

North Lanarkshire Council Report

Communities and Housing Committee

approval noting

Ref AN/GT

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HRA Revenue Monitoring Report – 1 April 2018 to 31 March 2019 – Provisional Outturn

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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 31 March 2019 (Period 13), 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 provisional outturn for the Service is an overall surplus of £2.323m. This is largely attributable to savings within loan charges, void rent loss, employee costs, coupled with 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 £1.346m from the Period 10 position reported to the previous Committee.

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

Recommendations

It is recommended that Communities and Housing 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 £2.323m at the financial year end, which is equivalent to 1.74% of HRA gross expenditure. The outturn position is primarily attributable to reduced borrowing costs to support capital investment, lower than budgeted costs associated with void rentals and additional rental income.
- 2.1.3 This represents a favourable movement of £1.346m from the previously reported position with the movement largely attributable to the profile of capital investment associated with the Ambition programme and lower than anticipated requirement to provide for doubtful debts.
- 2.1.4 The 2018/19 budget incorporates £1.212m of savings previously approved by the Council on 14 December 2017. The Service has delivered £1.212m of savings (100%) during the financial year.

2.2. Analysis of Significant Variations

- 2.2.1 The provisional outturn within employee costs reflects an underspend of £0.148m due to additional turnover savings achieved within the Service.
- 2.2.2 An underspend of £0.431m within property costs is attributable to savings within void rent loss as the Service continues to minimise time taken to re-let empty properties (£0.405m) and lower than budgeted energy costs (£0.087m) partially offset by an overspend within housing repairs (£0.129m).
- 2.2.3 Supplies and services overspent by £0.254m due to increased furniture replacement costs within temporary accommodation (£0.268m), which are fully offset by increased rental income and reduced void rent loss costs. This overspend is partially offset by combination of other minor underspends.
- 2.2.4 Transport and Plant costs are overspent by £0.021m due to excess travel and fuel costs.
- 2.2.5 Within Administration costs, the outturn position reflects an underspend of £0.131m. This is attributable to lower than budgeted provision required for doubtful debt (£0.281m) and legal fees (£0.065m), partially offset by increased departmental recharges (£0.100m), mailing costs (£0.060m) and Sheriff Officer debt collection costs (£0.025m).

- 2.2.6 Payments to other bodies account for £0.205m of the Service's annual budget and the provisional outturn shows a minor variance of £0.024m as a result of lower than anticipated bank transaction charges.
- 2.2.7 More efficient treasury management activity and lower than expected borrowing levels have resulted in an underspend of £0.616m within Capital Financing Costs.
- 2.2.8 The first year ambition costs within revenue will be in the region of £1.504m, with the remaining balance of £0.778m earmarked to support Ambition related activity in future years. The variance is largely attributable to the profile of future investment and a non-recurring underspend associated with the recruitment of staff to support the Ambition programme.
- 2.2.9 Due to the utilisation of carry forwards from 2017/18, no CFCR contribution is required towards the funding of Mortgage to Rent properties this year. Consequently an underspend of £0.150m is reported.
- 2.2.10 Within Income, the provisional outturn reflects an over-recovery of rental income £0.265m, of which it is currently anticipated that temporary accommodation rental income will be over-recovered by £0.193m. 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.
- 2.2.11 With the maintenance of reserves as highlighted in Appendix 2, it is anticipated that the Service will accrue additional interest income of £0.104m. This is linked to the strategy to build reserves to mitigate against benefit changes.

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. The Service will successfully delivery 100% of its approved savings within the current financial year.

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 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.

4.4.3 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)

CATEGORY (1)	BUDGET TO DATE (2)	ACTUAL TO DATE (3)	YEAR TO DATE VARIANCE (4)	PERIOD MOVEMENT (9)	ANALYSIS (10)
EMPLOYEE COSTS	£ 18,773,693	£ 18,625,486	£ 148,207 FAV	23,207	Turnover savings
PROPERTY COSTS	54,691,194	54,260,574	430,620 FAV	153,620	Underspends associated with improvements in the rate of turnover of void properties and energy costs, partially offset by housing repair costs
SUPPLIES & SERVICES	1,404,235	1,658,355	(254,120) ADV	(104,120)	Additional costs associated with homeless furniture and fittings replenishment costs
TRANSPORT & PLANT	344,665	365,772	(21,107) ADV	(21,107)	Excess travel and fuel cost overspends
ADMINISTRATION COSTS	5,352,446	5,221,507	130,939 FAV	154,939	Lower than budgeted provision for doubtful debt and reduced legal fees, partially offset by increased postage costs, tenant related ASB costs and agency staff fees.
PAYMENTS TO OTHER BODIES	206,285	182,759	23,526 FAV	15,526	Lower than anticipated bank charges
APPORTIONED EXPENSES	4,851,450	4,851,450	0 -	0	Balanced budget
CAPITAL FINANCING COSTS	17,441,640	16,825,262	616,378 FAV	166,378	Reduced average loans funds interest rates resulting in lower borrowing costs
C.F.C.R.	29,336,260	29,186,260	150,000 FAV	150,000	No requirement to contribute to the cost of Mortgage to Rent Scheme
OTHER COSTS	788,229	0	788,229 FAV	788,229	Underspend associated with the profile of additional investment associated with the Ambition programme
TOTAL EXPENDITURE	133,190,097	131,177,425	2,012,672 FAV	1,326,672	
OTHER GRANTS	5,000	0	(5,000) ADV	(5,000)	Minor under-recovery
FEES AND CHARGES	877,550	824,008	(53,542) ADV	(34,542)	Combination of minor under-recoveries of income
RENTS	131,498,286	131,763,620	265,334 FAV	45,334	Over-recoveries of mainstream and temporary accommodation rental income
INTEREST	80,000	183,359	103,359 FAV	13,359	Over-recovery of interest accruing on HRA reserves
DEPARTMENTAL CHARGES	0	0	0 -	0	Balanced budget
SURPLUS	729,261	729,261	0 -	0	Balanced budget
INCOME	133,190,097	133,500,248	310,151 FAV	19,151	
NET EXPENDITURE	0	(2,322,823)	2,322,823 FAV	1,345,823	

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 31 March 2019 (Provisional Outturn)

DESCRIPTION OF EARMARKED RESERVES	VALUE OF EARMARKED RESERVE	PROJECTED OUTTURN		CARRY FORWARD	ANALYSIS
		VALUE	%		
(1)	(2)	(3)	(4)	(5)	(6)
	£	£		£	
Welfare Reform - Sustainability Reserve	238,834	0	100.0%	238,834	No spend to date
Welfare Reform staffing	275,000	264,156	0.0%	0	Full spend 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	156,105	56.1%	199,827	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 in 2018/19
Anti-social Behaviour	179,000	179,000	0.0%	0	Full spend in 2018/19
Set aside - Risks and Uncertainty	3,282,750	0	100.0%	3,282,750	No call to date
SUB TOTAL	10,651,516	729,261	93.1%	9,911,411	
Core Reserve	1,200,000	0	100.0%	1,200,000	No call in 2018/19
TOTAL	11,851,516	729,261	93.8%	11,111,411	