hertfordshire Business Rate pilot. All districts and the county council joined together in order to retain more business rate income within Hertfordshire. There is an overall increase in retained rates income of £1,894,724 as shown in the following table. However £821K will not be received until 2021/22 and the MTFs has not yet made an assessment of future year COVID losses. In addition as set out in paragraph 4.2.1 £788K has been set aside which now means resources equal to the assumed 2020/21 NDR gains have been set aside in an allocated reserve.

NDR element	£	2019/20 Impact £	2020/21 Impact* £	2021/22 Impact £
2019/20 Retained Business Rate income (core resources)	(1,413,962)	(567,900)	(24,934)	(821,128)
Reduced S31 grant (reported as part of the outturn position above)	37,253	37,253	0	0
Gains from the Hertfordshire Pilot	(518,015)	(518,015)	0	0
<b>Total</b>	<b>(1,894,724)</b>	<b>(1,048,662)</b>	<b>(24,934)</b>	<b>(821,128)</b>

*\*identified as part of the 2020/21 budget setting process*

- 4.2.13 The NDR improvement in resources has arisen as a result of a reduction in the appeals provision required in 2019/20 for SBC, despite the gross yield being slightly lower combined with an improvement in gains in the Hertfordshire pilot, which saw the majority of councils receive an increase in income. However as stated above due

to the complexities of the business rate scheme, part of the gains totalling £821,128, will not be distributed until 2021/22. The 2019/20 Hertfordshire pilot position was finalised after the June COVID recovery report was reported.

4.2.14 Although the gains were higher than budgeted, Members will be aware that the likelihood of achieving the 2020/21 NDR gains will be greatly diminished due to the current economic position. At the time of writing this report there were accounts totalling £5.5Million of business rates, where no payment has been made in 2020/21 for April to June. **Therefore this report recommends that £788,106 is transferred to allocated reserves to set aside an amount equal to the 2020/21 NDR gains.**

4.2.15 The government is also reviewing how business rates will be retained from 2021/22 and a change in the retention methodology could reduce any future gains to the Council which has supported Regeneration and priority growth.

### 4.3 General Fund carry-forward requests

4.3.1 Carry forward request of £794,510, and detailed in the table below, were identified at year end to fund projects that are due for completion in 2020/21.

Service Area	Reason for Carry Forward Request	Carry Forward 2020/21
<b>Funding for temporary posts</b>		
Corporate Landlord	To complete Corporate Landlord Project	52,000
SDS	To fund extension to VRS apprentice post, extension to AD post for handover to new AD and 6 months of a one year fixed term contract	39,150
Graduates	To fund a six month post in the Communications team	20,000
Customer Services	To fund four agency staff for one month	8,000
<b>Total for temporary posts</b>		<b>119,150</b>
<b>Grant Funding</b>		
Regeneration	Town Fund Grant	165,060
Planning	Climate Levy Grant	17,960
Planning	Brownfield Register Grant to be used in 2020/21	13,810
SDS	Parks and Open Spaces	13,770
Housing	Flexible Homeless Support Grant	9,480
<b>Total Grant Funding</b>		<b>220,080</b>
<b>Other</b>		
Information Technology	To fund Microsoft On boarding £100k, Enterprise Architecture £86k, Health Check £8.5k and replacement GIS system £30k	224,500
Future Town Future Council	To fund transformational work within Future Town Future Council	144,160
Corporate Landlord	To assist with the disposal of sites for the garage improvement programme	40,000
Customer Services	To complete the refit works in CSC £6,790 and to fund the new Workforce Management system £10,000	16,790



Service Area	Reason for Carry Forward Request	Carry Forward 2020/21
Health & Safety	To complete the implementation of the new Health & Safety system	11,630
Corporate Policy	To develop InPhase the Council's performance management tool	10,000
Local Community Budgets	To fund Stevenage Helps and climate change projects	8,200
<b>Total Other</b>		<b>455,280</b>
<b>Total General Fund Carry Forward Requests</b>		<b>794,510</b>

#### 4.4 2019/20 – General Fund Out-turn Position and Core resources

4.4.1 The 2019/20 net spend meant a **contribution to balances of £2,173,807**. The impact of the 2019/20 outturn position versus budget is summarised as follows:

GENERAL FUND RESERVES:	2019/20 Original Budget £	2019/20 Working Budget £	2019/20 Actual £	Variance to Working £
<b>General Fund Balance 1 April</b>	<b>(4,794,061)</b>	<b>(4,794,061)</b>	<b>(4,794,061)</b>	<b>0</b>
<b>Net Budget (incl. S31 Grant &amp; NDR levy)</b>	<b>8,802,520</b>	<b>9,570,680</b>	<b>6,965,145</b>	<b>(2,605,535)</b>
Council Tax	(5,754,911)	(5,754,911)	(5,754,911)	0
Retained Business Rates	(2,562,580)	(2,562,580)	(2,909,395)	(346,815)
Transfers to/from collection fund	(436,583)	(436,583)	(436,583)	0
<b>Total Core resources</b>	<b>(8,754,074)</b>	<b>(8,754,074)</b>	<b>(9,100,889)</b>	<b>(346,815)</b>
Net Contribution from/ (to) balances	48,446	816,606	(2,135,744)	(2,952,350)
<b>General Fund Balance 31 March</b>	<b>(4,745,615)</b>	<b>(3,977,455)</b>	<b>(6,929,805)</b>	<b>(2,952,350)</b>

4.4.2 Core resources are based on estimates for the year. The projected NDR changes are detailed in para 4.2.12.

#### 4.5 General Fund 2020/21 Budget

4.5.1 The impact on the 2020/21 General Fund budget of the 2019/20 on-going changes and carry forwards identified at year end is summarised in the table below and will be incorporated in the next General Fund Medium Term Financial Strategy (MTFS) update. The budget below currently does not include the projected June COVID losses as estimated in the June COVID report, this will be updated as part of the September review.

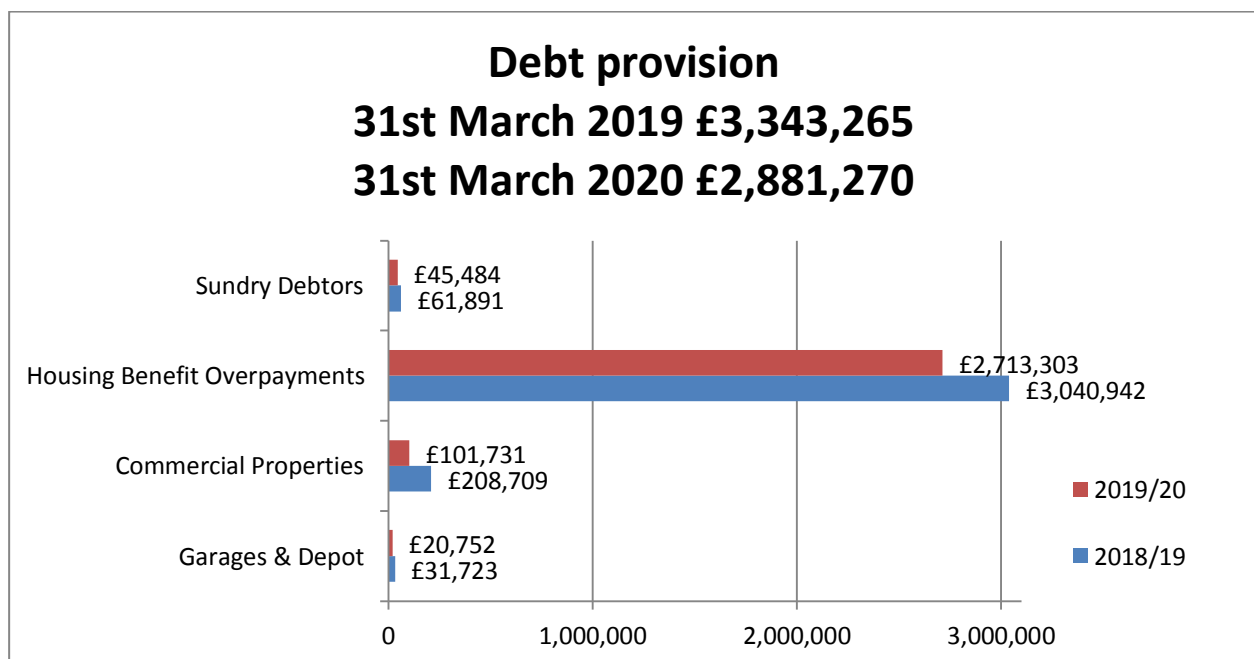
General Fund Net Budget	Budget 2020/21
Original Budget	<b>9,069,830</b>
Q3 approved net changes	100,800
June MTFs recommendations	1,832,330
Approved 2020/21 changes	<b>11,002,960</b>
Q4 carry forward requests	794,510
Q4 ongoing net changes	14,970
General Fund Working Budget	<b>11,812,440</b>

- 4.5.2 The net ongoing pressure to the General Fund £14,970 consists of:
- An adjustment to the budgeted establishment pressure £48,070 (excluded from the original budget)
  - Lower disposal of Trade Waste costs £15,000
  - Lower business rates for Daneshill House following assessments for 6<sup>th</sup> floor basement and the ground floor saving of £18,100

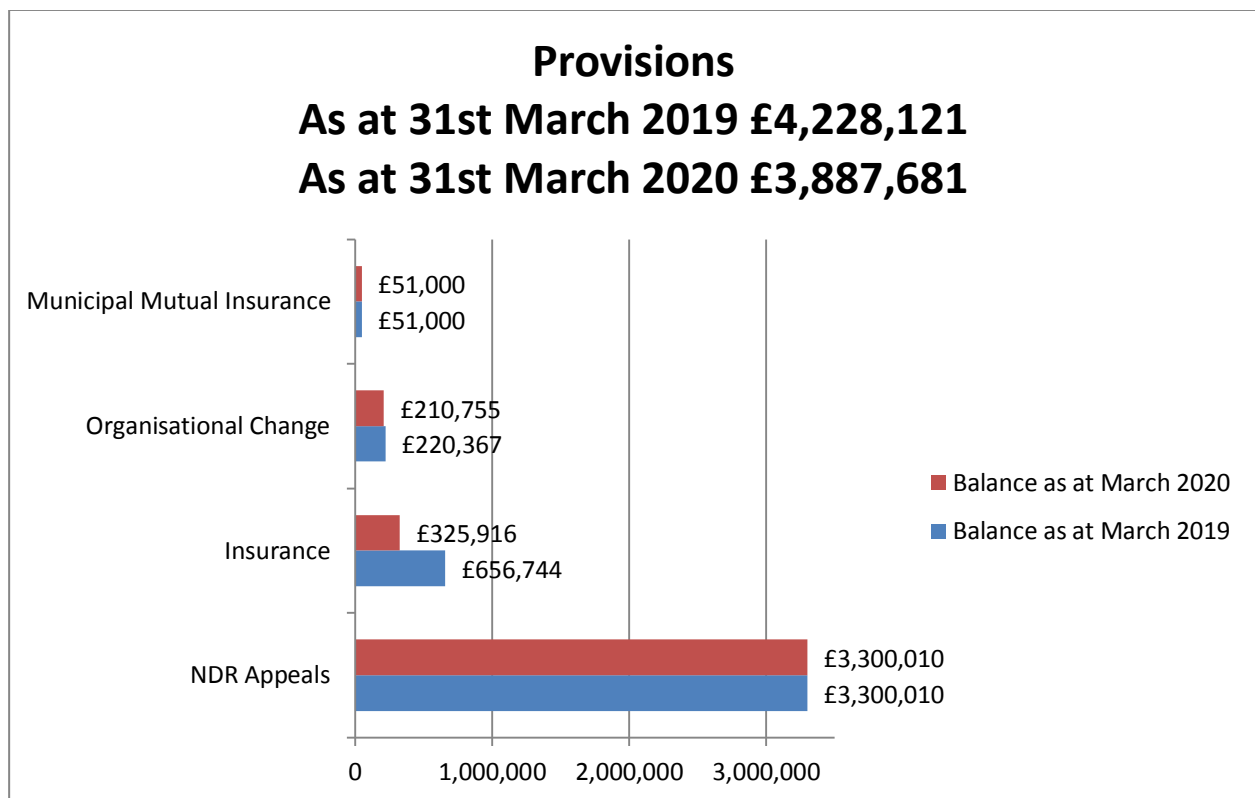
#### 4.6 Balance Sheet 31 March 2020 year end Position

4.6.1 The Council's General Fund and HRA balance sheet is reviewed quarterly and reported annually in the Council's Statement of Accounts in its entirety. The following accounting adjustments were made to the balance sheet as at 31 March 2020.

4.6.2 **Bad Debt Provision** – The bad debt provision for the Council's debtors (excluding Council Tax and NDR) as at 31 March 2020 is £2,881,270. The specific bad debt provision for housing benefit overpayments accounts for most of this provision (91%), as detailed in the following chart.

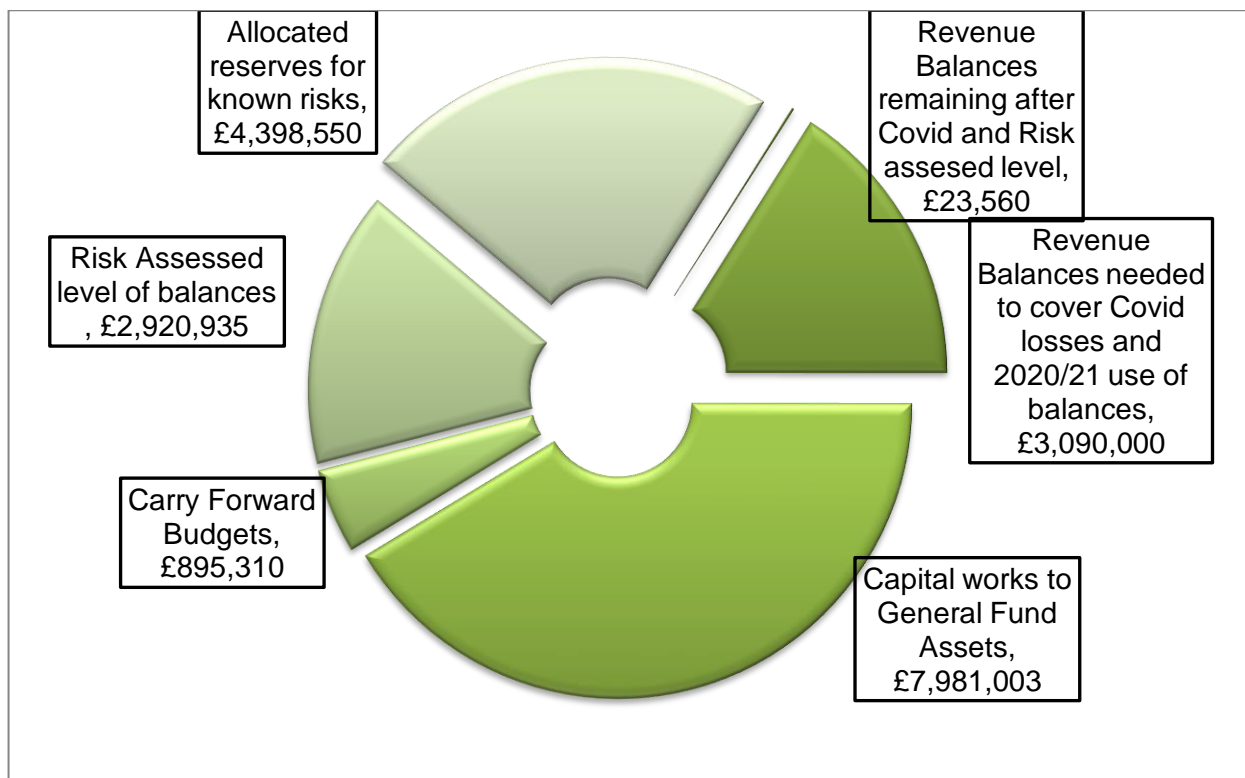


4.6.3 **Provisions** - As at the 31 March 2020 the Council's total provisions (funded from the General Fund and HRA) were £3,887,681 and these are shown in the chart below.

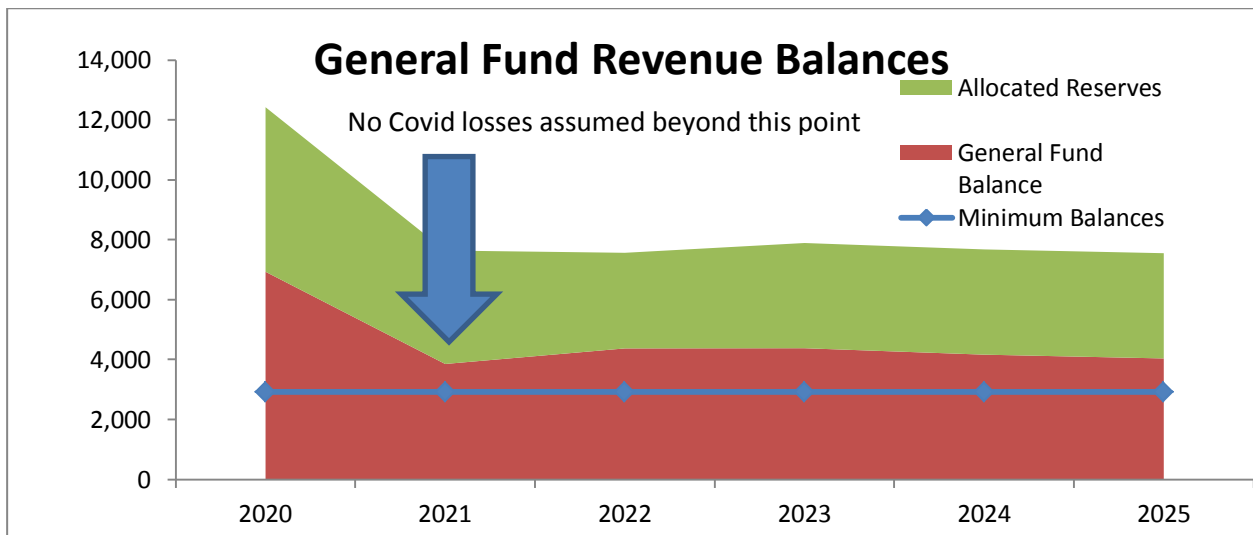


- **NDR Appeals (SBC share only)** – This provision is to fund any successful business rate appeals approved by the Valuation Office Agency (VOA). If an appeal is successful the Council business rates. The total provision for NDR appeals as at 31 March 2020 is £8.1Million, which SBC holds for the Council, HCC and the government.
- **Organisation Change** - This provision represents an assumption of costs associated as part of business unit reviews. Costs are due to be paid in 2020/21 as a result of consultation started in 2019/20.

4.6.4 **Usable reserves – General Fund** As at the 31 March 2020 the General Fund had **useable reserves of £19.309Million**, (£11.328Million for revenue purposes and £7.981Million for capital spend). The revenue balances needed to cover CoVID losses in 2020/21 is £3.09M. There are £895,310 of approved carry forward requests due to be spent in 2020/21 and £2Million ring fenced for regeneration projects. Revenue balances after Covid losses and the risk assessed level is £23,560. The following pie chart details the General Fund usable reserves.

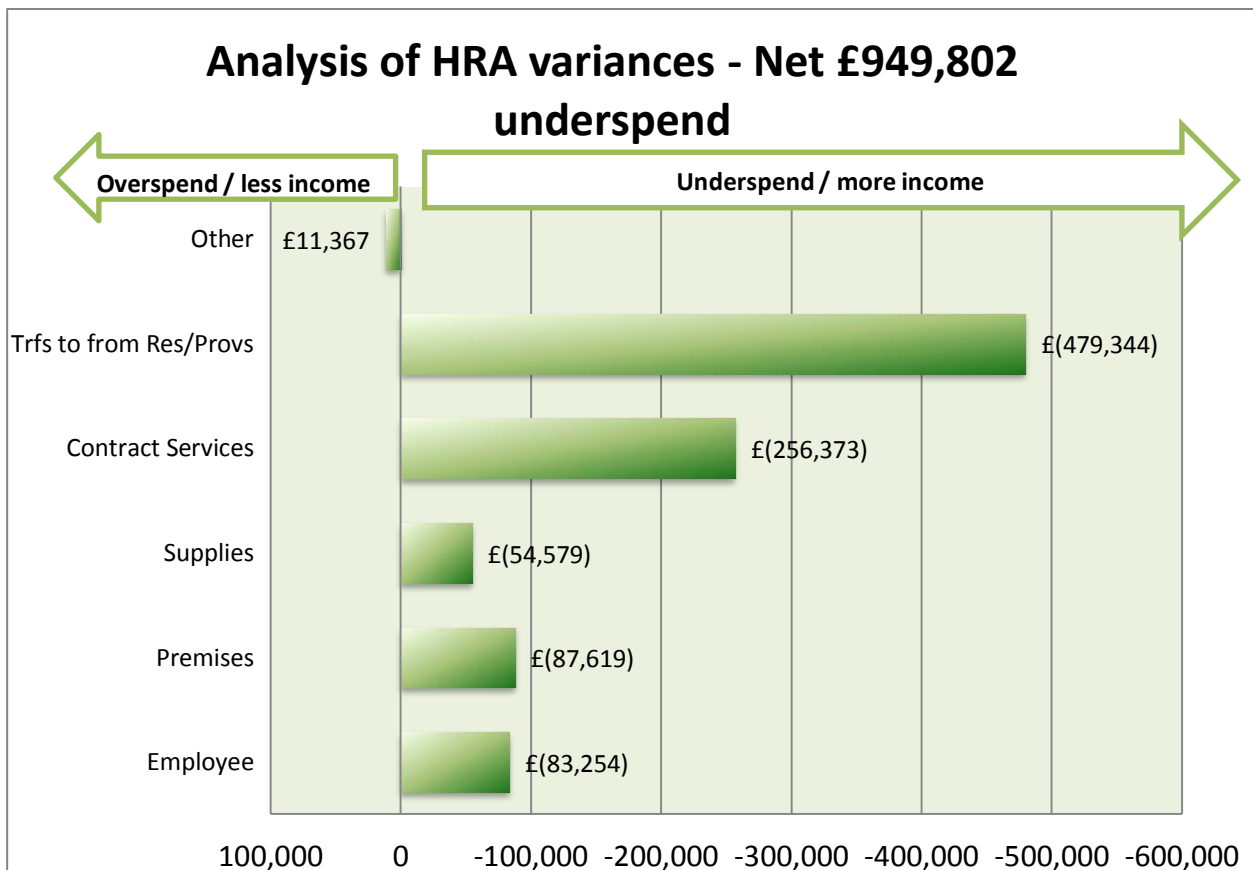


- 4.6.5 The Medium Term Financial Strategy (MTFS) identified that there is a need to draw down on **balances in 2020/21 in excess of £3Million** and there is a draw on balances in future years while at the same time requiring Financial Security options totalling **£2.7Million including £1.7Million of unidentified savings for the period 2021/22-2024/25**. This does not include COVID income losses for 2021/22 onwards and any delay in the ability to deliver savings.
- 4.6.6 The General Fund also has reserves it sets aside to fund works to assets such as buildings and plant (capital). This money cannot be spent on running services and the majority of the cash resources have been allocated to specific capital projects. As at 31 March 2020 the General Fund had capital resources of £7,981,003 all of which is estimated to be spent by 2020/21.
- 4.6.7 **Allocated Reserves** - Some balances are 'ring fenced' and have been set aside for specific purposes. The total value of (revenue) allocated reserves available for the Council to spend as at 31 March 2020 is **£4,398,551**, (31 March 2019, £3,311,142). Reserve balances have increased by £1,087,409, however allocated reserves are set aside for specific projects such as regeneration projects, new build projects and to cover the NDR Councils exposure on business rates.
- 4.6.8 The General Fund also has a specific reserve for capital projects funded from unbudgeted underspends at year end (£1,094,000). The capital reserve is used to finance part the General Fund capital programme.
- 4.6.9 Below is the current projection showing how reserve balances will reduce as they are spent over the next five years:



## 4.7 Housing Revenue Account (HRA)

4.7.1 The 2019/20 outturn position on the HRA was an in year deficit of £1,482,648, a £949,802 decrease from the budgeted deficit of £2,432,450 shown in the current working budget. The main variances to the working budget are highlighted below.



4.7.2 **Transfers to/from Reserves and Provisions – underspend £479,344.** The majority of this variance comes from a provision of £442k relating to historic water commission charges. The risk of such claims is now considered to be low and the money has been returned back to HRA balances. The remaining part of this underspend (£37k) is an underspend on the organisational change provision.

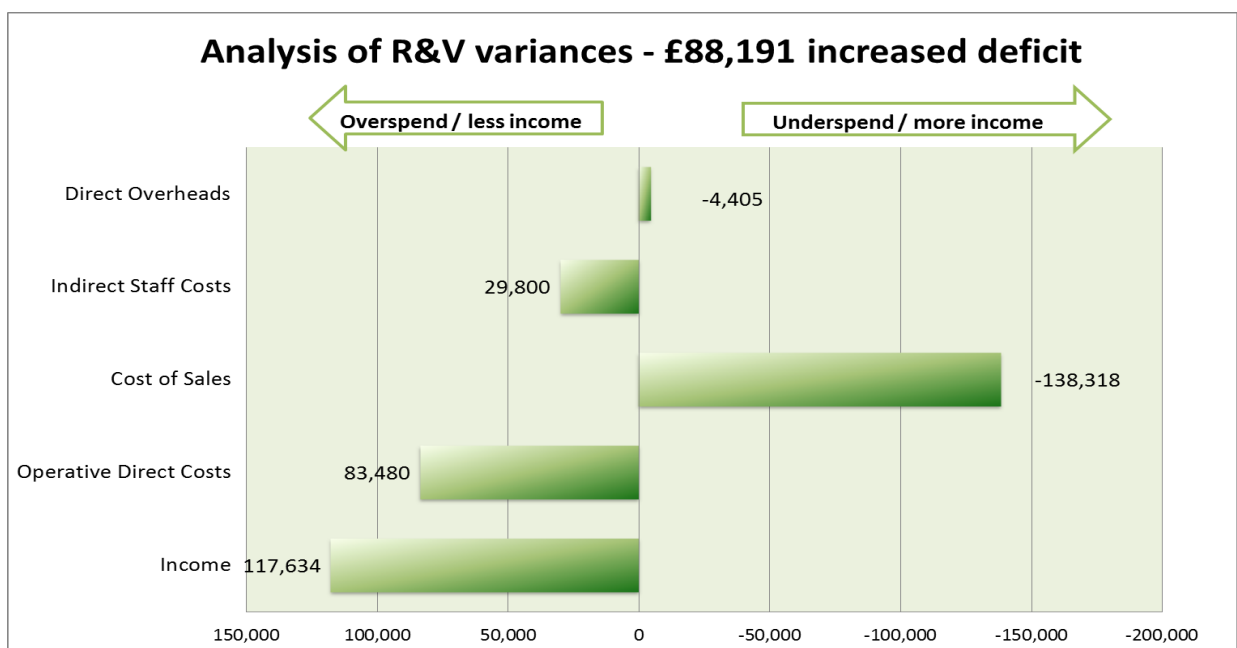
- 4.7.3 **Contract Services – underspend £256,373** The largest variance of £200k in contract payments relates to the housing transformation fund and this forms part of the request to be carried forward into the current year to complete the £1.5Million programme of spend. There is also a variance of £22k for specialist consultancy work in the housing and development team. This was due to the timing of projects and this is also requested to be carried forward in addition to the £47k identified at Q3.
- 4.7.4 **Supplies – underspend £54,579.** The most significant variances in this area related to the printing and distribution of the new tenancy agreement, which has slipped into the current year. Therefore, £23k has been requested to be carried forward to complete this process. The other variances are made up of small balances across several areas £32k underspend.
- 4.7.5 **Premises – net underspend £87,619.** There were savings on lift maintenance and door entry budgets of £20k mainly due to the timing of works and the impact of the major works programme. However the largest variance related to the final insurance allocation, which led to a saving of £77k on premises related policies. The remaining variances mainly related to utility costs across HRA properties (£10k overspend).
- 4.7.6 **Employees – net underspend £83,254.** There were significant savings on employee costs during last year the majority of these related to the tier 6 staff structure review. This led to posts being held vacant while the results of the review were being finalised. Recruitment is currently underway to fill the remaining posts in the new structure.
- 4.7.7 **Other – net overspend £11,367.** This variance relates to the smaller variances across the HRA for the year.
- 4.7.8 As part of Quarter 4 monitoring carry forwards of £390,440 were identified and listed below.

Service Area	Reason for Carry Forward Request	Carry Forward to 2020/21
<b>Housing Revenue Account</b>		£
<b>Housing Development</b>	This budget is intended for design and feasibility work on new schemes. The timing of the current project list has meant that the budget has been carried forward.	22,060
<b>Housing Transformation Project</b>	This represents the remaining funds from the £1.5Million budget. This will be spent on completing the transformation programme in 2020/21.	324,480
<b>New Tenancy Agreements</b>	Costs for the printing and distribution of the new tenancy agreements have slipped into 2020/21.	23,000

Service Area	Reason for Carry Forward Request	Carry Forward to 2020/21
<b>Housing Revenue Account</b>		<b>£</b>
<b>Independent Living</b>	The Council are awaiting final costs for communication equipment from a supplier that is in administration. Therefore the budget has been carried forward to meet this cost.	13,800
<b>New Mortgage and Loan System</b>	This underspend has been requested to be carried forward to finish the implementation of a new loans and mortgage system for the Council.	7,100
<b>TOTAL</b>		<b>390,440</b>

#### 4.7.9 Repairs and Voids Performance

4.7.10 The Repairs and Voids team financial position is included in the overall HRA. The outturn increased the deficit by £88,191. A detailed variance analysis is given below.



4.7.11 **Income – less income £117,634.** Income budgets had been increased during the year to accommodate the higher cost of subcontractors. However, the outturn was less than anticipated and is reflected in a compensating saving on subcontractors of £112k. Responsive and void works were up on last year, decent homes work was down by 29% and aids and adaptations work ceased to be provided by the team.

4.7.12 **Operative Direct Costs- overspend £83,480.** Initially budgets were transferred from direct costs to fund a pressure in materials spend. However, four new staff members have been taken on and two agency staff have been made permanent. This was to reduce agency costs and the level of subcontractor spend. This led to an

over spend on the revised budget, but the outturn remained well below the original budget for the year.

4.7.13 **Cost Of Sales – underspend £138,318.** As mentioned in the income section, the majority of this saving related to a £112k variance on subcontractor costs and is reflected in reduced income to the working budget. The other significant variance was a £33k saving on fleet recharges, mainly relating to depreciation costs on vehicles.

4.7.14 **Indirect Staff Costs – overspend £29,800.** This budget pressure was caused by the need to use agency staff to cover vacant positions, while a restructure of the service was being carried out. The majority of these contracts were terminated by the end of March with only two left and these positions will be addressed with recruitment to the new structure.

4.7.15 **Transfer of Deficit to HRA – overspend £88,191.** The overall impact of the variance is an increase in the deficit charged to the HRA of £88k. However, this was compensated by lower recharges for work completed on responsive and void repairs to the HRA.

#### 4.8 2019/20 – HRA Out-turn Position

4.8.1 The 2019/20 outturn position on the HRA included in this report and its impact on reserves are summarised in the table below.

HRA RESERVES	2019/20 Original Budget £	2019/20 Working Budget £	2019/20 Actual £	Variance to Working £
<b>HRA Balance 1 April</b>	<b>(21,302,059)</b>	<b>(21,302,059)</b>	<b>(21,302,059)</b>	
In Year (Surplus) / Deficit	9,076,320	2,432,450	1,482,648	949,802
<b>HRA Balance 31 March</b>	<b>(12,225,739)</b>	<b>(18,869,609)</b>	<b>(19,819,411)</b>	<b>949,802</b>

4.8.2 The impact on the 2020/21 HRA budget is shown in the table below:

HRA NET BUDGET:	2020/21 Budget £
<b>Original Budget</b>	<b>(3,416,630)</b>
Quarter 3 carry forwards requests	47,000
<b>Approved 2020/21 budget to date</b>	<b>(3,369,630)</b>
Quarter 4 carry forwards requests (para 4.7.8)	390,440
<b>HRA Working Budget</b>	<b>(2,979,190)</b>

4.8.3 These changes will be incorporated into the updated HRA Business Plan, as part of the preparation for the 2021/22 budget process.

#### 4.9 Usable reserves – Housing Revenue Account

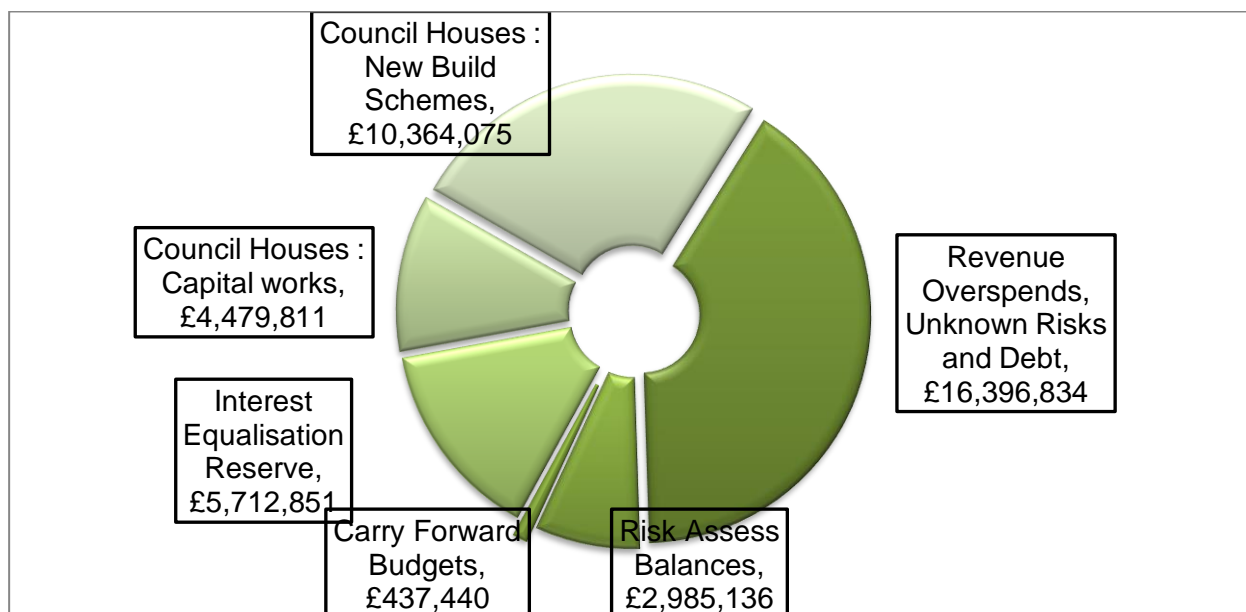
4.9.1 The Reserves which can be used to support the Housing Revenue Account (HRA) total £40,376,147 of which £10,364,075 is restricted to fund the provision of new



social housing and £4,479,811 is restricted to capital investment in the stock and repayment of debt. The reserves earmarked for new housing provision come from the proceeds of house sales under the Right to Buy scheme and must have 70% match funding from the Council and be spent within three years. If unspent, the receipt must be returned to government, with an interest penalty calculated at 4% above the Bank of England base rate.

4.9.2 The level of HRA balances/revenue reserves risk assessed for 2020/21 is £2,985,136. There is also a new reserve of £5.7Million to offset the risk of increased interest rates on future borrowing within the HRA business plan. The remainder of HRA balances are available to cover future debt repayments and unforeseen risks including carry forward requests of £437,440.

4.9.3 Usable HRA balances are shown in the following pie chart:



#### 4.10 Investments and Loans

4.10.1 Council's actual **investments** as at year end were **£54.8Million**, £0.8Million higher than the forecast of £54.0Million. The Council's investment portfolio is detailed in appendix A.

4.10.2 The cash balances held by the Council relate to the provisions held (including those held for the collection funds), capital receipts (for which some have restrictions over their use and may have to be returned), and timing issues between when the council receives the money and when it is to be paid out.

4.10.3 As at the 31 March 2020 the Council had loans of £209.229Million. All loans are with the Public Works Loan Board (PWLb). £0.263Million of General Fund borrowing repaid in year. The Council identified the need for borrowing of £1.8Million to fund the 2019/20 General Fund capital programme and £7.1Million to fund the 2019/20 HRA capital programme. £4.01Million of the 2019/20 HRA borrowing requirement has been taken out externally to date, the balance is currently covered by internal borrowing.

## **5. IMPLICATIONS**

### **5.1 Financial Implications**

This report is financial in nature and consequently financial implications are included above.

### **5.2 Legal Implications**

None identified at this time.

### **5.3 Risk Implications need to add climate change**

5.3.1 There is considerable uncertainty about the potential for the Council to receive further government funding. The position regarding COVID losses and the cost of recovery is also uncertain at this time. The Council has a Strategy in place to address the financial impacts due to the likely level of losses and the increased uncertainty that income levels are going to be challenging to achieve for some time to come. The risks were reported to Executive in the June MTFS.

5.3.2 The HRA balances are higher than the minimum level of balances required for the year (£2,946,000). In addition balances will be needed to repay the HRA loans (as at 31 March 2020, the HRA had loans of £207Million) of which most related to a one off payment to the Government as a result of the self-financing settlement on the 28 March 2012.

### **5.4 Climate Change Implications**

There was a small net underspend of £866 on the e-car club.

### **5.5 Policy Implications**

The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

### **5.6 Equalities and Diversity Implications**

This report is of a technical nature reflecting the actual spend for the year for the General Fund and HRA. The identified ongoing budget changes reported have arisen through efficiencies and do not change any existing equalities and diversity policies, nor will they impact on any groups covered by statutory equalities duties.

## **BACKGROUND DOCUMENTS**

- BD1 - 3rd Quarterly monitoring report General Fund and Housing Revenue Account
- BD2 – 2020/21 Council Tax and General Fund Budget
- BD3 – 2020/21 HRA Budget
- BD4 – June MTFS

## **APPENDICES**

- Appendix A - Investment and Loans Portfolio