

# Housing, Homelessness and Fair Work Committee

10.00am, Tuesday, 3 October 2023

## Housing and Homelessness and Business Growth and Inclusion: Revenue Budget Monitoring 2023/24 – Month Three position

Executive/routine  
Wards

Routine  
All

### 1. Recommendations

---

- 1.1 It is recommended that the Housing, Homelessness and Fair Work Committee notes:
- 1.1.1 The 2022/23 outturn position for the Housing Revenue Account (HRA) and the general funding areas of Housing and Homelessness and Business Growth and Inclusion (Appendix 1 and 2);
  - 1.1.2 The Place service area (which includes: Housing and Homelessness, Culture and Wellbeing, Sustainable Development and Operational Services) is forecasting a pressure of £1.95m for 2023/24 as at month three;
  - 1.1.3 The Housing Revenue Account (HRA) is forecasting a contribution of £4.320m to the Strategic Housing Investment Fund (SHIF) from revenue generated in 2023/24. This is £2.658m less than the budgeted contribution;
  - 1.1.4 Housing and Homelessness is forecasting a budget pressure, as at month three, of £1.35m for services delivered in 2023/24;
  - 1.1.5 Business Growth and Inclusion is forecasting an underspend, as at month three, of £0.4m for 2023/24;

**Paul Lawrence**

Executive Director of Place

Contact: Brendan O'Hara, Principal Accountant

E-mail: [brendan.o'hara@edinburgh.gov.uk](mailto:brendan.o'hara@edinburgh.gov.uk) | Tel: 0131 469 3620

- 1.1.6 Measures will continue to be progressed to offset budget pressures and to fully deliver approved savings targets to achieve outturn expenditure and income in line with the approved revenue budget for 2023/24;
- 1.1.7 The ongoing risks to the achievement of a balanced revenue budget for services delivered by the Housing and Homelessness service and to delivering the forecast HRA contribution to the SHIF;
- 1.1.8 The need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates; and
- 1.1.9 Updates will continue to be provided to members of the Committee during the remainder of the year.

## Housing and Homelessness and Business Growth and Inclusion: Revenue Budget Monitoring 2023/24 – Month Three position

### 2. Executive Summary

---

- 2.1 This report summarises the out-turn for financial year 2022/23, whilst focussing on the month three 2023/24 revenue monitoring position. This includes early projections for the Housing Revenue Account (HRA), Housing and Homelessness, and Business Growth and Inclusion.
- 2.2 The 2022/23 audited accounts were approved by the Finance and Resources Committee on 21 September and the audited accounts will be submitted to the external auditor by the statutory deadline of 30 September 2023. An unmodified audit opinion is expected to be issued on the 2022/23 annual accounts. The audited financial statements confirm a General Fund revenue underspend for 2022/23 of £13.7m. The 2022/23 outturn position for the services within the remit of this Committee is summarised in Appendix 1 and 2.
- 2.3 The projected Council-wide General Fund revenue budget position, based on month three, was reported to the Finance and Resources Committee on 21 September. At this stage, an overall overspend of £13.2m is being projected, including a forecast overspend of £1.95m for the Place Directorate. Without identification of mitigating actions, this would require application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring pressures for future years. There is potential for further risks to emerge, including in respect of the 2023/24 non-teaching employee pay award. Given these factors, no additional commitments should be taken on until the underlying position has improved.
- 2.4 The Homelessness and Housing general fund services month three forecast in 2023/24 is an overspend of £1.35m. Further information is provided in paragraph 4.4 of this report.
- 2.5 The Business Growth and Inclusion month three forecast in 2023/24 is an underspend of £0.4m due to employee budget savings.
- 2.6 The 2023/24 month three forecast for the HRA is a £4.320m contribution to the Strategic Housing Investment Fund (SHIF) for planned capital investment. This

represents a shortfall of £2.658m relative to the approved budget and further detail is provided in paragraphs 4.1 – 4.3 of this report.

### 3. Background

---

- 3.1 The Council's Financial Regulations require submission of regular budget monitoring reports to all Executive Committees.
- 3.2 This report provides an update on financial performance for services which report to the Housing, Homelessness and Fair Work Committee - the HRA, Homelessness, Housing, Family and Household Support and Business Growth and Inclusion.
- 3.3 The HRA is a ring-fenced statutory account. The HRA is funded from rents for Council housing and related assets and is used to fund the provision of Council housing in line with tenants' priorities. The annual approved HRA budget is derived from the longer-term strategy approved by Council.

### 4. Main report

---

#### **Housing Revenue Account (HRA) – 2023/24 month three forecast and risks**

- 4.1 The summary variances and risks in respect of HRA income, costs and revenue contribution to SHIF are as follows:
  - 4.1.1 **Income** – The income budget is £106.523m and the forecast at month three is for a shortfall of £0.401m. Rent arrears and bad debts are forecast to be £0.474m ahead of budgeted levels, however, income from rents is forecast to be £0.875m behind target. This relates to the timing of acquisitions and disposals, new build properties coming into use and reductions in void properties. The service is actively taking measures to improve this position and a report will be presented to this Committee in December 2023; and
  - 4.1.2 **Expenditure** – The expenditure budget is £99.545m and at month three the forecast is for an overspend of £2.257m. There is a projected overspend in repairs and maintenance of £1.0m, due primarily to the increased activity commissioned to bring void properties to a lettable standard. This will deliver additional rental income; however, significant benefits will not be delivered until 2024/25. Other significant pressures include inflation on gas contracts of £0.5m, environmental maintenance costs of £0.313m and £0.430m for higher than initially estimated central support costs reflecting exceptional pay and general inflationary pressures.
- 4.2 The budgeted contribution to the SHIF is £6.978m. The impact of the above forecast pressures is a shortfall of £2.658m resulting in a revised contribution of £4.320m. Downside and upside risks will be actively monitored and managed. The HRA Business Plan is updated on an annual basis and the implications of the

month three forecast position will be reflected in future updates to the Business Plan.

- 4.3 Risks, including further inflationary pressures and the outcome of pay negotiations, will be closely monitored and reported as required.

**Homelessness Services and Family and Household Support – 2023/24 Month three forecast – variance and risk analysis**

- 4.4 The approved budget for 2023/24 contains £10.775m of net additional investment, relative to the equivalent budget for 2022/23, to address the growth in households requiring temporary accommodation, inflation and reduced housing benefit collection that impacted 2022/23 (Appendix 2). Despite this additional investment, further net pressures totalling £1.35m are being forecast at month three as set out in the table below:

<b>Description</b>	<b>£m</b>
Inflation for temporary accommodation providers	1.70
Housing benefit collection	0.65
Tenant recoveries	0.20
Reduced use of B&B/shared accommodation through reduction in long-term voids	0.30
Savings from staffing vacancies, commissioned services and legal fees	(1.50)
<b>Net pressure</b>	<b>1.35</b>

- 4.5 An initial assessment has been made of an estimated £1.7m of additional inflationary costs for temporary accommodation. Further work is ongoing to quantify the exact financial implications, and an update will be provided at month five.
- 4.6 Whilst work is ongoing to improve the housing benefit collection rate, an initial estimate of a £0.65m shortfall compared to budgeted levels has been forecast at month three along with a £0.2m shortfall on tenant recoveries. This takes account of expected part-year benefits from increased collection rates.
- 4.7 The 2023/24 budget has an approved saving of £2.325m relating to the positive impact expected to the homelessness service from a reduction in void properties. The progress is behind the budgeted assumptions and at month three a pressure of £0.3m is being forecast. However, it should be noted that this forecast is heavily dependent on approximately 335 void properties being brought into use from

October 2023 to March 2024 to mitigate the shortfall in the April to September 2023 period. As at the end of June the number of households in temporary accommodation had increased by 95 since the end of March 2023.

- 4.8 The 2023/24 budget has an approved saving of £3.0m related to the reduction in the number of No Recourse to Public Funds (NRPF) cases the Council would have to support following the end of the COVID-19 public health requirements. As at month three the service has delivered the budgeted reductions and this saving has been achieved.
- 4.9 There are mitigating savings from employee costs, commissioned services and legal fees of an estimated £1.50m. This includes £0.15m from vacancy savings within Family and Household Support.
- 4.10 All current and emerging risks will be subject to ongoing tracking, development of mitigation measures where required and review for the remainder of 2023/24.

#### **Business Growth and Inclusion – month three forecast 2023/24**

- 4.11 The service is forecasting an underspend of £0.4m due to employee savings.

## **5. Next Steps**

---

- 5.1 Given the range of pressures outlined in this report and the Council-wide report, Executive Directors will require to bring forward measures to offset residual service pressures and risks within their respective areas of responsibility during 2023/24.

## **6. Financial impact**

---

- 6.1 This report forecasts a financial outturn for the HRA of a balanced budget. This incorporates a £4.320m contribution to the SHIF which represents a shortfall of £2.658m relative to the approved budget. Financial planning assumptions will be updated through the annual review of the HRA Business Plan (Appendix 3).
- 6.2 As of month three, an overall Council-wide overspend of £13.2m is forecast, including a projected overspend of £1.35m for Homelessness and Family and Household Support (Appendix 4). Failure to break even in 2023/24 reduces the options to address future years' budget gaps and means that existing expenditure is exceeding in-year resources.
- 6.3 This report emphasises the importance of proactive management of pressures and delivery of approved savings in maintaining the integrity of the Council's budget framework and business plan objectives.

## **7. Equality and Poverty Impact**

---

- 7.1 There are no equality, human rights (including children's rights) and socio-economic disadvantage implications arising as a consequence of this report.

## **8. Climate and Nature Emergency Implications**

---

- 8.1 There are no Climate and Nature Emergency implications arising as a consequence of this report.

## **9. Risk, policy, compliance, governance and community impact**

---

- 9.1 Whilst the report provides forecasts of financial outturn based on financial performance and conditions existing on 30 June 2023, there remains a risk that changing circumstances and events will result in budget pressures.
- 9.2 All current and emerging risks will be subject to ongoing tracking, development of mitigation measures and review for the remainder of 2023/24.
- 9.3 Financial performance will be tracked by Place Senior Management Team and service management teams to identify and mitigate emerging financial risks.
- 9.4 There are no health and safety, governance, compliance or regulatory implications arising from this report.

## **10. Background reading/external references**

---

- 10.1 [Revenue Monitoring 2023/24 – month three report](#)

## **11. Appendices**

---

- 11.1 Appendix 1 – Housing Revenue Account (HRA) – outturn 2022/23
- 11.2 Appendix 2 – General Fund Services – outturn 2022/23
- 11.3 Appendix 3 – Housing Revenue Account (HRA) - month three forecast 2023/24
- 11.4 Appendix 4 – General Fund Services – month three forecast 2023/24

## Appendix 1

### Housing Revenue Account (HRA)

#### Outturn 2022/23

The annual HRA budget is derived from the longer-term strategy, approved by Council. In 2022/23 it comprised a budgeted revenue income of £103.651m and costs of £97.521m; enabling a budgeted contribution of £6.130m to SHIF in accordance with the finance strategy for the capital investment programme and wider HRA business plan. The outturn shows a reduced contribution of £2.972m to the SHIF. The £3.158m variance can be attributed in the main to additional expenditure on repairs and maintenance of £1.888m, unbudgeted COVID-19 costs of £0.853m relating to cleaning costs for responsive repairs; and additional unbudgeted environmental charges of £0.654m. The budget and variance analysis are shown below.

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Income	(103,651)	(103,690)	(39)	Fav
<b>Expenditure</b>				
Housing Management	37,689	37,833	144	Adv
Repairs and Maintenance	20,247	22,135	1,888	Adv
Environmental Maintenance	2,625	3,279	654	Adv
COVID-19 costs	0	853	853	Adv
Debt Service	36,960	36,618	(342)	Fav
<b>Total Expenditure</b>	<b>97,521</b>	<b>100,718</b>	<b>3,197</b>	<b>Adv</b>
Strategic Housing Investment Fund	6,130	2,972	(3,158)	Adv
<b>Total Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>



## **Appendix 2**

### **General Fund Services – Housing and Homelessness and Business Growth and Inclusion**

#### **Outturn 2022/23**

##### **Homelessness Services**

The outturn for Homelessness Services is an adverse variance to budget of £11.197m.

The number of households in temporary accommodation, excluding those with No Recourse to Public Funds (NRPF), increased from 4,462 in March 2022 to 4,667 in March 2023, an increase of 205 households across the year. The number of households with NRPF was 195 at March 2022 and this increased to a maximum of 276 in October 2022 before reducing to 117 by March 2023.

The housing benefit collection rate has reduced since the start of the COVID-19 pandemic due to the significant increase in households in temporary accommodation. There was a shortfall against the budget of £3.7m with a further shortfall of £0.4m in tenant recoveries. Work is ongoing to improve the housing benefit collection rate.

Temporary accommodation providers increased nightly rates to reflect the inflationary impact on their services, primarily due to the rising costs of utilities, repairs and maintenance and staffing. The estimated impact across all forms of temporary accommodation was an unbudgeted pressure of £2.8m.

During the COVID-19 pandemic the Council introduced the Welcome Centre for rough sleepers and for 2020/21 and 2021/22 utilised some additional funding provided by the Scottish Government to be used flexibly to address the impacts of the pandemic. This funding did not continue in 2022/23, therefore, there was an additional cost of £1.0m.

A review of housing benefit eligibility was started in 2022/23 and a provision of £3.4m was created for the potential impact following initial analysis. Work is ongoing to establish the impact in 2022/23 and any ongoing impact for 2023/24.

Please see details below of all general fund services within the remit of this Committee.

	<b>Revised Budget</b>	<b>Projected Outturn</b>	<b>Projected Variance</b>	<b>Adverse / Favourable</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Homelessness	53,285	64,482	11,197	Adv
Family and Household Support, Night Team and Housing Services	53	(139)	(192)	Fav
Business Growth and Inclusion	6,902	6,478	(424)	Fav
<b>Total Net Expenditure</b>	<b>60,240</b>	<b>70,821</b>	<b>10,581</b>	<b>Adv</b>

## Appendix 3

### Housing Revenue Account (HRA)

#### Month Three forecast 2023/24

The annual HRA budget is derived from the longer-term strategy, approved by Council. In 2023/24 it comprises a budgeted revenue income of £106.528m and expenditure of £99.545m; enabling a budgeted contribution of £6.978m to SHIF in accordance with the finance strategy for the capital investment programme and wider HRA business plan. The month three forecast shows a reduced contribution of £4.320m to the SHIF. The budget and forecast variance analysis is shown below.

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Income	(106,523)	(106,122)	401	Adv
<b>Expenditure</b>				
Housing Management	37,927	38,871	944	Adv
Repairs and Maintenance	22,384	23,384	1,000	Adv
Environmental Maintenance	2,558	2,871	313	Adv
Debt Service	36,676	36,676	0	-
<b>Total Expenditure</b>	<b>99,545</b>	<b>101,802</b>	<b>2,257</b>	<b>Adv</b>
Strategic Housing Investment Fund	6,978	4,320	(2,658)	Adv
<b>Total Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>

## Appendix 4

### General Fund Services – Housing and Homelessness and Business Growth and Inclusion

#### Month Three Forecast 2023/24

Please see details below of all general fund services within the remit of this Committee.

	Revised Budget	Projected Outturn	Projected Variance	Adverse / Favourable
	£'000	£'000	£'000	
Homelessness	62,633	64,133	1,500	Adv
Family and Household Support, Night Team and Housing Services	(461)	(611)	(150)	Fav
Business Growth and Inclusion	6,546	6,146	(400)	Fav
<b>Total Net Expenditure</b>	<b>68,718</b>	<b>69,668</b>	<b>950</b>	<b>Adv</b>