

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 3 September 2020

## Revenue Monitoring Update – 2019/2020 provisional out-turn and 2020/2021 month three position

Executive/routine  
Wards  
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) provisional out-turn for 2019/2020 was a balanced position after a contribution of £7.477m to capital investment;
  - 1.1.2 the Place General Fund (GF) provisional out-turn for 2019/2020 was a £7.0m overspend (£5.3m excluding Covid-19 impact). Services within the remit of this Committee achieved balanced provisional out-turns in 2019/2020;
  - 1.1.3 that the HRA projected position for the 2020/2021 financial year is a balanced position after a contribution of £14.174m towards in-year capital investment and the future strategic housing investment programme;
  - 1.1.4 the Place GF revenue budget forecast for 2020/2021 is a projected £3.020m overspend (excluding Covid-19 impact) including a forecast budget pressure of £0.250m for services within the remit of this Committee;
  - 1.1.5 note that the Executive Director of Place is taking measures to reduce budget pressures and progress will be reported to Committee at agreed frequencies.

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Executive Director of Place

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# Report

## Revenue Monitoring Update – 2019/2020 provisional out-turn and 2020/2021 month three position

### 2. Executive Summary

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- 2.1 The report sets out the provisional out-turn for the 2019/2020 financial year and the projected month three revenue monitoring position for the Housing Revenue Account (HRA) and Place Directorate GF services. The provisional outturn is based on the unaudited accounts for 2019/2020 and the month three forecast is based on analysis of actual expenditure and income to the end of June 2020, and expenditure and income projections for the remainder of the 2020/2021 financial year.
- 2.2 The 2019/2020 provisional out-turn for the HRA was in the main as reported at month nine to this Committee ([19 March 2020](#)). Accrued interest income was received from Edinburgh Living in quarter four of 2019/2020 which increased the in-year contribution to capital investment from revenue to £7.477m.
- 2.3 The 2019/2020 provisional out-turn for the GF was in line with in-year projections. A balanced position was achieved for services within the remit of the Committee.
- 2.4 At month three, the 2020/2021 full year forecast for the HRA is a balanced position after providing £14.174m towards capital investment from revenue; £3.656m in-year contribution as per the approved capital investment programme and £10.518m towards financing the strategic investment programme in forthcoming years.
- 2.5 Excluding the costs of the Coronavirus pandemic, the period three projection for the Place GF 2020/21 revenue budget is a net residual budget pressure of £3.020m.
- 2.6 At month three the GF services within the remit of this Committee are forecasting a budget pressure in 2020/2021 of £0.250m. This represents the 'at risk' element of the approved budget saving in respect of Business Growth and Inclusion services.
- 2.7 At month three, the GF Covid-19 impact for Place Directorate has been forecast to be a net cost in the region of £29m with £3.235m 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.
- 2.8 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 27 August 2020 set out the projected position on the Council's HRA and General Fund Capital Investment Programme.

### 4. Main report

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#### **Overall Position – Provisional Out-turn 2019/2020**

#### **Housing Revenue Account**

- 4.1 The HRA outturn position was balanced after making a contribution of £7.477m towards in-year capital investment. This contribution was materially more positive than the approved Business Plan budget of £2.647m. This arose, in turn, from treasury management savings and reductions in the operating costs of maintaining and managing the housing estate. This meant that a lower level of reserves required to be drawn down from the Strategic Housing Investment Fund during the year to meet the cost of approved projects. The funds held in the Strategic Housing Investment Fund are earmarked for investment in existing housing stock and future capital investment in new homes through the Council's own housing development programme.
- 4.2 There was a positive variance at the out-turn in respect of net income when compared to the reported HRA month nine position. A material element in this positive movement was the £1.319m unbudgeted income from Edinburgh Living as settlement of accrued interest incurred by the HRA whilst handed over homes were in development. A summary of the HRA 2019/2020 revenue out-turn and comparison to the month nine reported forecast is shown within Appendix 1.

- 4.3 The Housing Services Improvement Plan delivered positive budget impacts in 2019/2020. The spend on revenue repairs and maintenance in 2019/2020 at £21.091m is £1.546m less than the out-turn spend in 2018/2019. Following the implementation of Total Mobile in September 2019 a 7% efficiency in repairs and maintenance expenditure compared to 2018/2019 has been achieved.

### **General Fund**

- 4.4 The overall Place GF out-turn for 2019/2020 (excluding Covid-19 impacts), was a £5.345m over-spend. All Place GF services within the remit of the Committee delivered balanced budgets.
- 4.5 £2.0m of GF 2019/2020 approved savings and management actions which were within the remit of the Committee were achieved.

### **Overall Position – Month Three Forecast 2020/2021**

#### **Housing Revenue Account**

- 4.6 At month three, the forecast 2020/2021 position for the HRA is balanced with a contribution to in year capital spend of £3.656m and £10.518m 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 £3.576m to the budget agreed in February 2020. Forecasts and variances against budget are shown within Appendix 2.
- 4.7 Most of the variances forecast at month three, both adverse and favourable are linked to the economic outlook and changes to operations in the current Covid-19 era:
- 4.7.1 **Income** - 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 period accounts for the reduction in income at period three, due to lag times in the current four-week payment schedule for any direct payment of housing costs. Income collection risks will be mitigated through early contact and advice and information being provided to support tenants in changes in their household incomes and for those moving on to UC. Flexible payment methods are available to enable tenants to continue to make payments at this time. Changes are also due to be made by the DWP in the payment schedules for housing costs to align this with the UC payment dates for tenants. This will reduce the fluctuations in income due to the current four-week payment schedule and assist tenants with household budgeting. 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; and

- 4.7.2 **Costs** - 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 and associated income in the first quarter of the year were significantly less than originally projected. Modelling has been undertaken to reflect reductions in volumes of work and associated operating costs which has resulted in an estimated £3.235m reduction in Housing Property Services GF income in 2020/2021. Work is underway to improve this position throughout the year through 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 would have the effect of generating more income on the GF side and pushing up HRA operation costs due to increased activity earlier than assumed in the forecast.

### **General Fund**

- 4.8 At month three, the 2020/2021 forecast net pressure within Place GF budgets overall is £3.020m. Gross pressures of £8.690m have been identified and £5.670m of management actions have been agreed across the Directorate.
- 4.9 At month three, the forecast position for GF services within the remit of the Committee is a £0.250m 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.

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

- 4.10 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 3.
- 4.11 A risk assessment exercise has been undertaken and this indicates that, on the basis of actions planned or already undertaken, £2.438m of the Directorate approved savings including £0.250m 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 None.

## **9. Appendices**

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- 9.1 Appendix 1 - Place Directorate - HRA: 2019/2020 – Provisional Out-turn Position
- 9.2 Appendix 2 - Place Directorate - HRA Revenue Projection: 2020/2021
- 9.3 Appendix 3 - 2020/2021 – GF Approved Savings - Month three assessment

**Appendix 1 – Place Directorate - HRA Revenue Projection: 2019/2020 – Provisional Out-turn Position.**

	2019/2020 Budget	2019/2020 Out-turn	2019/2020 Out-turn Variance	Month 9 Reported Variance
	£m	£m	£m	£m
Net Income	-100.661	-102.453	-1.792	0.000
Strategic Housing Investment Funds	-20.353	-15.523	4.830	3.281
<b>Total Income</b>	<b>-121.014</b>	<b>-117.976</b>	<b>3.038</b>	<b>3.281</b>
Housing Management	31.915	31.681	-0.234	-0.386
Repairs and Maintenance	20.987	21.091	0.103	0.000
Environmental Maintenance	2.754	3.508	0.754	0.576
Debt Service	42.358	38.696	-3.662	-3.471
	98.014	94.976	-3.038	-3.281
Housing Investment (CFCR)	23.000	23.000	0.000	0.000
<b>Total Expenditure</b>	<b>121.014</b>	<b>117.976</b>	<b>-3.038</b>	<b>-3.281</b>
<b>In year contribution to capital investment</b>	<b>2.647</b>	<b>7.477</b>	<b>4.830</b>	<b>3.281</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 2019/2020.				
CFCR denotes Capital Funded from Current Revenue.				

**Appendix 2 – Place Directorate - HRA Revenue Projection: 2020/2021 – Month three forecasted position.**

	2020/2021 Budget	2020/2021 Month three forecast	2020/2021 Month three forecast variance
	£m	£m	£m
Net Income	-103.138	-103.138	0.000
Strategic Housing Investment Funds	6.942	10.518	3.576
<b>Total Income</b>	<b>-96.196</b>	<b>-92.620</b>	<b>3.576</b>
Housing Management	33.339	32.857	-0.482
Repairs and Maintenance	19.691	17.000	-2.691
Environmental Maintenance	2.787	2.770	-0.017
Debt Service	36.723	36.337	-0.386
	92.540	88.965	-3.576
Housing Investment (CFCR)	3.656	3.656	0.000
<b>Total Expenditure</b>	<b>96.196</b>	<b>92.621</b>	<b>-3.576</b>
<b>In year contribution to capital investment</b>	<b>10.598</b>	<b>14.174</b>	<b>3.576</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.			
CFCR denotes Capital Funded from Current Revenue.			

**Appendix 3 – Housing, Homelessness and Fair Work – General Fund – 2020/2021 – Approved Savings, Efficiencies and Mitigations - Month three 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>0.000</b>	<b>0.250</b>	<b>0.000</b>	<b>0.250 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>0.490</b>	<b>0.250</b>	<b>0.000</b>	<b>0.250</b>	<b>0.990</b>
<b>% of Total</b>	<b>50%</b>	<b>25%</b>	<b>0%</b>	<b>25%</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 £0.250m and representative of the ‘at risk’ element of approved savings above.**