

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

## Place Directorate - Revenue Monitoring 2020/21 – month five position

|                     |         |
|---------------------|---------|
| Executive/routine   | Routine |
| Wards               | All     |
| Council Commitments |         |

### 1. Recommendations

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- 1.1 It is recommended that the Committee notes:
- 1.1.1 that the Housing Revenue Account (HRA) projected position for the 2020/2021 financial year is a balanced position after a contribution of £12.945m towards in-year capital investment and the future strategic housing investment programme;
  - 1.1.2 the Place General Fund (GF) revenue budget forecast for 2020/2021 is a projected £1.710m overspend (excluding Covid-19 impact) including a forecast budget pressure of £0.160m for services within the remit of this Committee;
  - 1.1.3 the Place GF revenue budget forecast for 2020/2021 in respect of the net cost impact of Covid-19 is forecast to be circa £28m. £2.3m of this budget pressure relates to services within the remit of this Committee; and
  - 1.1.4 that the Executive Director of Place is taking measures to reduce budget pressures and progress will be reported to Committee at agreed frequencies.

**Paul Lawrence**

Executive Director of Place

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# Report

## Place Directorate - Revenue Monitoring 2020/21 – month five position

### 2. Executive Summary

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- 2.1 The report sets out the projected month five revenue monitoring position for the HRA and Place Directorate GF services. The month five forecast is based on analysis of actual expenditure and income to the end of August 2020, and expenditure and income projections for the remainder of the 2020/2021 financial year.
- 2.2 At month five, the 2020/2021 full year forecast for the HRA is a balanced position after providing £12.945m towards capital investment from revenue; £3.656m in-year contribution as per the approved capital investment programme and £9.289m towards financing the strategic investment programme in forthcoming years.
- 2.3 Excluding the costs of the Coronavirus pandemic, the month five projection for the Place GF 2020/21 revenue budget is a net residual budget pressure of £1.710m. This is an improvement of £1.315m on the reported month three position.
- 2.4 At month five, the GF services within the remit of this Committee are forecasting a budget pressure in 2020/2021 of £0.160m. This represents the residual 'at risk' element of the approved budget saving in respect of Business Growth and Inclusion services and is an improvement of £0.090m on the month three reported position.
- 2.5 At month five, the GF Covid-19 impact for Place Directorate has been forecast to be a net cost in the region of £28m with £2.300m of this relating to the net loss of income to Housing Property Services from the reduced volume of jobs undertaken due to the operating context. This is an improvement on the month three position.
- 2.6 The Executive Director of Place is fully committed to making all efforts to identify management action to reduce the budget pressures. However, given the magnitude of these pressures, there is the potential for a significant level of overspend.

### 3. Background

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- 3.1 The HRA is a ring-fenced statutory account. 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 2020](#), the Council approved a 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 2020/21 is derived from the longer-term strategy. It comprises a budgeted revenue income of £103.138m and costs of £92.540m. This enables a budgeted contribution of £6.942m to the Strategic Housing Investment Fund in accordance with the finance strategy for future planned investment after making a £3.656m revenue contribution towards in-year capital investment. The total budgeted contribution from 2020/2021 revenue is £10.598m.
- 3.4 The portfolio of services under the remit of the Committee have a GF gross revenue budget of £77.550m in 2020/21 which is netted to £0.859m after budgeted income of £76.691m is considered.
- 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 29 October 2020 set out the projected position on the Council's HRA and GF Capital Investment Programme.

### 4. Main report

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#### Housing Revenue Account

- 4.1 At month five, the forecast 2020/2021 position for the HRA is balanced with a contribution to in year capital spend of £3.656m and £9.289m currently forecast to be transferred to the Strategic Housing Investment Fund as part of the HRA investment programme future funding strategy. Overall, when looking at the bottom line available for future HRA investment this compares favourably by £2.347m to the budget agreed in February 2020. Forecasts and variances against budget are shown within Appendix 1.
- 4.2 Most of the variances forecast at month five, both adverse and favourable are linked to the economic outlook and operational changes in the current Covid-19 era:

#### Income

- 4.2.1 The rent collection service has been fully maintained during the Covid-19 emergency. An acceleration in the number of tenants moving to Universal Credit (UC) during the first five months of the 2020/2021 financial year and a complexity in changes in household incomes has led to lower rental income collected against the projected period figure. Income collection risks continue to be mitigated through early contact and advice and information being

provided to support tenants with changes in their household incomes and for those moving on to UC. Flexible payment methods are available to enable tenants to continue to pay rent at this time. The Department of Work and Pensions has now changed the previous four- week payment schedules for housing costs to align this with the UC payment dates for tenants. This will also help reduce the fluctuations in income due to the current four-week payment schedule and assist tenants with household budgeting.

- 4.2.2 More broadly, the HRA Business Plan, has made prudent assumptions for the reduction in income expected due to the move to UC, any increases can be managed in year by drawing down on a ringfenced contingency fund. In addition, work is underway to determine the unbudgeted forecast level of income from Edinburgh Living as settlement of accrued interest incurred by the HRA whilst handed over homes were in development. The overall income recovery position will continue to be monitored closely through the financial year.

### **Costs**

- 4.2.3 For health and safety reasons in response to the pandemic the repairs and maintenance service, carried out by Housing Property on behalf of the HRA, was scaled back to emergency repairs only. As a result, the volume of jobs completed for the HRA and associated GF income in the first five months of the year were significantly less than would be projected in a 'normal' year. As advised in the month three update in [September 2020](#) work has now been undertaken to improve this position through planned efficiencies in operating costs, a reduction in the use of external contractors and, linked to Covid-19 recovery, reviewing the adaptation plan and timeline to safely bring service works back online sooner. This has the effect of generating more income on the GF side whilst increasing HRA operational costs due to increased activity earlier than previously assumed. Modelling of the management plans estimates a £0.900m positive impact on Housing Property Services GF net income in 2020/2021 since reported at month three; the GF net income reduction is now forecast to be £2.300m.

### **General Fund**

- 4.3 At month five, the 2020/2021 forecast net pressure within Place GF budgets overall is £1.710m. This is an improvement of £1.310m from the position reported at month three. The improvement is a combination of progress made in delivery of existing agreed management action, service manager efforts to address 'at risk' elements of approved savings (4.4) and delivery of £1.125m of new measures identified by Place Senior Management Team. Gross pressures of £8.690m have been identified and £8.190m of management actions have been agreed across the Directorate with a commitment to identify additional measure to mitigate against the risk of not delivering a balanced budget for the Directorate as a whole. The month five forecast reflects the delivery status assessment of agreed management actions.

- 4.4 At month five, the forecast position for GF services within the remit of the Committee is a £0.160m over-spend (excluding Covid-19 impact). This represents the 'at risk' element of the approved budget saving of £0.500m in respect of Business Growth and Inclusion third party contractual spend. This is a £0.090m improvement on the reported month three position and reflects ongoing efforts by service managers to bring forward and deliver all appropriate measures to address 'at risk' elements of approved budget savings which have arisen through a material change in circumstances since the 2020/2021 was approved by Council in February 2020.

#### **Savings Delivery – General Fund Approved Savings 2020/2021**

- 4.5 The approved budget savings for Place Directorate in 2020/2021 total £4.508m. Approved savings within the remit of the Committee total £0.990m and relate to Marketing Edinburgh and Business Growth and Inclusion as shown in Appendix 2
- 4.6 A risk assessment exercise has been undertaken and this indicates that, on the basis of actions planned or already undertaken, £2.278m of the Directorate approved savings including £0.160m of the savings which fall under the jurisdiction of this Committee are 'at risk' of non-delivery within the 2020/2021 financial year.

## **5. Next Steps**

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- 5.1 The Place directorate is committed to delivering mitigating management action to address identified budget pressures wherever possible. Progress will be reported to Committee at agreed frequencies.

## **6. Financial impact**

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- 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**

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- 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**

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- 8.1 HRA Budget Strategy, Finance and Resources Committee, [14 February 2020](#).
- 8.2 Revenue and Monitoring Update, Month Three Position, [3 September 2020](#).

## **9. Appendices**

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- 9.1 Appendix 1 - Place Directorate - HRA Revenue Projection: 2020/2021.
- 9.2 Appendix 2 - 2020/2021 – GF Approved Savings - Month five assessment.

**Appendix 1 – Place Directorate - HRA Revenue Projection: 2020/2021 – Month five forecasted position.**

|  | 2020/2021<br>Budget | 2020/2021<br>Month five forecast | 2020/2021<br>Month five forecast variance |
|--|---------------------|----------------------------------|---|
|  | £m                  | £m                               | £m  |
| Net Income   | -103.138            | -103.138                         | 0.000                                     |
| Strategic Housing Investment Funds   | 6.942               | 9.289                            | 2.347                                     |
| <b>Total Income</b>  | <b>-96.196</b>      | <b>-93.849</b>                   | <b>2.347</b>                              |
| Housing Management   | 33.339              | 33.114                           | -0.225                                    |
| Repairs and Maintenance  | 19.691              | 17.994                           | -1.697                                    |
| Environmental Maintenance  | 2.787               | 2.748                            | -0.039                                    |
| Debt Service   | 36.723              | 36.337                           | -0.386                                    |
|  | 92.540              | 90.193                           | -2.347                                    |
| Housing Investment (CFCR)  | 3.656               | 3.656                            | 0.000                                     |
| <b>Total Expenditure</b>   | <b>96.196</b>       | <b>93.849</b>                    | <b>-2.347</b>                             |
| <b>In year contribution to capital investment</b>  | <b>10.598</b>       | <b>12.945</b>                    | <b>2.347</b>                              |
| 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 2020/2021. CFR denotes Capital Funded from Current Revenue. |                     |                                  |   |

**Appendix 2 – Housing, Homelessness and Fair Work – General Fund – 2020/2021 – Approved Savings, Efficiencies and Mitigations - Month five forecasted position.**

**2020/21 Approved Savings within the remit of Housing, Homelessness and Fair Work.**

| <b>Saving</b>                         | <b>Green £m</b>  | <b>Amber £m</b>    | <b>Red £m</b>            | <b>Black £m</b>  | <b>Total £m</b> |
|---------------------------------------|------------------|--------------------|--------------------------|------------------|-----------------|
|                                       |                  |                    |                          |                  |                 |
|                                       | <b>Delivered</b> | <b>In Progress</b> | <b>Limited Assurance</b> | <b>At Risk *</b> |                 |
| <b>Business Growth and Inclusion.</b> | <b>0.290</b>     | <b>0.050</b>       | <b>0.000</b>             | <b>0.160 MC</b>  | <b>0.500</b>    |
| <b>Marketing Edinburgh</b>            | <b>0.490</b>     | <b>0.000</b>       | <b>0.000</b>             | <b>0.000</b>     | <b>0.490</b>    |
| <b>Total</b>                          | <b>0.780</b>     | <b>0.050</b>       | <b>0.000</b>             | <b>0.160</b>     | <b>0.990</b>    |
| <b>% of Total</b>                     | <b>79%</b>       | <b>5%</b>          | <b>0%</b>                | <b>16%</b>       | <b>100%</b>     |

**\*PD = Project Design**

**\*MC= Material Change in Circumstances**

**GF month three forecast for services within the remit of The Committee is £0.160m and representative of the 'at risk' element of approved savings above.**