

# Housing, Homelessness and Fair Work Committee

10.00am, Tuesday, 5 December 2023

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

Executive/routine  
Wards

Routine  
All

### 1. Recommendations

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- 1.1 It is recommended that the Housing, Homelessness and Fair Work Committee notes:
- 1.1.1 The Place service area, which includes, Housing and Homelessness, Culture and Wellbeing, Sustainable Development and Operational Services, is forecasting a pressure of £0.71m, as at month five, which is a reduction of £1.24m from the £1.95m forecast at month three;
  - 1.1.2 Housing and Homelessness is forecasting a budget pressure, as at month five, of £1.10m which is a reduction of £0.25m from the £1.35m forecast at month three;
  - 1.1.3 Business Growth and Inclusion is forecasting an underspend, as at month five, of £0.46m which is an increase of £0.06m from the £0.40m underspend forecast at month three;
  - 1.1.4 The Housing Revenue Account (HRA) is forecasting a contribution of £2.724m to the Strategic Housing Investment Fund (SHIF) from revenue

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generated in 2023/24, a reduction of £1.596m from the position reported at month three. This is a £4.254m shortfall against the budgeted contribution;

- 1.1.5 Measures will continue to be progressed to offset budget pressures and to deliver approved savings targets to achieve outturn expenditure and income in line with the approved General Fund revenue budget for 2023/24;
- 1.1.6 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;
- 1.1.7 The need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates; and
- 1.1.8 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 Five position

### 2. Executive Summary

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- 2.1 This report summarises the 2023/24 month five revenue forecast for Housing and Homelessness, Business Growth and Inclusion and the Housing Revenue Account (HRA).
- 2.2 The projected Council-wide General Fund revenue budget position, based on month five, was reported to the Finance and Resources Committee on 21 November 2023. At this stage, taking into account the Council's approval of an additional in-year contribution to the Edinburgh Integration Joint Board of up to £14.2m, an overall underspend of £1.88m is being projected, including a forecast overspend of £0.71m for the Place Directorate. There is potential for further risks to emerge during the remainder of the year and the continuing recommendation is that no additional expenditure commitments should be taken on at this time.
- 2.3 The Homelessness and Housing general fund services month five forecast is an overspend of £1.10m, a reduction of £0.25m from the forecast of £1.35m reported at month three. Further information is provided in paragraph 4.1 of this report.
- 2.4 The Business Growth and Inclusion month five forecast is an underspend of £0.46m due to employee budget savings. This is an increase of £0.06m from the £0.4m underspend forecast at month three.
- 2.5 The HRA is forecasting a £2.724m contribution to the Strategic Housing Investment Fund (SHIF) for planned capital investment, a reduction of £1.596m from the month three forecast. This represents a shortfall of £4.254m relative to the approved budget and further detail is provided in paragraphs 4.2 – 4.4 of this report.

### 3. Background

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- 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 – Housing, Homelessness, Family and Household Support, Business Growth and Inclusion and the HRA.
- 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

### Homelessness Services and Family and Household Support – 2023/24 Month five forecast – variance and risk analysis

- 4.1 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. Despite this additional investment, further net pressures totalling £1.10m are being forecast at month five, a reduction of £0.25m from the month three forecast, as set out in the table below:

Description	M5 £m	Movement from M3 £m	Notes on movements
Inflation for temporary accommodation providers	2.30	0.60	Updated assessment of nightly rates
Housing benefit collection	0.20	(0.45)	Improved collection/reduced clawbacks
Tenant recoveries	0.10	(0.10)	Improved collection
Reduced use of B&B/shared accommodation through reduction in long-term voids	0.80	0.50	Increased costs forecast due to delays in void properties providing settled accommodation
Savings from staffing vacancies, commissioned	(2.30)	(0.80)	Delays in recruitment to vacancies

services and legal fees			
<b>Net pressure</b>	<b>1.10</b>	<b>(0.25)</b>	

- 4.2 An updated assessment has been made of inflationary costs for temporary accommodation. Further work is ongoing to quantify the financial implications, and an update will be provided at month seven. Whilst work is ongoing to improve the housing benefit collection rate, an estimated shortfall of £0.2m has been forecast at month five which is a £0.45m improvement from month three. In addition, tenant recoveries are forecast to improve by £0.1m based on income collected at month five.
- 4.3 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. Progress is behind target and at month five a pressure of £0.8m is being forecast. However, it should be noted that this forecast is heavily dependent on approximately 300 void properties being brought into use for homeless households between October 2023 and March 2024 to mitigate the shortfall in the April to September 2023 period. An updated position, based on the position at the end of October, and expected progress to the end of March 2024, will be included in the month seven report.
- 4.4 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 five the service has delivered the budgeted reduction, and this saving has been achieved.
- 4.5 As at the end of August the number of households in temporary accommodation had increased by 156 since the end of March 2023 to a total of 4,940.
- 4.6 There are mitigating savings from employee costs, commissioned services and legal fees of an estimated £2.30m. This includes £0.25m from vacancy savings within Family and Household Support.
- 4.7 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.

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

- 4.8 The summary variances and risks in respect of HRA income, costs and revenue contribution to SHIF are as follows:
- 4.8.1 **Income** – The income budget is £106.523m and the forecast at month five is a shortfall of £0.896m, an increased shortfall of £0.495m from the position reported at month three. Rent arrears and bad debts are forecast to be £0.474m ahead of budgeted levels, however, income from rents is forecast to

be £1.365m 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 February 2024; and

4.8.2 **Expenditure** – The expenditure budget is £99.545m and at month five the forecast is for an overspend of £3.358m, an increase of £1.101m from the position reported at month three due primarily to inflationary factors related to pay awards. There is a projected overspend in repairs and maintenance of £1.0m, due to the increased activity commissioned to bring void properties to a lettable standard and inflationary factors. This will deliver additional rental income; however, significant benefits will not be delivered until 2024/25. Other significant pressures are primarily related to higher than estimated inflationary factors such as gas contracts of £0.5m, staff pay awards of £0.3m, and £1.017m for higher than initially estimated central support costs reflecting exceptional pay and general inflationary pressures. In addition, there is a forecast pressure of £0.34m on environmental maintenance due to higher than budgeted costs of maintaining neighbourhood estates and open spaces.

4.9 The budgeted contribution to the SHIF is £6.978m. The impact of the above forecast pressures is a £4.254m shortfall in the contribution resulting in a revised contribution of £2.724m. Officers are continuing to work on mitigations to increase the forecast contribution to the SHIF in 2023/24. The HRA Business Plan is updated on an annual basis and the implications of the month five forecast will be reflected in future updates to the Business Plan. A briefing will be arranged with all committee members in January to review the 2024/25 budget proposals and Business Plan.

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

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

4.11 The service is forecasting an underspend of £0.46m due to employee savings. This is an increased saving of £0.06m from the £0.40m forecast at month three.

## **5. Next Steps**

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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**

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6.1 As of month five, an overall Council-wide underspend of £1.88m is forecast, including a projected overspend of £1.10m for Homelessness and Family and

Household Support (Appendix 1). 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.

- 6.2 This report forecasts a £2.724m contribution to the HRA SHIF which represents a shortfall of £4.254m relative to the approved budget (Appendix 2). Financial planning assumptions will be updated through the annual review of the HRA Business Plan.
- 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**

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- 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**

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- 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**

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- 9.1 Whilst the report provides forecasts of financial outturn based on financial performance and conditions existing on 31 August 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**

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- 10.1 [Revenue Monitoring 2023/24 - month five report](#)
- 10.2 [Housing, Homelessness and Fair Work 2023/24 - month three report](#)

## 11. Appendices

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11.1 Appendix 1 – General Fund Services – month five forecast 2023/24.

11.2 Appendix 2 – Housing Revenue Account – month five forecast 2023/24.

### Appendix 1

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

#### Month Five 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	63,983	1,350	Adv
Family and Household Support, Night Team and Housing Services	(461)	(711)	(250)	Fav
Business Growth and Inclusion	6,546	6,086	(460)	Fav
<b>Total Net Expenditure</b>	<b>68,718</b>	<b>69,358</b>	<b>640</b>	<b>Adv</b>



## Appendix 2

### Housing Revenue Account (HRA)

#### Month Five 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 five forecast shows a reduced contribution of £2.724m to the SHIF. The budget and forecast variance analysis is shown below.

	Revised Budget	Projected Outturn	Projected Variance	Movement from M3	Adverse / Favourable
	£'000	£'000	£'000	£'000	
Income	(106,523)	(105,627)	896	495	Adv
<b>Expenditure</b>					
Housing Management	37,927	39,945	2,018	1,074	Adv
Repairs and Maintenance	22,384	23,384	1,000	0	Adv
Environmental Maintenance	2,558	2,898	340	27	Adv
Debt Service	36,676	36,676	0	0	-
<b>Total Expenditure</b>	<b>99,545</b>	<b>102,903</b>	<b>3,358</b>	<b>1,101</b>	<b>Adv</b>
Strategic Housing Investment Fund	6,978	2,724	(4,254)	1,596	Adv
<b>Total Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>