

REPORT TO ABERDEENSHIRE COUNCIL – 30 JUNE 2022

HOUSING REVENUE ACCOUNT (HRA) FINANCIAL OUTTURN 2021/22

1 Executive Summary/Recommendations

1.1 This report provides Council with the 2021/22 Year End position subject to Audit for the HRA Revenue and Capital accounts.

1.2 The Council is recommended to:

1.2.1 Note the HRA provisional revenue and capital outturn as at 31 March 2022.

2 Decision Making Route

2.1 The Council's Scheme of Governance aligns service budget responsibility with Policy Committee responsibility. This report covers the unaudited outturn for the period ended 31 March 2022 for both Revenue and Capital Budget monitoring for the HRA.

2.2 The revenue and capital budget outturn have been circulated to members of the Communities Committee as a Bulletin, through the Ward Pages.

3 Discussion

3.1 The [Housing Revenue Account \(HRA\) 2021/22 Budget](#) and rent setting was agreed in February 2021 and the [Capital Expenditure Budget for 2021/22](#) agreed in March 2021.

3.2 The HRA budget is structured so that any net surplus on the HRA is used to fund the HRA Capital Programme, whilst maintaining a minimum working balance of £2 million.

3.3 Throughout the year, income and expenditure has been measured against the budget as a means of reviewing service performance, controlling expenditure, and informing the Medium-Term Financial Strategy (MTFS) for future budget setting.

3.4 Emerging issues have been reported through the Communities Committee with the most recent update in March 2022.

Revenue Expenditure

3.5 The HRA revenue budget is split into 5 core functions :-

- Housing Options,
- Asset Management and Repairs,
- Sheltered Housing Service,
- Strategic Work
- Tenancy Services

- 3.6 Of the budgeted income of £66.529m for 2021/22, £45.561m supports the delivery of the above services with the remaining £20.968 million allocated for investment in the HRA Capital Plan.
- 3.7 In the year to 31 March 2022, the final HRA outturn for the year is a breakeven position. A more detailed breakdown shows that the revenue funding required to support the HRA capital programme was £18.482 million, £2.486 million lower than that budgeted and this offset the over budget position for Premises Costs, Supplies & Services and Financing Costs. The financial position is shown in more detail in **Appendices 1a** and **1b**.
- 3.8 Premises costs incurred an over budget position of £959,000 due to increasing costs arising from repairs and maintenance undertaken on void properties as well as the requirement for all homes in Scotland to comply with the new fire detector legislation (LD2) to have interlinked fire alarms by February 2022. Damages to housing stock resulting from the unprecedented storms witnessed during the year have also contributed to the overspend on this line.
- 3.9 Supplies and Services costs exceeded budget by £229,000 largely due to expenditure incurred in relation to data collection costs associated with Feed in Tariff applications for solar panel installed properties which did not meet capital spend criteria.
- 3.10 Financing Costs are £1.6 million over budget. This increase is mainly due to the increase in principal repayments associated with new loans fund advances for previous year capital spend. Repayment terms vary depending on the nature of the expenditure.
- 3.11 These pressures have been offset by an underbudget position of £520,000 in respect of the cost of providing support by the Council's General Fund services. The allocation of these charges will vary on an annual basis and are dependent on the level of service input required on an annual basis.

Capital Expenditure

- 3.12 The HRA Capital Budget was set in March 2021 at £93.416 million. This budget figure alters during the year, as and when changes to the profile of capital expenditure from one year to another are agreed and adjusted for. This is because the Capital budget is set over a long term, multiple year timeframe, as the projects will often take more than one financial year to complete or will start in one financial year and end in the next. Consequently, there is the need to re-profile the capital expenditure on a continual basis.
- 3.13 During the year, Council agreed to utilise £0.589 million of carry forward funding from 2020/21 for Housing Fire & Smoke Detector upgrades. This took the revised 2021/22 capital budget to £94.005 million.
- 3.14 The actual expenditure incurred on capital projects in 2021/22 was £59.980 million which is detailed in **Appendix 2** to the report. This is £34.025 million less than the revised budget figure. **Appendix 3** provides details of the significant variances within the capital budget. The majority of the under-spend related to the Housing Improvement Plan, Smart Solar and the New Build Programme.

4 Council Priorities, Implications and Risk

- 4.1 The work and outcomes delivered through the various services reporting to Full Council helps in the delivery of the following Council priorities and the underlying principle of responsible finances:

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

- 4.2 This report sets out the financial resources which have been 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 Committee's remit.

- 4.3 The Table below shows whether risks and implications apply if the recommendation is agreed.

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

- 4.4 Financial implications have been discussed throughout the report. There are no staffing implications arising from this report.
- 4.5 The screening section as part of Stage One of the Integrated Impact Assessment has not identified the requirements for any further detailed assessments to be undertaken. The report deals with the monitoring of expenditure against budgets which have previously been approved.
- 4.6 The following Risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures Corporate Risk Register The following Risk has been identified as relevant to this matter on a Strategic Level: Balancing the Books Directorate Risk Register. Actions being taken to mitigate these risks are set out in the report.

5 Scheme of Governance

- 5.1 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.

- 5.2 The Council is able to consider and take a decision on this item in terms of the general powers conferred by Section A of the List of Committee Powers in Part 2A of the Scheme of Governance. In particular, Section A.8.3 applies in relation to the virements as they relate to the incurring of revenue expenditure not provided for in the Revenue Budget.

Alan Wood

Director of Environment & Infrastructure Services

Report prepared by Fiona Massie, Team Leader

Date 31 May 2022

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 – Capital Outturn 2021/22

Appendix 3 – Capital Variance Analysis 2021/22

Type of Spend	Gross Base Budget	Savings	Other Budget Movements	Revised Base Budget	YTD Budget	YTD Actual	Revised Budget less YTD Actual
A	(20,968,000)		-	(20,968,000)	(20,968,000)	(18,482,458)	(2,485,542)
01.Staff Costs	10,023,900		(387,400)	9,636,500	9,636,500	9,541,144	95,356
02.Premises Costs	19,141,500		-	19,141,500	19,141,500	20,100,937	(959,437)
03.Transport	228,300			228,300	228,300	143,941	84,359
04.Supplies & Services	4,667,700		387,400	5,055,100	5,055,100	5,284,306	(229,206)
05.Third Parties	177,100			177,100	177,100	129,491	47,609
06.Central	2,906,800			2,906,800	2,906,800	2,332,891	573,909
08.Financing Costs	8,416,000			8,416,000	8,416,000	10,004,823	(1,588,823)
09.Grants				-		(54,500)	54,500
10.Income	(65,329,300)		-	(65,329,300)	(65,329,300)	(64,981,200)	(348,100)
11.Other	(1,200,000)			(1,200,000)	(1,200,000)	(984,291)	(215,709)
B	20,968,000		-	20,968,000	20,968,000	18,482,458	2,485,542
12.Capital	20,968,000		-	20,968,000	20,968,000	18,482,458	2,485,542
Total	0		-	0	0	0	0

HRA Page	Gross Base Budget	Savings	Other Budget Movements	Revised Base Budget	YTD Budget	YTD Actual	Revised Budget less YTD Actual
				-			
				-			
A	(20,968,000)		-	(20,968,000)	(20,968,000)	(18,482,458)	(2,485,542)
01.Housing Options	3,550,800		-	3,550,800	3,550,800	3,639,012	(88,212)
02.Asset Management and Repairs	15,047,200		-	15,047,200	15,047,200	17,347,676	(2,300,476)
03.Sheltered Housing Officers Service	1,099,600		-	1,099,600	1,099,600	520,226	579,374
04.Strategic Work	269,800		-	269,800	269,800	288,095	(18,295)
05.Tenancy Services	(40,935,400)		-	(40,935,400)	(40,935,400)	(40,317,752)	(617,648)
HRA - Covid				-		40,286	(40,286)
B	20,968,000		-	20,968,000	20,968,000	18,482,458	2,485,542
06.Capital Funded from Current Revenue	20,968,000		-	20,968,000	20,968,000	18,482,458	2,485,542
Total	0		-	0	0	0	0

APPENDIX 2

**HOUSING REVENUE ACCOUNT
CAPITAL PERFORMANCE REPORT - DRAFT OUTTURN 2021/22**

	2021/22 Approved Budget £,000	2021/22 Revised Budget £,000	2021/22 Draft Outturn £,000	2021/22 Draft Variance £,000	Note (App 3)
FINANCING					
1 New Build Funding	(17,929)	(17,929)	(5,599)	12,330	
2 Capital Funded from Current Revenue (CFCR)	(20,968)	(20,968)	(18,484)	2,484	
3 Sales Receipts	(600)	(600)	(55)	545	
4 Other Income (Net Zero; Smart Solar; HSCP Contributions)	0	0	(3,177)	(3,177)	
5 Borrowing	(54,219)	(54,508)	(32,665)	21,843	
	(93,716)	(94,005)	(59,980)	34,025	
PROJECTS					
6 New Build Programme	32,361	32,361	12,321	(20,040)	A
7 Reactive Heating	2,164	2,164	1,536	(628)	B
8 Sheltered Housing Upgrades (Lifts, Boilers)	575	575	513	(62)	
9 Sheltered Housing Sprinkler Programme (Fraserburgh)	1,335	1,335	749	(586)	C
10 Stock Improvements (non-HIP)	1,079	1,079	284	(795)	D
11 Housing Improvement Plan (HIP)	45,200	45,200	36,002	(9,198)	E
12 Macrae House Type External Wall Refurbishment	138	138	1	(137)	F
13 Smart Solar and Battery Storage (LCIPT)	5,000	5,000	3,223	(1,777)	G
14 Housing Fire and Smoke Detector Upgrades	1,341	1,930	1,840	(90)	
15 Capital Works done at Void (Housing Repairs)	2,000	2,000	2,011	11	
16 Housing Repairs Service Allocation	460	460	574	114	H
17 Staff Recharges	686	686	688	2	
18 Other (ICT Infrastructure, SH car park upgrades, hard to treat properties)	287	287	66	(221)	I
19 Weir Housetype Upgrades, Macduff	790	790	172	(618)	J
	93,416	94,005	59,980	(34,025)	

APPENDIX 3

ABERDEENSHIRE COUNCIL - FINANCIAL PERFORMANCE: 2021/22 HOUSING REVENUE ACCOUNT DRAFT OUTTURN

Significant Variance Analysis

Note	Budget Expenditure	£,000 Narrative
A	New Build Programme	(20,040) Expenditure lower than originally budgeted predominantly due to the challenges facing the development industry as Covid 19 restrictions ease, including supply chain difficulties across a variety of materials and volatility in both labour and materials costs, causing contractors concerns about their ability to fulfil contractual obligations. Some projects have encountered delays in obtaining statutory permissions and site acquisition.
B	Reactive Heating	(628) The programme is reactive and as such it is difficult to estimate what requirements will be in any given year.
C	Sheltered Housing Sprinkler Programme (Fraserburgh)	(586) Access limited due to Covid-19 guidance, delaying the programme. The affected works originally programmed for this financial year will be undertaken in 2022/23.
D	Stock Improvements (non-HIP)	(795) Following a review of the programme of works required for the remainder of 2021/22 it was concluded that budget of £0.795m is not required. The impact on future years budget will be assessed going forward.
E	Housing Improvement Plan (HIP)	(9,198) The HIP contractors had hoped to achieve planned expenditure. However, due to the unpredictability of the ongoing impact of COVID19 and the current global difficulties with supply of materials and labour shortages Housing Service believed the target to be ambitious and some works have fallen into 2022/23 for completion.
F	Macrae House Type External Wall Refurbishment	(137) Contract completed in 2020/21. Budget not required this financial year.
G	Smart Solar and Battery Storage (LCIPT)	(1,777) Contractor had hoped to complete all installations by end of the financial year, but some works remain outstanding to the value of around £700k which would need budget of that value to be carried forward. The remaining budget of approximately £1m is not required.
H	Housing Repairs Service Allocation	114 Based on the value of jobs processed through the Northgate system expenditure was £0.114m higher than originally budgeted.
I	Other (ICT Infrastructure, SH car park upgrades, hard to treat properties)	(221) Works originally planned for this financial year have been reprofiled to later years.
J	Weir House type Upgrades, Macduff	(618) Contractors' delivery team has been affected by Covid which has hindered progress. In addition, the contract award came in at a lower value than budgeted. £0.362m can be treated as a saving with the remainder requiring to be carried forward to 2022/23.
	Remaining Variances, none greater than £90k	(139)
	Total Expenditure Variance	<u>(34,025)</u>