

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 2 September 2021

Place Directorate - Revenue Monitoring 2020/21 – provisional out-turn and 2021/22 month three position

Executive/routine Wards Council Commitments	Routine All
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1. Recommendations

- 1.1 It is recommended that the Committee notes:
- 1.1.1 That the Housing Revenue Account (HRA) provisional out-turn position for the 2020/21 financial year is a balanced budget after a contribution of £11.103m towards the Strategic Housing Capital Investment Programme. This is an improvement of £0.505m on the approved budget and the most recent update to Committee;
 - 1.1.2 The Place General Fund (GF) 'business as usual' revenue budget provisional out-turn position for 2020/2021 is a £0.116m overspend (excluding COVID-19 impact) for services within the remit of this Committee which is in line with previous updates to the Committee;
 - 1.1.3 The Place GF revenue budget provisional out-turn for 2020/21 in respect of the net cost impact of COVID-19 is £2.207m for services within the remit of this Committee. This is consistent with the most recent update to Committee;
 - 1.1.4 The HRA 2021/22 month three forecast is a balanced position after the budgeted contribution to Strategic Housing Investment of £9.941m; and
 - 1.1.5 The Place GF 2021/22 month three 'business as usual' forecast for services within the remit of this Committee is a £0.300m overspend in respect of emergent pressures and a forecast Covid-19 cost of £0.550m which is in line with provision made within the approved budget.

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Place Directorate - Revenue Monitoring 2020/21 – provisional out-turn position and 2021/22 month three position

2. Executive Summary

- 2.1 This report sets out the provisional 2020/21 out-turn revenue monitoring position for the Housing Revenue Account (HRA) and Place Directorate General Fund (GF) for services within the scope of this Committee. As of the time of writing, closure of the Council's accounts for 2020/21 is continuing and this paper represents a provisional update. The final outturn position will be reported to Committee in due course.
- 2.2 The 2020/21 provisional out-turn for the HRA is a balanced position after providing £11.103m from revenue for the planned capital investment programme in forthcoming years to support investment priorities. This is a favourable position compared to the budget of £10.598m and a favourable increase of £0.505m compared to the month nine forecast.
- 2.3 At out-turn, the GF COVID-19 provisional impact for services within the remit of this Committee is a net cost of £2.207m. This represents the impact on GF Housing related services from ensuring adherence with public health guidance to protect staff, tenants and customers; including reduced income generated by Housing Property Services as a result of 'emergency only' activity and increased costs of operating the stair cleaning service. This is a small increase on the £2.150m net cost forecast at month nine.
- 2.4 The 2020/21 provisional 'business as usual' (excludes COVID-19 impact) out-turn for the GF services within the remit of this Committee is an overspend of £0.116m. This is a small favourable movement relative to the £0.128m overspend forecast at month nine.
- 2.5 The 2021/22 month three revenue forecast has been prepared on an exception basis, focusing on emerging pressures and risks. The GF 'business as usual' forecast overspend of £0.300m is representative of pressures identified within Business Growth and Inclusion with the £0.550m forecast COVID-19 cost acknowledging there may be an income impact in respect of Housing Property operations representative of part year restriction of operations whilst following public health guidance. The COVID-19 forecast is in line with provision made within the Council's approved budget.

- 2.6 The 2021/22 month three HRA forecast assumes that the revised budget position of a contribution of £9.941m will be achieved.

3. Background

- 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. The annual approved HRA budget is derived from the longer term strategy approved by Council.
- 3.2 This report provides an update on financial performance against the approved revenue budgets for 2020/21 and 2021/22. The 2020/21 out-turn position is provisional as work is ongoing to close the accounts and this will then be subject to the rigour of the external audit process. The 2021/22 month three revenue forecast has been prepared on an exception basis, focusing on emerging pressures and risks

4. Main report

Housing Revenue Account – 2020/21 Provisional Out-turn

- 4.1 The approved HRA budget for 2020/21 is derived from the longer-term strategy, approved by Council in February 2020. It comprises a budgeted revenue income of £103.138m and costs of £92.540m. This enabled a planned contribution of £3.656m revenue towards in-year capital investment and £6.942m to the Strategic Housing Investment Fund in accordance with the finance strategy for future planned investment. The total budgeted contribution from 2020/21 revenue is £10.598m. The provisional out-turn (compared to the budget and forecast reported at month nine) as set out in Appendix 1, shows an overall increased contribution of £0.505m. Due the impact of Covid-19 on the capital programmes, the total £11.103m contribution will be made to the Strategic Housing Investment Fund.

Movements from month nine 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** –The final out-turn for income collection is lower than forecast in Period 9, but was still within the budgeted provision. The second lockdown and changes in a significant number of household financial circumstances, alongside the suspension of formal debt recovery measures (to ensure tenants were not at increased risk of losing their home during the pandemic) did impact on overall collection. Sufficient contingency has been built into the HRA to account for an increase in rent arrears due to the transition of a significant number of tenants into Universal Credit (UC). Overall collection of rental income remains positive with 99% of income collected against the Scottish Housing Regulator Charter Indicator for 2020/21; and

4.2.2 **Costs** – In line with previous 2020/21 routine financial performance reporting (with the exception of extraordinary COVID-19 costs) all aspects of HRA expenditure is materially lower than budget. The COVID-19 related measures to ensure safe working for colleagues and tenants included the retrofitting of vehicles with washing facilities, IT costs to accelerate rollout of Total Mobile to support safe remote working during lockdown, training and other equipment and materials required to ensure safe working for the continued operations of Housing Property. It also includes housing management spend on Concierge overtime to cover shifts due to staff shielding, Personal Protective Equipment (PPE), office refurbishment to operate safely as Council Resilience Centres, additional cleaning and communication materials (e.g. newsletters, posters and other signage). Debt servicing costs have materially reduced due to a combination of a lower than budgeted increase in the principal borrowed and effective treasury management practices.

Housing Revenue Account – 2021/22 month three forecast

- 4.3 At month three, an assessment of risks and pressures has been undertaken in tandem with detailed work in respect of the iteration of the HRA Business Plan and annual tenant consultation which will be undertaken to form 2022/23 budget proposals and longer term strategy. This process has concluded that the delivery of restated 2021/22 annual budget presented in [March 2021](#) and shown within Appendix 2 is a reasonable position.
- 4.4 Risks including the impact of Universal Credit and economic conditions on rental income, the impact on repairs and maintenance services as public health guidance is relaxed and extraordinary COVID-19 related costs will be closely monitored and reported as appropriate moving forward. This is also true of potential opportunities in respect of reducing debt charges.

General Fund – 2020/21 Provisional Out-turn

- 4.5 **Business as usual** – the provisional out-turn 'business as usual' position for GF services within the remit of the Committee is a £0.116m over-spend (excluding COVID-19 impact). The previously reported 'at risk' element of the Business Growth and Inclusion 2020/21 saving was mitigated by one-off measures which were delivered across this and related services. The overspend, in the main refers to an increase in utility charges in respect of stair lighting.
- 4.6 **COVID-19 Impact** – the provisional out-turn GF COVID-19 impact for services within the remit of this Committee is a net cost of £2.207m, which is a small increase on the reported position at month nine. The impact of re-introducing an essential repairs service has been assessed and extra-ordinary costs to protect staff and tenants from the risk have been allocated to the HRA. The net cost of £2.207m is reflective of net reduced income generated by Housing Property Services as a consequence of operational changes required to support public health guidance (£2.101m) and net costs related to the operation of the Stair Cleaning service to protect staff and customers (£0.106m). This treatment is in accordance

with Audit Scotland guidance in relation to accounting for COVID-19 impacts and is included within the provisional out-turn for the Council overall.

General Fund – 2021/22 month three forecast

- 4.7 The 2021/2022 GF forecast for services within the remit of this Committee has been undertaken on an exceptions basis, focusing on identified pressures and risks. The £0.300m forecast in terms of 'business as usual' is reflective of costs within the Business Growth and Inclusion service. The service and wider Place Senior Management Team (SMT) are currently working to bring this identified pressure back within the appropriate financial envelope.
- 4.8 £0.425m of investment income was allocated to services within the remit of the Committee as part of the February and May 2021 budget motions. £0.175m was allocated on a one off basis to be spent in year on Edinburgh Guarantee for All, as was £0.250m for work to be undertaken on the regulation of short term lets. The forecast assumes these budgets will be fully utilised.
- 4.9 Services within the remit of this Committee have been successful in securing external funding to achieve aims and objectives. It is our intent to include the impact of said funding in future updates to this Committee to broaden the financial perspective of reporting.
- 4.10 The 2021/22 GF month three Covid-19 cost has been estimated at £0.550m and is representative of a part year impact on income generation by Housing Property Services in line with public health guidance. This forecast is circa 26% of the actual income loss in 2020/21 and is in line with provision approved within the Council budget.
- 4.11 The above 2021/22 month three forecast for the HRA and Place GF form part of the overall 'balanced budget' positions set out at Finance and Resources Committee on 12 August 2021.

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. Work is regularly undertaken to identify and mitigate financial risks as part of a rolling process of budget management.
- 5.2 Risks to 2021-22 budget management strategy will be reassessed based on provisional out-turn and post Covid-19 service resumption plans and other strategies within the operating context of this Committee. The outcome of this review will be reported as part of the routine 2021-2022 financial reporting.

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 Revenue Monitoring Update - Month Nine Position, Housing, Homelessness and Fair Work Committee – [18 March 2021](#)
- 8.2 Finance and Resources Committee 12 August – 2020/21 Out-turn. [Link not yet available]
- 8.3 Finance and Resources Committee 12 August – 2021/22 Month three. [Link not yet available]

9. Appendices

- 9.1 Appendix 1 – Place Directorate - HRA Revenue Projection: 2020/2021 – provisional out-turn position
- 9.2 Appendix 2 – Place Directorate – HRA Revenue Projection; 2021/2022 – month three position.

Appendix 1 – Place Directorate - HRA Revenue Projection: 2020/2021 – Provisional Out-turn Position

	2020/2021 Budget	2020/2021 Provisional Out-turn	2020/2021 Provisional Out-turn Variance	2020/2021 Month 9 Reported Variance	Movement Month 9 Forecast v Provisional Out-turn
	£m	£m	£m	£m	£m
Net Income	-103.138	-102.084	1.054	0	1.054
Strategic Housing Investment Fund	6.942	11.103	4.161	3.656	0.505
Total Income	-96.196	-90.981	5.215	3.656	1.559
Housing Management	33.339	31.887	-1.452	-0.09	-1.362
Property Maintenance	22.478	20.426	-2.052	-2.84	0.788
Covid-19- Extraordinary costs *	0.000	4.124	4.124	3.316	0.808
Debt Service	36.723	34.544	-2.179	-0.386	-1.793
Housing Investment (CFRC)	3.656	0.000	-3.656	-3.656	0.000
Total Expenditure	96.196	90.981	-5.215	-3.656	-1.559
2020/2021 Contribution to Future Capital Expenditure	10.598	11.103	0.505	0.000	0.505
<p>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 Capital Investment Programme funding strategy.</p>					
<p>CFRC denotes Capital Funded from Current Revenue.</p>					
<p>* Denotes costs identified as being attributable to ways of working complaint with public health guidance.</p>					

Appendix 2 – Place Directorate - HRA Revenue Projection: 2021/2022 – Month Three Position

	2021/2022 Budget	2021/2022 Month three forecast	2021/2022 Month three forecast variance
	£m	£m	£m
Net Income	-102.699	-102.699	0.000
Total Income	-102.699	-102.699	0.000
Housing Management	34.100	34.100	0.000
Operations - Repairs and Maintenance plus Environmental Maintenance	21.009	21.009	0.000
Covid-19 Extraordinary Costs *	0.000	0.000	0.000
Debt Service	37.649	37.649	0.000
	92.758	92.758	0.000
Contribution to Strategic Investment Fund	9.941	9.941	0.000
Total Expenditure	102.699	102.699	0.000
Notes:			
The Strategic Housing Investment Fund which is made up of the Repairs and Renewals Reserve and the Council Tax Discount Fund. It is an element of the funding strategy for the capital investment programme.			
* Denotes costs related to ways to working with are compliant with public health guidance.			