

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 29 September 2022

Place/Homelessness Financial Monitoring

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 It is recommended that the Housing, Homelessness and Fair Work Committee notes:
- 1.1.1 That the Housing Revenue Account (HRA) is forecasting a contribution of £5.794m to the Strategic Housing Investment Fund (SHIF) from revenue generated in 2022/23 as part of the capital investment programme funding strategy. The provisional 2021/22 out-turn returned a contribution of £8.653m to the SHIF;
 - 1.1.2 The Homelessness Service is projecting an overspend of £5.500m at month three in 2022/23. The provisional 2021/22 out-turn returned an overspend of £5.938m;
 - 1.1.3 The Place General Fund (GF) services within the remit of the Committee are forecasting a 'business as usual' overspend (excluding Covid-19 impact) of £0.528m in 2022/23 at month three. The provisional 2021/22 out-turn for same services returned a £0.351m overspend against budget; and
 - 1.1.4 The Place GF Covid-19 impact for services within the remit of the Committee is forecast at a cost of £0.148m in 2022/23 which can be met within the earmarked budget provision. The provisional 2021/22 out-turn returned a £0.590m cost attributable to the impact of Covid-19.

Paul Lawrence

Executive Director of Place

Contact: Susan Hamilton, Principal Accountant

E-mail: susan.hamilton@edinburgh.gov.uk | Tel: 0131 469 3718

Place Directorate - Revenue Monitoring - 2021/22 provisional out-turn and 2022/23 month three forecast

2. Executive Summary

- 2.1 This report sets out the provisional out-turn for financial year 2021/22 and the month three 2022/23 revenue monitoring position for the HRA, Homelessness Services and Place Directorate GF focusing on services within the scope of this Committee.
- 2.2 The month three forecast for the HRA in 2022/23 is a balanced position after transferring £5.794m from revenue to the SHIF for planned capital investment in forthcoming years. In line with the longer term financial strategy £8.653m was provided in 2021/22, albeit this was less than the budget of £9.941m. In 2020/21 the budgeted transfer for this purpose was exceeded and this was built into the regular reviews of the medium to longer term strategies in the HRA Business Plan.
- 2.3 The Homelessness service month three forecast in 2022/23 is an overspend of £5.500m and the service returned a provisional out-turn overspend in 2021/22 of £5.938m.
- 2.4 The month three GF 'business as usual' revenue forecast for services within the remit of this Committee is an overspend of £0.528m which is reflective of inflationary pressures on stair lighting costs within communal stairwells of housing blocks. The 2021/22 provisional out-turn returned an overspend of £0.351m which was attributable to the same cost driver.
- 2.5 The GF Covid-19 impact for services within the remit of this Committee is forecast to be a net cost of £0.148m. This forms part of the overall Place forecast of £8.131m in respect of the cost of the Covid-19 impact and is within the provision provided for within the Council's 2022/23 approved budget. This represents the impact on GF Housing related services from continuing adherence with public health guidance to protect staff, tenants and customers; including reduced income generated by Housing Operations resulting from changes to working practices. The 2021/22 provisional out-turn equivalent cost for services within the remit of the Committee was £0.590m.

3. Background

- 3.1 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.
- 3.2 Responsibility for Homelessness has recently transferred from the Education and Children's Services directorate to the Housing, Family Support and Fair Work service area within the Place directorate.
- 3.3 The 2022/23 net budget for Homelessness Services is £50.5m and, such is the extent of budget pressures, the approved budget for 2022/23 contains £17.6m of additional investment relative to the equivalent budget for 2020/21.
- 3.4 For presentational purposes, Homelessness Services is reported separately in reports to Finance and Resources and this Committee and is not implicit within the Place (GF) grouping. The Place (GF) services within the remit of this Committee refers to Housing Operations, Business Growth and Inclusion, Shared Repairs Service, Mixed Tenure Investment Service and all other Housing activity which is not exclusively for the benefit of Council tenants such as stair cleaning services and garage rentals.
- 3.5 The 2021/22 audited accounts will be considered initially by the Governance, Risk and Best Value Committee and subsequently presented to the Finance and Resources Committee for approval in October 2022. Until this point, the audited accounts will be reported as the 'provisional out-turn'.

4. Main report

Housing Revenue Account (HRA) – 2021/22 provisional out-turn

- 4.1 The annual HRA budget is derived from the longer-term strategy, approved by Council. In 2021/22 it comprised a budgeted revenue income of £102.699m and costs of £92.758m; enabling a budgeted contribution of £9.941m to SHIF in accordance with the finance strategy for the capital investment programme and wider HRA business plan. The provisional out-turn shows a reduced contribution of £8.653m to the SHIF. The £1.288m variance can be attributed in the main to a slight reduction in income and increased repairs and maintenance costs arising from growth in non-urgent repairs undertaken following the relaxation of public health measures after taking into account the reduced debt charges which reflect the impact of slippage in capital investment and effective treasury management practices. The budget and variance analysis is shown in Appendix 1.

HRA – 2022/23 Month three forecast – variance and risk analysis

- 4.2 The summary variances and risks in respect of HRA income, costs and revenue contribution to SHIF are as follows:
- 4.2.1 **Income** – The income forecast at month three is £103.445m which when compared to the budget of £103.651m is an adverse variance of £0.206m. Favourable variances are forecast in several related areas including arrears and bad debts and income equal to the delivery costs incurred by the HRA from the handover of properties to Edinburgh Living. However, adverse variances persist in areas such as void rent loss;
- 4.2.2 **Costs** – Whilst there is a projected overspend in repairs and maintenance of £1.348m, this is not unexpected due to fewer jobs being undertaken whilst restrictions were in place following public health guidance to keep employees and tenants safe. The costs will require to be monitored going forward to ensure the efficiencies set out in the Housing Service Improvement Plan (HSIP) are met. The Housing Management favourable variance of £1.234m is in the main driven by projected underspends in staffing costs from recruitment delay and cost efficiencies driven out by and parallel to the HSIP process. Debt servicing costs are currently shown to be ‘on budget’, this will be kept under review and reported going forward to reflect the borrowing requirement in respect of spend in the capital investment programme and the borrowing rates which can be locked into; and
- 4.3 The impact of the above is that £5.794m is forecast to be transferred to the SHIF as part of the future capital investment programme and wider HRA Business Plan objectives. This is £0.336m less than the budgeted contribution, however both downside and upside risks will be actively monitored and managed wherever possible.
- 4.4 Risks, including the impact of Universal Credit and cost of living crisis on collection of rental income, the impact on repairs and maintenance services as public health guidance is relaxed and extraordinary Covid-19 related costs will be closely monitored and reported as appropriate moving forward. An element of contingency has been factored into the HRA Business Plan in respect of such risks and will be periodically assessed re adequacy.

Homelessness Services – 2021/22 Provisional Out-turn

- 4.5 The provisional out-turn for Homelessness Services was an overspend against budget of £5.938m.
- 4.6 The number of households in temporary accommodation increased from 4,431 in March 2021 to 4,722 in March 2022, an increase of 291 households across the year, resulting in a gross pressure of £2.9m once higher-than-forecast unit costs were also reflected.
- 4.7 As part of the year-end closure process, a re-assessment of the level of outstanding Housing Benefit income as of 31 March 2021 was undertaken. Previously year-end accruals had been based on the understanding that housing benefit was

received by the service 3 months in arrears on average. However, following liaison with the service on the timescales for claims the period of arrears was re-assessed as being 6 weeks on average, resulting in an adverse movement of £3m relative to the previously assumed level. Work is ongoing between the service and Digital Services to improve management information in this area..

Homelessness Services – 2022/23 Month three forecast – variance and risk analysis

- 4.8 The approved budget for 2022/23 contains £17.6m of additional investment relative to the equivalent budget for 2020/21. Despite this additional investment, further pressures totalling £5.5m are apparent in 2022/23. There are currently 262 households accommodated in temporary accommodation who have No Recourse to Public Funds (NRPF). The estimated annual full year costs of accommodating these households is approximately £5.6m. The cost of providing accommodation for those with NRPF represents a significant proportion of the services increased costs since the start of the Covid – 19 pandemic.
- 4.9 Based on expenditure for the April to June period, and assuming that households continue to increase at existing monthly levels for the remainder of the financial year, there is a forecast residual pressure of £5.5m. This figure takes account of expected increases in the unit costs of temporary accommodation due to the pass through of increased energy costs and increase in market rates.
- 4.10 The forecast for 2022/23 takes account of the costs from the Council taking on responsibility for Housing First from 1 October 2021. The cost for this financial year is estimated to be £0.756m with further increases in future years as the service scales up to target levels.
- 4.11 The forecast for 2022/23 also incorporates a cost of approximately £0.75m related to the provision of the Welcome Centre. This service was introduced during the pandemic to provide shelter for rough sleepers. In 2020/21 and 2021/22 the Council was provided with Scottish Government funding to address the specific impacts of the pandemic during the winter months and a proportion was allocated to meet the costs of the Welcome Centre. The Council does not currently assume that this funding will be provided for 2022/23 or future years with the full costs of providing the service included in the forecast.
- 4.12 The financial impact for the remainder of 2022/23 and future years will depend on a number of factors such as:
- 4.12.1 The number of homeless presentations following the end of Covid-19 restrictions and the challenging economic situation linked to rising inflation;
 - 4.12.2 How quickly allocations to permanent accommodation can be made;
 - 4.12.3 The implementation of new legislation relating to the removal of local connection which is expected to be implemented on 22 November 2022;
 - 4.12.4 Arrangements for households with NRPF;

- 4.12.5 Unit costs for temporary accommodation particularly in relation to the impact of rising energy costs;
 - 4.12.6 The rate at which changing the mix of temporary accommodation towards more efficient and suitable accommodation can be achieved;
 - 4.12.7 The impact of new preventative services; and
 - 4.12.8 The potential impact on homelessness services from Afghan and Ukrainian re-settlement programmes. Discussions are taking place with the Scottish and UK Governments to highlight the potential financial implications and funding provision.
- 4.13 Given these trends and the full-year effect of increases anticipated in the remainder of the current year, the revenue budget framework for 2023/24 now incorporates an additional £27.6m for homelessness-related expenditure relative to the equivalent budget for 2020/21.

General Fund – 2021/22 Provisional Out-turn

- 4.14 The 2021/22 GF provisional out-turn for 'business as usual' services within the remit of this Committee is an overspend of £0.351m. This in the main relates to an increase in utility costs to light the stairwells of circa 14,000 housing blocks. This is a legacy arrangement therefore the number of blocks does not increase but energy cost tariffs may vary.
- 4.15 Whilst the provisional out-turn for Business Inclusion and Growth services was budget neutral, it should be noted that accruals totalling circa £6m are included within the Council's balance sheet in respect of prior year costs incurred by the Council in undertaking employability programmes as per European Social Fund funding arrangements. The service, similar to other Local Authorities, is in the process of submitting these claims to the Scottish Government for payment.
- 4.16 The cost of Covid-19 measures within Housing Operations reflecting a decrease in net income generated was returned at £0.590m and can be accommodated with the assumptions made in the 2021/22 budget in respect of the Covid-19 costs to the Council.

General Fund – 2022/23 month three forecast – 'business as usual'

- 4.17 The 2022/23 GF forecast for 'business as usual' services within the remit of this Committee is an overspend against budget of £0.528m. This is based on the latest estimate of energy costs in terms of stair lighting as set out in 4.14.
- 4.18 The cost of Covid-19 measures within Housing Operations is forecast to be £0.148m at month three and this can be accommodated within the assumptions made in the 2022/23 budget in respect of the Covid-19 costs to the Council.

2022/23 Budget – Approved Budget Savings

- 4.19 There are no new approved savings to be delivered by services within the remit of this Committee as part of the 2022/23 budget motion.

2021/22 Budget – Approved Service Investment

- 4.20 As part of the decisions made by Council in setting the 2021/22 budget, Elected Members approved service investments of £0.525m for services within the remit of this Committee: £0.400m for Disability Employment Services; and £0.125m as year two of funding in respect of regulation of short term lets. The forecast assumes these budgets will be fully utilised.
- 4.21 The above 2022/23 month three forecasts form part of the overall Council position set out at Finance and Resources Committee on 8 September 2022.

5. Next Steps

- 5.1 The Place Directorate is committed to delivering mitigating management action to address identified budget pressures wherever possible. Progress will be reported to Committee at agreed frequencies. Work is regularly undertaken to identify and mitigate financial risks as part of a rolling process of budget management.
- 5.2 Risks to 2022/23 budget management strategy will be periodically reassessed based on post Covid-19 service resumption plans and other strategies within the operating context of this Committee and will be reported as part of the routine financial reporting.
- 5.3 In terms of Homelessness services identified pressures and risks, work is ongoing to identify mitigating measures and to change the current mix of temporary accommodation, reducing the reliance on expensive and unsuitable accommodation. The service is actively implementing additional preventative services to support households and avoid the need for them to enter temporary accommodation and to support people to move out of temporary accommodation and into settled accommodation as quickly as possible. The impact of these services will be actively monitored and reported to the Council Leadership Team on a regular basis. Officers will work with partners and landlords in the city to increase the amount of suitable temporary accommodation available.

6. Financial impact

- 6.1 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets. The Executive Director of Place regularly reviews the directorate budget position alongside the identification and implementation of management actions to mitigate budget pressures.

7. Stakeholder/Community Impact

- 7.1 There is no direct relevance to the report's contents.

8. Background reading/external references

- 8.1 Revenue Monitoring 2021/22 outturn report – Finance and Resources Committee [8 September 2022](#)
- 8.2 Revenue Monitoring 2022/23 – month three position – Finance and Resources Committee [8 September 2022](#)

9. Appendices

- 9.1 Appendix 1 – Place Directorate – HRA Revenue Projection; 2021/22 – Month Eight position.
- 9.2 Appendix 2 – Place Directorate - HRA Revenue – 2022/23 Month Three Forecast.

Appendix 1 – Place Directorate - HRA Revenue – 2021/22 Provisional Out-turn

	2021/22 Budget £m	2021/22 Provisional Out-turn £m	2021/22 Provisional Out-turn Variance £m
Net Income	102.699	101.553	-1.146
Expenditure			
Housing Management	34.088	34.033	-0.055
Repairs and Maintenance	18.268	21.577	3.309
Environmental Maintenance	2.753	2.926	0.173
Covid-19 Specific Costs*	0.000	0.125	0.125
Debt Servicing	37.649	34.239	-3.410
Contribution to Strategic Housing Investment Fund	9.941	8.653	-1.288
Total Expenditure	102.699	101.553	-1.146

Notes:

The Strategic Housing Investment Fund is made up of the Repairs and Renewals Reserve and the Council Tax Discount Fund. It is an element of the funding strategy for the capital investment programme.

*Denotes additional costs attributable to ways of working which are compliant with public health guidance. This figure will form part of a submission made to the Convention of Scottish Local Authorities.

Appendix 2 – Place Directorate - HRA Revenue – 2022/23 Month Three Forecast

	2022/23 Budget £m	2022/23 Month Three Forecast £m	2022/23 Month Three Forecast Variance £m
Net Income	103.651	103.445	0.206
Expenditure			
Housing Management	37.689	35.455	-1.234
Repairs and Maintenance	20.247	21.595	1.348
Environmental Maintenance	2.625	2.641	0.016
Covid-19 Specific Costs*	0.000	0.000	0.000
Debt Servicing	36.960	36.960	0.000
Contribution to Strategic Housing Investment Fund	6.130	5.794	-0.336
Total Expenditure	103.651	103.445	-0.206