

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 19 March 2020

Place Directorate – Revenue Monitoring 2019/20 – month nine report

Executive/routine	Routine
Wards	All
Council Commitments	1 and 10

1. Recommendations

- 1.1 Committee is asked to note:
- 1.1.1 the balanced budget forecast in respect of the Housing Revenue Account (HRA);
 - 1.1.2 an overall net residual budget pressure of £4.990m for the Place General Fund (GF) revenue budget, as reported to Finance and Resources Committee on [23 January 2020](#);
 - 1.1.3 a projected balanced GF budget position on the Place Directorate services which are within the remit of the Committee; and
 - 1.1.4 that the Executive Director of Place is taking measures to reduce budget pressures and the outturn for the financial year will be reported to Committee in due course.

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Place Directorate – Revenue Financial Monitoring 2019/20 – month nine report

2. Executive Summary

- 2.1 The report sets out the projected month nine revenue monitoring position for the Place Directorate HRA and GF elements relevant to the Housing Homelessness and Fair Work Executive Committee, based on analysis of actual expenditure and income to the end of December 2019 and projections for the remainder of the financial year.
- 2.2 At month nine, following a half-year review of the HRA budget management strategy, the Executive Director of Place is forecasting a balanced position with a projected contribution of £23.000m towards new housing investment. In the second half of the financial year there has been a material improvement in the HRA forecast against budget, primarily relating to a reduction in loan charges, which means that the ask of the Strategic Housing Investment Fund to meet in year housing investment will be less and subsequently more reserves will be available for delivery of the strategy going forward.
- 2.3 A separate report to the Council's Finance and Resources Committee meeting on [23 January 2020](#) set out the projected Council-wide revenue budget position for the year based on analysis of month eight data. A balanced overall position is now forecast for the Council with attainment of this position subject to on-going management of service pressures and risks. At month eight, following a half-year review of the Place General Fund budget management strategy, a potential overspend of up to £4.990m was forecast by the Executive Director of Place with a commitment to wherever possible identify and implement management action to reduce the budget pressures.
- 2.4 A projected balanced GF budget position on the Place Directorate services which are within the remit of the Committee. A level of risk remains in respect of full delivery of related savings and mitigating management actions, however officers are actively engaged in the management of residual risks.
- 2.5 This report will focus on the aspects of Place revenue budgets which are within the remit of the Housing, Homelessness and Fair Work Committee; HRA and GF.

3. Background

- 3.1 The HRA is a ring-fenced statutory account that the Council manages on behalf of tenants. The HRA is funded from rents relating to Council housing and related assets and is used to fund the provision of Council housing in line with tenants' priorities.
- 3.2 In [February 2019](#), the Council approved the five-year HRA Budget Strategy. This was informed by extensive consultation with tenants, focused on investing in homes and services that reduce tenants' cost of living and includes significant investment in both new and existing affordable housing, while keeping rent increases affordable.
- 3.3 The approved HRA budget for 2019/20 is derived from the longer-term strategy. It comprises of a budgeted revenue income of £100.661m and costs of £98.014m This is supplemented by a budgeted draw down of £20.353m from the Strategic Housing Investment Fund reserves (a combination of the Repairs and Renewals fund and Council Tax Discount Fund), accumulating in a total £23.000m revenue contribution towards in year capital investment.
- 3.4 The total 2019/20 approved gross GF revenue budget for the Place Directorate is £236.511m. The net budget is £43.543m after adjusting for income from other parts of the Council, external grants and other income. This budget is net of £8.975m of additional savings (excluding in year efficiencies requirement) approved by Council in February 2019.
- 3.5 This report provides an update on financial performance against the above revenue budgets. A separate report to the Council's Finance and Resources Committee on [23 January 2020](#) set out the projected position on the Council's HRA and General Fund Capital Investment Programme.

4. Main report

Housing Revenue Account – Revenue Budget

- 4.1 At month nine, the overall position as compared to the approved budget set out in paragraph 3.4 and in Appendix 1 comprises forecast revenue income of £100.661m and costs of £94.733m. This means that in order to achieve the budgeted £23.000m revenue contribution towards in year capital investment, £3.281m fewer reserves will require to be drawn-down from the Strategic Housing Investment Funds. The key movements against budget are set out within this section.
- 4.2 The HRA borrows to finance the planned housing investment and house building capital programmes. 'Debt charges' are capital financing costs (principal repayments and interest). Debt charges amount to almost 40% of HRA expenditure, therefore effective treasury management is essential to running an efficient housing service. Over recent years, surpluses have been used to repay debt which allows more capacity to fund housing investment. As set out in Appendix 1, these actions, together with the low interest external environment, have

had a material positive impact on the debt charges compared to budget in 2019/20. As reported to Committee in January it is forecast that in year debt charges will be around £3.5m less than budgeted.

- 4.3 Net rental income to be collected is currently forecast to meet budget of £100.661m. This forecast is a small improvement on the reported month six position and is attributable to refinement of the year end forecast of the debt provision required for current and former rental income.
- 4.4 There has been an improvement in the Housing Management forecast since last reported. The £0.225m improvement relates to a reduction in the forecast costs related to delivery of the Housing Services Improvement Plan.
- 4.5 The forecast expenditure of £24.317m for property maintenance is £1.543m less than the 2018/19 out-turn position. The repairs and maintenance efficiencies arising from planned service improvements are starting to yield significant cost reductions and is forecasted to deliver a balanced budget in 2019/20. The introduction of total mobile which went live in September 2019 has improved job scheduling functionality and diary management protocols, which help maximise operative productivity and reduce reliance on sub-contractors. Whilst the forecast expenditure overall is positive in terms of cost reductions in this area, there is an overspend forecast against budget in relation to estate management costs of £0.576m.
- 4.6 The settlement value of homes handed over to Edinburgh Living includes reimbursement for accrued loan interest incurred by the HRA through construction and up to handover. In the 19/20 financial year no budget was set for this income and no receipt is assumed within the position set out in this report, however the income will be reported within the out-turn position. It is estimated that this will yield an in year upside of £1.032m in respect of interest costs already incurred by the HRA.

Place Directorate General Fund – Revenue Budget

- 4.7 A separate report to the Council's Finance and Resources Committee meeting on [23 January 2020](#) set out the projected Council-wide revenue budget position for the year based on analysis of month eight data. A balanced overall position is now forecast for the Council with attainment of this position subject to on-going management of service pressures and risks.
- 4.8 At month eight, following a half-year review of the Place GF budget management strategy, a potential over-spend of up to £4.990m was forecast by the Executive Director of Place with a commitment to continue to wherever possible progress implementation of identified budget management strategy measures before the end of the current financial year. Of £19.915m of savings requiring to be delivered across the Directorate in the 19/20 financial year, almost 90% were assessed as either green or amber. The implications of service over spends in 2019/20 for future years were considered as part of the 2020/23 budget process and will continue to be monitored.

- 4.9 £2.005m of the £19.915m Place savings and management actions fall within the remit of this Executive Committee and are shown within Appendix 2. At month nine, there is a range of reasonable to high confidence reflected in the forecast that measures to be delivered by services within the remit of this Executive Committee will be delivered in full.
- 4.10 The risk assessment of savings and management actions pertinent to this Executive Committee has not changed from the position reported here at month six. £1.580m of the £2.005m required management action relates to change within the Economic Development function including the delivery of the organisational review which completed in 2019/20. Concentrated work has been undertaken with the new Senior Management Team within this function to achieve savings in year. It should however be noted that whilst there is reasonable confidence that all measures can be delivered, some risk remains in year. As the new service structure is now in Place this risk should be limited to 2019/20.
- 4.11 The temporary suspension of the claims process in respect of the European Social Fund monies as reported at month six has now been lifted and claims are in the process of being made. It is assumed that claims made will be paid in full. No additional provision has been made in the reported position in respect of this risk at month nine. This risk will continue to be monitored and reported as appropriate.

5. Next Steps

- 5.1 The Place directorate is committed to delivering mitigating management action to address identified budget pressures wherever possible and a further update on the final out-turn position will be reported in due course.
- 5.2 The Place Senior Management Team intends the 2019/20 budget management strategy to be part of a rolling process, not confined to the current financial year. Where planned savings and mitigations are not fully delivered in year, they will be factored into future year budget management strategies to be delivered and addressed alongside identified pressures.

6. Financial impact

- 6.1 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets. The Executive Director of Place regularly reviews the directorate budget position alongside the identification and implementation of management actions to mitigate budget pressures.

7. Stakeholder/Community Impact

- 7.1 Consultation was undertaken as part of the HRA and GF budget setting processes.
- 7.2 Successful delivery of the HRA budget will support investments to improve the energy efficiency of Council Homes.

8. Background reading/external references

- 8.1 [Housing Revenue Account Budget Strategy 2019/20](#)
- 8.2 [Housing Revenue Account Budget Strategy 2019/24](#)
- 8.3 [Revenue Monitoring 2019/20 - Half Year Report](#)
- 8.4 [Revenue Monitoring 2019/20 - Month eight position](#)

9. Appendices

- 9.1 Appendix 1 – Place Directorate - HRA Revenue Projection: 2019/20 – Month Nine Position.
- 9.2 Appendix 2 – Housing, Homelessness and Fair Work – General Fund - 19/20 Approved Savings, Efficiencies and Mitigations.

Appendix 1 – Place Directorate - HRA Revenue Projection: 2019/20 – Month Nine Position

	19/20 Budget	Month 9 Forecast	Forecast Variance
	£m	£m	£m
Net Income	-100.661	-100.661	0.000
Strategic Housing Investment Funds	-20.353	-17.072	3.281
Total Income	-121.014	-117.733	3.281
Housing Management	31.915	31.529	-0.386
Property Maintenance	23.741	24.317	0.576
Debt Service	42.358	38.887	-3.471
	98.014	94.733	-3.281
Housing Investment (CFCR)	23.000	23.000	0.000
Total Expenditure	121.014	117.733	-3.281

Note: The reserve draw-down is from the Strategic Housing Investment Fund which is made up of the Repairs and Renewals Reserve and the Council Tax Discount Fund. The forecast reserve drawdown forms part of the approved capital programme for 2019/20.
CFCR denotes Capital Funded from Current Revenue.

**Appendix 2 – Housing, Homelessness and Fair Work – General Fund - 19/20
Approved Savings, Efficiencies and Mitigations.**

Housing, Homelessness and Fair Work Actions.	£m	Narrative
Area Based Regeneration	0.125	This relates to a review of costs incurred to create Council assets such as Powderhall, Fountainbridge and Granton Waterfront, optimising permissible capital elements including professional staff time deployed to enable and deliver the asset. There is a reasonable level of confidence that this saving can be delivered.
Place Development Efficiencies.	0.230	This relates to non-staff elements of the Economic Development service and contributes towards the 2019/20 £2.8m Place Directorate budget efficiency target. This includes capital optimisation of external costs incurred to support projects and reassessing net costs across the service. At month 9 there is a reasonable level of confidence this can be realised.
Economic Development.	1.200	This relates to the organisational review of the Economic Development service, £1.2m saving. At month 9 it is forecast that this saving will be achieved.
Realise Full Year Impact of Previous Year Approved Savings.	0.150	This relates to an element of a previously agreed saving in 2018/19 which had been allocated to the Economic Development Service. This saving is assessed as fully delivered.
Tourism and Marketing Reform.	0.300	This relates to the phased reduction of payments to Marketing Edinburgh and has been delivered.
Total	2.005	Savings to be delivered by services within the remit of Housing, Homelessness and Fair Work.