

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 1 December 2022

Place Directorate - Revenue Budget Monitoring 2022/23 - Month Five Forecast

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| Executive/routine Wards Council Commitments | Routine 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 £5.534m to the Strategic Housing Investment Fund (SHIF) from revenue generated in 2022/23 as part of the capital investment programme funding strategy (decreased from £6.130m per the approved budget);
 - 1.1.2 The Homelessness Service is projecting an overspend of £8.040m at month five in 2022/23 (increased from £5.5m at month three);
 - 1.1.3 The Place General Fund (GF) services within the remit of the Committee are forecasting that 'business as usual' (excluding Covid-19 impact) will break even in 2022/23 after drawing down £0.528m from Council provisions made to cover inflationary impacts; 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.

Paul Lawrence

Executive Director of Place

Contact: Susan Hamilton, Principal Accountant

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

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2. Executive Summary

- 2.1 This report sets out the month five 2022/23 revenue monitoring position for the Housing Revenue Account (HRA), Homelessness Services and Place Directorate General Fund (GF), focusing on services within the scope of this Committee.
- 2.2 The month five forecast for the HRA in 2022/23 is a balanced position after transferring £5.534m from revenue to the Strategic Housing Investment Fund (SHIF) for planned capital investment in forthcoming years.
- 2.3 The Homelessness service month five forecast in 2022/23 is an overspend of £8.040m (increased from £5.5m at month three).
- 2.4 The month five GF 'business as usual' revenue forecast for services within the remit of this Committee is for a break-even outturn against budget. Whilst this is an improvement from the position reported at month three, the only change in the forecast is an agreement to apply Council inflationary pressures provision to address the £0.528m additional cost within communal stairwells of housing blocks.
- 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 £8.292m 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.

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 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.

- 3.3 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, Commercial Development and Investment, 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.

4. Main report

Housing Revenue Account (HRA) – 2022/23 Month five forecast – variance and risk analysis

- 4.1 The summary variances and risks in respect of HRA income, costs and revenue contribution to the SHIF are as follows:
- 4.1.1 **Income** – The income forecast at month five is £103.308m which when compared to the budget of £103.651m is an adverse variance of £0.343m. 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; and
- 4.1.2 **Costs** – Whilst there is a projected overspend in repairs and maintenance of £2.042m, 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 forecast variance of £1.875m 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 more or less ‘on budget’, this will be kept under review and reported going forward to reflect the borrowing requirement in respect of spend on the capital investment programme.
- 4.2 The impact of the above is that £5.534m is currently forecast to be transferred to the SHIF as part of the future capital investment programme and wider HRA Business Plan objectives. This is £0.596m less than the budgeted contribution, however both downside and upside risks will be actively monitored and managed wherever possible.
- 4.3 Risks, including the impact of Universal Credit and cost of living crisis on collection of rental income and the impact on repairs and maintenance services as public health guidance is relaxed 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.

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

- 4.4 Revenue monitoring reports throughout 2021/22 highlighted pressures within Homelessness Services and, such is the extent of these pressures, 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 £8.0m (increased from £5.5m at month three) are now apparent in 2022/23, mainly comprising:
- 4.4.1 Projected growth in client numbers, with an overall in-year increase of 307 households now forecast relative to assumed growth of 120 as of month three;
 - 4.4.2 Claims for increased rates from providers due to changes in market rates (Private Sector Leasing), inflationary increases (spot purchasing) and revision of current terms (contracted suppliers), the majority of which represent a pass-through of increased energy costs;
 - 4.4.3 Costs of the Haymarket Welcome Centre, funding for which remains to be confirmed;
 - 4.4.4 Increased Council costs for Housing First;
 - 4.4.5 A reduction in the assumed Housing Benefit recovery rate for those accommodated in dispersed flats relative to projections as of period three; and
 - 4.4.6 Net costs to accommodate current and future increases in homeless Ukrainian households following the end of initial six-month hosting arrangements.
- 4.5 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 £33.7m (109%) for homelessness-related expenditure relative to the equivalent budget for 2020/21.
- 4.6 Officers continue to develop homelessness prevention models, however there is a risk, nonetheless, that the sum above will increase further should additional accommodation be required for homeless Ukrainian households following the ending or breakdown of current hosting arrangements and the removal of local connection which comes into force on 29 November.

General Fund – 2022/23 month five forecast – ‘business as usual’

- 4.7 The 2022/23 GF forecast for ‘business as usual’ services within the remit of this Committee is a break-even position compared to budget. This forecast reflects an agreement that the increased energy costs (£0.528m) in relation to non HRA housing stairwells can be contained within the corporate budget provision for inflationary pressures.

- 4.8 The cost of Covid-19 measures within Housing Operations is forecast to be £0.148m at month five 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

- 4.9 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.

2022/23 Budget – Approved Service Investment

- 4.10 As part of the decisions made by Council in setting the 2021/22 budget, Elected Members approved 2022/23 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. In February 2022, as part of the 2022/23 budget process the Council approved further additional investment to deliver priority Council objectives which includes £0.050m for the 'Forever Edinburgh' website development and £0.500m for net zero communities, which includes pilots of a collaborative approach to retrofitting of private housing. The forecast assumes that these budgets will be fully utilised.
- 4.11 The above 2022/23 month five forecasts form part of the overall Council position set out at Finance and Resources Committee on 10 November 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 In terms of Homelessness services identified pressures and risks, opportunities to expand existing preventative and demand management activity, including income maximisation work and property purchasing to lessen the need to use more expensive temporary accommodation, will continue to be examined. 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 initiatives 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 Item 7.4 - Revenue Monitoring 2022/23 - Month 5 Report - Finance and Resources Committee - [10 November 2022](#).
- 8.2 Item 7.6 - Capital Monitoring 2022-23 – Month 5 Position - Finance and Resources Committee - [10 November 2022](#).
- 8.3 Item 7.7 - Place/Homelessness Financial Monitoring – Housing, Homelessness and Fair Work Committee - [29 September 2022](#).

9. Appendices

- 9.1 Appendix 1 – Place Directorate - HRA Revenue – 2022/23 Month Five Forecast.

Appendix 1 – Place Directorate - HRA Revenue – 2022/23 Month Five Forecast

| | 2022/23 Budget £m | 2022/23 Month Five Forecast £m | 2022/23 Month Five Forecast Variance £m |
|---|-------------------------|---|---|
| Net Income | 103.651 | 103.308 | 0.343 |
| Expenditure | | | |
| Housing Management | 37.689 | 35.815 | -1.875 |
| Repairs and Maintenance | 20.247 | 22.289 | 2.042 |
| Environmental Maintenance | 2.625 | 2.766 | 0.141 |
| Covid-19 Specific Costs | 0.000 | 0.000 | 0.000 |
| Debt Servicing | 36.960 | 36.905 | -0.055 |
| Contribution to Strategic Housing Investment Fund | 6.130 | 5.534 | -0.596 |
| Total Expenditure | 103.651 | 103.308 | -0.343 |

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.