

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 14 January 2021

Place Directorate - Revenue Monitoring 2020/21 – month seven position

Executive/routine	Routine
Wards	All
Council Commitments	

1. Recommendations

- 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 £12.916m 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 £0.516m overspend (excluding Covid-19 impact) including a forecast budget pressure of £0.098m 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 £29m. £2.150m 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.

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Executive Director of Place

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Report

Place Directorate - Revenue Monitoring 2020/21 – month seven position

2. Executive Summary

- 2.1 The report sets out the projected month seven revenue monitoring position for the Housing Revenue Account (HRA) and Place Directorate General Fund (GF) services. The month seven forecast is based on analysis of actual expenditure and income to the end of October 2020, and expenditure and income projections for the remainder of the 2020/2021 financial year.
- 2.2 At month seven, the 2020/2021 full year forecast for the HRA is a balanced position after providing £12.916m towards capital investment from revenue; £3.656m in-year contribution as per the approved capital investment programme and £9.260m towards financing the strategic investment programme in forthcoming years.
- 2.3 Excluding the costs of the Coronavirus pandemic, the month seven projection for the Place GF 2020/21 revenue budget is a net residual budget pressure of £0.516m. This is an improvement of £1.194m on the reported month five position.
- 2.4 At month seven, the GF services within the remit of this Committee are forecasting a budget pressure in 2020/2021 of £0.098m. This, in the main, represents the residual 'at risk' element of the approved budget saving in respect of Business Growth and Inclusion services of £0.112m and is an improvement of £0.062m on the month five reported position.
- 2.5 At month seven, the GF Covid-19 impact for Place Directorate has been forecast to be a net cost in the region of £29m with £2.150m 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 a £0.150m improvement on the month five position in respect of Covid-19 impact costs within the remit of this Committee.
- 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 overspend.

3. Background

- 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 will be presented to the Council's Finance and Resources Committee on 21 January 2021 setting out the projected position on the Council's HRA and GF Capital Investment Programme.

4. Main report

Housing Revenue Account

- 4.1 At month seven, the forecast 2020/2021 position for the HRA is balanced with a contribution to in year capital spend of £3.656m and £9.260m 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 £2.318m 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 seven, 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 seven 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 continuing 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 half of this financial year were significantly less than would be projected in a 'normal' year. As advised in the month five update in [November 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. The HRA operational costs however remain forecast to deliver underspends against budget. Modelling of the management plans reported at month five remains on track; the GF net income reduction is now forecast to be £2.150m which is an improvement of £0.150m on the month five forecasted position.

General Fund

- 4.3 At month seven, the 2020/2021 forecast net pressure within Place GF budgets overall is £0.516m. This is an improvement of £1.194m from the position reported at month five. 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 and delivery of new measures identified by Place Senior Management Team. Gross pressures of £8.690m have been identified and £8.454m 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 seven forecast reflects the delivery status assessment of agreed management actions.

- 4.4 At month seven, the forecast position for GF services within the remit of the Committee is a £0.098m over-spend (excluding Covid-19 impact). This in the main 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 £0.062m improvement on the reported month five 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 which indicates that, on the basis of actions planned or already undertaken, £2.230m of the Directorate approved savings including £0.112m of the savings which fall under the jurisdiction of this Committee are 'at risk' of non-delivery within the 2020/2021 financial year. The budget management strategy agreed and being implemented by Place SMT has tried to address this by bringing forward alternative in-year mitigating measures.

5. Next Steps

- 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

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

9. Appendices

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

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

		2020/2021	2020/2021	2020/2021
		Budget	Month 7 Forecast	Month 7 Forecast Variance
		£m	£m	£m
Net Income		-103.138	-103.138	0.000
Strategic Housing Investment Fund		6.942	9.260	2.318
Total Income		-96.196	-93.878	2.318
Housing Management		33.339	33.219	-0.120
Repairs and Maintenance		19.691	18.003	-1.688
Environmental Maintenance		2.787	2.663	-0.124
Debt Servicing		36.723	36.337	-0.386
		92.54	90.222	-2.318
Housing Investment (CFCR)		3.656	3.656	0.000
Total Expenditure		96.196	93.878	-2.318
In year contribution to capital expenditure		10.598	12.916	2.318

Note: The reserve draw-down is from the Strategic Investment Fund which is made up of the Repairs and Renewals Reserve and the Council Tax Discount Fund. The forecast draw-down forms part of the approved Capital Investment Programme for 2020/2021. CFCR denotes Capital Funded From Current Revenue.

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

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

Saving	Green £m	Amber £m	Red £m	Black £m	Total £m
	Delivered	In Progress	Limited Assurance	At Risk *	
Business Growth and Inclusion.	0.388	0.000	0.000	0.112 MC	0.500
Marketing Edinburgh	0.490	0.000	0.000	0.000	0.490
Total	0.878	0.000	0.000	0.112	0.990
% of Total	89%	0%	0%	11%	100%

***PD = Project Design**

***MC= Material Change in Circumstances**

GF month seven forecast for services within the remit of the Committee is £0.098m over-spend which is in the main representative of the ‘at risk’ element of approved savings above.