

REPORT TO ABERDEENSHIRE COUNCIL – 29 SEPTEMBER 2022

HOUSING REVENUE ACCOUNT FINANCIAL PERFORMANCE 2022/23 – AS AT 31 JULY 2022

1 Executive Summary/Recommendations

1.1 This report presents the Housing Revenue Account (HRA) financial performance information for the period ending 31 July 2022. The report details revenue and capital income and expenditure to 31 July 2022 and provides a forecast outturn for the year to 31 March 2023. The report also highlights the financial risks that may require mitigations to be identified as the financial year progresses.

1.2 The Council is recommended to:

1.2.1 Consider and comment on the HRA Revenue budget position as at 31 July 2022;

1.2.2 Consider the identified risks that require mitigation;

1.2.3 Consider and comment on the HRA Capital budget position as at 31 July 2022; and

1.2.4 Approve the reprofiling of budget of £0.879 million to 2022/23 and £3.489 million to 2023/24 as detailed in Appendix 2.

2 Decision Making Route

2.1 The purpose of this report is to provide Council with an update on the financial information in relation to HRA revenue and capital budgets, income and expenditure as at 31 July 2022 and the forecast year end position.

2.2 Communities Committee has considered and approved the financial performance information to 31 July 2022 in respect of the HRA.

3 Discussion

3.1 The table below provides a summary of the revenue, capital, and reserves allocations for the HRA as agreed at Council in February 2022. Any net surplus on the HRA is used to fund the HRA Capital Programme, whilst maintaining a minimum working balance of £2m in reserves. It also shows a summary of the revised budget and the expenditure incurred to the 31 July 2022 and reflects the forecast outturn to the 31 March 2023.

	Original Budget £000	Revised Budget July 22 £000	Actual to 31 July 2022 £000	Forecast to 31 March 2023 £000
Expenditure	49,027	47,546	9,773	47,546
Income	(67,793)	(66,660)	(21,190)	(66,660)
Net Income	(18,946)	(19,114)	11,417	(19,114)
Capital Funded from Current Revenue	18,946	19,114	11,417	19,114
Net Revenue Budget	-	-	-	-
Capital	84,664	85,543	16,472	75,810
Reserves	2,000	2,000	2,000	2,000

Revenue Budget

- 3.2 The revised revenue budget for 2022/23 for HRA is a net surplus of £19.114 million to fund the Capital Programme as detailed in **Appendix 1a and 1b**. The movement in budget relates to the net impact on the HRA for the transfer of Homelessness and Temporary Accommodation Units from the HRA to the Homeless Persons budget page within the General Fund.
- 3.3 Risks have been identified which may result in increased budgetary pressures throughout the course of the year. The service are actively managing these pressures enabling a forecast within budget position, however, should these risks increase, this position may alter before the year end which will potentially impact on the ability to fund the capital programme.

Risks

- 3.4 The energy market remains volatile, with the risk that costs will exceed budget. Forward procurement pricing has resulted in the impact of the large price increases not being felt until the latter part of the year, or into 2023/24. The Energy Management Team continue to monitor the position and provide regular updates to Strategic Leadership Team. A Route Map 2030 and Beyond is being developed which is identifying actions across the organisation in order for its emissions to be reduced by 75% by 2030. This will require the investment in a number of interventions across the organisation to drive down consumption of energy while also decarbonising the Council's heating fuels and fleet costs.
- 3.5 At time of writing, Public Sector pay award discussions between Cosla and Scottish Government are ongoing. The 2022/23 HRA budget included provision for a pay award of up to 3%, with any award above this being required to be funded in-year with a knock on effect to future years. A 5% increase would result in a 2022/23 pressure on the HRA budget of around £324,000 and therefore an equivalent reduction in CFCR.

- 3.6 The increasing cost of living crisis may impact on tenants individual financial circumstances, reducing their ability to pay their Rent and Charges. There is the risk that budgeted levels of income will not be received during the year with potentially higher bad debts and rent arrears. This may also need to be considered when setting future years charges. The Service will monitor the arrears levels and provide updates to Council in future reports.

Capital Budget

- 3.7 The Capital Budget for 2022/23 approved by Council on 23 February 2022 in respect of the HRA amounted to £84.664 million. Delays in the 2021/22 Capital Programme resulted in slippage of works totalling £4.368 million. It is proposed to move £0.879 million of this into 2022/23 with the remaining £3.489 million being slipped into 2023/24 in relation to HIP and New Build projects. The resulting revised 2022/23 Capital Programme of £85.543 million is detailed in **Appendix 2** .
- 3.8 An underspend of £9.733 million is being reported in July. Details of these variances from budget are given in **Appendix 2** with projections being based on a best-case scenario given the data and information that is currently held. Significant risks remain on some of the projects going forward which officers continue to monitor and will take action as appropriate.
- 3.9 Current operating conditions continue to be challenging as the construction industry is still dealing with logistics and materials supply issues. Increasing energy costs are resulting in material price increases, the construction industry is warning of a skilled labour shortage and contractors and suppliers are reluctant to provide fixed rate prices.
- 3.10 In light of these risks the capital projects planned for 2022/23 are currently being considered for affordability and deliverability as part of a review of the capital plan to ensure value for money and service delivery. Material deferral of budget to later years adds to the risk that the Capital Plan becomes unaffordable in a specific year in which case future years phasing and prioritisation of projects may require to be revisited.

Reserves

- 3.11 Council agreed an HRA Working Balance Reserve of £2 million when it approved the budget for 2022/23. 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.

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 the Aberdeenshire Council and as such link into the actions and outcomes set out in the Strategies, Policies and Actions Plans of the services within Council's remit.

4.3 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 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 An Integrated Impact Assessment has been carried out as part of the development of the proposals set out above and

- No impact has been identified

4.6 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.

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 had no comments to make and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

5.2 The Council is able to consider 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. Section A.8.2 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 and Infrastructure Services

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Date: 31 August 2022

List of Appendices

Appendix 1a – HRA Revenue budget by Type of Spend July 22

Appendix 1b – HRA Revenue budget by Budget Page July 22

Appendix 2 – HRA Capital Performance July 22



Type of Spend	Gross Base Budget	Savings	Other Budget Movements	Revised Base Budget	YTD Actual	HRA Forecast	Variance Revised Base Budget less HRA Forecast
A	(18,946,000)		(167,700)	(19,113,700)	(11,417,090)	(19,113,700)	-
01.Staff Costs	10,326,000		(1,038,600)	9,287,400	3,038,764	9,287,400	-
02.Premises Costs	19,332,000		(232,200)	19,099,800	4,473,693	19,099,800	-
03.Transport	230,000			230,000	59,043	230,000	-
04.Supplies & Services	4,724,000		(209,600)	4,514,400	1,198,325	4,514,400	-
05.Third Parties	179,000			179,000	60,554	179,000	-
06.Central	2,936,000			2,936,000	942,100	2,936,000	-
08.Financing Costs	11,300,000		-	11,300,000	-	11,300,000	-
10.Income	(66,773,000)		1,312,700	(65,460,300)	(21,189,569)	(65,460,300)	-
11.Other	(1,200,000)		-	(1,200,000)	-	(1,200,000)	-
B	18,946,000		167,700	19,113,700	11,417,090	19,113,700	-
12.Capital	18,946,000		167,700	19,113,700	11,417,090	19,113,700	-
Total	-		-	-	0	-	-

HRA Page	Gross Base Budget	Savings	Other Budget Movements	Revised Base Budget	YTD Actual	HRA Forecast	Variance Revised Base Budget less HRA Forecast
				-		-	-
				-		-	-
A	(18,946,000)		(167,700)	(19,113,700)	(11,417,090)	(19,113,700)	-
01.Housing Options	3,628,100		(46,900)	3,581,200	1,029,280	3,581,200	-
02.Asset Management and Repairs	15,239,500		(119,400)	15,120,100	3,757,534	15,120,100	-
03.Sheltered Housing Service	1,109,300			1,109,300	165,345	1,109,300	-
04.Strategic Work	278,100			278,100	113,197	278,100	-
05.Tenancy Services	(39,201,000)		(1,400)	(39,202,400)	(16,483,267)	(39,202,400)	-
HRA - Covid				-	821	-	-
B	18,946,000		167,700	19,113,700	11,417,090	19,113,700	-
06.Capital Funded from Current Revenue	18,946,000		167,700	19,113,700	11,417,090	19,113,700	-
Total	-		-	-	0	-	-

FULL COUNCIL : 2022/23 HRA CAPITAL PERFORMANCE - JULY 2022

Appendix 2

HOUSING REVENUE ACCOUNT
CAPITAL PERFORMANCE REPORT - JULY 2022

	2021/22 Carry Forward £,000	2022/23 Budget Approved Feb-22 £,000	2021/22 Carry Forward Actioned £,000	2022/23 Revised Budget Jul'22 £,000	2022/23 Actual Exp. Jul-22 £,000	2022/23 Full Year Forecast £,000	2022/23 Projected Variance (Over)/Under £,000
SUMMARY							
1 New Build Programme	1,540	25,511	0	25,511	4,689	24,752	759
2 Reactive Heating	0	1,500	0	1,500	247	1,500	0
3 Sheltered Housing Upgrades (Lifts, Boilers)	0	300	0	300	2	300	0
4 Sheltered Housing Fire Alarm Programme	0	1,000	0	1,000	0	1,000	0
5 Sheltered Housing PV Installations	0	250	0	250	0	250	0
6 Sheltered Housing Sprinkler Programme (Fraserburgh)	0	1,100	0	1,100	269	815	285
7 Stock Improvements (non-HIP)	0	700	0	700	1	678	22
8 Internal Net Zero (Gross Spend)	0	5,000	0	5,000	0	5,000	0
9 External Net Zero (Gross Spend)	0	2,500	0	2,500	0	0	2,500
10 Internal Wall Insulation Programme	0	4,500	0	4,500	1,148	4,500	0
11 Housing Improvement Plan (HIP)	1,949	38,000	0	38,000	8,689	31,326	6,674
12 Smart Solar and Battery Storage (LCIPT)	697	0	697	697	143	697	0
13 Housing Fire and Smoke Detector Upgrades	90	0	90	90	288	620	(530)
14 Capital Works done at Void (Housing Repairs)	0	1,800	0	1,800	672	1,800	0
15 Housing Repairs Service Allocation	0	1,200	0	1,200	0	1,200	0
16 Staff Recharges	0	700	0	700	176	700	0
17 Other (ICT Infrastructure, SH car park upgrades, hard to treat properties)	0	328	0	328	25	397	(69)
18 Weir House Type Upgrades, Macduff	92	275	92	367	123	275	92
	4,368	84,664	879	85,543	16,472	75,810	9,733

COMMUNITIES COMMITTEE: 2022/23 HRA CAPITAL PERFORMANCE - JULY 2022

Budget Line	Budget Name	Variance (Over)/Under (£,000)	Narrative
1	New Build Programme	759	Procurement, planning and tender delays are anticipated which will result in a number of projects slipping in this area. Some site start dates were delayed but these projects are now progressing well.
6	Sheltered Housing Sprinkler Programme (Fraserburgh)	285	Albany Court, complete, Northern Court due to complete Nov '22. Windmill Court to follow in Jan '23 which is expected to complete Sep/Oct '23. Various lockdowns extended the programme with Sheltered Housing being particularly restricted.
9	External Net Zero (Gross Spend)	2,500	External funding bid of £1.25m was unsuccessful. Service were awarded a grant of £366K which is delivered under the Housing Improvement Plan (HIP) line 11. Budget is no longer required in 2022/23.
11	Housing Improvement Plan (HIP)	6,674	Forecast underspend primarily due to contractor's labour availability in the market. There has also been extended lead times on materials such as windows, which has impacted the delivery programme.
13	Housing Fire and Smoke Detector Upgrades	(530)	A further £530k is required to complete the programme of works.
	Total Major Variances	<u>9,688</u>	
	Other Minor Variances	<u>45</u>	
	Total Variance	<u><u>9,733</u></u>	