

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 20 January 2022

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

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| 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 £12.437m 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 a £0.443m overspend (excluding Covid-19 impact) at month six. Services within the remit of the Committee are forecasting an overspend of £0.250m; and
 - 1.1.3 The Place GF Covid-19 impact is projected to cost £12.423m at month six. Services within the remit of the Committee are forecasting a cost of £0.400m which is in line with provision made within the approved budget.

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

2. Executive Summary

- 2.1 This report sets out the month six revenue monitoring position for the 2021/22 HRA and Place Directorate General Fund (GF) for services within the scope of this Committee.
- 2.2 The month six forecast for the HRA in 2021/22 is a balanced position after providing £12.437m from revenue for the planned capital investment programme in forthcoming years to support investment priorities. This is £2.496m more than the budget of £9.941m. The main drivers for improvement relate to other income and a reduction in debt servicing costs which reflects a combination of effective treasury management practices and the reported slippage in the capital investment programme.
- 2.3 The month six GF 'business as usual' revenue forecast for Place Directorate in this financial year is an overspend of £0.443m. The GF forecast overspend of £0.250m for services within the remit of this Committee is representative of a pressure identified in respect of utility costs for stair lighting within communal stairwells of housing blocks.
- 2.4 The GF Covid-19 impact for services within the remit of this Committee is forecast to be a net cost of £0.400m. This forms part of the overall Place forecast of £12.423m 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 impact on GF Housing related services from continuing 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.

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) – 2021/22 month six forecast

- 4.1 The approved HRA budget for 2021/22 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 budgeted contribution of £9.941m to the Strategic Housing Investment Fund in accordance with the finance strategy for the capital investment programme and wider HRA business plan. The month six forecasted income and expenditure as set out in Appendix 1, shows an increased contribution of £12.437m.

HRA Month six 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 six is £103.786m which is £1.087m better than budget. A material element of this is circa £0.800m of unbudgeted income in respect of debt costs incurred by the HRA and reimbursed by Edinburgh Living in respect of the transfer of 104 properties in 2021/2022. Overall collection of rental income is in line with budget at the six-month period. 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 appropriate.
- 4.2.2 **Costs** – Whilst there is a projected overspend in repairs and maintenance of £0.831m, this is not unexpected as there was an underspend of £2.052m in this area in 2020/21 due to fewer jobs being undertaken whilst following public health guidance to keep employees and tenants safe. This year has seen an element of ‘catch up’, however the costs will require to be monitored going forward to ensure we meet the efficiencies set out in the Housing Service Improvement Plan. This is also true of increased costs of essential responsive estates management services. The most significant variance against budget relates to debt servicing costs, which is forecasting an underspend of £4.151m. There are two drivers for this cost reduction; effective Treasury Management practices locking into more favourable borrowing rates than assumed and the reported slippage in the capital investment programme which means that less borrowing has been undertaken than budgeted.
- 4.2.3 An exercise has been undertaken to extract the COVID-19 specific costs from the individual categories of spend in the core cost envelope. The forecast estimated cost is £1.48m which is circa 40% of the reported 2020/21 cost. This figure will form part of the reporting to CoSLA in their returns which gather the costs of the Covid-19 impact on GFs and HRAs.

- 4.3 The impact of the above is that £12.437m is forecast to be transferred to the Strategic Housing Investment Fund as part of the future capital investment programme and wider HRA Business Plan objectives. This is £2.496m more than the budgeted contribution.
- 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. An element of contingency has been factored into the HRA Business Plan in respect of such risks. Whilst this report focuses on the revenue aspects of the services within the remit of this Committee, the increased contribution to the Strategic Housing Investment Fund could assist with managing risks associated with market conditions in executing investment objectives.

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

- 4.5 The 2021/22 GF forecast for ‘business as usual’ services within the remit of this Committee is a £0.250m overspend. This in the main this relates to an increase in utility costs to light the stairwells of circa 14,000 housing blocks. This is a legacy arrangement therefore the number of blocks does not increase. 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 six forecast – Covid-19 impact

- 4.9 The 2021/22 GF month six COVID-19 cost has been estimated at £0.400m 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 19% of the actual net income loss in 2020/21 and is within the provision approved within the Council budget.
- 4.10 The above 2021/22 month six forecast for the HRA and Place GF form part of the overall 'balanced budget' positions set out at Finance and Resources Committee on [9 December 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 and will be reported as part of the routine 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](#).
- 8.2 Revenue Monitoring Update – 2021/22 Month four update – Housing, Homelessness and Fair Work Committee [5 November 2021](#).

9. Appendices

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

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

| | 2021/22 Budget £m | 2021/22 Forecast £m | 2021/22 Forecast Variance £m |
|---|----------------------------------|------------------------------------|---|
| Net Income | 102.699 | 103.786 | (1.087) |
| Expenditure | | | |
| Housing Management | 34.088 | 34.775 | 0.687 |
| Repairs and Maintenance | 18.268 | 19.099 | 0.831 |
| Environmental Maintenance | 2.753 | 2.498 | (0.255) |
| Covid-19 Specific Costs* | 0.000 | 1.480 | 1.480 |
| Debt Servicing | 37.649 | 33.498 | (4.151) |
| Contribution to Strategic Housing Investment Fund | 9.941 | 12.437 | 2.496 |
| Total Expenditure | 102.699 | 103.786 | 1.087 |

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.