

North Lanarkshire Council Report

Communities and Housing Committee

approval noting

Ref AN/GT

Date 13/02/2019

HRA Revenue Monitoring Report – 1 April 2018 to 4 January 2019

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Executive Summary

This report provides a summary of the Housing Revenue Account financial performance for the period 1 April 2018 to 4 January 2019 (Period 10). The report illustrates the projected outturn as at 31 March 2019, with major outturn variances highlighted and explained in accordance with the Council's approved Financial Regulations.

The Council approved its Housing Revenue Account Budget of £133m on the 14 December 2017.

The Service currently anticipates a surplus of £0.977m due to savings within loan charges, void rent loss, employee costs, coupled with projected over-recoveries of mainstream and temporary accommodation rental income and interest on revenue balances, partially offset by increased furniture replacement costs within temporary accommodation. This shows a favourable movement of £0.502m from the position reported at Period 6.

It is anticipated that £1.212m of savings (100%) will be delivered by the financial year-end.

Recommendations

It is recommended that Committee:

1. Notes the financial position of the 2018/19 HRA revenue budget.

Supporting Documents

Council business plan to 2020 Improve the Council's resource base.

Appendix 1 HRA Summary

Appendix 2 Earmarked Reserves / Balance Sheet Provision

1. Background

- 1.1. The Financial Regulations require Executive Directors to remain within their approved budgetary provision, and to report all significant deviations – defined as the higher of £100,000 or 5% - within their budget monitoring reports. Where significant deviations are identified, Executive Directors must provide explanatory commentary, outline the action required to rectify such a deviation and, where relevant, must also highlight the impact this has on other budget headings.
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2. Report

2.1. Summary of Financial Position

- 2.1.1. The Council approved its Housing Revenue Account Budget of £133m on the 14 December 2017.
- 2.1.2. The Service currently anticipates a surplus of £0.977m due to savings within loan charges, void rent loss, employee costs and projected over-recoveries of mainstream and temporary accommodation rental income and interest on revenue balances, partially offset by increased homeless furniture replacement costs. This shows a favourable movement of £0.502m from the position reported at Period 6.
- 2.1.3. The 2018/19 budget incorporates £1.212m of savings previously approved by the Council on 23 February 2018. It is presently anticipated that £1.212m of savings (100%) will be delivered by the financial year-end.

2.2. Analysis of Significant Variations

- 2.2.1. Employee costs are projected to be underspent by £0.125m due to additional turnover savings achieved within the Service.
- 2.2.2. An underspend of £0.298m is projected within property costs due to savings within void rent loss as the Service continues to minimise time taken to re-let empty properties.
- 2.2.3. Supplies and services costs are projected to be overspent by £150k due to increased furniture replacement costs within temporary accommodation, which are fully offset by increased rental income and reduced void rent loss costs.
- 2.2.4. Payments to other bodies account for £0.205m of the Service's annual budget and are projected to outturn with a minor variance of £0.008m as a result of lower than anticipated bank transaction charges.
- 2.2.5. Within Administration costs, an overspend of £0.024m is anticipated. This is attributable to increased sheriff officer debt collection costs, partially offset by reduced departmental recharges (£0.006m).
- 2.2.6. More efficient treasury management activity and lower than expected borrowing levels have resulted in a projected underspend of £0.450m within Capital Financing Costs.

2.2.7. With the maintenance of reserves as highlighted in Appendix 2, it is anticipated that the Service will accrue additional interest income of £0.090m. This is largely attributable to the strategy to build reserves to mitigate against benefit changes.

2.2.8. In addition, the service anticipates an over-recovery of rental income £0.220m, of which, it is currently anticipated that temporary accommodation rental income will be over-recovered by £0.100m. This over-recovery (net of any additional expenditure) will be earmarked in line with the strategy to build reserves to mitigate any future shortfalls resulting from Benefit changes.

2.2.9. Within Income, there is a projected under-recovery of £0.019m within Fees and Charges as a result of combination of minor variances.

2.3. Earmarked and One-off Resources

2.3.1. An update on the current earmarked reserves, approved by Committee on the 5 September 2018, is detailed in Appendix 2.

2.4. 2018/19 Budget Savings

2.4.1. The Service uses a variety of information, records and processes to monitor achievement of its approved budget savings of £1.212m. As at Period 10, it anticipates 100% of its approved savings will be delivered by the financial year-end.

3. Equality and Diversity

3.1 Fairer Scotland

There are no specific impacts on Fairer Scotland.

3.2 Equality Impact Assessment

There are no specific Equality Impact Assessments to note.

4. Implications

4.1 Financial Impact

The financial impact is contained within the body of the report.

4.2 HR/Policy/Legislative Impact

There are no HR/Policy/Legislative impacts linked to this report.

4.3 Environmental Impact

There are no Environmental impacts linked to this report.

4.4 Risk Impact

4.4.1 All activities undertaken by the council are subject to risk, and in acknowledging the Council's approved Risk Management Strategy (September 2012), Services manage these as part of their overall corporate and service planning process. The current economic climate, in particular, has the potential to impact upon the Council's ability to provide quality services within approved budget levels.

4.4.2 Reflecting the risk analysis matrix included within the Risk Management Strategy, the Service considers further delays or amendments to savings proposals could present an ongoing risk to the financial outturn for 2018/19.

4.4.3 To minimise risk, this report has been prepared by service-based Financial Solutions personnel in consultation with budget managers, in accordance with the Financial Regulations.

4.4.4 The Government's proposals for welfare reform include a number of changes to the housing benefit system which present significant financial risks to the HRA, including increasing rent arrears and cash collection costs, combined with lower levels of rental income. This will continue to be closely monitored during 2018/19.

5. Measures of success

5.1 The Service continues to operate within approved budget resources.



Robert Steenson
Executive Director (Enterprise and Communities)

FINANCIAL MONITORING REPORT
01 APRIL 2018 to 04 JANUARY 2019 (Period 10)
COMMITTEE: COMMUNITIES AND HOUSING

DIVISION : HRA SUMMARY
Cost Centre: HRA [NL5]

CATEGORY (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	ANNUAL BUDGET (5)	PROJECTED OUTTURN (6)	PROJECTED OUTTURN VARIANCE (7)	% (8)	PERIOD MOVEMENT (9)	ANALYSIS (10)
EMPLOYEE COSTS	£ 13,120,448	£ 12,883,634	£ 236,814 FAV	18,310,400	18,185,400	125,000 FAV	0.7%	0	Turnover savings
PROPERTY COSTS	37,818,794	37,840,279	(21,485) ADV	54,134,370	53,857,370	277,000 FAV	0.5%	227,000	Underspend associated with improvements in the rate of turnover of void properties.
SUPPLIES & SERVICES	1,001,034	1,009,373	(8,339) ADV	1,233,630	1,383,630	(150,000) ADV	(12.2)%	(150,000)	Homeless furniture and fittings replenishment costs
TRANSPORT & PLANT	194,759	201,257	(6,498) ADV	337,720	337,720	0 -	0.0%	0	Balanced budget
ADMINISTRATION COSTS	883,866	941,969	(58,103) ADV	5,042,740	5,066,740	(24,000) ADV	(0.5)%	(24,000)	Sheriff Officer debt collection costs
PAYMENTS TO OTHER BODIES	81,511	81,511	0 -	205,120	197,120	8,000 FAV	3.9%	8,000	Giro bank transactions
APPORTIONED EXPENSES	315,088	315,088	0 -	4,851,450	4,851,450	0 -	0.0%	0	Balanced budget
CAPITAL FINANCING COSTS	0	0	0 -	17,441,640	16,991,640	450,000 FAV	2.6%	150,000	Reduced average loans funds interest rates.
C.F.C.R.	0	0	0 -	29,206,260	29,206,260	0 -	0.0%	0	Balanced budget
OTHER EXPENDITURE	0	0	0 -	2,292,000	2,292,000	0 -	0.0%	0	Balanced budget
TOTAL EXPENDITURE	53,415,500	53,273,111	142,389 FAV	133,055,330	132,369,330	686,000 FAV	0.5%	211,000	
OTHER GRANTS	3,850	0	(3,850) ADV	5,000	5,000	0 -	0.0%	0	Balanced budget
FEES AND CHARGES	329,187	326,979	(2,208) ADV	877,550	858,550	(19,000) ADV	2.2%	(19,000)	Minor under-recoveries of income
RENTS	91,955,502	91,955,502	0 -	131,959,330	132,179,330	220,000 FAV	0.2%	220,000	Over-recoveries of mainstream and temporary accommodation rental income
INTEREST	0	0	0 -	80,000	170,000	90,000 FAV	112.5%	90,000	Over-recovery of interest accruing on HRA reserves
DEPARTMENTAL CHARGES	0	0	0 -	133,450	133,450	0 -	0.0%	0	Balanced budget
SURPLUS	0	0	0 -	0	0	0 -	0.0%	0	Balanced budget
INCOME	92,288,539	92,282,481	(6,058) ADV	133,055,330	133,346,330	291,000 FAV	0.2%	291,000	
NET EXPENDITURE	(38,873,039)	(39,009,370)	136,331 FAV	0	977,000	977,000 FAV		502,000	

FAV = Favourable variation, underspend etc
 ADV = Adverse variation, overspend, income under-recovery etc

North Lanarkshire Council
Housing Revenue Account - Earmarked Reserves
01 April 2018 to 4 January 2019 (Period 10)

DESCRIPTION OF EARMARKED RESERVES (1)	VALUE OF EARMARKED RESERVE (2)	PROJECTED OUTTURN		CARRY FORWARD (5)	ANALYSIS (6)
		VALUE (3)	% (4)		
	£	£		£	
Welfare Reform - Sustainability Reserve	238,834	0	100.0%	238,834	No spend to date
Welfare Reform staffing	275,000	275,000	0.0%	0	Full spend anticipated in 2018/19
Bad Debt Provision	250,000	0	100.0%	250,000	No spend to date
Temporary Accommodation Reserve	5,940,000	0	100.0%	5,940,000	No spend to date
IT Developments	355,932	238,000	33.1%	117,932	Two year programme of IT Developments with carry forward to 2019/20 required to complete work.
Empty Homes Purchase Scheme	130,000	130,000	0.0%	0	Full spend anticipated in 2018/19
Anti-social Behaviour	179,000	179,000	0.0%	0	Full spend anticipated in 2018/19
Set aside - Risks and Uncertainty	3,282,750	0	100.0%	3,282,750	No call to in 2018/19.
SUB TOTAL	10,651,516	822,000	92.3%	9,829,516	
Core Reserve	1,200,000	0	100.0%	1,200,000	No call anticipated in 2018/19
TOTAL	11,851,516	822,000	93.1%	11,029,516	