

## REPORT TO ABERDEENSHIRE COUNCIL – 18 NOVEMBER 2021

### FINANCIAL PERFORMANCE AS AT 30 SEPTEMBER 2021 HOUSING REVENUE ACCOUNT (HRA)

#### 1 Reason for Report/Summary

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

#### 2 Recommendations

**The Council is recommended to:**

1. **Consider and discuss the financial information and forecast position as at 30 September 2021.**
2. **Consider and agree the revised HRA Capital Budget referenced in paragraph 4.1.**

#### 3 Purpose and Decision-Making Route

- 3.1 The purpose of this report is to provide Council with the financial information in relation to expenditure and income for the HRA.
- 3.2 Communities Committee have considered and approved the financial performance information to the end of August 2021.
- 3.3 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.
- 3.4 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.
- 3.5 The Council will receive further reports on the financial performance at each cycle.

## 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. If recommendation 2.2 is approved this revises the budget to £94.005m from £93.416m. This increase reflects the carry forward for Housing Fire & Smoke Detector Upgrades from 2020/21.

|                           | <b>Committee Budget<br/>£'000</b> |
|---------------------------|-----------------------------------|
| Gross Revenue Budget      | 66,529                            |
| Service Savings           | -                                 |
| Corporate Savings         | -                                 |
| Other Budget Movements    | -                                 |
| <b>Net Revenue Budget</b> | <b>66,529</b>                     |
| <b>Capital</b>            | <b>94,005</b>                     |
| <b>Reserves</b>           | <b>2,000</b>                      |

### 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.

#### 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 £14.786 million lower than expected an increase on the July figures reported of £2.949m, predominantly because of the challenges facing the development industry as Covid 19 restrictions ease.

The Housing Improvement Plan (HIP) is also showing a large movement from July of £4.877m. The HIP contractors have reaffirmed with the Property Service that they will achieve planned expenditure. However, due to the unpredictability of the ongoing impact of Covid19 and the current global difficulties the Housing Service believe this target is ambitious.

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**

The main risks are delays in delivering new affordable housing due to the issues set out in section 4.4.ii. This is likely to result in reduced drawdown of Scottish Government grant for 2021/22. Officers from Housing and Building Standards, Property Services and Procurement are exploring how delays can be minimised. The increased risk in the cost of the programme or projects may mean that they become too expensive to be delivered. Officers benchmark costs locally and nationally to ensure best value for money and are considering alternative procurement solutions and will identify alternative additional funding streams where feasible.

##### **iv. Impact on Future Years**

Any impact on future years will be reported as necessary as the plan progresses during the year. The £14.786 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 30 September 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 Council helps in the delivery of the following council priorities:

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

5.2 This report sets out the financial resources which have been responsibly used to deliver the priorities of Aberdeenshire Council and as such link into the actions and outcomes set out in the Strategies, Policies and Actions Plans of the services within the Councils remit.

5.3 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed.

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

5.4 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.

5.5 There are no staffing or children and young people's wellbeing implications arising from this report.

5.6 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 Council 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 Council.

**Alan Wood**  
**Director of Environment & Infrastructure Services**

Report Prepared by Moira Beverley, Finance Business Partner  
Date: 26 October 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 |
|------------------------|---------------------|---------|------------------------|---------------------|---------------------|---------------------|---------------------|--|
| <b>A</b>               | <b>(20,968,000)</b> |         | -                      | <b>(20,968,000)</b> | <b>(13,140,000)</b> | <b>(15,324,104)</b> | <b>(20,968,000)</b> | -  |
| 01.Staff Costs         | 10,023,900          |         |                        | 10,023,900          | 5,012,100           | 4,593,688           | 10,023,900          | -  |
| 02.Premises Costs      | 19,141,500          |         | -                      | 19,141,500          | 8,047,700           | 6,404,668           | 19,141,500          | -  |
| 03.Transport           | 228,300             |         |                        | 228,300             | 115,800             | 62,395              | 228,300             | -  |
| 04.Supplies & Services | 4,667,700           |         | -                      | 4,667,700           | 2,221,400           | 2,309,202           | 4,667,700           | -  |
| 05.Third Parties       | 177,100             |         |                        | 177,100             | 88,600              | 78,875              | 177,100             | -  |
| 06.Central             | 2,906,800           |         |                        | 2,906,800           | 1,453,400           | 1,453,400           | 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)        | (30,079,000)        | (30,171,831)        | (65,329,300)        | -  |
| 11.Other               | (1,200,000)         |         |                        | (1,200,000)         |                     |                     | (1,200,000)         | -  |
| <b>B</b>               | <b>20,968,000</b>   |         |                        | <b>20,968,000</b>   | <b>13,140,000</b>   | <b>15,324,104</b>   | <b>20,968,000</b>   | -  |
| 12.Capital             | 20,968,000          |         |                        | 20,968,000          | 13,140,000          | 15,324,104          | 20,968,000          | -  |
| <b>Total</b>           | -                   |         | -                      | -                   | -                   |                     | -                   | -  |

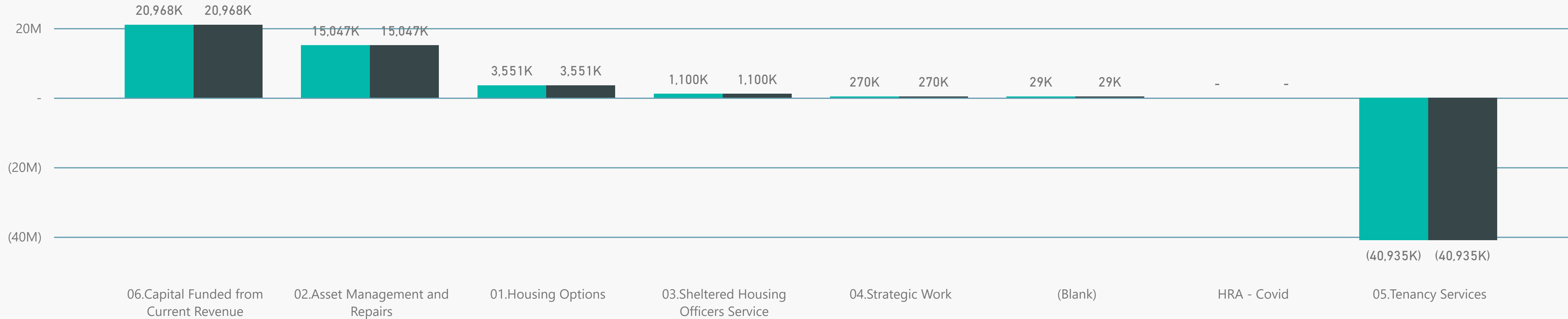


| HRA Page                               | Gross Base Budget   | Savings | Other Budget Movements | Revised Base Budget | YTD Budget          | YTD Actual          | HRA Forecast        | Variance Revised Base Budget less HRA Forecast |
|--|---------------------|---------|------------------------|---------------------|---------------------|---------------------|---------------------|--|
| <b>A</b>                               | <b>(20,968,000)</b> |         | -                      | <b>(20,968,000)</b> | <b>(13,140,000)</b> | <b>(15,324,104)</b> | <b>(20,968,000)</b> | -  |
| 01.Housing Options                     | 3,550,800           |         | -                      | 3,550,800           | 1,805,100           | 1,843,112           | 3,550,800           | -  |
| 02.Asset Management and Repairs        | 15,047,200          |         | -                      | 15,047,200          | 6,243,600           | 5,413,746           | 15,047,200          | -  |
| 03.Sheltered Housing Officers Service  | 1,099,600           |         | -                      | 1,099,600           | 529,400             | (160,038)           | 1,099,600           | -  |
| 04.Strategic Work                      | 269,800             |         |                        | 269,800             | 134,900             | 139,941             | 269,800             | -  |
| 05.Tenancy Services                    | (40,935,400)        |         | -                      | (40,935,400)        | (21,853,000)        | (22,598,793)        | (40,935,400)        | -  |
| HRA - Covid                            |                     |         |                        | -                   |                     | 37,929              | -                   | -  |
| <b>B</b>                               | <b>20,968,000</b>   |         |                        | <b>20,968,000</b>   | <b>13,140,000</b>   | <b>15,324,104</b>   | <b>20,968,000</b>   | -  |
| 06.Capital Funded from Current Revenue | 20,968,000          |         |                        | 20,968,000          | 13,140,000          | 15,324,104          | 20,968,000          | -  |
| <b>Total</b>                           | -                   |         | -                      | -                   | -                   | -                   | -                   | -  |



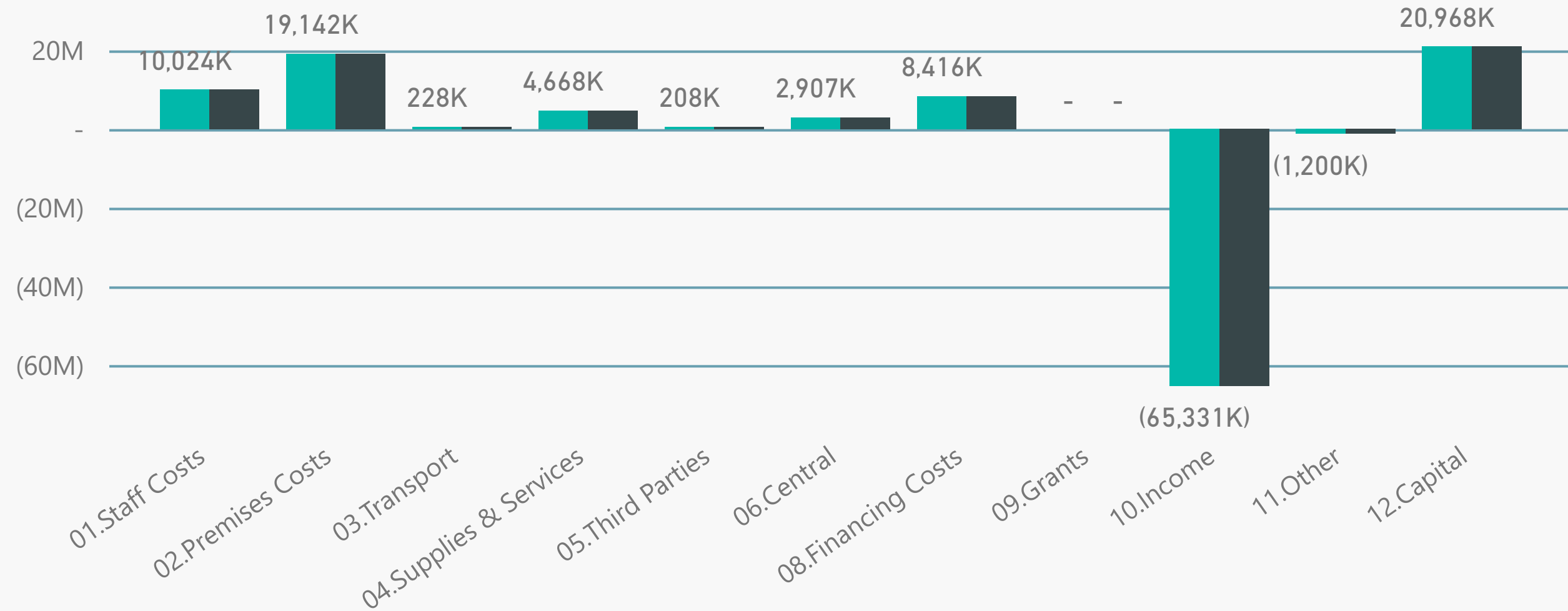
Revised Base Budget and HRA Forecast by HRA Page

● Revised Base Budget ● HRA Forecast



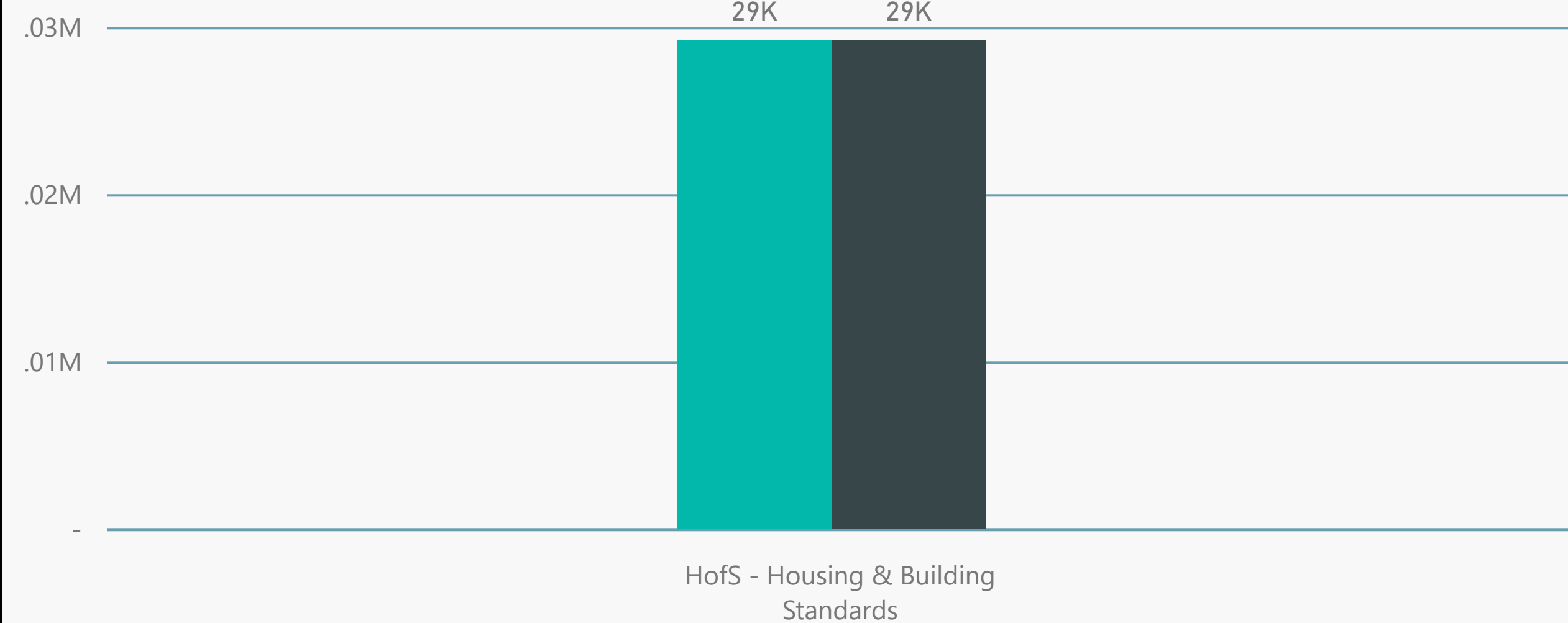
Revised Base Budget and HRA Forecast by Type of Spend

● Revised Base Budget ● HRA Forecast



Revised Base Budget and HRA Forecast by Head of Service

● Revised Base Budget ● HRA Forecast





| 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 |
|--|---------------------|---------|--|---------------------|---------------------|---------------------|------|----------------------------------|------------------|--------------------|---------------------|
| <b>102.HRA</b>                         | -                   |         | -  |                     |                     | -                   |      |                                  |                  |                    | -                   |
| <b>A</b>                               | <b>(20,968,000)</b> |         | <b>(20,968,000)</b>                      |                     |                     | <b>(20,968,000)</b> |      |                                  |                  |                    | <b>(20,968,000)</b> |
| 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                    | <b>(40,935,400)</b> |         | <b>(40,935,400)</b>                      |                     |                     | <b>(40,935,400)</b> |      |                                  |                  |                    | <b>(40,935,400)</b> |
| <b>B</b>                               | <b>20,968,000</b>   |         | <b>20,968,000</b>                        |                     |                     | <b>20,968,000</b>   |      |                                  |                  |                    | <b>20,968,000</b>   |
| 06.Capital Funded from Current Revenue | 20,968,000          |         | 20,968,000                               |                     |                     | 20,968,000          |      |                                  |                  |                    | 20,968,000          |
| <b>Total</b>                           | -                   |         | -  |                     |                     | -                   |      |                                  |                  |                    | -                   |

APPENDIX 4

HOUSING REVENUE ACCOUNT  
CAPITAL PERFORMANCE REPORT - SEPTEMBER 2021

|   | 2021/22<br>Approved<br>Budget<br>£,000 | 2021/22<br>Revised<br>Budget<br>£,000 | 2021/22<br>Actual<br>Sep 2021<br>£,000 | 2021/22<br>Projected<br>Variance<br>£,000 |
|---|--|---------------------------------------|--|---|
| <b>SUMMARY</b>  |  |                                       |  |   |
| 1 New Build Programme   | 32,361                                 | 32,361                                | 4,159                                  | (14,786)                                  |
| 2 Reactive Heating  | 2,164                                  | 2,164                                 | 612                                    | (7)                                       |
| 3 Sheltered Housing Upgrades (Lifts, Boilers)                                 | 575                                    | 575                                   | 48                                     | (71)                                      |
| 4 Sheltered Housing Sprinkler Programme (Fraserburgh)                         | 1,335                                  | 1,335                                 | 199                                    | (825)                                     |
| 5 Stock Improvements (non-HIP)  | 1,079                                  | 1,079                                 | 88                                     | (728)                                     |
| 6 Housing Improvement Plan (HIP)  | 45,200                                 | 45,200                                | 10,909                                 | (7,552)                                   |
| 7 Macrae House Type External Wall Refurbishment                               | 138                                    | 138                                   | 0                                      | (3)                                       |
| 8 Smart Solar and Battery Storage (LCIPT)                                     | 5,000                                  | 5,000                                 | 710                                    | (1,080)                                   |
| 9 Housing Fire and Smoke Detector Upgrades                                    | 1,341                                  | 1,930                                 | 817                                    | 0   |
| 10 Capital Works done at Void (Housing Repairs)                               | 2,000                                  | 2,000                                 | 593                                    | 0   |
| 11 Housing Repairs Service Allocation   | 460                                    | 460                                   | 0                                      | 0   |
| 12 Staff Recharges  | 686                                    | 686                                   | 335                                    | 0   |
| 13 Other (ICT Infrastructure, SH car park upgrades, hard to treat properties) | 287                                    | 287                                   | 1                                      | 0   |
| 14 Weir Housetype Upgrades, Macduff   | 790                                    | 790                                   | 4                                      | (362)                                     |
|   | <b>93,416</b>                          | <b>94,005</b>                         | <b>18,475</b>                          | <b>(25,414)</b>                           |

Appendix 5

Communities Committee  
HRA Financial Performance Report as at 30th September 2021

Reserves

Name of Reserve

Balance  
30-Sep-21

Working Balances

Housing Revenue Account

£ 2,000,000

Total

£ 2,000,000