

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 18 March 2021

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

Executive/routine Wards Council Commitments	Routine All
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### 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 after a contribution of £10.598m towards the Strategic Housing Capital Investment Programme;
  - 1.1.2 The Place General Fund (GF) 'business as usual' revenue budget forecast for 2020/2021 is a projected £0.128m overspend (excluding Covid-19 impact) for services within the remit of this Committee; and
  - 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 £2.150m for services within the remit of this Committee.

#### Paul Lawrence

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

### 2. Executive Summary

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- 2.1 This report sets out the projected month nine revenue monitoring position for the HRA and Place Directorate GF for services within the scope of this Committee. The month nine position is based on analysis of actual expenditure and income to the end of December 2020, and expenditure and income projections for the remainder of the 2020/2021 financial year.
- 2.2 At month nine, the 2020/2021 full year forecast for the HRA is a balanced position after providing £10.598m from revenue for the planned capital investment programme in forthcoming years. However, this forecast is dependent on the allocation of full year costs of Covid-19 on operations and revised costs, following a return to essential repairs and maintenance services for the final quarter of 2020/21.
- 2.3 At month nine, the GF Covid-19 impact for services within the remit of this Committee has been forecast to be a net cost in the region of £2.150m. This takes into account further assessment of the return to essential repair and maintenance services in the final quarter of 2020/21 and the allocation of extra-ordinary costs to protect staff and tenants from the risk of infection in relation to the net loss of income to Housing Property Services from the volume of jobs able to be undertaken due to the restricted operating context.
- 2.4 This report is supplementary to the scheduled revenue monitoring in order to furnish the Committee with an additional financial update reflecting the exceptional circumstances of the 2020/2021 financial year and Covid-19 implications on Council budgets. This report has been prepared on an exceptions basis and will focus on movements from the month seven forecast position reported to Committee on [14 January 2021](#) and further risks which may impact the actual out-turn budget position.

### 3. Background

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- 3.1 The HRA is a ring-fenced statutory account. The HRA is funded from rents for 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 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.
- 3.4 This report provides an update on financial performance against the above revenue budgets with a focus on exceptions; movements from month seven reporting and risks linked to the Covid-19 context in particular which may impact the actual out-turn position.

### 4. Main report

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#### Housing Revenue Account

- 4.1 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 2020/21 revenue is £10.598m. Forecasts and variances against budget are shown within Appendix 1.

#### Movements from month seven reporting and associated risks

- 4.2 The summary movements in respect of HRA income, costs and revenue contribution to Strategic Housing Investment Fund are as follows:
  - 4.2.1 **Income** – as set out in paragraph 4.1, there is no change in net forecast income assumed at month nine however an in-year contribution of £3.656m (which was budgeted to be met from revenue generated in year) will be transferred to the Strategic Housing Investment Fund, increasing the budgeted in year contribution to future investment. This will be managed as part of the HRA Business Planning and Capital Investment Programme activity; and
  - 4.2.2 **Costs** - as per month seven, the favourable repairs and maintenance variance reflects fewer repairs being carried out than was projected at month seven. The month nine forecast has identified an allocation of operational costs for COVID-19 related measures to ensure safe working for colleagues

and tenants. These costs include the retrofitting of vehicles, for example with washing facilities, training and other equipment and materials.

### **General Fund**

- 4.3 **Business as usual** - at month nine, the 'business as usual' forecast position for GF services within the remit of the Committee is a £0.128m over-spend (excluding Covid-19 impact). This, in the main, represents the residual 'at risk' element of the approved budget saving of £0.500m in respect of Business Growth and Inclusion third party expenditure which was materially changed as a result of the impact of Covid-19.
- 4.4 **Covid-19 Impact** – at month nine, the GF Covid-19 impact for services within the remit of this Committee has been forecast to be a net cost in the region of £2.150m, which is in line with the reported position at month seven. Since the previous report, the impact of re-introducing an essential repairs service has been further assessed and extra-ordinary costs to protect staff and tenants from the risk have been allocated to the HRA. This forecast has been prepared in accordance with Audit Scotland guidance in relation to accounting for Covid-19 impacts and is included within the projected break-even position forecast for the Council overall.

## **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. Work is currently being undertaken to identify and mitigate financial risks in the 2021/22 financial year as part of a rolling process of budget management.

## **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 Monitoring Update, Month Three Position, [3 September 2020](#).
- 8.3 Revenue Monitoring Update, Month Five Position, [5 November 2020](#)

## **9. Appendices**

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

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

	2020/2021	2020/2021	2020/2021
	Budget	Month 9 Forecast	Month 9 Forecast Variance
	£m	£m	£m
Net Income	-103.138	-103.138	0.000
Strategic Housing Investment Fund	6.942	10.598	3.656
<b>Total Income</b>	<b>-96.196</b>	<b>-92.54</b>	<b>3.656</b>
Housing Management	33.339	33.249	-0.090
Repairs and Maintenance	19.691	17.033	-2.658
Covid-19 Extraordinary Costs *	0	3.316	3.316
Environmental Maintenance	2.787	2.605	-0.182
Debt Servicing	36.723	36.337	-0.386
	92.54	92.54	0.000
Housing Investment (CFCR)	3.656	0	-3.656
<b>Total Expenditure</b>	<b>96.196</b>	<b>92.54</b>	<b>-3.656</b>
<b>2020/2021 contribution to capital expenditure</b>	<b>10.598</b>	<b>10.598</b>	<b>0.000</b>

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

**\* denotes an estimate of additional extraordinary costs in relation to Covid-19.**

**Appendix 2 – Housing, Homelessness and Fair Work – General Fund – 2020/2021 – Approved Savings, Efficiencies and Mitigations - Month nine 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>0.388</b>	<b>0.000</b>	<b>0.000</b>	<b>0.112 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>0.878</b>	<b>0.000</b>	<b>0.000</b>	<b>0.112</b>	<b>0.990</b>
<b>% of Total</b>	<b>89%</b>	<b>0%</b>	<b>0%</b>	<b>11%</b>	<b>100%</b>

**\*PD = Project Design**

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

**GF month nine forecast for services within the remit of the Committee is £0.128m over-spend which is in the main representative of the ‘at risk’ element of approved savings above.**