

Housing and Economy Committee

10.00am, Thursday, 18 January 2018

Housing Revenue Account and Place Directorate – Financial Monitoring 2017/18 – Month Eight Position

Item number	7.12
Report number	
Executive/routine	Executive
Wards	All
Council Commitments	1 and 10

Executive Summary

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

HRA

- Revenue – A balanced position is forecast for 2017/18 after contributing £11.576m to the Strategic Housing Investment Fund.
- Capital – Projected capital spend of £69.450m is expected in 2017/18 against a budget of £78.004m.

General Fund Revenue

- A balanced position is forecast for 2017/18. While budget pressures of £2.176m have been identified at month eight, a corresponding set of mitigating actions are being progressed to fully offset pressures.

Housing Revenue Account and Place Directorate – Financial Monitoring 2017/18 – Month Eight Position

1. Recommendations

- 1.1 It is recommended that the Housing and Economy Committee notes the forecast position in respect of the revenue and capital financial position of the HRA and Place Directorate General Fund Revenue for 2017/18.

2. Background

- 2.1 The 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 comprises budgeted income of £101.807m, costs of £88.296m and a £13.511m contribution towards housing investment.
- 2.4 HRA Budget Strategy 2017-22 included a five year capital programme of £531.034m and a one year investment programme of £79.5m; a 79% increase on 2016/17 investment levels.
- 2.5 The approved General Fund Revenue gross budget for Place Directorate is £197.800m. The net budget is £63.920m after adjusting for income from other parts of the Council, external grants and other income.
- 2.6 This report provides an update on financial performance against the above budgets.

3. Main report

HRA Revenue Budget

Overall Position

- 3.1 At month eight, a contribution of £11.576m towards housing investment is projected by the financial year end. This projection remains unchanged from the month 5 period report considered by Committee on 2 November 2017.

Treasury Management

- 3.2 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

- 3.3 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 conservative business plan assumptions, which are tested and modelled before seeking Council approval.
- 3.4 As set out in Appendix 1, an over spend of £1.762m in repairs and maintenance is forecast. A review of repairs and maintenance activity between April and October 2017 has been carried out to identify the reasons for the variation between budgeted and projected repairs expenditure.
- 3.5 The number of repairs requested in comparison to the same period in the previous year increased by 5.2%. The number of repairs requested in the period in 2017 was 79,973 compared to 75,987 repairs carried out in the same period of 2016. This is an increase of just under 4,000 repairs.
- 3.6 The review has identified a number of drivers contributing to this increase:
- 3.6.1 Improved call answering performance at the contact centre;
 - 3.6.2 Additional property inspections in tower blocks;
 - 3.6.3 Additional measures to bring empty homes up to standard prior to relet in response to customer feedback; and
 - 3.6.4 Additional repairs and maintenance of communal heating systems.
- 3.7 Further work to better understand how these drivers affect longer term trends which show a decrease in the number of repairs is underway.
- 3.8 A number of service improvements are being introduced into the service. These include revised contract management processes and new vehicle tracking systems. It is anticipated that these improvements will reduce overall costs of repairs.

HRA Capital Budget

- 3.9 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 £78.004m; a 1.8% reduction.
- 3.10 At month five £6.663m slippage was projected against the revised capital budget of £78.004m, with capital spend projected of £71.341m. As at month eight projected slippage has increased to £8.523m.
- 3.11 This slippage is largely due to new build projects starting later on site this year than anticipated. A number of factors have contributed to this including some delays in achieving consents, and over optimistic programming. All projects identified for site start in the current financial year are underway or will be by April 2018 however, the expenditure is anticipated to be incurred in the following financial year. For context, this slippage is equivalent to a delay of around six months on the construction of around 65 homes.

Place Directorate – General Fund Budget

- 3.12 At month eight, the Executive Director of Place has identified net budget pressures of £2.176m. A corresponding set of management actions has been developed to fully offset pressures and while some risks remain around their subsequent delivery, a break-even position is being forecast. Progress will continue to be reported in respect of mitigation delivery.

4. Measures of success

- 4.1 HRA revenue expenditure and income for 2017/18 are within budgeted levels.
- 4.2 Successful delivery of HRA capital programme and new affordable housing within budget levels.
- 4.3 The Place Directorate General Fund Revenue is projected to be within budgeted levels. Place Directorate has been working to identify, as a priority, proposed remedial measures on an ongoing basis and, based on month eight monitoring, actions have been developed to address identified budget pressures.

5. Financial impact

- 5.1 This report sets out the current breakeven forecast positions for both the HRA Revenue and Place revenue general fund budgets. Attainment of these positions is subject to active management of financial risks and, where appropriate, the taking of timely remedial action.

- 5.2 The slippage forecast in the HRA capital budget impacts on the timing of spend within the five year budget. However it is expected that the same level of spend will be incurred within this timeline

6. Risk, policy, compliance and governance impact

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

7. Equalities impact

- 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

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

9. Consultation and engagement

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

10. Background reading/external references

- 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.
- 10.3 [Housing Revenue Account– Financial Monitoring 2017/18 – Month Five Position](#)- Housing and Economy Committee 2 November 2017

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Appendix 1: HRA Revenue Projection: 2017-18 - Month 8

	Approved Budget	Revised Budget	Forecast	Variance
	£000s	£000s	£000s	£000s
Income	101.807	99.893	99.729	-0.164
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
Total Expenditure	101.807	99.893	99.729	-0.164