

Housing, Homelessness and Fair Work Committee

10.00am, Tuesday, 3 December 2024

Housing and Homelessness and Business Growth and Inclusion: Revenue Budget Monitoring 2024/25 – Month Five position and 2025/26 Budget Planning

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 Place service area, which includes, Housing and Homelessness, Culture and Wellbeing, Sustainable Development and Operational Services, is forecasting a pressure of £10.93m for 2024/25 as at month five, an increase of £0.1m from the position reported at month three;
 - 1.1.2 Housing and Homelessness is forecasting a budget pressure of £9.70m at month five, an increase of £2.20m from the position reported at month three;
 - 1.1.3 Business Growth and Inclusion is forecasting an underspend of £0.33m at month five, an improvement of £0.33m from the position reported at month three;
 - 1.1.4 The Housing Revenue Account (HRA) is forecasting a contribution of £1.784m to the Strategic Housing Investment Fund (SHIF) reserve, compared to a budgeted target to contribute £2.168m to the reserve, a £0.384m negative variance to the budgeted contribution. This is an

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improvement of £4.152m from the position reported at month three. The Council has recently received additional funding from the Scottish Government to bring property into use for homeless households, this includes bringing HRA voids into use. It is proposed that £4m is allocated against the void costs incurred by the HRA as a significant proportion of voids have been allocated to homeless households;

- 1.1.5 Mitigating actions are being progressed to help address the pressures identified in the Homelessness Service. The forecast takes account of the expected impact of the actions identified to date. The month five forecast does not take account of the implications of coming out of unlicensed House of Multiple Occupation (HMO) properties. An update will be provided in the month seven report;
- 1.1.6 The ongoing risks to the achievement of a balanced revenue budget for services delivered by the Housing and Homelessness service;
- 1.1.7 The need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates;
- 1.1.8 The forecast pressures on the Homelessness Service for 2025/26; 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 2024/25 – Month Five and 2025/26 Budget Planning

2. Executive Summary

- 2.1 This report summarises the 2024/25 month-five revenue monitoring position for Housing and Homelessness, and Business Growth and Inclusion.
- 2.2 This report highlights the impact of emerging pressures and recent increases in other client groups requiring temporary accommodation on the 2025/26 budget.
- 2.3 The projected Council-wide General Fund revenue budget position, based on month five, was reported to Finance and Resources Committee on 19 November. At this stage, an overall overspend of £12.796m is being projected, including a forecast overspend of £12.5m on the EIJB and a forecast overspend of £9.70m for the Housing and Homelessness Service. There is potential for further risks to emerge.
- 2.4 Failure to breakeven in 2024/25 may increase the savings requirement in 2025/26 due to a need to reinstate the General Fund unallocated reserve. It would also reduce the options to address future years' budget gaps and means existing expenditure is significantly exceeding in-year resources. Given the seriousness of the projected position, a range of mitigating measures have been initiated within both Directorates and the Health and Social Care Partnership, with a potential need for further controls to be implemented to bring expenditure back within approved levels.
- 2.5 The Housing and Homelessness General Fund services month five forecast is an overspend of £9.70m, an increase of £2.20m from the position reported at month three. Further information is provided in paragraph 4.1 of this report. This forecast does not take account of the implications of responding to the use of unlicensed Houses of Multiple Occupation (HMOs) as reported to Committee on 13 November 2024. An update will be included in the month seven report.
- 2.6 The Business Growth and Inclusion month five forecast is an underspend of £0.33m, an improvement of £0.33m from the position reported at month three.
- 2.7 The Housing Revenue Account (HRA) is forecasting a contribution of £1.784m to the Strategic Housing Investment Fund (SHIF) reserve, compared to a budgeted

target to contribute £2.168m to the reserve, a £0.384m negative variance to the budgeted contribution. This is an improvement of £4.152m from the position reported at month three. The Council has recently received additional funding from the Scottish Government to bring property into use for homeless households, this includes bringing HRA voids into use. It is proposed that £4m is allocated against the void costs incurred by the HRA, as a significant proportion of voids have been allocated to homeless households.

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 – Housing and Homelessness, and Business Growth and Inclusion.

4. Main report

- 4.1 **Homelessness Services and Family and Household Support – 2024/25 Month five forecast – variance and risk analysis**
 - 4.1.1 The service is forecasting an overspend of £9.70m, an increase of £2.20m from the position forecast at month three.
 - 4.1.2 The Homelessness budget was set on the basis the number of households in temporary accommodation would reduce from 4,894 at December 2023 to 4,398 by March 2025. This would be achieved through the actions contained within the Housing Emergency Action Plan (HEAP). The targeted reduction in HRA void properties would result in an increase in the number of properties let to homeless households.
 - 4.1.3 However, emerging pressures and risks from UK and Scottish government legislation and policy have resulted in a significant increase in households requiring temporary accommodation. The households in temporary accommodation have increased from 4,894 at December 2023 to 5,197 at August 2024. Of the total number of households accommodated at August 2024, 318 relate to these emerging pressures.
 - 4.1.4 The month five forecast assumes further increases of 30 a month relating to these emerging pressures throughout the remainder of the financial year, resulting in estimated households of 528 at March 2025 from these groups. The forecast assumes £1.94m of Ukrainian General Tariff funding can be applied to offset the full net cost of accommodating homeless Ukrainian households.

- 4.1.5 Households from other client groups have increased from 4,763 in December 2023 to 4,879 at August 2024, an increase of 116. The month five forecast assumes the actions being taken through the HEAP will reduce this number to 4,777 by March 2025. However, this is a shortfall of 379 compared to the 4,398 targeted.
- 4.1.6 The reasons for the shortfall are currently being investigated and an update will be provided in the HEAP update report to be presented to this committee on 25 February 2025.
- 4.1.7 The 2024/25 budget included an approved saving of £1.125m, in addition to £2.325m in 2023/24, relating to the benefit of HRA voids reductions on households in temporary accommodation, and a saving of £0.5m related to a Best Value review of homelessness services.
- 4.1.8 There were 1,464 voids at June 2023, and this reduced to 1,001 at September 2024. It is estimated that this has delivered settled accommodation for 227 households, who had been in temporary accommodation, resulting in £5.2m of savings in 2024/25.
- 4.1.9 The service is in the process of developing the Best Value review of homelessness services. One of the actions will be to identify options to increase the supply of suitable temporary accommodation and, since the 2024/25 budget was approved, the service has presented reports to the Council to purchase properties for use as temporary accommodation. The savings from this are expected to achieve the £0.5m approved saving for this financial year and contribute £0.7m towards the additional £2m target assumed in 2025/26. An update on other options being considered will be presented to this committee on 25 February 2025.
- 4.1.10 The month five forecast also includes estimated employee savings of £1.2m. This includes £0.19m from vacancy savings within Family and Household Support.
- 4.1.11 All current and emerging risks will be subject to ongoing tracking along with the ongoing development of mitigation measures to reduce the pressures for this financial year.
- 4.1.12 The Council Leader has written to the UK Government highlighting the extent of homelessness-related pressures affecting the Council's budget and seeking financial and/or policy support in mitigating these.

4.2 **Business Growth and Inclusion – month five forecast 2024/25**

- 4.2.1 The service is forecasting an underspend of £0.33m at month five, which is an improvement of £0.33, from the position reported at month three.
- 4.2.2 The savings relate to the ability to assign budgeted staffing costs to external funding sources.

4.3 Housing Revenue Account (HRA) – month five forecast

4.3.1 The summary variances and risks in respect of HRA income, expenditure, and revenue contribution to SHIF are as follows:

4.3.1.1 The service is forecasting a contribution to the SHIF reserve of £1.784m compared to a target to contribute £2.168m to the SHIF, this is an improvement of £4.152m from the position reported at month three.

4.3.1.2 **Income** – The income budget is £116.331m and the forecast at month five is a shortfall of £0.746m. The shortfall relates to starting the year with lower than budgeted lettable properties, due to delays in void properties and new build properties coming into use by 1st April 2024, and delays in void properties coming into use during the year. As at the end of September there were 1,001 void properties and the forecast assumes numbers will reduce to 650 by March 2025.

4.3.1.3 **Expenditure** – The expenditure budget is £114.163m and at month five the forecast is for an underspend of £0.361m.

4.3.1.4 There is a projected overspend in repairs and maintenance of £3.842m compared to the approved budget, due primarily to the increased activity to bring void properties into use. However, the Scottish Government has provided additional funding of £14.882m to be targeted at increasing the supply of settled accommodation for homeless households. The month five forecast assumes that £4m of this allocation will be assigned to 2024/25 expenditure bringing void properties into use. Having applied this £4m the revised forecast for repairs and maintenance is an underspend of £0.158m.

4.3.1.5 There is a forecast pressure on debt serving costs of £0.466m which relates to a change in external funding assumptions. Income that had been expected in 2024/25 will now be received in 2025/26 resulting in additional borrowing costs for this financial year.

4.3.1.6 There is a projected net underspend on Housing Management of £0.669m which relates primarily to savings from staffing and internal recharges and additional costs for utilities and furniture.

4.3.1.7 The budgeted contribution to the SHIF is £2.168m. The impact of the above forecast net pressures will result in this contribution being reduced to £1.784m, a shortfall of £0.384m.

4.3.1.8 The SHIF reserve at the end of 2023/24 was £26.353m and a forecast contribution of £1.784m would result in a year-end balance of £28.137m to be carried forward to 2025/26.

4.3.1.9 Risks, including progress on reducing void properties to the March 2025 target of 650, inflationary pressures and the outcome of pay awards on the HRA, will be closely monitored and reported as required.

4.4 **2025/26 Homelessness forecast position**

4.4.1 The 2024/25 forecast assumes there will be 5,305 households in temporary accommodation at March 2025, including 528 that relate to the impact of emerging pressures related to UK and Scottish Government legislation and policy. Based on the increases seen in 2024/25, the 2025/26 planning assumes further increases of 30 households a month. This would be a net cost of £17.7m, of which we have assumed £3m of Ukrainian General Tariff funding can be applied resulting in a revised net cost of £14.7m.

4.4.2 The 2025/26 position may also be impacted by progress in reducing the number of households from other client groups. At August 2024 there were 4,879 households from other client groups and the forecast is based on this number reducing to 4,777 by March 2025 due to the actions of the HEAP. The 2025/26 position will be impacted by the actual progress in reducing this number and the ability to maintain this lower number of households during 2025/26. The current financial planning assumptions assume this number will increase to 5,137 by March 2026 at an estimated net cost of £6m.

4.4.3 The estimated net impact in 2025/26 of emerging pressures related to UK and Scottish Government legislation and policy and potential growth from other client groups is estimated at £20.7m.

4.4.4 Across the Council, a number of key areas of focus have been identified with a view to mitigating the level of financial pressure in the current and future years. Following approval of relevant investment in the Council's 2024/25 revenue budget, a Best Value programme has been initiated to co-ordinate and accelerate relevant on-going work being performed across the Council. Starting with Homelessness Services and Repairs and Maintenance, this work is considering sourcing, strategic alignment and operational processes and controls, as well as how the service addresses its statutory duties.

4.5 **Council Overall position**

4.5.1 The net impact of projected pressures in Directorates and corporate savings results in an overall projected overspend of £12.796m at month five, an improvement of £13.845m from the position reported at month three. A significant element of the favourable net movement is attributable to a range of one-off measures in service or corporate budgets, thus the underlying need to reduce frontline service expenditure remains. Urgent action requires to be taken to reduce frontline service expenditure if the Council's financial stability is not to be compromised.

4.5.2 Given this position, in addition to specific adult social care related actions implemented by the Chief Officer of the EIJB, the Corporate Leadership

Team has instructed a series of measures to mitigate these pressures, including:

- i. Development of prioritised action plans in overspending areas. These budget recovery plans will be scrutinised through a new Budget Accountability Board;
- ii. Exploring opportunities to accelerate future years' savings and/or income plans;
- iii. Freezing earmarked departmental reserves, with release subject to explicit Section 95 Officer authorisation;
- iv. Where underspends emerge or opportunities to reprioritise are identified, using these to support the wider financial pressures rather than reprioritised for new work; and
- v. scrutinising the need for all expenditure, in consultation with relevant elected members where appropriate. Enhanced recruitment controls will also be considered.

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 2024/25.

6. Financial impact

- 6.1 As at month five, an overall Council-wide overspend of £12.796m is forecast, including a projected overspend of £9.70m for Homelessness and Family and Household Support and an underspend of £0.33m for Business Growth and Inclusion (Appendix 1). Failure to break even in 2024/25 reduces the options to address future years' budget gaps and means that existing expenditure is exceeding in-year resources.
- 6.2 As at month five the HRA is forecasting a contribution of £1.784m to the SHIF reserve, a negative variance of £0.384m against the targeted contribution of £2.168m. (Appendix 2)
- 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 31 August 2024, 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 2024/25.
- 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 [HRA Budget Strategy 2025/26](#)
- 10.2 [General Fund Month Three Forecast](#)
- 10.3 [Revenue Monitoring 2024-25 - month five report](#)

11. Appendices

Appendix 1 – General Fund Services – month five forecast

Appendix 2 – Housing Revenue Account (HRA) – month five forecast

Appendix 1

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

Month Five Forecast 2024/25

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

Service	Revised Budget	Forecast Outturn M5	Forecast Variance M5	Forecast Variance - Change from M3	Adverse/Favourable Forecast Variance
	£000	£000	£000	£000	
Homelessness	66.53	76.42	9.89	2.35	Adv
Family and Household Support, Shared Repairs, Mixed Tenure Improvement Service, Housing Services	0.45	0.26	-0.19	-0.15	Fav
Business Growth and Inclusion	6.63	6.30	-0.33	-0.33	Fav
General Fund Services Total	73.61	82.97	9.37	1.87	

Appendix 2

Housing Revenue Account (HRA)

Month Five forecast 2024/25

	Approved Budget	Forecast Outturn M5	Forecast Variance M5	Forecast Variance - Change from M3	Adverse / Favourable
	£000	£000	£000	£000	
Income	-116.331	-115.586	0.745	0.317	Adv
Expenditure					
Housing Management	41.445	40.776	-0.669	-0.469	Fav
Repairs and Maintenance	25.242	25.084	-0.158	-4.000	Fav
Environmental Maintenance	2.887	2.887	0.000	0.000	
Debt Service	44.589	45.055	0.466	0.000	Adv
Sub-Total	114.163	113.802	-0.361	-4.469	Fav
Strategic Housing Investment Fund (SHIF)	2.168	1.784	-0.384	4.152	Adv
	116.331	115.586	-0.745	-0.317	Fav
Net Expenditure	0.000	0.000	0.000	0.000	