

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 4 November 2021

Place Directorate - Revenue Monitoring - 2021/22 month four 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) is forecasting a contribution of £9.400m to the Strategic Investment Fund from revenue generated in year as part of the capital investment programme funding strategy;
 - 1.1.2 The Place General Fund (GF) 'business as usual' revenue budget forecast is projecting £1.592m overspend (excluding Covid-19 impact) at month four. Services within the remit of the Committee are forecasting an overspend of £0.300m; and
 - 1.1.3 The Place GF Covid-19 impact is projected to cost £12.570m at month four. Services within the remit of the Committee are forecasting a cost of 0.550m which is in line with provision made within the approved budget.

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Report

Place Directorate - Revenue Monitoring - 2021/22 month four position

2. Executive Summary

- 2.1 This report sets out the month four revenue monitoring position for the 2021/22 HRA and Place Directorate GF for services within the scope of this Committee.
- 2.2 The month four forecast for the HRA in 2021/22 is a balanced position after providing £9.400m from revenue for the planned capital investment programme in forthcoming years to support investment priorities. This is £0.541m less than the budget of £9.941m. It is expected that this shortfall can be met from reductions in forecasts for costs such as debt servicing charges, however more work will be required before this can be formally confirmed to Committee in a future report.
- 2.3 The month four GF 'business as usual' revenue forecast for Place Directorate in this financial year is an overspend of £1.592m. The GF forecast overspend of £0.300m for services within the remit of this Committee is representative of pressures identified within Business Growth and Inclusion.
- 2.4 The GF Covid-19 impact for services within the remit of this Committee is forecast to be a net cost of £0.550m. This forms part of the overall Place forecast of £12.570m in respect of the cost of the COVID-19 impact and is in line with the provision provided for within the Council's 2021/22 approved budget. This represents the part year 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 resulting from changes to working practices and increased costs of operating the stair cleaning service.

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.

4. Main report

Housing Revenue Account (HRA) – 2021/2022 month four forecast

- 4.1 The approved HRA budget for 2020/21 is derived from the longer-term strategy, approved by Council. It comprises a budgeted revenue income of £102.699m and costs of £92.758m. This enables a planned contribution of £9.941m to the Strategic Housing Investment Fund in accordance with the finance strategy for the capital investment programme. The month four forecasted income and expenditure as set out in Appendix 1, shows a reduced contribution of £9.400m.

HRA Month four forecast – variance and risk analysis

- 4.2 The summary variances and risks in respect of HRA income, costs and revenue contribution to Strategic Housing Investment Fund are as follows:
- 4.2.1 **Income** – The income forecast at month four is £102.213m which is £0.486m less than budget. Overall collection of rental income remains positive with 97.4% of income collected at the end of Month 4. Sufficient contingency has been built into the HRA to account for an increase in rent arrears due to the transition of tenants into Universal Credit (UC) and increases in tenants seeking assistance during the Covid-19 pandemic. Safe working and the practical challenges of repairing and re-letting available homes during the Covid-19 pandemic has increased re-let times and therefore void rent loss. Safe working remains in place but processes continue to be adapted to reduce turnaround times as lockdown has eased.
- 4.2.2 **Costs** – Overall there are no specific areas of expenditure which are raising budget management concerns at this juncture. Overall, the core cost envelope (before contribution to reserves) is almost balanced to the allocated budget. There are however some pieces of work, including employee costs and repairs and maintenance costs, to be undertaken by Officers as part of the half year review to give further confidence to the Committee refined year end projections;
- 4.2.3 An exercise is required to be completed to extract the COVID-19 specific costs from the individual categories of spend in the core cost envelope. This will be undertaken as part of the half year review exercise and reported and maintained thereafter, including reporting to CoSLA in their returns which gather the costs of the Covid-19 impact on GFs and HRAs. In 2020/2021 the costs included are: measures to ensure safe working for colleagues and tenants including the retrofitting of vehicles with washing facilities; IT costs to accelerate rollout of Total Mobile to support safe remote working during lockdown; and training, other equipment and materials required to ensure safe working for the continued operations of Housing Property. Additionally, 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).

4.2.4 Debt servicing costs are currently forecast to come in on budget, however material savings were delivered in this area in 2020/21 due to a combination of reduced borrowing and effective treasury management practices. It is expected that the 2021/22 debt servicing costs will be less than budgeted but further work is required to confirm this.

4.3 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.

4.4 It should be noted that when considering a slightly wider context than a single financial year, the provisional out-turn for financial year 2020/21 reported a contribution to the Strategic Housing Investment Programme which was £0.505m more than the budgeted figure.

General Fund – 2021/22 month four forecast – ‘business as usual’

4.5 The 2021/22 GF forecast for ‘business as usual’ services within the remit of this Committee is a £0.300m overspend. This in the main represents a cost pressure in 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.

2021/22 Budget – Approved Budget Savings

4.6 There are no new approved savings to be delivered by services within the remit of this Committee as part of the 2021/22 budget motion.

2021/23 Budget – Approved Service Investment

4.7 As part of the decisions made by Council on 27 May 2021, Elected Members approved service investments totalling £12.8m in respect of Place Directorate services in 2021/22. Of this, £0.425m budget investment was allocated to services within the remit of the Committee: £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.

4.8 Investment relating to financial year 2022/23 was also approved including £0.525m for services within the remit of this Committee: £0.400m for Disability Employment Services; and £0.125m as year two of funding in respect of regulation of short term lets.

General Fund – 2021/22 month four forecast – Covid-19 impact

4.9 The 2021/22 GF month four 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.

- 4.10 The above 2021/22 month four forecast for the HRA and Place GF form part of the overall 'balanced budget' positions set out at Finance and Resources Committee on [7 October 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 periodically reassessed based on 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 2021/22 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 – 2020/21 Provisional Out-turn and 2021/22 Month three update - Housing, Homelessness and Fair Work Committee [2 September 2021](#)

9. Appendices

- 9.1 Appendix 1 – Place Directorate – HRA Revenue Projection; 2021/22 – month four position.

Appendix 1 – Place Directorate - HRA Revenue Projection: 2021/22 – Month Four Position

	2021/22 Budget £m	2021/22 Forecast £m	2021/22 Forecast Variance £m
Net Income	102.699	102.213	0.486
Expenditure			
Housing Management	34.100	34.391	0.303
Repairs and Maintenance	18.286	18.286	0.000
Environmental Maintenance	2.753	2.506	(0.247)
Covid-19 Specific Costs*	0.000	0.000	0.000
Debt Servicing	37.649	37.649	0.000
Contribution to Strategic Housing Investment Fund	9.941	9.400	(0.541)
Total Expenditure	102.699	102.213	(0.486)

Notes:

The Strategic Housing Investment Fund 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 additional costs attributable to ways of working which are compliant with public health guidance. This figure will form part of a submission made to the Convention of Scottish Local Authorities.