

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 9 March 2023

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

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 £4.768m to the Strategic Housing Investment Fund (SHIF) from revenue generated in 2022/23 as part of the capital investment programme funding strategy (a reduced contribution from £5.534m reported at month five);
 - 1.1.2 The Homelessness Service is projecting an overspend of £8.040m at month eight in 2022/23 (no change from the position reported at month five);
 - 1.1.3 The Place General Fund (GF) services within the remit of the Committee are forecasting an underspend of £0.530m in 2022/23 after drawing down £0.454m 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 to be nil at month eight.

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

2. Executive Summary

- 2.1 This report sets out the month eight 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 eight forecast for the HRA in 2022/23 is a balanced position after transferring £4.768m from revenue to the Strategic Housing Investment Fund (SHIF) for planned capital investment in forthcoming years. This transfer is a decrease compared to the approved budget of £6.130m and a reduction on the month five forecast of a £5.534m transfer.
- 2.3 The Homelessness service month eight forecast in 2022/23 is an overspend of £8.040m (no change from the position reported at month five).
- 2.4 The month eight GF 'revenue forecast for services within the remit of this Committee is for an underspend of £0.530m against budget. This is an improvement from the position reported at month five, including the forecast employee underspend in the Family and Household Support service.
- 2.5 Identified exceptional inflationary pressures have been mitigated by agreement to apply Council inflationary provision to address the £0.454m additional cost over budget for lighting within communal stairwells of housing blocks.
- 2.6 The GF Covid-19 impact for services within the remit of this Committee is forecast to be nil at month eight, which is an improvement on the reported month five position.

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, Family and Household Support 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 eight 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 eight is £102.982m which when compared to the budget of £103.651m is an adverse variance of £0.669m. In line with previous reporting to this Committee there are both positive and negative factors impacting on the overall income projection;

- **Void rent loss.** £1.883m adverse variance to budget at 2.8% of gross rental income as opposed to the budget assumption of 0.95%. As referenced in the Housing Service Improvement Plan update (which is also being considered by Committee on this agenda), the focused programme to bring empty homes back into use has commenced, however the budgetary improvement expected in respect of income will likely not be evidenced until financial year 2023/24.
- **Gross Rental Income.** £0.843m adverse variance to budget. This is the total rent income due, as opposed to rent received. The gross rental income this year is reduced due to the number of long-term programmed voids, which are not expected to generate income. This pressure is in addition to the void rent loss.
- **Rent Arrears write off and provisions for doubtful debt.** The combined impact is a £1.729m positive variance to budget. Whilst this is positive in terms of budget, the average debt by case is incrementally increasing monthly. New analytics tool RentSense which has recently been implemented should make it possible to take a more targeted approach to arrears management and support.
- **Other income.** £0.327m positive variance to budget. This relates to agreed reimbursement from the Mixed Tenure Improvement Service and Edinburgh Living and some other adjustments in respect of cost recovery and interest receivable.

4.1.2 **Costs** – At month eight, in year revenue operating costs are forecast to be £0.693m over budget. There are a number of adverse and favourable variances contributing to this:

- **Repairs and Maintenance.** There is a projected overspend in repairs and maintenance of £2.189m. This projected cost is reflective of job volumes including the in-year revenue aspects of the focused programme to bring empty homes back into occupancy. These costs will require to be monitored going forward to ensure the efficiencies as set out in the HSIP are delivered by the service.
- **Environmental Maintenance.** There is a projected overspend in environmental maintenance of £0.442m. This in part reflects an increased usage of external contractors whilst there have been Concierge vacancies. The underspend pertaining to the vacancies is shown within the Housing Management variance.
- **Housing Management.** The Housing Management favourable forecast variance of £1.883m includes projected underspends in staffing costs from recruitment delay and cost efficiencies driven out by and parallel to the HSIP process. Enabling costs for Granton Waterfront expected in 2022/23 will now form part of the 2023/24 cost base.
- **Debt Servicing.** Debt servicing costs are currently shown to be more or less 'on budget' More work will be required in terms of the HRA capital programme and capitalisation of relevant repairs and maintenance spend above prior to calculation of the final debt servicing cost to the HRA in 2022/23

4.1.3 **Inflation and Risks** - The impacts of cost increases in relation to utilities, fuel including red diesel legislative changes, pay award, fire damage provision and debt servicing costs (both quantum of debt and interest rate exposure) have been considered in the reported forecast and will continue to be monitored and refined. The impact of Universal Credit and cost of living crisis on collection of rental income 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.

4.2 The impact of the above is that £4.768m 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 £1.362m less than the budgeted contribution, however both downside and upside risks will be actively monitored and managed wherever possible in the current and future financial years.

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

4.3 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 (no increase from the position reported at month five) are now apparent in 2022/23, mainly comprising:

- (i) 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;
- (ii) Claims for increased rates from providers due to inflationary increases (spot purchasing) and revision of current terms (contracted suppliers), the majority of which represent a pass-through of increased energy costs;
- (iii) Costs of the Haymarket Welcome Centre, funding for which remains to be confirmed;
- (iv) Increased Council costs for Housing First;
- (v) A reduction in the assumed Housing Benefit recovery rate for those accommodated in dispersed flats relative to projections as of period three; and
- (vi) Net costs to accommodate current and future increases in homeless Ukrainian households following the end of initial six-month hosting arrangements

4.4 Preliminary analysis of October and November 2022 data points to a slowing in the rate of temporary accommodation household growth, as well as greater relative use of suitable, lower-cost accommodation. While these factors may lessen the extent of in-year pressure, the effect of the removal of “local connection” from 29 November 2022 is anticipated to increase presentation volumes, although it is too early to assess this in any detail. On this basis, no change to the in-year projection has been incorporated at this time.

4.5 The overall position, particularly growth in client numbers, will be kept under close review through the development of comprehensive management information dashboard, with further opportunities to manage demand prioritised.

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

4.6 The 2022/23 GF forecast for ‘business as usual’ services within the remit of this Committee is an underspend of £0.530m compared to budget. This forecast reflects an agreement that the increased energy costs (£0.454m) in relation to the non HRA element of housing stairwells can be contained within the corporate budget provision for inflationary pressures. The main contributor to the forecast underspend is the Family and Household support service positive variance against their employee budget.

4.7 The cost of Covid-19 measures within Housing Operations is forecast to be nil at month eight, which is an improvement of £0.148m on the position reported at month five.

2022/23 Budget – Approved Budget Savings

4.8 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

- 4.9 As part of the decisions made by Council in setting the 2021/22 budget, Elected Members approved 2022/23 service investments of £0.550m for services within the remit of this Committee: £0.400m for Disability Employment Services; and £0.150m 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.
- 4.10 The above 2022/23 month eight forecasts form part of the overall Council position set out at Finance and Resources Committee on 26 January 2023.

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 7.1 - Revenue Monitoring 2022/23](#) - Month eight position - Finance and Resources Committee - 26 January 2023.
- 8.2 [Item 7.3 - Capital Monitoring 2022-23](#) – Month eight Position - Finance and Resources Committee - 26 January 2023.
- 8.3 [Item 8.3 - Place / Homelessness Financial Monitoring 2022-23](#) – Month five position – Housing, Homelessness and Fair Work Committee - 1 December 2022.

9. Appendices

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

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

	2022/23 Budget £m	2022/23 Month Eight Forecast £m	2022/23 Month Eight Forecast Variance £m
Net Income	103.651	102.982	0.669
Expenditure			
Housing Management	37.689	35.807	-1.883
Repairs and Maintenance	20.247	22.436	2.189
Environmental Maintenance	2.625	3.067	0.442
Covid-19 Specific Costs	0.000	0.000	0.000
Debt Servicing	36.960	36.904	-0.055
Contribution to Strategic Housing Investment Fund	6.130	4.768	-1.362
Total Expenditure	103.651	102.982	-0.669

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.