

REPORT TO COMMUNITIES COMMITTEE – 2 SEPTEMBER 2021

HOUSING REVENUE ACCOUNT (HRA) FINANCIAL PERFORMANCE AS AT 31 JULY 2021

1 Reason for Report/Summary

- 1.1 This report provides the Committee with financial performance information relating to the Housing Revenue Account.

2 Recommendations

The Committee is recommended to:

- 1. Consider and discuss the financial information and forecast position as at 31 July 2021;**

3 Purpose and Decision-Making Route

- 3.1 The purpose of this report is to provide the Committee with the financial information in relation to expenditure and income for the HRA.
- 3.2 The financial information includes a forecast of the expected levels of expenditure and income by Type of Spend and by Budget Page for the financial year. Major variances of £100,000 or more are indicated by a red flag.
- 3.3 The financial information is set out in the following Appendices
- **Appendix 1a:** provides details of the financial position in relation to the Type of Spend, including the service led forecast.
 - **Appendix 1b:** provides details of the financial position by Budget Page, including the service led forecast.
 - **Appendix 2:** provides a graphical representation of the financial position by Type of Spend and Budget Page.
 - **Appendix 3:** sets out the revenue budget movements that have been previously agreed by the Director, Committee or Full Council. These are reflected in the Revised Budget.
 - **Appendix 4:** sets out the elements of the Council's approved Capital Plan, which fall within the remit of the Committee.
 - **Appendix 5:** details of the reserves held by the Council, which are specifically related to the services within the Committee's remit.
- 3.4 The Committee will receive further reports on the financial performance at each Committee cycle and elected members will be able to access financial information out with the Committee cycle through a set of high-level interactive reports that have been developed. A number of drop-in Skype training sessions were provided in June to help familiarise elected members with navigating these reports.
- 3.5 Full Council will receive Financial Performance Reports at the end of each quarter.

4 Discussion

- 4.1 The Housing Revenue Account (HRA) and Capital Expenditure budget for monitoring purposes for 2021/22 were approved by Council on 11 February 2021 and 17 March 2021, respectively. Any net surplus on the HRA is used to fund the HRA Capital Programme, whilst maintaining a minimum working balance of £2m in reserves.

The Table below provides a summary of the HRA budget, which was approved on 17 March 2021.

	Committee Budget £'000
Gross Revenue Budget	66,529
Service Savings	-
Corporate Savings	-
Other Budget Movements	-
Net Revenue Budget	66,529
Capital	93,416
Reserves	2,000

4.2 Revenue – Expenditure and Income

i. **Financial Facts**

The Revised Revenue Budget for 2021/22 for HRA amounts to £66,529,000, The budget allocations are broken down by Type of Spend and Budget Page in **Appendices 1a and 1b** respectively.

The service is currently forecasting to remain within budget, given that at this stage in the financial year the HRA year-to-date actuals are within the year-to-date budget position.

ii. **Service Commentary**

The Service continues to look at the structure of its teams, considering the impact of Covid 19 and future working practices and requirements.

iii. **Risks/Mitigation**

Any changes in service delivery and practice will require engagement with the Council and with our tenants. The outcome of this engagement may impact on proposals.

iv. **Impact on Future Years**

There have been no budget pressures or efficiencies identified at this time which would potentially affect the Council's budget in future years.

Impact on future years is considered by modelling the HRA Business Plan with multiple scenarios. This allows a degree of knowledge and certainty as to how the HRA Budget will look in future years.

4.3 **Savings**

i. Financial Facts

The approved HRA Revenue Budget for 2021/22 has been prepared after consultation with tenants and therefore reflects the priorities resulting from this vital engagement.

Any savings within the HRA Revenue Budget provides a reinvestment opportunity within the HRA.

4.4 **Capital**

i. Financial Facts

The approved Capital Budget for 2021/22 in respect of HRA amounted to £93.416 million.

ii. Service Commentary

Housing continually monitor the Capital Plan during the financial year. The New Build Housing Programme has been developed and re-profiled and as a result, forecast expenditure in 2021/22 will be £11.837 million lower than expected predominantly as a result of the challenges facing the development industry as Covid 19 restrictions ease. There are significant challenges across the sector including difficulties within the supply chain across a variety of materials and volatility with regards to both labour and materials costs, causing contractors concerns about their ability to fulfil their contractual obligations. In addition, there has been some slippage in obtaining statutory permissions and delays in site acquisition on some projects.

iii. Risks/Mitigation

Any risks arising will be identified and actions considered to mitigate the risk.

iv. Impact on Future Years

Any impact on future years will be reported as necessary as the plan progresses during the year. The £11.837 million from New Build Housing will be re-profiled and utilised in future years. Any slippage will likely have a knock-on effect upon the ability to drawdown Scottish Government grant which cannot be carried forward into future years. This will have implications for the affordable housing sector as a whole across Scotland.

4.5 **Reserves**

i. Financial Facts

Full Council agreed an HRA reserve of £2.0million when it approved the budget for 2021/22 as detailed in Appendix 5 to this report. It should be recognised that were an unforeseen event to occur that could impact on the HRA revenue budget, which may require a call on this reserve, consideration would be made by Council as to how to reinstate the balance to the agreed level. The balance in this reserve at 17 March 2021 was £2.0 million.

ii. Service Commentary

Housing Service has no immediate plans for expenditure from the reserve.

iii. Risks/Mitigation

No risks have been identified at the present time.

5 Council Priorities, Implications and Risk

- 5.1 The work and outcomes delivered through the various services reporting to the Communities Committee helps in the delivery of the following council priorities:

Pillar	Priority
Our People	<ul style="list-style-type: none"> • Education • Health & Wellbeing
Our Environment	<ul style="list-style-type: none"> • Infrastructure • Resilient Communities
Our Economy	<ul style="list-style-type: none"> • Economy & Enterprise • Estate Modernisation

- 5.2 This report sets out the financial resources which have been responsibly used to deliver the Strategic Priorities of the Communities Committee and as such link into the actions and outcomes set out in the Strategies, Policies and Actions Plans of the services within the Committee's remit. 5.3 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing		X	
Equalities			X
Fairer Scotland Duty			X
Town Centre First			X
Sustainability			X
Children and Young People's Rights and Wellbeing			X

- 5.3 An integrated impact assessment is not required for this report as the report deals with the monitoring of expenditure against budgets which have been approved previously, and the re-profiling of some expenditure.
- 5.4 There are no staffing or children and young people's wellbeing implications arising from this report.
- 5.5 The following Risks have been identified as relevant to this matter on a Corporate Level: Budget Pressures (Corporate Risk Register) and on a Strategic Level: Balancing the Books (Directorate Risk Registers). Actions being taken to mitigate these risks are set out in the report.

6 Scheme of Governance

- 6.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

- 6.2 The Committee is able to consider this item in terms of Section C.1.1 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to resource matters (within agreed budgets) that have been delegated to the Committee.

Alan Wood
Director of Infrastructure Services

Report Prepared by Chris Smith, Finance Business Partner
Date: 18 August 2021

List of Appendices

Appendix 1a - expenditure and income by Service and by Type of Spend

Appendix 1b - expenditure and income by Budget Page

Appendix 2 - graphs of expenditure and income by Type of Spend and Budget Page

Appendix 3 - previously agreed revenue budget movements

Appendix 4 - Capital Plan

Appendix 5 - Reserves

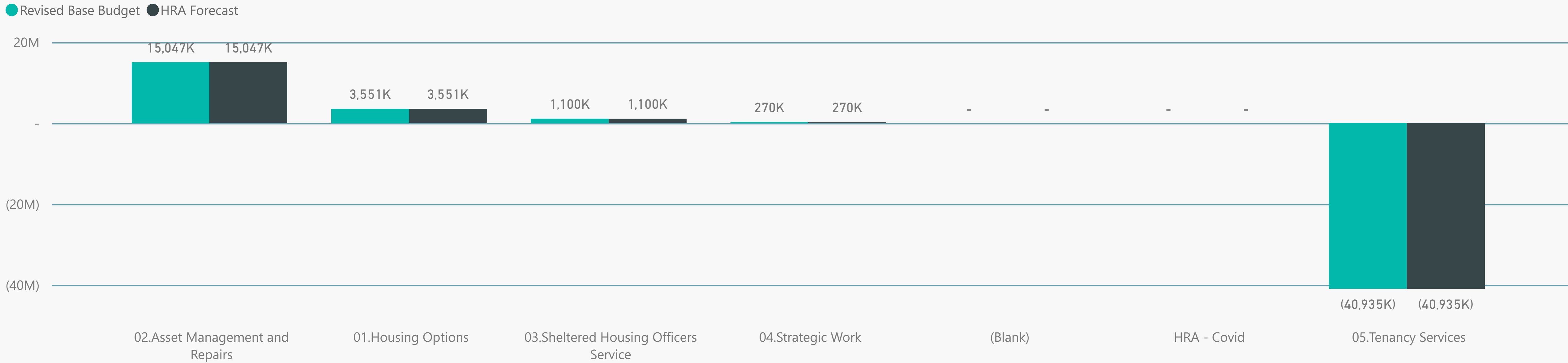


Type of Spend	Gross Base Budget	Savings	Other Budget Movements	Revised Base Budget	YTD Budget	YTD Actual	HRA Forecast	Variance Revised Base Budget less HRA Forecast
01.Staff Costs	10,023,900			10,023,900	3,341,000	3,093,641	10,023,900	-
02.Premises Costs	19,141,500		-	19,141,500	5,317,000	3,075,229	19,141,500	-
03.Transport	228,300			228,300	78,200	38,324	228,300	-
04.Supplies & Services	4,667,700		-	4,667,700	1,496,800	1,562,572	4,667,700	-
05.Third Parties	177,100			177,100	59,000	56,910	177,100	-
06.Central	2,906,800			2,906,800	969,000	968,933	2,906,800	-
08.Financing Costs	8,416,000			8,416,000			8,416,000	-
09.Grants				-		(54,500)	-	-
10.Income	(65,329,300)		-	(65,329,300)	(21,243,600)	(19,642,244)	(65,329,300)	-
11.Other	(1,200,000)			(1,200,000)			(1,200,000)	-
12.Capital				-			-	-
Total	(20,968,000)		-	(20,968,000)	(9,982,600)	(10,901,135)	(20,968,000)	-

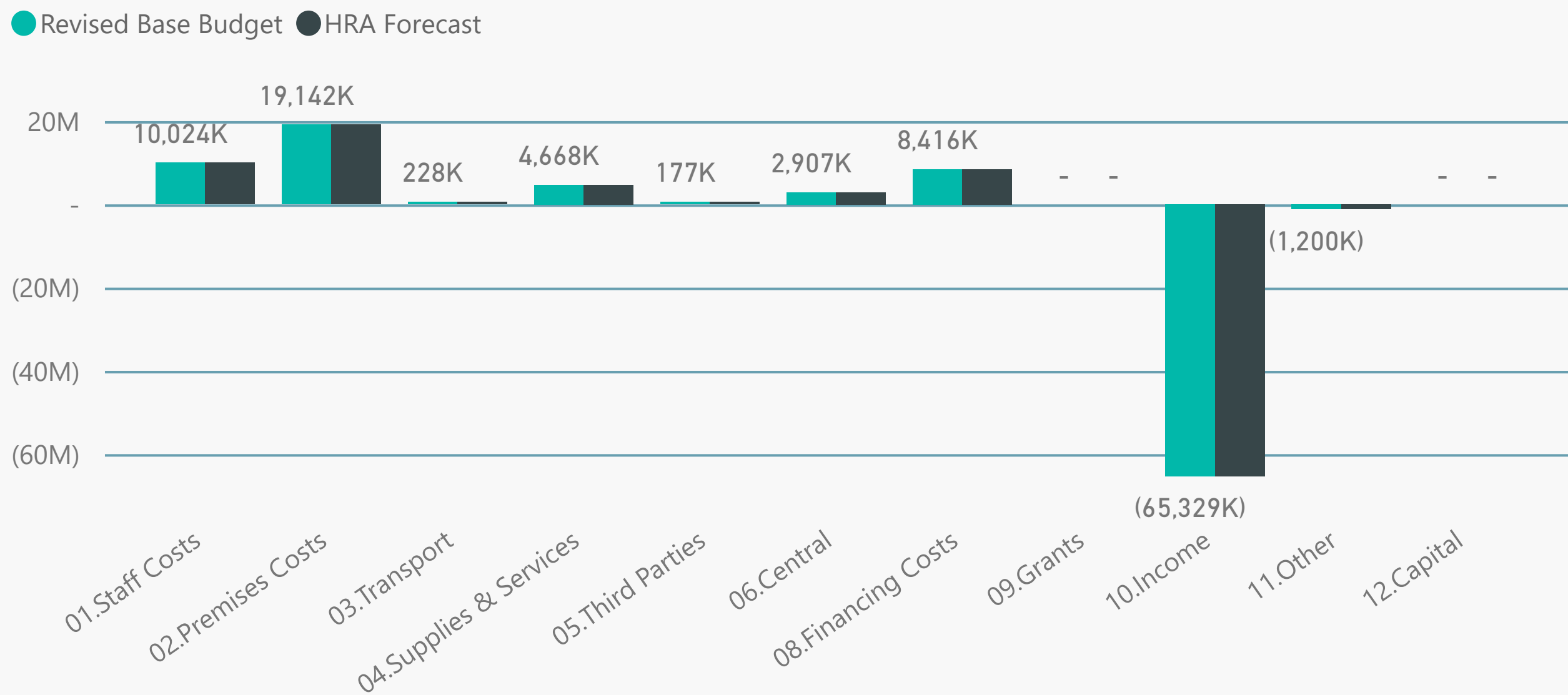
HRA Page	Gross Base Budget	Savings	Other Budget Movements	Revised Base Budget	YTD Budget	YTD Actual	HRA Forecast	Variance Revised Base Budget less HRA Forecast
				-		(45,026)	-	-
01.Housing Options	3,550,800		-	3,550,800	1,207,000	1,217,927	3,550,800	-
02.Asset Management and Repairs	15,047,200		-	15,047,200	4,165,200	2,745,674	15,047,200	-
03.Sheltered Housing Officers Service	1,099,600		-	1,099,600	313,600	(121,300)	1,099,600	-
04.Strategic Work	269,800			269,800	90,000	89,729	269,800	-
05.Tenancy Services	(40,935,400)		-	(40,935,400)	(15,758,400)	(14,826,017)	(40,935,400)	-
HRA - Covid				-		37,878	-	-
Total	(20,968,000)		-	(20,968,000)	(9,982,600)	(10,901,135)	(20,968,000)	-



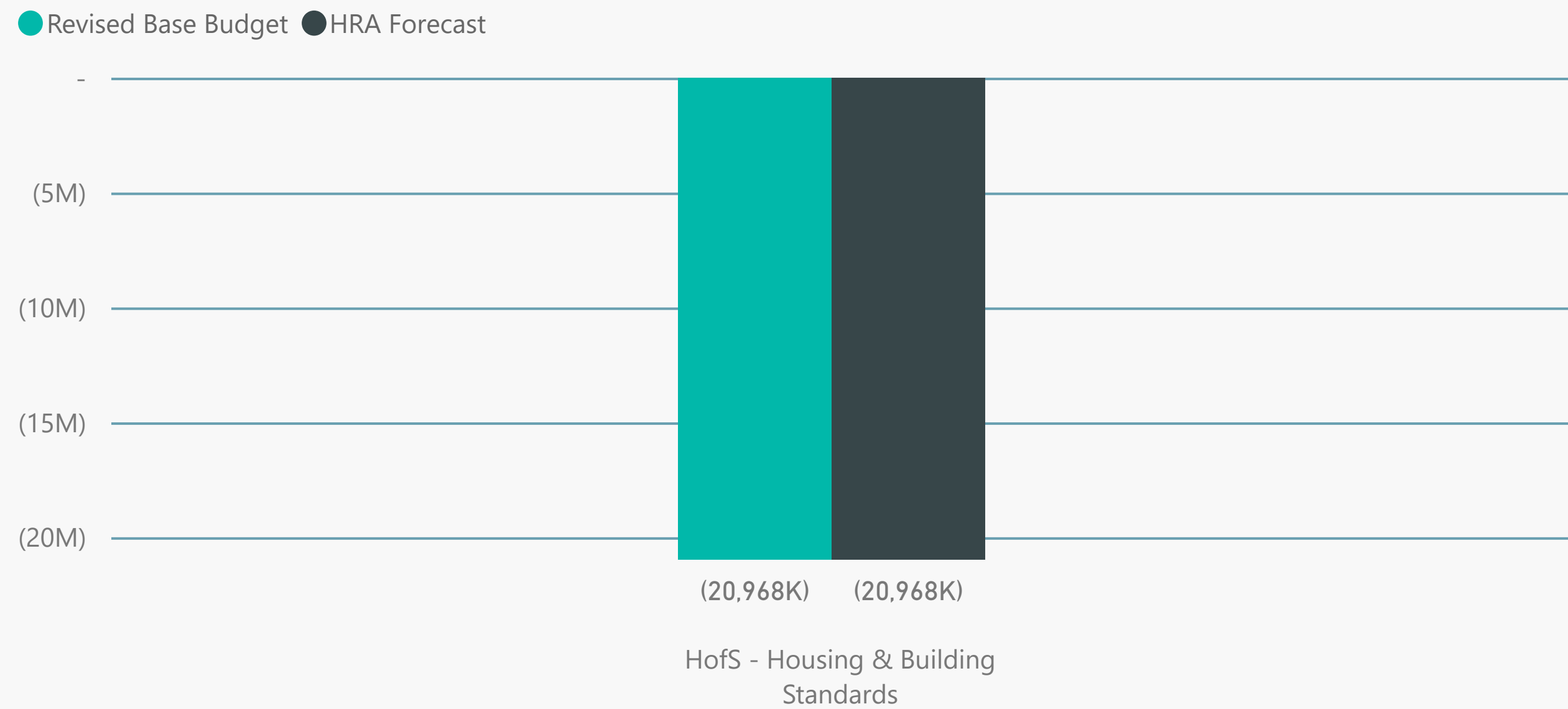
Revised Base Budget and HRA Forecast by HRA Page



Revised Base Budget and HRA Forecast by Type of Spend



Revised Base Budget and HRA Forecast by Head of Service



Committee Budget Page	Gross Base Budget	Savings	Net Base Budget as at Mar 2021 Committee	Reallocated Savings	Voluntary Severance	Net Base Budget	MTFS	Additional Scottish Govt Funding	Budget Virements	Reserves Allocated	Revised Base Budget
102.HRA	(20,968,000)		(20,968,000)			(20,968,000)					(20,968,000)
01.Housing Options	3,550,800		3,550,800			3,550,800					3,550,800
02.Asset Management and Repairs	15,047,200		15,047,200			15,047,200					15,047,200
03.Sheltered Housing Officers Service	1,099,600		1,099,600			1,099,600					1,099,600
04.Strategic Work	269,800		269,800			269,800					269,800
05.Tenancy Services	(40,935,400)		(40,935,400)			(40,935,400)					(40,935,400)
Total	(20,968,000)		(20,968,000)			(20,968,000)					(20,968,000)

APPENDIX 4

HOUSING REVENUE ACCOUNT
CAPITAL PERFORMANCE REPORT - JULY 2021

	2021/22 Approved Budget £,000	2021/22 Actual July 2021 £,000	2021/22 Projected Variance £,000
SUMMARY			
1 New Build Programme	32,361	3,189	(11,837)
2 Reactive Heating	2,164	292	(31)
3 Sheltered Housing Upgrades (Lifts, Boilers)	575	1	(75)
4 Sheltered Housing Sprinkler Programme (Fraserburgh)	1,335	87	(355)
5 Stock Improvements (non-HIP)	1,079	0	(825)
6 Housing Improvement Plan (HIP)	45,200	4,174	(2,675)
7 Macrae House Type External Wall Refurbishment	138	0	(3)
8 Smart Solar and Battery Storage (LCIPT)	5,000	382	(90)
9 Housing Fire and Smoke Detector Upgrades	1,341	570	0
10 Capital Works done at Void (Housing Repairs)	2,000	275	0
11 Housing Repairs Service Allocation	460	0	0
12 Staff Recharges	686	225	0
13 Other (ICT Infrastructure, SH car park upgrades, hard to treat properties)	287	1	0
14 Weir Housetype Upgrades, Macduff	790	4	(250)
	93,416	9,200	(16,141)

Appendix 5

Communities Committee
HRA Financial Performance Report as at 31st July 2021

Reserves

Name of Reserve

Balance
31-Jul-21

Working Balances

Housing Revenue Account

£ 2,000,000

Total

£ 2,000,000