

# Housing and Economy Committee

10.00am, Thursday, 2 November 2017

## Housing Revenue Account– Financial Monitoring 2017/18 – Month Five Position

Item number	7.10
Report number	
Executive/routine	Executive
Wards	
Council Commitments	

### Executive Summary

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The Executive Director of Place is forecasting the following positions against Housing Revenue Account (HRA) budgets:

- Revenue – A balanced position is forecast for 2017/18 after contributing £11.576m to the Strategic Housing Investment Fund.
- Capital – Projected capital spend of £71.341m in 2017/18 against a budget of £78.004m

These forecasts should be considered in the context of significant pressures and risks in both capital and revenue budgets.

## Housing Revenue Account– Financial Monitoring 2017/18 – Month Five Position

### 1. Recommendations

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- 1.1 It is recommended that the Housing and Economy Committee notes the current revenue and capital financial position of the HRA and the forecast position of the Place Directorate for 2017/18

### 2. Background

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- 2.1 The Housing Revenue Account (HRA) is a ring fenced statutory account that the Council manages on behalf of tenants. 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.
- 2.2 On 9 February 2017, the Council approved the five year HRA Budget Strategy 2017/18 to 2021/22. This was informed by extensive consultation with tenants, focused on investing in goods and services that reduce tenants' cost of living and includes significant investment in new and existing affordable housing, while keeping rent increases affordable. As part of the five-year strategy, the Council approved an annual rent increase of 2% which took effect on 1 April 2017. Rent levels are reviewed annually in consultation with tenants.
- 2.3 The approved HRA budget for 2017/18 is derived from the longer-term strategy. It comprised budgeted income of £101.807m, costs of £88.296m and a £13.511m contribution towards housing investment.
- 2.4 The five-year HRA Budget Strategy 2017-22 included a five-year capital programme of £531m and a one year investment programme of £79.5m; a 79% increase on 2016/17 investment levels.
- 2.5 This report provides an update on financial performance against the above budgets.

### 3. Main report

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#### **HRA - Revenue Budget**

##### **Overall Position**

- 3.1 An exercise has been undertaken since approval of the HRA budget strategy in February 2017 to revise and realign the budget based on the 2016/17 outturn and recent committee decisions. This revised 2017/18 budget is set out within Appendix 1 of this report.
- 3.2 At month five, a contribution of £11.576m towards housing investment is projected by the financial year end.

##### **Treasury Management**

- 3.3 As debt charges amount to almost 40% of HRA expenditure, good treasury management is essential to running an efficient housing service. Over recent years, surpluses have been used to repay debt which will allow more capacity to fund housing investment.

##### **Pressures, Risks and Contingency Planning**

- 3.4 The 2017/18 HRA budget is relatively low risk as high demand for Council housing has resulted in a low level of empty homes and a stable income stream. However, there are elements of this budget that are demand led and can potentially be volatile. In order to mitigate the risks and pressures the budget is set on the basis of prudent assumptions, which are tested and modelled before seeking Council approval.
- 3.5 As set out in Appendix 1, a forecast over spend of £1.76m has been identified in Repairs & Maintenance. This is demand led spend and the number of repairs requested in 2017/18 is projected to exceed the budgeted level. This is in part mitigated by favourable variances in other areas.
- 3.6 Work is being undertaken to understand this level of repairs activity and develop current year and future year mitigations, to deliver savings in Repairs & Maintenance costs.
- 3.7 Longer term the Housing Service faces several significant risks, these risks are detailed in the (HRA) Budget Strategy Update 2018/19 Report previously noted by this committee.

##### **HRA - Capital Budget**

- 3.8 Since the budget was approved in February 2017, a detailed delivery programme has been developed. Following prudent programme management principles, the budget has been revised down to £78m; a 1.8% reduction.
- 3.9 At month five £6.663m slippage is projected against the revised capital budget of £78.004m, with capital spend projected of £71.341m.
- 3.10 This slippage is largely due to delays in the 21<sup>st</sup> Century Homes programme. Measures are being identified to accelerate other capital investment programmes in

the current year to offset this slippage. This delayed expenditure is expected to be incurred within the approved five year plan.

### **General Fund – Place Revenue Budget**

- 3.11 An update on the provisional Council revenue monitoring position at month five was received by Finance and Resources Committee on 28 September 2017. For Place Directorate, budget pressures of £4.430m were identified at period five. A corresponding set of actions has now been developed to fully offset pressures and while a number of risks remain around their subsequent delivery, a break-even position is being forecast at this time. Progress will continue to be reported in respect of mitigation delivery.

## **4. Measures of success**

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- 4.1 HRA revenue expenditure and income for 2017/18 is within budgeted levels.
- 4.2 Successful delivery of HRA capital programme and new affordable housing within budget levels.

## **5. Financial impact**

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- 5.1 There are no direct financial implications arising from this report.

## **6. Risk, policy, compliance and governance impact**

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- 6.1 There are no direct risk, policy, compliance or governance implications arising from this report.

## **7. Equalities impact**

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- 7.1 The contents of this report, analysis and recommendations do not impact the Equality Act 2010 public sector general equality duty.

## **8. Sustainability impact**

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- 8.1 Successful delivery of the HRA budget will support investments to improve the energy efficiency of Council homes.

## **9. Consultation and engagement**

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- 9.1 Consultation was undertaken as part of the HRA budget-setting process.

## 10. Background reading/external references

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- 10.1 [Housing Revenue Account Budget Strategy 2017/18 – 2021/22](#) – City of Edinburgh Council 9 February 2017.
- 10.2 [Housing Revenue Account Budget \(HRA\) Budget Strategy Update 2018/19](#) Report – Housing and Economy Committee 7 September 2017.

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## 11. Appendices

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Appendix 1 – HRA Revenue Projection: 2017/18 – Month 5.

## Appendix 1: HRA Revenue Projection: 2017-18 - Month 5

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	<b>Approved Budget</b>	<b>Revised Budget</b>	<b>Forecast</b>	<b>Variance</b>
	£000s	£000s	£000s	£000s
<b>Income</b>	<b>-101.807</b>	<b>-99.893</b>	<b>-99.729</b>	<b>0.164</b>
Housing Management	29.778	28.670	28.47	-0.200
Repairs and Maintenance	17.528	17.530	19.292	1.762
Environmental Maintenance	2.698	2.775	2.54	-0.235
Debt Service	38.292	37.911	37.851	-0.060
Strategic Housing Investment	13.511	13.007	11.576	-1.431
<b>Total Expenditure</b>	<b>101.807</b>	<b>99.893</b>	<b>99.729</b>	<b>-0.164</b>